

# **LG Energy Solution Ltd.**

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



## Table of contents

Independent auditor's report	Page
Interim condensed separate financial statements	
Interim condensed separate statements of financial position	1
Interim condensed separate statements of income	G
Interim condensed separate statements of comprehensive income	3
Interim condensed separate statements of changes in equity	4
Interim condensed separate statements of cash flows	5
Notes to the Interim condensed separate financial statements	6

## Independent auditor's report

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

#### Opinion

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

In our opinion, the interim condensed separate financial statements present fairly, in all material respects, the interim condensed separate financial position of the Company as of March 31, 2021, and its interim condensed separate financial performance and its interim condensed separate 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 separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the interim condensed separate 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 separate statement of financial position of the Company as of December 31, 2020, and the related separate statement of income, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the 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 separate statement of financial position as of December 31, 2020 presented for comparative purposes is not different, in all material respects, from the above audited separate statement of financial position.

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

Management is responsible for the preparation and fair presentation of the interim condensed separate 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 interim condensed separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the interim condensed separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim condensed separate financial statements, including the disclosures, and whether the interim condensed separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate financial statements and may result in modifications to this report.

# **LG Energy Solution Ltd.**

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

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

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

**LG Energy Solution Ltd.**  
**Interim condensed separate statements of financial position**  
**as of March 31, 2021 and December 31, 2020**

(Korean won in millions)

	Notes	March 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3,5,6 ₩	740,350 ₩	536,731
Trade receivables	3,5,7,30	1,408,916	1,547,136
Other receivables	3,5,7,30	928,433	1,072,733
Prepaid income taxes		-	22
Other current financial assets	3,5,8	19,964	23,821
Other current assets	13	103,404	58,243
Inventories	9	890,689	949,749
		<u>4,091,756</u>	<u>4,188,435</u>
<b>Non-current assets</b>			
Trade receivables	3,5,7 ₩	30,525 ₩	26,291
Other receivables	3,5,7,30	460,611	454,026
Other non-current financial assets	3,5,8	58,927	-
Investments in subsidiaries	10	4,556,731	4,444,021
Investments in associates and joint ventures	10	43,084	43,084
Deferred tax assets	27	1,066,122	1,088,093
Property, plant and equipment	11	1,568,054	1,528,296
Intangible assets	12	277,848	273,133
Investment properties	33	252,713	255,086
Other non-current assets	13	38,302	42,252
		<u>8,352,917</u>	<u>8,154,282</u>
<b>Total assets</b>		<u>₩ 12,444,673 ₩</u>	<u>₩ 12,342,717</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	3,5,30 ₩	1,314,073 ₩	1,272,958
Other payables	3,5,30	343,617	378,665
Borrowings	3,5,14	7,326	2,273
Other current financial liabilities	3,5,8	57,867	62,544
Current provisions	15	939,018	984,235
Income tax payables		739	-
Other current liabilities	17	179,323	206,176
		<u>2,841,963</u>	<u>2,906,851</u>
<b>Non-current liabilities</b>			
Other payables	3,5 ₩	3,270 ₩	1,563
Borrowings	3,5,14	2,016,491	1,947,264
Other non-current financial liabilities	3,5,8	19,039	41,768
Non-current provisions	15	91,021	110,325
Net defined benefit liabilities	16	52,188	42,786
Deferred tax liabilities	17	34,013	40,062
		<u>2,216,022</u>	<u>2,183,768</u>
<b>Total liabilities</b>		<u>₩ 5,057,985 ₩</u>	<u>₩ 5,090,619</u>
<b>Equity</b>			
Share capital	1,19 ₩	100,000 ₩	100,000
Capital surplus		7,510,351	7,510,351
Accumulated other comprehensive income		15,360	17,270
Accumulated deficit	20	(239,023)	(375,523)
<b>Total equity</b>		<u>₩ 7,386,688 ₩</u>	<u>₩ 7,252,098</u>
<b>Total liabilities and equity</b>		<u>₩ 12,444,673 ₩</u>	<u>₩ 12,342,717</u>

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

**LG Energy Solution Ltd.**  
**Interim condensed separate statement of income**  
**for the three months ended March 31, 2021**

(Korean won in millions)

	<b>Notes</b>	<b>2021</b>
<b>Revenue</b>	30	₩ 1,818,165
<b>Cost of sales</b>	22,30	(1,379,931)
<b>Gross profit</b>		438,234
Selling and administrative expenses	21,22,30	(330,137)
<b>Operating profit</b>		108,097
Finance income	24,30	72,558
Finance costs	24,30	(83,121)
Other non-operating income	25	107,602
Other non-operating expenses	26	(60,353)
<b>Profit before income tax</b>	31	144,783
<b>Income tax expenses</b>	27	(16,580)
<b>Profit for the period</b>		₩ 128,203

**Earnings per share attributable to the equity holders of the Parent Company (in Korean won)**

28

Basic earnings per ordinary share

641

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

**LG Energy Solution Ltd.****Interim condensed separate statement of comprehensive income  
for the three months ended March 31, 2021**

(Korean won in millions)

	<b>Notes</b>	<b>2021</b>
<b>Profit for the period</b>		₩ 128,203
<b>Other comprehensive income:</b>		
Items that will not be subsequently reclassified to profit or loss		
Remeasurements of net defined benefit liability	16	11,444
Gain on valuation of financial assets at FVOCI		1,622
Income tax relating to other comprehensive income		<u>(3,593)</u>
		9,473
Items that may be subsequently reclassified to profit or loss		
Loss on cash flow hedge	3	(4,257)
Income tax relating to these items		<u>1,171</u>
		(3,086)
<b>Other comprehensive income for the period, net of tax</b>		<u>6,387</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>₩ 134,590</u>

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



**LG Energy Solution Ltd**  
**Interim condensed separate statement of changes in equity**  
**for the three months ended March 31, 2021**

(Korean won in millions)

				Accumulated other comprehensive income		Accumulated deficit		Total
	Notes	Share capital	Capital surplus					
<b>As of January 1, 2021</b>		₩ 100,000	₩ 7,510,351	₩ 17,270	₩	(375,523)	₩	7,252,098
Total comprehensive income for the period:								
Profit for the period		-	-	-		128,203		128,203
Remeasurements of net defined benefit liability	16	-	-	-		8,297		8,297
Gain on valuation of financial assets at FVOCI		-	-	1,176		-		1,176
Loss on cash flow hedge	3	-	-	(3,086)		-		(3,086)
<b>Total comprehensive income for the period</b>		-	-	(1,910)		136,500		134,590
<b>As of March 31, 2021</b>		<u>₩ 100,000</u>	<u>₩ 7,510,351</u>	<u>₩ 15,360</u>	<u>₩</u>	<u>(239,023)</u>	<u>₩</u>	<u>7,386,688</u>

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

**LG Energy Solution Ltd.**
**Interim condensed separate statements of cash flows  
for the three months ended March 31, 2021**

(Korean won in millions)

	<b>Notes</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	31	₩ 104,747
Interest received		1,903
Interest paid		(1,332)
Income tax paid		(13,461)
<b>Net cash provided by operating activities</b>		<b>91,857</b>
<b>Cash flows from investing activities</b>		
<b>Cash inflow from investing activities</b>		
Decrease in other receivables		400,000
Acquisition of investments in subsidiaries		4,408
Proceeds from disposal of property, plant and equipment		2,792
		<b>407,200</b>
<b>Cash outflow from investing activities</b>		
Increase in other receivables		(2,340)
Increase in other non-current receivables		(112,710)
Acquisition of financial instrument		(57,305)
Acquisition of property, plant and equipment		(110,147)
Acquisition of intangible assets		(11,501)
		<b>(294,003)</b>
<b>Net cash provided by investing activities</b>		<b>113,197</b>
<b>Cash flows from financing activities</b>		
<b>Cash inflow from financing activities</b>		<b>-</b>
<b>Cash outflow from financing activities</b>		
Repayments of borrowings and others		(2,203)
		<b>(2,203)</b>
<b>Net cash used in financing activities</b>		<b>(2,203)</b>
Net increase in cash and cash equivalents		202,851
Cash and cash equivalents at the beginning of the period		536,731
Effects of exchange rate changes on cash and cash equivalents		768
Cash and cash equivalents at the end of the period	₩	<b>740,350</b>

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

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

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**1. General**

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

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

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

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

**2. Summary of Significant Accounting Policies**

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

**2.1 Basis of Preparation**

The separate financial statements of the Company 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 separate financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), and
- Defined benefit pension plans plan assets measured at fair value

The preparation of interim condensed separate financial statements requires the use of critical accounting estimates.

