IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (I) QIBS (AS DEFINED BELOW) OR (II) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S (AS DEFINED BELOW).

You must read the following disclaimer before continuing: The following disclaimer applies to the attached offering circular (the "offering circular"). You are therefore advised to read this disclaimer carefully and in full before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed your representation to Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc and Merrill Lynch International (each an "Initial Purchaser") that (i) either (a) you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act")), and are outside the United States and, to the extent you purchase the Notes, as defined and described in the attached offering circular, you will be doing so in offshore transactions pursuant to Regulation S under the Securities Act ("Regulation S") or (b) you are acting on behalf of, or you are, a qualified institutional buyer ("QIB"), as defined in Rule 144A under the Securities Act ("Rule 144A"), and (ii) you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Initial Purchasers nor any of their respective directors, officers, employees, representatives, agents or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Prospective purchasers that are QIBs are hereby notified that the seller of the Notes described in this offering circular will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS, AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of LG Energy Solution, Ltd. or the Initial Purchasers to subscribe for or purchase any of the Notes described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S) in the United States or elsewhere.

The attached offering circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and any Initial Purchaser or any affiliate of an Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering of any of the Notes shall be deemed to be made by such Initial Purchaser or such affiliate on behalf of LG Energy Solution, Ltd. in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Notes described therein.

Actions that you may not take: You should not reply by e-mail to this announcement, and you may not purchase any Notes by doing so. Any reply by e-mail communication, including those you generate by using the "Reply" function on your e-mail software, will be ignored and/or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

LG ENERGY SOLUTION, LTD.

(Incorporated with limited liability under the laws of the Republic of Korea.)

U.S.$300,000,000 5.000% Senior Unsecured Notes due 2029
U.S.$500,000,000 5.250% Senior Unsecured Notes due 2031
U.S.$500,000,000 5.875% Senior Unsecured Green Notes due 2036
U.S.$300,000,000 Floating Rate Senior Unsecured Notes due 2031

The U.S.$300,000,000 5.000% senior unsecured notes due 2029 (the "2029 Notes") of LG Energy Solution, Ltd. (the "Company," "we" or "us") will mature on April 2, 2029, the U.S.$500,000,000 5.250% senior unsecured notes due 2031 (the "2031 Notes") of the Company will mature on April 2, 2031, the U.S.$500,000,000 5.875% senior unsecured green notes due 2036 (the "2036 Notes" or the "Green Notes") of the Company will mature on April 2, 2036 and the U.S.$300,000,000 Floating Rate Senior Unsecured Notes due 2031 (the "Floating Rate Notes", and together with the 2029 Notes, the 2031 Notes and the 2036 Notes, the "Notes") of the Company will mature on the Floating Rate Notes Interest Payment Date (as defined below) falling on or nearest April 2, 2031.

The 2029 Notes will bear interest at the rate of 5.000% per annum, the 2031 Notes will bear interest at the rate of 5.250% per annum, the 2036 Notes will bear interest at the rate of 5.875% per annum and the Floating Rate Notes will bear interest at a rate equal to Compounded Daily SOFR (as defined herein) plus 1.560% per annum. Interest on the 2029 Notes, the 2031 Notes and the 2036 Notes will be payable semi-annually in arrear on April 2 and October 2 of each year, commencing October 2, 2026. Interest on the Floating Rate Notes is payable quarterly in arrear on January 2, April 2, July 2 and October 2 of each year, subject in each case to adjustment in accordance with the Modified Following Business Day Convention, as explained herein (each, a "Floating Rate Notes Interest Payment Date").

We may, at our option, redeem all, but not some only, of the Notes at any time at their principal amount plus accrued interest in the event of certain changes in tax law as described under "Terms and Conditions of the Fixed Rate Notes – Optional Redemption Due to Changes in Tax Treatment" and "Terms and Conditions of the Floating Rate Notes – Optional Redemption Due to Changes in Tax Treatment."

The Notes will constitute our direct, unconditional, unsubordinated and unsecured obligations and will at all times rank *pari passu* and without any preference or priority among themselves and with all of our other present and future direct, unconditional, unsubordinated and unsecured obligations, except as may be required by mandatory provisions of law.

The Green Notes are being issued as "Green Bonds" under the Company's Green Financing Framework dated February 2023 (the "Green Financing Framework"). See "Use of Proceeds."

The Notes are expected to be rated "Baa2" by Moody's Investors Service, Inc. ("Moody's") and "BBB" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P"). We have been assigned a corporate rating outlook of "stable" by Moody's and "negative" by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Applications will be made to the Singapore Exchange Securities Trading Limited (the "Singapore Stock Exchange") for the listing and quotation of the Notes on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in principle from, admission to the Official List of, and the listing and quotation of the Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Notes or the Company. There is currently no public market for the Notes.

The Notes will be issued in registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be represented on issuance by one or more global notes registered in the name of a nominee of The Depository Trust Company ("DTC"), as depositary. It is expected that delivery of the Notes will be made through the book-entry facilities of DTC on or about April 2, 2026.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act ("Rule 144A"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this offering circular, see "Plan of Distribution" and "Transfer Restrictions."

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.

See "Risk Factors" beginning on page 10 to read about certain risk factors you should consider before investing in the Notes.

Issue Price:

2029 Notes:	**99.920%**
2031 Notes:	**99.900%**
2036 Notes:	**99.189%**
Floating Rate Notes:	**100.000%**

Joint Bookrunners and Joint Lead Managers

BofA Securities **Citigroup** **Crédit Agricole CIB**

HSBC **J.P. Morgan**

The date of this offering circular is March 25, 2026.

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You should rely only on the information contained in this offering circular. Neither we nor any of the Initial Purchasers (as defined in "Plan of Distribution") has authorized any person to provide you with information or make a representation that is inconsistent with or not contained in this offering circular and, if given or made, such information or representation must not be relied upon as having been authorized by us or any of the Initial Purchasers. This document may only be used where it is legal to offer and sell these Notes. The information in this document may only be accurate as of the date of this offering circular.

We, having made all reasonable inquiries, confirm that this offering circular contains all information with respect to us and the Notes which is material in the context of the issue and offering of the Notes (the "Offering"), that the information contained in this offering circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this offering circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which would, in the context of the Offering, make this offering circular as a whole or any information or the expression of any opinions or intentions expressed in this offering circular misleading in any material respect. We accept responsibility accordingly.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Initial Purchasers as to the accuracy or completeness of the information contained in this offering circular or any other information provided by us in connection with the Offering or the Notes or their distribution or for any other statement made or purported to be made by any Initial Purchaser on its behalf in connection with us or the Offering. Each Initial Purchaser accordingly disclaims any and all responsibility or liability whether arising in tort or contract or otherwise which it might otherwise have in respect of the information contained in this offering circular, any other information provided by us in connection with the Offering or any other such statement.

This offering circular has been confidentially submitted to a limited number of investors for them to consider an investment in the Notes. See "Plan of Distribution." We have not authorized its use for any other purpose. This offering circular may not be copied or reproduced in whole or in part. This offering circular may not be distributed, nor may its contents be disclosed, except to the prospective investors to whom it is provided. By accepting delivery of this offering circular, each investor agrees to all of these restrictions. Notwithstanding anything to the contrary contained in this offering circular, we, the Initial Purchasers and each investor (and each of their respective employees, representatives, or other agents, as applicable) may disclose to any and all persons, without limitations of any kind, the tax treatment and tax structure of the transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure), provided, however, that we, the Initial Purchasers and each investor (and each of their respective employees, representatives, or other agents, as applicable) will not disclose any information that is not necessary to understand the tax treatment and tax structure of the transaction (including the identity of our company, the Initial Purchasers or any investor and any information that could lead another to determine the identity of our company, the Initial Purchasers or any investor), or any other information to the extent that such disclosure could result in a violation of any U.S. federal or state securities law.

Neither this offering circular nor any other information supplied in connection with the Offering or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by us or any of the Initial Purchasers that any recipient of this offering circular or any other information supplied in connection with the Offering or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of our financial condition and affairs and its own appraisal of our creditworthiness and the terms of the Notes, including the merits and risks involved.

Neither the delivery of this offering circular nor any sale made in connection with this offering circular shall under any circumstances imply that the information in this offering circular is correct as of any date subsequent to the date of this offering circular or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs since the date of this offering circular.

This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this offering circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. We and the Initial Purchasers do not represent that this offering circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us or the Initial Purchasers that would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this offering circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this offering circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this offering circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this offering circular and the offer or sale of Notes in the United States, the United Kingdom, Korea, Japan, Hong Kong, Singapore, Italy, Switzerland and Canada. See "Plan of Distribution" and "Transfer Restrictions."

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this offering circular or confirmed the accuracy or determined the adequacy of the information contained in this offering circular. Any representation to the contrary is unlawful.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this Offering, including all of the Initial Purchasers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of us, a CMI or its group companies would be considered under the SFC Code as having an association ("Association") with us, the CMI or the relevant group company. Prospective investors associated with us or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Initial Purchaser, such prospective investor should so indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." If a prospective investor is otherwise affiliated with any Initial Purchaser, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should so indicate to the relevant Initial Purchaser when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchasers and/or any other third parties as may be required by the SFC Code, including to us, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Notice to investors in Singapore: By accepting this offering circular, if you are an investor in Singapore, you: (I) represent and warrant that you are either (1) an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA; or (2) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA, and (II) agree to be bound by the limitations and restrictions described herein.

Neither we nor any of the Initial Purchasers is making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

We reserve the right to withdraw this Offering at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allocate to any prospective investor less than the full amount of Notes sought by such investor.

IN CONNECTION WITH THE OFFERING, TO THE EXTENT PERMITTED BY, AND IN ACCORDANCE WITH, APPLICABLE LAWS AND REGULATIONS, EACH OF THE INITIAL PURCHASERS, WHO MAY ACT AS STABILIZATION MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGERS), MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL (A ''STABILIZING ACTION''). HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZATION MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGERS) WILL UNDERTAKE A STABILIZING ACTION. ANY STABILIZING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGERS (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND ITS ENFORCEMENT DECREE), OR TO ANY OTHER PERSON FOR REOFFERING, RESALE OR RE-DELIVERY, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, UNTIL THE EXPIRATION OF ONE YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A ''QUALIFIED INSTITUTIONAL BUYER'' (A ''KOREAN QIB'', AS DEFINED IN THE REGULATION ON SECURITIES ISSUANCE, PUBLIC DISCLOSURE, ETC. OF KOREA) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20 PERCENT OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this offering circular, unless otherwise specified or the context otherwise requires:

- ''we,'' ''us,'' ''our,'' ''ourselves,'' ''our company,'' ''the Company'' or ''LG Energy Solution'' refers to LG Energy Solution, Ltd. and (except for references to ''the Company'') its consolidated subsidiaries or, as such references relate to the period prior to December 1, 2020 (the date of incorporation of LG Energy Solution, Ltd.), the former energy solution business division of LG Chem, Ltd.;

- ''LG Chem'' refers to LG Chem, Ltd.;

- ''LG Group'' refers to a group of companies affiliated with LG Corporation (the LG Group is not a legal entity but a reference to a group of such affiliated companies for the purposes of the Monopoly Regulation and Fair Trade Act of Korea);

- ''Government'' refers to the government of the Republic of Korea;

- "Korea" refers to the Republic of Korea;
- "U.S." or the "United States" refers to the United States of America;
- "Euro," "EUR" or "€" refers to the currency of the participating member states of the European Union;
- "U.S. dollars," "U.S.$," "US$" or "$" refers to the lawful currency of the United States of America;
- "CAD" refers to the lawful currency of Canada;
- "S$" refers to the lawful currency of Singapore;
- "Chinese Yuan" refers to the lawful currency of the People's Republic of China;
- "Japanese Yen" refers to the lawful currency of Japan; and
- "Won" or "₩" refers to the lawful currency of the Republic of Korea.

All exchange rate data between the Won and the U.S. dollar in this offering circular, unless otherwise specified, has been translated using the applicable market average exchange rate, announced by Seoul Money Brokerage Services, Ltd. in Seoul, rounded to the nearest tenth of one Won (the "Market Average Exchange Rate"). No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Any discrepancies in the tables included herein between totals and sums of the amounts listed are due to rounding.

The information on our website, https://www.lgensol.com, or any website directly or indirectly linked to such website does not form a part of this offering circular and should not be relied upon.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements as of and for the years ended December 31, 2025 and 2024 (the "2025/2024 Financial Statements") and our audited consolidated financial statements as of and for the years ended December 31, 2024 and 2023 (the "2024/2023 Financial Statements") included in this offering circular have been prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"), which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States, as well as International Financial Reporting Standards as issued by the International Accounting Standards Board. We have made no attempt to identify or quantify the impact of these differences.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation with limited liability organized under the laws of Korea. Most of our directors, executive officers and certain other persons named in this offering circular are non-U.S. residents, and all or a significant portion of the assets of our directors, executive officers and certain other persons named in this offering circular and most of our assets are located or registered outside the

United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon or to enforce against us, our directors or executive officers judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

SUMMARY

The following summary highlights information appearing elsewhere in this offering circular and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, appearing elsewhere in this offering circular. You should carefully consider, among other things, the matters discussed in "Risk Factors."

Our Company

We are one of the largest producers of rechargeable lithium-ion batteries in the world in terms of production capacity. We offer a wide array of battery products for use in electric vehicles ("EVs"), mobility and IT devices and energy storage systems ("ESS"). Our business comprises all stages of product research and development, manufacturing and sales. Since starting commercial production of lithium-ion batteries in 1999 for the first time in Korea, we have been the pioneer in the global rechargeable battery market with expanding facilities and networks in major hubs across the world. We had operated as the energy solution business division of LG Chem until we were split-off into a wholly-owned subsidiary of LG Chem in December 2020 (the "Split-off"). In January 2022, we issued and sold 34,000,000 shares of our common stock, and LG Chem sold 8,500,000 shares of our common stock, through an initial public offering. Following the offering, LG Chem held 81.8% of our total shares.

Our core product lines are as follows:

- **Advanced Automotive Battery**. We develop and manufacture high-performance rechargeable lithium-ion batteries that power various EVs. These include batteries used in EVs, plug-in hybrid vehicles, hybrid EVs and micro hybrid vehicles.

- **Mobility and IT Battery**. We produce batteries of varying shapes and sizes for use in mobility devices, as well as smartphones, laptops, power tools and other electric devices.

- **Energy Storage System**. Our ESS batteries are used in generators, power grids, commercial and industrial facilities, as well as households, providing energy storage and a stable stream of power supply. They are also used as back-up power sources, including as an energy source for Uninterruptible Power Supply ("UPS") systems used in commercial facilities.

We design, manufacture and sell advanced automotive batteries suited to power various sizes and types of EVs to major automobile original equipment manufacturers ("OEMs"). Our customers for automotive batteries include many of the leading global EV OEMs. In addition to automotive batteries, we also produce rechargeable batteries for use in mobile electronic devices, ranging from smartphones and laptops to power tools and electric bikes. Our energy solution capabilities extend to ESS batteries as well. ESS batteries enable the storage of electric energy at source for consumption at a later time. Our diversified ESS battery product portfolio addresses the demands of various customers, including power plants, solar and wind power farms, factories, commercial and industrial facilities and households. In light of a recent slowdown in the U.S. EV market and the rapid growth of the U.S. ESS market driven by the expansion of renewable energy generation and increasing power demand from AI data centers, we have undertaken strategic initiatives to further diversify our product portfolio and reduce our dependence on EV batteries by expanding our ESS business. As part of these initiatives, we have begun converting a portion of our existing EV battery production capacity in the United States to the production of lithium-iron-phosphate ("LFP") batteries designed specifically for energy storage applications.

We currently operate lithium-ion battery manufacturing facilities in Korea, the United States, China, Poland, Canada and Indonesia with a total annual production capacity of approximately 310 GWh as of December 31, 2025. In order to respond to evolving market demand for automotive batteries and ESSs, as well as achieve additional economies of scale, we plan to continue expanding our

production facilities in key markets, including North America, and to optimize our existing production capacity and lines by adjusting applications, form factors and battery chemistries to ensure stable and efficient operations that meet changing customer requirements. For example:

- We are constructing a battery production facility in Arizona for cylindrical batteries for EVs, which is scheduled to begin mass production in 2027.

- In May 2025, we commenced production at our LFP battery manufacturing facility in Michigan, with an annual production capacity of 16.5 GWh for grid-scale ESSs.

- In November 2025, we announced plans to establish an ESS-specific LFP battery production line at our Ochang facility, with an annual production capacity of 1 GWh targeted for 2027.

In addition to the foregoing, we have established, and continue to develop, battery manufacturing capacity through multiple joint ventures with global automotive OEMs and strategic partners. See "Business – Joint Ventures."

We were incorporated on December 1, 2020 when the energy solution business division of LG Chem was split off. Our consolidated revenue amounted to Won 33,745 billion in 2023, Won 25,620 billion in 2024 and Won 23,672 billion in 2025. We recorded a profit of Won 1,638 billion in 2023, Won 339 billion in 2024 and Won 81 billion in 2025. We had total assets of Won 67,148 billion and total equity of Won 29,322 billion as of December 31, 2025, compared to total assets of Won 60,307 billion and total equity of Won 30,967 billion as of December 31, 2024.

THE OFFERING

The following is a brief summary of certain terms of the Offering. For a more detailed description of the terms of the Notes, see "Terms and Conditions of the Fixed Rate Notes" and "Terms and Conditions of the Floating Rate Notes." Capitalized terms used herein and not defined have the meanings given to them in such sections.

Issuer	LG Energy Solution, Ltd., a corporation with limited liability established under the laws of Korea.
Offering	U.S.$300,000,000 aggregate principal amount of 5.000% senior unsecured notes due 2029 (the "2029 Notes"), U.S.$500,000,000 aggregate principal amount of 5.250% senior unsecured notes due 2031 (the "2031 Notes"), U.S.$500,000,000 aggregate principal amount of 5.875% senior unsecured green notes due 2036 (the "2036 Notes" or the "Green Notes") and U.S.$300,000,000 aggregate principal amount of floating rate senior unsecured notes due 2031 (the "Floating Rate Notes," and together with the 2029 Notes, the 2031 Notes and the 2036 Notes, the "Notes"). The Notes have not been registered with the U.S. Securities and Exchange Commission, and are being offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S and inside the United States to qualified institutional buyers as defined under the Rule 144A ("QIBs") in reliance on Rule 144A.
Joint Bookrunners and Joint Lead Managers	Citigroup Global Markets Inc. Crédit Agricole Corporate and Investment Bank The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities plc Merrill Lynch International
Fiscal Agent	Citicorp International Limited
Registrar, Paying Agent, Transfer Agent and Calculation Agent	Citibank, N.A., London Branch
Issue Date	April 2, 2026.
Maturity Date	The 2029 Notes will mature on April 2, 2029, the 2031 Notes will mature on April 2, 2031, the 2036 Notes will mature on April 2, 2036 and the Floating Rate Notes will mature on the Floating Rate Notes Interest Payment Date (as defined herein) falling on or nearest to April 2, 2031.
Status of the Notes	The Notes will constitute our direct, unconditional, unsubordinated and unsecured obligations and shall at all times rank *pari passu* and without any preference or priority among themselves and with all of our other present and future direct, unconditional, unsubordinated and unsecured obligations, except as may be required by mandatory provisions of law.

Interest	The 2029 Notes will bear interest at the rate of 5.000% per annum, the 2031 Notes will bear interest at the rate of 5.250% per annum, the 2036 Notes will bear interest at the rate of 5.875% per annum and the Floating Rate Notes will bear interest at a rate equal to the Compounded Daily SOFR plus 1.560% per annum.
Interest Payment Dates	Interest on the 2029 Notes, the 2031 Notes and the 2036 Notes will be paid semi-annually in arrear on April 2 and October 2 of each year, commencing on October 2, 2026. Interest on the Floating Rate Notes will be paid quarterly in arrear on January 2, April 2, July 2 and October 2 of each year, subject in each case to adjustment in accordance with the Modified Following Business Day Convention, as explained herein (each, a "Floating Rate Notes Interest Payment Date"), commencing on the Floating Rate Notes Interest Payment Date falling on or nearest to July 2, 2026. For a further description of payments of interest on the Notes, see "Terms and Conditions of the Fixed Rate Notes – Payments" or "Terms and Conditions of the Floating Rate Notes – Payments," as applicable.
Taxation	Payments in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Korea or by or within any political subdivision of Korea or any authority or agency of Korea having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, we will (subject to certain exceptions) pay such additional amounts as will result in the holders of the Notes (the "Holders") receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required, except in certain limited circumstances. See "Terms and Conditions of the Fixed Rate Notes – Additional Amounts" or "Terms and Conditions of the Floating Rate Notes – Additional Amounts," as applicable, and "Taxation – Korean Taxation."
Tax Redemption	We may redeem the Notes at our option, in whole but not in part, at their principal amount plus accrued interest to, but excluding, the date fixed for redemption, if we have or would become obligated to pay additional amounts in respect of certain Korean taxes imposed in respect of payments of principal of or interest on the Notes. See "Terms and Conditions of the Fixed Rate Notes – Optional Redemption Due to Changes in Tax Treatment" and "Terms and Conditions of the Floating Rate Notes – Optional Redemption Due to Changes in Tax Treatment."
Denominations	The Notes will be issued in denominations of U.S.$200,000 principal amount and integral multiples of U.S.$1,000 in excess thereof.

Form and Settlement	We will issue the Notes in the form of one or more fully registered global notes, registered in the name of a nominee of The Depository Trust Company (“DTC”). Except as described in “Terms and Conditions of the Fixed Rate Notes” and “Terms and Conditions of the Floating Rate Notes,” the global notes will not be exchangeable for Notes in definitive registered form and will not be issued in definitive registered form. Any secondary market trading of book-entry interests in the Notes will take place through DTC participants, including Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). See “Clearance and Settlement.” The Notes may not be sold or otherwise transferred except in accordance with the restrictions described under “Transfer Restrictions.”
Use of Proceeds	The net proceeds from the issuance of the 2029 Notes are expected to be U.S.$298,260,000, the net proceeds from the issuance of the 2031 Notes are expected to be U.S.$497,000,000, the net proceeds from the issuance of the 2036 Notes are expected to be U.S.$493,445,000 and the net proceeds from the issuance of the Floating Rate Notes are expected to be U.S.$298,500,000, in each case after deducting a combined management and underwriting commission but not estimated expenses of the Offering. We will use the proceeds from the issuance of the 2029 Notes, the 2031 Notes and the Floating Rate Notes for our general corporate purposes, including, without limitation, the repayment of outstanding borrowings and capital expenditures, which may include expenditures related to ESS facilities. We will allocate an amount equivalent to the net proceeds from the issuance of the Green Notes to finance and/or refinance, in whole or in part, new or existing Eligible Projects (as defined in “Use of Proceeds”) in accordance with the Green Financing Framework, which is in alignment with the Green Bond Principles 2021 published by the International Capital Markets Association and the Green Loan Principles 2023 published by the Loan Market Association. See “Use of Proceeds.”
Ratings	The Notes are expected to be rated “Baa2” by Moody’s and “BBB” by S&P. We have been assigned a corporate rating outlook of “stable” by Moody’s and “negative” by S&P. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Each such rating should be evaluated independently of any other rating of the Notes or of our other securities.
Governing Law	The Notes and the Fiscal Agency Agreements will be governed by, and construed in accordance with, the laws of the State of New York.

Listing and Trading . . . . . Applications will be made to the Singapore Stock Exchange for the listing and quotation of the Notes on the Singapore Stock Exchange. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, the Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of U.S.$200,000. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a global note is exchanged for individual definitive notes, we will appoint and maintain a paying agent in Singapore, where the individual definitive notes may be presented or surrendered for payment or redemption. In addition, in the event that a global note is exchanged for individual definitive notes, an announcement of such exchange will be made by or on behalf of us through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the individual definitive notes, including details of the paying agent in Singapore.

Selling Restrictions . . . . . There are restrictions on the distribution of this offering circular and the making of solicitations pursuant hereto in certain jurisdictions, including, among others, the United States, the United Kingdom, Korea, Japan, Hong Kong, Singapore, Italy, Switzerland and Canada. See ''Plan of Distribution'' and ''Transfer Restrictions.''

LEI code 988400QX6P286XA6ZS85

Security Codes . . . . .

	Rule 144A	Regulation S
2029 Notes		
ISIN:	US50205MAK53	USY5S5CGAS19
CUSIP:	50205M AK5	Y5S5CG AS1
2031 Notes		
ISIN:	US50205MAL37	USY5S5CGAT91
CUSIP:	50205M AL3	Y5S5CG AT9
2036 Notes		
ISIN:	US50205MAN92	USY5S5CGAV48
CUSIP:	50205M AN9	Y5S5CG AV4
Floating Rate Notes		
ISIN:	US50205MAM10	USY5S5CGAU64
CUSIP:	50205M AM1	Y5S5CG AU6

SUMMARY FINANCIAL DATA

The following tables set forth our summary financial data. Our summary financial data as of and for the years ended December 31, 2025, 2024 and 2023 set forth below have been derived from the 2025/2024 Financial Statements and the 2024/2023 Financial Statements included elsewhere in this offering circular. It is important that you read our summary financial data set forth below in conjunction with our consolidated financial statements and the related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other historical financial information appearing elsewhere in this offering circular. Our consolidated financial statements included in this offering circular have been prepared in accordance with Korean IFRS.

Summary Consolidated Statements of Comprehensive Income Data

	For the Years Ended December 31,		
	2023	2024	2025
	(In billions of Won)		
Revenue	₩ 33,745	₩ 25,620	₩ 23,672
Cost of sales	(28,802)	(22,214)	(19,440)
Gross profit	4,943	3,406	4,232
Other operating income	677	1,480	1,647
Selling and administrative expenses	(3,457)	(4,311)	(4,533)
Operating profit	2,163	575	1,346
Finance income	985	1,048	1,018
Finance costs	(857)	(1,261)	(1,104)
Share of loss of associates and joint ventures	(32)	(49)	(2)
Other non-operating income	1,126	859	1,073
Other non-operating expenses	(1,341)	(824)	(1,917)
Profit before income tax expense	2,043	349	414
Income tax expense	(405)	(10)	(333)
Profit for the period	₩ 1,638	₩ 339	₩ 81
Other comprehensive income (loss) for the period, net of tax	273	2,879	(71)
Total comprehensive income for the period, net of tax	₩ 1,911	₩ 3,217	₩ 10

Summary Consolidated Statements of Financial Position Data

	As of December 31,		
	2023	2024	2025
	(in billions of Won)		
Assets			
Current assets:			
Cash and cash equivalents	₩ 5,069	₩ 3,899	₩ 3,779
Trade receivables	5,128	4,944	4,311
Other receivables	555	604	589
Other current financial assets	65	0	47
Prepaid income taxes	67	121	164
Other current assets	927	1,207	1,261
Inventories	5,396	4,552	4,350
Assets held for sale	–	–	3,911
Total current assets	17,208	15,327	18,412
Non-current assets:			
Trade receivables	₩ 130	₩ 393	₩ 384
Other receivables	122	134	161
Other non-current financial assets	357	1,132	1,321
Investments in associates and joint ventures	224	62	78
Deferred tax assets	2,229	2,774	2,986
Property, plant and equipment	23,655	38,350	40,795
Intangible assets	876	1,285	1,592
Investment properties	212	226	212
Other non-current assets	424	623	1,209
Total non-current assets	28,229	44,979	48,736
Total assets	₩ 45,437	₩ 60,307	₩ 67,148
Liabilities			
Current Liabilities:			
Trade payables	₩ 3,094	₩ 2,705	₩ 2,153
Other payables	3,458	5,390	5,757
Borrowings	3,211	2,490	6,686
Provisions	517	1,044	1,081
Other current financial liabilities	8	1	3
Income tax payables	33	16	93
Other current liabilities	616	408	1,012
Total current liabilities	10,937	12,055	16,785
Non-current liabilities:			
Non-current other payables	₩ 25	₩ 22	₩ 15
Borrowings	7,721	12,900	15,826
Other non-current financial liabilities	69	1,001	2,408
Provisions	869	779	954
Deferred tax liabilities	20	61	50
Other non-current liabilities	1,422	2,523	1,789
Total non-current liabilities	10,126	17,285	21,041
Total liabilities	21,064	29,340	37,826
Equity			
Share capital	₩ 117	₩ 117	₩ 117
Capital surplus	17,165	17,165	17,165
Accumulated other comprehensive income	555	2,437	2,602
Retained earnings	2,364	1,397	332
Equity attributable to owners of the Parent Company	20,201	21,116	20,216
Non-controlling interest	4,173	9,850	9,106
Total equity	24,374	30,967	29,322
Total liabilities and equity	₩ 45,437	₩ 60,307	₩ 67,148

Supplemental Information

	For the years ended December 31,		
	2023	2024	2025
	(in billions of Won)		
Net cash flows provided by operating activities	₩ 4,444	₩ 5,112	₩ 4,432
Net cash flows used in investing activities	(9,719)	(12,065)	(10,881)
Net cash flows provided by financing activities	4,355	5,382	6,286

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this offering circular before making an investment decision. If any of the following risks, as well as other risks and uncertainties that are not currently known or that we currently think are immaterial, are actually realized, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of the Notes could decline, and you may lose part or all of your investment.

Risks Relating to Our Business

Our businesses are dependent on a number of industries, including EV, IT and renewable energy, and general conditions in the global economy, and a downturn experienced by any of these industries or the global economy or government policies that affect these industries could adversely affect our business.

We manufacture and sell a broad range of rechargeable lithium-ion batteries used for EVs, mobility and IT devices and ESSs. Accordingly, our business is affected by fluctuations in market demand for the products that use our rechargeable batteries, especially EVs, which represent the largest market for our products. The development of the EV market remains at different stages across different regions, and although the global EV market has grown rapidly over the past decade, the production and sales of EVs continue to account for a relatively small proportion of the automotive industry in many regions. Factors such as purchase cost, charging time, cruise range, battery life and the availability of conveniently-located charging stations and supporting facilities have impacted, and will continue to impact, the development of the EV industry. Such factors, among others, have contributed to a slowdown in demand growth for EVs since 2023 compared to prior years, particularly in the United States. The market demand for EVs may be depressed at least in the near future in light of such factors, which in turn will have a significant impact on demand for our battery products. Over the longer term, if vehicles based on alternative technologies (such as fuel cell vehicles) gain wider adoption than currently expected, demand for lithium-ion batteries used in EVs could be adversely affected.

Moreover, the demand for EVs is significantly affected by government subsidies and economic incentives supporting the purchase and use of EVs. Currently, such subsidies and incentives include tax credits or rebates that encourage the purchase of EVs and lower charging rates for electricity, which may be reduced or eliminated or may expire in the future. For example, the United States repealed its federal consumer tax credit for the purchase of qualifying EVs through the enactment of the One Big Beautiful Bill Act ("OBBBA") in July 2025, commencing with vehicles purchased on or after October 1, 2025. See "– Risks Relating to Regulations – Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations."

Demand for EVs is also affected by fluctuations in the prices of gasoline and diesel fuel, which have been highly volatile in recent years. Any changes in such government regulations or policies or prolonged periods of low prices of gasoline and diesel fuel may adversely impact the market condition of the EV industry and result in a decline in demand for our rechargeable batteries.

Furthermore, EV, IT and renewable energy industries are sensitive to general conditions in the global economy. Macroeconomic factors, such as economic growth rate, employment levels, interest rates, inflation rates, exchange rates, commodity prices, trade policies, demographic trends and fiscal policies of governments, may have a significant effect on such industries. The market demand for products in the EV, IT and renewable energy industries may be volatile in the future in light of such economic factors, which in turn may have a significant impact on the demand for our batteries. In times of recession, orders for our products may decrease and we may need to adjust our production levels and pricing. Uncertainties in the global economy have increased in recent years, with the global financial and capital markets experiencing substantial volatility. Any future deterioration in global economic conditions may result in a decline in demand for our products.

Our industry may suffer from overcapacity if demand for battery products does not grow as expected.

We may be adversely affected by overcapacity in the rechargeable battery industry if demand for battery products does not continue to grow as expected. Battery product manufacturers have typically increased their capital investments when demand growth in the end markets that use our battery products is expected. In particular, an increase in global demand for EVs since 2020 has led to an increase in global production capacity to manufacture lithium-ion batteries, although such growth in demand has slowed as discussed above. Moreover, several global automotive manufacturers, including some of our key customers, have announced plans to build their own battery manufacturing facilities and increase in-house battery production. See "– Increased production of batteries by automotive manufacturers could negatively affect demands for our products and intensify competition." In addition, aggressive capacity expansion by battery manufacturers, particularly Chinese battery producers that have rapidly increased production capacity with government support and supply batteries at relatively low prices, has contributed to industry overcapacity and intensified price competition, and may continue to do so in the future. These capital investments to increase global production capacity as well as adoption of new manufacturing technologies may result in increases in the supply of battery products that are not matched by commensurate growth in demand in the end markets for battery products. Furthermore, construction of new manufacturing facilities and other capacity expansion projects in the rechargeable battery industry are undertaken with a multi-year time horizon based on expectations of future market trends. Therefore, even if overcapacity issues emerge in the industry, there may be continued capacity expansion in the near future due to pre-committed capacity expansion projects in the industry that were undertaken in past years. From time to time, we may experience prolonged periods of industry-wide oversupply and weak prices, particularly during periods subsequent to the completion of major production capacity expansion projects of our competitors, and it would be difficult to remedy such situation by reducing production given the nature of our industry. An actual or anticipated deterioration in market conditions may result in a decline in demand for our products that may have a negative impact on the prices at which they can be sold. No assurance can be provided that any future downturns resulting from any large increases in capacity or other factors affecting the rechargeable battery industry would not have a material adverse effect on our business, financial condition and results of operations.

We operate in highly competitive markets, and our failure to successfully compete would adversely affect our market position and business.

We operate in the rechargeable lithium-ion battery market, which is highly competitive. It is characterized by strong competition among a few key producers and their aggressive capital investments, research and development ("R&D") expenditures and strategic transactions such as joint ventures vying for a greater market share. For instance, competition in Europe has intensified in recent years as Chinese battery manufacturers have significantly expanded local production capacity, including capacity dedicated to ESS applications, increasing competitive pressures and heightening competition for customers and market share in the region. We primarily compete with major lithium-ion battery manufacturers in Korea, China and Japan, including Korea's Samsung SDI Co., Ltd. and SK on Co., Ltd. ("SK on"), China's Contemporary Amperex Technology Co., Limited ("CATL"), Gotion High-tech Co., Ltd. and BYD Co., Ltd. and Japan's Panasonic Corporation.

The most critical factors of success in the lithium-ion battery business are technological competitiveness, production capacity and competitive pricing. In addition, we compete primarily based on the following factors:

- product safety, performance, quality and reliability;
- manufacturing efficiency;
- development of new products and manufacturing processes;
- responsiveness to changes in customer needs and regulatory framework;

- distribution capacity and ability to deliver in large volumes on a timely basis;
- development and expansion of marketing and sales network; and
- stable supplies of raw materials.

Entry into the lithium-ion battery manufacturing business requires substantial capital expenditures and significant technological and manufacturing expertise. Although we believe that our existing investment, experience and technological expertise provide significant "time to market" and economies of scale advantages over any potential new entrant into this market, we may face increasing competition from emerging companies that are capable of significantly expanding the scale of their operations. In addition, some of the manufacturers of EVs have increased production of lithium-ion batteries in recent periods and have announced their plans for additional capital investment to increase battery production, which may lead to intensified competition among manufacturers of lithium-ion batteries in the future. See "– Increased production of batteries by automotive manufacturers could negatively affect demands for our products and intensify competition."

Some of our existing and new competitors may have greater financial, marketing, technical or other resources than us. Greater resources may allow such competitors to respond to changes in market demand more quickly and produce, market and distribute enhanced products, as well as better withstand downturns in the markets in which we compete. In addition, intensified competition may lead to consolidation in the industry as well as the formation of strategic alliances such as business partnerships or joint ventures among our competitors, which may enable certain competitors to further benefit from greater economies of scale and more effectively compete with us. There is no assurance that we will be able to continue to compete successfully, and our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations could be negatively impacted by fluctuations in the market price of the raw materials and components, as well as any shortage or supply disruptions.

Our production operations depend on obtaining adequate supplies of quality raw materials and components on a timely basis. The main raw materials required for the production of lithium-ion batteries include cathode materials, anode materials, separators and electrolytes. The purchase price and supply of our raw materials have fluctuated and will continue to fluctuate, affected by the changes in commodity prices and market supply and demand, and our ability to pass on increases in the cost of raw materials and components to our customers may be limited. Moreover, prices for our products are generally determined through negotiations with our customers, based generally on the complexity of the product specifications, the costs of raw materials or components, market supply and demand and the labor and technology involved in the design or production processes. If we become subject to any significant increase in the cost of raw materials or components that were not anticipated when negotiating the price terms, we may be unable to pass on such cost increases to our customers. Conversely, a significant decrease in the cost of raw materials or components could also lead to a decrease in the prices of our products. For example, the price of lithium dropped significantly in 2023 due to an oversupply compared to the slowing growth in demand for EVs, and had since stabilized at lower levels. Since early 2025, however, prices of lithium, nickel and other battery materials have been rising due to increased demand in the Chinese market. Future changes in the prices of our raw materials, and our inability to pass along such increases to our customers on a timely basis may have a material adverse effect on our business, financial condition and results of operations.

We depend heavily on overseas sources for the raw materials required in the production of lithium-ion batteries. To mitigate any potential interruptions of supplies and the vulnerability of our production schedule, we generally source most of our raw materials as well as key components from multiple suppliers. Additionally, we have made, and continue to make, strategic arrangements, including equity investments and long-term supply agreements, with top suppliers of raw materials. Although we strive to source our key raw material requirements from reliable and competitive suppliers in the domestic and

overseas markets, the supply and market price of key raw materials remain subject to a variety of factors that are beyond our control. These may include military conflicts such as the ongoing invasion of Ukraine by Russia, natural disasters, health hazards, civil unrest, strikes or trade sanctions or restrictions, including those relating to conflict minerals. For example, the United States enacted the Inflation Reduction Act of 2022 ("IRA") in August 2022, which established critical mineral sourcing requirements for eligibility for certain federal tax incentives, and further enacted the OBBBA in July 2025, expanding restrictions that could disqualify such incentives where applicable critical minerals are sourced from certain "prohibited foreign entities." See "Risks Relating to Regulations – Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations" and "Business – Raw Materials." Any such factor could disrupt our sources of raw materials and could have a material adverse effect on our output capacity, and in turn on our business, financial condition and results of operations.

In addition, shortages or supply disruptions of key components or raw materials used by our customers could adversely affect their production operations, which in turn could reduce demand for our products. For example, geopolitical disputes between the Netherlands and China beginning in September 2025 involving a leading supplier of certain automotive semiconductor chips led to China imposing restrictions on the export of such semiconductor chips, causing supply disruptions. Additionally, China's export restrictions on rare earth elements, related magnets, battery materials and equipment, imposed and progressively expanded since April 2025, have disrupted production for global automotive manufacturers. These restrictions have, in some cases, applied to products made outside China that contain Chinese-origin rare earth materials and have forced some manufacturers to halt or reduce production of certain vehicle models, including EVs, due to shortages of rare earth magnets essential for EV motors and automotive parts. This has negatively affected demand for battery products and created ongoing supply chain uncertainties across the industry. Any such supply disruptions affecting our customers' production capabilities could have a material adverse effect on our business, financial condition and results of operations.

Problems with product quality, including defects, in our products could result in a decrease in customers and sales, recalls and unexpected expenses and loss of market share.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. If we produce products that do not meet customer specifications, contain or are perceived to contain defects or are otherwise incompatible with their intended uses, we may face recalls involving our products, returns or cancellations of orders and customer complaints. In such cases, we may incur substantial costs in remedying defects in our products, which could include material inventory write-downs and diversion of our personnel's attention from product development and other business activities. If actual or perceived problems with nonconforming, defective or incompatible products occur after we have shipped our products, we may not only have liability for providing replacements or otherwise compensating customers, but also suffer damage to our reputation as well as relationships with key customers. Any problems with our product quality may harm our results of operations, adversely affect our reputation among clients and potential clients, and decrease our overall market share.

Moreover, as our products contain harmful substances, any defects or the improper performance of our products may directly or indirectly result in serious harm to the environment and may be detrimental to human health and safety. The result of any such harm could subject us to product liability claims for damages, including class actions. As our customers sell products including our batteries to the end consumers in their respective markets, we are also exposed to potential product liability claims by such end consumers in the event of any health or safety damage from the use of our products. The costs and resources required to defend such claims may be substantial and, if such claims are successful, we may be responsible for paying some or all of the damages. Any of the foregoing incidents that arise from our product defects or malfunctions could have a material adverse effect on our business, financial condition and results of operations.

Safety and fire risks relating to rechargeable lithium-ion batteries, related recalls and resulting negative publicity may adversely impact our business.

Due to the high energy density inherent in lithium-ion batteries, they may pose certain safety risks, including the risk of fire. We incorporate procedures in our research and development, product design, manufacturing processes and transportation of our products that are intended to minimize safety risks, but accidents may occur and/or our products may require repair or replacement due to safety concerns. We and our customers may be required by government agencies to conduct recalls of our battery products or EVs equipped with our battery products, or such recalls may be initiated on a voluntary basis to address consumers' safety concerns. The cost of such recalls could be significant and have a material adverse effect on our business, financial condition and results of operations.

For example, in May 2023, Jaguar voluntarily recalled certain EV models for which we manufacture the battery system, following Jaguar's investigation in February 2022 after a number of fires relating to such vehicles were reported. In March 2024, we recognized a provision for warranty expenses in connection with this recall and paid Won 78.7 billion in December 2025 in connection therewith. In November 2024, we recognized an additional provision for warranty expenses of Won 103.6 billion in connection with further developments relating to the same recall, and we are currently in discussions with Jaguar regarding the allocation of the remaining costs. The ultimate financial impact of this recall, including the outcome of our ongoing cost allocation discussions with Jaguar, cannot be predicted at this time.

In October 2020, the Ministry of Land, Infrastructure and Transport of Korea (the "MOLIT") announced a recall of Hyundai Motor Company's Kona EVs (approximately 26,000 vehicles), for which we manufacture the battery system, after a number of fires relating to such vehicles were reported. The MOLIT subsequently announced the investigation result of the Korea Automobile Testing & Research Institute that the fires may have resulted from an electrical short caused by folded anode tabs in some of the battery cells manufactured at our Nanjing plant from September 2017 to July 2019. In February 2021, Hyundai Motor Company voluntarily conducted global recalls of additional EVs (approximately 82,000 vehicles), including Kona EVs, Ioniq EVs and Elec City electric buses, to replace all of these vehicles' battery systems. In March 2021, we agreed with Hyundai Motor Company to pay approximately 70% of the costs relating to the replacement of such battery systems, estimated to be approximately Won 1 trillion in total, which we are currently paying on a monthly basis.

In October 2020, the U.S. National Highway Traffic Safety Administration (the "NHTSA") initiated an investigation of 2017-2019 model year Chevrolet Bolt EVs after a number of fires relating to such vehicles were reported. In November 2020, General Motor Company ("GM") voluntarily initiated a recall for certain of its 2017-2019 model year Chevrolet Bolt EVs equipped with batteries that may pose a risk of fire. After a battery fire in a vehicle that was subject to the recall, we (as manufacturer of the battery cells), LG Electronics (as manufacturer of the battery modules and packs) and GM conducted a joint investigation and determined that the simultaneous presence of two rare manufacturing defects, consisting of a torn anode tab and folded separator, in the same battery cell could potentially cause battery fires in certain of these Bolt EVs. As a result, in August 2021, GM expanded the recall to include all 2017-2022 model year Chevrolet Bolt EVs and EUVs, replacing battery modules or packs of (i) all 2017-2019 model year Bolt EVs and (ii) 2020-2022 model year Bolt EVs that are equipped with defective battery modules or packs. In October 2021, LG Electronics reached an agreement with GM to reimburse GM for costs and expenses associated with the recall. We and LG Electronics estimated such reimbursement amount to be Won 1.4 trillion based on the expected number of vehicles that were subject to the recall and the expected replacement cost, estimated based on our prior experience, and in July 2022, we and LG Electronics agreed to split such costs equally. In connection with such recall, in July 2021, a number of putative class action lawsuits were filed in the United States against GM alleging GM's failure to disclose and adequately repair an alleged defect of the batteries in certain of its Chevrolet Bolt EVs. In September 2021, the plaintiffs of such putative class action cases filed an amended complaint to include us and other manufacturers of battery components as defendants. In May 2024, such defendants, including us, reached a class action settlement agreement with the plaintiffs,

pursuant to which the defendants would collectively create a settlement fund of US$150 million to compensate the plaintiffs in exchange for being released from their claims. In December 2025, the U.S. District Court for the Eastern District of Michigan granted final approval of the settlement. In addition, in May 2021, a number of putative class action lawsuits were filed in Canada against GM alleging GM's failure to disclose and adequately repair an alleged defect of the batteries in certain of its Chevrolet Bolt EVs, and in August 2022, the plaintiffs of such putative class action cases filed an amended complaint to include us as an additional defendant. While we intend to vigorously defend against such claims, the outcome or impact of such lawsuits cannot be predicted at this time. See "Business – Legal Proceedings" and Note 18(6) of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

In February 2020, the Ministry of Trade, Industry and Energy of Korea (currently the Ministry of Trade, Industry and Resources of Korea, the "MOTIR"), as a result of its investigation that took place after a number of fires relating to the use of ESS batteries which occurred at industrial sites in Korea, determined that the fires may have been caused by, among others, the use of such ESS batteries, and announced certain safety measures including limiting the maximum state of charge. In February 2020, we voluntarily recalled certain models of our ESS batteries manufactured at our Nanjing plant in 2017, replacing batteries at approximately 250 ESS facilities in Korea at our expense. In addition, in May 2021, we conducted a voluntary global recall of certain models of our ESS batteries produced at our ESS battery plant in China from April 2017 to September 2018 to address a potential risk of fire related to ESS-specific electrodes under severe operating environments. We recognized a provision for warranty expenses of Won 553.0 billion in connection with such recall.

In September 2023, we issued a voluntary recall for certain of our residential ESS batteries, following several fire incidents that may have been caused by, among others, the use of such batteries. In November 2023, the Australian Competition and Consumer Commission (the "ACCC") issued a safety warning notice about such batteries, warning consumers about their use. In February 2024, the ACCC further issued a proposed recall notice, which, if issued under its proposed terms, would obligate us to proactively locate and remedy such ESS batteries. In May 2024, we provided a court-enforceable undertaking to the ACCC which, among others, will require us to replace, or remove and refund, affected batteries, or to install diagnostic software to address the safety risks associated with such batteries, and we recognized a provision for warranty expenses of Won 38.4 billion in connection with such undertaking.

In addition to the recalls described above, fire incidents have occurred with respect to other EVs and ESS facilities equipped with our batteries. See "Business – Legal Proceedings." While we and our customers, as well as government agencies, are investigating such fire incidents, it is difficult to analyze the causes of fire incidents as EVs and ESS facilities contain complex components and software, including battery management systems, and the products are typically destroyed in fire. If any such fire incident is found to have been caused by defects in our battery products, we may be responsible for the cost of such recalls to repair or replace our battery products and may need to recognize a substantial amount of provision for warranty expenses.

We may also become subject to claims from our customers for property damages and any injuries resulting from the fires involving our batteries, as well as regulatory fines and penalties. While we have established provisions with respect to potential costs and losses relating to batteries sold to customers as discussed above and believe we have adequate insurance policies to cover a portion of such costs and losses, there is no guarantee that such provisions and insurance coverage will be sufficient to cover all of our costs and losses relating to our batteries. In addition, our battery sales may be negatively impacted by unfavorable publicity relating to our batteries. Accordingly, the fires involving our batteries and related costs and losses could materially and adversely affect our reputation, business, financial condition and results of operations.

Increased production of batteries by automotive manufacturers could negatively affect demands for our products and intensify competition.

In response to the growing demand for EVs, many automotive manufacturers have increased production of EVs and announced plans to increase their own production of rechargeable batteries, which comprise a significant portion of the total manufacturing cost of an EV. In recent years, several global automotive manufacturers, including some of our key customers, including Tesla, Volkswagen, Hyundai and Toyota, have announced their plans to build their own battery manufacturing facilities and increase in-house battery production and have begun the construction of such facilities. Our customers' capital investment in in-house battery manufacturing will increase the overall supply of battery products in the long term, negatively affect our customers' purchase volume from us and may lead to intensified competition among manufacturers of lithium-ion batteries in the future. See "– We operate in highly competitive markets, and our failure to successfully compete would adversely affect our market position and business."

In addition, global automotive manufacturers may enter into joint ventures with battery manufacturers (such as our joint venture with GM) to increase their production of batteries. If other global automotive manufacturers begin to increasingly fulfill their battery needs through their own joint ventures, they may rely less on third-party manufacturers, including us. Moreover, as these joint ventures invest a substantial amount of capital in constructing battery manufacturing facilities, they would likely contribute to an overall increase in the supply of battery products in the near future, which could negatively affect demand for our products as well as intensify competition in the industry.

We derive a majority of our revenue from a limited number of customers and any significant decrease in their order levels will negatively affect our business.

A majority of our revenue is derived from a limited number of customers, most of which are global automotive manufacturers. Our top five customers accounted for 61%, 64% and 63% of our total revenue in 2023, 2024 and 2025, respectively. See "Business – Customers, Sales and Distribution." Although our long-term business relationships with our major customers provide high visibility for future revenue, we cannot assure you that we will be able to maintain our relationships with them in the future. Demand from our major customers may fall short of our expectations due to changes in our customers' business models, strategies or financial condition, or changes in the automotive market environment and macroeconomic conditions, including regulatory changes such as the enactment of the OBBBA in the United States in July 2025, among others. These developments may also lead to adjustments in production schedules at our manufacturing facilities or joint ventures, including temporary suspensions of operations at certain facilities. For instance, in January 2026, production at Ultium Cells LLC's battery manufacturing facilities in Ohio and Tennessee was temporarily suspended in response to a reduction in GM's EV production volumes, and operations are expected to resume in the second half of 2026. See "Business – Joint Ventures."

In addition, any adverse changes in our relationships or in the key commercial arrangements with our major customers, such as the purchase price, could adversely affect our business, financial condition and results of operations. For example, in December 2025, Ford Motor Company terminated the supply agreement it had entered into with us in October 2024 to purchase approximately Won 9.6 trillion of EV batteries, following its decision to reduce EV production. During the same month, we agreed to terminate a Won 3.9 trillion supply agreement with Freudenberg Battery Power System ("FBPS"), a U.S. battery pack manufacturer, in light of FBPS's decision to exit the battery business.

If any of our major customers significantly reduces its purchase volume or ceases to place orders with us, or if we misinterpret market demand, we may not be able to identify new customers in a timely manner and conduct our sales on comparable terms, or seek alternatives to mitigate the risk of a decrease in our sales, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our success depends not only on our own ability but also on our customers' ability to develop and manufacture products in a timely and cost-efficient manner to address evolving user preferences, regulatory standards, and technological advancement. Failure to do so could reduce the demand for our products, and in turn cause a decline in our revenue and profitability.

Our performance depends, to a significant extent, upon our own ability to anticipate and respond to emerging industry standards and customer preferences by way of developing novel products and enhancing existing products in a timely and cost-efficient manner. The markets for our products are characterized by constantly evolving technology and industry standards that outpace products under development or in production, often resulting in product obsolescence or shortened product lifecycles. We expect to continue to invest in research and development to improve and diversify our product offerings and enhance our production facilities and manufacturing processes.

However, there can be no assurance that we will succeed in focusing our research and development efforts on technologies that eventually become widely accepted, or on products that are timely released or commercially viable. Further advancements in technologies and their wider adoption as well as the adoption of alternative technology solutions, and our failure to adequately anticipate and plan for such changes, could result in a significant reduction in the demand for our products.

Our success is also closely interrelated with the performance of our customers' end-use products in the marketplace as a substantial portion of our sales are made to downstream manufacturers that use lithium-ion batteries as a component in their production of end-use products. Major customers for our EV batteries include multinational automotive manufacturers such as GM, Tesla, Hyundai Motor Company, Stellantis, Volkswagen and Renault, among others (see "Business – Customers, Sales and Distribution") and there are various risks beyond our control that may dictate the success or failure of a particular product offered by our customers, some of which include:

- competition faced by our customers in their industries;
- market acceptance of, and demand for, our customers' products;
- research and development, engineering, sales, marketing and management capabilities of our customers;
- technical challenges unrelated to our technology or products that our customers may face in developing their products;
- our customers' financial and other resources; and
- changes in government regulations and industry standards applicable to our clients and their products, including the IRA and OBBBA. See "– Risks Relating to Regulations – Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations."

If alternative rechargeable battery technologies, such as solid-state battery technology or fuel cell technology, are refined and adopted for wider commercial application, the demand for our current lithium-ion battery products may decrease.

Lithium-ion batteries, which were initially developed and commercialized for use in IT devices and consumer applications starting in the early 1990s, have also become the leading battery type for use in EVs. Although we expect lithium-ion technology to continue to be the most widely used rechargeable battery technology in the near future, a variety of alternative battery technologies have developed over the years and additional new technologies may develop in the near future, which in the long-term may prove to be more cost-effective and have better performance compared to lithium-ion battery technology.

Solid-state battery technology, which utilizes solid electrolytes and electrodes rather than liquid electrolytes and positive and negative electrodes used in lithium-ion batteries, has received increased attention in the industry. Solid-state batteries are viewed as potentially safer than lithium-ion batteries given their use of nonflammable solid electrolytes and delivery of higher energy density. However, there are difficulties associated with wider adoption of solid-state battery technology, including the development and procurement of appropriate raw materials necessary for their production. The higher costs of raw materials and complex manufacturing processes compared to lithium-ion batteries need to be addressed in order for solid-state batteries to be commercially competitive. In addition, commercialization would require additional time to address the strict standards imposed by EV manufacturers. In the past decade, some automobile manufacturers have also engaged in the commercialization of fuel cell EVs, which use fuel cells to power the electric motor, although they have been limited by the number of available hydrogen fueling stations and higher production costs.

To address evolving market demands and enhance our competitive position within the lithium-ion battery sector, we are actively diversifying our cathode materials portfolio. While our products have traditionally used nickel-cobalt-manganese oxide ("NCM") and nickel-cobalt-manganese-aluminum ("NCMA") as cathode material, we have expanded our production capabilities to include LFP batteries, which use lithium, iron and phosphate as cathode materials rather than nickel and cobalt, for use in ESSs as well as EVs. While LFP batteries have lower energy density than NCM and NCMA batteries, they offer significant cost advantages and are increasingly used in the production of low-end to mid-range EVs.

We are also developing additional alternative chemical compositions for our cathode materials to address different market segments and price points in the mid- to low-end battery markets. For example, we are developing high-voltage mid-nickel NCM batteries, which use much less nickel and cobalt than our standard NCM batteries, making them more price competitive while still maintaining a higher energy density than LFP batteries. We are also jointly developing lithium manganese rich ("LMR") batteries with GM, which we expect to begin mass producing through the manufacturing facilities of our joint venture Ultium Cells LLC in 2028.

However, our diversification efforts may not fully mitigate competitive pressures within the lithium-ion battery market. Some of our competitors, particularly certain battery manufacturers in China, have established significant production capacities for LFP batteries and continue to invest in improving their performance characteristics. If such LFP battery manufacturers successfully increase the energy density of LFP batteries while maintaining their cost advantages, LFP batteries may be more widely adopted and reduce the demand for NCM and NCMA batteries, which currently constitute the majority of our lithium-ion battery production.

Furthermore, there can be no assurance that energy sources produced using alternative technologies may not replace lithium-ion batteries altogether in the long term. Although such technologies have yet to be widely accepted, advancements in such technologies as well as the development of other alternative technologies may decrease the demand for lithium-ion battery products. If we fail to develop competitive technologies and products in response to the advancement of alternative technologies, our business and results of operations could be adversely affected.

Our battery products currently primarily comprise cylindrical and pouch types. If other form types of battery products become more popular among our customers, our business could be adversely affected.

Lithium-ion battery products currently produced generally take one of the three major form types: cylindrical, prismatic and pouch types. Each of these types offers a set of advantages and disadvantages, including differences in mechanical stability, heat control, optimal use of space and weight. Customer preferences regarding battery form factors may change over time based on a number of factors, including OEM vehicle design and platform strategies, target market requirements, technological developments and regulatory or policy considerations, and the outcome of such shifts is difficult to

predict. Our battery products primarily consist of cylindrical and pouch types, and we have developed our technology and manufacturing know-how focusing on these types of batteries. In December 2024, we entered into a partnership agreement with GM to jointly develop batteries utilizing prismatic battery cell technologies, including LMR prismatic batteries for GM's mid-to-low end EV models, with production targeted to begin in 2028. Demand for cylindrical batteries has steadily grown among automotive manufacturers, in part driven by Tesla's and BMW's adoption of cylindrical batteries in their new EVs in 2025. This growth has prompted other battery manufacturers to actively establish cylindrical battery production lines. However, if other form types of batteries become more popular among our customers, market demands for our battery products may be negatively affected.

Average selling prices of battery products have been steadily declining, and our margins would be adversely impacted if prices decrease faster than we are able to reduce our costs.

The average selling prices of lithium-ion batteries have generally declined over time and are expected to continue declining as a result of, among other factors, technological advancements, cost reductions, increased production capacity, industry overcapacity (driven largely by supply expansion in China) and price competition, although prices may experience temporary increases should significant increases in raw material costs occur. Although we may be able to take advantage of the higher selling prices typically associated with new products and technologies when they are first introduced in the market, such prices decline over time, and in certain cases, very rapidly, and we may have difficulties setting product prices at levels at which we can secure sufficient profit. If we are unable to effectively anticipate and counter the price erosion that accompanies our products, or if the average selling prices of our lithium-ion batteries decrease faster than the speed at which we are able to reduce our manufacturing costs, our gross margin would decrease and our results of operations and financial condition may be materially and adversely affected.

Earthquakes, tsunamis, floods, severe health epidemics and other natural calamities could materially and adversely affect our business, results of operations or financial condition.

If earthquakes, tsunamis, floods, severe health epidemics or any other natural calamities were to occur in the future in any area where any of our assets, suppliers or customers are located, our business, results of operations or financial condition could be adversely affected. A number of suppliers of our raw materials, components and manufacturing equipment, as well as certain of our manufacturing facilities, are located in countries that have historically suffered natural calamities from time to time, such as China, Japan, Indonesia, the United States and Korea. Any occurrence of such natural calamities in countries where our suppliers are located may lead to shortages or delays in the supply of raw materials, components or manufacturing equipment. In addition, natural calamities in areas where our customers are located, including the United States, Europe, Korea, China and Indonesia, may cause disruptions in their businesses, which in turn could adversely impact their demand for our products. In particular, the global outbreak of COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 which was declared a "pandemic" by the World Health Organization in March 2020, had led to global economic and financial disruptions and had adversely affected our business operations. Risks associated with a prolonged outbreak of widespread infectious diseases include:

- an increase in unemployment among, and/or decrease in disposable income of, consumers who purchase the products manufactured by our customers and a decline in overall consumer confidence and spending levels, which in turn may decrease demand for our products;

- disruption in the normal operations of the businesses of our customers, which in turn may decrease demand for our products;

- disruption in the supply of raw materials, components and equipment from our suppliers and vendors;

- disruption in the delivery of our products to our customers;

- disruption in the normal operations of our business resulting from contraction of infectious diseases by our employees, which may necessitate our employees to be quarantined and/or our manufacturing facilities or offices to be temporarily shut down;

- fluctuations of the Won against major foreign currencies (see "– Fluctuations of the value of the Won against major foreign currencies may adversely affect our financial results"); and

- unstable global and Korean financial markets, which may adversely affect our ability to meet our funding needs on a timely and cost-effective basis.

In the event that a future recurrence of COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, our business, financial condition and results of operations may be materially adversely affected.

We face various risks associated with our overseas operations, and our inability to effectively manage and contain them could adversely affect our business and performance.

A substantial portion of our production and sales are generated overseas. We operate several production facilities outside Korea located in China, the United States, Canada, Indonesia and Poland, as well as overseas marketing subsidiaries for the sale of our products to customers outside of Korea. The demand for and market acceptance of our products marketed and sold abroad are subject to a high level of uncertainty and are heavily influenced by local conditions. The following sets forth some of the risks associated with our overseas operations:

- exchange rate fluctuations;

- foreign exchange controls and restrictions on fund repatriation;

- expenses associated with understanding and analyzing overseas markets, monitoring regional and local economic, industry and consumer trends, and developing and maintaining efficient production, marketing and distribution presence in such markets;

- developing and maintaining customer relations, and providing quality customer service and support;

- expenses incurred and difficulties in connection with compliance with local commercial and legal requirements, including labor, immigration, environment and industry-specific regulations;

- unanticipated changes in regional and local economic conditions;

- challenges related to managing local workforces, including recruiting, retaining and effectively managing qualified personnel in overseas markets;

- political instability and civil unrest, cultural or regional conflicts and labor disputes; and

- trade barriers, such as local content requirements, tariffs, taxes and other restrictions and expenses, including the IRA and OBBBA. See "– Risks Relating to Regulations – Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations."

Our overall success as a global leader of the lithium-ion battery business depends in part on our ability to successfully manage such risks. The likelihood of these risks materializing and the extent of their potential impact on our business would vary by locality and are difficult to predict with any degree of certainty. We may be unable to develop and implement policies that would be wholly effective in

jurisdictions in which we operate. No assurance can be provided that our exposure to these risks, which may intensify as we expand our overseas operations, will not adversely affect our business, financial condition, operations and future prospects.

Our business requires a significant amount of capital expenditure for maintenance, upgrading and expansion of production capacity, and there is no guarantee that we will be able to successfully implement or fund our capital expenditure plans.

