

LG ENERGY SOLUTION, LTD. AND ITS SUBSIDIARIES

**Interim Condensed Consolidated Financial Statements
As of March 31, 2025, and December 31, 2024, and
For the Three-Month Periods Ended March 31, 2025 and 2024**

(With the Independent Auditor's Review Report Thereon)

Table of Contents

Report on Review of Interim Condensed Consolidated Financial Statements

Page

Interim Condensed Consolidated Financial Statements
As of March 31, 2025, and December 31, 2024, and
For the Three-Month Periods Ended March 31, 2025 and 2024:

Interim Condensed Consolidated Statements of Financial Position	1
Interim Condensed Consolidated Statements of Profit or Loss	3
Interim Condensed Consolidated Statements of Comprehensive Income	5
Interim Condensed Consolidated Statements of Changes in Equity	7
Interim Condensed Consolidated Statements of Cash Flows	9
Notes to Interim Condensed Consolidated Financial Statements	11

Report on Review of Interim Condensed Consolidated Financial Statements

English Translation of Independent Auditor's Review Report Originally Issued in Korean on May 9, 2025

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

Reviewed financial statements

We have reviewed the accompanying interim condensed consolidated financial statements of LG Energy Solution, Ltd. and its subsidiaries (the "Group"). These interim condensed consolidated financial statements consist of the interim condensed consolidated statement of financial position as of March 31, 2025, and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows, all expressed in Korean won, for the three-month periods ended March 31, 2025 and 2024, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

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

Conclusion

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

**Other matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2024, and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, in accordance with KSAs. We expressed an unqualified opinion on those consolidated financial statements, not presented herein, in our audit report dated March 5, 2025.

The accompanying consolidated statement of financial position as of December 31, 2024, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

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

May 9, 2025

<p>This review report is effective as of May 9, 2025, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modifications to this review report.</p>

LG ENERGY SOLUTION, LTD. AND ITS SUBSIDIARIES (the “Group”)

Interim condensed consolidated financial statements
as of March 31, 2025, and December 31, 2024, and
for the three-month periods ended March 31, 2025 and 2024

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

Dong Myung Kim
Chief Executive Officer
LG Energy Solution, Ltd.

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
As of March 31, 2025, and December 31, 2024

(Korean won in millions)

	Notes		March 31, 2025	December 31, 2024
Assets				
Current assets				
Cash and cash equivalents	3,5,6	₩	3,573,556 ₩	3,898,711
Trade receivables	3,5,7,30		5,317,254	4,944,019
Other receivables	3,5,7,30		781,850	603,635
Other current financial assets	3,5,8		454	42
Prepaid income taxes			73,629	121,269
Other current assets	13,33		1,099,097	1,207,364
Inventories	9		4,282,070	4,552,355
			15,127,910	15,327,395
Non-current assets				
Trade receivables	3,5,7		178,356	392,584
Other receivables	3,5,7,30		114,329	134,450
Other non-current financial assets	3,5,8		1,211,049	1,132,368
Investments in associates and joint ventures	10,30		64,489	62,389
Deferred tax assets	27		2,852,381	2,774,153
Property, plant and equipment	11,18,32		40,289,799	38,349,552
Intangible assets	12,32		1,448,696	1,284,576
Investment properties	32,34		228,187	225,934
Other non-current assets	13,16		783,782	623,390
			47,171,068	44,979,396
Total assets		₩	62,298,978 ₩	60,306,791
Liabilities				
Current liabilities				
Trade payables	3,5,30	₩	2,830,786 ₩	2,705,481
Other payables	3,5,30		4,304,123	5,389,848
Borrowings	3,5,11,14,31		3,146,383	2,490,240
Provisions	15		1,003,052	1,044,468
Other current financial liabilities	3,5,8		683	1,159
Income tax payables			41,918	15,550
Other current liabilities	17,33		538,017	408,176
			11,864,962	12,054,922
Non-current liabilities				
Other payables	3,5,30		16,045	22,082
Borrowings	3,5,11,14,31		14,466,196	12,900,311
Other non-current financial liabilities	3,5,8		1,248,579	1,000,635
Provisions	15		906,004	778,686
Net defined benefit liabilities	16		34	403
Deferred tax liabilities	27		61,932	60,733
Other non-current liabilities	17,33		2,464,681	2,522,476
			19,163,471	17,285,326
Total liabilities			31,028,433	29,340,248
Equity attributable to owners of the Parent Company				
Share capital	19		117,000	117,000
Capital surplus	19		17,164,627	17,164,627
Accumulated other comprehensive income			2,640,435	2,437,399
Retained earnings	20		1,240,583	1,397,211
			21,162,645	21,116,237
Non-controlling interest			10,107,900	9,850,306
Total equity			31,270,545	30,966,543
Total liabilities and equity		₩	62,298,978 ₩	60,306,791

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of profit or loss
For the three-month periods ended March 31, 2025 and 2024

(Korean won in millions)

	<u>Notes</u>	<u>March 31, 2025</u>	<u>March 31, 2024</u>
Revenue	30,33	₩ 6,264,995	₩ 6,128,714
Cost of sales	21,22,30	<u>5,252,739</u>	<u>5,204,715</u>
Gross profit		1,012,256	923,999
Other operating income		457,716	188,954
Selling and administrative expenses	21,22,30	<u>1,095,299</u>	<u>955,616</u>
Operating profit		374,673	157,337
Finance income	5,24,30	272,642	282,667
Finance costs	5,24,30	268,403	257,578
Share of loss of associates and joint ventures	10	(499)	(12,631)
Other non-operating income	25	170,393	203,984
Other non-operating expenses	26	<u>184,300</u>	<u>151,130</u>
Profit before income tax expense		364,506	222,649
Income tax expense	27	<u>137,933</u>	<u>10,597</u>
Profit for the period		<u>₩ 226,573</u>	<u>₩ 212,052</u>
Profit for the period attributable to:			
Owners of the Parent Company		₩ (145,740)	₩ (464)
Non-controlling interests		372,313	212,516
Earnings (loss) per share attributable to the equity holders of the Parent Company (in Korean won)	28		
Basic or diluted earnings (loss) per share		(623)	(2)

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
For the three-month periods ended March 31, 2025 and 2024

(Korean won in millions)

	<u>Notes</u>	<u>March 31, 2025</u>	<u>March 31, 2024</u>
Profit for the period	₩	226,573	₩ 212,052
Other comprehensive income(loss):			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	881	(651)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income ("FVOCI")	5	(2,684)	907
Income tax effect of other comprehensive income		<u>417</u>	<u>(44)</u>
		(1,386)	212
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		153,777	693,471
Gain on cash flow hedge	5	638	1,383
Share of other comprehensive income of associates and joint ventures	10	-	9,538
Income tax effect of other comprehensive income		<u>19,361</u>	<u>(4,800)</u>
		173,776	699,592
Other comprehensive income for the period, net of tax		<u>172,390</u>	<u>699,804</u>
Total comprehensive income for the period, net of tax	₩	<u>398,963</u>	₩ <u>911,856</u>
Total comprehensive income for the period attributable to:			
Owners of the Parent Company	₩	46,408	₩ 492,273
Non-controlling interest		352,555	419,583

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in equity
For the three-month periods ended March 31, 2025 and 2024

(Korean won in millions)

(Korean won in millions)		Attributable to the equity holders of the Parent Company													
	Notes	Share capital	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Subtotal	Non-controlling interests	Total							
As of January 1, 2024		₩	117,000	₩	17,164,627	₩	554,518	₩	2,364,496	₩	20,200,641	₩	4,172,868	₩	24,373,509
Comprehensive income for the period:															
Profit for the period			-		-		-		(464)		(464)		212,516		212,052
Remeasurements of net defined benefit liabilities		16	-		-		-		(502)		(502)		-		(502)
Exchange differences on translation of foreign operations			-		-		481,942		-		481,942		207,067		689,009
Gain on valuation of financial assets at FVOCI		5	-		-		714		-		714		-		714
Cash flow hedge		5	-		-		1,045		-		1,045		-		1,045
Equity adjustments in equity method		10	-		-		9,538		-		9,538		-		9,538
Total comprehensive income for the period			-		-		493,239		(966)		492,273		419,583		911,856
Transactions with owners of the Parent Company recognized directly in equity:															
Capital increase			-		-		-		-		-		1,500,454		1,500,454
Others			-		-		-		115		115		(81,095)		(80,980)
Total transactions with owners of the Parent Company recognized directly in equity			-		-		-		115		115		1,419,359		1,419,474
As of March 31, 2024		₩	117,000	₩	17,164,627	₩	1,047,757	₩	2,363,645	₩	20,693,029	₩	6,011,810	₩	26,704,839
As of January 1, 2025		₩	117,000	₩	17,164,627	₩	2,437,399	₩	1,397,211	₩	21,116,237	₩	9,850,306	₩	30,966,543
Comprehensive income for the period:															
Profit for the period			-		-		-		(145,740)		(145,740)		372,313		226,573
Remeasurements of net defined benefit liabilities		16	-		-		-		680		680		-		680
Exchange differences on translation of foreign operations			-		-		193,209		-		193,209		(19,758)		173,451
Loss on valuation of financial assets at FVOCI		5	-		-		(2,066)		-		(2,066)		-		(2,066)
Cash flow hedge		5	-		-		325		-		325		-		325
Total comprehensive income for the period			-		-		191,468		(145,060)		46,408		352,555		398,963
Transactions with owners of the Parent Company recognized directly in equity:															
Capital increase			-		-		-		-		-		1,036,130		1,036,130
Reclassification from disposal of financial assets at FVOCI			-		-		11,568		(11,568)		-		-		-
Others			-		-		-		-		-		(1,131,091)		(1,131,091)
Total transactions with owners of the Parent Company recognized directly in equity			-		-		11,568		(11,568)		-		(94,961)		(94,961)
As of March 31, 2025		₩	117,000	₩	17,164,627	₩	2,640,435	₩	1,240,583	₩	21,162,645	₩	10,107,900	₩	31,270,545

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of cash flows
For the three-month periods ended March 31, 2025 and 2024

(Korean won in millions)

	<u>Notes</u>	<u>March 31, 2025</u>	<u>March 31, 2024</u>
Cash flows from operating activities:			
Cash generated from operations	31	₩ 1,447,674	₩ 709,250
Interest received		37,840	58,380
Interest paid		(204,879)	(126,006)
Dividends received		38	-
Income tax paid		<u>(118,640)</u>	<u>(110,555)</u>
Net cash provided by (used in) operating activities		1,162,033	531,069
Cash flows from investing activities:			
Cash inflow from investing activities:			
Decrease in other receivables		1,383	15,635
Decrease in other non-current receivables		10,434	2,765
Proceeds from disposal of financial assets		1,300	-
Proceeds from disposal of property, plant and equipment		17,677	14,743
Proceeds from disposal of intangible assets		56	1
Government grants received		<u>2,135</u>	<u>4,485</u>
		32,985	37,629
Cash outflow from investing activities:			
Increase in other receivables		(138,763)	(655)
Increase in other non-current receivables		(10,321)	(29,507)
Acquisition of investments in associates		(2,637)	(2,757)
Acquisition of financial instruments		(22,795)	(1,113)
Acquisition of property, plant and equipment		(3,264,613)	(3,437,337)
Acquisition of intangible assets		<u>(34,681)</u>	<u>(30,733)</u>
		(3,473,810)	(3,502,102)
Net cash used in investing activities		(3,440,825)	(3,464,473)
Cash flows from financing activities:			
Cash inflow from financing activities:			
Proceeds from borrowings and others	31	3,419,394	3,043,557
Paid-in capital by non-controlling interests		<u>1,036,130</u>	<u>1,500,454</u>
		4,455,524	4,544,011
Cash outflow from financing activities:			
Repayments of borrowings and others	31	(1,374,180)	(1,455,798)
Others		<u>(1,131,091)</u>	<u>(81,095)</u>
		(2,505,271)	(1,536,893)
Net cash provided by financing activities		1,950,253	3,007,118
Net increase (decrease) in cash and cash equivalents		(328,539)	73,714
Cash and cash equivalents at the beginning of period		3,898,711	5,068,783
Effects of exchange rate changes on cash and cash equivalents		<u>3,384</u>	<u>145,885</u>
Cash and cash equivalents at the end of period		₩ 3,573,556	₩ 5,288,382

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

1. GENERAL:

General information about LG Energy Solution, Ltd. (the “Company” or the “Parent Company”) and its 24 subsidiaries (collectively, the “Group”) is as follows:

1.1 Company Information

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

As of March 31, 2025, the Company is engaged in the battery industry, with its manufacturing facilities located at 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, 2025. 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, 2025.

