

LG Energy Solution, Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three and nine months ended September 30, 2021
with the independent auditor's review report

LG Energy Solution, Ltd.
Interim condensed separate financial statements

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Report on review of interim condensed consolidated financial statements

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

We have reviewed the interim condensed consolidated financial statements of LG Energy Solution, Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim condensed consolidated statement of financial position as of September 30, 2021, and the related interim condensed consolidated statements of income and interim condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2021, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months then ended, 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 Standards (“KIFRS”) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim 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 Auditing Standards (“KGAAS”) 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 KIFRS 1034 *Interim Financial Reporting*.

Emphasis matter

Without qualifying our review conclusion, we draw attention to Note 35 to the interim condensed consolidated financial statements. As described in Note 35 to the interim condensed consolidated financial statements, the Group has recognized the lump-sum of ₩1,000,000 million (at the present value of ₩992,233 million) as operating income based on the agreement made with SK Innovation Co., Ltd. on May 15, 2021.

Other matter

The consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from December 1, 2020 (date of inception) to December 31, 2020 (not presented herein) were audited by Samil PricewaterhouseCoopers, in accordance with KGAAS, whose report dated March 11, 2021 expressed an unqualified opinion. The accompanying consolidated statement of financial position as of December 31, 2020 presented for comparative purposes is not different, in all material respects, from the above audited consolidated statement of financial position.



November 12, 2021

This review report is effective as of November 12, 2021, 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 modification to this review report.

LG Energy Solution, Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three and nine months ended September 30, 2021

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

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
as of September 30, 2021 (Unaudited) and December 31, 2020

(Korean won in millions)

	<u>Notes</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Assets			
Current assets			
Cash and cash equivalents	3,5,6	₩ 1,531,311	₩ 1,493,145
Trade receivables	3,5,7,29	2,664,799	2,931,150
Other receivables	3,5,7,29	784,498	819,075
Other current financial assets	3,5,8	22,862	23,821
Prepaid income taxes		6,110	14,944
Other current assets	13	523,218	401,600
Inventories	9	4,327,412	3,043,138
Assets held for sale	32	-	358,833
		<u>9,860,210</u>	<u>9,085,706</u>
Non-current assets			
Trade receivables	3,5,7	₩ 51,176	₩ 26,291
Other receivables	3,5,7,29	577,756	81,585
Other non-current financial assets	3,5,8	133,771	-
Investments in associates and joint ventures	10,31	236,557	48,350
Deferred tax assets	27	1,806,692	1,356,096
Property, plant and equipment	11, 31	10,255,274	8,683,614
Intangible assets	12, 31	403,739	325,786
Investment properties	34	235,027	255,086
Other non-current assets	13	52,104	79,281
		<u>13,752,096</u>	<u>10,856,089</u>
Total assets		<u>₩ 23,612,306</u>	<u>₩ 19,941,795</u>
Liabilities			
Current liabilities			
Trade payables	3,5,29	₩ 2,467,017	₩ 2,592,309
Other payables	3,5,29	1,815,405	1,768,709
Borrowings	3,5,11,14	2,462,335	1,123,038
Provisions	15	1,715,468	997,209
Other current financial liabilities	3,5,8	1,326	-
Income tax payables		76,393	73,762
Other current liabilities	17, 33	439,409	334,058
Liabilities held for sale	32	-	142
		<u>8,977,353</u>	<u>6,889,227</u>
Non-current liabilities			
Other payables	3,5	₩ 8,576	₩ 5,849
Borrowings	3,5,11,14	4,644,928	5,036,286
Other non-current financial liabilities	3,5,8	-	41,768
Provisions	15	541,293	242,635
Net defined benefit liabilities	16	111,968	42,786
Deferred tax liabilities	27	52,028	27,463
Other non-current liabilities	17, 33	53,982	90,376
		<u>5,412,775</u>	<u>5,487,163</u>
Total liabilities		<u>₩ 14,390,128</u>	<u>₩ 12,376,390</u>

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
as of September 30, 2021 (Unaudited) and December 31, 2020 (cont'd)

	<u>Notes</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Equity			
Equity attributable to owners of the Parent Company			
Share capital	19	₩ 100,000	₩ 100,000
Capital surplus	19	7,231,468	7,231,468
Accumulated other comprehensive income		343,516	1,205
Retained earnings (accumulated deficit)	20	<u>303,807</u>	<u>(453,058)</u>
		7,978,791	6,879,615
Non-controlling interests	1	<u>₩ 1,243,387</u>	<u>₩ 685,790</u>
Total equity		<u>₩ 9,222,178</u>	<u>₩ 7,565,405</u>
Total liabilities and equity		<u>₩ 23,612,306</u>	<u>₩ 19,941,795</u>

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 income
for the three and nine months ended September 30, 2021 (Unaudited)

(Korean won in millions)

	Notes	2021	
		Three months	Nine months
Revenue	29,31,33,35	₩ 4,027,414	₩ 13,412,546
Cost of sales	22,23,29	<u>(3,270,719)</u>	<u>(10,159,353)</u>
Gross profit		756,695	3,253,193
Selling and administrative expenses	21,22,23,29	<u>(1,129,457)</u>	<u>(2,560,456)</u>
Operating profit		(372,762)	692,737
Finance income	5,24	61,845	268,306
Finance costs	5,24,29	(137,756)	(285,451)
Share of profit (loss) of associates and joint ventures	10	(1,069)	(464)
Other non-operating income	25	170,228	408,353
Other non-operating expenses	26	<u>(183,519)</u>	<u>(408,131)</u>
Profit (loss) before income tax		(463,033)	675,350
Income tax expenses (benefit)	27	<u>(262,979)</u>	<u>46,906</u>
Profit (loss) from continuing operations		(200,054)	628,444
Profit (loss) from discontinued operations	32	<u>(5,782)</u>	<u>229,613</u>
Profit (loss) for the period		<u>₩ (205,836)</u>	<u>₩ 858,057</u>
Profit (loss) for the period attributable to:			
Owners of the Parent Company			
Profit (loss) from continuing operations		(228,677)	564,934
Profit (loss) from discontinued operations		<u>(4,672)</u>	<u>185,504</u>
		(233,349)	750,438
Non-controlling interests	1		
Profit from continuing operations		28,623	63,510
Profit (loss) from discontinued operations		<u>(1,110)</u>	<u>44,109</u>
		27,513	107,619
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)	28		
Basic earnings (losses) per share		<u>₩ (1,167)</u>	<u>₩ 3,752</u>
Diluted earnings (losses) per share		(1,143)	2,825

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 and nine months ended September 30, 2021 (Unaudited)

(Korean won in millions)

	Notes	2021	
		Three months	Nine months
Profit (loss) for the period		₩ (205,836)	₩ 858,057
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	(1,326)	8,863
Share of actuarial loss of associates	10	231	-
Gain (loss) on valuation of financial assets at FVOCI	5	13,614	15,054
Income tax effect of other comprehensive income		(3,380)	(6,576)
		9,139	17,341
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		225,315	427,570
Loss on cash flow hedge	5	(4,419)	(15,716)
Share of other comprehensive income of associates and joint ventures	10	2,955	4,096
Income tax effect of other comprehensive income		1,150	5,643
		225,001	421,593
Other comprehensive income for the period, net of tax		234,140	438,934
Total comprehensive income for the period, net of tax		₩ 28,304	₩ 1,296,991
Total comprehensive income (loss) for the period attributable to:			
Owners of the Parent Company		(52,868)	1,099,174
Non-controlling interest		81,172	197,817

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

LG Energy Solution, Ltd. and its subsidiaries

Interim condensed consolidated statement of changes in equity for the nine months ended September 30, 2021 (Unaudited)

(Korean won in millions)

	Attributable to the equity holders of the Parent Company						Total
	Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings (accumulated deficit)	Sub-total	Non-controlling interests	
As of January 1, 2021	₩ 100,000	₩ 7,231,468	₩ 1,205	₩ (453,058)	₩ 6,879,615	₩ 685,790	₩ 7,565,405
Total comprehensive income for the period:							
Profit for the period	-	-	-	₩ 750,438	₩ 750,438	₩ 107,619	₩ 858,057
Remeasurements of net defined benefit liabilities	-	-	-	₩ 6,427	₩ 6,427	-	₩ 6,427
Exchange differences on translation of foreign operations	-	-	₩ 339,020	-	₩ 339,020	₩ 90,196	₩ 429,216
Gain on valuation of financial assets at FVOCI	-	-	₩ 10,913	-	₩ 10,913	-	₩ 10,913
Loss on cash flow hedge	-	-	₩ (11,718)	-	₩ (11,718)	-	₩ (11,718)
Equity adjustments in equity method	-	-	₩ 4,096	-	₩ 4,096	-	₩ 4,096
Total comprehensive income for the period	-	-	₩ 342,311	₩ 756,865	₩ 1,099,176	₩ 197,815	₩ 1,296,991
Transactions with owners of the Parent Company:							
Others	-	-	-	-	-	₩ 359,782	₩ 359,782
Total transactions with owners of the Parent Company, recognized directly in equity	-	-	-	-	-	₩ 359,782	₩ 359,782
As of September 30, 2021	₩ 100,000	₩ 7,231,468	₩ 343,516	₩ 303,807	₩ 7,978,791	₩ 1,243,387	₩ 9,222,178

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statement of cash flows
for the nine months ended September 30, 2021 (Unaudited)

(Korean won in millions)

	<u>Notes</u>	<u>2021</u>
Cash flows from operating activities:		
Cash generated from operations	30	₩ 713,575
Interest received		19,983
Interest paid		(58,425)
Income tax paid		(466,748)
Net cash flows provided by operating activities		<u>208,385</u>
Cash flows from investing activities:		
Cash inflow from investing activities		
Decrease in other receivables		611,635
Decrease in other non-current receivables		23,446
Proceeds from disposal of investments in associates and joint ventures		28,377
Proceeds from disposal of property, plant and equipment		56,139
Proceeds from disposal of intangible assets		1
Government grants received		162,892
Cash inflows from transfer of business		622,564
		<u>1,505,054</u>
Cash outflow from investing activities		
Increase in other receivables		(10,337)
Increase in other non-current receivables		(16,754)
Acquisition of investments in associates and joint ventures		(209,132)
Acquisition of financial instruments		(70,452)
Acquisition of property, plant and equipment		(2,416,753)
Acquisition of intangible assets		(32,650)
Business combination		(570)
		<u>(2,756,648)</u>
Net cash flows used in investing activities		(1,251,594)
Cash flows from financing activities:		
Cash inflow from financing activities		
Proceeds from borrowings and others		1,358,413
Paid in capital by non-controlling interests		359,782
		<u>1,718,195</u>
Cash outflow from financing activities		
Repayments of borrowings and others		(738,293)
		<u>(738,293)</u>
Net cash flows provided by financing activities		<u>979,902</u>
Net increase (decrease) in cash and cash equivalents		(63,307)
Cash and cash equivalents at the beginning of the period		1,493,145
Effects of exchange rate changes on cash and cash equivalents		101,473
Cash and cash equivalents at the end of the period	₩	<u><u>1,531,311</u></u>

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
September 30, 2021 (Unaudited) and December 31, 2020

1. General

General information about LG Energy Solution, Ltd. (the "Parent Company") and its 10 subsidiaries (collectively referred to as the "Group") is as follows:

1.1 Company information

The Parent Company was newly established on December 1, 2020, through the split-off of Energy solution business of LG Chem, Ltd.