We operate in an industry where producers with economies of scale enjoy a competitive advantage. Accordingly, to maintain long-term competitiveness and to continually improve profitability, our business requires a significant amount of capital investments to maintain, upgrade and expand production facilities and equipment in a timely and cost-efficient manner. Our total capital expenditures (consisting of cash used in the acquisition of property, plant and equipment) amounted to Won 9,923 billion in 2023, Won 12,399 billion in 2024 and Won 10,834 billion in 2025, primarily for the expansion of automotive and ESS battery production facilities overseas and in Korea.

We plan to continue to invest in expanding our production facilities and upgrading our equipment and manufacturing processes in order to increase our production capacity, achieve additional economies of scale and support production of new products. Recently, we have focused on expanding our ESS-related production capabilities, and a substantial portion of our recent large-scale investments in EV battery production facilities has entered the completion stage. In addition, we have been increasingly focused on improving investment efficiency in response to changes in market conditions, including a slowdown in EV demand and growth in ESS demand. When making capital expenditure plans, we analyze the allocation of our resources around the world, taking into consideration factors such as anticipated market demand, location of our key customers, relative currency values, the level of tariffs in particular countries and the cost of goods and labor in various jurisdictions. We regularly review these plans and make adjustments as necessary based on evolving market conditions. We anticipate that our capital expenditures in 2026 will be focused primarily on optimizing and selectively expanding our existing automotive and ESS battery production facilities in overseas markets and in Korea, including the repurposing of certain EV production capacity for ESS applications, rather than on the construction of significant new production facilities. See "Business – Production Facilities."

Our ability to build, operate and maintain additional production capacity and increase or diversify our output is subject to significant risks and uncertainties, which may include delays and cost overruns associated with the build-out of new or upgraded facilities, delays in obtaining necessary government approvals, disruptions of raw material supplies and labor, and equipment malfunctions or breakdowns. In addition, new or upgraded equipment may not perform at expected utilization levels, the yield and product quality of new equipment may differ from design specifications, and modifications may be necessary to correct equipment failing to perform as expected.

In order to finance our production facility expansion, maintenance and upgrading plans, we intend to use cash on hand, funds from operations and debt financing. However, there is no guarantee that we will successfully secure sufficient funds in a timely manner or that loans will be made available on terms that are commercially acceptable to us and are within the limitations imposed by the terms of our existing or any future financings. If we cannot meet our funding needs for our planned capital expenditures, we may have to delay the implementation of our plans to expand production capacity, which may affect our ability to meet future demands, resulting in a decline in profitability and a loss of market share. Additionally, our capital investments are generally made well in advance of any revenue that is generated from making such expenditures. If unforeseen adverse market conditions lead to a decline in demand for our products, which in turn results in a mismatch between our sales volume and production capacity, or if product prices decline due to oversupply in the market or we encounter production difficulties, we may not be able to recover our capital investments, in part or in full, or the recovery of these investments may take longer than expected, which may have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing processes are complex and we could experience potential disruptions in operations due to manufacturing difficulties or accidents.

The manufacturing processes for lithium-ion battery products are highly complex, requiring sophisticated and costly equipment that is periodically modified and upgraded to improve manufacturing yields and product performance and reduce unit manufacturing costs. These updates may cause production difficulties that could result in delivery delays, reduced output or both. No assurance can be provided that we will not experience manufacturing problems in achieving target output levels, product delivery delays or both as a result of, among other factors, construction delays, difficulties in upgrading or modifying existing production lines or building new manufacturing plants, difficulties in modifying existing or adopting new manufacturing line technologies or processes or delays in equipment deliveries, any of which could constrain our production capacity and adversely affect our results of operations.

In addition, our manufacturing processes pose certain risks, including industrial accidents or fire, and may result in significant property damage or personal injury. While we have implemented stringent safety procedures in our manufacturing processes to minimize such risks, accidents may nonetheless occur. Any such accident may result in significant delays or interruptions to our production as well as claims for substantial damages caused by personal injuries or property damage.

Our strategic acquisitions or investments in joint ventures may not be successful, and we may not realize the anticipated strategic benefits and financial returns from such transactions.

We engage from time to time in acquisitions, joint ventures and other strategic investments in order to expand our production capacity, diversify our product portfolio, gain access to new markets and stable sources of raw materials or acquire new technologies. See "Business – Joint Ventures." However, there is no guarantee that our existing joint ventures, or any other future acquisitions or joint ventures will be successful or that we will achieve the anticipated strategic benefits and financial returns from such transactions. Our joint venture arrangements may also be restructured or terminated earlier than expected as a result of changes in the strategic priorities, financial condition or market outlook of our partners, or broader industry or market developments. In such circumstances, we may acquire our joint venture partners' interests, assume full operational and financial responsibility for such joint ventures or otherwise modify existing arrangements on terms that may not be favorable to us, which could increase our capital expenditure requirements, financing obligations and operational risks. Conversely, we may determine to sell or otherwise dispose of our interests in certain joint ventures, which could result in our recognizing losses. In addition, the operations of our joint ventures may be affected by our joint venture partners' decisions regarding production schedules, including temporary suspensions or adjustments to production levels in response to market conditions. Such operational changes may result in lower production volumes, underutilization of manufacturing capacity at our joint ventures and/or the need to adjust volume or negotiate compensation arrangements with our partners, which could adversely affect our business, financial condition and results of operations. For information about our obligations with respect to our joint ventures, see Note 18 of the notes to the 2025/2024 Financial Statements and Note 18 of the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

There are various risks associated with our acquisitions and investments, which include the following:

- challenges related to the integration of the acquired company's or investee's operations into our business;
- substantial delays or reductions in anticipated synergies;
- events beyond our control, including changes in regulations, technology and economic conditions, which could adversely affect our ability to realize benefits and returns from such transactions;
- potential increase in indebtedness that could constrain our operations;

- exposure to unknown or contingent liabilities that could require significant expenditures and capital injections;

- failure to train, motivate, integrate and retain employees of the acquired company or investee;

- diversion of management time and attention from our existing operations to address transactions and challenges therewith or associated with integration processes; and

- unanticipated write-offs or charges, and impairment of goodwill.

Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. Moreover, joint venture investments may present additional financial, managerial and operational challenges, which could include our inability to require the joint venture to pay dividends, sell certain assets, return invested capital or take other actions without the consent of our joint venture partners. Our joint venture partners may have economic or business interests that are inconsistent with ours, take actions contrary to our policies or objectives, undergo a change of control, experience financial and other difficulties or be unable or unwilling to fulfill their obligations under the joint ventures. Furthermore, since the success of joint venture transactions are often dependent on the financial condition and performance of partner companies, weak performance of or other problems with such partners may adversely affect the results of such transactions. Our business, financial condition and results of operations may be materially and adversely affected if disagreements or problems develop with our joint venture partners and we are unable to successfully resolve such disagreements or problems.

Fluctuations in the value of the Won against major foreign currencies may adversely affect our financial results.

In recent years, the value of the Won relative to major foreign currencies has fluctuated significantly and depreciated overall, as a result of uncertain global and Korean economic, social and political conditions. See "Exchange Rates." Our consolidated financial statements are prepared from the local currency-denominated financial results, assets and liabilities of us and our subsidiaries around the world, which are then translated as necessary into Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by exchange rate fluctuations. A substantial portion of our revenue is denominated in currencies other than the Won, particularly the U.S. dollar, and our purchases of raw materials from overseas suppliers are denominated primarily in U.S. dollars and, to lesser extents, Chinese Yuan, Euros and Japanese Yen. To the extent that we incur costs in one currency and derive revenue in another currency, our results of operations may be affected by the relative strengths of the two currencies. We also have foreign currency borrowings denominated in U.S. dollars and Euros, among others.

Appreciation of the Won against major foreign currencies would result in:

- our exports being less competitive by raising prices of the products exported from Korea in foreign currency terms; and

- a decline, in Won terms, of our revenue and accounts receivable from overseas sales, which are primarily denominated in U.S. dollars.

Depreciation of the Won against major foreign currencies, on the other hand, results in:

- an increase, in Won terms, in costs and expenses incurred in such foreign currencies, including operating and non-operating costs, such as costs of raw materials purchased from overseas sources, expenses relating to labor, equipment and other manufacturing costs of our overseas operations and a substantial portion of our freight costs, which are denominated principally in U.S. dollars, Chinese Yuan, Japanese Yen and Euros.

- an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt; and

- foreign exchange translation losses on foreign currency-denominated liabilities, which are primarily denominated in Euros and U.S. dollars, which lower our earnings for accounting purposes.

We strive to naturally offset our foreign exchange risk by matching our foreign currency receivables with foreign currency payables as well as by entering into derivative contracts including currency forward contracts to further hedge some of our foreign exchange risks. See Note 3.1 of the notes to the 2025/2024 Financial Statements and Note 3.1 of the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular. Although the impact of exchange rate fluctuations has in the past been partially mitigated by hedging strategies, our results of operations have historically been affected by exchange rate fluctuations, and there can be no assurance that such strategies will be effective in eliminating or reducing the adverse impact of future fluctuations. Exchange rate fluctuations can also affect the Won value of our equity investments, as well as monetary assets and liabilities that are denominated in foreign currencies. In general, depreciation of the Won against major foreign currencies such as the Euro and the U.S. dollar could result in a net foreign exchange loss recognized as financial cost as we have a significant amount of foreign-currency denominated borrowings, while such depreciation of the Won could have a positive effect on exchange differences recognized as other non-operating income and expenses as a significant portion of our revenue and accounts receivable are denominated in U.S. dollars. Exchange rate fluctuations have had and may in the future have an adverse impact on our business, financial condition and results of operations.

Failure to protect our intellectual property rights, trade secrets and unpatented proprietary know-how could impair our competitiveness and impede our business and future prospects.

We rely on our proprietary technologies and production know-how to maintain our competitive position in the markets in which we operate, and we believe that developing new or improved products or manufacturing or processing technologies that can be differentiated from those of our competitors is an important factor for the continued success of our business. We take active measures to protect our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. However, there can be no guarantee that the measures we undertake will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise or our intellectual property may otherwise become known or independently developed by our competitors.

We also rely on trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes price forecasts, core technology and key customer information. Although we enter into confidentiality agreements with our employees and consultants upon the commencement of an employment or consulting relationship, we cannot provide assurance that they will not be breached. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business. Also, our competitors may come across or obtain our trade secrets and other proprietary information through a variety of methods. Disputes may arise concerning our trade secrets or the applicability or enforceability of our confidentiality agreements, and there can be no assurance that any such disputes would be resolved in our favor. For example, in 2019, we filed complaints against SK Innovation Co., Ltd. (“SK Innovation”) alleging its misappropriation of our trade secrets and infringement of our patents. In February 2021, the U.S. International Trade Commission ruled in our favor and banned imports of SK Innovation’s battery products into the U.S. In May 2021, we entered into a settlement agreement with SK Innovation for a lump-sum payment of Won 1 trillion and running royalty payments of up to Won 1 trillion to be paid to us by SK Innovation from 2023 onwards, calculated based on SK Innovation’s global battery sales. Following the spin-off of SK on from SK Innovation in October 2021, SK on assumed SK Innovation’s payment obligations under the settlement agreement. In November

2025, one of our former senior researchers was referred for criminal prosecution by the Seoul Central District Prosecutors' Office for allegedly transferring our proprietary pouch-type ternary lithium-ion battery technology, classified as "national core technology" under Korea's Industrial Technology Protection Act, to Ola Electric Mobility Limited in India. As such investigation is ongoing, we cannot predict the outcome or whether any unauthorized transfer or use of proprietary technology in this case could materially affect our business. Any failure to protect our material intellectual property or unauthorized disclosure of our trade secrets or other unpatented proprietary know-how could impair our competitiveness and harm our business and future prospects.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to lose significant rights and pay substantial damages.

Our continued success depends on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to battery technologies involve complex scientific, legal and factual questions and analyses and, therefore, may be highly uncertain.

From time to time, we may be subject to intellectual property infringement claims by third parties. Although we are currently not aware of any material infringement claims against us, there is no guarantee that we will not be subject to any such claims in the future. Moreover, as patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, products or processes.

The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We were incorporated in December 2020 when the energy solution business division of LG Chem was split off, and we have a limited operating history as a separate corporate entity.

We were split off from LG Chem on December 1, 2020, when we were newly incorporated and LG Chem transferred all assets and liabilities related to its energy solution business division, as well as the equity interests of certain subsidiaries, associates and joint ventures engaged in the energy solution business, to us. We issued all of our outstanding shares to LG Chem and became a wholly-owned subsidiary of LG Chem. In January 2022, we issued and sold 34,000,000 shares of our common stock, and LG Chem sold 8,500,000 shares of our common stock through an initial public offering, representing an aggregate of 18.2% of our total shares after the offering. Accordingly, we have a limited operating history as a separate corporate entity, and you should consider our business in light of the risks and challenges we may encounter as a relatively new enterprise, including our ability to cost-effectively manage and grow our operations.

We and LG Chem remain jointly and severally liable for each other's liabilities that were incurred prior to the Split-off.

Under the relevant provisions of the Korean Commercial Code relating to split-offs, both the subsidiary and the parent company remain jointly and severally liable after the corporate split-off for all of their liabilities existing prior to the corporate split-off unless such joint and several liability has been successfully eliminated through a special resolution adopted at a general meeting of shareholders and

protection procedures for creditors of the affected debt, including consents of such creditors or provision of sufficient security for dissenting creditors. Accordingly, we and LG Chem remain jointly and severally liable for each other's debts and other liabilities that existed prior to December 1, 2020, which is the record date of the Split-off, that currently remain outstanding.

We are the successor-in-title to all the assets and liabilities and rights and obligations that were related to the operations of the energy solutions segment conducted by LG Chem before the Split-off, as well as all authorized licenses, employment relations, contracts and lawsuits that were directly related to such operations. The remaining assets and liabilities and rights and obligations related to other business areas remain with LG Chem, and we remain jointly and severally liable for such liabilities. Defaults by LG Chem on such liabilities, if significant, could have a material adverse effect on our results of operations and financial condition.

We are subject to financial and other covenants under the terms of certain of our debt instruments, and failure to comply with such covenants could result in a default under those instruments.

Certain of our debt instruments contain financial and other covenants with which we are required to comply on an ongoing basis. These financial covenants include, among others, requirements to maintain certain consolidated financial ratios, including leverage ratios such as total borrowings to EBITDA. Our debt arrangements also contain negative pledge provisions limiting our ability to provide liens on our assets, as well as cross-default and cross-acceleration provisions, which may give related creditors the right to accelerate the amounts due under such debt if an event of default or acceleration has occurred with respect to our existing or future indebtedness, or if any material part of our indebtedness or the indebtedness of our subsidiaries becomes capable of being declared payable before the stated maturity date. In addition, such covenants may restrict our ability to raise additional debt financing in the future. For additional information regarding our borrowings and related covenant requirements, including certain instances of non-compliance for which we are currently seeking waivers or amendments, see Note 14 of the notes to the 2025/2024 Financial Statements included elsewhere in this offering circular.

If we fail to comply with our financial or other covenants and are unable to obtain waivers or amendments from the relevant lenders, the lenders may declare a default under the relevant debt instruments and accelerate repayment obligations thereunder. Any such acceleration could also trigger cross-default or cross-acceleration provisions under other debt arrangements, which could have a material adverse effect on our liquidity, financial condition and results of operations.

Our success depends on the continuing efforts of our key personnel, and our business may be disrupted if we lose their service.

Our future success depends to a significant extent on the continued services of our senior management, engineers and technical personnel, and on our ability to continue to attract, train, retain and motivate such key personnel. There is substantial competition both in Korea and overseas for qualified personnel, and there can be no assurance that we will be able to effectively train and retain them or attract qualified replacements. If one or more of our key executive officers, engineers or technicians retire or are unable or unwilling to continue in their present positions, it may be difficult to find and integrate replacement personnel in a timely manner or at all. Any loss or interruption of their services without adequate replacement, or the inability to continually attract new qualified personnel, may have a material adverse effect on our business operations as we may be unable to successfully execute our research, development, production and overall business strategies.

We are a party and may become a party to various legal proceedings arising in the normal course of business or otherwise, which could be material to our business and reputation.

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of business or otherwise. We are currently involved in various legal proceedings and claims that have not yet been fully resolved, and additional claims may arise in

the future. See "Business – Legal Proceedings." Such proceedings are subject to significant uncertainty and may be expensive, time-consuming and disruptive to our operations. An adverse resolution in litigation, arbitration, administrative or other proceedings or actions to which we are a party could have a material adverse effect on our business, financial condition and results of operations, including as a result of injunctive relief and other non-monetary remedies. Additionally, any amount that we may be required to pay to satisfy a judgment, settlement, fine or penalty may not be covered by our liability insurance policies. Legal proceedings, and any adverse resolution thereof, can also result in adverse publicity and damage to our reputation, which could materially and adversely impact our business.

A breach in our cybersecurity may result in significant legal and financial exposures, reputational damage and a loss of confidence among our customers.

We rely on information technology in various aspects of our operations. Our business involves the storage and transmission of data with varying degrees of sensitivity not only about our business, but also our suppliers, business partners and customers. A breach in the cybersecurity of our system could expose us to a risk of loss, the improper use or disclosure of such information, ensuing legal actions or potential liability, any of which could harm our reputation and adversely affect our business. Although we believe that there has been no instance where an unauthorized party was able to obtain access to our data or our customers' data, there can be no assurance that we will not be vulnerable to cyber-attacks in the future. Our information security measures may fail due to external and internal security threats, outages, malicious intrusions and attacks, programming or human errors and malfeasance, or other events.

Our cybersecurity measures may also fail due to employee error, malfeasance or otherwise. Instituting appropriate access controls and safeguards across our information technology infrastructure is challenging. Furthermore, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our data or our customers' data or accounts or may otherwise obtain access to such data or accounts. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our cybersecurity occurs or the market perception of the effectiveness of our cybersecurity measures is adversely affected, we may incur significant legal and financial exposure, including legal claims and regulatory fines and penalties, damage to our reputation and a loss of confidence of our customers, which could have an adverse effect on our business, financial condition and results of operations.

Work stoppages and other labor-related issues may adversely affect our operations.

A significant number of our employees are members of our joint labor union with LG Chem. We annually negotiate a collective bargaining agreement and a wage agreement with the labor union, which were each last entered into in November 2025. Annual wage increases are determined jointly by employee and management representatives in consideration of our performance, the rate of inflation and economic growth in Korea and other relevant factors. We have not experienced any material labor disputes in recent years and consider our current relations with our workforce to be good. However, there can be no assurance that our relationship with our employees will not deteriorate in the future. Any labor unrest, work stoppages or strikes could prevent our production facilities from continuing normal operations, which, in turn, would have a material adverse effect on our business, financial condition and results of operations.

We are also subject to the local labor and employment laws of various jurisdictions outside of Korea in which we operate. Such local labor and employment laws may provide employees with rights of information and consultation regarding specific matters involving their employers' operations and business and may impose restrictions on changes to employment terms, downsizing or closure of facilities and employee terminations, which could impair our flexibility in streamlining or restructuring our current business structures in relevant jurisdictions.

Risks Relating to Regulations

Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations.

We receive economic benefits from governments in different regions of the world through various incentives, including in the form of grants, subsidies or tax credits. Such incentives include those designed to support the purchase and use of EVs, ESSs and clean energy, as well as those designed to encourage manufacturers to increase their production or investments in certain regions. The impact of these incentives could be significant in a specific market during a specific period, and a reduction, expiration or termination of such incentives could, if significant, have a material adverse effect on our results of operations and financial condition.

In August 2022, the United States enacted the IRA, which, among other things, introduced tax incentives to support U.S. manufacturing of batteries and battery components and the purchase of qualifying EVs, including incentives tied to North American assembly, critical mineral sourcing requirements and restrictions relating to foreign entities of concern ("FEOC"). Partly in response to the enactment of the IRA, we expanded our supply chain by entering into mineral supply agreements with companies in the United States, Australia and Canada, among others, and expanded our manufacturing capacity in North America through additional investments or acquisitions. See "Business – Production Facilities." We recorded Won 1,480 billion and Won 1,647 billion in 2024 and 2025, respectively, as other operating income, reflecting tax credits and similar government incentives relating to battery manufacturing and production activities in North America, including advanced manufacturing production credits ("AMPC") available under the IRA, as well as certain Canadian government incentive programs. The IRA's eligibility requirements are expected to become progressively more stringent, with required minimum sourcing thresholds for battery components and critical minerals increasing over time (battery components rising from 50% in 2023 to 100% by 2029, and critical minerals from 40% in 2023 to 80% by 2027, with annual 10% increments), and the inclusion of components or minerals linked to FEOC can result in disqualification from subsidies. Compliance with these escalating requirements may require ongoing supply-chain diversification, additional localization efforts and increased capital expenditures.

In July 2025, the United States enacted the OBBBA, which repealed or curtailed certain consumer-facing EV purchase incentives previously available under the IRA, while preserving other incentives, including the AMPC for battery manufacturers producing in the United States and investment tax credits available to purchasers of certain ESSs. The repeal of consumer EV purchase tax credits for vehicles purchased on or after October 1, 2025 has adversely affected, and may continue to adversely affect, demand for EVs in the United States, which could in turn reduce demand for our battery products.

In addition, the AMPC, while currently available, is scheduled to begin phasing down from 2030 and will be progressively reduced through its expiration in 2032. In addition, the OBBBA introduced an expanded "prohibited foreign entity" framework, which builds on and extends the FEOC restrictions under the IRA, and amended the AMPC to disallow tax credits where battery components are deemed to include material support from such prohibited foreign entities above certain thresholds. Compliance with these expanded restrictions may require us to further restructure supply chains, replace or diversify suppliers, or incur additional capital expenditures and operating costs. If the AMPC is further reduced or subject to more restrictive eligibility conditions during its phase-down period, or if we are unable to satisfy applicable requirements on a cost-effective basis, our profitability and financial stability could be materially and adversely affected. There can be no assurance that we will continue to qualify for the AMPC or other available incentives, or that the level of benefits available to us will not be further reduced or otherwise adversely modified.

Moreover, government incentive programs, including those under the IRA and OBBBA, remain subject to significant political, regulatory and interpretive uncertainty. Future changes in U.S. trade, industrial or energy policies could further limit the availability of tax credits, impose additional

compliance burdens or result in increased costs, reduced operational flexibility or lower overall demand for EVs or battery products. If government incentives applicable to our products or manufacturing activities are reduced, eliminated, subject to more restrictive conditions or otherwise become less favorable, or if we are unable to satisfy applicable eligibility requirements on a timely or cost-effective basis, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to stringent health and safety and environmental regulations that could interrupt our operations or subject us to substantial compliance costs.

Given our manufacturing presence in Korea, the United States, China, Poland, Canada and Indonesia, we are subject to various environmental laws and regulations relating to the handling, use, storage, discharge, treatment and disposal of chemicals used and waste substances and other by-products generated from our production activities, as well as various health and safety laws and regulations relating to our work environment. We are also subject to periodic monitoring by safety and environmental protection authorities in various jurisdictions. We have incurred, and expect to continue to incur, compliance costs with such health and safety and environmental laws and regulations. We may become subject to investigations or be held responsible for remediation of working and environmental conditions at our production sites, and we may also be subject to associated liabilities as well as regulatory fines and penalties, including liabilities for environmental damage, third-party property damage or personal injury, resulting from lawsuits brought by governmental authorities or private litigants. For example, in October 2023, the U.S. Occupational Safety and Health Administration imposed a regulatory fine of approximately US$300,000 against Ultium Cells LLC, our joint venture with GM, for violating safety regulations following an explosion at one of Ultium Cells' factories in March 2023. In November 2023, the U.S. Environmental Protection Agency imposed regulatory fines of an aggregate of approximately US$700,000 against Ultium Cells LLC, our joint venture with GM, for violations of the Toxic Substances Control Act and the Clean Air Act.

In order to comply with various environmental laws and regulations in Korea and other jurisdictions, we have installed various types of anti-pollution equipment and implemented processes consistent with industry standards to minimize energy use and reduce industrial wastes generated at our production facilities. However, no assurance can be provided that environmental claims will not be brought against us and any failure on our part to comply with any present or future environmental laws and regulations could result in the assessment of damages, imposition of fines, penalties and clean-up costs, and injunctions, including suspension of our production. In addition, more stringent environmental laws and regulations could require us to acquire additional anti-pollution equipment or incur other significant compliance expenses. Our non-compliance with the relevant environmental regulations, or the perception that we have not appropriately responded to growing consumer concerns for environmental issues, may adversely affect our reputation, business, financial condition and results of operations. See "Business – Environmental Matters."

In addition, in January 2021, the National Assembly enacted the Serious Accidents Punishment Act (the "SAPA") to prevent serious accidents and to protect the safety of the public and workers by punishing the responsible management personnel (the "RMP") who caused such serious accidents. The SAPA, which became effective in January 2022, imposes direct obligations on the RMP, who has the authority and responsibility to represent the business and to take certain health and safety measures as further elaborated in a presidential decree thereof. The SAPA also obligates businesses to adopt a health and safety system and take other measures to prevent serious workplace accidents and public disasters. If a serious workplace accident occurs and we are found not to be in compliance with its obligations under the SAPA, we and our RMP may be subject to criminal sanctions and, in the case of us, punitive damages, which may adversely affect our reputation, business, financial condition and results of operations.

Related party transactions are subject to scrutiny by the Korea Fair Trade Commission.

Our business relationships and transactions with our subsidiaries, affiliates and other members of the LG Group are subject to ongoing scrutiny by the Korea Fair Trade Commission as to, among other things, whether such relationships and transactions constitute undue support among companies of the same business group. We engage in various transactions with our subsidiaries, affiliates and other members of the LG Group, in each case on an arm's-length basis. See "Certain Relationships and Related Party Transactions." We are also subject to fair trade regulations limiting cross-guarantees of debt and cross-shareholdings among member companies of the LG Group. In addition, our material business transactions with our subsidiaries, affiliates and member companies of the LG Group are subject to approval by our board of directors pursuant to the Korean Commercial Code and the Monopoly Regulation and Fair Trade Act and are subject to public disclosure requirements under the Monopoly Regulation and Fair Trade Act. Any future determinations by the Korea Fair Trade Commission that we have engaged in transactions that violate the fair trade laws and regulations may result in fines or other punitive measures and may have a material adverse effect on our reputation and our business.

Related party transactions are subject to scrutiny by the Korean tax authorities.

Under Korean tax law, there is an inherent risk that our transactions with our subsidiaries, affiliates or other members of the LG Group or any other person or company related to us may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that were not on an arm's-length basis. If any such determination is made by the Korean tax authorities, we would not be permitted to deduct as expenses or would be required to recognize as additional income for tax purposes an amount equivalent to any undue financial support arising from such transactions, which may have adverse tax consequences for us.

We may be subject to anti-dumping duties, quotas, tariffs or other duties that may have an adverse impact on our export sales.

As a producer with global sales and operations, we export a significant portion of our products manufactured in Korea, the United States, China, Poland, Canada and Indonesia. We continue to carefully monitor developments with respect to trade remedy policies, including quotas, tariffs, anti-dumping duties, safeguard duties or countervailing duties, in all major markets in which we sell our products and seek to mitigate the related risks by adjusting supply chains, sourcing strategies and export arrangements utilizing our manufacturing facilities in Korea and abroad as necessary. However, there can be no assurance that the free trade agreements between Korea and its major trading partners will not be amended or that anti-dumping duties, safeguard duties, countervailing duties, quotas or tariffs will not be imposed on our sales of products outside Korea in the future. The occurrence of any such events, including those described below, may have a material adverse impact on our business, financial condition and results of operations.

In early 2025, the U.S. government implemented a series of tariff measures that have affected our business and the markets in which we operate. In March 2025, the U.S. government announced a 25% tariff on imports of automobiles and certain automobile parts pursuant to section 232 of the Trade Expansion Act of 1962 ("Section 232"), which became effective on April 3, 2025 for automobiles and May 3, 2025 for automobile parts. In December 2025, the United States reduced such tariffs on imports of automobiles and certain automobile parts from Korea from 25% to 15%, retroactively effective to November 1, 2025. In April 2025, the U.S. government additionally imposed, pursuant to the International Emergency Economic Powers Act of 1977 ("IEEPA"), a universal "reciprocal" tariff with a base rate of 10% that applied generally to imports from all trading partners, including those with free trade agreements with the United States, subject to limited exceptions such as automobiles and certain automobile parts (which were subject to the separate Section 232 tariff discussed above). The U.S. government also announced higher country-specific reciprocal tariff rates under the IEEPA, including a 15% rate on covered imports from Korea, which became effective on August 7, 2025. In February 2026, the U.S. Supreme Court ruled that the U.S. President has no peacetime authority to impose such tariffs

under the IEEPA and that the power to impose such tariffs must come from a clear congressional grant to the U.S. President. The Section 232 tariffs on automobiles and automobile parts described above were not affected by the U.S. Supreme Court's ruling and remain in place. In response, on the same day the U.S. Supreme Court's decision was published, the U.S. President issued a Proclamation "Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problems," imposing a 10% temporary import surcharge on imports from all U.S. trading partners under section 122 of the Trade Act of 1974, which rate was subsequently increased to 15%. Products already subject to tariffs imposed pursuant to Section 232, including automobiles and certain automobile parts, are excluded from such surcharge to the extent the Section 232 tariffs apply. Such "Section 122" tariff took effect on February 24, 2026, and remains in effect for 150 days. No assurance can be provided that any such tariffs will not be extended or that similar tariffs will not be imposed in the future on different grounds.

As a significant portion of our products are exported to customers in the United States and other countries, these tariffs, as well as any future increases in tariffs or the imposition of additional trade measures, could have a material adverse impact on our business, financial condition and results of operations as well as those of our downstream customers that use our products to manufacture finished products in countries subject to such tariffs and export those products to the United States. Significant tariffs on such products or other products we produce from outside the United States may have a material adverse effect on their sales. Additionally, such tariffs would increase the manufacturing costs of our U.S. operations, as a substantial portion of key battery materials and components, including cathode materials, anode materials and separators, are currently sourced from outside the United States. Moreover, if tariffs on the products manufactured by our downstream customers increase, the resulting price increases may reduce consumer demand for such products in the United States, which may in turn adversely affect the demand for our products.

Historically, tariffs and trade restrictions have contributed to increased trade and political tensions. In response to tariffs imposed by the U.S. government, various countries have implemented, or have announced plans to implement, retaliatory measures on goods produced in the United States. Such retaliatory measures could further affect global trade flows and economic conditions. We continue to monitor developments with respect to trade policies in all of our major markets and seek to mitigate related risks through diversification of our manufacturing footprint and supply chains. However, if applicable tariff rates on our products or related raw materials or components further increase, additional tariffs are imposed on a broader range of products, or further retaliatory trade measures are taken, we or our customers may be required to adjust prices or incur additional expenses, which may have a material adverse impact on our business, financial condition and results of operations.

Our business is subject to the export control regulations of Korea that could affect our operations.

Certain critical technologies related to our manufacturing of lithium-ion rechargeable batteries have been designated as "national core technologies" under the Act on Prevention of Divulgence and Protection of Industrial Technology and are subject to the export control regulations of Korea. Accordingly, any sale or transfer of these technologies outside of Korea, including a transfer to our joint venture entity, requires the approval by the MOTIR, which may delay or interrupt the operations of our joint ventures outside of Korea. In addition, we are required to implement certain measures to protect these technologies as required under the Act on Prevention of Divulgence and Protection of Industrial Technology. Any violation of the relevant regulation could result in fines or other penalties, which could have an adverse effect on our business.

Risks Relating to Korea

If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected.

We are incorporated in Korea, and a significant portion of our revenue is generated from sales in Korea. As a result, we are subject to economic, political, legal and regulatory risks specific to Korea, and our performance and successful execution of our operational strategies are substantially dependent on the overall Korean economy.

In addition, the future growth of the Korean economy is subject to many factors beyond our control, including developments in the global economy. In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices, supply chain disruptions and the increasing weakness of the global economy, mainly due to the Russia-Ukraine war and ensuing sanctions against Russia, difficulties faced by several banks in the United States and Europe and the military conflicts between Iran and other countries, including the United States and Israel, as well as rapid increases in policy interest rates globally have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy.

The value of the Won relative to major foreign currencies, in particular the U.S. dollar, has fluctuated significantly and, as a result of uncertain global and Korean economic, social and political conditions, there has been significant volatility in the stock prices of Korean companies recently. Future declines in the Korea Composite Stock Price Index, and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Other developments that could have an adverse impact on Korea's economy include:

- declines in consumer confidence and a slowdown in consumer spending, including as a result of severe health epidemics and higher levels of market interest rates;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- hostilities or political or social tensions involving countries in the Middle East (including those resulting from the military conflicts between Iran and other countries, including the United States and Israel) and Northern Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- political uncertainty or increasing strife among or within political parties in Korea following the declaration of martial law by former President Yoon Suk-yeol in December 2024 that led to his impeachment and subsequent removal in April 2025 and the election of Mr. Lee Jae-myung as President in June 2025;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of the deterioration of economic and trade relations among such countries (including increases in tariffs) and increased uncertainties in the global financial markets and industry;
- hostilities, political or social tensions involving Russia (including the Russia-Ukraine war and the ensuing actions against Russia) and any resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;

- adverse changes or volatility in foreign currency reserve levels, interest rates, inflation rates, commodity prices (including oil prices), exchange rates (including fluctuations of the U.S. dollar, Euro or Japanese Yen exchange rates or revaluation of the Chinese Yuan) or stock markets;

- the occurrence of severe health epidemics in Korea and other parts of the world;

- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;

- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;

- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

- deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea;

- investigations of large Korean business groups and their senior management for possible misconduct;

- shortages of imported raw materials, natural resources, rare earth minerals or component parts, including semiconductors, due to disruptions to the global supply chain;

- continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;

- social and labor unrest;

- substantial changes in the market prices of Korean real estate;

- a substantial decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs, which would likely lead to a national budget deficit as well as an increase in the Government's debt;

- financial problems or lack of progress in the restructuring of Korean business groups, other large, troubled companies, their suppliers or the financial sector;

- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues concerning certain Korean companies;

- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

- a continued decrease in the population and birthrates in Korea;

- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;

- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners; and

- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on us and the market price of the Notes.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon, ballistic missile and satellite programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and has conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs and warheads that can be mounted on ballistic missiles. Over the years, North Korea has continued to conduct a series of missile tests, including missiles launched from submarines and intercontinental missiles that it claims can reach the United States mainland. North Korea has increased the frequency of such activities since the beginning of 2022, firing numerous ballistic missiles, including intercontinental ballistic missiles, and in November 2023, successfully launched its first spy satellite. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaeseong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea or between the United States and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy and on our business, financial condition and results of operations and the price of the Notes, including a downgrade in our credit rating or the credit ratings of the Notes.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances as well as accounting and corporate disclosure standards that differ from those in other jurisdictions.

You should carefully consider the risk factors listed in this section, together with all of the other information included in this offering circular, before you decide to purchase the Notes. As we are a Korean company, there are risks associated with investing in our securities that are not typical for investments in securities of companies in other jurisdictions, including the U.S. and Europe. As a Korean company, we operate in a business and cultural environment that is different from that of other countries.

Under the Foreign Exchange Transactions Act of Korea, if the Government determines that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Finance and Economy for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange.

In addition, we prepare and present our financial statements in accordance with Korean IFRS, which differ in material respects from accounting principles applicable to companies in certain other countries. We also make regulatory filings and disclosures regarding other aspects of our businesses in accordance with applicable rules and regulations and accepted practice in Korea. These filing and disclosure rules and practices differ in material respects from those applicable to companies in certain other countries. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public companies in other countries. In making an investment decision, investors must rely upon their own examination of our company, the terms of the Notes and the financial and other information contained in this offering circular.

We are incorporated in Korea, and it may be more difficult to enforce judgments of U.S. courts.

We are a corporation with limited liability organized under the laws of Korea. Most of our directors, executive officers and certain other persons named in this offering circular are non-U.S. residents, and all or a significant portion of the assets of our directors, executive officers and certain other persons named in this offering circular and most of our assets are located or registered outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon us or to enforce against us, our directors or executive officers, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

Risks Relating to the Notes

The Notes are unsecured obligations.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occurs, our assets may not be sufficient to pay amounts due on any of the Notes. In addition, any secured indebtedness incurred by us would have priority over our unsecured indebtedness to the extent of the assets securing such indebtedness.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. In addition, subject to the conditions set forth in the applicable Fiscal Agency Agreement (as defined in "Terms and Conditions of the Fixed Rate Notes" or "Terms and Conditions of the Floating Rate Notes," as applicable), a Note may be transferred only if the principal amount of Notes transferred is at least U.S.$200,000. For a further discussion of the transfer restrictions applicable to the Notes, see "Terms and Conditions of the Fixed Rate Notes" or "Terms and Conditions of the Floating Rate Notes," as applicable, and "Transfer Restrictions."

The Notes have not been and will not be registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Notes may not be offered or sold, directly or indirectly, in Korea or to any resident of Korea (as such term is defined under the Foreign Exchange Transactions Act of Korea and its Enforcement Decree) except as otherwise permitted by applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional buyer" (a "Korean QIB", as defined in the Regulation on Securities Issuance, Public Disclosure, Etc. of Korea) who is registered with the Korea Financial Investment Association for Korean QIB bond trading. Furthermore, the Notes acquired by all Korean QIBs at the time of issuance must be no more than 20% of the aggregate principal amount of the Notes.

The Notes are subject to prescription regulations in Korea.

Failure to exercise a right of action for more than a certain period of time may operate as a bar to exercise of such right. Under Korean laws, claims against the issuer in respect of the payment of principal of notes or bonds are prescribed upon the expiry of 10 years, and claims for payment of interest in respect of notes or bonds are prescribed upon the expiry of five years, in each case, from the relevant due date as adjusted by any acceleration or otherwise, in respect thereof. If the Holders fail to exercise their right of payment for more than the period set forth above, the Korean courts may not enforce a claim for payment for principal or interest in respect of the Notes.

The Notes contain limited restrictive covenants and will not restrict our ability to make investments, incur unsecured indebtedness or pay dividends.

The Notes contain limited restrictive covenants and will not restrict our ability to:

- invest in affiliates, associates or subsidiaries;
- repurchase common or preferred shares, make distributions or issue dividends;
- issue preferred securities or incur unsecured indebtedness; or
- make capital expenditures.

Our taking such actions could adversely affect our ability to pay amounts due on the Notes.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. No assurance can be given that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes. The Initial Purchasers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers.

If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- our results of operations and financial condition;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean petrochemical and other sectors.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes are expected to be rated "Baa2" by Moody's and "BBB" by S&P. We have been assigned a corporate rating outlook of "stable" by Moody's and "negative" by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure investors that a rating assigned to the Notes will remain for any given period of time or that a rating assigned to the Notes will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of Notes of any such revision, suspension or withdrawal. A revision, suspension, or withdrawal at any time of a rating assigned to the Notes may adversely affect the market price of the Notes.

The Green Notes may not be a suitable investment for all investors seeking exposure to "green" assets.

We will allocate an amount equivalent to the net proceeds from the issuance of the Green Notes to finance and/or refinance, in whole or in part, new or existing Eligible Projects (as defined in "Use of Proceeds") in accordance with the Green Financing Framework, which is in alignment with the Green Bond Principles 2021 published by the International Capital Markets Association and the Green Loan Principles 2023 published by the Loan Market Association. See "Use of Proceeds." The examples of Eligible Projects provided in "Use of Proceeds" section are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by us during the term of the Green Notes. The Green Financing Framework and the Second Party Opinions (as defined in "Use of Proceeds") are not incorporated into, and do not form a part of, this offering circular.

There is currently no market consensus on what precise attributes are required for a particular project or series of notes to be defined as "green," and therefore no assurance can be provided to investors that selected Eligible Projects will meet all investor expectations regarding environmental performance. Although the Eligible Projects will be selected in accordance with the categories

recognized under the Green Financing Framework, and will be developed in accordance with relevant legislation and standards, there can be no guarantee that the projects will deliver the environmental benefits as anticipated, or that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and operation of the projects. In addition, where any negative impacts are insufficiently mitigated, the projects may become controversial and may be criticized by activist groups or other stakeholders.

The Second Party Opinions may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Green Notes. The Second Party Opinions are not a recommendation to buy, sell or hold securities and are only current as of the date that the Second Party Opinions were initially issued and are subject to certain disclaimers set out therein, and may be updated, suspended or withdrawn at any time. Currently, the providers of second-party opinions and certifications and validations are not subject to any regulatory regime or oversight. In addition, although we have agreed to certain reporting and use of proceeds obligations in connection with certain environmental criteria, our failure to comply with such obligations does not constitute a breach or an event of default under the Green Notes. A withdrawal of the Second Party Opinions or any failure by us to use an amount equivalent to the net proceeds from the issuance of the Green Notes on Eligible Projects or to meet or continue to meet the investment requirements of certain environmentally-focused investors with respect to the Green Notes may affect the value of the Green Notes and may have consequences for certain investors with portfolio mandates to invest in "green" assets. The Second Party Opinions are for information purposes only and none of us or the Initial Purchasers accept any form of liability for the substance of the Second Party Opinions and/or any liability for loss arising from the use of the Second Party Opinions and/or information provided in them. The Second Party Opinions are not incorporated into, and do not form a part of, this offering circular.

No assurance can be provided that the use of the proceeds of the Green Notes will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. In the event that the Green Notes are included in any dedicated "green", "environmental", "sustainable" or other equivalently-labelled index, no assurance is given by us or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates. Each potential purchaser of the Green Notes should have regard to the factors described in the Green Financing Framework. None of us or the Initial Purchasers make any representation as to whether the Green Notes fulfil the relevant environmental criteria. Moreover, no assurance can be provided by us or any of the Initial Purchasers with respect to the suitability or reliability of the Second Party Opinions or that the Green Notes will fulfill the environmental and sustainability criteria to qualify as "green" bonds. The Initial Purchasers have not undertaken, nor are responsible for, any assessment of the eligibility of projects within the definition of Eligible Projects or the monitoring of the use of proceeds from the Offering and therefore no assurance can be provided by the Initial Purchasers that the Green Bond Proceeds will be used for Eligible Projects or the monitoring of the use of proceeds from the offering of the Green Notes. Each potential purchaser of the Green Notes should determine for itself the relevance of the information contained in this offering circular regarding the use of proceeds and its purchase of Green Notes should be based upon such investigation as it deems necessary.

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for floating rate notes.

Investors should be aware that the market continues to develop in relation to risk-free rates, as reference rates in the capital markets and their adoption as alternatives to the relevant interbank offered rates.

The Secured Overnight Financing Rate ("SOFR") is a newly established risk-free rate. For example, the Federal Reserve Bank of New York (the "NY Federal Reserve") began to publish SOFR in April 2018 and although it has also begun publishing historical indicative SOFR going back to 2014, such historical indicative data inherently involves assumptions, estimates and approximations. Therefore, SOFR has a limited performance history and the future performance of SOFR is impossible to predict. As a consequence, no future performance of SOFR or the Notes may be inferred from any of the hypothetical or actual historical performance data. In addition, investors should be aware that SOFR may behave materially differently to interbank offered rates as interest reference rates. For example, since publication of SOFR began, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

In addition, market conventions for calculating the interest rate for bonds referencing risk-free rates continue to develop and market participants and relevant working groups are exploring alternative reference rates based on risk-free rates. For example, on 2 March 2020, the NY Federal Reserve, as administrator of SOFR, began publishing the SOFR Compounded Index. Accordingly, the specific formula for calculating the rate used in the Notes may not be widely adopted by other market participants, if at all. If the market adopts a different calculation method, it could adversely affect the market price of the Notes.

Interest on the Notes is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in the Notes to reliably estimate the amount of interest which will be payable on the Notes. Further, if the Notes become due and payable as a result of an event of default under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the rate of interest payable for the final Interest Period in respect of the Notes shall only be determined on the date on which the Notes become due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to the Notes.

SOFR is published and calculated by third parties based on data received from other sources and the Issuer has no control over their respective determinations, calculations or publications. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Notes (or that any applicable benchmark fallback provisions provided for in "Terms and Conditions of the Floating Rate Notes" will provide a rate which is economically equivalent for Noteholders). The Federal Reserve does not have an obligation to consider the interests of Noteholders in calculating, adjusting, converting, revising or discontinuing SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on the Notes and the trading prices of the Notes.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in "Terms and Conditions of the Floating Rate Notes" and used in relation to the Notes. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of the Notes.

Risks Relating to Forward-Looking Statements

This offering circular contains forward-looking statements that are our management's present expectations of future events and are subject to certain factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to our business discussed above, other factors could cause actual results to differ materially from those described in the various forward-looking statements contained in this offering circular. These factors include, but are not limited to, the following:

- general economic, business and political conditions;
- trends in the Korean or global battery industry;
- adverse changes in regulatory, legislative and judicial developments;
- delay or cancellation of our announced or planned production capacity expansion plans abroad;
- market conditions and business outlook for our products;
- future recurrences of COVID-19 or other types of widespread infectious diseases;
- fluctuations in the prices of raw materials;
- declines in consumer confidence and changes in consumer preferences;
- adverse trends in regulatory, legislative and judicial developments;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- changes in interest rates and currency exchange rates;
- our leverage and our ability to meet debt obligations; and
- conditions in the Korean and the global financial markets.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically, but without limitation, revenue could decrease, costs (including capital costs) could increase, capital investments could be delayed and anticipated improvements in performance may not be fully realized.

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this offering circular. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

USE OF PROCEEDS

The net proceeds from the issuance of the 2029 Notes are expected to be U.S.$298,260,000, the net proceeds from the issuance of the 2031 Notes are expected to be U.S.$497,000,000, the net proceeds from the issuance of the 2036 Notes are expected to be U.S.$493,445,000 and the net proceeds from the issuance of the Floating Rate Notes are expected to be U.S.$298,500,000, in each case after deducting a combined management and underwriting commission but not estimated expenses of the Offering.

We will use the proceeds from the issuance of the 2029 Notes, the 2031 Notes and the Floating Rate Notes for our general corporate purposes, including, without limitation, the repayment of outstanding borrowings and capital expenditures, which may include expenditures related to ESS facilities.

We will allocate an amount equivalent to the net proceeds from the issuance of the Green Notes (“Green Bond Proceeds”) to finance and/or refinance, in whole or in part, new or existing projects related to (i) low carbon transportation and (ii) energy efficiency (“Eligible Projects”) in accordance with the Green Financing Framework, which is in alignment with the Green Bond Principles 2021 published by the International Capital Markets Association and the Green Loan Principles 2023 published by the Loan Market Association.

Examples of Eligible Projects include the following:

- Low carbon transportation: capital investments for the construction of manufacturing facilities, R&D of batteries for pure EVs, bicycles and motorcycles, capital investments and R&D for waste battery recycling; and

- Energy efficiency: capital investments for the construction of manufacturing facilities for ESS and R&D for ESS design, as well as expenditures aiming to improve the energy efficiency of our corporate and manufacturing facilities or internal supply chain.

Project Evaluation and Selection Process

Under our project evaluation and selection process, Eligible Projects will be assessed and identified using the criteria indicated above by the Green Financing Working Group, which is composed of various business units. The Green Financing Working Group will review the allocation of the Green Bond Proceeds on an annual basis and ensure that all projects remain aligned with the criteria above.

Management of Proceeds

The Green Bond Proceeds will be earmarked for allocation within our general account, and our treasury team will track the net proceeds through a separate Green Bond or Loan register, which will be reviewed by the Green Financing Working Group on an annual basis. Any balance of Green Bond Proceeds not yet allocated to Eligible Projects will be held in accordance with our general liquidity management policy and exclusionary policy, and may be invested in cash, cash equivalents, investment grade securities or other marketable securities and short-term instruments or other capital management activities.

Reporting

Reporting will include allocation reporting and impact reporting and will be publicly available on our website. Allocation reports will be available to investors within approximately one year from the date of issuance of the Green Notes and annually thereafter until the Green Bond Proceeds have been fully allocated. Until full allocation, we will provide annual impact reports on relevant impact metrics for each category of Eligible Projects on a best-efforts basis. We may also elect to publish a report or notice in the event of any material change that would affect the portfolio of Eligible Projects.

DNV Business Assurance Korea Ltd. and Moody's Investors Service Inc., each an external consultant, issued opinions dated April 28, 2023 and September 4, 2023, respectively, regarding the alignment of the Green Financing Framework with the Green Bond Principles 2021 and the Green Loan Principles 2023 (the "Second Party Opinions"). The Second Party Opinions and the Green Financing Framework are publicly available on the following website: https://www.lgensol.com/en/investors/esg-bond#navigation. The Green Financing Framework and the Second Party Opinions are not incorporated into, and do not form part of, this offering circular.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate for U.S. dollars. We do not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all.

Period	At End of Period	Average Rate[(1)]	High	Low
		(Won per U.S.$1.00)		
2021	1,185.5	1,144.4	1,199.1	1,083.1
2022	1,267.3	1,292.0	1,436.6	1,185.5
2023	1,289.4	1,305.4	1,360.6	1,219.3
2024	1,470.0	1,364.0	1,474.1	1,289.4
2025	1,434.9	1,422.2	1,483.4	1,352.6
2026 (through March 25)	1,498.3	1,462.2	1,509.6	1,424.5
January	1,427.0	1,456.5	1,477.5	1,427.0
February	1,424.5	1,449.3	1,470.3	1,424.5
March (through March 25)	1,498.3	1,482.1	1,509.6	1,435.4

Source: Seoul Money Brokerage Services

(1) Represents the average of the daily Market Average Exchange Rate for U.S. dollars over the relevant period.

CAPITALIZATION

The following table sets forth our capitalization (defined as the sum of our long-term debt, net of current portion, and our total equity) as of December 31, 2025 on an actual basis and adjusted to give effect to the issuance of the Notes offered hereby.

You should read the information set forth below in conjunction with "Summary Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements appearing elsewhere in this offering circular.

	As of December 31, 2025	
	Actual	As adjusted[(1)]
	(In billions of Won)	
Long-term debt:		
Long-term borrowings (net of current portion)	₩ 4,735	₩ 4,735
Debentures (net of current portion)	10,778	10,778
Notes offered hereby	–	2,277
Total long-term debt	15,513	17,790
Equity:		
Share capital	117	117
Capital surplus	17,165	17,165
Accumulated other comprehensive income	2,602	2,602
Retained earnings	332	332
Non-controlling interests	9,106	9,106
Total equity	29,322	29,322
Total capitalization	₩ 44,835	₩ 47,112

(1) Reflects net proceeds of U.S.$1,587,205,000 from the Offering (after deducting a combined management and underwriting commission but not estimated expenses of the Offering) translated into Won at Won 1,434.9 to U.S.$1.00, the applicable Market Average Exchange Rates in effect as of December 31, 2025. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

In February 2026, we issued an aggregate principal amount of Won 400 billion of corporate bonds in Korea.

Other than as described above, there has been no material change in our capitalization since December 31, 2025.

SELECTED FINANCIAL DATA

The following tables set forth our selected financial data. Our selected financial data as of and for the years ended December 31, 2025, 2024 and 2023 set forth below have been derived from the 2025/2024 Financial Statements and the 2024/2023 Financial Statements included elsewhere in this offering circular. It is important that you read our selected financial data set forth below in conjunction with our consolidated financial statements and the related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other historical financial information appearing elsewhere in this offering circular. Our consolidated financial statements included in this offering circular have been prepared in accordance with Korean IFRS.

Selected Consolidated Statements of Comprehensive Income Data

	For the Years Ended December 31,		
	2023	2024	2025
	(In billions of Won)		
Revenue	₩ 33,745	₩ 25,620	₩ 23,672
Cost of sales	(28,802)	(22,214)	(19,440)
Gross profit	4,943	3,406	4,232
Other operating income	677	1,480	1,647
Selling and administrative expenses	(3,457)	(4,311)	(4,533)
Operating profit	2,163	575	1,346
Finance income	985	1,048	1,018
Finance costs	(857)	(1,261)	(1,104)
Share of loss of associates and joint ventures	(32)	(49)	(2)
Other non-operating income	1,126	859	1,073
Other non-operating expenses	(1,341)	(824)	(1,917)
Profit before income tax expense	2,043	349	414
Income tax expense	(405)	(10)	(333)
Profit for the period	₩ 1,638	₩ 339	₩ 81
Other comprehensive income (loss) for the period, net of tax	273	2,879	(71)
Total comprehensive income for the period, net of tax	₩ 1,911	₩ 3,217	₩ 10

Selected Consolidated Statements of Financial Position Data

	As of December 31,		
	2023	2024	2025
	(in billions of Won)		
Assets			
Current assets:			
Cash and cash equivalents	₩ 5,069	₩ 3,899	₩ 3,779
Trade receivables	5,128	4,944	4,311
Other receivables	555	604	589
Other current financial assets	65	0	47
Prepaid income taxes	67	121	164
Other current assets	927	1,207	1,261
Inventories	5,396	4,552	4,350
Assets held for sale	–	–	3,911
Total current assets	17,208	15,327	18,412
Non-current assets:			
Trade receivables	₩ 130	₩ 393	₩ 384
Other receivables	122	134	161
Other non-current financial assets	357	1,132	1,321
Investments in associates and joint ventures	224	62	78
Deferred tax assets	2,229	2,774	2,986
Property, plant and equipment	23,655	38,350	40,795
Intangible assets	876	1,285	1,592
Investment properties	212	226	212
Other non-current assets	424	623	1,209
Total non-current assets	28,229	44,979	48,736
Total assets	₩ 45,437	₩ 60,307	₩ 67,148
Liabilities			
Current Liabilities:			
Trade payables	₩ 3,094	₩ 2,705	₩ 2,153
Other payables	3,458	5,390	5,757
Borrowings	3,211	2,490	6,686
Provisions	517	1,044	1,081
Other current financial liabilities	8	1	3
Income tax payables	33	16	93
Other current liabilities	616	408	1,012
Total current liabilities	10,937	12,055	16,785
Non-current liabilities:			
Non-current other payables	₩ 25	₩ 22	₩ 15
Borrowings	7,721	12,900	15,826
Other non-current financial liabilities	69	1,001	2,408
Provisions	869	779	954
Deferred tax liabilities	20	61	50
Other non-current liabilities	1,422	2,523	1,789
Total non-current liabilities	10,126	17,285	21,041
Total liabilities	21,064	29,340	37,826
Equity			
Share capital	₩ 117	₩ 117	₩ 117
Capital surplus	17,165	17,165	17,165
Accumulated other comprehensive income	555	2,437	2,602
Retained earnings	2,364	1,397	332
Equity attributable to owners of the Parent Company	20,201	21,116	20,216
Non-controlling interest	4,173	9,850	9,106
Total equity	24,374	30,967	29,322
Total liabilities and equity	₩ 45,437	₩ 60,307	₩ 67,148

Supplemental Information

	For the years ended December 31,		
	2023	2024	2025
	(in billions of Won)		
Net cash flows provided by operating activities	₩ 4,444	₩ 5,112	₩ 4,432
Net cash flows used in investing activities	(9,719)	(12,065)	(10,881)
Net cash flows provided by financing activities	4,355	5,382	6,286

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled "Selected Financial Information and Other Operating Information" and our financial statements and related notes thereto included elsewhere in this offering circular. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this offering circular.

Overview

We are one of the largest producers of rechargeable lithium-ion batteries in the world in terms of production capacity. We offer a wide array of battery products for use in EVs, mobility and IT devices and ESSs. Our business comprises all stages of product research and development, manufacturing and sales. Since starting commercial production of lithium-ion batteries in 1999 for the first time in Korea, we have been the pioneer in the global rechargeable battery market with expanding facilities and networks in major hubs across the world. We had operated as the energy solution business division of LG Chem until we were split-off into a wholly-owned subsidiary of LG Chem in December 2020. In January 2022, we issued and sold 34,000,000 shares of our common stock, and LG Chem sold 8,500,000 shares of our common stock, through an initial public offering. Following the offering, LG Chem held 81.8% of our total shares.

Our core product lines are as follows:

- **Advanced Automotive Battery**. We develop and manufacture high-performance rechargeable lithium-ion batteries that power various EVs. These include batteries used in EVs, plug-in hybrid vehicles, hybrid EVs and micro hybrid vehicles.

- **Mobility and IT Battery**. We produce batteries of varying shapes and sizes for use in mobility devices, as well as smartphones, laptops, power tools and other electric devices.

- **Energy Storage System**. Our ESS batteries are used in generators, power grids, commercial and industrial facilities, as well as households, providing energy storage and a stable stream of power supply. They are also used as back-up power sources, including as an energy source for UPS systems used in commercial facilities.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition have been, and will continue to be, materially affected by a number of factors and developments, some of which are outside our control, including:

- Global market conditions of the rechargeable battery industry, including government policies affecting EV and renewable energy industries;

- Changes in our sales volume, prices and product mix;

- Changes in the price and availability of raw materials;

- The level of, and returns on, our capital expenditures and production capacity expansion;

- New customer orders and order backlog;

- Product recalls and provisions for warranty expenses;

- Fluctuation in exchange rates of major foreign currencies;
- Tariffs and trade policies; and
- Global macroeconomic conditions.

Global market conditions of the rechargeable battery industry, including government policies affecting EV and renewable energy industries

We manufacture and sell a broad range of rechargeable lithium-ion batteries used for EVs, mobility and IT devices and ESS. Accordingly, our business is affected by fluctuations in market demand for the products that use our rechargeable batteries, especially EVs, which represent the largest market for our products. The development of the EV market remains at different stages across different regions, and although the global EV market has grown rapidly over the past decade, the production and sales of EVs continue to account for a relatively small proportion of the automotive industry in many regions. Factors such as purchase cost, charging time, cruise range, battery life and the availability of conveniently-located charging and supporting facilities have impacted, and will continue to impact, the development of the EV industry. Such factors, among others, have contributed to a slowdown in demand growth for EVs since 2023 compared to prior years, particularly in the United States. The market demand for EVs may be depressed at least in the near future in light of such factors, which in turn will have a significant impact on demands for our battery products. Over the longer term, if vehicles based on alternative technologies (such as fuel cell vehicles) gain wider adoption than currently expected, demand for lithium-ion batteries used in EVs could be adversely affected.

Moreover, the demand for EVs is also sensitive to government regulations and policies relating to the environment or energy, including government subsidies and economic incentives supporting the purchase and use of EVs. Currently, such subsidies and incentives include tax credits or rebates that encourage the purchase of EVs and lower charging rates for electricity, which may be reduced or eliminated or may expire in the future. For example, the United States repealed its federal consumer tax credit for the purchase of qualifying EVs through the enactment of the OBBBA in July 2025, commencing with vehicles purchased on or after October 1, 2025. See "Risk Factors – Risks Relating to Regulations – Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations." In addition, demand for our ESS battery products is affected by government policies relating to power plants and renewable energy generation.

We may also be affected by overcapacity in the rechargeable battery industry. Battery product manufacturers have typically increased their capital investments when demand growth in the end markets that use our battery products is expected. In particular, an increase in global demand for EVs since 2020 has led to an increase in global production capacity for lithium-ion batteries, although demand growth has slowed since 2023 compared to prior years, particularly in the United States. Moreover, several global automotive manufacturers, including some of our key customers, have announced plans to build their own battery manufacturing facilities and increase in-house battery production. In addition, aggressive capacity expansion by battery manufacturers, particularly Chinese battery producers that have rapidly increased production capacity with government support and supply batteries at relatively low prices, has contributed to industry overcapacity and intensified price competition, and may continue to do so in the future. These capital investments to increase global production capacity as well as adoption of new manufacturing technologies may result in increases in the supply of battery products that are not matched by commensurate growth in demand in the end markets for battery products.

Changes in our sales volume, prices and product mix

Historically, our sales have been affected primarily by the following factors:

- Sales volume affected by the demand for our products and our capacity to meet that demand;

- Price levels of our products; and
- Our product mix.

Our total sales volume, measured in terms of the aggregate energy capacity (GWh) of our battery products sold, has increased in recent periods, primarily due to the growing demand for ESS batteries and our capacity expansion, partially offset by a slowdown in automotive battery demand growth since 2023.

Our pricing is significantly influenced by general demand in the market segments in which we participate and by the specification of our products, including their energy density, power capacity, weight, lifespan, charging speed, heat resistance, and other performance criteria, as well as delivery requirements and order volume. In general, the average selling prices of lithium-ion batteries have declined in recent periods and are expected to continue declining over time as a result of, among other factors, technological advancements, cost reductions, increased production capacity, industry overcapacity (driven largely by supply expansion in China) and price competition, although prices may experience temporary increases should significant increases in raw material costs occur.

In addition, because the prices of different types of battery products vary significantly, the mix of battery products we produce affects our revenue and profitability. We command higher prices for batteries with higher levels of performance, such as high energy density and long lifespan, that are typically used in high-end EVs. Lithium-ion battery products are becoming increasingly diversified in terms of specifications, with customers demanding solutions that are optimized for their particular needs. To address evolving market demands and enhance our competitive position, we are actively diversifying our product portfolio to include mid-nickel NCM, LFP and LMR batteries. We strive to mitigate the negative effect of declining average selling prices by offering high-quality products tailored to our customers' requirements.

Changes in the price and availability of raw materials, as well as shortages or supply chain disruptions

The largest component of our cost of sales is raw material cost, accounting for approximately half to two-thirds of our total cost of sales during the period from 2023 to 2025. Fluctuations in raw material prices have affected and are expected to continue to affect our results of operations. We typically enter into supply agreements with our key material suppliers for multi-year terms, while each purchase is made through a purchase order at a price that is determined based on the benchmark price of the relevant raw material. The prices of raw materials have fluctuated and will continue to fluctuate, affected by changes in commodity prices and market supply and demand, and our ability to pass on increases in the cost of raw materials and components to our customers may be limited.

