

LG ENERGY SOLUTION, LTD. AND ITS SUBSIDIARIES

**Interim Condensed Consolidated Financial Statements
As of June 30, 2023, and December 31, 2022, and
For the Three-Month and Six-Month Periods
Ended June 30, 2023 and 2022**

(With the Independent Auditor's Review Report Thereon)

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Report on Review of Interim Condensed Consolidated Financial Statements

English Translation of Independent Auditor's Review Report Originally Issued in Korean on August 11, 2023

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

Reviewed financial statements

We have reviewed the accompanying interim condensed consolidated financial statements of LG Energy Solution, Ltd. and its subsidiaries (the "Group"). These interim condensed consolidated financial statements consist of the interim condensed consolidated statement of financial position as of June 30, 2023, and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022, and the interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six-month periods ended June 30, 2023 and 2022, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

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

Conclusion

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

**Other matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2022, and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended in accordance with KSAs. We expressed an unqualified opinion on those consolidated financial statements, not presented herein, in our audit report dated March 8, 2023.

The accompanying consolidated statement of financial position as of December 31, 2022, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

A handwritten signature in black ink that reads "Deloitte Idnjin LLC". The signature is written in a cursive, slightly slanted style.

August 11, 2023

This review report is effective as of August 11, 2023, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modifications to this review report.

LG ENERGY SOLUTION, LTD. AND ITS SUBSIDIARIES

Interim condensed consolidated financial statements
as of June 30, 2023, and December 31, 2022, and
for the three-month and six-month periods ended June 30, 2023 and 2022

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

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
As of June 30, 2023, and December 31, 2022

(Korean won in millions)

	Notes		June 30, 2023		December 31, 2022
Assets					
Current assets					
Cash and cash equivalents	3,5,6	₩	4,860,206	₩	5,937,967
Trade receivables	3,5,7,29		5,357,563		4,771,846
Other receivables	3,5,7,29		528,142		462,188
Other current financial assets	3,5,8		862		9,167
Prepaid income taxes			33,493		46,205
Other current assets	13		643,825		581,267
Inventories	9		7,221,389		6,995,629
			18,645,480		18,804,269
Non-current assets					
Trade receivables	3,5,7		131,998		120,698
Other receivables	3,5,7,29		376,410		119,058
Other non-current financial assets	3,5,8		536,407		408,551
Investments in associates and joint ventures	10,31		225,886		203,696
Deferred tax assets	27		2,200,104		2,100,492
Property, plant and equipment	11,31		19,005,225		15,331,047
Intangible assets	12,31		703,112		642,090
Investment properties	31,33		212,577		213,042
Other non-current assets	13,16		357,454		356,502
			23,749,173		19,495,176
Total assets		₩	42,394,653	₩	38,299,445
Liabilities					
Current liabilities					
Trade payables	3,5,29	₩	4,397,906	₩	3,841,766
Other payables	3,5,29		2,545,635		2,882,030
Borrowings	3,5,11,14,30		2,705,981		2,866,701
Provisions	15		991,871		976,949
Other current financial liabilities	3,5,8		6,021		3,923
Income tax payables			217,038		173,120
Other current liabilities	17,32		440,864		700,434
			11,305,316		11,444,923
Non-current liabilities					
Other payables	3,5,29		78,689		36,606
Borrowings	3,5,11,14,30		6,634,608		5,242,552
Other non-current financial liabilities	3,5,8		803		742
Provisions	15		775,459		518,781
Net defined benefit liabilities	16		390		499
Deferred tax liabilities	27		91,441		108,350
Other non-current liabilities	17,32		379,230		353,230
			7,960,620		6,260,760
Total liabilities			19,265,936		17,705,683
Equity attributable to owners of the Parent Company					
Share capital	19		117,000		117,000
Capital surplus	19		17,164,627		17,164,627
Accumulated other comprehensive income			665,190		296,070
Retained earnings	20		2,088,801		1,154,518
			20,035,618		18,732,215
Non-controlling interest	1		3,093,099		1,861,547
Total equity			23,128,717		20,593,762
Total liabilities and equity		₩	42,394,653	₩	38,299,445

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

LG Energy Solution, Ltd. and its subsidiaries

Interim condensed consolidated statements of profit or loss

For the three-month and six-month periods ended June 30, 2023 and 2022

(Korean won in millions)

	Notes	June 30, 2023		June 30, 2022	
		Three months	Six months	Three months	Six months
Revenue	21,29,31	₩ 8,773,487	₩ 17,520,604	₩ 5,070,561	₩ 9,412,909
Cost of sales	21,22,29	<u>7,439,411</u>	<u>14,892,318</u>	<u>4,248,734</u>	<u>7,815,976</u>
Gross profit		1,334,076	2,628,286	821,827	1,596,933
Other operating income	21,31	110,916	211,210	-	-
Selling and administrative expenses	21,22,29	<u>984,393</u>	<u>1,745,731</u>	<u>626,219</u>	<u>1,142,472</u>
Operating profit	21,31	460,599	1,093,765	195,608	454,461
Finance income	5,24	353,190	642,226	154,790	262,607
Finance costs	5,24	217,515	482,794	172,796	308,416
Share of loss of associates and joint ventures	10	(8,432)	(18,292)	(8,763)	(16,880)
Other non-operating income	25	384,274	724,266	287,218	453,191
Other non-operating expenses	26	<u>326,239</u>	<u>602,104</u>	<u>327,306</u>	<u>456,522</u>
Profit before income tax expense		645,877	1,357,067	128,751	388,441
Income tax expense	27	<u>180,736</u>	<u>329,940</u>	<u>38,825</u>	<u>71,893</u>
Profit for the period		<u>₩ 465,141</u>	<u>₩ 1,027,127</u>	<u>₩ 89,926</u>	<u>₩ 316,548</u>
Profit (loss) for the period attributable to:					
Owners of the Parent Company		₩ 432,443	₩ 933,038	₩ 94,160	₩ 320,783
Non-controlling interests	1	32,698	94,089	(4,234)	(4,235)
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)					
Basic or diluted earnings per share	28	1,848	3,987	402	1,394

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
For the three-month and six-month periods ended June 30, 2023 and 2022
(Korean won in millions)

	Notes	June 30, 2023		June 30, 2022	
		Three months	Six months	Three months	Six months
Profit for the period		₩ 465,141	₩ 1,027,127	₩ 89,926	₩ 316,548
Other comprehensive income:					
Items that will not be subsequently reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities	16	912	1,691	(1,646)	(1,885)
Gain(loss) on valuation of financial assets at FVOCI	5	(8,243)	2,095	10,345	13,487
Income tax effect of other comprehensive income		<u>1,899</u>	<u>(1,110)</u>	<u>(3,691)</u>	<u>(4,799)</u>
		(5,432)	2,676	5,008	6,803
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations		(25,168)	446,020	221,581	335,461
Loss on cash flow hedge	5	(8,248)	(15,475)	(76,476)	(17,404)
Share of other comprehensive income of associates and joint ventures		1,564	8,467	15,046	20,004
Income tax effect of other comprehensive income		<u>6,556</u>	<u>11,150</u>	<u>3,791</u>	<u>(35,515)</u>
		(25,296)	450,162	163,942	302,546
Other comprehensive income (loss) for the period, net of tax		<u>(30,728)</u>	<u>452,838</u>	<u>168,950</u>	<u>309,349</u>
Total comprehensive income for the period, net of tax		<u>₩ 434,413</u>	<u>₩ 1,479,965</u>	<u>₩ 258,876</u>	<u>₩ 625,897</u>
Total comprehensive income for the period attributable to:					
Owners of the Parent Company		₩ 387,318	₩ 1,303,402	₩ 182,384	₩ 529,785
Non-controlling interest		47,095	176,563	76,492	96,112

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in equity
For the six-month periods ended June 30, 2023 and 2022

(Korean won in millions)

	Notes	Attributable to the equity holders of the Parent Company					Non-controlling interests	Total
		Share capital	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Subtotal		
As of January 1, 2022		₩ 100,000	₩ 7,122,437	₩ 406,092	₩ 337,587	₩ 7,966,116	₩ 776,257	₩ 8,742,373
Comprehensive income for the period:								
Profit for the period		-	-	-	320,783	320,783	(4,235)	316,548
Remeasurements of net defined benefit liabilities	16	-	-	-	(1,366)	(1,366)	-	(1,366)
Exchange differences on translation of foreign operations		-	-	196,616	-	196,616	100,345	296,961
Gain on valuation of financial assets at FVOCI	5	-	-	8,169	-	8,169	-	8,169
Loss on cash flow hedge	5	-	-	(14,419)	-	(14,419)	-	(14,419)
Equity adjustments in equity method	10	-	-	20,004	-	20,004	-	20,004
Total comprehensive income for the period		-	-	210,370	319,417	529,787	96,110	625,897
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase		17,000	10,079,370	-	-	10,096,370	474,946	10,571,316
Dividend		-	(37,180)	-	-	(37,180)	-	(37,180)
		17,000	10,042,190	-	-	10,059,190	474,946	10,534,136
As of June 30, 2022		₩ 117,000	₩ 17,164,627	₩ 616,462	₩ 657,004	₩ 18,555,093	₩ 1,347,313	₩ 19,902,406
As of January 1, 2023		₩ 117,000	₩ 17,164,627	₩ 296,070	₩ 1,154,518	₩ 18,732,215	₩ 1,861,547	₩ 20,593,762
Comprehensive income for the period:								
Profit for the period		-	-	-	933,038	933,038	94,089	1,027,127
Remeasurements of net defined benefit liabilities	16	-	-	-	1,245	1,245	-	1,245
Exchange differences on translation of foreign operations		-	-	370,825	-	370,825	82,473	453,298
Gain on valuation of financial assets at FVOCI	5	-	-	1,431	-	1,431	-	1,431
Loss on cash flow hedge	5	-	-	(11,603)	-	(11,603)	-	(11,603)
Equity adjustments in equity method	10	-	-	8,467	-	8,467	-	8,467
Total comprehensive income for the period		-	-	369,120	934,283	1,303,403	176,562	1,479,965
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase		-	-	-	-	-	1,054,990	1,054,990
		-	-	-	-	-	1,054,990	1,054,990
As of June 30, 2023		₩ 117,000	₩ 17,164,627	₩ 665,190	₩ 2,088,801	₩ 20,035,618	₩ 3,093,099	₩ 23,128,717

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of cash flows
For the six-month periods ended June 30, 2023 and 2022
(Korean won in millions)

	<u>Notes</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash flows from operating activities:			
Cash generated from operations	30 ₩	1,766,782 ₩	(380,536)
Interest received		76,212	24,394
Interest paid		(167,826)	(50,123)
Dividends received		99	-
Income tax paid		<u>(378,837)</u>	<u>(144,699)</u>
Net cash provided by (used in) operating activities		1,296,430	(550,964)
Cash flows from investing activities:			
Cash inflow from investing activities:			
Decrease in other receivables		158,114	9,567
Decrease in other non-current receivables		3,110	5,263
Proceeds from disposal of property, plant and equipment		3,047	6,244
Proceeds from disposal of intangible assets		1,271	8,546
Government grants received		<u>130,463</u>	<u>96,419</u>
		296,005	126,039
Cash outflow for investing activities:			
Increase in other receivables		(122,832)	(6,227,703)
Increase in other non-current receivables		(64,946)	(11,968)
Acquisition of investments in associates and joint ventures		(46,575)	-
Acquisition of financial instruments		(86,424)	(71,855)
Acquisition of property, plant and equipment		(4,224,684)	(2,812,690)
Acquisition of intangible assets		(51,678)	(38,991)
Business combination		-	(8,286)
Other cash outflow for investing activities		<u>(4,431)</u>	<u>-</u>
		(4,601,570)	(9,171,493)
Net cash used in investing activities		(4,305,565)	(9,045,454)
Cash flows from financing activities:			
Cash inflow from financing activities:			
Proceeds from borrowings and others	30	2,442,507	1,281,834
Capital increase of Parent Company		-	10,096,371
Capital increase of Subsidiaries		<u>1,054,990</u>	<u>474,944</u>
		3,497,497	11,853,149
Cash outflow for financing activities:			
Repayments of borrowings and others	30	(1,600,311)	(1,057,135)
Capital decrease of a subsidiary		<u>-</u>	<u>(604,437)</u>
		(1,600,311)	(1,661,572)
Net cash provided by financing activities		1,897,186	10,191,577
Net (decrease) increase in cash and cash equivalents		(1,111,949)	595,159
Cash and cash equivalents at the beginning of the periods		5,937,967	1,282,880
Effects of exchange rate changes on cash and cash equivalents		<u>34,188</u>	<u>105,442</u>
Cash and cash equivalents at the end of the periods	<u>₩</u>	<u>4,860,206</u>	<u>1,983,481</u>

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of June 30, 2023, and December 31, 2022, and
for the three-month and six-month periods ended June 30, 2023 and 2022

1. GENERAL:

General information about LG Energy Solution, Ltd. (the “Company” or the “Parent Company”) and its 18 subsidiaries (collectively, the “Group”) is as follows:

1.1 Company Information

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

As of June 30, 2023, the Company is engaged in the battery industry, with its manufacturing facilities located in Ochang.

