

LG Energy Solution Ltd. and its subsidiary

Interim condensed consolidated financial statements
for the three months ended March 31, 2021
with the independent auditor's report



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Independent auditor's report

The Shareholders and Board of Directors LG Energy Solution Ltd.

Opinion

We have audited the interim condensed consolidated financial statements of LG Energy Solution Ltd. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of March 31, 2021, and the interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months ended March 31, 2021, and the notes to the interim condensed consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the interim condensed consolidated financial statements present fairly, in all material respects, the interim condensed consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Korean International Financial Reporting Standards ("KIFRS") 1034 *Interim Financial Reporting*.

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the interim condensed consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the interim condensed consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated statement of financial position of the Group as of December 31, 2020, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended (not presented herein) were audited by another auditor, in accordance with KGAAS, who expressed an unmodified opinion on those statements on March 11, 2021. The accompanying consolidated statement of financial position as of December 31, 2020 presented for comparative purposes is not different, in all material respects, from the above audited consolidated statement of financial position.

Responsibilities of management and those charged with governance for the interim condensed consolidated financial statements

Management is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with KIFRS 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the interim condensed consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the interim condensed consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed consolidated financial statements.

As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim condensed consolidated financial statements, including the disclosures, and whether the interim condensed consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim condensed consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



May 14, 2021

This audit report is effective as of May 14, 2021 the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modifications to this report.

LG Energy Solution Ltd. and its subsidiary

Interim condensed consolidated financial statements
for the three months ended March 31, 2021

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

Jong hyun, Kim
Chief Executive Officer
LG Energy Solution Ltd.

LG Energy Solution Ltd. and its subsidiary
Interim condensed consolidated statements of financial position
as of March 31, 2021 and December 31, 2020

(Korean won in millions)

	Notes	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents	3,5,6	₩ 2,400,981	₩ 1,493,145
Trade receivables	3,5,7,30	2,787,714	2,931,150
Other receivables	3,5,7,30	668,707	819,075
Other current financial assets	3,5,8	19,964	23,821
Prepaid income taxes		7,821	14,944
Other current assets	13	536,174	401,600
Inventories	9	3,176,512	3,043,138
Assets held for sale	33	21,108	358,833
		<u>9,618,981</u>	<u>9,085,706</u>
Non-current assets			
Trade receivables	3,5,7	₩ 30,525	₩ 26,291
Other receivables	3,5,7	85,048	81,585
Other non-current financial assets	3,5,7	58,927	-
Investments in associates and joint ventures	1,10,32	49,682	48,350
Deferred tax assets	27	1,363,744	1,356,096
Property, plant and equipment	11	8,918,901	8,683,614
Intangible assets	12	359,536	325,786
Investment properties	35	252,562	255,086
Other non-current assets	13	62,175	79,281
		<u>11,181,100</u>	<u>10,856,089</u>
Total assets		<u>₩ 20,800,801</u>	<u>₩ 19,941,795</u>
Liabilities			
Current liabilities			
Trade payables	3,5,30	₩ 2,656,773	₩ 2,592,309
Other payables	3,5,30	1,736,651	1,768,709
Borrowings	3,5,14	1,231,409	1,123,038
Provisions	15	983,891	997,209
Other current financial liabilities	3,5,8	400	-
Income tax payables	27	180,843	73,762
Other current liabilities	17	376,226	334,058
Liabilities held for sale	33	-	142
		<u>7,166,193</u>	<u>6,889,227</u>
Non-current liabilities			
Other payables	3,5	₩ 7,149	₩ 5,849
Borrowings	3,5,14	4,982,140	5,036,286
Other non-current financial liabilities	3,5,8	19,039	41,768
Provisions	15	239,438	242,635
Net defined benefit liabilities	16	52,224	42,786
Deferred tax liabilities	27	39,031	27,463
Other non-current liabilities	17	76,860	90,376
		<u>5,415,881</u>	<u>5,487,163</u>
Total liabilities		<u>₩ 12,582,074</u>	<u>₩ 12,376,390</u>

LG Energy Solution Ltd. and its subsidiary
Consolidated statements of financial position
as of March 31, 2021 and December 31, 2020 (cont'd)

	Notes	March 31, 2021	December 31, 2020
Equity			
Equity attributable to owners of the Parent Company			
Share capital	1,19	₩ 100,000	₩ 100,000
Capital surplus		7,231,468	7,231,468
Accumulated other comprehensive income		74,840	1,205
Accumulated deficit	20	<u>(73,970)</u>	<u>(453,058)</u>
		7,332,338	6,879,615
Non-controlling interests		<u>₩ 885,669</u>	<u>₩ 685,790</u>
Total equity		<u>₩ 8,218,007</u>	<u>₩ 7,565,405</u>
Total liabilities and equity		<u>₩ 20,800,081</u>	<u>₩ 19,941,795</u>

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

LG Energy Solution Ltd. and its subsidiary
Interim condensed consolidated statement of income
for the three months ended March 31, 2021

(Korean won in millions)

	Notes	2021
Revenue	30,32	₩ 4,254,116
Cost of sales	22,30	(3,476,817)
Gross profit		777,299
Selling and administrative expenses	21,22,30,32	(436,080)
Operating profit	32	341,219
Finance income	5,24	89,952
Finance costs	5,24	(129,414)
Share of profit of associates and joint ventures	10	722
Other non-operating income	5,25	200,490
Other non-operating expenses	5,26	(202,354)
Profit before income tax	31	300,615
Income tax expenses	27	90,045
Profit from continuing operations		210,570
Profit from discontinued operations		223,008
Profit for the period		₩ 433,578
Profit for the period attributable to:		
Owners of the Parent Company		
Profit from continuing operations		190,856
Profit from discontinued operations		180,168
		371,024
Non-controlling interests		
Profit from continuing operations		19,714
Profit from discontinued operations		42,840
		62,554
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)	28	
Basic earnings per ordinary share		1,855
Diluted earnings per ordinary share		954

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

LG Energy Solution Ltd. and its subsidiary
Interim condensed consolidated statement of comprehensive income
for the three months ended March 31, 2021

(Korean won in millions)

	<u>Notes</u>	<u>2021</u>
Profit for the period	₩	433,578
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurements of net defined benefit liability	16	11,444
Share of actuarial loss of associates		(231)
Gain on valuation of financial assets at FVOCI		1,622
Income tax relating to this item		<u>(3,593)</u>
		9,242
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations		100,156
Loss on cash flow hedge		(4,257)
Share of other comprehensive income of associates and joint ventures		845
Income tax relating to other comprehensive income		<u>2,699</u>
		99,443
Other comprehensive income for the period, net of tax		<u>108,685</u>
Total comprehensive income for the period, net of tax	₩	<u>542,263</u>
Total comprehensive income for the period attributable to:		
Owners of the Parent Company		452,723
Non-controlling interest		89,540

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

LG Energy Solution Ltd. and its subsidiary
Interim condensed consolidated statement of changes in equity
for the three months ended March 31, 2021

(Korean won in millions)

		Attributable to the equity holders of the Parent Company						
	Notes	Share capital	Capital surplus	Accumulated other comprehensive income	Accumulated deficit	Sub-total	Non-controlling interests	Total
As of January 1, 2021		₩ 100,000	₩ 7,231,468	₩ 1,205	₩ (453,058)	₩ 6,879,615	₩ 685,790	₩ 7,565,405
Total comprehensive income for the period:								
Profit for the period		-	-	-	371,024	371,024	62,553	433,577
Remeasurements of net defined benefit liability	16	-	-	-	8,295	8,295	-	8,295
Exchange differences on translation of foreign operations		-	-	74,701	-	74,701	26,987	101,688
Gain on valuation of financial assets at FVOCI	3	-	-	1,176	-	1,176	-	1,176
Loss on cash flow hedge	3	-	-	(3,087)	-	(3,087)	-	(3,087)
Equity adjustments in equity method	10	-	-	845	(231)	614	-	614
Total comprehensive income for the period		-	-	73,635	379,088	452,723	89,540	542,263
Transactions with owners of the Parent Company:								
Others		-	-	-	-	-	110,339	110,339
Total transactions with owners of the Parent Company, recognized directly in equity		-	-	-	-	-	110,339	110,339
As of March 31, 2021		₩ 100,000	₩ 7,231,468	₩ 74,840	₩ (73,970)	₩ 7,332,338	₩ 885,669	₩ 8,218,007

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

LG Energy Solution Ltd. and its subsidiary
Interim condensed consolidated statement of cash flows
for the three months ended March 31, 2021

(Korean won in millions)

	Notes	2021
Cash flows from operating activities		
Cash generated from operations	31	₩ 474,495
Interest received		3,731
Interest paid		(4,991)
Income tax paid		(49,639)
Net cash provided by operating activities		423,596
Cash flows from investing activities		
Cash inflow from investing activities		
Decrease in other receivables		404,672
Decrease in other non-current receivables		12,682
Proceeds from disposal of property, plant and equipment		32,028
Government grants received		162,473
Cash inflow for transfer of business		543,635
		1,155,490
Cash outflow from investing activities		
Increase in other receivables		(3,429)
Increase in other non-current receivables		(11,781)
Acquisition of financial instruments		(57,305)
Acquisition of property, plant and equipment		(719,360)
Acquisition of intangible assets		(11,823)
		(803,698)
Net cash provided by investing activities		351,792
Cash flows from financing activities		351,792
Cash inflow from financing activities		
Proceeds from borrowings		201,026
Paid in capital - Non-controlling interests		110,339
		311,365
Cash outflow from financing activities		
Repayments of borrowings and others		(222,914)
		(222,914)
Net cash provided by financing activities		88,451
Net increase in cash and cash equivalents		863,839
Cash and cash equivalents at the beginning of the period		1,493,145
Effects of exchange rate changes on cash and cash equivalents		43,997
Cash and cash equivalents at the end of the period	₩	2,400,981

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

1. General

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

1.1 Company information

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

As of March 31, 2021, the Parent Company has its manufacturing facilities in Ochang.

As of March 31, 2021, the Parent Company has issued and outstanding 200 million ordinary shares (100,000 million). The largest shareholder of the Parent Company is LG Chem, Ltd., which owns 100% of the Parent Company.

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

1.2 Business Overview

The Group is engaged in Energy solution business.