We depend heavily on overseas sources for the raw materials required in the production of lithium-ion batteries. To mitigate any potential interruptions of supplies and the vulnerability of our production schedule, we generally source most of our raw materials as well as key components from multiple suppliers. Additionally, we have made, and continue to make, strategic arrangements, including equity investments and long-term supply agreements, with top suppliers of raw materials. Although we strive to source our key raw material requirements from reliable and competitive suppliers in the domestic and overseas markets, the supply and market price of key raw materials remain subject to a variety of factors that are beyond our control. These may include military conflicts such as the ongoing invasion of Ukraine by Russia, natural disasters, health pandemics, civil unrest, strikes or trade sanctions or restrictions, including those relating to conflict minerals. For example, in response to requirements under the IRA, including critical mineral sourcing standards and restrictions on certain "prohibited foreign entities," we expanded our supply chain by entering into mineral supply agreements with companies in the United States, Australia and Canada, among others. See "Business – Production Facilities." Subsequent changes under the OBBBA further affected sourcing requirements and restrictions relating to "prohibited foreign entities," particularly in connection with eligibility for U.S. government incentives.

See "Risk Factors – Risks Relating to Regulations – Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations." Any such factor could disrupt our sources of raw materials and have a material adverse effect on our output capacity, and in turn on our business, financial condition and results of operations.

In addition, shortages or supply disruptions of key components or raw materials used by our customers could adversely affect their production operations, which in turn could reduce demand for our products. For example, geopolitical disputes between the Netherlands and China beginning in September 2025 involving a leading supplier of certain automotive semiconductor chips led to China imposing restrictions on the export of such semiconductor chips, causing supply disruptions. Additionally, China's export restrictions on rare earth elements, related magnets, battery materials and equipment, imposed and progressively expanded since April 2025, have disrupted production for global automotive manufacturers. These restrictions have, in some cases, applied to products made outside China that contain Chinese-origin rare earth materials and have forced some manufacturers to halt or reduce production of certain vehicle models, including EVs, due to shortages of rare earth magnets essential for EV motors and automotive parts. This has negatively affected demand for battery products and created ongoing supply chain uncertainties across the industry. Any such supply disruptions affecting our customers' production capabilities could have a material adverse effect on our business, financial condition and results of operations.

The level of, and returns on, our capital expenditures and production capacity expansion

Our future long-term growth will be dependent on our ability to continue to expand our production capacity and total output beyond current levels. Accordingly, to maintain long-term competitiveness and to continually improve profitability, our business requires a significant amount of capital investments to maintain, upgrade and expand production facilities and equipment in a timely and cost-efficient manner. Our total capital expenditures, consisting of cash used in the acquisition of property, plant and equipment, amounted to Won 9,923 billion in 2023, Won 12,399 billion in 2024 and Won 10,834 billion in 2025, respectively, primarily for the expansion of automotive and ESS battery production facilities overseas and in Korea.

We plan to continue to invest in expanding our production facilities and upgrading our equipment and manufacturing processes in order to increase our production capacity, achieve additional economies of scale and support production of new products. Recently, we have focused on expanding our ESS-related production capabilities, and a substantial portion of our recent large-scale investments in EV battery production facilities has entered the completion stage. In addition, we have been increasingly focused on improving investment efficiency in response to changes in market conditions, including a slowdown in EV demand and growth in ESS demand. When making capital expenditure plans, we analyze the allocation of our resources around the world, taking into consideration factors such as anticipated market demand, location of our key customers, relative currency values, the level of tariffs in particular countries and the cost of goods and labor in various jurisdictions. We regularly review these plans and make adjustments as necessary based on evolving market conditions. We anticipate that our capital expenditures in 2026 will be focused primarily on optimizing and selectively expanding our existing automotive and ESS battery production facilities in overseas markets and in Korea, including the repurposing of certain EV production capacity for ESS applications, rather than on the construction of significant new production facilities. See "Business – Production Facilities."

Increased capital expenditures lead to increases in depreciation and amortization expenses as well as financing costs related to such expenditures. The level of capital expenditures we make, as well as the returns we are able to achieve on our capital expenditure investments, have in the past affected and may continue to affect our results of operations and financial condition.

New customer orders and order backlog

Our new customer orders and order backlog are closely related to our revenue to be recognized in future periods. Our order backlog represents the amount of customer orders that have not been delivered and recognized as revenue at any given time. We include a new customer order in our backlog at such time as a new contract is entered into or a new purchase order is received, and decrease the backlog amount when we deliver the product to the customer and recognize revenue.

Our supply arrangements with our customers, especially automotive OEMs, are typically long-term, multi-year arrangements requiring a complicated and time-consuming research and development process for us to tailor our products to the customers' specifications. We typically enter into supply arrangements that do not establish fixed pricing and volume commitments for an extended period of time. However, our key customers provide us with rolling forecasts of their product requirements in advance, and they issue purchase orders based on periodic negotiation of purchase price and volume.

We believe our order backlog is a key indicator of our future revenue. However, customer orders are subject to cancellations, terminations or modifications and contain other terms and conditions customary in the industry, and our production and delivery may be delayed due to various factors including those beyond our control, which could prevent or delay our order backlog from being converted into revenue. For example, in December 2025, Ford Motor Company terminated the supply agreement it had entered into with us in October 2024 to purchase approximately Won 9.6 trillion of EV batteries, following its decision to reduce EV production. During the same month, we agreed to terminate a Won 3.9 trillion supply agreement with FBPS, a U.S. battery pack manufacturer, in light of FBPS's decision to exit the battery business.

Product recalls and provisions for warranty expenses

If we produce products that do not meet customer specifications or contain defects, we may be faced with warranty claims from our customers and recalls involving our products. For such recalls, we recognize provisions estimated based on the number of vehicles subject to recall, estimated total repair cost and cost sharing arrangement with our customers. We recognized additional provisions for warranty of Won 746 billion in 2023, Won 1,039 billion in 2024 and Won 751 billion in 2025, which included costs for voluntary automotive battery recalls and replacement costs for ESS batteries as discussed above. See Note 15 of the notes to the 2025/2024 Financial Statements and Note 15 of the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

While we have established provisions with respect to potential warranty costs relating to batteries sold to customers as discussed above, there is no guarantee that such provisions will be sufficient to cover all of our warranty costs relating to our batteries. We may also recognize additional provisions for warranty expenses in relation to recalls discussed above or future recalls by our customers. For more information on the recalls discussed above as well as other ongoing recalls, see "Risk Factors – Risks Relating to Our Business – Problems with product quality, including defects, in our products could result in a decrease in customers and sales, recalls and unexpected expenses and loss of market share" and "Risk Factors – Safety and fire risks relating to rechargeable lithium-ion batteries, related recalls and resulting negative publicity may adversely impact our business."

Fluctuation in exchange rates of major foreign currencies

In recent years, the value of the Won relative to major foreign currencies has fluctuated significantly and depreciated overall, as a result of uncertain global and Korean economic, social and political conditions. See "Exchange Rates." Our consolidated financial statements are prepared from the local currency-denominated financial results, assets and liabilities of us and our subsidiaries around the world, which are then translated as necessary into Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by exchange rate fluctuations. A substantial portion of our revenue is denominated in currencies other than the Won, particularly the U.S. dollar, and our purchases of raw materials from overseas suppliers are denominated primarily in U.S. dollars and, to

lesser extents, Chinese Yuan, Euros and Japanese Yen. To the extent that we incur costs in one currency and derive revenue in another currency, our results of operations may be affected by the relative strengths of the two currencies. We also have foreign currency borrowings denominated in U.S. dollar and Euro, among others. See "Risk Factors – Risks Relating to Our Business – Fluctuations of the value of the Won against major foreign currencies may adversely affect our financial results."

We strive to naturally offset our foreign exchange risk by matching our foreign currency receivables with foreign currency payables as well as by entering into derivative contracts including currency forward contracts to further hedge some of our foreign exchange risks. See Note 3.1 of the notes to the 2025/2024 Financial Statements and Note 3.1 of the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

Although the impact of exchange rate fluctuations has in the past been partially mitigated by hedging strategies, our results of operations have historically been affected by exchange rate fluctuations, and there can be no assurance that such strategies will be effective in eliminating or reducing the adverse impact of future fluctuations. Exchange rate fluctuations can also affect the Won value of our equity investments, as well as monetary assets and liabilities that are denominated in foreign currencies. In general, depreciation of the Won against major foreign currencies such as the Euro and the U.S. dollar could result in a net foreign exchange loss recognized as financial cost as we have a significant amount of foreign-currency denominated borrowings, while such depreciation of the Won could have a positive effect on exchange differences recognized as other non-operating income and expenses as a significant portion of our revenue and accounts receivable are denominated in U.S. dollars. See "– Quantitative and Qualitative Disclosures about Market Risk – Foreign Exchange Risk." Exchange rate fluctuations have had and may in the future have an adverse impact on our business, financial condition and results of operations.

Tariffs and trade policies

As a producer with global sales and operations, we export a significant portion of our products manufactured in Korea, the United States, China, Poland, Canada and Indonesia. Our business, financial condition and results of operations are affected by trade policies, including tariffs, anti-dumping duties, safeguard duties, countervailing duties and quotas imposed by various jurisdictions.

In early 2025, the U.S. government implemented a series of tariff measures that have affected our business and the markets in which we operate. In March 2025, the U.S. government announced a 25% tariff on imports of automobiles and certain automobile parts pursuant to Section 232, which became effective on April 3, 2025 for automobiles and May 3, 2025 for automobile parts. In December 2025, the United States reduced such tariffs on imports of automobiles and certain automobile parts from Korea from 25% to 15%, retroactively effective to November 1, 2025. In April 2025, the U.S. government additionally imposed, pursuant to the IEEPA, a universal "reciprocal" tariff with a base rate of 10% that applied generally to imports from all trading partners, including those with free trade agreements with the United States, subject to limited exceptions such as automobiles and certain automobile parts (which were subject to the separate Section 232 tariff discussed above). The U.S. government also announced higher country-specific reciprocal tariff rates under the IEEPA, including a 15% rate on covered imports from Korea, which became effective on August 7, 2025. In February 2026, the U.S. Supreme Court ruled that the U.S. President has no peacetime authority to impose such tariffs under the IEEPA and that the power to impose such tariffs must come from a clear congressional grant to the U.S. President. The Section 232 tariffs on automobiles and automobile parts described above were not affected by the U.S. Supreme Court's ruling and remain in place. In response, on the same day the U.S. Supreme Court's decision was published, the U.S. President issued a Proclamation "Imposing a Temporary Import Surcharge to Address Fundamental International Payments Problems," imposing a 10% temporary import surcharge on imports from all U.S. trading partners under section 122 of the Trade Act of 1974, which rate was subsequently increased to 15%. Products already subject to tariffs imposed pursuant to Section 232, including automobiles and certain automobile parts, are excluded from

such surcharge to the extent the Section 232 tariffs apply. Such "Section 122" tariff took effect on February 24, 2026, and remains in effect for 150 days. No assurance can be provided that any such tariffs will not be extended or that similar tariffs will not be imposed in the future on different grounds.

These tariffs have affected our business both directly and indirectly. Tariffs on our battery products exported to the United States increase our costs and may reduce our competitiveness. At the same time, tariffs on automobiles and automobile parts increase the manufacturing costs of our customers' products, which may reduce consumer demand for EVs and in turn reduce demand for our battery products. Additionally, tariffs on raw materials and components imported into the United States increase the manufacturing costs of our U.S. operations, as a substantial portion of key battery materials and components, including cathode materials, anode materials and separators, are currently sourced from outside the United States. While our local manufacturing capabilities in the United States and our diversified global supply chain have enabled us to mitigate some of these impacts, the combined effect of these tariffs has had, and may continue to have, an impact that may adversely affect our results of operations and financial condition.

In response to tariffs imposed by the U.S. government, various countries have implemented, or have announced plans to implement, retaliatory measures on goods produced in the United States. Such retaliatory measures could further affect global trade flows and economic conditions. We continue to monitor developments with respect to trade policies in all of our major markets and seek to mitigate related risks through diversification of our manufacturing footprint and supply chains. However, if applicable tariff rates on our products or related raw materials or components further increase, additional tariffs are imposed on a broader range of products, or further retaliatory trade measures are taken, we or our customers may be required to adjust prices or incur additional expenses, which may have a material adverse impact on our business, financial condition and results of operations.

Macroeconomic conditions

EV, IT and renewable energy industries that use our battery products are sensitive to general conditions in the global economy. Macroeconomic factors, such as economic growth rate, employment levels, interest rates, inflation rates, exchange rates, commodity prices, trade policies, demographic trends and fiscal policies of governments can all have a significant, albeit to varying degrees, effect on such industries. In times of recession, orders for our products may decrease and we may need to adjust our production levels and pricing. Uncertainties in the global economy have increased in recent years, with the global financial and capital markets experiencing substantial volatility.

Critical Accounting Policies

We have prepared our consolidated financial statements in accordance with Korean IFRS. The preparation of our financial statements requires us to make difficult, complex and subjective judgments in making the appropriate estimates and assumptions that affect the amounts reported in our financial statements. These judgments are based on our historical experience, and while we believe our estimates and judgments are reasonable under the circumstances in which they were made, there can be no assurance that our judgments will prove to be correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. For further information regarding our significant accounting policies, see Notes 2 and 4 of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

Recent Accounting Changes

For information regarding our recent adoption of new standards, interpretations and amendments to Korean IFRS, see Note 2.2 of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

Preliminary Financial Results

We expect to release our preliminary financial results for the quarter ended March 31, 2026 on or around April 7, 2026. For the avoidance of doubt, such results do not form a part of this Offering Circular.

Results of Operations – 2025 Compared to 2024

The following table presents our selected consolidated statements of profit or loss data and changes therein for 2024 and 2025.

	For the Year Ended December 31,		Changes 2024 versus 2025	
	2024	2025	Amount	%
	(In billions of Won)			
Revenue	₩ 25,620	₩ 23,672	₩ (1,948)	(7.6)%
Cost of sales	(22,214)	(19,440)	2,774	(12.5)
Gross profit	3,406	4,232	826	24.3
Other operating income	1,480	1,647	167	11.3
Selling and administrative expenses	(4,311)	(4,533)	(222)	5.1
Operating profit	575	1,346	771	134.1
Finance income	1,048	1,018	(30)	(2.9)
Finance costs	(1,261)	(1,104)	157	(12.5)
Share of loss of associates and joint ventures	(49)	(2)	47	(95.9)
Other non-operating income	859	1,073	214	24.9
Other non-operating expenses	(824)	(1,917)	(1,093)	132.6
Profit before income tax expense	349	414	65	18.6
Income tax expense	(10)	(333)	(323)	3,230.0
Profit for the year	₩ 339	₩ 81	₩ (258)	(76.1)%

Revenue

Our revenue decreased by 7.6% from Won 25,620 billion (including Won 1,366 billion of compensation received from automotive OEM customers for reduced order volumes and others) in 2024 to Won 23,672 billion (including Won 1,307 billion of compensation received from automotive OEM customers for reduced order volumes and others) in 2025, primarily due to a decrease in the sales volume of our automotive battery products in North America, reflecting reduced demand from certain automotive OEM customers amid a slowdown in EV sales in the region. This decrease was partially offset by continued growth in our ESS business, supported by the expansion of LFP-based production capacity in North America.

Cost of Sales and Gross Profit

Our cost of sales decreased by 12.5% from Won 22,214 billion in 2024 to Won 19,440 billion in 2025, primarily due to a decrease in the volume of raw materials and consumables used, mainly reflecting the overall decrease in the sales volume of our automotive battery products in North America as discussed above, as well as lower raw material costs resulting from our procurement of more cost-competitive battery materials.

As a result of the factors described above, our gross profit increased by 24.3% from Won 3,406 billion in 2024 to Won 4,232 billion in 2025. Our gross profit margin, or gross profit as a percentage of total revenue, increased from 13.3% in 2024 to 17.9% in 2025.

Other Operating Income

Our other operating income increased by 11.3% from Won 1,480 billion in 2024 to Won 1,647 billion in 2025, which reflected an increase in the amount of tax credits that we received for our battery manufacturing and production activities in North America, including AMPC available under the IRA, as well as certain Canadian government incentive programs.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for 2024 and 2025.

	For the Year Ended December 31,		Changes 2024 versus 2025	
	2024	2025	Amount	%
	(In billions of Won)			
Wages and salaries	₩ 889	₩ 982	₩ 93	10.5%
Retirement benefits	71	69	(2)	(2.8)
Employee benefits	226	235	9	4.0
Travel expenses	64	70	6	9.4
Water and utilities	85	104	19	22.4
Rental expenses	50	44	(6)	(12.0)
Commission expenses	723	735	12	1.7
Depreciation	226	331	105	46.5
Advertising expenses	39	27	(12)	(30.8)
Freight expenses	95	89	(6)	(6.3)
Training expenses	30	20	(10)	(33.3)
Amortization	133	229	96	72.2
Sample expenses	17	4	(13)	(76.5)
Development costs	210	335	125	59.5
Addition of warranty provisions	1,039	751	(288)	(27.7)
Others	413	507	94	22.8
Selling and administrative expenses	₩ 4,311	₩ 4,533	₩ 222	5.1%

Our selling and administrative expenses increased by 5.1% from Won 4,311 billion in 2024 to Won 4,533 billion in 2025, primarily due to:

- a 59.5% increase in development costs from Won 210 billion in 2024 to Won 335 billion in 2025, which mainly reflected an increase in our research and development activities;
- a 46.5% increase in depreciation expenses from Won 226 billion in 2024 to Won 331 billion in 2025, which mainly reflected increased depreciation of administrative facilities associated with our EV and ESS operations in North America and Poland;
- a 72.2% increase in amortization expenses from Won 133 billion in 2024 to Won 229 billion in 2025, which mainly reflected increased amortization of internally developed software; and
- a 10.5% increase in wages and salaries from Won 889 billion in 2024 to Won 982 billion in 2025, which was mainly due to increases in the number of our employees and the average wages paid to our employees.

Such increases were offset in part by a 27.7% decrease in our addition of warranty provisions from Won 1,039 billion in 2024 to Won 751 billion in 2025, which was primarily due to a decrease in our quality control costs.

Operating Profit and Operating Margin

Due to the factors described above, our operating profit increased by 134.1% from Won 575 billion in 2024 to Won 1,346 billion in 2025. Our operating profit margin, or operating profit as a percentage of total revenue, increased from 2.2% in 2024 to 5.7% in 2025.

Finance Income and Costs

The following table presents a breakdown of our finance income and costs and changes therein for 2024 and 2025.

	For the Year Ended December 31,		Changes 2024 versus 2025	
	2024	2025	Amount	%
	(In billions of Won, except percentages)			
Finance income				
Interest income	₩ 223	₩ 217	₩ (6)	(2.7)%
Dividend income	0	0	0	0.0
Exchange differences	416	507	91	21.9
Gain on derivatives	403	137	(266)	(66.0)
Gain on disposal of financial assets at fair value through profit or loss	1	0	(1)	(100.0)
Gain on valuation of financial assets at fair value through profit or loss	6	156	150	2,500.0
Finance income	₩ 1,048	₩ 1,018	₩ (30)	(2.9)%
Finance costs				
Interest expense	₩ 564	₩ 817	₩ 253	44.9%
Exchange differences	681	258	(423)	(62.1)
Loss on derivatives	1	24	23	2,300.0
Loss on valuation of financial assets at fair value through profit or loss	15	6	(9)	(60.0)
Finance costs	₩ 1,261	₩ 1,104	₩ (157)	(12.5)%

Our finance income decreased by 2.9% from Won 1,048 billion in 2024 to Won 1,018 billion in 2025, primarily due to a 66.0% decrease in gain on derivatives from Won 403 billion in 2024 to Won 137 billion in 2025, which was largely offset by a significant increase in gain on valuation of financial assets at fair value through profit or loss from Won 6 billion in 2024 to Won 156 billion in 2025 and a 21.9% increase in gains on exchange differences from Won 416 billion in 2024 to Won 507 billion in 2025.

Our finance costs decreased by 12.5% from Won 1,261 billion in 2024 to Won 1,104 billion in 2025, primarily due to a 62.1% decrease in losses on exchange differences from Won 681 billion in 2024 to Won 258 billion in 2025, which was offset in large part by a 44.9% increase in interest expense from Won 564 billion in 2024 to Won 817 billion in 2025.

On a net basis, our net gain (loss) on exchange differences changed from a net loss of Won 264 billion in 2024 to a net gain of Won 249 billion in 2025, mainly due to fluctuations of the Won against the US$ for our Korean entity's deposits and borrowings and the Polish złoty against the Euro for our Poland entity's borrowings. In terms of the Market Average Exchange Rate, the Won depreciated from Won 1,289.4 to US$1.00 as of December 31, 2023 to Won 1,470.0 to US$1.00 as of December 31, 2024, but appreciated to Won 1,434.9 to US$1.00 as of December 31, 2025. In addition, the average value of the Market Average Exchange Rate depreciated from Won 1,364.0 to US$1.00 in 2024 to Won 1,422.0 to US$1.00 in 2025. Against such fluctuations, our net gain on derivatives decreased by 71.6% from Won 402 billion in 2024 to Won 114 billion in 2025, primarily as a result of losses on derivatives entered into to hedge our foreign exchange risk.

Our net interest expense increased by 76.0% from Won 341 billion in 2024 to Won 600 billion in 2025. Such increase was attributable to an increase in interest expense, which was primarily due to an increase in interest on debentures, which was in turn mainly due to an increase in the amount of our debentures outstanding. The effect of such increase was offset in part by an increase in interest income, which was primarily due to an increase in interest on other loans and receivables, which was in turn mainly due to an increase in the interest rates of such loans and other receivables.

Share of Loss of Associates and Joint Ventures

Our share of loss of associates and joint ventures decreased by 95.9% from Won 49 billion in 2024 to Won 2 billion in 2025. See Note 10 of the notes to our 2025/2024 Financial Statements included elsewhere in this offering circular.

Other Non-Operating Income and Expenses

The following table presents a breakdown of our other non-operating income and other non-operating expenses and changes therein for 2024 and 2025.

	For the Year Ended December 31,		Changes 2024 versus 2025	
	2024	2025	Amount	%
	(In billions of Won, except percentages)			
Other non-operating income				
Exchange differences	₩ 714	₩ 458	₩ (256)	(35.9)%
Gain on disposal of property, plant and equipment	10	12	2	20.0
Gain on disposal of investments in joint ventures	105	–	(105)	(100.0)
Gain on bargain purchase	10	–	(10)	(100.0)
Others	21	602	581	2,766.7
Other non-operating income	₩ 859	₩ 1,073	₩ 214	24.9%
Other non-operating expenses				
Exchange differences	₩ 472	₩ 542	₩ 70	14.8%
Loss on disposal of property, plant and equipment	196	796	600	306.1
Impairment of property, plant and equipment	27	363	336	1,244.4
Loss on disposal of intangible asset	1	7	6	600.0
Impairment of intangible assets	1	1	0	0.0
Impairment of investments in associates	–	11	11	N.A.
Donations	10	1	(9)	(90.0)
Others	118	195	77	65.3
Other non-operating expenses	₩ 824	₩ 1,917	₩ 1,093	132.6%

Note: N.A. means not applicable.

Our other non-operating income increased by 24.9% from Won 859 billion in 2024 to Won 1,073 billion in 2025, primarily due to a significant increase in miscellaneous other non-operating income from Won 21 billion in 2024 to Won 602 billion in 2025. Such increase was mainly attributable to income recognized in 2025 of Won 572 billion in connection with compensation received for the retirement of certain property, plant and equipment. See Note 25 of the notes to our 2025/2024 Financial Statements included elsewhere in this offering circular. The effect of such increase was offset in part by a 35.9% decrease in gains on exchange differences from Won 714 billion in 2024 to Won 458 billion in 2025 and, to a lesser extent, gains on disposal of investments in joint ventures of Won 105 billion in 2024 compared to nil in 2025.

Our other non-operating expenses increased by 132.6% from Won 824 billion in 2024 to Won 1,917 billion in 2025, primarily due to a 306.1% increase in losses on disposal of property, plant and equipment from Won 196 billion in 2024 to Won 796 billion in 2025, mainly reflecting one-off costs arising from the retirement of certain property, plant and equipment. This increase was further enhanced by a significant increase in impairment of property, plant and equipment from Won 27 billion in 2024 to Won 363 billion in 2025.

On a net basis, our net gain (loss) on exchange differences changed from a net gain of Won 242 billion in 2024 to a net loss of Won 83 billion in 2025, which was primarily attributable to fluctuations of the Won against the US$ for our Korean entity's deposits and borrowings and the Polish złoty against the Euro for our Poland entity's borrowings.

Profit Before Income Tax Expense

As a result of the reasons discussed above, our profit before income tax expense increased by 18.6% from Won 349 billion in 2024 to Won 414 billion in 2025.

Income Tax Expense

Our income tax expense, which was recognized based on our best estimate of the income tax rate for the entire fiscal year, increased significantly from Won 10 billion in 2024 to Won 333 billion in 2025. Such increase was primarily attributable to an increase in the effect of non-recognition of deferred tax assets due to lack of recoverability from Won 318 billion in 2024 to Won 596 billion in 2025, reflecting a reduction in deferred tax assets recognized during the period as a result of changes in estimates of future taxable profits and, to a lesser extent, an increase in profit before income tax expense, as discussed above. The effect of such increases was offset in part by a change in the effect of change in tax rates from nil in 2024 to Won (83) billion in 2025, which mainly reflected the remeasurement of deferred tax assets and liabilities resulting from changes in corporate tax rates following amendments to applicable Korean tax laws, as well as a change in the effect of deferred tax recognition on temporary differences in prior periods from Won 20 billion in 2024 to Won (24) billion in 2025. As a result of these adjustments, our effective tax rate increased significantly from 2.9% in 2024 to 80.5% in 2025.

Profit for the Year

Primarily due to the factors described above, our profit for the year decreased by 76.1% from Won 339 billion in 2024 to Won 81 billion in 2025. Our profit for the year as a percentage of total revenue (or net margin) decreased from 1.3% in 2024 to 0.3% in 2025.

Results of Operations – 2024 Compared to 2023

The following table presents our selected consolidated statements of profit or loss data and changes therein for 2023 and 2024.

	For the Year Ended December 31,		Changes 2023 versus 2024	
	2023	2024	Amount	%
	(In billions of Won)			
Revenue	₩ 33,745	₩ 25,620	₩ (8,125)	(24.1)%
Cost of sales	(28,802)	(22,214)	6,588	(22.9)
Gross profit	4,943	3,406	(1,537)	(31.1)
Other operating income	677	1,480	803	118.6
Selling and administrative expenses	(3,457)	(4,311)	(854)	24.7
Operating profit	2,163	575	(1,588)	(73.4)
Finance income	985	1,048	63	6.4
Finance costs	(857)	(1,261)	(404)	47.1
Share of loss of associates and joint ventures	(32)	(49)	(17)	53.1
Other non-operating income	1,126	859	(267)	(23.7)
Other non-operating expenses	(1,341)	(824)	517	(38.6)
Profit before income tax expense	2,043	349	(1,694)	(82.9)
Income tax expense	(405)	(10)	395	(97.5)
Profit for the year	₩ 1,638	₩ 339	₩ (1,299)	(79.3)%

Revenue

Our revenue decreased by 24.1% from Won 33,745 billion in 2023 to Won 25,620 billion (including Won 1,366 billion of compensation received from automotive OEM customers for reduced order volumes and others) in 2024, primarily due to a decrease in the sales volume of our automotive battery products in Europe and a decrease in the average price of our batteries that followed a decrease in the cost of raw materials, including metals such as lithium and nickel.

Cost of Sales and Gross Profit

Our cost of sales decreased by 22.9% from Won 28,802 billion in 2023 to Won 22,214 billion in 2024, primarily due to a decrease in the cost of raw materials, including metals such as lithium and nickel.

As a result of the factors described above, our gross profit decreased by 31.1% from Won 4,943 billion in 2023 to Won 3,406 billion in 2024. Our gross profit margin, or gross profit as a percentage of total revenue, decreased from 14.6% in 2023 to 13.3% in 2024.

Other Operating Income

Our other operating income increased by 118.6% from Won 677 billion in 2023 to Won 1,480 billion in 2024, which reflected an increase in the amount of tax credits that we received through the IRA for battery cells and packs produced and sold in the United States, resulting from an increase in our production capacity in the United States.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for 2023 and 2024.

	For the Year Ended December 31,		Changes 2023 versus 2024	
	2023	2024	Amount	%
	(In billions of Won)			
Wages and salaries	₩ 865	₩ 889	₩ 24	2.8%
Retirement benefits	41	71	30	73.2
Employee benefits	207	226	19	9.2
Travel expenses	64	64	0	0.0
Water and utilities	70	85	15	21.4
Rental expenses	69	50	(19)	(27.5)
Commission expenses	625	723	98	15.7
Depreciation	180	226	46	25.6
Advertising expenses	28	39	11	39.3
Freight expenses	121	95	(26)	(21.5)
Training expenses	32	30	(2)	(6.3)
Amortization	103	133	30	29.1
Sample expenses	6	17	11	183.3
Development costs	193	210	17	8.8
Addition of warranty provisions	746	1,039	293	39.3
Others	105	413	308	293.3
Selling and administrative expenses	₩ 3,457	₩ 4,311	₩ 854	24.7%

Our selling and administrative expenses increased by 24.7% from Won 3,457 billion in 2023 to Won 4,311 billion in 2024, primarily due to a 293.3% increase in our miscellaneous other selling and administrative expenses from Won 105 billion in 2023 to Won 413 billion in 2024, which mainly reflected our recognition of previously submitted refund claims from customers as expenses in 2024, and a 39.3% increase in our addition of warranty provisions from Won 746 billion in 2023 to Won 1,039 billion in 2024, which was primarily due to an increase in our quality control costs. Such increases were enhanced by a 15.7% increase in commission expenses from Won 625 billion in 2023 to Won 723 billion in 2024, which was mainly due to an increase in logistics fees in 2024 compared to 2023 resulting from increased ESS shipments, as well as the effect of certain employees of Ultium Cells LLC (our joint venture with GM and our consolidated subsidiary) being re-categorized as employees of GM in 2024, resulting in their wages being re-categorized as commission expenses.

Operating Profit and Operating Margin

Due to the factors described above, our operating profit decreased by 73.4% from Won 2,163 billion in 2023 to Won 575 billion in 2024. Our operating profit margin, or operating profit as a percentage of total revenue, decreased from 6.4% in 2023 to 2.2% in 2024.

Finance Income and Costs

The following table presents a breakdown of our finance income and costs and changes therein for 2023 and 2024.

	For the Year Ended December 31,		Changes 2023 versus 2024	
	2023	2024	Amount	%
	(In billions of Won, except percentages)			
Finance income				
Interest income	₩ 178	₩ 223	₩ 45	25.3%
Dividend income	0	0	0	0.0
Exchange differences	771	416	(355)	(46.0)
Gain on derivatives	36	403	367	1,019.4
Gain on disposal of financial assets at fair value through profit or loss	–	1	1	N.A.
Gain on valuation of financial assets at fair value through profit or loss	–	6	6	N.A.
Finance income	₩ 985	₩ 1,048	₩ 63	6.4%
Finance costs				
Interest expense	₩ 316	₩ 564	₩ 248	78.5%
Exchange differences	466	681	215	46.1
Loss on disposal of trade receivables	6	0	(6)	(100.0)
Loss on derivatives	69	1	(68)	(98.6)
Loss on valuation of financial assets at fair value through profit or loss	–	15	15	N.A.
Finance costs	₩ 857	₩ 1,261	₩ 404	47.1%

Note: N.A. means not applicable.

Our finance income increased by 6.4% from Won 985 billion in 2023 to Won 1,048 billion in 2024, primarily due to a significant increase in gain on derivatives from Won 36 billion in 2023 to Won 403 billion in 2024 and, to a much lesser extent, a 25.3% increase in interest income from Won 178 billion in 2023 to Won 223 billion in 2024. Such increases were mostly offset by a 46.0% decrease in gains on exchange differences from Won 771 billion in 2023 to Won 416 billion in 2024.

Our finance costs increased by 47.1% from Won 857 billion in 2023 to Won 1,261 billion in 2024, primarily due to a 78.5% increase in interest expense from Won 316 billion in 2023 to Won 564 billion in 2024 and a 46.1% increase in losses on exchange differences from Won 466 billion in 2023 to Won 681 billion in 2024. Such increases were offset in small part by a 98.6% decrease in loss on derivatives from Won 69 billion in 2023 to Won 1 billion in 2024.

On a net basis, our net gain (loss) on exchange differences changed from a net gain of Won 305 billion in 2023 to a net loss of Won 264 billion in 2024, mainly due to fluctuations of the Won against the US$ for our Korean entity's deposits and borrowings and the Polish złoty against the Euro for our Poland entity's borrowings. In terms of the Market Average Exchange Rate, the Won depreciated from Won 1,267.3 to US$1.00 as of December 31, 2022 to Won 1,289.4 to US$1.00 as of December 31, 2023 and to Won 1,470.0 to US$1.00 as of December 31, 2024. In addition, the average value of the Market Average Exchange Rate depreciated from Won 1,305.4 to US$1.00 in 2023 to Won 1,364.0 to US$1.00 in 2024. Against such fluctuations, our net gain (loss) on derivatives changed from a net loss of Won 33 billion in 2023 to a net gain of Won 402 billion in 2024, primarily as a result of the significant increase in gain on derivatives held by us.

Our net interest expense increased by 147.1% from Won 138 billion in 2023 to Won 341 billion in 2024. Such increase was attributable to an increase in interest expense, which was primarily due to an increase in interest on debentures, which was in turn mainly due to an increase in the amount of our

debentures outstanding. The effect of such increase was offset in part by an increase in interest income, which was primarily due to an increase in interest on other loans and receivables, which was in turn mainly due to an increase in the interest rates of such loans and receivables.

Share of Loss of Associates and Joint Ventures

Our share of loss of associates and joint ventures increased by 53.1% from Won 32 billion in 2023 to Won 49 billion in 2024. See Note 10 of the notes to our 2024/2023 Financial Statements included elsewhere in this offering circular.

Other Non-Operating Income and Expenses

The following table presents a breakdown of our other non-operating income and other non-operating expenses and changes therein for 2023 and 2024.

	For the Year Ended December 31,		Changes 2023 versus 2024	
	2023	2024	Amount	%
	(In billions of Won, except percentages)			
Other non-operating income				
Exchange differences	₩ 1,091	₩ 714	₩ (377)	(34.6)%
Gain on disposal of investments in joint ventures	–	105	105	N.A.
Gain on bargain purchase	–	10	10	N.A.
Others	34	30	(4)	(11.8)
Other non-operating income	₩ 1,126	₩ 859	(267)	(23.7)%
Other non-operating expenses				
Exchange differences	₩ 993	₩ 472	₩ (521)	(52.5)%
Loss on disposal of property, plant and equipment	140	196	56	40.0
Loss on disposal of intangible assets	1	1	0	0.0
Loss on disposal of investments in associates and disposal loss	15	10	(5)	(33.3)
Donations	8	10	2	25.0
Others	184	135	(49)	(26.6)
Other non-operating expenses	₩ 1,341	₩ 824	₩ (517)	(38.6)%

Note: N.A. means not applicable.

Our other non-operating income decreased by 23.7% from Won 1,126 billion in 2023 to Won 859 billion in 2024, which was principally attributable to a 34.6% decrease in gains on exchange differences from Won 1,091 billion in 2023 to Won 714 billion in 2024. The effect of such decrease was offset in part by gains on disposal of investments in joint ventures of Won 105 billion in 2024 compared to nil in 2023, which was due to our Indonesia joint venture PT. HLI Green Power becoming our consolidated subsidiary in August 2024, causing our investments in PT. HLI Green Power to be recorded as gains on disposal of investments in joint ventures in 2024.

Our other non-operating expenses decreased by 38.6% from Won 1,341 billion in 2023 to Won 824 billion in 2024, which was principally attributable to a 52.5% decrease in losses on exchange differences from Won 993 billion in 2023 to Won 472 billion in 2024.

On a net basis, our net gain on exchange differences increased by 146.9% from Won 98 billion in 2023 to Won 242 billion in 2024, which was primarily attributable to fluctuations of the Won against the US$ for our Korean entity's deposits and borrowings and the Polish złoty against the Euro for our Poland entity's borrowings.

Profit Before Income Tax Expense

As a result of the reasons discussed above, our profit before income tax expense decreased by 82.9% from Won 2,043 billion in 2023 to Won 349 billion in 2024.

Income Tax Expense

Our income tax expense, which was recognized based on our best estimate of the income tax rate for the entire fiscal year, decreased by 97.5% from Won 405 billion in 2023 to Won 10 billion in 2024. Such decrease was primarily due to a decrease in profit before income tax expense, as discussed above, as well as an increase in our tax credits, the effects of which were offset in part by the non-recognition of deferred tax on tax credit carryforwards in 2024 due to a reduction in our deferred tax assets resulting from a decrease in our estimated future taxable income.

Profit for the Year

Primarily due to the factors described above, our profit for the year decreased by 79.3% from Won 1,638 billion in 2023 to Won 339 billion in 2024. Our profit for the year as a percentage of total revenue (or net margin) decreased from 4.9% in 2023 to 1.3% in 2024.

Liquidity and Capital Resources

Liquidity

Our principal sources of cash have historically been:

- cash generated by our operations, principally from sales of products; and
- proceeds from issuances of debentures as well as short-term and long-term borrowings.

Our principal cash requirements or uses have historically been:

- cash required for our operations, including purchases of raw materials, employee costs, research and development expenses and commission expenses;
- capital expenditures for property, plant and equipment;
- interest and principal payments on our debentures and short-term and long-term borrowings; and
- investments in strategic joint ventures and other affiliates.

We had net working capital (defined as current assets net of current liabilities) of Won 6,271 billion as of December 31, 2023, Won 3,272 billion as of December 31, 2024 and Won 1,627 billion as of December 31, 2025. Our holdings of cash and cash equivalents were Won 5,069 billion as of December 31, 2023, Won 3,899 billion as of December 31, 2024 and Won 3,779 billion as of December 31, 2025. We manage our liquidity risk to maintain adequate levels of working capital by continually monitoring projected cash flows. We also aim to mitigate liquidity risk by contracting with financial institutions with respect to bank overdrafts and banking facility agreements in order to ensure the availability of sufficient funds.

We believe that cash from our operations, current and future financing arrangements (including issuances of debentures, short-term and long-term borrowings) and existing cash and cash equivalents are likely to be sufficient to satisfy our operating cash requirements, capital expenditure needs and debt service requirements for the foreseeable future.

We strive to maintain a sound capital structure, and we monitor capital on the basis of our liabilities-to-equity ratio, which is calculated as total liabilities divided by total equity. The following table sets forth our liabilities-to-equity ratios as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(In billions of Won, except percentages)		
Total liabilities	₩ 21,064	₩ 29,340	₩ 37,826
Total equity	24,374	30,967	29,322
Liabilities-to-equity ratio	86.4%	94.7%	129.0%

Cash Flows

The following table sets forth our cash flows for the periods indicated.

	For the Years Ended December 31,		
	2023	2024	2025
	(In billions of Won)		
Net cash provided by operating activities	₩ 4,444	₩ 5,112	₩ 4,432
Net cash used in investing activities	(9,719)	(12,065)	(10,881)
Net cash provided by financing activities	4,355	5,382	6,286
Net decrease in cash and cash equivalents	(920)	(1,572)	(163)
Cash and cash equivalents at the beginning of the year	5,938	5,069	3,899
Effects of exchange rate changes on cash and cash equivalents	51	402	44
Cash and cash equivalents at the end of the year	₩ 5,069	₩ 3,899	₩ 3,779

Cash Flows from Operating Activities

Our net cash provided by operating activities decreased from Won 5,112 billion in 2024 to Won 4,432 billion in 2025. Such decrease was primarily attributable to a decrease in other current liabilities in 2025 compared to an increase in 2024 and, to a lesser extent, a smaller decrease in inventories in 2025 compared to 2024. Such decrease was offset in part by an increase in other payables in 2025 compared to a decrease in 2024 and a larger decrease in trade receivables in 2025 compared to 2024.

Our net cash provided by operating activities increased from Won 4,444 billion in 2023 to Won 5,112 billion in 2024. Such increase was primarily attributable to a decrease in trade receivables in 2024 compared to an increase in 2023 and a larger increase in other current liabilities in 2024 compared to 2023. Such increase was offset in large part by a decrease in profit before income tax expense in 2024 compared to 2023 and a smaller decrease in inventories in 2024 compared to 2023.

Cash Flows from Investing Activities

Our net cash used in investing activities decreased from Won 12,065 billion in 2024 to Won 10,881 billion in 2025. Such decrease was primarily attributable to a decrease in our cash outflow for acquisition of property, plant and equipment from Won 12,399 billion in 2024 to Won 10,834 billion in 2025, which mainly reflected a lower level of capital expenditures following significant investments in battery production facilities in 2024, as we shifted our focus in 2025 toward optimizing, selectively expanding and, in certain cases, converting existing facilities rather than constructing new production facilities.

Our net cash used in investing activities increased from Won 9,719 billion in 2023 to Won 12,065 billion in 2024. Such increase was primarily attributable to an increase in our cash outflow for acquisition of property, plant and equipment from Won 9,923 billion in 2023 to Won 12,399 billion in 2024, which mainly reflected our expansion of battery production facilities overseas and in Korea.

Cash Flows from Financing Activities

Our net cash provided by financing activities increased from Won 5,382 billion in 2024 to Won 6,286 billion in 2025. Such increase was primarily attributable to a significant increase in our proceeds from borrowings and others, which was primarily due to an increase in our borrowings to fund new investments. Such increase was offset in part by an increase in our repayments of borrowings and others as well as an increase in other miscellaneous cash outflow for financing activities, which mainly reflected payments made to our joint venture partners in connection with IRA tax credit sharing arrangements and payments made in connection with our acquisition of GM's stake in Ultium Cells LLC's third battery manufacturing facility in Michigan.

Our net cash provided by financing activities increased from Won 4,355 billion in 2023 to Won 5,382 billion in 2024. Such increase was primarily attributable to an increase in our proceeds from borrowings and others, which was primarily due to an increase in our borrowings to fund new investments, and an increase in our paid-in capital by non-controlling interests, which was primarily due to an increase in the paid-in capital of our joint ventures by our partners, including Honda, Stellantis and GM. The effects of such increases were offset in part by an increase in our repayments of borrowings and others.

Borrowings and Debentures

As of December 31, 2025, we had long-term borrowings, net of current portion, of Won 4,735 billion, which consisted of Won-denominated borrowings of Won 274 billion and foreign currency-denominated borrowings of Won 4,461 billion.

As of December 31, 2025, we had outstanding debentures, net of current portion but before deducting present value discounts, of Won 10,843 billion, which consisted of Won-denominated debentures of Won 3,525 billion and foreign currency-denominated debentures of Won 7,318 billion.

As of December 31, 2025, we had short-term borrowings of Won 2,681 billion. In addition, Won 2,609 billion of long-term borrowings and Won 1,322 billion of debentures were scheduled to become due on or prior to December 31, 2026.

The maturities of our financial liabilities, that were outstanding as of December 31, 2025 are as follows. See Note 3.1(3) of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

	Maturity			
	Less than 1 year	1 year to 2 years	2 years to 5 years	More than 5 years
Non-derivative instruments		(In billions of Won)		
Borrowings (excluding lease liabilities)	₩ 6,678	₩ 4,349	₩ 11,216	₩ 3,383
Lease liabilities	91	71	178	120
Trade and other payables	7,909	9	5	–
Subtotal	₩ 14,678	₩ 4,429	₩ 11,400	₩ 3,504
Derivative instruments				
Currency forwards and swaps settled in gross:				
(Inflows)	₩ (574)	₩ (1,004)	₩ (4,592)	₩ (1,722)
Outflows	535	967	4,372	1,721
Subtotal	(39)	(38)	(220)	(1)
Total	₩ 14,639	₩ 4,391	₩ 11,180	₩ 3,503

We believe that we have various alternatives available to us to satisfy our financing requirements, including short-term and long-term borrowing facilities and issuance of debentures. Our ability to rely on these sources, however, could be affected by several factors, including our results of operations and financial position, general economic conditions, the liquidity of the financial markets and institutional lenders and the Government's policies regarding corporate borrowings. These factors can affect our

ability to borrow and gain access to domestic and foreign capital markets or restrict the use of proceeds of any financing, and can require us to incur indebtedness from other sources that entail higher interest rates or shorter maturities. Any such requirement could increase our refinancing needs.

Capital Expenditures

We have made, and plan to continue to make, substantial capital expenditures required for our business. Our total capital expenditures, consisting of cash used in the acquisition of property, plant and equipment, amounted to Won 9,923 billion in 2023, Won 12,399 billion in 2024 and Won 10,834 billion in 2025. We anticipate that our capital expenditures in 2026 will be focused primarily on optimizing and selectively expanding our existing automotive and ESS battery production facilities in overseas markets and in Korea, including the repurposing of certain EV production capacity for ESS applications, rather than on the construction of significant new production facilities.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market rates and prices, such as foreign exchange rates and interest rates. We are exposed to various market risks in our ordinary course business transactions. Accordingly, we seek to actively monitor and manage market risks in order to minimize their potential adverse effect on our financial performance. Risk management activities, such as identifying, evaluating and managing risks at the company level, are performed by our finance department.

Foreign Exchange Risk

We operate internationally and are exposed to exchange rate risk arising from various currency exposures, primarily with respect to the U.S. dollar and the Euro. Our exposure to exchange rate risk relates primarily to commercial transactions (when sales or purchases are made in currencies other than functional currencies) and assets and liabilities denominated in currencies other than the Won.

In order to minimize foreign exchange risk arising from operating activities, our management's policies require us and our subsidiaries to manage our foreign exchange risk against our respective functional currencies. We manage our maximum loss for currency risk exposures within acceptable range by utilizing currency risk management models and hiring employees who are exclusively responsible for currency risk management. For example, we strive to naturally offset foreign exchange risk by matching our foreign currency receivables with foreign currency payables. We have investments in foreign operations, whose net assets are exposed to foreign currency translation risk, and we manage such currency exposure primarily through borrowings denominated in the relevant foreign currencies. From time to time, we also use derivative instruments to partially hedge our foreign exchange risk. In the past, we have selectively entered into currency forward contracts to partially hedge the risks from changes in foreign exchange rates. See Note 3.1 of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

The estimated impact on our profit before income tax expense for the periods indicated, from our holdings of monetary assets and liabilities denominated in foreign currencies as of the end of such respective periods, of a 10% change in Won to foreign currency exchange rates, assuming that all other variables remain constant and ignoring any impact on forecasted sales and purchases, is as follows.

	For the Year Ended December 31,					
	2023		2024		2025	
	10% Increase	10% Decrease	10% Increase	10% Decrease	10% Increase	10% Decrease
	(In billions of Won)					
USD	₩ (26)	₩ 26	₩ (237)	₩ 237	₩ (689)	₩ 689
EUR	(391)	391	(332)	332	(335)	335
JPY	(5)	5	(8)	8	(7)	7
CNY, etc.	12	(12)	19	(19)	5	(5)

Interest Rate Risk

Interest rate risk is defined as the risk that the interest income or expense arising from deposits and borrowings will fluctuate because of changes in future market interest rates. We are exposed to interest rate risk arising principally through borrowings and deposits that bear floating interest rates. The objective of interest rate risk management is to minimize financial losses and uncertainties associated with interest rate fluctuations, and we strive to manage our interest rate risk through various policies, such as 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, continuous monitoring of changes in market interest rates and balancing floating rate short-term borrowings with floating rate deposits. See Note 3.1 of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

If interest rates on our floating rate borrowings and deposits had been 1% point (100 basis points) higher or lower with all other variables held constant, the estimated impact on our profit before income tax expense for the periods indicated would have been as follows.

	For the Year Ended December 31,		
	2023	2024	2025
	(In billions of Won)		
1%p Increase	₩ (48)	₩ (46)	₩ (75)
1%p Decrease	48	46	75

BUSINESS

Overview

We are one of the largest producers of rechargeable lithium-ion batteries in the world in terms of production capacity. We offer a wide array of battery products for use in EVs, mobility and IT devices and ESSs. Our business comprises all stages of product research and development, manufacturing and sales. Since starting commercial production of lithium-ion batteries in 1999 for the first time in Korea, we have been the pioneer in the global rechargeable battery market with expanding facilities and networks in major hubs across the world. We had operated as the energy solution business division of LG Chem until we were split-off into a wholly-owned subsidiary of LG Chem in December 2020. In January 2022, we issued and sold 34,000,000 shares of our common stock, and LG Chem sold 8,500,000 shares of our common stock, through an initial public offering. Following the offering, LG Chem held 81.8% of our total shares.

Our core product lines are as follows:

- **Advanced Automotive Battery**. We develop and manufacture high-performance rechargeable lithium-ion batteries that power various EVs. These include batteries used in EVs, plug-in hybrid vehicles, hybrid EVs and micro hybrid vehicles.

- **Mobility and IT Battery**. We produce batteries of varying shapes and sizes for use in mobility devices, as well as smartphones, laptops, power tools and other electric devices.

- **Energy Storage System**. Our ESS batteries are used in generators, power grids, commercial and industrial facilities, as well as households, providing energy storage and a stable stream of power supply. They are also used as back-up power sources, including as an energy source for UPS systems used in commercial facilities.

We design, manufacture and sell advanced automotive batteries suited to power various sizes and types of EVs to major automobile OEMs. Our customers for automotive batteries include many of the leading global EV OEMs. In addition to automotive batteries, we also produce rechargeable batteries for use in mobile electronic devices, ranging from smartphones and laptops to power tools and electric bikes. Our energy solution capabilities extend to ESS batteries as well. ESS batteries enable the storage of electric energy at source for consumption at a later time. Our diversified ESS battery product portfolio addresses the demands of various customers, including power plants, solar and wind power farms, factories, commercial and industrial facilities and households. In light of a recent slowdown in the U.S. EV market and the rapid growth of the U.S. ESS market driven by the expansion of renewable energy generation and increasing power demand from AI data centers, we have undertaken strategic initiatives to further diversify our product portfolio and reduce our dependence on EV batteries by expanding our ESS business. As part of these initiatives, we have begun converting a portion of our existing EV battery production capacity in the United States to the production of LFP batteries designed specifically for energy storage applications.

We currently operate lithium-ion battery manufacturing facilities in Korea, the United States, China, Poland, Canada and Indonesia with a total annual production capacity of approximately 310 GWh as of December 31, 2025. In order to respond to evolving market demand for automotive batteries and ESSs, as well as achieve additional economies of scale, we plan to continue expanding our production facilities in key markets, including North America, and to optimize our existing production capacity and lines by adjusting applications, form factors and battery chemistries to ensure stable and efficient operations that meet changing customer requirements. For example:

- We are constructing a battery production facility in Arizona for cylindrical batteries for EVs, which is scheduled to begin mass production in 2027.

- In May 2025, we commenced production at our LFP battery manufacturing facility in Michigan, with an annual production capacity of 16.5 GWh for grid-scale ESSs.

- In November 2025, we announced plans to establish an ESS-specific LFP battery production line at our Ochang facility, with an annual production capacity of 1 GWh targeted for 2027.

In addition to the foregoing, we have established, and continue to develop, battery manufacturing capacity through multiple joint ventures with global automotive OEMs and strategic partners. See "– Joint Ventures."

We were incorporated on December 1, 2020 when the energy solution business division of LG Chem was split off. Our consolidated revenue amounted to Won 33,745 billion in 2023, Won 25,620 billion in 2024 and Won 23,672 billion in 2025. We recorded a profit of Won 1,638 billion in 2023, Won 339 billion in 2024 and Won 81 billion in 2025. We had total assets of Won 67,148 billion and total equity of Won 29,322 billion as of December 31, 2025, compared to total assets of Won 60,307 billion and total equity of Won 30,967 billion as of December 31, 2024.

Commitment to ESG Initiatives

We are committed to advancing Environmental, Social and Governance ("ESG") initiatives under our "CHARGE" vision declared in July 2021. The core achievements and tasks of each critical area are as follows:

C: Climate Action and Circular Economy

Our climate strategy is essential to establishing a sustainable battery ecosystem. We strive to improve our energy efficiency, accelerate our transition to renewable energy and engage our suppliers to combat climate change as part of our continued efforts to minimize greenhouse gas emissions generated from our business activities. By setting interim targets and implementation roadmaps, we aim to achieve carbon neutrality in our entire supply chain by 2050.

We classify climate-related risks and opportunities with reference to the recommendations of the Task Force on Climate-Related Financial Disclosures and the EU Taxonomy climate risk framework. In doing so, we distinguish between physical risks resulting from the direct impacts of climate change and transition risks resulting from regulatory, technological, market and social changes associated with the transition to a low-carbon economy. On this basis, we identify key climate-related risks and opportunities and conduct climate scenario analyses.

In April 2021, we became the first lithium-ion battery manufacturer to join both the Renewable Electricity 100% ("RE100") and Electric Vehicles 100% ("EV100") collaborative environmental initiatives. We are currently committed to sourcing all electricity used for our global operations from renewable energy by 2030, which is 20 years ahead of global campaign targets. The RE100 Annual Disclosure Report 2023, which was published in March 2024 by the Climate Group and the Carbon Disclosure Project (international non-profit organizations that help companies address climate change), indicates that we have achieved the highest level of renewable energy transition among Korean firms participating in the RE100 initiatives.

We are building a closed-loop system in each of our manufacturing sites where non-reusable batteries and scraps generated during the production stage are recycled and the extracted materials are then reinjected into the production stage. We are also collaborating with regional partners to establish an end-of-life battery collection system in order to provide the best solutions possible for the needs of our customers and to prepare for compliance with various regulatory requirements.

H: Human Value Management

We respect the rights of our employees and all relevant stakeholders and strive to protect human rights when carrying out our business activities. Based on the principle that our employees are our first and foremost customers, we foster and advance a culture that embraces diversity, equity and inclusion. Our company-wide policies, Global Human Rights and Labor Policy and Diversity, Equity and Inclusion Policy, provide a set of principles that apply to all of our domestic and overseas business activities. Moreover, we have established systematic procedures to regularly monitor and mitigate the risk of potential human rights or labor rights violations from its operations and supply chains.

A: Advanced Environment, Health and Safety ("EH&S")

As part of our commitment to minimize adverse environmental and social impacts of our business activities and deliver sustainable values through our products and services, we established an environmental management system based on the International Organization for Standardization ("ISO") 14001, and occupational health and safety management systems based on ISO 45001. We operate a product stewardship process to continually monitor and manage our compliance with evolving product and environmental regulations, including the Hazardous Substance Management System, or HSMS (formerly known as the Chemical Assurance and Regulation Management system, or CHARMs 2.0), which encompasses the entire process from the purchase of raw materials to the sales of final products. In addition, we conduct a comprehensive inspection of our global business sites for potential risks of environment-related accidents on a regular basis and have been implementing robust initiatives to prevent accidents, raise employee and supplier awareness and improve the safety and health of the workplace.

R: Responsible & Impactful Business

Responsible supply chain management is crucial to maintaining sustainable business management. The rapid growth of the battery market has brought various issues related to the supply of raw materials to the forefront, and accordingly, the ethical and transparent management of supply chains has now become an essential business strategy.

Through our Responsible Sourcing Policy and our Code of Conduct for Suppliers, we believe that we hold our suppliers to the highest standards with respect to human rights, labor laws, environmental sustainability, occupational health and safety and business ethics. We monitor our upstream supply chains for compliance with our policies and code of conduct through both internal and external audits. We remain engaged with our suppliers and encourage them with corrective actions to promote responsible sourcing. We also engage with non-governmental organizations, research institutions and academia to assess the risks in our battery supply chain and to facilitate any necessary remediations. Moreover, we aim to promote greater transparency and traceability across our entire supply chain by managing our supply chain information (such as the country of origin, commodity-specific risks and due diligence reports, among others) in a systematic manner through our advanced information system.

Furthermore, we are committed to fulfilling our social responsibility by engaging with and supporting local communities at our global business sites as well as communities relevant to our battery supply chains. Based on a company-wide global social impact strategy known as the corporate social responsibility ("CSR") strategy, we intend to build on our existing CSR activities as well as develop new activities that focus on underrepresented and marginalized groups of the communities.

G: Good Governance

We seek to ensure that our governance is transparent, accountable and sustainable. We intend to promote diversity within our board of directors and leverage the expertise of the ESG Committee and the Advisory Group of Experts to inform our decision-making processes. We also strive to advance our compliance management system to facilitate the compliance of all our global business sites and suppliers. In November 2021, we became the first company in the global battery industry to acquire the ISO 37301 certification on a compliance management system at our domestic facilities, and obtained

ISO 37301 certifications at our China and Poland facilities in 2022 and 2023, respectively. In addition, we obtained the ISO 22301 certification on our business continuity management system at our main headquarters in December 2021. We further obtained the ISO 37001 certification for our anti-bribery management system at all of our domestic facilities in July 2024. We aim to strengthen ethical management by conducting regular audits at our global business sites and providing ethical code training for our employees and suppliers.

E: ESG Disclosure & Communication

We seek to systemize our data collection process and implement a framework to measure ESG performance. In addition to our annual ESG reporting activities, we seek to proactively communicate the latest available ESG information with various stakeholders, including customers, suppliers, institutional investors, ESG rating agencies and non-governmental organizations.

Furthermore, the battery value chain is complex, and there are still many uncertainties regarding the opportunities, challenges and industrial norms surrounding ESG issues. We seek to contribute to establishing global ESG standards for our industry by actively participating in global initiatives and collaborating with various companies, organizations and stakeholders who share the same purpose and goals.

History and Corporate Information

We began our research and development activities in lithium-ion batteries as a new business division of LG Chem in 1996, starting commercial production of lithium-ion batteries for consumer applications in 1999. Over the following decades, we expanded our product portfolio to include automotive batteries, ESS batteries and advanced battery technologies including LFP and LMR batteries, while establishing manufacturing facilities across multiple continents to serve our global customer base.

On December 1, 2020, in order to more effectively respond to the increasing demand for rechargeable lithium-ion batteries in the automotive and IT industries, we were established as a wholly-owned subsidiary of LG Chem through the Split-off. In January 2022, we issued and sold 34,000,000 shares of our common stock, and LG Chem sold 8,500,000 shares of our common stock, through an initial public offering. Following the offering, LG Chem held 81.8% of our total shares.

We are a member of the LG Group, which was the fourth largest business group in Korea in terms of combined assets as of December 31, 2024, according to the Korea Fair Trade Commission. Our registered office is at Parc One Tower 1, 108 Yeoui-daero, Yeongdeungpo-gu, Seoul 07335, Korea.

Our Products and Services

We engage in the production of rechargeable lithium-ion batteries used in EVs, mobile devices, such as smartphones and laptop computers, as well as ESS battery systems. Lithium-ion batteries are rechargeable and have one of the highest energy densities among the battery technologies currently available. They are widely used in EVs, electronic devices and ESSs.

Automotive Batteries

Our automotive batteries are used in a broad range of environment-friendly vehicles, including EVs and hybrid vehicles. We are among the world's leading producers of automotive batteries. The automotive battery market has been expanding at a rapid pace due to the strengthening of fuel efficiency standards in many countries, enhanced governmental subsidies and economic incentives supporting the purchase and use of EVs, major advances in EV technology and the increasing cost-competitiveness of EVs compared to traditional internal combustion engine vehicles.

Our automotive battery products are produced in the form of battery cells, battery modules and battery packs. The battery cell is the core and basic structural unit of an automotive battery product, and a battery module is formed by compiling a certain number of these battery cells. Battery modules are

further assembled into a battery pack, along with other control and protection systems such as battery management systems and cooling systems, before it is installed in EVs. We sell all three forms of automotive battery products to our customers based on their needs.

Lithium-ion battery products used in EVs generally take one of the following three major types based on the forms of battery cells: cylindrical, prismatic and pouch types. Each form type of battery cell offers different advantages and disadvantages, including those relating to mechanical stability, heat control, optimal use of space and weight, and each automobile OEM generally has a preference for a certain form type depending on its design of battery packs and vehicles. Our automotive battery products primarily consist of cylindrical and pouch cell types. In December 2024, we entered into a partnership agreement with GM to jointly develop batteries utilizing prismatic battery cell technologies, including LMR prismatic batteries for GM's mid-to-low end EV models, with production targeted to begin in 2028.

- Cylindrical cells consist of sheet-like anodes, separators, and cathodes that are sandwiched, rolled up, and packed into a cylinder-shaped can. Some of the advantages of cylindrical cells include mechanical stability, easier heat control and low manufacturing costs compared to other form types. Their primary disadvantage is the difficulty of fully utilizing available space.

- Pouch cells do not have a rigid enclosure but rather utilize a sealed flexible foil as their cell container. Due to their light packaging, pouch cells are lighter in weight and their shape can be tailored to fully utilize the available space. Some of the disadvantages include more complex development and manufacturing processes than other form types, as well as the swelling of the battery cells with gas.

- Prismatic cells consist of large sheets of anodes, separators, and cathodes that are sandwiched, rolled up, and compressed into a metallic or plastic housing in cubic form. Their box-like shape enables optimal use of the available space when combining them into battery modules and packs. However, prismatic cells are subject to higher risk of damage near container corners as well as more challenging heat control.

The competitiveness of our automotive battery products stems from our utilization of advanced technologies to produce high-quality battery products that meet our customer's specific key technical requirements, including energy density, multiple charging cycles, fast charging and long lifespan. We have achieved a high degree of flexibility in customizing our battery cells, modules and packs, and are able to efficiently produce modules tailored to various pack structures. Our battery packs can also be customized to meet the design requirements of our OEM customers by maximizing space efficiency through reinforced structural rigidity without compromising safety.

In response to recent market demand for more cost-effective battery solutions, we have expanded our automotive battery product portfolio to include LFP and LMR batteries in addition to NCM and NCMA batteries. LFP batteries generally cost less than NCM batteries and offer enhanced safety characteristics. LMR batteries contain a higher proportion of manganese, typically representing approximately two-thirds of the cathode composition, which reduces reliance on higher-cost materials such as nickel and cobalt. LMR batteries are also expected to offer energy density approximately one-third higher than that of LFP batteries.