As of September 30, 2021, the Parent Company has its manufacturing facilities in Ochang.

As of September 30, 2021, the Parent Company has issued and outstanding 200 million ordinary shares (100,000 million). The largest shareholder of the Parent Company is LG Chem, Ltd., which owns 100% of the Parent Company.

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

1.2 Business Overview

The Group is engaged in Energy solution business.

Energy solution business manufactures and supplies batteries ranging from IT & New application batteries for mobile phones and laptop computers, to automotive batteries for electric vehicles and ESS batteries. Demand of small-sized batteries for new applications such as electric tools and electric driving devices as well as traditional IT devices is increasing recently and the automotive battery business is also expected to expand rapidly due to an increasing demand of the batteries in associated with enhanced environment regulation in developed countries. Demand for ESS is expanding with an increasing importance of efficient usage of electricity and generation of renewable energy.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
September 30, 2021 (Unaudited) and December 31, 2020

1. General (cont'd)

1.3 Consolidated Subsidiaries, investment in Associates and Joint Ventures

	September 30, 2021			
	Ownership (%)	Location	Closing month	Business
Subsidiaries:				
LG Energy Solution (Nanjing) Co., Ltd.	81	China	Dec	Battery manufacturing and sail
LG Energy Solution Michigan Inc. (*1)	100	USA	Dec	Automotive battery research and manufacturing
LG Energy Solution Battery (Nanjing) Co., Ltd. (*2)	50	China	Dec	Automotive battery manufacturing and sales
LG Energy Solution Wroclaw sp. z o.o.	100	Poland	Dec	Automotive battery manufacturing and sales
LG Energy Solution Australia Pty Ltd.	100	Australia	Dec	ESS sales
LG Energy Solution Technology (Nanjing) Co., Ltd.	100	China	Dec	Battery manufacturing and sales
Ultium Cells LLC (*3)	50	USA	Dec	Automotive battery manufacturing and sales
LG Energy Solution Europe GmbH	100	Germany	Dec	Battery sales
LG Energy Solution (Taiwan) Ltd. (*4)	100	Taiwan	Dec	Battery sales
Areum noori Co., Ltd. (*5)	100	Korea	Dec	Facility management and cleaning
LG Energy Solution Fund I LLC (*6)	100	USA	Dec	Investment in venture
Associates:				
VINFAST LITHIUM BATTERY PACK LLC.	35	Vietnam	Dec	Battery manufacturing and sales
Jiangxi VL Battery Co., Ltd.	34	China	Dec	Manufacturing and sales
Joint venture				
PT.HKML Battery Indonesia(*7)	50	Indonesia	Dec	Automotive battery manufacturing and sales

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

(*2) Although the Parent Company does not own more than 50% of shares of Nanjing LG Energy Solution Battery (Nanjing) Co., Ltd., the Parent Company is considered to have control over the investee as the Parent Company can exercise the majority voting rights in its decision-making process in accordance with the shareholders' agreement.

(*3) The Group possesses control over the investee as the Group can exercise the majority voting rights in its decision-making process and has the ability to use power to affect the variable returns of the investee through its involvement in the production and cost management and other activities in accordance with the shareholders' agreement.

(*4) LG Energy Solution (Taiwan) Ltd. was newly established during the current period and the Group acquired 100% shares of LG Energy Solution (Taiwan) Ltd. for ₩1,871 million.

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

(*6) LG Energy Solution Fund I LLC was newly established during the current reporting period, and the Group acquired 100% shares of LG Energy Solution Fund I LLC for ₩2,536 million.

(*7) PT.HKML Battery Indonesia was newly established during the current reporting period according to the joint arrangement in which the Group has participated and the entity is separately structured and has been classified as joint venture as the Group holds rights to the net assets therein.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
September 30, 2021 (Unaudited) and December 31, 2020

1. General (cont'd)

1.4 Summarized Financial Information of Subsidiaries, Associates and Joint Ventures

Summarized financial information (before elimination of intercompany transactions and adjustments for differences in accounting policies) of subsidiaries, associates and joint ventures is as follows (Korean won in millions):

	September 30, 2021			2021	
	Assets	Liability	Equity	Revenue	Net income (loss)
Subsidiary:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 4,421,631	₩ 1,463,754	₩ 2,957,877	₩ 2,977,342	₩ 458,922
LG Energy Solution Michigan Inc.	1,566,105	934,470	631,635	826,760	(47,343)
LG Energy Solution Battery (Nanjing) Co., Ltd.	1,073,423	720,800	352,623	925,870	46,084
LG Energy Solution Wroclaw sp. z o.o.	7,205,442	5,749,491	1,455,951	6,018,956	264,824
LG Energy Solution Austrailia Pty Ltd.	7,381	5,724	1,657	10,949	(116)
LG Energy Solution Technology (Nanjing) Co., Ltd.	1,932,319	976,084	956,235	963,740	72,779
Ultium Cells LLC	1,248,978	161,736	1,087,242	-	(4,829)
LG Energy Solution Europe GmbH	64,852	27,502	37,350	147,212	1,583
LG Energy Solution (Taiwan) Ltd.	3,082	857	2,225	3,057	174
Areum noori Co., Ltd.	1,766	754	1,012	3,804	513
LG Energy Solution Fund I LLC	1,185	3	1,182	-	(1,069)
Investment in associates:					
VINFAST LITHIUM BATTERY PACK LLC.	17,809	6,322	11,487	9,504	(1,273)
Jiangxi VL Battery Co., Ltd.	78,075	14,570	63,505	5,506	(5,468)
Joint venture					
PT.HKML Battery Indonesia	422,207	44	422,163	-	323

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
September 30, 2021 (Unaudited) and December 31, 2020

1. General (cont'd)

1.5 Information of subsidiaries whose non-controlling interests are important

(1) LG Energy Solution (Nanjing) Co., Ltd.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Percentage of ownership held by non-controlling interests	19.2%	19.2%
Cumulative non-controlling interests	₩ 547,224	₩ 414,287

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

	<u>2021</u>	
Net income allocated to non-controlling interests	₩	89,214
Dividends attributable to non-controlling interests		-

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

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
Total Assets				
Current assets	₩	2,232,636	₩	2,117,530
Non-current assets		<u>2,188,995</u>		<u>1,676,406</u>
	₩	<u>4,421,631</u>	₩	<u>3,793,936</u>
Total liabilities				
Current liabilities	₩	1,446,317	₩	1,181,410
Non-current liabilities		<u>17,437</u>		<u>354,910</u>
	₩	<u>1,463,754</u>	₩	<u>1,536,320</u>
Total equity	₩	<u>2,957,877</u>	₩	<u>2,257,616</u>

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

	<u>2021</u>	
Revenue	₩	2,977,342
Profit for the period		458,922
Total comprehensive income for the period		706,090

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

	<u>2021</u>	
Cash flows from operating activities	₩	447,851
Cash flows from investing activities		(30,785)
Cash flows from financing activities		(350,960)
Effects of exchange rate changes on cash and cash equivalents		<u>51,679</u>
Increase in cash and cash equivalents		117,785
Cash and cash equivalents at the beginning of the period		<u>277,003</u>
Cash and cash equivalents at the end of the period	₩	<u>394,788</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
September 30, 2021 (Unaudited) and December 31, 2020

1. General (cont'd)

1.6 Changes in Scope for Consolidation

New subsidiaries included in the interim condensed consolidated financial statements for the nine months ended September 30, 2021 are as follows:

	<u>Reason</u>
LG Energy Solution (Taiwan) Ltd.	Newly established during current reporting period
Areum noori Co., Ltd.	Newly established during current reporting period
LG Energy Solution Fund I LLC	Newly established during current reporting period

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Group prepares statutory interim condensed consolidated financial statements in the Korean language in accordance with KIFRS 1034 *Interim Financial Reporting* enacted by the *Act on External Audit of Stock Companies*. The accompanying interim condensed consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors' review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2020.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3. Financial Risk Management

3.1 Financial Risk Factors

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

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

(1) Market risk

1) Foreign exchange risk

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

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group manages maximum loss for currency risk exposures within acceptable range by using currency risk management model and hires employees who are exclusively responsible for currency risk management. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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

As of September 30, 2021 and December 31, 2020, the Group's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,937,349	₩ 4,190,930	₩ 3,044,453	₩ 3,597,064
EUR	120,592	4,823,804	165,779	4,407,694
JPY	13,473	105,303	16,334	225,774
CNY and others	272,197	1,839	286,631	5,794

As of September 30, 2021 and December 31, 2020, if the Group weakened / strengthened by 10% against the US dollar with all other variables held constant, profit before income tax would have been affected as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (25,358)	₩ 25,358	₩ (55,261)	₩ 55,261
EUR	(470,321)	470,321	(424,192)	424,192

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3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

The above sensitivity analysis has been performed for monetary assets and liabilities denominated in foreign currencies other than the Group reporting date.

2) As of September 30, 2021, the Group entered into foreign currency forwards to hedge change of exchange rates and the details are as follows (Korean won in millions):

	Contractor	Contract amount (in millions)	Contract exchange rate	Contract inception date	Contract maturity	Book amount	
						Assets	Liabilities
Currency forward (*1)	Shinhan bank	USD 500	1,135.60	2020.10.14	2024.10.15	₩ 25,696	₩ -
	KB Kookmin bank	USD 500	1,102.83	2020.11.24	2029.04.16	22,507	-
	CITI	EUR 150	4.5900(*2)	2021.05.12	2022.04.29	3,185	-
	SC	EUR 250	4.5861(*2)	2021.05.14	2022.04.29	5,451	-
	CACIB	EUR 100	4.6055(*2)	2021.08.05	2022.08.04	1,175	-
	KDB	EUR 165	4.6036(*2)	2021.08.05	2022.08.04	3,597	-

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

(*2) Represents cross rate of PLN& EUR.