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

LG Energy Solution Ltd. and its subsidiary
Notes to the interim condensed consolidated financial statements
March 31, 2021 and December 31, 2020

1. General(cont'd)

1.3 Consolidated Subsidiaries, investment in Associates and Joint Ventures

	March 31, 2021			
	Ownership (%)	Location	Closing month	Business
Subsidiary:				
LG Energy Solution (Nanjing) Co., Ltd.	81	China	Dec	Battery manufacturing and sail
LG Energy Solution Michigan Inc.(*1)	100	USA	Dec	Automotive battery research and manufacturing
LG Energy Solution Battery (Nanjing) Co., Ltd.(*2)	50	China	Dec	Automotive battery manufacturing and sales
LG Energy Solution Wrocław sp. z o.o.	100	Poland	Dec	Automotive battery manufacturing and sales
LG Energy Solution Australia Pty Ltd.	100	Australia	Dec	ESS sales
LG Energy Solution Technology (Nanjing) Co., Ltd.	100	China	Dec	Battery manufacturing and sales
Ultium Cells LLC(*3)	50	USA	Dec	Automotive battery manufacturing and sales
LG Energy Solution Europe GmbH	100	Germany	Dec	Battery sales
LG Energy Solution (Taiwan) Ltd.(*4)	100	Taiwan	Dec	Battery sales
Areum noori Co., Ltd.(*5)	100	Korea	Dec	Facility management and cleaning
Investment in associates:				
WUXI CL New Energy Technology Ltd.	30	China	Dec	ESS manufacturing and sales
VINFAST LITHIUM BATTERY PACK LLC.	35	Vietnam	Dec	Battery manufacturing and sales
Jiangxi VL Battery Co.,Ltd	34	China	Dec	manufacturing and sales
Joint venture				
HL GREEN POWER INC.(*6)	49	Korea	Dec	Automotive battery manufacturing and sales

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

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

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

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

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

(*6) HL Green Power Inc. is established by joint arrangement, which the Group participated, and it is classified as joint venture as it is structured separately and the Group has right for its net assets.

LG Energy Solution Ltd. and its subsidiary
Notes to the interim condensed consolidated financial statements
March 31, 2021 and December 31, 2020

1. General(cont'd)

1.4 Summarized Financial Information of Subsidiaries, Associates and Joint Ventures

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

	March 31, 2021			2021	
	Assets	Liability	Equity	Revenue	Net income
Subsidiary:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 4,230,184	₩ 1,600,111	₩ 2,630,073	₩ 956,401	₩ 299,402
LG Energy Solution Michigan Inc.	1,167,288	753,622	413,666	307,661	(10,941)
LG Energy Solution Battery (Nanjing) Co., Ltd.	991,002	698,852	292,150	291,219	5,235
LG Energy Solution Wroclaw sp. z o.o.	6,643,391	5,499,342	1,144,049	2,125,241	(2,717)
LG Energy Solution Austrailia Pty Ltd.	5,619	3,916	1,703	2,650	(95)
LG Energy Solution Technology (Nanjing) Co., Ltd.	1,958,401	1,100,953	857,448	311,722	28,297
Ultium Cells LLC	571,607	26,727	544,880	-	(230)
LG Energy Solution Europe GmbH	67,053	33,773	33,280	39,855	(1,290)
LG Energy Solution (Taiwan) Ltd.	3,399	1,437	1,962	697	50
Areum noori Co., Ltd.	1,127	524	603	532	103
Investment in associates:					
WUXI CL New Energy Technology Ltd.	1,899	3,004	(1,105)	-	(19)
VINFAST LITHIUM BATTERY PACK LLC.	17,869	5,918	11,951	3,119	(308)
Jiangxi VL Battery Co.,Ltd	70,675	6,427	64,248	-	(940)
Joint venture					
HL GREEN POWER INC.	416,171	367,193	48,978	215,930	289

LG Energy Solution Ltd. and its subsidiary
Notes to the interim condensed consolidated financial statements
March 31, 2021 and December 31, 2020

1. General(cont'd)

1.5 Information of subsidiaries whose non-controlling interests are important

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Percentage of ownership held by non-controlling interests	19.2%	19.2%
Cumulative non-controlling interests	₩ 487,809	₩ 414,287

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

	<u>2021</u>
Net income allocated to non-controlling interests	₩ 60,445
Dividends attributable to non-controlling interests	-

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Total Assets		
Current assets	₩ 2,517,540	₩ 2,117,530
Non-current assets	1,712,643	1,676,406
	<u>₩ 4,230,183</u>	<u>₩ 3,793,936</u>
Total liabilities		
Current liabilities	₩ 1,250,043	₩ 1,181,410
Non-current liabilities	350,068	354,910
	<u>₩ 1,600,111</u>	<u>₩ 1,536,320</u>
Total equity	<u>₩ 2,630,073</u>	<u>₩ 2,257,616</u>

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

	<u>2021</u>
Revenue	₩ 956,401
Profit for the period	299,402
Total comprehensive income for the period	373,119

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

	<u>2021</u>
Cash flows from operating activities	₩ 170,212
Cash flows from investing activities	383,946
Cash flows from financing activities	57,963
Effects of exchange rate changes on cash and cash equivalents	14,809
Increase in cash and cash equivalents	626,930
Cash and cash equivalents at the beginning of the period	277,003
Cash and cash equivalents at the end of the period	<u>₩ 903,933</u>

1. General(cont'd)

1.6 Changes in Scope for Consolidation

LG Energy Solution Ltd. and its subsidiary
Notes to the interim condensed consolidated financial statements
March 31, 2021 and December 31, 2020

New subsidiaries included in the interim condensed consolidated financial statements for the three months ended March 31, 2021 are as follows:

	Reason
LG Energy Solution (Taiwan) Ltd.	Newly established during current period
Areum noori Co., Ltd.	Newly established during current period

2. Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with KIFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments),
- Assets held for sale measured at fair value less costs to sell, and
- Defined benefit pension plans plan assets measured at fair value

The preparation of interim condensed consolidated financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are disclosed in Note 4.

2.2 Changes in Accounting Policies and Disclosures

(1) New standard and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for March 31, 2021 reporting period and have not been early adopted by the Group.

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

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

The amendments include the following practical expedients:

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

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

2. Summary of Significant Accounting Policies(cont'd)

2.3 Consolidation

The Group has prepared the interim condensed consolidated financial statements in accordance with KIFRS 1110 Consolidated Financial Statements

(1) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The Group applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Ultimate Parent Company. However, if the consolidated financial statements are not available, the Group applies the carrying amount of assets and liabilities accounted on acquiree's financial statements. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as capital surplus.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recoded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

For transactions with non-controlling interests that do not result in a loss of control, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized in equity attributable to the owners of the Parent.

When the Group loses a control in a subsidiary, any retained interest in the subsidiary is remeasured at its fair value and resulting gain or loss is recognized in profit or loss.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of Significant Accounting Policies(cont'd)

2.3 Consolidation(cont'd)

(2) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. In financial statements to apply the equity method, it adjusts the financial statements of the associates, if necessary, by reviewing whether the same accounting policies applied by the Group for the same transactions or events in similar circumstances.

(3) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.4 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 32). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and the Group has identified the Board of Directors as the chief operating decision-maker.

2.5 Foreign Currency Translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

2. Summary of Significant Accounting Policies(cont'd)

2.5 Foreign Currency Translation(cont'd)

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are recognized in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance income or costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or 'other non-operating income or expenses'.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. As such, translation differences on equities held at fair value through other comprehensive income are recognized in other comprehensive income.

(3) Translation into the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of income are translated at monthly average exchange rates; and
- equity is translated at the historical exchange rate; and
- all resulting exchange differences are recognized in other comprehensive income.

2.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.7 Financial Assets

(1) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

Financial assets are classified on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Gains and losses on financial assets measured at fair value are recognized either in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

Subsequent changes in the fair value of investments in equity instruments that are not held for trading are recognized in other comprehensive income.

2. Summary of Significant Accounting Policies(cont'd)

2.7 Financial Assets(cont'd)

(2) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

① Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

(a) Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

(b) Fair value through other comprehensive income:

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'financial income / costs or other non-operating income / expenses' and impairment losses are presented in 'other non-operating expenses'.

(c) Fair value through profit or loss:

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of profit or loss within 'finance income / cost -operating income / expenses' in the year in which it arises.

② Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassified of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income or finance costs' in the consolidated statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2. Summary of Significant Accounting Policies(cont'd)

2.7 Financial Assets(cont'd)

(3) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(4) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as 'borrowings' in the consolidated statement of financial position.

2.8 Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has hedge relationships and designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and
- highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges)

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

2. Summary of Significant Accounting Policies(cont'd)

2.8 Derivative Financial Instruments(cont'd)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in 'other non-operating income (expenses)'.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognized in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedge item ('aligned time value') are recognized within the costs of hedging in other comprehensive income within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot element as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot element of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognized within other comprehensive income within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within 'finance cost' at the same time as the interest expense on the hedge borrowings.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any accumulated cash flow hedge reserve at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cash flow hedge reserve and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

2. Summary of Significant Accounting Policies(cont'd)

2.9 Trade Receivables

At initial recognition, trade receivables are measured at the amount of unconditional consideration, unless the trade receivables contain a significant financing component. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost method, except for goods in transit which is determined using the specific identification method.

2.11 Assets Held for sale

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.12 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings	25 - 50 years
Structures	15 - 50 years
Machinery	4 - 15 years
Others	1 - 15 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.13 Investment Properties

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 25 ~ 50 years.

2.14 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.15 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2. Summary of Significant Accounting Policies(cont'd)

2.16 Intangible Assets

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Development costs	3 - 15 years
Industrial property rights	5 - 15 years
Others	6 - 20 years

2.17 Research and Development

Costs associated with research are recognized as an expense as incurred. Costs that are identifiable, controllable and directly attributable to development projects are recognized as intangible asset when the following criteria are met:

- It is technically feasible to complete the development project so that it will be available for use;
- Management intends to complete the development project for its own use or selling;
- There is an ability to use or sell the development project;
- It can be demonstrated how the development project will generate probable future economic benefits;
- Adequate technical, financial resources and other resources to complete the development and to use or sell the development project are available; and
- The expenditure attributable to the development project during its development can be reliably measured.

Generally, internally generated development projects have the following stages; formulation and selection of a project, verification of idea and technology, development and testing, decision of commercialization, test of final application. Expenditures can be capitalized as intangible assets only after the decision of commercialization. Expenditures incurred in other stages are recognized as expenses on the research phase.

Expenditures incurred from technology license agreement with the third parties are recognized as intangible assets.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs that are recognized as intangible assets are amortized using the straight-line method over their estimated useful lives when the assets are available for use and are tested for impairment.

2.18 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of Significant Accounting Policies(cont'd)

2.19 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Financial Liabilities

(1) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade payables', 'borrowings', and 'other payables' in the consolidated statement of financial position.

