

LG Energy Solution, Ltd. and its subsidiaries

Consolidated financial statements
for the year ended December 31, 2021
with the independent auditor's report

LG Energy Solution, Ltd.
Separate financial statements

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of LG Energy Solution, Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021 and the consolidated statement of income (loss) and consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis matter

Without qualifying our opinion, we draw attention to Note 36 to the consolidated financial statements. As described in Note 36 to the 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 On Co., Ltd., which has spined-off from SK Innovation Co., Ltd., on May 15, 2021.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2020, were audited by Samil PricewaterhouseCoopers, whose report dated on March 11, 2021 expressed an unqualified opinion.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



March 7, 2022

This audit report is effective as of March 7, 2022 the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

LG Energy Solution, Ltd. and its subsidiaries

Consolidated financial statements
for the year ended December 31, 2021
and one-month period ended December 31, 2020

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

Young Soo Kwon
Chief Executive Officer
LG Energy Solution, Ltd.

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2021 and December 31, 2020

(Korean won in millions)

	Notes		December 31, 2021	December 31, 2020
Assets				
Current assets				
Cash and cash equivalents	3,5,6	₩	1,282,880 ₩	1,493,145
Trade receivables	3,5,7,30		2,914,458	2,931,150
Other receivables	3,5,7,30		814,843	819,075
Other current financial assets	3,5,8		21,499	23,821
Prepaid income taxes	-		149,413	14,944
Other current assets	13		456,931	401,600
Inventories	9		3,895,803	3,043,138
Assets held for sale	33		-	358,833
			<u>9,535,827</u>	<u>9,085,706</u>
Non-current assets				
Trade receivables	3,5,7	₩	67,055 ₩	26,291
Other receivables	3,5,7,30		92,271	81,585
Other non-current financial assets	3,5,8		193,820	-
Investments in associates and joint ventures	10,30,32		225,567	48,350
Deferred tax assets	27		1,855,198	1,356,096
Property, plant and equipment	11,18,32		11,050,777	8,683,614
Intangible assets	12,32		455,360	325,786
Investment properties	32,35		224,325	255,086
Other non-current assets	13		63,937	79,281
			<u>14,228,310</u>	<u>10,856,089</u>
			<u>₩ 23,764,137 ₩</u>	<u>19,941,795</u>
Liabilities				
Current liabilities				
Trade payables	3,5,30	₩	2,177,736 ₩	2,592,309
Other payables	3,5,30		2,799,603	1,768,709
Borrowings	3,5,11,14,31		2,203,376	1,123,038
Current provisions	15		1,527,476	997,209
Income tax payables	-		155,467	73,762
Other current liabilities	17,34		610,359	334,058
Liabilities held for sale	33		-	142
			<u>9,474,017</u>	<u>6,889,227</u>
Non-current liabilities				
Other payables	3,5,30	₩	10,672 ₩	5,849
Borrowings	3,5,11,14,31		4,765,817	5,036,286
Other non-current financial liabilities	3,5,8		126	41,768
Provisions	15		580,539	242,635
Net defined benefit liabilities	16		202	42,786
Deferred tax liabilities	27		59,168	27,463
Other non-current liabilities	17,34		131,223	90,376
			<u>5,547,747</u>	<u>5,487,163</u>
			<u>₩ 15,021,764 ₩</u>	<u>12,376,390</u>

(Continued)

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2021 and December 31, 2020 (cont'd)

	<u>Notes</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity attributable to owners of the Parent Company			
Share capital	19	₩ 100,000 ₩	100,000
Capital surplus	19	7,122,437	7,231,468
Accumulated other comprehensive income	-	406,092	1,205
Retained earnings(accumulated deficit)	20	<u>337,587</u>	<u>(453,058)</u>
		7,966,116	6,879,615
Non-controlling interest	1	<u>₩ 776,257 ₩</u>	<u>685,790</u>
Total equity		<u>₩ 8,742,373 ₩</u>	<u>7,565,405</u>
Total liabilities and equity		<u>₩ 23,764,137 ₩</u>	<u>19,941,795</u>

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

LG Energy Solution, Ltd. and its subsidiaries

Consolidated statements of income (loss)

for the year ended December 31, 2021 and one-month period ended December 31, 2020

(Korean won in millions)

	Notes	For the year ended December 31, 2021	For one-month period ended December 31,2020
Revenue	30,32,34,36	₩ 17,851,906	₩ 1,461,068
Cost of sales	22,23,30	<u>(13,953,123)</u>	<u>(1,237,020)</u>
Gross profit		3,898,783	224,048
Selling and administrative expenses	21,22,23,30	<u>(3,130,313)</u>	<u>(699,254)</u>
Operating profit(loss)		768,470	(475,206)
Finance income	5,24	339,996	28,840
Finance costs	5,24,30	(295,258)	(138,843)
Share of profit (loss) of associates and joint ventures	10	(11,556)	1,206
Other non-operating income	25	465,006	52,215
Other non-operating expenses	26	<u>(489,474)</u>	<u>(73,066)</u>
Profit (loss) before income tax		777,184	(604,854)
Income tax expenses (benefit)	27	<u>76,523</u>	<u>(147,345)</u>
Profit (loss) from continuing operations		700,661	(457,509)
Profit from discontinued operations	33	<u>229,207</u>	<u>5,738</u>
Profit (loss) for the period		<u>₩ 929,868</u>	<u>₩ (451,771)</u>
Profit (loss) for the period attributable to:			
Owners of the Parent Company			
Profit (loss) from continuing operations		₩ 607,343	₩ (460,147)
Profit from discontinued operations		<u>185,176</u>	<u>4,632</u>
		792,519	(455,515)
Non-controlling interests	1		
Profit from continuing operations		93,318	2,638
Profit from discontinued operations		<u>44,031</u>	<u>1,106</u>
		137,349	3,744
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)	28		
Basic and diluted earnings (losses) per share		₩ 3,963	₩ (2,278)
Basic and diluted earnings (losses) per share from continuing operations		3,036	(2,301)

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

LG Energy Solution, Ltd. and its subsidiaries

Consolidated statements of comprehensive income (loss)

for the year ended December 31, 2021 and one-month period ended December 31, 2020

(Korean won in millions)

	Notes	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Profit (loss) for the period		₩ 929,868	₩ (451,771)
Other comprehensive income(loss):			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	(2,578)	3,389
Gain (loss) on valuation of financial assets at FVOCI	5	5,104	-
Income tax effect of other comprehensive income(loss)		(701)	(932)
		<u>1,825</u>	<u>2,457</u>
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		481,282	(21,737)
Loss on cash flow hedge	5	(18,082)	1,884
Share of other comprehensive income of associates and joint ventures	10	4,197	(758)
Income tax effect of other comprehensive income(loss)		<u>39,283</u>	<u>282</u>
		506,680	(20,329)
Other comprehensive income(loss) for the period, net of tax		<u>508,505</u>	<u>(17,872)</u>
Total comprehensive income(loss) for the period, net of tax		<u>₩ 1,438,373</u>	<u>₩ (469,643)</u>
Total comprehensive income (loss) for the period attributable to:			
Owners of the Parent Company		1,195,531	(467,758)
Non-controlling interest		242,842	(1,885)

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of changes in equity
for the year ended December 31, 2021 and one-month period ended December 31, 2020

(Korean won in millions)

	Attributable to the equity holders of the Parent Company							
	Notes	Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings (accumulated deficit)	Sub-total	Non-controlling interests	Total
As of December 1, 2020		₩ 100,000	₩ 7,241,329	₩ 15,905	₩ -	₩ 7,357,234	₩ 687,675	₩ 8,044,909
Total comprehensive income for the period:								
Loss for the period		-	-	-	(455,515)	(455,515)	3,744	(451,771)
Remeasurements of net defined benefit liabilities	16	-	-	-	2,457	2,457	-	2,457
Exchange differences on translation of foreign operations		-	-	(15,307)	-	(15,307)	(5,629)	(20,936)
Cash flow hedge		-	-	1,365	-	1,365	-	1,365
Others		-	-	(758)	-	(758)	-	(758)
Total comprehensive income for the period		-	-	(14,700)	(453,058)	(467,758)	(1,885)	(469,643)
Transactions with owners of the Parent Company:								
Business combination under common control		-	(9,381)	-	-	(9,381)	-	(9,381)
Others		-	(480)	-	-	(480)	-	(480)
Total transactions with owners of the Parent Company, recognized directly in equity		-	(9,861)	-	-	(9,861)	-	(9,861)
As of December 31, 2020		₩ 100,000	₩ 7,231,468	₩ 1,205	₩ (453,058)	₩ 6,879,615	₩ 685,790	₩ 7,565,405
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		-	-	-	792,519	792,519	137,349	929,868
Remeasurements of net defined benefit liabilities	16	-	-	-	(1,874)	(1,874)	-	(1,874)
Exchange differences on translation of foreign operations		-	-	408,608	-	408,608	105,500	514,108
Gain on valuation of financial assets at FVOCI	5	-	-	3,700	-	3,700	-	3,700
Cash flow hedge	5	-	-	(11,618)	-	(11,618)	(7)	(11,625)
Equity adjustments in equity method	10	-	-	4,197	-	4,197	-	4,197
Total comprehensive income for the period		-	-	404,887	790,645	1,195,532	242,842	1,438,374
Transactions with owners of the Parent Company:								
Others		-	(109,031)	-	-	(109,031)	(152,375)	(261,406)
Total transactions with owners of the Parent Company, recognized directly in equity		-	(109,031)	-	-	(109,031)	(152,375)	(261,406)
As of December 31, 2021		₩ 100,000	₩ 7,122,437	₩ 406,092	₩ 337,587	₩ 7,966,116	₩ 776,257	₩ 8,742,373

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

LG Energy Solution, Ltd. and its subsidiaries

Consolidated statements of cash flows

for the year ended December 31, 2021 and one-month period ended December 31, 2020

(Korean won in millions)

	Notes	For the year ended December 31, 2021	For one-month period ended December 31,2020
Cash flows from operating activities:			
Cash generated from operations	31	₩ 1,575,868	₩ 398,426
Interest received		19,616	2,681
Interest paid		(71,210)	(5,652)
Income tax paid		(545,689)	(95)
Net cash flows provided by operating activities		<u>978,585</u>	<u>395,360</u>
Cash flows from investing activities:			
Cash inflow from investing activities			
Decrease in other receivables		614,400	-
Decrease in other non-current receivables		86,206	1,904
Proceeds from disposal of investments in associates and joint ventures		28,377	-
Proceeds from disposal of property, plant and equipment		59,100	4,145
Proceeds from disposal of intangible assets		1	-
Government grants received		348,545	7,614
Cash inflows from transfer of business		622,564	-
		<u>1,759,193</u>	<u>13,663</u>
Cash outflow from investing activities			
Increase in other receivables		(11,755)	(603,266)
Increase in other non-current receivables		(83,165)	(1,379)
Acquisition of investments in associates and joint ventures		(209,132)	-
Acquisition of financial instruments		(116,285)	-
Acquisition of property, plant and equipment		(3,462,890)	(260,313)
Acquisition of intangible assets		(53,517)	(4,128)
Business combination		(570)	(29,389)
		<u>(3,937,314)</u>	<u>(898,475)</u>
Net cash flows used in investing activities		<u>(2,178,121)</u>	<u>(884,812)</u>
Cash flows from financing activities:			
Cash inflow from financing activities			
Proceeds from borrowings		1,640,170	32,922
Paid in capital by non-controlling interests		589,061	-
		<u>2,229,231</u>	<u>32,922</u>
Cash outflow from financing activities			
Repayments of borrowings and others		(1,083,877)	(235,429)
Stock issuance cost		-	(480)
Subsidiary's acquisition of treasury stock		(197,603)	-
Reduction of capital		(64,916)	-
		<u>(1,346,396)</u>	<u>(235,909)</u>
Net cash flows provided by financing activities		<u>882,835</u>	<u>(202,987)</u>
Net decrease in cash and cash equivalents		(316,701)	(692,439)
Cash and cash equivalents at the beginning of the period		1,493,145	2,200,000
Effects of exchange rate changes on cash and cash equivalents		106,436	(14,416)
Cash and cash equivalents at the end of the period		<u>₩ 1,282,880</u>	<u>₩ 1,493,145</u>

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

1. General

General information about LG Energy Solution, Ltd. (the “Parent Company”) and its 11 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 December 31, 2021, the Parent Company has its manufacturing facilities in Ochang.