1.2 Business Overview

The Group is engaged in providing energy solution services.

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

1.3 Consolidated Subsidiaries and Investments in Associates and Joint Ventures

	Ownership (%)		Location	Closing month	Business
	March 31, 2025	December 31, 2024			
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	100	100	China	December	Mobile battery manufacturing, sales and others
LG Energy Solution Michigan Inc. (*1)	100	100	USA	December	Automotive battery research and manufacturing
LG Energy Solution Battery (Nanjing) Co., Ltd.	100	100	China	December	Automotive battery manufacturing and sales
LG Energy Solution Wroclaw sp. z o.o.	100	100	Poland	December	Automotive battery manufacturing and sales
LG Energy Solution Australia Pty Ltd.	100	100	Australia	December	ESS battery sales
LG Energy Solution Technology (Nanjing) Co., Ltd.	100	100	China	December	Automotive battery manufacturing, sales and others
Ultium Cells Holdings LLC (*2)	50	50	USA	December	Automotive battery manufacturing and sales
Ultium Cells LLC (*2)	50	50	USA	December	Automotive battery manufacturing and sales
LG Energy Solution Europe GmbH	100	100	Germany	December	ESS battery sales and others
LG Energy Solution (Taiwan) Ltd.	100	100	Taiwan	December	Mobile battery sales and others
Areumnoori Co., Ltd.	100	100	Korea	December	Facility management and cleaning
LG Energy Solution Fund I LLC	100	100	USA	December	Investment in ventures
LG Energy Solution Vertech Inc.	100	100	USA	December	ESS battery installation service
LG Energy Solution Arizona, Inc.	100	100	USA	December	Mobile battery manufacturing and sales
Baterias De Castilla, S.L.	100	100	Spain	December	Others
L-H Battery Company, Inc.	51	51	USA	December	Automotive battery manufacturing and sales
LG Energy Solution India Private Limited	100	100	India	December	Mobile battery sales and others
LG Energy Solution Arizona ESS, Inc.	100	100	USA	December	ESS battery manufacturing and sales
Nextstar Energy Inc.	51	51	Canada	December	Automotive battery manufacturing and sales
LG Energy Solution Fund II LLC	100	100	USA	December	Investment in ventures
HL-GA Battery Company LLC (*5)	50	50	USA	December	Automotive battery manufacturing and sales
LG Energy Solution Japan Co., Ltd.	100	100	Japan	December	ESS battery sales
PT. HLI Green Power (*4)	50	50	Indonesia	December	Automotive battery manufacturing and sales
LG Energy Solution China Co., Ltd. (*3)	100	-	China	December	Business support services and others
Associates and joint ventures:					
Sama Aluminium Co., Ltd. (*6)	10.2	10.2	Korea	December	Aluminum manufacturing, sales and others
Nexpo Co., Ltd. (*7)	19	19	Korea	December	Battery product manufacturing, sales and others
Bricks Capital Management Global Battery Private Equity Fund I (*8)	59.9	59.9	Korea	December	Collective investment institution

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

- (*1) LG Energy Solution Michigan Inc. owns 50% of Ultium Cells Holdings LLC and HL-GA Battery Company LLC's shares.
- (*2) The Group does not hold a majority ownership interest in Ultium Cells LLC or Ultium Cells Holdings LLC. According to the arrangement between shareholders, the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect the variable returns by engaging in the entity's production and cost management. This implies that the Group exercises control over the entity.
- (*3) During the current period, the Group newly acquired 100% of LG Energy Solution China Co., Ltd. for ₩14,174 million.
- (*4) Although the Group does not hold a majority ownership interest in PT. HLI Green Power, amendments in the shareholder agreement grant the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect variable returns by engaging in the entity's production and cost management. Accordingly, PT. HLI Green Power was included as a subsidiary in the consolidated financial statements during the current period.
- (*5) Although the Group does not hold a majority ownership interest in HL-GA Battery Company LLC, amendments in the shareholder agreement grant the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect variable returns by engaging in the entity's production and cost management. Accordingly, HL-GA Battery Company LLC was included as a subsidiary in the consolidated financial statements during the current period.
- (*6) Although the ownership in Sama Aluminium Co., Ltd. is less than 20%, the arrangement between shareholders ensures that the Group has the ability to participate in the decision-making process, thus exerting significant influence over the entity. As a result, the entity is classified as an associate.
- (*7) Although the ownership in Nexpo Co., Ltd. is less than 20%, the arrangement between shareholders ensures that the Group has the ability to participate in the decision-making process, thus exerting significant influence over the entity. As a result, the entity is classified as an associate.
- (*8) Although the subsidiary's equity stake in the joint venture exceeds 50%, but since unanimous consent from all equity participants is required for major decisions, the Group has concluded that it does not control the joint venture. As a result, it has been classified as an investment in an associate.

1.4 Changes in Scope for Consolidation

New subsidiary included in the interim condensed consolidated financial statements for the three-month period ended March 31, 2025, is as follows:

	Reason for the inclusion
LG Energy Solution China Co., Ltd.	Incorporated during the current period

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES:

2.1 Basis of Preparation

The Group's interim condensed consolidated financial statements were prepared in accordance with Korean International Financial Reporting Standard ("K-IFRS") 1034 *Interim Financial Reporting* as part of the period covered by the Group's K-IFRSs annual consolidated financial statements. In order to be understood, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the fiscal year ended December 31, 2024, prepared in accordance with the K-IFRSs.

2.2 Application of the Amended and Enacted Standards

The material 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, 2024, 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 1021 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

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

- K-IFRS 1109 Financial Instruments and K-IFRS 1107 Financial Instruments: Disclosures – Classification and Measurement Requirements of Financial Instruments

The amendments clarify the conditions related to the discharge of a financial liability before the settlement date when settling such financial liabilities using an electronic payment system. They further specify an interest feature, a contingent feature, financial assets with non-recourse features and contractually linked instruments that should be considered in assessing whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. Furthermore, the amendments include additional disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows. The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1109 Financial Instruments – Derecognition of Lease Liabilities and Transaction Price

The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with K-IFRS 1109, the lessee is required to recognize any resulting gain or loss in profit or loss. Additionally, the amendments have replaced ‘their transaction price (as defined in K-IFRS 1115)’ in K-IFRS 1109:5.1.3 with ‘the amount determined by applying K-IFRS 1115’ to remove an inconsistency between K-IFRS 1109 and the requirements in K-IFRS 1115.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1110 Consolidated Financial Statements – Determination of ‘De Facto Agent’

The amendments have amended K-IFRS 10:B74 to use less conclusive language and to clarify that the relationship described in IFRS 10:B74 is just one example of a circumstance in which judgment is required to determine whether a party is acting as a de facto agent.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1101 First-Time Adoption of Korean International Financial Reporting Standards – Hedging Accounting by a First-Time Adopter

The amendments have improved the consistency of the wording of K-IFRS 1101:B6 with the requirements for hedge accounting in K-IFRS 1109 and added cross-references to K-IFRS 1109:6.4.1 to improve the understandability of K-IFRS 1101.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1107 Financial Instruments: Disclosures – Gain or Loss on Derecognition

The amendments have updated the obsolete cross-reference in K-IFRS 1107:B38 and aligned the wording of this paragraph with the terms used in K-IFRS.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

- K-IFRS 1007 Statement of Cash Flows: Cost Method

The amendments have replaced the term ‘cost method’ with ‘at cost’ in K-IFRS 1007:37.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

The Group does not anticipate that the application of the amendment will have a significant impact on its interim condensed consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT:

3.1 Financial Risk Factors

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

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

(1) Market risk

1) Foreign exchange risk

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

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

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

Monetary assets and liabilities denominated in foreign currencies as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025		December 31, 2024	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 4,380,891	₩ 6,541,140	₩ 4,302,999	₩ 6,674,089
EUR	255,877	3,572,942	406,770	3,728,590
JPY	46,356	83,092	50,688	131,907
CNY and others	160,093	74,056	243,000	56,719

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

With all other variables held constant as of March 31, 2025, and December 31, 2024, a hypothetical change in exchange rates by 10% would have increased (decreased) the Group's net income as follows (Korean won in millions):

	March 31, 2025		December 31, 2024	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ (216,025)	₩ 216,025	₩ (237,109)	₩ 237,109
EUR	(331,707)	331,707	(332,182)	332,182
JPY	(3,674)	3,674	(8,122)	8,122
CNY and others	8,604	(8,604)	18,628	(18,628)

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

As of March 31, 2025, the Group entered into foreign currency forward and foreign currency swaps 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 (*)	KB Kookmin Bank	USD 500	1,102.83	2020.11.24	2029.04.16	₩ 130,226	₩ -
	JP Morgan	USD 200	1,337.60	2023.09.25	2026.09.25	26,214	-
	Shinhan Bank	USD 200	1,337.60	2023.09.25	2026.09.25	24,907	-
	KDB Bank	USD 400	1,337.60	2023.09.25	2028.09.25	44,814	-
	Woori Bank	USD 200	1,337.60	2023.09.25	2028.09.25	22,397	-
	DBS	USD 200	1,380.80	2024.07.02	2027.07.02	20,846	-
	JP Morgan	USD 200	1,380.80	2024.07.02	2027.07.02	20,767	-
Currency swap (*)	Shinhan Bank	USD 300	1,380.80	2024.07.02	2027.07.02	29,090	-
	KB Kookmin Bank	USD 200	1,380.80	2024.07.02	2029.07.02	18,243	-
	Woori Bank	USD 200	1,380.80	2024.07.02	2029.07.02	18,302	-
	Korea Exim Bank	USD 200	1,380.80	2024.07.02	2029.07.02	18,159	-
	IBK Securities	USD 100	1,380.80	2024.07.02	2029.07.02	9,082	-
	KDB Bank	USD 100	1,380.80	2024.07.02	2029.07.02	9,096	-
	KDB Bank	USD 400	1,380.80	2024.07.02	2034.07.02	21,932	-
	Woori Bank	USD 100	1,380.80	2024.07.02	2034.07.02	5,488	-

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

2) Interest rate risk

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

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

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

	Effect on profit and loss before tax		Impact on equity	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Increase	₩ (53,032)	₩ (46,125)	₩ (53,032)	₩ (46,125)
Decrease	53,032	46,125	53,032	46,125

3) Price risk

The Group is exposed to price risks from equity instruments. As of March 31, 2025, the fair value of equity instruments is ₩168,013 million. With all other variables held constant, a price change in equity instruments by 10% would have changed the Group's equity by ₩16,801 million before tax.

(2) Credit risk

Credit risk arises from trade receivables that the Group holds as well as financial assets at amortized cost or at FVOCI.

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

To manage credit risks relating to trade receivables, the Group evaluates the credit rating of customers and determines the 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 and collateral, as well as payment guarantees.

