

LG Energy Solution, Ltd.

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

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Report on review of interim condensed separate financial statements

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

We have reviewed the accompanying interim condensed separate financial statements of LG Energy Solution, Ltd. (the “Company”), which comprise the interim condensed separate statement of financial position as of September 30, 2021, and the related interim condensed separate statements of income and interim condensed separate statements of comprehensive income for the three and nine months ended September 30, 2021, and the interim condensed separate statement of changes in equity and interim condensed separate 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 separate financial statements

Management is responsible for the preparation and presentation of these interim condensed separate financial statements in accordance with Korean International Financial Reporting 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 separate financial statements based on our review.

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean 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 separate 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 33 to the interim condensed separate financial statements. As described in Note 33 to the interim condensed separate financial statements, the Company has recognized the lump-sum of ₩1,000,000 million (at the present value of ₩992,233 million) as operating income based on the agreement made with SK Innovation Co., Ltd. on May 15, 2021.

Other matter

The separate statement of financial position as of December 31, 2020, and the related separate statement of income, separate statement of comprehensive income, separate statement of changes in equity and separate 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 on March 11, 2021 expressed an unqualified opinion. The accompanying separate statement of financial position as of December 31, 2020 presented for comparative purposes is not different, in all material respects, from the above audited separate statement of financial position.

Ernst & Young Han Young

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 separate financial statements and may result in modification to this review report.

LG Energy Solution, Ltd.

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

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

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

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

(Korean won in millions)

	Notes		September 30, 2021	December 31, 2020
Assets				
Current assets				
Cash and cash equivalents	3,5,6	₩	800,018 ₩	536,731
Trade receivables	3,5,7,29		1,396,530	1,547,136
Other receivables	3,5,7,29		921,254	1,072,733
Prepaid income taxes			-	22
Other current financial assets	3,5,8		9,455	23,821
Other current assets	13		93,754	58,243
Inventories	9		1,113,502	949,749
		₩	4,334,513 ₩	4,188,435
Non-current assets				
Trade receivables	3,5,7	₩	51,175 ₩	26,291
Other receivables	3,5,7,29		626,112	454,026
Other non-current financial assets	3,5,8		132,586	-
Investments in subsidiaries	10,29		4,808,706	4,444,021
Investments in associates and joint ventures	10,29		236,270	43,084
Deferred tax assets	27		1,367,052	1,088,093
Property, plant and equipment	11,18		1,613,218	1,528,296
Intangible assets	12		312,373	273,133
Investment properties	32		235,174	255,086
Other non-current assets	13		30,379	42,252
		₩	9,413,045 ₩	8,154,282
Total assets		₩	<u>13,747,558 ₩</u>	<u>12,342,717</u>
Liabilities				
Current liabilities				
Trade payables	3,5,29	₩	1,165,490 ₩	1,272,958
Other payables	3,5,29		359,236	378,665
Borrowings	3,5,11,14,30		238,953	2,273
Other current financial liabilities	3,5,8		61,633	62,544
Current provisions	15,18		1,656,594	984,235
Income tax payables			17,660	-
Other current liabilities	17,31		278,993	206,176
			3,778,559	2,906,851
Non-current liabilities				
Other payables	3,5	₩	3,270 ₩	1,563
Borrowings	3,5,11,14,30		2,091,277	1,947,264
Other non-current financial liabilities	3,5,8		-	41,768
Non-current provisions	15,18		427,002	110,325
Net defined benefit liabilities	16		111,861	42,786
Deferred tax liabilities	17		27,790	40,062
			2,661,200	2,183,768
Total liabilities		₩	<u>6,439,759 ₩</u>	<u>5,090,619</u>
Equity				
Share capital	19	₩	100,000 ₩	100,000
Capital surplus	19		7,510,351	7,510,351
Accumulated other comprehensive income			17,642	17,270
Retained earnings (accumulated deficit)	20		(320,194)	(375,523)
Total equity		₩	<u>7,307,799 ₩</u>	<u>7,252,098</u>
Total liabilities and equity		₩	<u>13,747,558 ₩</u>	<u>12,342,717</u>

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

LG Energy Solution, Ltd.**Interim condensed separate 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	₩ 1,907,861	₩ 6,411,098
Cost of sales	22,23,29	(1,527,168)	(4,193,641)
Gross profit		380,693	2,217,457
Selling and administrative expenses	21,22,23,29	(1,095,100)	(2,305,397)
Operating profit (loss)		(714,407)	(87,940)
Finance income	5,24,29	105,785	236,618
Finance costs	5,24,29	(107,702)	(237,331)
Other non-operating income	25	130,965	257,229
Other non-operating expenses	26	(86,160)	(163,061)
Profit (loss) before income tax		(671,519)	5,515
Income tax expenses (benefit)	27	(200,880)	(43,389)
Profit (loss) for the period		₩ (470,639)	₩ 48,904
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)	28		
Basic earnings (loss) per share		₩ (2,353)	₩ 245

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

LG Energy Solution, Ltd.

**Interim condensed separate statements of comprehensive income
for the three and nine months ended September 30, 2021 (Unaudited)**

(Korean won in millions)

	Notes	2021	
		Three months	Nine months
Profit (loss) for the period		₩ (470,639)	₩ 48,904
Other comprehensive income:		5,223	6,797
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of net defined benefit liabilities	16	(1,327)	8,862
Gain (loss) on valuation of financial assets at FVOCI	5	13,613	15,053
Income tax effect of other comprehensive income	5	<u>(3,379)</u>	<u>(6,577)</u>
		8,907	17,338
Items that may be subsequently reclassified to profit or loss			
Loss on cash flow hedge	5	(5,081)	(14,540)
Income tax effect of other comprehensive income	5	<u>1,397</u>	<u>3,999</u>
		(3,684)	(10,541)
Other comprehensive income for the period, net of tax		<u>5,223</u>	<u>6,797</u>
Total comprehensive income (loss) for the period, net of tax		<u>₩ (465,416)</u>	<u>₩ 55,701</u>

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

LG Energy Solution, Ltd
Interim condensed separate statement of changes in equity
for the nine months ended September 30, 2021 (Unaudited)
(Korean won in millions)

	<u>Notes</u>	<u>Share capital</u>	<u>Capital surplus</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings (accumulated Deficit)</u>	<u>Total</u>
As of January 1, 2021		₩ 100,000	₩ 7,510,351	₩ 17,270	₩ (375,523)	₩ 7,252,098
Total comprehensive income for the period:						
Profit for the period		-	-	-	48,904	48,904
Remeasurements of net defined benefit liabilities	16	-	-	-	6,425	6,425
Gain on valuation of financial assets at FVOCI	5	-	-	10,913	-	10,913
Loss on cash flow hedge	5	-	-	(10,541)	-	(10,541)
Total comprehensive income for the period		-	-	372	55,329	55,701
As of September 30, 2021		₩ 100,000	₩ 7,510,351	₩ 17,642	₩ (320,194)	₩ 7,307,799