As of December 31, 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, and 200 million shares of ordinary shares are issued.

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 consolidated financial statements
December 31, 2021 and 2020

1. General (cont'd)

1.3 Consolidated Subsidiaries, investment in Associates and Joint Ventures

	December 31, 2021			
	Ownership (%)	Location	Closing month	Business
Subsidiaries:				
LG Energy Solution (Nanjing) Co., Ltd.	100	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.	100	China	Dec	Automotive battery manufacturing and sales
LG Energy Solution Wroclaw 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(*2)	50	USA	Dec	Automotive battery manufacturing and sales
LG Energy Solution Europe GmbH	100	Germany	Dec	Battery sales
LG Energy Solution (Taiwan) Ltd.(*3)	100	Taiwan	Dec	Battery sales
Areum noori Co., Ltd. (*4)	100	Korea	Dec	Facility management and cleaning
LG Energy Solution Fund I LLC(*5)	100	USA	Dec	Investment in venture
Associates and Joint Ventures:				
VINFAST LITHIUM BATTERY PACK LLC.	35	Vietnam	Dec	Battery manufacturing and sales
Jiangxi VL Battery Co.,Ltd	34	China	Dec	Battery manufacturing and sales
PT. HLI Greenpower(*6)(*7)	50	Indonesia	Dec	Automotive battery manufacturing and sales

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

(*2) 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.

(*3) 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.

(*4) 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.

(*5) 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 ₩22,856million.

(*6) PT.HLI Greenpower was newly established for the year ended December 31, 2021 and the Group acquired 50% shares of PT.HLI Greenpower for ₩209,132 million.

(*7) PT. HLI Greenpower was newly established for the year ended December 31, 2021 in accordance with the joint arrangement, which the Group has participated. Since the entity is structured as a separate corporation and the Group holds rights to entity's net assets, the entity is classified as a joint venture.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the consolidated financial statements
December 31, 2021 and 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):

	December 31, 2021			For the year ended December 31, 2021	
	Assets	Liability	Equity	Revenue	Net income (loss)
Subsidiary:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 4,776,953	₩ 2,307,876	₩ 2,469,077	₩ 4,404,238	₩ 565,809
LG Energy Solution Michigan Inc.	1,924,943	1,065,217	859,726	1,212,958	(48,693)
LG Energy Solution Battery (Nanjing) Co., Ltd.	1,115,896	707,952	407,944	1,318,955	94,824
LG Energy Solution Wroclaw sp. z o.o.	7,092,867	5,608,405	1,484,462	8,014,862	312,829
LG Energy Solution Austrailia Pty Ltd.	7,782	6,063	1,719	15,475	(69)
LG Energy Solution Technology (Nanjing) Co., Ltd.	2,031,679	1,000,656	1,031,023	1,330,482	129,374
Ultium Cells LLC	1,740,733	188,221	1,552,512	-	282
LG Energy Solution Europe GmbH	90,629	50,460	40,169	212,276	5,283
LG Energy Solution (Taiwan) Ltd.	3,429	1,183	2,246	4,499	249
Areum noori Co., Ltd.	2,199	1,018	1,181	5,518	681
LG Energy Solution Fund I LLC	21,438	3	21,435	-	(1,405)
Investment in associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC.	17,496	6,295	11,201	13,590	(1,570)
Jiangxi VL Battery Co., Ltd.	76,496	16,799	59,697	17,836	(10,245)
PT. HLI Greenpower	404,131	1,156	402,975	-	(18,403)

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

1. General (cont'd)

1.5 Information of subsidiaries whose non-controlling interests are important

(1) Ultium Cells LLC.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Percentage of ownership held by non-controlling interests	50.0%	50.0%
Cumulative non-controlling interests	₩ 776,257	₩ 152,271

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

	<u>For the year ended December 31, 2021</u>
Net income allocated to non-controlling interests	₩ 141
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>December 31, 2021</u>	<u>December 31, 2020</u>
Total Assets		
Current assets	₩ 472,813	₩ 87,883
Non-current assets	1,267,920	248,968
	<u>₩ 1,740,733</u>	<u>₩ 336,851</u>
Total liabilities		
Current liabilities	₩ 188,200	₩ 32,309
Non-current liabilities	21	-
	<u>₩ 188,221</u>	<u>₩ 32,309</u>
Total equity	<u>₩ 1,552,512</u>	<u>₩ 304,542</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>For the year ended December 31, 2021</u>
Revenue	₩ -
Profit for the period	282
Total comprehensive income for the period	₩ 69,848

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

	<u>For the year ended December 31, 2021</u>
Cash flows from operating activities	₩ (18,751)
Cash flows from investing activities	(803,651)
Cash flows from financing activities	1,177,783
Effects of exchange rate changes on cash and cash equivalents	28,230
Increase in cash and cash equivalents	383,611
Cash and cash equivalents at the beginning of the period	87,883
Cash and cash equivalents at the end of the period	<u>₩ 471,494</u>

1. General (cont'd)

1.6 Changes in Scope for Consolidation

New subsidiaries included in the consolidated financial statements for the year ended December 31, 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 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 Korean IFRS ("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 accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The 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 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 consolidated financial statements are disclosed in Note 4.

Additionally, the Group reclassified some of line items as of December 31, 2020 as those of classification as of December 31, 2021 in order to enhance ease of comparison. This reclassification does not affect on the amount of net assets and profit or loss for one-month period ended December 31, 2020.

2.2 Changes in Accounting Policies and Disclosures

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

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to KIFRS 1116 Covid-19 Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to KIFRS 1116 *Leases*. The amendments provide relief to lessees from applying KIFRS 1016 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2.2 Changes in Accounting Policies and Disclosures (cont'd)

(2) Standards issued but not yet effective

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

KIFRS 1117 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 *Insurance Contracts* (KIFRS 1104) that was issued in 2005. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Group.

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

The amendments to paragraphs 69 to 76 of KIFRS 1001 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

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

Reference to the Conceptual Framework – Amendments to KIFRS 1103

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

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

2.2 Changes in Accounting Policies and Disclosures (cont'd)

(2) Standards issued but not yet effective (cont'd)

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

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

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

Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to KIFRS 1001 and KIFRS Practice Statement 2

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

2.2 Changes in Accounting Policies and Disclosures (cont'd)

(2) Standards issued but not yet effective (cont'd)

Amendments to KIFRS 1012 “Income Taxes” – Narrowing the scope of the initial recognition exception of deferred income taxes

The amendments narrowed the scope of the initial recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary difference, thus to resolve accounting diversity in the recognizing of deferred tax assets and liabilities. Paragraphs 15 and 24 (initial recognition exemption of deferred income taxes) of KIFRS 1012 were amended to include an additional condition (3) where a deferred tax asset and liability shall be recognized for a temporary difference that arises on initial recognition of an asset or liability in a single transaction if that transaction give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

KIFRS 1041 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041.

The amendment is effective for annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 Consolidated Financial Statements

(1) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The Group applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Ultimate Parent Company. However, if the consolidated financial statements are not available, the Group applies the carrying amount of assets and liabilities accounted on acquiree's financial statements. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as capital surplus.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recoded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

For transactions with non-controlling interests that do not result in a loss of control, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized in equity attributable to the owners of the Parent.

When the Group loses a control in a subsidiary, any retained interest in the subsidiary is remeasured at its fair value and resulting gain or loss is recognized in profit or loss.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Consolidation (cont'd)

(2) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. In financial statements to apply the equity method, it adjusts the financial statements of the associates, if necessary, by reviewing whether the same accounting policies applied by the Group for the same transactions or events in similar circumstances.

(3) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.4 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 32). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and the Group has identified the Board of Directors as the chief operating decision-maker.

2.5 Foreign Currency Translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are recognized in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance income or costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or 'other non-operating income or expenses'.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. As such, translation differences on equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.5 Foreign Currency Translation (cont'd)

(3) Translation into the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of income are translated at monthly average exchange rates; and
- equity is translated at the historical exchange rate; and
- all resulting exchange differences are recognized in other comprehensive income.

2.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.7 Financial Assets

(1) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

Financial assets are classified on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Gains and losses on financial assets measured at fair value are recognized either in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

Subsequent changes in the fair value of investments in equity instruments that are not held for trading are recognized in other comprehensive income.

(2) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

① Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

(a) Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

2.7 Financial Assets (cont'd)

(b) Fair value through other comprehensive income:

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'financial income / costs or other non-operating income / expenses' and impairment losses are presented in 'other non-operating expenses'.

(c) Fair value through profit or loss:

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of profit or loss within 'finance income / cost -operating income / expenses' in the year in which it arises.

② Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassified of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income or finance costs' in the consolidated statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported consolidatedly from other changes in fair value.

(3) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(4) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as 'borrowings' in the consolidated statement of financial position.

2.8 Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has hedge relationships and designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and
- highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges)

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in 'other non-operating income (expenses)'.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognized in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedge item ('aligned time value') are recognized within the costs of hedging in other comprehensive income within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot element as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot element of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognized within other comprehensive income within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within 'finance cost' at the same time as the interest expense on the hedge borrowings.

2.8 Derivative Financial Instruments (cont'd)

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any accumulated cash flow hedge reserve at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cash flow hedge reserve and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

2.9 Trade Receivables

At initial recognition, trade receivables are measured at the amount of unconditional consideration, unless the trade receivables contain a significant financing component. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost method, except for goods in transit which is determined using the specific identification method.

2.11 Assets Held for sale

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.12 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	<u>Useful lives</u>
Buildings	25 - 50 years
Structures	15 - 50 years
Machinery	4 - 15 years
Others	1 - 15 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.13 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 25 ~ 50 years.

2.14 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.15 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.16 Intangible Assets

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<u>Useful lives</u>
Software	3 - 15 years
Development costs	3 - 15 years
Industrial property rights	5 - 15 years
Others	6 - 20 years

2.17 Research and Development

Costs associated with research are recognized as an expense as incurred. Costs that are identifiable, controllable and directly attributable to development projects are recognized as intangible asset when the following criteria are met:

- It is technically feasible to complete the development project so that it will be available for use;
- Management intends to complete the development project for its own use or selling;
- There is an ability to use or sell the development project;
- It can be demonstrated how the development project will generate probable future economic benefits;
- Adequate technical, financial resources and other resources to complete the development and to use or sell the development project are available; and
- The expenditure attributable to the development project during its development can be reliably measured.

Generally, internally generated development projects have the following stages; formulation and selection of a project, verification of idea and technology, development and testing, decision of commercialization, test of final application. Expenditures can be capitalized as intangible assets only after the decision of commercialization. Expenditures incurred in other stages are recognized as expenses on the research phase.

Expenditures incurred from technology license agreement with the third parties are recognized as intangible assets.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs that are recognized as intangible assets are amortized using the straight-line method over their estimated useful lives when the assets are available for use and are tested for impairment.

2.18 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.19 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Financial Liabilities

(1) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is consolidated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade payables', 'borrowings', and 'other payables' in the consolidated statement of financial position.

(2) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.21 Financial Guarantee Contracts

Financial guarantee contract is recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the consolidated statement of financial position within 'other financial liabilities'.

(1) The amount determined in accordance with the expected credit loss model under Korean IFRS 1109 Financial Instruments and

(2) The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 Revenue from Contracts with Customers

2.22 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.23 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

2.24 Greenhouse Gas Emissions Permits and Obligations

With enforcement of The Act on the Allocation and Trading of Greenhouse Gas Emission Permits, the permits that are received free of charge from the government are measured at zero while permits purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions obligations are measured as the sum of the carrying amount of the allocated permits that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The permits and emissions obligations are classified as intangible assets and provisions, respectively, in the consolidated statement of financial position.

2.25 Employee Benefits

(1) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due. A defined benefit plan is a pension plan that is not a defined contribution plan

Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan curtailments are recognized immediately in profit or loss as past service costs.

(2) Other long-term employee benefits

Certain entities within the Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the period. These liabilities are valued annually by an independent qualified actuary.