The Company’s shares have been listed on the Korea Exchange since January 27, 2022, and the share capital is ₩117,000 million as of June 30, 2023. The largest shareholder of the Company is LG Chem Ltd., which holds 81.84% of the Company’s ordinary shares.

The Company is authorized to issue 800 million shares (₩500 per share) and has issued 234 million of ordinary shares as of June 30, 2023.

1.2 Business Overview

The Group is engaged in providing energy solution services.

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

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
As of June 30, 2023, and December 31, 2022, and
for the three-month and six-month periods ended June 30, 2023 and 2022

1.3 Consolidated Subsidiaries and Investments in Associates and Joint Ventures

	Ownership (%)		Location	Closing month	Business
	June 30, 2023	December 31, 2022			
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	100	100	China	December	Mobile battery manufacturing, sales, and others
LG Energy Solution Michigan Inc. (*1)	100	100	USA	December	Automotive battery research and manufacturing
LG Energy Solution Battery (Nanjing) Co., Ltd.	100	100	China	December	Automotive battery manufacturing and sales
LG Energy Solution Wroclaw sp. z o.o.	100	100	Poland	December	Automotive battery manufacturing and sales
LG Energy Solution Australia Pty Ltd.	100	100	Australia	December	ESS battery sales
LG Energy Solution Technology (Nanjing) Co., Ltd.	100	100	China	December	Automotive battery manufacturing, sales, and others
Ultium Cells Holdings LLC (*2)	50	50	USA	December	Automotive battery manufacturing and sales
Ultium Cells LLC (*2)	50	50	USA	December	Automotive battery manufacturing and sales
LG Energy Solution Europe GmbH	100	100	Germany	December	ESS battery sales and others
LG Energy Solution (Taiwan) Ltd.	100	100	Taiwan	December	Mobile battery sales and others
Areum noori Co., Ltd.	100	100	Korea	December	Facility management and cleaning
LG Energy Solution Fund I LLC	100	100	USA	December	Investment in ventures
LG Energy Solution Vertech Inc.	100	-	USA	December	ESS battery installation service
LG Energy Solution Arizona, Inc. (*3)	100	-	USA	December	Mobile battery manufacturing and sales
Baterias De Castilla, S.L.	100	-	Spain	December	Others
L-H Battery Company, Inc (*4)	51	-	USA	December	Automotive battery manufacturing and sales
LG Energy Solution India Private Limited (*5)	100	-	India	December	Mobile battery sales and others
LG Energy Solution Arizona ESS, Inc. (*6)	100	-	USA	December	ESS battery manufacturing and sales
Associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC (*7)	35	35	Vietnam	December	Mobile battery manufacturing, sales, and others
Jiangxi VL Battery Co., Ltd. (*8)	34	34	China	December	Mobile battery manufacturing, sales, and others
PT. HLI Green Power	50	50	Indonesia	December	Automotive battery manufacturing and sales
Sama Aluminium (*9)	10.2	-	Korea	December	Aluminium manufacturing, sales, and others

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

(*2) During the previous year, the Group acquired 50% ownership of Ultium Cells Holdings LLC by contributing the entire stake it held in Ultium Cells LLC. The Group does not hold a majority ownership interest in Ultium Cells LLC or Ultium Cells Holdings LLC. According to the arrangement between shareholders, however, the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect the variable returns by engaging in the entity's production and cost management. This implies that the Group exercises control over the entity.

(*3) During the current period, ES America LLC changed its name to LG Energy Solution Arizona, Inc.

(*4) During the current period, the Group newly acquired 51% of L-H Battery Company, Inc for ₩515,606 million.

(*5) During the current period, the Group newly acquired 100% of LG Energy Solution India Private Limited for ₩563 million.

(*6) During the current period, the Group newly acquired 100% of LG Energy Solution Arizona ESS, Inc. for ₩39,936 million.

(*7) Although the Group holds 35% ownership interest in VINFAST LITHIUM BATTERY PACK LLC, it has been classified as a joint venture as it meets the classification criteria of a joint venture, including the existence of contractual arrangements that effectively results in unanimous consent.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
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(*8) As a company established under a joint arrangement in which the Group participated, the investee is structured as a separate vehicle over which the Group has rights to the net assets. Therefore, it is classified as a joint venture.

(*9) During the current period, the Group newly acquired 10.2% of the shares in Sama Aluminium for ₩46,575 million. Although the ownership is less than 20%, the arrangement between shareholders ensures that the Group has the ability to participate in the decision-making process, thus exerting significant influence over the entity. As a result, the entity is classified as an associate.

1.4 Summarized Financial Information of Subsidiaries, Associates and Joint Ventures

Summarized financial information of subsidiaries, associates and joint ventures (before the elimination of intercompany transactions and adjustments for differences in accounting policies) for the six-month periods ended June 30, 2023 and 2022, is as follows (Korean won in millions):

	June 30, 2023			2023	
	Asset	Liability	Equity	Revenue	Net income (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 6,038,141	₩ 2,992,718	₩ 3,045,423	₩ 4,681,953	₩ 380,402
LG Energy Solution Michigan Inc.	4,631,345	1,281,813	3,349,532	1,713,189	217,922
LG Energy Solution Battery (Nanjing) Co., Ltd.	896,479	402,092	494,387	909,634	67,674
LG Energy Solution Wrocław sp. z o.o.	10,539,744	7,510,461	3,029,283	7,854,312	378,796
LG Energy Solution Australia Pty Ltd.	11,766	9,296	2,470	9,028	463
LG Energy Solution Technology (Nanjing) Co., Ltd.	2,548,461	1,242,956	1,305,505	1,431,581	134,198
Ultium Cells Holdings LLC(*1)	7,560,235	2,355,060	5,205,175	956,819	186,002
Ultium Cells LLC	7,560,235	2,355,060	5,205,175	956,819	186,002
LG Energy Solution Europe GmbH	230,766	179,043	51,723	114,880	1,752
LG Energy Solution (Taiwan) Ltd.	3,535	713	2,822	2,973	206
Areum noori Co., Ltd.	3,620	2,069	1,551	5,745	138
LG Energy Solution Fund I LLC	35,390	330	35,060	-	(681)
LG Energy Solution Vertech Inc.	107,128	51,104	56,024	82,392	18,222
LG Energy Solution Arizona, Inc. (*2)	143,624	39,888	103,736	-	(333)
Baterias De Castilla, S.L.	4	-	4	-	-
L-H Battery Company, Inc	1,154,344	147,599	1,006,745	-	6,370
LG Energy Solution India Private Limited	4,988	4,080	908	3,855	341
LG Energy Solution Arizona ESS, Inc.	39,384	-	39,384	-	-
Associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC	12,003	6,265	5,738	1,087	(1,975)
Jiangxi VL Battery Co., Ltd.	45,159	32,359	12,800	2,477	(6,678)
PT. HLI Green Power	1,005,615	556,842	448,773	-	(9,113)
Sama Aluminium	412,981	156,248	256,733	137,932	2,863

(*1) Ultium Cells Holdings LLC holds 100% of Ultium Cells LLC's shares. The information is on the consolidated basis.

(*2) During the current period, ES America LLC changed its name to LG Energy Solution Arizona, Inc.

LG Energy Solution, Ltd. and its subsidiaries
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	December 31, 2022			2022	
	Asset	Liability	Equity	Revenue	Net income (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 5,486,991	₩ 2,474,044	₩ 3,012,947	₩ 3,490,262	₩ 294,642
LG Energy Solution Michigan Inc.	3,573,800	1,031,654	2,542,146	985,042	5,228
LG Energy Solution Battery (Nanjing) Co., Ltd.	972,715	578,513	394,202	833,422	78,935
LG Energy Solution Wrocław sp. z o.o.	9,845,139	7,654,235	2,190,904	3,621,908	99,825
LG Energy Solution Australia Pty Ltd.	12,903	10,926	1,977	11,471	(587)
LG Energy Solution Technology (Nanjing) Co., Ltd.	2,170,096	990,347	1,179,749	1,086,483	75,774
Ultium Cells Holdings LLC(*)	5,255,664	1,532,150	3,723,514	-	(8,471)
Ultium Cells LLC	5,255,664	1,532,150	3,723,514	-	(8,471)
LG Energy Solution Europe GmbH	252,708	205,366	47,342	122,542	3,433
LG Energy Solution (Taiwan) Ltd.	3,468	904	2,564	2,715	233
Areum noori Co., Ltd.	3,330	1,917	1,413	4,003	20
LG Energy Solution Fund I LLC	22,225	2	22,223	-	(705)
LG Energy Solution Vertech Inc.	89,508	46,357	43,151	16,755	(2,415)
ES America LLC	107,288	38,507	68,781	-	(366)
Baterias De Castilla, S.L.	4	-	4	-	-
Associates and joint ventures:					
VINFAST LITHIUM BATTERY PACK LLC	13,297	5,888	7,409	5,743	(871)
Jiangxi VL Battery Co., Ltd.	82,311	43,170	39,141	847	(9,309)
PT. HLI Green Power	667,930	227,305	440,625	-	(2,389)

(*)1) Ultium Cells Holdings LLC holds 100% of Ultium Cells LLC's shares. The information is on the consolidated basis.

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1.5 Information of Subsidiaries Whose Non-Controlling Interests are Important to the Reporting Company

Percentage of ownership held by non-controlling interests and cumulative non-controlling interests as of June 30, 2023 and 2022, and net income (loss) and total comprehensive income (loss) allocated to non-controlling interests for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023	
	Ultium Cells Holdings LLC	L-H Battery Company, Inc.
Percentage of ownership held by non-controlling interests	50.0%	49.0%
Cumulative non-controlling interests	₩ 2,599,679	₩ 492,796
Net income allocated to non-controlling interests	93,001	3,121
Total comprehensive income allocated to non-controlling interests	180,183	(1,587)

	2022	
	Ultium Cells LLC (*)	
Percentage of ownership held by non-controlling interests	50.0%	
Cumulative non-controlling interests	₩ 1,861,547	
Net income allocated to non-controlling interests	(4,235)	
Total comprehensive income allocated to non-controlling interests	96,112	

(*) The consolidated financial information of Ultium Cells LLC, which is 100% owned by Ultium Cells Holdings LLC.

The interim condensed consolidated statements of cash flows of subsidiaries whose non-controlling interests are material to the Group for the six-month periods ended June 30, 2023 and 2022, are as follows (before the elimination of intercompany transactions) (Korean won in millions):

	2023	
	Ultium Cells Holdings LLC	L-H Battery Company, Inc.
Cash flows from operating activities	₩ (68,549)	₩ 6,386
Cash flows from investing activities	(1,687,357)	(194,242)
Cash flows from financing activities	1,640,946	1,000,027
Effects of exchange rate changes on cash and cash equivalents	1,731	(1,206)
(Decrease) increase in cash and cash equivalents	(113,229)	810,965
Cash and cash equivalents at the beginning of the period	515,833	-
Cash and cash equivalents at the end of the period	₩ 402,604	₩ 810,965

	2022	
	Ultium Cells LLC (*)	
Cash flows from operating activities	₩ (50,914)	
Cash flows from investing activities	(871,079)	
Cash flows from financing activities	947,745	
Effects of exchange rate changes on cash and cash equivalents	56,438	
Increase in cash and cash equivalents	82,190	
Cash and cash equivalents at the beginning of the period	471,494	
Cash and cash equivalents at the end of the period	₩ 553,684	

(*) The consolidated financial information of Ultium Cells LLC, which is 100% owned by Ultium Cells Holdings LLC.

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1.6 Changes in Scope for Consolidation

New subsidiaries included in the interim condensed consolidated financial statements for the six-month period ended June 30, 2023, are as follows:

	Reason for the inclusion
L-H Battery Company, Inc	Incorporated during the current period
LG Energy Solution India Private Limited	Incorporated during the current period
LG Energy Solution Arizona ESS, Inc.	Incorporated during the current period

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES:

2.1 Basis of Preparation

The Group's interim condensed consolidated financial statements were prepared in accordance with Korean International Financial Reporting Standard ("K-IFRS") 1034 *Interim Financial Reporting* as part of the period covered by the Group's K-IFRS annual consolidated financial statements. In order to be understood, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the fiscal year ended December 31, 2022, prepared in accordance with K-IFRSs.

2.2 Application of the Amended and Enacted Standards

The significant accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with the accounting policies adopted in the preparation of the annual consolidated financial statements as of and for the fiscal year ended December 31, 2022, except for the impacts related to the adoption of the standards or interpretations described below.

