

LG ENERGY SOLUTION, LTD.

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

(With the Independent Auditor's Review Report Thereon)

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Report on Review of Interim Condensed Separate Financial Statements

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Report on Review of Interim Condensed Separate 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 separate financial statements of LG Energy Solution, Ltd. (the "Company"). These interim condensed separate financial statements consist of the interim condensed separate statement of financial position as of March 31, 2023, and the related interim condensed separate statements of profit or loss, interim condensed separate statements of comprehensive income, interim condensed separate statements of changes in equity and interim condensed separate 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 separate financial statements

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

Auditor's responsibility

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

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean 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 separate financial statements are not prepared, in all material respects, in accordance with K-IFRS 1034 *Interim Financial Reporting*.

**Other matters**

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

The accompanying separate statement of financial position as of December 31, 2022, presented for comparative purposes, is not different, in all material respects, from the above audited separate 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 separate financial statements and may result in modifications to this review report.
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LG ENERGY SOLUTION, LTD.

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

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

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

LG Energy Solution, Ltd.
Interim condensed separate 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	₩	3,702,870 ₩	4,828,152
Trade receivables	3,5,7,29		2,010,594	2,207,153
Other receivables	3,5,7,29		1,354,312	1,232,735
Prepaid income taxes	27		25,138	19,657
Other current financial assets	3,5,8		4	-
Other current assets	13		163,495	109,119
Inventories	9		1,778,647	1,598,728
			9,035,060	9,995,544
Non-current assets				
Trade receivables	3,5,7		127,752	120,698
Other receivables	3,5,7,29		154,923	168,940
Other non-current financial assets	3,5,8		425,042	360,295
Investments in subsidiaries	10		7,775,001	7,311,276
Investments in associates and joint ventures	10		282,845	236,270
Deferred tax assets	27		1,532,226	1,541,995
Property, plant and equipment	11		2,702,996	2,504,936
Intangible assets	12		559,079	513,483
Investment properties	32		212,564	213,289
Other non-current assets	13,16		423,523	236,084
			14,195,951	13,207,266
Total assets		₩	23,231,011 ₩	23,202,810
Liabilities				
Current liabilities				
Trade payables	3,5,29	₩	2,080,262 ₩	1,605,551
Other payables	3,5,29		720,396	961,370
Borrowings	3,5,11,14,30		731,348	691,115
Other current financial liabilities	3,5,8		69,509	66,054
Current provisions	15		663,225	804,254
Other current liabilities	17,31		271,778	479,751
			4,536,518	4,608,095
Non-current liabilities				
Other payables	3,5,29		3,315	3,315
Borrowings	3,5,11,14,30		1,540,826	1,501,942
Other non-current financial liabilities	3,5,8		79	322
Non-current provisions	15		138,307	121,298
Other non-current liabilities	17,31		187,724	173,266
			1,870,251	1,800,143
Total liabilities			6,406,769	6,408,238
Equity				
Share capital	19		117,000	117,000
Capital surplus	19		17,589,722	17,589,722
Accumulated other comprehensive income			53,578	46,640
Accumulated deficit	20		(936,058)	(958,790)
Total equity			16,824,242	16,794,572
Total liabilities and equity		₩	23,231,011 ₩	23,202,810

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

LG Energy Solution, Ltd.**Interim condensed separate 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	21,29,31	₩ 3,298,683	₩ 2,014,207
Cost of sales	21,22,29	2,851,299	1,806,993
Gross profit		447,384	207,214
Selling and administrative expenses	21,22,29	541,175	363,340
Operating loss		(93,791)	(156,126)
Finance income	5,24,29	264,403	65,323
Finance costs	5,24,29	197,405	67,307
Other non-operating income	25	169,964	55,632
Other non-operating expenses	26	117,367	38,920
Profit (loss) before income tax expense (benefit)		25,804	(141,398)
Income tax expense (benefit)	27	3,646	(4,901)
Profit (loss) for the period		₩ 22,158	₩ (136,497)
Earnings (losses) per share attributable to the equity holders of the Company (in Korean won)	28		
Basic earnings (losses) per share		₩ 95	₩ (604)

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

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

(Korean won in millions)

	Notes	March 31, 2023	March 31, 2022
Profit (loss) for the period	₩	22,158 ₩	(136,497)
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	780	(247)
Gain on valuation of financial assets at fair value through other comprehensive income ("FVOCI")	5	8,853	4,247
Income tax effect of other comprehensive income		(2,543)	(1,100)
		7,090	2,900
Items that may be subsequently reclassified to profit or loss:			
Gain on cash flow hedge	3	574	1,448
Income tax effect of other comprehensive income		(152)	(398)
		422	1,050
Other comprehensive income for the period, net of tax		7,512	3,950
Total comprehensive income (loss) for the period, net of tax	₩	29,670 ₩	(132,547)

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

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

(Korean won in millions)

	Notes	Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings (accumulated deficit)	Total
As of January 1, 2022		₩ 100,000	₩ 7,510,351	₩ 3,943	₩ (480,338)	₩ 7,133,956
Total comprehensive income (loss) for the period:						
Loss for the period		-	-	-	(136,497)	(136,497)
Remeasurements of net defined benefit liabilities	16	-	-	-	(179)	(179)
Gain on valuation of financial assets at FVOCI		-	-	3,079	-	3,079
Gain on cash flow hedge	3	-	-	1,050	-	1,050
Total comprehensive income (loss) for the period		-	-	4,129	(136,676)	(132,547)
Transactions with owners						
Capital increase		17,000	10,079,139	-	-	10,096,139
		17,000	10,079,139	-	-	10,096,139
As of March 31, 2022		₩ 117,000	₩ 17,589,490	₩ 8,072	₩ (617,014)	₩ 17,097,548
As of January 1, 2023		₩ 117,000	₩ 17,589,722	₩ 46,640	₩ (958,790)	₩ 16,794,572
Total comprehensive income for the period:						
Profit for the period		-	-	-	22,158	22,158
Remeasurements of net defined benefit liabilities	16	-	-	-	574	574
Gain on valuation of financial assets at FVOCI		-	-	6,516	-	6,516
Gain on cash flow hedge	3	-	-	422	-	422
Total comprehensive income for the period		-	-	6,938	22,732	29,670
As of March 31, 2023		₩ 117,000	₩ 17,589,722	₩ 53,578	₩ (936,058)	₩ 16,824,242

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

LG Energy Solution, Ltd.
Interim condensed separate statements of cash flows
For the three-month periods ended March 31, 2023 and 2022

(Korean won in millions)

	Notes	March 31, 2023	March 31, 2022
Cash flows from operating activities:			
Cash generated from operations	30 ₩	56,444 ₩	(351,262)
Interest received		38,664	4,478
Interest paid		(1,356)	(1,426)
Income tax paid		(19,399)	(25,380)
Net cash (used in) provided by operating activities		74,353	(373,590)
Cash flows from investing activities:			
Cash inflow from investing activities:			
Decrease in other receivables		-	1,395
Decrease in other non-current receivables		1,813	360
Proceeds from disposal of property, plant and equipment		3,320	2,909
Proceeds from disposal of intangible assets		-	5,850
		5,133	10,514
Cash outflow for investing activities:			
Increase in other receivables		-	(5,015,408)
Increase in other non-current receivables		(4,107)	(648)
Acquisition of investments in subsidiaries		(614,085)	(474,096)
Acquisition of investments in associates		(46,575)	-
Acquisition of financial instruments		(15,405)	(3,670)
Acquisition of property, plant and equipment		(493,020)	(306,066)
Acquisition of intangible assets		(22,962)	(13,264)
Other cash outflow for investing activities		(4,431)	-
		(1,200,585)	(5,813,152)
Net cash used in investing activities		(1,195,452)	(5,802,638)
Cash flows from financing activities:			
Cash inflow from financing activities:			
Increase in borrowings	30	-	149,607
Capital increase		-	10,096,138
		-	10,245,745
Cash outflow for financing activities:			
Repayment of borrowings	30	(4,261)	(153,064)
		(4,261)	(153,064)
Net cash provided by (used in) financing activities		(4,261)	10,092,681
Net increase (decrease) in cash and cash equivalents		(1,125,360)	3,916,453
Cash and cash equivalents at the beginning of the period		4,828,152	257,032
Effects of exchange rate changes on cash and cash equivalents		78	(34)
Cash and cash equivalents at the end of the period	₩	3,702,870 ₩	4,173,451

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

LG Energy Solution, Ltd.
Notes to the interim condensed separate 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. is as follows:

1.1 Company Information

LG Energy Solution, Ltd. (the “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 Company is engaged in providing energy solution services.