2.26 Revenue Recognition

(1) Identify performance obligation

With regard to the contract of selling products to the customer, the Group identifies the services provided consolidatedly to the customer as a different performance obligation. When the Group makes a sales contract with the customer, the standard warranty period for each product and customer is set up considering the legal warranty period. Even though the standard warranty period has been expired, the warranties are recognized as a revenue and is identified as a consolidated performance obligation when the Group provides additional warranties for the quality of product or when the customer has an option to purchase additional warranties consolidatedly.

(2) A performance obligation satisfied at a point in time

The revenue from the sale of goods is recognized at the time they are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with volume discounts, and it is the group's policy to sell its products to the customer with a right of return. Accumulated experience is used to estimate for the discounts and the refund, and the volume discounts is calculated based on the periodical forecast sales. The warranty provision for the sales and refund is reasonably estimated and recognized properly.

(3) Significant financing component

As a practical expedient, the Group need not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less.

2.27 Lease

- Lease activities and accounting policies of the Group

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

The Group leases various machinery, real estate and cars. Lease contracts are typically made for fixed periods, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payment of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments mad at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restroation costs

Payments associated with short-term leases or leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

2.27 Lease (cont'd)

(1) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a warehouse. Variable lease payments that depend on usage are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(2) Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group determines the lease term as the non-cancellable period of a lease within the period for which the contract is enforceable, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When both lessee and lessor have the right to terminate the lease without permission from the other party, the Group considers the contractual termination payments in determining the period for which the contract is enforceable.

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 and Euro. 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 December 31, 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):

	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,302,173	₩ 3,411,934	₩ 3,044,453	₩ 3,597,064
EUR	306,986	4,778,291	165,779	4,407,694
JPY	15,298	91,433	16,334	225,774
CNY and others	340,878	462	286,631	5,794

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

	December 31, 2021		December 31, 2020	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (10,976)	₩ 10,976	₩ (55,261)	₩ 55,261
EUR	(447,131)	447,131	(424,192)	424,192

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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 December 31, 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	₩ 24,687	₩ -
	KB Kookmin bank	USD 500	1,102.83	2020.11.24	2029.04.16	30,232	-
	CITI	EUR 150	4.5900(*2)	2021.05.12	2022.04.29	2,881	-
	SC	EUR 250	4.5861(*2)	2021.05.14	2022.04.29	4,703	-
	CACIB	EUR 100	4.6055(*2)	2021.08.05	2022.08.04	2,964	-
	KDB	EUR 165	4.6036(*2)	2021.08.05	2022.08.04	4,926	-
	ING	EUR 100	4.7120(*2)	2021.10.22	2022.10.21	1,420	-

(*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 as of December 31, 2021 and December 31, 2020. 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	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Increase	₩ (37,075)	₩ (35,686)	₩ (37,075)	₩ (35,686)
Decrease	37,075	35,686	37,075	35,686

3.1 Financial Risk Factors (cont'd)

4) Price risk

Some of the Group's equity securities, which are classified as non-current financial assets, are exposed to price risk. As of December 31, 2021, the listed stocks, which the Group holds, are traded on the open market and are related to the ASX (Australian Stock Exchange).

The effect of the increase or decrease of the listed stock index on the Group's capital (before the corporate tax effect is reflected) is shown in the table below. This analysis analyzes the case where the stock index increases or decreases by 10% under the assumption of that the listed stocks of the Group move in accordance with the correlation with the corresponding index if other variables are constant. (Korean won in millions)

	December 31, 2021	
	10% Increase	10% Decrease
ASX (Australian Stock Exchange) ₩	676 ₩	(676)

(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 provisions 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 provisions for receivables as of December 31, 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
December 31, 2021 (Account Receivables)			
Gross carrying amount ₩	2,794,006 ₩	187,518 ₩	2,981,524
Expected loss rate	0.00%	0.00%	0.00%
Provisions for receivables	11	-	11
December 31, 2020 (Account Receivables)			
Gross carrying amount ₩	2,521,293 ₩	436,279 ₩	2,957,572
Expected loss rate	0.0%	0.0%	0.0%
Provisions for receivables	131	-	131

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

3.1 Financial Risk Factors (cont'd)

Changes in the provisions for trade receivables for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2020	For one-month period ended December 31, 2020
Beginning	₩ 131	₩ 159
Increase (Reversal) of provisions recognized in profit or loss during the period	(120)	(28)
Ending	<u>₩ 11</u>	<u>₩ 131</u>

As of December 31, 2021, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩2,981,524 million (as of December 31, 2020: ₩2,957,572 million)

2) Other financial assets at amortized cost

Changes in provisions for other financial assets at amortized cost for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2020	For one-month period ended December 31, 2020
Beginning	₩ 54	₩ -
Increase in provisions recognized as 'other non-operating expenses' in profit or loss during the period	-	54
Ending	<u>₩ 54</u>	<u>₩ 54</u>

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

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.

3.1 Financial Risk Factors (cont'd)

(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.

1) The table below analyzes the Group groupings based on the remaining period at the reporting period to the contractual maturity date as of December 31, 2021 and December 31, 2020. Cash flows presented below are gross cash flows before discount, and includes cash flows for interests (Korean won in millions):

	December 31, 2021			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments:				
Borrowings (excluding lease liabilities)	₩ 2,184,253	₩ 1,559,772	₩ 2,724,892	₩ 721,487
Lease liabilities	23,927	18,242	40,056	-
Trade and other payables	4,977,339	7,269	3,403	-
	<u>₩ 7,185,519</u>	<u>₩ 1,585,283</u>	<u>₩ 2,768,351</u>	<u>₩ 721,487</u>
Derivative instruments:				
Gross settlement currency forwards				
Inflows	₩ (1,026,890)	₩ -	₩ (592,750)	₩ (592,750)
Outflows	1,030,088	-	567,800	551,415
	<u>3,198</u>	<u>-</u>	<u>(24,950)</u>	<u>(41,335)</u>
	<u>₩ 7,188,717</u>	<u>₩ 1,585,283</u>	<u>₩ 2,743,401</u>	<u>₩ 680,152</u>
	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
	<u>-</u>	<u>-</u>	<u>23,800</u>	<u>7,415</u>
	<u>₩ 5,570,885</u>	<u>₩ 1,134,703</u>	<u>₩ 3,035,077</u>	<u>₩ 1,172,645</u>

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3.1 Financial Risk Factors (cont'd)

2) As of December 31, 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).

	<u>Purpose of the contracts</u>	<u>Hedged items</u>	<u>Financial institution</u>	<u>Maturity</u>	<u>Fair value</u>
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, SC	~2024.12	₩ 5,785

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Merchandise (raw materials) swap (*)	₩ 5,911	₩ 126	₩ 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.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total borrowings (Note 14) (A)	₩ 6,969,193	₩ 6,159,324
Less: cash and cash equivalents (B)	(1,282,880)	(1,493,145)
Net debt (C=A+B)	5,686,313	4,666,179
Total liabilities (D)	15,021,764	12,376,390
Total equity (E)	8,742,373	7,565,405
Total capital (F=C+E)	<u>14,428,686</u>	<u>12,231,584</u>
Gearing ratio (C/F)	39.4%	38.1%
Debt-to-equity ratio (D/E)	171.8%	163.6%

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3.3 Fair Value

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

	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets(current):				
Cash and cash equivalents	₩ 1,282,880	(*1)	₩ 1,493,145	(*1)
Trade receivables	2,914,458	(*1)	2,931,150	(*1)
Other receivables (excluding deposits held by financial institutions)	813,776	(*1)	219,075	(*1)
Deposits held by financial institutions	1,067	(*1)	600,000	(*1)
Current derivative financial assets	4,605	4,605	23,821	23,821
Current derivative financial assets (currency forward)	16,894	16,894	-	-
Financial assets(non-current):				
Deposits held by financial institutions	60,911	(*1)	60,014	(*1)
Trade receivables	67,055	(*1)	26,291	(*1)
Other receivables (excluding deposits held by financial institutions)	31,360	(*1)	21,571	(*1)
Other non-current financial assets measured at fair value				
Marketable financial assets	14,063	14,063	-	-
Non-marketable financial assets	107,374	107,374	-	-
Non-current derivative financial assets	17,465	17,465	-	-
Non-current derivative financial assets (currency forward)	54,919	54,919	-	-
Financial liabilities(current):				
Trade and other payables	4,977,339	(*1)	4,361,018	(*1)
Current borrowings (excluding lease liabilities)	2,180,155	(*1)	1,109,796	(*1)
Current lease liabilities	23,222	(*2)	13,242	(*2)
Financial liabilities(non-current):				
Non-current borrowings (excluding lease liabilities)	4,708,654	4,772,320	5,020,394	5,097,222
Non-current lease liabilities	57,163	(*2)	15,892	(*2)
Other non-current payables	10,672	(*1)	5,849	(*1)
Non-current derivative financial liabilities	126	126	-	-
Other non-current derivative financial liabilities (currency forward)	-	-	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.

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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 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	1.77% ~ 2.80%	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 December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>December 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Financial assets/liabilities measured at fair value:					
Current derivative financial assets	₩	- ₩	4,605 ₩	- ₩	4,605
Current derivative financial assets (currency forward)		-	16,894	-	16,894
Non-current derivative financial assets		-	1,305	16,160	17,465
Non-current derivative financial assets (currency forward)		-	54,919	-	54,919
Other non-current financial assets (Marketable financial assets)	14,063	-	-	-	14,063
Other non-current financial assets (Non-marketable financial assets)	-	-	107,374	-	107,374
Non-current derivative financial liabilities		-	126	-	126
Financial assets/liabilities not measured at fair value:					
Non-current borrowings (excluding finance lease liabilities)		-	4,772,320	-	4,772,320

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) The significant unobserved inputs used in the fair value measurements categorized within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis are as follows:

			Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Non-listed stock:						
Volta Energy Solutions S.a.r.l	Discounted cash flow method	Long-term growth rate through cash flows in subsequent periods			1.00%	-1.32~+1.32%
		Weighted average cost of capital			10.98%	-1.32~+1.32%
Great Power	Discounted cash flow method	Long-term growth rate through cash flows in subsequent periods			1.00%	-1~+1%
		Weighted average cost of capital			12.20%	-1~+1%
Derivatives:						
Put option in relation to Volta Energy Solutions S.a.r.l	Binomial model	Variability			40%	2.36~2.4%

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 consolidated financial statements are the same as those of the consolidated financial statements for the one-month period 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 December 31, 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.

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5. Financial Instruments by Category

(1) Categorizations of financial instruments as of December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

Financial assets	December 31, 2021			Total
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
Cash and cash equivalents	₩ 1,282,880	₩ -	₩ -	₩ 1,282,880
Trade receivables	2,901,128	-	13,330	2,914,458
Non-current trade receivables	67,055	-	-	67,055
Other receivables	814,843	-	-	814,843
Other non-current receivables	92,271	-	-	92,271
Other current financial assets	-	16,894	4,605	21,499
Other non-current financial assets	-	71,748	122,072	193,820
	₩ 5,158,177	₩ 88,642	₩ 140,007	₩ 5,386,826

Financial liabilities	December 31, 2021			Total
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other financial liabilities(*)	
Trade payables	₩ -	₩ 2,177,736	₩ -	₩ 2,177,736
Other payables	-	2,799,603	-	2,799,603
Borrowings(current)	-	2,180,154	23,222	2,203,376
Other current financial liabilities	126	-	-	126
Other non-current payables	-	10,672	-	10,672
Borrowings(non-currunt)	-	4,708,654	57,163	4,765,817
	₩ 126	₩ 11,876,819	₩ 80,385	₩ 11,957,330

(*) Other financial liabilities include lease liabilities, which are not applied by the categorization of financial liabilities.