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

LG Energy Solution, Ltd.**Interim condensed separate 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	₩ 211,941
Interest received		25,482
Interest paid		(26,299)
Income tax refund		(197,549)
Net cash flows provided by operating activities		<u>13,575</u>
Cash flows from investing activities:		
Cash inflow from investing activities		
Decrease in other receivables		960,390
Decrease in other non-current receivables		6,788
Proceeds from disposal of investments in associates and joint ventures		28,377
Proceeds from disposal of property, plant and equipment		15,555
Proceeds from disposal of intangible assets		1
		<u>1,011,111</u>
Cash outflow from investing activities		
Increase in other non-current receivables		(5,595)
Acquisition of investments in subsidiaries		(364,349)
Acquisition of investments in associates and joint ventures		(209,132)
Acquisition of financial instrument		(69,329)
Acquisition of property, plant and equipment		(305,819)
Acquisition of intangible assets		(31,086)
		<u>(985,310)</u>
Net cash flows provided by investing activities		25,801
Cash flows from financing activities:		
Cash inflow from financing activities		
Proceeds from borrowings and others		227,480
Cash outflow from financing activities		227,480
Repayments of borrowings and others		(6,823)
		<u>(6,823)</u>
Net cash flows provided by financing activities		<u>220,657</u>
Net increase in cash and cash equivalents		260,033
Cash and cash equivalents at the beginning of the period		536,731
Effects of exchange rate changes on cash and cash equivalents		3,254
Cash and cash equivalents at the end of the period	<u>₩</u>	<u>800,018</u>

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

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

1. General

LG Energy Solution, Ltd. (the "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 Company has its manufacturing facilities in Ochang.

As of September 30, 2021, the 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 Company.

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

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these interim condensed separate 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 Company prepares statutory interim condensed separate 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 separate 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 separate financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company'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 separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company 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 separate financial statements of the Company.

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

3. Financial Risk Management

3.1 Financial Risk Factors

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

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

Management has set up a policy to require Company companies to manage their foreign exchange risk against their functional currency. The Company 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 Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

As of September 30, 2021 and December 31, 2020, the Company'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	₩ 2,157,629	₩ 2,339,537	₩ 2,221,196	₩ 2,364,916
EUR	182,770	824,450	174,206	739,136
JPY	13,412	12,345	15,110	32,693
CNY and others	253,348	1,609	401,943	974

As of September 30, 2021 and December 31, 2020, if the Company 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	₩ (18,191)	18,191	(14,372)	14,372

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

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 Company reporting date.

2) As of September 30, 2021, the Company 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 (*)	Shinhan bank	USD 500	1,135.60	2020.10.14	2024.10.15	₩ 25,697	₩ -
	KB Kookmin bank	USD 500	1,102.83	2020.11.24	2029.04.16	22,507	-

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

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 Company adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Company (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 Company has no floating rate deposits and borrowings outstanding at the end of the reporting period.

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

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 Company holds, as well as debt instruments at amortized cost or fair value through other comprehensive income.

1) Trade receivables

The Company 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	₩ 1,268,582 ₩	179,274 ₩	1,447,856
Expected loss rate	0.01%	0.00%	0.01%
Provisions for receivables	151	-	151
December 31, 2020 (Account Receivables)			
Gross carrying amount	1,272,961	300,590	1,573,551
Expected loss rate	0.01%	0.00%	0.01%
Provisions for receivables	124	-	124

(*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	₩ 124	₩ 159
Increase (Reversal) of provisions recognized in profit or loss during the period	27	(35)
Ending	₩ 151	₩ 124

As of September 30, 2021, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩1,447,856 million (as of December 31, 2020 ₩1,573,551 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	₩ 54	₩ 54

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

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

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

The Company has deposited its cash and cash equivalents and other long-term deposits in several financial institutions, such as Woori Bank and others. The Company has also entered into derivative contract with several financial institutions. The Company 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 Company monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Company'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.

LG Energy Solution, Ltd.

Notes to the interim condensed separate financial statements

September 30, 2021 (Unaudited) and December 31, 2020

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

1) The table below analyzes the Company groupings based on the remaining period at the reporting date 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)	₩	279,516	₩	735,750	₩	896,831	₩	656,879
Lease liabilities		8,647		4,578		27,426		-
Trade and other payables		<u>1,524,726</u>		<u>10</u>		<u>3,260</u>		<u>-</u>
		<u>1,812,889</u>		<u>740,338</u>		<u>927,517</u>		<u>656,879</u>
Derivative instruments:								
Gross settlement currency forwards								
Inflows	₩	-	₩	-	₩	(592,450)	₩	(592,450)
Outflows		<u>-</u>		<u>-</u>		<u>567,800</u>		<u>551,415</u>
		<u>-</u>		<u>-</u>		<u>(24,650)</u>		<u>(41,035)</u>
	₩	<u>1,812,889</u>	₩	<u>740,338</u>	₩	<u>902,867</u>	₩	<u>615,844</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)	₩	45,174	₩	45,174	₩	1,324,270	₩	814,127
Lease liabilities		2,379		1,585		2,109		-
Trade and other payables		<u>1,651,623</u>		<u>1,563</u>		<u>-</u>		<u>-</u>
		<u>1,699,176</u>		<u>48,322</u>		<u>1,326,379</u>		<u>814,127</u>
Derivative instruments:								
Gross settlement currency forwards								
Inflows	₩	-	₩	-	₩	(544,000)	₩	(544,000)
Outflows		<u>-</u>		<u>-</u>		<u>567,800</u>		<u>567,800</u>
		<u>-</u>		<u>-</u>		<u>23,800</u>		<u>7,415</u>
	₩	<u>1,699,176</u>	₩	<u>48,322</u>	₩	<u>1,350,179</u>	₩	<u>821,542</u>

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

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

	<u>Purpose of the contracts</u>	<u>Hedged items</u>	<u>Financial institution</u>	<u>Maturity</u>	<u>Fair value</u>
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, SC	~2021.12	₩ 9,282

Details 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	₩ 173	₩ 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) The table below analyzes the Company into relevant maturity groupings based on the remaining maturity as at the reporting date to the contractual maturity date. (Korean won in millions)

	<u>September 30, 2021</u>			
	<u>Less than 1 year</u>	<u>Between 1-2 years</u>	<u>Between 2-5 years</u>	<u>Over 5 years</u>
Financial guarantee contracts(*)	₩ 3,765,465	₩ -	₩ -	-

	<u>December 31, 2020</u>			
	<u>Less than 1 year</u>	<u>Between 1-2 years</u>	<u>Between 2-5 years</u>	<u>Over 5 years</u>
Financial guarantee contracts(*)	₩ 3,335,344	₩ -	₩ -	-

(*) The Company has provided financial guarantee for subsidiaries. The amount represents the maximum amount of the guarantee as of September 30, 2021, in which the guarantee could be called (Note 8, 18).