Management also needs to exercise judgement in applying the Company'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 separate 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 Company

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

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

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

The amendments include the following practical expedients:

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

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

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

### **2.3 Subsidiaries, Joint Ventures, and Associates**

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 Separate Financial Statements. Investments in subsidiaries, joint ventures and associates are recognized at cost under the direct equity method. The Company recognizes dividend income from subsidiaries, joint ventures and associates in profit or loss when its right to receive the dividend is established.

### **2.4 Foreign Currency Translation**

#### **(1) Functional and presentation currency**

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

#### **(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 separate statement of profit or loss, within finance income or costs. All other foreign exchange gains and losses are presented in the separate 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.

### **2.5 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.

### **2.6 Financial Assets**

#### **(1) Classification**

The Company 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 Company'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 Company 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)**

### **2.6 Financial Assets(cont'd)**

#### **(2) Measurement**

At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company 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 separate statement of profit or loss within 'finance income / cost -operating income / expenses' in the year in which it arises.

#### **② Equity instruments**

The Company subsequently measures all equity investments at fair value. Where the Company'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 separate 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)**

### **2.6 Financial Assets(cont'd)**

#### **(3) Impairment**

The Company 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

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

### **2.7 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 Company 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 Company 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)**

### **2.7 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 Company 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 Company 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 Company 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)**

### **2.8 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.

### **2.9 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.

### **2.10 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:

	<b>Useful lives</b>
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.

### **2.11 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 Company depreciates investment properties, except for land, using the straight-line method over their useful lives of 25 ~ 50 years.

### **2.12 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.

### **2.13 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 Company will comply with all attached conditions. Government grants related to assets are presented in the separate 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)**

### **2.14 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 Company 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 Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<b>Useful lives</b>
Development costs	3 - 15 years
Industrial property rights	5 - 15 years
Others	6 - 20 years

### **2.15 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.

### **2.16 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)**

### **2.17 Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Company 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.

### **2.18 Financial Liabilities**

#### **(1) Classification and measurement**

The Company'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 a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Company 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 separate statement of financial position.

#### **(2) Derecognition**

Financial liabilities are removed from the separate 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.

### **2.19 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 separate 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)**

### **2.20 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, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company 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 separate 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 Company 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 Company 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 Company 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 Company 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.

### **2.21 Provisions**

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company 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.

### **2.22 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 separate statement of financial position.

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

### **2.23 Employee Benefits**

#### **(1) Retirement benefits**

The Company operates both defined contribution and defined benefit pension plans. For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company 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 separate 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 Company 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 Company 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)**

### **2.24 Revenue Recognition**

#### **(1) Identify performance obligation**

With regard to the contract of selling products to the customer, the Company identifies the services provided separately to the customer as a different performance obligation. When the Company 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 Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with volume discounts, and it is the Company'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 Company 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)**

### **2.25 Lease**

- Lease activities and accounting policies of the Company

Lease income from operating leases where the Company 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 separate statement of financial position based on their nature.

The Company 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 Company. 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 Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payment of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

If the Company 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)**

### **2.25 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 Company. 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 Company and not by the respective lessor.

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

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

#### **(1) Market risk**

##### **1) Foreign exchange risk**

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

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

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

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
USD	₩ 2,154,263	₩ 2,408,798	₩ 2,221,196	₩ 2,364,916
EUR	211,733	797,826	174,206	739,136
JPY	14,398	13,568	15,110	32,693
CNY and others	374,730	1,463	401,943	974

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

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
USD	₩ (25,454)	₩ 25,454	₩ (14,372)	₩ 14,372

### **3. Financial Risk Management(cont'd)**

#### **3.1 Financial Risk Factors(cont'd)**

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

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



**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

	<b>Contractor</b>	<b>Contract amount (in millions)</b>	<b>Contract exchange rate</b>	<b>Contract inception date</b>	<b>Contract maturity</b>	<b>Book amount</b>	
						<b>Assets</b>	<b>Liabilities</b>
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 Company adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Company (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The Company has no floating rate deposits and borrowings outstanding at the end of the reporting period.

## 3. Financial Risk Management(cont'd)

### 3.1 Financial Risk Factors(cont'd)

#### (2) Credit risk

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

##### 1) Trade receivables

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected 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)

	<b>Receivables not past due(*1)</b>	<b>Receivables Past due but not impaired(*1)</b>	<b>Total</b>
<b>March 31, 2021 (Account Receivables)</b>			
Gross carrying amount	₩ 1,182,091	₩ 257,585	1,439,676
Expected loss rate	0.02%	0.00%	0.02%
Loss allowance provision	235	-	235
<b>December 31, 2020 (Account Receivables)</b>			
Gross carrying amount	1,272,961	300,590	1,573,551
Expected loss rate	0.01%	0.00%	0.01%
Loss allowance provision	124	-	124

(\*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)

**LG Energy Solution Ltd.****Notes to the interim condensed separate financial statements****March 31, 2021 and December 31, 2020**

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	<u>2021</u>	<u>2020</u>
Beginning	₩ 124	₩ 159
Increase (Reversal) of loss allowance recognized in profit or loss during the period	<u>111</u>	<u>(35)</u>
Ending	<u>₩ 235</u>	<u>₩ 124</u>

As of March 31, 2021, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to 1,439,676 Korean won in millions (as of December 31, 2020 1,573,551 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):

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

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

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

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

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

##### **(3) Liquidity risk**

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

### 3. Financial Risk Management(cont'd)

#### 3.1 Financial Risk Factors(cont'd)

1) The table below analyzes the Company groupings based on the remaining period at the reporting date to the contractual maturity date. Cash flows presented below are gross cash flows before discount, and includes cash flows for interests.