Mobility and IT Batteries

The mobility and IT batteries that we produce are primarily used in mobility devices, such as electric bicycles, mobile electronic devices such as smartphones and laptops and power tools and wearable devices. We produce a wide range of products based on cylindrical and pouch type cells. We also have the ability to produce such batteries in varying shapes and sizes based on our patented "stack and folding" structure, which allows us to provide our customers with a wide range of design flexibility.

ESS Batteries

The ESS battery products that we produce are used to store energy at various facilities, including power generators, electrical grids, commercial and industrial facilities and households. They are also used as back-up power sources, including as an energy source for UPS systems used in commercial facilities.

ESS batteries store electric energy at source for consumption at a later time, improving energy efficiency, sustainability and the stability of power supply systems. For example, an ESS battery can store surplus energy generated from photovoltaic panels to be used at a later time as an alternative to the electrical grid. ESS batteries offer users flexibility in the way that they generate and use energy and are considered to be an important component for harnessing renewable energy sources.

We have significantly expanded our ESS business in recent years in response to growing global demand for energy storage solutions. In May 2025, we commenced production at our first North American LFP battery manufacturing facility in Michigan, with an annual production capacity of 16.5 GWh specifically for grid-scale ESSs. In addition, since November 2025, we have been manufacturing ESS LFP battery cells for customers in North America at our production facility in Canada and, since December 2025, for customers in Europe at our production facility in Poland. We plan to continue expanding our annual ESS production capacity in North America and in other regions to meet increasing customer demand.

In addition, in February 2022, we acquired the ESS system integrator NEC Energy Solutions and newly established LG Energy Solution Vertech Inc. to provide system integration services for our ESS batteries. Through such acquisition, we expect to provide a comprehensive ESS battery solution to our customers, ranging from aiding customers with planning to the installation and maintenance of ESS batteries.

Services

In addition to our products and applications above, we aim to continue diversifying our revenue sources by expanding our software and service businesses. In August 2024, we launched our battery safety diagnostics software business, leveraging our accumulated expertise in battery management systems ("BMS") to preemptively diagnose various battery abnormalities. In September 2024, we launched a new brand for our BMS-related services called "B.around" to highlight our commitment to expanding our BMS services. In October 2024, we also announced the establishment of a Battery-as-a-Service ("BaaS") business model encompassing battery leasing, rental, and recycling services, as well as an Energy-as-a-Service ("EaaS") business model to become a comprehensive energy solution provider. Furthermore, in November 2024, we reorganized our internal business departments to establish a new EaaS department and expand our BaaS department. We expect to continue expanding such services in the future.

Customers, Sales and Distribution

Our main customers include major automobile OEMs for our automotive battery products, global electronic manufacturers for our mobile and IT batteries and utility companies and system integrators for our ESS batteries. Our domestic sales are predominantly denominated in Won, while our overseas sales are generally denominated in U.S. dollars. The following table sets forth our sales by geographical location for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(In billions of Won)		
Korea[(1)]	₩ 2,412	₩ 1,747	₩ 2,678
China	6,082	5,040	4,919
Asia (excluding Korea and China) and Oceania	1,398	1,055	1,053
Americas	11,855	10,749	10,143
Europe	11,999	7,029	4,879
Africa	–	0	–
Total	₩ 33,745	₩ 25,620	₩ 23,672

(1) Including exports made through local letters of credit.

Automotive Batteries

Major customers for our EV batteries include multinational automotive manufacturers such as GM, Tesla, Hyundai Motor Company, Stellantis, Volkswagen and Renault, among others. Our manufacturing arrangements with these customers, which are typically long-term, require a complicated and time-consuming research and development process for us to tailor our products to, and meet the technological requirements of, our customers. Once we and our customers agree on the manufacturing and standard operating procedures, we supply batteries to them for a specific EV model during the entire lifespan of the model, which typically ranges between five and ten years.

Our customers look for quality, scale and timely delivery, and we believe that our close relationships with our major customers enable us to better anticipate market trends and evolving customer needs. In particular, strict standards imposed by automotive OEMs for the production of automotive batteries make it challenging and time-consuming to become a qualified supplier. As a core component of EVs, the production and development of automotive batteries have to align with the requirements of the vehicle's specifications as a whole as well as the specific requirements of each model. Per industry practice, only products that have passed the internal inspection and testing of the vehicle manufacturer can be assembled into the corresponding vehicle model. Accordingly, a substantial period of time is required from the initial development of the automotive battery model to the sale and marketing of the battery products, which involves a comprehensive process ranging from product design, trial production, sample testing, joint debugging and joint testing, national standard certification, product finalization, product review by the regulatory authorities, and finally, introduction of the product into the market. Generally, once a battery supplier becomes a qualified supplier, an automobile OEM strives to establish a long-term and stable supply relationship with its automotive battery supplier and will not easily change its supplier.

We typically enter into supply arrangements that do not establish fixed pricing and volume commitments for an extended period of time. However, our key customers provide us with advanced rolling forecasts of their product requirements, and they issue purchase orders based on periodic negotiation of purchase price and volume. Our existing arrangements with our customers do not restrict us from entering into similar arrangements with other customers. We typically issue an invoice after our products are delivered to customers, and payments are received within 14 to 145 days of the invoice date depending on the payment terms agreed with the customer.

Mobility and IT Batteries

Our major customers for mobility and IT batteries are (i) global EV manufacturers, including Tesla and Proterra, (ii) power tool manufacturers, including Stanley Black & Decker and Bosch and (iii) global manufacturers of IT products such as smartphones, laptops and tablets, including Apple, LG Electronics, Acer, Lenovo Group and Hewlett-Packard. We typically enter into long-term supply agreements with our major customers to develop and supply batteries for a particular EV or IT product model throughout its lifespan, which ranges from several months to a few years. Under such arrangements, we typically supply our battery products in accordance with purchase orders for specific

EV and IT product models. We typically issue an invoice after the delivery of our products to customers, and payments are generally received within 30 to 150 days of the invoice date depending on the payment terms agreed with the customer.

ESS Batteries

Major customers of our ESS batteries include power generators, utility companies, system integrators and ESS developers. ESS customers tend to focus on product safety and reliability and prefer to establish long-term and stable supply relationships with battery suppliers.

ESS batteries are typically provided throughout the lifecycle of power projects. The duration of supply agreements varies depending on the scale of the projects, ranging from several months to a few years. We typically enter into master supply agreements with our major customers and supply our products pursuant to purchase orders for specific projects. We typically issue an invoice after the delivery of our products to customers, and payments are received within 30 to 180 days of the invoice date depending on the payment terms agreed with the customer.

Raw Materials

The main raw materials used in our production of lithium-ion batteries include cathode materials, anode materials, separators and electrolytes, as well as copper foil for small batteries, among which cathode materials and separators represent a substantial portion of our overall raw materials cost. We also purchase certain components for our ESS products, such as battery management systems, electrics, cooling and injection parts, from third-party suppliers. To minimize any potential interruption to our operations due to the lack of supply of principal raw materials, we purchase each of these materials and components from multiple suppliers located in various regions worldwide. Additionally, we have made, and continue to make, strategic arrangements, including equity investments and long-term supply agreements, with top suppliers of raw materials. We typically enter into supply agreements with our key material suppliers for multi-year terms, while each purchase is made through a purchase order at a price that is determined based on the benchmark price of the relevant raw material.

Certain raw materials have experienced significant price volatility in recent years. The metals that currently have the most significant impact on our battery production costs are lithium and nickel. For example, the price of lithium dropped significantly in 2023 due to an oversupply compared to the slowing growth in demand for EVs, and had since stabilized at lower levels. Since early 2025, however, prices of lithium, nickel and other battery materials have been rising due to increased demand in the Chinese market. Similarly, cobalt prices increased sharply throughout 2025 as supply constraints from major exporters prompted strategic stockpiling by leading importers. As part of our efforts to manage raw material costs, we have reduced reliance on cobalt by increasing the proportion of nickel and manganese content in our NCM and NCMA batteries and by producing LFP batteries for our ESS products, which use lithium, iron and phosphate as cathode materials rather than nickel and cobalt. We also seek to hedge against rapid increases in raw material prices through medium- and long-term supply agreements and have been pursuing various cost reduction initiatives, including the development of alternative battery technologies such as LMR batteries.

In August 2022, the United States enacted the IRA, which, among other things, introduced tax incentives to support U.S. manufacturing of batteries and battery components and the purchase of qualifying EVs, including incentives tied to North American assembly, critical mineral sourcing requirements and restrictions relating to FEOC. Partly in response to the enactment of the IRA, we expanded our supply chain by entering into mineral supply agreements with companies in the United States, Australia and Canada, among others, and expanded our manufacturing capacity in North America through additional investments or acquisitions. For example, we have entered into long-term lithium supply arrangements with Australian suppliers, including a strategic partnership in July 2024 with Liontown Resources Limited and a multi-year lithium carbonate supply agreement in September 2025 with Anson Resources Limited, to further strengthen our access to IRA-compliant lithium. We have also expanded our production capabilities within the United States, including through joint venture

agreements with GM and Honda, to accommodate the IRA's requirements. See "– Production Facilities." In July 2025, the United States enacted the OBBBA, which modified certain important provisions of the IRA. See "Risk Factors – Risks Relating to Regulations – Our business is substantially affected by government incentives, and a significant reduction, elimination or modification of such incentives may have a material adverse effect on our financial condition and results of operations."

We believe that our agreements with raw material suppliers contain commercial terms and conditions that are customary for the industry. Historically, we have not experienced any significant difficulties in obtaining raw materials to satisfy our production requirements.

We strive to maintain a socially responsible supply chain. We have instituted and maintained a supplier code of conduct since 2016 in order to regulate various aspects of our suppliers' supply chain management, including human rights, labor rights, ethics, environmental sustainability and responsible procurement of minerals. This code governs our selection, monitoring, assessment and management of the supplier network. We regularly monitor and manage the ESG practices of our suppliers to ensure that they are in compliance with our supplier code of conduct, to which they are obligated to adhere.

We have developed a comprehensive due diligence strategy for high-risk, core raw material supply chains, aligning with international standards including those of the Organisation for Economic Co-operation and Development and the UN Guiding Principles on Business and Human Rights. Our Tier-1 suppliers undergo annual ESG evaluations, including third-party audits, and high-risk suppliers are subject to additional on-site audits. In 2024, we launched a supply chain traceability system to enhance transparency and support regulatory compliance. We also maintain a dedicated task force to monitor and address human rights risks throughout our supply chain.

Production

Battery Cells

Under strictly controlled dust and humidity conditions in our manufacturing facilities, our production department inspects, mixes and stirs the raw materials in appropriate proportions for the production of positive and negative electrodes. After the cathode of a battery is coated on aluminum foil and the anode of a battery is coated in copper foil, the cathode and the anode are separated by a separator, wound up on a coil core and tested with heat, pressure, resistance and X-rays. The processed coil core is then heated up in a vacuum and finally filled and sealed in the metal shell. After a series of testing, the battery cells are classified and inspected before delivery to customers.

Battery Modules

The batteries are cleaned and paired with their respective side plates and other components required by each modular or electrical box, then assembled and welded together. Following this process, the side plates and the bottom plate of the batteries are welded and assembled. After passing the internal resistance test on the insulator inside, the modular or electrical boxes are covered by top plates and delivered to the warehouse.

During the design process, we adopt topology and topography optimization. We conduct size optimization, thermal analysis and heat loss control at an early stage of the design process of the modular or electrical box. Additionally, we perform impact and pressure tests during the design process to ensure the safety, reliability and durability of the final products.

Battery Packs

The contemplated modular or electrical boxes are then assembled with connectors and a cooling system, and installed into their respective shells with high and low voltage wires. After passing the tests on the cooling system and airtightness on the battery packs, the battery packs are delivered to the warehouse.

Quality Control and Product Safety

We implement strict product safety and quality control measures to ensure the reliability of our batteries from the beginning of our product development cycle.

Our quality control measures and protocols are implemented across all stages of production to ensure that our products are produced according to their initial design. The quality control procedure involves joint efforts of many of our teams, including the following: (i) the product center circulates the control parameters on product specifications, (ii) the engineering center controls and monitors the control parameters, (iii) the factory and construction department sets up a series of environmental parameters during the production process and monitors their compliance; (iv) the quality inspection center specifies the relevant quality control standards and inspects the technological parameter during the production process and (v) the operation center provides training to employees regarding quality control.

Production Facilities

We have established a network of production facilities in strategic locations around the world in order to better serve our major geographic markets and target customers. We currently operate lithium-ion battery manufacturing facilities in Korea, the United States, China, Poland, Canada and Indonesia with a total annual production capacity of approximately 310 GWh as of December 31, 2025.

The following table sets forth information regarding our production facilities as of December 31, 2025.

Production Facility	Primary Products	Year Established
Ochang, Korea	Mobile batteries, automotive batteries, ESS batteries	2011
Michigan, United States	Automotive batteries, battery packs	Factory 1: 2010
	ESS batteries	Factory 2: 2025
Ohio, United States	Automotive batteries, battery packs	2020
Tennessee, United States	Automotive batteries	2024
Ontario, Canada	Automotive batteries, ESS batteries	2022
Nanjing, China	Automotive batteries, ESS batteries	Factory 1: 2014
		Factory 2: 2018
	Mobile batteries	2003
Wroclaw, Poland	Automotive batteries, ESS batteries	2016
Karawang, Indonesia	Automotive batteries	2021

We plan to continue to invest in expanding our production facilities and upgrading our equipment and manufacturing processes in order to increase our production capacity, achieve additional economies of scale and support production of new products. When making capital expenditure plans, we analyze the allocation of our resources around the world, taking into consideration factors such as anticipated market demand, location of our key customers, relative currency values, the level of tariffs in particular countries and the cost of goods and labor in various jurisdictions. We regularly review these plans and make adjustments as necessary based on evolving market conditions.

The following table sets forth the details of our major capital expenditure projects in progress as of December 31, 2025.

Project	Amount Expended as of December 31, 2025	Estimated Additional Cost	Expected Additional Annual Production Capacity[(1)]	Expected Year of Completion[(2)]
	(in billions of Won)			
Nanjing, China				
Expansion of small battery facilities	₩ 2,089	₩ 377	4 GWh	2030
Michigan, United States				
Expansion of automotive/ESS battery production facilities	7,521	2,298	35 GWh	2030
Ohio, United States				
Expansion of automotive battery production facilities	3,665	101	– GWh	2027
Tennessee, United States				
Expansion of automotive battery production facilities	4,048	1,655	12 GWh	2028
Arizona, United States				
Expansion of small battery production facilities	410	1,669	49 GWh	2030

(1) Represents the expected increase in annual production capacity in comparison with the annual production capacity as of December 31, 2025.

(2) Represents the anticipated completion of the relevant expansion project. Production at certain facilities or production lines has commenced or may commence prior to such completion on a phased basis.

In addition to the above, we are also constructing, or planning to construct, additional production facilities through multiple joint ventures. See "– Joint Ventures."

Our total capital expenditures, consisting of cash used in the acquisition of property, plant and equipment, amounted to Won 9,923 billion in 2023, Won 12,399 billion in 2024 and Won 10,834 billion in 2025, primarily for the expansion of automotive and ESS battery production facilities overseas and in Korea.

Research and Development

We compete in highly competitive global markets characterized by evolving industry standards, continual technological development and product innovation. We believe that continued and timely development of new products and enhancements to existing products and manufacturing processes, as well as new technologies, are critical to maintaining our competitive position in the markets in which we operate. Accordingly, we have made, and will continue to make, significant investments in research and development activities. Our total research and development expenses, including our investments in certain funds related to research and development, amounted to Won 1,037 billion in 2023, Won 1,088 billion in 2024 and Won 1,328 billion in 2025.

Our research and development activities are carried out domestically and overseas, both in-house and via outsourcing. As of December 31, 2025, our domestic research and development activities were supported by 4,712 employees working at our R&D center, development centers for each product category and other R&D facilities, while our overseas research and development activities were supported by 361 employees through collaboration with our R&D partner networks in the United States, Europe, China and Japan. Our battery R&D center focuses on the research for new battery technologies and battery materials, including materials for high performance cathodes and anodes. Our development centers for each product category focus on the development and improvement of products and production technologies for a particular product category. For example, our automotive battery development center concentrates on developing high energy density EV battery packs.

We have successfully developed the following new products and technologies:

- free-form battery that allows variations in its form to fit into different shapes of devices it powers. It applies lamination and stacking technology in lieu of the conventional winding method, which helps maximize the internal space of the device and allows customization of battery forms to meet customers' manufacturing requirements;
- high-capacity nickel-rich cathodes;
- high-capacity fast charging anodes;
- high-performance electrolytes with enhanced safety, heat resistance and fast charging capacity;
- fire-retardant and heat-resistant separators;
- manufacturing and assembly processes of electrodes;
- high-capacity and high-energy density automotive battery cells and packs; and
- low-cost, long lifespan and high-efficiency ESS batteries for grid, industrial and household uses.

Intellectual Property

We depend on our proprietary technologies and production know-how to maintain our competitive position in the markets in which we operate, and we produce intellectual property through our extensive research and development activities. Our general policy is to apply for patents on an ongoing basis, in Korea and other appropriate jurisdictions, on patentable developments that are considered to have commercial significance. Our portfolio of patents covers our proprietary technologies used in products as well as many aspects of our product design and manufacturing processes. We may also purchase patents from other companies if we determine such patents to be necessary to our business.

We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patent, trademark, trade secret and other intellectual property laws in Korea, the United States and other countries. We also rely on unregistered proprietary rights, including know-how and trade secrets, related to our operations. Our know-how and trade secrets may not be patentable, but they are also valuable in that they enhance our ability to provide high-quality products to our customers.

As of December 31, 2025, we owned 12,942 patents in Korea and 38,464 patents outside Korea, as well as applications pending for 14,151 patents in Korea and 24,547 patents outside Korea. Our key patents include technologies related to the following:

- High-intensity safety-reinforced separators;
- High-energy electrode active materials with particle-size gradients; and
- Stack-folding electrode assembly.

We require our research and development employees and many of our customers to enter into confidentiality agreements prohibiting them from disclosing our proprietary information or technology. In addition, we have developed internal policies to promote the development of inventions, ideas, discoveries, improvements and copyrightable materials by our employees and to compensate those who achieve such results during their employment with us, in accordance with the Invention Promotion Act.

Joint Ventures

We have engaged in joint product development activities with our key customers and continue to seek opportunities to enter into strategic joint ventures in an effort to consolidate our position as a global leader in the rechargeable lithium-ion battery market. We believe that such strategic collaborations will strengthen our ability to optimize product design and supply chains, maintain product competitiveness and access new markets, products and technologies. For example:

- In December 2019, we formed a 50:50 joint venture Ultium Cells LLC with GM, to jointly utilize both partners' advanced manufacturing processes, achieve economies of scale and meet demands for GM's growing production of EVs. Ultium Cells LLC built its first automotive battery manufacturing facility in Ohio, which started mass production in the fourth quarter of 2022 with an annual production capacity of 40 GWh. It built its second automotive battery manufacturing facility in Tennessee with an annual production capacity of 20 GWh. In January 2026, production at the first and second automotive manufacturing facilities was temporarily suspended in response to a reduction in GM's EV production volumes, and operations are expected to resume in the second half of 2026. In May 2025, we acquired GM's stake in Ultium Cells LLC's third battery manufacturing facility in Michigan, which was then under construction, to enhance the efficiency of our existing facility operations in North America. The Michigan facility has a planned annual production capacity of 31 GWh, with mass production expected to commence in the first quarter of 2026. Ultium Cells LLC has also announced plans to convert production lines at its Tennessee facility from high-nickel NCM batteries to LFP batteries, with mass production targeted for 2027, and to mass produce LMR batteries in prismatic form at its Ohio and Tennessee facilities, with production targeted to begin in 2028. The actual timing of commencement of mass production and production volumes may vary depending on future market conditions and customer demand.

- In August 2021, we formed a 50:50 joint venture PT. HLI Green Power (formerly HKML Battery Indonesia) with Hyundai Motor Company. The joint venture constructed a battery cell manufacturing facility in Indonesia representing a total investment of approximately US$0.8 billion, which started mass production in the second quarter of 2024 and currently has an annual production capacity of over 10 GWh. Actual production volumes may vary depending on future market conditions and customer demand.

- In April 2022, we and Stellantis N.V. established the joint venture NextStar Energy Inc., with us and Stellantis N.V. holding 51% and 49% of the equity interests, respectively. NextStar Energy Inc. constructed a manufacturing facility for battery cells and modules in Ontario, Canada, which began mass production in November 2025, initially focusing on ESS battery cells. While the facility has an annual production capacity of 50 GWh, actual production volumes may vary depending on future market conditions and customer demand. In July 2023, the federal and Ontario provincial governments of Canada announced that they would jointly provide production incentives of up to CAD 15 billion to NextStar Energy Inc. In February 2026, we entered into an agreement with Stellantis N.V. to acquire its 49% equity interest in NextStar Energy Inc., which upon completion will result in our ownership of 100% of the joint venture. The transaction is subject to customary closing conditions, including the consent of NextStar Energy Inc.'s lenders, and certain terms may be modified by agreement between the parties. In connection with the transaction, credit support arrangements for NextStar Energy Inc.'s existing borrowings may be amended or replaced. We expect to continue our previously approved capital contributions to NextStar Energy Inc. following completion of the acquisition.

- In January 2023, we and Honda established the joint venture L-H Battery Company, with us and Honda each holding 51% and 49% of the joint venture's shares, respectively. L-H Battery Company is in the process of constructing a battery manufacturing facility in Ohio,

which is expected to begin mass production in 2026 with an annual production capacity of 40 GWh. The actual timing of commencement of mass production and production volumes may vary depending on future market conditions and customer demand. In December 2025, we agreed to sell all of the plant building assets under construction at such manufacturing facility to Honda Development and Manufacturing of America, LLC. In connection with this transaction, we are reviewing a potential sale-and-leaseback arrangement pursuant to which such assets would be leased back to us following the sale. The closing of the asset sale and execution of the lease agreement are expected to occur in April 2026. See Note 36 of the notes to the 2025/2024 Financial Statements included elsewhere in this offering circular. L-H Battery Company will continue to operate the facility following completion of such transaction.

- In November 2023, we formed another joint venture with Hyundai Motor Company, HLBMA LLC, which is in the process of constructing a battery cell manufacturing facility in Georgia, U.S. In September 2025, a large number of our employees working on such construction were detained by the U.S. Immigration and Customs Enforcement, causing substantial delays to the construction process. The facility is expected to begin mass production in the second quarter of 2026 with an annual production capacity of 30 GWh. The actual timing of commencement of mass production and production volumes may vary depending on future market conditions and customer demand.

Competition

We operate in the rechargeable lithium-ion battery market, which is highly competitive. It is characterized by strong competition among a few key producers and their aggressive capital investments, R&D expenditures and strategic transactions such as joint ventures vying for a greater market share. For instance, competition in Europe has intensified in recent years as Chinese battery manufacturers have significantly expanded local production capacity, including capacity dedicated to ESS applications, increasing competitive pressures and heightening competition for customers and market share in the region. We primarily compete with major lithium-ion battery manufacturers in Korea, China and Japan, including Korea's Samsung SDI Co., Ltd. and SK on, China's CATL, Gotion High-tech Co., Ltd. and BYD Co., Ltd. and Japan's Panasonic Corporation.

The most critical factors of success in the lithium-ion battery business are technological competitiveness, production capacity and competitive pricing. In addition, we compete primarily based on the following factors:

- product safety, performance, quality and reliability;
- manufacturing efficiency;
- development of new products and manufacturing processes;
- responsiveness to changes in customer needs and regulatory framework;
- distribution capacity and ability to deliver in large volumes on a timely basis;
- development and expansion of marketing and sales network; and
- stable supplies of raw materials.

Entry into the lithium-ion battery manufacturing business requires substantial capital expenditures and significant technological and manufacturing expertise. Although we believe that our existing investment, experience and technological expertise provide significant "time to market" and economies of scale advantages over any potential new entrant into this market, we may face increasing competition

from emerging companies that are capable of significantly expanding the scale of their operations. In addition, some of the manufacturers of EVs have increased production of lithium-ion batteries in recent periods and have announced their plans for additional capital investment to increase battery production, which may lead to intensified competition among manufacturers of lithium-ion batteries in the future.

Environmental Matters

We are committed to minimizing any adverse impacts on the environment, and we continually strive to advance our environmental goals to reduce any toxic emissions and waste from our operations. Our Global Environmental Policy outlines our principles and provides a set of environmental indicators to guide the development of environmental targets and programs at each of our operating sites, as well as to track their progress toward these targets. We have established a Biodiversity Protection and Deforestation Prevention Policy and a biodiversity risk assessment and management framework, and our suppliers and business partners are obligated to comply with such policies through our supplier code of conduct. In addition, our environmental management systems are ISO 14001 certified and our occupational health and safety management systems are ISO 45001 certified. We use a Hazardous Substance Management System (formerly called the Chemical Assurance and Regulation Management System) to track and manage the substance level information used in our batteries and monitor our compliance with applicable environmental regulations.

Further, we are investing significant resources in developing technologies and facilities to reduce toxic emissions and waste and increase our recycling rate of resources. We are developing a closed-loop recycling system covering the entire social value chain, from raw material production to battery disposal. We have constructed recycling systems to reprocess end-of-life batteries and manufacturing scrap for reuse in battery production, and have installed EV quick-charging stations using end-of-life batteries at our production plants and research centers. To advance these efforts, we have entered into strategic partnerships and joint ventures to expand battery recycling capabilities globally, including in Korea, North America, Europe and China. Through these initiatives, we aim to recover key materials such as cobalt, nickel and lithium for reuse in new battery production, supporting compliance with evolving regulatory requirements and contributing to a circular battery economy.

In addition, as part of our firm commitment to ESG principles, we have joined various environmental initiatives. For example, in April 2021, we became the first lithium-ion battery manufacturer to join both the RE100 and EV100 collaborative environmental initiatives. RE100 is a global corporate renewable energy initiative that was launched in 2014 by the Climate Group in partnership with the Carbon Disclosure Project, and is a collective of businesses committed to sourcing all of the electricity used for their global operations from renewable energy by 2050. Other members include Google, 3M, Microsoft, Apple, GM and many other Global Fortune 500 companies. As a Gold member of the RE100, we are committed to achieving the goals of RE100 across our global operations by 2030, which is 20 years earlier than what RE100 aims for. In 2024, we achieved a 56% conversion rate of renewable energy across our global business sites. Furthermore, we held a seat on the Advisory Committee of the RE100 Project Board, as the first battery manufacturer, from 2022 to 2025. In this role, we contributed as a policy advisor to develop strategies for expanding the renewable energy market at national and local levels, and collaborated with various environmental initiatives to accelerate carbon reduction across the battery industry and supply chains. While we are no longer a board member, we remain engaged in collaborative industry initiatives and partnerships to support the transition to low-carbon operations, enhance supplier climate action, and promote the broader adoption of renewable energy and emission-reduction practices across the entire value chain.

EV100 was launched by the Climate Group in partnership with We Mean Business Coalition and is aimed at making EVs the "new normal" by 2030. Members of the EV100 are committed to accelerating the transition to EVs, installing charging stations for their staff and customers, achieving net-zero emissions and engaging in related campaigns to promote such transition. As a member of the EV100, we

plan to transition our corporate vehicles into EVs and install charging stations at all locations for our staff by 2030. These are just a few examples demonstrating our continued efforts dedicated to the plan of achieving carbon neutrality by 2050.

Our production activities are subject to the environmental laws and regulations of the jurisdictions in which we operate. These laws and regulations empower the relevant government authorities to require environmental permits and submission of periodic reports, impose fees, clean-up or other remedial actions and continuous compliance with their standards and requirements. Some of the laws and regulations which we are subject to in Korea include the Clean Air Conservation Act, the Water Environment Conservation Act, the Soil Environment Conservation Act, the Act on the Registration and Evaluation of Chemicals, the Noise and Vibration Control Act, Wastes Control Act, Groundwater Act and Chemical Substances Control Act. In addition to the foregoing, we are also subject to the laws and regulations of jurisdictions outside of Korea in which we have production facilities.

While we believe that we are in compliance in all material respects with applicable environmental laws and regulations, the discharge of oil, gas or other pollutants into the air, soil or water may nevertheless give rise to liabilities and may require us to incur costs to remedy the damage caused by such discharges. Furthermore, any future changes to environmental laws may require us to modify or curtail our production activities or make additional capital expenditures, all of which may adversely affect our operations. For instance, in November 2023, the U.S. Environmental Protection Agency imposed regulatory fines of an aggregate of approximately US$700,000 against Ultium Cells LLC, our joint venture with GM, for violations of the Toxic Substances Control Act and the Clean Air Act. See "Risk Factors – Risks Relating to Regulation – We are subject to stringent health and safety and environmental regulations that could interrupt our operations or subject us to substantial compliance costs." When such incidents occur, we disclose them through our business and ESG reports and implement corrective measures, including system upgrades and reinforced procedures, to address underlying causes and prevent recurrence. We remain committed to protecting the health and safety of our employees, contractors, partners and local communities, and continue to strengthen safety management practices across all operations.

Health and Safety

We believe that we are in compliance with applicable health and safety laws and regulations in all material respects. Health and safety is a priority at all of our facilities. We have implemented a number of initiatives to create a safer workplace, including the establishment of an audit program to register and monitor all on-site safety activities and risks and conducting regular training programs for our employees. We have also established dedicated on-site departments at our facilities in charge of the health and safety of our employees and operate monitoring systems to facilitate timely identification of and reaction to accidents. We perform safety inspections on a regular basis of certain manufacturing processes that may pose a significant industrial hazard and implement risk management measures to minimize or eliminate the risk factors identified through such inspections. Additionally, in 2023, we developed new digital transformation technologies and implemented safety infrastructures for remote monitoring and automated controls across our global production sites to prevent industrial accidents. We continue to review and improve the effectiveness and appropriateness of our systems and policies through periodic reviews and certifications by external experts. While we believe that we are in compliance in all material respects with applicable health and safety laws and regulations, any workplace accidents may nevertheless give rise to regulatory fines or liabilities and may require us to incur costs to remedy the damage. For example, in October 2023, the U.S. Occupational Safety and Health Administration imposed a regulatory fine of approximately US$300,000 against Ultium Cells LLC, our joint venture with GM, for violating safety regulations following an explosion at one of Ultium Cells' factories in March 2023. See "Risk Factors – Risks Relating to Regulation – We are subject to stringent health and safety and environmental regulations that could interrupt our operations or subject us to substantial compliance costs."

Insurance

We have comprehensive insurance policies that cover different aspects of our business and properties, including property damage package insurance, liability insurance and cargo insurance as well as business interruption insurance which covers certain of the losses of profits which may result from an industrial accident. We pay premiums for our insurance policies based on international market rates. We consider our insurance coverage to be in accordance with industry standards.

Employees

As of December 31, 2025, we had a total of 12,561 full-time employees and 225 contract and part-time employees (excluding employees of our subsidiaries) based in Korea. The following table provides a breakdown of such employees, as of the dates indicated.

As of	Number of Full-time Employees	Number of Contract/Part-Time Employees	Total Number of Employees
December 31, 2023	12,008	158	12,166
December 31, 2024	12,492	143	12,635
December 31, 2025	12,561	225	12,786

Like most Korean companies, we grant our employees annual increases in basic wages and pay periodic bonuses. We also provide a wide range of fringe benefits to our employees, including housing and meal subsidies, medical, death and accident insurance, periodic health examinations, educational subsidies for long-term employees' children, special subsidies for significant personal events (such as marriage, birth of children or death of family members) and use of recreational facilities.

A significant number of our employees are members of our joint labor union with LG Chem. We annually negotiate a collective bargaining agreement and a wage agreement with the labor union, which were each last entered into in November 2025. Annual wage increases are determined jointly by employee and management representatives in consideration of our performance, the rate of inflation and economic growth in Korea and other relevant factors. We have not experienced any material labor disputes in recent years and consider our current relations with our workforce to be good.

For employees based in Korea, in accordance with the National Pension Act of Korea, we and our employees each contribute an amount equal to 4.5% of such employee's standard monthly income into a personal pension account of such employee. In addition, in accordance with the Act on the Guarantee of Employees' Retirement Benefits, we have adopted retirement pension plans for our employees. Contributions under the retirement pension plans are deposited annually into a retirement pension trust, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement pursuant to either a defined benefit plan or a defined contribution plan. The defined benefit plan guarantees a certain payout at retirement, according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. On a consolidated basis, we had net defined benefit liabilities and net defined benefit assets of Won 0.4 billion and Won 105 billion as of December 31, 2025, respectively. For further information regarding our defined benefit plan, see Note 16 of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

We are also subject to the local labor and employment laws of various jurisdictions outside of Korea in which we operate. For example, in China, pursuant to local laws and regulations, we contribute to several insurance and employee welfare schemes for our employees. We make contributions to our employee's social insurance plan, housing fund, basic pension insurance fund, basic medical insurance fund and unemployment, maternity and work-related insurance funds in accordance with applicable Chinese laws and regulations.

Legal Proceedings

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business.

For example, we faced several legal and administrative proceedings in recent years in connection with recalls of our battery products or EVs equipped with our battery products. See "Risk Factors – Risks Relating to Our Business – Safety and fire risks relating to rechargeable lithium-ion batteries, related recalls and resulting negative publicity may adversely impact our business."

In 2016, a class action lawsuit was filed against us by plaintiffs in Israel relating to allegations of fixing the price of lithium batteries and lithium battery products sold in Israel. Such claims were suspended due to a technical error regarding the legal procedure. In September 2020, the plaintiffs re-filed the lawsuit and submitted an application for service abroad with the Israeli court. Service on us pursuant to the Hague Convention was completed in June 2023, and in August 2023 the court approved such filing and application. In January 2024, we filed a motion to appeal such decision. Accordingly, no assurance can be provided about the outcome or impact of such lawsuit on us.

In January 2025, a fire occurred at the Moss Landing Energy Storage Facility, a large-scale grid storage facility in California, United States, which utilizes lithium-ion batteries manufactured by us. In February 2025, we were named as one of the defendants in a number of lawsuits filed by residents, alleging, among other things, inadequate fire safety measures and improper battery storage, and seeking compensation for health complications, property damage and evacuation-related expenses. While we intend to vigorously defend against such claims, the outcome or impact of such lawsuits cannot be predicted at this time.

Under the relevant provisions of the Korean Commercial Code relating to split-offs, both the subsidiary and the parent company remain jointly and severally liable after the corporate split-off for all of their liabilities existing prior to the corporate split-off unless such joint and several liability has been successfully eliminated through a special resolution adopted at a general meeting of shareholders and protection procedures for creditors of the affected debt, including consents of such creditors or provision of sufficient security for dissenting creditors. Accordingly, we and LG Chem remain jointly and severally liable for each other's debts and other liabilities that existed prior to December 1, 2020, which is the record date of the Split-off, that currently remain outstanding. We are the successor-in-title to all the assets and liabilities and rights and obligations that were related to the operations of the energy solutions segment conducted by LG Chem before the Split-off, as well as all authorized licenses, employment relations, contracts and lawsuits that were directly related to such operations. The remaining assets and liabilities and rights and obligations related to other business areas remain with LG Chem, and we remain jointly and severally liable for such liabilities.

Except as described above, we are not a party to any litigation or other legal or administrative proceedings that may have a material adverse effect on our business, financial condition or results of operations.

MANAGEMENT

Board of Directors

Our board of directors has the ultimate responsibility for the administration of our affairs. Our articles of incorporation currently provide for a board of directors to consist of at least three and no more than seven directors. Our board of directors is currently composed of two standing directors, one non-standing director and four outside directors. Directors are elected at a general meeting of shareholders by a majority vote of those present or represented so long as the affirmative votes also represent no less than 25% of the issued and outstanding shares with voting rights. The term of office for our directors is three years, unless a shorter term is approved at the general meeting of shareholders when electing a director. However, the term of office will be extended to the close of the annual general meeting of shareholders if the term of office for the director ends before the close of the annual general meeting of shareholders convened with respect to the last fiscal year within such term of office.

The representative director is a director elected by a majority of the board of directors and is empowered to make decisions regarding our day-to-day business as our chief executive officer. Dong-Myung Kim currently serves as our representative director.

The outside directors are non-standing directors elected from among those persons who do not have a special relationship (as defined under, among others, the Korean Commercial Code) with us that would interfere with the exercise of their independent judgment. We elected one outside director at our annual general meeting of shareholders in March 2023 and three outside directors at our annual general meeting of shareholders in March 2024, thereby satisfying the conditions set forth in the Korean Commercial Code. We also established an Outside Director Nomination Committee. Following the listing of our common shares on the KRX KOSPI Market, our outside directors are elected at the general meeting of shareholders from among candidates who meet the qualifications set forth in the Korean Commercial Code, and our Outside Director Nomination Committee is responsible for reviewing and recommending candidates for outside directors at the general meeting of shareholders.

The tables below set forth our directors and executive officers, and their ages and positions, as of the date of this offering circular. Certain changes to the composition of our board, including the appointment of a new outside director, are expected at our annual general meeting of shareholders scheduled for March 20, 2026. The business address of each of our directors and executive officers is at our head office at Parc One Tower 1, 108 Yeoui-daero, Yeongdeungpo-gu, Seoul 07335, Korea.

Directors

Name	Age	Position	End of current term	Other current positions
Bong Seok Kwon	62	Non-standing Director and Chairman of the Board of Directors	2028	COO, LG Corp.
Dong-Myung Kim	56	Chief Executive Officer and Representative Director	2027	None
Chang Sil Lee	61	Chief Financial Officer and Director	2028	None
Mee Nam Shinn	64	Outside Director	2026	None
Mee Sook Yeo	60	Outside Director	2027	Professor of Hanyang University School of Law Outside Director, CJ Logistics
Seung Soo Han	56	Outside Director	2027	Professor of Business School, Korea University Vice Chairman, Korean Association for Accounting and Policy Outside Director, KT&G
Jin Kyu Park	59	Outside Director	2026	Specially appointed professor, University Research Institute Industry Collaboration Center, Korea University Outside Director, Lotte Innovate

Bong Seok Kwon, Non-standing Director and Chairman of the Board of Directors

Bong Seok Kwon has served as our Non-standing Director since March 2022 and as our Chairman of the Board of Directors since March 2024. He also currently serves as the Chief Operating Officer of LG Corp. and is a Non-standing Director at LG Chem, LG Electronics and LG UPLUS. Previously, Mr. Kwon served as the Chief Executive Officer of LG Electronics. He holds an M.B.A. degree from Aalto University and a bachelor's degree in industrial engineering from Seoul National University.

Dong-Myung Kim, Chief Executive Officer and Representative Director

Dong-Myung Kim has served as our Chief Executive Officer since November 2023 and as our Representative Director since March 2024. Previously, Mr. Kim served as the leader of our advanced automotive battery division and the leader of the mobility and IT battery division at LG Chem. He holds a Ph.D. in materials science and engineering from KAIST.

Chang Sil Lee, Chief Financial Officer

Chang Sil Lee has served as our Chief Financial Officer and Director since our incorporation in December 2020. Previously, Mr. Lee served as the head of business management for the energy solution business division of LG Chem, from 2019 to 2020. He holds an M.B.A. degree from Aalto University.

Mee Nam Shinn, Outside Director

Mee Nam Shinn has served as our Outside Director since June 2021. Previously, Ms. Shinn served as an Outside Director at S-Oil Corporation and as the Representative Director of Doosan Fuel Cell Korea and K Auction.

Mee Sook Yeo, Outside Director

Mee Sook Yeo has served as our Outside Director since June 2021. She is currently a professor at Hanyang University School of Law and also serves as an Outside Director at CJ Logistics. Previously, she served as a judge at Seoul High Court.

Seung Soo Han, Outside Director

Seung Soo Han has served as our Outside Director since June 2021. Mr. Han is a professor of accounting at Korea University Business School. He also currently serves as the Vice Chairman of the Korean Association for Accounting and Policy and as an Outside Director of Neptune. Mr. Han holds a Ph.D. in Accounting from University of Illinois at Urbana-Champaign, an M.B.A. and a B.B.A. from Seoul National University.

Jin Kyu Park, Outside Director

Jin Kyu Park has served as our Outside Director since March 2023. Previously, Mr. Park served as a member of the Accounting Deliberation Committee of the Financial Supervisory Service. He is also currently a professor at Korea University and serves as an Outside Director at Lotte Innovate Co., Ltd. Mr. Park holds a Ph.D. in Economics from University of Birmingham.

Executive Officers

Our chief executive officer and other executive officers are appointed by the board of directors. Our current executive officers, other than our directors, are as follows:

Name	Title and responsibilities	With us since
Seung Don Choi	Executive Vice President, Head of the Advanced Automotive Battery Development Center	December 1, 2020
Jeong Soon Shin	Executive Vice President, Head of the Aurora Group	March 1, 2024
Suk Won Choi	Executive Vice President, Chief Product Officer	December 1, 2020
Geun Chang Chung	Executive Vice President, Head of the Future Tech Center	December 1, 2020
Woong Jae Han	Executive Vice President, Head of the Legal Group	December 1, 2020
Hyuk Jae Lee	Executive Vice President, Head of the North America Regional Group	June 1, 2022
Won Joon Suh	Executive Vice President, Advisor	December 1, 2020
Yoo Seong Oh	Senior Vice President, Head of the Advanced Automotive Battery Division	December 1, 2020
Hyung Sik Kim	Senior Vice President, Head of the ESS Battery Division	December 1, 2020
Jang Ha Lee	Senior Vice President, Head of HL-GA Battery Company LLC	December 1, 2020
Chang Wan Son	Senior Vice President, Head of the Manufacturing Technology Innovation Center	December 1, 2020
Jae Han Jung	Senior Vice President, Chief Quality Officer	December 1, 2020
Je Young Kim	Senior Vice President, Chief Technology Officer	December 1, 2020
Han Sun Lee	Senior Vice President, Head of the Intellectual Property Group	December 1, 2020
Seong Kwon Jang	Senior Vice President, Head of the Business Management, LG Energy Solution Wroclaw	December 1, 2020
Ki Su Kim	Senior Vice President, Chief Human Resource Officer	December 1, 2022
Chang Beom Kang	Senior Vice President, Chief Strategy Officer	December 1, 2023
Jin Kyu Lee	Senior Vice President, Chief Digital Officer	December 1, 2023
Woo Sub Kim	Senior Vice President, Head of the Communication Center	December 1, 2024
Kang Yeol Lee	Senior Vice President, Head of the Procurement Center	December 1, 2020
Brian Chung Oh	Senior Vice President, Strategic Alliances Officer	January 1, 2025
Sae Weon Roh	Senior Vice President, Advisor	December 1, 2020
Ji Hoon Cho	Senior Vice President, Advisor	January 1, 2021
Kee Eun	Senior Vice President, Advisor	December 1, 2020

Board Practices

Our articles of incorporation provide for the establishment of the following committees under our board of directors:

- Audit Committee;
- Outside Director Nomination Committee; and
- Other committees necessary for our management.

Audit Committee

Under the Korean Commercial Code and our articles of incorporation, we are required to have an Audit Committee consisting of at least three members, with outside directors accounting for at least two-thirds of the Committee. Members of our Audit Committee are Seung Soo Han, Mee Nam Shinn, Mee Sook Yeo and Jin Kyu Park. The committee reviews all audit and compliance-related matters and makes recommendations to our board of directors. Our Audit Committee's primary responsibilities include:

- engaging independent auditors;
- approving independent auditors' fees;
- approving audit and non-audit services;
- reviewing annual financial statements;
- reviewing audit results and reports, including management comments and recommendations;

- reviewing our system of controls and policies, including those covering conflicts of interest and business ethics;
- considering significant changes in accounting practices;
- examining improprieties or suspected improprieties;
- reviewing reports relating to the status of our business and assets, and the status of our subsidiaries;
- acting as our representative in any lawsuits between us and our directors; and
- establishing or amending any internal accounting management regulations and evaluating their operational status.

In connection with the annual general meeting of shareholders, the committee examines the agenda for, and financial statements and other reports to be submitted by the board of directors at, each annual general meeting of shareholders. Our external auditors report directly to the Audit Committee. Our Audit Committee holds regular meetings quarterly.

Management Committee

Our Management Committee is responsible for reviewing and approving various matters, including routine management-related matters, delegated by our board of directors. Our Management Committee currently consists of two directors: Dong-Myung Kim and Chang Sil Lee. Meetings of the Management Committee are held on an ad hoc basis if necessary.

Outside Director Nomination Committee

Our Outside Director Nomination Committee is responsible for reviewing and recommending candidates for outside directors at the general meeting of shareholders. Our Outside Director Nomination Committee currently consists of three directors: Mee Sook Yeo, Seung Soo Han and Bong Seok Kwon. Meetings of our Outside Director Nomination Committee are held on an ad hoc basis if necessary.

ESG Committee

Our ESG Committee is responsible for establishing and enforcing policies and strategies relating to certain non-financial aspects of our business, generally consisting of environment, social responsibility and corporate governance matters, in order to promote sustainable development and enhance our corporate value.

The ESG Committee currently consists of five directors: Mee Nam Shinn, Mee Sook Yeo, Seung Soo Han, Jin Kyu Park and Dong-Myung Kim. Meetings of the ESG Committee are held biannually, and more often on an ad hoc basis if necessary.

Related Party Transaction Committee

Our Related Party Transaction Committee is responsible for reviewing and approving certain related-party and other internal transactions to promote transparency and fair trade compliance. The Related Party Transaction Committee currently consists of four directors: Mee Sook Yeo, Seung Soo Han, Mee Nam Shinn and Chang Sil Lee.

Compensation of Directors and Executive Officers

Remuneration

The aggregate compensation (including short-term and retirement benefits) granted to our key management, including our directors, was Won 76 billion in 2023, Won 45 billion in 2024 and Won 61 billion in 2025. See Note 30(6) of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular. As of December 31, 2025, there were no loans granted by us to any of our directors or executive officers.

Stock Options

Under Korean law and our articles of incorporation, we may, subject to certain exceptions, grant by special resolution of our shareholders to our directors, officers and employees who have contributed or are expected to contribute to our management, or who meet the qualifications specified under applicable law, options to purchase up to an aggregate of 15% of the total number of our then issued and outstanding shares. As of December 31, 2025, no such stock options have been granted to any of our directors, executive officers or employees.

Interests of Directors and Executive Officers

As of December 31, 2025, there were no outstanding transactions other than in the ordinary course of business undertaken by us in which our directors or executive officers were interested parties.

None of our directors or executive officers has direct or beneficial interests in our shares. Certain of our directors and executive officers have direct or beneficial interests in companies with which we have engaged in transactions, including those in the ordinary course of business. As a result, potential conflicts of interest between their duties to us and their private interests could arise.

PRINCIPAL SHAREHOLDERS

As of December 31, 2025, we had a total of 234,000,000 common shares issued. The following table sets forth certain information relating to our shareholder composition as of such date.

Shareholder	Number of Common Shares	Common Share Ownership Percentage	Number of Preferred Shares	Preferred Share Ownership Percentage
LG Chem	185,747,525[(1)]	79.4%	–	–
National Pension Service	15,792,837	6.7%	–	–
Employee Stock Ownership Association	778,338	0.3%	–	–
Others	31,681,300	13.5%	–	–
Total	234,000,000	100.0%	–	–

(1) Includes 6,669,371 common shares held in trust by the Korea Securities Depository that may be exchanged for exchangeable bonds issued by LG Chem in July 2023 and May 2025.

Except as described above, no other person or entity or group of persons or entities known by us to be acting in concert, directly or indirectly, owned 5% or more of our issued common shares or exercised control or could exercise control over us as of the date of this offering circular.

LG GROUP

According to the latest report on Korean business groups released by the Korea Fair Trade Commission on May 15, 2024, LG Group was Korea's fourth-largest business group in terms of combined assets and comprised 60 companies, including 11 that were listed on either the KRX KOSPI Market or the KRX KOSDAQ Market of the Korea Exchange (together, the "KRX Markets"). On June 22, 2022, 12 companies, including 4 that were listed on the KRX Markets, split off from the LG Group and formed the LX Group, following which the LG Group consisted of 61 companies, including 10 that were listed on the KRX Markets. As of December 31, 2024, the total assets of the companies included in the combined financial statements of the LG Group amounted to approximately Won 186 trillion, according to the Korea Fair Trade Commission.

Originating from Lucky Chemical Co., Ltd., which was established in 1947 and initially engaged in the production of cosmetics, plastic goods and household products, LG Group has evolved into a major business group, with interests in the electronics, chemicals, telecommunications, engineering, information technology and power generation industries. Member companies of the LG Group are organized into three sub-groups: the electronics group, the chemicals group and the telecommunications and services group. The following chart shows select member companies of the LG Group as of the date of this offering circular.

Electronics	Chemicals and Batteries	Telecommunications and Services
LG Electronics Inc.	LG Chem, Ltd.	LG Uplus Corp.
LG Display Co., Ltd.	LG Energy Solution	GIIR Corp.
LG Innotek Co., Ltd.		LG CNS Co., Ltd.
		LG Management Development Institute
		LG Sports, Ltd.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We engage from time to time in various transactions with related parties, which include member companies of the LG Group. See "LG Group." We believe that we have conducted our transaction with related parties as we would in comparable arm's-length transactions with a non-related party, on a basis substantially as favorable to us as would be obtainable in such transactions.

Under the Monopoly Regulation and Fair Trade Act of Korea and the regulations thereunder, in the event that (i) we provide funds, securities or assets to, or enter into certain transactions with, a "specially-related" party, which includes affiliates, and (ii) the value of such transaction or provision is greater than or equal to the lesser of (x) 5% of the greater of our paid-in capital and total capital or (y) Won 10 billion, we are required to obtain approval for such transaction or provision by resolution of our board of directors, and to disclose the main terms and conditions of such transaction or provision to the public. We are currently required to disclose any such transaction or provision within three business days following adoption of the relevant resolution.

Under the Korean Commercial Code, in the event that we plan to enter into a transaction with (i) a major shareholder who owns or beneficially owns more than 10% of the total number of our issued and outstanding shares (other than non-voting shares) or exerts influence on our important management issues, (ii) a director, (iii) a spouse or lineal ascendant or descendent of the persons described in (i) and (ii), (iv) a lineal ascendant or descendent of a spouse of the persons described in (i) or (ii), (v) a company in which half or more of the total number of issued and outstanding voting shares is held by a person falling under (i) through (iv), solely or jointly with others, or its subsidiary company, or (vi) a company in which half or more of the total number of issued and outstanding voting shares is held by a person falling under (i) through (iv) together with a company falling under (v), we are required to obtain prior approval by not less than two-thirds of our board of directors. In connection with the approval by the board of directors, the major terms of the transaction must be disclosed, and the terms and conditions as well as the procedure of the transaction are required be structured and conducted in a fair manner.

Furthermore, as a publicly listed company in Korea, we are restricted under the Korean Commercial Code from providing any loan, guarantee or collateral to or for the benefit of any of our major shareholders or their specially-related parties, directors (including de facto directors for the purpose of this restriction as provided in the Korean Commercial Code), executive officers or auditors, unless certain exceptions apply. In addition, as a company listed on the Korea Exchange with total assets of not less than Won 2 trillion as of the end of the most recent fiscal year, if we intend to engage in any of the following transactions with or for the benefit of our largest shareholder (or such shareholder's specially-related parties) or with or for the benefit of any of our other specially-related parties, the Korean Commercial Code generally requires us to obtain approval of our board of directors for such transaction and report relevant information (such as the purpose of the transaction, the identities of the counterparties, the terms and conditions of the transaction and the estimated value of the transaction) at the first regular general meeting of shareholders held after the board meeting approving such transaction, unless certain exceptions apply: (i) any single transaction the value of which amounts to 1% or more of our total assets or total revenue as of the end of the most recent fiscal year; or (ii) any transaction the value of which, when aggregated with all other transactions executed with the relevant counterparty during the same fiscal year, amounts to 5% or more of our total assets or total revenue as of the end of the most recent fiscal year.

A summary of our material transactions with related parties is set forth below. For more information, see Note 30 of the notes to the 2025/2024 Financial Statements and the notes to the 2024/2023 Financial Statements included elsewhere in this offering circular.

Transactions with LG Electronics Inc.

Our transactions with LG Electronics and its subsidiaries consist primarily of sales of rechargeable lithium-ion batteries for mobile devices, automotive batteries and ESS batteries and purchases of battery manufacturing equipment. LG Electronics is a manufacturer of consumer electronics goods and a member of the LG Group.

Sales and others to LG Electronics and its subsidiaries amounted to Won 2,131 billion, Won 157 billion and Won 160 billion in 2023, 2024 and 2025, respectively, and total receivables from LG Electronics and its subsidiaries, which mainly consist of trade and other receivables, amounted to Won 230 billion, Won 39 billion and Won 40 billion as of December 31, 2023, 2024 and 2025, respectively. Such receivables do not include the provisions for the recall of GM EVs (see "Risk Factors – Risks Relating to Our Business – Safety and fire risks relating to rechargeable lithium-ion batteries, related recalls and resulting negative publicity may adversely impact our business").

Purchases of raw materials and merchandises from LG Electronics and its subsidiaries amounted to Won 312 billion, Won 179 billion and Won 260 billion in 2023, 2024 and 2025, respectively, and the acquisition of property, plant and equipment and intangibles from LG Electronics and its subsidiaries amounted to Won 817 billion, Won 940 billion and Won 605 billion in 2023, 2024 and 2025, respectively. Total payables to LG Electronics and its subsidiaries, which mainly consist of trade and other payables, amounted to Won 342 billion, Won 338 billion and Won 164 billion as of December 31, 2023, 2024 and 2025, respectively.

Transactions with LG Chem

Our transactions with LG Chem consist primarily of purchases of raw materials used in our production of lithium-ion batteries. LG Chem is our parent company and is a manufacturer of chemical products and a member of the LG Group.

Purchases of raw materials and merchandises from LG Chem amounted to Won 3,053 billion, Won 1,758 billion and Won 707 billion in 2023, 2024 and 2025, respectively, and total payables to LG Chem, which mainly consist of trade payables, amounted to Won 416 billion, Won 358 billion and Won 78 billion as of December 31, 2023, 2024 and 2025, respectively.

Transactions with Leyou New Energy Materials (Wuxi) Co., Ltd.

Our transactions with Leyou New Energy Materials (Wuxi) Co., Ltd., our affiliate, consist primarily of purchases of cathode materials.

Purchases of raw materials and merchandises from Leyou New Energy Materials (Wuxi) Co., Ltd. amounted to Won 1,683 billion, Won 1,194 billion and Won 285 billion in 2023, 2024 and 2025, respectively, and total payables to Leyou New Energy Materials (Wuxi) Co., Ltd., which mainly consist of trade payables, amounted to Won 157 billion, Won 211 billion and Won 3 billion as of December 31, 2023, 2024 and 2025, respectively.

Transactions with LG CNS Co., Ltd.

Our transactions with LG CNS Co., Ltd. and its subsidiaries consist primarily of their services in helping us to construct and maintain certain of our information technology infrastructure.

Acquisition of property, plant and equipment and intangibles from LG CNS Co., Ltd. and its subsidiaries amounted to Won 671 billion, Won 914 billion and Won 785 billion in 2023, 2024 and 2025, respectively, and other purchases from LG CNS Co., Ltd. and its subsidiaries amounted to Won 180 billion, Won 212 billion and Won 242 billion in 2023, 2024 and 2025, respectively. Total payables to LG CNS Co., Ltd. and its subsidiaries, which mainly consist of other payables, amounted to Won 372 billion, Won 443 billion and Won 367 billion as of December 31, 2023, 2024 and 2025, respectively.

Transactions with Directors and Officers

Certain of our directors and executive officers have also served as directors and executive officers of companies with which we conduct business. None of our directors or executive officers has or had any interest in any of our business transactions that are or were unusual in their nature or conditions or significant to our business.

TERMS AND CONDITIONS OF THE FIXED RATE NOTES

The following are the terms and conditions of the 2029 Notes, the 2031 Notes and the 2036 Notes (or the Green Notes) to be issued by the Company under the fiscal agency agreement for the 2029 Notes, under the fiscal agency agreement for the 2031 Notes and under the fiscal agency agreement for the 2036 Notes, respectively, each substantially in the form in which they (other than the text in italics) will be endorsed on the definitive certificates for the 2029 Notes, the 2031 Notes and the 2036 Notes, respectively, and referred to in the global notes therefor. The following statements do not purport to be a complete description of the 2029 Notes, the 2031 Notes or the 2036 Notes and the fiscal agency agreement for the 2029 Notes, the fiscal agency agreement for the 2031 Notes and the fiscal agency agreement for the 2036 Notes, as applicable, and are qualified in their entirety by reference to the provisions of the 2029 Notes, the 2031 Notes or the 2036 Notes, as applicable, and the fiscal agency agreement for the 2029 Notes, the 2031 Notes and the 2036 Notes. Unless otherwise specified, defined terms in this section should be interpreted as being applicable only to the 2029 Notes, the 2031 Notes and the 2036 Notes.

1. General

(a) This note is one of a duly authorized issue of notes of the Company in the aggregate principal amount of US$300,000,000 known as its "5.000% Senior Unsecured Notes due 2029" (the "**2029 Notes**"), the aggregate principal amount of US$500,000,000 known as its "5.250% Senior Unsecured Notes due 2031" (the "**2031Notes**") and the aggregate principal amount of US$500,000,000 known as its "5.875% Senior Unsecured Green Notes due 2036" (the "**Green Notes**" and together with the 2029 Notes and the 2031 Notes, the "**Notes**"), each issued or to be issued pursuant to a fiscal agency agreement, dated as of April 2, 2026 (as amended from time to time, each a "**Fiscal Agency Agreement**"), between the Company, Citicorp International Limited and any successor, as fiscal agent (the "**Fiscal Agent**"), and Citibank, N.A., London Branch and any successor, as registrar (the "**Registrar**"), paying agent (the "**Paying Agent**") and as transfer agent (the "**Transfer Agent**"), the terms of which are hereby incorporated by reference. Copies of the Fiscal Agency Agreement are on file and available for inspection upon prior written request and satisfaction of proof of holdings at the Fiscal Agent's office at 40/F, Champion Tower, 3 Garden Road, Central, Hong Kong, and reference thereto is made for a description of the rights and limitations of rights thereunder of the Holders of the Notes and the duties and immunities of the Fiscal Agent. In acting under the Fiscal Agency Agreement, the agents appointed by the Company thereunder are acting solely as agents for the Company and do not assume any obligation or relationship of agency or trust for or with the Holder, except as specifically described below or in the Fiscal Agency Agreement with respect to the Fiscal Agent. The Holders of Notes will be entitled to the benefits of, and be bound by, and deemed to have notice of, all of the provisions of the Fiscal Agency Agreement. As used herein, the term "**Holder**" means the person in whose name a Note is registered in the Note Register (as defined below).

(b) The Notes are issuable only as fully registered Notes without coupons in denominations of US$200,000 and any integral multiple of US$1,000 in excess thereof.

(c) The Company covenants that until the earlier to occur of the date on which all of the Notes shall have been delivered to the Paying Agent for cancellation and the date on which all of the Notes have become due and payable and monies sufficient to pay the principal of and interest on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein, the Company will at all times maintain a Fiscal Agent (which in each case shall be a bank or trust company having a combined capital and surplus of at least US$50,000,000, legally qualified to act as Fiscal Agent). Subject to the foregoing, the Company reserves the right at any time to vary or terminate the appointment of any of the Fiscal Agent and such additional agents as the Company may determine.

2. Payments

(a) Payments of principal of and interest on this Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts in the United States of America.

(b) Payment of the principal of this Note shall be made, upon presentation and surrender hereof, by wire transfer to the person to whom interest is payable as provided below.

(c) Payments of interest on this Note shall be made by transfer to a US$ account maintained by the payee with a bank in New York, details of which appear on the Note Register on the Record Date (as defined below), subject to the provisions below. The interest so payable on any Interest Payment Date will be paid to the person in whose name this Note is registered at the close of business on the fifteenth day preceding such Interest Payment Date (each, a "**Record Date**"), whether or not a business day, notwithstanding the cancellation, transfer or exchange of this Note subsequent to the Record Date and on or prior to such Interest Payment Date, and no interest otherwise so payable on any Interest Payment Date shall be paid on this Note if the name of its Holder was entered as such on the Note Register after the close of business on the Record Date next preceding such Interest Payment Date, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case such defaulted interest shall (unless paid together with principal of this Note in full other than on an Interest Payment Date) be paid to the person in whose name this Note is registered at the close of business on a subsequent record date (which shall be not less than five business days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Company to the Holders of Notes not less than 15 days preceding such subsequent record date. If interest is paid together with principal in full on a date that is not an Interest Payment Date, such interest shall be paid upon presentation and surrender of this Note to the Fiscal Agent or to a paying agent.

(d) In any case where the date for the payment of any principal of or interest on any Note is not a day on which banking institutions in Seoul, New York, London and the city where the specified office of the Paying Agent is located are open for business (a "**Business Day**"), then payment of such principal or interest need not be made on such date at such place of payment but may be made on the next succeeding day at such place of payment which is a Business Day with the same force and effect as if made on the date for such payment of principal or interest, and no interest shall accrue for the period after such date.

(e) Any monies paid by the Company to the Paying Agent for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable and shall have been paid to the Paying Agent by the Company shall then be repaid to the Company, and upon such repayment, all liability of the Paying Agent with respect to such monies shall thereupon cease and the Holder of any Note representing a claim therefor shall thereafter look only to the Company for payment thereof.

(f) Notwithstanding the foregoing, so long as Notes in the form of a global note (a "**Global Note**") are held on behalf of the Depository Trust Company ("**DTC**"), Euroclear Bank SA/NA ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream**") or any other clearing system, each payment in respect of such Global Note will be made to the person shown as the Holder in the Note Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

3. Calculation of Interest

Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

4. Optional Redemption Due to Changes in Tax Treatment

The Notes may be redeemed at the option of the Company, in whole, but not in part, upon not less than 30 nor more than 60 days' notice, at any time at a redemption price equal to the principal amount thereof plus accrued interest to (but excluding) the date fixed for redemption if, as a result of any change in, expiration of or amendment to the laws of the Republic of Korea ("**Korea**") (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which Korea (or such political subdivision or taxing authority) is a party, which change, amendment, expiration or treaty becomes effective on or after March 25, 2026, the Company is or would be obligated on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts (as described in Condition 6 below) with respect to the Notes, and such obligation cannot be avoided by the use of reasonable measures available to the Company; *provided*, however, that (i) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Company would be obligated to pay such Additional Amounts, and (ii) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Before giving any notice of such redemption, the Company shall deliver to the Agents a certificate of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred, together with an opinion of counsel to the effect that such a change in, or amendment to, the laws or treaties of Korea (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings, has occurred and that all conditions precedent to the right of redemption have occurred.