1) New and amended K-IFRSs and new interpretations that are effective for the current period

- K-IFRS 1001 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* - Disclosure of Accounting Policies (Amendments)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

- K-IFRS 1001 *Presentation of Financial Statements* - Disclosure of financial liabilities with condition to adjust exercise price (Amendments)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them) if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

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- K-IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates (Amendments)

The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.”

The definition of a change in accounting estimates was deleted. However, the International Accounting Standards Board retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior-period errors.

- K-IFRS 1012 *Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and a liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

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

- K-IFRS 1001 *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current (Amendments)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period and introduce a definition of 'settlement' to make it clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting date. Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date. The amendments also specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within 12 months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within 12 months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and the facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

3. FINANCIAL RISK MANAGEMENT:

3.1 Financial Risk Factors

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

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

(1) Market risk

1) Foreign exchange risk

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

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

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

Monetary assets and liabilities denominated in foreign currencies as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 4,488,008	₩ 4,194,431	₩ 3,628,076	₩ 4,457,064
EUR	551,181	4,546,465	532,887	4,976,907
JPY	2,887	106,300	12,975	104,805
CNY and others	256,808	728	176,651	423

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With all other variables held constant as of June 30, 2023, and December 31, 2022, a hypothetical change in exchange rates by 10% would have increased (decreased) the Group's profit before income tax as follows (Korean won in millions):

	June 30, 2023		December 31, 2022	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ 29,358	₩ (29,358)	₩ (82,899)	₩ 82,899
EUR	(399,528)	399,528	(444,402)	444,402
JPY	(10,341)	10,341	(9,183)	9,183
CNY and others	25,608	(25,608)	17,623	(17,623)

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

As of June 30, 2023, the Group entered into foreign currency forward to hedge change in exchange rates and the details are as follows (Korean won in millions):

	Contractor	Contract amount (in millions)	Contract exchange rate	Contract inception date	Contract maturity	Book amount	
						Assets	Liabilities
Currency forward (*)	Shinhan Bank	USD 500	1,135.60	2020.10.14	2024.10.15	₩ 67,386	₩ -
	KB Kookmin Bank	USD 500	1,102.83	2020.11.24	2029.04.16	61,793	-

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

2) Interest rate risk

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

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

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

	Effect on profit and loss before tax		Impact on equity	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Increase	₩ (54,162)	₩ (49,557)	₩ (54,162)	₩ (49,557)
Decrease	54,162	49,557	54,162	49,557

3) Price risk

The Group is exposed to price risks from equity instruments. As of June 30, 2023, the fair value of equity instruments is ₩279,742 million. With all other variables held constant, a price change in equity instruments by 10% would have changed the Group's equity by ₩27,974 million before tax

(2) Credit risk

Credit risk arises from trade receivables that the Group holds as well as financial assets at amortized cost or at fair value through other comprehensive income ("FVOCI").

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

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

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

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

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1) Trade receivables

The Group applies the simplified approach in measuring expected credit losses, which uses lifetime expected provisions for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The provisions for receivables as of June 30, 2023, and December 31, 2022, are as follows. Expected credit losses include forward-looking information (Korean won in millions):

	Receivables not past due (*)	Receivables past due, but not impaired (*)	Receivables impaired (individually evaluated)	Total
June 30, 2023 (trade receivables)				
Gross carrying amount	₩ 5,202,697	₩ 286,864	₩ -	₩ 5,489,561
Expected loss rate	-	-	-	-
Provisions for receivables	-	-	-	-
December 31, 2022 (trade receivables)				
Gross carrying amount	₩ 4,732,757	₩ 159,787	₩ 1,234	₩ 4,893,778
Expected loss rate	-	-	100.00%	0.03%
Provisions for receivables	-	-	1,234	1,234

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

Changes in the provisions for trade receivables for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	2023	2022
Beginning	₩ 1,234	₩ 11
Additions of provisions recognized in profit or loss during the current period	-	481
Business combination	-	724
Write-off	(1,234)	-
Exchange differences	-	18
Ending	₩ -	₩ 1,234

As of June 30, 2023, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩5,489,561 million (as of December 31, 2022, was ₩4,892,544 million).

2) Other financial assets at amortized cost

As of June 30, 2023, the provision for other financial assets at amortized cost does not exist (as of December 31, 2022, ₩54 million).

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

3) Debt instruments measured at FVOCI

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

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(3) Liquidity risk

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

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

		June 30, 2023			
		Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:					
Borrowings	₩	2,965,626	₩ 1,937,820	₩ 3,918,627	₩ 1,428,602
Lease liabilities		53,012	44,676	42,068	-
Trade and other payables		<u>6,943,542</u>	<u>60,637</u>	<u>17,303</u>	<u>749</u>
		9,962,180	2,043,133	3,977,998	1,429,351
Derivative instruments:					
Currency forwards settled in gross:					
Inflows		-	(656,400)	-	(656,400)
Outflows		<u>-</u>	<u>567,800</u>	<u>-</u>	<u>551,415</u>
		-	(88,600)	-	(104,985)
	₩	<u>9,962,180</u>	₩ <u>1,954,533</u>	₩ <u>3,977,998</u>	₩ <u>1,324,366</u>
		December 31, 2022			
		Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:					
Borrowings	₩	2,969,739	₩ 1,686,157	₩ 2,726,522	₩ 1,253,521
Lease liabilities		41,833	38,891	48,955	539
Trade and other payables		<u>6,723,796</u>	<u>32,613</u>	<u>3,043</u>	<u>950</u>
		9,735,368	1,757,661	2,778,520	1,255,010
Derivative instruments:					
Currency forwards settled in gross:					
Inflows		(135,120)	(633,650)	-	(633,650)
Outflows		<u>137,999</u>	<u>567,800</u>	<u>-</u>	<u>551,415</u>
		2,879	(65,850)	-	(82,235)
	₩	<u>9,738,247</u>	₩ <u>1,691,811</u>	₩ <u>2,778,520</u>	₩ <u>1,172,775</u>

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2) As of June 30, 2023, the Group has entered into swap contracts, to which cash flow hedge accounting is applied, to avoid fluctuations in the market price of raw materials (Korean won in millions).

	Purpose of the contracts	Hedged items	Financial institution	Maturity	June 30, 2023		December 31, 2022	
					Assets	Liabilities	Assets	Liabilities
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, etc.	2025.12	₩ 1,217	₩ 4,387	₩ 13,931	₩ 2,143

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

3) Details of financial guarantee contracts by maturity as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023			
	Less than 1 year	Between 1 year-2 years	Between 2-5 years	More than 5 years
Financial guarantee contracts (*)	₩ 466,700	₩ -	₩ -	₩ -

	December 31, 2022			
	Less than 1 year	Between 1 year-2 years	Between 2-5 years	More than 5 years
Financial guarantee contracts (*)	₩ 450,525	₩ -	₩ -	₩ -

(*) The Group has provided financial guarantees for joint ventures. The amount represents the maximum amount that can be guaranteed as of June 30, 2023, and December 31, 2022 (see Note 18).

3.2 Capital Risk Management

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

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

The gearing ratio and debt-to-equity ratio as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023	December 31, 2022
Total borrowings (Note 14) (A)	₩ 9,340,589	₩ 8,109,253
Less: cash and cash equivalents (B)	(4,860,206)	(5,937,967)
Net debt (C=A+B)	4,480,383	2,171,286
Total liabilities (D)	19,265,936	17,705,683
Total equity (E)	23,128,717	20,593,762
Total capital (F=C+E)	₩ 27,609,100	₩ 22,765,048
Gearing ratio (C/F)	16.2%	9.5%
Debt-to-equity ratio (D/E)	83.3%	86.0%

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3.3 Fair Value Estimation

(1) The carrying amount and fair value of financial instruments by category as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current):				
Cash and cash equivalents	₩ 4,860,206	(*)	₩ 5,937,967	(*)
Trade receivables	5,357,563	(*)	4,771,846	(*)
Other receivables (excluding deposits from financial institutions)	505,824	(*)	462,188	(*)
Deposits from financial institutions	22,318	(*)	-	-
Current derivative financial assets	862	862	9,167	9,167
Financial assets (non-current):				
Deposits from financial institutions	66,199	(*)	70,997	(*)
Trade receivables	131,998	(*)	120,698	(*)
Other receivables (excluding deposits from financial institutions)	310,211	(*)	48,061	(*)
Other non-current financial assets (measured at fair value):				
Marketable financial assets	50,337	50,337	50,626	50,626
Non-marketable financial assets	351,813	351,813	259,127	259,127
Non-current derivative financial assets	5,078	5,078	9,323	9,323
Non-current derivative financial assets (currency forward)	129,179	129,179	89,475	89,475
Financial liabilities (current):				
Trade and other payables	6,943,541	(*)	6,723,796	(*)
Current borrowings (excluding lease liabilities)	2,654,815	(*)	2,826,757	(*)
Current derivative financial liabilities	3,584	3,584	1,401	1,401
Current derivative financial liabilities (currency forward)	-	-	2,522	2,522
Financial guarantee contract liabilities	2,437	(*)	-	-
Financial liabilities (non-current):				
Non-current borrowings (excluding lease liabilities)	6,551,542	6,508,865	5,157,273	5,083,456
Other non-current payables	78,689	(*)	36,606	(*)
Non-current derivative financial liabilities	803	803	742	742

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

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

Fair values of financial liabilities (non-current) are calculated by discounting the expected cash outflows by yield from corporate bonds. These bonds are Korean won denominated with credit rating same as that of the Parent Company (AA0). The applied discount rates as of June 30, 2023, and December 31, 2022, are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Discount rate	3.98% – 5.38%	4.94% – 5.33%

(3) Fair value hierarchy

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

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

As of June 30, 2023, and December 31, 2022, fair value hierarchy of the financial instruments that are consistently measured and recognized at fair value is as follows (Korean won in millions):

		<u>June 30, 2023</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets/liabilities measured at fair value:					
Current derivative financial assets	₩	- ₩	862 ₩	- ₩	862
Non-current derivative financial assets		-	355	4,723	5,078
Non-current derivative financial assets (currency forward)		-	129,179	-	129,179
Other non-current financial assets (marketable financial assets)		50,337	-	-	50,337
Other non-current financial assets (non-marketable financial assets)		-	-	351,813	351,813
Current derivative financial liabilities		-	3,584	-	3,584
Non-current derivative financial liabilities		-	803	-	803
Financial assets/liabilities not measured at fair value:					
Non-current borrowings (excluding lease liabilities)		-	6,805,865	-	6,805,865

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	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ - ₩	9,167 ₩	- ₩	9,167
Non-current derivative financial assets	-	4,764	4,559	9,323
Non-current derivative financial assets (currency forward)	-	89,475	-	89,475
Other non-current financial assets (marketable financial assets)	50,626	-	-	50,626
Other non-current financial assets (non-marketable financial assets)	-	-	259,127	259,127
Current derivative financial liabilities	-	1,401	-	1,401
Current derivative financial liabilities (currency forward)	-	2,522	-	2,522
Non-current derivative financial liabilities	-	742	-	742
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	5,083,456	-	5,083,456

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

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

The significant estimates and assumptions made by management on the application of the Group's interim condensed consolidated financial statements are the same as those of the annual consolidated financial statements as of and for the year ended December 31, 2022.

The followings are the management's estimates and assumptions for its judgements regarding significant risks that may result in adjustments to the carrying amounts of assets and liabilities in the next fiscal year:

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(1) Income taxes

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

(2) Provisions

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

(3) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at June 30, 2023 (see Note 3.3).

(4) Impairment of financial assets

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

(5) Net defined benefit liability (asset)

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

(6) Lease

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

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

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5. FINANCIAL INSTRUMENTS BY CATEGORY:

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

June 30, 2023					
Financial assets	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at FVOCI (*1)	Other financial assets (*2)	Total
Cash and cash equivalents	₩ 4,860,206	₩ -	₩ -	₩ -	₩ 4,860,206
Trade receivables	5,104,683	-	252,880	-	5,357,563
Non-current trade receivables	131,998	-	-	-	131,998
Other current receivables	528,142	-	-	-	528,142
Other non-current receivables	376,410	-	-	-	376,410
Other current financial assets	-	-	-	862	862
Other non-current financial assets	-	256,310	279,742	355	536,407
	₩ 11,001,439	₩ 256,310	₩ 532,622	₩ 1,217	₩ 11,791,588

June 30, 2023			
Financial liabilities	Financial liabilities at amortized cost	Other financial liabilities (*3)	Total
Trade payables	₩ 4,397,906	₩ -	₩ 4,397,906
Other payables	2,545,635	-	2,545,635
Other non-current payables	78,689	-	78,689
Current borrowings	2,654,815	51,166	2,705,981
Non-current borrowings	6,551,542	83,066	6,634,608
Other current financial liabilities	2,437	3,584	6,021
Other non-current financial liabilities	-	803	803
	₩ 16,231,024	₩ 138,619	₩ 16,369,643

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

(*2) Other financial assets include derivative assets.