		March 31, 2021			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
<b>Non-derivative instruments:</b>					
Borrowings (excluding lease liabilities)	₩	46,713	₩ 46,713	₩ 1,545,973	₩ 638,656
Lease liabilities		7,970	6,173	26,868	-
Trade and other payables		1,657,690	10	3,260	-
		1,712,373	52,896	1,576,101	638,656
<b>Derivative instruments:</b>					
Gross settlement currency forwards					
Inflows	₩	-	₩ -	₩ (566,750)	₩ (566,750)
Outflows		-	-	567,800	551,415
		-	-	1,050	(15,335)
	₩	1,712,373	₩ 52,896	₩ 1,577,151	₩ 623,321
		December 31, 2020			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
<b>Non-derivative instruments:</b>					
Borrowings (excluding lease liabilities)	₩	45,174	₩ 45,174	₩ 1,324,270	₩ 814,127
Lease liabilities		2,379	1,585	2,109	-
Trade and other payables		1,651,623	1,563	-	-
		1,699,176	48,322	1,326,379	814,127
<b>Derivative instruments:</b>					
Gross settlement currency forwards					
Inflows	₩	-	₩ -	₩ (544,000)	₩ (544,000)
Outflows		-	-	567,800	551,415
		-	-	23,800	7,415
		-	-	23,800	7,415
	₩	1,699,176	₩ 48,322	₩ 1,350,179	₩ 821,542

### 3. Financial Risk Management(cont'd)

#### 3.1 Financial Risk Factors(cont'd)

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

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

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

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
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) The table below analyzes the Company into relevant maturity groupings based on the remaining maturity as at the reporting date to the contractual maturity date. (Korean won in millions)

	<b>March 31, 2021</b>			
	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts(*1)	₩ 3,289,451	₩ -	₩ -	-

  

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

(\*1) The Company has provided financial guarantee for subsidiaries. The amount represents the maximum amount of the guarantee as of March 31, 2020, in which the guarantee could be called (Note 8, 18).

### 3. Financial Risk Management(cont'd)

#### 3.2 Capital Risk Management

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

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

(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):

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Total borrowings (Note 14) (A)	₩ 2,023,817	₩ 1,949,537
Less: cash and cash equivalents (B)	(740,350)	(536,731)
Net debt (C=A+B)	1,283,467	1,412,806
Total liabilities (D)	5,057,985	5,090,619
Total equity (E)	7,386,688	7,252,098
Total capital (F=C+E)	8,670,155	8,664,904
Gearing ratio (C/F)	14.8%	16.3%
Debt-to-equity ratio (D/E)	68.5%	70.2%

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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):

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets(current):</b>				
Cash and cash equivalents	₩ 740,350	(*1)	₩ 536,731	(*1)
Trade receivables	1,408,916	(*1)	1,547,136	(*1)
Other receivables (excluding deposits held by financial institutions)	728,433	(*1)	472,733	(*1)
Deposits held by financial institutions	200,000	(*1)	600,000	(*1)
Current derivative financial assets	19,964	19,964	23,821	23,821
<b>Financial assets(non-current):</b>				
Deposits held by financial institutions	60,014	(*1)	60,014	(*1)
Trade receivables	30,525	(*1)	26,291	(*1)
Other receivables (excluding deposits held by financial institutions)	400,597	(*1)	394,012	(*1)
Other non-current financial assets				
(Non-marketability financial assets)	58,927	58,927	-	-
<b>Financial liabilities(current):</b>				
Trade and other payables	1,657,690	(*1)	1,651,623	(*1)
Current borrowings (excluding lease liabilities)	7,326	(*2)	2,273	(*2)
Current lease liabilities	400	400	-	-
Current derivative financial liabilities	57,467	(*1)	62,544	(*1)
<b>Financial liabilities(non-current):</b>				
Non-current borrowings (excluding lease liabilities)	1,984,686	2,103,237	1,943,701	2,020,530
Non-current lease liabilities	31,805	(*2)	3,563	(*2)
Other non-current payables	3,270	(*1)	1,563	(*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 Company (AA+), and the applied discount rates as of March 31, 2021 and December 31, 2020 is as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
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):

<u>March 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets/liabilities measured at fair value:</b>				
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
<b>Financial assets/liabilities not measured at fair value:</b>				
Non-current borrowings (excluding finance lease liabilities)	-	2,103,237	-	2,103,237

<u>March 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets/liabilities measured at fair value:</b>				
Current derivative financial assets	₩ -	₩ 23,821	₩ -	₩ 23,821
Non-current derivative financial liabilities(currency forward)	-	41,768	-	41,768
<b>Financial assets/liabilities not measured at fair value:</b>				
Non-current borrowings (excluding finance lease liabilities)	-	2,020,530	-	2,020,530



#### **4. Significant Accounting Estimates and Assumptions**

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

The significant estimates and assumptions made by management on the application of the Company's interim condensed separate financial statements are the same as those of the annual separate 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 Company'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 Company position, and management performance is currently unpredictable.

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

##### **(1) Income taxes**

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

##### **(2) Provisions**

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

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

**(3) Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at 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 Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 3.1.(2)).

**(5) Net defined benefit liability**

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

**(6) Lease**

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

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

## 5. Financial Instruments by Category

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

March 31, 2021				
Financial assets	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	
Cash and cash equivalents	₩ 740,350	₩ -	₩	740,350
Trade receivables	1,408,916	-		1,408,916
Non-current trade receivables	30,525	-		30,525
Other receivables	928,433	-		928,433
Other non-current receivables	460,611	-		460,611
Other current financial assets	-	19,964		19,964
Other non-current financial assets	-	58,927		58,927
	₩ 3,568,835	₩ 78,891	₩	3,647,726

March 31, 2021				
Financial liabilities	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities(*)	Total
Trade payables	₩ -	₩ 1,314,073	₩ -	₩ 1,314,073
Other payables	-	343,618	-	343,618
Borrowings(current)	-	-	7,326	7,326
Other current financial liabilities	-	57,467	400	57,867
Other non-current financial liabilities	19,039	-	-	19,039
Other non-current payables	-	3,270	-	3,270
Borrowings(non-current)	-	1,984,686	31,805	2,016,491
	₩ 19,039	₩ 3,703,114	₩ 39,531	₩ 3,761,684

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

5. Financial Instruments by Category(cont'd)

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

(\*) 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
<b>Interest income:</b>	
Financial assets at amortized cost	₩ 6,545
<b>Interest expense:</b>	
Financial liabilities at amortized cost	(12,776)
Other financial liabilities	(225)
<b>Gains or loss on valuation:</b>	
Financial assets at fair value through other comprehensive income	1,622
Derivative instruments	18,472
<b>Exchange differences:</b>	
Financial assets at amortized cost	87,968
Financial liabilities at amortized cost	(87,777)

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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	₩ 88,396	₩ 23,670
Deposits held by financial institutions and others	651,954	513,061
	<u>₩ 740,350</u>	<u>₩ 536,731</u>

(2) As of March 31, 2021, cash and cash equivalents include 4 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	₩ 1,409,151	₩ (235)	₩ 1,408,916	₩ 1,547,260	₩ (124)	₩ 1,547,136
Non-current trade receivables	30,525	-	30,525	26,291	-	26,291
Other current receivables	928,487	(54)	928,433	1,072,787	(54)	1,072,733
Other non-current receivables	460,611	-	460,611	454,026	-	454,026
	<u>₩ 2,828,774</u>	<u>₩ (289)</u>	<u>₩ 2,828,485</u>	<u>₩ 3,100,364</u>	<u>₩ (178)</u>	<u>₩ 3,100,186</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>
<b>Current:</b>		
Non-trade receivables	₩ 709,060	₩ 455,756
Deposits held by financial institutions	200,000	600,000
Accrued income	13,936	9,293
Guarantee deposits provided	5,437	7,684
Sub-total	928,433	1,072,733
<b>Non-current:</b>		
Non-trade receivables	₩ 39,521	₩ 43,896
Deposits held by financial institutions(*)	60,014	60,014
Loan	344,700	333,920
Guarantee deposits provided	16,376	16,196
Sub-total	460,611	454,026
	<u>₩ 1,389,044</u>	<u>₩ 1,526,759</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.

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	₩ 1,182,091	₩ 1,303,415	₩ 1,272,961	₩ 1,491,427
Past due but not impaired:				
Up to 3 months	115,053	82,591	146,684	33,876
Between 3-6 months	7,182	1,686	65,219	117
Over 6 months	135,350	1,352	88,687	1,339
	257,585	85,629	300,590	35,332
Impaired receivables	-	54	-	54
	₩ 1,439,676	₩ 1,389,098	₩ 1,573,551	₩ 1,526,813

(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	₩ 124	₩ 54	₩ 159	₩ -
Additions (reversal)	111	-	(35)	54
Ending	₩ 235	₩ 54	₩ 124	₩ 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.

