

LG ENERGY SOLUTION, LTD. AND ITS SUBSIDIARIES

**Interim Condensed Consolidated Financial Statements
As of and For the Three Months Ended March 31, 2023 and 2022**

(With the Independent Auditor's Review Report Thereon)

Table of Contents

Report on Review of Interim Condensed Consolidated Financial Statements

Page

Interim Condensed Consolidated Financial Statements:

Interim Condensed Consolidated Statements of Financial Position	1
Interim Condensed Consolidated Statements of Profit or Loss	7
Interim Condensed Consolidated Statements of Comprehensive Income	9
Interim Condensed Consolidated Statements of Changes in Equity	11
Interim Condensed Consolidated Statements of Cash Flows	13
Notes to the Interim Condensed Consolidated Financial Statements	15

Report on Review of Interim Condensed Consolidated Financial Statements

English Translation of Independent Auditor's Review Report Originally Issued in Korean on May 11, 2023

To the Shareholders and the Board of Directors of
LG Energy Solution, Ltd.:

Reviewed financial statements

We have reviewed the accompanying interim condensed consolidated financial statements of LG Energy Solution, Ltd. and its subsidiaries (the "Group"). These interim condensed consolidated financial statements consist of the interim condensed consolidated statement of financial position as of March 31, 2023, and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-month periods ended March 31, 2023 and 2022, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

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

Conclusion

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

**Other matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2022, and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, in accordance with KSA. We expressed an unqualified opinion on those consolidated financial statements, not presented herein, in our audit report dated March 8, 2023.

The accompanying consolidated statement of financial position as of December 31, 2022, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

A handwritten signature in black ink that reads "Deloitte Idnjin LLC". The signature is written in a cursive, stylized font.

May 11, 2023

This review report is effective as of May 11, 2023, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modifications to this review report.
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LG ENERGY SOLUTION, LTD. AND ITS SUBSIDIARIES

Interim condensed consolidated financial statements
as of March 31, 2023, December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

“The accompanying interim condensed 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
Interim condensed consolidated statements of financial position
As of March 31, 2023, and December 31, 2022

(Korean won in millions)

	Notes		March 31, 2023		December 31, 2022
Assets					
Current assets					
Cash and cash equivalents	3,5,6	₩	4,780,493	₩	5,937,967
Trade receivables	3,5,7,29		5,291,692		4,771,846
Other receivables	3,5,7,29		705,256		462,188
Other current financial assets	3,5,8		4,009		9,167
Prepaid income taxes			43,656		46,205
Other current assets	13		650,742		581,267
Inventories	9		7,474,948		6,995,629
			18,950,796		18,804,269
Non-current assets					
Trade receivables	3,5,7		132,746		120,698
Other receivables	3,5,7,29		219,697		119,058
Other non-current financial assets	3,5,8		486,445		408,551
Investments in associates and joint ventures	10,31		247,315		203,696
Deferred tax assets	27		2,218,515		2,100,492
Property, plant and equipment	11,31		17,187,856		15,331,047
Intangible assets	12,31		696,566		642,090
Investment properties	31,33		212,376		213,042
Other non-current assets	13,16		361,142		356,502
			21,762,658		19,495,176
Total assets		₩	40,713,454	₩	38,299,445
Liabilities					
Current liabilities					
Trade payables	3,5,29	₩	5,003,304	₩	3,841,766
Other payables	3,5,29		2,490,579		2,882,030
Borrowings	3,5,11,14,30		3,147,812		2,866,701
Provisions	15		893,365		976,949
Other current financial liabilities	3,5,8		3,067		3,923
Income tax payables			335,962		173,120
Other current liabilities	17,32		472,022		700,434
			12,346,111		11,444,923
Non-current liabilities					
Other payables	3,5,29		35,502		36,606
Borrowings	3,5,11,14,30		5,109,560		5,242,552
Other non-current financial liabilities	3,5,8		218		742
Provisions	15		659,227		518,781
Net defined benefit liabilities	16		221		499
Deferred tax liabilities	27		141,380		108,350
Other non-current liabilities	17,32		373,561		353,230
			6,319,669		6,260,760
Total liabilities			18,665,780		17,705,683
Equity attributable to owners of the Parent Company					
Share capital	19		117,000		117,000
Capital surplus	19		17,164,627		17,164,627
Accumulated other comprehensive income			710,987		296,070
Retained earnings	20		1,655,686		1,154,518
			19,648,300		18,732,215
Non-controlling interest	1		2,399,374		1,861,547
Total equity			22,047,674		20,593,762
Total liabilities and equity		₩	40,713,454	₩	38,299,445

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of profit or loss
For the three-month periods ended March 31, 2023 and 2022

(Korean won in millions)

	Notes	March 31, 2023	March 31, 2022
Revenue	21,29	₩ 8,747,117	₩ 4,342,348
Cost of sales	21,22,29	<u>7,452,907</u>	<u>3,567,242</u>
Gross profit		1,294,210	775,106
Other operating income	21	100,294	-
Selling and administrative expenses	21,22,29	<u>761,338</u>	<u>516,252</u>
Operating profit	21	633,166	258,854
Finance income	5,24	289,036	107,818
Finance costs	5,24	265,279	135,620
Share of profit (loss) of associates and joint ventures	10	(9,859)	(8,117)
Other non-operating income	25	339,992	165,973
Other non-operating expenses	26	<u>275,867</u>	<u>129,218</u>
Profit before income tax expense		711,189	259,690
Income tax expense	27	<u>149,203</u>	<u>33,068</u>
Profit for the period		<u>₩ 561,986</u>	<u>₩ 226,622</u>
Profit for the period attributable to:			
Owners of the Parent Company		500,595	226,623
Non-controlling interests	1	61,391	(1)
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)	28		
Basic or diluted earnings per share		2,139	1,002

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
For the three-month periods ended March 31, 2023 and 2022

(Korean won in millions)

	Notes	March 31, 2023	March 31, 2022
Profit for the period	₩	561,986	₩ 226,622
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	779	(238)
Gain on valuation of financial assets at FVOCI	5	10,338	3,141
Income tax effect of other comprehensive income		<u>(3,009)</u>	<u>(1,108)</u>
		8,108	1,795
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		471,188	113,880
(Loss) gain on cash flow hedge	5	(7,227)	59,071
Share of other comprehensive income of associates and joint ventures		6,903	4,957
Income tax effect of other comprehensive income		<u>4,594</u>	<u>(39,302)</u>
		475,458	138,606
Other comprehensive income for the period, net of tax		<u>483,566</u>	<u>140,401</u>
Total comprehensive income for the period, net of tax	₩	<u>1,045,552</u>	₩ <u>367,023</u>
Total comprehensive income for the period attributable to:			
Owners of the Parent Company	₩	916,084	₩ 347,403
Non-controlling interest		129,468	19,620

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in equity
For the three-month periods ended March 31, 2023 and 2022

(Korean won in millions)

	Notes	Attributable to the equity holders of the Parent Company					Non-controlling interests	Total
		Share capital	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Subtotal		
As of January 1, 2022		₩ 100,000	₩ 7,122,437	₩ 406,092	₩ 337,587	₩ 7,966,116	₩ 776,257	₩ 8,742,373
Comprehensive income for the period:								
Profit for the period		-	-	-	226,623	226,623	(1)	226,622
Remeasurements of net defined benefit liabilities	16	-	-	-	(178)	(178)	-	(178)
Exchange differences on translation of foreign operations		-	-	55,353	-	55,353	19,621	74,974
Gain on valuation of financial assets at FVOCI	5	-	-	1,973	-	1,973	-	1,973
Cash flow hedge	5	-	-	58,675	-	58,675	-	58,675
Equity adjustments in equity method	10	-	-	4,957	-	4,957	-	4,957
Total comprehensive income for the period		-	-	120,958	226,445	347,403	19,620	367,023
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase		17,000	10,079,137	-	-	10,096,137	-	10,096,137
Others		-	-	-	-	-	234,037	234,037
		17,000	10,079,137	-	-	10,096,137	234,037	10,330,174
As of March 31, 2022		₩ 117,000	₩ 17,201,574	₩ 527,050	₩ 564,032	₩ 18,409,656	₩ 1,029,914	₩ 19,439,570
As of January 1, 2023		₩ 117,000	₩ 17,164,627	₩ 296,070	₩ 1,154,518	₩ 18,732,215	₩ 1,861,547	₩ 20,593,762
Comprehensive income for the period:								
Profit for the period		-	-	-	500,595	500,595	61,391	561,986
Remeasurements of net defined benefit liabilities	16	-	-	-	573	573	-	573
Exchange differences on translation of foreign operations		-	-	405,908	-	405,908	68,076	473,984
Gain on valuation of financial assets at FVOCI	5	-	-	7,534	-	7,534	-	7,534
Cash flow hedge	5	-	-	(5,428)	-	(5,428)	-	(5,428)
Equity adjustments in equity method	10	-	-	6,903	-	6,903	-	6,903
Total comprehensive income for the period		-	-	414,917	501,168	916,085	129,467	1,045,552
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase		-	-	-	-	-	408,360	408,360
		-	-	-	-	-	408,360	408,360
As of March 31, 2023		₩ 117,000	₩ 17,164,627	₩ 710,987	₩ 1,655,686	₩ 19,648,300	₩ 2,399,374	₩ 22,047,674

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of cash flows
For the three-month periods ended March 31, 2023 and 2022
(Korean won in millions)

	<u>Notes</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Cash flows from operating activities:			
Cash generated from operations	31	₩ 862,945	₩ 483,700
Interest received		40,298	6,707
Interest paid		(53,073)	(11,599)
Income tax paid		<u>(69,290)</u>	<u>(80,029)</u>
Net cash provided by operating activities		780,880	398,779
Cash flows from investing activities:			
Cash inflow from investing activities:			
Decrease in other receivables		81,192	2,854
Decrease in other non-current receivables		2,423	3,393
Proceeds from disposal of property, plant and equipment		3,009	2,744
Proceeds from disposal of intangible assets		-	5,850
Government grants received		<u>69,691</u>	<u>33,069</u>
		156,315	47,910
Cash outflow for investing activities:			
Increase in other receivables		(97,583)	(5,012,341)
Increase in other non-current receivables		(10,760)	(16,376)
Acquisition of investments in associates and joint ventures		(46,575)	-
Acquisition of financial instruments		(28,261)	(15,652)
Acquisition of property, plant and equipment		(2,124,410)	(1,509,278)
Acquisition of intangible assets		(29,847)	(13,812)
Business combination		-	(5,865)
Other cash outflow for investing activities		<u>(4,431)</u>	<u>-</u>
		(2,341,867)	(6,573,324)
Net cash used in investing activities		(2,185,552)	(6,525,414)
Cash flows from financing activities:			
Cash inflow from financing activities:			
Proceeds from borrowings and others		436,043	533,118
Capital increase		-	10,096,137
Paid-in capital by non-controlling interests		<u>408,361</u>	<u>233,806</u>
		844,404	10,863,061
Cash outflow for financing activities:			
Repayments of borrowings and others		(639,818)	(298,419)
Capital decrease of a subsidiary		<u>-</u>	<u>(604,437)</u>
		(639,818)	(902,856)
Net cash provided by financing activities		204,586	9,960,205
Net (decrease) increase in cash and cash equivalents		(1,200,086)	3,833,570
Cash and cash equivalents at the beginning of the periods		5,937,967	1,282,880
Effects of exchange rate changes on cash and cash equivalents		<u>42,612</u>	<u>44,804</u>
Cash and cash equivalents at the end of the periods		<u>₩ 4,780,493</u>	<u>₩ 5,161,254</u>

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

1. GENERAL:

General information about LG Energy Solution, Ltd. (the “Company” or the “Parent Company”) and its 16 subsidiaries (collectively, the “Group”) is as follows:

1.1 Company Information

The Parent Company, a split-off of LG Chem Ltd.’s battery division, was incorporated on December 1, 2020.

As of March 31, 2023, the Company is engaged in the battery industry, with its manufacturing facilities located in Ochang.

The Company’s shares have been listed on the Korea Exchange since January 27, 2022, and the share capital is ₩117,000 million as of March 31, 2023. The largest shareholder of the Company is LG Chem Ltd., which holds 81.84% of the Company’s ordinary shares.

The Company is authorized to issue 800 million shares (₩500 per share) and has issued 234 million of ordinary shares as of March 31, 2023.