3) Interest rate risk

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

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

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

	Impact on post-tax profit		Impact on equity	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Increase	₩ (35,654)	₩ (35,686)	₩ (35,654)	₩ (35,686)
Decrease	35,654	35,686	35,654	35,686

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3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

(2) Credit risk

Credit risk arises from trade receivables and that the Group holds, as well as debt instruments at amortized cost or fair value through other comprehensive income.

1) Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected provisions for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The provisions for receivables as of September 30, 2021 and December 31, 2020 are as follows. Expected credit losses include forward-looking information. (Korean won in millions)

	<u>Receivables not past due(*1)</u>	<u>Receivables Past due but not impaired(*1)</u>	<u>Total</u>
September 30, 2021 (Account Receivables)			
Gross carrying amount	₩ 2,511,524	₩ 204,609	₩ 2,716,133
Expected loss rate	0.01%	0.00%	0.00%
Provisions for receivables	158	-	158
December 31, 2020 (Account Receivables)			
Gross carrying amount	2,521,293	436,279	2,957,572
Expected loss rate	0.01%	0.0%	0.01%
Provisions for receivables	131	-	131

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

Changes in the provisions for trade receivables for the nine months ended September 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning	₩ 131	₩ 159
Increase (Reversal) of provisions recognized in profit or loss during the period	27	(28)
Ending	<u>₩ 158</u>	<u>₩ 131</u>

As of September 30, 2021, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩2,716,133 million (as of December 31, 2020, ₩2,957,572 million)

2) Other financial assets at amortized cost

Changes in provisions for other financial assets at amortized cost for the nine months ended September 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning	₩ 54	₩ -
Increase in provisions recognized as 'other non-operating expenses' in profit or loss during the period	-	54
Ending	<u>₩ 54</u>	<u>₩ 54</u>

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

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

3) Debt investments measured at fair value through other comprehensive income

Debt investments measured at fair value through other comprehensive income include trade receivables to be discounted. For these investments, changes in fair value are accumulated within the financial assets at fair value through other comprehensive income reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is impaired.

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

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

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

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

(3) Liquidity risk

Finance team of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

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

	September 30, 2021			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments:				
Borrowings (excluding lease liabilities)	₩ 2,525,642	₩ 1,429,484	₩ 2,590,886	₩ 831,031
Lease liabilities	18,664	11,516	35,350	-
Trade and other payables	<u>4,282,422</u>	<u>5,176</u>	<u>3,398</u>	<u>-</u>
	6,826,728	1,446,176	2,629,634	831,031
Derivative instruments:				
Gross settlement currency forwards				
Inflows	₩ (913,916)	₩ -	₩ (592,450)	₩ (592,450)
Outflows	<u>906,255</u>	<u>-</u>	<u>567,800</u>	<u>551,415</u>
	(7,661)	-	(24,650)	(41,035)
	<u>₩ 6,819,067</u>	<u>₩ 1,446,176</u>	<u>₩ 2,604,984</u>	<u>₩ 789,996</u>

	December 31, 2020			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments:				
Borrowings (excluding lease liabilities)	₩ 1,195,766	₩ 1,122,253	₩ 3,001,387	₩ 1,165,230
Lease liabilities	14,101	6,601	9,890	-
Trade and other payables	<u>4,361,018</u>	<u>5,849</u>	<u>-</u>	<u>-</u>
	5,570,885	1,134,703	3,011,277	1,165,230
Derivative instruments:				
Gross settlement currency forwards				
Inflows	₩ -	₩ -	₩ (544,000)	₩ (544,000)
Outflows	<u>-</u>	<u>-</u>	<u>567,800</u>	<u>551,415</u>
	-	-	23,800	7,415
	<u>₩ 5,570,885</u>	<u>₩ 1,134,703</u>	<u>₩ 3,035,077</u>	<u>₩ 1,172,645</u>

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

2) As of September 30, 2021, the Group has entered into swap contracts for which cash flow hedge accounting is applied, to avoid market price fluctuation of raw materials (Korean won in millions).

	<u>Purpose of the contracts</u>	<u>Hedged items</u>	<u>Financial institution</u>	<u>Maturity</u>	<u>Fair value</u>
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank etc	~2021.12	₩ 8,129

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

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Merchandise (raw materials) swap (*)	₩ 9,455	₩ 1,326	₩ 23,821	-

(*) Gain (loss) resulting from the contracts to avoid cash flow fluctuation risk of expected future transaction is accounted for as accumulated other comprehensive income (Note 5).

3.2 Capital Risk Management

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

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

(1) The gearing ratio and debt-to-equity ratio as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Total borrowings (Note 14) (A)	₩ 7,107,263	₩ 6,159,324
Less: cash and cash equivalents (B)	(1,531,311)	(1,493,145)
Net debt (C=A+B)	5,575,952	4,666,179
Total liabilities (D)	14,390,128	12,376,390
Total equity (E)	9,222,178	7,565,405
Total capital (F=C+E)	14,798,130	12,231,584
Gearing ratio (C/F)	37.7%	38.1%
Debt-to-equity ratio (D/E)	156.0%	163.6%

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3. Financial Risk Management (cont'd)

3.3 Fair Value

(1) The carrying amount and fair value of financial instruments by category as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets(current):				
Cash and cash equivalents	₩ 1,531,311	(*1)	₩ 1,493,145	(*1)
Trade receivables	2,664,799	(*1)	2,931,150	(*1)
Other receivables (excluding deposits held by financial institutions)	783,612	(*1)	219,075	(*1)
Deposits held by financial institutions	886	(*1)	600,000	(*1)
Current derivative financial assets	9,455	9,455	23,821	23,821
Current derivative financial assets (currency forward)	13,407	13,407	-	-
Financial assets(non-current):				
Deposits held by financial institutions	60,925	(*1)	60,014	(*1)
Trade receivables	51,176	(*1)	26,291	(*1)
Other receivables (excluding deposits held by financial institutions)	516,831	(*1)	21,571	(*1)
Other non-current financial assets				
Marketable financial assets	22,782	22,782	-	-
Non-marketable financial assets	62,785	62,785	-	-
Non-Current derivative financial assets (currency forward)	48,204	48,204	-	-
Financial liabilities(current):				
Trade and other payables	4,282,422	(*1)	4,361,018	(*1)
Current borrowings (excluding lease liabilities)	2,444,806	(*1)	1,109,796	(*1)
Current lease liabilities	17,529	(*2)	13,242	(*2)
Current derivative financial liabilities	1,326	1,326	-	-
Financial liabilities(non-current):				
Non-current borrowings (excluding lease liabilities)	4,601,375	4,689,781	5,020,394	5,097,222
Non-current lease liabilities	43,553	(*2)	15,892	(*2)
Other non-current payables	8,576	(*1)	5,849	(*1)
Other non-current derivative financial liabilities (currency forward)	-	-	41,768	41,768

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

(*2) Fair values for these financial assets and liabilities are not disclosed above in accordance with related KIFRS.

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3. Financial Risk Management (cont'd)

3.3 Fair Value (cont'd)

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

Fair values of financial liabilities (non-current) are based on cash outflows discounted by using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and the applied discount rates as of September 30, 2021, is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Discount rate	1.24% ~ 2.77%	0.98% ~ 2.27%

(3) Fair value hierarchy

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

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

Fair value hierarchy of the financial instruments that are either measured at fair value or their fair values are disclosed for as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ -	9,455 ₩	₩ -	9,455
Current derivative financial assets (currency forward)	-	13,407	-	13,407
Non-current derivative financial assets(currency forward)	-	48,204	-	48,204
Other non-current financial assets(Non-marketable financial assets)	22,782	-	62,785	85,567
Current derivative financial liabilities	-	1,326	-	1,326
Current derivative financial liabilities(currency forward)	-	-	-	-
Non-current derivative financial liabilities (currency forward)	-	-	-	-
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding finance lease liabilities)	-	4,689,781	-	4,689,781

3. Financial Risk Management (cont'd)

3.3 Fair Value (cont'd)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ -	₩ 23,821	₩ -	₩ 23,821
Non-current derivative financial liabilities (currency forward)	-	41,768	-	41,768
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding finance lease liabilities)	-	5,097,222	-	5,097,222

4. Significant Accounting Estimates and Assumptions

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

The significant estimates and assumptions made by management on the application of the Group's interim condensed consolidated financial statements are the same as those of the consolidated financial statements for the one month ended December 31, 2020, except for estimates used in determining income tax expenses.

During the current reporting period, the spread of COVID-19 has a significant impact on the domestic and international economies. Due to such impact, the Group's financial position and business performance may fluctuate and expected to continue until the end of 2021.

Significant accounting estimates and assumptions used in the preparation of consolidated financial statements may be adjusted according to fluctuations in uncertainty arising from COVID-19, and the ultimate impact of COVID-19 on the Group position, and management performance is currently unpredictable.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Income taxes

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

(2) Provisions

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

4. Critical Accounting Estimates and Assumptions (cont'd)

(3) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at September 30, 2021 (Note 3.3).

(4) Impairment of financial assets

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

(5) Net defined benefit liability

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

(6) Lease

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

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

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5. Financial Instruments by Category

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

Financial assets	September 30, 2021			
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Cash and cash equivalents	₩ 1,531,311	₩ -	₩ -	₩ 1,531,311
Trade receivables	2,641,898	-	22,901	2,664,799
Non-current trade receivables	51,176	-	-	51,176
Other receivables	784,498	-	-	784,498
Other non-current receivables	577,756	-	-	577,756
Other current financial assets	-	13,407	9,455	22,862
Other non-current financial assets	-	48,204	85,567	133,771
	<u>₩ 5,586,639</u>	<u>₩ 61,611</u>	<u>₩ 117,923</u>	<u>₩ 5,766,173</u>

Financial liabilities	September 30, 2021			
	Financial liabilities at amortized cost	Financial liabilities at Fair value Through Other comprehensive income	Other financial liabilities(*)	Total
Trade payables	₩ 2,467,017	₩ -	₩ -	₩ 2,467,017
Other payables	1,815,405	-	-	1,815,405
Borrowings(current)	2,444,806	-	17,529	2,426,335
Other current financial liabilities	-	1,326	-	1,326
Other non-current payables	8,576	-	-	8,576
Borrowings(non-currunt)	4,601,375	-	43,553	4,644,928
	<u>₩ 11,337,179</u>	<u>₩ 1,326</u>	<u>₩ 61,082</u>	<u>₩ 11,399,587</u>

Financial assets	December 31, 2020			
	Financial assets at amortized cost	Financial assets at Fair value Through Other comprehensive income	Other financial assets(*)	Total
Cash and cash equivalents	₩ 1,493,145	₩ -	₩ -	₩ 1,493,145
Trade receivables	2,906,185	24,965	-	2,931,150
Non-current trade receivables	26,291	-	-	26,291
Other receivables	819,075	-	-	819,075
Other non-current receivables	81,585	-	-	81,585
Other current financial assets	-	-	23,821	23,821
	<u>₩ 5,326,281</u>	<u>₩ 24,965</u>	<u>₩ 23,821</u>	<u>₩ 5,375,067</u>

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5. Financial Instruments by Category (cont'd)

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

(*1) Other financial assets include derivative assets that are not subject to financial instruments categories.