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

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

1) Trade receivables

The Group applies the simplified approach in measuring expected credit losses, which uses lifetime expected provisions for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The provisions for receivables as of March 31, 2025, and December 31, 2024, are as follows. Expected credit losses include forward-looking information (Korean won in millions):

		Receivables not past due (*)	Receivables past due, but not impaired (*)	Receivables impaired (individually evaluated)	Total
March 31, 2025 (trade receivables)					
Gross carrying amount	₩	5,238,271 ₩	257,339 ₩	1 ₩	5,495,611
Expected loss rate		-	-	100.00%	0.00%
Provisions for receivables		-	-	1	1
December 31, 2024 (trade receivables)					
Gross carrying amount	₩	5,226,311 ₩	110,292 ₩	1 ₩	5,336,604
Expected loss rate		-	-	100.00%	0.00%
Provisions for receivables		-	-	1	1

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

Changes in the provisions for trade receivables for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 1	₩ -
Provisions recognized in profit or loss	-	13
Write-off	-	(12)
Ending	₩ 1	₩ 1

As of March 31, 2025, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩5,495,610 million (as of December 31, 2024, was ₩5,336,603 million).

2) Other financial assets at amortized cost

All of the financial assets at amortized cost are considered to have low credit risk, and the provisions recognized during the period were, therefore, limited to 12 months' expected losses. As of March 31, 2025, and December 31, 2024, the provisions for other financial assets at amortized cost do not exist.

3) Debt instruments measured at FVOCI

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(3) Liquidity risk

The finance team of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining the limit of unused borrowings at an appropriate level so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group's liquidity management policy considers the Group's financing plans; covenants on the debt contracts; target financial ratios; and, if applicable, other external regulatory requirements on the currency and others.

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

		March 31, 2025			
		Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:					
Borrowings	₩	3,420,474	₩ 4,272,322	₩ 10,131,575	₩ 2,204,673
Lease liabilities		93,519	58,046	109,023	142,663
Trade and other payables (*)		7,134,909	15,631	399	15
		10,648,902	4,345,999	10,240,997	2,347,351
Derivative instruments:					
Currency forwards and swaps settled in gross:					
Inflows		-	(586,600)	(3,812,900)	(733,250)
Outflows		-	535,040	3,425,175	690,400
		-	(51,560)	(387,725)	(42,850)
	₩	10,648,902	₩ 4,294,439	₩ 9,853,272	₩ 2,304,501
		December 31, 2024			
		Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:					
Borrowings	₩	3,059,952	₩ 3,658,210	₩ 8,594,217	₩ 2,340,232
Lease liabilities		87,984	57,643	103,007	134,674
Trade and other payables (*)		8,095,329	17,194	4,887	1
		11,243,265	3,733,047	8,702,111	2,474,907
Derivative instruments:					
Currency forwards and swaps settled in gross:					
Inflows		-	(588,000)	(3,822,000)	(735,000)
Outflows		-	535,040	3,425,175	690,400
		-	(52,960)	(396,825)	(44,600)
	₩	11,243,265	₩ 3,680,087	₩ 8,305,286	₩ 2,430,307

(*) As of March 31, 2025, the amount paid using the purchasing card includes ₩425,479 million, for which the substantive maturity has been extended (as of December 31, 2024, was ₩439,603 million) (see Note 5.(3)).

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

2) As of March 31, 2025, the Group has entered into swap contracts, to which cash flow hedge accounting is applied, to avoid fluctuations in the market price of raw materials (Korean won in millions).

	Purpose of the contracts	Hedged items	Financial institution	Maturity	March 31, 2025		December 31, 2024	
					Assets	Liabilities	Assets	Liabilities
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, etc.	December 2027	₩ 608	₩ 870	₩ 64	₩ 1,594

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

3.2 Capital Risk Management

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

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

The gearing ratio and debt-to-equity ratio as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025	December 31, 2024
Total borrowings (Note 14) (A)	₩ 17,612,579	₩ 15,390,551
Less: Cash and cash equivalents (B)	(3,573,556)	(3,898,711)
Net debt (C=A+B)	14,039,023	11,491,840
Total liabilities (D)	31,028,433	29,340,248
Total equity (E)	31,270,545	30,966,543
Total capital (F=C+E)	45,309,568	42,458,383
Gearing ratio (C/F)	31.0%	27.1%
Debt-to-equity ratio (D/E)	99.2%	94.7%

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

3.3 Fair Value Estimation

(1) The carrying amount and fair value of financial instruments by category as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025		December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current):				
Cash and cash equivalents	₩ 3,573,556	(*)	₩ 3,898,711	(*)
Trade receivables	5,317,254	(*)	4,944,019	(*)
Other receivables (excluding deposits from financial institutions)	641,080	(*)	603,635	(*)
Deposits from financial institutions	140,770	(*)	-	-
Current derivative financial assets	454	454	42	42
Financial assets (non-current):				
Trade receivables	178,356	(*)	392,584	(*)
Other receivables (excluding deposits from financial institutions)	48,130	(*)	68,219	(*)
Deposits from financial institutions	66,199	(*)	66,231	(*)
Other non-current financial assets:				
Marketable financial assets	23,718	23,718	26,973	26,973
Non-marketable financial assets	734,973	734,973	703,957	703,957
Non-current derivative financial assets	32,795	32,795	31,163	31,163
Non-current derivative financial assets (currency forward)	130,226	130,226	118,088	118,088
Non-current derivative financial assets (currency swap)	289,337	289,337	252,187	252,187
Financial liabilities (current):				
Trade and other payables	7,134,909	(*)	8,095,329	(*)
Current borrowings (excluding lease liabilities)	3,068,217	(*)	2,413,086	(*)
Current derivative financial liabilities	683	683	1,159	1,159
Financial liabilities (non-current):				
Non-current borrowings (excluding lease liabilities)	14,218,442	14,770,578	12,641,359	13,202,530
Other non-current payables	16,045	(*)	22,082	(*)
Non-current derivative financial liabilities	187	187	435	435
Non-current financial liabilities at amortized cost	1,248,392	(*)	1,000,200	(*)

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

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

Fair values of financial liabilities (non-current) are calculated by discounting the expected cash outflows by yield from corporate bonds. These bonds are Korean won denominated with credit rating same as that of the Parent Company (AA0). The applied discount rates as of March 31, 2025, and December 31, 2024, are as follows:

	March 31, 2025	December 31, 2024
Discount rate	3.00% – 3.97%	3.17% – 4.12%

(3) Fair value hierarchy

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

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

As of March 31, 2025, and December 31, 2024, 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, 2025			
		Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:					
Current derivative financial assets	₩	- ₩	454 ₩	- ₩	454
Non-current derivative financial assets		-	1,728	31,067	32,795
Non-current derivative financial assets (currency forward)		-	130,226	-	130,226
Non-current derivative financial assets (currency swap)		-	289,337	-	289,337
Other non-current financial assets (marketable financial assets)		23,718	-	-	23,718
Other non-current financial assets (non-marketable financial assets)		-	-	734,973	734,973
Current derivative financial liabilities		-	683	-	683
Non-current derivative financial liabilities		-	187	-	187
Financial assets/liabilities not measured at fair value:					
Non-current borrowings (excluding lease liabilities)		-	14,770,578	-	14,770,578

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ - ₩	42 ₩	- ₩	42
Non-current derivative financial assets	-	22	31,141	31,163
Non-current derivative financial assets (currency forward)	-	118,088	-	118,088
Non-current derivative financial assets (currency swap)	-	252,187	-	252,187
Other non-current financial assets (marketable financial assets)	26,973	-	-	26,973
Other non-current financial assets (non-marketable financial assets)	-	-	703,957	703,957
Current derivative financial liabilities	-	1,159	-	1,159
Non-current derivative financial liabilities	-	435	-	435
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	13,202,530	-	13,202,530

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

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

The significant estimates and assumptions made by management on the application of the Group's interim condensed consolidated financial statements are the same as those of the annual consolidated financial statements as of and for the year ended December 31, 2024. The following are the management's estimates and assumptions for its judgments regarding significant risks that may result in adjustments to the carrying amounts of assets and liabilities in the next fiscal year:

(1) Income taxes

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

(2) Provisions

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(3) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at March 31, 2025 (see Note 3.3).

(4) Impairment of financial assets

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

(5) Net defined benefit liability (asset)

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

(6) Lease

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

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

5. FINANCIAL INSTRUMENTS BY CATEGORY:

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

Financial assets	March 31, 2025				
	Financial assets at amortized cost	Financial assets at FVPL	Financial assets at FVOCI (*1)	Other financial assets (*2)	Total
Cash and cash equivalents	₩ 3,573,556	₩ -	₩ -	₩ -	₩ 3,573,556
Trade receivables	5,112,210	-	205,044	-	5,317,254
Non-current trade receivables	178,356	-	-	-	178,356
Other receivables	781,850	-	-	-	781,850
Other non-current receivables	114,329	-	-	-	114,329
Other current financial assets	-	-	-	454	454
Other non-current financial assets	-	1,041,308	168,013	1,728	1,211,049
	₩ 9,760,301	₩ 1,041,308	₩ 373,057	₩ 2,182	₩ 11,176,848

Financial liabilities	March 31, 2025		
	Financial liabilities at amortized cost	Other financial Liabilities (*3)	Total
Trade payables	₩ 2,830,786	₩ -	₩ 2,830,786
Other payables	4,304,123	-	4,304,123
Other non-current payables	16,045	-	16,045
Current borrowings	3,068,217	78,166	3,146,383
Non-current borrowings	14,218,442	247,754	14,466,196
Other current financial liabilities	-	683	683
Other non-current financial liabilities	1,248,392	187	1,248,579
	₩ 25,686,005	₩ 326,790	₩ 26,012,795

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

December 31, 2024					
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	₩ 3,898,711	₩ -	₩ -	₩ -	₩ 3,898,711
Trade receivables	4,621,452	-	322,567	-	4,944,019
Non-current trade receivables	392,584	-	-	-	392,584
Other current receivables	603,635	-	-	-	603,635
Other non-current receivables	134,450	-	-	-	134,450
Other current financial assets	-	-	-	42	42
Other non-current financial assets	-	968,355	163,991	22	1,132,368
	<u>₩ 9,650,832</u>	<u>968,355</u>	<u>₩ 486,558</u>	<u>₩ 64</u>	<u>₩ 11,105,809</u>

December 31, 2024			
Financial liabilities	Financial liabilities at amortized cost	Other financial Liabilities (*3)	Total
Trade payables	₩ 2,705,481	₩ -	₩ 2,705,481
Other payables	5,389,848	-	5,389,848
Other non-current payables	22,082	-	22,082
Current borrowings	2,413,086	77,154	2,490,240
Non-current borrowings	12,641,359	258,952	12,900,311
Other current financial liabilities	-	1,159	1,159
Other non-current financial liabilities	1,000,200	435	1,000,635
	<u>₩ 24,172,056</u>	<u>₩ 337,700</u>	<u>₩ 24,509,756</u>

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

(*2) Other financial assets include derivative assets.

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(2) Net gains (losses) on each category of financial instruments for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

		<u>2025</u>		<u>2024</u>
Interest income:				
Financial assets at amortized cost	₩	44,332	₩	60,255
Financial assets at FVPL		12,979		-
Interest expense:				
Financial liabilities at amortized cost		(177,875)		(126,568)
Other financial liabilities		(4,075)		(1,061)
Financial assets at amortized cost (*)		-		(9)
Gains on valuation or disposal:				
Financial assets at FVPL		1,561		-
Financial assets at FVOCI		(2,684)		907
Derivative instruments		50,078		115,866
Exchange differences:				
Financial assets at amortized cost		(89,293)		157,564
Financial liabilities at amortized cost		140,193		(123,553)
Financial assets at FVPL		(896)		3,939

(*) Fees paid to financial institutions for factoring.

(3) Supplier financing arrangements

Supplier financing arrangements involve one or more financial institutions providing amounts that the Group is obligated to pay to the supplier. The Group then reimburses the financial institutions according to the terms of the arrangement after the supplier has received the payment. These arrangements typically provide the Group with an extended payment term beyond the supplier's payment due date or allow the supplier to receive payment earlier than expected.