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

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December 31, 2022					
Financial assets	Financial assets at amortized cost	Financial assets at FVPL	Financial assets at FVOCI (*1)	Other financial assets (*2)	Total
Cash and cash equivalents	₩ 5,937,967	₩ -	₩ -	₩ -	₩ 5,937,967
Trade receivables	4,534,502	-	237,344	-	4,771,846
Non-current trade receivables	120,698	-	-	-	120,698
Other current receivables	462,188	-	-	-	462,188
Other non-current receivables	119,058	-	-	-	119,058
Other current financial assets	-	-	-	9,167	9,167
Other non-current financial assets	-	158,202	245,585	4,764	408,551
	<u>₩ 11,174,413</u>	<u>₩ 158,202</u>	<u>₩ 482,929</u>	<u>₩ 13,931</u>	<u>₩ 11,829,475</u>

December 31, 2022				
Financial liabilities	Financial liabilities at amortized cost	Financial liabilities at FVPL	Other financial liabilities (*3)	Total
Trade payables	₩ 3,841,766	₩ -	₩ -	₩ 3,841,766
Other payables	2,882,030	-	-	2,882,030
Other non-current payables	36,606	-	-	36,606
Current borrowings	2,826,757	-	39,944	2,866,701
Non-current borrowings	5,157,273	-	85,279	5,242,552
Other current financial liabilities	-	2,522	1,401	3,923
Other non-current financial liabilities	-	-	742	742
	<u>₩ 14,744,432</u>	<u>₩ 2,522</u>	<u>₩ 127,366</u>	<u>₩ 14,874,320</u>

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

(*2) Other financial assets include derivative assets.

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

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(2) Net gains (losses) on each category of financial instruments for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	June 30, 2023		June 30, 2022	
	Three months	Six months	Three months	Six months
Interest income:				
Financial assets at amortized cost	₩ 37,326	₩ 81,860	₩ 38,877	₩ 71,232
Interest expense:				
Financial liabilities at amortized cost	(78,796)	(152,937)	(20,755)	(41,100)
Other financial liabilities	(616)	(1,197)	(696)	(1,166)
Financial assets at amortized cost (*1)	(3,591)	(5,224)	(116)	(205)
Financial assets at FVOCI (*1)	-	-	-	(31)
Gains or loss on valuation:				
Financial assets at FVOCI (*2)	(8,242)	2,095	4,527	7,668
Derivative instruments	(7,989)	24,229	(25,498)	47,373
Exchange differences:				
Financial assets at amortized cost	90,791	202,955	284,755	353,896
Financial liabilities at amortized cost	177,619	159,088	(377,423)	(500,415)
Financial assets at FVPL	1,425	2,433	1,115	1,464

(*) Fees paid to financial institutions for factoring.

6. CASH AND CASH EQUIVALENTS:

(1) Details of cash and cash equivalents as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023	December 31, 2022
Bank deposits and cash on hand	₩ 2,006,276	₩ 1,062,442
Cash equivalents	<u>2,853,930</u>	<u>4,875,525</u>
	<u>₩ 4,860,206</u>	<u>₩ 5,937,967</u>

(2) As of June 30, 2023, cash and cash equivalents include ₩2,982 million, which is subject to a restriction on the use and remittance (as of December 31, 2022, were ₩472 million).

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7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables and their provisions for impairment as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023			December 31, 2022		
	Gross amount	Provision for impairment	Carrying amount	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 5,357,563	-	₩ 5,357,563	₩ 4,773,080	₩ (1,234)	₩ 4,771,846
Non-current trade receivables	131,998	-	131,998	120,698	-	120,698
Other current receivables	528,142	-	528,142	462,242	(54)	462,188
Other non-current receivables	376,410	-	376,410	119,058	-	119,058
	<u>₩ 6,394,113</u>	<u>₩ -</u>	<u>₩ 6,394,113</u>	<u>₩ 5,475,078</u>	<u>₩ (1,288)</u>	<u>₩ 5,473,790</u>

(2) Details of other receivables as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023	December 31, 2022
Current:		
Non-trade receivables	₩ 474,749	₩ 437,182
Deposits from financial institutions (*)	22,318	-
Accrued income	1,223	2,963
Guarantee deposits provided	29,852	22,043
	<u>528,142</u>	<u>462,188</u>
Non-current:		
Non-trade receivables	263,488	5,201
Due from financial institutions (*)	66,199	70,997
Loans	5,543	3,900
Guarantee deposits provided	41,180	38,960
	<u>376,410</u>	<u>119,058</u>
	<u>₩ 904,552</u>	<u>₩ 581,246</u>

(*) As of June 30, 2023, the due from financial institutions is subject to withdrawal restrictions, which includes ₩60,000 million for the Agreement on the Win-Win Growth Cooperation, ₩5,000 million for the loans in relation to the employee stock ownership, USD 17 million in relation to deposit for construction cost and PLN 4 million in relation to guarantee deposit for transfer of dangerous waste abroad.

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(3) The aging analysis of trade and other receivables as of June 30, 2023, and December 31, 2022, is as follows (Korean won in millions):

	June 30, 2023		December 31, 2022	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 5,202,697	₩ 863,538	₩ 4,732,757	₩ 536,530
Past due, but not impaired:	286,864	41,014	159,787	44,716
Up to three months	282,558	35,556	159,348	27,297
Between 3–6 months	-	3,656	439	10,843
Over six months	4,306	1,802	-	6,576
Impaired receivables	-	-	1,234	54
	<u>₩ 5,489,561</u>	<u>₩ 904,552</u>	<u>₩ 4,893,778</u>	<u>₩ 581,300</u>

(4) Changes in the provision for impairment of trade and other receivables for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	2023		2022	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 1,234	₩ 54	₩ 11	₩ 54
Additions	-	-	481	-
Business combination	-	-	724	-
Write-off	(1,234)	(54)	-	-
Exchange differences	-	-	18	-
Ending	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,234</u>	<u>₩ 54</u>

(5) As of June 30, 2023, and December 31, 2022, the carrying amounts of trade and other receivables are approximation of their fair values.

(6) The Group transferred ₩355,480 million of trade receivables (as of December 31, 2022, ₩196,954 million of trade receivables) along with substantially all the risks and rewards of ownership. Therefore, the amount was derecognized on the discount date as of June 30, 2023.

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8. OTHER FINANCIAL ASSETS AND LIABILITIES:

(1) Details of other financial assets and liabilities as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Other financial assets:		
Financial assets at FVOCI	₩ 279,742	₩ 245,585
Cash flow hedge	1,217	13,931
Financial assets at FVPL	<u>256,310</u>	<u>158,202</u>
	<u>₩ 537,269</u>	<u>₩ 417,718</u>
Other financial liabilities:		
Financial guarantee contracts	₩ 2,437	-
Cash flow hedge	4,387	2,143
Financial liabilities at FVPL	<u>-</u>	<u>2,522</u>
	<u>₩ 6,824</u>	<u>₩ 4,665</u>

(2) Details of changes in equity securities included in other financial assets for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 245,585	₩ 120,767
Acquisitions/transfer	30,545	75,328
Valuation gain (before income tax deduction), other comprehensive income item	2,095	54,743
Valuation loss (before income tax deduction), profit or loss item	-	(5,818)
Others	<u>1,517</u>	<u>565</u>
Ending	<u>₩ 279,742</u>	<u>₩ 245,585</u>

The Group has entered into a put-option contract to secure the investment capital for its equity securities held in Volta Energy Solutions S.a.r.l. The major terms of the agreements are as follows:

- Exercise date: From three years after the acceptance date (initial investment date, January 27, 2021) to the following three years.
- Exercise price: The amount contributed, less any dividends received from the date of contribution up to the exercise.
- Other term: The option cannot be exercised once Volta Energy Solutions S.a.r.l is listed.

(3) No impairment losses on other financial assets were recognized for the six-month periods ended June 30, 2023 and 2022.

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9. INVENTORIES:

(1) Details of inventories as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023			December 31, 2022		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Merchandise	₩ 222,098	₩ (14,971)	₩ 207,127	₩ 184,285	₩ (12,040)	₩ 172,245
Finished/semifinished products	4,148,224	(185,723)	3,962,501	4,393,089	(160,231)	4,232,858
Raw materials	1,994,229	(7,276)	1,986,953	1,630,837	(5,921)	1,624,916
Supplies	124,994	-	124,994	111,566	-	111,566
Materials in transit	939,814	-	939,814	854,044	-	854,044
	<u>₩ 7,429,359</u>	<u>₩ (207,970)</u>	<u>₩ 7,221,389</u>	<u>₩ 7,173,821</u>	<u>₩ (178,192)</u>	<u>₩ 6,995,629</u>

(2) The amount of inventories expensed as cost of sales for the three-month periods ended June 30, 2023 and 2022, was ₩11,492,663 million and ₩5,604,347 million, respectively.

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10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Changes in investments in associates and joint ventures for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

June 30, 2023						
	Beginning	Acquisitions	Share of loss of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Impairment	Ending
VINFAST LITHIUM BATTERY PACK LLC (*1)	₩ 2,428	₩ -	₩ (482)	₩ 65	₩ (2,011)	₩ -
Jiangxi VL Battery Co., Ltd. (*2).	13,323	-	(1,317)	543	(12,549)	-
PT. HLI Green Power	187,945	-	(15,118)	7,859	-	180,686
Sama Aluminium (*3)	-	46,575	(1,375)	-	-	45,200
	<u>₩ 203,696</u>	<u>₩ 46,575</u>	<u>₩ (18,292)</u>	<u>₩ 8,467</u>	<u>₩ (14,560)</u>	<u>₩ 225,886</u>

(*1) During the current year, the Group recognized the impairment due by deciding to transfer VINFAST LITHIUM BATTERY PACK LLC free of charge.

(*2) During the current year, the Group recognized the impairment due by deciding to transfer Jiangxi VL Battery Co., Ltd free of charge.

(*3) During the current period, the Group newly acquired 10.2% of the shares in Sama Aluminum for ₩46,575 million. Although the ownership is less than 20%, the arrangement ensures that the Group holds seats on the board of directors and voting rights, thus exerting significant influence over the entity. As a result, the entity is classified as an associate.

December 31, 2022					
	Beginning	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Ending	
VINFAST LITHIUM BATTERY PACK LLC	₩ 3,769	₩ (1,611)	₩ 270	₩ 2,428	
Jiangxi VL Battery Co., Ltd.	20,310	(6,821)	(166)	13,323	
PT. HLI Green Power	201,488	(28,210)	14,667	187,945	
	<u>₩ 225,567</u>	<u>₩ (36,642)</u>	<u>₩ 14,771</u>	<u>₩ 203,696</u>	

(2) As of June 30, 2023, and December 31, 2022, the processes of adjusting the financial information to the carrying amounts of shares in associates and joint ventures are as follows (Korean won in millions):

June 30, 2023						
	Net assets	Group's percentage of ownership	Net asset value for shares	Overseas operations translation	Impairment	Carrying amount
VINFAST LITHIUM BATTERY PACK LLC	₩ 5,739	35	₩ 2,009	₩ 2	₩ (2,011)	₩ -
Jiangxi VL Battery Co., Ltd.	12,800	34	4,352	8,197	(12,549)	-
PT. HLI Green Power	448,773	50	224,387	(43,701)	-	180,686
Sama Aluminium	256,732	10.2	26,187	19,013	-	45,200
	<u>₩ 724,044</u>		<u>₩ 256,935</u>	<u>₩ (16,489)</u>	<u>₩ (14,560)</u>	<u>₩ 225,886</u>

December 31, 2022					
	Net assets	Group's percentage of ownership	Net asset value for shares	Overseas operations translation	Carrying amount
VINFAST LITHIUM BATTERY PACK LLC	₩ 7,409	35	₩ 2,593	₩ (165)	₩ 2,428
Jiangxi VL Battery Co., Ltd.	39,141	34	13,308	15	13,323
PT. HLI Green Power	440,625	50	220,313	(32,368)	187,945
	<u>₩ 487,175</u>		<u>₩ 236,214</u>	<u>₩ (32,518)</u>	<u>₩ 203,696</u>

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11. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 15,331,047	₩ 11,050,777
Business combination	-	7,251
Acquisition/replacement	5,561,311	10,786,190
Disposal/replacement	(1,526,300)	(4,644,768)
Exchange differences	654,361	(128,791)
Depreciation	(1,004,481)	(1,739,612)
Impairment	(10,713)	-
Ending	<u>₩ 19,005,225</u>	<u>₩ 15,331,047</u>

(2) The current ending balance includes ₩7,599,616 million of construction in progress, and some of it will subsequently be transferred to intangible assets (for the year ended December 31, 2022, was ₩4,557,301 million).