5. Purchase

The Company may at any time purchase Notes by tender (available to all Holders alike) or in the open market at any price. If the Company shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the Paying Agent for cancellation and are canceled and retired by the Paying Agent.

6. Taxation

All payments of principal of, and interest on, the Notes by the Company will be made without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Korea or by or within any political subdivision thereof or any authority therein having power to tax ("**Korean Tax**"), unless deduction or withholding of such Korean Tax is required by law. In the event that the deduction or withholding of Korean Tax is required by law, the Company will pay such additional amounts ("**Additional Amounts**") as will result in the payment to Holders of the Notes of the amounts which would otherwise have been receivable in respect of principal and interest in the absence of such deduction or withholding, except that no such Additional Amount shall be payable in respect of any Note:

(a) to or on behalf of a Holder who is subject to such Korean Tax in respect of such Note by reason of his being or having been connected with Korea or any political subdivision thereof (including, without limitation, being a citizen or resident or national of, or carrying on a

business or maintaining a permanent establishment in, or being physically present in, Korea) otherwise than merely by holding such Note or receiving principal or interest in respect thereof; or

(b) to or on behalf of a Holder who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Company to make such a declaration or claim, such Holder fails to do so within 30 days; or

(c) to or on behalf of a Holder who presents a Note (where presentation is required) more than 30 days after the relevant date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting a Note for payment on the last day of such 30-day period; for this purpose the "**relevant date**" in relation to any payments of interest on, or principal of, any Note means: (i) the due date for payment thereof; or (ii) if the full amount of the monies payable on such date has not been received by the Paying Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect is duly given to Holders of the Notes in accordance with the Fiscal Agency Agreement; or

(d) to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder; or

(e) any combination of paragraphs (a) through (d) above.

The obligation of the Company to pay Additional Amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge, (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Notes, or (c) any tax that would not have been imposed but for a failure by the Holder or beneficial owner (or any financial institution through which the Holder or beneficial owner holds any Note or through which payment on the Note is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the Internal Revenue Service) imposed pursuant to, or under an intergovernmental agreement entered into between the United States and the government of another country in order to implement the requirements of, Sections 1471 through 1474 of the Internal Revenue Code as in effect on the date of issuance of the Notes or any successor or amended version of these provisions, to the extent such successor or amended version is not materially more onerous than these provisions as enacted on such date; *provided* that, except as otherwise set forth in the Notes and in the Fiscal Agency Agreement, the Company shall pay all stamp and other duties, if any, which may be imposed by Korea, the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Fiscal Agency Agreement or as a consequence of the initial issuance of the Notes.

References to principal or interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable as set forth in the Notes.

7. Transfer, Exchange and Replacement

(a) The transfer of a Note is registrable (upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement and subject to the requirements of the Company, the Fiscal Agent and the Registrar) on the Note Register upon surrender of such Note for registration at

the Registrar's office, duly endorsed by, or accompanied by a written instrument of transfer in a form approved by the Company duly executed by, the Holder hereof or his attorney duly authorized in writing.

(b) In the manner and subject to the limitations and upon payment of the charges (if any) provided in the Fiscal Agency Agreement, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations or for a beneficial interest in a Global Note.

(c) No service charge shall be made for any exchange or registration of transfer provided for in Conditions 7(a) and 7(b) hereof, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

(d) No registrations of transfers or exchanges of Notes shall be made after notice of redemption of the Notes has been given.

(e) All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon such registration of transfer or exchange. Any new Note delivered pursuant to this Condition 7 shall be so dated that neither gain nor loss of interest shall result from such transfer or exchange.

(f) If any Note shall at any time become mutilated or destroyed or stolen or lost, then, provided that such Note, or evidence of the destruction, theft or loss thereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required in the premises) shall be delivered during business hours to the Registrar's office, a replacement Note of like tenor and principal amount will be issued by the Company and, at its request, authenticated by the Registrar and delivered by the Registrar at its office, in exchange for the Note so mutilated, or in lieu of the Note so destroyed or stolen or lost; *provided further*, that, in the case of destroyed, stolen or lost Notes, (i) neither the Company nor the Registrar shall have notice that such Notes have been acquired by a bona fide purchaser, and (ii) the Company and the Registrar shall have received evidence satisfactory to them that such Notes were destroyed, stolen or lost, and the Company and the Registrar shall have received an indemnity and/or security and/or prefunding satisfactory to each of them. All expenses and charges associated with procuring such indemnity and/or security and/or prefunding, and the cost of the preparation and issue of a replacement for any Note mutilated, destroyed, stolen or lost, shall be paid by the Holder of such Note. In case such mutilated, destroyed, stolen or lost Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay or cause to be paid such Note. Every new Note issued pursuant to this Paragraph (f) in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note, shall constitute an additional original contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone. Any new Note delivered pursuant to this Paragraph (f) shall be so dated that neither gain nor loss of interest shall result from such replacement. To the extent permitted by law, the provisions of this Paragraph (f) are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, stolen or lost Notes.

(g) The Company and the Fiscal Agent may deem and treat the registered Holder hereof as the absolute owner hereof (notwithstanding any notice of ownership or other writing hereon) for the purposes of receiving payment hereon or on account hereof and for all other purposes, whether or not this Note shall be overdue.

(h) The Company has appointed the Registrar as its agent for the registration of transfers, and for exchanges and replacements, of Notes and has agreed to cause to be kept at the Registrar's office a register (the "**Note Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for such registration and registration of transfers.

(i) All Notes issued as a result of any transfer, exchange or replacement of Notes shall be delivered to the Holder at the Registrar's office or (at the risk of the Holder) sent by mail to such address as is specified by the Holder in the request for transfer, exchange or replacement.

8. Covenants of the Company

(a) **Limitation on Liens**. So long as any of the Notes are outstanding, the Company will not itself, and will not permit any Principal Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any mortgage, charge, pledge, encumbrance or other security interest (a "**Lien**") on any Restricted Property without in any such case effectively providing that the Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Principal Subsidiary then existing or thereafter created which is not subordinate to the Notes) shall be secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness would not exceed 15% of Net Tangible Assets; provided that nothing contained in this Condition 8(a) shall prevent, restrict or apply to, and there shall be excluded from secured External Indebtedness in any computation under this Condition 8(a), External Indebtedness secured by:

(1) any Lien existing on the date of the Fiscal Agency Agreement or any Lien existing on any Restricted Property prior to the acquisition thereof by the Company or any of its Principal Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(2) any Lien on any Restricted Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof; provided that such Lien attaches to such Restricted Property concurrently with or within twelve months after the acquisition thereof or completion of construction, improvement or repair thereof;

(3) any Lien existing on any Restricted Property of any Principal Subsidiary prior to the time such Principal Subsidiary becomes a Subsidiary of the Company or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;

(4) any Lien securing External Indebtedness owing to the Company or to a Principal Subsidiary; or

(5) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses, to the extent of the amount of such External Indebtedness; provided that such External Indebtedness is not secured by any additional Relevant Property.

For the purposes of this Condition 8(a), the giving of a guarantee which is secured by a Lien on any Restricted Property, and the creation of a Lien on any Restricted Property to secure External Indebtedness which existed prior to the creation of such Lien, will be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed

or secured by such Lien; but the amount of indebtedness secured by Liens on Restricted Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

(b) **Certain Definitions**. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of the Fiscal Agency Agreement and the Notes shall have the respective meanings specified in this Condition. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with K-IFRS, and the term "**K-IFRS**" shall mean International Financial Reporting Standards as adopted by Korea.

"**External Indebtedness**" means any obligation for the payment or repayment of money borrowed which is payable to a person other than a bank located in Korea, a governmental institution of Korea or a branch outside Korea of a bank incorporated in Korea.

"**Long-term Debt**" means any obligation for payment or repayment of money borrowed having a maturity of more than one year from the date such indebtedness was incurred or having a maturity of less than or equal to one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such indebtedness was incurred.

"**Net Tangible Assets**" means, at any date, the total amount of assets of the Company and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible at the option of the Company or the consolidated Subsidiary in question, as the case may be), (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, and (c) all write-ups of fixed assets, net of accumulated depreciation thereon, after December 31, 2025, other than as permitted by the laws of Korea applicable to the Company, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with K-IFRS.

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Principal Subsidiary**" means:

(a) any Subsidiary of the Company under K-IFRS:

(i) whose revenue, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitute at least 10% of the consolidated revenue of the Company as shown by the then latest audited consolidated accounts of the Company; or

(ii) whose total assets, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitute at least 10% of the total consolidated assets of the Company as shown by the then latest audited consolidated accounts of the Company,

provided that:

(A) in the case of a Subsidiary acquired, or a company becoming a Subsidiary, after the end of the financial period to which the latest audited consolidated accounts of the Company relate, the reference to the then latest audited consolidated accounts

of the Company for the purposes of the calculation above shall, until audited consolidated accounts of the Company for the financial period in which the acquisition is made or, as the case may be, in which the relevant company becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Company adjusted to consolidate the latest audited accounts (consolidated where applicable) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Company or any Subsidiary in respect of which financial consolidation is relevant, no consolidated accounts are prepared and audited, revenue and total assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose as of the date of the latest audited accounts of the Company by the auditors for the time being of the Company;

(C) if at any relevant time in relation to any Subsidiary no accounts are audited, its revenue and total assets (consolidated where applicable) shall be determined on the basis of pro forma accounts (consolidated where applicable) of the relevant Subsidiary prepared for this purpose as of the date of the latest audited accounts of the Company by the auditors for the time being of the Company; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Company, then the determination of whether or not such a Subsidiary is a Principal Subsidiary shall be based on pro forma consolidation of its accounts (consolidated where applicable) with the then latest consolidated audited accounts (determined on the basis of the foregoing) of the Company; or

(b) any Subsidiary of the Company to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary.

"**Restricted Property**" means (a) any facility, whether owned at the date of issuance of the Notes or thereafter acquired, used for the production of basic materials and chemicals, energy solutions, IT and electric materials and advanced materials or life sciences products of the Company or any Subsidiary, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, reasonably determined by the board of directors of the Company not to be of material importance to the total business conducted by the Company and its Subsidiaries as a whole, and (b) any share of common stock or participating preferred stock of a Principal Subsidiary.

"**Subsidiary**" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

(c) **Provision of Information to Holders**. The Company covenants that if, and for so long as, this Note is a "**restricted security**" within the meaning of Rule 144 under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the Company shall, at any time when it is not subject to the periodic reporting requirements of Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is not exempt from such requirements pursuant to Rule 12g3-2(b) thereunder, provide to any

Holder of this Note or prospective purchaser of this Note designated by such Holder, upon the request of such prospective purchaser or Holder, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

9. Merger and Consolidation

Nothing contained in the Fiscal Agency Agreement or in the Notes shall prevent any consolidation of the Company with, or merger of the Company into, any other corporation or corporations (whether or not affiliated with the Company), or successive consolidations or mergers to which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or conveyance of the property of the Company as an entirety or substantially as an entirety; *provided* that (a) in case the Company shall consolidate with or merge into another corporation, or sell, transfer, lease or convey its property as an entirety or substantially as an entirety to any corporation, the corporation formed by such consolidation or into which the Company is merged or the corporation which acquires by sale, transfer, lease or conveyance the property of the Company as an entirety or substantially as an entirety shall be a corporation organized under the laws of Korea and shall expressly assume, if not assumed by law or by other means, by an agreement supplemental to the Fiscal Agency Agreement executed and delivered to the Fiscal Agent, the due and punctual payment of the principal of and interest on the Notes, and any Additional Amounts, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Fiscal Agency Agreement and the Notes on the part of the Company to be performed or observed; (b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company as a result of such transaction as having been incurred by the Company at the time of such transaction, no Event of Default (as defined below), and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; (c) if, as a result of any such consolidation or merger or such sale, transfer, lease or conveyance, properties or assets of the Company or a Subsidiary would become subject to a Lien which would not be permitted by the Notes, the Company or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Subsidiary then existing or thereafter created which is not subordinate to the Notes) equally and ratably with (or prior to) all indebtedness secured thereby; and (d) the Company has delivered to the Fiscal Agent an Officer's Certificate and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Fiscal Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

In case of any such consolidation, merger, sale, transfer, lease or conveyance, and following such an assumption by the successor corporation permitted under this Condition 9, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein.

Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Company prior to such succession any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Registrar; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in the Fiscal Agency Agreement prescribed, the Registrar shall authenticate and shall make available for delivery any Notes which previously shall have been signed and delivered by the officers of the Company to the Registrar for authentication, and any Notes which such successor corporation thereafter shall cause to be signed and delivered to the Registrar for that purpose. All of the Notes so issued shall in all respects have the same legal rank and benefit under the Fiscal Agency Agreement as the Notes theretofore or thereafter issued in accordance with the terms of the Fiscal Agency Agreement as though all of such Notes had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, transfer, lease or conveyance such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

In the event of any such sale, transfer or conveyance (other than a conveyance by way of lease) by the Company or any successor corporation which shall theretofore have become such successor corporation in the manner described in this Condition 9, the Company or such successor corporation, as the case may be, shall be discharged from all obligations and covenants under the Fiscal Agency Agreement and the Notes and may be liquidated and dissolved.

10. Events of Default

The term "**Event of Default**" means any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) which shall have occurred and be continuing:

(a) default in the payment of any installment of interest upon any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of all or any part of the principal of any of the Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company contained in the Notes or in the Fiscal Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a "**Notice of Default**" hereunder and demanding that the Company remedy the same, shall have been given to the Company by the Holders of at least 10% in aggregate principal amount of the Notes at the time outstanding; or

(d) any External Indebtedness of the Company in the aggregate outstanding principal amount of US$30,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of External Indebtedness of any other person in the aggregate principal amount of US$30,000,000 or more not being honored when, and remaining dishonored after becoming, due and called, *provided* that, in the case of (i) above, if any such default under any such External Indebtedness shall be cured or waived, then the default hereunder by reason thereof shall be deemed to have been cured and waived; or

(e) a court or administrative or other governmental agency or body having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Company to be bankrupt or insolvent and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(f) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian,

trustee, sequestrator or similar official of the Company or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business (except as provided in Condition 9) or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action.

If such Event of Default is continuing, the Holders of 25% or more in aggregate principal amount of the Notes then outstanding may, by written demand to the Company at the office of the Fiscal Agent, declare all of the Notes then outstanding to be immediately due and payable. Upon such declaration, the Fiscal Agent shall give notice thereof to the Company and to the Holders of the Notes, by mail and publication. If, after any such declaration and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Company pays or deposits with the Fiscal Agent all amounts then due with respect to the Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes, such defaults may be waived and such declaration may be annulled and rescinded by the Holders of more than 50% in aggregate principal amount of the Notes then outstanding, by written notice thereof to the Company at the office of the Fiscal Agent.

11. Meetings of Holders; Modifications and Amendments

(a) The Company may at any time, and the Fiscal Agent shall at any time after the Notes shall have become immediately due and payable due to a default upon a request in writing made by Holders holding not less than 10% of the aggregate outstanding principal amount of the Notes, convene a meeting of Holders of the Notes. Any such request in writing by the Holders shall be delivered to the Fiscal Agent. Further provisions concerning meetings of the Holders are set forth in the Fiscal Agency Agreement.

(b) Modifications and amendments to the Fiscal Agency Agreement or the Notes requiring consent of Holders may be made, and future compliance therewith or past defaults by the Company may be waived, with the consent of the Company and the Holders of more than 50% in aggregate principal amount of the Notes at the time outstanding, or of such lesser percentage as may act at a meeting of Holders held in accordance with the provisions of the Fiscal Agency Agreement; *provided* that no such modification, amendment or waiver of the Fiscal Agency Agreement or any Note may, without the consent of each Holder affected thereby, (i) change the stated maturity of the principal of, or date for the payment of interest on, any such Note; (ii) reduce the principal of or interest on any such Note; (iii) change the currency of payment of the principal of or interest on any such Note; or (iv) reduce the above-stated percentage of aggregate principal amount of Notes outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all Holders of Notes whether or not they have given such consent or were present at such meeting, and on all future Holders of Notes whether or not notation of such modifications, amendments or waivers is made upon the Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

(c) At a meeting of the Holders of the Notes called for any of the above purposes, persons entitled to vote a majority in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of

the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than those set forth in paragraphs (i) through (iv) of Condition 11(b) hereof) shall be effectively passed if passed by the persons entitled to vote the lesser of (i) a majority in aggregate principal amount of Notes then outstanding or (ii) 75% in aggregate principal amount of the Notes represented and voting at the meeting.

(d) The Fiscal Agency Agreement and the terms and conditions of the Notes may be modified, supplemented or amended, without the consent of the Holder of any Note, for the purposes of (i) adding to the covenants of the Company for the benefit of the Holders; (ii) surrendering any right or power conferred upon the Company; (iii) securing the Notes; (iv) curing any ambiguity, correcting or supplementing any defective provision herein; (v) evidencing the succession of another corporation to the Company and the assumption by it of the covenants, agreements and obligations of the Company under the Fiscal Agency Agreement and in, or with respect to, the Notes; (vi) adding any additional events of default, *provided* that any such additional event of default would not cause any Notes to be in default immediately upon any such addition; (vii) evidencing and providing for the acceptance of appointment of a successor Fiscal Agent with respect to the Notes and to add to or change any provisions of the Fiscal Agency Agreement that shall be necessary to provide for or facilitate the administration by more than one Fiscal Agent; or (viii) in regard to such matters or questions as the Company may deem necessary or desirable, *provided* that such action shall in the opinion of the Company not adversely affect in any material respect the interests of the Holders of the Notes at the time outstanding. Any determination as to adverse effect on the interests of the Holders pursuant to these Conditions shall be made by the Company and none of the Fiscal Agent, the Registrar or the Transfer Agent shall have any responsibility or liability whatsoever with respect to such determination. In all other cases, amendment of the Fiscal Agency Agreement will require consent of the Holders pursuant to a resolution of the Holders of the Notes adopted pursuant to Section 14 of the Fiscal Agency Agreement and the Notes.

12. Notices to Holders

Except as otherwise expressly provided herein or the Fiscal Agency Agreement, whenever the Fiscal Agency Agreement or a Note requires that the Company give notice to the Holder hereof, the Company will cause such notice to be mailed to the Holders of Notes at their respective addresses as they appear in the Note Register. If by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impracticable to give notice to the Holders of Notes in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice given to any particular Holder of a Note shall affect the sufficiency of any notice with respect to other Notes.

So long as the Notes are represented by Global Notes and the Global Notes are held on behalf of DTC, Euroclear, Clearstream or an alternative clearing system appointed in accordance with the terms of the Notes and the Fiscal Agency Agreement, notices to Holders may be given by delivery of the relevant notice to the clearing systems in accordance with the applicable rules and procedures of the clearing systems for communication by them to entitled accountholders. Any such notice shall be deemed validly given on the day after it has been delivered to DTC, Euroclear, Clearstream or an alternative clearing system as aforesaid.

13. Valid Obligations

The Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same the valid and legally binding obligation of the Company enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with the applicable laws of the State of New York.

14. Governing Law

The Notes shall be governed by, and interpreted in accordance with, the laws of the State of New York.

The Company (a) agrees that any legal suit, action or proceeding arising out of or based upon these terms and conditions may be instituted in any state or federal court in the Borough of Manhattan, the State and City of New York, United States of America; (b) waives, to the extent it may effectively do so and to the extent permitted by applicable law, any objection which it may have now or hereafter to the laying of the venue of any such suit, action or proceeding, and waives any right to trial by jury; and (c) irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Company hereby designates Cogency Global Inc., as the Company's authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any such court and agrees that service of process upon said agent at its office at 122 East 42nd Street, 18th Floor, New York, NY 10168, United States of America (or at such other address as such agent may designate by written notice to the Company and the Fiscal Agent), and written notice of said service to the Company, mailed or delivered to it, at 61st Floor, Parc One Tower 1, 108 Yeoui-daero, Seoul 07335, Korea, Attention: Finance Team, shall be deemed in every respect effective service of process upon the Company in any such suit, action or proceeding and shall be taken and held to be valid personal service upon the Company, whether or not the Company shall then be doing, or at any time shall have done, business within the State of New York, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in such State, and to the extent permitted by applicable law, waives all claim of error by reason of any such service. Neither such appointment nor such acceptance of jurisdiction shall be interpreted to include actions brought under the United States federal securities laws. If for any reason such agent shall cease to be such agent for the service of process, the Company shall forthwith appoint a new agent for service of process in New York and deliver to the Fiscal Agent a copy of the new agent's acceptance of that appointment within 30 days.

TERMS AND CONDITIONS OF THE FLOATING RATE NOTES

The following are the terms and conditions of the Floating Rate Notes, to be issued by the Company under the fiscal agency agreement for the Floating Rate Notes, substantially in the form in which they (other than the text in italics) will be endorsed on the definitive certificates for the Floating Rate Notes and referred to in the global notes therefor. The following statements do not purport to be a complete description of the Floating Rate Notes and the fiscal agency agreement for the Floating Rate Notes and are qualified in their entirety by reference to the provisions of the Floating Rate Notes and the fiscal agency agreement for the Floating Rate Notes. Unless otherwise specified, defined terms in this section should be interpreted as being applicable only to the Floating Rate Notes.

1. General

(a) This note is one of a duly authorized issue of notes of the Company in the aggregate principal amount of US$300,000,000 known as its "Floating Rate Senior Unsecured Notes due 2031" (the "**Notes**") issued or to be issued pursuant to a fiscal agency agreement, dated as of April 2, 2026 (as amended from time to time, the "**Fiscal Agency Agreement**"), between the Company, Citicorp International Limited and any successor, as fiscal agent (the "**Fiscal Agent**"), and Citibank, N.A., London Branch and any successor, as registrar (the "**Registrar**"), paying agent (the "**Paying Agent**"), transfer agent (the "**Transfer Agent**") and calculation agent (the "**Calculation Agent**"), the terms of which are hereby incorporated by reference. Copies of the Fiscal Agency Agreement are on file and available for inspection upon prior written request and satisfaction of proof of holdings at the Fiscal Agent's office at 40/F, Champion Tower, 3 Garden Road, Central, Hong Kong, and reference thereto is made for a description of the rights and limitations of rights thereunder of the Holders of the Notes and the duties and immunities of the Fiscal Agent. In acting under the Fiscal Agency Agreement, the agents appointed by the Company thereunder are acting solely as agents for the Company and do not assume any obligation or relationship of agency or trust for or with the Holder, except as specifically described below or in the Fiscal Agency Agreement with respect to the Fiscal Agent. The Holders of Notes will be entitled to the benefits of, and be bound by, and deemed to have notice of, all of the provisions of the Fiscal Agency Agreement. As used herein, the term "**Holder**" means the person in whose name a Note is registered in the Note Register (as defined below).

(b) The Notes are issuable only as fully registered Notes without coupons in denominations of US$200,000 and any integral multiple of US$1,000 in excess thereof.

(c) The Company covenants that until the earlier to occur of the date on which all of the Notes shall have been delivered to the Paying Agent for cancellation and the date on which all of the Notes have become due and payable and monies sufficient to pay the principal of and interest on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein, the Company will at all times maintain a Fiscal Agent (which in each case shall be a bank or trust company having a combined capital and surplus of at least US$50,000,000, legally qualified to act as Fiscal Agent). Subject to the foregoing, the Company reserves the right at any time to vary or terminate the appointment of any of the Fiscal Agent and such additional agents as the Company may determine.

2. Payments

(a) Payments of principal of and interest on this Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts in the United States of America.

(b) Payment of the principal of this Note shall be made, upon presentation and surrender hereof, by wire transfer to the person to whom interest is payable as provided below.

(c) Payments of interest on this Note shall be made by transfer to a US$ account maintained by the payee with a bank in New York, details of which appear on the Note Register on the Record Date (as defined below), subject to the provisions below. The interest so payable on any Floating Rate Notes Interest Payment Date (as defined below) will be paid to the person in whose name this Note is registered at the close of business on the fifteenth day preceding such Floating Rate Notes Interest Payment Date (each, a "**Record Date**"), whether or not a business day, notwithstanding the cancellation, transfer or exchange of this Note subsequent to the Record Date and on or prior to such Floating Rate Notes Interest Payment Date, and no interest otherwise so payable on any Floating Rate Notes Interest Payment Date shall be paid on this Note if the name of its Holder was entered as such on the Note Register after the close of business on the Record Date next preceding such Floating Rate Notes Interest Payment Date, except if and to the extent the Company shall default in the payment of the interest due on such Floating Rate Notes Interest Payment Date, in which case such defaulted interest shall (unless paid together with principal of this Note in full other than on a Floating Rate Notes Interest Payment Date) be paid to the person in whose name this Note is registered at the close of business on a subsequent record date (which shall be not less than five business days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Company to the Holders of Notes not less than 15 days preceding such subsequent record date. If interest is paid together with principal in full on a date that is not a Floating Rate Notes Interest Payment Date, such interest shall be paid upon presentation and surrender of this Note to the Fiscal Agent or to a paying agent.

(d) In any case where the date for the payment of any principal of or interest on any Note is not a Business Day (as defined below), then payment of such principal or interest need not be made on such date at such place of payment but may be made on the next succeeding day at such place of payment which is a business day (and interest thereon will continue to accrue to but excluding such succeeding business day), unless the next succeeding business day is in the next succeeding calendar month, in which case such Floating Rate Notes Interest Payment Date shall be the immediately preceding business day and interest shall accrue to but excluding such preceding business day. If the maturity date or a redemption date for the Notes would fall on a day that is not a business day, the payment of interest and principal will be made on the next succeeding business day, but no additional interest shall accrue and be paid unless the Company fails to make payment on such next succeeding business day.

(e) Any monies paid by the Company to the Paying Agent for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable and shall have been paid to the Paying Agent by the Company shall then be repaid to the Company, and upon such repayment, all liability of the Paying Agent with respect to such monies shall thereupon cease and the Holder of any Note representing a claim therefor shall thereafter look only to the Company for payment thereof.

(f) Notwithstanding the foregoing, so long as Notes in the form of a global note (a "**Global Note**") are held on behalf of the Depository Trust Company ("**DTC**"), Euroclear Bank SA/NA ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream**") or any other clearing system, each payment in respect of such Global Note will be made to the person shown as the Holder in the Note Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

3. Calculation of Interest

The Notes will mature on the Floating Rate Notes Interest Payment Date falling on or nearest to April 2, 2031 (the "**Floating Rate Notes Maturity Date**") and will bear interest for each Floating Rate Notes Interest Period at a rate equal to Compounded Daily SOFR (as defined herein) plus 1.560% per annum, payable quarterly in arrear on January 2, April 2, July 2 and October 2 in each year, subject in each case to adjustment in accordance with the Modified Following Business Day Convention, as explained herein (each, a "**Floating Rate Notes Interest Payment Date**"), beginning on the Floating Rate Notes Interest Payment Date falling on or nearest to July 2, 2026. In no event shall the rate of interest for the Notes be less than 0% for any Floating Rate Notes Interest Period (as defined herein).

Interest on the Notes will accrue from (and including) April 2, 2026 to (but excluding) the Floating Rate Notes Maturity Date. If any Floating Rate Notes Interest Payment Date or the Floating Rate Notes Maturity Date would fall on a day that is not a Business Day, that Floating Rate Notes Interest Payment Date or the Floating Rate Notes Maturity Date will be adjusted in accordance with the Modified Following Business Day Convention. The term "**Modified Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day (and interest will continue to accrue to but excluding such following date that is a Business Day) unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day and interest shall accrue to but excluding such preceding Business Day. The term "**Business Day**" as used herein means a U.S. Government Securities Business Day (as defined herein) and a day other than a Saturday, a Sunday or any other day on which banking institutions in Seoul, New York or London are authorized or required by law or executive order to remain closed.

Interest on the Notes will be computed on the basis of the actual number of days in the applicable Floating Rate Notes Interest Period (as defined herein) divided by 360. The Company will make principal and interest payments on the Notes in immediately available funds in U.S. dollars.

(a) Definition of Compounded Daily SOFR

"**Compounded Daily SOFR**" means the rate of return of a daily compounded interest investment (with the daily secured overnight financing rate as the reference rate for the calculation of interest) and will be determined by the Calculation Agent (as defined herein) on the Floating Rate Notes Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005% being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SOFR_{i-5USBD}\times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

"***d***" means the number of calendar days in the Floating Rate Notes Interest Period;

"d_0" for any Floating Rate Notes Interest Period, means the number of U.S. Government Securities Business Days (as defined herein) in the Floating Rate Notes Interest Period;

"***i***" is a series of whole numbers from one to d_0, each representing the relevant U.S. Government Securities Business Days in chronological order from, and including, the first U.S. Government Securities Business Day in the Floating Rate Notes Interest Period;

"n_i" for any U.S. Government Securities Business Day "i" means the number of calendar days from, and including, such U.S. Government Securities Business Day "i" up to, but excluding, the following U.S. Government Securities Business Day;

"$SOFR_{i\text{-}5USBD}$" means the SOFR Reference Rate for the U.S. Government Securities Business Day (being a U.S. Government Securities Business Day falling in the Floating Rate Notes Interest Period) falling five U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; and

"***SOFR Reference Rate***" means, in respect of any U.S. Government Securities Business Day, a reference rate equal to the daily secured overnight financing rate ("**SOFR**") for such U.S. Government Securities Business Day as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the website of the Federal Reserve Bank of New York currently at http://www.newyorkfed.org, or any successor website of the Federal Reserve Bank of New York (the "**New York Fed's Website**") in each case, on or about 5:00 p.m., New York City time, on the U.S. Government Securities Business Day immediately following such U.S. Government Securities Business Day (the "**SOFR Determination Time**").

"Floating Rate Notes Interest Determination Date" means the date five U.S. Government Securities Business Days before each Floating Rate Notes Interest Payment Date;

"***Floating Rate Notes Interest Period***" refers to the period from (and including) April 2, 2026 to (but excluding) the first Floating Rate Notes Interest Payment Date and each successive period from (and including) a Floating Rate Notes Interest Payment Date to (but excluding) the next Floating Rate Notes Interest Payment Date; and

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(b) Benchmark Transition

Notwithstanding anything to the contrary in the documentation relating to the Notes, if the Company determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined herein) have occurred with respect to the then-current Benchmark, then the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

In connection with the implementation of a Benchmark Replacement, the Company will have the right to make Benchmark Replacement Conforming Changes (as defined herein) from time to time.

Any determination, decision or election that may be made by the Calculation Agent or the Company pursuant to the Benchmark Replacement provisions described herein, including any determination with respect to tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

a. will be conclusive and binding absent manifest error and, notwithstanding anything to the contrary herein and the accompanying Offering Circular relating to the Notes;

b. if made by the Company, will be made in the Company's sole discretion; and

c. shall become effective without consent from any other party.

Any determination, decision or election pursuant to the Benchmark Replacement provisions not made by the Calculation Agent will be made by the Company on the basis as described above. The Calculation Agent shall have no liability for not making any such determination, decision or election. In addition, the Company may designate an entity (which may be the Company's affiliate) to make any determination, decision or election that the Company has the right to make in connection with the benchmark replacement provisions set forth herein.

For purposes of these Benchmark Replacement provisions:

"Benchmark" means, initially, Compounded Daily SOFR, as such term is defined above; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded Daily SOFR (including the daily published component used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Company or its designee as of the Benchmark Replacement Date:

I. the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body (as defined herein) as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment (as defined herein);

II. the sum of: (a) the ISDA Fallback Rate (as defined herein) and (b) the Benchmark Replacement Adjustment; or

III. the sum of: (a) the alternate rate of interest that has been selected by the Company or its designee as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment;

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Company or its designee as of the Benchmark Replacement Date:

I. the spread adjustment (which may be a positive or negative value or zero), or method for calculating or determining such spread adjustment that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement (as defined herein);

II. if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment (as defined herein); and

III. the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Company or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definitions or interpretations of interest period, the timing and frequency of determining rates and

making payments of interest, the rounding of amounts or tenors, and other administrative matters) that the Company or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Company or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Company or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Company or its designee determines is reasonably practicable);

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

I. in the case of clause (I) or (II) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

II. in the case of clause (III) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to Benchmark also include any reference rate underlying such Benchmark;

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

I. a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);

II. a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark (or such component), which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

III. a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor;

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is Compounded Daily SOFR, the SOFR Determination Time, as such time is defined herein, and (2) if the Benchmark is not Compounded Daily SOFR, the time determined by the Company in accordance with the Benchmark Replacement Conforming Changes;

"***Relevant Governmental Body***" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

The interest rate and amount of interest to be paid on the Notes for each Interest Period will be determined by the Calculation Agent. Citibank, N.A., London Branch is currently serving as the Company's Calculation Agent; however, the Company may change the Calculation Agent at any time without notice, and Citibank, N.A., London Branch may resign as Calculation Agent at any time upon three months' written notice to the Company, unless the Company agrees to accept shorter notice. All determinations made by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding on the Company and the holders of the Notes. So long as Compounded Daily SOFR is required to be determined with respect to the Notes, there will at all times be a Calculation Agent. In the event that any then acting Calculation Agent shall be unable or unwilling to act, or that such Calculation Agent shall fail duly to establish Compounded Daily SOFR for any interest period, or the Company proposes to remove such Calculation Agent, the Company shall appoint another Calculation Agent.

4. Optional Redemption Due to Changes in Tax Treatment

The Notes may be redeemed at the option of the Company, in whole, but not in part, upon not less than 30 nor more than 60 days' notice, at any time at a redemption price equal to the principal amount thereof plus accrued interest to (but excluding) the date fixed for redemption if, as a result of any change in, expiration of or amendment to the laws of the Republic of Korea ("**Korea**") (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which Korea (or such political subdivision or taxing authority) is a party, which change, amendment, expiration or treaty becomes effective on or after March 25, 2026, the Company is or would be obligated on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts (as described in Condition 6 below) with respect to the Notes, and such obligation cannot be avoided by the use of reasonable measures available to the Company; *provided*, however, that (i) no such notice of redemption may be given earlier than 60 days

prior to the earliest date on which the Company would be obligated to pay such Additional Amounts, and (ii) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Before giving any notice of such redemption, the Company shall deliver to the Agents a certificate of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred, together with an opinion of counsel to the effect that such a change in, or amendment to, the laws or treaties of Korea (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings, has occurred and that all conditions precedent to the right of redemption have occurred.

5. Purchase

The Company may at any time purchase Notes by tender (available to all Holders alike) or in the open market at any price. If the Company shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the Paying Agent for cancellation and are canceled and retired by the Paying Agent.

6. Taxation

All payments of principal of, and interest on, the Notes by the Company will be made without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Korea or by or within any political subdivision thereof or any authority therein having power to tax ("**Korean Tax**"), unless deduction or withholding of such Korean Tax is required by law. In the event that the deduction or withholding of Korean Tax is required by law, the Company will pay such additional amounts ("**Additional Amounts**") as will result in the payment to Holders of the Notes of the amounts which would otherwise have been receivable in respect of principal and interest in the absence of such deduction or withholding, except that no such Additional Amount shall be payable in respect of any Note:

(a) to or on behalf of a Holder who is subject to such Korean Tax in respect of such Note by reason of his being or having been connected with Korea or any political subdivision thereof (including, without limitation, being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, Korea) otherwise than merely by holding such Note or receiving principal or interest in respect thereof; or

(b) to or on behalf of a Holder who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Company to make such a declaration or claim, such Holder fails to do so within 30 days; or

(c) to or on behalf of a Holder who presents a Note (where presentation is required) more than 30 days after the relevant date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting a Note for payment on the last day of such 30-day period; for this purpose the "**relevant date**" in relation to any payments of interest on, or principal of, any Note means: (i) the due date for payment thereof; or (ii) if the full amount of the monies payable on such date has not been received by the Paying Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect is duly given to Holders of the Notes in accordance with the Fiscal Agency Agreement; or

(d) to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder; or

(e) any combination of paragraphs (a) through (d) above.

The obligation of the Company to pay Additional Amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge, (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Notes, or (c) any tax that would not have been imposed but for a failure by the Holder or beneficial owner (or any financial institution through which the Holder or beneficial owner holds any Note or through which payment on the Note is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the Internal Revenue Service) imposed pursuant to, or under an intergovernmental agreement entered into between the United States and the government of another country in order to implement the requirements of, Sections 1471 through 1474 of the Internal Revenue Code as in effect on the date of issuance of the Notes or any successor or amended version of these provisions, to the extent such successor or amended version is not materially more onerous than these provisions as enacted on such date; *provided* that, except as otherwise set forth in the Notes and in the Fiscal Agency Agreement, the Company shall pay all stamp and other duties, if any, which may be imposed by Korea, the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Fiscal Agency Agreement or as a consequence of the initial issuance of the Notes.

References to principal or interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable as set forth in the Notes.

7. Transfer, Exchange and Replacement

(a) The transfer of a Note is registrable (upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement and subject to the requirements of the Company, the Fiscal Agent and the Registrar) on the Note Register upon surrender of such Note for registration at the Registrar's office, duly endorsed by, or accompanied by a written instrument of transfer in a form approved by the Company duly executed by, the Holder hereof or his attorney duly authorized in writing.

(b) In the manner and subject to the limitations and upon payment of the charges (if any) provided in the Fiscal Agency Agreement, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations or for a beneficial interest in a Global Note.

(c) No service charge shall be made for any exchange or registration of transfer provided for in Conditions 7(a) and 7(b) hereof, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

(d) No registrations of transfers or exchanges of Notes shall be made after notice of redemption of the Notes has been given.

(e) All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon such registration of transfer or exchange. Any new Note delivered pursuant to this Condition 7 shall be so dated that neither gain nor loss of interest shall result from such transfer or exchange.

(f) If any Note shall at any time become mutilated or destroyed or stolen or lost, then, provided that such Note, or evidence of the destruction, theft or loss thereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required in the premises) shall be delivered during business hours to the Registrar's office, a replacement Note of like tenor and principal amount will be issued by the Company and, at its request, authenticated by the Registrar and delivered by the Registrar at its office, in exchange for the Note so mutilated, or in lieu of the Note so destroyed or stolen or lost; *provided further*, that, in the case of destroyed, stolen or lost Notes, (i) neither the Company nor the Registrar shall have notice that such Notes have been acquired by a bona fide purchaser, and (ii) the Company and the Registrar shall have received evidence satisfactory to them that such Notes were destroyed, stolen or lost, and the Company and the Registrar shall have received an indemnity and/or security and/or prefunding satisfactory to each of them. All expenses and charges associated with procuring such indemnity and/or security and/or prefunding, and the cost of the preparation and issue of a replacement for any Note mutilated, destroyed, stolen or lost, shall be paid by the Holder of such Note. In case such mutilated, destroyed, stolen or lost Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay or cause to be paid such Note. Every new Note issued pursuant to this Paragraph (f) in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note, shall constitute an additional original contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone. Any new Note delivered pursuant to this Paragraph (f) shall be so dated that neither gain nor loss of interest shall result from such replacement. To the extent permitted by law, the provisions of this Paragraph (f) are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, stolen or lost Notes.

(g) The Company and the Fiscal Agent may deem and treat the registered Holder hereof as the absolute owner hereof (notwithstanding any notice of ownership or other writing hereon) for the purposes of receiving payment hereon or on account hereof and for all other purposes, whether or not this Note shall be overdue.

(h) The Company has appointed the Registrar as its agent for the registration of transfers, and for exchanges and replacements, of Notes and has agreed to cause to be kept at the Registrar's office a register (the "**Note Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for such registration and registration of transfers.

(i) All Notes issued as a result of any transfer, exchange or replacement of Notes shall be delivered to the Holder at the Registrar's office or (at the risk of the Holder) sent by mail to such address as is specified by the Holder in the request for transfer, exchange or replacement.

8. Covenants of the Company

(a) **Limitation on Liens**. So long as any of the Notes are outstanding, the Company will not itself, and will not permit any Principal Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any mortgage, charge, pledge, encumbrance or other security interest (a "**Lien**") on any Restricted Property without in any such case effectively providing that the Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Principal Subsidiary then existing or thereafter

created which is not subordinate to the Notes) shall be secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness would not exceed 15% of Net Tangible Assets; *provided* that nothing contained in this Condition 8(a) shall prevent, restrict or apply to, and there shall be excluded from secured External Indebtedness in any computation under this Condition 8(a), External Indebtedness secured by:

(1) any Lien existing on the date of the Fiscal Agency Agreement or any Lien existing on any Restricted Property prior to the acquisition thereof by the Company or any of its Principal Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(2) any Lien on any Restricted Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof; provided that such Lien attaches to such Restricted Property concurrently with or within twelve months after the acquisition thereof or completion of construction, improvement or repair thereof;

(3) any Lien existing on any Restricted Property of any Principal Subsidiary prior to the time such Principal Subsidiary becomes a Subsidiary of the Company or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;

(4) any Lien securing External Indebtedness owing to the Company or to a Principal Subsidiary; or

(5) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses, to the extent of the amount of such External Indebtedness; provided that such External Indebtedness is not secured by any additional Relevant Property.

For the purposes of this Condition 8(a), the giving of a guarantee which is secured by a Lien on any Restricted Property, and the creation of a Lien on any Restricted Property to secure External Indebtedness which existed prior to the creation of such Lien, will be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Restricted Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

(b) **Certain Definitions**. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of the Fiscal Agency Agreement and the Notes shall have the respective meanings specified in this Condition. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with K-IFRS, and the term "**K-IFRS**" shall mean International Financial Reporting Standards as adopted by Korea.

"**External Indebtedness**" means any obligation for the payment or repayment of money borrowed which is payable to a person other than a bank located in Korea, a governmental institution of Korea or a branch outside Korea of a bank incorporated in Korea.

"**Long-term Debt**" means any obligation for payment or repayment of money borrowed having a maturity of more than one year from the date such indebtedness was incurred or having a maturity of less than or equal to one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such indebtedness was incurred.

"**Net Tangible Assets**" means, at any date, the total amount of assets of the Company and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible at the option of the Company or the consolidated Subsidiary in question, as the case may be), (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, and (c) all write-ups of fixed assets, net of accumulated depreciation thereon, after December 31, 2025, other than as permitted by the laws of Korea applicable to the Company, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with K-IFRS.

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Principal Subsidiary**" means:

(a) any Subsidiary of the Company under K-IFRS:

(i) whose revenue, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitute at least 10% of the consolidated revenue of the Company as shown by the then latest audited consolidated accounts of the Company; or

(ii) whose total assets, as shown by the then latest audited accounts (consolidated where applicable) of such Subsidiary, constitute at least 10% of the total consolidated assets of the Company as shown by the then latest audited consolidated accounts of the Company,

provided that:

(A) in the case of a Subsidiary acquired, or a company becoming a Subsidiary, after the end of the financial period to which the latest audited consolidated accounts of the Company relate, the reference to the then latest audited consolidated accounts of the Company for the purposes of the calculation above shall, until audited consolidated accounts of the Company for the financial period in which the acquisition is made or, as the case may be, in which the relevant company becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Company adjusted to consolidate the latest audited accounts (consolidated where applicable) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Company or any Subsidiary in respect of which financial consolidation is relevant, no consolidated accounts are prepared and audited, revenue and total assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose as of the date of the latest audited accounts of the Company by the auditors for the time being of the Company;

(C) if at any relevant time in relation to any Subsidiary no accounts are audited, its revenue and total assets (consolidated where applicable) shall be determined on the basis of pro forma accounts (consolidated where applicable) of the relevant Subsidiary prepared for this purpose as of the date of the latest audited accounts of the Company by the auditors for the time being of the Company; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Company, then the determination of whether or not such a Subsidiary is a Principal Subsidiary shall be based on pro forma consolidation of its accounts (consolidated where applicable) with the then latest consolidated audited accounts (determined on the basis of the foregoing) of the Company; or

(b) any Subsidiary of the Company to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary.

"**Restricted Property**" means (a) any facility, whether owned at the date of issuance of the Notes or thereafter acquired, used for the production of basic materials and chemicals, energy solutions, IT and electric materials and advanced materials or life sciences products of the Company or any Subsidiary, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, reasonably determined by the board of directors of the Company not to be of material importance to the total business conducted by the Company and its Subsidiaries as a whole, and (b) any share of common stock or participating preferred stock of a Principal Subsidiary.

"**Subsidiary**" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

(c) **Provision of Information to Holders**. The Company covenants that if, and for so long as, this Note is a "**restricted security**" within the meaning of Rule 144 under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the Company shall, at any time when it is not subject to the periodic reporting requirements of Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is not exempt from such requirements pursuant to Rule 12g3-2(b) thereunder, provide to any Holder of this Note or prospective purchaser of this Note designated by such Holder, upon the request of such prospective purchaser or Holder, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

9. Merger and Consolidation

Nothing contained in the Fiscal Agency Agreement or in the Notes shall prevent any consolidation of the Company with, or merger of the Company into, any other corporation or corporations (whether or not affiliated with the Company), or successive consolidations or mergers to which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or conveyance of the property of the Company as an entirety or substantially as an entirety; *provided* that (a) in case the Company shall consolidate with or merge into another corporation, or sell, transfer, lease or convey its property as an entirety or substantially as an entirety to any corporation, the corporation formed by such consolidation or into which the Company is merged or the corporation which acquires by sale, transfer, lease or conveyance the property of the Company as an entirety or substantially as an entirety shall be a corporation organized under the laws of Korea and shall expressly assume, if not assumed by law or by other means, by an agreement supplemental to the Fiscal Agency Agreement executed and delivered to the Fiscal Agent, the due and punctual payment of the principal of and interest on the Notes, and any Additional Amounts, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Fiscal Agency Agreement and the Notes on the part of the Company to be performed or observed; (b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company as a

result of such transaction as having been incurred by the Company at the time of such transaction, no Event of Default (as defined below), and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; (c) if, as a result of any such consolidation or merger or such sale, transfer, lease or conveyance, properties or assets of the Company or a Subsidiary would become subject to a Lien which would not be permitted by the Notes, the Company or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Company shall so determine, any other indebtedness of the Company or such Subsidiary then existing or thereafter created which is not subordinate to the Notes) equally and ratably with (or prior to) all indebtedness secured thereby; and (d) the Company has delivered to the Fiscal Agent an Officer's Certificate and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Fiscal Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

In case of any such consolidation, merger, sale, transfer, lease or conveyance, and following such an assumption by the successor corporation permitted under this Condition 9, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein.

Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Company prior to such succession any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Registrar; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in the Fiscal Agency Agreement prescribed, the Registrar shall authenticate and shall make available for delivery any Notes which previously shall have been signed and delivered by the officers of the Company to the Registrar for authentication, and any Notes which such successor corporation thereafter shall cause to be signed and delivered to the Registrar for that purpose. All of the Notes so issued shall in all respects have the same legal rank and benefit under the Fiscal Agency Agreement as the Notes theretofore or thereafter issued in accordance with the terms of the Fiscal Agency Agreement as though all of such Notes had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, transfer, lease or conveyance such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

In the event of any such sale, transfer or conveyance (other than a conveyance by way of lease) by the Company or any successor corporation which shall theretofore have become such successor corporation in the manner described in this Condition 9, the Company or such successor corporation, as the case may be, shall be discharged from all obligations and covenants under the Fiscal Agency Agreement and the Notes and may be liquidated and dissolved.

10. Events of Default

The term "**Event of Default**" means any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) which shall have occurred and be continuing:

(a) default in the payment of any installment of interest upon any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of all or any part of the principal of any of the Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company contained in the Notes or in the Fiscal Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a "**Notice of Default**" hereunder and demanding that the Company remedy the same, shall have been given to the Company by the Holders of at least 10% in aggregate principal amount of the Notes at the time outstanding; or

(d) any External Indebtedness of the Company in the aggregate outstanding principal amount of US$30,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of External Indebtedness of any other person in the aggregate principal amount of US$30,000,000 or more not being honored when, and remaining dishonored after becoming, due and called, *provided* that, in the case of (i) above, if any such default under any such External Indebtedness shall be cured or waived, then the default hereunder by reason thereof shall be deemed to have been cured and waived; or

(e) a court or administrative or other governmental agency or body having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Company to be bankrupt or insolvent and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(f) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business (except as provided in Condition 9) or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action.

If such Event of Default is continuing, the Holders of 25% or more in aggregate principal amount of the Notes then outstanding may, by written demand to the Company at the office of the Fiscal Agent, declare all of the Notes then outstanding to be immediately due and payable. Upon such declaration, the Fiscal Agent shall give notice thereof to the Company and to the Holders of the Notes, by mail and publication. If, after any such declaration and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Company pays or deposits with the Fiscal Agent all amounts then due with respect to the Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes, such defaults may be waived and such declaration may be annulled and rescinded by the Holders of more than 50% in aggregate principal amount of the Notes then outstanding, by written notice thereof to the Company at the office of the Fiscal Agent.

11. Meetings of Holders; Modifications and Amendments

(a) The Company may at any time, and the Fiscal Agent shall at any time after the Notes shall have become immediately due and payable due to a default upon a request in writing made by Holders holding not less than 10% of the aggregate outstanding principal amount of the

Notes, convene a meeting of Holders of the Notes. Any such request in writing by the Holders shall be delivered to the Fiscal Agent. Further provisions concerning meetings of the Holders are set forth in the Fiscal Agency Agreement.

(b) Modifications and amendments to the Fiscal Agency Agreement or the Notes requiring consent of Holders may be made, and future compliance therewith or past defaults by the Company may be waived, with the consent of the Company and the Holders of more than 50% in aggregate principal amount of the Notes at the time outstanding, or of such lesser percentage as may act at a meeting of Holders held in accordance with the provisions of the Fiscal Agency Agreement; *provided* that no such modification, amendment or waiver of the Fiscal Agency Agreement or any Note may, without the consent of each Holder affected thereby, (i) change the stated maturity of the principal of, or date for the payment of interest on, any such Note; (ii) reduce the principal of or interest on any such Note; (iii) change the currency of payment of the principal of or interest on any such Note; or (iv) reduce the above-stated percentage of aggregate principal amount of Notes outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any modifications, amendments or waivers consented to or approved at a meeting will be conclusive and binding on all Holders of Notes whether or not they have given such consent or were present at such meeting, and on all future Holders of Notes whether or not notation of such modifications, amendments or waivers is made upon the Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

(c) At a meeting of the Holders of the Notes called for any of the above purposes, persons entitled to vote a majority in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than those set forth in paragraphs (i) through (iv) of Condition 11(b) hereof) shall be effectively passed if passed by the persons entitled to vote the lesser of (i) a majority in aggregate principal amount of Notes then outstanding or (ii) 75% in aggregate principal amount of the Notes represented and voting at the meeting.

(d) The Fiscal Agency Agreement and the terms and conditions of the Notes may be modified, supplemented or amended, without the consent of the Holder of any Note, for the purposes of (i) adding to the covenants of the Company for the benefit of the Holders; (ii) surrendering any right or power conferred upon the Company; (iii) securing the Notes; (iv) curing any ambiguity, correcting or supplementing any defective provision herein; (v) evidencing the succession of another corporation to the Company and the assumption by it of the covenants, agreements and obligations of the Company under the Fiscal Agency Agreement and in, or with respect to, the Notes; (vi) adding any additional events of default, *provided* that any such additional event of default would not cause any Notes to be in default immediately upon any such addition; (vii) evidencing and providing for the acceptance of appointment of a successor Fiscal Agent with respect to the Notes and to add to or change any provisions of the Fiscal Agency Agreement that shall be necessary to provide for or facilitate the administration by more than one Fiscal Agent; or (viii) in regard to such matters or questions as the Company may deem necessary or desirable, *provided* that such action shall in the

opinion of the Company not adversely affect in any material respect the interests of the Holders of the Notes at the time outstanding. Any determination as to adverse effect on the interests of the Holders pursuant to these Conditions shall be made by the Company and none of the Fiscal Agent, the Registrar or the Transfer Agent shall have any responsibility or liability whatsoever with respect to such determination. In all other cases, amendment of the Fiscal Agency Agreement will require consent of the Holders pursuant to a resolution of the Holders of the Notes adopted pursuant to Section 14 of the Fiscal Agency Agreement and the Notes.

12. Notices to Holders

Except as otherwise expressly provided herein or the Fiscal Agency Agreement, whenever the Fiscal Agency Agreement or a Note requires that the Company give notice to the Holder hereof, the Company will cause such notice to be mailed to the Holders of Notes at their respective addresses as they appear in the Note Register. If by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impracticable to give notice to the Holders of Notes in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice given to any particular Holder of a Note shall affect the sufficiency of any notice with respect to other Notes.

So long as the Notes are represented by Global Notes and the Global Notes are held on behalf of DTC, Euroclear, Clearstream or an alternative clearing system appointed in accordance with the terms of the Notes and the Fiscal Agency Agreement, notices to Holders may be given by delivery of the relevant notice to the clearing systems in accordance with the applicable rules and procedures of the clearing systems for communication by them to entitled accountholders. Any such notice shall be deemed validly given on the day after it has been delivered to DTC, Euroclear, Clearstream or an alternative clearing system as aforesaid.

13. Valid Obligations

The Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same the valid and legally binding obligation of the Company enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with the applicable laws of the State of New York.

14. Governing Law

The Notes shall be governed by, and interpreted in accordance with, the laws of the State of New York.

The Company (a) agrees that any legal suit, action or proceeding arising out of or based upon these terms and conditions may be instituted in any state or federal court in the Borough of Manhattan, the State and City of New York, United States of America; (b) waives, to the extent it may effectively do so and to the extent permitted by applicable law, any objection which it may have now or hereafter to the laying of the venue of any such suit, action or proceeding, and waives any right to trial by jury; and (c) irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. The Company hereby designates Cogency Global Inc., as the Company's authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any such court and agrees that service of process upon said agent at its office at 122 East 42nd Street, 18th Floor, New York, NY 10168, United States of America (or at such other address as such agent may designate by written notice to the Company and the Fiscal Agent), and written notice of said service to the Company, mailed or delivered to it, at 61st Floor, Parc One Tower 1, 108 Yeoui-daero, Seoul 07335, Korea, Attention: Finance Team, shall be deemed in every respect effective service

of process upon the Company in any such suit, action or proceeding and shall be taken and held to be valid personal service upon the Company, whether or not the Company shall then be doing, or at any time shall have done, business within the State of New York, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in such State, and to the extent permitted by applicable law, waives all claim of error by reason of any such service. Neither such appointment nor such acceptance of jurisdiction shall be interpreted to include actions brought under the United States federal securities laws. If for any reason such agent shall cease to be such agent for the service of process, the Company shall forthwith appoint a new agent for service of process in New York and deliver to the Fiscal Agent a copy of the new agent's acceptance of that appointment within 30 days.

CLEARANCE AND SETTLEMENT

We have obtained the information in this section from sources we believe to be reliable, including from DTC, Euroclear and Clearstream. We accept responsibility only for accurately extracting information from such sources. DTC, Euroclear and Clearstream are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither we nor the registrar will be responsible for DTC's, Euroclear's or Clearstream's performance of their obligations under their rules and procedures, or for the performance by their direct or indirect participants of obligations under their rules and procedures.

Introduction

The Depository Trust Company

DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants. It does this through electronic book-entry changes in the accounts of its direct participants, eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants and by the New York Stock Exchange Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers Inc.

Euroclear and Clearstream

Like DTC, Euroclear and Clearstream hold securities for their participants and facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in their accounts. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance and settlement and lending and borrowing of internationally traded securities. Participants in Euroclear and Clearstream are financial institutions such as underwriters, securities brokers and dealers, banks and trust companies. Other banks, brokers, dealers and trust companies have indirect access to Euroclear or Clearstream by clearing through or maintaining a custodial relationship with a Euroclear or Clearstream participant.

Ownership of the Notes through DTC, Euroclear and Clearstream

We will issue the Notes in the form of one or more fully registered global notes, registered in the name of a nominee of DTC. Financial institutions, acting as direct and indirect participants in DTC, will represent your beneficial interests in the global notes. These financial institutions will record the ownership and transfer of your beneficial interests through book-entry accounts. You may hold your beneficial interests in the global notes through DTC, if you are a participant in DTC, or indirectly through organizations that are participants in DTC. Euroclear and Clearstream will hold their participants' beneficial interests in the global notes in their customers' securities accounts with their depositaries. These depositaries of Euroclear and Clearstream, in turn, will hold such interests in their customers' securities accounts with DTC.

We and the Fiscal Agent generally will treat the registered holder, initially Cede & Co., as the absolute owner of the Notes for all purposes. Once we and the Fiscal Agent make payments to the registered holder, we and the Fiscal Agent will no longer be liable on the Notes for the amounts so paid. Accordingly, if you own a beneficial interest in the global notes, you must rely on the procedures of the institutions through which you hold your interests in the Notes, including DTC, Euroclear, Clearstream and their respective participants, to exercise any of the rights granted to holders of such Notes. Under existing industry practice, if you desire to take any action that Cede & Co., as the holder of the global notes, is entitled to take, then Cede & Co. would authorize the DTC participant through which you own your beneficial interest to take such action. The DTC participant would then either authorize you to take the action or act for you on your instructions.

DTC may grant proxies or authorize its participants, or persons holding beneficial interests in the Notes through such participants, to exercise any rights of a holder or take any actions that a holder is entitled to take under the Fiscal Agency Agreements or the Notes.

Euroclear's or Clearstream's ability to take actions as holder under the Notes or the Fiscal Agency Agreements will be limited by the ability of their respective depositaries to carry out such actions for them through DTC. Euroclear and Clearstream will take such actions only in accordance with their respective rules and procedures.

The fiscal agent will not charge you any fees for the Notes, other than reasonable fees and indemnity satisfactory to the fiscal agent for the replacement of lost, stolen, mutilated or destroyed Notes. However, you may incur fees for the maintenance and operation of the book-entry accounts with the clearing systems in which your beneficial interests are held.

Transfers Within and Between DTC, Euroclear and Clearstream

Trading Between DTC Purchasers and Sellers

DTC participants will transfer interests in the Notes among themselves in the ordinary way according to DTC rules. DTC participants will pay for such transfers by wire transfer. The laws of some states require certain purchasers of securities to take physical delivery of the securities in definitive form. These laws may impair your ability to transfer beneficial interests in the global notes to such purchasers. DTC can act only on behalf of its direct participants, who, in turn, act on behalf of indirect participants and certain banks. Thus, your ability to pledge a beneficial interest in the global notes to persons that do not participate in the system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.

Trading Between Euroclear or Clearstream Participants

Euroclear or Clearstream participants will transfer interests in the Notes among themselves according to the rules and operating procedures of Euroclear and Clearstream.

Trading Between a DTC Seller and a Euroclear or Clearstream Purchaser

When the Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the purchaser must first send instructions to Euroclear or Clearstream through a participant at least one business day prior to the settlement date. Euroclear or Clearstream will then instruct its depositary to receive the Notes and make payment for them. On the settlement date, the depositary will make payment to the DTC participant's account, and the Notes will be credited to the depositary's account. After settlement has been completed, DTC will credit the Notes to Euroclear or Clearstream, Euroclear or Clearstream will credit the Notes, in accordance with its usual procedures, to its participant's account, and the participant will then credit the purchaser's account. These securities credits will appear the next day (European time) after the settlement date. The cash debit from the account of Euroclear or Clearstream will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date (i.e., the trade fails), the cash debit will instead be valued at the actual settlement date.

Participants in Euroclear and Clearstream will need to make funds available to Euroclear or Clearstream to pay for the Notes by wire transfer on the value date. The most direct way of doing this is to pre-position funds (i.e., have funds in place at Euroclear or Clearstream before the value date), either from cash on hand or existing lines of credit. Under this approach, however, participants may take on credit exposure to Euroclear and Clearstream until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to a participant, the participant may decide not to pre-position funds, but to allow Euroclear or Clearstream to draw on the line of credit to finance settlement for the Notes. Under this procedure, Euroclear or Clearstream would charge the participant overdraft charges for one day, assuming that the overdraft would be cleared when the Notes were credited to the participant's account. However, interest on such Notes would accrue from the value date. Therefore, in many cases the interest income on the Notes which the participant earns during that one-day period will substantially reduce or offset the amount of the participant's overdraft charges. Of course, this result will depend on the cost of funds (i.e., the interest rate that Euroclear or Clearstream charges) to each participant.

Since the settlement will occur during New York business hours, a DTC participant selling an interest in the Notes can use its usual procedures for transferring global securities to the depositories of Euroclear or Clearstream for the benefit of Euroclear or Clearstream participants. The DTC seller will receive the sale proceeds on the settlement date. Thus, to the DTC seller, a cross-market sale will settle no differently than a trade between two DTC participants.

Trading Between a Euroclear or Clearstream Seller and a DTC Purchaser

Due to time-zone differences in their favor, Euroclear and Clearstream participants can use their usual procedures to transfer Notes through their depositaries to a DTC participant. The seller must first send instructions to Euroclear or Clearstream through a participant at least one business day prior to the settlement date. Euroclear or Clearstream will then instruct its depositary to credit the Notes to the DTC participant's account and receive payment. The payment will be credited to the account of the Euroclear or Clearstream participant on the following day, but the receipt of the cash proceeds will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date (i.e., the trade fails), the receipt of the cash proceeds will instead be valued at the actual settlement date.

If the Euroclear or Clearstream participant selling the Notes has a line of credit with Euroclear or Clearstream and elects to be in debit for the Notes until it receives the sale proceeds in its account, then the back-valuation may substantially reduce or offset any overdraft charges that the participant incurs over that period.

Settlement in other currencies between DTC and Euroclear and Clearstream is possible using free-of-payment transfers to move the Notes, but funds movement will take place separately.