As of March 31, 2025, and December 31, 2024, the Company has entered into the following supplier financing arrangements (Korean won in millions):

<u>Classification</u>	<u>Line item</u>		<u>March 31, 2025</u>		<u>December 31, 2024</u>	<u>Index</u>
Purchase card	Accounts payable	₩	425,479	₩	439,603	(*)

(*) Under the purchase card arrangement, the financial institution acquires the rights to specific receivables of the supplier. Although there is a change in the payment terms due to this arrangement, since the terms of the liability have not materially changed, it was deemed appropriate to continue presenting the amounts related to accounts payable and other liabilities in the financial statement. In the cash flow statement, the Group determined that it is not a party to the cash flows between the financial institution and the supplier, and since the substantive terms of the accounts payable have not changed, it was considered a regular payment for business transactions.

There were no significant business combinations or exchange rate differences affecting the supplier financing liabilities. The supplier financing liabilities are short term, and their carrying amounts are considered to be a reasonable approximation of fair value.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

6. CASH AND CASH EQUIVALENTS:

(1) Details of cash and cash equivalents as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Bank deposits and cash on hand	₩ 2,195,497	₩ 2,950,257
Cash equivalents	1,378,059	948,454
	<u>₩ 3,573,556</u>	<u>₩ 3,898,711</u>

(2) As of March 31, 2025, cash and cash equivalents include ₩23,224 million, which is subject to a restriction on use and remittance (as of December 31, 2024, ₩1,204,633 million).

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables and their provisions for impairment as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>			<u>December 31, 2024</u>		
	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Trade receivables	₩ 5,317,255	₩ (1)	₩ 5,317,254	₩ 4,944,020	₩ (1)	₩ 4,944,019
Non-current trade receivables	178,356	-	178,356	392,584	-	392,584
Other current receivables	781,850	-	781,850	603,635	-	603,635
Other non-current receivables	114,329	-	114,329	134,450	-	134,450
	<u>₩ 6,391,790</u>	<u>₩ (1)</u>	<u>₩ 6,391,789</u>	<u>₩ 6,074,689</u>	<u>₩ (1)</u>	<u>₩ 6,074,688</u>

(2) Details of other receivables as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Current:		
Non-trade receivables	₩ 581,044	₩ 571,809
Due from financial institutions (*)	140,770	-
Accrued income	13,350	4,529
Loans	88	99
Guarantee deposits provided	46,598	27,198
	<u>781,850</u>	<u>603,635</u>
Non-current:		
Non-trade receivables	3,049	3,291
Due from financial institutions (*)	66,199	66,231
Loans	11,113	11,433
Guarantee deposits provided	33,968	53,495
	<u>114,329</u>	<u>134,450</u>
	<u>₩ 896,179</u>	<u>₩ 738,085</u>

(*) As of March 31, 2025, the due from financial institutions (current) is subject to withdrawal restrictions in connection with the loan agreement with the U.S. Department of Energy. Among, the amount due from financial institutions (non-current), ₩60,000 million is restricted for the agreement on Win-Win Growth Cooperation, ₩14 million as a guarantee deposit for current account opening, PLN 1 million as a guarantee for the overseas transfer of hazardous waste, and USD 4 million as collateral for LOC issuance.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(3) The aging analysis of trade and other receivables as of March 31, 2025, and December 31, 2024, is as follows (Korean won in millions):

	March 31, 2025		December 31, 2024	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 5,238,271	₩ 877,759	₩ 5,226,311	₩ 721,072
Past due, but not impaired:				
Up to three months	235,148	12,133	109,247	13,873
Between 3–6 months	21,358	3,657	961	598
Over 6 months	833	2,630	84	2,542
	257,339	18,420	110,292	17,013
Impaired receivables	1	-	1	-
	₩ 5,495,611	₩ 896,179	₩ 5,336,604	₩ 738,085

(4) Changes in the provision for impairment of trade and other receivables for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	2025		2024	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 1	₩ -	₩ -	₩ -
Additions	-	-	13	-
Write-off	-	-	(12)	-
Ending	₩ 1	₩ -	₩ 1	₩ -

(5) The fair values of trade receivables and other receivables as of March 31, 2025, and December 31, 2024, are not significantly different from their carrying amounts.

(6) The Group transfers trade receivables along with substantially all the risks and rewards of ownership. Therefore, the amount was derecognized on the discount date. As of March 31, 2025, and December 31, 2024, there is no balance of transferred trade receivables.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

8. OTHER FINANCIAL ASSETS AND LIABILITIES:

(1) Details of other financial assets and liabilities as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Other financial assets:		
Financial assets at FVOCI	₩ 168,013	₩ 163,991
Cash flow hedge	608	64
Financial assets at FVPL (*)	<u>1,042,882</u>	<u>968,355</u>
	<u>₩ 1,211,503</u>	<u>₩ 1,132,410</u>
Other financial liabilities:		
Cash flow hedge	₩ 870	₩ 1,594
Other financial liabilities at amortized cost	<u>1,248,392</u>	<u>1,000,200</u>
	<u>₩ 1,249,262</u>	<u>₩ 1,001,794</u>

(*) The financial assets include convertible bonds issued by Liontown Resources Ltd. The key terms of the investment agreement related to these convertible bonds are as follows.

- Date of issuance: July 4, 2024
- Issue amount: USD 250 million
- Conversion terms: The bonds are convertible at the holder's option from six months after the issue date until five days prior to the fifth anniversary of the issue date.

(2) Details of changes in equity securities included in other financial assets for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	<u>2025</u>	<u>2024</u>
Beginning	₩ 163,991	₩ 140,435
Acquisitions/transfer	7,274	16,563
Disposal	(1,205)	-
Valuation gain (before income tax deduction), other comprehensive income item	(2,684)	(251)
Others	<u>637</u>	<u>7,244</u>
Ending	<u>₩ 168,013</u>	<u>₩ 163,991</u>

The Group has entered into a put-option contract to secure the investment capital for its equity securities held in Volta Energy Solutions S.a.r.l. The major terms of the 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 date.
- Other term: The option cannot be exercised once Volta Energy Solutions S.a.r.l. is listed.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

9. INVENTORIES:

(1) Details of inventories as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025			December 31, 2024		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Merchandise	₩ 208,765	₩ (34,661)	₩ 174,104	₩ 207,834	₩ (35,724)	₩ 172,110
Finished/Semifinished products	2,274,530	(188,033)	2,086,497	2,781,000	(242,822)	2,538,178
Raw materials	1,341,656	(25,580)	1,316,076	1,322,065	(16,384)	1,305,681
Supplies	116,099	(14,494)	101,605	109,352	(7,776)	101,576
Materials in transit	603,788	-	603,788	434,810	-	434,810
	<u>₩ 4,544,838</u>	<u>₩ (262,768)</u>	<u>₩ 4,282,070</u>	<u>₩ 4,855,061</u>	<u>₩ (302,706)</u>	<u>₩ 4,552,355</u>

(2) The amount of inventories expensed as cost of sales for the three-month periods ended March 31, 2025 and 2024, was ₩5,159,262 million and ₩5,056,811 million, respectively.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Changes in investments in associates and joint ventures for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	2025					
	Beginning	Acquisitions	Dividend	Share of profit(loss) of associates and joint ventures	Ending	
Sama Aluminium Co., Ltd.	₩ 45,396	₩ -	₩ (38)	₩ (445)	₩ 44,913	
Nexpo Co., Ltd.	3,831	2,375	-	(98)	6,108	
Bricks Capital Management Global Battery Private Equity Fund	13,162	262	-	44	13,468	
	<u>₩ 62,389</u>	<u>₩ 2,637</u>	<u>₩ (38)</u>	<u>₩ (499)</u>	<u>₩ 64,489</u>	

	2024							
	Beginning	Acquisitions	Dividend	Share of loss of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Disposals	Ending	
					Effect of foreign currency translation	Reclassification due to disposal		
PT. HLI Green Power (*)	₩162,273	₩ -	₩ -	₩ (42,710)	₩ 15,209	₩ (37,804)	₩ (96,968)	₩ -
Sama Aluminium Co., Ltd.	46,257	-	(150)	(711)	-	-	-	45,396
Nexpo Co., Ltd.	2,186	1,900	-	(255)	-	-	-	3,831
Bricks Capital Management Global Battery Private Equity Fund I	12,843	5,761	-	(5,442)	-	-	-	13,162
	<u>₩ 223,559</u>	<u>₩ 7,661</u>	<u>₩ (150)</u>	<u>₩ (49,118)</u>	<u>₩ 15,209</u>	<u>₩ (37,804)</u>	<u>₩ (96,968)</u>	<u>₩ 62,389</u>

(*) During the prior period, the Group reclassified PT. HLI Green Power from a joint venture to a subsidiary due to amendments in the shareholder agreement.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(2) As of March 31, 2025, and December 31, 2024, the processes of adjusting the financial information to the carrying amounts of shares in associates are as follows (Korean won in millions):

March 31, 2025					
	Net assets	Group's percentage of ownership	Net asset value for shares	Internal transactions and Others	Carrying amount
Sama Aluminium Co., Ltd	₩ 239,375	10.2	₩ 24,416	₩ 20,497	₩ 44,913
Nexpo Co., Ltd.	32,087	19.0	6,097	11	6,108
Bricks Capital Management Global Battery Private Equity Fund	22,589	59.9	13,531	(63)	13,468
	<u>₩ 294,051</u>		<u>₩ 44,044</u>	<u>₩ 20,445</u>	<u>₩ 64,489</u>
December 31, 2024					
	Net assets	Group's percentage of ownership	Net asset value for shares	Internal transactions and Others	Carrying amount
Sama Aluminium Co., Ltd	₩ 243,665	10.2	₩ 24,854	₩ 20,542	₩ 45,396
Nexpo Co., Ltd.	20,270	19.0	3,851	(20)	3,831
Bricks Capital Management Global Battery Private Equity Fund	22,345	59.9	13,385	(223)	13,162
	<u>₩ 286,280</u>		<u>₩ 42,090</u>	<u>₩ 20,299</u>	<u>₩ 62,389</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 38,349,552	₩ 23,654,677
Acquisition	2,655,864	14,117,515
Replacement	(179,886)	(469,135)
Disposal	(5,069)	(374,332)
Exchange differences	262,135	3,270,441
Depreciation	(787,584)	(2,849,445)
Business combination	-	1,026,339
Impairment loss	(5,213)	(26,508)
Ending	₩ 40,289,799	₩ 38,349,552

(2) The current-year ending balances of property, plant and equipment include ₩22,389,745 million of construction in progress as of March 31, 2025, and some of it will subsequently be transferred to intangible assets (as of December 31, 2024, was ₩20,350,068 million).

(3) The Group capitalized ₩16,683 million of borrowing costs in relation to acquisition of property, plant and equipment (for the three-month period ended March 31, 2024, was ₩25,905 million). The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 4.47% (for the three-month period ended March 31, 2024, was 4.61%).

(4) Line items, including depreciation, in the interim condensed consolidated statements of profit or loss for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Cost of sales	₩ 715,482	₩ 569,106
Selling and administrative expenses	72,102	47,814
	₩ 787,584	₩ 616,920

(5) Lease

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

Details of amounts recognized in the interim condensed consolidated statements of financial position in relation to leases for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025	December 31, 2024
Right-of-use assets (*):		
Real estate	₩ 319,151	₩ 331,260
Machinery	761	733
Vehicles	16,636	16,369
Tools	3,779	4,068
Equipment	1,104	1,110
	₩ 341,431	₩ 353,540

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

Additions to the right-of-use assets for the three-month period ended March 31, 2025, are ₩12,622 million (for the three-month period ended March 31, 2024, were ₩36,215 million).

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Lease liabilities (*):		
Current	₩ 78,166	₩ 77,154
Non-current	247,754	258,952
	<u>₩ 325,920</u>	<u>₩ 336,106</u>

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

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

Details of amounts recognized in the interim condensed consolidated statements of profit or loss in relation to lease for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	<u>2025</u>	<u>2024</u>
Depreciation of right-of-use assets:		
Real estate	₩ 19,658	₩ 14,060
Machinery	116	61
Vehicles	2,581	2,449
Tools	284	285
Equipment	100	62
	<u>₩ 22,739</u>	<u>₩ 16,917</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 4,075	₩ 1,061
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	7,655	5,168
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	1,928	1,855

Total cash outflow for leases for the three-month period ended March 31, 2025, is ₩34,263 million (for the three-month period ended March 31, 2024, was ₩22,688 million).