3. Financial Risk Management (cont'd)

3.2 Capital Risk Management

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern, so the Company 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 Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the separate statement of financial position plus net debt.

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

	September 30, 2021	December 31, 2020
Total borrowings (Note 14) (A)	₩ 2,330,230	₩ 1,949,537
Less: cash and cash equivalents (B)	<u>(800,018)</u>	<u>(536,731)</u>
Net debt (C=A+B)	1,530,212	1,412,806
Total liabilities (D)	6,439,759	5,090,619
Total equity (E)	7,307,799	7,252,098
Total capital (F=C+E)	<u>8,838,011</u>	<u>8,664,904</u>
Gearing ratio (C/F)	17.3%	16.3%
Debt-to-equity ratio (D/E)	88.1%	70.2%

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	₩ 800,018	(*1)	₩ 536,731	(*1)
Trade receivables	1,396,530	(*1)	1,547,136	(*1)
Other receivables (excluding deposits held by financial institutions)	921,254	(*1)	472,733	(*1)
Deposits held by financial institutions	-	(*1)	600,000	(*1)
Current derivative financial assets	9,455	9,455	23,821	23,821
Financial assets(non-current):				
Deposits held by financial institutions	60,014	(*1)	60,014	(*1)
Trade receivables	51,175	(*1)	26,291	(*1)
Other receivables (excluding deposits held by financial institutions)	566,098	(*1)	394,012	(*1)
Other non-current financial assets				
Marketable financial assets	22,782	22,782	-	-
Non-marketable financial assets	61,600	61,600	-	-
Non-Current derivative financial assets (currency forward)	48,204	48,204	-	-
Financial liabilities(current):				
Trade and other payables	1,524,726	(*1)	1,651,623	(*1)
Current borrowings (excluding lease liabilities)	230,922	(*1)	-	-
Current lease liabilities	8,031	(*2)	2,273	(*2)
Current derivative financial liabilities	173	173	-	-
Other current financial liabilities	61,460	(*1)	62,544	(*1)
Financial liabilities(non-current):				
Non-current borrowings (excluding lease liabilities)	2,060,292	2,148,698	1,943,701	2,020,530
Non-current lease liabilities	30,985	(*2)	3,563	(*2)
Other non-current payables	3,270	(*1)	1,563	(*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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Notes to the interim condensed separate financial statements
September 30, 2021 (Unaudited) and December 31, 2020

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 Company (AA+), and the applied discount rates as of September 30, 2021 and December 31, 2020 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
Other non-current derivative financial liabilities (currency forward)	-	48,204	-	48,204
Current derivative financial liabilities	-	173	-	173
Other non-current financial assets(Non-marketable financial assets)	22,782	-	61,600	84,382
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding finance lease liabilities)	-	2,148,698	-	2,148,698

LG Energy Solution, Ltd.
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3. Financial Risk Management (cont'd)

3.3 Fair Value (cont'd)

(3) Fair value hierarchy (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)	-	2,020,530	-	2,020,530

4. Significant Accounting Estimates and Assumptions

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

The significant estimates and assumptions made by management on the application of the Company's interim condensed separate financial statements are the same as those of the separate 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 Company'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 separate financial statements may be adjusted according to fluctuations in uncertainty arising from COVID-19, and the ultimate impact of COVID-19 on the Company 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 Company'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 Company 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 Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(2) Provisions

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

5. Financial Instruments by Category

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

Financial assets	September 30, 2021			Total
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
Cash and cash equivalents	₩ 800,018	₩ -	₩ -	800,018
Trade receivables	1,396,530	-	-	1,396,530
Non-current trade receivables	51,175	-	-	51,175
Other receivables	921,254	-	-	921,254
Other non-current receivables	626,112	-	-	626,112
Other current financial assets	-	-	9,455	9,455
Other non-current financial assets	-	48,204	84,382	132,586
	₩ 3,795,089	₩ 48,204	₩ 93,837	₩ 3,937,130

Financial liabilities	September 30, 2021			Total
	Financial assets at fair value through profit or loss	Other financial liabilities (*)		
Trade payables	₩ 1,165,490	₩ -	₩ -	1,165,490
Other payables	359,236	-	-	359,236
Borrowings(current)	230,922	8,031	-	238,953
Other current financial liabilities	61,460	173	-	61,633
Other non-current financial liabilities	-	-	-	-
Other non-current payables	3,270	-	-	3,270
Borrowings(non-current)	2,060,292	30,985	-	2,091,277
	₩ 3,880,670	₩ 39,189	₩ -	₩ 3,919,859

Financial assets	December 31, 2020			Total
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income		
Cash and cash equivalents	₩ 536,731	₩ -	₩ -	536,731
Trade receivables	1,547,136	-	-	1,547,136
Non-current trade receivables	26,291	-	-	26,291
Other receivables	1,072,733	-	-	1,072,733
Other non-current receivables	454,026	-	-	454,026
Other current financial assets	-	23,821	-	23,821
	₩ 3,636,917	₩ 23,821	₩ -	₩ 3,660,738

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Notes to the interim condensed separate financial statements
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5. Financial Instruments by Category (cont'd)

	December 31, 2020			
	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities (*)	Total
Trade payables	₩ -	₩ 1,272,958	₩ -	₩ 1,272,958
Other payables	-	378,665	-	378,665
Borrowings(current)	-	-	2,273	2,273
Other current financial liabilities	-	-	62,544	62,544
Other non-current financial liabilities	41,768	-	-	41,768
Other non-current payables	-	1,563	-	1,563
Borrowings(non-current)	-	1,943,701	3,563	1,947,264
	<u>₩ 41,768</u>	<u>₩ 3,596,887</u>	<u>₩ 68,380</u>	<u>₩ 3,707,035</u>

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

(2) Net gains or losses on each category of financial instruments for the 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	₩ 5,278	₩ 18,119
Interest expense:		
Financial liabilities at amortized cost	(13,462)	(37,946)
Other financial liabilities	(70)	(668)
Gains or loss on valuation:		
Financial assets at fair value through other comprehensive income	13,613	15,053
Derivative instruments	43,509	75,432
Exchange differences:		
Financial assets at amortized cost	109,599	194,357
Financial liabilities at amortized cost	(125,636)	(211,717)

LG Energy Solution, Ltd.
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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	₩ 74,914	₩ 23,670
Deposits held by financial institutions and others	725,104	513,061
	<u>₩ 800,018</u>	<u>₩ 536,731</u>

(2) As of September 30, 2021, there are no cash and cash equivalents with limited purpose of use by the Company.