(2) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.21 Financial Guarantee Contracts

Financial guarantee contract is recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the consolidated statement of financial position within 'other financial liabilities'.

(1) The amount determined in accordance with the expected credit loss model under KIFRS 1109 Financial Instruments and

(2) The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with KIFRS 1115 Revenue from Contracts with Customers

2. Summary of Significant Accounting Policies(cont'd)

2.22 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current tax on the basis of amounts expected to be paid to the tax authorities. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.23 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

2.24 Greenhouse Gas Emissions Permits and Obligations

With enforcement of The Act on the Allocation and Trading of Greenhouse Gas Emission Permits, the permits that are received free of charge from the government are measured at zero while permits purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions obligations are measured as the sum of the carrying amount of the allocated permits that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The permits and emissions obligations are classified as intangible assets and provisions, respectively, in the consolidated statement of financial position.

2. Summary of Significant Accounting Policies(cont'd)

2.25 Employee Benefits

(1) Retirement benefits

The Group operates both defined contribution and defined benefit pension plans. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due. A defined benefit plan is a pension plan that is not a defined contribution plan

Generally, retirement benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan curtailments are recognized immediately in profit or loss as past service costs.

(2) Other long-term employee benefits

Certain entities within the Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the period. These liabilities are valued annually by an independent qualified actuary.

2. Summary of Significant Accounting Policies(cont'd)

2.26 Revenue Recognition

(1) Identify performance obligation

With regard to the contract of selling products to the customer, the Group identifies the services provided separately to the customer as a different performance obligation. When the Group makes a sales contract with the customer, the standard warranty period for each product and customer is set up considering the legal warranty period. Even though the standard warranty period has been expired, the warranties are recognized as a revenue and is identified as a separate performance obligation when the Group provides additional warranties for the quality of product or when the customer has an option to purchase additional warranties separately.

(2) A performance obligation satisfied at a point in time

The revenue from the sale of goods is recognized at the time they are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with volume discounts, and it is the Group's policy to sell its products to the customer with a right of return. Accumulated experience is used to estimate for the discounts and the refund, and the volume discounts is calculated based on the periodical forecast sales. The warranty provision for the sales and refund is reasonably estimated and recognized properly.

(3) Significant financing component

As a practical expedient, the Group need not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less.

2. Summary of Significant Accounting Policies(cont'd)

2.27 Lease

- Lease activities and accounting policies of the Group

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

The Group leases various machinery, real estate and cars. Lease contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payment of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases or leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

2. Summary of Significant Accounting Policies(cont'd)

2.27 Lease(cont'd)

(1) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a warehouse. Variable lease payments that depend on usage are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(2) Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group determines the lease term as the non-cancellable period of a lease within the period for which the contract is enforceable, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When both lessee and lessor have the right to terminate the lease without permission from the other party, the Group considers the contractual termination payments in determining the period for which the contract is enforceable.

3. Financial Risk Management

3.1 Financial Risk Factors

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

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

(1) Market risk

1) Foreign exchange risk

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

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

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

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

	March 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,856,450	₩ 4,593,978	₩ 3,044,453	₩ 3,597,064
EUR	383,885	4,419,034	165,779	4,407,694
JPY	18,037	439,403	16,334	225,774
CNY and others	374,729	1,511	286,631	5,794

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

	March 31, 2021		December 31, 2020	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (73,753)	₩ 73,753	₩ (55,261)	₩ 55,261

3. Financial Risk Management(cont'd)

3.1 Financial Risk Factors(cont'd)

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

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2) As of March 31, 2021, the Group entered into foreign currency forwards to hedge change of exchange rates and the details are as follows (Korean won in millions):

	Contractor	Contract amount (in millions)	Contract exchange rate	Contract inception date	Contract maturity	Book amount	
						Assets	Liabilities
Currency forward (*)	Shinhan bank	USD 500	1,135.60	2020.10.14	2024.10.15	₩ -	₩ 4,449
	KB Kookmin bank	USD 500	1,102.83	2020.11.24	2029.04.16	-	14,590

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

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

	Impact on post-tax profit		Impact on equity	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Increase	₩ (35,963)	₩ (35,686)	₩ (35,963)	₩ (35,686)
Decrease	35,963	35,686	35,963	35,686

3. Financial Risk Management(cont'd)

3.1 Financial Risk Factors(cont'd)

(2) Credit risk

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

1) Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance 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 loss allowance provision as of March 31, 2021 and December 31, 2020 are as follows. Expected credit losses include forward-looking information. (Korean won in millions)

	Receivables not past due(*1)	Receivables Past due but not impaired(*1)	Total
March 31, 2021 (Account Receivables)			
Gross carrying amount	₩ 2,494,283	₩ 324,198	₩ 2,818,481
Expected loss rate	0.01%	0.01%	0.01%
Loss allowance provision	242	-	242
December 31, 2020 (Account Receivables)			
Gross carrying amount	2,521,293	436,279	2,957,572
Expected loss rate	0.01%	0.0%	0.01%
Loss allowance provision	131	-	131

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

Changes in the loss allowance provision for trade receivables for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	2021	2020
Beginning	₩ 131	₩ 159
Increase (Reversal) of loss allowance recognized in profit or loss during the period	111	(28)
Ending	₩ 242	₩ 131

As of March 31, 2021, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to 2,818,481 Korean won in millions (as of December 31, 2020 2,957,572 Korean won in millions)

2) Other financial assets at amortized cost

Changes in loss allowance provision for other financial assets at amortized cost for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020 are as follows (Korean won in millions):

	2021	2020
Beginning	₩ 54	₩ -
Increase in loss allowance 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 loss allowance recognized during the period was, therefore, limited to 12 months expected losses.

3. Financial Risk Management(cont'd)

3.1 Financial Risk Factors(cont'd)

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

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

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

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

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

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

(3) Liquidity risk

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

3. Financial Risk Management(cont'd)

3.1 Financial Risk Factors(cont'd)

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

		March 31, 2021			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments:					
Borrowings (excluding lease liabilities)	₩	1,296,634	₩ 1,417,019	₩ 2,803,941	₩ 984,848
Lease liabilities		19,339	10,484	35,977	-
Trade and other payables		4,384,126	3,889	3,260	-
		5,700,099	1,431,392	2,843,178	984,848
Derivative instruments:					
Gross settlement currency forwards					
Inflows	₩	-	₩ -	₩ (566,750)	₩ (566,750)
Outflows		-	-	567,800	551,145
		-	-	1,050	(15,335)
	₩	5,700,099	₩ 1,431,392	₩ 2,844,228	₩ 969,513
		December 31, 2020			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments:					
Borrowings (excluding lease liabilities)	₩	1,195,766	₩ 1,122,253	₩ 3,001,387	₩ 1,165,230
Lease liabilities		14,101	6,601	9,890	-
Trade and other payables		4,361,018	5,849	-	-
		5,570,885	1,134,703	3,011,277	1,165,230
Derivative instruments:					
Gross settlement currency forwards					
Inflows	₩	-	₩ -	₩ (544,000)	₩ (544,000)
Outflows		-	-	567,800	551,415
		-	-	23,800	7,415
	₩	5,570,885	₩ 1,134,703	₩ 3,035,077	₩ 1,172,645

3. Financial Risk Management(cont'd)

3.1 Financial Risk Factors(cont'd)

2) As of March 31, 2021, the Group has entered into swap contracts for which cash flow hedge accounting is applied, to avoid market price fluctuation of raw materials (Korean won in millions).

	Purpose of the contracts	Hedged items	Financial institution	Maturity	Fair value
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, SC	~2021.12	₩ 19,564

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

	March 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Merchandise (raw materials) swap (*)	₩ 19,964	₩ 400	₩ 23,821	₩ -

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

3.2 Capital Risk Management

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

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

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

	March 31, 2021	December 31, 2020
Total borrowings (Note 14) (A)	₩ 6,213,549	₩ 6,159,324
Less: cash and cash equivalents (B)	(2,400,981)	(1,493,145)
Net debt (C=A+B)	3,812,568	4,666,179
Total liabilities (D)	12,582,073	12,376,390
Total equity (E)	8,218,008	7,565,405
Total capital (F=C+E)	12,030,576	12,231,584
Gearing ratio (C/F)	31.7%	38.1%
Debt-to-equity ratio (D/E)	153.1%	163.6%

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3. Financial Risk Management(cont'd)

3.3 Fair Value

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

	March 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets(current):				
Cash and cash equivalents	₩ 2,400,981	(*1)	₩ 1,493,145	(*1)
Trade receivables	2,787,714	(*1)	2,931,150	(*1)
Other receivables (excluding deposits held by financial institutions)	468,197	(*1)	219,075	(*1)
Deposits held by financial institutions	200,510	(*1)	600,000	(*1)
Current derivative financial assets	19,964	19,964	23,821	23,821
Financial assets(non-current):				
Deposits held by financial institutions	60,889	(*1)	60,014	(*1)
Trade receivables	30,525	(*1)	26,291	(*1)
Other receivables (excluding deposits held by financial institutions)	24,159	(*1)	21,571	(*1)
Other non-current financial assets				
(Non-marketability financial assets)	58,927	58,927	-	-
Financial liabilities(current):				
Trade and other payables	4,393,424	(*1)	4,361,018	(*1)
Current borrowings (excluding lease liabilities)	1,213,301	(*1)	1,109,796	(*1)
Current lease liabilities	18,109	(*2)	13,242	(*2)
Current derivative financial liabilities	400	400	-	-
Financial liabilities(non-current):				
Non-current borrowings (excluding lease liabilities)	4,937,386	5,055,938	5,020,394	5,097,222
Non-current lease liabilities	44,754	(*2)	15,892	(*2)
Other non-current payables	7,149	(*1)	5,849	(*1)
Other non-current derivative financial liabilities (currency forward)	19,039	19,039	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.