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

12. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	<u>2025</u>	<u>2024</u>
Beginning	₩ 1,284,576	₩ 875,993
Acquisition	34,912	119,627
Replacement	192,654	324,681
Disposal	(1,055)	(10,639)
Exchange differences	4,874	16,165
Amortization	(67,175)	(189,739)
Business combination	-	149,067
Impairment loss	(90)	(579)
Ending	<u>₩ 1,448,696</u>	<u>₩ 1,284,576</u>

(2) Line items, including amortization of intangibles, in the interim condensed consolidated statements of profit or loss for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	<u>2025</u>	<u>2024</u>
Cost of sales	₩ 12,302	₩ 11,055
Selling and administrative expenses	<u>54,873</u>	<u>29,510</u>
	<u>₩ 67,175</u>	<u>₩ 40,565</u>

(3) Greenhouse gas emission right

1) The amount of allocated Greenhouse gas emission rights for the domestic third plan period (2021-2025) is as follows (ton in thousands):

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Allocated emission rights	281	332 (*1)	360(*2)	297	297

(*1) An additional 32,000 tons have been allocated due to the expansion of the workplace discharge facility, in addition to the initial free amount of 300,000 tons of allocated greenhouse gas emission rights.

(*2) An additional 60,000 tons have been allocated due to the determination of emissions for 2023.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

2) Changes in greenhouse gas emission rights included in other intangible assets for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (tons in thousands and Korean won in millions):

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

	2024					
	2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount
Beginning/Allocated	360	₩ -	297	₩ -	297	₩ -
Purchase/Sale	7	171	-	-	-	-
Borrowing/Carried over	-	-	-	-	-	-
Government submission	(367)	(171)	-	-	-	-
Ending	-	₩ -	297	₩ -	297	₩ -

3) Based on the European Union Emission Trading System, changes in greenhouse gas emission rights (included in other intangible assets) for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (ton in thousands and Korean won in millions):

	2025		2024	
	Ton	Amount	Ton	Amount
Beginning	112	₩ 11,568	153	₩ 13,809
Increase	18	2,834	74	6,120
Usage	-	-	(115)	(8,361)
Ending	130	₩ 14,402	112	₩ 11,568

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

13. OTHER CURRENT AND NON-CURRENT ASSETS:

Details of other current and non-current assets as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

		<u>March 31, 2025</u>		<u>December 31, 2024</u>
Current:				
Prepayments and prepaid expenses	₩	280,481	₩	266,240
Prepaid value-added tax		118,572		204,939
Current costs to fulfill a contract		56,329		110,316
Others		643,715		625,869
	₩	<u>1,099,097</u>	₩	<u>1,207,364</u>
Non-current:				
Long-term prepayments and prepaid expenses	₩	249,018	₩	261,919
Net defined benefit assets		124,948		142,766
Costs to fulfill a contract		409,735		218,627
Others		81		78
	₩	<u>783,782</u>	₩	<u>623,390</u>

14. BORROWINGS:

(1) Borrowings as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

		<u>March 31, 2025</u>		<u>December 31, 2024</u>
Current:				
Short-term borrowings	₩	1,206,646	₩	1,291,015
Current portion of long-term borrowings		1,356,929		997,160
Current portion of debentures		504,642		124,911
Current lease liabilities		78,166		77,154
	₩	<u>3,146,383</u>	₩	<u>2,490,240</u>
Non-current:				
Long-term borrowings	₩	5,236,305	₩	4,865,830
Debentures		8,982,137		7,775,529
Non-current lease liabilities		247,754		258,952
		<u>14,466,196</u>		<u>12,900,311</u>
	₩	<u>17,612,579</u>	₩	<u>15,390,551</u>

(2) Details of borrowings as of March 31, 2025, and December 31, 2024, are as follows:

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

	<u>Bank</u>	<u>Interest rate (%)</u>	<u>Latest maturity date</u>		<u>March 31, 2025</u>		<u>December 31, 2024</u>
Bank loans	SMBC and others	3.14–5.32	2026.03.27	₩	1,206,646	₩	1,291,015

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

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

		March 31, 2025					
	Bank	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
Borrowings in local currencies	Korea Exim Bank	3M Market yield on Supply Chain Resilience Fund + 0.34	2029.07.02	₩ 269,610	₩ -	₩ 269,610	
	ANZ/HSBC/JPM and others	3M SOFR + 0.70	2032.10.25	896,945	-	896,945	
	DBS	3M EURIBOR + 0.90 6M EURIBOR + 1.00	2026.05.24	317,884	158,942	158,942	
	DOE	3.65–4.55	2031.12.15	2,500,445	234,089	2,266,356	
	EBRD	6M EURIBOR + 0.62	2026.10.15	143,048	79,471	63,577	
	EIB	3M EURIBOR + 0.47	2027.03.31	339,076	169,538	169,538	
	EDC and others	3M SOFR + 1.30	2029.12.20	586,600	-	586,600	
	KDB/Exim/Nonghyup	3M EURIBOR + 0.89–1.04	2027.04.26	1,426,704	697,359	729,345	
Borrowings in foreign currencies	KDB/Exim/Nonghyup and others	3M SOFR + 1.62	2030.12.20	65,416	-	65,416	
	SMBC	0.48	2027.02.04	31,788	15,894	15,894	
	China	LPR(1Y) - 0.66	2027.11.19	15,254	1,525	13,729	
	China						
	Construction Bank	LPR(1Y) - 0.66	2027.12.26	464	111	353	
				₩ 6,593,234	₩ 1,356,929	₩ 5,236,305	
		December 31, 2024					
	Bank	Interest rate (%)	Longest maturity date	Amount	Current portion	Non-current portion	
Borrowings in foreign currencies	ANZ/HSBC/JPM and others	3M SOFR + 0.70	2032.10.25	₩ 897,958	₩ -	₩ 897,958	
	DBS	3M EURIBOR + 0.90 6M EURIBOR + 1.00	2026.05.24	305,374	-	305,374	
	DOE	3.65–4.55	2031.12.15	2,544,236	176,436	2,367,800	
	EBRD	6M EURIBOR + 0.62	2026.10.15	137,418	76,343	61,075	
	EIB	3M EURIBOR + 0.47	2027.03.31	407,166	162,867	244,299	
	KDB/Exim/Nonghyup	3M EURIBOR + 0.89–1.04	2027.04.26	1,458,866	564,942	893,924	
	KDB/Exim/Nonghyup and others	3M SOFR + 1.62	2030.12.20	65,226	-	65,226	
	SMBC	0.48	2027.02.04	34,355	15,269	19,086	
	China	LPR(1Y) - 0.30	2027.11.19	11,930	1,193	10,737	
	China						
	Construction Bank	LPR(1Y) - 0.66	2027.12.26	461	110	351	
				₩ 5,862,990	₩ 997,160	₩ 4,865,830	

The Group has entered into loan agreements stipulating that a loss of benefit of term will occur if the agreed ratio under the covenant is not maintained based on the half-year or full fiscal year. As of the end of the current period, the relevant amount is KRW 3.4 trillion, and the covenant ratios have been complied with.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

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

		March 31, 2025					
	Financial institution	Interest rate (%)	Latest Maturity date	Amount	Current portion	Non-current portion	
1 st Debenture (non-guaranteed/public)	NH Investment & Securities Co., Ltd. and others	2.214	2026.03.13	₩ 200,000	₩200,000	₩ -	
2-1 st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.097	2025.06.29	125,000	125,000	-	
2-2 nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.196	2026.06.29	370,000	-	370,000	
2-3 rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.298	2028.06.29	505,000	-	505,000	
3-1 st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.806	2026.02.16	180,000	180,000	-	
3-2 nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.889	2027.02.16	660,000	-	660,000	
3-3 rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.054	2029.02.16	570,000	-	570,000	
3-4 th Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.202	2031.02.16	190,000	-	190,000	
4-1 st Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.138	2027.02.14	640,000	-	640,000	
4-2 nd Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.228	2028.02.14	590,000	-	590,000	
4-3 rd Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.247	2030.02.14	310,000	-	310,000	
4-4 th Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.406	2032.02.14	60,000	-	60,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	2029.04.15	733,250 (USD 500,000)	-	733,250	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.625	2026.09.25	586,600 (USD 400,000)	-	586,600	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.750	2028.09.25	879,900 (USD 600,000)	-	879,900	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	2027.07.02	1,026,550 (USD 700,000)	-	1,026,550	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	2029.07.02	1,173,200 (USD 800,000)	-	1,173,200	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.500	2034.07.02	733,250 (USD 500,000)	-	733,250	
Less: discount on debentures	-	-	=	(45,971)	(358)	(45,613)	
				<u>₩ 9,486,779</u>	<u>₩504,642</u>	<u>₩ 8,982,137</u>	

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

		December 31, 2024					
	Financial institution	Interest rate (%)	Longest maturity date	Amount	Current portion	Non-current portion	
1 st Debenture (non-guaranteed/public)	NH Investment & Securities Co., Ltd. and others	2.214	2026.03.13	₩ 200,000	₩ -	₩ 200,000	
2-1 st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.097	2025.06.29	125,000	125,000	-	
2-2 nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.196	2026.06.29	370,000	-	370,000	
2-3 rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.298	2028.06.29	505,000	-	505,000	
3-1 st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.806	2026.02.16	180,000	-	180,000	
3-2 nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.889	2027.02.16	660,000	-	660,000	
3-3 rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.054	2029.02.16	570,000	-	570,000	
3-4 th Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.202	2031.02.16	190,000	-	190,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	2029.04.15	735,000 (USD 500,000)	-	735,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.625	2026.09.25	588,000 (USD 400,000)	-	588,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.750	2028.09.25	882,000 (USD 600,000)	-	882,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	2027.07.02	1,029,000 (USD 700,000)	-	1,029,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	2029.07.02	1,176,000 (USD 800,000)	-	1,176,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.500	2034.07.02	735,000 (USD 500,000)	-	735,000	
Less: discount on debentures	-	-	-	(44,560)	(89)	(44,471)	
				<u>₩ 7,900,440</u>	<u>₩ 124,911</u>	<u>₩ 7,775,529</u>	

The Group has entered into debenture agreements stipulating that a loss of benefit of term will occur if the agreed ratio under the covenant is not maintained based on the reporting for each quarter, half-year or full fiscal year. As of the end of the current period, the relevant amount is ₩4.4 trillion, and the covenant ratios have been complied with.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

4) Lease liabilities (Korean won in millions)

		March 31, 2025			
	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others	0.67–8.42	2053.11.15	₩ 325,920	₩ 78,166	₩ 247,754

		December 31, 2024			
	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others	0.67–8.42	2053.11.15	₩ 336,106	₩ 77,154	₩ 258,952

15. PROVISIONS:

Changes in provisions for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025			
	Warranty(*1)	Greenhouse gas emission(*2)	Other provisions(*3)	Total
Beginning	₩ 1,693,916	₩ 11,168	₩ 118,070	₩ 1,823,154
Provision transfer	189,342	3,198	(101)	192,439
Used	(106,537)	-	-	(106,537)
Ending	1,776,721	14,366	117,969	1,909,056
Less: current portion	(877,605)	(14,366)	(111,081)	(1,003,052)
	₩ 899,116	₩ -	₩ 6,888	₩ 906,004
	December 31, 2024			
	Warranty(*1)	Greenhouse gas emission(*2)	Other provisions(*3)	Total
Beginning	₩ 1,274,437	₩ 8,966	₩ 102,890	₩ 1,386,293
Business combination	1,807	-	-	1,807
Provision transfer	1,039,336	10,733	24,357	1,074,426
Used	(621,664)	(8,531)	(9,177)	(639,372)
Ending	1,693,916	11,168	118,070	1,823,154
Less: current portion	(921,985)	(11,168)	(111,315)	(1,044,468)
	₩ 771,931	₩ -	₩ 6,755	₩ 778,686

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

(*2) In relation to greenhouse gas emissions, the Group estimates the expected future costs of emissions exceeding the Group's emission rights for the year and recognizes them as provisions. Estimated emissions are 117 thousand tons for the three-month period ended March 31, 2025 (for the year ended December 31, 2024, were 415 thousand tons).