(3) The Group capitalized ₩20,280 million of borrowing costs in relation to acquisition of property, plant and equipment (for the six-month period ended June 30, 2022, were ₩3,864 million). The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 3.37% (for the six-month period ended June 30, 2022, was 1.21%).

(4) Line items, including depreciation, in the interim condensed consolidated statements of profit or loss for the three-month and six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>		<u>2022</u>	
	<u>Three months</u>	<u>Six months</u>	<u>Three months</u>	<u>Six months</u>
Cost of sales	₩ 476,374	₩ 923,838	₩ 375,834	₩ 737,522
Selling and administrative expenses	<u>43,237</u>	<u>80,643</u>	<u>31,063</u>	<u>62,817</u>
	₩ 519,611	₩ 1,004,481	₩ 406,897	₩ 800,339

(5) Lease

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

Details of amounts recognized in the interim condensed consolidated statements of financial position in relation to lease for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Right-of-use assets (*):		
Real estate	₩ 136,336	₩ 132,480
Machinery	294	465
Vehicles	16,300	11,700
Tools	1,527	1,258
Equipment	339	457
	<u>₩ 154,796</u>	<u>₩ 146,360</u>

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

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Additions to the right-of-use assets for the six-month period ended June 30, 2023, are ₩37,832 million (for the six-month period ended June 30, 2022, were ₩34,337 million).

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Lease liabilities (*):		
Current	₩ 51,166	₩ 39,944
Non-current	<u>83,066</u>	<u>85,279</u>
	<u>₩ 134,232</u>	<u>₩ 125,223</u>

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

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

Details of amounts recognized in the interim condensed consolidated statements of profit or loss in relation to lease for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>		<u>2022</u>	
	<u>Three months</u>	<u>Six months</u>	<u>Three months</u>	<u>Six months</u>
Depreciation of right-of-use assets:				
Real estate	₩ 11,921	₩ 22,611	₩ 7,254	₩ 13,994
Machinery	104	208	76	148
Vehicles	2,279	4,533	1,972	3,375
Tools	219	437	54	108
Equipment	<u>32</u>	<u>110</u>	<u>92</u>	<u>143</u>
	<u>₩ 14,555</u>	<u>₩ 27,899</u>	<u>₩ 9,448</u>	<u>₩ 17,768</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 616	₩ 1,197	₩ 696	₩ 1,166
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	3,487	7,200	2,600	3,707
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	1,970	3,565	1,307	2,600

Total cash outflow for leases for the six-month period ended June 30, 2023, is ₩38,591 million (for the six-month period ended June 30, 2022, was ₩25,964 million).

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12. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 642,090	₩ 455,360
Business combination	-	1,503
Acquisition/replacement	116,742	291,633
Disposal/replacement	(2,091)	(7,522)
Exchange differences	8,926	(1,664)
Amortization	(62,555)	(97,220)
Ending	<u>₩ 703,112</u>	<u>₩ 642,090</u>

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

	<u>2023</u>		<u>2022</u>	
	<u>Three months</u>	<u>Six months</u>	<u>Three months</u>	<u>Six months</u>
Cost of sales	₩ 8,359	₩ 16,037	₩ 8,380	₩ 16,113
Selling and administrative expenses	<u>24,019</u>	<u>46,518</u>	<u>15,556</u>	<u>30,076</u>
	₩ 32,378	₩ 62,555	₩ 23,936	₩ 46,189

(3) Greenhouse gas emission right

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

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Allocated emission rights	281	300	300	297	297

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- ② Based on the Korea Emission Trading Scheme, changes in greenhouse gas emission rights (included in other intangible assets) for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (ton in thousands and Korean won in millions):

	2023							
	2022		2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount
Beginning /allocated	303	₩ -	300	₩ -	297	₩ -	297	₩ -
Purchase /sale	-	-	-	-	-	-	-	-
Borrowing /carried over	-	-	-	-	-	-	-	-
Government submission	-	-	-	-	-	-	-	-
Ending	303	₩ -	300	₩ -	297	₩ -	297	₩ -

	2022									
	2021		2022		2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount
Beginning /allocated	281	₩ -	300	₩ -	300	₩ -	297	₩ -	297	₩ -
Purchase /sale	(2)	(20)	-	-	-	-	-	-	-	-
Borrowing /carried over	22	388	3	-	-	-	-	-	-	-
Government submission	(301)	(368)	-	-	-	-	-	-	-	-
Ending	-	₩ -	303	₩ -	300	₩ -	297	₩ -	297	₩ -

- ③ Based on the European Union Emission Trading System, changes in greenhouse gas emission rights (included in other intangible assets) for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (ton in thousands and Korean won in millions):

	2023		2022	
	Ton	Amount	Ton	Amount
Beginning	87	₩ 8,002	1	₩ 66
Purchase/sale	69	9,355	78	7,902
Government submission	(104)	(11,068)	-	-
Allocated	-	-	8	-
Foreign exchange difference	-	880	-	34
Ending	52	₩ 7,169	87	₩ 8,002

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13. OTHER CURRENT AND NON-CURRENT ASSETS:

Details of other current and other non-current assets as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current:			
Prepayments and prepaid expenses	₩	236,839	₩ 310,004
Prepaid value-added tax		241,764	112,973
Others		165,222	158,290
	₩	<u>643,825</u>	<u>₩ 581,267</u>
Non-current:			
Long-term prepayments and long-term prepaid expenses	₩	173,780	₩ 133,914
Net defined benefit assets		183,601	222,519
Others		73	69
	₩	<u>357,454</u>	<u>₩ 356,502</u>

14. BORROWINGS:

(1) Borrowings as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current:			
Short-term borrowings	₩	1,672,899	₩ 1,243,992
Current portion of long-term borrowings		981,916	907,687
Current portion of debentures		-	675,078
Current lease liabilities		51,166	39,944
	₩	<u>2,705,981</u>	<u>₩ 2,866,701</u>
Non-current:			
Long-term borrowings	₩	4,048,283	₩ 3,697,317
Debentures		2,503,259	1,459,956
Non-current lease liabilities		83,066	85,279
		6,634,608	5,242,552
	₩	<u>9,340,589</u>	<u>₩ 8,109,253</u>

(2) Details of borrowings as of June 30, 2023, and December 31, 2022, are as follows:

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

	<u>Bank</u>	<u>Latest maturity date</u>	<u>Interest rate (%)</u>		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Bank loans	KB Kookmin and others	2024.06.20	2.50–6.44	₩	1,672,899	₩ 1,243,992

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

June 30, 2023						
	Bank	Interest rate (%)	Latest maturity date	Amount		Non-current portion
					Current portion	
Borrowings in foreign currencies	Citibank	EUR: 3M EURIBOR + 0.62–0.70	2024.08.19	₩ 213,921	₩ 142,614	₩ 71,307
	DBS	3M EURIBOR + 0.90	2026.03.10	142,614	-	142,614
	DOE	3.65–3.78	2031.12.15	1,237,997	-	1,237,997
	EBRD	6M EURIBOR + 0.62	2026.10.15	235,313	71,307	164,006
	EIB	3M EURIBOR + 0.47	2027.03.31	608,490	152,124	456,366
	ING	6M EURIBOR + 0.70	2023.11.23	99,830	99,830	-
	KDB	USD: 3M LIBOR + 0.91	2025.06.25	150,151	97,598	52,553
	KDB/Korea Exim/Nonghyup	EUR: 3M EURIBOR + 0.89–1.04	2027.04.26	1,442,920	-	1,442,920
	KEB Hana	3M EURIBOR + 0.62	2024.02.15	285,229	285,229	-
	MUFG	6M EURIBOR + 0.80	2024.01.18	71,307	71,307	-
	SMBC	EUR: 0.48	2027.02.04	53,480	14,261	39,219
	China: Agricultural Bank	LPR(1Y) - 0.70	2024.11.25	65,902	4,345	61,557
	China	LPR(1Y) - 0.60–1.00	2026.03.21	200,251	43,301	156,950
	China: Bank of Communications	LPR(1Y) - 0.75–1.00	2025.07.14	120,941	-	120,941
	China: Construction Bank	LPR(1Y)–1.00	2026.05.24	101,853	-	101,853
				₩ 5,030,199	₩ 981,916	₩ 4,048,283
December 31, 2022						
	Bank	Interest rate (%)	Latest maturity date	Amount		Non-current portion
					Current portion	
Borrowings in foreign currencies	Citibank	EUR: 3M EURIBOR + 0.62–0.70	2024.08.20	₩ 203,096	₩ 67,699	₩ 135,397
	DBS	6M EURIBOR + 0.60	2023.03.10	135,397	135,397	-
	DOE	3.65	2031.12.15	705,620	-	705,620
	EBRD	6M EURIBOR + 0.62	2026.10.15	257,255	67,698	189,557
	EIB	3M EURIBOR + 0.47	2027.03.31	649,908	144,424	505,484
	ING	6M EURIBOR + 0.70	2023.11.23	94,778	94,778	-
	KDB	USD: 3M LIBOR + 0.91–0.93	2025.06.25	296,581	214,165	82,416
	KDB/Korea Exim /Nonghyup	EUR: 3M EURIBOR + 0.89–1.04	2027.04.26	1,369,049	-	1,369,049
	KEB Hana	3M EURIBOR + 0.62	2024.02.15	270,795	-	270,795
	MUFG	6M EURIBOR + 0.80	2024.01.18	67,699	-	67,699
	SMBC	EUR: 0.32–0.48	2027.02.04	192,941	148,937	44,004
	China: Agricultural Bank	LPR(1Y) - 0.70	2024.11.25	68,222	4,355	63,867
	China	LPR(1Y) - 0.60–1.00	2025.06.14	172,462	30,234	142,228
	China: Bank of Communications	LPR(1Y) - 0.75–1.00	2025.07.14	121,201	-	121,201
				₩ 4,605,004	₩ 907,687	₩ 3,697,317

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

		June 30, 2023					
	Financial institution	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
	NH						
1st Debenture (non-guaranteed/public)	Investment & Securities Co., Ltd. and others	2.214	2026.03.13	₩ 200,000 ₩	- ₩	200,000	
2-1st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.097	2025.06.29	125,000	-	125,000	
2-2nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.196	2026.06.29	370,000	-	370,000	
2-3rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.298	2028.06.29	505,000	-	505,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.250	2024.10.15	656,400 (USD 500,000)	-	656,400	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	2029.04.15	656,400 (USD 500,000)	-	656,400	
Less: discount on debentures	-	-	-	(9,541)	-	(9,541)	
				₩ 2,503,259 ₩	- ₩	₩ 2,503,259	
		December 31, 2022					
	Financial institution	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion	
	NH						
1st Debenture (non-guaranteed/public)	Investment & Securities Co., Ltd. and others	2.214	2026.03.13	₩ 200,000 ₩	- ₩	200,000	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.250	2024.10.15	633,650 (USD 500,000)	-	633,650	
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	2029.04.15	633,650 (USD 500,000)	-	633,650	
EUR foreign currency debenture (non-guaranteed)	Citibank and others	0.500	2023.04.15	675,600 (EUR 500,000)	675,600	-	
Less: discount on debentures	-	-	-	(7,866)	(522)	(7,344)	
				₩ 2,135,034 ₩	₩ 675,078 ₩	₩ 1,459,956 ₩	

4) Lease liabilities (Korean won in millions)

		June 30, 2023			
	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others	0.67–5.01	2042.06.09	₩ 134,232 ₩	51,166 ₩	83,066
		December 31, 2022			
	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others	0.67–5.01	2042.06.09	₩ 125,223 ₩	39,944 ₩	85,279

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15. PROVISIONS:

Changes in provisions for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

2023					
	Warranty(*1)	Greenhouse gas emission(*2)	Provision for restoration(*3)		Total
Beginning	₩ 1,482,900	₩ 8,712	₩ 4,118	₩	1,495,730
Provision transfer	507,024	7,352	1,618		515,994
Used	(233,326)	(11,068)	-		(244,394)
Ending	1,756,598	4,996	5,736		1,767,330
Less: current portion	(986,875)	(4,996)	-		(991,871)
	₩ 769,723	₩ -	₩ 5,736	₩	775,459

2022					
	Warranty(*1)	Greenhouse gas emission(*2)	Provision for restoration(*3)	Legal claims	Total
Beginning	₩ 2,103,880	₩ 79	₩ 3,069	₩ 987	₩ 2,108,015
Business combination	4,999	-	-	-	4,999
Additions	630,174	12,493	1,049	-	643,716
Used	(1,256,153)	(3,860)	-	(987)	(1,261,000)
Ending	1,482,900	8,712	4,118	-	1,495,730
Less: current portion	(968,237)	(8,712)	-	-	(976,949)
	₩ 514,663	₩ -	₩ 4,118	₩ -	₩ 518,781

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

(*2) In relation to greenhouse gas emissions, the Group estimates the expected future costs of emissions exceeding the Group's emission rights for the year and recognizes them as provisions. Estimated emissions are 231 thousand tons for the six-month period ended June 30, 2023 (for the year ended December 31, 2022, were 417 thousand tons).