Financial assets	December 31, 2020		Total
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	
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	819,075	-	819,075
Other non-current receivables	81,585	-	81,585
Other current financial assets	-	23,821	23,821
	₩ 5,326,281	₩ 48,786	₩ 5,375,067

5. Financial Instruments by Category (cont'd)

Financial liabilities	December 31, 2020		
	Financial liabilities at amortized cost	Other financial liabilities(*)	Total
Trade payables	₩ 2,592,309	₩ -	₩ 2,592,309
Other payables	1,768,709	-	1,768,709
Borrowings(current)	1,109,796	13,242	1,123,038
Other non-current financial liabilities	-	41,768	41,768
Other non-current payables	5,849	-	5,849
Borrowings(non-current)	5,020,394	15,892	5,036,286
	₩ 10,497,057	₩ 70,902	₩ 10,567,959

(*) Other financial liabilities include lease liabilities and derivative liabilities, which are not applied by the categorization of the financial liabilities.

(2) Net gains or losses on each category of financial instruments for the year ended December 31, 2021 and one-month period ended December 31, 2020, are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month ended December 31, 2020
Interest income:		
Financial assets at amortized cost	₩ 21,831	₩ 801
Interest expense:		
Financial liabilities at amortized cost	(83,275)	(8,008)
Other financial liabilities	(1,468)	(57)
Financial assets at amortized cost(*)	(514)	-
Financial assets at fair value through other comprehensive income(*)	(60)	(28)
Gains or loss on valuation:		
Financial assets at fair value through other comprehensive income	5,104	-
Derivative instruments	112,260	(13,545)
Exchange differences:		
Financial assets at amortized cost	213,475	(26,783)
Financial liabilities at amortized cost	(262,369)	(80,193)

(*) The expenses paid to financial institutions in the process of disposing of trade receivables are included.

6. Cash and Cash Equivalents

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

	December 31, 2021	December 31, 2020
Bank deposits and cash on hand	₩ 1,004,368	₩ 946,609
Deposits held by financial institutions and others	278,512	546,536
	₩ 1,282,880	₩ 1,493,145

(2) As of December 31, 2021, cash and cash equivalents include ₩984 million, which is subject to a restriction on the use by the Group.

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7. Trade and Other Receivables

(1) Trade and other receivables and its provisions for impairment as of December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	December 31, 2021			December 31, 2020		
	Gross amount	Provision for impairment	Carrying amount	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 2,914,469	₩ (11)	₩ 2,914,458	₩ 2,931,281	₩ (131)	₩ 2,931,150
Non-current trade receivables	67,055	-	67,055	26,291	-	26,291
Other current receivables	814,897	(54)	814,843	819,129	(54)	819,075
Other non-current receivables	92,271	-	92,271	81,585	-	81,585
	<u>₩ 3,888,692</u>	<u>₩ (65)</u>	<u>₩ 3,888,627</u>	<u>₩ 3,858,286</u>	<u>₩ (185)</u>	<u>₩ 3,858,101</u>

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

	December 31, 2021	December 31, 2020
Current:		
Non-trade receivables	₩ 806,450	₩ 200,152
Deposits held by financial institutions	1,067	600,000
Accrued income	291	448
Loans	-	68
Guarantee deposits provided	7,035	18,407
	<u>814,843</u>	<u>819,075</u>
Non-current:		
Non-trade receivables	₩ 4,285	₩ -
Deposits held by financial institutions(*)	60,911	60,014
Loans	1,047	439
Guarantee deposits provided	26,028	21,132
	<u>92,271</u>	<u>81,585</u>
	<u>₩ 907,114</u>	<u>₩ 900,660</u>

(*) As of December 31, 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 December 31, 2021 and December 31, 2020 is as follows (Korean won in millions):

	December 31, 2021		December 31, 2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 2,794,006	₩ 871,245	₩ 2,521,293	₩ 854,760
Past due but not impaired:				
Up to 3 months	90,969	35,469	280,944	44,443
Between 3-6 months	15,844	400	67,366	118
Over 6 months	80,705	-	87,969	1,339
	187,518	35,869	436,279	45,900
Impaired receivables	-	54	-	54
	₩ 2,981,524	₩ 907,168	₩ 2,957,572	₩ 900,714

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

	For the year ended December 31, 2021		For one-month period ended December 31, 2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 131	₩ 54	₩ 159	₩ -
Additions (reversal)	(120)	-	(28)	54
Ending	₩ 11	₩ 54	₩ 131	₩ 54

(5) As of December 31, 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 December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets:		
Financial assets at fair value through other comprehensive income	₩ 120,767	₩ -
Cash flow hedge	5,911	23,821
Financial assets at fair value through profit or loss	<u>88,642</u>	<u>-</u>
	<u>₩ 215,320</u>	<u>₩ 23,821</u>
Other financial liabilities:		
Cash flow hedge	₩ 126	₩ -
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>41,768</u>
	<u>₩ 126</u>	<u>₩ 41,768</u>

(2) Changes in equity securities included in other financial assets for the year ended December 31, 2021 are as follows (Korean won in millions):

	<u>For the year ended December 31, 2021</u>
Beginning	₩ -
Acquisitions	115,588
Valuation gain (before income tax deduction), other comprehensive income item	5,104
Others	<u>75</u>
Ending	<u>₩ 120,767</u>

(*) The Group has investment guarantee arrangement with Volta Energy Solutions S.a.r.l related to the above equity securities.

(3) No impairment losses on other financial assets were recognized for the year ended December 31, 2021 and one-month period ended December 31, 2020.

9. Inventories

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

	<u>December 31, 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	₩ 70,137	₩ (1,853)	₩ 68,284	₩ 49,219	₩ (1,816)	₩ 47,403
Finished / Semi-finished products	2,510,481	(150,930)	2,359,551	1,861,412	(55,214)	1,806,198
Raw materials	913,144	(5,240)	907,904	621,275	(1,558)	619,717
Supplies	100,154	-	100,154	37,294	-	37,294
Materials-in-transit	<u>459,910</u>	<u>-</u>	<u>459,910</u>	<u>532,526</u>	<u>-</u>	<u>532,526</u>
	<u>₩ 4,053,826</u>	<u>₩ (158,023)</u>	<u>₩ 3,895,803</u>	<u>₩ 3,101,726</u>	<u>₩ (58,588)</u>	<u>₩ 3,043,138</u>

(2) For the year ended December 31, 2021, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩10,691,100 million (for one-month period ended December 31, 2020: ₩978,451 million).

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10. Investments in Associates and Joint Ventures

(1) Changes in investments in associates and joint ventures for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021					
	Beginning	Acquisition	Disposals	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.(*1)	₩ 22,170	₩ -	₩ (24,557)	₩ 1,847	₩ -	₩ -
WUXI CL New Energy Technology Ltd. (*1)	-	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LIMITED LIABILITY COMPANY	4,179	-	-	(730)	320	3,769
Jiangxi VL Battery Co., Ltd.	21,461	-	-	(3,471)	2,320	20,310
PT.HLI Green power(*2)	-	209,132	-	(9,201)	1,557	201,488
	<u>₩ 48,350</u>	<u>₩ 209,132</u>	<u>₩ (24,557)</u>	<u>₩ (11,555)</u>	<u>₩ 4,197</u>	<u>₩ 225,567</u>

	For one-month period ended 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.(*1)	₩ 21,446	₩ 1,264	₩ -	₩ 22,710
WUXI CL New Energy Technology Ltd. (*1)	-	-	-	-
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>

(*1) The Group has sold its shares in HL GREEN POWER Co., Ltd. and WUXI CL New Energy Texhcnology Ltd. at ₩28,500 million and ₩0 million, respectively, for the year ended December 31, 2021.

(*2) The Group has newly acquired shares in PT.HLI Green power at ₩209,132 million.

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10. Investments in Associates and Joint Ventures (cont'd)

(2) As of December 31, 2021 and 2020, the financial information of the associates and joint ventures is adjusted to the book value of shares in associates and joint ventures as follows: (Korean won in millions)

	December 31, 2021				
	Net Asset	Ownership of the Group(%)	Net asset amount of shares	Exchange differences on translation of foreign operations	Carrying amount
VINFAST LITHIUM BATTERY PACK LLC.	₩ 11,201	35	₩ 3,920	₩ (151)	₩ 3,769
Jiangxi VL Battery Co.,Ltd	59,697	34	20,297	13	20,310
PT.HLI Greenpower	<u>402,975</u>	50	<u>201,487</u>	<u>1</u>	<u>201,488</u>
	<u>₩ 473,873</u>		<u>₩ 225,704</u>	<u>₩ (137)</u>	<u>₩ 225,567</u>

	December 31, 2020					
	Net Asset	Ownership of the Group(%)	Net asset amount of shares	Exchange differences on translation of foreign operations	Other	Carrying amount
VINFAST LITHIUM BATTERY PACK LLC.	₩ (1,062)	30	₩ (319)	₩ -	₩ 319	₩ -
Jiangxi VL Battery Co.,Ltd	11,825	35	4,167	12	-	4,179
PT.HLI Greenpower	63,120	34	21,461	-	-	21,461
HL Greenpower Co., Ltd.	<u>46,381</u>	50	<u>23,191</u>	<u>-</u>	<u>(481)</u>	<u>22,710</u>
	<u>₩ 120,264</u>		<u>₩ 48,500</u>	<u>₩ 12</u>	<u>₩ (162)</u>	<u>₩ 48,350</u>

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11. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

For the year ended December 31, 2021											
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Right-of-use assets	Consturction -in-progress	Machinery -in-transit	Total
Beginning:											
Cost	₩ 259,087	₩ 2,734,415	₩ 132,257	₩ 6,629,916	₩ 10,466	₩ 806,978	₩ 168,638	₩ 51,438	₩ 1,553,876	₩ 23,269	₩ 12,370,340
Accumulated depreciation	-	(335,064)	(38,965)	(2,769,226)	(4,351)	(412,791)	(94,993)	(16,543)	-	-	(3,671,933)
Accumulated impairment	(668)	(3,463)	(1,834)	(4,185)	(8)	(395)	(524)	-	(3,716)	-	(14,793)
	<u>₩ 258,419</u>	<u>₩ 2,395,888</u>	<u>₩ 91,458</u>	<u>₩ 3,856,505</u>	<u>₩ 6,107</u>	<u>₩ 393,792</u>	<u>₩ 73,121</u>	<u>₩ 34,895</u>	<u>₩ 1,550,160</u>	<u>₩ 23,269</u>	<u>₩ 8,683,614</u>
Acquisitions/transfer	14,679	371,597	13,423	1,534,794	4,177	248,308	88,390	82,174	3,682,835	32,360	6,072,737
Disposals/transfer	(161)	(168)	(540)	(34,114)	(95)	(25,668)	(12,575)	(4,066)	(2,641,261)	(40,646)	(2,759,294)
Exchange differences	753	97,179	3,011	190,747	93	12,551	2,898	2,082	116,986	-	426,300
Depreciation	-	(87,578)	(6,246)	(1,087,356)	(1,700)	(137,614)	(25,722)	(26,364)	-	-	(1,372,580)
Ending:											
Cost	₩ 274,358	₩ 3,229,701	₩ 149,144	₩ 8,426,166	₩ 14,643	₩ 1,020,874	₩ 243,946	₩ 117,405	₩ 2,712,769	₩ 14,983	₩ 16,203,989
Accumulated depreciation	-	(449,313)	(46,203)	(3,962,140)	(6,053)	(529,128)	(117,308)	(28,684)	-	-	(5,138,829)
Accumulated impairment	(668)	(3,470)	(1,835)	(3,450)	(8)	(377)	(526)	-	(4,049)	-	(14,383)
	<u>₩ 273,690</u>	<u>₩ 2,776,918</u>	<u>₩ 101,106</u>	<u>₩ 4,460,576</u>	<u>₩ 8,582</u>	<u>₩ 491,369</u>	<u>₩ 126,112</u>	<u>₩ 88,721</u>	<u>₩ 2,708,720</u>	<u>₩ 14,983</u>	<u>₩ 11,050,777</u>
For one-month period ended December 31, 2020											
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Right-of-use assets	Consturction -in-progress	Machinery -in-transit	Total
Beginning:											
Cost	₩ 259,441	₩ 2,729,429	₩ 132,523	₩ 6,451,370	₩ 10,435	₩ 792,528	₩ 163,318	₩ 46,192	₩ 1,558,069	₩ 23,225	₩ 12,166,530
Accumulated depreciation	-	(331,177)	(38,628)	(2,716,396)	(4,237)	(405,493)	(95,089)	(14,093)	-	-	(3,605,113)
Accumulated impairment	(668)	(3,467)	(1,834)	(1,756)	(8)	(274)	(525)	-	(3,772)	-	(12,304)
	<u>₩ 258,773</u>	<u>₩ 2,394,785</u>	<u>₩ 92,061</u>	<u>₩ 3,733,218</u>	<u>₩ 6,190</u>	<u>₩ 386,761</u>	<u>₩ 67,704</u>	<u>₩ 32,099</u>	<u>₩ 1,554,297</u>	<u>₩ 23,225</u>	<u>₩ 8,549,113</u>
Business combination	-	-	-	-	-	567	501	2,698	-	-	3,766
Acquisitions/transfer	-	21,977	5,406	259,579	101	20,335	7,469	1,716	313,258	515	630,356
Disposals/transfer	-	(112)	(20)	(3,238)	(15)	(1,611)	(453)	-	(307,451)	(471)	(313,371)
Exchange differences	(354)	(13,449)	(414)	(32,808)	(47)	(1,847)	(270)	(206)	(9,843)	-	(59,238)
Depreciation	-	(7,115)	(464)	(88,852)	(122)	(10,284)	(1,800)	(1,412)	-	-	(110,049)
Transfer to assets held for sale (Note 34)	-	(198)	(5,111)	(11,394)	-	(129)	(30)	-	(101)	-	(16,963)
Ending:											
Cost	₩ 259,087	₩ 2,734,415	₩ 132,257	₩ 6,629,916	₩ 10,466	₩ 806,978	₩ 168,638	₩ 51,438	₩ 1,553,876	₩ 23,269	₩ 12,370,340
Accumulated depreciation	-	(335,064)	(38,965)	(2,769,226)	(4,351)	(412,791)	(94,993)	(16,543)	-	-	(3,671,933)
Accumulated impairment	(668)	(3,463)	(1,834)	(4,185)	(8)	(395)	(524)	-	(3,716)	-	(14,793)
	<u>₩ 258,419</u>	<u>₩ 2,395,888</u>	<u>₩ 91,458</u>	<u>₩ 3,856,505</u>	<u>₩ 6,107</u>	<u>₩ 393,792</u>	<u>₩ 73,121</u>	<u>₩ 34,895</u>	<u>₩ 1,550,160</u>	<u>₩ 23,269</u>	<u>₩ 8,683,614</u>