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Present value of defined benefit obligations (*1)	₩ 679,199	₩ 667,476
Fair value of plan assets	(804,113)	(809,839)
	<u>₩ (124,914)</u>	<u>₩ (142,363)</u>
Net defined benefit liabilities	₩ 34	₩ 403
Net defined benefit assets (*2)	(124,948)	(142,766)
	<u>₩ (124,914)</u>	<u>₩ (142,363)</u>

(*1) The present value of retirement benefit obligations is the amount after deducting contributions to the National Pension Plan of ₩26 million as of March 31, 2025 (as of December 31, 2024, was ₩26 million).

(*2) The ₩124,948 million of plan assets exceeding the defined benefit obligations of the Parent Company is included in other non-current assets as of March 31, 2025 (as of December 31, 2024, was ₩142,766 million).

(2) The amounts recognized in the interim condensed consolidated statements of profit or loss for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	<u>2025</u>	<u>2024</u>
Current service cost	₩ 22,891	₩ 23,567
Net interest cost	(1,463)	(1,813)
	<u>₩ 21,428</u>	<u>₩ 21,754</u>

(3) Retirement benefits recognized for the defined contribution plan for the three-month period ended March 31, 2025, amounted to ₩1,083 million (the three-month period ended March 31, 2024, was ₩810 million).

(4) Retirement benefits recognized in the interim condensed consolidated statements of profit or loss for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	<u>2025</u>	<u>2024</u>
Cost of sales	₩ 8,308	₩ 10,524
Selling and administrative expenses	14,203	12,040
	<u>₩ 22,511</u>	<u>₩ 22,564</u>

(5) Changes in the present value of defined benefit obligations for the three-month period ended March 31, 2025, and for the year ended December 31, 2024, are as follows (Korean won in millions):

	<u>2025</u>	<u>2024</u>
Beginning	₩ 667,476	₩ 673,251
Transfer in	362	2,495
Transfer out	(987)	(1,572)
Current service cost	22,891	94,277
Interest expense	6,700	31,080
Remeasurements:		
Actuarial loss from change in financial assumption	-	(69,888)
Actuarial gain from change in demographic assumption	-	1,906
Actuarial gain due to the difference between the estimated and the actual	-	(3,502)
Others	-	-
Foreign currency conversion difference	-	-
Payments from plans	(17,243)	(60,571)
Ending	<u>₩ 679,199</u>	<u>₩ 667,476</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(6) Changes in the fair value of plan assets for the three-month period ended March 31, 2025, and for the year ended December 31, 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 809,839	₩ 829,521
Transfer out	(107)	(760)
Interest income	8,163	38,332
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	881	(4,941)
Contribution:		
Employer contribution to plan assets	727	706
Payments from plans	(15,016)	(51,404)
Administrative costs	(374)	(1,615)
Ending	<u>₩ 804,113</u>	<u>₩ 809,839</u>

(7) The actual return on plan assets for the three-month period ended March 31, 2025, was ₩9,044 million (the three-month period ended March 31, 2024, was ₩8,932 million).

(8) The significant actuarial assumptions as of March 31, 2025, and December 31, 2024, are as follows:

	March 31, 2025	December 31, 2024
Discount rate	4.10%	4.10%
Salary growth rate	3.96%	3.96%

(9) The sensitivity analysis for changes in key actuarial assumptions as of March 31, 2025, is as follows (Korean won in millions):

	Increase by 1.0%	Decrease by 1.0%
Discount rate:		
(Decrease) increase in defined benefit liabilities	₩ (76,364)	₩ 90,953
Salary growth rate:		
Increase (decrease) in defined benefit liabilities	94,074	(80,007)

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

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

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

(10) Plan assets as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025		December 31, 2024	
	Amount	Composition (%)	Amount	Composition (%)
Insurance contracts with guaranteed yield	₩ 804,113	100	₩ 809,839	100

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

17. OTHER CURRENT AND NON-CURRENT LIABILITIES:

Details of other current and non-current liabilities as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

		<u>March 31, 2025</u>	<u>December 31, 2024</u>
Current:			
Advances received	₩	238,160	₩ 98,034
Withholdings		27,142	67,923
Unearned revenues		49,914	44,333
Accrued expenses and others		<u>222,801</u>	<u>197,886</u>
	₩	<u>538,017</u>	₩ <u>408,176</u>
Non-current:			
Long-term employee benefits	₩	34,479	₩ 34,494
Long-term unearned revenues		84,259	97,008
Long-term advances from customers and others		<u>2,345,943</u>	<u>2,390,974</u>
	₩	<u>2,464,681</u>	₩ <u>2,522,476</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

18. COMMITMENTS AND CONTINGENCIES:

- (1) The Group is jointly liable with LG Chem Ltd. for liabilities recognized before the split-off date.
- (2) As of March 31, 2025, the Group has been guaranteed by the Seoul Guarantee Insurance Company for the execution of contracts and others.
- (3) As of March 31, 2025, the Group has various specific line of credit agreements with several financial institutions as follows (Korean won in millions and foreign currencies in millions):

	Currency	March 31, 2025	
		The Parent Company	Certain subsidiaries
Limit of letter of credit	USD	12	108
	CNY	-	859
Limit of discount of notes from export	USD	998	-
Limit of guaranteed payments in other foreign currency	USD	375	575
	CNY	-	560
Business-to-business purchase arrangements	KRW	125,000	-
	USD	-	7,159
General loan agreements	CNY	-	11,620
	EUR	-	2,722
	KRW	600,000	-
	USD	2,605	622
Derivatives	EUR	-	210
	KRW	400,000	30,000
Factoring arrangements	KRW	150,000	-

- (4) As of March 31, 2025, the Group has entered into payment guarantee contracts of USD 36 million and EUR 5 million with financial institutions in relation to product warranties for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 24 million with financial institutions in relation to customs clearance of imported raw materials.
- (5) As of March 31, 2025, the Group has entered into an arrangement with General Motors (“GM”) regarding joint investment in Ultium Cells Holdings LLC and Ultium Cells LLC, whereby each party can sell its shares to third parties in eight years after the inception of the contract. In addition, if one party defaults, the other party has the right to purchase shares from the other party. In this regard, the Group has completed the government's approval process for the use of core technologies in accordance with the Industrial Technology Protection Act.
- (6) The Group has been sued and related in five class actions by consumers in relation to the sales of mobile batteries and GM Bolt EV, and actions are still in process as of March 31, 2025. The Company has also filed three lawsuit cases (amounted to USD 90 million and ₩646 million) and been sued in other 44 other cases (amounted to USD 157 million and ₩1,818 million). The ultimate outcome of these pending cases cannot be determined at the reporting date.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

- (7) The Group has entered into a license agreement with LG Corp. to use trademarks on the products that the Group manufactures and sells, and on the services it provides in relation to its business.
- (8) As of March 31, 2025, the Group has entered into a joint venture agreement with Honda, and has committed to invest USD 1,802 million and has contributed USD 1,684 million as of the end of March 31, 2025. Also, the Group has decided to provide a payment guarantee of USD 450 million to the joint venture, determined by its proportionate ownership of the borrowed amount, up to a maximum limit of USD 883 million. In addition, if one party defaults, the other party has the right to purchase shares from the other party.
- (9) As of March 31, 2025, the Group has entered into a joint venture agreement with Stellantis and has committed to invest USD 1,464 million and has contributed USD 1,020 million as of the end of March 31, 2025. In addition, if one party defaults, the other party has the right to purchase shares from the other party. Also, the Group has decided to provide a payment guarantee of USD 686 million to the joint venture, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 1,344 million.
- (10) As of March 31, 2025, the Group has entered into a joint venture agreement with HMG Global LLC and has committed to invest USD 1,108 million and has contributed USD 850 million as of the end of March 31, 2025. After the expiration of the contract period, each party can sell its shares to third parties. In addition, if one party defaults, the other party has the right to purchase shares from the other party.
- (11) As of March 31, 2025, the Group has entered into commitment of USD 2,048 million for the construction of a new plant for LG Energy Solution Arizona, Inc.
- (12) The consolidated subsidiaries, LG Energy Solution Michigan Inc. and Ultium Cells LLC, have entered into an asset transfer agreement in March 2025. LG Energy Solution Michigan Inc. acquired assets related to Ultium Cells LLC's third plant for USD 2,138 million. The transaction amount is subject to change based on mutual agreement between the parties, and Ultium Cells LLC will pay a portion of the transaction amount to the non-controlling interests of the consolidated company.
- (13) Capital expenditure arrangements that have not been incurred as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Property, plant and equipment	₩ 8,675,479	₩ 9,319,087

- (14) Investment commitments as of March 31, 2025, are as follows (Korean won in millions and USD in million):

	<u>Currency</u>	<u>Contractual amount</u>	<u>Total investments</u>	<u>Remaining amount</u>
BNZ (Beyond Net Zero) Fund	USD	75	51	24
Secondary Battery Growth Fund	KRW	6,700	4,677	-
KBE (Korea Battery ESG) Fund	KRW	75,000	55,980	19,020
BCM Global Battery Fund	KRW	30,000	19,405	10,595
Yonsei Technology Holdings IP Fund	KRW	3,000	2,040	960

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

19. SHARE CAPITAL:

Changes in share capital and share premium for the three-month period ended March 31, 2025, are as follows (Korean won in millions and shares):

	Ordinary shares		Share premium
	Number of shares	Share capital	
December 31, 2024	234,000,000 ₩	117,000 ₩	17,589,722
Changes	-	-	-
March 31, 2025	234,000,000 ₩	117,000 ₩	17,589,722

20. RETAINED EARNINGS:

Details of retained earnings as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025	December 31, 2024
Unappropriated retained earnings	₩ 1,240,583 ₩	1,397,211

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

21. OPERATING PROFITS:

(1) The major items encompassed in the calculation of operating profits for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Revenue	₩ 6,264,995	₩ 6,128,714
Cost of sales	5,252,739	5,204,715
Gross profit	1,012,256	923,999
Other operating income (*)	457,716	188,954
Selling and administrative expenses:		
Wages and salaries	₩ 261,314	₩ 227,113
Retirement benefits	14,203	12,040
Employee benefits	64,852	53,790
Travel expenses	14,177	14,437
Water and utilities	24,923	20,703
Rental expenses	10,561	13,324
Commission expenses	188,020	109,950
Depreciation	73,687	49,295
Advertising expenses	6,544	7,608
Freight expenses	34,461	11,714
Training expenses	4,535	7,324
Amortization	54,873	29,510
Sample expenses	1,683	2,247
Development costs	50,254	51,328
Addition of warranty provisions	189,342	201,969
Others	101,870	143,264
	1,095,299	955,616
Operating profits	₩ 374,673	₩ 157,337

(*) Under the Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, the tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount above is expected to be received by the Group for the year ended March 31, 2025.