TAXATION

The following summary is based upon the tax laws of Korea and the United States as of the date of this offering circular, and is subject to any change in the tax laws of Korea or the United States that may come into effect after such date. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder or beneficial owner of the Notes. Investors in the Notes are advised to consult their own tax advisers as to the tax consequences under the tax laws of Korea or the United States or any other consequences of the purchase, ownership and disposition of the Notes, including the effect of any national, state or local tax laws.

Korean Taxation

The taxation of non-resident individuals and non-resident corporations (''Non-Residents'') depends on whether they have a ''permanent establishment'' (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Notes paid to Non-Residents (other than their permanent establishments in Korea), being foreign currency-denominated bonds issued outside of Korea, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the ''STTCL''). The term ''foreign currency-denominated bonds'' in this context is not defined under the STTCL. In this regard, the Korean tax authority issued a ruling on September 1, 1990 to the effect that ''a notes issuance facility, commercial paper issued in U.S. dollars or Euros or a banker's acceptance'' are not treated as ''foreign currency-denominated bonds.''

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income.

In order to obtain the benefit of a reduced rate available under applicable tax treaties, a Non-Resident holder must submit an application for reduced rate to the party liable for the withholding before the receipt of the relevant interest payment (if there is no change in the contents of such application, it is not required to submit such application again within three years thereafter), together with a certificate of the Non-Resident holder's tax residence issued by a competent authority of the Non-Resident's resident country under certain circumstances. If the Non-Resident holder was unable to receive the benefit of a reduced rate due to his or her failure to timely submit the aforementioned application, the Non-Resident holder may still receive a tax treaty benefit by submitting evidentiary documents to the relevant tax office within five years thereafter. If interest is paid to an overseas investment vehicle, the overseas investment vehicle (subject to certain exceptions) must submit a report of overseas investment vehicle and a schedule of beneficial owners. The foregoing matter is discussed in more detail below.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents with or without

permanent establishments in Korea from the transfer taking place outside Korea of the Notes are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies. The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty, or upon the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the gross realization proceeds. Any amounts withheld by the purchaser or withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time may subject the purchaser or the withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or had resided in Korea continuously for at least 183 days immediately prior to his death and (b) all property located in Korea which passes on death (irrespective of the domicile or residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50% according to the value of the relevant property and the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned. And, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Holders should consult their personal tax advisers regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Notes Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by us. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this offering circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on interest is reduced, generally to between 5 and 16.5% (including local income tax), and the tax on capital gains is often eliminated.

Each Holder should inquire whether he is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or us a certificate as to his residence. In the absence of sufficient proof, the payer or we must withhold taxes in accordance with the above discussion.

In order to claim the benefit of a tax rate reduction or tax exemption available under the applicable tax treaties, a non-resident holder should submit to the payer of such Korean source income an application (for a reduced withholding tax rate, the "application for entitlement to reduced tax rate," and for an exemption from withholding tax, the "application for exemption" under a tax treaty along with a certificate of the non-resident holder's tax residence issued by a competent authority of the non-resident holder's residence country) as the beneficial owner of such Korean source income ("BO Application"). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is not the beneficial owner of such income) ("OIV"), a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income. In the case of an application for a reduced withholding tax rate, the withholding agent is required to submit such application (together with the supporting documents and the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the end of February of the year following the year in which the payment of such income occurred.

Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to STTCL. However, in the event that the payer or we are required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in "Terms and Conditions of the Fixed Rate Notes – Additional Amounts" or "Terms and Conditions of the Floating Rate Notes – Additional Amounts," as applicable) we have agreed to pay (subject to the customary exceptions as set out in "Terms and Conditions of the Fixed Rate Notes – Additional Amounts" or "Terms and Conditions of the Floating Rate Notes – Additional Amounts," as applicable) such Additional Amounts as may be necessary in order that the net amounts received by the Holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such Holder in the absence of such withholding or deduction.

U.S. Taxation

The following summary describes certain U.S. federal income tax considerations with respect to the purchase, ownership and disposition of Notes by a U.S. Holder (as defined below) as of the date of this offering circular. The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. The summary does not purport to be a comprehensive description of all of the tax considerations that may be

relevant to any particular investor, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of investors or that are generally assumed to be known by investors. The discussion set forth below deals only with Notes purchased at their original issuance and issue price and held as capital assets. It does not address tax considerations applicable to investors that may be subject to special tax rules, such as dealers in securities or currencies, short-term holders of the Notes, financial institutions, tax-exempt entities, insurance companies, regulated investment companies, real estate investment trusts, persons liable for any alternative minimum tax, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, partnerships and other pass-through entities for U.S. federal income tax purposes and partners or other investors therein, persons holding Notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings or investors whose "functional currency" is not the U.S. dollar. In addition, this discussion does not consider the effect of any applicable state, local or foreign tax laws, the Medicare tax on net investment income, the special timing rules prescribed under section 451(b) of the Code, or any aspect of U.S. federal taxation other than income taxation (such as estate and gift tax laws).

As used herein, a "U.S. Holder" means a beneficial owner of a Note that is, for U.S. federal income tax purposes, an individual who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or any political subdivision thereof, or any other person that is subject to U.S. federal income tax on a net income basis in respect of its investment in the Notes.

Investors should consult their own tax advisors regarding the tax consequences of the acquisition, ownership and disposition of the Notes, including the application to their particular circumstances of the U.S. federal income tax considerations discussed below, as well as the application of U.S. state and local tax laws and non-U.S. tax laws.

Payment of Stated Interest

Payments of stated interest on a Note, including the amount of any Korean tax withheld therefrom and any additional amounts paid in respect of such withholding, generally will be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount ("OID") for U.S. federal income tax purposes. In general, however, if a series of Notes is issued with OID at or above a *de minimis* threshold, a U.S. Holder of that series of Notes will be required to include OID in gross income, as ordinary income, under a "constant-yield method" before the receipt of cash attributable to such income, regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Subject to generally applicable limitations and conditions, non-refundable Korean interest withholding tax (at a rate not exceeding any applicable rate under the U.S.-Korea tax treaty) may be eligible for credit against such U.S. Holder's U.S. federal income tax liability. (See the discussion above under "– Korean Taxation.") These generally applicable limitations and conditions include requirements adopted by the U.S. Internal Revenue Service ("IRS") in regulations promulgated in December 2021 and any Korean tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. Holder. In the case of a U.S. holder that consistently elects to apply a modified version of these rules under temporary guidance and complies with specific requirements set forth in such guidance, the Korean tax on interest generally will be treated as meeting the requirements and therefore as a creditable tax. In the case of all other U.S. holders, the application of these requirements to the Korean tax on interest is uncertain, and we have not determined whether these requirements have been met. If the Korean interest tax is not a creditable tax for a U.S. Holder or the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. Holder may be able to deduct the Korean tax in computing such U.S. Holder's taxable income for U.S. federal income tax purposes subject to applicable limitations. Interest and additional amounts will

constitute income from sources without the United States and, if the withholding tax is a creditable tax for a U.S. Holder that elects to claim foreign tax credits, generally will constitute "passive category income" for purposes of the foreign tax credit.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a U.S. Holder's particular circumstances and involve the application of complex rules to those circumstances. The temporary guidance discussed above also indicates that the U.S. Department of the Treasury (the "Treasury") and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. Holders should consult their own tax advisors regarding the application of these rules to their particular situations.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognize a gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. Holder's tax basis in such Note. A U.S. Holder's tax basis in a Note generally will be the purchase price of that Note on the date of purchase. Gain or loss recognized by a U.S. Holder on a sale or other taxable disposition of a Note generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of such sale or disposition, the Notes have been held for more than one year. Certain non-corporate U.S. Holders (including individuals) may be eligible for lower rates of taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

A U.S. Holder generally will not be entitled to credit any Korean tax imposed on the sale or other disposition of the Notes against such U.S. Holder's U.S. federal income tax liability, except in the case of a U.S. Holder that consistently elects to apply a modified version of the U.S. foreign tax credit rules that is permitted under temporary guidance and complies with the specific requirements set forth in such guidance. Additionally, capital gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of the Notes generally will be U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, even if the withholding tax qualifies as a creditable tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to generally applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. If the Korean tax is not a creditable tax, the tax would reduce the amount realized on the sale, exchange or retirement of the Notes even if the U.S. Holder has elected to claim a foreign tax credit for other taxes in the same year. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale, exchange or retirement of the Notes and any Korean tax imposed on such sale, exchange or retirement.

Foreign Financial Assets Reporting

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders that fail to report the required information could be subject to substantial penalties. In

addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Information Reporting and Backup Withholding

Payments in respect of the Notes (including the proceeds of a disposition of a Note) that are paid within the United States or through certain U.S.-related financial intermediaries are generally subject to information reporting, unless the Holder is an exempt recipient. Payments to a U.S. Holder that is not an exempt recipient may also be subject to backup withholding, unless the U.S. Holder provides an accurate taxpayer identification number and certifies that it has not lost its exemption from backup withholding. A Holder that is a foreign corporation or a non-resident alien individual may be required to comply with certification and identification procedures in order to establish an exemption from information reporting and backup withholding. The amount of any backup withholding collected from a payment to a Holder will be allowed as a credit against the Holder's U.S. federal income tax liability and may entitle the Holder to a refund, provided that certain required information is timely furnished to the IRS. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes.

PLAN OF DISTRIBUTION

Under the terms and conditions contained in a purchase agreement dated March 25, 2026 (the "Purchase Agreement"), we have agreed to sell to Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc and Merrill Lynch International (together, the "Initial Purchasers"), the following principal amounts of the 2029 Notes, the 2031 Notes, the 2036 Notes and the Floating Rate Notes.

Initial Purchasers	Principal Amount of the 2029 Notes	Principal Amount of the 2031 Notes	Principal Amount of the 2036 Notes	Principal Amount of the Floating Rate Notes
Citigroup Global Markets Inc.	U.S.$60,000,000	U.S.$100,000,000	U.S.$100,000,000	U.S.$60,000,000
Crédit Agricole Corporate and Investment Bank	60,000,000	100,000,000	100,000,000	60,000,000
The Hongkong and Shanghai Banking Corporation Limited	60,000,000	100,000,000	100,000,000	60,000,000
J.P. Morgan Securities plc	60,000,000	100,000,000	100,000,000	60,000,000
Merrill Lynch International	60,000,000	100,000,000	100,000,000	60,000,000
Total	U.S.$300,000,000	U.S.$500,000,000	U.S.$500,000,000	U.S.$300,000,000

The Purchase Agreement provides that the Initial Purchasers are obligated to purchase all of the Notes, if any are purchased. Each of the Initial Purchasers proposes to offer the Notes initially at the offering price on the cover page of this offering circular. After the initial offering, the offering price may be changed.

We have agreed to indemnify each of the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to the amount the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any Initial Purchaser or any affiliate of an Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering of any of the Notes shall be deemed to be made by such Initial Purchaser or such affiliate on behalf of us in such jurisdiction.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. The Initial Purchasers have advised that they presently intend to make a market in the Notes after completion of the Offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

Delivery of the Notes is expected on or about April 2, 2026.

No Sales of Similar Securities

For a period of 90 days after the date hereof, we will not, without the prior written consent of the Initial Purchasers, issue, offer, sell or contract to sell, or announce the offering of, any non-Won denominated debt securities issued or guaranteed by us (other than the Notes). We will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Regulation S to cease to be applicable to the offer and sale of the Notes.

Short Positions

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase Notes in the Offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

None of us and the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, none of us and the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this Offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of us, a CMI or its group companies would be considered under the SFC Code as having an Association with us, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with us or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this offering circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when

submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by us. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Initial Purchaser(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: bofa_dcm_syndicate_pb_orders@bofa.com; DCM.Omnibus@citi.com; HKG-Syndicate@ca-cib.com; hk_syndicate_omnibus@hsbc.com.hk; Investor.info.hk.bond.deals@jpmorgan.com

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to us, the relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this Offering. The Initial Purchasers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs

(including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchaser with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Initial Purchasers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military- Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its member states); (d) United Kingdom government (including H.M. Treasury and the Foreign, Commonwealth & Development Office); (e) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and the United Kingdom government (including H.M. Treasury and the Foreign, Commonwealth & Development Office).

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering circular or any amendment or supplement to this offering circular, in any country or jurisdiction where action for any such purposes is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Initial Purchaser has agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Purchase Agreement provides that the Initial Purchasers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each of the Initial Purchasers has severally represented and agreed that:

a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the "FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Korea

Each Initial Purchaser has represented and agreed that the Notes have not been and will not be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transactions Act of Korea and the regulations thereunder) except as otherwise permitted under applicable Korean laws and regulations.

In addition, each Initial Purchaser has confirmed that during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional buyer" (a "Korean QIB", as defined in the Regulation on Securities Issuance, Public Disclosure, Etc. of Korea) who is registered with the Korea Financial Investment Association for Korean QIB bond trading. Furthermore, the Notes acquired by all Korean QIBs at the time of issuance must be no more than 20% of the aggregate principal amount of the Notes.

Each Initial Purchaser has undertaken to use commercially reasonable best measures as an Initial Purchaser in the ordinary course of its business so that any securities dealer to which it sells the Notes confirms that it is purchasing such Notes as principal and agrees with such Initial Purchaser that it will comply with the restrictions described above.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Hong Kong

Each Initial Purchaser has represented and agreed that:

a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"), and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Initial Purchaser has acknowledged that this offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Italy

The Offering has not been registered with the *Commissione Nazionale per le Società e la Borsa* (''CONSOB'') pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering circular or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Initial Purchaser has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this offering circular or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of February 24, 1998 (the ''Financial Services Act'') and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of May 14, 1999 (the ''Issuers Regulation''), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this offering circular or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the ''Banking Act'') and CONSOB Regulation No. 20307 of February 15, 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this offering circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering circular nor any other offering or marketing material relating to the offering, nor the Company nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority (''FINMA''), and investors in the Notes will not benefit from protection or supervision by such authority.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The Initial Purchasers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. The Initial Purchasers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or our other securities at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes). We have been advised by the Initial Purchasers that they may offer and sell Notes to or through any of their respective affiliates and any such affiliate may offer and sell Notes purchased by it to or through any Initial Purchaser.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours and our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered pursuant to this offering circular.

Korea

Each purchaser of the Notes, by accepting delivery of this offering circular, will be deemed to have acknowledged, represented and agreed as follows:

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND ITS ENFORCEMENT DECREE) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A ''QUALIFIED INSTITUTIONAL BUYER'' (A ''KOREAN QIB'', AS DEFINED IN THE REGULATION ON SECURITIES ISSUANCE, PUBLIC DISCLOSURE, ETC. OF KOREA) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20 PERCENT OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

United States

Rule 144A Notes

Each purchaser of the Notes within the United States pursuant to Rule 144A, by accepting delivery of this offering circular, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that such Notes, unless otherwise agreed between us and the Fiscal Agent in accordance with applicable law, will bear a legend to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE ''SECURITIES ACT'') OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE

SECURITIES ACT (''RULE 144A'') TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

4. We, the Registrar, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

5. It understands that the Notes offered in reliance on Rule 144A will be represented by the Global Notes (''Rule 144A Global Notes''). Before any interest in the Rule 144A Global Notes may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Notes, it will be required to provide the Transfer Agent with a written certification (in the form provided in the applicable Fiscal Agency Agreement) as to compliance with applicable securities laws.

   Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of the Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this offering circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of us or a person acting on behalf of such an affiliate.

2. It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. We, the Registrar, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

4. It understands that the Notes offered in reliance on Regulation S will be represented by the Global Notes (''Regulation S Global Notes''). Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Notes may be offered,

sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Notes, it will be required to provide a Transfer Agent with a written certification (in the form provided in the applicable Fiscal Agency Agreement) as to compliance with applicable securities laws.

Each purchaser and subsequent transferee acknowledges and agrees that they will be deemed by such purchase or holding of the Notes (or any beneficial interest therein) that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes or any beneficial interest therein constitutes assets of any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Laws") or any entity whose underlying assets are considered to include "plan assets" of any such employee benefit plan, plan, account or arrangement or (ii) the purchase and holding of the Notes or any beneficial interest therein by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Laws.

Singapore

Where the Notes are initially subscribed or purchased by (i) an institutional investor pursuant to Section 274 of the SFA or (ii) an accredited investor pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, the Notes may only be sold or transferred: (a) at any time, to an institutional investor pursuant to Section 274 of the SFA; (b) at any time, to an accredited investor pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, our special U.S. counsel, and for the Initial Purchasers by Linklaters LLP, their special U.S. counsel. Certain legal matters relating to the Offering will be passed upon for us by Lee & Ko, our Korean counsel. Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP may rely as to all matters of Korean law on the opinion of Lee & Ko. Lee & Ko may rely as to all matters of New York law on the opinion of Cleary Gottlieb Steen & Hamilton LLP.

INDEPENDENT AUDITORS

Our annual consolidated financial statements as of and for the years ended December 31, 2025, 2024 and 2023 included in this offering circular have been audited by Deloitte Anjin LLC, independent auditors, as stated in their reports dated March 5, 2026 and March 5, 2025 appearing herein.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, we will be required to furnish, upon request of a holder of Notes, to such holder of Notes and any prospective investor designated by such holder of Notes, the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request we are a reporting company under Section 13 or Section 15(d) of the Exchange Act, or included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore are required to publish on our website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act). Any such request should be directed to LG Energy Solution, Ltd., Attention: Finance Team, 61st Floor, Parc One Tower 1, 108 Yeoui-daero, Yeongdeungpo-gu, Seoul 07335, Korea (telephone: +82-2-3773-3451).

You should rely only upon the information provided in this offering circular. We have not authorized anyone to provide you with different information. You should not assume that the information in this offering circular is accurate as of any date other than the date of this offering circular.

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Deloitte.

Deloitte Anjin LLC
9F., One IFC,
10, Gukjegeumyung-ro,
Youngdeungpo-gu, Seoul
07326, Korea

Tel: +82 (2) 6676 1000
Fax: +82 (2) 6674 2114
www.deloitteanjin.co.kr

Independent Auditor's Report

English Translation of Independent Auditor's Report Originally Issued in Korean on March 5, 2026

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

Report on the Audited Consolidated Financial Statements

Audit Opinion
We have audited the consolidated financial statements of LG Energy Solution, Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with *Korean International Financial Reporting Standards ("K-IFRSs")*.

We have also audited, in accordance with the *Korean Standards on Auditing ("KSAs")*, the internal control over financial reporting of the Group as of December 31, 2025, based on the *Conceptual Framework for Design and Operation of Internal Control Over Financial Reporting*, and our report dated March 05, 2026, expressed an unqualified opinion.

Basis for Audit Opinion
We conducted our audits in accordance with the *KSAs*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/kr/about to learn more about our global network of member firms.

Deloitte Touche Tohmatsu Limited is a private company limited by guarantee incorporated in England & Wales under company number 07271800, and its registered office is Hill House, 1 Little New Street, London, EC4a, 3TR, United Kingdom.

Key Audit Matters
The key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements, as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Warranty Provisions

1) Description of Key Audit Matter

As stated in Notes 4 and 15 of the consolidated financial statements, the warranty provisions are estimated based on the average warranty period, revenue and historical claims rate, or the number of units subject to recall, the expected total repair costs, etc. The estimated amount of the warranty provisions based on historical claims rate etc, recognized by the Company is ₩1,549,908 million as of December 31, 2025.

We have assessed this item as a Key Audit Matter, considering that the recognized amount of the warranty provision based on historical claims rate etc, is material, and the significant management judgment is involved in estimation.

2) How our audit addressed the Key Audit Matter

Our procedures included the following:

- Evaluate whether the Company's policies for measuring and recognizing warranty provisions comply with accounting standards.
- Perform the following procedures to assess the reasonableness of the key variables, including relevant revenue, claim rate and warranty period used by management:

  - Assess whether internal controls related to the determination of the claim rate (including relevant revenue and historical claims data) used in measuring the warranty provisions are appropriately designed and operating effectively.
  - Evaluate the reasonableness and appropriateness of the estimated average warranty period by business unit and the relevant revenue.
  - Assess whether internal controls over the calculation of the warranty provisions based on the key assumptions are appropriately designed and operating effectively, and perform recalculation procedures to verify the mathematical accuracy of the warranty provisions.

- Assess the adequacy of the related footnote disclosures.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with *K-IFRSs*, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We are solely responsible for our audit opinion.

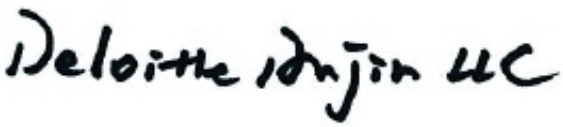
Deloitte.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Young Jae Kim.



March 5, 2026

This report is effective as of March 5, 2026, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of financial position
As of December 31, 2025 and 2024

(Korean won in millions)

	Note	December 31, 2025	December 31, 2024
Assets			
Current assets			
Cash and cash equivalents	3,5,6	₩ 3,779,307	₩ 3,898,711
Trade receivables	3,5,7,30	4,311,178	4,944,019
Other receivables	3,5,7,30	588,607	603,635
Other current financial assets	3,5,8	46,724	42
Prepaid income taxes		163,804	121,269
Other current assets	13	1,260,766	1,207,364
Inventories	9	4,350,407	4,552,355
Assets held for sale	36	3,911,334	-
		18,412,127	15,327,395
Non-current assets			
Trade receivables	3,5,7	383,553	392,584
Other receivables	3,5,7,30	160,904	134,450
Other non-current financial assets	3,5,8	1,320,891	1,132,368
Investments in associates and joint ventures	10,30	77,719	62,389
Deferred tax assets	27	2,985,763	2,774,153
Property, plant and equipment	11,18,32	40,794,759	38,349,552
Intangible assets	12,32	1,591,606	1,284,576
Investment properties	32,34	211,862	225,934
Other non-current assets	13,16	1,208,769	623,390
		48,735,826	44,979,396
Total assets		₩ 67,147,953	₩ 60,306,791
Liabilities			
Current liabilities			
Trade payables	3,5,30	₩ 2,152,800	₩ 2,705,481
Other payables	3,5,30	5,756,692	5,389,848
Borrowings	3,5,14,31	6,686,206	2,490,240
Provisions	15	1,081,216	1,044,468
Other current financial liabilities	3,5,8	2,641	1,159
Income tax payables		93,323	15,550
Other current liabilities	17,33	1,012,479	408,176
		16,785,357	12,054,922
Non-current liabilities			
Non-current other payables	3,5,30	14,619	22,082
Borrowings	3,5,14,31	15,825,890	12,900,311
Other non-current financial liabilities	3,5,8	2,407,851	1,000,635
Provisions	15	953,780	778,686
Deferred tax liabilities	27	49,709	60,733
Other non-current liabilities	16, 17,33	1,789,071	2,522,879
		21,040,920	17,285,326
Total liabilities		37,826,277	29,340,248
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		2,601,713	2,437,399
Retained earnings	20	332,209	1,397,211
		20,215,549	21,116,237
Non-controlling interest	1	9,106,127	9,850,306
Total equity		29,321,676	30,966,543
Total liabilities and equity		₩ 67,147,953	₩ 60,306,791

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of profit or loss
For the years ended December 31, 2025 and 2024

(Korean won in millions)

	Note		2025		2024
Revenue	30,32,33	₩	23,671,759	₩	25,619,585
Cost of sales	21,22,30		19,439,651		22,213,605
Gross profit			4,232,108		3,405,980
Other operating income	21,32		1,646,811		1,480,020
Selling and administrative expenses	21,22,30		4,532,799		4,310,613
Operating profit			1,346,120		575,387
Finance income	5,24,30		1,018,109		1,048,343
Finance costs	5,24,30		1,104,405		1,260,579
Share of loss of associates and joint ventures	10		(1,901)		(49,118)
Other non-operating income	25		1,073,060		858,811
Other non-operating expenses	26		1,916,859		823,973
Profit before income tax expense			414,124		348,871
Income tax expense	27		333,321		10,269
Profit for the year		₩	80,803	₩	338,602
Profit for the year attributable to:					
Owners of the Parent Company		₩	(1,072,810)	₩	(1,018,741)
Non-controlling interests	1		1,153,613		1,357,343
Earnings(losses) per share attributable to the equity holders of the Parent Company (in Korean won)	28				
Basic or diluted earnings(losses) per share			(4,585)		(4,354)

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2025 and 2024

(Korean won in millions)

	Note	2025	2024
Profit for the year		₩ 80,803	₩ 338,602
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	34,018	66,579
Loss on valuation of financial assets at FVOCI	5	(44,265)	(251)
Income tax effect of other comprehensive income (loss)		(5,245)	(15,165)
		(15,492)	51,163
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(82,267)	2,834,214
Gain (loss) on cash flow hedge	5	4,883	3,445
Share of other comprehensive income(loss) of associates and joint ventures	10	782	(22,595)
Income tax effect of other comprehensive income		20,974	12,512
		(55,628)	2,827,576
Other comprehensive income (loss) for the year, net of tax		(71,120)	2,878,739
Total comprehensive income for the year, net of tax		₩ 9,683	₩ 3,217,341
Total comprehensive income for the year attributable to:			
Owners of the Parent Company		₩ (900,921)	₩ 915,481
Non-controlling interest		910,604	2,301,860

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of changes in equity
For the years ended December 31, 2025 and 2024

(Korean won in millions)

	Note	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, 2024		₩ 117,000	₩ 17,164,627	₩ 554,518	₩ 2,364,496	₩ 20,200,641	₩ 4,172,868	₩ 24,373,509
Comprehensive income for the year:								
Profit (loss) for the period		-	-	-	(1,018,741)	(1,018,741)	1,357,343	338,602
Remeasurements of net defined benefit liabilities	16	-	-	-	51,341	51,341	-	51,341
Exchange differences on translation of foreign operations		-	-	1,903,034	-	1,903,034	944,517	2,847,551
Loss on valuation of financial assets at FVOCI	5	-	-	(177)	-	(177)	-	(177)
Gain on cash flow hedge	5	-	-	2,619	-	2,619	-	2,619
Equity adjustments in equity method	10	-	-	(22,595)	-	(22,595)	-	(22,595)
Total comprehensive income (loss) for the year		-	-	1,882,881	(967,400)	915,481	2,301,860	3,217,341
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase		-	-	-	-	-	3,375,677	3,375,677
Business combination		-	-	-	-	-	201,481	201,481
Others		-	-	-	115	115	(201,580)	(201,465)
Total transactions with owners of the Parent Company recognized directly in equity		-	-	-	115	115	3,375,578	3,375,693
As of December 31, 2024		₩ 117,000	₩ 17,164,627	₩ 2,437,399	₩ 1,397,211	₩ 21,116,237	₩ 9,850,306	₩ 30,966,543
As of January 1, 2025		₩ 117,000	₩ 17,164,627	₩ 2,437,399	₩ 1,397,211	₩ 21,116,237	₩ 9,850,306	₩ 30,966,543
Comprehensive income for the year:								
Profit (loss) for the period		-	-	-	(1,072,810)	(1,072,810)	1,153,613	80,803
Remeasurements of net defined benefit liabilities	16	-	-	-	25,884	25,884	-	25,884
Exchange differences on translation of foreign operations		-	-	183,056	-	183,056	(243,009)	(59,953)
Loss on valuation of financial assets at FVOCI	5	-	-	(41,376)	-	(41,376)	-	(41,376)
Gain on cash flow hedge	5	-	-	3,543	-	3,543	-	3,543
Equity adjustments in equity method	10	-	-	782	-	782	-	782
Total comprehensive income (loss) for the period		-	-	146,005	(1,046,926)	(900,921)	910,604	9,683
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase		-	-	-	-	-	2,113,167	2,113,167
Capital decrease		-	-	-	-	-	(1,470,416)	(1,470,416)
Disposal of financial assets at FVOCI		-	-	18,309	(18,309)	-	-	-
Others		-	-	-	233	233	(2,297,534)	(2,297,301)
Total transactions with owners of the Parent Company recognized directly in equity		-	-	18,309	(18,076)	233	(1,654,783)	(1,654,550)
As of December 31, 2025		₩ 117,000	₩ 17,164,627	₩ 2,601,713	₩ 332,209	₩ 20,215,549	₩ 9,106,127	₩ 29,321,676

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2025 and 2024

(Korean won in millions)

	Note	2025	2024
Cash flows from operating activities:			
Cash generated from operations	31	₩ 5,572,800	₩ 6,024,678
Interest received		191,388	202,572
Interest paid		(873,155)	(600,569)
Dividends received		138	198
Income tax paid		(458,894)	(515,179)
Net cash provided by operating activities		4,432,277	5,111,700
Cash flows from investing activities:			
Cash inflow from investing activities:			
Decrease in other receivables		145,706	27,642
Decrease in other non-current receivables		19,137	9,272
Proceeds from disposal of financial assets		44,497	2,899
Proceeds from disposal of property, plant and equipment		75,419	74,540
Proceeds from disposal of intangible assets		769	10,644
Government grants received		145,692	731,457
Other cash inflow from investing activities		-	150
Business combination		-	59,825
		431,220	916,429
Cash outflow for investing activities:			
Increase in other receivables		(150,005)	(5,333)
Increase in other non-current receivables		(83,516)	(38,174)
Acquisition of investments in associates and joint ventures		(27,540)	(7,661)
Acquisition of financial instruments		(51,309)	(407,565)
Acquisition of property, plant and equipment		(10,833,917)	(12,399,017)
Acquisition of intangible assets		(164,758)	(121,351)
Other cash outflow for investing activities		(1,452)	(2,775)
		(11,312,497)	(12,981,876)
Net cash used in investing activities		(10,881,277)	(12,065,447)
Cash flows from financing activities:			
Cash inflow from financing activities:			
Proceeds from borrowings and others	31	16,805,994	8,195,125
Paid-in capital by non-controlling interests		1,833,362	3,375,677
Settlement of derivatives		-	106,450
		18,639,356	11,677,252
Cash outflow for financing activities:			
Repayments of borrowings and others	31	(9,582,208)	(6,094,167)
Payment for capital reduction to non-controlling interests		(753,493)	-
Others		(2,017,729)	(201,580)
		(12,353,430)	(6,295,747)
Net cash provided by financing activities		6,285,926	5,381,505
Net decrease in cash and cash equivalents		(163,074)	(1,572,242)
Cash and cash equivalents at the beginning of year		3,898,711	5,068,783
Effects of exchange rate changes on cash and cash equivalents		43,670	402,170
Cash and cash equivalents at the end of year		₩ 3,779,307	₩ 3,898,711

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

1. GENERAL:

General information about LG Energy Solution, Ltd. (the "Company" or the "Parent Company") and its 23 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 December 31, 2025, 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 December 31, 2025. The largest shareholder of the Company is LG Chem Ltd., which holds 79.38% 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 December 31, 2025.

1.2 Business Overview

The Group is engaged in the battery business.

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.

1.3 Consolidated Subsidiaries and Investments in Associates and Joint Ventures

	Ownership (%)				
	December 31, 2025	December 31, 2024	Location	Closing month	Business
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	100	100	China	December	Manufacturing and Sales of Mobile Battery Materials
LG Energy Solution Michigan Inc. (*1)	100	100	USA	December	Manufacturing and Sales of Secondary Battery Materials
LG Energy Solution Battery (Nanjing) Co., Ltd.	100	100	China	December	Manufacturing and Sales of Secondary Battery Materials
LG Energy Solution Wroclaw sp. z o.o.	100	100	Poland	December	Manufacturing and Sales of Secondary Battery Materials
LG Energy Solution Australia Pty Ltd.	100	100	Australia	December	ESS battery sales
LG Energy Solution Technology (Nanjing) Co., Ltd.	100	100	China	December	Manufacturing and Sales of Secondary Battery Materials
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
Areumnoori 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	100	USA	December	ESS battery installation service
LG Energy Solution Arizona, Inc.	100	100	USA	December	Manufacturing and sales of Mobile battery and others
Baterias De Castilla, S.L.	100	100	Spain	December	Others
L-H Battery Company, Inc.	51	51	USA	December	Automotive battery manufacturing and sales
LG Energy Solution India Private Limited	100	100	India	December	Mobile battery sales and others
LG Energy Solution Arizona ESS, Inc.	100	100	USA	December	ESS battery manufacturing and sales
Nextstar Energy Inc.	51	51	Canada	December	Manufacturing and Sales of Secondary Battery Materials
LG Energy Solution Fund II LLC	100	100	USA	December	Investment in ventures
HL-GA Battery Company LLC (*3)	50	50	USA	December	Automotive battery manufacturing and sales
LG Energy Solution Japan Co., Ltd.	100	100	Japan	December	ESS battery sales
PT. HLI Green Power (*4)	50	50	Indonesia	December	Automotive battery manufacturing and sales
LG Energy Solution China Co., Ltd. (*5)	100	-	China	December	Business support services and others
Xensol Energy(Nanjing) Co., Ltd. (*6)	-	-	China	December	Manufacturing and Sales of Secondary Batteries
Associates and joint ventures:					
Sama Aluminium Co., Ltd. (*7)	10.2	10.2	Korea	December	Aluminum manufacturing, sales and others
Nexpo Co., Ltd. (*8)	19	19	Korea	December	Battery product manufacturing, sales and others
Bricks Capital Management Global Battery Private Equity Fund I (*9)	59.9	59.9	Korea	December	Collective investment institution
Jeju Bukchon BESS Power Plant Co., Ltd. (*10)	10	-	Korea	December	Renewable Energy Services
PT LBM Energi Baru Indonesia (*11)	20	-	Indonesia	December	Manufacturing and Sales of Secondary Battery Materials
EV-LOOP (*12)	50	-	France	December	Manufacturing and Sales of Secondary Battery Materials

(*1) LG Energy Solution Michigan Inc. owns 50% of Ultium Cells Holdings LLC and HL-GA Battery Company LLC's shares.

(*2) The Group does not hold a majority ownership interest in Ultium Cells LLC or Ultium Cells Holdings LLC. According to the arrangement between shareholders, 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) Although the Group does not hold a majority ownership interest in HL-GA Battery Company LLC, amendments in the shareholder agreement grant the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect variable returns by engaging in the entity's production and cost management. Accordingly, HL-GA Battery Company LLC was included as a subsidiary in the consolidated financial statements during the current period.

(*4) Although the Group does not hold a majority ownership interest in PT. HLI Green Power, amendments in the shareholder agreement grant the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect variable returns by engaging in the entity's production and cost management. Accordingly, PT. HLI Green Power was included as a subsidiary in the consolidated financial statements during the current period.

(*5) During the current period, the Group newly acquired 100% of LG Energy Solution China Co., Ltd. for ₩14,174 million.

(*6) Although the incorporation of Xensol Energy (Nanjing) Co., Ltd. was completed during the current period, the ownership interest is not indicated as the capital contribution has not yet been made.

(*7) Although the ownership in Sama Aluminium Co., Ltd. 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.

(*8) Although the ownership in Nexpo Co., Ltd. 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.

(*9) Although the subsidiary's equity stake in the joint venture exceeds 50%, but since unanimous consent from all equity participants is required for major decisions, the Group has concluded that it does not control the joint venture. As a result, it has been classified as an investment in an associate.

(*10) During the current period, the Group newly acquired 10% of Jeju Bukchon BESS Power Plant Co., Ltd. for ₩900 million. Although the ownership in Jeju Bukchon BESS Power Plant Co., Ltd. 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.

(*11) During the current period, the Group newly acquired 20% of PT LBM Energi Baru Indonesia for ₩22,107 million.

(*12) During the current period, the Group newly acquired 50% of EV-LOOP for ₩1,714 million.

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) is as follows (Korean won in millions):

	December 31, 2025		2025		
	Asset	Liability	Asset	Revenue	Operating profit (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 5,281,891	₩ 1,736,041	₩ 3,545,850	₩ 6,036,639	₩ 967,580
LG Energy Solution Michigan Inc.	15,007,253	6,392,935	8,614,318	2,096,513	526,006
LG Energy Solution Battery (Nanjing) Co., Ltd.	540,030	87,534	452,496	456,651	33,830
LG Energy Solution Wroclaw sp. z o.o.	7,743,389	5,032,269	2,711,120	5,379,083	(587,762)
LG Energy Solution Australia Pty Ltd.	10,376	4,352	6,024	21,396	2,275
LG Energy Solution Technology (Nanjing) Co., Ltd.	1,615,516	263,353	1,352,163	1,270,789	196,407
Ultium Cells Holdings LLC (*)	10,234,000	3,574,373	6,659,627	4,832,225	1,817,403
Ultium Cells LLC	10,234,000	3,574,373	6,659,627	4,832,225	1,817,403
LG Energy Solution Europe GmbH	810,055	734,774	75,281	79,363	6,516
LG Energy Solution (Taiwan) Ltd.	1,365	168	1,197	2,730	179
Areumnoori Co., Ltd.	4,158	2,699	1,459	13,214	408
LG Energy Solution Fund I LLC	23,132	-	23,132	-	(664)
LG Energy Solution Vertech Inc.	1,942,981	1,870,414	72,567	1,560,057	23,831
LG Energy Solution Arizona, Inc.	2,977,044	2,587,595	389,449	7,493	(920)
Baterias De Castilla, S.L.	245	241	4	-	-
L-H Battery Company, Inc	6,903,131	1,789,615	5,113,516	70,122	56,458
LG Energy Solution India Private Limited	16,081	12,914	3,167	41,622	1,162
LG Energy Solution Arizona ESS, Inc.	157,007	70,706	86,301	-	(236)
Nextstar Energy Inc.	5,644,808	2,727,512	2,917,296	362,385	53,034
LG Energy Solution Fund II LLC	40,846	10	40,836	-	(5,043)
HL-GA Battery Company LLC	3,926,069	794,861	3,131,208	660	(44)
LG Energy Solution Japan Co., Ltd.	1,552	580	972	2,650	478
PT. HLI Green Power	1,641,935	1,064,798	577,137	1,281,681	146,046
LG Energy Solution China Co., Ltd.	1,273,823	1,257,941	15,882	28,770	1,480
Xensol Energy(Nanjing) Co.,Ltd	-	-	-	-	-
Associates:					
Sama Aluminium Co., Ltd.	450,789	230,855	219,934	271,392	(17,372)
Nexpo Co., Ltd.	39,554	9,369	30,185	1,346	(2,740)
Bricks Capital Management Global Battery Private Equity Fund I	24,356	22	24,334	-	1,247
Jeju Bukchon BESS Power Plant Co., Ltd.	63,762	57,301	6,461	-	(2,334)
PT LBM Energi Baru Indonesia	287,177	162,697	124,480	95,450	11,604
EV-LOOP	3,371	-	3,371	-	-

(*) The entity holds a 100% stake in Ultium Cells LLC and has presented financial information on a consolidated basis.

	December 31, 2024		2024		
	Asset	Liability	Asset	Revenue	Operating profit (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 5,303,278	₩ 1,716,102	₩ 3,587,176	₩ 6,988,862	₩ 909,237
LG Energy Solution Michigan Inc.	8,278,090	3,043,236	5,234,854	776,663	(137,540)
LG Energy Solution Battery (Nanjing) Co., Ltd.	623,352	130,838	492,514	601,150	45,784
LG Energy Solution Wroclaw sp. z o.o.	8,661,372	5,725,145	2,936,227	8,057,038	(126,101)
LG Energy Solution Australia Pty Ltd.	8,454	1,834	6,620	43,069	4,643
LG Energy Solution Technology (Nanjing) Co., Ltd.	1,874,656	416,580	1,458,076	1,685,120	205,252
Ultium Cells Holdings LLC (*)	14,900,212	4,615,112	10,285,100	5,441,539	2,023,262
Ultium Cells LLC	14,900,212	4,615,112	10,285,100	5,441,539	2,023,262
LG Energy Solution Europe GmbH	125,912	61,988	63,924	73,439	7,442
LG Energy Solution (Taiwan) Ltd.	3,086	391	2,695	3,880	253
Areumnoori Co., Ltd.	5,609	2,642	2,967	13,952	939
LG Energy Solution Fund I LLC	41,174	2	41,172	-	(796)
LG Energy Solution Vertech Inc.	623,934	562,449	61,485	584,332	10,817
LG Energy Solution Arizona, Inc.	1,515,226	1,196,642	318,584	-	(2,631)
Baterias De Castilla, S.L.	222	218	4	-	(0)
L-H Battery Company, Inc	4,433,776	598,658	3,835,118	-	(437)
LG Energy Solution India Private Limited	23,187	15,945	7,242	56,517	4,266
LG Energy Solution Arizona ESS, Inc.	276,739	173,820	102,919	-	(220)
Nextstar Energy Inc.	4,069,426	1,103,389	2,966,037	296,389	10,661
LG Energy Solution Fund II LLC	41,201	29	41,172	-	(4,338)
HL-GA Battery Company LLC	1,786,447	187,395	1,599,052	-	192
LG Energy Solution Japan Co., Ltd.	1,267	546	721	1,682	307
PT. HLI Green Power	1,718,258	1,224,395	493,863	598,158	85,464
Associates:					
Sama Aluminium Co., Ltd.	434,260	190,595	243,665	251,738	(9,362)
Nexpo Co., Ltd.	25,056	4,786	20,270	4,218	(1,755)
Bricks Capital Management Global Battery Private Equity Fund I	22,367	22	22,345	-	(8,793)

(*) The entity holds a 100% stake in Ultium Cells LLC and has presented financial information on a consolidated basis.

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

(1) Percentage of ownership held by non-controlling interests and cumulative non-controlling interests as of December 31, 2025 and 2024, and net income (loss) and total comprehensive income (loss) allocated to non-controlling interests for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	
	Ultium Cells Holdings LLC, etc. (*)	
Cumulative non-controlling interests	₩	9,106,127
Net income allocated to non-controlling interests		1,153,613
Total comprehensive income allocated to non-controlling interests		910,604

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included and the dividends paid to non-controlling interest for the current period amounted to ₩2,297,534 million.

	2024	
	Ultium Cells Holdings LLC, etc. (*)	
Cumulative non-controlling interests	₩	9,850,306
Net income allocated to non-controlling interests		1,357,343
Total comprehensive income allocated to non-controlling interests		2,301,860

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included and the dividends paid to non-controlling interest for the prior period amounted to ₩201,580 million.

(2) The consolidated statements of financial position of subsidiaries whose non-controlling interests are material to the Group (before the elimination of intercompany transactions) (Korean won in millions):

	2025	
	Ultium Cells Holdings LLC, etc. (*)	
Total assets		
Current assets	₩	9,075,148
Non-current assets		19,274,797
		28,349,945
Total liabilities		
Current liabilities		6,282,915
Non-current liabilities		3,668,244
		9,951,159
Total equity	₩	18,398,786

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included.

	2024	
	Ultium Cells Holdings LLC, etc. (*)	
Total assets		
Current assets	₩	5,083,386
Non-current assets		21,824,733
		26,908,119
Total liabilities		
Current liabilities		3,656,668
Non-current liabilities		4,072,281
		7,728,949
Total equity	₩	19,179,170

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included

(3) The consolidated statements of comprehensive income of subsidiaries whose non-controlling interests are material to the Group (before the elimination of intercompany transactions) (Korean won in millions):

	2025	
	Ultium Cells Holdings LLC, etc. (*)	
Revenue	₩	6,547,073
Operating profit		2,072,897

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included.

	2024	
	Ultium Cells Holdings LLC, etc. (*)	
Revenue	₩	6,336,086
Operating profit		2,119,142

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included

(4) The consolidated statements of cash flows of subsidiaries whose non-controlling interests are material to the Group for the years ended December 31, 2025 and 2024, are as follows (before the elimination of intercompany transactions) (Korean won in millions):

	2025	
	Ultium Cells Holdings LLC, etc. (*)	
Cash flows from operating activities	₩	2,171,847
Cash flows from investing activities		(3,351,531)
Cash flows from financing activities		660,754
Effects of exchange rate changes on cash and cash equivalents		(13,418)
Increase in cash and cash equivalents		(532,348)
Cash and cash equivalents at the beginning of year		2,210,947
Cash and cash equivalents at the end of year	₩	1,678,599

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included.

	2024	
	Ultium Cells Holdings LLC, etc. (*)	
Cash flows from operating activities	₩	1,715,587
Cash flows from investing activities		(7,723,351)
Cash flows from financing activities		6,381,260
Effects of exchange rate changes on cash and cash equivalents		281,142
Increase in cash and cash equivalents		654,638
Cash and cash equivalents at the beginning of year		1,556,309
Cash and cash equivalents at the end of year	₩	2,210,947

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included.

1.6 Changes in Scope for Consolidation

New subsidiaries included in the consolidated financial statements for the year ended December 31, 2025, are as follows:

	Reason for the inclusion
LG Energy Solution China Co., Ltd.	Incorporated during the current period
Xensol Energy(Nanjing) Co., Ltd.	Incorporated during the current period

2. BASIS OF CONSOLIDATION AND MATERIAL ACCOUNTING POLICIES:

2.1 Basis of Preparation

The Parent Company and its subsidiaries (the "Group") have prepared the consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

The principal accounting policies are set out below. Except for the effect of the amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2025, are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2024.

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures

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

- Amendments to K-IFRS 1021 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

2) At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised K-IFRSs that have been issued, but are not yet effective:

- K-IFRS 1109 *Financial Instruments* and K-IFRS 1107 *Financial Instruments: Disclosures – Amendments to Classification and Measurement Requirements of Financial Instruments*

The amendments in *Amendments to the Classification and Measurement of Financial Instruments (Amendments to K-IFRS 1109 and K-IFRS 1107)* are:

Derecognition of a financial liability settled through electronic transfer
The amendments permit an entity to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be discharged (and derecognized) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system.

Classification of financial assets

- *Contractual terms that are consistent with a basic lending arrangement*.
  The amendments provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist an entity to apply the requirements for assessing contractual cash flow characteristics to financial assets with features linked to environmental, social and governance ("ESG") concerns.
- *Assets with non-recourse features*.
  The amendments enhance the description of the term 'non-recourse,' in particular to specify that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
- *Contractually linked instruments.*
  The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Specifically, the amendments highlight that in such instruments a prioritisation of payments to the holders of financial assets using multiple contractually linked instruments (tranches) is established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of losses between the holders of different tranches. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

Disclosures

- *Investments in equity instruments designated at FVTOCI.*
  The requirements in K-IFRS 1107 are amended to require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period.
- *Contractual terms that could change the timing or amount of contractual cash flows*.
  The amendments require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortized cost or FVTOCI and each class of financial liability measured at amortized cost.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. If an entity elects to apply these amendments for an earlier period, it is required to either:

- apply all the amendments at the same time and disclose that fact or
- apply only the amendments to the classification of financial assets for that earlier period and disclose that fact.

The amendments are required to be applied retrospectively, in accordance with K-IFRS 1008, with specific exceptions.

- K-IFRS 1101 *First-time adoption of Korean International Financial Reporting Standards – Hedging accounting by a first-time adopter*

For consistency with the requirements in K-IFRS 1109, K-IFRS 1101:B6 were amended to refer to the 'qualifying criteria' for hedge accounting(instead of the 'conditions') and to add cross-references to K-IFRS 1109:6.4.1 to improve the understandability of K-IFRS 1101.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1107 *Financial Instruments: Disclosures – Gain or loss on derecognition*

The amendments remove an obsolete cross-reference in K-IFRS 1107:B38 to a paragraph that had been deleted when K-IFRS 1113 was issued and aligned the wording of this paragraph with the terms used in K-IFRS 1113.

Guidance on implementing K-IFRS 1107—Disclosure of Deferred Difference Between Fair Value and Transaction Price

The amendments update K-IFRS 1107:IG14 to make the wording of that paragraph consistent with K-IFRS 1107:28 and improve the internal consistency of the wording in the example in K-IFRS 1107:IG14.

Guidance on implementing K-IFRS 1107—Introduction and Credit Risk Disclosures

The amendments add a statement to K-IFRS 1107:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of K-IFRS 1107. The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in K-IFRS 1107:IG20B.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

- K-IFRS 1109 *Financial Instruments – Derecognition of Lease Liabilities and Transaction Price*

The amendments add a cross-reference to K-IFRS 1109:3.3.3 in K-IFRS 1109:2.1(b)(ii) to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with K-IFRS 1109, the lessee is required to apply K-IFRS 1109:3.3.3 and therefore recognize any resulting gain or loss in profit or loss.

Additionally, the amendments replace 'their transaction price (as defined in K-IFRS 1115)' in K-IFRS 1109:5.1.3 with 'the amount determined by applying K-IFRS 1115' which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognized as revenue. The reference to 'transaction price'(as defined in K-IFRS 1115) is deleted from Appendix A of K-IFRS 1109.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. An entity is required to apply the amendments to K-IFRS 1109:2.1(b)(ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

- K-IFRS 1110 *Consolidated Financial Statements – Determination of 'De Facto Agent'*

The amendments address concerns that the requirements in K-IFRS 1110:B73-B74 might, in some situations, be contradictory. K-IFRS 1110:B73 refers to 'de facto agents' as parties acting on the investor's behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of K-IFRS 1110:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The amendments update K-IFRS 1110:B74 to use less conclusive language and to clarify that the relationship described in K-IFRS 1110:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

- K-IFRS 1007 *Statement of Cash Flows: Cost Method*

The amendment replaces the term 'cost method' with 'at cost' in K-IFRS 1007:37 in line with the removal of the definition of 'cost method' from the IFRS Accounting Standards.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The directors of the entity anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

- Amendments to IFRS 9 and IFRS 7—*Contracts Referencing Nature-Dependent Electricity*

Amendments to IFRS 9 *Financial Instruments*
The following requirements of K-IFRS 1109 are affected by the amendments:

- The own-use requirements in K-IFRS 1109 are amended to include the factors an entity is required to consider when applying K-IFRS 1109:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and
- The hedge accounting requirements in K-IFRS 1109 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:
  - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
  - to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

Amendments to K-IFRS 1107 *Financial Instruments: Disclosures*
K-IFRS 1107 was amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

The amendments are effective for annual periods beginning on or after 1 January 2026, with earlier application permitted. The amendments to the own use exemption are required to be applied retrospectively in accordance with K-IFRS 1008 using the facts and circumstances at the date of initial application. The amendments to the hedge accounting requirements are to be applied prospectively to new hedging relationships designated on or after the date of initial application.

- K-IFRS 1118 *Presentation and Disclosures in Financial Statements*

K-IFRS 1118 replaces K-IFRS 1001, carrying forward many of the requirements in K-IFRS 1001 unchanged and complementing them with new requirements. In addition, some paragraphs from K-IFRS 1001 have been moved to K-IFRS 1008 and K-IFRS 1107. Furthermore, minor amendments have been made to K-IFRS 1007 and K-IFRS 1033 Earnings Per Share.

K-IFRS 1118 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures in the notes to financial statements
- improve aggregation and disaggregation.

An entity is required to apply K-IFRS 1118 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to K-IFRS 1007 and K-IFRS 1033, as well as the revised K-IFRS 1008 and K-IFRS 1107 become effective when an entity applies K-IFRS 1118. K-IFRS 1118 requires retrospective application with specific transition provisions.

The Group is currently assessing the impact that the enactments and amendments listed above may have on its consolidated financial statements.

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the Group made up to December 31 each year. Control is achieved when the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired, or disposed of, during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable K-IFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 *Financial Instruments*, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-Based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

2.5 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale; in which case, it is accounted for in accordance with K-IFRS 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of K-IFRS 1036 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value, less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1109. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies K-IFRS 1109, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying K-IFRS 1109 to long-term interests, the Group does not take into account adjustments to their carrying amount required by K-IFRS 1028 *Investments in Associates and Joint Ventures* (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with K-IFRS 1028).

2.6 Operating Segment

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

2.7 Revenue Recognition

(1) Identify performance obligation

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

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

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

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

(3) Providing ESS battery installation services

The Group recognizes revenue over time for services provided, including ESS battery installation services. In order to measure the services provided with reliability, the Group determines the progress of completion based on the nature of the transaction, using reliable measurement methods such as assessing the degree of work performed, the ratio of cumulative service performed to the total estimated service volume, the ratio of cumulative costs incurred to the total estimated costs, and others.

(4) Significant financing component

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

2.8 Lease

(1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease, and is determined based on a series of inputs, including the risk-free rate, based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed-lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in the measurement of the ‘Borrowings.’

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option; in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value; in which case, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in the floating interest rate; in which case, a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease; in which case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, plus any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the measurement of the 'Property, plant and equipment.'

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(2) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for expected credit losses("ECLs") on the finance lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies K-IFRS 1115 to allocate the consideration under the contract to each component.

2.9 Foreign exchange

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period; in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests, as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation whose the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests in equity and is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the consolidated statements of financial position by deducting the grant from the carrying amount of the asset (including property, plant and equipment). The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to revenue are recognized as income over the corresponding period in accordance with systematic criteria to match against the costs intended to preservation. Also, government grants received as immediate financial support to the Group, without offsetting against previously incurred costs or losses and without anticipation of future-related costs, are recognized as current income when the right to receive such grants arises.

Government grants toward staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

2.12 Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the consolidated statements of financial position with a charge or credit to the consolidated statements of comprehensive income in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- Service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements;
- Net interest expense or income; and
- Remeasurements.

Service costs and net interest expense or income are recognized within the cost of sales and selling and administrative expenses and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

2.13 Taxation

Income tax expense represents the sum of the current tax expense and deferred tax expense.

(1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statements of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and, in certain cases, based on specialist independent tax advice.

(2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination or for transactions that give rise to equal taxable and deductible temporary differences) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized, and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period. Such tax rates are the average rates that are expected to apply to taxable income deducting unused tax losses. In case a forecast taxable income is expected to fall below zero, the Group applies the lowest rate in the range of future expected progressive tax rates. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model, whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

(3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.14 Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives
Buildings	25 – 50 years
Structures	6 – 50 years
Machinery	6 – 15 years
Others	1 – 12 years

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method; the estimated useful lives; and the residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.15 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset, or as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.16 Intangible assets

(1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

	Useful lives
Software	6 years
Development costs	6 years
Industrial property rights	1 – 10 years
Others	6 – 10 years

(2) Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new, or substantially improved, products, and the Group can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

(4) Derecognition of intangible assets

An intangible asset is derecognized at disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(5) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

2.17 Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell or value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.18 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories, except for those in transit measured using specific identification of their individual costs, is measured using the weighted-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some, or all, of the expenditure required to settle a provision is expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

2.20 Cash and cash equivalents

In the consolidated statements of financial position, cash and cash equivalents are comprised of cash (i.e., cash on hand and on-demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less) and highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances whose use by the Group is subject to third-party contractual restrictions are included as part of cash, unless the restrictions result in a bank balance no longer meeting the definition of cash. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statements of financial position.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statements of financial position.

2.21 Financial Instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have significant financing components, which are measured at the transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVPL")) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVPL are recognized immediately in profit or loss.

2.22 Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

(1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (" FVOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (1-3) below); and
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (see (1-4) below).

1-1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the debt instrument or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "finance income" line item.

1-2) Debt instruments classified as at FVOCI

The corporate bonds held by the Group are classified as at FVOCI. Fair value is determined in the manner described in Note 50. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if the corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss.

1-3) Equity instruments designated as at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in other comprehensive income or loss and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Finance income' line item in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVOCI on initial recognition.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

1-4) Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are measured at FVPL. Specifically:

- Investments in equity instruments are classified as at FVPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVOCI on initial recognition (see (1-3) above).
- Debt instruments that do not meet the amortized cost criteria or the FVOCI criteria (see (1-1) and (1-2) above) are classified as at FVPL. In addition, debt instruments that meet either the amortized cost criteria or the FVOCI criteria may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so-called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes interest earned on the financial asset and is included in the 'Finance income' line item. Fair value is determined in the manner described in Note 3.

(2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other non-operating income (expenses)' line item;
- For debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'Other non-operating income (expenses)' line item. As the foreign currency element recognized in profit or loss is the same as if it was measured at amortized cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at FVPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other non-operating income (expenses)' line item as part of the fair value gain or loss; and
- For equity instruments measured at FVOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

(3) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience; adjusted for factors that are specific to the debtors; general economic conditions; and an assessment of both the current and the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(4) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss-given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss-given default is based on historical data adjusted by forward-looking information, as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as of the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116 *Leases*.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

(5) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on the derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.23 Financial liabilities and equity instruments

(1) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group are measured in accordance with the specific accounting policies set out below.

1-1) Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVPL.

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if either:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and K-IFRS 1109 permits the entire combined contract to be designated as at FVPL.

Financial liabilities at FVPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘financial costs’ line item in profit or loss.

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as FVPL are recognized in profit or loss.

1-2) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of the financial liability.

(2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with K-IFRS 1109; and
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with The revenue recognition policies set out above.

(3) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Other non-operating income (expenses)' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those that are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at FVPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(4) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one, with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

2.24 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value on each reporting date. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognized as a financial asset, whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements, unless the Group has both legally enforceable right and the intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(1) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e., including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of options for a hedging instrument as a means to hedge risks associated with forecast transactions. Time value changes (i.e., undesignated elements) are recognized in profit or loss in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement*. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income in accordance with K-IFRS 1109 *Financial Instruments*. The amount accumulated in equity is either reclassified to the profit or loss or derecognized from equity and included in the book value of non-financial items during when the hedged item affects the profit or loss.

The Group designates only the intrinsic value of option contracts as a hedging instrument, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period-related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is non-financial, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some, or all, of the loss accumulated in the cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

1-1) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss, except when the hedging instrument hedges an equity instrument designated at FVOCI; in which case, it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

1-2) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'Other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some, or all, of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

2.25 Assets Held for Sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The Group classifies non-current assets (or disposal groups) as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell the asset, and the sale is expected to be completed within one year from the date of classification.

2.26 Accounting Treatment Related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. Emission rights allowances the government allocated free of charge are measured at nil, and emission rights allowances purchased are measured at cost, which the Group paid to purchase the allowances. If emission rights the government-allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage years, the emissions liabilities are measured at nil. However, for the emissions liabilities that exceed the allowances allocated free of charge, the shortfall is measured at the best estimate at the end of the reporting period.

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 USD. 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 operates a dedicated team for foreign exchange risk management and utilizes foreign exchange derivatives such as forward exchange contracts and currency swaps as hedging instruments, while principally excluding transactions for trading purposes.

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 December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025		December 31, 2024	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 2,398,017	₩ 9,284,797	₩ 4,302,999	₩ 6,674,089
EUR	264,366	3,616,837	406,770	3,728,590
JPY	20,035	87,327	50,688	131,907
CNY and others	203,801	151,783	243,000	56,719

With all other variables held constant as of December 31, 2025 and 2024, a hypothetical change in exchange rates by 10% would have increased (decreased) the Group's profit before tax as follows (Korean won in millions):

	December 31, 2025		December 31, 2024	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (688,678)	₩ 688,678	₩ (237,109)	₩ 237,109
EUR	(335,247)	335,247	(332,182)	332,182
JPY	(6,729)	6,729	(8,122)	8,122
CNY and others	5,202	(5,202)	18,628	(18,628)

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

As of December 31, 2025, the Group entered into foreign currency forwards and foreign currency swaps 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 (*)	KB Kookmin Bank	USD 500	1,102.83	11.24.2020	04.16.2029	₩ 137,663	₩ -
	JP Morgan	USD 200	1,337.60	09.25.2023	09.25.2026	21,675	-
	Shinhan Bank	USD 200	1,337.60	09.25.2023	09.25.2026	20,901	-
	KDB Bank	USD 400	1,337.60	09.25.2023	09.25.2028	44,702	-
	Woori Bank	USD 200	1,337.60	09.25.2023	09.25.2028	22,348	-
	DBS	USD 200	1,380.80	07.02.2024	07.02.2027	16,752	-
	JP Morgan	USD 200	1,380.80	07.02.2024	07.02.2027	16,781	-
	Shinhan Bank	USD 300	1,380.80	07.02.2024	07.02.2027	23,869	-
	KB Kookmin Bank	USD 200	1,380.80	07.02.2024	07.02.2029	19,381	-
	Woori Bank	USD 200	1,380.80	07.02.2024	07.02.2029	19,425	-
	Korea Exim Bank	USD 200	1,380.80	07.02.2024	07.02.2029	19,469	-
	IBK Securities	USD 100	1,380.80	07.02.2024	07.02.2029	9,632	-
	KDB Bank	USD 100	1,380.80	07.02.2024	07.02.2029	9,671	-
Currency swap (*)	KDB Bank	USD 400	1,380.80	07.02.2024	07.02.2034	42,639	-
	Woori Bank	USD 100	1,380.80	07.02.2024	07.02.2034	10,644	-
	Hana Bank	USD 200	1,471.70	04.02.2025	04.02.2028	-	1,568
	JP Morgan	USD 100	1,471.70	04.02.2025	04.02.2028	-	506
	SMBC	USD 100	1,471.70	04.02.2025	04.02.2028	-	969
	Shinhan Bank	USD 200	1,471.70	04.02.2025	04.02.2030	-	406
	Woori Bank	USD 100	1,471.70	04.02.2025	04.02.2030	-	156
	KDB Bank	USD 500	1,471.70	04.02.2025	04.02.2030	9,626	-
	Shinhan Bank	USD 100	1,471.70	04.02.2025	04.02.2030	1,863	-
	Woori Bank	USD 200	1,471.70	04.02.2025	04.02.2035	8,075	-
	Hanwha Securities	USD 200	1,471.70	04.02.2025	04.02.2035	7,993	-
	Hana Bank	USD 100	1,471.70	04.02.2025	04.02.2035	4,010	-
	KB Kookmin Bank	USD 100	1,471.70	04.02.2025	04.02.2035	3,917	-
	Credit Agricole	USD 50	1,471.70	04.02.2025	04.02.2035	2,461	-
	KDB Bank	USD 50	1,471.70	04.02.2025	04.02.2035	2,025	-

(*) 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 rates. 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.