(2) The Group capitalized ₩17,732 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 0.79%.

LG Energy Solution, Ltd. and its subsidiaries
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11. Property, Plant and Equipment (cont'd)

(3) Line items including depreciation in the consolidated statement of income for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Cost of sales	₩ 1,275,038	₩ 103,736
Selling and administrative expenses	97,424	6,187
Discontinued operations	118	126
	<u>₩ 1,372,580</u>	<u>₩ 110,049</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 as of December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	December 31, 2021	December 31, 2020
Right-of-use assets(*):		
Real-estate	₩ 81,965	₩ 30,234
Machinery	64	15
Vehicles	6,085	3,731
Tools	234	370
Equipment	373	545
	<u>₩ 88,721</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 year ended December 31, 2021 are ₩82,174 million (for one-month period ended period December 31, 2020: ₩4,414 million).

	December 31, 2021	December 31, 2020
Lease liabilities (*):		
Current	₩ 23,221	₩ 13,242
Non-current	57,163	15,892
	<u>₩ 80,384</u>	<u>₩ 29,134</u>

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

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

(ii) Amounts recognized in the consolidated statement of income

Details of amounts recognized in the consolidated statement of income in relation to lease for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Depreciation of right-of-use assets		
Real-estate	₩ 20,826	₩ 1,047
Machinery	34	1
Vehicles	4,961	314
Tools	160	14
Equipment	383	36
	<u>₩ 26,364</u>	<u>₩ 1,412</u>
Interest expense relating to lease liabilities (included in finance cost)	1,468	57
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	10,709	906
Expense relating to leases of low-value assets that are not short-term leases(included in cost of goods sold and administrative expenses)	4,133	102

Total cash outflow for leases for the year ended December 31, 2021 is ₩44,201 million. (for one-month period ended December 31, 2020: ₩2,370 million)

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12. Intangible Assets

(1) Changes in intangible assets for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

For the year ended December 31, 2021						
	Software	Industrial property rights	Memberships	Others	Total	
Beginning	₩ 167,349	₩ 148,105	₩ 9,361	₩ 971	₩	325,786
Separate acquisitions/transfer	156,534	44,032	2,076	1,159		203,801
Disposals/transfer	(1,484)	(740)	-	(782)		(3,006)
Exchange differences	1,858	(1)	17	33		1,907
Amortization	(56,732)	(16,248)	-	(148)		(73,128)
Ending	₩ 267,525	₩ 175,148	₩ 11,454	₩ 1,233	₩	455,360

For one-month period ended December 31, 2020						
	Software	Industrial property rights	Memberships	Others	Total	
Beginning	₩ 167,249	₩ 145,495	₩ 9,362	₩ 991	₩	323,097
Business combination	432	-	-	-		432
Separate acquisitions/transfer	3,822	3,908	-	-		7,730
Disposals/transfer	(8)	(74)	-	-		(82)
Exchange differences	(397)	-	(1)	(7)		(405)
Amortization	(3,749)	(1,224)	-	(13)		(4,986)
Ending	₩ 167,349	₩ 148,105	₩ 9,361	₩ 971	₩	325,786

(2) Line items including amortization of intangible for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Cost of sales	₩ 27,447	₩ 1,976
Selling and administrative expenses	45,670	2,999
Discontinued operations	11	11
	₩ 73,128	₩ 4,986

(3) R&D expenses

The total amount of research and development expenses recognized as expenses by the Group was ₩631,078 million for the year ended December 31, 2021 (for one-month period ended December 31, 2020: ₩26,464 million).

LG Energy Solution, Ltd. and its subsidiaries
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12. Intangible Assets (cont'd)

(4) Greenhouse gas emission right

Changes in greenhouse gas emission right included in intangible assets for the year ended December 31, 2021 are as follows (Ton in thousands, Korean won in millions):

	For the year ended December 31, 2021											
	2020		2021		2022		2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount
Beginning	-	-	-	-	-	-	-	-	-	-	-	-
Allocated	236	₩ -	275	₩ -	300	₩ -	300	₩ -	297	₩ -	297	₩ -
Purchase	75	1,111	-	-	-	-	-	-	-	-	-	-
Borrowing/ Carried over	(25)	(388)	25	388	-	-	-	-	-	-	-	-
Government submission	(286)	(723)	-	-	-	-	-	-	-	-	-	-
Ending	-	₩ -	300	₩ 388	300	₩ -	300	₩ -	297	₩ -	297	₩ -

13. Other Current and Other Non-Current Assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other current assets:		
Prepayments to suppliers and prepaid expenses	₩ 79,821	₩ 72,717
Prepaid value added tax	309,593	301,015
Others	67,517	27,868
	<u>₩ 456,931</u>	<u>₩ 401,600</u>
Other non-current assets:		
Long-term prepayments and long-term prepaid expenses	₩ 63,581	₩ 79,281
Net defined benefit assets	329	-
Others	27	-
	<u>₩ 63,937</u>	<u>₩ 79,281</u>

14. Borrowings

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current:		
Short-term borrowings	₩ 1,146,277	₩ 793,584
Current portion of long-term borrowings	1,033,878	316,212
Current lease liabilities	23,221	13,242
	<u>₩ 2,203,376</u>	<u>₩ 1,123,038</u>
Non-current:		
Long-term borrowings	₩ 2,662,846	₩ 3,076,693
Debentures	2,045,808	1,943,701
Non-current lease liabilities	57,163	15,892
	<u>4,765,817</u>	<u>5,036,286</u>
	<u>₩ 6,969,193</u>	<u>₩ 6,159,324</u>

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14. Borrowings (cont'd)

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

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

	Bank	Latest maturity date	Interest rate(%)	December 31, 2021	December 31, 2020
Bank loans	KDB and others	2022.11	1.2% and others ₩	1,146,277 ₩	793,584

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

December 31, 2021					
	Bank	Interest rate(%)	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	Citi Bank	EUR: 3M EURIBOR + 0.62 ~ 0.70%	₩ 201,530 ₩	- ₩	201,530
	DBS	6M EURIBOR + 0.60%	134,353	-	134,353
	EBRD	6M EURIBOR + 0.62%	322,448	67,177	255,271
	EIB	3M EURIBOR + 0.47%	644,893	-	644,893
	HSBC	USD: 3M LIBOR + 1.40%	8,318	8,318	-
	ING	6M EURIBOR + 0.70 ~ 0.83%	161,224	67,177	94,047
	KDB	USD: 3M LIBOR + 0.91 ~ 0.93%	251,168	70,541	180,627
	KDB / The Export-Import Bank of Korea / Nonghyup Bank	EUR: 3M EURIBOR+1.0 ~ 1.50%	1,293,697	738,942	554,755
	KEB Hana Bank	3M EURIBOR + 0.62%	268,706	-	268,706
	MUFG	6M EURIBOR + 0.60~0.80%	134,354	67,177	67,177
	SMBC	EUR : 0.32 ~ 0.48%	201,529	10,076	191,453
	Agriculture Bank of China	LPR(1Y) + 0.7%	74,504	4,470	70,034
			<u>₩ 3,696,724</u>	<u>₩ 1,033,878</u>	<u>₩ 2,662,846</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% EUR: 3M EURIBOR + 0.62 ~ 0.70%	241,354	39,212	202,142	
	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% CNY: PBOC ×0.95, LPR-33.75%	87,806	60,541	27,265	
	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 CNY: PBOC ×0.95	92,036	79,514	12,522	
	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	-	
				<u>₩ 3,392,905</u>	<u>₩ 316,212</u>	<u>₩ 3,076,693</u>

3) Debentures (Korean won in millions)

		December 31, 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	592,750	-	592,750
USD foreign currency debenture with maturity in 2029	CITI and others	3.63	2029.04.15	592,750	-	592,750
EUR foreign currency debenture with maturity in 2023	CITI and others	0.50	2023.04.15	671,170	-	671,170
Less: discount on debentures	-	-	-	(10,862)	-	(10,862)
				<u>₩ 2,045,808</u>	<u>₩ -</u>	<u>₩ 2,045,808</u>

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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 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)
				₩ 1,943,701 ₩	- ₩	₩ 1,943,701

4) Lease liabilities (Korean won in millions)

	December 31, 2021				
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others	0.67~5.01%	2027.12.31	₩ 80,384 ₩	23,221 ₩	57,163

	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 year ended December 31, 2021 and one-month period ended December 31, 2020, are as follows (Korean won in millions):

For the year ended December 31, 2021						
	Greenhouse		Provision for	Legal	Total	
	Warranty(*1)	gas emission(*2)	restoration(*3)	claims(*4)		
Beginning	₩ 1,238,671	₩ 842	₩ -	₩ 331	₩	1,239,844
Additions(reversal)	1,463,697	(39)	3,069	6,304		1,473,031
Used	(598,488)	(724)	-	(5,648)		(604,860)
Ending	2,103,880	79	3,069	987		2,108,015
Less: current portion	(1,527,397)	(79)	-	-		(1,527,476)
	₩ 576,483	₩ -	₩ 3,069	₩ 987	₩	580,539

For the one-month period ended December 31, 2020						
	Greenhouse		Legal	Total		
	Warranty(*1)	gas emission(*2)	claims(*4)			
Beginning	₩ 676,612	₩ 746	₩ 336	₩	677,694	
Additions(reversal)	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)	
	₩ 242,304	₩ -	₩ 331	₩	242,635	

(*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) In relation to greenhouse gas emissions, the Group estimates the expected future costs of emissions exceeding the Group's right to emit for the year and recognizes them as provisions. The Group assessed provisions using the base quota of 291,000 tons. Estimated emissions are 255,000 tons for the year ended December 31, 2021(for one-month period ended December 31, 2020: 215,000 tons).

(*3) The Group estimated provisions for restoration cost.