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	₩ 1,396,681	₩ (151)	₩ 1,396,530	₩ 1,547,260	₩ (124)	₩ 1,547,136
Non-current trade receivables	51,175	-	51,175	26,291	-	26,291
Other current receivables	921,308	(54)	921,254	1,072,787	(54)	1,072,733
Other non-current receivables	<u>626,112</u>	<u>-</u>	<u>626,112</u>	<u>454,026</u>	<u>-</u>	<u>454,026</u>
	<u>2,995,276</u>	<u>(205)</u>	<u>2,995,071</u>	<u>3,100,364</u>	<u>(178)</u>	<u>3,100,186</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	₩ 916,171	₩ 455,756
Deposits held by financial institutions	-	600,000
Accrued income	119	9,293
Loan	-	-
Guarantee deposits provided	<u>4,964</u>	<u>7,684</u>
	921,254	1,072,733
Non-current:		
Non-trade receivables	₩ 548,374	₩ 43,896
Deposits held by financial institutions(*)	60,014	60,014
Loan	-	333,920
Guarantee deposits provided	<u>17,724</u>	<u>16,196</u>
	626,112	454,026
	<u>₩ 1,547,366</u>	<u>₩ 1,526,759</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.

LG Energy Solution, Ltd.

Notes to the interim condensed separate financial statements
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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	₩ 1,268,582	₩ 1,545,422	₩ 1,272,961	₩ 1,491,427
Past due but not impaired:				
Up to 3 months	48,582	1,888	146,684	33,876
Between 3-6 months	30,889	-	65,219	117
Over 6 months	99,803	56	88,687	1,339
	179,274	1,944	300,590	35,332
Impaired receivables	-	54	-	54
	₩ 1,447,856	₩ 1,547,420	₩ 1,573,551	₩ 1,526,813

(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	₩ 124	₩ 54	₩ 159	₩ -
Additions (reversal)	27	-	(35)	54
Ending	₩ 151	₩ 54	₩ 124	₩ 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.

LG Energy Solution, Ltd.**Notes to the interim condensed separate financial statements
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(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(current)	₩ 9,455 ₩	23,821
Financial assets at fair value through other comprehensive income (excluding forward contract) (non-current)	84,382	-
Financial assets at fair value through profit or loss (forward contract) (non-current)	48,204	-
	<u>₩ 142,041 ₩</u>	<u>23,821</u>
Other financial liabilities:		
Financial guarantee contracts (current)	₩ 61,460 ₩	62,544
Derivative financial liabilities (current)	173	-
Financial liabilities at fair value through profit or loss (forward contract) (non-current)	-	41,768
	<u>₩ 61,633 ₩</u>	<u>104,312</u>

(2) 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>
Acquisitions	₩ 69,329
Valuation gain (before income tax deduction), other comprehensive income item	15,053
Ending	<u>₩ 84,382</u>

(*) The Company 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.

LG Energy Solution, Ltd.

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September 30, 2021 (Unaudited) and 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):

	September 30, 2021			December 31, 2020		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Merchandise	₩ 57,674	₩ (1,592)	₩ 56,082	₩ 43,165	₩ (1,666)	₩ 41,499
Finished / Semi-finished products	806,491	(33,314)	773,177	595,201	(21,403)	573,798
Raw materials	192,165	(765)	191,400	235,354	(629)	234,725
Supplies	13,051	-	13,051	12,068	-	12,068
Materials-in-transit	79,792	-	79,792	87,659	-	87,659
	<u>₩ 1,149,173</u>	<u>₩ (35,671)</u>	<u>₩ 1,113,502</u>	<u>₩ 973,447</u>	<u>₩ (23,698)</u>	<u>₩ 949,749</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 ₩3,224,036 million.

10. Investments in Subsidiaries, Associates and Joint Ventures

(1) Changes in investments in subsidiaries, 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	2020
Beginning	₩ 4,487,105	₩ 4,452,376
Additions	573,818	34,729
Disposals	(15,947)	-
Ending	<u>₩ 5,044,976</u>	<u>₩ 4,487,105</u>

LG Energy Solution, Ltd.

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

(2) Details of investments in subsidiaries, associates and joint ventures as of September 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	Location	Percentage of ownership(%)		Carrying amount	
		September 30, 2021	December 31, 2021	September 30, 2021	December 31, 2021
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	China	81	81	₩ 1,138,401	₩ 1,138,401
LG Energy Solution Michigan Inc.	USA	100	100	943,355	583,577
LG Energy Solution Battery (Nanjing) Co., Ltd. (*1)	China	50	50	88,706	88,706
LG Energy Solution Wroclaw sp. z o.o.	Poland	100	100	1,810,008	1,810,008
LG Energy Solution Austrailia Pty Ltd.	Australia	100	100	429	429
LG Energy Solution Technology (Nanjing) Co., Ltd.	China	100	100	788,171	788,171
LG Energy Solution Europe GmbH	Germany	100	100	34,729	34,729
LG Energy Solution (Taiwan) Ltd. (*2)	Taiwan	100	-	1,871	-
Areum noori Co., Ltd. (*3)	Korea	100	-	500	-
LG Energy Solution Fund LLC (*4)	USA	100	-	2,536	-
				4,808,706	4,444,021
Associates:					
WUXI CL New Energy Technology Ltd. (*5)	China	-	30	-	1,737
VINFAST LITHIUM BATTERY PACK LLC.	Vietnam	35	35	5,323	5,323
Jiangxi VL Battery Co., Ltd.	China	34	34	21,814	21,814
				27,137	28,874
Joint venture					
HL GREEN POWER Co., Ltd. (*6)	Korea	-	49	-	14,210
PT.HKML Battery Indonesia(*7)	Indonesia	50	-	209,133	-
				209,133	14,210
				₩ 236,270	₩ 43,084

(*1) Although the Company does not own more than 50% of shares of Nanjing LG Chem New Energy Battery 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.

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

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

(*4) LG Energy Solution Fund I LLC was newly established during the current period, and the Company acquired 100% shares of LG Energy Solution Fund I LLC for ₩1,868 million.

(*5) The Company has sold its shares in Wuxi CL New Energy Technology Ltd. during the current period.

(*6) The Company has sold its shares in HL GREEN POWER Co., Ltd. during the current period.

(*7) PT.HKML Battery Indonesia was newly established during the current period and the Company acquired 50% shares of PT.HKML Battery Indonesia for ₩209,133 million.