The table below summarizes the impact of increases/decreases in interest rates 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 or loss before tax		Impact on equity	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Increase	₩ (75,104)	₩ (46,125)	₩ (75,104)	₩ (46,125)
Decrease	75,104	46,125	75,104	46,125

3) Price risk

The Group is exposed to price risks from equity instruments. As of December 31, 2025, the fair value of equity instruments is ₩109,048 million. With all other variables held constant, a price change in equity instruments by 10% would have changed the Group's equity by ₩10,905 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 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 the 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 relationships with financial institutions with high credit ratings evaluated by independent credit rating agencies and, accordingly, credit risks associated with these financial institutions are limited.

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 December 31, 2025 and 2024, 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
December 31, 2025 (trade receivables)				
Gross carrying amount	₩ 4,513,221	₩ 181,510	₩ -	₩ 4,694,731
Expected loss rate	-	-	-	0.00%
Provisions for receivables	-	-	-	-
December 31, 2024 (trade receivables)				
Gross carrying amount	₩ 5,226,311	₩ 110,292	₩ 1	₩ 5,336,604
Expected loss rate	-	-	100.00%	0.00%
Provisions for receivables	-	-	1	1

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

Changes in the provisions for trade receivables for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 1	₩ -
Provisions recognized in profit or loss	(1)	13
Write-off	-	(12)
Ending	₩ -	₩ 1

As of December 31, 2025, the carrying amount of trade receivables representing the maximum exposure to credit risk amounted to ₩4,694,731 million (as of December 31, 2024, was ₩5,336,603 million).

2) Other financial assets at amortized cost

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.

As of December 31, 2025 and 2024, the provisions for other financial assets at amortized cost do not exist.

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.

(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):

	December 31, 2025			
	Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:				
Borrowings	₩ 6,677,900	₩ 4,348,750	₩ 11,216,427	₩ 3,383,491
Lease liabilities	90,563	71,000	177,844	120,418
Trade and other payables (*)	7,909,492	9,149	5,470	-
	14,677,955	4,428,899	11,399,741	3,503,909
Derivative instruments:				
Currency forwards and swaps settled in gross:				
Inflows	(573,960)	(1,004,430)	(4,591,680)	(1,721,880)
Outflows	535,040	966,560	4,371,825	1,720,590
	(38,920)	(37,870)	(219,855)	(1,290)
	₩ 14,639,035	₩ 4,391,029	₩ 11,179,886	₩ 3,502,619

	December 31, 2024			
	Less than 1 year	Between 1 year–2 years	Between 2–5 years	More than 5 years
Non-derivative instruments:				
Borrowings	₩ 3,059,952	₩ 3,658,210	₩ 8,594,217	₩ 2,340,232
Lease liabilities	87,984	57,643	103,007	134,674
Trade and other payables (*)	8,095,329	17,194	4,887	1
	11,243,265	3,733,047	8,702,111	2,474,907
Derivative instruments:				
Currency forwards and swaps settled in gross:				
Inflows	-	(588,000)	(3,822,000)	(735,000)
Outflows	-	535,040	3,425,175	690,400
	-	(52,960)	(396,825)	(44,600)
	₩ 11,243,265	₩ 3,680,087	₩ 8,305,286	₩ 2,430,307

(*) As of December 31, 2025, the carrying amount related to supplier financing arrangements is ₩1,041,733 million (as of December 31, 2024, was ₩683,752 million) (see Note 5.(3)).

The Group is not exposed to significant liquidity risk arising from supplier financing arrangements, as the amount of liabilities subject to these arrangements is limited, and the Group can obtain alternative financing under similar terms.

2) As of December 31, 2025 and 2024, 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 contract	Hedged items	Financial institution	Maturity	December 31, 2025		December 31, 2024	
					Assets	Liabilities	Assets	Liabilities
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	SC, etc.	12.2027	₩ 4,288	₩ 336	₩ 64	₩ 1,594

(*) 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.

3.2 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 consolidated statements of financial position, plus net debt.

The gearing ratio and debt-to-equity ratio as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Total borrowings (Note 14) (A)	₩ 22,512,096	₩ 15,390,551
Less: Cash and cash equivalents (B)	(3,779,307)	(3,898,711)
Net debt (C=A+B)	18,732,789	11,491,840
Total liabilities (D)	37,826,277	29,340,248
Total equity (E)	29,321,676	30,966,543
Total capital (F=C+E)	₩ 48,054,465	₩ 42,458,383
Gearing ratio (C/F)	39.0%	27.1%
Debt-to-equity ratio (D/E)	129.0%	94.7%

3.3 Fair Value Estimation

(1) The carrying amount and fair value of financial instruments by category as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025		December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current):				
Cash and cash equivalents	₩ 3,779,307	(*)	₩ 3,898,711	(*)
Trade receivables	4,311,178	(*)	4,944,019	(*)
Other receivables (excluding due from financial institutions)	588,243	(*)	603,635	(*)
Due from financial institutions	364	(*)	-	-
Current derivative financial assets	4,147	4,147	42	42
Current derivative financial assets (currency swap)	42,577	42,577	-	-
Financial assets (non-current):				
Trade receivables	383,553	(*)	392,584	(*)
Other receivables (excluding due from financial institutions)	45,771	(*)	68,219	(*)
Due from financial institutions	115,133	(*)	66,231	(*)
Other non-current financial assets (measured at fair value)				
Marketable financial assets	857	857	26,973	26,973
Non-marketable financial assets	844,735	844,735	703,957	703,957
Non-current derivative financial assets	42,353	42,353	31,163	31,163
Non-current derivative financial assets (currency forward)	137,663	137,663	118,088	118,088
Non-current derivative financial assets (currency swap)	295,283	295,283	252,187	252,187
Financial liabilities (current):				
Trade and other payables	7,909,492	(*)	8,095,329	(*)
Current borrowings (excluding lease liabilities)	6,611,422	(*)	2,413,086	(*)
Current derivative financial liabilities	331	331	1,159	1,159
Current financial liabilities at amortized cost	2,310	(*)	-	-
Financial liabilities (non-current):				
Non-current borrowings (excluding lease liabilities)	15,513,333	16,233,037	12,641,359	13,202,530
Other non-current payables	14,619	(*)	22,082	(*)
Non-current derivative financial liabilities	5	5	435	435
Non-current derivative financial liabilities (currency swap)	3,605	3,605	-	-
Non-current financial liabilities at amortized cost	2,404,241	(*)	1,000,200	(*)

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

(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 the yield of the Company's Korean won-denominated corporate bonds with the specified credit rating (AA0). The applied discount rates as of December 31, 2025 and 2024, are as follows:

	December 31, 2025	December 31, 2024
Discount rate	3.05% ~ 4.52%	3.17% ~ 4.12%

(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 December 31, 2025 and 2024, fair value hierarchy of the financial instruments that are consistently measured and recognized at fair value is as follows (Korean won in millions):

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Non-current derivative financial assets	₩ -	₩ 4,147	₩ -	₩ 4,147
Current derivative financial assets (currency swap)	-	42,577	-	42,577
Non-current derivative financial assets	-	1,640	40,713	42,353
Non-current derivative financial assets (currency forward)	-	137,663	-	137,663
Non-current derivative financial assets (currency swap)	-	295,283	-	295,283
Other non-current financial assets (marketable financial assets)	857	-	-	857
Other non-current financial assets (non-marketable financial assets)	-	-	844,735	844,735
Current derivative financial liabilities	-	331	-	331
Non-current derivative financial liabilities	-	5	-	5
Non-current derivative financial liabilities (currency swap)	-	3,605	-	3,605
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	16,233,037	-	16,233,037

	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ -	₩ 42	₩ -	₩ 42
Non-current derivative financial assets	-	22	31,141	31,163
Non-current derivative financial assets (currency forward)	-	118,088	-	118,088
Non-current derivative financial assets (currency swap)	-	252,187	-	252,187
Other non-current financial assets (marketable financial assets)	26,973	-	-	26,973
Other non-current financial assets (non-marketable financial assets)	-	-	703,957	703,957
Current derivative financial liabilities	-	1,159	-	1,159
Non-current derivative financial liabilities	-	435	-	435
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	13,202,530	-	13,202,530

(4) Valuation techniques and inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2025, are as follows:

	December 31, 2025			
(In millions of Korean won)	Fair Value	Valuation techniques	Unobservable significant inputs	Coverage of inputs (Weighted average)
Non-listed shares:				
Volta Energy Solutions S.a.r.l	₩ 34,003	Discounted cash flows model	Perpetual growth rate	1.00%
			Weighted average cost of capital	12.80%
Shanghai Greatpower Technology Co., Ltd.	30,213	Discounted cash flows model	Perpetual growth rate	1.00%
			Weighted average cost of capital	11.70%
Sion Power Corporation	12,775	Option pricing method	Volatility	111.76%
			Risk-free rate	3.92%
Element Energy, Inc.	187	Option pricing method	Volatility	76.71%
			Risk-free rate	3.92%
Non-current derivatives:				
Put option on Volta Energy Solution S.a.r.l	40,713	Binominal option-pricing model	Volatility	55.00%
			Risk-free rate	3.62%
Convertible Bonds on Liontown Resources Limited.	507,784	Binominal option-pricing model	Volatility	92.63%
			Risk-free rate	3.55%
Convertible Bonds on Novonix Limited.	48,730	Binominal option-pricing model	Volatility	91.35%
			Risk-free rate	3.45%

(5) Changes in Level 3 of the financial instruments for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 735,098	₩ 278,719
Increase	72,594	407,600
Decrease	(24,985)	(2,023)
Profit for the year	146,390	39,639
Other comprehensive (loss) income	(43,649)	11,163
Ending	₩ 885,448	₩ 735,098

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgment 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 consolidated financial statements are the same as those of the annual consolidated financial statements as of and for the year ended December 31, 2024, except for estimates used in determining income tax expenses.

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

(1) Income taxes

The Group's taxable income generated from these operations 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, increases 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 in 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 the average warranty period, revenue and historical claims rate. Provisions related to voluntary recalls by the Group's customers are estimated based on the number of recalled units, 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 on December 31, 2025 (see Note 3.3).

(4) Impairment of financial assets

The provision for impairment of financial assets is based on assumptions about the risk of default and expected loss rates. The Group uses judgment 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 liabilities (assets)

The present value of net defined benefit liabilities (assets) depend on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate.

During the current period, the Company changed the methodology for determining the discount rate among the actuarial assumptions used in the projected unit credit method to more reasonably measure the net defined benefit liability (asset) (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.

5. FINANCIAL INSTRUMENTS BY CATEGORY:

(1) Categorizations of financial instruments as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025				
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	₩ 3,779,307	₩ -	₩ -	₩ -	₩ 3,779,307
Trade receivables	4,211,490	-	99,688	-	4,311,178
Non-current trade receivables	383,553	-	-	-	383,553
Other current receivables	588,607	-	-	-	588,607
Other non-current receivables	160,904	-	-	-	160,904
Other current financial assets	-	42,577	-	4,147	46,724
Other non-current financial assets	-	1,211,702	109,048	141	1,320,891
	₩ 9,123,861	1,254,279	₩ 208,736	₩ 4,288	₩ 10,591,164

	December 31, 2025			
Financial liabilities	**Financial liabilities at amortized cost**	**Financial liabilities at FVPL**	**Other financial liabilities (*3)**	**Total**
Trade payables	₩ 2,152,800	₩ -	₩ -	₩ 2,152,800
Other payables	5,756,692	-	-	5,756,692
Other non-current payables	14,619	-	-	14,619
Current borrowings	6,611,422	-	74,784	6,686,206
Non-current borrowings	15,513,333	-	312,557	15,825,890
Other current financial liabilities	2,310	-	331	2,641
Other non-current financial liabilities	2,404,241	3,605	5	2,407,851
	₩ 32,455,417	3,605	₩ 387,677	₩ 32,846,699

	December 31, 2024				
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	₩ 3,898,711	₩ -	₩ -	₩ -	₩ 3,898,711
Trade receivables	4,621,452	-	322,567	-	4,944,019
Non-current trade receivables	392,584	-	-	-	392,584
Other current receivables	603,635	-	-	-	603,635
Other non-current receivables	134,450	-	-	-	134,450
Other current financial assets	-	-	-	42	42
Other non-current financial assets	-	968,355	163,991	22	1,132,368
	₩ 9,650,832	968,355	₩ 486,558	₩ 64	₩ 11,105,809

	December 31, 2024		
Financial liabilities	**Financial liabilities at amortized cost**	**Other financial liabilities (*3)**	**Total**
Trade payables	₩ 2,705,481	₩ -	₩ 2,705,481
Other payables	5,389,848	-	5,389,848
Other non-current payables	22,082	-	22,082
Current borrowings	2,413,086	77,154	2,490,240
Non-current borrowings	12,641,359	258,952	12,900,311
Other current financial liabilities	-	1,159	1,159
Other non-current financial liabilities	1,000,200	435	1,000,635
	₩ 24,172,056	₩ 337,700	₩ 24,509,756

(*1) At initial recognition, the Group made an irrevocable election to designate investments in equity instruments as at FVOCI. These instruments are held for 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.

(2) Net gains (losses) on each category of financial instruments for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Interest income:		
Financial assets at amortized cost	₩ 193,109	₩ 222,769
Financial assets at FVPL	24,382	-
Interest expense:		
Financial liabilities at amortized cost	(957,132)	(650,894)
Other financial liabilities	(15,977)	(9,522)
Financial assets at amortized cost (*1)	-	(46)
Gains (losses) on valuation or disposal:		
Financial assets at FVPL	150,148	(8,823)
Financial assets at FVOCI	(44,265)	(251)
Derivative instruments (*2)	118,686	405,371
Exchange differences:		
Financial assets at amortized cost	(178,998)	561,078
Financial liabilities at amortized cost	356,786	(617,614)
Financial assets at FVPL	(11,852)	34,561

(*1) Fees paid to financial institutions for factoring
(*2) Changes in fair value are recognized in profit or loss or in other comprehensive income.

(3) Supplier financing arrangements

Supplier financing arrangements involve one or more financial institutions providing amounts that the Group is obligated to pay to the supplier. The Group then reimburses the financial institutions according to the terms of the arrangement after the supplier has received the payment. These arrangements typically provide the Group with an extended payment term beyond the supplier's payment due date or allow the supplier to receive payment earlier than expected.

As of December 31, 2025, and December 31, 2024, the Group has entered into the following supplier financing arrangements (Korean won in millions):

	December 31, 2025	December 31, 2024
Liabilities classified as accounts payable and other liabilities:		
The carrying amounts of accounts payable and other liabilities corresponding to supplier financing agreements (*)	₩ 1,041,733	₩ 683,752
The carrying amounts of accounts payable and other liabilities corresponding to the portion for which the supplier has already received payment from the financial provider	₩ 757,942	₩ 452,192

(*) Under the purchase card, B2B procurement and other arrangements, the financial institution acquires certain trade receivables from the supplier. Although the purchase card arrangement modifies the timing of payment, the terms of the Group's liability are not substantively altered. Accordingly, the related balances continue to be presented within accounts payable and other liabilities in the consolidated statements of financial position. In the consolidated statements of cash flows, as the Group is not a party to the cash flows between the financial institution and the supplier and the substance of the liability remains unchanged, subsequent payments to the financial institution are treated as ordinary settlement of trade payables and are presented as cash outflows from operating activities.

The payment term ranges for financial liabilities under supplier financing agreements and for comparable purchase liabilities not under supplier financing agreements are as follows:

	The purchase card	B2B
Liabilities classified as accounts payable and other liabilities:		
The payment due date range for accounts payable covered by the supplier financing agreement	Within approximately 90 days from the payment date	Within 90 days from the end of the billing month
The range of payment dates for comparable accounts payable that are not supplier financing agreements	Within 60 days from the end of the billing month	Within 90 days from the end of the billing month

There were no significant business combinations or exchange rate differences affecting the supplier financing liabilities. The supplier financing liabilities are short term, and their carrying amounts are considered to be a reasonable approximation of fair value.

6. CASH AND CASH EQUIVALENTS:

(1) Details of cash and cash equivalents as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Bank deposits and cash on hand	₩ 2,337,818	₩ 2,950,257
Cash equivalents	1,441,489	948,454
	₩ 3,779,307	₩ 3,898,711

(2) As of December 31, 2025, cash and cash equivalents include ₩ 2,594 million, which is subject to a restriction on the use and remittance (as of December 31, 2024, was ₩ 1,204,633 million).

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables and their provisions for impairment as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025			December 31, 2024		
	Gross amount	Provision for impairment	Carrying amount	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 4,311,178	₩ -	₩ 4,311,178	₩ 4,944,020	₩ (1)	₩ 4,944,019
Non-current trade receivables	383,553	-	383,553	392,584	-	392,584
Other current receivables	588,607	-	588,607	603,635	-	603,635
Other non-current receivables	160,904	-	160,904	134,450	-	134,450
	₩ 5,444,242	₩ -	₩ 5,444,242	₩ 6,074,689	₩ (1)	₩ 6,074,688

(2) Details of other receivables as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Current:		
Non-trade receivables	₩ 506,697	₩ 571,809
Due from financial institutions(*1)	364	-
Accrued income	23,213	4,529
Loans	54	99
Guarantee deposits provided	58,279	27,198
	588,607	603,635
Non-current:		
Non-trade receivables	2,730	3,291
Due from financial institutions (*2)	115,133	66,231
Loans	8,543	11,433
Guarantee deposits provided	34,498	53,495
	160,904	134,450
	₩ 749,511	₩ 738,085

(*1) As of the reporting date, the use of such amounts is restricted in relation to dividend payments.
(*2) As of December 31, 2025, the deposits from financial institutions (non-current) are subject to withdrawal restrictions, which include ₩ 60,000 million related to the Agreement on Win-Win Growth Cooperation, KRW 14 million for guarantee deposits for current account opening, PLN 1 million related to overseas transfer of hazardous waste, and USD 38 million as collateral for LOC issuance.

(3) The aging analysis of trade and other receivables as of December 31, 2025 and 2024, is as follows (Korean won in millions):

	December 31, 2025		December 31, 2024	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 4,513,221	₩ 678,565	₩ 5,226,311	₩ 721,072
Past due, but not impaired:				
Up to three months	181,510	65,344	109,247	13,873
Between 3–6 months	-	3,222	961	598
Over six months	-	2,380	84	2,542
	181,510	70,946	110,292	17,013
Impaired receivables	-	-	1	-
	₩ 4,694,731	₩ 749,511	₩ 5,336,604	₩ 738,085

(4) Changes in the provision for impairment of trade and other receivables for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025		2024	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 1	₩ -	₩ -	₩ -
Additions (reversals)	(1)	-	13	-
Write-off	-	-	(12)	-
Ending	₩ -	₩ -	₩ 1	₩ -

(5) As of December 31, 2025 and 2024, the carrying amounts of trade and other receivables are approximation of their fair values.

(6) The Group transferred ₩ 246,772 million of trade receivables as of December 31, 2025, along with substantially all the risks and rewards of ownership, and derecognized the amount from the consolidated financial statements on the transfer date.

8. OTHER FINANCIAL ASSETS AND LIABILITIES:

(1) Details of other financial assets and liabilities as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Other financial assets:		
Financial assets at FVOCI	₩ 109,048	₩ 163,991
Cash flow hedge	4,288	64
Financial assets at FVPL (*)	1,254,279	968,355
	₩ 1,367,615	₩ 1,132,410
Other financial liabilities:		
Cash flow hedge	₩ 336	₩ 1,594
Financial liabilities at FVPL	3,605	-
Other financial liabilities at amortized cost	2,406,551	1,000,200
	₩ 2,410,492	₩ 1,001,794

(*) The financial assets include convertible bonds issued by Liontown Resources Ltd. The key terms of the investment agreement related to these convertible bonds are as follows:

- Date of issuance: July 4, 2024
- Issue amount: USD 250 million
- Conversion terms: The bonds are convertible at the holder's option from six months after the issue date until five days prior to the fifth anniversary of the issue date.

(2) Details of changes in equity securities included in other financial assets for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 163,991	₩ 140,435
Acquisitions/Transfer	14,822	16,563
Disposal	(24,035)	-
Valuation gain (loss) (before income tax deduction), other comprehensive income item	(44,265)	(251)
Others	(1,465)	7,244
Ending	₩ 109,048	₩ 163,991

The Group has entered into a put option contract to secure investment capital for its equity securities held in Volta Energy Solutions S.a.r.l and Capchem Poland SP. Z o. o.. The major terms of the agreement are as follows:

	Volta Energy Solutions S.a.r.l	Capchem Poland SP. Z o. o.
Exercise date	From three years after the acceptance date (initial investment date, January 27, 2021) to the following three years.	From one year after the contract date (initial investment date, April 9, 2021) to the following five years.
Exercise price	The amount contributed, less any dividends received from the date of contribution up to the exercise.	The higher amount between the fair market value and the investment principal.
Other term	The option cannot be exercised once Volta Energy Solutions S.a.r.l. is listed.	-

9. INVENTORIES:

(1) Details of inventories as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025			December 31, 2024		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Merchandise	₩ 221,414	₩ (23,115)	₩ 198,299	₩ 207,834	₩ (35,724)	₩ 172,110
Finished/semifinished products	2,231,682	(252,607)	1,979,075	2,781,000	(242,822)	2,538,178
Raw materials	1,789,238	(32,393)	1,756,845	1,322,065	(16,384)	1,305,681
Supplies	148,454	(31,728)	116,726	109,352	(7,776)	101,576
Materials in transit	299,462	-	299,462	434,810	-	434,810
	₩ 4,690,250	₩ (339,843)	₩ 4,350,407	₩ 4,855,061	₩ (302,706)	₩ 4,552,355

(2) The amount of inventories expensed as cost of sales for the years ended December 31, 2025 and 2024, was ₩18,716,803 million and ₩21,587,966 million, respectively.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Changes in investments in associates and joint ventures for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025						
	Beginning	Acquisitions	Dividend	Share of profit(loss) of associates	Capital adjustment from equity method	Impairment	Ending
Sama Aluminium Co., Ltd. (*1)	₩ 45,396	₩ -	₩ (38)	₩ (2,429)	₩ -	(11,053)	₩ 31,876
Nexpo Co., Ltd. (*2)	3,831	2,375	-	(341)	-	-	5,865
Bricks Capital Management Global Battery Private Equity Fund	13,162	444	-	906	-	-	14,512
Jeju Bukchon BESS Power Plant Co., Ltd. (*3)	-	900	-	(223)	-	-	677
PT LBM Energi Baru Indonesia (*4)	-	22,107	-	186	810	-	23,103
EV-LOOP (*5)	-	1,714	-	-	(28)	-	1,686
	₩ 62,389	₩ 27,540	₩ (38)	₩ (1,901)	₩ 782	₩ (11,053)	₩ 77,719

	2024							
				Share of profit(loss)of associates and joint ventures	Capital adjustment from equity method			
	Beginning	Acquisitions	Dividend		Effect of foreign currency translation	Reclassification due to disposal	Disposals	Ending
PT. HLI Green Power (*6)	₩162,273	₩ -	₩ -	₩ (42,710)	₩ 15,209	₩ (37,804)	₩ (96,968)	₩ -
Sama Aluminium Co., Ltd.	46,257	-	(150)	(711)	-	-	-	45,396
Nexpo Co., Ltd.	2,186	1,900	-	(255)	-	-	-	3,831
Bricks Capital Management Global Battery Private Equity Fund I	12,843	5,761	-	(5,442)	-	-	-	13,162
	₩ 223,559	₩ 7,661	₩ (150)	₩ (49,118)	₩ 15,209	₩ (37,804)	₩ (96,968)	₩ 62,389

(*1) Although the ownership is less than 20%, the Group has been determined that it has significant influence due to its ability to participate in the decision-making process through a shareholders' agreement. Under the terms of the agreement, the Group holds the right to request the sale of its held shares if events, such as the termination of the shareholders' agreement or the master purchase agreement occurs.

(*2) Although the ownership is less than 20%, the Group has been determined that it has significant influence due to its ability to participate in the decision-making process through a shareholders' agreement. Under the terms of the agreement, the Group holds the right to request the sale of its held shares if events, such as the termination of the shareholders' agreement or the master purchase agreement occurs.

(*3) During the current period, the Group newly acquired 10% of Jeju Bukchon BESS Power Plant Co., Ltd. for ₩900 million. Although the ownership is less than 20%, the Group has been determined that it has significant influence due to its ability to participate in the decision-making process through a shareholders' agreement. Under the terms of the agreement, if a particular investor is excluded from the shareholders' agreement due to a breach of contract or other matters, the other investors may purchase the excluded investor's shares.

(*4) During the current period, the Group newly acquired 20% of PT LBM Energi Baru Indonesia for ₩22,107 million. Under the terms of the agreement, the Group holds the right to request the sale of its held shares if events, such as the termination of the shareholders' agreement or the master purchase agreement occurs. If the shareholders' agreement is terminated due to reasons attributable to the Group, the controlling shareholder has the right to purchase the shares held by the Group.

(*5) During the current period, the Group newly acquired 50% of EV-LOOP for ₩1,714 million. The Group may exercise the right to request the sale of its held shares if the counterparty shareholder breaches major contractual obligations, and the counterparty shareholder may exercise the right to purchase the shares held by the Group if the Group breaches major contractual obligations. In addition, if certain events occur, such as the expiration of the contract period, each shareholder may exercise the right to purchase the shares held by the other party.

(*6) During the prior period, the Group reclassified PT. HLI Green Power from a joint venture to a subsidiary due to amendments in the shareholders' agreement.

(2) As of December 31, 2025 and 2024, the processes of adjusting the financial information to the carrying amounts of shares in associates are as follows (Korean won in millions):

	December 31, 2025					
	Net assets	Group's percentage of ownership	Net asset value for shares	Internal transactions and others	Impairment	Carrying amount
Sama Aluminium Co., Ltd.	₩ 219,934	10.2	₩ 22,433	₩ 20,496	(11,053)	₩ 31,876
Nexpo Co., Ltd.	30,185	19.0	5,735	130	-	5,865
Bricks Capital Management Global Battery Private Equity Fund	24,334	59.9	14,576	(64)	-	14,512
Jeju Bukchon BESS Power Plant Co., Ltd.	6,460	10.0	646	31	-	677
PT LBM Energi Baru Indonesia	124,480	20.0	24,896	(1,793)	-	23,103
EV-LOOP	3,371	50.0	1,686	-	-	1,686
	₩ 408,764		₩ 69,972	₩ 18,800	(11,053)	₩ 77,719

	December 31, 2024				
	Net assets	Group's percentage of ownership	Net asset value for shares	Internal transactions and others	Carrying amount
Sama Aluminium Co., Ltd.	₩ 243,665	10.2	₩ 24,854	₩ 20,542	₩ 45,396
Nexpo Co., Ltd.	20,270	19.0	3,851	(20)	3,831
Bricks Capital Management Global Battery Private Equity Fund	22,345	59.9	13,385	(223)	13,162
	₩ 286,280		₩ 42,090	₩ 20,299	₩ 62,389

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025					
	Land	Building	Structures	Machinery	Vehicle	Tool
Beginning						
Carrying amount	₩ 488,272	₩ 8,501,946	₩ 355,098	₩ 16,991,679	₩ 33,942	₩ 1,814,893
Accumulated depreciation	-	(1,012,932)	(92,144)	(8,909,021)	(21,596)	(946,508)
Accumulated impairment	(668)	(43,913)	(1,835)	(120,339)	(70)	(15,630)
	₩ 487,604	₩ 7,445,101	₩ 261,119	₩ 7,962,319	₩ 12,276	₩ 852,755
Acquisition	-	-	50	3,274	147	36,671
Transfer (*1)	29,237	8,533,034	29,917	4,266,889	5,001	397,259
Disposal (*2)	-	(1,035)	(216)	(142,335)	(262)	(44,219)
Exchange differences	3,126	154,340	4,864	129,297	283	19,150
Depreciation	-	(294,061)	(21,105)	(2,586,722)	(3,825)	(271,133)
Impairment	-	-	(499)	(62,680)	-	(4,848)
Impairment reversal	-	-	-	4,580	2	115
Ending						
Carrying amount	520,635	17,227,607	391,507	21,087,230	31,877	2,146,972
Accumulated depreciation	-	(1,347,116)	(115,054)	(11,380,966)	(18,222)	(1,148,785)
Accumulated impairment	(668)	(43,112)	(2,323)	(131,642)	(33)	(12,437)
	₩ 519,967	₩ 15,837,379	₩ 274,130	₩ 9,574,622	₩ 13,622	₩ 985,750

	2025(Cont.)					
	Fixtures	Right-of-use assets	Construction in progress	Machinery in transit	Others	Total
Beginning						
Carrying amount	₩ 838,172	₩ 538,317	₩ 20,390,183	₩ 91,386	₩ 35,523	₩ 50,079,411
Accumulated depreciation	(324,958)	(184,777)	-	-	(14,690)	(11,506,626)
Accumulated impairment	(663)	-	(40,115)	-	-	(223,233)
	₩ 512,551	₩ 353,540	₩ 20,350,068	₩ 91,386	₩ 20,833	₩ 38,349,552
Acquisition	11,288	139,125	11,112,191	69,887	-	11,372,633
Transfer (*1)	245,536	-	(17,840,635)	(98,911)	11,813	(4,420,860)
Disposal (*2)	(2,314)	(4,989)	(650,156)	(120)	(1,753)	(847,399)
Exchange differences	(4,414)	1,541	(201,083)	-	-	107,104
Depreciation	(133,759)	(90,620)	-	-	(6,391)	(3,407,616)
Impairment	(248)	-	(295,078)	-	-	(363,353)
Impairment reversal	1	-	-	-	-	4,698
Ending						
Carrying amount	1,086,713	670,194	12,553,679	62,242	45,581	55,824,237
Accumulated depreciation	(457,259)	(271,597)	-	-	(21,079)	(14,760,078)
Accumulated impairment	(813)	-	(78,372)	-	-	(269,400)
	₩ 628,641	₩ 398,597	₩ 12,475,307	₩ 62,242	₩ 24,502	₩ 40,794,759

(*1) The transfer of construction in progress includes ₩3,911,334 million related to assets classified as held for sale.
(*2) Disposals of property, plant and equipment include a decrease in carrying amount of ₩673,864 million resulting from early retirement.

	2024					
	Land	Building	Structures	Machinery	Vehicle	Tool
Beginning						
Carrying amount	₩ 400,073	₩ 5,914,966	₩ 257,545	₩ 12,477,426	₩ 28,953	₩ 1,499,883
Accumulated depreciation	-	(730,670)	(69,163)	(6,572,874)	(18,176)	(780,220)
Accumulated impairment	(668)	(4,305)	(1,835)	(43,900)	(24)	(3,682)
	₩ 399,405	₩ 5,179,991	₩ 186,547	₩ 5,860,652	₩ 10,753	₩ 715,981
Acquisition	30,061	47	-	3,860	1,331	49,507
Transfer	11,133	1,740,191	40,233	3,305,118	4,463	329,116
Disposal	(18,756)	(51,733)	(6,684)	(213,886)	(1,461)	(42,793)
Exchange differences	10,964	589,561	19,293	734,843	656	39,330
Depreciation	-	(208,576)	(17,686)	(2,190,395)	(3,892)	(247,706)
Business Combination	54,797	232,269	39,416	532,629	448	26,044
Impairment	-	(36,649)	-	(70,502)	(22)	(16,724)
Ending						
Carrying amount	488,272	8,501,946	355,098	16,991,679	33,942	1,814,893
Accumulated depreciation	-	(1,012,932)	(92,144)	(8,909,021)	(21,596)	(946,508)
Accumulated impairment	(668)	(43,913)	(1,835)	(120,339)	(70)	(15,630)
	₩ 487,604	₩ 7,445,101	₩ 261,119	₩ 7,962,319	₩ 12,276	₩ 852,755

	2024(Cont.)					
	Fixtures	Right-of-use assets	Construction in progress	Machinery in transit	Others	Total
Beginning						
Carrying amount	₩ 532,465	₩ 287,127	₩ 10,910,441	₩ 22,509	₩ 22,745	₩ 32,354,133
Accumulated depreciation	(217,340)	(121,043)	-	-	(6,684)	(8,516,170)
Accumulated impairment	(571)	-	(128,301)	-	-	(183,286)
	₩ 314,554	₩ 166,084	₩ 10,782,140	₩ 22,509	₩ 16,061	₩ 23,654,677
Acquisition	10,297	253,705	13,673,753	94,954	-	14,117,515
Transfer	232,765	-	(6,124,556)	(23,266)	15,668	(469,135)
Disposal	(4,161)	(17,376)	(14,592)	-	(2,890)	(374,332)
Exchange differences	27,043	24,448	1,827,114	(2,811)	-	3,270,441
Depreciation	(99,259)	(73,925)	-	-	(8,006)	(2,849,445)
Business Combination	31,493	604	108,639	-	-	1,026,339
Impairment	(181)	-	97,570	-	-	(26,508)
Ending						
Carrying amount	838,172	538,317	20,390,183	91,386	35,523	50,079,411
Accumulated depreciation	(324,958)	(184,777)	-	-	(14,690)	(11,506,626)
Accumulated impairment	(663)	-	(40,115)	-	-	(223,233)
	₩ 512,551	₩ 353,540	₩ 20,350,068	₩ 91,386	₩ 20,833	₩ 38,349,552

(2) The current ending balances of property, plant and equipment include ₩12,475,307 million and ₩20,350,068 million of construction in progress as of December 31, 2025 and 2024, respectively, and some of them will subsequently be transferred to intangible assets.

(3) The Group capitalized ₩155,955 million of borrowing costs in relation to the acquisition of property, plant and equipment (for the year ended December 31, 2024, were ₩96,216 million). The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 4.64% (for the year ended December 31, 2024, was 4.62%).

(4) Line items including depreciation in the consolidated statements of profit or loss for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Cost of sales	₩ 3,082,384	₩ 2,629,770
Selling and administrative expenses	325,232	219,675
	₩ 3,407,616	₩ 2,849,445

(5) Lease

1) Amounts recognized in the consolidated statements of financial position

Details of amounts recognized in the consolidated statements of financial position in relation to lease for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Right-of-use assets (*):		
Real estate	₩ 382,673	₩ 331,260
Machinery	513	733
Vehicles	9,953	16,369
Tools	4,603	4,068
Equipment	855	1,110
	₩ 398,597	₩ 353,540

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

Additions to the right-of-use assets for the year ended December 31, 2025, are ₩139,125 million (for the year ended December 31, 2024, were ₩253,705 million).

	December 31, 2025	December 31, 2024
Lease liabilities (*):		
Current	₩ 74,784	₩ 77,154
Non-current	312,557	258,952
	₩ 387,341	₩ 336,106

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

2) Amounts recognized in the consolidated statements of profit or loss

Details of amounts recognized in the consolidated statements of profit or loss in relation to lease for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Depreciation of right-of-use assets:		
Real estate	₩ 78,889	₩ 62,316
Machinery	363	337
Vehicles	9,720	9,720
Tools	1,289	1,245
Equipment	358	306
	₩ 90,619	₩ 73,924
Interest expense relating to lease liabilities (included in finance cost)	₩ 15,977	₩ 9,522
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	27,452	24,863
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	7,357	7,754

Total cash outflow for leases for the year ended December 31, 2025, is ₩125,437 million (for the year ended December 31, 2024, was ₩112,511 million).

12. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025				
	Software	Industrial Property Rights	Memberships	Others	Total
Beginning	₩ 766,910	₩ 356,752	₩ 21,074	₩ 139,840	₩ 1,284,576
Acquisition	3,509	153,510	844	-	157,863
Transfer	436,113	120	-	-	436,233
Disposal	(7,673)	(1,909)	-	(1,146)	(10,728)
Exchange differences	3,699	-	3	(1,213)	2,489
Amortization	(233,373)	(29,788)	-	(14,532)	(277,693)
Impairment	(1,134)	-	-	-	(1,134)
Ending	₩ 968,051	₩ 478,685	₩ 21,921	₩ 122,949	₩ 1,591,606

	2024				
	Software	Industrial Property Rights	Memberships	Others	Total
Beginning	₩ 565,299	₩ 277,038	₩ 19,094	₩ 14,562	₩ 875,993
Acquisition	3,981	106,048	4,563	5,035	119,627
Transfer	315,705	-	-	8,976	324,681
Disposal	(6,454)	(1,413)	(2,600)	(172)	(10,639)
Exchange differences	20,185	-	17	(4,037)	16,165
Amortization	(158,099)	(24,921)	-	(6,719)	(189,739)
Business Combination	26,872	-	-	122,195	149,067
Impairment	(579)	-	-	-	(579)
Ending	₩ 766,910	₩ 356,752	₩ 21,074	₩ 139,840	₩ 1,284,576

(2) Line items including amortization of intangibles in the consolidated statements of profit or loss for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Cost of sales	₩ 48,876	₩ 56,403
Selling and administrative expenses	228,817	133,336
	₩ 277,693	₩ 189,739

(3) The total amount of research and development expenses recognized by the Group is ₩1,304,210 million (for the year ended December 31, 2024, was ₩1,058,001 million).

(4) 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):

	2021	2022	2023	2024	2025
Allocated emission rights	281	332(*1)	360(*2)	419(*3)	297

(*1) An additional 32,000 tons have been allocated due to the expansion of the workplace discharge facility in addition to the initial free amount 300,000 tons of allocated greenhouse gas emission rights.
(*2) An additional 60,000 tons have been allocated due to the determination of emissions for 2023 in addition to the initial free amount 300,000 tons of allocated greenhouse gas emission rights.
(*3) An additional 122,000 tons have been allocated as the emissions were confirmed for 2024.

2) Based on the Korea Emission Trading Scheme, changes in greenhouse gas emission rights (included in other intangible assets) for the years ended December 31, 2025 and 2024, are as follows (ton in thousands and Korean won in millions):

	2025			
	2024		2025	
	Ton	Amount	Ton	Amount
Beginning/Allocated	419	₩ -	297	₩ -
Purchase/Sale	(2)	-	-	-
Borrowing/Carried over	(9)	-	9	-
Government submission	(408)	-	-	-
Ending	-	₩ -	306	₩ -

	2024					
	2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount
Beginning/Allocated	360	₩ -	297	₩ -	297	₩ -
Purchase/Sale	7	171	-	-	-	-
Borrowing/Carried over	-	-	-	-	-	-
Government submission	(367)	(171)	-	-	-	-
Ending	-	₩ -	297	₩ -	297	₩ -

3) Based on the European Union Emission Trading System, changes in greenhouse gas emission rights (included in other intangible assets) for the year ended December 31, 2025 and 2024, are as follows (ton in thousands and Korean won in millions):

	2025		2024	
	Ton	Amount	Ton	Amount
Beginning	112	₩ 11,568	153	₩ 13,809
Increase	96	10,059	74	6,120
Decrease	(111)	(10,388)	(115)	(8,361)
Ending	97	₩ 11,239	112	₩ 11,568

13. OTHER CURRENT AND NON-CURRENT ASSETS:

Details of other current and other non-current assets as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Current:		
Prepayments	₩ 139,624	₩ 177,606
Prepaid expenses	265,565	88,634
Prepaid value-added taxes	102,789	204,939
Current costs to fulfill a contract	78,212	110,316
Others	674,576	625,869
	₩ 1,260,766	₩ 1,207,364
Non-current:		
Long-term prepayments	₩ 136,057	₩ 120,077
Long-term prepaid expenses	115,620	141,842
Net defined benefit assets	104,547	142,766
Costs to fulfill a contract	852,459	218,627
Others	86	78
	₩ 1,208,769	₩ 623,390

14. BORROWINGS:

(1) Borrowings as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Current:		
Short-term borrowings	₩ 2,680,627	₩ 1,291,015
Current portion of long-term borrowings	2,608,565	997,160
Current portion of debentures	1,322,230	124,911
Current lease liabilities	74,784	77,154
	₩ 6,686,206	₩ 2,490,240
Non-current:		
Long-term borrowings	₩ 4,735,049	₩ 4,865,830
Debentures	10,778,284	7,775,529
Non-current lease liabilities	312,557	258,952
	₩ 15,825,890	₩ 12,900,311
	₩ 22,512,096	₩ 15,390,551

(2) Details of borrowings as of December 31, 2025 and 2024, are as follows:

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

	Bank	Interest rate (%)	Longest maturity date	December 31, 2025	December 31, 2024
Bank loans	SMBC and others	2.64 ~ 5.15	11.24.2026	₩ 2,680,627	₩ 1,291,015

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

				December 31, 2025		
	Bank	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion
Borrowings in local currencies	Korea Exim Bank	3M Market yield on Supply Chain Resilience Fund + 0.34	07.02.2029	₩ 269,679	₩ -	₩ 269,679
	Shinhan Capital	4.20	11.30.2028	4,672	-	4,672
Borrowings in foreign currencies	ANZ/HSBC/JPM and others(*2)	3M SOFR + 0.70	10.25.2032	881,956	881,956	-
	DBS	6M EURIBOR + 0.90–1.00	05.24.2026	337,375	337,375	-
	EIB(*2)	3M EURIBOR + 0.47	03.31.2027	269,900	269,900	-
	EDC and others	3M SOFR + 1.30	12.20.2029	1,928,935	144,670	1,784,265
	GM Holdings LLC(*1)	5.70	04.30.2030	1,411,757	199,755	1,212,002
	HSBC	3M SOFR + 0.75	12.17.2035	970,723	-	970,723
	KDB/Exim/ Nonghyup	3M EURIBOR + 0.89–1.04	04.26.2027	989,249	758,040	231,209
	KDB/Exim/ Nonghyup and others	3M SOFR + 1.62	12.21.2030	258,282	-	258,282
	SMBC	0.48	02.04.2027	21,086	16,869	4,217
				₩ 7,343,614	₩ 2,608,565	₩ 4,735,049

(*1) During the current period, GM Holdings LLC repaid the Group's loan from the U.S. Department of Energy ("DOE").
(*2) As of the reporting date, in relation to the syndicated loans (ANZ/HSBC/JPM others) and the long-term borrowings from the EIB, the Group is subject to certain financial covenants under the respective loan agreements, including the requirement to maintain consolidated financial ratios such as total borrowings to EBITDA of less than 4.0 times until the borrowings are fully repaid. As the Group did not comply with the relevant financial covenants as of the reporting date, the related long-term borrowings have been classified as current liabilities.
Meanwhile, the syndicated loans (ANZ/HSBC/JPM others) are currently under amendment through discussions with the lending syndicate, and the non-compliance with the financial covenants is expected to be resolved upon execution of the amended agreements. In addition, with respect to the long-term borrowings from the EIB, the Group is in the process of obtaining a waiver from the lender regarding the covenant breach.

				December 31, 2024		
	Bank	Interest rate (%)	Longest maturity date	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	ANZ/HSBC/JPM and others	3M SOFR + 0.70	10.25.2032	₩ 897,958	₩ -	₩ 897,958
	DBS	3M EURIBOR + 0.90 6M EURIBOR + 1.00	05.24.2026	305,374	-	305,374
	DOE	3.65–4.55	12.15.2031	2,544,236	176,436	2,367,800
	EBRD	6M EURIBOR + 0.62	10.15.2026	137,418	76,343	61,075
	EIB	3M EURIBOR + 0.47	03.31.2027	407,166	162,867	244,299
	KDB/Exim/ Nonghyup	3M EURIBOR + 0.89–1.04	04.26.2027	1,458,866	564,942	893,924
	KDB/Exim Nonghyup and others	3M SOFR + 1.62	12.20.2030	65,226	-	65,226
	SMBC	0.48	02.04.2027	34,355	15,269	19,086
	China	LPR(1Y) - 0.30	11.19.2027	11,930	1,193	10,737
	China Construction Bank	LPR(1Y) - 0.66	12.26.2027	461	110	351
				₩ 5,862,990	₩ 997,160	₩ 4,865,830

The Group has entered into loan agreements stipulating that a loss of benefit of term will occur if the agreed ratio under the covenant is not maintained based on the half-year or full fiscal year. As of the end of the current period, the relevant amount is ₩ 5.8 trillion, and the covenant ratios have been complied with.

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

	December 31, 2025					
	Financial institution	Interest rate (%)	Latest maturity date	Amount	Current portion	Non-current portion
1st Debenture (non-guaranteed/public)	NH Investment & Securities Co., Ltd. and others	2.214	03.13.2026	₩ 200,000	₩ 200,000	₩ -
2-2nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.196	06.29.2026	370,000	370,000	-
2-3rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.298	06.29.2028	505,000	-	505,000
3-1st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.806	02.16.2026	180,000	180,000	-
3-2nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.889	02.16.2027	660,000	-	660,000
3-3rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.054	02.16.2029	570,000	-	570,000
3-4th Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.202	02.16.2031	190,000	-	190,000
4-1st Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.138	02.14.2027	640,000	-	640,000
4-2nd Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.228	02.14.2028	590,000	-	590,000
4-3rd Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.247	02.14.2030	310,000	-	310,000
4-4th Debenture (non-guaranteed/public)	Korea Investment & Securities Co., Ltd. and others	3.406	02.14.2032	60,000	-	60,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	04.15.2029	717,450 (USD 500,000)	-	717,450
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.625	09.25.2026	573,960 (USD 400,000)	573,960	-
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.750	09.25.2028	860,940 (USD 600,000)	-	860,940
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	07.02.2027	1,004,430 (USD 700,000)	-	1,004,430
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	07.02.2029	1,147,920 (USD 800,000)	-	1,147,920
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.500	07.02.2034	717,450 (USD 500,000)	-	717,450
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.250	04.02.2028	573,960 (USD 400,000)	-	573,960
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	04.02.2030	860,940 (USD 600,000)	-	860,940
USD foreign currency debenture (non-guaranteed)	Citibank and others	3M Compound SOFR + 1.700	04.02.2030	430,470 (USD 300,000)	-	430,470
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.875	04.02.2035	1,004,430 (USD 700,000)	-	1,004,430
Less: discount on debentures	-	-	-	(66,436)	(1,730)	(64,706)
				₩ 12,100,514	₩1,322,230	₩ 10,778,284

	December 31, 2024					
	Financial institution	**Interest rate (%)**	**Longest maturity date**	**Amount**	**Current portion**	**Non-current portion**
1st Debenture (non-guaranteed/public)	NH Investment & Securities Co., Ltd. and others	2.214	03.13.2026	₩ 200,000	₩ -	₩ 200,000
2-1st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.097	06.29.2025	125,000	125,000	-
2-2nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.196	06.29.2026	370,000	-	370,000
2-3rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.298	06.29.2028	505,000	-	505,000
3-1st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.806	02.16.2026	180,000	-	180,000
3-2nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.889	02.16.2027	660,000	-	660,000
3-3rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.054	02.16.2029	570,000	-	570,000
3-4th Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.202	02.16.2031	190,000	-	190,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	04.15.2029	735,000 (USD 500,000)	-	735,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.625	09.25.2026	588,000 (USD 400,000)	-	588,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.750	09.25.2028	882,000 (USD 600,000)	-	882,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	07.02.2027	1,029,000 (USD 700,000)	-	1,029,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	07.02.2029	1,176,000 (USD 800,000)	-	1,176,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.500	07.02.2034	735,000 (USD 500,000)	-	735,000
Less: discount on debentures		-	-	(44,560)	(89)	(44,471)
				₩ 7,900,440	₩ 124,911	₩ 7,775,529

The Group has entered into debenture agreements stipulating that a loss of benefit of term will occur if the agreed ratio under the covenant is not maintained based on the reporting for each quarter, half-year, or full fiscal year. As of the end of the current period, the relevant amount is ₩ 4.3 trillion, and the covenant ratios have been complied with.

4) Lease liabilities (Korean won in millions)

	December 31, 2025				
	Interest rate (%)	Longest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others	0.67 ~ 8.42	11.15.2053	₩ 387,341	₩ 74,784	₩ 312,557

	December 31, 2024				
	Interest rate (%)	Longest maturity date	Amount	Current portion	Non-current portion
Baeksan industry and others	0.67 ~ 8.42	11.15.2053	₩ 336,106	₩ 77,154	₩ 258,952

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025			
	Warranty(*1)	Greenhouse gas emission(*2)	Other provisions (*3)	Total
Beginning	₩ 1,693,916	₩ 11,168	₩ 118,070	₩ 1,823,154
Provision transfer	750,518	8,914	2,776	762,208
Used	(539,978)	(10,388)	-	(550,366)
Ending	1,904,456	9,694	120,846	2,034,996
Less: current portion	(958,508)	(9,694)	(113,014)	(1,081,216)
	₩ 945,948	₩ -	₩ 7,832	₩ 953,780

	2024			
	Warranty(*1)	Greenhouse gas emission(*2)	Other provisions (*3)	Total
Beginning	₩ 1,274,437	₩ 8,966	₩ 102,890	₩ 1,386,293
Business combination	1,807	-	-	1,807
Additions	1,039,336	10,733	24,357	1,074,426
Used	(621,664)	(8,531)	(9,177)	(639,372)
Ending	1,693,916	11,168	118,070	1,823,154
Less: current portion	(921,985)	(11,168)	(111,315)	(1,044,468)
	₩ 771,931	₩ -	₩ 6,755	₩ 778,686

(*1) Warranty provisions have been accrued for the estimated warranty costs expected to arise in connection with products sold, including quality assurance, exchanges and refunds. Such estimates are determined primarily based on historical claims rate and other relevant factors. In addition, provisions have been recognized based on the best estimates for voluntary recalls and external replacement costs etc., related to automotive and ESS batteries etc. The provision amount is adjusted to reflect the best estimate. As of December 31, 2025, the estimated warranty provision determined based on historical claims rate, etc., amounted to KRW 1,549,908 million (as of December 31, 2024, was KRW 1,204,813 million).

(*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 490 thousand tons for the year ended December 31, 2025 (were 415 thousand tons as of December 31, 2024).

(*3) In addition to provisions for warranties and greenhouse gases, the Group has reasonably estimated the probable amount of resource outflow embodying economic benefits as a present obligation resulting from past events and recognized it on.

16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Present value of defined benefit obligations (*1)	₩ 684,097	₩ 667,476
Fair value of plan assets	(788,291)	(809,839)
	₩ (104,194)	₩ (142,363)
Net defined benefit liabilities	353	403
Net defined benefit assets (*2)	(104,547)	(142,766)
	₩ (104,194)	₩ (142,363)

(*1) The present value of retirement benefit obligations is the amount after deducting contributions to the National Pension Plan of ₩25 million as of December 31, 2025 (as of December 31, 2024, was ₩26 million).
(*2) The ₩104,547 million of plan assets exceeding the defined benefit obligations of the Parent Company is included in other non-current assets as of December 31, 2025 (as of December 31, 2024, was ₩142,766 million).

(2) The amounts recognized in the consolidated statements of profit or loss for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Current service cost	₩ 90,151	₩ 94,277
Past service cost	8,209	
Interest cost	(7,152)	(7,252)
	₩ 91,208	₩ 87,025

(3) Retirement benefits recognized for the defined contribution plan for the year ended December 31, 2025, amounted to ₩12,697 million (for the year ended December 31, 2024, were ₩26,128 million).

(4) Line items, including retirement benefits recognized in the consolidated statements of profit or loss, for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Cost of sales	₩ 34,571	₩ 41,732
Selling and administrative expenses	69,333	71,421
	₩ 103,904	₩ 113,153

(5) Changes in the present value of defined benefit obligations for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 667,476	₩ 673,251
Transfer in	642	2,495
Transfer out	(1,282)	(1,572)
Current service cost	90,151	94,277
Past service cost	8,209	-
Interest expense	25,498	31,080
Remeasurements:		
Actuarial loss from change in financial assumption	(78,204)	(69,888)
Actuarial gain from change in demographic assumption	32	1,906
Actuarial gain due to the difference between the estimated and the actual	41,436	(3,502)
Others	105	-
Foreign currency conversion difference	-	-
Payments from plans	(69,966)	(60,571)
Ending	₩ 684,097	₩ 667,476

(6) Changes in the fair value of plan assets for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Beginning	₩ 809,839	₩ 829,521
Plan assets transferred through transfer between affiliates	(107)	(760)
Interest income	32,650	38,332
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(2,613)	(4,941)
Contribution:		
Employer contribution to plan assets	10,793	706
Payments from plans	(60,853)	(51,404)
Administrative costs	(1,418)	(1,615)
Ending	₩ 788,291	₩ 809,839

(7) The actual return on plan assets for the year ended December 31, 2025, was ₩30,037 million (for the year ended December 31, 2024, was ₩33,391 million).

(8) The significant actuarial assumptions as of December 31, 2025 and 2024, are as follows:

	December 31, 2025	December 31, 2024
Discount rate (*)	5.00%	4.10%
Expected salary growth rate	3.96%	3.96%

(*) During the current period, the Company changed the methodology for determining the discount rate among the actuarial assumptions used in the projected unit credit method to more reasonably measure the net defined benefit liability (asset). As a result of this change in accounting estimate, the defined benefit obligation decreased by ₩ 48,768 million (before the effect of income taxes), and accumulated deficit decreased by ₩ 48,768 million .

(9) The sensitivity analysis for changes in key actuarial assumptions as of December 31, 2024, is as follows (Korean won in millions):

	Increase by 1.0%	Decrease by 1.0%
Discount rate:		
(Decrease) increase in defined benefit liabilities	₩ (73,043)	₩ 86,346
Expected salary growth rate:		
Increase in defined benefit liabilities	90,148	(77,153)

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

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

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

(10) Plan assets as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025		December 31, 2024	
	Amount	Composition (%)	Amount	Composition (%)
Insurance contracts with guaranteed yield	₩ 788,291	100	₩ 809,839	100

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

(11) The weighted-average remaining maturity of the defined benefit obligation at the end of the year ended December 31, 2025, is 12.26 years

The Group reviews the level of the fund every year and has a policy to compensate for any loss in the fund. The estimated contribution for the year ended December 31, 2026, is ₩83,161 million.

17. OTHER CURRENT AND NON-CURRENT LIABILITIES:

Details of other current and non-current liabilities as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Current:		
Advances from customers	₩ 659,326	₩ 98,034
Withholdings	92,911	67,923
Unearned revenues	8,544	44,333
Accrued expenses and others	251,698	197,886
	₩ 1,012,479	₩ 408,176
Non-current:		
Long-term employee benefits	₩ 33,889	₩ 34,494
Net defined benefit liabilities	353	403
Long-term unearned revenues	22,145	97,008
Long-term advance received	1,732,684	2,390,974
	₩ 1,789,071	₩ 2,522,879

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 December 31, 2025, the Group has been guaranteed by Seoul Guarantee Insurance Company for the execution of contracts and others.

(3) As of December 31, 2025, the Group has various specific lines of credit agreements with several financial institutions as follows (Korean won in millions and foreign currencies in millions):

		December 31, 2025	
	Currency	The Parent Company	Certain subsidiaries
Limit of overdraft facility	USD	-	70
	EUR	-	330
Limit of letter of credit	USD	12	-
Limit of discount of notes from export	USD	571	-
Limit of guaranteed payments in other foreign currency	USD	339	2,559
	CNY	-	1,120
	PLN	-	666
	CAD	-	12
Business-to-business purchase arrangements	USD	-	700
	CNY	-	3,180
	EUR	-	120
	KRW	125,000	-
General loan agreements	USD	-	8,789
	CNY	-	6,992
	EUR	-	1,989
	KRW	1,230,000	-
Factoring arrangements	USD	-	500
	KRW	100,000	-

As of the end of the reporting period, the Company has entered into derivative agreements with financial institutions to manage certain risks.

(4) As of December 31, 2025, the Group has entered into payment guarantee contracts of USD 12 million and EUR 2 million with financial institutions in relation to product warranty for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 44 million with financial institutions in relation to customs clearance of imported raw materials.

(5) As of December 31, 2025, the Group has entered into an arrangement with General Motors (“GM”) regarding joint investment in Ultium Cells Holdings LLC and Ultium Cells LLC. Under specific conditions, including counterparty breach of obligations, GM may exercise a put option over its shares, while both parties may exercise call options over the counterparty's shares. Both parties hold rights of first refusal upon transfer of the counterparty's shares, and upon dissolution of the joint venture, the Group has the right to acquire certain joint venture assets. Also, the Group has decided to provide a payment guarantee of USD 492 million to the joint venture, determined by its proportionate ownership of the borrowed amount of USD 984 million. The loan is secured by security interests over Ultium Cells LLC’s assets.

(6) The Group has been sued and related in six class actions by consumers in relation to the sales of mobile batteries and GM Bolt EV and others, and actions are still in process as of December 31, 2025. The Group has also filed three lawsuit cases (amounted to USD 234 million and ₩503 million) and been sued in 53 other cases (amounted to USD 13 million and ₩2,161 million). The ultimate outcome of these pending cases cannot be determined at the reporting date.

(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 December 31, 2025, the Group has entered into a joint venture agreement with Honda and has committed to invest USD 1,802 million and has contributed USD 1,801 million as of the end of December 31, 2025. The Group has decided to provide a payment guarantee of USD 510 million, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 1,000 million. In addition, under specific conditions, including contract expiry or counterparty breach of obligations, both parties may exercise put options on their own shares and call options on the counterparty's shares and rights of first refusal over joint venture assets.

(9) As of December 31, 2025, the Group has entered into a joint venture agreement with Stellantis and has committed to invest USD 1,464 million and has contributed USD 1,020 million as of the end of December 31, 2025. The Group has decided to provide a payment guarantee of USD 686 million, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 1,344 million. In addition, under specific conditions, including contract expiry or counterparty breach of obligations, Stellantis may exercise put options on their own shares and both parties may exercise call options on the counterparty’s shares, as well as rights of first refusal over joint venture assets.

(10) As of December 31, 2025, the Group has entered into a joint venture agreement with HMG Global LLC in relation to the joint venture, HL-GA Battery Company LLC, and has completed its contribution of USD 1,084 million as of the end of December 31, 2025. Under specific conditions, including contract expiry or counterparty breach of obligations, HMG Global LLC holds a put option over its shareholding, while the Group holds a call option over the counterparty's shareholding (provided, however, that under certain limited circumstances such as the Group’s bankruptcy, HMG Global LLC holds a call option), and upon liquidation of the joint venture, both parties may exercise rights of first refusal over certain joint venture assets.

(11) As of December 31, 2025, the Group has entered into a joint venture agreement with Hyundai Motor Group with respect to PT HLI Green Power. The Group has decided to provide a payment guarantee of USD 315 million, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 629 million. Under specific conditions, including counterparty breach of obligations, both parties may exercise put options on their own shares and call options on the counterparty's shares. The Company holds rights of first refusal upon disposal of joint venture-owned facilities or termination of the license agreement, and both parties hold such rights upon any transfer of the counterparty's shares.

(12) As of December 31, 2025, the Group has entered into a commitment of USD 2,048 million for the construction of a new plant for LG Energy Solution Arizona, Inc.

(13) LG Energy Solution Michigan Inc. and Ultium Cells LLC, subsidiaries of the Group, entered into an asset transfer agreement in March 2025 whereby LG Energy Solution Michigan Inc. acquired assets related to Ultium Cells LLC's Plant 3 for USD 2,154 million. Ultium Cells LLC is obligated to remit a portion of the transaction proceeds to the Group's non-controlling shareholders, with USD 514 million outstanding as of December 31, 2025. In addition, The Group has provided a guarantee in respect of certain advances, under which an obligation to refund amounts to non-controlling shareholders arises if Ultium Cells LLC fails to meet its obligations.

(14) Capital expenditure arrangements that have not been incurred as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Property, plant and equipment	₩ 5,336,826	₩ 9,319,087

(15) Investment commitments as of December 31, 2025, are as follows (Korean won and USD in millions, EUR in thousands):

	Currency	Contractual amount	Total investments	Remaining amount
BNZ (Beyond Net Zero) Fund	USD	75	57	18
Secondary Battery Growth Fund	KRW	6,700	6,700	-
KBE (Korea Battery ESG) Fund	KRW	75,000	61,987	13,013
Bricks Capital Management Global Battery Private Equity Fund I	KRW	30,000	19,587	10,413
Yonsei Technology Holdings IP Fund	KRW	3,000	3,000	-
EV-LOOP	EUR	8,750	1,000	7,750

19. SHARE CAPITAL:

Changes in share capital and share premium for the year ended December 31, 2025, are as follows (Korean won in millions and shares):

	Ordinary shares		
	Number of shares	Share capital	Share premium
December 31, 2024	234,000,000	₩ 117,000	₩ 17,589,722
Changes	-	-	-
December 31, 2025	234,000,000	₩ 117,000	₩ 17,589,722

20. RETAINED EARNINGS:

Details of retained earnings as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Unappropriated retained earnings	₩ 332,209	₩ 1,397,211

21. OPERATING PROFITS:

(1) The major items encompassed in the calculation of operating profits for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Revenue	₩ 23,671,759	₩ 25,619,585
Cost of sales	19,439,651	22,213,605
Gross profit	4,232,108	3,405,980
Other operating income (*)	1,646,811	1,480,020
Selling and administrative expenses:		
Wages and salaries	₩ 982,444	₩ 889,288
Retirement benefits	69,333	71,421
Employee benefits	235,217	226,456
Travel expenses	70,355	64,062
Water and utilities	104,452	84,794
Rental expenses	43,670	49,795
Commission expenses	734,621	722,632
Depreciation	331,173	226,275
Advertising expenses	26,554	38,744
Freight expenses	89,412	95,057
Training expenses	20,246	29,604
Amortization	228,817	133,336
Sample expenses	3,574	16,675
Development costs	335,446	210,408
Addition of warranty provisions	750,518	1,039,336
Others	506,967	412,730
	4,532,799	4,310,613
Operating profits	₩ 1,346,120	₩ 575,387

(*) Under the Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, the tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount above is expected to be received by the Group for the year ended December 31, 2025.

(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.