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

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16. Net Defined Benefit Liabilities (Assets)

(1) Details of net defined benefit liabilities(asset) as of December 31, 2021 and December 31, 2020, are as follows (Korean won in millions):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations (*)	₩ 554,014	₩ 458,710
Fair value of plan assets	(554,142)	(415,924)
	<u>₩ (128)</u>	<u>₩ 42,786</u>

(*) The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩45 million as of December 31, 2021(as of December 31, 2020: ₩44 million)

(2) The amounts recognized in the consolidated statement of income for for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	<u>For the year ended December 31, 2021</u>	<u>For one-month period ended December 31, 2020</u>
Current service cost	₩ 70,936	₩ 5,303
Interest cost	270	53
	<u>₩ 71,206</u>	<u>₩ 5,356</u>

(3) Retirement benefits recognized for defined contribution plan for the year ended December 31, 2021 amounted to ₩965 million(for one-month period ended December 31, 2020: ₩83 million).

(4) Retirement benefits recognized in the consolidated statement of income for for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	<u>For the year ended December 31, 2021</u>	<u>For one-month period ended December 31, 2020</u>
Cost of sales	₩ 35,773	₩ 2,702
Selling and administrative expenses	36,398	2,737
	<u>₩ 72,171</u>	<u>₩ 5,439</u>

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

	<u>For the year ended December 31, 2021</u>	<u>For one-month period ended December 31, 2020</u>
Beginning	₩ 458,710	₩ 455,133
Transfer in	34,251	998
Transfer out	(1,274)	-
Current service cost	70,936	5,786
Interest expense	12,939	924
Remeasurements:		
- Actuarial gain from change in financial assumption	(36,305)	(3,879)
- Actuarial gain from change in demographic assumption	1,766	-
- Actuarial gain from experience adjustments	20,755	-
- Others	10,526	232
Payments from plans	(18,290)	(484)
Ending	<u>₩ 554,014</u>	<u>₩ 458,710</u>

16. Net Defined Benefit Liabilities (Assets) (cont'd)

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

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Beginning	₩ 415,924	₩ 415,772
Plan assets transferred through movement between affiliates	1,135	-
Interest income	12,669	871
Remeasurements		
- Return on plan assets (excluding amounts included in interest income)	(5,801)	(258)
Contribution:		
- Employer contribution to plan assets	147,000	-
Payments from plans	(16,054)	(395)
Administrative costs	(731)	(66)
Ending	<u>₩ 554,142</u>	<u>₩ 415,924</u>

(7) The actual return on plan assets for the year ended December 31, 2021 was ₩6,868 million, (for one-month period ended December 31, 2020: ₩613 million)

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

	December 31, 2021	December 31, 2020
Discount rate	3.02%	2.53%
Salary growth rate	5.00%	5.00%

(9) The sensitivity analysis for changes in key actuarial assumptions as of December 31, 2021 is as follows (Korean won in millions):

	Increase by 1.0%	Decrease by 1.0%
Discount rate:		
Increase (decrease) in defined benefit liabilities	(69,266)	84,065
Salary growth rate:		
Increase (decrease) in defined benefit liabilities	81,469	(68,679)

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.

The method and assumption that are used on sensitivity analyses is same with prior year.

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16. Net Defined Benefit Liabilities (Assets) (cont'd)

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

	December 31, 2021		December 31, 2020	
	Amount	Composition(%)	Amount	Composition(%)
Insurance contracts with guaranteed yield	₩ 554,142	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.

(11) As of December 31, 2021, the weighted average maturity of the defined benefit obligations is 14.49 years.

The Group reviews the level of the fund every year and has a policy to compensate for any loss in the fund. The estimated contribution for the year ended December 31, 2022 is ₩77,735 million.

17. Other Current and Non-Current Liabilities

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

	December 31, 2021	December 31, 2020
Other current liabilities:		
Advances from customers	₩ 268,789	₩ 130,628
Withholdings	54,988	40,170
Unearned revenues	67,433	37,738
Accrued expenses	219,149	125,522
	<u>₩ 610,359</u>	<u>₩ 334,058</u>
Other non-current liabilities:		
Long-term accrued expenses	₩ 26,302	₩ 21,761
Long-term unearned revenues	88,093	-
Long-term advanced received	16,828	68,615
	<u>₩ 131,223</u>	<u>₩ 90,376</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 December 31, 2021, the Group has been guaranteed from Seoul Guarantee Insurance Company for the execution of contracts and others.

(3) As of December 31, 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).

	Currency	December 31, 2021	
		The Parent Company	Certain subsidiaries
	KRW	8,700	-
Limit of bank overdraft	USD	-	88
	CNY	-	1,000
	EUR	-	75
	USD	62	105
Limit of the letter of credit	CNY	-	1,410
	USD	731	-
Limit of discount of notes from export	USD	731	-
Limit of guaranteed payments in other foreign currency	USD	122	-
B2B purchase arrangements	KRW	125,000	-
	KRW	200,000	-
Limit of loan agreement	USD	-	2,350
	CNY	-	930
	EUR	-	2,855
Future agreement	USD	118	-
Factoring arrangements	KRW	230,000	-
	USD	25	150
Limit of other credit	USD	70	-

(4) As of December 31, 2021, the Group has entered into payment guarantee contracts of USD 25 million, EUR 2 million and KRW 7,755 million with financial institutions in relation to product warranty for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 280 million with financial institutions in relation to custom clearance of imported raw materials.

(5) As of December 31, 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 December 31, 2021 in relation to price fixing of mobile batteries, the consumers in Israel have filed one class action against the Group. However, the ultimate outcome of these cases cannot be determined at the reporting date.

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18. Commitments and Contingencies (cont'd)

(7) As of December 31, 2021, in relation to GM Bolt EV, the consumers have filed one class action against the Group. However, the ultimate outcome of these cases cannot be determined at the reporting date.

(8) As of December 31, 2021, the Parent Company and certain subsidiaries has been named as a defendant in 120 (with ₩3,526 million in claims) and 22 cases, respectively, and involved in 3 legal actions, including the above cases of mobile batteries and GM Bolt EV. The ultimate outcome of these cases cannot be determined at the reporting date.

(9) As of December 31, 2021, a recall in relation to Chrysler PHEV fire in Stellantis is in process and the root cause of the fire is unknown at the moment.

(10) 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.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	₩ 3,080,278	₩ 1,911,328

19. Share Capital

Changes in share capital and share premium for the year ended December 31, 2021 are as follows. (Korean won in millions and in shares)

	<u>Ordinary shares</u>		
	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>
December 31, 2020	200,000,000	₩ 100,000	₩ 7,510,351
Changes	-	-	-
December 31, 2021	200,000,000	₩ 100,000	₩ 7,510,351

20. Retained earnings (accumulated deficit)

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unappropriated retained earnings (accumulated deficit)	₩ 337,587	₩ (453,058)

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21. Selling and Administrative Expenses

Selling and administrative expenses for for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Wages and salaries	₩ 517,082	₩ 18,186
Retirement benefits	36,398	2,737
Employee benefits	113,712	6,635
Travel expenses	25,957	1,087
Water & utilities	30,187	2,420
Packaging expenses	1,133	6
Rental expenses	50,448	4,545
Commission expenses	314,023	21,624
Depreciation	103,495	6,739
Advertising expenses	13,056	962
Freight expenses	153,936	6,055
Training expenses	10,819	411
Amortization	45,670	2,999
Sample expenses	4,586	114
Development costs	106,942	4,101
Contribution to provisions of sales warranty	1,463,697	577,244
Others	139,172	43,389
	<u>₩ 3,130,313</u>	<u>₩ 699,254</u>

22. Classification of Expenses by Nature

Cost of sales, and selling and administrative expenses by nature for for the year ended December 31, 2021 and one-month period ended December 31, 2020 is as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Changes in inventories of merchandise, finished goods, semi-finished goods, and work in process	₩ (574,232)	₩ 49,574
Raw materials and consumables used	10,306,125	843,041
Purchase of merchandise	959,207	85,836
Employee benefit expenses	1,568,525	87,491
Advertising expenses	13,368	962
Freight expenses	170,765	6,925
Commission expenses	674,623	45,833
Depreciation and amortization	1,451,650	115,450
Rent expenses and usage fee	36,310	1,531
Other expenses	2,477,095	699,631
	<u>₩ 17,083,436</u>	<u>₩ 1,936,274</u>

23. Employee Benefit Expenses

Details of employee benefit expenses for for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Salaries	₩ 1,326,792	₩ 69,899
Retirement benefits defined benefit plan	71,206	5,356
Retirement benefits defined contribution plan	965	83
Others	169,562	12,153
	<u>₩ 1,568,525</u>	<u>₩ 87,491</u>

24. Finance Income and Costs

Details of finance income and costs for for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Finance income:		
Interest income(*1)	₩ 21,831	₩ 801
Exchange differences	187,797	28,039
Gain on related to derivatives	130,368	-
	<u>₩ 339,996</u>	<u>₩ 28,840</u>
Finance costs:		
Interest expense(*2)	₩ 67,011	₩ 7,910
Exchange differences	227,648	115,504
Loss on disposal of trade receivables	574	-
Loss on related to derivatives	25	15,429
	<u>₩ 295,258</u>	<u>₩ 138,843</u>

(*1) Details of interest income for for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Deposits held by financial institutions	₩ 14,116	₩ 789
Other loans and receivables	7,715	12
	<u>₩ 21,831</u>	<u>₩ 801</u>

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24. Finance Income and Costs (cont'd)

(*2) Details of interest expense for for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Interest on financial institutions	₩ 30,732	₩ 3,656
Interest on lease liabilities	1,468	57
Interest on debentures	51,400	3,996
Other interest expenses	1,143	384
Capitalized interest for qualifying assets	(17,732)	(183)
	<u>₩ 67,011</u>	<u>₩ 7,910</u>

25. Other Non-Operating Income

Details of other non-operating income for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Exchange differences	₩ 427,553	₩ 49,555
Gain on disposal of property, plant and equipment	6,416	319
Gain on disposal of shares of associates	3,820	-
Others	27,217	2,341
	<u>₩ 465,006</u>	<u>₩ 52,215</u>

26. Other Non-Operating Expenses

Details of other non-operating expenses for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Exchange differences	₩ 436,596	₩ 69,066
Loss on disposal of property, plant and equipment	40,781	1,441
Loss on disposal of intangible assets	93	5
Donations	2,661	241
Others	9,343	2,313
	<u>₩ 489,474</u>	<u>₩ 73,066</u>

27. Income Tax Expense (Benefit) and Deferred Tax

(1) Details of income tax benefit for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Current tax on profit for the period	₩ 521,797	₩ 11,174
Adjustment for past income tax	7,086	-
Deferred tax - movement in temporary differences	(413,056)	(147,560)
Deferred tax - tax credit carryforwards	7,837	(7,837)
Deferred tax - tax loss carryforwards	970	(970)
	<u>₩ 124,634</u>	<u>₩ (145,193)</u>
Deferred tax charged directly to equity	37,880	282
Current tax charged directly to equity	703	(932)
Other	(86,694)	(1,502)
	<u>₩ 76,523</u>	<u>₩ (147,345)</u>

(2) The aggregate current and deferred tax charged directly to equity (other comprehensive income) for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Current tax:		
Remeasurements of net defined benefit liabilities	₩ 703	₩ (932)
Deferred tax:		
Gain and losses on valuation of financial assets at FVOCI	₩ (1,404)	₩ -
Gain and losses on valuation of derivative instruments	6,459	(518)
Exchange differences on translation of foreign operations	32,825	800
	<u>₩ 38,583</u>	<u>₩ (650)</u>

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27. Income Tax Expense (Benefit) and Deferred Tax (cont'd)