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

(2) Net gains or losses on each category of financial instruments for the three months and nine months ended September 30, 2021, are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Interest income:		
Financial assets at amortized cost	₩ 8,782	₩ 20,925
Interest expense:		
Financial liabilities at amortized cost	(26,279)	(67,118)
Other financial liabilities	(315)	(1,242)
Financial assets at amortized cost(*)	(78)	(132)
Financial assets at fair value through other comprehensive income(*)	-	(3)
Gains or loss on valuation:		
Financial assets at fair value through other comprehensive income	13,613	15,053
Derivative instruments	61,960	87,883
Exchange differences:		
Financial assets at amortized cost	153,429	233,480
Financial liabilities at amortized cost	(292,790)	(309,134)

(*) Fees paid to financial institutions for factoring

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6. Cash and Cash Equivalents

(1) Details of cash and cash equivalents as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Bank deposits and cash on hand	₩ 787,904	₩ 946,609
Deposits held by financial institutions and others	743,407	546,536
	<u>₩ 1,531,311</u>	<u>₩ 1,493,145</u>

(2) As of September 30, 2021, cash and cash equivalents include ₩2,570 million, which is subject to a restriction on the use and restricted for remittance.

7. Trade and Other Receivables

(1) Trade and other receivables and its provisions for impairment are as follows (Korean won in millions):

	<u>September 30, 2021</u>			<u>December 31, 2020</u>		
	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Trade receivables	₩ 2,664,957	₩ (158)	₩ 2,664,799	₩ 2,931,281	₩ (131)	₩ 2,931,150
Non-current trade receivables	51,176	-	51,176	26,291	-	26,291
Other current receivables	784,552	(54)	784,498	819,129	(54)	819,075
Other non-current receivables	<u>577,756</u>	<u>-</u>	<u>577,756</u>	<u>81,585</u>	<u>-</u>	<u>81,585</u>
	<u>₩ 4,078,441</u>	<u>₩ (212)</u>	<u>₩ 4,078,229</u>	<u>₩ 3,858,286</u>	<u>₩ (185)</u>	<u>₩ 3,858,101</u>

(2) Details of other receivables as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Current:		
Non-trade receivables	₩ 775,523	₩ 200,152
Deposits held by financial institutions	886	600,000
Accrued income	303	448
Loans	-	68
Guarantee deposits provided	<u>7,786</u>	<u>18,407</u>
	784,498	819,075
Non-current:		
Non-trade receivables	₩ 492,903	
Deposits held by financial institutions(*)	60,925	₩ 60,014
Loans	940	439
Guarantee deposits provided	<u>22,988</u>	<u>21,132</u>
	577,756	81,585
	<u>₩ 1,362,254</u>	<u>₩ 900,660</u>

(*) As of September 30, 2021, ₩60,000 million is restricted for withdrawal in relation to the Win-Win Growth Cooperation Agreement between large, small and medium-sized companies and others. In addition, ₩14 million is restricted for withdrawal in relation to maintaining checking accounts and PLN 3 million in relation to guarantee deposit for transfer of dangerous waste abroad.

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7. Trade and Other Receivables (cont'd)

(3) The aging analysis of trade and other receivables as of September 30, 2021 and December 31, 2020 is as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 2,511,524	₩ 1,350,252	₩ 2,521,293	₩ 854,760
Past due but not impaired:				
Up to 3 months	54,805	11,316	280,944	44,443
Between 3-6 months	56,527	630	67,366	118
Over 6 months	93,277	56	87,969	1,339
	204,609	12,002	436,279	45,900
Impaired receivables	-	54	-	54
	₩ 2,716,133	₩ 1,362,308	₩ 2,957,572	₩ 900,714

(4) Changes in the provision for impairment of trade and other receivables for the nine months ended September 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	2021		2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 131	₩ 54	₩ 159	₩ -
Additions (reversal)	27	-	(28)	54
Ending	₩ 158	₩ 54	₩ 131	₩ 54

(5) As of September 30, 2021 and December 31, 2020, the carrying amounts of trade and other receivables are approximation of their fair values.

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8. Other Financial Assets and Liabilities

(1) Details of other financial assets and liabilities as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Other financial assets:		
Derivative financial assets(forward contract)(current)	₩ 9,455	₩ 23,821
Financial assets at fair value through profit or loss(current)	13,407	-
Financial assets at fair value through other comprehensive income (excluding forward contract) (non-current)	85,567	-
Financial assets at fair value through profit or loss (forward contract) (non-current)	48,204	-
	<u>₩ 156,633</u>	<u>₩ 23,821</u>
Other financial liabilities:		
Derivative financial liabilities (forward contract) (current)	₩ 1,326	-
Financial liabilities at fair value through profit or loss(non-current)	-	41,768
	<u>₩ 1,326</u>	<u>₩ 41,768</u>

(2) Details of changes in equity securities included in other financial assets for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	<u>2021</u>
Beginning	₩ -
Acquisitions	70,452
Valuation gain (before income tax deduction), other comprehensive income item	15,053
Others	62
Ending	<u>₩ 85,567</u>

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

(3) No impairment losses on other financial assets were recognized for the nine months ended September 30, 2021 and one month ended December 31, 2020.

9. Inventories

(1) Details of inventories as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>			<u>December 31, 2020</u>		
	<u>Gross amount</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>	<u>Gross amount</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Merchandise	₩ 63,598	₩ (4,012)	₩ 59,586	₩ 49,219	₩ (1,816)	₩ 47,403
Finished / Semi-finished products	2,667,086	(78,704)	2,588,382	1,861,412	(55,214)	1,806,198
Raw materials	891,122	(3,329)	887,793	621,275	(1,558)	619,717
Supplies	83,401	-	83,401	37,294	-	37,294
Materials-in-transit	708,250	-	708,250	532,526	-	532,526
	<u>₩ 4,413,457</u>	<u>₩ (86,045)</u>	<u>₩ 4,327,412</u>	<u>₩ 3,101,726</u>	<u>₩ (58,588)</u>	<u>₩ 3,043,138</u>

(2) For the nine months ended September 30, 2021, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩7,497,940 million.

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10. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures for the nine months ended September 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	2021					
	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Share of profit (loss) of associates and joint ventures</u>	<u>Share of other comprehensive income (loss) of associates and joint ventures</u>	<u>Ending</u>
HL Greenpower Co., Ltd.(*1)	₩ 22,170	-	₩ (24,557)	₩ 1,847	-	₩ -
WUXI CL New Energy Technology Ltd. (*1)	-	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LIMITED	4,179	-	-	(625)	318	3,872
LIABILITY COMPANY Jiangxi VL Battery Co., Ltd.	21,461	-	-	(1,848)	1,990	21,603
PT.HKML Battery Indonesia(*2)	-	209,132	-	162	1,788	211,082
	<u>₩ 48,350</u>	<u>₩ 209,132</u>	<u>₩ (24,557)</u>	<u>₩ (464)</u>	<u>₩ 4,096</u>	<u>₩ 236,557</u>

	2020			
	<u>Beginning</u>	<u>Share of profit (loss) of associates and joint ventures</u>	<u>Share of other comprehensive income (loss) of associates and joint ventures</u>	<u>Ending</u>
HL Greenpower Co., Ltd.(*1)	₩ 21,446	₩ 1,264	-	₩ 22,710
WUXI CL New Energy Technology Ltd. (*1)	-	-	-	-
VINFAST LITHIUM BATTERY PACK LIMITED	4,641	(129)	(333)	4,179
LIABILITY COMPANY Jiangxi VL Battery Co., Ltd.	21,815	71	(425)	21,461
	<u>₩ 47,902</u>	<u>₩ 1,206</u>	<u>₩ (758)</u>	<u>₩ 48,350</u>

(*1) The Group has sold its shares in HL GREEN POWER Co., Ltd. and WUXI CL New Energy Texhnology Ltd. at ₩28,500 million and ₩0 million, respectively, during the current period.

(*2) The Group has newly acquired shares in PT.HKML Battery Indonesia at ₩209,132 million.

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11. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the nine months ended September 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	<u>2021</u>		<u>2020</u>	
Beginning:	₩	8,683,614	₩	8,549,113
Business combination		-		3,766
Acquisitions/Transfer		4,046,487		630,356
Disposals/ transfer		(1,906,229)		(313,371)
Exchange differences		419,680		(59,238)
Depreciation		(988,278)		(110,049)
Transfer to assets held for sale		-		(16,963)
Ending:	₩	<u>10,255,274</u>	₩	<u>8,683,614</u>

(2) The Group capitalized ₩10,867 million of borrowing costs in relation to acquisition of property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 0.83%.

(3) Line items including depreciation in the consolidated statement of income are as follows (Korean won in millions):

	<u>2021</u>	
	<u>Three months</u>	<u>Nine months</u>
Cost of sales	₩ 330,359	₩ 920,437
Selling and administrative expenses	26,693	67,723
Discontinued operations	-	118
	<u>₩ 357,052</u>	<u>₩ 988,278</u>

(4) Lease

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

Details of amounts recognized in the consolidated statement of financial position in relation to lease are as follows (Korean won in millions):

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
Right-of-use assets(*):				
Real-estate	₩	65,546	₩	30,234
Machinery		34		15
Vehicles		4,558		3,731
Tools		275		370
Equipment		396		545
	₩	<u>70,809</u>	₩	<u>34,895</u>

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

Additions to the right-of-use assets for the nine months ended September 30, 2021 are ₩56,085 million (December 31, 2020: ₩4,414 million).