The Company 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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES:

2.1 Basis of Preparation

The Company’s interim condensed separate 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 Company’s K-IFRS annual separate financial statements, and these are separate financial statements prepared in accordance with K-IFRS 1027 *Separate Financial Statements*. In order to be understood, these interim condensed separate financial statements should be read in conjunction with the annual separate 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 separate financial statements are consistent with the accounting policies adopted in the preparation of the annual separate 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.

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 (Amendment)

The amendment requires 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 (Amendment)

The amendment replaces the definition of a change in accounting estimates with the 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 (Amendment)

The amendment introduces a further exception from the initial recognition exemption. Under the amendment, 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 a 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.

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

The amendment applies 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 amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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 (Amendment)

The amendment clarifies 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, specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explains that rights are in existence if covenants are complied with at the end of the reporting period and introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment specifies 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 covenants is assessed only after the reporting date. The amendment also specifies 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 amendment is 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 Company's activities expose it to a variety of financial risks: market, credit, and liquidity. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance team under policies approved by the board of directors. The finance team identifies, evaluates and hedges financial risks in close cooperation with the Company'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 Company operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from forecast transactions and recognized assets and liabilities.

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

The Company makes certain investments in foreign operations whose net assets are exposed to foreign exchange risk. This exposure 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	₩ 4,235,988	₩ 3,422,107	₩ 3,281,276	₩ 2,916,172
EUR	400,083	810,841	365,069	754,930
JPY	10,660	15,366	12,873	14,243
CNY and others	207,316	3,183	177,069	3,807

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 Company's net income as follows (Korean won in millions):

	March 31, 2023		December 31, 2022	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ 59,902	₩ (59,902)	₩ 26,470	₩ (26,470)
EUR	(30,232)	30,232	(28,265)	28,265
JPY	(346)	346	(99)	99
CNY and others	15,024	(15,024)	12,562	(12,562)

The above sensitivity analysis has been performed for monetary assets and liabilities denominated in foreign currencies as of March 31, 2023.

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

As of March 31, 2023, the Company entered into foreign currency forwards 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) Price risk

The Company is exposed to price risks from equity instruments. As of March 31, 2023, the fair value of equity instruments is ₩210,947 million. With all other variables held constant, a price change in equity instruments by 10% would have changed the Company's equity by ₩15,526 million after tax.

(2) Credit risk

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

The Company has established the following policies and procedures to manage credit risks:

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

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

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

1) Trade receivables

The Company 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):

LG Energy Solution, Ltd.

Notes to the interim condensed separate financial statements

As of March 31, 2023, and December 31, 2022, and

for the three-month periods ended March 31, 2023 and 2022

	Receivables not past due (*)	Receivables past due but not impaired (*)	Total
March 31, 2023 (Trade receivables)			
Gross carrying amount	₩ 2,084,399	₩ 53,947	₩ 2,138,346
Expected loss rate	-	-	-
Provisions for receivables	-	-	-
December 31, 2022 (Trade receivables)			
Gross carrying amount	2,191,068	136,783	2,327,851
Expected loss rate	-	-	-
Provisions for receivables	-	-	-

(*) 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	₩ -	₩ 4
Reversal of provisions recognized in profit or loss during the period	-	(4)
Ending	₩ -	₩ -

As of March 31, 2023, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩2,138,346 million (as of December 31, 2022, ₩2,237,851 million).

2) Other financial assets at amortized cost

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

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.

(3) Liquidity risk

The finance team of the Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining the limit of unused borrowings at an appropriate level so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Company's liquidity management policy considers the Company'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 Company groupings based on the remaining period from the reporting date 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):

LG Energy Solution, Ltd.

Notes to the interim condensed separate financial statements

As of March 31, 2023, and December 31, 2022, and

for the three-month periods ended March 31, 2023 and 2022

		March 31, 2023			
		Less than 1 year	Between 1 year-2 years	Between 2-5 years	More than 5 years
Non-derivative instruments:					
Borrowings	₩	763,565	₩ 701,146	₩ 275,322	₩ 687,347
Lease liabilities		21,678	23,655	21,442	106
Trade and other payables		<u>2,800,658</u>	<u>1,514</u>	<u>1,801</u>	<u>-</u>
		3,585,901	726,315	298,565	687,453
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>3,585,901</u>	₩ <u>642,215</u>	₩ <u>298,565</u>	₩ <u>586,968</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	₩	726,969	₩ 681,641	₩ 274,444	₩ 668,105
Lease liabilities		16,855	20,223	22,798	106
Trade and other payables		<u>2,566,921</u>	<u>3,001</u>	<u>314</u>	<u>-</u>
		3,310,745	704,865	297,556	668,211
Derivative instruments:					
Currency forwards settled in gross:					
Inflows		-	(633,650)	-	(633,650)
Outflows		<u>-</u>	<u>567,800</u>	<u>-</u>	<u>551,415</u>
		-	(65,850)	-	(82,235)
	₩	<u>3,310,745</u>	₩ <u>639,015</u>	₩ <u>297,556</u>	₩ <u>585,976</u>

2) As of March 31, 2023, and December 31, 2022, the Company 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, SC	2025.12	₩ 38	₩ 284	₩ -	₩ 819

(*) 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.

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

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 (*)	₩ 4,261,345	₩ -	₩ -	₩ -

	December 31, 2022			
	Less than 1 year	Between 1 year-2 years	Between 2-5 years	More than 5 years
Financial guarantee contracts (*)	₩ 4,152,813	₩ -	₩ -	₩ -

(*) The Company has provided financial guarantees for subsidiaries and 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 Company's objectives for managing capital are to safeguard the Company's ability to continue to provide profits to shareholders and 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 Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, less cash and cash equivalents. Total capital is calculated as 'equity,' as shown in the separate 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)	₩ 2,272,174	₩ 2,193,057
Less: cash and cash equivalents (B)	(3,702,870)	(4,828,152)
Net debt (C=A+B)	(1,430,696)	(2,635,095)
Total liabilities (D)	6,406,769	6,408,238
Total equity (E)	16,824,242	16,794,572
Total capital (F=C+E)	₩ 15,393,546	₩ 14,159,477
Gearing ratio (C/F)	(*)	(*)
Debt-to-equity ratio (D/E)	38.1%	38.2%

(*) The gearing ratios as of March 31, 2023, and December 31, 2022, were not computed since the net debt was negative.