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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>
<b>Other financial assets:</b>		
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>
<b>Other financial liabilities:</b>		
Financial guarantee contracts (current)	₩ 57,467	₩ 62,544
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>₩ 76,906</u>	<u>₩ 104,312</u>

(2) Changes in equity securities included in other financial assets for the three month 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 Company 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	₩ 51,078	₩ (2,602)	₩ 48,476	₩ 43,165	₩ (1,666)	₩ 41,499
Finished / Semi-finished products	631,969	(24,204)	607,765	595,201	(21,403)	573,798
Raw materials	164,487	(2,059)	162,428	235,354	(629)	234,725
Supplies	12,508	-	12,508	12,068	-	12,068
Materials-in-transit	<u>59,512</u>	<u>-</u>	<u>59,512</u>	<u>87,659</u>	<u>-</u>	<u>87,659</u>
	<u>₩ 919,554</u>	<u>₩ (28,865)</u>	<u>₩ 890,689</u>	<u>₩ 973,447</u>	<u>₩ (23,698)</u>	<u>₩ 949,749</u>

(2) During the three-month period ended March 31, 2021, the cost of inventories recognized as expense and included in 'cost of sales' amounted to 1,193,403 Korean won in millions.

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**10. Investments in Subsidiaries, Associates and Joint Ventures**

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

	<u>2021</u>	<u>2020</u>
Beginning	₩ 4,487,105	₩ 4,452,376
Additions	112,710	34,729
Ending balance	<u>₩ 4,599,815</u>	<u>₩ 4,487,105</u>

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

		Percentage of ownership(%)		Carrying amount	
		March 31, 2021	December 31, 2021	March 31, 2021	December 31, 2021
<b>Subsidiary:</b>	<b>Location</b>				
LG Energy Solution (Nanjing) Co., Ltd.	China	81	81	₩1,138,401	₩ 1,138,401
LG Energy Solution Michigan Inc.	USA	100	100	693,916	583,577
LG Energy Solution Battery (Nanjing) Co., Ltd.(*1)	China	50	50	88,706	88,706
LG Energy Solution Wrocław sp. z o.o.	Poland	100	100	1,810,008	1,810,008
LG Energy Solution Australia Pty Ltd.	Australia	100	100	429	429
LG Energy Solution Technology (Nanjing) Co., Ltd.	China	100	100	788,171	788,171
LG Energy Solution Europe GmbH	Germany	100	100	34,729	34,729
LG Energy Solution (Taiwan) Ltd.(*2)	Taiwan	100	-	1,871	-
Areum noori Co., Ltd.(*3)	Korea	100	-	500	-
				<u>4,556,731</u>	<u>4,444,021</u>
<b>Investment in associates:</b>					
WUXI CL New Energy Technology Ltd.	China	30	30	1,737	1,737
VINFAST LITHIUM BATTERY PACK LLC.	Vietnam	35	35	5,323	5,323
Jiangxi VL Battery Co.,Ltd	China	34	34	21,814	21,814
				<u>28,874</u>	<u>28,874</u>
<b>Joint venture</b>					
HL GREEN POWER INC.(*4)	Korea	49	49	14,210	14,210
				<u>14,210</u>	<u>14,210</u>
				<u>₩ 43,084</u>	<u>₩ 43,084</u>

(\*1) Although the Company does not own more than 50% of shares of Nanjing LG Chem New Energy Battery Co., Ltd., the Parent Company is considered to have control over the investee as the Parent Company can exercise the majority voting rights in its decision-making process in accordance with the shareholders' agreement.

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

(\*3) Areum noori Co., Ltd was newly established during the current period and the Company acquired 100% shares of Areum noori Co., Ltd for 500 Korean won in millions.

(\*4) 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 Company has right for its net assets.



**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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	₩ 223,838	₩ 809,711	₩ 69,279	₩ 1,386,192	₩ 3,444	₩ 465,363	₩ 105,526	₩ 7,701	₩ 199,754	₩ 23,269	₩ 3,294,077
Accumulated depreciation	-	(158,737)	(29,604)	(1,198,652)	(2,808)	(300,846)	(65,629)	(1,872)	-	-	(1,758,148)
Accumulated impairment	(668)	(3,172)	(1,834)	(1,256)	(4)	(274)	(425)	-	-	-	(7,633)
	₩ 223,170	₩ 647,802	₩ 37,841	₩ 186,284	₩ 632	₩ 164,243	₩ 39,472	₩ 5,829	₩ 199,754	₩ 23,269	₩ 1,528,296
Acquisitions/Transfer	-	20,737	48	26,539	15	13,493	6,779	37,585	51,057	1,191	157,444
Disposals/transfer	(161)	-	-	(246)	-	(389)	(2,733)	(187)	(66,024)	(1,893)	(71,633)
Depreciation	-	(4,434)	(562)	(23,164)	(62)	(13,235)	(2,697)	(1,900)	-	-	(46,054)
Ending:											
Cost	₩ 223,677	₩ 830,483	₩ 69,327	₩ 1,396,429	₩ 3,443	₩ 476,935	₩ 109,367	₩ 44,678	₩ 184,787	₩ 22,567	₩ 3,361,693
Accumulated depreciation	-	(163,171)	(30,166)	(1,205,760)	(2,854)	(312,549)	(68,121)	(3,351)	-	-	(1,785,972)
Accumulated impairment	(668)	(3,207)	(1,834)	(1,256)	(4)	(274)	(425)	-	-	-	(7,668)
	₩ 223,009	₩ 664,105	₩ 37,327	₩ 189,413	₩ 585	₩ 164,112	₩ 40,821	₩ 41,327	₩ 184,787	₩ 22,567	₩ 1,568,053

	2020										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Right-of-use assets	Consturction-in-progress	Machinery-in-transit	Total
Beginning:											
Cost	₩ 223,838	₩ 809,121	₩ 69,010	₩ 1,370,400	₩ 3,432	₩ 460,150	₩ 99,682	₩ 7,133	₩ 143,580	₩ 23,224	₩ 3,209,570
Accumulated depreciation	-	(157,344)	(29,416)	(1,190,342)	(2,788)	(297,917)	(64,732)	(1,701)	-	-	(1,744,240)
Accumulated impairment	(668)	(3,172)	(1,834)	(1,256)	(4)	(274)	(424)	-	-	-	(7,632)
	₩ 223,170	₩ 648,605	₩ 37,760	₩ 178,802	₩ 640	₩ 161,959	₩ 34,526	₩ 5,432	₩ 143,580	₩ 23,224	₩ 1,457,698
Acquisitions/transfer	-	591	269	24,194	13	6,914	6,275	569	88,316	515	127,656
Disposals/transfer	-	-	-	(5,604)	-	(15)	(420)	-	(32,142)	(470)	(38,651)
Depreciation	-	(1,394)	(188)	(11,108)	(21)	(4,615)	(909)	(172)	-	-	(18,407)
Ending:											
Cost	₩ 223,838	₩ 809,711	₩ 69,279	₩ 1,386,192	₩ 3,444	₩ 465,363	₩ 105,526	₩ 7,701	₩ 199,754	₩ 23,269	₩ 3,294,077
Accumulated depreciation	-	(158,737)	(29,604)	(1,198,652)	(2,808)	(300,846)	(65,629)	(1,872)	-	-	(1,758,148)
Accumulated impairment	(668)	(3,172)	(1,834)	(1,256)	(4)	(274)	(425)	-	-	-	(7,633)
	₩ 223,170	₩ 647,802	₩ 37,841	₩ 186,284	₩ 632	₩ 164,243	₩ 39,472	₩ 5,829	₩ 199,754	₩ 23,269	₩ 1,528,296

(2) The Company capitalized 387 Korean won in millions of borrowing costs in relation to acquisition of property, plant and equipment, on property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 2.54%.