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Lease liabilities (*):		
Current	₩ 17,529	₩ 13,242
Non-current	<u>43,553</u>	<u>15,892</u>
	<u>₩ 61,082</u>	<u>₩ 29,134</u>

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

(ii) Amounts recognized in the consolidated statement of income

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

	<u>2021</u>	
	<u>Three months</u>	<u>Nine months</u>
Depreciation of right-of-use assets		
Real-estate	₩ 4,905	₩ 14,829
Machinery	14	22
Vehicles	1,040	2,850
Tools	40	119
Equipment	<u>115</u>	<u>339</u>
	<u>₩ 6,114</u>	<u>₩ 18,159</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 314	₩ 1,242
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	2,553	7,713
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	805	3,539

Total cash outflow for leases for the nine months ended September 30, 2021 is ₩31,971 million.

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12. Intangible Assets

(1) Changes in intangible assets for the nine months ended September 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	<u>2021</u>		<u>2020</u>	
Beginning:	₩	325,786	₩	323,097
Business combination		-		432
Acquisitions/Transfer		129,914		7,730
Disposals/ transfer		(2,069)		(82)
Exchange differences		2,606		(405)
Depreciation		(52,498)		(4,986)
Ending:	₩	<u>403,739</u>	₩	<u>325,786</u>

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

	<u>2021</u>	
	<u>Three months</u>	<u>Nine months</u>
Cost of sales	₩ 7,430	₩ 19,638
Selling and administrative expenses	12,616	32,849
Discontinued operations	-	11
	<u>₩ 20,046</u>	<u>₩ 52,498</u>

(3) Greenhouse gas emission right

Changes in greenhouse gas emission right included in intangible assets for the nine months ended September 30, 2021 are as follows (Ton in thousands, Korean won in millions):

	<u>2021</u>											
	<u>2020</u>		<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>	
	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>
Allocated	236	₩ -	275	₩ -	300	₩ -	300	₩ -	297	₩ -	297	₩ -
Purchase	75	1,111	-	-	-	-	-	-	-	-	-	-
Borrowing/C arried over	(25)	(388)	25	388	-	-	-	-	-	-	-	-
Government submission	(286)	(723)	-	-	-	-	-	-	-	-	-	-
Ending	-	₩ -	300	₩ 388	300	₩ -	300	₩ -	297	₩ -	297	₩ -

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13. Other Current and Other Non-Current Assets

Details of other current and other non-current assets as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Current:		
Prepayments to suppliers and prepaid expenses	₩ 78,002 ₩	72,717
Prepaid value added tax	334,992	301,015
Others	<u>110,224</u>	<u>27,868</u>
	<u>₩ 523,218 ₩</u>	<u>401,600</u>
Non-current:		
Long-term prepayments and long-term prepaid expenses	₩ 52,104 ₩	79,281
	<u>₩ 52,104 ₩</u>	<u>79,281</u>

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14. Borrowings

(1) Borrowings as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Current:		
Short-term borrowings	₩ 1,360,045	₩ 793,584
Current portion of long-term	1,084,761	316,212
Current lease liabilities	<u>17,529</u>	<u>13,242</u>
	2,462,335	1,123,038
Non-current:		
Long-term borrowings	₩ 2,541,083	₩ 3,076,693
Debentures	2,060,292	1,943,701
Non-current lease liabilities	<u>43,553</u>	<u>15,892</u>
	4,644,928	5,036,286
	<u>₩ 7,107,263</u>	<u>₩ 6,159,324</u>

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

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

	<u>Bank</u>	<u>Latest</u>	<u>Interest rate(%)</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	KDB and others	maturity date	1.2% and others	₩	₩
Bank loans		2022.9		1,360,045	793,584

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14. Borrowings (cont'd)

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

September 30, 2021						
	Bank	Interest rate(%)	Amount	Current portion	Non-current portion	
Borrowings in foreign currencies	Citi Bank	EUR: 3M EURIBOR + 0.62 ~ 0.70%	206,139	-	206,139	
	DBS	6M EURIBOR + 0.60%	137,426	-	137,426	
	EBRD	6M EURIBOR + 0.62%	343,564	48,099	295,465	
	EIB	3M EURIBOR + 0.47%	659,643	-	659,643	
	HSBC	USD: 3M LIBOR + 1.40%				
		CNY: PBOC ×0.95, LPR(5Y)-33.75%	44,630	44,630	-	
	ING	6M EURIBOR + 0.70 ~ 0.83%	164,911	68,713	96,198	
	KDB	USD: 3M LIBOR + 0.91 ~ 0.93%	217,617	53,494	164,123	
	KDB / The Export-Import Bank of Korea / Nonghyup Bank	EUR: 3M EURIBOR+1.0 ~ 1.50%	1,120,020	755,841	364,179	
	KEB Hana Bank	3M EURIBOR + 0.62%	274,851	-	274,851	
	MUFG	6M EURIBOR + 0.60~0.80%	137,426	68,713	68,713	
	SMBC	EUR : 0.32 ~ 0.48%	206,138	6,871	199,267	
	Construction Bank of China	LPR(1Y) + 0.36 ~ 0.46%	53,079	34,776	18,303	
	Agriculture Bank of China	LPR(1Y) + 0.7%	60,400	3,624	56,776	
			<u>₩ 3,625,844</u>	<u>₩ 1,084,761</u>	<u>₩ 2,541,083</u>	

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14. Borrowings (cont'd)

December 31, 2020					
	Bank	Interest rate(%)	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	BOC	3M LIBOR + 1.15%	₩ 5,475	₩ 5,475	-
	CIMB	3M LIBOR + 1.50%	49,021	49,021	-
	Citi	USD: 3M LIBOR + 0.95% EUR: 3M EURIBOR + 0.62 ~ 0.70%	241,354	39,212	202,142
	DBS	6M EURIBOR + 0.60%	134,761	-	134,761
	EBRD	6M EURIBOR + 0.62%	336,903	-	336,903
	EIB	3M EURIBOR + 0.47%	646,856	-	646,856
	HSBC	USD: 3M LIBOR + 1.40% CNY: PBOC ×0.95, LPR- 33.75%	87,806	60,541	27,265
	ING	6M EURIBOR + 0.70 ~ 0.83%	161,714	-	161,714
	KDB	USD: 3M LIBOR + 0.93%	216,905	43,381	173,524
	KDB / The Export- Import Bank of Korea / Nonghyup Bank	EUR: 3M EURIBOR+1.50%	741,188	-	741,188
	KEB Hana Bank	3M EURIBOR + 0.62%	269,523	-	269,523
	MUFG	6M EURIBOR + 0.60~0.80%	134,761	-	134,761
	SCB	USD: 3M LIBOR + 1.20 CNY: PBOC ×0.95	92,036	79,514	12,522
	SMBC	0.32 ~ 0.48%	202,142	-	202,142
	Construction Bank of China	LPR(1Y) + 0.36 ~ 0.46%	66,784	33,392	33,392
	Communications Bank of China	PBOC ×1.00	5,676	5,676	-
			<u>₩ 3,392,905</u>	<u>₩ 316,212</u>	<u>₩ 3,076,693</u>

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14. Borrowings (cont'd)

3) Debentures (Korean won in millions)

September 30, 2021						
	Financial institution	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
1st Debenture (non guaranteed/public)	NH Investment & Securities Co., Ltd. and others	2.21	2026.03.13	₩ 200,000 ₩	-	₩ 200,000
USD foreign currency debenture with maturity in 2024)	CITI and others	3.25	2024.10.15	592,450	-	592,450
USD foreign currency debenture with maturity in 2029	CITI and others	3.63	2029.04.15	592,450	-	592,450
EUR foreign currency debenture with maturity in 2023	CITI and others	0.50	2023.04.15	687,155	-	687,155
Less: discount on debentures				(11,763)	-	(11,763)
				<u>₩ 2,060,292 ₩</u>	<u>-</u>	<u>₩ 2,060,292</u>
December 31, 2020						
	Financial institution	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
1st Debenture (non guaranteed/public)	NH Investment & Securities Co., Ltd. and others	2.21	2026.03.13	₩ 200,000 ₩	-	₩ 200,000
USD foreign currency debenture with maturity in 2024)	CITI and others	3.25	2024.10.15	544,000	-	544,000
USD foreign currency debenture with maturity in 2029	CITI and others	3.63	2029.04.15	544,000	-	544,000
EUR foreign currency debenture with maturity in 2023	CITI and others	0.50	2023.04.15	669,120	-	669,120
Less: discount on debentures				(13,419)	-	(13,419)
				<u>₩ 1,943,701 ₩</u>	<u>-</u>	<u>₩ 1,943,701</u>

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14. Borrowings (cont'd)

4) Lease liabilities (Korean won in millions)

		September 30, 2021				
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	1.00~2.338	2026.03.31	₩ 61,082 ₩	17,529 ₩	43,553	
		December 31, 2020				
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	2.01~2.338	2025.12.31	₩ 29,134 ₩	13,242 ₩	15,892	

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15. Provisions

Changes in provisions for the nine months ended September 30, 2021 and one month ended December 31, 2020, are as follows (Korean won in millions):

2021						
	Greenhouse		Provision for	Legal	Total	
	Warranty(*1)	gas	restoration(*3)	claims(*4)		
	Warranty(*1)	emission(*2)	restoration(*3)	claims(*4)	Total	
Beginning	₩ 1,238,671	₩ 842	₩ -	₩ 331	₩ 1,239,844	
Additions	1,352,765	(7)	2,642	6,305	1,361,705	
Used	(338,415)	(724)	-	(5,649)	(344,788)	
Ending	2,253,021	111	2,642	987	2,256,761	
Less: current portion	(1,715,357)	(111)	-	-	(1,715,468)	
	<u>₩ 537,664</u>	<u>₩ -</u>	<u>₩ 2,642</u>	<u>₩ 987</u>	<u>₩ 541,293</u>	

2020						
	Greenhouse		Legal	Total		
	Warranty(*1)	gas	claims(*4)			
	Warranty(*1)	emission(*2)	claims(*4)	Total		
Beginning	₩ 676,612	₩ 746	₩ 336	₩ 677,694		
Additions	577,244	96	(5)	577,335		
Used	(15,185)	-	-	(15,185)		
Ending	1,238,671	842	331	1,239,844		
Less: current portion	(996,367)	(842)	-	(997,209)		
	<u>₩ 242,304</u>	<u>₩ -</u>	<u>₩ 331</u>	<u>₩ 242,635</u>		

(*1) Warranty provisions have been accrued for the estimated warranty costs to be incurred due to quality control, exchange, refunds with regard to products based on historical experience. In addition, provisions related to replacement costs for ESS and voluntary automotive battery recalls are included.