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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	₩ 3,702,870	(*)	₩ 4,828,152	(*)
Trade receivables	2,010,594	(*)	2,207,153	(*)
Other receivables (excluding deposits from financial institutions)	1,354,312	(*)	1,232,735	(*)
Current derivative financial assets	4	4	-	-
Financial assets (non-current):				
Deposits from financial institutions	70,014	(*)	70,014	(*)
Trade receivables	127,752	(*)	120,698	(*)
Other receivables (excluding deposits from financial institutions)	84,909	(*)	98,926	(*)
Other non-current financial assets:				
Marketable financial assets	29,000	29,000	25,358	25,358
Non-marketable financial assets	262,397	262,397	240,903	240,903
Non-current derivative financial assets	4,725	4,725	4,559	4,559
Non-current derivative financial assets (currency forward)	128,920	128,920	89,475	89,475
Financial liabilities (current):				
Trade and other payables	2,800,658	(*)	2,566,921	(*)
Current borrowings (excluding lease liabilities)	710,687	(*)	675,078	(*)
Current derivative financial liabilities	205	205	497	497
Financial guarantee contract liabilities	69,304	(*)	65,557	(*)
Financial liabilities (non-current):				
Non-current borrowings (excluding lease liabilities)	1,496,721	1,482,978	1,459,956	1,386,138
Other non-current payables	3,315	(*)	3,315	(*)
Non-current derivative financial liabilities	79	79	322	322

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

(2) Fair values for 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 the bonds' credit ratings same as the 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%

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

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	₩ -	4
Non-current derivative financial assets	-	34	4,691	4,725
Non-current derivative financial assets (currency forward)	-	128,920	-	128,920
Other non-current financial assets (marketable financial assets)	29,000	-	-	29,000
Other non-current financial assets (non-marketable financial assets)	-	-	262,397	262,397
Current derivative financial liabilities	-	205	-	205
Non-current derivative financial liabilities	-	79	-	79
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	1,482,978	-	1,482,978

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Non-current derivative financial assets	₩ -	₩ -	₩ 4,559	4,559
Non-current derivative financial assets (currency forward)	-	89,475	-	89,475
Other non-current financial assets (marketable financial assets)	25,358	-	-	25,358
Other non-current financial assets (non-marketable financial assets)	-	-	240,903	240,903
Current derivative financial liabilities	-	497	-	497
Non-current derivative financial liabilities	-	322	-	322
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	1,386,138	-	1,386,138

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

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

The significant estimates and assumptions made by management on the application of the Company's interim condensed separate financial statements are the same as those of the annual separate financial statements as of and for the year ended December 31, 2022, except for estimates used in determining income tax expenses.

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:

(1) Income taxes

If certain portion of the taxable income is not used for investments, increase in wages or dividends, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income taxes is affected by these tax effects. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(2) Provisions

The Company recognizes provisions for product warranties as explained in Note 15. These provisions are estimated based on past experience. Provisions related to voluntary recalls by the Company's customers 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 Company 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 of financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company'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 Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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5. FINANCIAL INSTRUMENTS BY CATEGORY:

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

March 31, 2023					
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	₩ 3,702,870	₩ -	₩ -	₩ -	₩ 3,702,870
Trade receivables	2,010,594	-	-	-	2,010,594
Non-current trade receivables	127,752	-	-	-	127,752
Other receivables	1,354,312	-	-	-	1,354,312
Other non-current receivables	154,923	-	-	-	154,923
Other current financial assets	-	-	-	4	4
Other non-current financial assets	-	214,061	210,947	34	425,042
	<u>₩ 7,350,451</u>	<u>₩ 214,061</u>	<u>₩ 210,947</u>	<u>₩ 38</u>	<u>₩ 7,775,497</u>

March 31, 2023			
Financial liabilities	Financial liabilities at amortized cost	Other financial liabilities (*3)	Total
Trade payables	₩ 2,080,262	₩ -	₩ 2,080,262
Other payables	720,396	-	720,396
Other non-current payables	3,315	-	3,315
Current borrowings	710,687	20,661	731,348
Non-current borrowings	1,496,721	44,105	1,540,826
Other current financial liabilities	69,304	205	69,509
Other non-current financial liabilities	-	79	79
	<u>₩ 5,080,685</u>	<u>₩ 65,050</u>	<u>₩ 5,145,735</u>

(*1) At initial recognition, the Company 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 Company 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.

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December 31, 2022				
Financial assets	Financial assets at amortized cost	Financial assets at FVPL	Financial assets at FVOCI (*1)	Total
Cash and cash equivalents	₩ 4,828,152	₩ -	₩ -	₩ 4,828,152
Trade receivables	2,207,153	-	-	2,207,153
Non-current trade receivables	120,698	-	-	120,698
Other receivables	1,232,735	-	-	1,232,735
Other non-current receivables	168,940	-	-	168,940
Other non-current financial assets	-	158,201	202,094	360,295
	<u>₩ 8,557,678</u>	<u>₩ 158,201</u>	<u>₩ 202,094</u>	<u>₩ 8,917,973</u>

December 31, 2022				
Financial liabilities	Financial liabilities at amortized cost	Other financial liabilities (*2)	Total	
Trade payables	₩ 1,605,551	₩ -	₩ 1,605,551	
Other payables	961,370	-	961,370	
Other non-current payables	3,315	-	3,315	
Borrowings (current)	675,078	16,037	691,115	
Borrowings (non-current)	1,459,956	41,986	1,501,942	
Other current financial liabilities	65,557	497	66,054	
Other non-current financial liabilities	-	322	322	
	<u>₩ 4,770,827</u>	<u>₩ 58,842</u>	<u>₩ 4,829,669</u>	

(*1) At initial recognition, the Company 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.

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

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

	March 31, 2023	March 31, 2022
Interest income:		
Financial assets at amortized cost	₩ 38,945	₩ 30,656
Interest expense:		
Financial liabilities at amortized cost	(14,475)	(13,424)
Other financial liabilities	(249)	(288)
Gains on valuation or disposal:		
Financial assets at FVOCI	8,853	4,247
Derivative instruments	40,018	8,716
Exchange differences:		
Financial assets at amortized cost	169,659	38,095
Financial liabilities at amortized cost	(119,787)	(54,729)
Financial assets at FVPL	1,008	345

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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):

	March 31, 2023	December 31, 2022
Bank deposits and cash on hand	₩ 10,299	₩ 8,326
Cash equivalents	3,692,571	4,819,826
	<u>₩ 3,702,870</u>	<u>₩ 4,828,152</u>

(2) As of March 31, 2023, there are no cash and cash equivalents subject to restriction on use.

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables and their provisions for impairment 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	₩ 2,010,594	₩ -	₩ 2,010,594	₩ 2,207,153	₩ -	₩ 2,207,153
Non-current trade receivables	127,752	-	127,752	120,698	-	120,698
Other current receivables	1,354,312	-	1,354,312	1,232,789	(54)	1,232,735
Other non-current receivables	154,923	-	154,923	168,940	-	168,940
	<u>₩ 3,647,581</u>	<u>₩ -</u>	<u>₩ 3,647,581</u>	<u>₩ 3,729,580</u>	<u>₩ (54)</u>	<u>₩ 3,729,526</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	₩ 1,333,454	₩ 1,213,949
Accrued income	5,348	5,068
Loan	9,026	8,773
Guarantee deposits provided	6,484	4,945
	<u>1,354,312</u>	<u>1,232,735</u>
Non-current:		
Non-trade receivables	54,648	69,421
Deposits from financial institutions (*)	70,014	70,014
Guarantee deposits provided	30,261	29,505
	<u>154,923</u>	<u>168,940</u>
	<u>₩ 1,509,235</u>	<u>₩ 1,401,675</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 and ₩10,000 million for the loans in relation to the employee stock ownership.