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

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16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations (*1)	₩ 594,274	₩ 549,225
Fair value of plan assets	(777,485)	(771,244)
	<u>₩ (183,211)</u>	<u>₩ (222,019)</u>
Net defined benefit liabilities	390	499
Net defined benefit assets (*2)	<u>(183,601)</u>	<u>(222,518)</u>
	<u>₩ (183,211)</u>	<u>₩ (222,019)</u>

(*1) The present value of retirement benefit obligations is the amount after deducting contributions to the National Pension Plan of ₩35 million as of June 30, 2023 (as of December 31, 2022, was ₩42 million).

(*2) The ₩183,601 million of plan assets exceeding the defined benefit obligations of the Parent Company is included in other non-current assets as of June 30, 2023 (as of December 31, 2022, was ₩222,518 million).

(2) The amounts recognized in the interim condensed consolidated statements of income for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>		<u>2022</u>	
	<u>Three months</u>	<u>Six months</u>	<u>Three months</u>	<u>Six months</u>
Current service cost	₩ 19,620	₩ 39,240	₩ 19,409	₩ 38,920
Interest cost	(3,004)	(6,008)	(3)	(5)
	<u>₩ 16,616</u>	<u>₩ 33,232</u>	<u>₩ 19,406</u>	<u>₩ 38,915</u>

(3) Retirement benefits recognized for defined contribution plan for the six-month period ended June 30, 2023, amounted to ₩907 million (the six-month period ended June 30, 2022, were ₩1,014 million).

(4) Retirement benefits recognized in the interim condensed consolidated statements of income for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	<u>2023</u>		<u>2022</u>	
	<u>Three months</u>	<u>Six months</u>	<u>Three months</u>	<u>Six months</u>
Cost of sales	₩ 9,569	₩ 19,318	₩ 9,661	₩ 19,338
Selling and administrative expenses	7,453	14,821	10,296	20,591
	<u>₩ 17,022</u>	<u>₩ 34,139</u>	<u>₩ 19,957</u>	<u>₩ 39,929</u>

(5) Changes in the present value of defined benefit obligations for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 549,225	₩ 554,014
Transfer in	8,988	8,212
Transfer out	(442)	(2,991)
Current service cost	39,240	77,785
Interest expense	14,494	16,409
Remeasurements:		
Actuarial loss from change in financial assumption	-	(102,359)
Actuarial gain from change in demographic assumption	-	(3,256)
Actuarial gain due to the difference between the estimated and the actual	-	31,915
Others	-	792
Foreign currency conversion difference	1	(30)
Payments from plans	<u>(17,232)</u>	<u>(31,266)</u>
Ending	<u>₩ 594,274</u>	<u>₩ 549,225</u>

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(6) Changes in the fair value of plan assets for the six-month period ended June 30, 2023, and the year ended December 31, 2022, are as follows (Korean won in millions):

	<u>2023</u>	<u>2022</u>
Beginning	₩ 771,244	₩ 554,142
Interest income	20,502	16,419
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	1,691	(4,390)
Contribution:		
Employer contribution to plan assets	474	235,213
Payments from plans	(15,701)	(29,120)
Administrative costs	(725)	(1,020)
Ending	<u>₩ 777,485</u>	<u>₩ 771,244</u>

(7) The actual return on plan assets for the six-month period ended June 30, 2023, was ₩22,193 million (the six-month period ended June 30, 2022, was ₩6,325 million).

(8) The significant actuarial assumptions as of June 30, 2023, and December 31, 2022, are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Discount rate	5.40%	5.40%
Salary growth rate	5.96%	5.96%

(9) The sensitivity analysis for changes in key actuarial assumptions as of June 30, 2023, is as follows (Korean won in millions):

	<u>Increase by 1.0%</u>	<u>Decrease by 1.0%</u>
Discount rate:		
Increase (decrease) in defined benefit liabilities	₩ (66,391)	₩ 79,305
Salary growth rate:		
Increase (decrease) in defined benefit liabilities	82,934	(70,191)

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

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

(10) Plan assets as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	<u>Amount</u>	<u>Composition (%)</u>	<u>Amount</u>	<u>Composition (%)</u>
Insurance contracts with guaranteed yield	₩ 777,485	100	₩ 771,244	100

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

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17. OTHER CURRENT AND NON-CURRENT LIABILITIES:

Details of other current and non-current liabilities as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

		<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current:			
Advances from customers	₩	103,050	₩ 131,482
Withholdings		28,926	52,642
Unearned revenues		76,707	68,225
Accrued expenses		<u>232,181</u>	<u>448,085</u>
	₩	<u>440,864</u>	₩ <u>700,434</u>
Non-current:			
Long-term accrued expenses	₩	26,154	₩ 23,041
Long-term unearned revenues		102,095	215,645
Long-term advance received		<u>250,981</u>	<u>114,544</u>
	₩	<u>379,230</u>	₩ <u>353,230</u>

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18. COMMITMENTS AND CONTINGENCIES:

- (1) The Group is jointly liable with LG Chem Ltd. for liabilities recognized before the split-off date.
- (2) As of June 30, 2023, the Group has been guaranteed by Seoul Guarantee Insurance Company for the execution of contracts and others.
- (3) As of June 30, 2023, the Group has various specific line of credit agreements with several financial institutions as follows (Korean won in millions and foreign currencies in millions):

	Currency	June 30, 2023	
		The Parent Company	Certain subsidiaries
Limit of bank overdraft	KRW	8,700	-
	EUR	-	175
Limit of the letter of credit	USD	12	154
	CNY	-	1,819
Limit of discount of notes from export	USD	1,070	-
Limit of guaranteed payments in other foreign currency	USD	245	-
B2B purchase arrangements	KRW	125,000	-
General loan agreements	KRW	350,000	-
	USD	-	4,826
	CNY	-	11,080
	EUR	-	2,980
Derivatives	KRW	-	30,000
	USD	663	656
	EUR	-	160
Factoring arrangements	KRW	150,000	-
	USD	-	610

- (4) As of June 30, 2023, the Group has entered into payment guarantee contracts of USD 98 million, EUR 1 million and KRW 7,755 million with financial institutions in relation to product warranty for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 486 million with financial institutions in relation to custom clearance of imported raw materials.
- (5) As of June 30, 2023, the Group has entered into an arrangement with General Motors (“GM”) regarding joint investment in Ultium Cells LLC, whereby each party can sell its shares to third parties in eight years after the inception of the contract. In addition, if one party defaults, the other party has the right to purchase shares from the other party. In this regard, the Group has completed the government's approval process for the use of core technologies in accordance with the Industrial Technology Protection Act.
- (6) The Group has been sued in two class actions by consumers in relation to price fixing of mobile batteries and GM Bolt EV, and two cases are still in process as of June 30, 2023. The Group has also been sued in other 94 cases (amounted to KRW 3,425 million) and has filed four lawsuit cases (amounted to USD 90 million and KRW 162 million). The ultimate outcome of these pending cases cannot be determined at the reporting date.

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- (7) The Group has entered into a license agreement with LG Corp. to use trademarks on the products that the Group manufactures and sells, and on the services the Group provides in relation to its business.
- (8) As of June 30, 2023, the Group has entered into a joint venture agreement with Honda and has committed to invest USD 1,802 million. In addition, the Parent Company has decided to provide a payment guarantee of USD 450 million, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 883 million.
- (9) As of June 30, 2023, the Group has entered into a joint venture agreement with Stellantis and has committed to invest USD 1,464 million.
- (10) As of June 30, 2023, the Group has entered into a joint venture agreement with HMG Global LLC and has committed to invest USD 1,108 million.
- (11) Capital expenditure arrangements that have not incurred as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	₩ 4,417,974	₩ 4,938,173

- (12) Investment commitments as of June 30, 2023, are as follows (Korean won in millions and USD in million):

	<u>Currency</u>	<u>Contractual amount</u>	<u>Total investments</u>	<u>Remaining amount</u>
BNZ (Beyond Net Zero) Fund	USD	75	24	51
Secondary Battery Growth Fund	KRW	6,700	4,690	2,010
KBE (Korea Battery ESG) Fund	KRW	75,000	33,732	41,268
BCM Global Battery Fund	KRW	30,000	5,979	24,021
Yonsei Technology Holdings IP Fund	KRW	3,000	1,020	1,980

- (13) As of June 30, 2023, and December 31, 2022, the details of the payment guarantee for the borrowings by the Group are as follows (Korean won in millions):

<u>Guarantor</u>	<u>Guarantee beneficiary</u>	<u>Financial institution</u>	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
			<u>Loan amount(*1)</u>	<u>Credit limit(*2)</u>	<u>Loan amount(*1)</u>	<u>Credit limit(*2)</u>
LG Energy Solution Ltd.	PT. HLI Green Power	ANZ and others	₩ 177,228	₩ 466,700	₩ 88,711	₩ 450,525

(*1) The amounts represent borrowed amount as of June 30, 2023, and December 31, 2022.

(*2) The limits indicate the aggregate amount of payment guarantees.

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19. SHARE CAPITAL:

Changes in share capital and share premium for the six-month period ended June 30, 2023, are as follows (Korean won in millions and shares):

	Ordinary shares		Share premium
	Number of shares	Share capital	
January 1, 2023	234,000,000 ₩	117,000 ₩	17,589,721
June 30, 2023	234,000,000	117,000	17,589,721

20. RETAINED EARNINGS:

Details of retained earnings as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023	December 31, 2022
Unappropriated retained earnings	₩ 2,088,801 ₩	1,154,518

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21. OPERATING PROFITS:

(1) Selling and administrative expenses for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Revenue	₩ 8,773,487	₩ 17,520,604	₩ 5,070,561	₩ 9,412,909
Cost of sales	7,439,411	14,892,318	4,248,734	7,815,976
Gross profit	1,334,076	2,628,286	821,827	1,596,933
Other operating income (*)	110,916	211,210	-	-
Selling and administrative expenses:				
Wages and salaries	₩ 213,882	₩ 414,355	₩ 169,234	₩ 331,081
Retirement benefits	7,453	14,821	10,296	20,591
Employee benefits	54,772	100,439	38,016	68,688
Travel expenses	17,747	27,272	14,027	21,758
Water and utilities	14,955	33,501	8,758	20,736
Rental expenses	19,979	38,784	13,895	26,654
Commission expenses	134,800	249,396	98,076	178,428
Depreciation	44,736	83,625	32,508	65,696
Advertising expenses	6,708	10,347	4,960	8,549
Freight expenses	35,013	60,217	62,546	106,892
Training expenses	8,666	15,826	5,289	8,470
Amortization	24,019	46,518	15,556	30,076
Sample expenses	546	3,160	1,182	1,768
Development costs	52,673	89,279	33,037	58,063
Addition to warranty provisions	329,037	507,024	73,634	93,655
Others	19,407	51,167	45,205	101,367
	984,393	1,745,731	626,219	1,142,472
Operating profits	₩ 460,599	₩ 1,093,765	₩ 195,608	₩ 454,461

(*) Under Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount is revenue expected to be received by the Group for the six-month period ended June 30, 2023.