3. Financial Risk Management(cont'd)

3.3 Fair Value(cont'd)

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

Fair values of financial liabilities (non-current) are based on cash outflows discounted by using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and the applied discount rates as of March 31, 2021, is as follows:

	March 31, 2021	December 31, 2020
Discount rate	0.87% ~ 2.54%	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 March 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

March 31, 2021					
	Level 1	Level 2	Level 3	Total	
Financial assets/liabilities measured at fair value:					
Current derivative financial assets	₩ -	₩ 19,964	₩ -	₩ 19,964	
Current derivative financial liabilities	-	400	-	400	
Other non-current financial assets(Non-marketability financial assets)	-	-	58,927	58,927	
Non-current derivative financial liabilities (currency forward)	-	19,039	-	19,039	
Financial assets/liabilities not measured at fair value:					
Non-current borrowings (excluding finance lease liabilities)	-	5,055,938	-	5,055,938	
December 31, 2020					
	Level 1	Level 2	Level 3	Total	
Financial assets/liabilities measured at fair value:					
Current derivative financial assets	₩ -	₩ 23,821	₩ -	₩ 23,821	
Non-current derivative financial liabilities (currency forward)	-	41,768	-	41,768	
Financial assets/liabilities not measured at fair value:					
Non-current borrowings (excluding finance lease liabilities)	-	5,097,222	-	5,097,222	

4. Significant Accounting Estimates and Assumptions

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

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

The spread of COVID-19 during 2021 has a significant impact on the domestic and international economies. And this impact on the Group's financial position and business performance until 2021.

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

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

(1) Income taxes

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

(2) Provisions

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

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

(3) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at March 31, 2020 (Note 3.3).

(4) Impairment of financial assets

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

(5) Net defined benefit liability

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

(6) Lease

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

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

5. Financial Instruments by Category

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

March 31, 2021				
Financial assets	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	
Cash and cash equivalents	₩ 2,400,981	₩ -	₩	2,400,981
Trade receivables	2,780,665	7,049		2,787,714
Non-current trade receivables	30,525	-		30,525
Other receivables	668,707	-		668,707
Other non-current receivables	85,048	-		85,048
Other current financial assets	-	19,964		19,964
Other non-current financial assets	-	58,927		58,927
	₩ 5,965,926	₩ 85,940	₩	6,051,866

March 31, 2021					
Financial liabilities	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at Fair value Through Other comprehensive income	Other financial liabilities(*)	Total
Trade payables	₩ -	₩ 2,656,773	₩ -	₩ -	2,656,773
Other payables	-	1,736,651	-	-	1,736,651
Borrowings(current)	-	1,213,300	-	18,109	1,231,409
Other current financial liabilities	-	-	400	-	400
Other non-current financial liabilities	19,039	-	-	-	19,039
Other non-current payables	-	7,149	-	-	7,149
Borrowings(non-current)	-	4,937,385	-	44,754	4,982,139
	₩ 19,039	₩ 10,551,258	₩ 400	₩ 62,863	₩ 10,633,560

December 31, 2020				
Financial assets	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	
Cash and cash equivalents	₩ 1,493,145	₩ -	₩	1,493,145
Trade receivables	2,906,185	24,965		2,931,150
Non-current trade receivables	26,291	-		26,291
Other receivables	819,076	-		819,076
Other non-current receivables	81,585	-		81,585
Other current financial assets	-	23,821		23,821
	₩ 5,326,282	₩ 24,965	₩	5,375,068

5. Financial Instruments by Category(cont'd)

Financial liabilities	December 31, 2020			
	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities(*)	Total
Trade payables	₩ -	₩ 2,592,309	₩ -	₩ 2,592,309
Other payables	-	1,768,711	-	1,768,711
Borrowings(current)	-	1,109,796	13,242	1,123,038
Other non-current financial liabilities	41,768	-	-	41,768
Other non-current payables	-	5,850	-	5,850
Borrowings(non-current)	-	5,020,394	15,892	5,036,286
	₩ 41,768	₩ 10,497,060	₩ 70,902	₩ 10,567,962

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

(2) Net gains or losses on each category of financial instruments for the three-month period ended March 31, 2021, are as follows: (Korean won in millions)

	2021
Interest income:	
Financial assets at amortized cost	₩ 5,676
Interest expense:	
Financial liabilities at amortized cost	(19,794)
Other financial liabilities	(345)
Financial assets at amortized cost(*)	(53)
Financial assets at fair value through other comprehensive income(*)	(3)
Gains or loss on valuation:	
Financial assets at fair value through other comprehensive income	1,622
Derivative instruments	18,472
Exchange differences:	
Financial assets at amortized cost	161,543
Financial liabilities at amortized cost	(216,796)

(*) Fees paid to financial institutions for factoring

6. Cash and Cash Equivalents

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Bank deposits and cash on hand	₩ 1,197,507	₩ 946,609
Deposits held by financial institutions and others	1,203,474	546,536
	<u>₩ 2,400,981</u>	<u>₩ 1,493,145</u>

(2) As of March 31, 2021, cash and cash equivalents include 12,068 Korean won in millions which is subject to a restriction on the use and restricted for remittance.

7. Trade and Other Receivables

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

	<u>March 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Trade receivables	₩ 2,787,956	₩ (242)	₩ 2,787,714	₩ 2,931,281	₩ (131)	₩ 2,931,150
Non-current trade receivables	30,525	-	30,525	26,291	-	26,291
Other current receivables	668,760	(54)	668,706	819,129	(54)	819,075
Other non-current receivables	85,048	-	85,048	81,585	-	81,585
	<u>₩ 3,572,289</u>	<u>₩ (296)</u>	<u>₩ 3,571,993</u>	<u>₩ 3,858,286</u>	<u>₩ (185)</u>	<u>₩ 3,858,101</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Current:		
Non-trade receivables	₩ 452,876	₩ 200,152
Deposits held by financial institutions	200,510	600,000
Accrued income	2,676	448
Loans	-	68
Guarantee deposits provided	12,644	18,407
Sub-total	668,706	819,075
Non-current:		
Deposits held by financial institutions(*)	₩ 60,889	₩ 60,014
Loans	745	439
Guarantee deposits provided	23,414	21,132
Sub-total	85,048	81,585
	<u>₩ 753,754</u>	<u>₩ 900,660</u>

(*) As of March 31, 2021, 60,000 Korean won in millions is withdrawal restricted in relation to large, small and medium-sized companies cooperation agreement and others. In addition, 14 Korean won in millions is withdrawal restricted in connection with maintaining checking accounts. And PLN 3 million is withdrawal restricted in relation to transfer dangerous waste abroad.

7. Trade and Other Receivables(cont'd)

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

	March 31, 2021		December 31, 2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 2,494,283	₩ 664,115	₩ 2,521,293	₩ 854,760
Past due but not impaired:				
Up to 3 months	154,752	86,601	280,944	44,443
Between 3-6 months	36,646	1,686	67,366	118
Over 6 months	132,800	1,352	87,969	1,339
	324,198	89,639	436,279	45,900
Impaired receivables	-	54	-	54
	₩ 2,818,481	₩ 753,808	₩ 2,957,572	₩ 900,714

(4) Changes in the provision for impairment of trade and other receivables for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	2021		2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 131	₩ 54	₩ 159	₩ -
Additions (reversal)	111	-	(28)	54
Ending	₩ 242	₩ 54	₩ 131	₩ 54

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

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8. Other Financial Assets and Liabilities

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets:		
Derivative financial assets(forward contract)(current)	₩ 19,964	₩ 23,821
Financial assets at fair value through other comprehensive income (excluding forward contract) (non-current)	<u>58,927</u>	<u>-</u>
	<u>₩ 78,891</u>	<u>₩ 23,821</u>
Other financial liabilities:		
Derivative financial liabilities (forward contract) (current)	₩ 400	-
Financial liabilities at fair value through profit or loss(non-current)	<u>19,039</u>	<u>41,768</u>
	<u>₩ 19,439</u>	<u>₩ 41,768</u>

(2) Details of changes in equity securities included in other financial assets for the period ended March 31, 2021 are as follows: (Korean won in millions)

	<u>2021</u>
Acquisitions	₩ 57,305
Valuation gain (before income tax deduction), other comprehensive income item	<u>1,622</u>
Ending	<u>₩ 58,927</u>

(*) The Group has deposit guarantee contract related to the above equity securities.

(3) No impairment losses on other financial assets were recognized for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020.

9. Inventories

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

	<u>March 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Gross amount</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>	<u>Gross amount</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Merchandise	₩ 56,845	₩ (2,182)	₩ 54,663	₩ 49,219	₩ (1,816)	₩ 47,403
Finished / Semi-finished products	2,029,728	(69,870)	1,959,858	1,861,412	(55,214)	1,806,198
Raw materials	645,609	(3,438)	642,171	621,275	(1,558)	619,717
Supplies	47,143	-	47,143	37,294	-	37,294
Materials-in-transit	<u>472,677</u>	<u>-</u>	<u>472,677</u>	<u>532,526</u>	<u>-</u>	<u>532,526</u>
	<u>₩ 3,252,002</u>	<u>₩ (75,490)</u>	<u>₩ 3,176,512</u>	<u>₩ 3,101,726</u>	<u>₩ (58,588)</u>	<u>₩ 3,043,138</u>

(2) For the three-month period ended March 31, 2021, the cost of inventories recognized as expense and included in 'cost of sales' amounted to 2,553,438 Korean won in millions.

10. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	March 31, 2021				
	Beginning	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures	Share of accumulated deficits of associates and joint ventures	Ending
HL Greenpower Co., Ltd	₩ 22,710	₩ 1,315	₩ -	₩ (234)	₩ 23,791
WUXI CL New Energy Technology Ltd(*)	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LIMITED LIABILITY COMPANY	4,179	(285)	141	-	4,035
Jiangxi VL Battery Co.,Ltd	21,461	(308)	703	-	21,856
	<u>₩ 48,350</u>	<u>₩ 722</u>	<u>₩ 844</u>	<u>₩ (234)</u>	<u>₩ 49,682</u>

	December 31, 2020				
	Beginning	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures		Ending
HL Greenpower Co., Ltd	₩ 21,446	₩ 1,264	₩ -	₩ -	₩ 22,710
WUXI CL New Energy Technology Ltd(*)	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LIMITED LIABILITY COMPANY	4,641	(129)	(333)		4,179
Jiangxi VL Battery Co.,Ltd	21,815	71	(425)		21,461
	<u>₩ 47,902</u>	<u>₩ 1,206</u>	<u>₩ (758)</u>		<u>₩ 48,350</u>

(*) As of March 31, 2021, the Group discontinued recognizing its share of further losses as its share of losses of an associate exceeds the carrying amount of its interest in the associate. Unrecognized accumulated losses amounted to 326 Korean won in millions.