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(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	₩ 2,084,399	₩ 1,483,523	₩ 2,191,068	₩ 1,369,119
Past due but not impaired:	53,947	25,712	136,783	32,556
Up to 3 months	53,942	10,546	136,783	21,943
Between 3-6 months	5	15,166	-	10,613
Over 6 months	-	-	-	-
Impaired receivables	-	-	-	54
	<u>₩ 2,138,346</u>	<u>₩ 1,509,235</u>	<u>₩ 2,327,851</u>	<u>₩ 1,401,729</u>

(4) Changes in the provision for impairment 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	₩ -	₩ 54	₩ 4	₩ 54
Additions (reversal)	-	-	(4)	-
Write-off	-	(54)	-	-
Ending	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</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.

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):

	March 31, 2023	December 31, 2022
Other financial assets:		
Financial assets at FVOCI	₩ 210,947	₩ 202,094
Cash flow hedge	38	-
Financial assets at FVPL	<u>214,061</u>	<u>158,201</u>
	<u>₩ 425,046</u>	<u>₩ 360,295</u>
Other financial liabilities:		
Financial guarantee contracts	₩ 69,304	₩ 65,557
Cash flow hedge	<u>284</u>	<u>819</u>
	<u>₩ 69,588</u>	<u>₩ 66,376</u>

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(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):

	2023	2022
Beginning	₩ 202,094	₩ 111,184
Acquisitions/transfer	-	36,681
Valuation gain (before income tax deduction), other comprehensive income item	8,853	60,047
Valuation gain (loss) (before income tax deduction), profit or loss item	-	(5,818)
Ending	<u>₩ 210,947</u>	<u>₩ 202,094</u>

The Company 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 agreement 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 period 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	₩ 77,958	₩ (2,768)	₩ 75,190	₩ 71,268	₩ (2,350)	₩ 68,918
Finished/semifinished products	1,211,969	(105,492)	1,106,477	1,183,533	(115,993)	1,067,540
Raw materials	274,820	(1,139)	273,681	249,960	(1,094)	248,866
Supplies	15,276	-	15,276	15,404	-	15,404
Materials in transit	308,023	-	308,023	198,000	-	198,000
	<u>₩ 1,888,046</u>	<u>₩ (109,399)</u>	<u>₩ 1,778,647</u>	<u>₩ 1,718,165</u>	<u>₩ (119,437)</u>	<u>₩ 1,598,728</u>

(2) The amounts of inventories expensed as cost of sales for the three-month periods ended March 31, 2023 and 2022, were ₩2,088,975 million and ₩1,529,250 million, respectively.

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10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES:

(1) Changes in investments in subsidiaries, 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):

	March 31, 2023	December 31, 2022
Beginning	₩ 7,547,546	₩ 5,492,181
Acquisitions	510,300	2,055,365
Ending	<u>₩ 8,057,846</u>	<u>₩ 7,547,546</u>

(2) Details of investments in subsidiaries, associates and joint ventures as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

		Percentage of ownership(%)		Carrying amount	
		March	December	March	December
	Location	31, 2023	31, 2022	31, 2023	31, 2022
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	China	100	100	₩ 1,138,401	₩ 1,138,401
LG Energy Solution Michigan Inc.	USA	100	100	3,107,200	2,832,502
LG Energy Solution Battery (Nanjing) Co., Ltd.	China	100	100	323,438	286,310
LG Energy Solution Wroclaw sp. z.o.o.	Poland	100	100	2,112,409	2,112,409
LG Energy Solution Australia Pty Ltd.	Australia	100	100	429	429
LG Energy Solution Technology (Nanjing) Co., Ltd.	China	100	100	788,171	788,171
LG Energy Solution Europe GmbH	Germany	100	100	34,729	34,729
LG Energy Solution (Taiwan) Ltd	Taiwan	100	100	1,871	1,871
Areum noori Co., Ltd.	Korea	100	100	500	500
LG Energy Solution Fund I LLC	USA	100	100	46,237	33,192
LG Energy Solution Vertech Inc.	USA	100	100	16,168	16,168
ES America LLC	USA	100	100	66,590	66,590
Baterias De Castilla, S.L.	Spain	100	100	4	4
L-H Battery Company, Inc (*1)	USA	51	-	138,854	-
				7,775,001	7,311,276
Associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC (*2)	Vietnam	35	35	5,323	5,323
Jiangxi VL Battery Co., Ltd.	China	34	34	21,814	21,814
PT.HLI Green Power	Indonesia	50	50	209,133	209,133
Sama Aluminium (*3)	Korea	10	-	46,575	-
				282,845	236,270
				₩ 8,057,846	₩ 7,547,546

(*1) The Company newly acquired 51% shares in L-H Battery Company, Inc. for ₩138,854 million.

(*2) Although the Company 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 result in unanimous consent.

(*3) During the current period, the Company newly acquired 10.2% shares in Sama Aluminium for ₩46,575 million. Although the ownership is less than 20%, the entity is classified as an associate based on the Company's contractual acquisition of a seat and voting right on the board of directors, thus exerting significant influence over the entity.

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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	₩ 2,504,936	₩ 1,878,942
Acquisition/Replacement	575,728	1,658,250
Disposal/Replacement	(300,731)	(751,741)
Depreciation	(76,937)	(280,515)
Ending	<u>₩ 2,702,996</u>	<u>₩ 2,504,936</u>

(2) The current ending balance includes ₩593,242 million of construction in progress, and some of it will subsequently be transferred to intangible assets (for the year ended December 31, 2022, was ₩593,293 million).

(3) The Company capitalized ₩1,623 million of borrowing costs in relation to acquisition of property, plant and equipment (for the three-month period ended March 31, 2022, were ₩503 million). The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 2.59% (for the three-month period ended March 31, 2022, was 2.74%).

(4) Line items, including depreciation, in the interim condensed separate 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	₩ 50,079	₩ 37,233
Selling and administrative expenses	26,858	25,387
	<u>₩ 76,937</u>	<u>₩ 62,620</u>

(5) Lease

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

Details of amounts recognized in the interim condensed separate statements of financial position in relation to leases 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	₩ 49,939	₩ 48,104
Vehicles	11,108	7,467
	<u>₩ 61,047</u>	<u>₩ 55,571</u>

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

Additions to the right-of-use assets for the three-month period ended March 31, 2023, are ₩11,547 million (for the three-month period ended March 31, 2022, were ₩7,487 million).

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	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Lease liabilities (*):		
Current	₩ 20,661	₩ 16,037
Non-current	44,105	41,986
	<u>₩ 64,766</u>	<u>₩ 58,023</u>

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

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

Details of amounts recognized in the interim condensed separate statements of profit or loss in relation to leases 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:		
Buildings	₩ 4,589	₩ 2,775
Land	22	46
Vehicles and others	1,243	569
	<u>₩ 5,854</u>	<u>₩ 3,390</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 249	₩ 288
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	849	525
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	1,538	1,146

Total cash outflow for leases for the three-month period ended March 31, 2023, is ₩6,897 million (for the three-month period ended March 31, 2022, was ₩5,415 million).