1.2 Business Overview

The Group is engaged in providing energy solution services.

The Group manufactures and supplies batteries ranging from IT and new application batteries for mobile phones and laptops to automotive batteries for electric vehicles and ESS batteries. Demand for mobile batteries for new applications, such as electric tools and other electrical devices, as well as traditional IT devices, is increasing recently, and the automotive battery business is also expected to expand rapidly due to increasing demand for batteries associated with enhanced environment regulation in developed countries. Demand for ESS is expanding with an increasing importance of efficient usage of electricity and generation of renewable energy.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

1.3 Consolidated Subsidiaries and Investments in Associates and Joint Ventures

	Ownership (%)		Location	Closing month	Business
	March 31, 2023	December 31, 2022			
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	100	100	China	December	Mobile battery manufacturing, sales, and others
LG Energy Solution Michigan Inc. (*1)	100	100	USA	December	Automotive battery research and manufacturing
LG Energy Solution Battery (Nanjing) Co., Ltd.	100	100	China	December	Automotive battery manufacturing and sales
LG Energy Solution Wroclaw sp. z o.o.	100	100	Poland	December	Automotive battery manufacturing and sales
LG Energy Solution Australia Pty Ltd.	100	100	Australia	December	ESS battery sales
LG Energy Solution Technology (Nanjing) Co., Ltd.	100	100	China	December	Automotive battery manufacturing, sales, and others
Ultium Cells Holdings LLC (*2)	50	50	USA	December	Automotive battery manufacturing and sales
Ultium Cells LLC (*2)	50	50	USA	December	Automotive battery manufacturing and sales
LG Energy Solution Europe GmbH	100	100	Germany	December	ESS battery sales and others
LG Energy Solution (Taiwan) Ltd.	100	100	Taiwan	December	Mobile battery sales and others
Areum noori Co., Ltd.	100	100	Korea	December	Facility management and cleaning
LG Energy Solution Fund I LLC	100	100	USA	December	Investment in ventures
LG Energy Solution Vertech Inc.	100	100	USA	December	ESS battery installation service
ES America LLC	100	100	USA	December	Mobile battery manufacturing and sales
Baterias De Castilla, S.L.	100	100	Spain	December	Others
L-H Battery Company, Inc (*3)	51	-	USA	December	Automotive battery manufacturing and sales
Associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC (*4)	35	35	Vietnam	December	Mobile battery manufacturing, sales, and others
Jiangxi VL Battery Co., Ltd.	34	34	China	December	Mobile battery manufacturing, sales, and others
PT. HLI Green Power (*5)	50	50	Indonesia	December	Automotive battery manufacturing and sales
Sama Aluminium (*6)	10	-	Korea	December	Aluminium manufacturing, sales, and others

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

(*2) During the previous year, the Group acquired 50% ownership of Ultium Cells Holdings LLC by contributing the entire stake it held in Ultium Cells LLC. The Group does not hold a majority ownership interest in Ultium Cells LLC or Ultium Cells Holdings LLC. According to the arrangement between shareholders, however, the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect the variable returns by engaging in the entity's production and cost management. This implies that the Group exercises control over the entity.

(*3) During the current period, the Group newly acquired 51% of L-H Battery Company, Inc for ₩138,854 million.

(*4) Although the Group holds 35% ownership interest in VINFAST LITHIUM BATTERY PACK LLC, it has been classified as a joint venture as it meets the classification criteria of a joint venture, including the existence of contractual arrangements that effectively results in unanimous consent.

(*5) As a company established under a joint arrangement in which the Group participated, the investee is structured as a separate vehicle over which the Group has rights to the net assets. Therefore, it is classified as a joint venture.

(*6) During the current period, the Group newly acquired 10.2% of the shares in Sama Aluminium for ₩46,575 million. Although the ownership is less than 20%, the arrangement between shareholders ensures that the Group has the ability to participate in the decision-making process, thus exerting significant influence over the entity. As a result, the entity is classified as an associate.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

1.4 Summarized Financial Information of Subsidiaries, Associates and Joint Ventures

Summarized financial information of subsidiaries, associates and joint ventures (before the elimination of intercompany transactions and adjustments for differences in accounting policies) for the three-month period ended March 31, 2023 and 2022, is as follows (Korean won in millions):

	March 31, 2023			2023	
	Asset	Liability	Equity	Revenue	Net income (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 6,066,809	₩ 2,751,185	₩ 3,315,624	₩ 2,249,736	₩ 178,356
LG Energy Solution Michigan Inc.	4,074,624	1,130,941	2,943,683	869,969	103,685
LG Energy Solution Battery (Nanjing) Co., Ltd.	1,067,799	593,096	474,703	491,687	26,300
LG Energy Solution Wroclaw sp. z o.o.	10,594,465	8,141,864	2,452,601	3,909,974	139,785
LG Energy Solution Australia Pty Ltd.	11,240	8,976	2,264	4,136	243
LG Energy Solution Technology (Nanjing) Co., Ltd.	2,430,062	1,140,947	1,289,115	688,815	57,124
Ultium Cells Holdings LLC(*)	6,291,316	1,759,710	4,531,606	530,461	123,735
Ultium Cells LLC	6,291,316	1,759,710	4,531,606	530,461	123,735
LG Energy Solution Europe GmbH	244,132	193,630	50,502	67,737	733
LG Energy Solution (Taiwan) Ltd.	3,393	668	2,725	1,343	68
Areum noori Co., Ltd.	3,043	1,630	1,413	2,796	(1)
LG Energy Solution Fund I LLC	35,649	45	35,604	-	(397)
LG Energy Solution Vertech Inc.	64,832	26,808	38,024	28,470	468
ES America LLC	121,951	51,233	70,718	-	(43)
Baterias De Castilla, S.L.	4	-	4	-	-
L-H Battery Company, Inc	363,780	89,284	274,496	-	699
Associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC	11,493	5,270	6,223	313	(1,434)
Jiangxi VL Battery Co., Ltd.	82,850	45,984	36,866	1,341	(3,872)
PT. HLI Green Power	859,834	410,271	449,563	-	(5,194)
Sama Aluminium	414,978	163,516	251,462	71,192	1,018

(*) Ultium Cells Holdings LLC holds 100% of Ultium Cells LLC's shares. The information is on the consolidated basis.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

	December 31, 2022			2022	
	Asset	Liability	Equity	Revenue	Net income (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 5,486,991	₩ 2,474,044	₩ 3,012,947	₩ 1,605,080	₩ 145,837
LG Energy Solution Michigan Inc.	3,573,800	1,031,654	2,542,146	483,752	(2,754)
LG Energy Solution Battery (Nanjing) Co., Ltd.	972,715	578,513	394,202	456,659	56,928
LG Energy Solution Wrocław sp. z o.o.	9,845,139	7,654,235	2,190,904	1,670,406	78,324
LG Energy Solution Australia Pty Ltd.	12,903	10,926	1,977	5,775	367
LG Energy Solution Technology (Nanjing) Co., Ltd.	2,170,096	990,347	1,179,749	461,349	59,646
Ultium Cells Holdings LLC(*)	5,255,664	1,532,150	3,723,514	-	-
Ultium Cells LLC	5,255,664	1,532,150	3,723,514	-	(2)
LG Energy Solution Europe GmbH	252,708	205,366	47,342	56,314	1,070
LG Energy Solution (Taiwan) Ltd.	3,468	904	2,564	1,303	99
Areum noori Co., Ltd.	3,330	1,917	1,413	1,913	(118)
LG Energy Solution Fund I LLC	22,225	2	22,223	-	(349)
LG Energy Solution Vertech Inc.	89,508	46,357	43,151	3,473	(1,497)
ES America LLC	107,288	38,507	68,781	-	-
Baterias De Castilla, S.L.	4	-	4	-	-
Associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC	13,297	5,888	7,409	2,950	(313)
Jiangxi VL Battery Co., Ltd.	82,311	43,170	39,141	337	(3,997)
PT. HLI Green Power	667,930	227,305	440,625	-	(11,669)

(*) Ultium Cells Holdings LLC holds 100% of Ultium Cells LLC's shares. The information is on the consolidated basis.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

1.5 Information of Subsidiaries Whose Non-Controlling Interests are Important to the Reporting Company

(1) Ultium Cells Holdings LLC

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Percentage of ownership held by non-controlling interests	50.0%	50.0%
Cumulative non-controlling interests	₩ 2,136,155	₩ 1,861,547

- Net income and total comprehensive income attributable to non-controlling interests (Korean won in millions):

	<u>For the three-month periods ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022 (*)</u>
Net income allocated to non-controlling interests	₩ 61,688	₩ (1)
Total comprehensive income allocated to non-controlling interests	129,317	(19,623)

(*) The consolidated financial information of Ultium Cells LLC, which is 100% owned by Ultium Cells Holdings LLC.

- The interim condensed consolidated statements of financial position of subsidiaries whose non-controlling interests are material to the Group (before the elimination of intercompany transactions) (Korean won in millions):

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Total assets		
Current assets	₩ 1,240,540	₩ 1,201,757
Non-current assets	5,050,776	4,053,907
	<u>₩ 6,291,316</u>	<u>₩ 5,255,664</u>
Total liabilities		
Current liabilities	₩ 906,685	₩ 713,966
Non-current liabilities	853,025	818,184
	<u>₩ 1,759,710</u>	<u>₩ 1,532,150</u>
Total equity	<u>₩ 4,531,606</u>	<u>₩ 3,723,514</u>

- The interim condensed consolidated statements of comprehensive income of subsidiaries whose non-controlling interests are material to the Group (before the elimination of intercompany transactions) (Korean won in millions):

	<u>For the three-month periods ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022 (*)</u>
Revenue	₩ 530,461	₩ -
Net loss	140,909	-
Total comprehensive income for the period	<u>₩ 123,735</u>	<u>₩ (2)</u>

(*) The consolidated financial information of Ultium Cells LLC, which is 100% owned by Ultium Cells Holdings LLC.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

- The interim condensed consolidated statements of cash flows of subsidiaries whose non-controlling interests are material to the Group (before the elimination of intercompany transactions) (Korean won in millions):

	For the three-month periods ended	
	March 31, 2023	March 31, 2022 (*)
Cash flows from operating activities	₩ (66,918)	₩ (12,102)
Cash flows from investing activities	(851,017)	(532,160)
Cash flows from financing activities	550,404	467,602
Effects of exchange rate changes on cash and cash equivalents	15,117	14,630
Decrease in cash and cash equivalents	(352,414)	(62,030)
Cash and cash equivalents at the beginning of the period	515,833	471,494
Cash and cash equivalents at the end of the period	₩ 163,419	₩ 409,464

(*) The consolidated financial information of Ultium Cells LLC, which is 100% owned by Ultium Cells Holdings LLC.

1.6 Changes in Scope for Consolidation

New subsidiary included in the interim condensed consolidated financial statements for the three-month period ended March 31, 2023, is as follows:

	Reason for the inclusion
L-H Battery Company, Inc	Incorporated during the current period

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES:

2.1 Basis of Preparation

The Group's interim condensed consolidated financial statements were prepared in accordance with Korean International Financial Reporting Standard ("K-IFRS") 1034 *Interim Financial Reporting* as part of the period covered by the Group's K-IFRS annual consolidated financial statements. In order to be understood, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the fiscal year ended December 31, 2022, prepared in accordance with the K-IFRSs.

2.2 Application of the Amended and Enacted Standards

The significant accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with the accounting policies adopted in the preparation of the annual consolidated financial statements as of and for the fiscal year ended December 31, 2022, except for the impacts related to the adoption of the standards or interpretations described below.

1) New and amended K-IFRSs and new interpretations that are effective for the current period

- K-IFRS 1001 *Presentation of Financial Statements* and *IFRS Practice Statement 2 Making Materiality Judgements* - Disclosure of Accounting Policies (Amendments)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

- K-IFRS 1001 *Presentation of Financial Statements* - Disclosure of financial liabilities with condition to adjust exercise price (Amendments)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

- K-IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates (Amendments)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The definition of a change in accounting estimates was deleted. However, the International Accounting Standards Board retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- K-IFRS 1012 *Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

2) New and revised K-IFRSs in issue but not yet effective

- K-IFRS 1001 *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current (Amendments)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make it clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting date. Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date. The amendments also specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within 12 months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within 12 months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and the facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

3. FINANCIAL RISK MANAGEMENT:

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market, credit and liquidity. 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 directors. The finance team identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The board of 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; and investment of excess liquidity.