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11. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	2021										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Right-of-use assets	Consturction-in-progress	Machinery-in-transit	Total
Beginning:											
Cost	₩ 259,087	₩ 2,734,415	₩ 132,257	₩ 6,629,916	₩ 10,466	₩ 806,978	₩ 168,638	₩ 51,438	₩ 1,553,876	₩ 23,269	₩ 12,370,340
Accumulated depreciation	-	(335,064)	(38,965)	(2,769,226)	(4,351)	(412,791)	(94,993)	(16,543)	-	-	(3,671,933)
Accumulated impairment	(668)	(3,463)	(1,834)	(4,185)	(8)	(395)	(524)	-	(3,716)	-	(14,793)
	₩ 258,419	₩ 2,395,888	₩ 91,458	₩ 3,856,505	₩ 6,107	₩ 393,792	₩ 73,121	₩ 34,895	₩ 1,550,160	₩ 23,269	₩ 8,683,614
Acquisitions/transfer	35	105,848	1,299	255,868	53	34,171	11,074	41,996	594,602	1,190	1,046,136
Disposals/transfer	(161)	(13)	(2)	(8,593)	(11)	(1,911)	(2,770)	(187)	(524,096)	(1,893)	(539,637)
Exchange differences	(251)	2,254	450	1,578	22	1,995	1,304	(728)	22,788	-	29,412
Depreciation	-	(20,859)	(1,471)	(236,688)	(455)	(30,392)	(5,254)	(5,507)	-	-	(300,626)
Ending:											
Cost	₩ 258,710	₩ 2,845,491	₩ 134,265	₩ 6,887,353	₩ 10,441	₩ 840,088	₩ 179,177	₩ 91,071	₩ 1,647,325	₩ 22,566	₩ 12,916,487
Accumulated depreciation	-	(358,862)	(40,697)	(3,014,608)	(4,717)	(442,043)	(101,174)	(20,602)	-	-	(3,982,703)
Accumulated impairment	(668)	(3,511)	(1,834)	(4,075)	(8)	(390)	(528)	-	(3,871)	-	(14,885)
	₩ 258,042	₩ 2,483,118	₩ 91,734	₩ 3,868,670	₩ 5,716	₩ 397,655	₩ 77,475	₩ 70,469	₩ 1,643,454	₩ 22,566	₩ 8,918,899
	2020										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Right-of-use assets	Consturction-in-progress	Machinery-in-transit	Total
Beginning:											
Cost	₩ 259,441	₩ 2,729,429	₩ 132,523	₩ 6,451,370	₩ 10,435	₩ 792,528	₩ 163,318	₩ 46,192	₩ 1,558,069	₩ 23,225	₩ 12,166,530
Accumulated depreciation	-	(331,177)	(38,628)	(2,716,396)	(4,237)	(405,493)	(95,089)	(14,093)	-	-	(3,605,113)
Accumulated impairment	(668)	(3,467)	(1,834)	(1,756)	(8)	(274)	(525)	-	(3,772)	-	(12,304)
	₩ 258,773	₩ 2,394,785	₩ 92,061	₩ 3,733,218	₩ 6,190	₩ 386,761	₩ 67,704	₩ 32,099	₩ 1,554,297	₩ 23,225	₩ 8,549,113
Business combination	-	-	-	-	-	567	501	2,698	-	-	3,766
Acquisitions/transfer	-	21,977	5,406	259,579	101	20,335	7,469	1,716	313,258	515	630,356
Disposals/transfer	-	(112)	(20)	(3,238)	(15)	(1,611)	(453)	-	(307,451)	(471)	(313,371)
Exchange differences	(354)	(13,449)	(414)	(32,808)	(47)	(1,847)	(270)	(206)	(9,843)	-	(59,238)
Depreciation	-	(7,115)	(464)	(88,852)	(122)	(10,284)	(1,800)	(1,412)	-	-	(110,049)
Transfer to assets held for sale (Note 34)	-	(198)	(5,111)	(11,394)	-	(129)	(30)	-	(101)	-	(16,963)
Ending:											
Cost	₩ 259,087	₩ 2,734,415	₩ 132,257	₩ 6,629,916	₩ 10,466	₩ 806,978	₩ 168,638	₩ 51,438	₩ 1,553,876	₩ 23,269	₩ 12,370,340
Accumulated depreciation	-	(335,064)	(38,965)	(2,769,226)	(4,351)	(412,791)	(94,993)	(16,543)	-	-	(3,671,933)
Accumulated impairment	(668)	(3,463)	(1,834)	(4,185)	(8)	(395)	(524)	-	(3,716)	-	(14,793)
	₩ 258,419	₩ 2,395,888	₩ 91,458	₩ 3,856,505	₩ 6,107	₩ 393,792	₩ 73,121	₩ 34,895	₩ 1,550,160	₩ 23,269	₩ 8,683,614

(2) The Group capitalized 5,181 Korean won in millions of borrowing costs in relation to acquisition of property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 0.83%.

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

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

	2021
Cost of sales	₩ 282,314
Selling and administrative expenses	18,194
Discontinued operations	118
	<u>₩ 300,626</u>

(4) Lease

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

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

	March 31, 2021	December 31, 2020
Right-of-use assets(*):		
Real-estate	₩ 63,081	₩ 30,234
Machinery	13	15
Vehicles	6,480	3,731
Tools	341	370
Equipment	555	545
	<u>₩ 70,470</u>	<u>₩ 34,895</u>

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

Additions to the right-of-use assets for the three-month period ended March 31, 2021 are 41,996 Korean won in millions.

	March 31, 2021	December 31, 2020
Lease liabilities(*):		
Current	₩ 18,109	₩ 13,242
Non-current	44,754	15,892
	<u>₩ 62,863</u>	<u>₩ 29,134</u>

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

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

(ii) Amounts recognized in the consolidated statement of profit or loss

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

	2021
Depreciation of right-of-use assets	
Real-estate	₩ 4,383
Machinery	2
Vehicles	969
Tools	40
Equipment	112
	<u>₩ 5,506</u>
Interest expense relating to lease liabilities(included in finance cost)	₩ 345
Expense relating to short-term leases(included in cost of goods sold and administrative expenses)	2,851
Expense relating to leases of low-value assets that are not short-term leases(included in cost of goods sold and administrative expenses)	1,231

Total cash outflow for leases for the three-month period ended March 31, 2021 is 11,275 Korean won in millions.

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12. Intangible Assets

(1) Changes in intangible assets for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

2021						
	Software	Industrial property rights	Memberships	Others	Total	
Beginning	₩ 167,349	₩ 148,105	₩ 9,361	₩ 971	₩	325,786
Separate acquisitions/transfer	39,594	10,045	986	-		50,625
Disposals/transfer	(91)	(170)	-	-		(261)
Exchange differences	(829)	-	5	14		(810)
Amortization	(11,918)	(3,847)	-	(39)		(15,804)
Ending	₩ 194,105	₩ 154,133	₩ 10,352	₩ 946	₩	359,536

2020						
	Software	Industrial property rights	Memberships	Others	Total	
Beginning	₩ 167,249	₩ 145,495	₩ 9,362	₩ 991	₩	323,097
Business combination	432	-	-	-		432
Separate acquisitions/transfer	3,822	3,908	-	-		7,730
Disposals/transfer	(8)	(74)	-	-		(82)
Exchange differences	(397)	-	(1)	(7)		(405)
Amortization	(3,749)	(1,224)	-	(13)		(4,986)
Ending	₩ 167,349	₩ 148,105	₩ 9,361	₩ 971	₩	325,786

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

2021	
Cost of sales	₩ 5,984
Selling and administrative expenses	9,809
Discontinued operations	11
	₩ 15,804

(3) Research and development costs

Total research and development costs recognized as expenses amounted to 129,778 Korean won in millions.

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13. Other Current and Other Non-Current Assets

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

		<u>March 31, 2021</u>	<u>December 31, 2020</u>
Current:			
Prepayments to suppliers and prepaid expenses	₩	91,062 ₩	72,717
Prepaid value added tax		364,783	301,015
Others		80,329	27,868
	₩	<u>536,174</u> ₩	<u>401,600</u>
Non-current:			
Long-term prepayments and long-term prepaid expenses	₩	62,174 ₩	79,281
	₩	<u>62,174</u> ₩	<u>79,281</u>

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14. Borrowings

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

		March 31, 2021	December 31, 2020
Current:			
Short-term borrowings	₩	938,924	₩ 793,584
Current portion of long-term		274,377	316,212
Current lease liabilities		<u>18,108</u>	<u>13,242</u>
		1,231,409	1,123,038
Non-current:			
Long-term borrowings	₩	2,952,700	₩ 3,076,693
Debentures		1,984,686	1,943,701
Non-current lease liabilities		<u>44,754</u>	<u>15,892</u>
		4,982,140	5,036,286
	₩	<u>6,213,549</u>	<u>₩ 6,159,324</u>

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

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

	Bank	Latest maturity date	Interest rate(%)	March 31, 2021	December 31, 2020
Bank loans	KDB and others	2022.1	1.2% and others	₩ 938,924	₩ 793,584

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

March 31, 2021					
	Bank	Interest rate(%)	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	BOC	3M LIBOR + 1.15%	₩ 5,691	₩ 5,691	-
	Citi	USD: 3M LIBOR + 0.95%			
		EUR: 3M EURIBOR + 0.62 ~ 0.70%	237,862	38,501	199,361
	DBS	6M EURIBOR + 0.60%	132,907	-	132,907
	EBRD	6M EURIBOR + 0.62%	332,268	-	332,268
	EIB	3M EURIBOR + 0.47%	637,954	-	637,954
	HSBC	USD: 3M LIBOR + 1.40%			
		CNY: PBOC x0.95, LPR-33.75%	73,508	59,287	14,221
	ING	6M EURIBOR + 0.70 ~ 0.83%	159,489	-	159,489
	KDB	USD: 3M LIBOR + 0.93%	214,055	47,568	166,487
	KDB / The Export-Import Bank of Korea / Nonghyup Bank	EUR: 3M EURIBOR+1.50%	730,989	-	730,989
	KEB Hana Bank	3M EURIBOR + 0.62%	265,814	-	265,814
	MUFG	6M EURIBOR + 0.60~0.80%	132,908	66,454	66,454
	SCB	USD: 3M LIBOR + 1.20	38,779	25,853	12,926
		CNY: PBOC x0.95			
	SMBC	0.32 ~ 0.48%	199,360	-	199,360
	Construction Bank of China	LPR(1Y) + 0.36 ~ 0.46%	65,493	31,023	34,470
			<u>₩ 3,227,077</u>	<u>₩ 274,377</u>	<u>₩ 2,952,700</u>

14. Borrowings(cont'd)

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

14. Borrowings(cont'd)

3) Debentures(Korean won in millions)