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):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 513,483	₩ 360,119
Acquisition/Replacement	68,895	233,930
Disposal/Replacement	(242)	(7,339)
Amortization	(23,057)	(73,227)
Ending	<u>₩ 559,079</u>	<u>₩ 513,483</u>

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

	<u>2023</u>	<u>2022</u>
Cost of sales	₩ 4,431	₩ 4,154
Selling and administrative expenses	18,626	12,149
	<u>₩ 23,057</u>	<u>₩ 16,303</u>

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(3) Greenhouse gas emission right

Changes in greenhouse gas emission right included in 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								
/Allocated	303	₩	-		300	₩	-	
Purchase								
/Sale	-	-	-	-	-	-	-	-
Borrowing								
/Carried over	-	-	-	-	-	-	-	-
Government submission	-	-	-	-	-	-	-	-
Ending	303	₩	-		297	₩	-	

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

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	₩ 66,403	₩ 47,372
Prepaid value-added tax	62,262	10,742
Others	34,830	51,005
	<u>₩ 163,495</u>	<u>₩ 109,119</u>
Non-current:		
Long-term prepayments and prepaid expenses	₩ 224,019	₩ 13,565
Net defined benefit assets	199,504	222,519
	<u>₩ 423,523</u>	<u>₩ 236,084</u>

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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:				
Current portion of debentures	₩	710,687	₩	675,078
Current lease liabilities		20,661		16,037
		731,348		691,115
Non-current:				
Debentures		1,496,721		1,459,956
Non-current lease liabilities		44,105		41,986
		1,540,826		1,501,942
	₩	2,272,174	₩	2,193,057

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

1) 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)
				₩ 2,207,408	₩ 710,687	₩ 1,496,721

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)
				₩ 2,135,034	₩ 675,078	₩ 1,459,956

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2) Lease liabilities (Korean won in millions)

March 31, 2023						
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	2.01-2.34	2042.06.09	₩ 64,766 ₩	20,661 ₩		44,105
December 31, 2022						
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	2.01-2.34	2042.06.09	₩ 58,023 ₩	16,037 ₩		41,986

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	₩ 920,184 ₩	₩ 1,250 ₩	₩ 4,118 ₩			925,552
Additions (reversals)	21,401	130	(246)			21,285
Used	(145,305)	-	-			(145,305)
Ending	796,280	1,380	3,872			801,532
Less: current portion	(661,845)	(1,380)	-			(663,225)
	₩ 134,435 ₩	₩ - ₩	₩ 3,872 ₩			138,307
2022						
	Warranty (*1)	Greenhouse gas emission (*2)	Provision for restoration (*3)	Legal claims	Total	
Beginning	₩ 1,883,489 ₩	₩ 79 ₩	₩ 3,069 ₩	₩ 987 ₩		1,887,624
Additions	298,104	1,171	1,049	-		300,324
Used	(1,261,409)	-	-	(987)		(1,262,396)
Ending	920,184	1,250	4,118	-		925,552
Less: current portion	(803,004)	(1,250)	-	-		(804,254)
	₩ 117,180 ₩	₩ - ₩	₩ 4,118 ₩	₩ - ₩		121,298

(*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 cost 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 Company estimates the expected future costs of emissions exceeding the Company's emission rights for the year and recognizes them as provisions. Estimated emissions are 85 thousand tons for the three-month period ended March 31, 2023 (for the year ended December 31, 2022, were 313 thousand tons).

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

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16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) recognized in the interim condensed separate statements of financial position 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 liabilities (*1)	₩ 572,583	₩ 547,721
Fair value of plan assets (*2)	(772,087)	(770,240)
	<u>₩ (199,504)</u>	<u>₩ (222,519)</u>

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

(*2) The ₩199,504 million of net defined benefit assets is included in the 'Other non-current assets' as of March 31, 2023 (as of December 31, 2022, were ₩222,519 million).

(2) The amounts recognized in the interim condensed separate 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	₩ 19,441	₩ 19,330
Interest cost	(3,003)	(2)
	<u>₩ 16,438</u>	<u>₩ 19,328</u>

(3) Retirement benefits recognized for defined contribution plan for the three-month period ended March 31, 2023, amounted to ₩428 million (for the three-month period ended March 31, 2022, amounted to ₩448 million).

(4) Retirement benefits recognized in the interim condensed separate 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	₩ 9,543	₩ 9,569
Selling and administrative expenses	7,323	10,207
	<u>₩ 16,866</u>	<u>₩ 19,776</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	₩ 547,721	₩ 552,888
Transfer in	8,746	8,141
Transfer out	(378)	(2,991)
Current service cost	19,441	77,322
Interest expense	7,248	16,409
Remeasurements:		
Actuarial loss from change in financial assumption	-	(102,359)
Actuarial loss from change in demographic assumption	-	(3,256)
Actuarial gain due to difference between the estimated and the actual	-	31,915
Others	-	792
Payments from plans	(10,195)	(31,140)
Ending	<u>₩ 572,583</u>	<u>₩ 547,721</u>

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(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	₩ 770,240	₩ 553,217
Interest income	10,251	16,419
Remeasurements:		
Return on plan assets	780	(4,390)
(excluding amounts included in interest income)		
Contribution:		
Employer contribution to plan assets	-	235,000
Payments from plans	(8,821)	(28,988)
Administrative costs	(363)	(1,018)
Ending	<u>₩ 772,087</u>	<u>₩ 770,240</u>

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

	<u>March 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Amount</u>	<u>Composition (%)</u>	<u>Amount</u>	<u>Composition (%)</u>
Insurance contracts with guaranteed yield	₩ 772,087	100	₩ 770,240	100

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

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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	₩	120,516	₩ 64,939
Withholdings		19,641	32,188
Unearned revenues		51,283	49,972
Accrued expenses		<u>80,338</u>	<u>332,652</u>
	₩	<u>271,778</u>	<u>₩ 479,751</u>
Non-current:			
Long-term employee benefits	₩	23,291	₩ 23,041
Long-term unearned revenues		30,641	150,225
Long-term advance received		<u>133,792</u>	-
	₩	<u>187,724</u>	<u>₩ 173,266</u>

18. COMMITMENTS AND CONTINGENCIES:

- (1) The Company is jointly liable with LG Chem, Ltd. for liabilities recognized before the split-off date.
- (2) As of March 31, 2023, the Company has been guaranteed by Seoul Guarantee Insurance Company for the execution of contracts and others.
- (3) As of March 31, 2023, the Company has various specific line of credit agreements with several financial institutions as follows (Korean won in millions and foreign currencies in millions):

	<u>Currency</u>	<u>March 31, 2023</u>
Limit of bank overdraft	KRW	8,700
Limit of the letter of credit	USD	12
Limit of discount of notes from export	USD	845
Limit of guaranteed payments in other foreign currency	USD	220
Derivatives	USD	663
B2B purchase arrangements	KRW	125,000
General fund loan	KRW	100,000
Bond transfer transaction	KRW	150,000

- (4) As of March 31, 2022, the Company 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.
- (5) The Company provides performance guarantees of USD 6,937 million, EUR 1 million and CAD 775 million and others for subsidiaries.
- (6) The Company has been sued in two class actions by consumers in relation to price-fixing of mobile batteries and General Motors ("GM") Bolt EV, and two cases are still in process as of March 31, 2023. The Company has also been sued in 92 other cases (amounted to ₩3,953 million) and has filed three lawsuit cases (amounted to USD 90 million and ₩113 million). The ultimate outcome of these pending cases cannot be determined at the reporting date.