(*2) In relation to greenhouse gas emissions, the Group estimates the expected future costs of emissions exceeding the Group's right to emit for the year and recognizes them as provisions. The Group assessed provisions using the base quota of 291,000 tons. Estimated emissions are 193,000 tons for the nine months ended September 30, 2021(215,000tons for the previous year.)

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

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

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16. Net Defined Benefit Liabilities

(1) Details of net defined benefit liabilities recognized in the consolidated statement of financial position as of September 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations (*)	₩ 521,722	₩ 458,710
Fair value of plan assets	(409,754)	(415,924)
Liabilities in the consolidated statement of financial position	<u>₩ 111,968</u>	<u>₩ 42,786</u>

(*) The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩43 million as of September 30, 2021(as of December 31, 2020: ₩44 million)

(2) The amounts recognized in the consolidated statement of income for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	<u>2021</u>	
	<u>Three months</u>	<u>Nine months</u>
Current service cost	₩ 17,881	₩ 53,032
Interest cost	-	271
	<u>₩ 17,881</u>	<u>₩ 53,303</u>

(3) Retirement benefits recognized for defined contribution plan for the nine months ended September 30, 2021 amounted to ₩453 million.

(4) Retirement benefits recognized in the consolidated statement of income for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	<u>2021</u>	
	<u>Three months</u>	<u>Nine months</u>
Cost of sales	₩ 8,822	₩ 26,970
Selling and administrative expenses	9,287	27,013
	<u>₩ 18,109</u>	<u>₩ 53,983</u>

(5) Changes in the present value of defined benefit obligations for the nine months ended September 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning	₩ 458,710	₩ 455,133
Transfer in	26,520	998
Transfer out	(176)	-
Current service cost	53,032	5,786
Interest expense	9,580	924
Remeasurements:		
- Actuarial gain from change in financial assumption	(31,454)	(3,879)
- Actuarial gain from experience adjustments	18,556	-
- Others	743	232
Payments from plans	(13,789)	(484)
Ending	<u>₩ 521,722</u>	<u>₩ 458,710</u>

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16. Net Defined Benefit Liabilities (cont'd)

(6) Changes in the fair value of plan assets for the nine months ended September 30, 2021 and one month ended December 31, 2020, are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning	₩ 415,924	₩ 415,772
Interest income	9,309	871
Plan assets transferred through movement between affiliates	1,131	
Remeasurements		
- Return on plan assets (excluding amounts included in interest income)	(3,292)	(258)
Payments from plans	(12,558)	(395)
Administrative costs	(760)	(66)
Ending	<u>₩ 409,754</u>	<u>₩ 415,924</u>

(7) The actual return on plan assets for the nine months ended September 30, 2021 was ₩6,017 million, (one month ended December 31, 2020, was ₩613 million)

(8) The significant actuarial assumptions as of September 30, 2021 and December 31, 2020, are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Discount rate	2.93%	2.53%
Salary growth rate	5.00%	5.00%

(9) The sensitivity analysis for changes in key actuarial assumptions as of September 30, 2021 is as follows (Korean won in millions):

	<u>Increase by 1.0%</u>	<u>Decrease by 1.0%</u>
Discount rate:		
Increase (decrease) in defined benefit liabilities	₩ (66,796)	₩ 81,483
Salary growth rate:		
Increase (decrease) in defined benefit liabilities	78,936	(66,215)

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

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

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16. Net Defined Benefit Liabilities (cont'd)

(10) Plan assets as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
	Amount	Composition(%)	Amount	Composition(%)
Insurance contracts with guaranteed yield	₩ 409,754	100	₩ 415,924	100

Plan assets consist of various debt instruments with principal and interest protection and others which have no quoted market prices in an active market.

17. Other Current and Non-Current Liabilities

Details of other current and non-current liabilities as of September 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
Current:				
Advances from customers	₩	180,770	₩	130,628
Withholdings		21,525		40,170
Unearned revenues		67,951		37,738
Accrued expenses		169,163		125,522
	₩	<u>439,409</u>	₩	<u>334,058</u>
Non-current:				
Long-term accrued expenses	₩	23,636	₩	21,761
Long-term advanced received		30,347		68,616
	₩	<u>53,983</u>	₩	<u>90,377</u>

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18. Commitments and Contingencies

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

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

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

	Currency	September 30, 2021	
		The parent Company	Certain subsidiaries
	KRW	8,700	-
Limit of bank overdraft	USD	-	88
	CNY	-	1,000
	EUR	-	75
Limit of the letter of credit	USD	24	105
	CNY	-	1,410
Limit of discount of notes from export	USD	931	-
Limit of guaranteed payments in other foreign currency	USD	100	-
B2B purchase arrangements	KRW	140,000	-
	KRW	200,000	-
Limit of loan agreement	USD	-	2,274
	CNY	-	996
	EUR	-	2,865
Future agreement	USD	138	-
Factoring arrangements	USD	-	150
Limit of other credit	USD	70	-

(4) As of September 30, 2021, the Group has entered into payment guarantee contracts of USD 3 million, EUR 2 million and KRW 6,748 million with financial institutions in relation to product warranty for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 214 million with financial institutions in relation to custom clearance of imported raw materials.

(5) As of September 30, 2021, the Group has entered into an agreement with General Motors (GM) regarding joint investment in Ultium Cells LLC, whereby each party can sell its shares to third parties in 8 years after the inception of the contract. In addition, if one party defaults, the other party has the right to purchase shares from the other party. The Group is in the process of approval by the government for the use of core technologies according to the Industrial Technology Protection Act.

(6) As of September 30, 2021 in relation to price fixing of mobile batteries, the consumers in Israel have filed one class action against the Group. However, the ultimate outcome of these cases cannot be determined at the reporting date.

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18. Commitments and Contingencies (cont'd)

(7) As of September 30, 2021, in relation to GM Bolt EV, the consumers have filed one class action against the Group. However, the ultimate outcome of these cases cannot be determined at the reporting date.

(8) In addition, as of September 30, 2021, the Group has been named as a defendant in 132 (with ₩2,303 million in claims) cases and involved in 2 legal actions. The ultimate outcome of these cases cannot be determined at the reporting date.

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	₩ 2,585,107	₩ 1,911,328

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19. Share Capital

Changes in share capital and share premium for the nine months ended September 30, 2021 are as follows. (Korean won in millions and in shares)

	Ordinary shares		
	Number of shares	Share capital	Share premium
December 31, 2020	200,000,000	₩ 100,000	₩ 7,510,351
September 30, 2021	200,000,000	100,000	7,510,351

20. Retained earnings (accumulated deficit)

Details of retained earnings and accumulated deficit as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021	December 31, 2020
Unappropriated retained earnings (deficit)	₩ 303,807	₩ (453,058)

21. Selling and Administrative Expenses

Selling and administrative expenses for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Wages and salaries	₩ 136,718	₩ 376,055
Retirement benefits	9,287	27,013
Employee benefits	27,246	81,966
Travel expenses	7,150	17,414
Water & utilities	8,453	23,504
Packaging expenses	370	678
Rental expenses	15,088	38,760
Commission expenses	65,761	225,616
Depreciation	28,201	72,464
Advertising expenses	2,188	8,266
Freight expenses	41,305	119,807
Training expenses	3,610	7,733
Amortization	12,616	32,849
Sample expenses	1,618	3,473
Development costs	32,534	72,755
Others	737,312	1,452,103
	<u>₩ 1,129,457</u>	<u>₩ 2,560,456</u>

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22. Classification of Expenses by Nature

Cost of sales, and selling and administrative expenses by nature for the nine months ended September 30, 2021 is as follows (Korean won in millions):

	2021	
	Three months	Nine months
Changes in inventories of merchandise, finished goods, semi-finished goods, and work in process	₩ (381,898)	₩ (794,366)
Raw materials and consumables used	2,447,540	7,636,679
Purchase of merchandise	263,453	655,627
Employee benefit expenses	400,294	1,133,858
Advertising expenses	2,257	8,481
Freight expenses	45,878	132,642
Commission expenses	152,981	485,591
Depreciation and amortization	378,605	1,045,384
Rent expenses and usage fee	10,696	25,836
Other expenses	1,080,371	2,390,078
	<u>₩ 4,400,177</u>	<u>₩ 12,719,810</u>

23. Employee Benefit Expenses

Details of employee benefit expenses for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Salaries	₩ 340,488	₩ 957,438
Retirement benefits defined benefit plan (Note 16)	17,880	53,303
Retirement benefits defined contribution plan (Note 16)	227	680
Others	41,699	122,437
	<u>₩ 400,294</u>	<u>₩ 1,133,858</u>

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24. Finance Income and Costs

Details of finance income and costs for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Finance income:		
Interest income(*1)	₩ 8,782	₩ 20,925
Exchange differences	(9,179)	143,757
Profit on valuation of derivative instruments	62,242	103,624
	<u>₩ 61,845</u>	<u>₩ 268,306</u>
Finance costs:		
Interest expense(*2)	₩ 22,419	₩ 53,318
Exchange differences	119,415	231,974
Loss on disposal of trade receivables	78	134
Loss on disposal of financial derivatives	(4,156)	25
	<u>₩ 137,756</u>	<u>₩ 285,451</u>

(*1) Details of interest income for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Deposits held by financial institutions	₩ 3,480	₩ 12,720
Other loans and receivables	5,302	8,205
	<u>₩ 8,782</u>	<u>₩ 20,925</u>

(*2) Details of interest expense for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Interest on financial institutions	₩ 12,266	₩ 28,614
Interest on lease liabilities	315	1,242
Interest on debentures	13,385	37,868
Other interest expenses	628	636
Capitalized interest for qualifying assets	(4,175)	(15,042)
	<u>₩ 22,419</u>	<u>₩ 53,318</u>

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25. Other Non-Operating Income

Details of other non-operating income for the nine months September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Exchange differences	₩ 161,231	₩ 385,149
Gain on disposal of property, plant and equipment	111	5,040
Gain on disposal of shares of associates	3,820	3,820
Others	5,067	14,345
	<u>₩ 170,229</u>	<u>₩ 408,354</u>

26. Other Non-Operating Expenses

Details of other non-operating expenses for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Exchange differences	₩ 171,997	₩ 372,585
Loss on disposal of property, plant and equipment	9,395	28,301
Loss on disposal of intangible assets	-	90
Donations	294	1,412
Others	1,832	5,742
	<u>₩ 183,518</u>	<u>₩ 408,130</u>

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27. Income Tax Expense and Deferred Tax

Income tax expense was recognized based on the estimate of the best weighted average annual tax rate expected for the entire fiscal year. The estimated average annual income tax rate for the fiscal year ending December 31, 2021 is 6.95%.