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

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

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

	<b>2021</b>	
Cost of sales	₩	32,277
Selling and administrative expenses		13,776
	₩	<u>46,053</u>

(4) Lease

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

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

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
<b>Right-of-use assets(*):</b>				
Building	₩	37,355	₩	3,034
Land		477		520
Vehicles		<u>3,495</u>		<u>2,275</u>
	₩	<u>41,327</u>	₩	<u>5,829</u>

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

Additions to the right-of-use assets for the three-month period ended March 31, 2021 are 37,585 Korean won in millions.

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
<b>Lease liabilities(*):</b>				
Current	₩	7,326	₩	2,273
Non-current		<u>31,805</u>		<u>3,563</u>
	₩	<u>39,131</u>	₩	<u>5,836</u>

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

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

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

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

	<b>2021</b>
<b>Depreciation of right-of-use assets</b>	
Building	₩ 1,401
Land	42
Vehicles	457
	<u>₩ 1,900</u>
Interest expense relating to lease liabilities(included in finance cost)	₩ 225
Expense relating to short-term leases(included in cost of goods sold and administrative expenses)	405
Expense relating to leases of low-value assets that are not short-term leases(included in cost of goods sold and administrative expenses)	1,171

Total cash outflow for leases for the three-month period ended March 31, 2021 is 4,002 Korean won in millions.

## 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)

<b>2021</b>						
	<b>Software</b>	<b>Industrial property rights</b>	<b>Memberships</b>	<b>Others</b>	<b>Total</b>	
Beginning	₩ 115,373	₩ 148,105	₩ 9,218	₩ 437	₩	273,133
Separate acquisitions/transfer	5,552	10,045	986	-		16,583
Disposals/transfer	-	(170)	-	-		(170)
Amortization	(7,843)	(3,847)	-	(7)		(11,697)
Ending	₩ 113,082	₩ 154,133	₩ 10,204	₩ 430	₩	277,849

  

<b>2020</b>						
	<b>Software</b>	<b>Industrial property rights</b>	<b>Memberships</b>	<b>Others</b>	<b>Total</b>	
Beginning	₩ 116,905	₩ 145,495	₩ 9,218	₩ 439	₩	272,057
Separate acquisitions/transfer	1,122	3,908	-	-		5,030
Disposals/transfer	-	(73)	-	-		(73)
Amortization	(2,654)	(1,225)	-	(2)		(3,881)
Ending	₩ 115,373	₩ 148,105	₩ 9,218	₩ 437	₩	273,133

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

	<b>2021</b>
Cost of sales	₩ 3,355
Selling and administrative expenses	8,342
	₩ 11,697

(3) Research and development costs

Total research and development costs recognized as expenses amounted to 115,339 Korean won in millions.

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

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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>
<b>Current:</b>			
Prepayments to suppliers and prepaid expenses	₩	55,329	₩ 42,993
Prepaid value added tax		24,031	14,361
Others		<u>24,044</u>	<u>889</u>
	₩	<u>103,404</u>	₩ <u>58,243</u>
<b>Non-current:</b>			
Long-term prepayments and long-term prepaid expenses	₩	<u>38,302</u>	₩ <u>42,252</u>
	₩	<u>38,302</u>	₩ <u>42,252</u>

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**14. Borrowings**

(1) Borrowings 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>
<b>Current:</b>		
Current lease liabilities	₩ 7,326	₩ 2,273
	7,326	2,273
<b>Non-current:</b>		
Debentures	₩ 1,984,686	₩ 1,943,701
Non-current lease liabilities	31,805	3,563
	2,016,491	1,947,264
	₩ 2,023,817	₩ 1,949,537

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

1) Debentures(Korean won in millions)

	<u>March 31, 2021</u>						
	<u>Financial institution</u>	<u>Interest rate(%)</u>	<u>Latest maturity date</u>	<u>Amount</u>	<u>Current portion</u>	<u>Non-current portion</u>	
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)	
				₩ 1,984,686	₩ -	₩ 1,984,686	

**14. Borrowings(cont'd)**

	<u>December 31, 2020</u>						
	<u>Financial institution</u>	<u>Interest rate(%)</u>	<u>Latest maturity date</u>	<u>Amount</u>	<u>Current portion</u>	<u>Non-current portion</u>	
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	

**LG Energy Solution Ltd.**
**Notes to the interim condensed separate financial statements**
**March 31, 2021 and December 31, 2020**

EUR foreign currency debenture with maturity in 2023	CITI and others	0.50	2023.04.15	669,120	-	669,120
Less: discount on debentures				(13,419)	-	(13,419)
				<u>₩ 1,943,701</u>	<u>₩</u>	<u>₩ 1,943,701</u>

**2) Lease liabilities(Korean won in millions)**

<b>March 31, 2021</b>						
	<b>Interest rate(%)</b>	<b>Latest maturity date</b>	<b>Amount</b>	<b>Current portion</b>	<b>Non-current portion</b>	
Baeksan industry and others	2.01~2.338	2026.02.12	₩ 39,131	₩ 7,326	₩	31,805
<b>December 31, 2020</b>						
	<b>Interest rate(%)</b>	<b>Latest maturity date</b>	<b>Amount</b>	<b>Current portion</b>	<b>Non-current portion</b>	
Baeksan industry and others	2.01~2.338	2025.12.31	₩ 5,836	₩ 2,273	₩	3,563

**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)

<b>2021</b>						
	<b>Warranty(*1)</b>	<b>Greenhouse gas emission(*2)</b>	<b>Provision for restoration(*3)</b>	<b>Legal claims(*4)</b>	<b>Total</b>	
Beginning	₩ 1,093,387	₩ 842	₩ -	₩ 331	₩	1,094,560
Additions	4,835	(206)	1,900	1,919		8,448
Used	(72,970)	-	-	-		(72,970)
Ending	1,025,252	636	1,900	2,250		1,030,038
Less: current portion	(938,381)	(636)	-	-		(939,017)
	<u>₩ 86,871</u>	<u>₩ -</u>	<u>₩ 1,900</u>	<u>₩ 2,250</u>	<u>₩</u>	<u>91,021</u>
<b>2020</b>						
	<b>Warranty(*1)</b>	<b>Greenhouse gas emission(*2)</b>	<b>Legal claims(*4)</b>	<b>Total</b>		
Beginning	₩ 546,648	₩ 746	₩ 336	₩		547,730
Additions	560,266	96	(5)			560,357
Used	(13,527)	-	-			(13,527)
Ending	1,093,387	842	331			1,094,560
Less: current portion	(983,393)	(842)	-			(984,235)
	<u>₩ 109,994</u>	<u>₩ -</u>	<u>₩ 331</u>	<u>₩</u>		<u>110,325</u>

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

(\*2) Greenhouse gas emission provisions have been accrued for estimated expenditures to be obligated for any excess emission. The Company 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 215 thousand ton)

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

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

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**16. Net Defined Benefit Liabilities**

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligations (*)	₩ 466,053	₩ 458,710
Fair value of plan assets	(413,865)	(415,924)
Liabilities in the separate statement of financial position	₩ 52,188	₩ 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 separate statement of profit or loss for the three-month period ended March 31, 2021 are as follows: (Korean won in millions)

	<b>2021</b>
Current service cost	₩ 17,208
Interest cost	271
	₩ 17,479

(3) Retirement benefits recognized for defined contribution plan for the three-month period ended March 31, 2021 amounted to 217 Korean won in millions. (one-month period ended December 31, 2020, was 83 Korean won in millions)

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

	<b>2021</b>
Cost of sales	₩ 9,099
Selling and administrative expenses	8,597
	₩ 17,696

(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)

	<b>2021</b>	<b>2020</b>
Beginning	₩ 458,710	₩ 455,133
Transfer in	3,840	998
Transfer out	(164)	-
Current service cost	17,208	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	₩ 466,053	₩ 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 separate statement of financial position.