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- (7) The Company has entered into a license agreement with LG Corp. to use trademarks on the products that the Company manufactures and sells and on the services the Company provides in relation to its business.
- (8) As of March 31, 2023, the Company has entered into a joint venture agreement with Honda and has committed to invest USD 1,802 million. Also, the 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 Company 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 Company has decided to contribute USD 1,106 million to ES America, LLC and provide a payment guarantee up to a maximum limit of USD 1,106 million.
- (11) As of March 31, 2023, the Company has decided to contribute USD 1,173 million to LG Energy Solution Arizona ESS, Inc. and provide a payment guarantee up to a maximum limit of USD 1,173 million.
- (12) 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	₩ 413,054	₩ 553,210

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

	<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

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

Guarantor	Guarantee beneficiary	Financial institution	March 31, 2023		December 31, 2022	
			Loan amount (*1)	Credit limit (*2)	Loan amount (*1)	Credit limit (*2)
LG Energy Solution Ltd.	LG Energy Solution Wrocław sp. z o.o.	Citibank	₩ 21,323	₩ 106,615	₩ 20,268	₩ 101,340
		Citibank	71,077	71,077	67,560	67,560
		ING	71,077	71,077	67,560	67,560
		ING	28,431	28,431	27,024	27,024
		MUFG	71,077	71,077	67,560	67,560
		KEB Hana Bank	284,306	284,306	270,240	270,240
		Citibank	71,077	71,077	67,560	67,560
		Citibank	71,077	71,077	67,560	67,560
		EBRD	99,507	142,153	94,584	135,120
		SMBC	56,861	71,077	60,804	67,560
		SMBC	-	-	135,120	135,120
		DBS	142,153	142,153	135,120	135,120
		EIB	606,520	682,334	648,576	648,576
		EBRD	170,584	213,230	162,144	202,680
		KDB Bank/ The Export-Import Bank of Korea	376,705	376,705	358,068	358,068
		KDB Bank/ The Export-Import Bank of Korea/				
		NH Bank	781,842	781,842	743,160	743,160
		KDB Bank/ The Export-Import Bank of Korea	284,306	284,306	270,240	270,240
		KDB Bank/ The Export-Import Bank of Korea	142,153	142,153	135,120	135,120
		KDB Bank/ The Export-Import Bank of Korea	71,077	71,077	67,560	67,560
		KDB Bank/ The Export-Import Bank of Korea	71,077	71,077	67,560	67,560
PT. HLI Green Power			176,013	463,501	88,711	450,525
		ANZ and others	₩ 3,668,243	₩ 4,216,345	₩ 3,622,099	₩ 4,152,813

(*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.

In addition, the Company provides letter of comfort in relation to certain borrowings of subsidiaries.

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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 in shares):

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

20. RETAINED EARNING (ACCUMULATED DEFICIT):

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

	March 31, 2023	December 31, 2022
Unappropriated retained earning	₩ (936,058)	₩ (958,790)
(Undisposed accumulated deficit)		

21. OPERATING LOSSES:

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

	2023	2022
Revenue	₩ 3,298,683	₩ 2,014,207
Cost of sales	2,851,299	1,806,993
Gross profit	447,384	207,214
Selling and administrative expenses:		
Wages and salaries	159,695	136,644
Retirement benefits	7,323	10,207
Employee benefits	35,008	23,983
Travel expenses	7,246	7,249
Water and utilities	18,161	11,678
Rental expenses	19,638	12,389
Commission expenses	112,107	80,155
Depreciation	28,343	26,822
Advertising expenses	3,334	3,299
Freight expenses	3,307	14,350
Training expenses	6,530	2,774
Amortization	18,626	12,149
Sample expenses	2,255	301
Development costs	39,430	27,544
Transfers to (reversal of) provisions for service warranties	21,401	(41,289)
Others	58,771	35,085
	541,175	363,340
Operating losses	₩ (93,791)	₩ (156,126)

LG Energy Solution, Ltd.
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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):

	2023	2022
Changes in inventories of merchandise, finished goods, semifinished goods and work in process	₩ (45,208)	₩ (4,675)
Raw materials and consumables used	1,941,085	1,350,228
Purchase of merchandise	193,098	183,697
Employee benefit expenses	322,208	288,766
Advertising expenses	3,378	3,365
Freight expenses	4,536	15,780
Commission expenses	126,257	92,559
Depreciation and amortization	101,479	80,358
Rent expenses and usage fee	2,485	1,991
Transfers to (reversal of) provisions for service warranties	21,401	(41,289)
Other expenses	721,755	199,553
	<u>₩ 3,392,474</u>	<u>₩ 2,170,333</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):

	2023	2022
Salaries	₩ 271,386	₩ 243,215
Retirement benefits: defined benefit plan	16,438	19,328
Retirement benefits: defined contribution plan	428	448
Others	33,956	25,775
	<u>₩ 322,208</u>	<u>₩ 288,766</u>

LG Energy Solution, Ltd.
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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)	₩ 38,945	₩ 30,656
Exchange differences	186,013	27,399
Gain on derivative instruments	39,445	7,268
	<u>₩ 264,403</u>	<u>₩ 65,323</u>
Finance costs:		
Interest expense (*2)	₩ 13,101	₩ 13,210
Exchange differences	184,304	54,097
	<u>₩ 197,405</u>	<u>₩ 67,307</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>
Deposits from financial institutions	₩ 37,275	₩ 28,351
Other loans and receivables	1,670	2,305
	<u>₩ 38,945</u>	<u>₩ 30,656</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 lease liabilities	₩ 249	₩ 288
Interest on debentures	14,475	13,393
Other interest expenses	-	32
Capitalized interest for qualifying assets	(1,623)	(503)
	<u>₩ 13,101</u>	<u>₩ 13,210</u>

LG Energy Solution, Ltd.
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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):

	<u>2023</u>	<u>2022</u>
Exchange differences	₩ 160,578	₩ 45,917
Gain on disposal of property, plant and equipment	353	31
Others	9,033	9,684
	<u>₩ 169,964</u>	<u>₩ 55,632</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):

	<u>2023</u>	<u>2022</u>
Exchange differences	₩ 111,406	₩ 35,508
Loss on disposal of property, plant and equipment	5,077	1,503
Loss on disposal of intangible assets	12	147
Donations	531	500
Others	341	1,262
	<u>₩ 117,367</u>	<u>₩ 38,920</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 14.13%. As of March 31, 2022, the Company did not calculate the expected annual corporate tax rate for the fiscal year ended December 31, 2022, due to income tax revenue.

28. EARNINGS (LOSSES) PER SHARE:

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

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

	<u>2023</u>	<u>2022</u>
Profits (loss) attributable to ordinary shares	₩ 22,158	₩ (136,497)
Weighted-average number of ordinary shares outstanding	234,000,000	226,066,667
Basic earnings (losses) per ordinary share (in Korean won)	<u>₩ 95</u>	<u>₩ (604)</u>

The Company has not issued any potential ordinary shares. Therefore, basic earnings (losses) per share are identical to diluted earnings (losses) per share.

LG Energy Solution, Ltd.**Notes to the interim condensed separate 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 Company or have receivable and payable balances, other than separate subsidiaries, associates and joint ventures (see Note 10), as of March 31, 2023, are as follows:

Related party	Related-party's subsidiaries (domestic)	Related-party's subsidiaries (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.	Biz Tech I Co., Ltd. and others	LG CNS America Inc. and others	Subsidiary of LG Corp.
LG Management Development Institute			
LG Display, Inc.	NANUMNURI CO., LTD	LG Display (China) Co., Ltd. and others	LG Enterprise group (*)
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 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.