(1) Market risk

1) Foreign exchange risk

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

Management has set up a policy to require each company in the Group to manage its foreign exchange risk against its functional currency. The Group manages maximum loss for currency risk exposures within acceptable range using currency risk management model and employs who are exclusively responsible for currency risk management.

The Group has certain investments in foreign operations whose net assets are exposed to foreign exchange 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.

Monetary assets and liabilities denominated in foreign currencies as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 4,800,441	₩ 4,875,417	₩ 3,628,076	₩ 4,457,064
EUR	627,814	5,135,009	532,887	4,976,907
JPY	11,250	104,555	12,975	104,805
CNY and others	230,860	311	176,651	423

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

With all other variables held constant as of March 31, 2023, and December 31, 2022, a hypothetical change in exchange rates by 10% would have increased (decreased) the Group's net income as follows (Korean won in millions):

	March 31, 2023		December 31, 2022	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (5,871)	₩ 5,871	₩ (61,186)	₩ 61,186
EUR	(360,883)	360,883	(355,120)	355,120
JPY	(7,348)	7,348	(7,129)	7,129
CNY and others	17,733	(17,733)	14,257	(14,257)

The above sensitivity analysis has been performed for monetary assets and liabilities denominated in foreign currencies as of the end of the quarter.

As of March 31, 2023, the Group entered into foreign currency forward to hedge change in exchange rates and the details are as follows (Korean won in millions):

	Contractor	Contract amount (in millions)	Contract exchange rate	Contract inception date	Contract maturity	Book amount	
						Assets	Liabilities
Currency forward (*)	Shinhan Bank	USD 500	1,135.60	2020.10.14	2024.10.15	₩ 64,788	₩ -
	KB Kookmin Bank	USD 500	1,102.83	2020.11.24	2029.04.16	64,132	-

(*) A derivative where hedge accounting is not applied.

2) 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 rate 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.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

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

	Effect on profit and loss after tax		Impact on equity	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Increase	₩ (40,887)	₩ (39,531)	₩ (40,887)	₩ (39,531)
Decrease	40,887	39,531	40,887	39,531

3) Price risk

The Group is exposed to price risks from equity instruments. As of March 31, 2023, the fair value of equity instruments is ₩275,121 million. With all other variables held constant, a price change in equity instruments by 10% would have changed the Group's equity by ₩20,165 million after tax.

(2) Credit risk

Credit risk arises from trade receivables that the Group holds, as well as financial assets at amortized cost or fair value through other comprehensive income ("FVOCI").

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, collaterals and 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 the financial institutions with high credit ratings evaluated by independent credit rating agencies, and accordingly, credit risks associated with these financial institutions are limited.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

1) Trade receivables

The Group applies the simplified approach in measuring expected credit losses, which uses 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 March 31, 2023, and December 31, 2022, are as follows. Expected credit losses include forward-looking information (Korean won in millions):

		Receivables not past due (*)	Receivables past due, but not impaired (*)	Receivables impaired (individually evaluated)	Total
March 31, 2023 (trade receivables)					
Gross carrying amount	₩	5,336,713	₩ 87,725	₩ -	₩ 5,424,438
Expected loss rate		-	-	-	-
Provisions for receivables		-	-	-	-
December 31, 2022 (trade receivables)					
Gross carrying amount	₩	4,732,757	₩ 159,787	₩ 1,234	₩ 4,893,778
Expected loss rate		-	-	100.00%	0.03%
Provisions for receivables		-	-	1,234	1,234

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

Changes in the provisions for trade receivables for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	2023	2022
Beginning	₩ 1,234	₩ 11
Reversal of provisions recognized in profit or loss during the period	-	481
Business combination	-	724
Write off	(1,234)	-
Exchange differences	-	18
Ending	₩ -	₩ 1,234

As of March 31, 2023, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩5,424,438 million (as of December 31, 2022, was ₩4,892,544 million).

2) Other financial assets at amortized cost

As of March 31, 2023, the provision for other financial assets at amortized cost does not exist(as of December 31, 2022, ₩54 million).

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

3) Debt instruments measured at FVOCI

Debt instruments measured at FVOCI include trade receivables to be discounted. The provisions for these instruments are recognized in profit or loss and reduce the amount that would have been recognized in other comprehensive income as a loss on fair value change.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(3) Liquidity risk

The 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 the limit of unused borrowings at an appropriate level 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 considers the Group's financing plans, covenants on the debt contracts, target financial ratios and, if applicable, other external regulatory requirements on the currency and others.

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

		March 31, 2023			
		Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:					
Borrowings	₩	3,317,895	₩ 1,454,330	₩ 2,906,403	₩ 1,171,256
Lease liabilities		49,333	43,759	46,716	106
Trade and other payables		<u>7,493,883</u>	<u>11,903</u>	<u>23,045</u>	<u>554</u>
		10,861,111	1,509,992	2,976,164	1,171,916
Derivative instruments:					
Currency forwards settled in gross:					
Inflows		-	(651,900)	-	(651,900)
Outflows		<u>-</u>	<u>567,800</u>	<u>-</u>	<u>551,415</u>
		-	(84,100)	-	(100,485)
	₩	<u>10,861,111</u>	₩ <u>1,425,892</u>	₩ <u>2,976,164</u>	₩ <u>1,071,431</u>
		December 31, 2022			
		Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:					
Borrowings	₩	2,969,739	₩ 1,686,157	₩ 2,726,522	₩ 1,253,521
Lease liabilities		41,833	38,891	48,955	539
Trade and other payables		<u>6,723,796</u>	<u>32,613</u>	<u>3,043</u>	<u>950</u>
		9,735,368	1,757,661	2,778,520	1,255,010
Derivative instruments:					
Currency forwards settled in gross:					
Inflows		(135,120)	(633,650)	-	(633,650)
Outflows		<u>137,999</u>	<u>567,800</u>	<u>-</u>	<u>551,415</u>
		2,879	(65,850)	-	(82,235)
	₩	<u>9,738,247</u>	₩ <u>1,691,811</u>	₩ <u>2,778,520</u>	₩ <u>1,172,775</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

2) As of March 31, 2023, the Group has entered into swap contracts, to which cash flow hedge accounting is applied, to avoid fluctuations in the market price of raw materials (Korean won in millions).

	Purpose of the contracts	Hedged items	Financial institution	Maturity	March 31, 2023		December 31, 2022	
					Assets	Liabilities	Assets	Liabilities
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, etc.	2025.12	₩ 5,773	₩ 798	₩ 13,931	₩ 2,143

(*) Gain (loss) on the contracts that hedge the cash flow risk of forecast transaction is recognized in accumulated other comprehensive income and is fully effective portion for hedging.

3) Details of financial guarantee contracts by maturity as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023			
	Less than 1 year	Between 1 year-2 years	Between 2-5 years	More than 5 years
Financial guarantee contracts (*)	₩ 463,501	₩ -	₩ -	₩ -

	December 31, 2022			
	Less than 1 year	Between 1 year-2 years	Between 2-5 years	More than 5 years
Financial guarantee contracts (*)	₩ 450,525	₩ -	₩ -	₩ -

(*) The Group has provided financial guarantees for joint ventures. The amount represents the maximum amount that can be guaranteed as of March 31, 2023, and December 31, 2022 (see Note 18).

3.2 Capital Risk Management

The Group's objectives for managing capital are to safeguard the Group's ability to continue to provide profits to shareholders and for other stakeholders as a going concern 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 interim condensed consolidated statements of financial position, plus net debt.

The gearing ratio and debt-to-equity ratio as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023	December 31, 2022
Total borrowings (Note 14) (A)	₩ 8,257,372	₩ 8,109,253
Less: cash and cash equivalents (B)	(4,780,493)	(5,937,967)
Net debt (C=A+B)	3,476,879	2,171,286
Total liabilities (D)	18,665,780	17,705,683
Total equity (E)	22,047,674	20,593,762
Total capital (F=C+E)	25,524,553	22,765,048
Gearing ratio (C/F)	13.6%	9.5%
Debt-to-equity ratio (D/E)	84.7%	86.0%

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

3.3 Fair Value Estimation

(1) The carrying amount and fair value of financial instruments by category as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current):				
Cash and cash equivalents	₩ 4,780,493	(*)	₩ 5,937,967	(*)
Trade receivables	5,291,692	(*)	4,771,846	(*)
Other receivables (excluding deposits from financial institutions)	683,091	(*)	462,188	(*)
Deposits from financial institutions	22,165	(*)	-	-
Current derivative financial assets	4,009	4,009	9,167	9,167
Financial assets (non-current):				
Deposits from financial institutions	71,049	(*)	70,997	(*)
Trade receivables	132,746	(*)	120,698	(*)
Other receivables (excluding deposits from financial institutions)	148,648	(*)	48,061	(*)
Other non-current financial assets (measured at fair value):				
Marketable financial assets	56,887	56,887	50,626	50,626
Non-marketable financial assets	294,184	294,184	259,127	259,127
Non-current derivative financial assets	6,454	6,454	9,323	9,323
Non-current derivative financial assets (currency forward)	128,920	128,920	89,475	89,475
Financial liabilities (current):				
Trade and other payables	7,493,883	(*)	6,723,796	(*)
Current borrowings (excluding lease liabilities)	3,100,993	(*)	2,826,757	(*)
Current derivative financial liabilities	580	580	1,401	1,401
Current derivative financial liabilities (currency forward)	-	-	2,522	2,522
Financial guarantee contract liabilities	2,487	(*)	-	-
Financial liabilities (non-current):				
Non-current borrowings (excluding lease liabilities)	5,023,864	5,010,120	5,157,273	5,083,456
Other non-current payables	35,502	(*)	36,606	(*)
Non-current derivative financial liabilities	218	218	742	742

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

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

Fair values of financial liabilities (non-current) are calculated by discounting the expected cash outflows by yield from corporate bonds. These bonds are Korean won denominated with credit rating same as that of the Parent Company (AA+). The applied discount rates as of March 31, 2023, and December 31, 2022, are as follows:

	March 31, 2023	December 31, 2022
Discount rate	3.69% – 4.80%	4.94% – 5.33%

(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 the Group can access at the measurement date (Level 1).
- All inputs other than quoted prices included in Level 1 that are observable (either directly, i.e., prices, or indirectly, i.e., derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

As of March 31, 2023, and December 31, 2022, fair value hierarchy of the financial instruments that are consistently measured and recognized at fair value is as follows (Korean won in millions):

		March 31, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:					
Current derivative financial assets	₩	- ₩	4,009 ₩	- ₩	4,009
Non-current derivative financial assets		-	1,764	4,690	6,454
Non-current derivative financial assets (currency forward)		-	128,920	-	128,920
Other non-current financial assets (marketable financial assets)		56,887	-	-	56,887
Other non-current financial assets (non-marketable financial assets)		-	-	294,184	294,184
Current derivative financial liabilities		-	580	-	580
Non-current derivative financial liabilities		-	218	-	218
Financial assets/liabilities not measured at fair value:					
Non-current borrowings (excluding lease liabilities)		-	5,010,120	-	5,010,120

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ - ₩	9,167 ₩	- ₩	9,167
Non-current derivative financial assets	-	4,764	4,559	9,323
Non-current derivative financial assets (currency forward)	-	89,475	-	89,475
Other non-current financial assets (marketable financial assets)	50,626	-	-	50,626
Other non-current financial assets (non-marketable financial assets)	-	-	259,127	259,127
Current derivative financial liabilities	-	1,401	-	1,401
Current derivative financial liabilities (currency forward)	-	2,522	-	2,522
Non-current derivative financial liabilities	-	742	-	742
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	5,083,456	-	5,083,456

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

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

The significant estimates and assumptions made by management on the application of the Group's interim condensed consolidated financial statements are the same as those of the annual consolidated financial statements as of and for the year ended December 31, 2022.

The followings are the management's estimates and assumptions for its judgements regarding significant risks that may result in adjustments to the carrying amounts of assets and liabilities in the next fiscal year:

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(1) Income taxes

The Group's taxable income generated from these operations is 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, 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 taxes is affected by these tax effects. 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.

(3) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined 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 March 31, 2023 (see 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 experience and existing market conditions, as well as forward-looking estimates at the end of each reporting period (see Note 3.1.(2)).