LG Energy Solution, Ltd.

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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:	₩	1,528,296	₩	1,457,698
Acquisitions/Transfer		608,232		127,656
Disposals/ transfer		(366,371)		(38,651)
Depreciation		(156,939)		(18,470)
Ending:	₩	<u>1,613,218</u>	₩	<u>1,528,296</u>

(2) The Company capitalized ₩853 million of borrowing costs in relation to acquisition of property, plant and equipment, on property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 2.41%.

(3) Line items including depreciation in the separate statement of profit or loss are as follows (Korean won in millions):

	<u>2021</u>			
	<u>Three months</u>		<u>Nine months</u>	
Cost of sales	₩	34,710	₩	104,167
Selling and administrative expenses		21,059		52,772
	₩	<u>55,769</u>	₩	<u>156,939</u>

(4) Lease

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

Details of amounts recognized in the separate 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(*):				
Building	₩	37,487	₩	3,034
Land		393		520
Vehicles		3,300		2,275
	₩	<u>41,180</u>	₩	<u>5,829</u>

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

Additions to the right-of-use assets for the nine months ended September 30, 2021 are ₩43,051 million.

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
Lease liabilities (*):				
Current	₩	8,031	₩	2,273
Non-current		30,985		3,563
	₩	<u>39,016</u>	₩	<u>5,836</u>

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

LG Energy Solution, Ltd.
Notes to the interim condensed separate financial statements
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11. Property, Plant and Equipment (cont'd)

(ii) Amounts recognized in the separate statement of income

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

	2021	
	Three months	Nine months
Depreciation of right-of-use assets		
Building	₩ 2,261	₩ 5,684
Land	42	126
Vehicles	518	1,486
	<u>₩ 2,821</u>	<u>₩ 7,296</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 70	₩ 668
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	253	916
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	726	3,342

Total cash outflow for leases for the nine months ended September 30, 2021 is ₩11,749 million.

LG Energy Solution, Ltd.
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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:	₩	273,133	₩	272,057
Acquisitions/Transfer		78,656		5,030
Disposals/ transfer		(1,361)		(73)
Depreciation		(38,055)		(3,881)
Ending:	₩	<u>312,373</u>	₩	<u>273,133</u>

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

	<u>2021</u>			
	<u>Three months</u>		<u>Nine months</u>	
Cost of sales	₩	3,733	₩	10,533
Selling and administrative expenses		10,604		27,522
	₩	<u>14,337</u>	₩	<u>38,055</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	₩ -

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	₩	32,878	₩	42,993
Prepaid value added tax		36,036		14,361
Others		24,840		889
	₩	<u>93,754</u>	₩	<u>58,243</u>
Non-current:				
Long-term prepayments and long-term prepaid expenses	₩	30,379	₩	42,252
	₩	<u>30,379</u>	₩	<u>42,252</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 borrowing	₩ 230,922	₩ -
Current lease liabilities	8,031	2,273
	<u>238,953</u>	<u>2,273</u>
Non-current:		
Debentures	₩ 2,060,292	₩ 1,943,701
Non-current lease liabilities	30,985	3,563
	<u>2,091,277</u>	<u>1,947,264</u>
	<u>₩ 2,330,230</u>	<u>₩ 1,949,537</u>

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

1) Debentures (Korean won in millions)

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

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14. Borrowings (cont'd)

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

2) 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	2026.3.13	₩ 39,016 ₩	8,031 ₩	30,985	
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	₩ 5,836 ₩	2,273 ₩	3,563	

3) Short-term borrowing

September 30, 2021						
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Nego	0.5537	2022.02.16	₩ 230,922 ₩	230,922 ₩	-	

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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	₩ 1,093,387	₩ 842	₩ -	₩ 331	₩ 1,094,560	
Additions	1,284,768	(7)	2,642	6,305	1,293,708	
Used	(298,299)	(724)	-	(5,649)	(304,672)	
Ending	2,079,856	111	2,642	987	2,083,596	
Less: current portion	(1,656,483)	(111)	-	-	(1,656,594)	
	<u>₩ 423,373</u>	<u>₩ -</u>	<u>₩ 2,642</u>	<u>₩ 987</u>	<u>₩ 427,002</u>	

2020						
	Greenhouse		Legal	Total		
	Warranty(*1)	gas	claims(*4)			
	Warranty(*1)	emission(*2)	claims(*4)	Total		
Beginning	₩ 546,648	₩ 746	₩ 336	₩ 547,730		
Additions	560,266	96	(5)	560,357		
Used	(13,527)	-	-	(13,527)		
Ending	1,093,387	842	331	1,094,560		
Less: current portion	(983,393)	(842)	-	(984,235)		
	<u>₩ 109,994</u>	<u>₩ -</u>	<u>₩ 331</u>	<u>₩ 110,325</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. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(*2) In relation to greenhouse gas emissions, the Group estimates the expected future costs of emissions exceeding the Group's 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(215,000 tons for the previous year.)

(*3) The Company 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 separate 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 (*)	₩ 520,663	₩ 458,710
Fair value of plan assets	(408,802)	(415,924)
Liabilities in the separate statement of financial position	<u>₩ 111,861</u>	<u>₩ 42,786</u>

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

(2) The amounts recognized in the separate 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	₩ 17,791	₩ 52,791
Interest cost	-	272
	<u>₩ 17,791</u>	<u>₩ 53,063</u>

(3) Retirement benefits recognized for defined contribution plan for the nine months ended September 30, 2021 amounted to ₩663 million.

(4) Retirement benefits recognized in the separate 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	₩ 8,734	₩ 26,733
Selling and administrative expenses	9,283	26,993
	<u>₩ 18,017</u>	<u>₩ 53,726</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	25,523	998
Transfer out	(176)	-
Current service cost	52,791	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	(13,610)	(484)
Ending	<u>₩ 520,663</u>	<u>₩ 458,710</u>

LG Energy Solution, Ltd.**Notes to the interim condensed separate financial statements****September 30, 2021 (Unaudited) and December 31, 2020****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
Remeasurements		
- Return on plan assets (excluding amounts included in interest income)	(3,292)	(258)
Payments from plans	(12,378)	(395)
Administrative costs	(761)	(66)
Ending	<u>₩ 408,802</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 separate 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):

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>Composition (%)</u>	<u>Amount</u>	<u>Composition (%)</u>
Insurance contracts with guaranteed yield	₩ 408,802	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):

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
Current:				
Advances from customers	₩	147,419	₩	100,135
Withholdings		5,873		28,197
Unearned revenues		1,428		1,015
Accrued expenses		124,273		76,829
	₩	<u>278,993</u>	₩	<u>206,176</u>
Non-current:				
Long-term accrued expenses	₩	23,636	₩	21,762
Long-term advanced received		4,154		18,300
	₩	<u>27,790</u>	₩	<u>40,062</u>

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

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

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

	<u>Currency</u>	<u>September 30, 2021</u>
Limit of bank overdraft	KRW	8,700
Limit of the letter of credit	USD	24
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
Limit of loan agreement	KRW	200,000
Future agreement	USD	138
Limit of other credit	USD	70

(4) As of September 30, 2021, the Company 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.