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(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	₩ 16,175	₩ -	₩ 9	₩ 1,303
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	76,162	718,356	-	-	158
LG Energy Solution Michigan, Inc.	331,868	-	-	-	18,957
LG Energy Solution Battery (Nanjing) Co., Ltd.	1,002	283,719	-	-	952
LG Energy Solution Wroclaw sp. z o.o.	645,269	20,313	-	-	10
LG Energy Solution Australia Pty Ltd.	7	82	-	-	3,891
LG Energy Solution Technology (Nanjing) Co., Ltd.	-	563,354	-	-	-
Ultium Cells LLC	5,975	-	-	-	-
LG Energy Solution Europe GmbH	57,211	-	-	-	18,318
LG Energy Solution (Taiwan), Ltd.	-	-	-	-	1,350
Areum noori Co., Ltd.	3	-	-	-	2,442
LG Energy Solution Vertech Inc.	4,404	-	-	-	3,165
Associates and joint ventures:					
PT. HLI Greenpower	11,524	-	-	-	-
VINFAST LITHIUM BATTERY PACK LLC	256	-	-	-	-
Sama Aluminium	-	374	-	-	-
Other related parties:					
LG Corp.	-	-	-	-	17,200
HAENGBOKNURI CO., LTD.	3	-	-	-	284
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	56,602	-	-	-
TECWIN Co., Ltd.	-	-	-	-	22
LG Management Development Institute	7	-	-	-	5,997
D&O Co., Ltd. and its subsidiaries	21	-	1,316	-	1,566
LG CNS Co., Ltd. and its subsidiaries	9,166	71	28,965	-	25,119
Others	-	-	-	-	700
Others:					
LG Electronics Inc., Ltd. and its subsidiaries	69,741	8,371	5,846	-	3,392
Xi C&A and its subsidiaries	-	1,907	15,664	-	-
S&I Corporation	-	4,291	11,328	-	12,144
Others	12	-	231	-	753
	₩ 1,214,639	₩ 1,673,615	₩ 63,350	₩ 9	₩ 117,723

LG Energy Solution, Ltd.
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	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	₩ 40,239	₩ -	₩ 13		2,173
Subsidiaries:						
LG Energy Solution (Nanjing) Co., Ltd.	80,304	598,449	-	-		-
LG Energy Solution Michigan, Inc.	165,954	3,061	-	-		9,527
LG Energy Solution Battery (Nanjing) Co., Ltd.	16,568	249,970	-	-		-
LG Energy Solution Wroclaw sp. z o.o.	237,637	540	-	-		24,085
LG Energy Solution Australia Pty Ltd.	6,994	-	-	-		1,505
LG Energy Solution Technology (Nanjing) Co., Ltd.	210	302,761	-	-		18
LG Energy Solution Europe GmbH	47,977	469	-	-		11,182
LG Energy Solution (Taiwan), Ltd.	-	-	-	-		1,303
Areum noori Co., Ltd.	2	-	-	-		1,696
Associates and joint ventures:						
PT. HLI Green Power	11,490	-	-	-		-
VINFAST LITHIUM BATTERY PACK LLC	1,069	-	-	-		-
Other related parties:						
LG Corp.	-	-	1273	-		8,557
LG Chem America, Inc.	-	-	-	-		1
HAENGBOKNURI CO., LTD.	4	-	-	-		289
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	76,055	-	-		18
TECWIN Co., Ltd.	-	-	100	-		27
LG Management Development Institute	-	-	-	-		4,125
D&O Co., Ltd. and its subsidiaries	-	-	276	-		819
LG CNS Co., Ltd. and its subsidiaries	4,409	12	13,446	-		16,297
Others	-	-	-	-		582
Others:						
LG Electronics Inc., Ltd. and its subsidiaries	48,807	24,029	10,054	-		2,499
LX Holdings., Ltd. and its subsidiaries	188	8,564	89	-		29,841
Xi C&A (former S&I Construction) and its subsidiaries (*)	-	-	6,705	-		-
S&I Corp. and its subsidiaries (*)	-	1,939	2,087	-		4,913
Others	14	-	4	-		416
	<u>₩ 623,573</u>	<u>₩ 1,306,088</u>	<u>₩ 34,034</u>	<u>₩ 13</u>		<u>₩ 119,873</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.

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(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	₩ 43,952	₩ 1,512	₩ 2,793	₩ 48,257
Subsidiaries:							
LG Energy Solution (Nanjing) Co., Ltd.	581	120,297	120,878	564,372	-	499	564,871
LG Energy Solution Michigan, Inc.	160,479	189,513	349,992	-	-	32,736	32,736
LG Energy Solution Battery (Nanjing) Co., Ltd.	850	12,977	13,827	223,953	-	2	223,955
LG Energy Solution Wroclaw sp. z o.o.	127,805	591,456	719,261	14,470	-	6,475	20,945
LG Energy Solution Australia Pty Ltd.	8,280	-	8,280	-	-	3,019	3,019
LG Energy Solution Technology (Nanjing) Co., Ltd.	-	-	-	417,359	-	511	417,870
Ultium Cells LLC	-	10,475	10,475	-	-	-	-
LG Energy Solution Europe GmbH	172,078	-	172,078	-	-	17,687	17,687
LG Energy Solution (Taiwan), Ltd.	-	-	-	-	-	637	637
Areum noori Co., Ltd.	-	-	-	-	-	1,122	1,122
LG Energy Solution Vertech Inc.	3,697	6,477	10,174	-	-	2,144	2,144
Associates and joint ventures:							
PT.HLI Green Power	-	2,520	2,520	-	-	76,602	76,602
Sama Aluminium	-	-	-	366	-	-	366
Other related parties:							
LG Corp.	-	-	-	-	-	23,585	23,585
HAENGBOKNURI CO., LTD.	-	-	-	-	-	110	110
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	-	-	36,773	-	-	36,773
TECWIN Co., Ltd.	-	-	-	-	-	7	7
LG Management Development Institute	-	2	2	-	-	910	910
D&O Co., Ltd. and its subsidiaries	-	-	-	-	-	1,591	1,591
LG CNS Co., Ltd. and its subsidiaries	10,056	-	10,056	-	-	44,073	44,073
Others	-	-	-	-	-	347	347
Others:							
LG Electronics Inc., Ltd. and its subsidiaries (*)	83,096	4,487	87,583	11,369	-	9,123	20,492
Xi C&A and its subsidiaries	-	-	-	-	-	20,832	20,832
S&I Corporation	-	-	-	-	-	26,560	26,560
Others	-	559	559	-	-	2,375	2,375
	<u>₩ 566,922</u>	<u>₩ 972,047</u>	<u>₩ 1,538,969</u>	<u>₩ 1,312,614</u>	<u>₩ 1,512</u>	<u>₩ 273,740</u>	<u>₩ 1,587,866</u>

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

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	December 31, 2022												
	Receivables					Payables							
	Trade	Other		Trade	Lease	Other		Trade	Lease	Other			
	receivables	receivables	Total	pavables	liabilities	pavables	Total	pavables	liabilities	pavables			
Parent:													
LG Chem, Ltd.	₩	- ₩	23,163 ₩	₩	23,163 ₩	₩	40,278 ₩	₩	1,650 ₩	₩	2,904 ₩	44,832 ₩	
Subsidiaries:													
LG Energy Solution (Nanjing) Co., Ltd.		5	209,664		209,669		519,311		-		863	520,174	
LG Energy Solution Michigan, Inc.		96,822	118,651		215,473		-		-		25,626	25,626	
LG Energy Solution Battery (Nanjing) Co., Ltd.		1,315	62,347		63,662		160,277		-		4	160,281	
LG Energy Solution Wroclaw sp. z o.o.		401,096	587,175		988,271		7,587		-		6,678	14,265	
LG Energy Solution Australia Pty Ltd.		9,611	12		9,623		-		-		3,448	3,448	
LG Energy Solution Technology (Nanjing) Co., Ltd.		3,337	36		3,373		295,443		-		145	295,588	
Ultium Cells LLC		-	1,339		1,339		-		-		-	-	
LG Energy Solution Europe GmbH		169,812	-		169,812		-		-		13,033	13,033	
LG Energy Solution (Taiwan), Ltd.		-	-		-		-		-		550	550	
Areum noori Co., Ltd.		-	1		1		-		-		776	776	
LG Energy Solution Vertech Inc.		1	6,419		6,420		-		-		9,663	9,663	
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 Poland Sp. z o.o.		-	-		-		-		-		1	1	
HAENGBOKNURI CO., LTD.		-	1		1		-		-		120	120	
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.		-	-		-		34,738		-		26	34,764	
TECWIN Co., Ltd.		-	-		-		-		-		54	54	
LG Management Development Institute		-	-		-		-		-		544	544	
D&O Co., Ltd. and its subsidiaries		-	-		-		-		-		1,729	1,729	
LG CNS Co., Ltd. and its subsidiaries		5,782	205		5,987		-		-		177,696	177,696	
Others		-	-		-		-		-		203	203	
Others:													
LG Electronics Inc., Ltd. and its subsidiaries (*1)		51,731	26,301		78,032		25,908		-		37,120	63,028	
Xi C&A (former S&I Construction) and its subsidiaries (*2)		-	-		-		-		-		27,385	27,385	
S&I Corporation (*2)		-	-		-		-		-		48,679	48,679	
Others		-	561		561		-		-		3930	3930	
	₩	739,512 ₩	1,037,232 ₩	₩	1,776,744 ₩	₩	1,083,542 ₩	₩	1,650 ₩	₩	467,997 ₩	₩	1,553,189 ₩

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

(*2) For 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.