(5) Net defined benefit liability (asset)

The present value of net defined benefit liability (asset) depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate (see 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. Periods covered by the extension option (or the termination option) 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.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

5. FINANCIAL INSTRUMENTS BY CATEGORY:

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

Financial assets	March 31, 2023				
	Financial assets at amortized cost	Financial assets at FVPL	Financial assets at FVOCI (*1)	Other financial assets (*2)	Total
Cash and cash equivalents	₩ 4,780,493	₩ -	₩ -	₩ -	₩ 4,780,493
Trade receivables	4,981,491	-	310,201	-	5,291,692
Non-current trade receivables	132,746	-	-	-	132,746
Other receivables	705,256	-	-	-	705,256
Other non-current receivables	219,697	-	-	-	219,697
Other current financial assets	-	-	-	4,009	4,009
Other non-current financial assets	-	214,060	270,621	1,764	486,445
	<u>₩ 10,819,683</u>	<u>₩ 214,060</u>	<u>₩ 580,822</u>	<u>₩ 5,773</u>	<u>₩ 11,620,338</u>

Financial liabilities	March 31, 2023		
	Financial liabilities at amortized cost	Other financial liabilities (*3)	Total
Trade payables	₩ 5,003,304	₩ -	₩ 5,003,304
Other payables	2,490,579	-	2,490,579
Other non-current payables	35,502	-	35,502
Current borrowings	3,100,993	46,819	3,147,812
Non-current borrowings	5,023,864	85,696	5,109,560
Other current financial liabilities	2,487	580	3,067
Other non-current financial liabilities	-	218	218
	<u>₩ 15,656,729</u>	<u>₩ 133,313</u>	<u>₩ 15,790,042</u>

(*1) At initial recognition, the Group made an irrevocable election to designate investments in equity instruments as at FVOCI. These instruments are held for the strategic purposes, not for short-term trading. In addition, the Group classified trade receivables under the 'hold to collect and sell' business model as financial assets at FVOCI.

(*2) Other financial assets include derivative assets.

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

December 31, 2022					
Financial assets	Financial assets at amortized cost	Financial assets at FVPL	Financial assets at FVOCI (*1)	Other financial assets (*2)	Total
Cash and cash equivalents	₩ 5,937,967	₩ -	₩ -	₩ -	₩ 5,937,967
Trade receivables	4,534,502	-	237,344	-	4,771,846
Non-current trade receivables	120,698	-	-	-	120,698
Other current receivables	462,188	-	-	-	462,188
Other non-current receivables	119,058	-	-	-	119,058
Other current financial assets	-	-	-	9,167	9,167
Other non-current financial assets	-	158,202	245,585	4,764	408,551
	<u>₩ 11,174,413</u>	<u>₩ 158,202</u>	<u>₩ 482,929</u>	<u>₩ 13,931</u>	<u>₩ 11,829,475</u>

December 31, 2022				
Financial liabilities	Financial liabilities at amortized cost	Financial liabilities at FVPL	Other financial liabilities (*3)	Total
Trade payables	₩ 3,841,766	₩ -	₩ -	₩ 3,841,766
Other payables	2,882,030	-	-	2,882,030
Other non-current payables	36,606	-	-	36,606
Current borrowings	2,826,757	-	39,944	2,866,701
Non-current borrowings	5,157,273	-	85,279	5,242,552
Other current financial liabilities	-	2,522	1,401	3,923
Other non-current financial liabilities	-	-	742	742
	<u>₩ 14,744,432</u>	<u>₩ 2,522</u>	<u>₩ 127,366</u>	<u>₩ 14,874,320</u>

(*1) At initial recognition, the Group made an irrevocable election to designate investments in equity instruments as at FVOCI. These instruments are held for the strategic purposes, not for short-term trading. In addition, the Group classified trade receivables under the 'hold to collect and sell' business model as financial assets at FVOCI.

(*2) Other financial assets include derivative assets.

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(2) Net gains (loss) on each category of financial instruments for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Interest income:		
Financial assets at amortized cost	₩ 44,534	₩ 32,355
Interest expense:		
Financial liabilities at amortized cost	(74,140)	(20,345)
Other financial liabilities	(582)	(470)
Financial assets at amortized cost (*)	(1,633)	(60)
Financial assets at FVOCI (*)	-	(60)
Gains on valuation or disposal:		
Financial assets at FVOCI	10,338	3,141
Derivative instruments	32,218	72,871
Exchange differences:		
Financial assets at amortized cost	112,164	69,141
Financial liabilities at amortized cost	(18,531)	(122,992)
Financial assets at FVPL	1,009	349

(*) Fees paid to financial institutions for factoring.

6. CASH AND CASH EQUIVALENTS:

(1) Details of cash and cash equivalents as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits and cash on hand	₩ 1,030,402	₩ 1,062,442
Cash equivalents	3,750,091	4,875,525
	<u>₩ 4,780,493</u>	<u>₩ 5,937,967</u>

(2) As of March 31, 2023, cash and cash equivalents include ₩22,594 million, which is subject to a restriction on the use and remittance (as of December 31, 2022, were ₩22,016 million).

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables and their provisions for impairment as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023			December 31, 2022		
	Gross amount	Provision for impairment	Carrying amount	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 5,291,692	₩ -	₩ 5,291,692	₩ 4,773,080	₩ (1,234)	₩ 4,771,846
Non-current trade receivables	132,746	-	132,746	120,698	-	120,698
Other current receivables	705,256	-	705,256	462,242	(54)	462,188
Other non-current receivables	219,697	-	219,697	119,058	-	119,058
	<u>₩ 6,349,391</u>	<u>₩ -</u>	<u>₩ 6,349,391</u>	<u>₩ 5,475,078</u>	<u>₩ (1,288)</u>	<u>₩ 5,473,790</u>

(2) Details of other receivables as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023	December 31, 2022
Current:		
Non-trade receivables	₩ 650,502	₩ 437,182
Deposits from financial institutions	22,165	-
Accrued income	5,443	2,963
Guarantee deposits provided	<u>27,146</u>	<u>22,043</u>
	<u>705,256</u>	<u>462,188</u>
Non-current:		
Non-trade receivables	106,227	5,201
Deposits from financial institutions (*)	71,049	70,997
Loans	5,092	3,900
Guarantee deposits provided	<u>37,329</u>	<u>38,960</u>
	<u>219,697</u>	<u>119,058</u>
	<u>₩ 924,953</u>	<u>₩ 581,246</u>

(*) As of March 31, 2023, the deposits from financial institutions (non-current) are subject to withdrawal restrictions, which include ₩60,000 million for the Agreement on the Win-Win Growth Cooperation, ₩10,000 million for the loans in relation to the employee stock ownership, PLN 3 million in relation to the guarantee deposit for transfer of dangerous waste and USD 17 million for construction costs.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(3) The aging analysis of trade and other receivables as of March 31, 2023, and December 31, 2022, is as follows (Korean won in millions):

	March 31, 2023		December 31, 2022	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 5,336,713	₩ 879,917	₩ 4,732,757	₩ 536,530
Past due, but not impaired:	87,725	45,036	159,787	44,716
Up to three months	87,634	25,364	159,348	27,297
Between 3–6 months	82	15,331	439	10,843
Over six months	9	4,341	-	6,576
Impaired receivables	-	-	1,234	54
	<u>₩ 5,424,438</u>	<u>₩ 924,953</u>	<u>₩ 4,893,778</u>	<u>₩ 581,300</u>

(4) Changes in the provision for impairment of trade and other receivables for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	2023		2022	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 1,234	₩ 54	₩ 11	₩ 54
Additions	-	-	481	-
Business combinations	-	-	724	-
Write-off	(1,234)	(54)	-	-
Exchange differences	-	-	18	-
Ending	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,234</u>	<u>₩ 54</u>

(5) The fair values of trade receivables and other receivables as of March 31, 2023, and December 31, 2022, are not significantly different from their carrying amounts.

(6) The Group transferred ₩177,863 million of trade receivables (as of December 31, 2022, ₩196,954 million of trade receivables) along with substantially all the risks and rewards of ownership. Therefore, the amount was derecognized on the discount date as of March 31, 2023.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

8. OTHER FINANCIAL ASSETS AND LIABILITIES:

(1) Details of other financial assets and liabilities as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Other financial assets:		
Financial assets at FVOCI	₩ 270,621	₩ 245,585
Cash flow hedge	5,773	13,931
Financial assets at FVPL	<u>214,060</u>	<u>158,202</u>
	<u>₩ 490,454</u>	<u>₩ 417,718</u>
Other financial liabilities:		
Financial guarantee contracts	₩ 2,487	₩ -
Cash flow hedge	798	2,143
Financial liabilities at FVPL	<u>₩ -</u>	<u>₩ 2,522</u>
	<u>₩ 3,285</u>	<u>₩ 4,665</u>

(2) Details of changes in equity securities included in other financial assets for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 245,585	₩ 120,767
Acquisitions/transfer	13,038	75,328
Valuation gain (before income tax deduction), other comprehensive income item	10,338	54,743
Valuation loss (before income tax deduction), profit or loss item	-	(5,818)
Others	<u>1,660</u>	<u>565</u>
Ending	<u>₩ 270,621</u>	<u>₩ 245,585</u>

The Group has entered into a put option contract to secure the investment capital for its equity securities held in Volta Energy Solutions S.a.r.l. The major terms of the agreements are as follows:

- Exercise date: From three years after the acceptance date (initial investment date, January 27, 2021) to the following three years.
- Exercise price: The amount contributed, less any dividends received from the date of contribution up to the exercise.
- Other term: The option cannot be exercised once Volta Energy Solutions S.a.r.l is listed.

(3) No impairment losses on other financial assets were recognized for the three-month periods ended March 31, 2023 and 2022.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

9. INVENTORIES:

(1) Details of inventories as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023			December 31, 2022		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Merchandise	₩ 215,636	₩ (12,302)	₩ 203,334	₩ 184,285	₩ (12,040)	₩ 172,245
Finished/semifinished products	4,341,918	(167,690)	4,174,228	4,393,089	(160,231)	4,232,858
Raw materials	1,854,750	(7,588)	1,847,162	1,630,837	(5,921)	1,624,916
Supplies	119,995	-	119,995	111,566	-	111,566
Materials in transit	1,130,229	-	1,130,229	854,044	-	854,044
	<u>₩ 7,662,528</u>	<u>₩ (187,580)</u>	<u>₩ 7,474,948</u>	<u>₩ 7,173,821</u>	<u>₩ (178,192)</u>	<u>₩ 6,995,629</u>

(2) The amount of inventories expensed as cost of sales for the three-month periods ended March 31, 2023 and 2022, was ₩6,075,649 million and ₩2,523,700 million, respectively.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Changes in investments in associates and joint ventures for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

2023					
	Beginning	Acquisitions	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Ending
VINFAST LITHIUM BATTERY PACK LLC	₩ 2,428	₩ -	₩ (482)	₩ 64	₩ 2,010
Jiangxi VL Battery Co., Ltd.	13,323	-	(1,317)	543	12,549
PT. HLI Green Power	187,945	-	(7,494)	6,296	186,747
Sama Aluminium	-	46,575	(566)	-	46,009
	<u>₩ 203,696</u>	<u>₩ 46,575</u>	<u>₩ (9,859)</u>	<u>₩ 6,903</u>	<u>₩ 247,315</u>

2022					
	Beginning	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Ending	
VINFAST LITHIUM BATTERY PACK LLC	₩ 3,769	₩ (1,611)	₩ 270	₩ 2,428	
Jiangxi VL Battery Co., Ltd.	20,310	(6,821)	(166)	13,323	
PT. HLI Green Power	201,488	(28,210)	14,667	187,945	
	<u>₩ 225,567</u>	<u>₩ (36,642)</u>	<u>₩ 14,771</u>	<u>₩ 203,696</u>	

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(2) As of March 31, 2023, and December 31, 2022, the processes of adjusting the financial information to the carrying amounts of shares in associates and joint ventures are as follows (Korean won in millions):

March 31, 2023					
	Net assets	Group's percentage of ownership	Net asset value for shares	Overseas operations translation	Carrying amount
VINFAST LITHIUM BATTERY PACK LLC	₩ 6,223	35.0	₩ 2,178	₩ (168)	₩ 2,010
Jiangxi VL Battery Co., Ltd.	36,866	34.0	12,535	14	12,549
PT. HLI Green Power	449,563	50.0	224,782	(38,035)	186,747
Sama Aluminium	251,462	10.2	25,649	20,360	46,009
	<u>₩ 744,114</u>		<u>₩ 265,144</u>	<u>₩ (17,829)</u>	<u>₩ 247,315</u>
December 31, 2022					
	Net assets	Group's percentage of ownership	Net asset value for shares	Overseas operations translation	Carrying amount
VINFAST LITHIUM BATTERY PACK LLC	₩ 7,409	35.0	₩ 2,593	₩ (165)	₩ 2,428
Jiangxi VL Battery Co., Ltd.	39,141	34.0	13,308	15	13,323
PT. HLI Green Power	440,625	50.0	220,313	(32,368)	187,945
	<u>₩ 487,175</u>		<u>₩ 236,214</u>	<u>₩ (32,518)</u>	<u>₩ 203,696</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 15,331,047	₩ 11,050,777
Business combination	-	7,251
Acquisition/Replacement	2,425,429	10,786,190
Disposal/Replacement	(627,454)	(4,644,768)
Exchange differences	554,417	(128,791)
Depreciation	(484,870)	(1,739,612)
Impairment	(10,713)	-
Ending	<u>₩ 17,187,856</u>	<u>₩ 15,331,047</u>

(2) The current ending balance includes ₩6,037,232 million of construction in progress, and some of it will subsequently be transferred to intangible assets (for the year ended December 31, 2022, was ₩4,557,301 million).