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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)

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Amount</b>	<b>Composition(%)</b>	<b>Amount</b>	<b>Composition(%)</b>
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 Company 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, 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)

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Current:		
Advances from customers ₩	120,825 ₩	100,135
Withholdings	5,112	28,197
Unearned revenues	1,133	1,015
Accrued expenses	52,253	76,829
	<u>₩ 179,323</u>	<u>₩ 206,176</u>
Non-current:		
Long-term accrued expenses ₩	21,552 ₩	21,762
Long-term advanced received	12,461	18,300
	<u>₩ 34,013</u>	<u>₩ 40,062</u>

## **18. Commitments and Contingencies**

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

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

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

	<b>Currency</b>	<b>March 31, 2021</b>
Limit of bank overdraft	KRW	8,700
Limit of the letter of credit	USD	30
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
Limit of loan agreement	KRW	100,000
Future agreement	USD	158

(4) As of March 31, 2021, the Company 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.

(5) 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.

(6) In addition, as of March 31, 2021, the Company has been named as a plaintiff and a defendant in 4 and 157 legal actions, respectively, with 5,175 Korean won in millions in claims. The ultimate outcome of these cases cannot be determined at the reporting date.

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

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Property, plant and equipment	₩ 62,284	₩ 59,506

(9) 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 Company cannot make reasonable expectation of the timing and amount of an outflow of resources due to the uncertainty of the cause of the accident

**LG Energy Solution Ltd.**
**Notes to the interim condensed separate financial statements**
**March 31, 2021 and December 31, 2020**
**18. Commitments and Contingencies(cont'd)**

(10) The Company guarantee borrowings amount is 3,189,770 Korean won in millions and details below.  
(Korean won in millions)

				<b>March 31, 2021</b>	
	<b>Guarantee beneficiary</b>	<b>Financial institution</b>	<b>Guarantee period</b>	<b>Amount of guarantee</b>	<b>Outstanding loan amount</b>
LG Energy Solution Ltd.	LG Energy Solution Wrocław sp. z o.o.	Citi	2019.07.28~2021.07.27	₩ 26,581	₩ -
		Citi	2018.12.12~2021.07.27	33,227	-
		Citi	2020.08.28~2021.07.27	39,872	-
		ING	2017.09.01~2022.09.01	66,454	66,454
		Citi	2018.11.02~2023.11.02	66,454	66,454
		ING	2018.11.23~2023.11.23	66,454	66,454
		ING	2018.11.23~2023.11.23	26,581	26,581
		MUFG	2019.01.16~2024.01.31	66,454	66,454
		MUFG	2019.01.16~2022.01.31	66,454	66,454
		KEB Hana Bank	2019.02.06~2024.03.31	265,814	265,814
		Citi	2019.03.22~2024.03.31	66,454	66,454
		Citi	2019.08.20~2024.08.20	66,454	66,454
		SMBC	2019.09.25~2021.11.24	132,907	132,907
		EBRD	2019.09.25~2026.09.24	132,907	132,907
		SMBC	2020.02.07~2023.02.06	132,907	132,907
		SMBC	2020.02.07~2027.02.05	66,454	66,454
		DBS	2020.03.11~2023.03.11	132,907	132,907
		EIB	2020.03.16~2031.03.06	637,954	637,954
		EBRD	2020.03.26~2027.03.26	199,361	199,361
		KDB Bank/ The Export-import Bank of Korea/ NH Bank	2020.04.29~2022.04.29	730,989	730,989
		KDB Bank/ The Export-import Bank of Korea			
				<u>265,814</u>	<u>265,814</u>
				<u>₩ 3,289,453</u>	<u>₩ 3,189,773</u>

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

As of March 31, 2021, the Company provided no financial guarantees to its associates in relation to their borrowings.

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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)

	<b>Ordinary shares</b>		<b>Share premium</b>
	<b>Number of shares</b>	<b>Share capital</b>	
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)

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Unappropriated deficit	₩ (239,023)	₩ (375,523)

**21. Selling and Administrative Expenses**

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

	<b>2021</b>
Wages and salaries	₩ 93,303
Retirement benefits	8,597
Employee benefits	19,076
Travel expense	3,725
Water & utilities	8,021
Packaging expense	163
Rental expenses	12,524
Commission expenses	86,781
Depreciation	15,239
Advertising expense	1,824
Freight expenses	22,066
Training expense	1,278
Amortization	8,342
Sample expense	153
Development costs	20,707
Others	28,338
	₩ 330,137

## **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)

	<b>2021</b>
Changes in inventories of merchandise, finished goods, semi-finished goods, and work in process	₩ (40,944)
Raw materials and consumables used	1,060,601
Purchase of merchandise	173,746
Employee benefit expenses	204,620
Advertising expenses	1,932
Freight expenses	23,443
Commission expenses	97,386
Depreciation and amortization	59,214
Rent expenses and usage fee	1,609
Other expenses	128,461
	<u>₩ 1,710,068</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)

	<b>2021</b>
Salaries	₩ 172,103
Retirement benefits defined benefit plan	17,479
Retirement benefits defined contribution plan	217
Others	14,821
	<u>₩ 204,620</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)

	<b>2021</b>
<b>Finance income:</b>	
Interest income(*1)	₩ 6,545
Exchange differences	43,284
Gain on valuation of derivative instruments	22,729
	<u>₩ 72,558</u>
<b>Finance costs:</b>	
Interest expense(*2)	₩ 12,614
Exchange differences	70,507
	<u>₩ 83,121</u>

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

	<b>2021</b>
Deposits held by financial institutions	₩ 1,630
Other loans and receivables	4,915
	<u>₩ 6,545</u>

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

	<b>2021</b>
Interest on lease liabilities	₩ 225
Interest on debentures	12,776
Capitalized interest for qualifying assets	(387)
	<u>₩ 12,614</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)

	<b>2021</b>
Exchange differences	₩ 85,008
Gain on disposal of property, plant and equipment	720
Others	21,873
	<u>₩ 107,601</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)

	<b>2021</b>
Exchange differences	₩ 57,595
Loss on disposal of property, plant and equipment	677
Donations	72
Others	2,009
	<u>₩ 60,353</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)

	<b>2021</b>
Current tax on profit for the period	₩ 23,613
Adjustment for prior periods	(26,582)
Deferred tax - movement in temporary differences	19,211
Deferred tax - tax credit carryforwards	(8,287)
Deferred tax - tax loss carryforwards	11,046
	<u>₩ 19,001</u>
Deferred tax charged directly to equity	725
Current tax charged directly to equity	(3,147)
	<u>₩ 16,579</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)

	<b>2021</b>
<b>Current tax:</b>	
Remeasurements of net defined benefit liabilities	₩ (3,147)
<b>Deferred tax:</b>	
Loss on valuation of financial assets at FVOCI	₩ (446)
Profit on valuation of derivative instruments	1,171
	<u>₩ (2,422)</u>

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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)