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

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

(7) In addition, as of September 30, 2021, the Company 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.

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

(9) 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	₩ 420,684 ₩	59,506

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Notes to the interim condensed separate financial statements

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18. Commitments and Contingencies (cont'd)

(9) The Company guarantee borrowings amount is ₩3,684,863 million and details are as follows (Korean won in millions):

	Guarantee beneficiary	Financial institution	Guarantee period	September 30, 2021	
				Amount of guarantee	Outstanding loan amount
LG Energy Solution Ltd.	LG Energy Solution Wroclaw sp. z.o.o.	Citi	2019.07.28~2022.07.27	₩ 27,485	₩ 22,468
		Citi	2018.12.12~2022.07.27	34,356	-
		Citi	2020.08.28~2022.07.27	41,228	-
		ING	2017.09.01~2022.09.01	68,713	68,713
		Citi	2018.11.02~2023.11.02	68,713	68,713
		ING	2018.11.23~2023.11.23	68,713	68,713
		ING	2018.11.23~2023.11.23	27,485	27,485
		MUFG	2019.01.16~2024.01.31	68,713	68,713
		MUFG	2019.01.16~2022.01.31	68,713	68,713
		KEB Hana Bank	2019.02.06~2024.03.31	274,851	274,851
		Citi	2019.03.22~2024.03.31	68,713	68,713
		Citi	2019.08.20~2024.08.20	68,713	68,713
		SMBC	2019.09.25~2021.11.24	137,426	137,426
		EBRD	2019.09.25~2026.09.24	137,426	137,426
		SMBC	2020.02.07~2023.02.06	137,426	137,426
		SMBC	2020.02.07~2027.02.05	68,713	68,713
		DBS	2020.03.11~2023.03.11	137,426	137,426
		EIB	2020.03.16~2031.03.06	659,643	659,643
		EBRD	2020.03.26~2027.03.26	206,139	206,139
		KDB Bank/ The Export-import Bank of Korea/ NH Bank	2021.08.04~2026.08.04	364,178	364,178
		KDB Bank/ The Export-import Bank of Korea	2020.04.29~2022.04.29	755,841	755,841
		KDB Bank/ The Export-import Bank of Korea	2020.11.26~2021.11.26		
					<u>274,851</u>
			<u>₩ 3,765,465</u>	<u>₩ 3,684,864</u>	

In addition, the Company provides Letters of Comfort (LOC) in relation to certain borrowings of subsidiaries

As of September 30, 2021, the Company provided no financial guarantees to its associates in relation to their borrowings.

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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 Earning (accumulated deficit)

Details of retained earning 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 earning (deficit)	₩ (320,194)	₩ (375,523)

21. Selling and Administrative Expenses

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

	2021	
	Three months	Nine months
Wages and salaries	₩ 110,433	₩ 308,173
Retirement benefits	9,283	26,993
Employee benefits	21,222	63,441
Travel expenses	6,225	15,718
Water & utilities	8,277	22,872
Rental expenses	13,663	38,985
Commission expenses	70,939	242,976
Depreciation	22,566	57,512
Advertising expenses	1,854	7,323
Freight expenses	8,000	39,619
Training expenses	3,050	6,485
Amortization	10,604	27,522
Sample expenses	320	1,051
Development costs	35,606	80,265
Others	773,058	1,366,462
	<u>₩ 1,095,100</u>	<u>₩ 2,305,397</u>

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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	₩ (95,956)	₩ (213,961)
Raw materials and consumables used	1,015,093	2,920,056
Purchase of merchandise	211,634	517,941
Employee benefit expenses	227,575	654,859
Advertising expenses	1,882	7,492
Freight expenses	9,281	43,747
Commission expenses	82,596	276,505
Depreciation and amortization	71,614	199,735
Rent expenses and usage fee	1,334	4,284
Other expenses	1,097,215	2,088,380
	<u>₩ 2,622,268</u>	<u>₩ 6,499,038</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	₩ 193,081	₩ 550,187
Retirement benefits defined benefit plan	17,791	53,062
Retirement benefits defined contribution plan	224	663
Others	16,479	50,947
	<u>₩ 227,575</u>	<u>₩ 654,859</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)	₩ 5,279	₩ 18,120
Exchange differences	51,917	128,526
Gain on valuation of derivative instruments	48,589	89,972
	<u>₩ 105,785</u>	<u>₩ 236,618</u>
Finance costs:		
Interest expense(*2)	₩ 13,315	₩ 37,762
Exchange differences	94,387	199,569
	<u>₩ 107,702</u>	<u>₩ 237,331</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	₩ 621	₩ 3,287
Other loans and receivables	4,658	14,833
	<u>₩ 5,279</u>	<u>₩ 18,120</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 lease liabilities	₩ 70	₩ 668
Interest on debentures	13,385	37,868
Other interest expenses	78	78
Capitalized interest for qualifying assets	(218)	(852)
	<u>₩ 13,315</u>	<u>₩ 37,762</u>

LG Energy Solution, Ltd.**Notes to the interim condensed separate financial statements****September 30, 2021 (Unaudited) and December 31, 2020****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	₩ 107,919	₩ 204,554
Gain on disposal of property, plant and equipment	365	1,100
Gain on disposal of shares of associates	14,167	14,167
Others	8,514	37,408
	<u>₩ 130,965</u>	<u>₩ 257,229</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	₩ 81,487	₩ 150,872
Loss on disposal of property, plant and equipment	1,023	4,942
Loss on disposal of intangible	-	5
Loss on disposal of shares of associates	1,868	1,868
Donations	17	349
Others	1,765	5,025
	<u>₩ 86,160</u>	<u>₩ 163,061</u>

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27. Income Tax Expense and Deferred Tax

Income tax expenses were recognized based on the best estimate of the weighted average annual corporate tax rate expected for the entire fiscal year. In the fiscal year ending December 31, 2021, corporate tax revenue was generated, so the expected average annual corporate tax rate was not calculated. As of December 31, 2020 and one month then ended, the average annual corporate tax rate is 28.7%.