(2) Consolidated revenue of the Group consists of sales of battery-related products and service sales, such as research and development, most of which are recognized at a time in relation to the sales of goods.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

22. CLASSIFICATION OF EXPENSES BY NATURE:

Expenses by nature for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Changes in inventories of merchandise, finished goods, semifinished goods and work in process	₩ 449,687	₩ 176,991
Raw materials and consumables used	3,012,640	3,196,902
Purchase of merchandise	230,562	265,329
Employee benefit expenses	691,919	715,185
Advertising expenses	7,000	7,958
Freight expenses	38,818	15,077
Commission expenses	388,268	262,916
Depreciation and amortization	856,344	658,966
Rent expenses and usage fee	7,980	12,896
Transfers to provisions for service warranties	189,342	201,969
Other expenses	475,478	646,142
	<u>₩ 6,348,038</u>	<u>₩ 6,160,331</u>

23. EMPLOYEE BENEFIT EXPENSES:

Details of employee benefit expenses for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Wages and salaries	₩ 561,651	₩ 582,670
Retirement benefits: Defined benefit plan	21,428	21,754
Retirement benefits: Defined contribution plan	1,083	810
Others	107,757	109,951
	<u>₩ 691,919</u>	<u>₩ 715,185</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

24. FINANCE INCOME AND COSTS:

Details of finance income and costs for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Finance income:		
Interest income (*1)	₩ 57,311	₩ 60,255
Exchange differences	163,393	107,930
Gain on derivative instruments	50,377	114,482
Gain on valuation of financial assets at FVPL	1,561	-
	<u>₩ 272,642</u>	<u>₩ 282,667</u>
Finance costs:		
Interest expense (*2)	₩ 165,267	₩ 101,724
Exchange differences	102,199	155,845
Loss on disposal of trade receivables	-	9
Loss on derivative instruments	937	-
	<u>₩ 268,403</u>	<u>₩ 257,578</u>

(*1) Details of interest income for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Cash and cash equivalents and others	₩ 32,716	₩ 44,499
Financial assets at FVPL	12,979	-
Other loans and receivables	11,616	15,756
	<u>₩ 57,311</u>	<u>₩ 60,255</u>

(*2) Details of interest expense for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Interest on financial institutions	₩ 79,539	₩ 76,505
Interest on financial lease liabilities	4,075	1,061
Interest on debentures	86,609	48,587
Other interest expenses	11,727	1,476
Capitalized interest for qualifying assets	(16,683)	(25,905)
	<u>₩ 165,267</u>	<u>₩ 101,724</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

25. OTHER NON-OPERATING INCOME:

Details of other non-operating income for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	<u>2025</u>		<u>2024</u>
Exchange differences	₩ 164,145	₩	194,914
Others	6,248		9,070
	<u>₩ 170,393</u>	₩	<u>203,984</u>

26. OTHER NON-OPERATING EXPENSES:

Details of other non-operating expenses for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	<u>2025</u>		<u>2024</u>
Exchange differences	₩ 175,334	₩	109,049
Loss on disposal and impairment of property, plant and equipment	3,358		36,456
Loss on disposal and impairment intangible asset	351		75
Donations	233		115
Others	5,024		5,435
	<u>₩ 184,300</u>	₩	<u>151,130</u>

27. INCOME TAX EXPENSE:

Income tax expense was recognized based on the best estimate of the weighted-average annual income tax rate for the entire fiscal year.

28. EARNINGS (LOSSES) PER SHARE:

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

Basic earnings (losses) per ordinary share for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	<u>2025</u>		<u>2024</u>
Losses attributable to ordinary shares of the Parent Company	₩ (145,740)	₩	(464)
Weighted-average number of ordinary shares outstanding	234,000,000		234,000,000
Basic losses per ordinary share (in Korean won)	<u>₩ (623)</u>	₩	<u>(2)</u>

The Group 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. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

29. DIVIDEND:

The Group (foreign subsidiary) paid ₩1,131,091 million dividends for the accounting period ended March 31, 2025.

30. RELATED-PARTY TRANSACTIONS:

- (1) As of March 31, 2025, the parent company is LG Chem Ltd. (percentage of ownership: 81.84%), over which LG Corp. exercises a significant influence.
- (2) Details of related parties and others that have sales and other transactions with the Group, or have receivable and payable balances, other than associates and joint ventures (see Note 10) as of March 31, 2025, are as follows:

Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Details
LG Chem Ltd.	HAENGBOKNURI CO., LTD. and others	LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd. and others	Subsidiary of LG Chem Ltd.
D&O Co., Ltd.	D&O CM, Ltd. and others.	D&O CM NANJING and others	
LG CNS Co., Ltd.	Biz Tech I Co., Ltd. and others	LG CNS America Inc. and others	Subsidiary of LG Corp.
LG Management Development Institute			
LG Display Co., Ltd.	Nanum nuri Co., Ltd.	LG Display (China) Co., Ltd. and others	LG Enterprise group (*1)
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	LG UPLUS FUND I LLC. and others	
HS AD Inc.		GIIR America Inc. and others	
Mintech Co., Ltd. (*2)			

(*1) 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.

(*2) Although the Company holds less than 20% of the shares in the form of redeemable convertible preference shares, it has significant influence, as it holds the right to appoint directors. Meanwhile, the Company classifies it as financial assets at FVPL, taking into account the nature of the shares held and K-IFRS 1109.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(3) Transactions with related parties for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025				
	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.	₩ 1,753	₩ 343,189	₩ 390	₩ 2	₩ 527
Associates:					
Sama Aluminium Co., Ltd.	-	8,174	154	-	-
Mintech Co., Ltd.	-	-	59	-	-
Other related parties:					
LG Corp.	-	-	-	-	9,199
LG Chem (Taiwan), Ltd.	7	-	-	-	-
LG Chem (China) Investment Co., Ltd.	-	-	-	-	25
HAENGBOKNURI CO., LTD.	1	-	-	-	271
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	219,078	-	-	-
LG HY BCM Co., Ltd.	-	184,722	-	-	-
TECWIN Co., Ltd.	-	-	11,740	-	-
LG Chem Poland Sp. z o.o	-	33,886	-	-	-
LG Management Development Institute	-	-	-	-	8,677
D&O Co., Ltd. and its subsidiaries	22	-	5,325	-	2,206
LG CNS Co., Ltd. and its subsidiaries	7,808	10	114,997	-	55,335
Others	-	-	-	-	287
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	1	-
LG Electronics Inc. and its subsidiaries	35,423	17,740	198,621	-	70,402
Others	7	-	73	2	627
	<u>₩ 45,021</u>	<u>₩ 806,799</u>	<u>₩ 331,359</u>	<u>₩ 5</u>	<u>₩ 147,556</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

	2024				
	Purchase and others				
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangibles	Interest expense	Others
Parent:					
LG Chem Ltd.	₩ 2,169	₩ 528,544	₩ -	₩ 6	₩ 682
Associates and joint ventures:					
PT. HLI Green Power	11,615	-	-	-	2,369
Sama Aluminium Co., Ltd.	-	11,325	-	-	-
Other related parties:					
LG Corp.	-	-	-	-	10,310
LG Chem (China) Investment Co., Ltd.	-	-	-	-	91
LG Chem Europe GmbH	-	-	-	-	8
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	299,176	-	-	-
LG HY BCM Co., Ltd.	-	72,358	-	-	-
LG Chem Poland Sp. z o.o	-	33,581	-	-	-
LG Management Development Institute	-	-	-	-	8,322
D&O Co., Ltd. and its subsidiaries	21	-	5,693	-	1,783
LG CNS Co., Ltd. and its subsidiaries	2,846	8	144,775	-	40,665
Others	-	-	140	-	661
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	2	-
LG Electronics Inc. and its subsidiaries	54,964	49,345	453,381	-	16,871
Xi C&A and its subsidiaries	-	2,725	44,655	-	2,701
S&I Corporation	-	3,027	7,610	-	18,230
Others	9	-	-	5	622
	₩ 71,624	₩ 1,000,089	₩ 656,254	₩ 13	₩ 103,315

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(4) Balances of receivables and payables from related parties as of March 31, 2025, and December 31, 2024, are as follows
(Korean won in millions):

	March 31, 2025						
	Receivables			Payables			
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total
Parent:							
LG Chem Ltd.	₩ 569	₩ 43,505	₩ 44,074	₩ 214,606	₩ 412	₩ 142,639	₩ 357,657
Associates:							
Sama Aluminium Co., Ltd.	-	38	38	6,883	-	22	6,905
Other related parties:							
LG Corp.	-	28,190	28,190	-	-	-	-
LG Chem (Taiwan), Ltd.	-	-	-	-	-	5	5
LG Chem (China) Investment Co., Ltd.	-	-	-	-	-	9	9
HAENGBOKNURI CO., LTD.	-	-	-	-	-	99	99
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	-	-	161,361	-	-	161,361
LG HY BCM Co., Ltd.	-	-	-	100,077	-	86,154	186,231
TECWIN Co., Ltd.	-	-	-	-	-	12,804	12,804
LG Chem Poland Sp. z o.o.	-	-	-	36,470	-	549	37,019
LG Management Development Institute	-	-	-	-	-	799	799
D&O Co., Ltd. and its subsidiaries	-	-	-	-	-	4,151	4,151
LG CNS Co., Ltd. and its subsidiaries	8,589	-	8,589	-	-	264,961	264,961
Others	-	-	-	-	-	89	89
Others:							
LG Display Co., Ltd. and its subsidiaries	-	-	-	-	16	18	34
LG Electronics Inc. and its subsidiaries (*)	38,807	30,253	69,060	16,595	-	286,221	302,816
Others	-	559	559	-	168	2,391	2,559
	<u>₩ 47,965</u>	<u>₩ 102,545</u>	<u>₩ 150,510</u>	<u>₩ 535,992</u>	<u>₩ 596</u>	<u>₩ 800,911</u>	<u>₩ 1,337,499</u>

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

	December 31, 2024							
	Receivables			Payables				
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total	
Parent:								
LG Chem Ltd.	₩	- ₩	8,644 ₩	8,644 ₩	353,330 ₩	550 ₩	4,111 ₩	357,991
Associates:								
Sama Aluminium Co., Ltd.		-	-	-	8,627	-	22	8,649
Nexpo Co., Ltd.		-	-	-	17	-	-	17
Other related parties:								
LG Corp.		-	22,043	22,043	-	-	-	-
LG Chem (Taiwan), Ltd.		-	-	-	-	-	6	6
LG Chem (China) Investment Co., Ltd.		-	-	-	-	-	37	37
HAENGBOKNURI CO., LTD.		-	-	-	-	-	99	99
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.		-	4	4	211,239	-	-	211,239
LG HY BCM Co., Ltd.		-	-	-	91,223	-	1,050	92,273
Techwin, Inc		-	-	-	-	-	302	302
LG Chem Poland Sp. z o.o.		-	-	-	37,626	-	-	37,626
LG Management Development Institute		-	-	-	-	-	750	750
D&O Co., Ltd. and its subsidiaries		-	-	-	-	-	4,887	4,887
LG CNS Co., Ltd. and its subsidiaries		5,149	5	5,154	-	-	443,178	443,178
Others		-	-	-	-	-	117	117
Others:								
LG Display Co., Ltd. and its subsidiaries		-	-	-	-	63	18	81
LG Electronics Inc. and its subsidiaries (*)		37,092	2,256	39,348	16,242	-	321,485	337,727
Others		-	559	559	-	335	5,191	5,526
	₩	42,241 ₩	33,511 ₩	75,752 ₩	718,304 ₩	948 ₩	781,253 ₩	1,500,505 ₩

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(5) Fund transactions with related parties for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025							
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions		Borrowing transactions (*)		
				Loan	Repayment	Borrowing	Repayment	
Parent:								
LG Chem Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	135
Associates:								
Sama Aluminium Co., Ltd.		38	-	-	-	-	-	-
Nexpo Co., Ltd.		-	-	2,375	-	-	-	-
Bricks Capital Management Global Battery Private Equity Fund I		-	-	262	-	-	-	-
Others:								
LG DISPLAY AMERICA, INC.		-	-	-	-	-	-	46
LG Household & Health Care		-	-	-	-	-	-	166
	₩	38 ₩	- ₩	2,637 ₩	- ₩	- ₩	- ₩	347

(*) The amounts represent lease liabilities that were recognized or repaid during the current period ended March 31, 2025.