(3) Changes in deferred tax assets (liabilities) for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	For the year ended December 31, 2021				
	Increase(decrease)				
	Beginning	Profit(loss) for the period	Other comprehensive income(loss)	Exchange differences	Ending
Net defined benefit liabilities	₩ 120,206	₩ 17,718	₩ -	₩ -	₩ 137,924
Plan assets	(114,379)	(35,503)	-	-	(149,882)
Provisions	312,146	269,859	-	410	582,415
Property, plant and equipment	108,978	(13,048)	-	4,116	100,046
Intangible assets	2,099	1,914	-	210	4,223
Investments in subsidiaries, associates and joint ventures	(27,964)	(37,022)	-	-	(64,986)
Government grants	139,797	55,937	-	18,944	214,678
Succession of assets (land)	118,637	(38,800)	-	-	79,837
Succession of assets (industrial property right)	591,260	(1,583)	-	-	589,677
Succession of assets (others)	600	-	-	-	600
Others	67,647	193,584	5,055	1,588	267,874
	<u>1,319,027</u>	<u>413,056</u>	<u>5,055</u>	<u>25,268</u>	<u>1,762,406</u>
Exchange differences on translation of foreign operations	800	-	32,824	-	33,624
Tax credit carryforwards	7,837	(7,837)	-	-	-
Tax loss carryforwards	970	(970)	-	-	-
Deferred tax assets (liabilities)	<u>₩ 1,328,634</u>	<u>₩ 404,249</u>	<u>₩ 37,879</u>	<u>₩ 25,268</u>	<u>₩ 1,796,030</u>
	For one-month period ended December 31, 2020				
	Increase(decrease)				
	Beginning	Profit(loss) for the period	Other comprehensive income(loss)	Exchange differences	Ending
Net defined benefit liabilities	₩ 119,472	₩ 734	₩ -	₩ -	₩ 120,206
Plan assets	(113,186)	(1,193)	-	-	(114,379)
Provisions	150,626	161,520	-	-	312,146
Property, plant and equipment	94,701	14,191	-	86	108,978
Intangible assets	-	2,099	-	-	2,099
Investments in subsidiaries, associates and joint ventures	(33,667)	5,703	-	-	(27,964)
Government grants	122,840	16,957	-	-	139,797
Succession of assets (land)	61,423	57,214	-	-	118,637
Succession of assets (industrial property right)	591,389	(129)	-	-	591,260
Succession of assets (others)	61,867	(61,267)	-	-	600
Others	117,849	(48,268)	(518)	(1,416)	67,647
	<u>1,173,314</u>	<u>147,561</u>	<u>(518)</u>	<u>(1,330)</u>	<u>1,319,027</u>
Exchange differences on translation of foreign operations	-	-	800	-	800
Tax credit carryforwards	-	7,837	-	-	7,837
Tax loss carryforwards	-	970	-	-	970
Deferred tax assets (liabilities)	<u>₩ 1,173,314</u>	<u>₩ 156,368</u>	<u>₩ 282</u>	<u>₩ (1,330)</u>	<u>₩ 1,328,634</u>

(*) In relation to the assets and liabilities transferred from the surviving corporation as of the spin-off date, the effect of corporate tax on the difference between the book value and the tax base on the statement of financial position is reflected in the capital surplus.

27. Income Tax Expense (Benefit) and Deferred Tax (cont'd)

(4) The reconciliations between income tax expense (benefit) and accounting income (loss) for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	<u>For the year ended</u> <u>December 31, 2021</u>	<u>For one-month</u> <u>period ended</u> <u>December 31, 2020</u>
Net income(loss) before tax (*1)	₩ 777,184	₩ (604,854)
Tax at domestic tax rates applicable to profits in the respective countries	232,513	(143,785)
Tax effects of:		
Income not subject to tax	(8,110)	(52)
Expenses not deductible for tax purposes	69,124	1,563
Effect of deferred tax recognition on temporary differences in prior periods	(128,034)	-
Effect of non-recognition of deferred tax on temporary differences	(6,773)	(8)
Tax credit	(142,433)	(6,449)
Others	60,236	1,386
Income tax expense (benefit)	<u>₩ 76,523</u>	<u>₩ (147,345)</u>
Effective tax rate (income tax benefit / profit before income tax) (*2)	9.85%	-

(*1) The amount represents before taking into consideration of the profit or loss from discontinued operations.

(*2) As the net loss before tax occurs for one-month period ended December 31, 2020, the effective tax rate is not separately calculated.

(5) The future feasibility of deferred tax assets depends on a variety of factors, including the Group's ability to generate taxable income during the period when the temporary difference is realized, and the overall economic environment and industry prospects. The Group is reviewing those of factors periodically.

(6) Details of deductible (taxable) temporary differences unrecognized as deferred tax assets (liabilities) as of December 31, 2021 and December 31, 2020 are as follows: (Korean won in millions)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Details</u>
Investments in subsidiaries, associates and joint ventures	₩ -	₩ (9,217)	Permanently re-invested income not distributed as dividend
Unused tax loss carryforwards	1,679,779	1,626,250	No Possibility of disposal
	320,225	318,114	Uncertainty of future tax income

(7) The maturity of unused tax loss is as follows: (Korean won in millions)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Over 5 years	₩ 320,225	₩ 358,282

28. Earnings (Losses) per Share

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

(1) Basic earnings (losses) per share for earning (loss) from continuing operations and earnings (losses) per share attributable to the equity holders of the Parent Company for the year ended December 31, 2021 and one-month ended December 31, 2020 are computed as follows: (Korean won in millions and in number of shares)

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

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Earnings (losses) from continuing operations attributable to ordinary shares	₩ 607,343	₩ (460,147)
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earnings (losses) per ordinary share from continuing operations (in won)	₩ 3,036	₩ (2,301)

Basic earnings (losses) per ordinary share (Korean won in millions won)

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Earnings (losses) attributable to ordinary shares	₩ 792,519	₩ (455,515)
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earnings (losses) per ordinary share (in Korean won)	₩ 3,963	₩ (2,278)

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

(2) Basic earnings per share attributable to ordinary shares from discontinued operations for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Earnings from discontinued operations attributable to ordinary shares	₩ 185,176	₩ 4,632
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 Korean won)	₩ 926	₩ 23

29. Dividend

The Group did not pay any dividends for the accounting period ending on December 31, 2021.

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30. Related Party Transactions

(1) As of December 31, 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 Group or have receivables and payables balances, other than separate associates and joint ventures (Note 10), as of December 31, 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, Inc	-	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	-	
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 Group 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.).

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30. Related Party Transactions (cont'd)

(3) Sales and purchases with related parties for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021					
	Sales and others	Purchase and others				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.	₩ 45,950	₩ 1,026,354	₩ 11	₩ -	₩ 64	₩ 13,556
Associates and joint ventures:						
PT. HLI Greenpower	19,151	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LLC.	6,483	-	-	-	-	-
Jiangxi VL Battery Co.,Ltd	530	-	-	-	-	-
HL Greenpower Co., Ltd.	470,525	440	-	-	-	-
Other related parties:						
LG Corp.	-	-	-	-	-	36,018
LG Chem America, Inc.	-	-	-	-	-	8
LG Chem (Taiwan), Ltd.	5,828	-	-	-	-	560
LG Chem Display Materials (Beijing) Co., Ltd.	5,113	-	-	-	-	-
LG Chem (China) Investment Co., Ltd.	-	234	21	-	-	1,037
LG Chem Europe GmbH	486	434	-	-	-	340
HAENGBOKNURI CO., LTD.	16	-	-	-	-	1,816
LG Chem (Guangzhou) Information & Electronics Materials Co., Ltd.	11,419	9,989	-	-	-	-
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	1	613,750	-	-	-	-
TECH WIN Co., Ltd.	-	-	8,365	-	-	173
LG Chem Hangzhou Advanced Materials Co., Ltd.	-	26,990	-	-	-	-
LG Chem Poland Sp. z o.o.	10	11,962	-	-	-	-
LG Management Development Institute	-	-	-	-	-	12,484
S&I Corp. and its subsidiaries	78	12,544	347,111	-	-	65,558
LG CNS Co., Ltd. and its subsidiaries	13,749	583	234,893	-	-	99,721
Others	-	54	54	-	-	3,077
Others:						
LG Display Co., Ltd. and its subsidiaries	1,212	-	-	-	250	-
LG Electronics Inc., Ltd. and its subsidiaries	667,459	918,814	302,046	-	-	58,670
LX Holdings., Ltd. and its subsidiaries (*)	244	191,008	27,308	-	1	202,324
Others	37	-	797	-	-	4,726
	<u>₩ 1,164,604</u>	<u>₩ 2,812,716</u>	<u>₩ 920,606</u>	<u>₩ -</u>	<u>₩ 315</u>	<u>₩ 500,068</u>

(*) Includes subsidiaries of LX Holdings., Ltd. after its split-off from the Group described in Note 30.(2).

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	For one-month period ended December 31, 2020						
	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	Others	
Parents:							
LG Chem, Ltd.	₩ 13,558	₩ 118,299	₩ -	₩ 3,204	₩ 6	₩ 5,072	
Associates and joint ventures:							
HL Greenpower Co., Ltd.	83,875	-	-	-	-	319	
Other related parties:							
LG Corp.	-	-	-	-	-	2,058	
LG Chem America, Inc.	-	-	-	-	-	6	
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	6,357	11,341	-	-	-	-	
LG Chem (Taiwan), Ltd.	7,420	-	-	-	-	-	
LG Chem Display Materials (Beijing) Co.,Ltd.	4,061	-	-	-	-	-	
LG Chem (China) Investment Co.,Ltd.	-	-	-	-	-	1,535	
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	16,058	-	-	-	-	
TECH WIN Co., Ltd.	-	-	2,126	-	-	-	
LG MMA Corporation	9	-	-	-	-	-	
S&I Corp. and its subsidiaries	19	3,457	2,217	-	-	10,762	
LG CNS Co., Ltd. and its subsidiaries	1,005	38	56,312	-	-	9,713	
Others	2	-	-	-	-	492	
Others:							
LG Display Co., Ltd. and its subsidiaries	1,532	-	-	-	1	-	
LG Electronics Inc., Ltd. and its subsidiaries	89,557	83,206	12,698	-	-	2,307	
LX International Corp. (formerly, LG International Corp. and its subsidiaries)	-	327	2,843	-	-	6,287	
Others	2	-	175	-	-	738	
	<u>₩ 207,397</u>	<u>₩ 232,726</u>	<u>₩ 76,371</u>	<u>₩ 3,204</u>	<u>₩ 7</u>	<u>₩ 39,289</u>	

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30. Related Party Transactions (cont'd)

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

	December 31, 2021									
	Receivables				Payables					
	Trade receivables	Loan receivables	Other receivables	Total	Trade payables	Borrowings	Lease liabilities	Other payables	Total	
Parents:										
LG Chem, Ltd.	₩ 3,382		₩ 42,877	₩ 46,259	₩ 183,965		₩ 2,524	₩ 6,416	₩ 192,905	
Associates and joint ventures:										
PT. HLI Green power								134,054	134,054	
VINFAST LITHIUM BATTERY PACK LLC.	463			463						
Jiangxi VL Battery Co.,Ltd			4,109	4,109						
Other related parties:										
LG Corp.			42	42				10,907	10,907	
LG Chem (China) Investment Co.,Ltd.								585,928	585,928	
LG Chem Europe GmbH			112	112				318	318	
HAENGBOKNURI CO., LTD.								93	93	
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.			1	1	121,325				121,325	
TECWIN Co., Ltd.					317			16,095	16,412	
LG Chem Hangzhou Advanced Materials Co., Ltd.					41,812				41,812	
LG Chem Poland Sp. z o.o.					14,495				14,495	
LG Management Development Institute			2,784	2,784				487	487	
S&I Corp. and its subsidiaries			3,066	3,066				205,161	205,161	
LG CNS Co., Ltd. and its subsidiaries	5,861			5,861				180,627	180,627	
Others								499	499	
Others:										
LG Display Co., Ltd. and its subsidiaries							360	30	390	
LG Electronics Inc., Ltd. and its subsidiaries	100,186		23,529	123,715	71,148			103,625	174,773	
LX Holdings., Ltd. and its subsidiaries (*)			10	10				59,927	59,927	
Others								3,925	3,925	
	<u>₩ 109,892</u>	<u>₩ -</u>	<u>₩ 76,530</u>	<u>₩ 186,422</u>	<u>₩ 433,062</u>	<u>₩ -</u>	<u>₩ 2,884</u>	<u>₩ 1,308,092</u>	<u>₩ 1,744,038</u>	

(*1) The GM volt recall provision was not included in the balance of the receivables and liabilities.

(*2) Includes subsidiaries of LX Holdings., Ltd. after its split-off from the Group described in Note 30.(2).