	<b>Increase(decrease)</b>			
	<b>Beginning</b>	<b>Profit(loss) for the period</b>	<b>Other comprehensive income(loss)</b>	<b>Ending</b>
Net defined benefit liabilities	₩ 120,206	₩ 1,163	₩ -	₩ 121,369
Plan assets	(114,379)	566	-	(113,813)
Property, plant and equipment	5,216	2,668	-	7,884
Accrued income	(53)	(106)	-	(159)
Provision	306,997	(17,811)	-	289,186
Others	41,833	6,536	725	49,094
Succession of assets (Property, plant and equipment)	118,900	(12,544)	-	106,356
Succession of assets (Patents)	591,277	(409)	-	590,868
Succession of assets (Membership)	600	-	-	600
	<u>₩ 1,070,597</u>	<u>₩ (19,937)</u>	<u>₩ 725</u>	<u>₩ 1,051,385</u>
Tax credit carryforwards	₩ 6,449	₩ 8,287	₩ -	₩ 14,736
Tax loss carryforwards	11,046	(11,046)	-	-
Deferred tax assets (liabilities)	<u>₩ 1,088,092</u>	<u>₩ (22,696)</u>	<u>₩ 725</u>	<u>₩ 1,066,121</u>

(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)

	<b>2021</b>
Profit before income tax	₩ 144,783
Tax at domestic tax rates	34,400
Tax effects of:	
Income not subject to tax	(1,366)
Expenses not deductible for tax purposes	3,909
Tax credit	(10,086)
Others	(10,277)
Income tax expense	<u>₩ 16,580</u>
Effective tax rate (income tax benefit / profit before income tax)	11.45%

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

	<b>March 31, 2021</b>
Investments in subsidiaries, associates and joint ventures	₩ 793,804

## **28. Earning per Share**

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

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

		<b>2021</b>
Earning attributable to ordinary shares	₩	128,203
Number of ordinary shares outstanding		200,000,000 shares
Basic earning per ordinary share (in won)	₩	641 won

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

## **29. Dividends**

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

**30. Related Party Transactions**

(1) As of March 31, 2021, the Parent Company is LG Chem, Ltd. (percentage of ownership: 100%) over which LG Corp. exercises a significant influence.

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

<b>Related party</b>	<b>Related party's subsidiary (Domestic)</b>	<b>Related party's subsidiary (Overseas)</b>	<b>Details</b>
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 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 Company in accordance with Korean IFRS 1024, the entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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	
<b>Parents:</b>						
LG Chem, Ltd.	₩ 4,150	₩ 31,142	₩ -	₩ -	17	₩ 1,658
<b>Subsidiaries:</b>						
LG Energy Solution (Nanjing) Co., Ltd	30,915	498,798	-	-	-	70
LG Energy Solution Michigan, Inc.	93,844	1,104	-	-	-	7,478
LG Energy Solution Battery (Nanjing) Co., Ltd.	11,894	118,038	-	-	-	17
LG Energy Solution Wroclaw sp. z o.o.	297,317	318	-	-	-	1,902
LG Energy Solution Australia Pty Ltd	2,568	-	-	-	-	736
LG Energy Solution Technology (Nanjing) Co., Ltd.	12,035	221,050	-	-	-	768
LG Energy Solution Europe GmbH	32,940	-	-	-	-	7,538
LG Energy Solution (Taiwan), Ltd.	-	-	-	-	-	697
<b>Associates and joint ventures:</b>						
HL Greenpower Co., Ltd.	201,596	440	-	-	-	10
<b>Other related parties:</b>						
LG Corp.	-	-	-	-	-	8,362
LG Chem America, Inc.	-	-	-	-	-	4
LG Chem(Taiwan),Ltd.	-	-	-	-	-	495
LG Chem Europe GmbH	238	-	-	-	-	47
HAENGBOKNURI CO., LTD.	5	-	-	-	-	1,061
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	24,160	-	-	-	-
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	1,039	-	-	7,131
LG CNS Co., Ltd. and its subsidiaries	1,185	221	12,648	-	-	9,864
Others	-	-	-	-	-	482
<b>Others:</b>						
LG Electronics Inc., Ltd. and its subsidiaries	135,533	30,267	2,260	-	-	1,369
LG International Corp. and its subsidiaries	7	3,824	2	-	-	26,703
Others	11	-	-	-	-	363
	<u>₩ 824,285</u>	<u>₩ 931,209</u>	<u>₩ 16,134</u>	<u>₩ -</u>	<u>₩ 17</u>	<u>₩ 79,493</u>

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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	
<b>Parents:</b>										
LG Chem, Ltd.	₩ -	₩ -	₩ 33,105	₩ 33,105	₩ 32,798	₩ -	₩ 2,895	₩ 4,464	₩ 40,157	
<b>Subsidiaries:</b>										
LG Energy Solution (Nanjing) Co., Ltd	18,432	344,700	86,432	449,564	507,399	-	-	8,685	516,084	
LG Energy Solution Michigan, Inc.	81,777	-	11,621	93,398	398	-	-	8,813	9,211	
LG Energy Solution Battery (Nanjing) Co., Ltd.	4,086	-	2,845	6,931	73,786	-	-	8	73,794	
LG Energy Solution Wroclaw sp. z o.o.	199,614	-	331,040	530,654	2,962	-	-	7,704	10,666	
LG Energy Solution Australia Pty Ltd	3,461	-	-	3,461	-	-	-	427	427	
LG Energy Solution Technology (Nanjing) Co., Ltd.	10,795	-	-	10,795	153,230	-	-	-	153,230	
LG Energy Solution Europe GmbH	24,075	-	-	24,075	-	-	-	4,572	4,572	
LG Energy Solution (Taiwan), Ltd.	-	-	-	-	-	-	-	429	429	
Areum noori Co., Ltd.	-	-	-	-	-	-	-	503	503	
<b>Associates and joint ventures:</b>										
HL Greenpower Co., Ltd.	209,932	-	4,305	214,237	-	-	-	558	558	
<b>Other related parties:</b>										
LG Corp.	-	-	29	29	-	-	-	4,845	4,845	
LG Chem Europe GmbH	8,190	-	536	8,726	-	-	-	-	-	
HAENGBOKNURI CO., LTD.	-	-	-	-	-	-	-	94	94	
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	-	-	-	23,800	-	-	-	23,800	
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	-	-	-	-	-	-	-	10,145	10,145	
LG CNS Co., Ltd. and its subsidiaries	1,062	-	238	1,300	-	-	-	39,692	39,692	
Others	-	-	-	-	-	-	-	129	129	
<b>Others:</b>										
LG Electronics Inc., Ltd. and its subsidiaries	61,296	-	177,328	238,624	41,570	-	-	13,939	55,509	
LG International Corp. and its subsidiaries	-	-	378	378	-	-	-	12,129	12,129	
Others	-	-	-	-	-	-	-	1,987	1,987	
	<u>₩ 622,720</u>	<u>₩ 344,700</u>	<u>₩ 650,651</u>	<u>₩ 1,618,071</u>	<u>₩ 835,943</u>	<u>₩ -</u>	<u>₩ 2,895</u>	<u>₩ 119,857</u>	<u>₩ 958,695</u>	