March 31, 2021						
	Financial institution	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
1st Debenture (non guaranteed/public)	NH Investment & Securities Co., Ltd. and others	2.21	2026.03.13	₩ 200,000	₩ -	₩ 200,000
USD foreign currency debenture with maturity in 2024)	CITI and others	3.25	2024.10.15	566,750	-	566,750
USD foreign currency debenture with maturity in 2029	CITI and others	3.63	2029.04.15	566,750	-	566,750
EUR foreign currency debenture with maturity in 2023	CITI and others	0.50	2023.04.15	664,145	-	664,145
Less: discount on debentures				(12,959)	-	(12,959)
				<u>₩ 1,984,686</u>	<u>₩ -</u>	<u>₩ 1,984,686</u>

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

14. Borrowings(cont'd)

4) Lease liabilities(Korean won in millions)

		March 31, 2021				
		Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others		0.67~5.01	2026.02.12	₩ 62,862 ₩	18,108 ₩	44,754

		December 31, 2020				
		Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others		0.67~5.01	2025.12.31	₩ 29,134 ₩	13,242 ₩	15,892

15. Provisions

Changes in provisions for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020, are as follows: (Korean won in millions)

		2021				
		Warranty(*1)	Greenhouse gas emission(*2)	Provision for restoration(*3)	Legal claims(*4)	Total
Beginning	₩	1,238,671 ₩	842 ₩	- ₩	331 ₩	1,239,844
Additions		61,327	(206)	1,900	1,919	64,940
Used		(81,455)	-	-	-	(81,455)
Ending		1,218,543	636	1,900	2,250	1,223,329
Less: current portion		(983,255)	(636)	-	-	(983,991)
	₩	235,288 ₩	- ₩	1,900 ₩	2,250 ₩	239,438

		2020				
		Warranty(*1)	Greenhouse gas emission(*2)	Legal claims(*4)		Total
Beginning	₩	676,612 ₩	746 ₩	336 ₩		677,694
Additions		577,244	96	(5)		577,335

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Used	(15,185)	-	-	(15,185)
Ending	1,238,671	842	331	1,239,844
Less: current portion	(996,367)	(842)	-	(997,209)
	<u>₩ 242,304</u>	<u>₩ -</u>	<u>₩ 331</u>	<u>₩ 242,635</u>

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

(*2) Greenhouse gas emission provisions have been accrued for estimated expenditures to be obligated for any excess emission. The Group estimated provisions 291 thousand ton, and estimated expenditures 62 thousand ton for the three-month period ended March 31, 2021(for the one-month period ended December 31, 2020 period 215 thousand ton)

(*3) The Group estimated provisions for original state of lease office.

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

LG Energy Solution Ltd. and its subsidiary
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16. Net Defined Benefit Liabilities

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

	March 31, 2021	December 31, 2020
Present value of defined benefit obligations (*)	₩ 466,089	₩ 458,710
Fair value of plan assets	(413,865)	(415,924)
Liabilities in the consolidated statement of financial position	₩ 52,224	₩ 42,786

(*) The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of 40 Korean won in millions as of March 31, 2021(as of December 31, 2020: 44 Korean won in millions)

(2) The amounts recognized in the consolidated statement of profit or loss for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Current service cost	₩ 17,244
Interest cost	271
	₩ 17,515

(3) Retirement benefits recognized for defined contribution plan for the three-month period ended March 31, 2021 amounted to 216 Korean won in millions. (one-month period ended December 31, 2020, was 83 Korean won in millions)

(4) Retirement benefits recognized in the consolidated statement of profit or loss for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Cost of sales	₩ 9,133
Selling and administrative expenses	8,598
	₩ 17,731

(5) Changes in the present value of defined benefit obligations for the three-month period ended March 31, 2021 and one-month period ended December 31, 2020 are as follows: (Korean won in millions)

	2021	2020
Beginning	₩ 458,710	₩ 455,133
Transfer in	3,840	998
Transfer out	(164)	-
Current service cost	17,244	5,786
Interest expense	2,861	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	(4,247)	(484)
Ending	₩ 466,089	₩ 458,710

16. Net Defined Benefit Liabilities(cont'd)

(6) Changes in the fair value of plan assets for the three-month period ended March 31, 2021 and one-month period December 31, 2020, are as follows: (Korean won in millions)

	<u>2021</u>	<u>2020</u>
Beginning	₩ 415,924	₩ 415,772
Interest income	2,590	871
Remeasurements		
- Return on plan assets (excluding amounts included in interest income)	(711)	(258)
Payments from plans	(3,685)	(395)
Administrative costs	(253)	(66)
Ending	<u>₩ 413,865</u>	<u>₩ 415,924</u>

(7) The actual return on plan assets for the three-month period ended March 31, 2021 was 1,879 Korean won in millions, (one-month period ended December 31, 2020, was 613 Korean won in millions)

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

	<u>March 31, 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 March 31, 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	₩ (59,785)	₩ 72,930
Salary growth rate:		
Increase (decrease) in defined benefit liabilities	70,651	(59,265)

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

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

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16. Net Defined Benefit Liabilities(cont'd)

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

	March 31, 2021		December 31, 2020	
	Amount	Composition(%)	Amount	Composition(%)
Insurance contracts with guaranteed yield ₩	413,865	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.

(11) The weighted average duration of the defined benefit obligation is 14.86 years.

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. The expected contributions to retirement benefit plans for the year ended December 31, 2021 are 105,892 Korean won in millions.

17. Other Current and Non-Current Liabilities

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

	March 31, 2021	December 31, 2020
Current:		
Advances from customers ₩	200,917	₩ 130,628
Withholdings	14,274	40,170
Unearned revenues	79,778	37,738
Accrued expenses	81,256	125,522
	<u>₩ 376,225</u>	<u>₩ 334,058</u>
Non-current:		
Long-term accrued expenses ₩	21,551	₩ 21,761
Long-term advanced received	55,308	68,616
	<u>₩ 76,859</u>	<u>₩ 90,377</u>

18. Commitments and Contingencies

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

(2) As of March 31, 2021, the Group has been guaranteed from Seoul Guarantee Insurance Company for the execution of contracts and others.

(3) As of March 31, 2021, the Group has various specific line of credit agreements with several financial institutions, as follows: (unit: Korean won in millions, foreign currencies in millions)

	Currency	March 31, 2021	
		The parent Company	Certain subsidiaries
Limit of bank overdraft	KRW	8,700	-
	USD	-	160
	CNY	-	800
Limit of the letter of credit	USD	30	105
	CNY	-	1,410
Limit of discount of notes from export	USD	135	-
Limit of guaranteed payments in other foreign currency	USD	56	-
B2B purchase arrangements	KRW	140,000	-
	KRW	100,000	-
Limit of loan agreement	USD	-	1,744
	CNY	-	1,027
	EUR	-	2,475
Future agreement	USD	158	-
Factoring arrangements	USD	-	250

(4) As of March 31, 2021, the Group has entered into payment guarantee contracts of USD 2 million, EUR 2 million and KRW 5,373 million with financial institutions in relation to product warranty for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 189 million with financial institutions in relation to custom clearance of imported raw materials.

(5) As of March 31, 2021, the Group has entered into an agreement with General Motors (GM) regarding joint investment in Ultium Cells LLC, whereby each party can sell its shares to third parties in 8 years after the inception of the contract. In addition, if one party defaults, the other party has the right to purchase shares from the other party. The Group is in the process of approval by the government for the use of core technologies according to the Industrial Technology Protection Act.

(6) As of March 31, 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.

18. Commitments and Contingencies(cont'd)

(7) In addition, as of March 31, 2021, the Group has been named as a plaintiff in 4 legal actions. They have been named as a defendant in 1(with 5,175 Korean won in millions in claims) and 25 legal actions, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	₩ 2,332,670	₩ 1,911,328

(10) General Motors Company has issued a recall for the Chevrolet Bolt EV to investigate fire risk. Investigation on the cause of the fire is being conducted by related authorities and the exact cause of fire has not been determined yet at the reporting date. As such, the Group cannot make reasonable expectation of the timing and amount of an outflow of resources due to the uncertainty of the cause of the accident.

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19. Share Capital

Changes in share capital and share premium for the three-month period ended March 31, 2021 are as follows.
(Korean won in millions and in shares)

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

20. Deficit

Deficit as of March 31, 2021 and December 31, 2020 are as follows: (Korean won in millions)

	March 31, 2021	December 31, 2020
Unappropriated deficit	₩ (73,970) ₩	(453,058)

21. Selling and Administrative Expenses

Selling and administrative expenses for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Wages and salaries	₩ 111,321
Retirement benefits	8,598
Employee benefits	25,302
Travel expense	3,980
Water & utilities	8,287
Packaging expense	230
Rental expenses	10,677
Commission expenses	80,071
Depreciation	19,657
Advertising expense	2,156
Freight expenses	48,778
Training expense	1,520
Amortization	9,809
Sample expense	568
Development costs	17,274
Others	87,852
	₩ 436,080

22. Classification of Expenses by Nature

Cost of sales, and selling and administrative expenses by nature for the three-month period ended March 31, 2021 is as follows: (Korean won in millions)

	2021
Changes in inventories of merchandise, finished goods, semi-finished goods, and work in process	₩ (160,919)
Raw materials and consumables used	2,503,162
Purchase of merchandise	211,195
Employee benefit expenses	345,774
Advertising expenses	2,269
Freight expenses	52,621
Commission expenses	164,203
Depreciation and amortization	317,637
Rent expenses and usage fee	7,155
Other expenses	469,801
	<u>₩ 3,912,898</u>

23. Employee Benefit Expenses

Details of employee benefit expenses for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Salaries	₩ 290,528
Retirement benefits defined benefit plan	17,515
Retirement benefits defined contribution plan	216
Others	37,515
	<u>₩ 345,774</u>

24. Finance Income and Costs

Details of finance income and costs for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Finance income:	
Interest income(*1)	₩ 5,676
Exchange differences	61,545
Profit on valuation of derivative instruments	22,730
	<u>₩ 89,951</u>
Finance costs:	
Interest expense(*2)	₩ 14,958
Exchange differences	114,400
Loss on disposal of trade receivables	55
	<u>₩ 129,413</u>

(*1) Details of interest income for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Deposits held by financial institutions	₩ 4,721
Other loans and receivables	955
	<u>₩ 5,676</u>

(*2) Details of interest expense for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Interest on financial institutions	₩ 6,966
Interest on lease liabilities	345
Interest on debentures	12,776
Other interest expenses	52
Capitalized interest for qualifying assets	(5,181)
	<u>₩ 14,958</u>

25. Other Non-Operating Income

Details of other non-operating income for the three-month period March 31, 2021 are as follows: (Korean won in millions)