(3) The Group capitalized ₩5,226 million of borrowing costs in relation to acquisition of property, plant and equipment (for the three-month period ended March 31, 2022, were ₩1,565 million). The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 1.63% (for the three-month period ended March 31, 2022, was 0.80%).

(4) Line items, including depreciation, in the interim condensed consolidated statements of profit or loss for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Cost of sales	₩ 447,464	₩ 361,688
Selling and administrative expenses	37,406	31,754
	<u>₩ 484,870</u>	<u>₩ 393,442</u>

(5) Lease

① Amounts recognized in the interim condensed consolidated statements of financial position

Details of amounts recognized in the interim condensed consolidated statements of financial position in relation to lease for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Right-of-use assets (*):		
Real estate	₩ 136,376	₩ 132,480
Machinery	381	465
Vehicles	15,305	11,700
Tools	1,733	1,258
Equipment	395	457
	<u>₩ 154,190</u>	<u>₩ 146,360</u>

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

Additions to the right-of-use assets for the three-month period ended March 31, 2023, are ₩17,502 million (for the three-month period ended March 31, 2022, were ₩22,055 million).

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Lease liabilities (*):		
Current	₩ 46,819	₩ 39,944
Non-current	<u>85,696</u>	<u>85,279</u>
	<u>₩ 132,515</u>	<u>₩ 125,223</u>

(*) Included in ‘Borrowings’ in the interim condensed consolidated statements of financial position.

② Amounts recognized in the interim condensed consolidated statements of profit or loss

Details of amounts recognized in the interim condensed consolidated statements of profit or loss in relation to lease for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Depreciation of right-of-use assets:		
Real estate	₩ 10,690	₩ 6,740
Machinery	104	72
Vehicles	2,254	1,403
Tools	218	54
Equipment	<u>78</u>	<u>51</u>
	<u>₩ 13,344</u>	<u>₩ 8,320</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 582	₩ 470
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	3,713	1,107
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	1,595	1,293

Total cash outflow for leases for the three-month period ended March 31, 2023, is ₩17,735 million (for the three-month period ended March 31, 2022, was ₩11,140 million).

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

12. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	2023		2022	
Beginning	₩	642,090	₩	455,360
Business combination		-		1,503
Acquisition/Replacement		78,286		291,633
Disposal/Replacement		(856)		(7,522)
Exchange differences		7,223		(1,664)
Amortization		(30,177)		(97,220)
Ending	₩	696,566	₩	642,090

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

	2023		2022	
Cost of sales	₩	7,678	₩	7,733
Selling and administrative expenses		22,499		14,520
	₩	30,177	₩	22,253

(3) Greenhouse gas emission right

① Based on the Korea Emission Trading Scheme, changes in greenhouse gas emission rights (included in other intangible assets) for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (ton in thousands and Korean won in millions):

	2023							
	2022		2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount
Beginning	303	₩	300	₩	297	₩	297	₩
/Allocated	-	-	-	-	-	-	-	-
Purchase	-	-	-	-	-	-	-	-
/Sale	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
/Carried over	-	-	-	-	-	-	-	-
Government submission	-	-	-	-	-	-	-	-
Ending	303	₩	300	₩	297	₩	297	₩

	2022									
	2021		2022		2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount
Beginning	281	₩	300	₩	300	₩	297	₩	297	₩
/Allocated	-	-	-	-	-	-	-	-	-	-
Purchase	(2)	(20)	-	-	-	-	-	-	-	-
/Sale	-	-	-	-	-	-	-	-	-	-
Borrowing	22	388	3	-	-	-	-	-	-	-
/Carried over	-	-	-	-	-	-	-	-	-	-
Government submission	(301)	(368)	-	-	-	-	-	-	-	-
Ending	-	₩	303	₩	300	₩	297	₩	297	₩

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

② Based on the European Union Emission Trading System, changes in greenhouse gas emission rights (included in other intangible assets) for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (ton in thousands and Korean won in millions):

	2023			
	2022		2023	
	Ton	Amount	Ton	Amount
Beginning	- ₩	-	- ₩	-
Purchase/sale	78	7,935	49	5,154
Government submission	-	-	-	-
Foreign exchange difference	-	423	-	-
Ending	78 ₩	8,358	49 ₩	5,154

	2022			
	2021		2022	
	Ton	Amount	Ton	Amount
Beginning	- ₩	-	- ₩	-
Purchase/sale	35	3,858	78	7,902
Government submission	(34)	(3,792)	-	-
Foreign exchange difference	-	1	-	33
Ending	1 ₩	67	78 ₩	7,935

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

13. OTHER CURRENT AND NON-CURRENT ASSETS:

Details of other current and non-current assets as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

		March 31, 2023	December 31, 2022
Current:			
Prepayments and prepaid expenses	₩	295,337	₩ 310,004
Prepaid value-added tax		213,187	112,973
Others		142,218	158,290
	₩	<u>650,742</u>	<u>₩ 581,267</u>
Non-current:			
Long-term prepayments and prepaid expenses	₩	161,564	₩ 133,914
Net defined benefit assets		199,504	222,519
Others		74	69
	₩	<u>361,142</u>	<u>₩ 356,502</u>

14. BORROWINGS:

(1) Borrowings as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

		March 31, 2023	December 31, 2022
Current:			
Short-term borrowings	₩	1,446,759	₩ 1,243,992
Current portion of long-term borrowings		943,547	907,687
Current portion of debentures		710,687	675,078
Current lease liabilities		46,819	39,944
	₩	<u>3,147,812</u>	<u>₩ 2,866,701</u>
Non-current:			
Long-term borrowings	₩	3,527,143	₩ 3,697,317
Debentures		1,496,721	1,459,956
Non-current lease liabilities		85,696	85,279
		5,109,560	5,242,552
	₩	<u>8,257,372</u>	<u>₩ 8,109,253</u>

(2) Details of borrowings as of March 31, 2023, and December 31, 2022, are as follows:

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

	Bank	Latest maturity date	Interest rate (%)		March 31, 2023	December 31, 2022
Bank loans	China: Agricultural Bank and others	2024.03.15	0.5–7.29	₩	1,446,759	₩ 1,243,992

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

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

		March 31, 2023					
	Bank	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
Borrowings in foreign currencies	Citibank	EUR: 3M EURIBOR + 0.62 ~ 0.70	2024.08.20	₩ 213,266	₩ 142,177	₩ 71,089	
	DBS	3M EURIBOR + 0.90	2026.03.10	142,177	-	142,177	
	DOE	3.65	2031.12.15	728,109	-	728,109	
	EBRD	6M EURIBOR + 0.62	2026.10.15	270,137	71,089	199,048	
	EIB	3M EURIBOR + 0.47	2027.03.31	606,623	151,656	454,967	
	ING	6M EURIBOR + 0.70	2023.11.23	99,524	99,524	-	
	KDB	USD: 3M LIBOR + 0.91	2025.06.25	149,166	59,667	89,499	
	KDB/Korea Exim/Nonghyup	EUR: 3M EURIBOR + 0.89 ~ 1.04	2027.04.26	1,438,050	-	1,438,050	
	KEB Hana	3M EURIBOR + 0.62	2024.02.15	284,355	284,355	-	
	MUFG	6M EURIBOR + 0.80	2024.01.18	71,089	71,089	-	
	SMBC	EUR : 0.48	2027.02.04	56,871	14,218	42,653	
	China: Agricultural Bank	LPR(1Y) - 0.70	2024.11.25	69,240	4,539	64,701	
	China	LPR(1Y) - 0.60 ~ 0.95	2026.03.21	215,744	45,234	170,510	
	China: Bank of Communications	LPR(1Y) - 0.70 ~ 0.95	2025.07.14	126,338	-	126,338	
				<u>₩ 4,470,690</u>	<u>₩ 943,547</u>	<u>₩ 3,527,143</u>	
		December 31, 2022					
	Bank	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
Borrowings in foreign currencies	Citibank	EUR: 3M EURIBOR + 0.62 ~ 0.70	2024.08.20	₩ 203,096	₩ 67,699	₩ 135,397	
	DBS	6M EURIBOR + 0.60	2023.03.10	135,397	135,397	-	
	DOE	3.65	2031.12.15	705,620	-	705,620	
	EBRD	6M EURIBOR + 0.62	2026.10.15	257,255	67,698	189,557	
	EIB	3M EURIBOR + 0.47	2027.03.31	649,908	144,424	505,484	
	ING	6M EURIBOR + 0.70	2023.11.23	94,778	94,778	-	
	KDB	USD: 3M LIBOR + 0.91 ~ 0.93	2025.06.25	296,581	214,165	82,416	
	KDB/Korea Exim /Nonghyup	EUR: 3M EURIBOR + 0.89 ~ 1.04	2027.04.26	1,369,049	-	1,369,049	
	KEB Hana	3M EURIBOR + 0.62	2024.02.15	270,795	-	270,795	
	MUFG	6M EURIBOR + 0.80	2024.01.18	67,699	-	67,699	
	SMBC	EUR : 0.32 ~ 0.48	2027.02.04	192,941	148,937	44,004	
	China: Agricultural Bank	LPR(1Y) - 0.70	2024.11.25	68,222	4,355	63,867	
	China	LPR(1Y) - 0.60 ~ 1.00	2025.06.14	172,462	30,234	142,228	
	China: Bank of Communications	LPR(1Y) - 0.75 ~ 1.00	2025.07.14	121,201	-	121,201	
				<u>₩ 4,605,004</u>	<u>₩ 907,687</u>	<u>₩ 3,697,317</u>	

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

3) Debentures (USD in thousands, EUR in thousands and Korean won in millions)

		March 31, 2023					
	Financial institution	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
	NH						
1st Debenture (non-guaranteed/public)	Investment & Securities Co., Ltd. and others	2.21	2026.03.13	₩ 200,000 ₩	- ₩	₩ 200,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.25	2024.10.15	651,900 (USD 500,000)	-	651,900	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.63	2029.04.15	651,900 (USD 500,000)	-	651,900	
EUR foreign currency debenture (non-guaranteed)	Citibank and others	0.50	2023.04.15	710,765 (EUR 500,000)	710,765	-	
Less: discount on debentures	-	-	-	(7,157)	(78)	(7,079)	
				<u>₩ 2,207,408</u>	<u>₩ 710,687</u>	<u>₩ 1,496,721</u>	
		December 31, 2022					
	Financial institution	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
	NH						
1st Debenture (non-guaranteed/public)	Investment & Securities Co., Ltd. and others	2.21	2026.03.13	₩ 200,000 ₩	- ₩	₩ 200,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.25	2024.10.15	633,650 (USD 500,000)	-	633,650	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.63	2029.04.15	633,650 (USD 500,000)	-	633,650	
EUR foreign currency debenture (non-guaranteed)	Citibank and others	0.50	2023.04.15	675,600 (EUR 500,000)	675,600	-	
Less: discount on debentures	-	-	-	(7,866)	(522)	(7,344)	
				<u>₩ 2,135,034</u>	<u>₩ 675,078</u>	<u>₩ 1,459,956</u>	