28. Earnings per Share

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

(1) Basic earnings per ordinary share 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 (Korean won in millions and in number of shares)

	2021	
	Three months	Nine months
Earnings (losses) attributable to ordinary shares	₩ (470,639)	₩ 48,904
Number of ordinary shares outstanding	200,000,000	200,000,000
Basic earnings (losses) per ordinary share (in Korean won)	₩ (2,353)	₩ 245

(2) The Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

LG Energy Solution, Ltd.**Notes to the interim condensed separate financial statements****September 30, 2021 (Unaudited) and December 31, 2020****29. Related Party Transactions**

(1) As of September 30, 2021, the Parent Company is LG Chem, Ltd. (percentage of ownership: 100%) over which LG Corp. exercises a significant influence.

(2) Details of other related parties that have sales and other transactions with the Company or have receivables and payables balances, other than separate subsidiaries, associates and joint ventures (Note 10), 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	
LG Management Development Institute	-	-	
LG Electronics, Inc.	LG Innotek Co., Ltd. and others	Inspur LG Digital Mobile Communications Co., Ltd. and others	LG Enterprise group (*1)
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	-	
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 Company in accordance with Korean IFRS 1024, the entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

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

LG Energy Solution, Ltd.
Notes to the interim condensed separate financial statements
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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.	₩ 12,692	₩ 71,001	₩ 11	₩ -	₩ 43	₩ 6,659
Subsidiaries:						
LG Energy Solution (Nanjing) Co., Ltd	93,061	1,104,825	-	-	-	868
LG Energy Solution Michigan, Inc.	251,871	3,114	-	-	-	23,378
LG Energy Solution Battery (Nanjing) Co., Ltd.	31,125	475,135	-	-	-	-
LG Energy Solution Wroclaw sp. z o.o.	896,988	3,920	-	-	-	3,561
LG Energy Solution Australia Pty Ltd	8,846	-	-	-	-	2,481
LG Energy Solution Technology (Nanjing) Co., Ltd.	64,701	716,826	-	-	-	-
LG Energy Solution Europe GmbH	124,481	-	-	-	-	32,129
LG Energy Solution (Taiwan), Ltd.	-	-	-	-	-	3,057
Areum noori Co., Ltd.	-	-	-	-	-	3,284
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.	-	-	-	-	-	560
LG Chem Europe GmbH	234	-	-	-	-	47
HAENGBOKNURI CO., LTD.	12	-	-	-	-	1,532
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	94,209	-	-	-	-
LG Management Development Institute	-	-	-	-	-	9,362
S&I Corp. and its subsidiaries	59	4,721	29,401	-	-	32,520
LG CNS Co., Ltd. and its subsidiaries	9,745	307	38,112	-	-	29,372
Others	-	-	-	-	-	1,833
Others:						
LG Electronics Inc., Ltd. and its subsidiaries	366,577	81,184	8,094	-	-	6,878
LX Holdings., Ltd. and its subsidiaries (*)	216	10,021	2,272	-	-	81,723
Others	30	-	-	-	-	4,049
	<u>₩ 2,342,720</u>	<u>₩ 2,565,703</u>	<u>₩ 77,890</u>	<u>₩ -</u>	<u>₩ 43</u>	<u>₩ 270,029</u>

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

LG Energy Solution, Ltd.
**Notes to the interim condensed separate financial statements
September 30, 2021 (Unaudited) and December 31, 2020**
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	₩	16,078	₩	-	₩	2,354	₩	479	₩	18,911		
Subsidiaries:																		
LG Energy Solution (Nanjing) Co., Ltd		3,226	-	95,190	98,416	373,793	-	-	2,053	375,846								
LG Energy Solution Michigan, Inc.		78,977	-	9,749	88,726	868	-	-	8,480	9,348								
LG Energy Solution Battery (Nanjing) Co., Ltd.		6,920	-	34,652	41,572	168,356	-	-	27	168,383								
LG Energy Solution Wroclaw sp. z o.o.		175,856	-	186,224	362,080	301	-	-	10,118	10,419								
LG Energy Solution Australia Pty Ltd		5,495	-	-	5,495	-	-	-	638	638								
LG Energy Solution Technology (Nanjing) Co., Ltd.		22,813	-	32	22,845	189,270	-	-	17	189,287								
LG Energy Solution Europe GmbH		17,778	-	-	17,778	-	-	-	4,720	4,720								
LG Energy Solution (Taiwan), Ltd.		-	-	-	-	-	-	-	408	408								
Areum noori Co., Ltd.		-	-	-	-	-	-	-	526	526								
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								
HAENGBOKNURI CO., LTD.		-	-	-	-	-	-	-	93	93								
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.		-	-	-	-	30,473	-	-	-	30,473								
LG Management Development Institute		-	-	2,784	2,784	-	-	-	812	812								
S&I Corp. and its subsidiaries		-	-	3,088	3,088	-	-	-	38,465	38,465								
LG CNS Co., Ltd. and its subsidiaries		3,588	-	-	3,588	-	-	-	15,960	15,960								
Others		-	-	-	-	-	-	-	189	189								
Others:																		
LG Electronics Inc., Ltd. and its subsidiaries		86,989	-	96,578	183,567	28,241	-	-	7,493	35,734								
LX Holdings., Ltd. and its subsidiaries (*)		-	-	388	388	-	-	-	14,991	14,991								
Others		-	-	-	-	-	-	-	1,386	1,386								
	₩	531,280	₩	-	₩	490,488	₩	1,021,768	₩	807,380	₩	-	₩	2,354	₩	114,996	₩	924,730

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

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

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.	₩	-	₩	2,764 ₩	₩	20,352 ₩	-	₩	3,127 ₩	₩	6,971 ₩	₩	30,450					
Subsidiaries:																		
LG Energy Solution (Nanjing) Co., Ltd		12,097	333,920	53,573	399,590	466,069	-	-	14,165	480,234								
LG Energy Solution Michigan, Inc.		122,039	-	17,921	139,960	7,581	-	-	4,199	11,780								
LG Energy Solution Battery (Nanjing) Co., Ltd.		50,565	-	2,110	52,675	91,114	-	-	-	91,114								
LG Energy Solution Wroclaw sp. z o.o.		182,243	-	258,450	440,693	2,401	-	-	3,858	6,259								
LG Energy Solution Australia Pty Ltd		2,590	-	-	2,590	-	-	-	505	505								
LG Energy Solution Technology (Nanjing) Co., Ltd.		13,364	-	15,878	29,242	157,191	-	-	-	157,191								
LG Energy Solution Europe GmbH		7,645	-	-	7,645	-	-	-	3,315	3,315								
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 (Taiwan), Ltd.		-	-	-	-	-	-	-	638	638								
LG Chem Europe GmbH		40,876	-	543	41,419	-	-	-	857	857								
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.		-	-	-	-	9,662	-	-	-	9,662								
TECWIN Co., Ltd.		-	-	-	-	-	-	-	5,531	5,531								
LX MMA Corp. (formerly, LG MMA Corp.)		-	-	10	10	-	-	-	-	-								
S&I Corp. and its subsidiaries		-	-	21	21	-	-	-	18,702	18,702								
LG CNS Co., Ltd. and its subsidiaries		7,048	-	-	7,048	-	-	-	38,914	38,914								
Others		-	-	1,800	1,800	-	-	-	672	672								
Others:																		
LG Electronics Inc., Ltd. and its subsidiaries		67,708	-	103,723	171,431	37,559	-	-	13,237	50,796								
LX International Corp. (formerly, LG International Corp. and its subsidiaries)		-	-	-	-	-	-	-	5,151	5,151								
Others		-	-	3	3	-	-	-	661	661								
	₩	783,501	₩	333,920	₩	456,821	₩	1,574,242	₩	791,929	₩	-	₩	3,127	₩	118,370	₩	913,426