	2021
Exchange differences	₩ 193,815
Gain on disposal of property, plant and equipment	696
Others	5,979
	<u>₩ 200,490</u>

26. Other Non-Operating Expenses

Details of other non-operating expenses for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Exchange differences	₩ 196,212
Loss on disposal of property, plant and equipment	3,084
Loss on disposal of intangible assets	85
Donations	329
Others	2,644
	<u>₩ 202,354</u>

27. Income Tax Expense and Deferred Tax

(1) Details of income tax expense for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Current tax on profit for the period	₩ 172,561
Adjustment for prior periods	(26,481)
Deferred tax - movement in temporary differences	9,847
Deferred tax - tax credit carryforwards	(8,287)
Deferred tax - tax loss carryforwards	11,046
	<u>₩ 158,686</u>
Deferred tax charged directly to equity	2,253
Current tax charged directly to equity	(3,147)
Others	(67,747)
Income tax expense	<u>₩ 90,045</u>

(2) The aggregate current and deferred tax charged directly to equity (other comprehensive income) for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Current tax:	
Remeasurements of net defined benefit liabilities	₩ (3,147)
Deferred tax:	
Loss on valuation of financial assets at FVOCI	₩ (446)
Profit on valuation of derivative instruments	1,171
Exchange differences on translation of foreign operations	1,528
	<u>₩ 2,253</u>

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27. Income Tax Expense and Deferred Tax(cont'd)

(3) Changes in deferred tax assets (liabilities) for the three-month period ended March 31, 2021 are as follows:
(Korean won in millions)

	Increase(decrease)				Ending
	Beginning	Profit(loss) for the period	Other comprehensive income(loss)	Exchange differences	
Net defined benefit liabilities	₩ 120,206	₩ 1,163	₩ -	₩ -	₩ 121,369
Plan assets	(114,379)	566	-	-	(113,813)
Provisions	306,998	(17,811)	-	-	289,187
Property, plant and equipment	107,021	(9,658)	-	1,573	98,936
Investments in subsidiaries, associates and joint ventures	(27,964)	(22,362)	-	-	(50,326)
Government grants	122,840	-	-	-	122,840
Succession of assets (industrial property right)	591,389	-	-	-	591,389
Succession of assets (land)	61,423	-	-	-	61,423
Succession of assets (others)	61,867	-	-	-	61,867
Others	80,937	38,255	725	4,860	124,777
	<u>₩ 1,310,338</u>	<u>₩ (9,847)</u>	<u>₩ 725</u>	<u>₩ 6,433</u>	<u>₩ 1,307,649</u>
Exchange differences on translation of foreign operations	₩ 800	₩ -	₩ 1,528	₩ -	₩ 2,328
Tax credit carryforwards	6,449	8,287	-	-	14,736
Tax loss carryforwards	11,046	(11,046)	-	-	-
Deferred tax assets (liabilities)	<u>₩ 1,328,633</u>	<u>₩ (12,606)</u>	<u>₩ 2,253</u>	<u>₩ 6,433</u>	<u>₩ 1,324,713</u>

(*) The effects on income tax of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statement are reflected in capital surplus.

27. Income Tax Expense and Deferred Tax(cont'd)

(4) The reconciliations between income tax expense and accounting profit before income tax for the three months ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Profit before income tax (*1)	₩ 300,615
Tax at domestic tax rates applicable to profits in the respective countries (*2)	98,712
Tax effects of:	
Income not subject to tax	(1,366)
Expenses not deductible for tax purposes	3,909
Tax credit	(10,086)
Others	(1,124)
Income tax expense	₩ 90,045
Effective tax rate (income tax benefit / profit before income tax)	29.95%

(*1) The amount before taking into account the discontinued operations.

(*2) The weighted average applicable tax rate on net income before tax for the three-month period ended March 31, 2021 is 32.84% (Past year, 2020: 24.13%)

(5) Realization of deferred tax assets is dependent on the Group's ability to generate future taxable profits in excess of the profits arising from the reversal of taxable temporary differences, and economic and industry outlooks. Management periodically reviews on these factors.

(6) Details of deductible (taxable) temporary differences unrecognized as deferred tax assets (liabilities) as of March 31, 2021 are as follows: (Korean won in millions)

	March 31, 2021	Details
Investments in subsidiaries, associates and joint ventures	₩ (8,718)	Permanently re-invested income not distributed as dividend
	1,599,017	No Possibility of disposal
Unused tax loss carryforwards	338,049	Uncertainty of future tax income

(7) The maturity of unused tax loss is as follows: (Korean won in millions)

	March 31, 2021
Over 5 years	₩ 338,049

28. Earning per Share

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

(1) Basic earning per share for earning from continuing operations and earning per share attributable to the equity holders of the Parent Company for the three-month period ended March 31, 2021 are computed as follows: (Korean won in millions and in number of shares)

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

		2021
Earning from continuing operations attributable to ordinary shares	₩	190,856
Number of ordinary shares outstanding		200,000,000 shares
Basic earning per ordinary share from continuing operations (in won)	₩	954 won

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

		2021
Earning attributable to ordinary shares	₩	371,026
Number of ordinary shares outstanding		200,000,000 shares
Basic earning per ordinary shares (in won)	₩	1,855 won

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

(2) Basic earnings per share attributable to ordinary shares from discounted operations for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

		2021
Earning from discounted operations attributable to ordinary shares	₩	180,168
Number of ordinary shares outstanding		200,000,000 shares
Basic earnings per share attributable to ordinary shares from discounted operations (in won)	₩	901 won

29. Dividends

The Group did not pay dividends for the one month ended December 31, 2021.

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30. Related Party Transactions

(1) As of March 31, 2021, LG Chem, Ltd. is an entity, which owns 100% of the Parent Company, and LG Corp. is an entity exercising a significant influence over LG Chem, Ltd.

(2) Details of other related parties other than associates and joint ventures (Note 10) that have sales and other transactions with the Group or have receivables and payables balances as of March 31, 2021 are as follows:

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

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

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30. Related Party Transactions(cont'd)

(3) Sales and purchases with related parties for the three-month period ended March 31, 2021 are as follows:
(Korean won in millions)

	2021					
	Purchase and others					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	
Parents:						
LG Chem, Ltd.	₩ 35,388	₩ 314,084	₩ -	₩ -	18	₩ 4,448
Associates and joint ventures:						
HL Greenpower Co., Ltd.	201,596	440	-	-	-	10
Other related parties:						
LG Corp.	-	-	-	-	-	8,362
LG Chem America, Inc.	-	-	-	-	-	4
LG Chem (Taiwan), Ltd.	5,499	-	-	430	2	495
LG Chem Display Materials (Beijing) Co.,Ltd.	4,954	-	-	-	-	-
LG Chem (China) Investment Co.,Ltd.	-	39	-	-	-	851
LG Chem Europe GmbH	238	241	-	-	-	323
HAENGBOKNURI CO., LTD.	5	-	-	-	-	1,061
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.	10,857	9,556	-	-	-	-
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	134,275	-	-	-	-
TECWIN Co.,Ltd.	-	1	185	-	-	3
LG MMA Corporation	27	-	-	-	-	-
LG Management Development Institute	-	-	-	-	-	2,735
S&I Corp. and its subsidiaries	20	1,846	43,465	-	-	8,412
LG CNS Co., Ltd. and its subsidiaries	1,185	221	26,512	-	-	12,445
Others	-	-	-	-	-	654
Others:						
LG Display Co., Ltd. and its subsidiaries	1,174	-	-	-	4	-
LG Electronics Inc., Ltd. and its subsidiaries	286,754	273,564	90,566	-	-	49,876
LG International Corp. and its subsidiaries	7	3,824	2,093	-	1	123,234
LG Hausys and its subsidiaries	-	2	-	-	-	-
Others	11	-	-	-	-	363
	<u>₩ 547,715</u>	<u>₩ 738,093</u>	<u>₩ 162,821</u>	<u>₩ 430</u>	<u>₩ 25</u>	<u>₩ 213,276</u>

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30. Related Party Transactions(cont'd)

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

	March 31, 2021									
	Receivables				Payables					
	Trade receivables	Loan receivables	Other receivables	Total	Trade payables	Borrowings	Lease liabilities	Other payables	Total	
Parents:										
LG Chem, Ltd.	₩ 31,535	₩ -	₩ 33,105	₩ 64,640	₩ 311,365	₩ -	₩ 3,036	₩ 25,177	₩ 339,578	
Associates and joint ventures:										
HL Greenpower Co., Ltd.	209,932	-	4,305	214,237	-	-	-	558	558	
Other related parties:										
LG Corp.	-	-	29	29	-	-	-	4,845	4,845	
LG Chem America, Inc.	-	-	-	-	-	-	-	-	-	
LG Chem (Taiwan), Ltd.	14,580	-	-	14,580	-	-	401	-	401	
LG Chem (China) Investment Co.,Ltd.	-	-	-	-	-	-	-	35	35	
LG Chem Europe GmbH	8,190	-	1,455	9,645	1,631	-	-	-	1,631	
HAENGBOKNURI CO., LTD.	-	-	-	-	-	-	-	94	94	
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.	12,549	-	-	12,549	10,986	-	-	-	10,986	
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	-	-	-	134,348	-	-	3	134,351	
TECWIN Co.,Ltd.	-	-	-	-	-	-	-	204	204	
LG MMA Corporation	-	-	10	10	-	-	-	-	-	
LG Management Development Institute	-	-	2,784	2,784	-	-	-	530	530	
S&I Corp. and its subsidiaries	-	-	-	-	-	-	-	107,708	107,708	
LG CNS Co., Ltd. and its subsidiaries	1,062	-	238	1,300	-	-	-	75,081	75,081	
Others	-	-	-	-	40	-	-	129	168	
Others:										
LG Display Co., Ltd. and its subsidiaries	1,185	-	-	1,185	-	-	693	14	707	
LG Electronics Inc., Ltd. and its subsidiaries	173,520	-	177,482	351,002	188,133	-	-	261,819	449,952	
LG International Corp. and its subsidiaries	-	-	384	384	-	-	326	72,383	72,709	
LG Hausys and its subsidiaries	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	1,987	1,987	
	<u>₩ 452,553</u>	<u>₩ -</u>	<u>₩ 219,792</u>	<u>₩ 672,345</u>	<u>₩ 646,503</u>	<u>₩ -</u>	<u>₩ 4,456</u>	<u>₩ 550,566</u>	<u>₩ 1,201,525</u>	

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30. Related Party Transactions(cont'd)