28. Earnings per Share

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

(1) Basic earnings per share for earning from continuing operations and earnings per share attributable to the equity holders of the Parent Company for the nine months ended September 30, 2021 are computed as follows: (Korean won in millions and in number of shares)

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

	2021	
	Three months	Nine months
Earnings (losses) from continuing operations attributable to ordinary shares	₩ (228,678)	₩ 564,934
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earnings (losses) per ordinary share from continuing operations (in won)	<u>₩ (1,143)</u>	<u>₩ 2,825</u>

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

	2021	
	Three months	Nine months
Earnings (losses) attributable to ordinary shares	₩ (233,349)	₩ 750,438
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earnings (losses) per ordinary share (in Korean won)	<u>₩ (1,167)</u>	<u>₩ 3,752</u>

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

(2) Basic earnings per share attributable to ordinary shares from discontinued operations for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Earnings (losses) from discontinued operations attributable to ordinary shares	₩ (4,671)	₩ 185,504
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earnings (losses) per share attributable to ordinary shares from discontinued operations (in won)	<u>₩ (24)</u>	<u>₩ 927</u>

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29. Related Party Transactions

(1) As of September 30, 2021, LG Chem, Ltd. is an entity, which owns 100% of the Parent Company, and LG Corp. is an entity exercising a significant influence over LG Chem, Ltd.

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

Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Details
LG Chem, Ltd.	HAENGBOKNURI CO., LTD. and others	LG Chem America Inc. and others	Subsidiary of LG Chem, Ltd
S&I Corp.	S&I CM	S&I CM NANJING Co., Ltd. and others	
LG CNS Co., Ltd.	Biz Tech Partners Co., Ltd. and others	LG CNS America Inc. and others	Subsidiary of LG Corp.
LG Management Development Institute	-	-	
LG Display Co., Ltd.	-	LG Display (China) Co., Ltd. and others	
LG Electronics, Inc.	LG Innotek Co., Ltd. and others	Inspur LG Digital Mobile Communications Co., Ltd. and others	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	-	LG Enterprise group(*1)
LG Uplus Corp.	LG HelloVision Corp	-	
GILR Inc.	HS AD Inc.	-	
LX Holdings., Ltd. (*2)	LX MMA Corp and others	LX International (Japan) Ltd. and others	

(*1) Although these entities are not the related parties of the Group in accordance with KIFRS 1024, these entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

(*2) Includes LX MMA Corp (formerly, LG MMA Corp.), LX International Corp. (formerly, LG International Corp.), LX Hausys Co., Ltd. (formerly, LG Hausys Co., Ltd.).

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29. Related Party Transactions (cont'd)

(3) Sales and purchases with related parties for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021					
	Purchase and others					
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense	Others
Parents:						
LG Chem, Ltd.	₩ 43,920	₩ 876,126	₩ 11	₩ -	₩ 45	₩ 9,795
Associates and joint ventures:						
PT. HKML Battery Indonesia	7,635	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LLC.	3,922	-	-	-	-	-
HL Greenpower Co., Ltd.	470,525	440	-	-	-	-
Other related parties:						
LG Corp.	-	-	-	-	-	26,730
LG Chem America, Inc.	-	-	-	-	-	6
LG Chem (Taiwan), Ltd.	5,744	-	-	-	-	566
LG Chem Display Materials (Beijing) Co., Ltd.	5,039	-	-	-	-	-
LG Chem (China) Investment Co., Ltd.	-	230	20	-	-	938
LG Chem Europe GmbH	476	435	-	-	-	335
HAENGBOKNURI CO., LTD.	12	-	-	-	-	1,532
LG Chem (Guangzhou) Information & Electronics Materials Co., Ltd.	11,255	9,846	-	-	-	-
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	471,604	-	-	-	-
TECWIN Co., Ltd.	-	-	3,526	-	-	81
LG Management Development Institute	-	-	-	-	-	9,378
S&I Corp. and its subsidiaries	62	4,837	219,026	-	-	32,544
LG CNS Co., Ltd. and its subsidiaries	9,767	307	84,581	-	-	41,875
Others	-	55	54	-	-	2,216
Others:						
LG Display Co., Ltd. and its subsidiaries	1,194	-	-	-	12	-
LG Electronics Inc., Ltd. and its subsidiaries	816,593	820,843	186,564	-	-	14,348
LX Holdings., Ltd. and its subsidiaries (*)	215	10,023	13,814	-	1	298,183
Others	30	-	-	-	-	4,049
	<u>₩ 1,376,389</u>	<u>₩ 2,194,746</u>	<u>₩ 507,596</u>	<u>₩ -</u>	<u>₩ 58</u>	<u>₩ 442,576</u>

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

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29. Related Party Transactions (cont'd)

(4) Balances of receivables and payables arising from sales and purchases of goods and services as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021																	
	Receivables				Payables													
	Trade receivables	Loan receivables	Other receivables	Total	Trade payables	Borrowings	Lease liabilities	Other payables	Total									
Parents:																		
LG Chem, Ltd.	₩	-	₩	8,402	₩	8,402	₩	335,874	₩	-	₩	2,354	₩	479	₩	338,707		
Associates and joint ventures:																		
PT. HKML Battery Indonesia				6,490		6,490												
VINFAST LITHIUM BATTERY PACK LLC.		1				1												
HL Greenpower Co., Ltd.		129,637		46,869		176,506												
Other related parties:																		
LG Corp.				42		42								8,137		8,137		
LG Chem America, Inc.														4		4		
LG Chem (China) Investment Co., Ltd.							2									2		
LG Chem Europe GmbH				104		104								285		285		
HAENGBOKNURI CO., LTD.														93		93		
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.							128,056									128,056		
TECWIN Co., Ltd.														25,131		25,131		
LG Management Development Institute				2,784		2,784								812		812		
S&I Corp. and its subsidiaries				3,088		3,088								136,804		136,804		
LG CNS Co., Ltd. and its subsidiaries		3,588				3,588								49,113		49,113		
Others														189		189		
Others:																		
LG Display Co., Ltd. and its subsidiaries												640		30		670		
LG Electronics Inc., Ltd. and its subsidiaries		155,399		96,578		251,977		181,472						84,391		265,863		
LX Holdings., Ltd. and its subsidiaries (*)				388		388								55,587		55,587		
Others														1,386		1,386		
	₩	288,625	₩	-	₩	164,745	₩	453,370	₩	645,404	₩	-	₩	2,994	₩	362,441	₩	1,010,839

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

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29. Related Party Transactions (cont'd)

	December 31, 2020								
	Receivables				Payables				
	Trade receivables	Loan receivables	Other receivables	Total	Trade payables	Borrowings	Lease liabilities	Other payables	Total
Parents:									
LG Chem, Ltd.	₩ 14,857	₩ -	₩ 2,764	₩ 17,621	₩ 336,730	₩ -	₩ 3,330	₩ 38,637	₩ 378,697
Associates and joint ventures:									
HL Greenpower Co., Ltd.	277,326	-	-	277,326	-	-	-	330	330
Other related parties:									
LG Corp.	-	-	25	25	-	-	-	664	664
LG Chem America, Inc.	-	-	-	-	-	-	-	76	76
LG Chem (Taiwan), Ltd.	20,495	-	-	20,495	-	-	-	638	638
LG Chem Display Materials (Beijing) Co.,Ltd.	8,685	-	-	8,685	-	-	-	-	-
LG Chem (China) Investment Co.,Ltd.	-	-	-	-	-	-	-	1,607	1,607
LG Chem Europe GmbH	40,876	-	543	41,419	-	-	-	857	857
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.	26,144	-	-	26,144	34,028	-	-	-	34,028
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	-	-	-	20,562	-	-	-	20,562
TECWIN Co.,Ltd.	-	-	-	-	-	-	-	5,531	5,531
LX MMA Corp. (formerly, LG MMA Corp.)	-	-	10	10	-	-	-	-	-
S&I Corp. and its subsidiaries	-	-	21	21	-	-	-	51,834	51,834
LG CNS Co., Ltd. and its subsidiaries	7,048	-	-	7,048	-	-	-	95,166	95,166
Others	-	-	1,800	1,800	-	-	-	672	672
Others:									
LG Display Co., Ltd. and its subsidiaries	472	-	2,264	2,736	-	-	703	13	716
LG Electronics Inc., Ltd. and its subsidiaries	158,447	-	111,418	269,865	117,010	-	-	234,982	351,992
LX International Corp. (formerly, LG International Corp. and its subsidiaries)	-	-	-	-	-	-	575	33,610	34,185
Others	-	-	3	3	-	-	-	661	661
	<u>₩ 554,350</u>	<u>₩ -</u>	<u>₩ 118,848</u>	<u>₩ 673,198</u>	<u>₩ 508,330</u>	<u>₩ -</u>	<u>₩ 4,608</u>	<u>₩ 465,278</u>	<u>₩ 978,216</u>

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29. Related Party Transactions (cont'd)

(5) Fund transactions with related parties for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021							
	Dividends received	Dividends paid	Equity contribution In cash (capital Reduction)	Loans transaction		Borrowings transaction(*)		
				Loans	Repayment	Borrowings	Repayment	
Parents:								
LG Chem, Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	641
Associates and joint ventures:								
PT. HKML Battery Indonesia		-	-	209,132	-	-	-	-
Other related parties:								
LG Corp.		-	-	-	-	-	-	-
LG Chem (Taiwan), Ltd.		-	-	-	-	-	792	111
Others:								
LG DISPLAY AMERICA, INC		-	-	-	-	-	-	108
Pantos Logistics France S.A.R.L		-	-	-	-	-	-	419
Pantos Logistics Spain S.L.U.		-	-	-	-	-	-	161
	₩	- ₩	- ₩	209,132 ₩	- ₩	- ₩	792 ₩	1,440 ₩

(*) The amounts represent lease liabilities that were recognized or repaid for the nine months ended September 30, 2021.