4) Lease liabilities (Korean won in millions)

		March 31, 2023				
	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	0.67-5.01	2042.06.09	₩ 132,515 ₩	46,819 ₩	₩ 85,696	
		December 31, 2022				
	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	0.67-5.01	2042.06.09	₩ 125,223 ₩	39,944 ₩	₩ 85,279	

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

15. PROVISIONS:

Changes in provisions for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

2023						
	Warranty(*1)	Greenhouse gas emission(*2)	Provision for restoration(*3)	Legal claims	Total	
Beginning	₩ 1,482,900	₩ 8,712	₩ 4,118	₩	1,495,730	
Additions	177,987	3,951	(246)		181,692	
Used	(124,830)	-	-		(124,830)	
Ending	1,536,057	12,663	3,872		1,552,592	
Less: current portion	(880,702)	(12,663)	-		(893,365)	
	₩ 655,355	₩ -	₩ 3,872	₩	659,227	

2022						
	Warranty(*1)	Greenhouse gas emission(*2)	Provision for restoration(*3)	Legal claims	Total	
Beginning	₩ 2,103,880	₩ 79	₩ 3,069	₩ 987	2,108,015	
Business combination	4,999	-	-	-	4,999	
Additions	630,174	12,493	1,049	-	643,716	
Used	(1,256,153)	(3,860)	-	(987)	(1,261,000)	
Ending	1,482,900	8,712	4,118	-	1,495,730	
Less: current portion	(968,237)	(8,712)	-	-	(976,949)	
	₩ 514,663	₩ -	₩ 4,118	₩ -	518,781	

(*1) Warranty provisions have been accrued for the estimated warranty costs to be incurred due to quality control, exchange and refunds with regard to products based on historical experience. In addition, provisions related to replacement costs due to ESS replacement costs and voluntary automotive battery recalls are included. The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(*2) In relation to greenhouse gas emissions, the Group estimates the expected future costs of emissions exceeding the Group's emission rights for the year and recognizes them as provisions. Estimated emissions are 116 thousand tons for the three-month period ended March 31, 2023 (for the year ended December 31, 2022, were 417 thousand tons).

(*3) The Group estimates the cost of restoring the leased office to its original state and records it as a provision.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (asset) as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023	December 31, 2022
Present value of defined benefit obligations (*1)	₩ 574,218	₩ 549,225
Fair value of plan assets	(773,501)	(771,244)
	<u>₩ (199,283)</u>	<u>₩ (222,019)</u>
Net defined benefit liabilities	221	499
Net defined benefit assets (*2)	(199,504)	(222,518)
	<u>₩ (199,283)</u>	<u>₩ (222,019)</u>

(*1) The present value of retirement benefit obligations is the amount after deducting contributions to the National Pension Plan of ₩35 million as of March 31, 2023 (as of December 31, 2022, was ₩42 million).

(*2) The ₩199,504 million of plan assets exceeding the defined benefit obligations of the Parent Company is included in other non-current assets as of March 31, 2023 (as of December 31, 2022, was ₩222,518 million).

(2) The amounts recognized in the interim condensed consolidated statements of profit or loss for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Current service cost	₩ 19,620	₩ 19,511
Interest cost	(3,004)	(2)
	<u>₩ 16,616</u>	<u>₩ 19,509</u>

(3) Retirement benefits recognized for defined contribution plan for the three-month period ended March 31, 2023, amounted to ₩501 million (the three-month period ended March 31, 2022, was ₩463 million).

(4) Retirement benefits recognized in the interim condensed consolidated statements of profit or loss for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Cost of sales	₩ 9,749	₩ 9,677
Selling and administrative expenses	7,368	10,295
	<u>₩ 17,117</u>	<u>₩ 19,972</u>

(5) Changes in the present value of defined benefit obligations for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	2023	2022
Beginning	₩ 549,225	₩ 554,014
Transfer in	8,746	8,212
Transfer out	(378)	(2,991)
Current service cost	19,620	77,785
Interest expense	7,247	16,409
Remeasurements:		
Actuarial loss from change in financial assumption	-	(102,359)
Actuarial gain from change in demographic assumption	-	(3,256)
Actuarial gain due to the difference between the estimated and the actual	-	31,915
Others	-	792
Foreign currency conversion difference	2	(30)
Payments from plans	(10,244)	(31,266)
Ending	<u>₩ 574,218</u>	<u>₩ 549,225</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(6) Changes in the fair value of plan assets for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 771,244	₩ 554,142
Interest income	10,251	16,419
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	779	(4,390)
Contribution:		
Employer contribution to plan assets	458	235,213
Payments from plans	(8,868)	(29,120)
Administrative costs	(363)	(1,020)
Ending	<u>₩ 773,501</u>	<u>₩ 771,244</u>

(7) The actual return on plan assets for the three-month period ended March 31, 2023, was ₩11,030 million (the three-month period ended March 31, 2022, was ₩3,858 million).

(8) The significant actuarial assumptions as of March 31, 2023, and December 31, 2022, are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	5.40%	5.40%
Salary growth rate	5.96%	5.96%

(9) The sensitivity analysis for changes in key actuarial assumptions as of March 31, 2023, is as follows (Korean won in millions):

	<u>Increase by 1.0%</u>	<u>Decrease by 1.0%</u>
Discount rate:		
Increase (decrease) in defined benefit liabilities	₩ (64,158)	₩ 76,637
Salary growth rate:		
Increase (decrease) in defined benefit liabilities	80,144	(67,830)

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 actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the interim condensed consolidated statements of financial position.

The methods and assumptions used for the sensitivity analysis are the same as those of previous period.

(10) Plan assets as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023		December 31, 2022	
	Amount	Composition (%)	Amount	Composition (%)
Insurance contracts with guaranteed yield	₩ 773,501	100	₩ 771,244	100

Plan assets consist of guaranteed debt instruments and others which have no quoted market prices in an active market.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

17. OTHER CURRENT AND NON-CURRENT LIABILITIES:

Details of other current and non-current liabilities as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

		<u>March 31, 2023</u>	<u>December 31, 2022</u>
Current:			
Advances from customers	₩	219,137	₩ 131,482
Withholdings		49,332	52,642
Unearned revenues		69,998	68,225
Accrued expenses		<u>133,555</u>	<u>448,085</u>
	₩	<u>472,022</u>	₩ <u>700,434</u>
Non-current:			
Long-term accrued expenses	₩	25,372	₩ 23,041
Long-term unearned revenues		96,555	215,645
Long-term advance received		<u>251,634</u>	<u>114,544</u>
	₩	<u>373,561</u>	₩ <u>353,230</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

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 March 31, 2023, the Group has been guaranteed by Seoul Guarantee Insurance Company for the execution of contracts and others.
- (3) As of March 31, 2023, the Group has various specific line of credit agreements with several financial institutions as follows (Korean won in millions and foreign currencies in millions):

	Currency	March 31, 2023	
		The Parent Company	Certain subsidiaries
Limit of bank overdraft	KRW	8,700	-
	EUR	-	75
Limit of the letter of credit	USD	12	154
	CNY	-	2,129
Limit of discount of notes from export	USD	845	-
Limit of guaranteed payments in other foreign currency	USD	220	-
B2B purchase arrangements	KRW	125,000	-
General loan agreements	KRW	100,000	-
	USD	-	4,826
	CNY	-	9,230
	EUR	-	2,980
Derivatives	KRW	-	30,000
	USD	663	656
	EUR	-	170
Bond transfer transaction	KRW	150,000	-
	CNY	-	460

- (4) As of March 31, 2023, the Group has entered into payment guarantee contracts of USD 114 million, EUR 1 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 471 million with financial institutions in relation to custom clearance of imported raw materials.
- (5) As of March 31, 2023, the Group has entered into an arrangement with General Motors (“GM”) regarding joint investment in Ultium Cells LLC, whereby each party can sell its shares to third parties in eight 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. In this regard, the Group has completed the government's approval process for the use of core technologies in accordance with the Industrial Technology Protection Act.
- (6) The Group has been sued in two class actions by consumers in relation to price fixing of mobile batteries and GM Bolt EV, and two cases are still in process as of March 31, 2023. The Group has also been sued in other 113 cases (amounted to KRW 3,953 million) and has filed three lawsuit cases (amounted to USD 90 million and KRW 113 million). The ultimate outcome of these pending cases cannot be determined at the reporting date.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

- (7) 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.
- (8) As of March 31, 2023, the Group has entered into a joint venture agreement with Honda and has committed to invest USD 1,802 million. Also, the Parent Company has decided to provide a payment guarantee of USD 450 million, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 883 million.
- (9) As of March 31, 2023, the Group has entered into a joint venture agreement with Stellantis and has committed to invest USD 1,464 million.
- (10) As of March 31, 2023, the Group has decided to contribute USD 1,173 million to LG Energy Solution Arizona ESS, Inc., and the Parent Company to provide a payment guarantee up to a maximum limit of USD 1,173 million.
- (11) Capital expenditure arrangements that have not been incurred as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	₩ 4,303,627	₩ 4,938,173

- (12) Investment commitments as of March 31, 2023, are as follows (Korean won in millions and USD in million):

	<u>Currency</u>	<u>Contractual amount</u>	<u>Total investments</u>	<u>Remaining amount</u>
BNZ (Beyond Net Zero) Fund	USD	75	24	51
Secondary Battery Growth Fund	KRW	6,700	3,350	3,350
KBE (Korea Battery ESG) Fund	KRW	75,000	33,732	41,268
BCM Global Battery Fund	KRW	30,000	5,979	24,021

- (13) As of March 31, 2023, and December 31, 2022, the details of the payment guarantee for the borrowings by the Group are as follows (Korean won in millions):

<u>Guarantor</u>	<u>Guarantee beneficiary</u>	<u>Financial institution</u>	<u>March 31, 2023</u>		<u>December 31, 2022</u>	
			<u>Loan amount(*1)</u>	<u>Credit limit(*2)</u>	<u>Loan amount(*1)</u>	<u>Credit limit(*2)</u>
LG Energy Solution Ltd.	PT. HLI Green Power	ANZ and others	₩ 176,013	₩ 463,501	₩ 88,711	₩ 450,525

(*1) The amounts represent borrowed amount as of March 31, 2023, and December 31, 2022.

(*2) The limits indicate the aggregate amount of payment guarantees.

19. SHARE CAPITAL:

Changes in share capital and share premium for the three-month period ended March 31, 2023, are as follows (Korean won in millions and shares):

	<u>Ordinary shares</u>		<u>Share premium</u>
	<u>Number of shares</u>	<u>Share capital</u>	
December 31, 2022	234,000,000	₩ 117,000	₩ 17,589,722
Changes	-	-	-
March 31, 2023	234,000,000	₩ 117,000	₩ 17,589,722

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

20. RETAINED EARNINGS:

Details of retained earnings as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Unappropriated retained earnings	₩ 1,655,686	₩ 1,154,518

21. OPERATING PROFITS:

Operating profits for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Revenue	₩ 8,747,117	₩ 4,342,348
Cost of sales	<u>7,452,907</u>	<u>3,567,242</u>
Gross profit	1,294,210	775,106
Other operating income (*)	100,294	-
Selling and administrative expenses:		
Wages and salaries	200,473	161,847
Retirement benefits	7,368	10,295
Employee benefits	45,667	30,672
Travel expenses	9,525	7,731
Water and utilities	18,546	11,978
Packaging expenses	400	537
Rental expenses	18,805	12,759
Commission expenses	114,596	80,352
Depreciation	38,889	33,188
Advertising expenses	3,639	3,589
Freight expenses	25,204	44,346
Training expenses	7,160	3,181
Amortization	22,499	14,520
Sample expenses	2,614	586
Development costs	36,606	25,026
Addition to warranty provisions	177,987	20,021
Others	<u>31,360</u>	<u>55,624</u>
	761,338	516,252
Operating profits	<u>₩ 633,166</u>	<u>₩ 258,854</u>

(*) Under Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount is revenue expected to be received by the Group for the three-month period ended March 31, 2023.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