LG Energy Solution, Ltd. and its subsidiaries
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30. 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
TECH WIN Co.,Ltd.	-	-	-	-	-	-	-	5,531	5,531
LX MMA Corp. (formerly, 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. (formerly, 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>

LG Energy Solution, Ltd. and its subsidiaries
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30. Related Party Transactions (cont'd)

(5) Fund transactions with related parties for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021						
	Dividends received	Dividends paid	Equity contribution In cash (capital Reduction)	Loans transaction		Borrowings transaction(*)	
				Loans	Repayment	Borrowings	Repayment
Parents:							
LG Chem, Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	994
Associates and joint ventures:							
PT. HLI Greenpower	-	-	209,132	-	-	-	-
Other related parties:							
LG Corp.	-	-	-	-	-	-	-
LG Chem (Taiwan), Ltd.	-	-	-	-	-	792	156
Others:							
LG DISPLAY AMERICA, INC	-	-	-	-	-	-	149
Pantos Logistics France S.A.R.L	-	-	-	-	-	-	419
Pantos Logistics Spain S.L.U.	-	-	-	-	-	-	161
	₩	- ₩	₩ 209,132	₩	- ₩	- ₩ 792	₩ 1,879

(*) The amounts represent lease liabilities that were recognized or repaid for the year ended December 31, 2021.

	For one-month period ended December 31, 2020						
	Dividends received	Dividends paid	Equity contribution In cash (capital Reduction)	Loans transaction		Borrowings transaction(*)	
				Loans	Repayment	Borrowings	Repayment
Parents:							
LG Chem, Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩ 3,431	₩ 95
Other related parties:							
LG Corp.	-	-	-	-	-	-	-
Others:							
LG DISPLAY AMERICA, INC	-	-	-	-	-	-	12
Pantos Logistics France S.A.R.L	-	-	-	-	-	-	59
Pantos Logistics Spain S.L.U.	-	-	-	-	-	-	23
	₩	- ₩	₩	₩	- ₩	- ₩ 3,431	₩ 189

(*) The amounts represent lease liabilities that were recognized or repaid for one-month period ended December 31, 2020.

(6) Compensation for key management of the Group for the year ended December 31, 2021 and one-month period ended December 31, 2020 is as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Short-term employee benefits	₩ 40,070	₩ 2,829
Retirement benefits	12,763	246
	₩ 52,833	₩ 3,075

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 December 31, 2021.

(8) As of December 31, 2021, there are no payment guarantees provided by the Group for related parties.

LG Energy Solution, Ltd. and its subsidiaries
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31. Cash Generated from Operations

(1) Details of cash generated from operations for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Profit (loss) before income tax:		
Profit (loss) before income tax from continuing operations ₩	777,184 ₩	(604,854)
Profit before income tax from discontinued operations	<u>275,102</u>	<u>8,968</u>
	1,052,286	(595,886)
Adjustments for		
- Depreciation	1,378,651	110,601
- Amortization	73,128	4,986
- Retirement benefits	71,206	5,356
- Financial income	(205,524)	(33,648)
- Financial costs	197,555	152,986
- Loss on valuations of inventories	99,435	(1,738)
- Loss on disposal of inventories	87,072	-
- Gain on disposal of property, plant and equipment	(6,416)	(319)
- Loss on disposal of property, plant and equipment and intangible assets	40,874	1,445
- Gain on disposal of business	(243,740)	-
- Gain on disposal of investments in associates	(3,820)	-
- Contribution to provisions	1,469,962	577,335
- Other income and expenses	(27,409)	(339)
- Changes in inventories	(920,401)	(207,010)
- Changes in trade receivables	139,012	(110,400)
- Changes in other receivables	(712,845)	97,729
- Changes in other current assets	(13,446)	37,997
- Changes in trade payables	(567,542)	258,024
- Changes in other payables	95,115	113,733
- Changes in other current liabilities	229,884	(16,647)
- Changes in provisions	(604,136)	(15,185)
- Changes in net defined benefit liabilities	(116,663)	975
- Other cash flows from operations	<u>63,630</u>	<u>18,431</u>
Cash generated from operations	<u>₩ 1,575,868 ₩</u>	<u>398,426</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the consolidated financial statements
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31. Cash Generated from Operations (cont'd)

(2) Changes in liabilities arising from financial activities for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021						
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 1,123,038	₩ (374,377)	₩ 1,125,054	₩ -	₩ -	₩ 329,661	₩ 2,203,376
Long-term borrowings	3,092,585	930,670	(1,125,054)	-	94,002	(272,194)	2,720,009
Debentures	1,943,701	-	-	3,231	-	98,876	2,045,808
	<u>₩ 6,159,324</u>	<u>₩ 556,293</u>	<u>₩ -</u>	<u>₩ 3,231</u>	<u>₩ 94,002</u>	<u>₩ 156,343</u>	<u>₩ 6,969,193</u>

	For one-month period ended December 31, 2020						
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 1,322,881	₩ (229,953)	₩ 35,187	₩ -	₩ -	₩ (5,077)	₩ 1,123,038
Long-term borrowings	3,037,919	27,447	(35,187)	-	4,548	57,858	3,092,585
Debentures	1,951,409	-	-	273	-	(7,981)	1,943,701
	<u>₩ 6,312,209</u>	<u>₩ (202,506)</u>	<u>₩ -</u>	<u>₩ 273</u>	<u>₩ 4,548</u>	<u>₩ 44,800</u>	<u>₩ 6,159,324</u>

(3) Significant non-cash transactions for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021	For one-month period ended December 31, 2020
Reclassification of construction-in-progress	₩ 2,641,261	₩ 307,451
Reclassification of machinery-in-transit	40,646	470
Reclassification of non-current assets held for sale	-	16,963
Reclassification of long-term borrowings into current portion	1,125,054	35,187
Other payables related to acquisitions of property, plant and equipment and intangible assets	1,461,267	1,129,491

LG Energy Solution, Ltd. and its subsidiaries
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32. 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 and profit for the year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	For the year ended		For one-month period	
	December 31, 2021		ended	
			December 31, 2020	
Total segment revenue	₩	17,851,906	₩	1,461,068
Revenue from external customers (*1)		17,851,906		1,461,068
Operating profit (*2)	₩	768,470	₩	(475,206)

(*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 December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	December 31, 2021		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 23,764,137	₩ 225,567	₩ 15,021,764
	December 31, 2020		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 19,941,795	₩ 48,350	₩ 12,376,390

32. Segment Information (cont'd)

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

	Sales		Non-current assets(*1)	
	For one-month period ended		For one-month period ended	
	For the year ended December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Korea(*2)	₩ 2,235,338	₩ 132,385	₩ 2,466,332	₩ 2,059,227
China	2,910,541	148,980	3,623,783	2,826,847
Asia	1,110,368	108,620	1,035	187
America	2,827,944	246,686	1,565,579	548,665
Europe	8,767,715	824,397	4,073,733	3,829,560
	₩ 17,851,906	₩ 1,461,068	₩ 11,730,462	₩ 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) For the year ended December 31, 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 ₩2,488,606 million (for one-month period ended December 31, 2020: ₩299,329 million).

33. Assets and Liabilities Held for Sale and Discontinued Operations

33.1 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.

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

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

(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 period.

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

33.2 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 year ended December 31, 2021 are as follows (Korean won in millions):

	For the year ended December 31, 2021	
Revenue	₩	456,188
Expenses		(181,086)
Profit before income tax		275,102
Income tax expense		(45,895)
Profit from discontinued operations	₩	<u>229,207</u>

(3) Net cash flows from discontinued operations for the year ended December 31, 2021 are as follows (Korean won in millions):

	For the year ended December 31, 2021	
Net cash flow from operating activities	₩	20,995
Net cash flow from investing activities		588,047
Net cash flow from financing activities	₩	<u>(609,518)</u>

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

	For the year ended December 31, 2021	
Profit from disposal of assets held for sale	₩	243,754
Income tax expense		(60,939)
Profit from discontinued operations	₩	<u>182,815</u>

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34. Assets and Liabilities related to Contracts with Customers

(1) Assets and liabilities related to contracts with customers as of December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities:		
Advances from customers received as part of the Group's main business activities	₩ 285,496	₩ 198,454
Expected customer incentives	3,042	3,858
Unearned revenue	<u>136,642</u>	<u>340</u>
	<u>₩ 425,180</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 year ended December 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	<u>For the year ended December 31, 2021</u>	<u>For one-month period ended December 31, 2020</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	₩ 134,731	₩ 16,708
Unearned revenue	<u>127</u>	<u>795</u>
	<u>₩ 134,858</u>	<u>₩ 17,503</u>

35. Investment Properties

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

	<u>December 31, 2021</u>				<u>December 31, 2020</u>			
	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>
Land	₩ 161	₩ -	₩ -	₩ 161	₩ -	₩ -	₩ -	₩ -
Buildings	<u>301,254</u>	<u>(76,630)</u>	<u>(460)</u>	<u>224,164</u>	<u>333,869</u>	<u>(78,342)</u>	<u>(441)</u>	<u>255,086</u>
	<u>₩ 301,415</u>	<u>₩ (76,630)</u>	<u>₩ (460)</u>	<u>₩ 224,325</u>	<u>₩ 333,869</u>	<u>₩ (78,342)</u>	<u>₩ (441)</u>	<u>₩ 255,086</u>

(2) Changes in investment properties for the year ended December 31, 2021 and one-month period ended December 31, 2020, are as follows (Korean won in millions):

	<u>For the year ended December 31, 2021</u>		<u>For one-month period December 31, 2020</u>
	<u>Land</u>	<u>Building</u>	<u>Building</u>
Beginning	₩ -	₩ 255,086	₩ 255,638
Acquire / Transfer	161	-	-
Disposal / Transfer	-	(24,851)	-
Depreciation	-	<u>(6,071)</u>	<u>(552)</u>
Ending	<u>₩ 161</u>	<u>₩ 224,164</u>	<u>₩ 255,086</u>

35. 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 December 31, 2021, is ₩258,152 million.

Rental income from investment properties under operating lease for the year ended December 31, 2021, is ₩13,020 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the year ended December 31, 2021 are ₩6,071 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 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 December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Less than 1 year	₩ 12,357	₩ 14,842
Between 1-2 years	12,355	12,831
Between 2-5 years	-	12,831
	<u>₩ 24,712</u>	<u>₩ 40,504</u>

36. Revenue from Contracts with Customers

(1) Regarding the trade secret infringement dispute between the Group and SK Innovation Co., Ltd., on February 10, 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.

(5) SK On Co., Ltd. was established through a physical spin-off from SK Innovation Co., Ltd. in October 2021. The agreement with the Group was transferred to SK On Co., Ltd.

37. Events After the Reporting Period

(1) In January 2022, the Group approved the investment in the third plant of Ultium Cells LLC, a joint venture with GM in the United States, to respond to the growing demand for electric vehicle batteries in the North America market.

(2) The Group was listed on the stock market on January 27, 2022 for the purpose of expanding domestic and overseas investments.

(3) In February 2022, the Group acquired 100% of the shares of NEC Energy Solutions, an American energy storage system (ESS) integrator, from NEC Corporation in Japan, the parent Company of NEC Energy Solutions.

38. Date of approval for issuance of financial statements

The Group's consolidated financial statements were approved by the Board of Directors on February 7, 2022 and may be revised at the general meeting of shareholders.

LG Energy Solution, Ltd.

Separate financial statements
for the year ended December 31, 2021
with the independent auditor's report

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Independent auditor's report

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

Opinion

We have audited the separate financial statements of LG Energy Solution, Ltd. (the "Company"), which comprise the separate statements of financial position as of December 31, 2021 and the separate statement of income (loss), separate statement of comprehensive loss, separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis matter

Without qualifying our opinion, we draw attention to Note 34 to the separate financial statements. As described in Note 34 to the 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 On Co., Ltd., which has spined-off from SK Innovation Co., Ltd., on May 15, 2021.

Other matter

The separate financial statements of the Company for the year ended December 31, 2020, were audited by Samil PricewaterhouseCoopers, whose report dated on March 11, 2021 expressed an unqualified opinion.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



March 7, 2022

This audit report is effective as of March 7, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.