(6) Compensation for key management of the Group for the nine months ended September 30, 2021 is as follows (Korean won in millions):

	2021
Short-term employee benefits	₩ 27,502
Retirement benefits	₩ 7,367
	₩ 34,869

Key management includes directors and audit committee members having duties and responsibilities over planning, operations and controlling of the Group's business activities.

(7) There are no provisions recognized against receivables from related parties as of September 30, 2021.

(8) As of September 30, 2021, there are no payment guarantees provided by the Group for related parties.

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30. Cash Generated from Operations

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

	<u>2021</u>	
Profit before income tax:		
Profit before income tax from continuing operations	₩	675,350
Profit before income tax from discontinued operations		<u>275,589</u>
	₩	<u>950,939</u>
Adjustments for		
- Depreciation	₩	993,015
- Amortization		52,498
- Retirement benefits		53,303
- Financial income		(209,856)
- Financial costs		261,897
- Foreign exchange differences		(28,950)
- Loss on valuations of inventories		27,457
- Loss on disposal of inventories		37,115
- Gain on disposal of property, plant and equipment		(5,040)
- Loss on disposal of property, plant and equipment and intangible assets		28,391
- Gain on disposal of business		(243,740)
- Gain on disposal of investments in associates		(3,820)
- Contribution to provisions		1,361,705
- Other income		(7,601)
- Changes in inventories		(1,214,199)
- Changes in trade receivables		454,917
- Changes in other receivables		(1,167,228)
- Changes in other current assets		(17,660)
- Changes in trade payables		(327,550)
- Changes in other payables		(19,931)
- Changes in other current liabilities		(2,656)
- Changes in provisions		(346,705)
- Changes in net defined benefit liabilities		24,742
- Other cash flows from operations		<u>62,532</u>
Cash generated from operations	₩	<u>713,575</u>

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30. Cash Generated from Operations (cont'd)

(2) Changes in liabilities arising from financial activities for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021						
	<u>Beginning</u>	<u>Cash flows from financing activities</u>	<u>Reclassification of current portion</u>	<u>Amortization</u>	<u>Lease liabi lities</u>	<u>Others</u>	<u>Ending</u>
Short-term borrowings	₩ 1,123,038	₩ (190,019)	₩ 1,064,592	₩ -	₩ -	₩ 464,724	₩ 2,462,335
Long-term borrowings	3,092,585	810,139	(1,064,592)	-	53,443	(306,939)	2,584,636
Debentures	1,943,701	-	-	2,417	-	114,174	2,060,292
	<u>₩ 6,159,324</u>	<u>₩ 620,120</u>	<u>₩ -</u>	<u>₩ 2,417</u>	<u>₩ 53,443</u>	<u>₩ 271,959</u>	<u>₩ 7,107,263</u>

(3) Significant non-cash transactions for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021
Reclassification of construction-in-progress	₩ 1,811,426
Reclassification of long-term borrowings into current portion	1,064,592
Other payables related to acquisitions of property, plant and equipment and intangible assets	1,156,922

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31. Segment Information

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

Segment	Products or services	Major customers
Energy solution (*)	Mobile batteries, automotive batteries, Electricity storage batteries and others	HP, GM and others

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

(2) Segment information on revenue, profit and loss for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Nine months
Total segment revenue	₩ 4,027,414	₩ 13,412,546
Revenue from external customers (*1)	4,027,414	13,412,546
Operating profit (*2)	(372,762)	692,737

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

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

(3) Segment information on assets and liabilities as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 23,612,306	₩ 236,557	₩ 14,390,128
	December 31, 2020		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 19,941,795	₩ 48,350	₩ 12,376,390

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31. Segment Information (cont'd)

(4) External sales and non-current assets by geographical segments from continuing operations for the nine months ended September 30, 2021 and as of September 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	Sales		Non-current assets(*1)	
	2021		September 30, 2021	December 31, 2020
	Three months	Nine months		
Korea(*2)	₩ 350,508	₩ 1,920,361	₩ 2,163,286	₩ 2,059,227
China	765,296	1,974,149	3,544,879	2,826,847
Asia/Oceania	281,894	837,528	1,110	187
America	675,612	2,117,683	1,249,987	548,665
Europe	1,954,105	6,562,825	3,934,778	3,829,560
	₩ 4,027,415	₩ 13,412,546	₩ 10,894,040	₩ 9,264,486

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

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

(5) During the nine months ended September 30, 2021, revenues from transactions with a European automotive battery customer amounted to 10% or more of the Group's revenue. Total revenues from the transactions with this customer amounted to approximately ₩2,025,139 million.

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32. Assets and Liabilities Held for Sale and Discontinued Operations

32.1 Assets and Liabilities Held for Sale

Following the approval of management of LG Chem, Ltd. made before the split-off, the Group decided to dispose of six lines of small pouch assembly facilities and others (June 2019) and LCD polarizer business (June 2020). The related assets and liabilities were reclassified as assets and liabilities held for sale. Disposal of LCD polarizer business has been completed in the first half 2021.

(1) Details of assets and liabilities of disposal group classified as held for sale as of September 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Assets of disposal group:		
Inventories	₩ -	₩ 121,125
Property, plant and equipment		237,652
Intangible assets	-	56
	<u>₩ -</u>	<u>₩ 358,833</u>
Liabilities of disposal group:		
Borrowings and others	₩ -	₩ 142
	<u>₩ -</u>	<u>₩ 142</u>

(2) The disposal group was measured at fair value less costs to sell immediately prior to its initial classification as held for sale, and there are no non-operating expenses (income) recognized for the current period.

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

32.2 Discontinued Operations

(1) Following the approval of management made before the split-off, the Group decided to dispose of LCD polarizer business (June 2020) and accordingly, the related assets and liabilities were classified as assets and liabilities held for sale. Profit and loss from the related operations are also presented as discontinued operations. The disposal of LCD polarizer business has been completed in February 2021.

(2) Comprehensive income from discontinued operations for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
Revenue	₩	455,880
Expenses		(180,291)
Profit before income tax		275,589
Income tax expense		(45,976)
Profit from discontinued operations	₩	<u>229,613</u>

(3) Net cash flows from discontinued operations for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	2021	
Net cash flow from operating activities	₩	(34,717)
Net cash flow from investing activities		588,047
Net cash flow from financing activities		(553,806)

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

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

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33. Assets and Liabilities related to Contracts with Customers

(1) Assets and liabilities related to contracts with customers as of September 30, 2021 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Contract liabilities:		
Advances from customers received as part of the Group's main business activities	₩ 248,133	₩ 198,454
Expected customer incentives	2,445	3,858
Unearned revenue	398	340
	<u>₩ 250,976</u>	<u>₩ 202,652</u>

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the contract liabilities transferred through the split-off for the nine months ended September 30, 2021 are as follows (Korean won in millions):

	<u>2021</u>	
	<u>Three months</u>	<u>Nine months</u>
Revenue recognized in the current period from the beginning contract liabilities:		
Revenues in relation to advances from customers received as part of the Group's main business activities	₩ 29,043	₩ 109,330
Unearned revenue	27	109
	<u>₩ 29,070</u>	<u>₩ 109,439</u>

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34. Investment Properties

(1) Details of investment properties as of September 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	September 30, 2021				December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 161	₩ -	₩ -	₩ 161	₩ -	₩ -	₩ -	₩ -
Buildings	313,386	(78,160)	(361)	234,865	333,869	(78,342)	(441)	255,086
	<u>₩ 313,547</u>	<u>₩ (78,160)</u>	<u>₩ (361)</u>	<u>₩ 235,026</u>	<u>₩ 333,869</u>	<u>₩ (78,342)</u>	<u>₩ (441)</u>	<u>₩ 255,086</u>

(2) Changes in investment properties for the nine months ended September 30, 2021 and for the one month ended December 31, 2020, are as follows (Korean won in millions):

	2021		2020	
	Land	Building	Building	
Beginning	₩ -	₩ 255,086	₩ 255,638	
Acquire / Transfer	161	-	-	
Disposal / Transfer	-	(15,484)	-	
Depreciation	-	(4,737)	(552)	
Ending	<u>₩ 161</u>	<u>₩ 234,865</u>	<u>₩ 255,086</u>	

(3) The fair value of investment properties is measured either by independent professional appraisers with certified qualification or measured based on official appraised value of land and available information from recent transactions of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment properties as of September 30, 2021, is ₩268,713 million.

Rental income from investment properties under operating lease for the nine months ended September 30, 2021, is ₩10,410 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the nine months ended September 30, 2021 are ₩4,737 million.

34. Investment Properties (cont'd)

(4) Operating lease

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

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

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Less than 1 year	₩ 13,029	₩ 14,842
Between 1-2 years	12,658	12,831
Between 2-5 years	4,219	12,831
	<u>₩ 29,906</u>	<u>₩ 40,504</u>

35. Revenue from Contracts with Customers

(1) Regarding the trade secret infringement dispute between the Group and SK Innovation Co., Ltd. on February 11, 2021, the US International Trade Commission (ITC) made a final decision that SK innovation Co., Ltd. had infringed on the Group's trade secrets. The two companies signed an agreement on May 15, 2021, and in exchange for the settlement, the Group agreed to receive a lump-sum payment of ₩1 trillion and ₩1 trillion in royalties in accordance with a certain percentage of annual sales from SK Innovation Co., Ltd.

(2) In accordance with this agreement, the Group terminated the dispute with SK Innovation Co., Ltd. through entering into a permanent license agreement and agreed to not file any lawsuits for the next 10 years as well as dropping all ongoing lawsuits at domestic and abroad. The Group has determined that all settlement payments are consideration received in exchange for the license agreement.

(3) 'Granting a license' corresponds to the main business activity of the Group, and the nature of the license the Group provides to SK innovation Co., Ltd. is the right to use, and there is no performance obligation to provide additionally after agreement.

(4) Accordingly, for the above reasons, the Group has recognized the lump-sum of ₩1,000,000 million (at the present value of ₩992,233 million) as operating income based on the agreement made with SK Innovation Co., Ltd. on May 15, 2021.

36. Events After the Reporting Period

(1) The Group signed an MOU for the establishment of a joint venture with Stellantis, an automobile manufacturer, in October 2021.

(2) The Group signed a contract to acquire 4.8% shares in Greatpower Nickel & Cobalt Materials, a nickel/cobalt smelter, in October 2021.

(3) The Group's Board of Directors has decided to acquire 50.0% stake in Heungji Tech in China from LG Energy Solution Battery (Nanjing) Co., Ltd. for ₩196,856 million.