22. CLASSIFICATION OF EXPENSES BY NATURE:

Expenses by nature for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Changes in inventories of merchandise, finished goods , semifinished goods and work in process	₩ 27,541	₩ (478,445)
Raw materials and consumables used	5,778,756	2,764,387
Purchase of merchandise	269,352	237,758
Employee benefit expenses	622,796	479,143
Advertising expenses	3,696	3,655
Freight expenses	31,361	49,325
Commission expenses	229,145	169,059
Depreciation and amortization	516,530	417,129
Rent expenses and usage fee	15,012	10,369
Transfers to provisions for service warranties	177,987	20,021
Other expenses	542,069	411,093
	<u>₩ 8,214,245</u>	<u>₩ 4,083,494</u>

23. EMPLOYEE BENEFIT EXPENSES:

Details of employee benefit expenses for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Wages and salaries	₩ 515,042	₩ 408,674
Retirement benefits: defined benefit plan	16,616	19,509
Retirement benefits: defined contribution plan	501	463
Others	90,637	50,497
	<u>₩ 622,796</u>	<u>₩ 479,143</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

24. FINANCE INCOME AND COSTS:

Details of finance income and costs for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Finance income:		
Interest income (*1)	₩ 44,534	₩ 32,355
Exchange differences	205,057	61,663
Gain on derivative instruments	<u>39,445</u>	<u>13,800</u>
	₩ <u>289,036</u>	₩ <u>107,818</u>
Finance costs:		
Interest expense (*2)	₩ 69,496	₩ 19,250
Exchange differences	194,150	116,250
Loss on disposal of trade receivables	<u>1,633</u>	<u>120</u>
	₩ <u>265,279</u>	₩ <u>135,620</u>

(*1) Details of interest income for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Due from financial institutions	₩ 40,780	₩ 30,043
Other loans and receivables	<u>3,754</u>	<u>2,312</u>
	₩ <u>44,534</u>	₩ <u>32,355</u>

(*2) Details of interest expense for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Interest on financial institutions	₩ 56,941	₩ 6,546
Interest on financial lease liabilities	582	470
Interest on debentures	14,475	13,393
Other interest expenses	2,724	405
Capitalized interest for qualifying assets	<u>(5,226)</u>	<u>(1,564)</u>
	₩ <u>69,496</u>	₩ <u>19,250</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

25. OTHER NON-OPERATING INCOME:

Details of other non-operating income for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Exchange differences	₩ 327,323	₩ 125,408
Gain on disposal of property, plant and equipment	205	245
Others	12,464	40,320
	<u>₩ 339,992</u>	<u>₩ 165,973</u>

26. OTHER NON-OPERATING EXPENSES:

Details of other non-operating expenses for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Exchange differences	₩ 243,590	₩ 124,324
Loss on disposal of property, plant and equipment	15,291	1,580
Loss on disposal of intangible asset	235	147
Donations	590	522
Others	16,161	2,644
	<u>₩ 275,867</u>	<u>₩ 129,218</u>

27. INCOME TAX EXPENSE AND DEFERRED TAX:

Income tax expense was recognized based on the best estimate of the weighted-average annual income tax rate for the entire fiscal year. As of March 31, 2023, the expected annual corporate tax rate for the fiscal year ending December 31, 2023, is 20.98%. As of March 31, 2022, the expected annual corporate tax rate for the fiscal year ended December 31, 2022, was 12.73%.

28. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shares of the Parent Company by weighted-average number of shares issued.

Basic earnings per ordinary share for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Profits attributable to ordinary shares of the Parent Company	₩ 500,595	₩ 226,623
Weighted-average number of ordinary shares outstanding	234,000,000	226,066,667
Basic earnings per ordinary share (in Korean won)	<u>₩ 2,139</u>	<u>₩ 1,002</u>

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

29. RELATED-PARTY TRANSACTIONS:

- (1) As of March 31, 2023, the parent company is LG Chem Ltd. (percentage of ownership: 81.84%), over which LG Corp. exercises a significant influence.
- (2) Details of related parties and others that have sales and other transactions with the Group or have receivable and payable balances, other than associates and joint ventures (see Note 10) as of March 31, 2023, are as follows:

Related party	Related-party's subsidiary (Domestic)	Related-party's subsidiary (Overseas)	Details
LG Chem Ltd.	HAENGBOKNURI CO., LTD. and others	LEYOU NEW ENERGY MATERIALS (WUXI) Co.,Ltd and others	Subsidiary of LG Chem Ltd.
D&O Co., Ltd.	D&O CM, Ltd. and others	D&O CM NANJING and others	
LG CNS Co., Ltd. LG Management Development Institute	Biz Tech I Co., Ltd. and others	LG CNS America Inc. and others	Subsidiary of LG Corp.
LG Display Co., Ltd.	Nanum nuri Co., Ltd.	LG Display (China) Co., Ltd. and others	
LG Electronics, Inc.	LG Innotek Co., Ltd. and others	LG Electronics Philippines, Inc. and others	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	LG Household & Health Care Trading(Shanghai) Co., Ltd. and others	LG Enterprise group (*)
LG Uplus Corp.	LG HelloVision Corp. and others	LG UPLUS FUND I LLC. and others	
GIIR Inc.	HS AD Inc. and others	GIIR America Inc. and others	

(*) Although these entities are not included within the scope of related parties under K-IFRS 1024, they belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(3) Transactions with related parties for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023				
	Sales and others	Purchase and others			
		Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangibles	Interest expense	Others
Parent:					
LG Chem Ltd.	₩ 2,008	₩ 1,042,392	₩ -	₩ 9	₩ 1,303
Associates and joint ventures:					
PT. HLI Green Power	11,524	-	-	-	-
VINFAST LITHIUM BATTERY PACK LLC	256	-	-	-	-
Sama Aluminium	-	6,221	-	-	-
Other related parties:					
LG Corp.	-	-	-	-	17,200
LG Chem (Taiwan), Ltd.	-	-	-	1	46
LG Chem (China) Investment Co., Ltd.	-	-	-	-	63
HAENGBOKNURI CO., LTD.	3	-	-	-	284
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	672,448	-	-	-
Techwin, Inc	-	-	-	-	22
LG Chem Poland Sp. z o.o	-	67,034	-	-	-
LG Management Development Institute	7	-	-	-	6,004
D&O Co., Ltd. and its subsidiaries	21	-	4,465	-	1,566
LG CNS Co., Ltd. and its subsidiaries	9,166	71	104,069	-	30,378
Others	-	-	-	-	986
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	3	44
LG Electronics Inc. and its subsidiaries	517,555	79,797	258,628	-	5,790
Xi C&A and its subsidiaries	-	1,907	100,804	-	-
S&I Corporation	-	4,291	11,328	-	12,144
Others	12	-	231	-	753
	<u>₩ 540,552</u>	<u>₩ 1,874,161</u>	<u>₩ 479,525</u>	<u>₩ 13</u>	<u>₩ 76,583</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

	2022					
	Purchase and others					Others
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangibles	Interest expense		
Parent:						
LG Chem Ltd.	₩ 1,946	₩ 388,671	₩ -	₩ 14	₩ 2,173	
Associate and joint venture:						
PT. HLI Green Power	11,490	-	-	-	-	
VINFAST LITHIUM BATTERY PACK LLC.	1,069	-	-	-	-	
Other related parties:						
LG Corp.	-	-	1,273	-	8,556	
LG Chem America, Inc.	-	-	-	-	1	
LG Chem (Taiwan), Ltd.	-	-	-	3	-	
LG Chem (China) Investment Co., Ltd.	-	3	-	-	53	
HAENGBOKNURI CO., LTD.	4	-	-	-	289	
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	185,954	-	-	18	
TECWIN Co., Ltd.	-	-	100	-	27	
LG Chem Hangzhou Advanced Materials Co., Ltd.	-	14,462	-	-	-	
LG Chem Poland Sp. z o.o.	-	28,872	-	-	-	
LG Management Development Institute	-	-	-	-	4,132	
D&O Co., Ltd. and its subsidiaries	-	-	3,129	-	819	
LG CNS Co., Ltd. and its subsidiaries	4,409	12	32,979	-	19,971	
Others	-	-	-	-	782	
Others:						
LG Display Co., Ltd. and its subsidiaries	-	-	-	3	-	
LG Electronics Inc. and its subsidiaries	57,587	106,100	101,316	-	3,151	
LX Holdings., Ltd. and its subsidiaries	188	8564	24397	5	96014	
Xi C&A (formerly S&I Construction) and its subsidiaries (*)	-	-	48622	-	-	
S&I Corporation (*)	-	1,939	2,087	-	4,913	
Others	14	-	4	-	416	
	<u>₩ 76,707</u>	<u>₩ 734,577</u>	<u>₩ 213,907</u>	<u>₩ 25</u>	<u>₩ 141,315</u>	

(*) During the three-month period ended March 31, 2022, the entity was classified as an associate from a subsidiary of D&O Co., Ltd. due to the sale of its shares, and the amount includes the transactions before classification.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(4) Balances of receivables and payables from related parties as of March 31, 2023 and December 31, 2022, are as follows
(Korean won in millions):

	March 31, 2023							
	Receivables			Payables				
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total	
Parent:								
LG Chem Ltd.	₩	- ₩	33,284 ₩	33,284 ₩	1,084,209 ₩	1,512 ₩	2,793 ₩	1,088,514 ₩
Associates and joint ventures:								
PT. HLI Green Power		-	2,520	2,520	-	-	76,602	76,602
Sama Aluminium		-	-	-	2,557	-	-	2,557
Other related parties:								
LG Corp.		-	-	-	-	23,585	23,585	
LG Chem (Taiwan), Ltd.		-	-	-	63	44	107	
LG Chem (China) Investment Co., Ltd.		-	-	-	-	35	35	
LG Chem Europe GmbH		-	-	-	-	3	3	
HAENGBOKNURI CO., LTD.		-	-	-	-	110	110	
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.		-	-	432,748	-	-	432,748	
TECWIN Co., Ltd.		-	-	-	-	7	7	
LG Chem Poland Sp. z o.o.		-	-	50,306	-	-	50,306	
LG Management Development Institute		-	2	2	-	918	918	
D&O Co., Ltd. and its subsidiaries		-	-	-	-	3,149	3,149	
LG CNS Co., Ltd. and its subsidiaries	10,056	-	10,056	631	-	174,091	174,722	
Others		-	-	-	-	448	448	
Others:								
LG Display Co., Ltd. and its subsidiaries		-	-	-	419	19	438	
LG Electronics Inc. and its subsidiaries (*)	395,280	4,507	399,787	63,092	-	117,956	181,048	
Xi C&A and its subsidiaries		-	-	-	-	135,512	135,512	
S&I Corporation		-	-	-	-	26,560	26,560	
Others		-	559	559	-	2,375	2,375	
	₩ 405,336 ₩	40,872 ₩	446,208 ₩	1,633,543 ₩	1,994 ₩	564,207 ₩	2,199,744 ₩	

(*) Provisions for GM Bolt EV recall are not included in the balance of receivables and payables above.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

	December 31, 2022													
	Receivables						Payables							
	Trade receivables	Other receivables	Total		Trade payables	Lease liabilities	Other payables	Total						
Parent:														
LG Chem Ltd.	₩	- ₩	23,163 ₩	23,163 ₩	₩	571,271 ₩	₩	1,650 ₩	2,904 ₩	₩	575,825 ₩			
Associates and joint ventures:														
PT. HLI Green Power		-	1,311	1,311		-	-	88,093		88,093				
Other related parties:														
LG Corp.		-	46	46		-	-	18,727		18,727				
LG Chem (Taiwan), Ltd.		-	-	-		-	106	41		147				
LG Chem (China) Investment Co., Ltd.		-	-	-		-	-	48		48				
LG Chem Europe GmbH		-	-	-		-	-	1		1				
HAENGBOKNURI CO., LTD.		-	1	1		-	-	120		120				
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.		-	-	-		316,606	-	26		316,632				
TECWIN Co., Ltd.		-	-	-		-	-	54		54				
LG Chem Poland Sp. z o.o.		-	-	-		59,336	-	1		59,337				
LG Management Development Institute		-	-	-		-	-	544		544				
D&O Co., Ltd. and its subsidiaries		-	-	-		-	-	3,957		3,957				
LG CNS Co., Ltd. and its subsidiaries		5,782	205	5,987		526	-	335,380		335,906				
Others		-	-	-		-	-	363		363				
Others:														
LG Display Co., Ltd. and its subsidiaries		-	-	-		-	454	17		471				
LG Electronics Inc. and its subsidiaries (*1)		275,784	26,322	302,106		77,580	-	142,674		220,254				
Xi C&A (formerly S&I Construction) and its subsidiaries (*2)		-	-	-		-	-	125,451		125,451				
S&I Corporation (*2)		-	-	-		-	-	48,679		48,679				
Others		-	561	561		-	-	3,930		3,930				
	₩	281,566 ₩	₩	51,609 ₩	₩	333,175 ₩	₩	1,025,319 ₩	₩	2,210 ₩	₩	771,010 ₩	₩	1,798,539 ₩

(*1) Provisions for GM Bolt EV recall are not included in the balance of receivables and payables above.