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

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Cost of sales and selling and administrative expenses by nature for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Changes in inventories of merchandise, finished goods, semifinished goods and work in process	₩ 207,934	₩ 235,475	₩ (1,138,807)	₩ (1,617,252)
Raw materials and consumables used	4,964,877	10,743,633	4,005,428	6,769,815
Purchase of merchandise	244,203	513,555	214,026	451,784
Employee benefit expenses	661,992	1,284,788	528,075	1,018,596
Advertising expenses	6,776	10,472	5,042	8,697
Freight expenses	41,746	73,107	68,832	118,157
Commission expenses	243,883	473,028	194,474	363,533
Depreciation and amortization	553,487	1,070,017	432,278	849,407
Rent expenses and usage fee	13,175	28,187	13,173	23,542
Transfers to provisions for service warranties	329,037	507,024	73,634	93,655
Other expenses	1,156,694	1,698,763	478,798	878,513
	<u>₩ 8,423,804</u>	<u>₩ 16,638,049</u>	<u>₩ 4,874,953</u>	<u>₩ 8,958,447</u>

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23. EMPLOYEE BENEFIT EXPENSES:

Details of employee benefit expenses for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Wages and salaries	₩ 544,496	₩ 1,059,538	₩ 436,092	₩ 844,766
Retirement benefits: defined benefit plan	16,616	33,232	19,406	38,915
Retirement benefits: defined contribution plan	406	907	551	1,014
Others	100,474	191,111	72,026	133,901
	₩ 661,992	₩ 1,284,788	₩ 528,075	₩ 1,018,596

24. FINANCE INCOME AND COSTS:

Details of finance income and costs for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Finance income:				
Interest income (*1)	₩ 37,326	₩ 81,860	₩ 38,877	₩ 71,232
Dividends income	99	99	-	-
Exchange differences	315,506	520,563	64,934	126,597
Gain on derivative instruments	259	39,704	50,979	64,778
	₩ 353,190	₩ 642,226	₩ 154,790	₩ 262,607
Finance costs:				
Interest expense (*2)	₩ 64,358	₩ 133,854	₩ 19,152	₩ 38,402
Exchange differences	149,566	343,716	153,529	269,779
Loss on disposal of trade receivables	3,591	5,224	116	236
Loss on derivative instruments	-	-	(1)	(1)
	₩ 217,515	₩ 482,794	₩ 172,796	₩ 308,416

(*1) Details of interest income for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Due from financial institutions	₩ 29,484	₩ 70,265	₩ 37,124	₩ 67,167
Other loans and receivables	7,842	11,595	1,753	4,065
	₩ 37,326	₩ 81,860	₩ 38,877	₩ 71,232

(*2) Details of interest expense for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Interest on financial institutions	₩ 63,364	₩ 120,305	₩ 6,257	₩ 12,803
Interest on financial lease liabilities	616	1,197	696	1,166
Interest on debentures	13,613	28,088	13,974	27,367
Other interest expenses	1,819	4,544	525	930
Capitalized interest for qualifying assets	(15,054)	(20,280)	(2,300)	(3,864)
	₩ 64,358	₩ 133,854	₩ 19,152	₩ 38,402

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25. OTHER NON-OPERATING INCOME:

Details of other non-operating income for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Exchange differences	₩ 378,722	₩ 706,045	₩ 282,555	₩ 407,963
Gain on disposal of property, plant and equipment	531	736	343	588
Others	5,021	17,485	4,320	44,640
	<u>₩ 384,274</u>	<u>₩ 724,266</u>	<u>₩ 287,218</u>	<u>₩ 453,191</u>

26. OTHER NON-OPERATING EXPENSES:

Details of other non-operating expenses for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Exchange differences	₩ 274,826	₩ 518,416	₩ 285,513	₩ 409,836
Loss on disposal of property, plant and equipment	26,603	41,894	15,719	17,299
Loss on disposal of intangible asset	107	342	103	250
Impairment of investments in associates and joint ventures	14,560	14,560	-	-
Donations	3,303	3,894	656	1,178
Others	6,840	22,998	25,315	27,959
	<u>₩ 326,239</u>	<u>₩ 602,104</u>	<u>₩ 327,306</u>	<u>₩ 456,522</u>

27. INCOME TAX EXPENSE AND DEFERRED TAX:

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

28. EARNINGS PER SHARE:

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

Basic earnings per ordinary share for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Profits attributable to ordinary shares of the Parent Company	₩ 432,443	₩ 933,038	₩ 94,160	₩ 320,783
Weighted-average number of ordinary shares outstanding	234,000,000	234,000,000	234,000,000	230,055,249
Basic earnings per ordinary share (in Korean won)	<u>₩ 1,848</u>	<u>₩ 3,987</u>	<u>₩ 402</u>	<u>₩ 1,394</u>

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

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- (1) As of June 30, 2023, the parent company is LG Chem Ltd. (percentage of ownership: 81.84%), over which LG Corp. exercises a significant influence.
- (2) Details of related parties and others that have sales and other transactions with the Group or have receivable and payable balances, other than associates and joint ventures (see Note 10) as of June 30, 2023, are as follows:

Related party	Related-party's subsidiary (Domestic)	Related-party's subsidiary (Overseas)	Details
LG Chem Ltd.	HAENGBOKNURI CO., LTD. and others	LEYOU NEW ENERGY MATERIALS (WUXI) Co.,Ltd and others	Subsidiary of LG Chem Ltd.
D&O Co., Ltd.	D&O CM, Ltd. and others	D&O CM NANJING and others	
LG CNS Co., Ltd.	Biz Tech I Co., Ltd. and others	LG CNS America Inc. and others	Subsidiary of LG Corp.
LG Management Development Institute			
LG Display Co., Ltd.	Nanum nuri Co., Ltd.	LG Display (China) Co., Ltd. and others	
LG Electronics, Inc.	LG Innotek Co., Ltd. and others	LG Electronics Philippines, Inc. and others	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	LG Household & Health Care Trading(Shanghai) Co., Ltd. and others	LG Enterprise group (*)
LG Uplus Corp.	LG HelloVision Corp. and others	LG UPLUS FUND I LLC. and others	
GIIR Inc.	HS AD Inc. and others	GIIR America Inc. and others	

(*) Although these entities are not included within the scope of related parties under K-IFRS 1024, they belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

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(3) Transactions with related parties for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023				
	Sales and others	Purchase and others			
		Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangibles	Interest expense	Others
Parent:					
LG Chem Ltd.	₩ 4,580	₩ 1,869,329	₩ -	₩ 16	₩ 1,750
Associates and joint ventures:					
PT. HLI Green Power	23,081	-	-	-	-
VINFAST LITHIUM BATTERY PACK LLC	256	-	-	-	-
Sama Aluminium	-	14,072	-	-	-
Other related parties:					
LG Corp.	-	-	-	-	34,891
LG Chem America, Inc.	-	-	-	-	1
LG Chem (Taiwan), Ltd.	-	-	-	1	-
LG Chem (China) Investment Co., Ltd.	-	-	-	-	127
LG Chem Europe GmbH	-	-	-	-	17
HAENGBOKNURI CO., LTD.	5	-	-	-	560
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	1,188,658	-	-	-
Techwin, Inc	-	-	-	-	46
LG Chem Poland Sp. z o.o	-	122,966	-	-	-
LG Management Development Institute	11	-	-	-	16,558
D&O Co., Ltd. and its subsidiaries	42	-	8,718	-	1,841
LG CNS Co., Ltd. and its subsidiaries	24,845	101	249,805	-	74,079
Others	-	-	-	-	2,363
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	5	-
LG Electronics Inc. and its subsidiaries	1,026,901	172,144	379,858	-	25,773
Xi C&A and its subsidiaries	-	2,326	183,252	-	483
S&I Corporation	-	4,873	22,086	-	23,217
Others	23	-	398	17	1,416
	<u>₩ 1,079,744</u>	<u>₩ 3,374,469</u>	<u>₩ 844,117</u>	<u>₩ 39</u>	<u>₩ 183,122</u>

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	2022					
	Purchase and others					Others
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangible assets	Interest expense		
Parent:						
LG Chem Ltd.	₩ 3,294	₩ 954,111	₩ 16,632	₩ 26		₩ 5,516
Associates and joint ventures:						
PT. HLI Green Power	22,981	-	-	-		-
VINFAST LITHIUM BATTERY PACK LLC	1,069	-	-	-		-
Jiangxi VL Battery Co., Ltd	28	-	-	-		-
Other related parties:						
LG Corp.	-	-	1,273	-		18,767
LG Chem America, Inc.	-	-	-	-		3
LG Chem (Taiwan), Ltd.	-	-	-	3		-
LG Chem (China) Investment Co., Ltd.	-	-	-	-		126
LG Chem Europe GmbH	-	-	-	-		17
HAENGBOKNURI CO., LTD.	7	-	-	-		562
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	-	28	-	-		-
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	713,920	-	-		45
Techwin, Inc	-	-	100	-		27
LG Chem Hangzhou Advanced Materials Co., Ltd.	-	15,006	-	-		-
LG Chem Poland Sp. z o.o	-	61,814	-	-		3
LG Management Development Institute	-	-	-	-		9,874
D&O Co., Ltd. and its subsidiaries	40	-	6,740	-		1,055
LG CNS Co., Ltd. and its subsidiaries	9,186	48	123,435	-		46,820
Others	-	-	-	-		2,077
Others:						
LG Display Co., Ltd. and its subsidiaries	-	-	-	7		-
LG Electronics Inc., Ltd. and its subsidiaries	300,233	203,886	207,436	-		28,130
LX Holdings., Ltd. and its subsidiaries (*1)	262	58,703	79,157	9		146,434
Xi C&A (formerly S&I Construction) and its subsidiaries (*2)	-	-	116,254	-		-
S&I Corporation (*2)	-	2,668	6,784	-		12,487
Others	22	-	4	-		1,930
	₩ 337,122	₩ 2,010,184	₩ 557,815	₩ 45		₩ 273,873

(*1) They have been excluded from the large enterprise group after their separation from LG Group during the six-month period ended June 30, 2022. The amount includes transactions before the separation.

(*2) During the six-month period ended June 30, 2022, the entity was classified as an associate from a subsidiary of D&O Co., Ltd. due to the sale of its shares, and the amount includes the transactions before classification.

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(4) Balances of receivables and payables from related parties as of June 30, 2023 and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023							
	Receivables			Payables				
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total	
Parent:								
LG Chem Ltd.	₩	- ₩	23,053 ₩	23,053 ₩	829,105 ₩	1,375 ₩	2,443 ₩	832,923 ₩
Associates and joint ventures:								
PT. HLI Green Power		-	2,538	2,538	-	-	65,112	65,112
VINFAST LITHIUM BATTERY PACK LLC.		-	-	-	-	-	458	458
Sama Aluminium		-	-	-	4,298	-	-	4,298
Other related parties:								
LG Corp.		-	-	-	-	-	9,451	9,451
LG Chem (Taiwan), Ltd.		-	-	-	-	16	40	56
LG Chem (China) Investment Co., Ltd.		-	-	-	-	-	39	39
LG Chem Europe GmbH		-	-	-	-	-	23	23
HAENGBOKNURI CO., LTD.		-	-	-	-	-	97	97
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.		-	-	-	282,487	-	-	282,487
LG Chem Poland Sp. z o.o.		-	-	-	36,229	-	-	36,229
LG Management Development Institute		-	-	-	-	-	1,003	1,003
D&O Co., Ltd. and its subsidiaries		-	-	-	-	-	3,255	3,255
LG CNS Co., Ltd. and its subsidiaries	16,908	-	16,908	447	-	180,878	181,325	
Others		-	-	-	-	-	264	264
Others:								
LG Display Co., Ltd. and its subsidiaries		-	-	-	-	372	19	391
LG Electronics Inc. and its subsidiaries (*)	411,454	1,481	412,935	85,241	-	172,830	258,071	
Xi C&A and its subsidiaries		-	-	-	-	-	111,217	111,217
S&I Corporation		-	-	-	-	-	19,898	19,898
Others		-	559	559	-	1,342	3,808	5,150
	₩ 428,362	₩ 27,631	₩ 455,993	₩ 1,237,807	₩ 3,105	₩ 570,835	₩ 1,811,747	

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

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	December 31, 2022													
	Receivables					Payables								
	Trade receivables	Other receivables	Total			Trade payables	Lease liabilities	Other payables	Total					
Parent:														
LG Chem Ltd.	₩	- ₩	23,163 ₩	₩	23,163 ₩	₩	571,271 ₩	₩	1,650 ₩	₩	2,904 ₩	₩	575,825 ₩	
Associates and joint ventures:														
PT. HLI Green Power		-	1,311		1,311		-	-	88,093				88,093	
Other related parties:														
LG Corp.		-	46		46		-	-	18,727				18,727	
LG Chem (Taiwan), Ltd.		-	-		-		-	106	41				147	
LG Chem (China) Investment Co., Ltd.		-	-		-		-	-	48				48	
LG Chem Europe GmbH		-	-		-		-	-	1				1	
HAENGBOKNURI CO., LTD.		-	1		1		-	-	120				120	
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.		-	-		-		316,606	-	26				316,632	
TECWIN Co., Ltd.		-	-		-		-	-	54				54	
LG Chem Poland Sp. z o.o.		-	-		-		59,336	-	1				59,337	
LG Management Development Institute		-	-		-		-	-	544				544	
D&O Co., Ltd. and its subsidiaries		-	-		-		-	-	3,957				3,957	
LG CNS Co., Ltd. and its subsidiaries		5,782	205		5,987		526	-	335,380				335,906	
Others		-	-		-		-	-	363				363	
Others:														
LG Display Co., Ltd. and its subsidiaries		-	-		-		-	454	17				471	
LG Electronics Inc. and its subsidiaries (*1)		275,784	26,322		302,106		77,580	-	142,674				220,254	
Xi C&A (formerly S&I Construction) and its subsidiaries (*2)		-	-		-		-	-	125,451				125,451	
S&I Corporation (*2)		-	-		-		-	-	48,679				48,679	
Others		-	561		561		-	-	3,930				3,930	
	₩	281,566 ₩	₩	51,609 ₩	₩	333,175 ₩	₩	1,025,319 ₩	₩	2,210 ₩	₩	771,010 ₩	₩	1,798,539 ₩

(*1) Provisions for GM Bolt EV recall is not included in the balance of receivables and payables above.