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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	
<b>Parents:</b>										
LG Chem, Ltd.	₩	- ₩	- ₩	2,764 ₩	2,764 ₩	₩ 20,352 ₩	- ₩	3,127 ₩	6,971 ₩	30,450 ₩
<b>Subsidiaries:</b>										
LG Energy Solution (Nanjing) Co., Ltd	12,097	333,920	53,573	399,590	466,069	-	-	14,165	480,234	
LG Energy Solution Michigan, Inc.	122,039	-	17,921	139,960	7,581	-	-	4,199	11,780	
LG Energy Solution Battery (Nanjing) Co., Ltd.	50,565	-	2,110	52,675	91,114	-	-	-	91,114	
LG Energy Solution Wroclaw sp. z o.o.	182,243	-	258,450	440,693	2,401	-	-	3,858	6,259	
LG Energy Solution Australia Pty Ltd	2,590	-	-	2,590	-	-	-	505	505	
LG Energy Solution Technology (Nanjing) Co., Ltd.	13,364	-	15,878	29,242	157,191	-	-	-	157,191	
LG Energy Solution Europe GmbH	7,645	-	-	7,645	-	-	-	3,315	3,315	
<b>Associates and joint ventures:</b>										
HL Greenpower Co., Ltd.	277,326	-	-	277,326	-	-	-	330	330	
<b>Other related parties:</b>										
LG Corp.	-	-	25	25	-	-	-	664	664	
LG Chem Europe GmbH	-	-	-	-	-	-	-	638	638	
HAENGBOKNURI CO., LTD.	40,876	-	543	41,419	-	-	-	857	857	
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	-	-	-	9,662	-	-	-	9,662	
TECWIN Co.,Ltd.	-	-	-	-	-	-	-	5,531	5,531	
LG MMA Corporation	-	-	10	10	-	-	-	-	-	
S&I Corp. and its subsidiaries	-	-	21	21	-	-	-	18,702	18,702	
LG CNS Co., Ltd. and its subsidiaries	7,048	-	-	7,048	-	-	-	38,914	38,914	
Others	-	-	1,800	1,800	-	-	-	672	672	
<b>Others:</b>										
LG Electronics Inc., Ltd. and its subsidiaries	67,708	-	103,723	171,431	37,559	-	-	13,237	50,796	
LG International Corp. and its subsidiaries	-	-	-	-	-	-	-	5,151	5,151	
Others	-	-	3	3	-	-	-	661	661	
	<u>₩ 783,501</u>	<u>₩ 333,920</u>	<u>₩ 456,821</u>	<u>₩ 1,574,242</u>	<u>₩ 791,929</u>	<u>₩ -</u>	<u>₩ 3,127</u>	<u>₩ 118,370</u>	<u>₩ 913,426</u>	

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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						
	Dividends received	Dividends paid	Equity contribution In cash (Capital reduction)	Loans transaction		Borrowings transaction(*)	
				Loans	Repayment	Borrowings	Repayment
<b>Parents:</b>							
LG Chem, Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩ 215
<b>Subsidiaries:</b>							
LG Energy Solution Michigan, Inc.	-	-	110,339	-	-	-	-
LG Energy Solution (Taiwan), Ltd.	-	-	1,871	-	-	-	-
Areum noori Co., Ltd.	-	-	500	-	-	-	-
	<u>₩</u>	<u>- ₩</u>	<u>₩ 112,710</u>	<u>₩</u>	<u>- ₩</u>	<u>- ₩</u>	<u>- ₩ 215</u>

(\*) 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 Company for the three-month period ended March 31, 2021 is as follows: (Korean won in millions)

	2021
Short-term employee benefits	₩ 7,515
Retirement benefits	1,872
	<u>₩ 9,387</u>

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

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

(8) As of March 31, 2021, there are no payment guarantees provided by the Company 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)

	<b>2021</b>
Profit before income tax:	₩ 144,782
Adjustments for	
- Depreciation	47,515
- Amortization	11,697
- Retirement benefits	17,479
- Financial income	(86,351)
- Financial costs	78,873
- Loss on valuations of inventories	5,166
- Loss on disposal of inventories	731
- Gain on disposal of property, plant and equipment	(720)
- Loss on disposal of property, plant and equipment	677
- Additions to provisions	8,448
- Other income	282
- Change in inventories	53,162
- Change in trade receivables	156,531
- Change in other receivables	(220,249)
- Change in other current assets	(41,227)
- Change in trade payables	23,479
- Change in other payables	9,460
- Change in other current liabilities	(32,691)
- Change in net defined benefit liabilities	2,781
- Change in provisions	(74,870)
- Other cash flows from operations	(208)
Cash generated from operations	₩ 104,747

**LG Energy Solution Ltd.**  
**Notes to the interim condensed separate financial statements**  
**March 31, 2021 and December 31, 2020**

**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)

	<b>2021</b>						
	<b>Beginning</b>	<b>Cash flows from financing activities</b>	<b>Reclassification of current portion</b>	<b>Amortization</b>	<b>Lease liabilities</b>	<b>Others</b>	<b>Ending</b>
Short-term borrowings	₩ 2,273	₩ (2,203)	₩ 7,256	₩ -	₩ -	₩ -	₩ 7,326
Long-term borrowings	3,563	-	(7,256)	-	35,498	-	31,805
Debentures	1,943,701	-	-	797	-	40,188	1,984,686
	<u>₩ 1,949,537</u>	<u>₩ (2,203)</u>	<u>₩ -</u>	<u>₩ 797</u>	<u>₩ 35,498</u>	<u>₩ 40,188</u>	<u>₩ 2,023,817</u>

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

	<b>2021</b>
Reclassification of construction-in-progress	₩ 66,024
Reclassification of long-term borrowings into current portion	7,256
Other payables related to acquisitions of property, plant and equipment and intangible assets	80,743

### 32. 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)

	March 31, 2021	December 31, 2020
<b>Contract liabilities:</b>		
Advances from customers received as part of the Company's main business activities	₩ 124,974	₩ 104,522
Expected customer incentives	2,779	3,858
Unearned revenue	447	340
	<u>₩ 128,200</u>	<u>₩ 108,720</u>

(2) Revenue recognized in relation to contract liabilities

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

	2021
<b>Revenue recognized in the current period from the beginning contract liabilities:</b>	
Revenues in relation to advances from customers received as part of	₩ 27,744
Unearned revenue	41
	<u>₩ 27,785</u>

### 33. 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, 2021			
	Acquisition Cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition Cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 161	₩ -	₩ -	₩ 161	₩ -	₩ -	₩ -	₩ -
Buildings	332,763	(79,805)	(407)	252,551	333,869	(78,342)	(441)	255,086
	<u>₩ 332,924</u>	<u>₩ (79,805)</u>	<u>₩ (407)</u>	<u>₩ 252,712</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	
	Land	Building	Building	
Beginning	₩ -	₩ 255,086	₩ 255,638	
Acquire / Replace	161	-	-	
Disposal / Replace	-	(1,072)	-	
Depreciation	-	(1,463)	(552)	
Ending	<u>₩ 161</u>	<u>₩ 252,551</u>	<u>₩ 255,086</u>	

### **33. Investment Properties(cont'd)**

(3) The fair value of investment properties is measured either by independent professional appraisers with certified qualification or measured based on official appraised value of land and available information from recent transactions of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment properties as of March 31, 2021, is 282,500 Korean won in millions.

Rental income from investment properties under operating lease for the three-month period ended March 31, 2021, is 3,655 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 1,463 Korean won in millions.

#### **(4) Operating lease**

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

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

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

	<b>March 31, 2021</b>		<b>December 31, 2020</b>
Less than 1 year	₩ 14,320	₩	14,842
Between 1-2 years	12,853		12,831
Between 2-5 years	10,708		12,831
	<u>₩ 37,881</u>	₩	<u>40,504</u>

### **34. Events After the Reporting Period**

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

(2) The Company 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.

(3) The Company contracted the payment guarantee related to its subsidiary's, LG Energy Solution Wrocław sp. z o.o., borrowings of EUR 465 million on April 30, 2021.