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(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
Subsidiaries:								
LG Energy Solution Michigan, Inc.		-	-	274,698	-	-	-	-
LG Energy Solution Wroclaw sp. z o.o.		-	-	187,489	-	-	-	-
LG Energy Solution Fund I LLC.		-	-	13,045	-	-	-	-
LG Energy Solution Battery (Nanjing) Co., Ltd.		-	-	37,128	-	-	-	-
L-H Battery Company, Inc.				138,854				
Associates and joint ventures:								
Sama Aluminium		-	-	46,575	-	-	-	-
	₩	- ₩	- ₩	697,789 ₩	- ₩	- ₩	- ₩	129

(*) The amounts represent lease liabilities that were recognized or repaid during the three-month period ended March 31, 2023.

		2022								
		Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions		Borrowing transactions (*)			
					Loan	Repayment	Borrowing	Repayment		
Parent:										
LG Chem, Ltd.	₩	-	₩	-	₩	-	₩	-	₩	205
Subsidiaries:										
LG Energy Solution Michigan, Inc.		-	-	234,037	-	-	-	-	-	-
LG Energy Solution Wroclaw sp. z o.o.		-	-	225,989	-	-	-	-	-	-
LG Energy Solution Fund I LLC.		-	-	338	-	-	-	-	-	-
	₩	-	₩	-	₩	460,364	₩	-	₩	205

(*) The amounts represent lease liabilities that were recognized or repaid during the three-month period ended March 31, 2022.

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

	2023		2022	
Short-term employee benefits	₩	16,466	₩	2,826
Retirement benefits		2,020		782
	₩	18,486	₩	3,608

Key management includes directors (including non-executive) having duties and responsibilities over planning, operations and controlling of the Company'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 Company for related parties are disclosed in Note 18.

LG Energy Solution, Ltd.**Notes to the interim condensed separate financial statements****As of March 31, 2023, and December 31, 2022, and****for the three-month periods ended March 31, 2023 and 2022****30. INTERIM CONDENSED SEPARATE 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 (loss) before income tax	₩ 25,804	₩ (141,398)
Adjustments for:		
- Depreciation	78,422	64,055
- Amortization	23,057	16,303
- Retirement benefits	16,438	19,328
- Financial income	(143,393)	(50,888)
- Financial costs	109,145	48,839
- (Gain) loss on valuations of inventories	(10,038)	8,466
- Gain on disposal of property, plant and equipment	(353)	(31)
- Loss on disposal of property, plant and equipment	5,077	1,503
- Loss on disposal of intangible assets	12	147
- Contribution to provisions	21,531	1,406
- Other income and expenses	(1,640)	118
- Changes in inventories	(169,881)	(99,888)
- Changes in trade receivables	225,556	(54,371)
- Changes in other receivables	(95,449)	143,340
- Changes in other current assets	(64,685)	(95,559)
- Changes in trade payables	455,400	13,047
- Changes in other payables	(74,239)	105,443
- Changes in other current liabilities	(216,780)	(43,154)
- Changes in net defined benefit liabilities	7,356	876
- Changes in provisions	(145,305)	(288,844)
- Other cash flows from operations	10,409	-
Cash generated from operations	₩ 56,444	₩ (351,262)

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(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	Reclassification of	Amortization	Lease liabilities	Exchange differences and others	Ending
	Beginning	financing activities	current portion			
Short-term borrowings	₩ 16,037	₩ (4,261)	₩ 8,885	₩ -	₩ -	₩ 20,661
Long-term borrowings	41,986	-	(8,885)	-	11,004	44,105
Debentures	2,135,034	-	-	897	-	2,207,408
	<u>₩ 2,193,057</u>	<u>₩ (4,261)</u>	<u>₩ -</u>	<u>₩ 897</u>	<u>₩ 11,004</u>	<u>₩ 2,272,174</u>

	2022					
	Cash flows from	Reclassification of	Amortization	Lease liabilities	Exchange differences and others	Ending
	Beginning	financing activities	current portion			
Short-term borrowings	₩ 9,149	₩ (3,457)	₩ 2,991	₩ -	₩ -	₩ 8,683
Long-term borrowings	35,259	-	(2,991)	-	7,148	39,416
Debentures	2,045,808	-	-	849	-	2,076,176
	<u>₩ 2,090,216</u>	<u>₩ (3,457)</u>	<u>₩ -</u>	<u>₩ 849</u>	<u>₩ 7,148</u>	<u>₩ 2,124,275</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	₩ 296,433	₩ 201,188
Changes in other payables related to acquisition of property, plant and equipment and intangible assets	(180,436)	(160,499)
Reclassification of debentures into current portion	35,609	-
Reclassification of dividend receivables into investments in subsidiaries	37,128	-

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31. LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS:

(1) 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 liabilities:			
Advances from customers received as part of the Company's main business activities	₩	229,522	₩ 170,218
Expected customer incentives		564	2,497
Unearned revenue		81,891	92,080
	₩	<u>311,977</u>	<u>₩ 264,795</u>

(2) Revenue recognized in relation to contract liabilities

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

		2023	2022
Revenue recognized in the period from the beginning contract liabilities:			
Revenue in relation to advances from customers received as part of the Company's main business activities	₩	11,831	₩ 15,109
Unearned revenue		11,602	13,331
	₩	<u>23,433</u>	<u>₩ 28,440</u>

32. 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	₩ 291,460	₩ (77,418)	₩ (1,721)	₩ 212,321	₩ 290,799	₩ (76,030)	₩ (1,725)	₩ 213,044
Land	283	(5)	(35)	243	283	(3)	(35)	245
	<u>₩ 291,743</u>	<u>₩ (77,423)</u>	<u>₩ (1,756)</u>	<u>₩ 212,564</u>	<u>₩ 291,082</u>	<u>₩ (76,033)</u>	<u>₩ (1,760)</u>	<u>₩ 213,289</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	₩ 213,045	₩ 245	₩ 224,311	₩ 161
Acquisition/transfer		1,847		7,267
Disposal/transfer		(1,088)		(11,321)
Depreciation		(1,483)		(5,884)
Impairment		-		(1,329)
Ending	<u>₩ 212,321</u>	<u>₩ 243</u>	<u>₩ 213,044</u>	<u>₩ 245</u>

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(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 ₩245,404 million (as of December 31, 2022, was ₩245,668 million).

Rental income from investment properties under operating lease for the three-month period ended March 31, 2023, is ₩3,166 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 ₩1,484 million.

(4) Operating lease

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

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

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as of March 31, 2023, and December 31, 2022, are as follows (Korean won in millions):

	March 31, 2023	December 31, 2022
Less than one year	₩ 9,452	₩ 11,862
Between one year and two years	167	160
Between two years and five years	441	478
	<u>₩ 10,060</u>	<u>₩ 12,500</u>

33. EVENT AFTER THE REPORTING PERIOD:

In April 2023, the Company 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.