(*2) During the year ended December 31, 2022, the entity was classified as an associate from a subsidiary of D&O Co., Ltd. due to the sale of its shares, and the amount includes the transactions before classification.

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(5) Fund transactions with related parties for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023							
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions		Borrowing transactions (*)		
				Loan	Repayment	Borrowing	Repayment	
Parent:								
LG Chem Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	258
Associates and joint ventures:								
Sama Aluminium		-	-	46,575	-	-	-	-
Other related parties:								
LG Chem (Taiwan), Ltd.		-	-	-	-	-	-	93
Others:								
LG DISPLAY AMERICA, INC		-	-	-	-	-	-	91
LG Household & Health Care		-	-	-	-	-	-	319
	₩	- ₩	- ₩	46,575 ₩	- ₩	- ₩	- ₩	761

(*) The amounts represent lease liabilities that were recognized or repaid during the current period.

	2022							
	Dividends received	Dividends paid	Equity contribution in cash (capital reduction)	Loans transaction		Borrowings transaction (*)		
				Loans	Repayment	Borrowings	Repayment	
Parent:								
LG Chem Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	411
Other related parties:								
LG Chem (Taiwan), Ltd.		-	-	-	-	-	-	92
LG Chem (China) Investment Co., Ltd.		-	-	-	-	-	-	-
Others:								
LG DISPLAY AMERICA, INC		-	-	-	-	-	-	82
LX Pantos Poland sp. z.o.o		-	-	-	-	-	62	7
Pantos Logistics Mexico S.A. de C.V		-	-	-	-	-	2,384	320
LX PANTOS TURKEY LOJISTIK		-	-	-	-	-	337	41
	₩	- ₩	- ₩	- ₩	- ₩	- ₩	2,783 ₩	953

(*) The amounts represent lease liabilities that were recognized or repaid during the previous period.

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- (6) Compensation for key management of the Group for the six-month periods ended June 30, 2023 and 2022, is as follows (Korean won in millions):

	2023		2022	
Short-term employee benefits	₩	33,463	₩	17,699
Retirement benefits		4,400		2,075
	₩	37,863	₩	19,774

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

- (7) There are no provisions recognized for receivables from related parties as of June 30, 2023. Therefore, no bad debt expense was recognized for the six-month period ended June 30, 2023.
- (8) As of June 30, 2023, the payment guarantees provided by the Group for related parties are disclosed in Note 18.
- (9) During the six-month period ended June 30, 2022, LG Energy Solution (Nanjing) Co., Ltd., a subsidiary of the Group, has paid ₩604,437 million to LG Chem (China) Investment Co., Ltd. due to capital reduction through share repurchase.

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30. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Details of cash generated from operations for the six-month periods ended June 30, 2023 and 2022, are as follows
(Korean won in millions):

	2023	2022
Profit before income tax:	₩ 1,357,067	₩ 388,441
Adjustments for:		
- Depreciation	₩ 1,007,462	₩ 803,218
- Amortization	62,555	46,189
- Retirement benefits	33,232	38,929
- Financial income	(474,969)	(317,086)
- Financial costs	307,928	368,193
- Foreign currency conversion differences	61,273	(8)
- Loss on valuations of inventories	29,778	20,713
- (Gain) loss on disposal of property, plant and equipment	(736)	588
- Loss on disposal of property, plant and equipment and intangible assets	42,236	17,549
- Impairment of investments in associates and joint ventures	14,560	-
- Contribution to provisions	514,376	145,424
- Other income	19,023	22,730
- Changes in inventories	102,005	(2,323,151)
- Changes in trade receivables	(319,412)	(548,157)
- Changes in other receivables	(228,656)	16,794
- Changes in other current assets	53,064	(156,258)
- Settlement of derivatives	(2,509)	-
- Changes in trade payables	327,387	1,596,609
- Changes in other payables	(511,626)	215,349
- Changes in other current liabilities	(388,692)	52,342
- Changes in provisions	(244,394)	(712,694)
- Changes in net defined benefit liabilities	7,265	3,125
- Other cash flows from operations	(1,435)	(59,375)
Cash generated from operations	₩ 1,766,782	₩ (380,536)

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(2) Changes in liabilities arising from financial activities for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

2023							
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Exchange differences and others	Ending
Short-term borrowings	₩ 2,191,623	₩ 363,272	₩ 833,653	₩ -	₩ -	₩ (682,567)	₩ 2,705,981
Long-term borrowings	3,782,596	210,010	(833,653)	-	30,887	941,509	4,131,349
Debentures	2,135,034	268,914	-	1,430	-	97,881	2,503,259
	<u>₩ 8,109,253</u>	<u>₩ 842,196</u>	<u>₩ -</u>	<u>₩ 1,430</u>	<u>₩ 30,887</u>	<u>₩ 356,823</u>	<u>₩ 9,340,589</u>

2022							
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Exchange differences and others	Ending
Short-term borrowings	₩ 2,203,376	₩ (391,634)	₩ 575,625	₩ -	₩ -	₩ (400,633)	₩ 1,986,734
Long-term borrowings	2,720,009	616,333	(575,625)	-	24,197	511,339	3,296,253
Debentures	2,045,808	-	-	1,707	-	110,588	2,158,103
Accounts payable	585,928	(604,437)	-	-	-	18,509	-
	<u>₩ 7,555,121</u>	<u>₩ (379,738)</u>	<u>₩ -</u>	<u>₩ 1,707</u>	<u>₩ 24,197</u>	<u>₩ 239,803</u>	<u>₩ 7,441,090</u>

(3) Significant non-cash transactions for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023	2022
Reclassification of construction in progress	₩ 1,348,783	₩ 2,074,319
Reclassification of machinery in transit	4,382	32,236
Reclassification of debentures into current portion	-	673,589
Changes in other payables related to acquisitions of property, plant and equipment and intangible assets	18,930	(7,722)

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31. SEGMENT INFORMATION:

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

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

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

(2) Segment information on revenue and profit for the six-month periods ended June 30, 2023 and 2022, is as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Total segment revenue	₩ 8,773,487	₩ 17,520,604	₩ 5,070,561	₩ 9,412,909
Revenue from external customers (*1)	8,773,487	17,520,604	5,070,561	9,412,909
Other operation income (*2)	110,916	211,210	-	-
Operating profit of reportable segment (*3)	460,599	1,093,765	195,608	454,461

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

(*2) Under Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount is revenue expected to be received by the Group for the six-month period ended June 30, 2023.

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

(3) Segment information on assets and liabilities as of June 30, 2023, and December 31, 2022, is as follows (Korean won in millions):

	June 30, 2023			December 31, 2022		
	Assets	Investments in associates and joint ventures	Liabilities	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets and liabilities	₩ 42,394,653	₩ 225,886	₩ 19,265,936	₩ 38,299,445	₩ 203,696	₩ 17,705,683

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(4) Sales for the six-month periods ended June 30, 2023 and 2022, and non-current assets as of June 30, 2023, and December 31, 2022, by geographical segments, are as follows (Korean won in millions):

	Sales				Non-current assets (*1)	
	2023		2022		June 30, 2023	December 31, 2022
	Three months	Six months	Three months	Six months		
Korea (*2)	₩ 758,866	₩ 1,426,742	₩ 391,100	₩ 778,311	₩ 3,702,677	₩ 3,243,244
China	1,702,588	3,328,022	1,255,250	2,433,431	4,109,353	3,786,273
Asia/Oceania	355,322	700,794	349,702	649,173	860	923
America	2,473,749	4,668,177	931,117	1,537,171	7,125,857	4,670,440
Europe	3,482,962	7,396,869	2,143,392	4,014,809	4,982,167	4,485,299
Africa	-	-	-	14	-	-
	₩ 8,773,487	₩ 17,520,604	₩ 5,070,561	₩ 9,412,909	₩ 19,920,914	₩ 16,186,179

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

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

(5) For the six-month period ended June 30, 2023, revenues from single external customers, representing more than 1% of the Group's revenue, are ₩3,166,005 million, ₩2,506,628 million, and ₩2,028,479 million, respectively (the six-month period ended June 30, 2022, were ₩1,877,338 million, ₩570,695 million, and ₩273,802 million).

32. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS:

(1) Assets and liabilities related to contracts with customers as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023	December 31, 2022
Contract assets:		
Due from customers	₩ 29,775	₩ 11,570
	₩ 29,775	₩ 11,570
Contract liabilities:		
Advances from customers received as part of the Group's main business activities	₩ 260,461	₩ 282,418
Expected customer incentives	952	2,497
Unearned revenue	92,995	112,240
Due to customers	3,379	14,315
	₩ 357,787	₩ 411,470

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the carried-forward contract liabilities for the six-month periods ended June 30, 2023 and 2022, are as follows (Korean won in millions):

	2023		2022	
	Three months	Six months	Three months	Six months
Revenue recognized in the current period from the beginning contract liabilities:				
Revenues in relation to advances from customers received as part of the Group's main business activities	₩ 2,380	₩ 48,234	₩ 38,055	₩ 66,909
Unearned revenue	12,984	25,014	11,517	24,848
	₩ 15,364	₩ 73,248	₩ 49,572	₩ 91,757

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33. INVESTMENT PROPERTIES:

(1) Details of investment properties as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023				December 31, 2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Buildings	₩ 292,893	₩ (78,837)	₩ (1,721)	₩ 212,335	₩ 290,437	₩ (75,916)	₩ (1,724)	₩ 212,797
Land	283	(6)	(35)	242	283	(3)	(35)	245
	<u>₩ 293,176</u>	<u>₩ (78,843)</u>	<u>₩ (1,756)</u>	<u>₩ 212,577</u>	<u>₩ 290,720</u>	<u>₩ (75,919)</u>	<u>₩ (1,759)</u>	<u>₩ 213,042</u>

(2) Changes in investment properties for the six-month period ended June 30, 2023, and for the year ended December 31, 2022, are as follows (Korean won in millions):

	2023		2022	
	Land	Building	Land	Building
Beginning	₩ 245	₩ 212,797	₩ 161	₩ 224,164
Acquisition/transfer	-	3,547	122	7,160
Disposal/transfer	-	(1,031)	-	(11,320)
Depreciation	(3)	(2,978)	(3)	(5,878)
Impairment	-	-	(35)	(1,329)
Ending	<u>₩ 242</u>	<u>₩ 212,335</u>	<u>₩ 245</u>	<u>₩ 212,797</u>

(3) The fair value of investment properties is measured either by independent professional appraisers with certified qualification or measured based on official appraised value of land and available information from recent transactions of similar properties, and it is classified as 'Level 3' of the fair value hierarchy. The fair value of investment properties as of June 30, 2023, is ₩245,247 million (as of December 31, 2022, was ₩245,471 million). Rental income from investment properties under operating lease for the six-month period ended June 30, 2023, is ₩4,377 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the six-month period ended June 30, 2023, are ₩2,981 million.

(4) Operating lease

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

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

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as of June 30, 2023, and December 31, 2022, are as follows (Korean won in millions):

	June 30, 2023	December 31, 2022
Less than one year	₩ 4,398	₩ 11,858
Between one year and two years	161	160
Between two years and five years	401	478
	<u>₩ 4,960</u>	<u>₩ 12,496</u>

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34. BUSINESS COMBINATION:

- (1) During the previous period, the Group acquired 100% shares of LG Energy Solution Vertech Inc., a US power storage battery installation service provider. As a result of the business combination, the Group expects to increase sales through expanded vertical integration by strengthening contact points with customers of power storage batteries.
- 1) The consideration transferred to LG Energy Solution Vertech Inc., and the values of assets and liabilities acquired at the acquisition date are as follows (Korean won in millions).
- 2) The bargain purchase difference of ₩30,673 million arising from the acquisition is recognized as other non-operating income item in the condensed consolidated statements of profit or loss.

	<u>Amount</u>
Consideration	
Cash and cash equivalents	₩ 16,168
	<u>₩ 16,168</u>
Accumulated amount of acquired assets and assumed liabilities	
Cash and cash equivalents	₩ 7,748
Trade receivables and other receivables (*)	56,333
Inventories	5,477
Property, plant and equipment	7,251
Intangible assets	1,503
Other assets	12,295
Trade payables and other payables	(25,859)
Other liabilities	(15,543)
Deferred tax liabilities	(2,364)
Fair value of acquired net assets	46,841
Goodwill (gain on bargain purchase)	<u>(30,673)</u>
	<u>₩ 16,168</u>

(*) The fair value of trade receivables and other receivables is equal to the contractual amount.

35. EVENT AFTER THE REPORTING PERIOD:

In July 2023, the Group made a capital payment for a joint venture with Stellantis in Canada to respond to the growing demand for electric automotive batteries in the North American market.