(*2) During the year ended December 31, 2022, the entity was classified as an associate from a subsidiary of D&O Co., Ltd. due to the sale of its shares, and the amount includes the transactions before classification.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(5) Fund transactions with related parties for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023							
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions		Borrowing transactions (*)		
				Loan	Repayment	Borrowing	Repayment	
Parent:								
LG Chem Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	129
Associates and joint ventures:								
Sama Aluminium		-	-	46,575	-	-	-	-
Other related parties:								
LG Chem (Taiwan), Ltd.		-	-	-	-	-	-	46
Others:								
LG DISPLAY AMERICA, INC		-	-	-	-	-	-	44
	₩	- ₩	- ₩	46,575 ₩	- ₩	- ₩	- ₩	219

(*) The amounts represent lease liabilities that were recognized or repaid during the current period.

	2022							
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions		Borrowing transactions (*)		
				Loan	Repayment	Borrowing	Repayment	
Parent:								
LG Chem Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	205
Other related party:								
LG Chem (Taiwan), Ltd.		-	-	-	-	-	-	46
Others:								
LG DISPLAY AMERICA, INC		-	-	-	-	-	-	40
LX Pantos Poland sp.z.o.o		-	-	-	-	-	62	2
PANTOS LOGISTICS MEXICO S.A. de C.V		-	-	-	-	-	2,384	161
LX PANTOS TURKEY LOJISTIK		-	-	-	-	-	337	21
	₩	- ₩	- ₩	- ₩	- ₩	- ₩	2,783 ₩	475

(*) The amounts represent lease liabilities that were recognized or repaid during the previous period.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(6) Compensation for key management of the Group for the three-month periods ended March 31, 2023 and 2022, is as follows (Korean won in millions):

	2023		2022
Short-term employee benefits	₩ 16,866	₩	4,098
Retirement benefits	2,211		1,026
	<u>₩ 19,077</u>	<u>₩</u>	<u>5,124</u>

Key management includes directors (including non-executive) having duties and responsibilities over planning, operations and controlling of the Group's business activities.

(7) There are no provisions recognized for receivables from related parties as of March 31, 2023. Therefore, no bad debt expense was recognized for the three-month period ended March 31, 2023.

(8) As of March 31, 2023, the payment guarantees provided by the Group for related parties are disclosed in Note 18.

(9) During the three-month period ended March 31, 2022, LG Energy Solution (Nanjing) Co., Ltd., a subsidiary of the Group, has paid ₩604,437 million to LG Chem (China) Investment Co., Ltd. due to capital reduction through share repurchase.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

30. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Details of cash generated from operations for the three-month periods ended March 31, 2023 and 2022, are as follows
(Korean won in millions):

	2023	2022
Profit before income tax:	₩ 711,189	₩ 259,690
Adjustments for:		
- Depreciation	₩ 486,353	₩ 394,876
- Amortization	30,177	22,253
- Retirement benefits	16,616	19,509
- Financial income	(234,875)	(115,477)
- Financial costs	219,419	127,646
- Foreign currency conversion differences	(3,900)	(43)
- Loss on valuations of inventories	9,388	32,276
- (Gain) loss on disposal of property, plant and equipment	(205)	245
- Loss on disposal of property, plant and equipment, intangible assets	15,526	1,727
- Contribution to provisions	181,938	68,254
- Other income	19,948	9,095
- Changes in inventories	(239,963)	(922,358)
- Changes in trade receivables	(313,158)	59,594
- Changes in other receivables	(213,600)	(19,720)
- Changes in other current assets	26,776	(66,060)
- Settlement of derivatives	(2,509)	-
- Changes in trade payables	973,792	921,298
- Changes in other payables	(328,896)	102,223
- Changes in other current liabilities	(346,524)	(96,328)
- Changes in provisions	(124,830)	(280,526)
- Changes in net defined benefit liabilities	6,898	876
- Other cash flows from operations	(26,615)	(35,350)
Cash generated from operations	<u>₩ 862,945</u>	<u>₩ 483,700</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(2) Changes in liabilities from financing activities for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

		2023					
		Cash flows from financing activities					
	Beginning		Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 2,191,623	₩ 141,902	₩ 13,559	₩ -	₩ -	₩ 90,041	₩ 2,437,125
Long-term borrowings	3,782,596	(345,677)	(13,559)	-	16,383	173,096	3,612,839
Debentures	2,135,034	-	-	897	-	71,477	2,207,408
	<u>₩ 8,109,253</u>	<u>₩ (203,775)</u>	<u>₩ -</u>	<u>₩ 897</u>	<u>₩ 16,383</u>	<u>₩ 334,614</u>	<u>₩ 8,257,372</u>

		2022					
		Cash flows from financing activities					
	Beginning		Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 2,203,376	₩ 139,106	₩ 517,695	₩ -	₩ -	₩ 26,676	₩ 2,886,853
Long-term borrowings	2,720,009	95,593	(517,695)	-	18,447	19,456	2,335,810
Debentures	2,045,808	-	-	849	-	29,520	2,076,177
Accounts payable	585,928	(604,437)	-	-	-	18,509	-
	<u>₩ 7,555,121</u>	<u>₩ (369,738)</u>	<u>₩ -</u>	<u>₩ 849</u>	<u>₩ 18,447</u>	<u>₩ 94,161</u>	<u>₩ 7,298,840</u>

(3) Significant non-cash transactions for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Reclassification of construction in progress and machinery in transit	₩ 559,553	₩ 588,130
Reclassification of debentures into current portion	35,609	-
Changes in other payables related to acquisitions of property, plant and equipment and intangible assets	(201,583)	(180,066)

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

31. SEGMENT INFORMATION:

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

Segment	Major products and services
LG Energy solution (*)	Automotive batteries, mobile batteries, ESS batteries and others

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

(2) Segment information on revenue and profit for the three-month periods ended March 31, 2023 and 2022, is as follows (Korean won in millions):

	2023	2022
Total segment revenue	₩ 8,847,411	₩ 4,342,348
Revenue from external customers (*1)	8,747,117	4,342,348
Other operation income (*2)	100,294	-
Operating profit of reportable segment (*3)	633,166	258,854

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

(*2) Under Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount is revenue expected to be received by the Group for the three-month period ended March 31, 2023.

(*3) 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 March 31, 2023, and December 31, 2022, is as follows (Korean won in millions):

	March 31, 2023			December 31, 2022		
	Assets	Investments in associates and joint ventures	Liabilities	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets and liabilities	₩ 40,713,454	₩ 247,315	₩ 18,665,780	₩ 38,299,445	₩ 203,696	₩ 17,705,683

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

(4) Sales for the three-month periods ended March 31, 2023 and 2022, and non-current assets as of March 31, 2023, and December 31, 2022, by geographical segments, are as follows (Korean won in millions):

	Sales		Non-current assets (*1)	
	2023	2022	March 31, 2023	December 31, 2022
Korea (*2)	₩ 667,876	₩ 387,211	₩ 3,485,930	₩ 3,243,244
China	1,625,434	1,178,181	4,062,585	3,786,273
Asia/Oceania	345,472	299,471	843	923
America	2,194,428	606,054	5,845,293	4,670,440
Europe	3,913,907	1,871,417	4,702,147	4,485,299
Africa	-	14	-	-
	₩ 8,747,117	₩ 4,342,348	₩ 18,096,798	₩ 16,186,179

(*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 three-month period ended March 31, 2023, revenues from external customers who account for 10% or more of the Group's revenue amounted to ₩1,570,953 million, ₩1,510,614 million and ₩1,072,767 million, respectively (the three-month period ended March 31, 2022, were ₩875,051 million, ₩314,081 million and ₩50,487 million).

32. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS:

(1) Assets and liabilities related to contracts with customers as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023	December 31, 2022
Contract assets:		
Due from customers	₩ 17,230	₩ 11,570
	₩ 17,230	₩ 11,570
Contract liabilities:		
Advances from customers received as part of the Group's main business activities	₩ 374,935	₩ 282,418
Expected customer incentives	564	2,497
Unearned revenue	102,752	112,240
Due to customers	1,483	14,315
	₩ 479,734	₩ 411,470

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the carried-forward contract liabilities for the three-month periods ended March 31, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Revenue recognized in the period from the beginning contract liabilities:		
Revenues in relation to advances from customers received as part of the Group's main business activities	₩ 45,854	₩ 28,854
Unearned revenue	12,030	13,331
	₩ 57,884	₩ 42,185

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

33. INVESTMENT PROPERTIES:

(1) Details of investment properties as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023				December 31, 2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Buildings	₩ 291,192	₩ (77,339)	₩ (1,720)	₩ 212,133	₩ 290,437	₩ (75,916)	₩ (1,724)	₩ 212,797
Land	283	(5)	(35)	243	283	(3)	(35)	245
	<u>₩ 291,475</u>	<u>₩ (77,344)</u>	<u>₩ (1,755)</u>	<u>₩ 212,376</u>	<u>₩ 290,720</u>	<u>₩ (75,919)</u>	<u>₩ (1,759)</u>	<u>₩ 213,042</u>

(2) Changes in investment properties for the three-month period ended March 31, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	2023		2022	
	Building	Land	Building	Land
Beginning	₩ 212,797	₩ 245	₩ 224,164	₩ 161
Acquisition/transfer	1,847	-	7,160	122
Disposal/transfer	(1,030)	-	(11,320)	-
Depreciation	(1,481)	(2)	(5,878)	(3)
Impairment	-	-	(1,329)	(35)
Ending	<u>₩ 212,133</u>	<u>₩ 243</u>	<u>₩ 212,797</u>	<u>₩ 245</u>

(3) The fair value of investment properties is measured either by independent professional appraisers with certified qualification or measured based on official appraised value of land and available information from recent transactions of similar properties, and it is classified as 'Level 3' of the fair value hierarchy. The fair value of investment properties as of March 31, 2023, is ₩245,247 million (as of December 31, 2022, was ₩245,471 million). Rental income from investment properties under operating lease for the three-month period ended March 31, 2023, is ₩3,164 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the three-month period ended March 31, 2023, are ₩1,483 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 March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023	December 31, 2022
Less than one year	₩ 9,443	₩ 11,858
Between one year and two years	161	160
Between two years and five years	441	478
	<u>₩ 10,045</u>	<u>₩ 12,496</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of March 31, 2023, and December 31, 2022, and
for the three-month periods ended March 31, 2023 and 2022

34. BUSINESS COMBINATION:

- (1) During the previous period, the Group acquired 100% shares of LG Energy Solution Vertech Inc., a US power storage battery installation service provider. As a result of the business combination, the Group expects to increase sales through expanded vertical integration by strengthening contact points with customers of power storage batteries.
- 1) The consideration transferred to LG Energy Solution Vertech Inc. and the values of assets and liabilities acquired at the acquisition date are as follows (Korean won in millions).
- 2) The bargain purchase difference of ₩30,673 million arising from the acquisition is recognized as other non-operating income item in the condensed consolidated statements of profit or loss.

	<u>Amount</u>
Consideration	
Cash and cash equivalents	₩ 16,168
	<u>₩ 16,168</u>
Accumulated amount of acquired assets and assumed liabilities	
Cash and cash equivalents	₩ 7,748
Trade receivables and other receivables (*)	56,333
Inventories	5,477
Property, plant and equipment	7,251
Intangible assets	1,503
Other assets	12,295
Trade payables and other payables	(25,859)
Other liabilities	(15,543)
Deferred tax liabilities	(2,364)
Fair value of acquired net assets	46,841
Goodwill (gain on bargain purchase)	<u>(30,673)</u>
	<u>₩ 16,168</u>

(*) The fair value of trade receivables and other receivables is equal to the contractual amount.

35. EVENT AFTER THE REPORTING PERIOD:

In April 2023, the Group established and capitalized a subsidiary in Delhi, India, for entrusted manufacturing and domestic sales of LEV battery packs in India, as well as cell sales.