LG Energy Solution, Ltd.
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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.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	435
Associates and joint ventures:								
PT. HKML Battery Indonesia		-	-	209,132	-	-	-	-
Subsidiaries:								
LG Energy Solution (Nanjing) Co., Ltd		-	-	-	-	333,920	-	-
LG Energy Solution Michigan, Inc.		-	-	359,782	-	-	-	-
LG Energy Solution (Taiwan), Ltd.		-	-	1,871	-	-	-	-
Areum noori Co., Ltd.		-	-	500	-	-	-	-
LG Energy Solution Fund LLC		-	-	2,531	-	-	-	-
	₩	- ₩	- ₩	573,816 ₩	- ₩	333,920 ₩	- ₩	435

(*) 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 Company for the nine months ended September 30, 2021 is as follows (Korean won in millions):

	2021	
Short-term employee benefits	₩	26,718
Retirement benefits		6,740
	₩	33,458

Key management includes directors and audit committee members having duties and responsibilities over planning, operations and controlling of the Company'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 payment guarantees provided by the company for related parties are filled in 18.

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

30. Statement of Cash Flow

(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:	₩ 5,515
Adjustments for	
- Depreciation	161,678
- Amortization	38,055
- Retirement benefits	53,062
- Financial income	(155,154)
- Financial costs	180,003
- Loss on valuations of inventories	11,973
- Loss on disposal of inventories	5,971
- Gain on disposal of property, plant and equipment	(1,100)
- Loss on disposal of property, plant and equipment	4,942
- Loss on disposal of intangible asset	5
- Gain on disposal of investments in associates	(14,167)
- Loss on disposal of investments in associates	1,868
- Contribution to provisions	1,293,708
- Other income	(25,949)
- Changes in inventories	(181,698)
- Changes in trade receivables	157,425
- Changes in other receivables	(975,770)
- Changes in other current assets	(25,157)
- Changes in trade payables	(125,637)
- Changes in other payables	22,910
- Changes in other current liabilities	59,298
- Changes in net defined benefit liabilities	24,876
- Changes in provisions	(306,590)
- Other cash flows from operations	1,873
Cash generated from operations	<u>₩ 211,941</u>

LG Energy Solution, Ltd.

**Notes to the interim condensed separate financial statements
September 30, 2021 (Unaudited) and December 31, 2020**

30. Statement of Cash Flow (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 liabilities</u>	<u>Others</u>	<u>Ending</u>
Short-term borrowings	₩ 2,273	₩ 220,657	₩ 12,581	₩ -	₩ -	₩ 3,445	₩ 238,956
Long-term borrowings	3,563	-	(12,581)	-	40,003	-	30,985
Debentures	1,943,701	-	-	2,417	-	114,174	2,060,292
	<u>₩ 1,949,537</u>	<u>₩ 220,657</u>	<u>₩ -</u>	<u>₩ 2,417</u>	<u>₩ 40,003</u>	<u>₩ 117,619</u>	<u>₩ 2,330,233</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	₩ 312,926
Reclassification of long-term borrowings into current portion	12,581
Other payables related to acquisitions of property, plant and equipment and intangible assets	82,296

LG Energy Solution, Ltd.

**Notes to the interim condensed separate financial statements
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31. 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 Company's main business activities	₩ 151,427	₩ 104,522
Expected customer incentives	2,445	3,858
Unearned revenue	398	340
	<u>₩ 154,270</u>	<u>₩ 108,720</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 Company's main business activities	₩ 21,045	₩ 75,456
Unearned revenue	27	109
	<u>₩ 21,072</u>	<u>₩ 75,565</u>

32. Investment Properties

(1) Details of 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, 2021</u>			
	<u>Acquisition Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>	<u>Acquisition Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>
Land	₩ 161	₩ -	₩ -	₩ 161	₩ -	₩ -	₩ -	₩ -
Buildings	313,630	(78,255)	(362)	235,013	333,869	(78,342)	(441)	255,086
	<u>₩ 313,791</u>	<u>₩ (78,255)</u>	<u>₩ (362)</u>	<u>₩ 235,174</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):

	<u>2021</u>		<u>2020</u>	
	<u>Land</u>	<u>Building</u>	<u>Building</u>	
Beginning	₩ -	₩ 255,086	₩ -	₩ 255,638
Acquire / Transfer	161	-	-	-
Disposal / Transfer	-	(15,332)	-	-
Depreciation	-	(4,740)	-	(552)
Ending	<u>₩ 161</u>	<u>₩ 235,013</u>	<u>₩ -</u>	<u>₩ 255,086</u>

32. Investment Properties (cont'd)

(3) The fair value of investment properties is measured either by independent professional appraisers with certified qualification or measured based on official appraised value of land and available information from recent transactions of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment properties as of September 30, 2021, is ₩269,345 million.

Rental income from investment properties under operating lease for the nine months ended September 30, 2021, is ₩10,413 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 ₩4,740 million.

(4) Operating lease

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

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

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as of 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	₩ 13,034	₩ 14,842
Between 1-2 years	12,660	12,831
Between 2-5 years	4,219	12,831
	<u>₩ 29,913</u>	<u>₩ 40,504</u>

33. Revenue form Contracts with Customers

(1) Regarding the trade secret infringement dispute between the company 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 company's trade secrets. The two companies signed an agreement on May 15, 2021, and in exchange for the settlement, the Company 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 Company 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 Company 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 company, and the nature of the license the company 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 Company has recognized the lump-sum of ₩1,000,000 million (at the present value of ₩992,233 million) as operating income based on the agreement made with SK Innovation Co., Ltd. on May 15, 2021.

34. Events After the Reporting Period

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

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

(3) The Company'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.