	2024							
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions Loan	Repayment	Borrowing transactions (*) Borrowing	Repayment	
Parent:								
LG Chem Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	132
Associates:								
Nexpo Co., Ltd.		-	-	1,900	-	-	-	-
Bricks Capital Management Global Battery Private Equity Fund I		-	-	857	-	-	-	-
Others:								
LG DISPLAY AMERICA, INC.		-	-	-	-	-	-	49
LG Household & Health Care		-	-	-	-	-	-	162
	₩	- ₩	- ₩	2,757 ₩	- ₩	- ₩	- ₩	343

(*) The amounts represent lease liabilities that were recognized or repaid during the previous period ended March 31, 2024.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(6) Compensation for key management of the Group for the three-month periods ended March 31, 2025 and 2024, is as follows (Korean won in millions):

	2025		2024
Short-term employee benefits	₩ 21,519	₩	6,379
Retirement benefits	1,664		2,623
	<u>₩ 23,183</u>	<u>₩</u>	<u>9,002</u>

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

(7) As of March 31, 2025, the payment guarantees provided by the Group for related parties are disclosed in Note 18.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

31. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Details of cash generated from operations for the three-month periods ended March 31, 2025 and 2024, are as follows
(Korean won in millions):

	<u>2025</u>		<u>2024</u>
Profit before income tax:	₩ 364,506	₩	222,649
Adjustments for:			
- Depreciation	789,169		618,401
- Amortization	67,175		40,565
- Retirement benefits	21,428		21,754
- Financial income	(280,235)		(320,661)
- Financial costs	294,393		268,666
- Foreign currency conversion differences	-		425
- Loss on valuations of inventories	(39,938)		26,514
- Loss on disposal of property, plant and equipment and intangible assets	3,709		36,461
- Changes in contract assets	17,093		(24,922)
- Contribution to provisions	192,540		205,033
- Other income and expenses	1,231		12,986
- Changes in inventories	392,812		(160,324)
- Changes in trade receivables	(92,527)		632,991
- Changes in other receivables	(1,346)		(304,505)
- Changes in other current assets	(162,278)		(247,273)
- Changes in trade payables	87,749		(50,388)
- Changes in other payables	(505,509)		(111,354)
- Changes in other current liabilities	155,696		51,499
- Changes in provisions	(106,537)		(178,812)
- Changes in net defined benefit liabilities	(3,098)		(117)
- Other cash flows from operations	251,641		(30,338)
Cash generated from operations	₩ 1,447,674	₩	709,250

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(2) Changes in liabilities from financing activities for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025						
	Cash flows from						
	Beginning	financing activities	Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 2,365,329	₩ (405,312)	₩ 309,878	₩ -	₩ -	₩ 371,846	₩ 2,641,741
Long-term borrowings	5,124,782	855,161	(309,878)	-	9,623	(195,629)	5,484,059
Debentures	7,900,440	1,595,365	-	3,101	-	(12,127)	9,486,779
	<u>₩ 15,390,551</u>	<u>₩ 2,045,214</u>	<u>₩ -</u>	<u>₩ 3,101</u>	<u>₩ 9,623</u>	<u>₩ 164,090</u>	<u>₩ 17,612,579</u>

	2024						
	Cash flows from						
	Beginning	financing activities	Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 2,567,561	₩ (245,395)	₩ 355,037	₩ -	₩ -	₩ (63,890)	₩ 2,613,313
Long-term borrowings	4,604,543	237,778	(355,037)	-	30,247	255,537	4,773,068
Debentures	3,760,184	1,595,376	-	1,507	-	114,162	5,471,229
	<u>₩ 10,932,288</u>	<u>₩ 1,587,759</u>	<u>₩ -</u>	<u>₩ 1,507</u>	<u>₩ 30,247</u>	<u>₩ 305,809</u>	<u>₩ 12,857,610</u>

(3) Significant non-cash transactions for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Reclassification of construction in progress	₩ 617,291	₩ 2,752,610
Reclassification of machinery in transit	6,902	5,953
Reclassification of debentures into current portion	379,731	-
Changes in other payables related to acquisition of property, plant and equipment and intangible assets	(923,948)	(636,015)
Changes in non-trade receivables related to disposal of property, plant and equipment and intangible assets	(9,665)	(106)
Changes in other non-current financial liabilities related to acquisitions of property, plant and equipment	248,192	143,588

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

32. SEGMENT INFORMATION:

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

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

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

(2) Segment information on revenue and profit for the three-month periods ended March 31, 2025 and 2024, is as follows (Korean won in millions):

		2025		2024
Total segment revenue	₩	6,264,995	₩	6,128,714
Revenue from external customers (*1)		6,264,995		6,128,714
Other operation income (*2)		457,716		188,954
Operating profit of reportable segment (*3)		374,673		157,337

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

(*2) Under the Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, a tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount is revenue expected to be received by the Group for the three-month period ended March 31, 2025.

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

(3) Segment information on assets and liabilities as of March 31, 2025, and December 31, 2024, is as follows (Korean won in millions):

	March 31, 2025			December 31, 2024		
	Assets	Investments in associates	Liabilities	Assets	Investments in associates	Liabilities
Reportable segment assets and liabilities	₩ 62,298,978	₩ 64,489	₩ 31,028,433	₩ 60,306,791	₩ 62,389	₩ 29,340,248

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(4) Sales for the three-month periods ended March 31, 2025 and 2024, and non-current assets as of March 31, 2025, and December 31, 2024, by geographical segments, are as follows (Korean won in millions):

	Sales		Non-current assets (*1)	
	2025	2024	March 31, 2025	December 31, 2024
Korea (*2)	₩ 631,733	₩ 265,416	₩ 5,301,261	₩ 5,204,504
China	1,183,545	1,614,572	3,811,359	3,972,006
Asia/Oceania	293,623	258,901	1,210,504	1,238,630
America	2,371,948	2,153,965	26,643,311	24,579,109
Europe	1,784,146	1,835,860	5,000,247	4,865,813
	<u>₩ 6,264,995</u>	<u>₩ 6,128,714</u>	<u>₩ 41,966,682</u>	<u>₩ 39,860,062</u>

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

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

(5) For the three-month period ended March 31, 2025, revenues from external customers who account for 10% or more of the Group's revenue amounted to ₩1,286,967 million, ₩1,136,360 million and ₩1,107,701 million, respectively (the three-month period ended March 31, 2024, were ₩1,467,480 million, ₩1,484,625 million and ₩619,685 million).

33. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS:

(1) Assets and liabilities related to contracts with customers as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	March 31, 2025	December 31, 2024
Contract assets:		
Due from customers	₩ 59,909	₩ 77,237
	<u>₩ 59,909</u>	<u>₩ 77,237</u>
Contract liabilities:		
Advances from customers received as part of the Group's main business activities	₩ 2,258,229	₩ 2,046,780
Expected customer incentives	128	1,535
Unearned revenue	29,446	32,099
Due to customers	38,182	7,377
	<u>₩ 2,325,985</u>	<u>₩ 2,087,791</u>

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the carried-forward contract liabilities for the three-month periods ended March 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Revenue recognized in the current period from the beginning contract liabilities:		
Revenues in relation to advances from customers received as part of the Group's main business activities	₩ 32,793	₩ 11,910
Unearned revenue	3,941	10,682
Due to customers	510	342
	<u>₩ 37,244</u>	<u>₩ 22,934</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

- (3) For the three-month period ended March 31, 2025, changes in estimates related to the total contract price and total contract costs for contracts that existed as of December 31, 2024, and that recognize revenue over time using the cost-to-cost method, along with their impact on profit or loss for the current and future periods and on contract assets (liabilities), are as follows (Korean won in millions):

<u>Changes in estimated total contract price</u>	<u>Changes in estimated total contract costs</u>	<u>Impact on current period profit or loss</u>	<u>Impact on future period profit or loss</u>	<u>Changes in contract assets (liabilities)</u>
₩ 4,503	₩ 2,713	₩ 2,681	₩ (891)	₩ 2,681

- (4) Costs to fulfill contracts as of March 31, 2025 and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Costs to fulfill contracts	₩ 466,064	₩ 328,943

Costs to fulfill contracts represent preparation costs related to contracts with customers and are recognized as cost of sales when the Group satisfies its performance obligations. The costs to fulfill contracts recognized as cost of sales during the three-month period ended March 31, 2025, amounted to ₩15,950 million (for the three-month period ended March 31, 2024, was ₩7,312 million).

34. INVESTMENT PROPERTIES:

- (1) Details of investment properties as of March 31, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>				<u>December 31, 2024</u>			
	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>
Buildings	₩ 312,843	₩ (83,257)	₩ (1,625)	₩ 227,961	₩ 309,064	₩ (81,729)	₩ (1,628)	₩ 225,707
Land	274	(13)	(35)	226	274	(12)	(35)	227
	<u>₩ 313,117</u>	<u>₩ (83,270)</u>	<u>₩ (1,660)</u>	<u>₩ 228,187</u>	<u>₩ 309,338</u>	<u>₩ (81,741)</u>	<u>₩ (1,663)</u>	<u>₩ 225,934</u>

- (2) Changes in investment properties for the three-month period ended March 31, 2025, and the year ended December 31, 2024, are as follows (Korean won in millions):

	<u>2025</u>		<u>2024</u>	
	<u>Land</u>	<u>Building</u>	<u>Land</u>	<u>Building</u>
Beginning	₩ 227	₩ 225,707	₩ 240	₩ 212,249
Acquisition/Transfer	-	4,018	-	28,053
Disposal/Transfer	-	(180)	(9)	(7,999)
Depreciation	(1)	(1,584)	(4)	(6,596)
Ending	<u>₩ 226</u>	<u>₩ 227,961</u>	<u>₩ 227</u>	<u>₩ 225,707</u>

- (3) The fair value of investment properties is measured either by independent professional appraisers with certified qualifications 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, 2025, is ₩240,825 million (as of December 31, 2024, was ₩241,006 million).

Rental income from investment properties under operating lease for the year ended March 31, 2025, is ₩1,928 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, 2025, are ₩1,585 million.

LG Energy Solution, Ltd. and its subsidiaries
Notes to interim condensed consolidated financial statements
As of March 31, 2025, and December 31, 2024, and
For the three-month periods ended March 31, 2025 and 2024

(4) Operating lease

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

Although the Group is exposed to changes in the residual value at the end of the current leases, it typically enters new operating leases and, therefore, will not immediately realize any reduction in residual value at the end of these leases. Expectations about 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, 2025, and December 31, 2024, are as follows (Korean won in millions):

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
Less than one year	₩ 6,724	₩ 7,652
Between one year and two years	1,398	2,293
Between two years and five years	127	172
	<u>₩ 8,249</u>	<u>₩ 10,117</u>

35. BUSINESS COMBINATION:

As of August 1, 2024, due to amendments to the shareholder agreement of PT. HLI Green Power, the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect the variable returns by engaging in the entity's production and cost management. As a result, the Group reclassified PT. HLI Green Power from joint venture to a subsidiary.

1) As of the acquisition in the prior year, the consideration transferred to PT. HLI Green Power and the fair values of the identifiable assets acquired and liabilities assumed were as follows (Korean won in millions):

	<u>Amount</u>
Consideration transferred:	
Fair value of the equity interest held prior to the business combination	₩ 191,187
Accumulated amount of acquired assets and assumed liabilities:	
Cash and cash equivalents	59,825
Trade receivables and other receivables	118,338
Inventories	144,834
Property, plant and equipment	1,026,339
Intangible assets	149,067
Other assets	44,615
Trade payables and other payables	(293,584)
Other liabilities	(846,472)
Identifiable net assets	402,962
Non-controlling interest:	201,481
Goodwill (gain on bargain purchase):	(10,294)

2) In the prior year, the remeasurement of the equity interests held prior to the business combination at fair value resulted in a disposal gain of ₩94,218 million, which is included in other non-operating income and expenses in the consolidated statements of comprehensive income.

36. EVENT AFTER THE REPORTING PERIOD:

The Group resolved to issue unsecured USD bonds at the Management Committee held on February 28, 2025. The Group issued bonds worth USD 2,000 million on April 2, 2025.

1st Debenture: USD 400 million (maturity date: April 2, 2028)

2nd Debenture: USD 900 million (maturity date: April 2, 2030)

Global Green Bond: USD 700 million (maturity date: April 2, 2035)