	December 31, 2020								
	Receivables				Payables				
	Trade receivables	Loan receivables	Other receivables	Total	Trade payables	Borrowings	Lease liabilities	Other payables	Total
Parents:									
LG Chem, Ltd.	₩ 14,857	₩ -	₩ 2,764	₩ 17,621	₩ 336,730	₩ -	₩ 3,330	₩ 38,637	₩ 378,697
Associates and joint ventures:									
HL Greenpower Co., Ltd.	277,326	-	-	277,326	-	-	-	330	330
Other related parties:									
LG Corp.	-	-	25	25	-	-	-	664	664
LG Chem America, Inc.	-	-	-	-	-	-	-	76	76
LG Chem (Taiwan), Ltd.	20,495	-	-	20,495	-	-	-	638	638
LG Chem Display Materials (Beijing) Co.,Ltd.	8,685	-	-	8,685	-	-	-	-	-
LG Chem (China) Investment Co.,Ltd.	-	-	-	-	-	-	-	1,607	1,607
LG Chem Europe GmbH	40,876	-	543	41,419	-	-	-	857	857
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.	26,144	-	-	26,144	34,028	-	-	-	34,028
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	-	-	-	20,562	-	-	-	20,562
TECWIN Co.,Ltd.	-	-	-	-	-	-	-	5,531	5,531
LG MMA Corporation	-	-	10	10	-	-	-	-	-
S&I Corp. and its subsidiaries	-	-	21	21	-	-	-	51,834	51,834
LG CNS Co., Ltd. and its subsidiaries	7,048	-	-	7,048	-	-	-	95,166	95,166
Others	-	-	1,800	1,800	-	-	-	672	672
Others:									
LG Display Co., Ltd. and its subsidiaries	472	-	2,264	2,736	-	-	703	13	716
LG Electronics Inc., Ltd. and its subsidiaries	158,447	-	111,418	269,865	117,010	-	-	234,982	351,992
LG International Corp. and its subsidiaries	-	-	-	-	-	-	575	33,610	34,185
Others	-	-	3	3	-	-	-	661	661
	<u>₩ 554,350</u>	<u>₩ -</u>	<u>₩ 118,848</u>	<u>₩ 673,198</u>	<u>₩ 478,265</u>	<u>₩ -</u>	<u>₩ 4,608</u>	<u>₩ 465,278</u>	<u>₩ 948,151</u>

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30. Related Party Transactions(cont'd)

(5) Fund transactions with related parties for the three-month period ended March 31, 2021 are as follows:
(Korean won in millions)

	2021							
			Equity contribution In cash (capital Reduction)	Loans transaction		Borrowings transaction(*)		
	Dividends received	Dividends paid		Loans	Repayment	Borrowings	Repayment	
Parents:								
LG Chem, Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	283
Other related parties:								
LG Corp.		-	-	-	-	-	-	-
LG Chem (Taiwan), Ltd.		-	-	-	-	-	430	27
Others:								
LG DISPLAY AMERICA, INC		-	-	-	-	-	-	35
Pantos Logistics France S.A.R.L		-	-	-	-	-	-	178
Pantos Logistics Spain S.L.U.		-	-	-	-	-	-	68
	₩	- ₩	- ₩	- ₩	- ₩	- ₩	430 ₩	591

(*) The amounts represent lease liabilities that were recognized or repaid for the three-month period ended March 31, 2021.

(6) Compensation for key management of the Group for the three-month period ended March 31, 2021 is as follows: (Korean won in millions)

	2021
Short-term employee benefits	₩ 17,421
Retirement benefits	2,032
	₩ 19,453

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

(7) There are no provisions recognized against receivables from related parties as of March 31, 2021.

(8) As of March 31, 2021, there are no payment guarantees provided by the Group for related parties.

31. Cash Generated from Operations

(1) Details of cash generated from operations for the three-month period ended March 31, 2021 are as follows:
(Korean won in millions)

	2021
Profit before income tax:	
Profit before income tax from continuing operations	₩ 300,615
Profit before income tax from discontinued operations	<u>288,322</u>
	<u>₩ 588,937</u>
Adjustments for	
- Depreciation	₩ 301,961
- Amortization	15,804
- Retirement benefits	17,515
- Financial income	(169,880)
- Financial costs	208,833
- Foreign exchange differences	(1,373)
- Loss on valuations of inventories	16,902
- Loss on disposal of inventories	12,957
- Gain on disposal of property, plant and equipment	(696)
- Loss on disposal of property, plant and equipment and intangible assets	3,168
- Gain on disposal of business	(243,740)
- Additions to provisions	64,940
- Other income	(19,948)
- Change in inventories	(123,940)
- Change in trade receivables	253,770
- Change in other receivables	(248,011)
- Change in other current assets	(41,945)
- Change in trade payables	(33,052)
- Change in other payables	17,035
- Change in other current liabilities	(138,597)
- Change in provisions	(83,355)
- Change in net defined benefit liabilities	2,781
- Other cash flows from operations	<u>74,429</u>
Cash generated from operations	<u>₩ 474,495</u>

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31. Cash Generated from Operations(cont'd)

(2) Changes in liabilities arising from financial activities for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021						
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 1,123,038	₩ (33,886)	₩ 111,286	₩ -	₩ -	₩ 30,971	₩ 1,231,409
Long-term borrowings	3,092,585	11,999	(111,286)	-	40,096	(35,940)	2,997,454
Debentures	1,943,701	-	-	797	-	40,188	1,984,686
	<u>₩ 6,159,324</u>	<u>₩ (21,887)</u>	<u>₩ -</u>	<u>₩ 797</u>	<u>₩ 40,096</u>	<u>₩ 35,219</u>	<u>₩ 6,213,549</u>

(3) Significant non-cash transactions for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Reclassification of construction-in-progress	₩ 524,096
Reclassification of non-current assets held for sale	21,108
Reclassification of long-term borrowings into current portion	111,286
Other payables related to acquisitions of property, plant and equipment and intangible assets	1,031,765

32. Segment Information

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

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

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

(2) Segment information on revenue, profit and loss for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

		2021
Total segment revenue	₩	4,254,116
Revenue from external customers (*1)		4,254,116
Operating profit (*2)		341,219

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

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

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

	March 31, 2021		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 20,800,081	₩ 49,682	₩ 12,582,074
	December 31, 2020		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 19,941,795	₩ 48,350	₩ 12,376,390

32. Segment Information(cont'd)

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

	Sales		Non-current assets(*1)	
	2021		March 31, 2021	December 31, 2020
Korea(*2)	₩ 338,890	₩	2,101,327	₩ 2,059,227
China	498,436		3,027,294	2,826,847
Asia	295,754		1,170	187
America	796,953		668,001	548,665
Europe	2,324,083		3,733,209	3,829,560
	₩ 4,254,116	₩	9,531,001	₩ 9,264,486

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

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

(5) During the three-month period ended March 31, 2021, revenues from transactions with a European automotive battery customer amounted to 10% or more of the Group's revenue. Total revenues from the transactions with this customer amounted to approximately 669,685 Korean won in millions.

33. Assets and Liabilities Held for Sale and Discontinued Operations

33.1 Assets and Liabilities Held for Sale

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Assets of disposal group:		
Inventories	₩ -	₩ 121,125
Property, plant and equipment	21,108	237,652
Intangible assets	-	56
	<u>₩ 21,108</u>	<u>₩ 358,833</u>
Liabilities of disposal group:		
Borrowings and others	₩ -	₩ 142
	<u>₩ -</u>	<u>₩ 142</u>

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

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

33.2 Discontinued Operations

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

(2) Comprehensive income from discontinued operations for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Revenue	₩ 419,189
Expenses	(130,867)
Profit before income tax	288,322
Income tax expense	(65,314)
Profit from discontinued operations	₩ 223,008

(3) Net cash flows from discontinued operations for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	2021
Net cash flow from operating activities	₩ (2,692)
Net cash flow from investing activities	537,431
Net cash flow from financing activities	(535,215)

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

	2021
Profit Assets held for sale	₩ 243,754
Income tax expense	(60,939)
Profit from discontinued operations	₩ 182,815

34. Assets and Liabilities related to Contracts with Customers

(1) Assets and liabilities related to contracts with customers as of March 31, 2021 are as follows: (Korean won in millions)

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities:		
Advances from customers received as part of the Group's main business activities	₩ 255,753	₩ 198,454
Expected customer incentives	2,779	3,858
Unearned revenue	447	340
	<u>₩ 258,979</u>	<u>₩ 202,652</u>

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the contract liabilities transferred through the split-off for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	<u>2021</u>
Revenue recognized in the current period from the beginning contract liabilities:	
Revenues in relation to advances from customers received as part of the Group's main business activities	₩ 32,087
Unearned revenue	41
	<u>₩ 32,128</u>

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35. Investment Properties

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

	March 31, 2021				December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 161	₩ -	₩ -	₩ 161	₩ -	₩ -	₩ -	₩ -
Buildings	332,520	(79,713)	(406)	252,401	333,869	(78,342)	(441)	255,086
	<u>₩ 332,681</u>	<u>₩ (79,713)</u>	<u>₩ (406)</u>	<u>₩ 252,562</u>	<u>₩ 333,869</u>	<u>₩ (78,342)</u>	<u>₩ (441)</u>	<u>₩ 255,086</u>

(2) Changes in investment properties for the three-month period ended March 31, 2021 and for the one-month period ended December 31, 2020, are as follows: (Korean won in millions)

	2021		2020	
	Building	Land	Building	
Beginning	₩ 255,086	₩ -	₩ 255,638	
Acquire / Replace	3,471	161	-	
Disposal / Replace	(4,821)	-	-	
Depreciation	(1,335)	-	(552)	
Ending	<u>₩ 252,401</u>	<u>₩ 161</u>	<u>₩ 255,086</u>	

(3) The fair value of investment properties is measured either by independent professional appraisers with certified qualification or measured based on official appraised value of land and available information from recent transactions of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment properties as of March 31, 2021, is 281,868 Korean won in millions.

Rental income from investment properties under operating lease for the three-month period ended March 31, 2021, is 3,654 Korean won in millions, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the three-month period ended March 31, 2021 are 1,335 Korean won in millions.

35. Investment Properties(cont'd)

(4) Operating lease

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

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

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

	<u>March 31, 2021</u>		<u>December 31, 2020</u>
Less than 1 year	₩ 14,317	₩	14,842
Between 1-2 years	12,850		12,831
Between 2-5 years	<u>10,708</u>		<u>12,831</u>
	<u>₩ 37,875</u>	₩	<u>40,504</u>

36. Events After the Reporting Period

(1) The Group confirmed the settlement money related to the battery lawsuit with SK Innovation in April 2021.

(2) The Group approved the investments in Ultium Cells LLC's 2nd factory extension, which is collaborated with General Motors, in order to respond to the enlargement of demand of automotive battery.