22. CLASSIFICATION OF EXPENSES BY NATURE:

Cost of sales and selling and administrative expenses by nature for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Changes in inventories of merchandise, finished goods, semifinished goods, and work in process	₩ 532,914	₩ 628,223
Raw materials and consumables used	9,674,599	12,638,632
Purchase of merchandise	2,074,591	1,038,877
Employee benefit expenses	2,725,702	2,808,673
Advertising expenses	27,602	40,099
Freight expenses	114,685	112,860
Commission expenses	1,565,911	1,360,226
Depreciation and amortization	3,691,250	3,045,784
Rent expenses and usage fee	41,143	48,882
Addition of warranty provisions	750,518	1,039,336
Other expenses	2,773,535	3,762,626
	₩ 23,972,450	₩ 26,524,218

23. EMPLOYEE BENEFIT EXPENSES:

Details of employee benefit expenses for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Wages and salaries	₩ 2,224,898	₩ 2,257,486
Retirement benefits: defined benefit plan	91,208	87,025
Retirement benefits: defined contribution plan	12,697	26,128
Others	396,899	438,034
	₩ 2,725,702	₩ 2,808,673

24. FINANCE INCOME AND COSTS:

Details of finance income and costs for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Finance income		
Interest income (*1)	₩ 217,491	₩ 222,769
Dividend income	101	198
Exchange differences	507,149	416,477
Gain on derivatives	137,333	402,671
Gain on disposal of financial assets at FVPL	65	728
Gain on valuation of financial assets at FVPL	155,970	5,500
	₩ 1,018,109	₩ 1,048,343
Finance costs		
Interest expense (*2)	₩ 817,154	₩ 564,246
Exchange differences	257,833	680,538
Loss on derivatives	23,531	744
Loss on valuation of financial assets at FVPL	5,887	15,051
	₩ 1,104,405	₩ 1,260,579

(*1) Details of interest income for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Cash and cash equivalents and others	₩ 158,140	₩ 163,070
Financial assets at FVPL	24,382	-
Other loans and receivables	34,969	59,699
	₩ 217,491	₩ 222,769

(*2) Details of interest expense for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Interest on financial institutions	₩ 416,174	₩ 367,168
Interest on financial lease liabilities	15,977	9,522
Interest on debentures	456,032	271,931
Other interest expenses	84,926	11,841
Capitalized interest for qualifying assets	(155,955)	(96,216)
	₩ 817,154	₩ 564,246

25. OTHER NON-OPERATING INCOME:

Details of other non-operating income for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Exchange differences	₩ 458,380	₩ 713,625
Gain on disposal of property, plant and equipment	12,431	9,870
Gain on disposal of investments in joint ventures	-	104,512
Gain on bargain purchase	-	10,294
Others (*)	602,249	20,510
	₩ 1,073,060	₩ 858,811

(*) Others include income of ₩ 572,286 million received as compensation for the retirement of property, plant and equipment.

26. OTHER NON-OPERATING EXPENSES:

Details of other non-operating expenses for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Exchange differences	₩ 541,760	₩ 471,539
Loss on disposal of property, plant and equipment (*)	796,394	196,335
Impairment of property, plant and equipment	363,353	26,529
Loss on disposal of intangible asset	6,701	1,226
Impairment of intangible assets	1,141	579
Impairment of investments in associates	11,053	-
Donations	1,005	9,689
Others (*)	195,452	118,076
	₩ 1,916,859	₩ 823,973

(*) Loss on disposal of property, plant and equipment and Others include one-off costs arising from the retirement of property, plant and equipment of ₩ 673,864 million and ₩ 159,108 million, respectively.

27. INCOME TAX EXPENSE AND DEFERRED TAX:

(1) Details of income tax benefit for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Current tax on profit for the period	₩ 510,230	₩ 491,177
Adjustment for past income tax	(18,712)	(28,693)
Deferred tax – effect of change in tax rates	(82,813)	-
Deferred tax – movement in temporary differences	299,154	(183,283)
Non-recognition of deferred tax on temporary differences	247,519	-
Changes in deferred tax – tax credit carryforwards	(274,352)	(239,479)
Non-recognition of deferred tax on tax credit carryforwards	492,955	318,081
Changes in deferred tax – tax loss carryforwards	(911,512)	(399,780)
Non-recognition of deferred tax on tax loss carryforwards	6,416	-
	268,885	(41,977)
Deferred tax changed directly to equity	15,937	(3,393)
Others	48,499	55,639
	₩ 333,321	₩ 10,269

(2) The aggregate deferred tax charged directly to equity (other comprehensive income) for the years ended December 31, 2025 and 2024, is as follows: (Korean won in millions)

	2025	2024
Remeasurements of net defined benefit liabilities	₩ (8,134)	₩ (15,239)
Gain and losses on valuation of financial assets at FVOCI	3,079	(1,030)
Gain and losses on valuation of derivative instruments	(1,323)	(462)
Consolidation adjustment	22,315	13,338
	₩ 15,937	₩ (3,393)

(3) Changes in deferred tax assets (liabilities) for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025					
		Increase(decrease)				
	Beginning	Profit(loss) for the period	Other comprehensive Income(loss)	Exchange differences	Others	Ending
Defined benefit liabilities	₩ 139,955	₩ (104,718)	₩ (8,134)	₩ (1)	₩ -	₩ 27,102
Plan assets	(150,696)	119,475	-	-	-	(31,221)
Provisions	286,805	(72,217)	-	13,278	-	227,866
Property, plant and equipment	126,596	(661,798)	-	5,128	-	(530,074)
Intangible assets	3,522	(486)	-	70	-	3,106
Investments in subsidiaries and associates	(306,182)	(7,561)	-	5,725	-	(308,018)
Government grants	271,434	(5,565)	-	4,510	-	270,379
Succession of assets (property, plant and equipment)	57,987	(52,057)	-	-	-	5,930
Succession of assets (patents)	482,849	8,459	-	-	-	491,308
Succession of assets (others)	533	24	-	-	-	557
Others	451,499	232,149	1,757	(3,914)	70	681,561
	1,364,302	(544,295)	(6,377)	24,796	70	838,496
Tax credit carryforwards	359,364	(220,480)	-	1,878	-	140,762
Tax loss carryforwards	964,255	923,845	-	20,882	-	1,908,982
Others	25,499	-	22,315	-	-	47,814
Deferred tax assets (liabilities)	₩ 2,713,420	₩ 159,070	₩ 15,938	₩ 47,556	₩ 70	₩ 2,936,054

	2024					
		Increase(decrease)				
	Beginning	Profit(loss) for the period	Other comprehensive Income(loss)	Exchange differences	Others	Ending
Defined benefit liabilities	₩ 139,692	₩ 15,503	₩ (15,239)	₩ (1)	₩ -	₩ 139,955
Plan assets	(157,905)	7,209	-	-	-	(150,696)
Provisions	251,484	19,858	-	15,463	-	286,805
Property, plant and equipment	78,394	52,727	-	(4,525)	-	126,596
Intangible assets	3,356	(214)	-	380	-	3,522
Investments in subsidiaries, associates and joint ventures	(16,098)	(265,197)	-	(24,887)	-	(306,182)
Government grants	225,110	19,639	-	26,685	-	271,434
Succession of assets (property, plant and equipment)	55,338	2,649	-	-	-	57,987
Succession of assets (patents)	485,419	(2,570)	-	-	-	482,849
Succession of assets (others)	533	-	-	-	-	533
Others	129,039	290,932	(1,492)	33,375	(355)	451,499
	1,194,362	140,536	(16,731)	46,490	(355)	1,364,302
Tax credit carryforwards	437,967	(81,491)	-	2,888	-	359,364
Tax loss carryforwards	564,476	388,906	-	10,873	-	964,255
Others	12,161	-	13,338	-	-	25,499
Deferred tax assets (liabilities)	₩ 2,208,966	₩ 447,951	₩ (3,393)	₩ 60,251	₩ (355)	₩ 2,713,420

(4) The reconciliations between income tax expense and accounting profit for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Net profit before tax	₩ 414,124	₩ 348,871
Tax at domestic tax rates	135,932	(59,845)
Tax effects:		
Income not subject to tax	(300,621)	(288,761)
Expenses not deductible for tax purposes	17,955	20,962
Effect of change in tax rates	(82,813)	-
Effect of deferred tax recognition on temporary differences in prior periods	(24,019)	20,223
Effect of non-recognition of deferred tax on temporary differences	72,518	51,289
Tax credit	(272,540)	(248,669)
Effect of non-recognition of deferred tax due to lack of recoverability (*)	595,701	318,081
Foreign tax	180,551	192,312
Others	10,657	4,677
Income tax expense	₩ 333,321	₩ 10,269
Effective tax rate (income tax expense/profit before tax)	80.49%	2.94%

(*) This amount comprises the tax effect of the reduction in deferred tax assets recognized in the current period as a result of changes in estimates of future taxable profits.

(5) The future feasibility of deferred tax assets depends on a variety of factors, including the Group's ability to generate taxable income during the period when the temporary difference is realized, the overall economic environment and industry prospects. The Group reviews these factors periodically.

(6) Temporary differences that have not been recognized as deferred tax liabilities as of December 31, 2025, are ₩2,897,999 million related to investments in subsidiaries and associates(₩1,982,007 million as of December 31, 2024). In addition, deductible temporary differences that have not been recognized as deferred tax assets due to uncertainty of future taxable profits and other factors amount to ₩1,258,355 million as of December 31, 2025 (none as of December 31, 2024).

(7) The maturity of unused tax loss as of December 31, 2025 and 2024, is as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Less than 1 year	₩ -	₩ -
Between 1 year – 2 years	-	-
Between 2 – 5 years	-	-
More than 5 years	592,392	528,518

(8) Non-recognition of deferred tax on tax credit carryforwards

The amount and expiration date of non-recognition of deferred tax on tax credit carryforwards as of December 31, 2025 and 2024, are as follows (Korean won in millions):

2025	2032	2033	2034	2035	Total
Non-recognition of deferred tax on tax credit carryforwards	₩ 194,021	₩ 215,410	₩ 200,651	₩ 200,953	₩ 811,035

2024	2033	2034	Total
Non-recognition of deferred tax on tax credit carryforwards	₩ 132,635	₩ 185,446	₩ 318,081

(9) The Group is subject to the Pillar Two income taxes. During the current year, PT. HLI Green Power, a subsidiary located in Indonesia, recognized additional tax arising from the Qualified Domestic Minimum Top-up Tax (QDMTT) introduced in Indonesia as part of current income tax expense.
The Group has applied the exception to the recognition and disclosure of deferred taxes in accordance with K-IFRS 1012, Income Taxes. In accordance with paragraph 88B of the standard, the income tax expense of the relevant entity to be disclosed amounts to ₩2,043 million.

28. LOSSES PER SHARE:

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

Basic losses per ordinary share (Korean won in millions and in number of shares):

	2025	2024
Losses attributable to ordinary shares	₩ (1,072,810)	₩ (1,018,741)
Weighted-average number of ordinary shares outstanding	234,000,000	234,000,000
Basic losses per ordinary share (in Korean won)	₩ (4,585)	₩ (4,354)

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

29. DIVIDEND:

The Group (foreign subsidiary) paid ₩2,297,534 million dividends for the accounting period ended December 31, 2025.

30. RELATED-PARTY TRANSACTIONS:

(1) As of December 31, 2025, the Parent Company is LG Chem Ltd. (percentage of ownership: 79.38%), over which LG Corp. exercises a significant influence.

(2) Details of other related parties 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 December 31, 2025, 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	Subsidiary of LG Corp.
LG CNS Co., Ltd.	Biz Tech I Co., Ltd. and others	LG CNS America Inc. and others	
LG Management Development Institute			
LG Sports Ltd.			
LG Display Co., Ltd.	Nanum nuri Co., Ltd.	LG Display America, Inc. and others	LG Enterprise group (*)
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 Uplus Corp.	LG HelloVision Corp	LG UPLUS FUND I LLC. and others	
HS AD Inc.		GIIR America Inc. and others	

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

(3) Transactions with related parties for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025				
		Purchase and others			
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangibles	Interest expense	Others
Parent:					
LG Chem Ltd.	₩ 5,946	₩ 706,536	₩ -	₩ 6	₩ 2,525
Associates:					
Sama Aluminium Co., Ltd.	-	26,158	193	-	28
Mintech Co., Ltd.(*)	-	-	292	-	-
Nexpo Co., Ltd.	-	41	-	-	-
PT LBM ENERGI BARU INDONESIA	34,519	54,786	-	-	-
Other related parties:					
LG Corp.	-	-	-	-	37,200
LG Chem (China) Investment Co., Ltd.	-	-	-	-	141
HAENGBOKNURI CO., LTD.	3	-	-	-	775
Uniseal, Inc.	-	-	-	-	11
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	285,239	-	-	-
LG HY BCM Co., Ltd.	-	406,233	-	-	191
Techwin, Inc.	-	28	90,050	-	101
LG Chem Poland Sp. z o.o.	-	77,510	-	-	-
LG Management Development Institute	-	-	-	-	25,948
D&O Co., Ltd. and its subsidiaries	88	-	25,868	-	5,326
LG CNS Co., Ltd. and its subsidiaries	43,632	37	784,800	-	242,057
Others	-	-	-	-	1,679
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	1	-
LG Electronics Inc. and its subsidiaries	159,696	259,676	604,832	142	193,769
Others	29	457	137	30	3,973
	₩ 243,913	₩ 1,816,701	₩ 1,506,172	₩ 179	₩ 513,724

(*) During the current year, the entity was excluded from associates due to the disposal of the equity interest, and the disclosed amounts include transactions prior to such exclusion.

	2024				
		Purchase and others			
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangibles	Interest expense	Others
Parent:					
LG Chem Ltd.	₩ 5,649	₩ 1,758,321	₩ 768	₩ 19	₩ 13,808
Associates and joint ventures:					
PT. HLI Green Power (*2)	38,094	363	-	-	6,393
Sama Aluminium Co., Ltd.	-	44,440	-	-	-
Nexpo Co., Ltd.	-	94	-	-	-
Other related parties:					
LG Corp.	20	-	-	-	39,469
LG Chem (China) Investment Co., Ltd.	-	-	-	-	193
LG Chem Europe GmbH	-	-	-	-	8
HAENGBOKNURI CO., LTD.	7	-	-	-	1,239
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	1,194,172	-	-	-
LG HY BCM Co., Ltd.	-	612,395	-	-	-
Techwin, Inc.	-	-	10,403	-	72
LG Chem Poland Sp. z o.o.	-	160,882	-	-	-
LG Management Development Institute	-	-	-	-	33,845
D&O Co., Ltd. and its subsidiaries	86	-	23,597	-	7,078
LG CNS Co., Ltd. and its subsidiaries	24,854	56	914,308	-	212,212
Others	-	-	141	-	1,883
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	8	-
LG Electronics Inc. and its subsidiaries	157,169	178,609	940,438	-	171,938
Xi C&A and its subsidiaries (*1)	-	2,725	44,655	-	2,701
S&I Corporation (*1)	-	3,027	7,610	-	18,230
Others	37	-	223	15	5,418
	₩ 225,916	₩ 3,955,084	₩ 1,942,143	₩ 42	₩ 514,487

(*1) During the current period, the Company has been excluded from the large enterprise group after its separation from LG Group during the year ended December 31, 2024. The amount includes transactions before the separation.
(*2) During the current period, the Group reclassified PT. HLI Green Power from a joint venture to a subsidiary due to amendments in the shareholders' agreement. The above amount pertains to transactions prior to this reclassification.

(4) Balances of receivables and payables from related parties as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025						
	Receivables			Payables			
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total
Parent:							
LG Chem Ltd.	₩ 895	₩ 6,225	₩ 7,120	₩ 73,373	₩ -	₩ 4,656	₩ 78,029
Associates:							
Sama Aluminium Co., Ltd.	-	-	-	1,168	-	170	1,338
Nexpo Co., Ltd.	-	-	-	12	-	-	12
Jeju Bukchon BESS Power Plant Co., Ltd.	-	-	-	-	-	240	240
PT LBM ENERGI BARU INDONESIA	-	34,835	34,835	31,229	-	-	31,229
Other related parties:							
LG Corp.	-	2,904	2,904	-	-	-	-
LG Chem (China) Investment Co., Ltd.	-	-	-	-	-	27	27
HAENGBOKNURI CO., LTD.	-	-	-	-	-	104	104
Uniseal, Inc.	-	-	-	108	-	-	108
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	-	-	3,246	-	-	3,246
LG HY BCM Co., Ltd.	-	-	-	1,600	-	1,708	3,308
Techwin, Inc.	-	-	-	-	-	20,566	20,566
LG Chem Poland Sp. z o.o.	-	-	-	6,010	-	-	6,010
LG Management Development Institute	-	-	-	-	-	656	656
D&O Co., Ltd. and its subsidiaries	-	-	-	-	-	3,979	3,979
LG CNS Co., Ltd. and its subsidiaries	19,817	-	19,817	24	-	367,023	367,047
Others	-	-	-	-	-	89	89
Others:							
LG Display Co., Ltd. and its subsidiaries	-	-	-	-	-	21	21
LG Electronics Inc. and its subsidiaries (*)	31,391	9,023	40,414	24,769	4,334	135,090	164,193
Others	-	815	815	-	1,955	3,653	5,608
	₩ 52,103	₩ 53,802	₩ 105,905	₩ 141,539	₩ 6,289	₩ 537,982	₩ 685,810

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

	December 31, 2024						
	Receivables			Payables			
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total
Parent:							
LG Chem Ltd.	₩ -	₩ 8,644	₩ 8,644	₩ 353,330	₩ 550	₩ 4,111	₩ 357,991
Associates and joint ventures:							
Sama Aluminium Co., Ltd.	-	-	-	8,627	-	22	8,649
Nexpo Co., Ltd.	-	-	-	17	-	-	17
Other related parties:							
LG Corp.	-	22,043	22,043	-	-	-	-
LG Chem (Taiwan), Ltd.	-	-	-	-	-	6	6
LG Chem (China) Investment Co., Ltd.	-	-	-	-	-	37	37
HAENGBOKNURI CO., LTD.	-	-	-	-	-	99	99
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	4	4	211,239	-	-	211,239
LG HY BCM Co., Ltd.	-	-	-	91,223	-	1,050	92,273
Techwin, Inc	-	-	-	-	-	302	302
LG Chem Poland Sp. z o.o.	-	-	-	37,626	-	-	37,626
LG Management Development Institute	-	-	-	-	-	750	750
D&O Co., Ltd. and its subsidiaries	-	-	-	-	-	4,887	4,887
LG CNS Co., Ltd. and its subsidiaries	5,149	5	5,154	-	-	443,178	443,178
Others	-	-	-	-	-	117	117
Others:							
LG Display Co., Ltd. and its subsidiaries	-	-	-	-	63	18	81
LG Electronics Inc. and its subsidiaries (*)	37,092	2,256	39,348	16,242	-	321,485	337,727
Others	-	559	559	-	335	5,191	5,526
	₩ 42,241	₩ 33,511	₩ 75,752	₩ 718,304	₩ 948	₩ 781,253	₩ 1,500,505

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

(5) Fund transactions with related parties for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025						
				Loan transactions		Borrowing transactions (*)	
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan	Repayment	Borrowing	Repayment
Parent:							
LG Chem Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 479
Associates:							
Sama Aluminium Co., Ltd.	38	-	-	-	-	-	-
Nexpo Co., Ltd.	-	-	2,375	-	-	-	-
Bricks Capital Management Global Battery Private Equity Fund I	-	-	445	-	-	-	-
Jeju Bukchon BESS Power Plant Co., Ltd.	-	-	900	-	-	-	-
PT LBM ENERGI BARU INDONESIA	-	-	22,107	-	-	-	-
EV-LOOP	-	-	1,714	-	-	-	-
Others:							
LG DISPLAY AMERICA, INC.	-	-	-	-	-	-	61
LG Electronics Inc.	-	-	-	-	-	10,226	5,926
LG Household & Health Care	-	-	-	-	-	2,308	745
	₩ 38	₩ -	₩ 27,541	₩ -	₩ -	₩ 12,534	₩ 7,211

(*) The amounts represent lease liabilities that were recognized or repaid during the year ended December 31, 2025.

	2024						
				Loan transactions		Borrowing transactions (*)	
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan	Repayment	Borrowing	Repayment
Parent:							
LG Chem Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 531
Associates and joint ventures:							
Sama Aluminium Co., Ltd.	150	-	-	-	-	-	-
Nexpo Co., Ltd.	-	-	1,900	-	-	-	-
Bricks Capital Management Global Battery Private Equity Fund I	-	-	5,761	-	-	-	-
Others:							
LG DISPLAY AMERICA, INC.	-	-	-	-	-	-	191
LG Household & Health Care	-	-	-	-	-	-	656
	₩ 150	₩ -	₩ 7,661	₩ -	₩ -	₩ -	₩ 1,378

(*) The amounts represent lease liabilities that were recognized or repaid during the year ended December 31, 2024.

(6) Compensation for key management of the Group for the years ended December 31, 2025 and 2024, is as follows (Korean won in millions):

	2025	2024
Short-term employee benefits	₩ 54,866	₩ 35,057
Retirement benefits	6,232	9,669
	₩ 61,098	₩ 44,726

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

(7) The details of the payment guarantees provided by the Group for related parties as of December 31, 2025 and 2024, are disclosed in Note 18.

31. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Details of cash generated from operations for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Profit before income tax	₩ 414,124	₩ 348,871
Adjustments for:		
- Depreciation	3,413,557	2,856,045
- Amortization	277,693	189,739
- Retirement benefits	91,208	87,025
- Financial income	(853,050)	(1,000,780)
- Financial costs	1,204,971	1,239,158
- Foreign currency conversion differences	(24,034)	(9,254)
- Loss on valuations of inventories	37,137	404,928
- Gain on disposal of property, plant and equipment	(12,431)	(9,870)
- Loss on disposal of property, plant and equipment	224,108	196,335
- Loss on disposal of intangible assets	6,701	1,226
- Impairment losses on property, plant and equipment	363,353	26,529
- Impairment losses on intangible assets	1,141	579
- Gain on disposal of investments in associates	-	(104,512)
- Loss on impairment and disposal of investments in associates	11,053	10,294
- Changes in contract assets	30,461	1,438
- Contribution to provisions	750,429	1,060,324
- Other income	31,833	36,640
- Changes in inventories	333,248	984,159
- Changes in trade receivables	1,080,011	663,809
- Changes in other receivables	(137,327)	95,226
- Changes in other current assets	(651,896)	(373,331)
- Changes in trade payables	(578,672)	(923,897)
- Changes in other payables	857,207	(152,272)
- Changes in other current liabilities	(554,388)	1,169,038
- Changes in provisions	(550,366)	(639,372)
- Changes in net defined benefit liabilities	(19,021)	(6,575)
- Other cash flows from operations	(174,250)	(126,822)
Cash generated from operations	₩ 5,572,800	₩ 6,024,678

(2) Changes in liabilities arising from financial activities for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025						
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Exchange differences and others	Ending
Short-term borrowings	₩ 2,365,329	₩ (691,294)	₩ 3,400,580	₩ -	₩ -	₩ 289,361	₩ 5,363,976
Long-term borrowings	5,124,782	3,537,302	(3,400,580)	-	136,031	(349,929)	5,047,606
Debentures	7,900,440	4,377,777	-	16,746	-	(194,449)	12,100,514
	₩ 15,390,551	₩ 7,223,785	₩ -	₩ 16,746	₩ 136,031	₩ (255,017)	₩ 22,512,096

	2024						
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Exchange differences and others	Ending
Short-term borrowings	₩ 2,567,561	₩ (1,948,129)	₩ 68,070	₩ -	₩ -	₩ 1,677,827	₩ 2,365,329
Long-term borrowings	4,604,543	396,483	(68,070)	-	235,545	(43,719)	5,124,782
Debentures	3,760,184	3,652,604	-	8,739	-	478,913	7,900,440
	₩ 10,932,288	₩ 2,100,958	₩ -	₩ 8,739	₩ 235,545	₩ 2,113,021	₩ 15,390,551

(3) Significant non-cash transactions for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
Reclassification of construction in progress	₩ 17,840,635	₩ 6,090,891
Reclassification of machinery in transit	98,911	22,912
Reclassification of debentures into current portion	1,322,230	124,911
Changes in other payables related to acquisitions of property, plant and equipment and intangible assets	(776,206)	1,131,111
Changes in non-trade receivables related to disposal of property, plant and equipment and intangible assets	(9,767)	10,339
Changes in other non-current financial liabilities related to acquisitions of property, plant and equipment	1,334,641	1,000,200
Changes in other payables related to capital reduction	735,208	-
Increase in non-controlling interests due to reinvestment after dividend distribution	279,805	-
Non-cash transaction arising from the offset between compensation received and repayment of borrowings	(559,610)	-

32. SEGMENT INFORMATION:

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

Segment	Major products and services
LG Energy solution (*)	Automotive batteries, mobile 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 years ended December 31, 2025 and 2024, is as follows (Korean won in millions):

	2025	2024
Total segment revenue	₩ 23,671,759	₩ 25,619,585
Revenue from external customers (*1)	23,671,759	25,619,585
Other operation income (*2)	1,646,811	1,480,020
Operating profit of reportable segment (*3)	1,346,120	575,387

(*1) Revenue from external customers consists of sales of goods. Interest income and dividend income are included in finance income.
(*2) Under the Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, the tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount above is expected to be received by the Group for the year ended December 31, 2025.
(*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 December 31, 2025 and 2024, is as follows (Korean won in millions):

	December 31, 2025			December 31, 2024		
	Assets (*)	Investments in associates and joint ventures	Liabilities	Assets (*)	Investments in associates and joint ventures	Liabilities
Reportable segment assets and liabilities	₩ 67,147,953	₩ 77,719	₩ 37,826,277	₩ 60,306,791	₩ 62,389	₩ 29,340,248

(*) The amount of segment assets includes the carrying amount of investments in associates.

(4) Sales for the years ended December 31, 2025 and 2024, and non-current assets as of December 31, 2025 and 2024, by geographical segments, are as follows (Korean won in millions):

	Sales		Non-current assets (*1)	
	2025	2024	December 31, 2025	December 31, 2024
Korea (*2)	₩ 2,677,968	₩ 1,747,024	₩ 6,139,933	₩ 5,204,504
China	4,918,837	5,039,840	3,374,660	3,972,006
Asia/Oceania	1,052,924	1,054,808	1,085,558	1,238,630
America	10,142,970	10,748,929	27,226,687	24,579,109
Europe	4,879,060	7,028,980	4,771,389	4,865,813
Others	-	4	-	-
	₩ 23,671,759	₩ 25,619,585	₩ 42,598,227	₩ 39,860,062

(*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 years ended December 31, 2025 and 2024, revenues from external customers who account for 10% or more of the Group's revenue are as follows (Korean won in millions):

	2025	2024
Customer A	₩ 4,845,460	₩ 6,090,940
Customer B	4,591,682	4,534,908
Customer C	2,910,177	2,067,291

33. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS:

(1) Assets and liabilities related to contracts with customers as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Contract assets:		
Due from customers	₩ 73,296	₩ 77,237
	₩ 73,296	₩ 77,237
Contract liabilities:		
Advances from customers received as part of the Group`s main business activities	₩ 2,033,299	₩ 2,046,780
Expected customer incentives	9	1,535
Unearned revenue	10,318	32,099
Due to customers	31,688	7,377
	₩ 2,075,314	₩ 2,087,791

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the carried-forward contract liabilities for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025	2024
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	₩ 549,854	₩ 62,709
Unearned revenue	18,494	33,859
Due to customers	6,491	850
	₩ 574,839	₩ 97,418

(3) For the year ended December 31, 2025, changes in estimates related to the total contract price and total contract costs for contracts that existed as of December 31, 2024, and recognize revenue over time using the cost-to-cost method, along with their impact on profit or loss for the current and future periods and on contract assets (liabilities), are as follows (Korean won in millions):

Changes in estimated total contract price	Changes in estimated total contract costs	Impact on current period profit or loss	Impact on future period profit or loss	Changes in contract assets (liabilities)
₩ 25,691	₩ 7,875	₩ 18,113	₩ (297)	₩ 18,113

(4) Costs to fulfill contracts as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Costs to fulfill contracts	₩ 930,671	₩ 328,943

Costs to fulfill contracts represent preparation costs related to contracts with customers and are recognized as cost of sales when the Group satisfies its performance obligations. The costs to fulfill contracts recognized as cost of sales during the year ended December 31, 2025, amounted to ₩66,487 million (for the year ended December 31, 2024, was ₩60,223 million).

34. INVESTMENT PROPERTIES:

(1) Details of investment properties as of December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025				December 31, 2024			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Buildings	₩ 296,958	₩ (83,868)	₩ (1,460)	₩ 211,630	₩ 309,064	₩ (81,729)	₩ (1,628)	₩ 225,707
Land	283	(17)	(34)	232	274	(12)	(35)	227
	₩ 297,241	₩ (83,885)	₩ (1,494)	₩ 211,862	₩ 309,338	₩ (81,741)	₩ (1,663)	₩ 225,934

(2) Changes in investment properties for the years ended December 31, 2025 and 2024, are as follows (Korean won in millions):

	2025		2024	
	Land	Building	Land	Building
Beginning	₩ 227	₩ 225,707	₩ 240	₩ 212,249
Acquisition/Transfer	9	163	-	28,053
Disposal/Transfer	-	(8,303)	(9)	(7,999)
Depreciation	(4)	(5,937)	(4)	(6,596)
Ending	₩ 232	₩ 211,630	₩ 227	₩ 225,707

(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 December 31, 2025, is ₩221,730 million (as of December 31, 2024, was ₩241,006 million).

Rental income from investment properties under operating lease for the year ended December 31, 2025, is ₩7,579 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the year ended December 31, 2025, are ₩5,941 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 December 31, 2025 and 2024, are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Less than 1 year	₩ 2,280	₩ 7,652
Between 1– 2 years	172	2,293
Between 2 – 5 years	-	172
	₩ 2,452	₩ 10,117

35. BUSINESS COMBINATION:

As of August 1, 2024, due to amendments to the shareholder agreement of PT. HLI Green Power, 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. As a result, the Group reclassified PT. HLI Green Power from joint venture to a subsidiary.

1) The consideration transferred to PT. HLI Green Power and the fair values of assets and liabilities acquired at the acquisition are as follows (Korean won in millions):

		Amount
Consideration transferred:		
Fair value of the equity interest held prior to the business combination	₩	191,187
Accumulated amount of acquired assets and assumed liabilities:		
Cash and cash equivalents		59,825
Trade receivables and other receivables		118,338
Inventories		144,834
Property, plant and equipment		1,026,339
Intangible assets		149,067
Other assets		44,615
Trade payables and other payables		(293,584)
Other liabilities		(846,472)
Identifiable net assets		402,962
Non-controlling interest:		201,481
Goodwill (gain on bargain purchase):		(10,294)

2) The remeasurement of the equity interests held prior to the business combination at fair value resulted in a disposal gain of ₩94,218 million, which is included in other non-operating income and expenses in the consolidated statements of comprehensive income.

36. ASSETS HELD FOR SALE:

As of December 31, 2025, the Group decided to sell all of the plant building assets under construction of its subsidiary, L-H Battery Company, Inc. to Honda Development and Manufacturing of America, LLC, and classified the related assets as assets held for sale (see Note 11.(1) Changes in property, plant and equipment). The Group is reviewing a sale-and-leaseback arrangement under which the assets will be leased back after the sale, and the closing of the asset sale agreement and the execution of the lease agreement are expected to be in April 2026.

(1) Details of assets classified as assets held for sale as of December 31, 2025 are as follows (Korean won in millions):

	December 31, 2025	December 31, 2024
Buildings	3,911,334	-

(2) Since the net fair value of the assets held for sale is expected to be equal to or exceed their carrying amount, no impairment loss has been recognized for the assets classified as assets held for sale as of December 31, 2025.

37. EVENT AFTER THE REPORTING PERIOD:

(1) The Group decided, with the approval of the Board of Directors on February 6, 2026, to acquire for cash all of Stellantis N.V.'s equity interest in NextStar Energy Inc., a joint venture with Stellantis N.V., for USD 100, thereby terminating the joint venture arrangement. The equity interest to be acquired represents a 49% ownership interest (USD 980 million). Accordingly, the related contracts were executed in February 2026, and the transaction is expected to close in June 2026.

(2) On February 13, 2026, the Management Committee of the Company resolved to issue unsecured debentures. Pursuant to such resolution, the Company issued debentures in the amount of KRW 800,000 million on March 5, 2026. The details are as follows (Korean won in millions):

	Maturity date	Amount	
The 5-1st Unsecured Bearer Coupon Debenture	03.05.2028	₩	295,000
The 5-2nd Unsecured Bearer Coupon Debenture	03.05.2029		430,000
The 5-3rd Unsecured Bearer Coupon Debenture	03.05.2031		45,000
The 5-4th Unsecured Bearer Coupon Debenture	03.05.2036		30,000

38. DATE OF APPROVAL FOR ISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS:

The Group's consolidated financial statements were approved by the board of directors on January 27, 2026, and are subject to final approval at the annual general meeting of shareholders to be held on March 20, 2026.

Deloitte.

Deloitte Anjin LLC
9F., One IFC,
10, Gukjegeumyung-ro,
Youngdeungpo-gu, Seoul
07326, Korea

Tel: +82 (2) 6676 1000
Fax: +82 (2) 6674 2114
www.deloitteanjin.co.kr

Independent Auditor's Report

English Translation of Independent Auditor's Report Originally Issued in Korean on March 5, 2025

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

Audit Opinion
We have audited the consolidated financial statements of LG Energy Solution, Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Group as of December 31, 2024, based on the 'Conceptual Framework for Design and Operation of Internal Control Over Financial Reporting', and our report dated March 05, 2025, expressed an unqualified opinion.

Basis for Audit Opinion
We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters
The key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements, as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Warranty Provisions

1) Description of Key Audit Matter

As stated in Notes 4 and 15 of the consolidated financial statements, the warranty provisions are estimated based on the average warranty period, revenue and historical claim experience rate, or the number of vehicles subject to recall, the expected total repair costs, etc. The estimated amount of the warranty provisions based on experience rate etc, recognized by the Company is ₩1,204,813 million as of December 31, 2024.

We have assessed this item as a Key Audit Matter, considering that the recognized amount of the warranty provision based on experience rate etc, is material, and the significant management judgment is involved in estimation.

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2) How our audit addressed the Key Audit Matter

Our procedures included the following:

- Evaluate whether the Company's policies for measuring and recognizing warranty provisions comply with accounting standards.
- Perform the following procedures to assess the reasonableness of the key variables, including relevant revenue, claim rate and warranty period used by management:
  - Evaluate whether the Company's internal controls for recognizing and measuring the warranty provisions are effectively designed and operated.
    - Evaluate the adequacy of the claim rate (relevant revenue and claim costs) of general warranty provision.
    - Assess whether the warranty provision is calculated exactly based on the claim rate and relevant revenue.
  - Evaluate the adequacy of average warranty period for each business unit.
- Independently recalculate the balance of the warranty provisions by developing and applying a statistical model based on the analysis of the historical claim occurrence cycle.
- Assess the adequacy of the related footnote disclosures.

Timing of Revenue Recognition for Customer Compensation

1) Description of Key Audit Matter

The Group's sales of automotive batteries, its primary product, declined during the current period due to a temporary slowdown in demand within the electric vehicle market. As a result, the Group has been receiving compensation from automotive OEM customers for reduced order volumes and others.

As stated in Notes 2.7 and 21 of the consolidated financial statements, the Group identifies performance obligations within customer contracts and recognizes revenue when those obligations are satisfied.

We have determined this matter to be a Key Audit Matter, considering that customer compensation revenue recognized for the year ended December 31, 2024, amounted to ₩1,365,723 million, representing a material portion of total revenue, that the nature and terms of customer compensation agreements vary by customer, and that significant management judgment is involved when determining the satisfaction of performance obligations and the timing of revenue recognition.

2) How our audit addressed the Key Audit Matter

Our procedures included the following:

- Evaluate whether the Group's accounting policies for measuring and recognizing customer compensation revenue are in compliance with accounting standards.
- Evaluate whether the Group's internal controls for recognizing customer compensation revenue are effectively designed and operated.
- Perform a sample test on compensation revenue as follows:
  - Obtain initial supply contracts, compensation agreements, internal approval documents, invoices, proof of payment and other relevant audit evidence from the Group's sales department.
  - Verify the total compensation amount and assess the level of uncertainty associated with the compensation amount based on the obtained supply contracts, compensation agreements, and others.
  - Independently recalculate the compensation revenue by measuring the performance obligations satisfied during the current period and determining any remaining performance obligations to be fulfilled at the point when the compensation amount is finalized, in accordance with the contracts, compensation agreements, revenue recognition standards, and others.
- Assess the adequacy of the related disclosures.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We are solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kiu Seok Seo.

Deloitte Anjin LLC

March 5, 2025

This report is effective as of March 5, 2025, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of financial position
As of December 31, 2024 and 2023

(Korean won in millions)

	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	3,5,6	₩ 3,898,711	₩ 5,068,783
Trade receivables	3,5,7,30	4,944,019	5,128,474
Other receivables	3,5,7,30	603,635	555,186
Other current financial assets	3,5,8	42	65,439
Prepaid income taxes		121,269	67,072
Other current assets	13	1,207,364	927,106
Inventories	9	4,552,355	5,396,336
		15,327,395	17,208,396
Non-current assets			
Trade receivables	3,5,7	392,584	129,995
Other receivables	3,5,7,30	134,450	122,282
Other non-current financial assets	3,5,8	1,132,368	357,038
Investments in associates and joint ventures	10,30	62,389	223,559
Deferred tax assets	27	2,774,153	2,228,924
Property, plant and equipment	11,18,32	38,349,552	23,654,677
Intangible assets	12,32	1,284,576	875,993
Investment properties	32,34	225,934	212,489
Other non-current assets	13,16	623,390	423,791
		44,979,396	28,228,748
Total assets		₩ 60,306,791	₩ 45,437,144
Liabilities			
Current liabilities			
Trade payables	3,5,30	₩ 2,705,481	₩ 3,093,719
Other payables	3,5,30	5,389,848	3,458,103
Borrowings	3,5,11,14,31	2,490,240	3,211,456
Provisions	15	1,044,468	517,170
Other current financial liabilities	3,5,8	1,159	7,652
Income tax payables		15,550	33,321
Other current liabilities	17,33	408,176	615,764
		12,054,922	10,937,185
Non-current liabilities			
Non-current other payables	3,5,30	22,082	25,291
Borrowings	3,5,11,14,31	12,900,311	7,720,832
Other non-current financial liabilities	3,5,8	1,000,635	68,824
Provisions	15	778,686	869,123
Net defined benefit liabilities	16	403	239
Deferred tax liabilities	27	60,733	19,958
Other non-current liabilities	17,33	2,522,476	1,422,183
		17,285,326	10,126,450
Total liabilities		29,340,248	21,063,635
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		2,437,399	554,518
Retained earnings	20	1,397,211	2,364,496
		21,116,237	20,200,641
Non-controlling interest	1	9,850,306	4,172,868
Total equity		30,966,543	24,373,509
Total liabilities and equity		₩ 60,306,791	₩ 45,437,144

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of profit or loss
For the years ended December 31, 2024 and 2023

(Korean won in millions)

	Notes	2024	2023
Revenue	30,33,35	₩ 25,619,585	₩ 33,745,470
Cost of sales	21,22,30	22,213,605	28,802,437
Gross profit		3,405,980	4,943,033
Other operating income		1,480,020	676,874
Selling and administrative expenses	21,22,30	4,310,613	3,456,673
Operating profit		575,387	2,163,234
Finance income	5,24,30	1,048,343	984,984
Finance costs	5,24,30	1,260,579	857,201
Share of loss of associates and joint ventures	10	(49,118)	(32,450)
Other non-operating income	25	858,811	1,125,846
Other non-operating expenses	26	823,973	1,340,953
Profit before income tax expense		348,871	2,043,460
Income tax expense	27	10,269	405,475
Profit for the period		₩ 338,602	₩ 1,637,985
Profit for the period attributable to:			
Owners of the Parent Company		₩ (1,018,741)	₩ 1,237,180
Non-controlling interests	1	1,357,343	400,805
Earnings(losses) per share attributable to the equity holders of the Parent Company (in Korean won)	28		
Basic or diluted earnings(losses) per share		(4,354)	5,287

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2024 and 2023

(Korean won in millions)

	Note	2024	2023
Profit for the year		₩ 338,602	₩ 1,637,985
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	66,579	(35,273)
Loss on valuation of financial assets at FVOCI	5	(251)	(136,381)
Income tax effect of other comprehensive income (loss)		(15,165)	39,393
		51,163	(132,261)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		2,834,214	405,378
Gain (loss) on cash flow hedge	5	3,445	(17,203)
Share of other comprehensive income(loss) of associates and joint ventures	10	(22,595)	4,543
Income tax effect of other comprehensive income		12,512	12,686
		2,827,576	405,404
Other comprehensive income for the period, net of tax		2,878,739	273,143
Total comprehensive income for the period, net of tax		₩ 3,217,341	₩ 1,911,128
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		₩ 915,481	₩ 1,468,426
Non-controlling interest		2,301,860	442,702

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of changes in equity
For the years ended December 31, 2024 and 2023

(Korean won in millions)

	Note	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, 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		-	-	-	1,237,180	1,237,180	400,805	1,637,985
Remeasurements of net defined benefit liabilities	16	-	-	-	(27,202)	(27,202)	-	(27,202)
Exchange differences on translation of foreign operations		-	-	371,891	-	371,891	41,897	413,788
Loss on valuation of financial assets at FVOCI	5	-	-	(105,060)	-	(105,060)	-	(105,060)
Loss on cash flow hedge	5	-	-	(12,926)	-	(12,926)	-	(12,926)
Equity adjustments in equity method	10	-	-	4,543	-	4,543	-	4,543
Total comprehensive income for the period		-	-	258,448	1,209,978	1,468,426	442,702	1,911,128
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase and others		-	-	-	-	-	1,868,619	1,868,619
Total transactions with owners of the Parent Company recognized directly in equity		-	-	-	-	-	1,868,619	1,868,619
As of December 31, 2023		₩ 117,000	₩ 17,164,627	₩ 554,518	₩ 2,364,496	₩ 20,200,641	₩ 4,172,868	₩ 24,373,509
As of January 1, 2024		₩ 117,000	₩ 17,164,627	₩ 554,518	₩ 2,364,496	₩ 20,200,641	₩ 4,172,868	₩ 24,373,509
Comprehensive income for the period:								
Profit for the period		-	-	-	(1,018,741)	(1,018,741)	1,357,343	338,602
Remeasurements of net defined benefit liabilities	16	-	-	-	51,341	51,341	-	51,341
Exchange differences on translation of foreign operations		-	-	1,903,034	-	1,903,034	944,517	2,847,551
Loss on valuation of financial assets at FVOCI	5	-	-	(177)	-	(177)	-	(177)
Gain on cash flow hedge	5	-	-	2,619	-	2,619	-	2,619
Equity adjustments in equity method	10	-	-	(22,595)	-	(22,595)	-	(22,595)
Total comprehensive income (loss) for the period		-	-	1,882,881	(967,400)	915,481	2,301,860	3,217,341
Transactions with owners of the Parent Company recognized directly in equity:								
Capital increase		-	-	-	-	-	3,375,677	3,375,677
Business combination		-	-	-	-	-	201,481	201,481
Others		-	-	-	115	115	(201,580)	(201,465)
Total transactions with owners of the Parent Company recognized directly in equity		-	-	-	115	115	3,375,578	3,375,693
As of December 31, 2024		₩ 117,000	₩ 17,164,627	₩ 2,437,399	₩ 1,397,211	₩ 21,116,237	₩ 9,850,306	₩ 30,966,543

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

LG Energy Solution, Ltd. and its subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2024 and 2023

(Korean won in millions)

	Note	2024	2023
Cash flows from operating activities:			
Cash generated from operations	31	₩ 6,024,678	₩ 5,373,458
Interest received		202,572	163,457
Interest paid		(600,569)	(366,783)
Dividends received		198	99
Income tax paid		(515,179)	(726,052)
Net cash provided by operating activities		5,111,700	4,444,179
Cash flows from investing activities:			
Cash inflow from investing activities:			
Decrease in other receivables		27,642	225,445
Decrease in other non-current receivables		9,272	6,827
Proceeds from disposal of financial assets		2,899	-
Proceeds from disposal of property, plant and equipment		74,540	102,241
Proceeds from disposal of intangible assets		10,644	1,454
Government grants received		731,457	384,209
Other cash inflow for investing activities		150	-
Business combination		59,825	-
		916,429	720,176
Cash outflow for investing activities:			
Increase in other receivables		(5,333)	(150,833)
Increase in other non-current receivables		(38,174)	(79,504)
Acquisition of investments in associates and joint ventures		(7,661)	(62,331)
Acquisition of financial instruments		(407,565)	(117,087)
Acquisition of property, plant and equipment		(12,399,017)	(9,923,051)
Acquisition of intangible assets		(121,351)	(102,266)
Other cash outflow for investing activities		(2,775)	(4,431)
		(12,981,876)	(10,439,503)
Net cash used in investing activities		(12,065,447)	(9,719,327)
Cash flows from financing activities:			
Cash inflow from financing activities:			
Proceeds from borrowings and others	31	8,195,125	6,272,451
Paid-in capital by non-controlling interests		3,375,677	2,065,974
Settlement of derivatives		106,450	-
		11,677,252	8,338,425
Cash outflow for financing activities:			
Repayments of borrowings and others	31	(6,094,167)	(3,786,380)
Others		(201,580)	(197,355)
		(6,295,747)	(3,983,735)
Net cash provided by financing activities		5,381,505	4,354,690
Net decrease in cash and cash equivalents		(1,572,242)	(920,458)
Cash and cash equivalents at beginning of the year		5,068,783	5,937,967
Effects of exchange rate changes on cash and cash equivalents		402,170	51,274
Cash and cash equivalents at end of the year		₩ 3,898,711	₩ 5,068,783

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

1. GENERAL:

General information about LG Energy Solution, Ltd. (the "Company" or the "Parent Company") and its 23 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 December 31, 2024, 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 December 31, 2024. 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 December 31, 2024.

1.2 Business Overview

The Group is engaged in the battery business.

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.

1.3 Consolidated Subsidiaries and Investments in Associates and Joint Ventures

	Ownership (%)				
	December 31, 2024	December 31, 2023	Location	Closing month	Business
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
Areumnoori 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	100	USA	December	ESS battery installation service
LG Energy Solution Arizona, Inc.	100	100	USA	December	Mobile battery manufacturing and sales
Baterias De Castilla, S.L.	100	100	Spain	December	Others
L-H Battery Company, Inc	51	51	USA	December	Automotive battery manufacturing and sales
LG Energy Solution India Private Limited	100	100	India	December	Mobile battery sales and others
LG Energy Solution Arizona ESS, Inc.	100	100	USA	December	ESS battery manufacturing and sales
Nextstar Energy Inc.	51	51	Canada	December	Automotive battery manufacturing and sales
LG Energy Solution Fund II LLC	100	100	USA	December	Investment in ventures
HL-GA Battery Company LLC (*5)	50	50	USA	December	Automotive battery manufacturing and sales
LG Energy Solution Japan Co., Ltd. (*3)	100	-	Japan	December	ESS battery sales
PT. HLI Green Power (*4)	50	50	Indonesia	December	Automotive battery manufacturing and sales
Associates and joint ventures:					
Sama Aluminium Co., Ltd. (*6)	10.2	10.2	Korea	December	Aluminum manufacturing, sales and others
Nexpo Co., Ltd. (*7)	19	19	Korea	December	Battery product manufacturing, sales and others
Bricks Capital Management Global Battery Private Equity Fund I (*8)	59.9	59.9	Korea	December	Collective investment institution

(*1) LG Energy Solution Michigan Inc. owns 50% of Ultium Cells Holdings LLC and HL-GA Battery Company LLC's shares.

(*2) The Group does not hold a majority ownership interest in Ultium Cells LLC or Ultium Cells Holdings LLC. According to the arrangement between shareholders, 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, the Group newly acquired 100% of LG Energy Solution Japan Co., Ltd. for ₩535 million.

(*4) Although the Group does not hold a majority ownership interest in PT. HLI Green Power, amendments in the shareholder agreement grant the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect variable returns by engaging in the entity's production and cost management. Accordingly, PT. HLI Green Power was included as a subsidiary in the consolidated financial statements during the current period.

(*5) Although the Group does not hold a majority ownership interest in HL-GA Battery Company LLC, amendments in the shareholder agreement grant the Group holds the majority of voting rights in the decision-making process of the entity and has the ability to affect variable returns by engaging in the entity's production and cost management. Accordingly, HL-GA Battery Company LLC was included as a subsidiary in the consolidated financial statements during the current period.

(*6) Although the ownership in Sama Aluminium Co., Ltd. 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.

(*7) Although the ownership in Nexpo Co., Ltd. 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.

(*8) Although the subsidiary's equity stake in the joint venture exceeds 50%, but since unanimous consent from all equity participants is required for major decisions, the parent company has concluded that it does not control the joint venture. As a result, it has been classified as an investment in 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) is as follows (Korean won in millions):

	December 31, 2024		2024		
	Asset	Liability	Asset	Revenue	Operating profit (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 5,303,278	₩ 1,716,102	₩ 3,587,176	₩ 6,988,862	₩ 909,237
LG Energy Solution Michigan Inc.	8,278,090	3,043,236	5,234,854	776,663	(137,540)
LG Energy Solution Battery (Nanjing) Co., Ltd.	623,352	130,838	492,514	601,150	45,784
LG Energy Solution Wroclaw sp. z o.o.	8,661,372	5,725,145	2,936,227	8,057,038	(126,101)
LG Energy Solution Australia Pty Ltd.	8,454	1,834	6,620	43,069	4,643
LG Energy Solution Technology (Nanjing) Co., Ltd.	1,874,656	416,580	1,458,076	1,685,120	205,252
Ultium Cells Holdings LLC (*)	14,900,212	4,615,112	10,285,100	5,441,539	2,023,262
Ultium Cells LLC	14,900,212	4,615,112	10,285,100	5,441,539	2,023,262
LG Energy Solution Europe GmbH	125,912	61,988	63,924	73,439	7,442
LG Energy Solution (Taiwan) Ltd.	3,086	391	2,695	3,880	253
Areumnoori Co., Ltd.	5,609	2,642	2,967	13,952	939
LG Energy Solution Fund I LLC	41,174	2	41,172	-	(796)
LG Energy Solution Vertech Inc.	623,934	562,449	61,485	584,332	10,817
LG Energy Solution Arizona, Inc.	1,515,226	1,196,642	318,584	-	(2,631)
Baterias De Castilla, S.L.	222	218	4	-	(0)
L-H Battery Company, Inc	4,433,776	598,658	3,835,118	-	(437)
LG Energy Solution India Private Limited	23,187	15,945	7,242	56,517	4,266
LG Energy Solution Arizona ESS, Inc.	276,739	173,820	102,919	-	(220)
Nextstar Energy Inc.	4,069,426	1,103,389	2,966,037	296,389	10,661
LG Energy Solution Fund II LLC	41,201	29	41,172	-	(4,338)
HL-GA Battery Company LLC	1,786,447	187,395	1,599,052	-	192
LG Energy Solution Japan Co., Ltd.	1,267	546	721	1,682	307
PT. HLI Green Power	1,718,258	1,224,395	493,863	598,158	85,464
Associates:					
Sama Aluminium Co., Ltd.	434,260	190,595	243,665	251,738	(9,362)
Nexpo Co., Ltd.	25,056	4,786	20,270	4,218	(1,755)
Bricks Capital Management Global Battery Private Equity Fund I	22,367	22	22,345	-	(8,793)

(*) The entity holds a 100% stake in Ultium Cells LLC and has presented financial information on a consolidated basis.

	December 31, 2023			2023	
	Asset	Liability	Equity	Revenue	Operating profit (loss)
Subsidiaries:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 6,095,961	₩ 2,767,084	₩ 3,328,877	₩ 8,563,087	₩ 957,460
LG Energy Solution Michigan Inc.	5,996,818	1,996,826	3,999,992	3,322,352	483,786
LG Energy Solution Battery (Nanjing) Co., Ltd.	797,298	284,067	513,231	1,508,000	116,456
LG Energy Solution Wroclaw sp. z o.o.	9,268,306	6,368,473	2,899,833	13,218,931	104,500
LG Energy Solution Australia Pty Ltd.	10,412	7,121	3,291	24,249	2,500
LG Energy Solution Technology (Nanjing) Co., Ltd.	2,525,636	1,134,555	1,391,081	2,884,171	307,584
Ultium Cells Holdings LLC (*1)	10,075,813	4,322,860	5,752,953	3,068,490	673,318
Ultium Cells LLC	10,075,813	4,322,860	5,752,953	3,068,490	673,318
LG Energy Solution Europe GmbH	164,917	108,939	55,978	174,955	10,367
LG Energy Solution (Taiwan) Ltd.	4,003	1,072	2,931	5,298	347
Areumnoori Co., Ltd.	4,195	2,321	1,874	12,092	251
LG Energy Solution Fund I LLC	34,705	8	34,697	-	(1,069)
LG Energy Solution Vertech Inc.	114,170	73,163	41,007	164,557	4,120
LG Energy Solution Arizona, Inc. (*2)	230,200	32,964	197,236	10,638	9,399
Baterias De Castilla, S.L.	208	204	4	-	-
L-H Battery Company, Inc	1,252,684	192,694	1,059,990	-	(7)
LG Energy Solution India Private Limited	9,373	6,092	3,281	27,342	2,946
LG Energy Solution Arizona ESS, Inc.	41,579	2,023	39,556	-	(62)
Nextstar Energy Inc.	1,276,957	105,166	1,171,791	-	(151)
LG Energy Solution Fund II LLC	20,078	194	19,884	-	(2,839)
HL-GA Battery Company LLC	284,551	-	284,551	-	-
Associates and joint ventures:					
PT. HLI Green Power	1,195,064	760,456	434,608	5,642	(19,534)
Sama Aluminium Co., Ltd.	404,364	152,093	252,271	268,150	3,544
Nexpo Co., Ltd.	12,254	749	11,505	885	(1,071)
Bricks Capital Management Global Battery Private Equity Fund I	21,571	20	21,551	-	(898)

(*) The entity holds a 100% stake in Ultium Cells LLC and has presented financial information on a consolidated basis.

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

(1) Percentage of ownership held by non-controlling interests and cumulative non-controlling interests as of December 31, 2024 and 2023, and net income (loss) and total comprehensive income (loss) allocated to non-controlling interests for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	
	Ultium Cells Holdings LLC, etc. (*)	
Cumulative non-controlling interests	₩	9,850,306
Net income allocated to non-controlling interests		1,357,343
Total comprehensive income allocated to non-controlling interests		2,301,860

(*) Nextstar Energy Inc., L-H Battery Company, Inc. and HL-GA Battery Company LLC, PT. HLI Green Power are included and the dividends paid to non-controlling interest for the current period amounted to ₩201,580 million.

	2023	
	Ultium Cells Holdings LLC, etc. (*)	
Cumulative non-controlling interests	₩	4,172,868
Net income allocated to non-controlling interests		400,805
Total comprehensive income allocated to non-controlling interests		442,702

(*) Nextstar Energy Inc., L-H Battery Company, Inc. and HL-GA Battery Company LLC are included and the dividends paid to non-controlling interest for the current period amounted to ₩197,355 million.

(2) The consolidated statements of financial position of subsidiaries whose non-controlling interests are material to the Group (before the elimination of intercompany transactions) (Korean won in millions):

	2024	
	Ultium Cells Holdings LLC, etc. (*)	
Total assets		
Current assets	₩	5,083,386
Non-current assets		21,824,733
		26,908,119
Total liabilities		
Current liabilities		3,656,668
Non-current liabilities		4,072,281
		7,728,949
Total equity	₩	19,179,170

(*) Nextstar Energy Inc., L-H Battery Company, Inc., and HL-GA Battery Company LLC, PT. HLI Green Power are included.

	2023	
	Ultium Cells Holdings LLC, etc. (*)	
Total assets		
Current assets	₩	3,296,557
Non-current assets		9,593,448
		12,890,005
Total liabilities		
Current liabilities		2,094,330
Non-current liabilities		2,526,390
		4,620,720
Total equity	₩	8,269,285

(*) Nextstar Energy Inc., L-H Battery Company, Inc. and HL-GA Battery Company LLC are included.

(3) The consolidated statements of comprehensive income of subsidiaries whose non-controlling interests are material to the Group (before the elimination of intercompany transactions) (Korean won in millions):

	2024	
	Ultium Cells Holdings LLC, etc. (*)	
Revenue	₩	6,336,086
Operating profit		2,119,142

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included.

	2023	
	Ultium Cells Holdings LLC, etc. (*)	
Revenue	₩	3,068,490
Operating profit		673,160

(*) Nextstar Energy Inc., L-H Battery Company, Inc. and HL-GA Battery Company LLC are included.

(4) The consolidated statements of cash flows of subsidiaries whose non-controlling interests are material to the Group for the years ended December 31, 2024 and 2023, are as follows (before the elimination of intercompany transactions) (Korean won in millions):

	2024	
		Ultium Cells Holdings LLC, etc. (*)
Cash flows from operating activities	₩	1,715,587
Cash flows from investing activities		(7,723,351)
Cash flows from financing activities		6,381,260
Effects of exchange rate changes on cash and cash equivalents		281,142
Increase in cash and cash equivalents		654,638
Cash and cash equivalents at the beginning of the period		1,556,309
Cash and cash equivalents at the end of the period	₩	2,210,947

(*) Nextstar Energy Inc., L-H Battery Company, Inc., HL-GA Battery Company LLC and PT. HLI Green Power are included.

	2023	
		Ultium Cells Holdings LLC, etc. (*)
Cash flows from operating activities	₩	369,577
Cash flows from investing activities		(4,999,432)
Cash flows from financing activities		5,592,316
Effects of exchange rate changes on cash and cash equivalents		18,190
Increase in cash and cash equivalents		980,651
Cash and cash equivalents at the beginning of the period		515,833
Cash and cash equivalents at the end of the period	₩	1,496,484

(*) Nextstar Energy Inc., L-H Battery Company, Inc. and HL-GA Battery Company LLC are included.

1.6 Changes in Scope for Consolidation

New subsidiaries included in the consolidated financial statements for the year ended December 31, 2024, are as follows:

	Reason for the inclusion
LG Energy Solution Japan Co., Ltd.	Incorporated during the current period
PT. HLI Green Power	Change in the shareholder agreement during the current period

2. BASIS OF CONSOLIDATION AND MATERIAL ACCOUNTING POLICIES:

2.1 Basis of Preparation

The Parent Company and its subsidiaries (the "Group") have prepared the consolidated financial statements in accordance with the Korean International Financial Reporting Standards ("K-IFRSs").

The principal accounting policies are set out below. Except for the effect of the amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2024, are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2023.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going-concern basis of accounting in preparing the financial statements.

2.2 Changes in Accounting Policies and Disclosures

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

- 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 clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- K-IFRS 1001 *Presentation of Financial Statements* – Non-Current Liabilities with Covenants (Amendments)

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.

The amendments also specify that the right to defer settlement of a liability for at least 12 months after the reporting date 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 facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

- K-IFRS 1007 *Statement of Cash Flows* and K-IFRS 1107 *Financial Instruments: Disclosures* – Supplier Finance Arrangements (Amendments)

The amendments add a disclosure objective to K-IFRS 1007 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, K-IFRS 1117 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk (see Note 5.(3)).

- K-IFRS 1116 *Leases* – Lease Liability in a Sale and Leaseback (Amendments)

The amendments to K-IFRS 1116 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in K-IFRS 1115 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payment' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee after the commencement date.

2) At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised K-IFRSs that have been issued, but are not yet effective:

- K-IFRS 1021 *The Effects of Changes in Foreign Exchange Rates* – Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

- K-IFRS 1109 *Financial Instruments* and K-IFRS 1107 *Financial Instruments: Disclosures* – Classification and Measurement Requirements of Financial Instruments

The amendments clarify the conditions related to the discharge of a financial liability before the settlement date when settling such financial liabilities using an electronic payment system. They further specify an interest feature, a contingent feature, financial assets with non-recourse features and contractually linked instruments that should be considered in assessing whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. Furthermore, the amendments include additional disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income ("FVOCI") and contractual terms that could change the timing or amount of contractual cash flows. The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1109 *Financial Instrument*s – Derecognition of lease liabilities and Transaction price

The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with K-IFRS 1109, the lessee is required to recognize any resulting gain or loss in profit or loss. Additionally, the amendments have replaced 'their transaction price (as defined in K-IFRS 1115)' in K-IFRS 1109:5.1.3 with 'the amount determined by applying K-IFRS 1115' to remove an inconsistency between K-IFRS 1109 and the requirements in K-IFRS 1115. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1110 *Consolidated Financial Statements* – Determination of 'De Facto Agent'

The amendments have amended K-IFRS 10:B74 to use less conclusive language and to clarify that the relationship described in K-IFRS 10:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1101 *First-Time adoption of Korean International Financial Reporting Standards* – Hedging Accounting by a First-Time Adopter

The amendments have improved the consistency of the wording of K-IFRS 1101:B6 with the requirements for hedge accounting in K-IFRS 1109 and added cross-references to K-IFRS 1109:6.4.1 to improve the understandability of K-IFRS 1101. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1107 *Financial Instruments: Disclosures* – Gain or Loss on Derecognition

The amendments have updated the obsolete cross-reference in K-IFRS 1107:B38 and aligned the wording of this paragraph with the terms used in K-IFRSs. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- K-IFRS 1007 *Statement of Cash Flows*: Cost Method

The amendments have replaced the term ‘cost method’ with ‘at cost’ in K-IFRS 1007:37. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

The Group does not anticipate that the application of the enactment and amendments will have a significant impact on its separate financial statements.

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the Group made up to December 31 each year. Control is achieved when the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired, or disposed of, during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable K-IFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 *Financial Instruments*, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-Based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

2.5 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale; in which case, it is accounted for in accordance with K-IFRS 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of K-IFRS 1036 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value, less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1109. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies K-IFRS 1109, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying K-IFRS 1109 to long-term interests, the Group does not take into account adjustments to their carrying amount required by K-IFRS 1028 *Investments in Associates and Joint Ventures* (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with K-IFRS 1028).

2.6 Operating Segment

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

2.7 Revenue Recognition

(1) Identify performance obligation

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

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

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

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

(3) Providing ESS battery installation services

The Group recognizes revenue over time for services provided, including ESS battery installation services. In order to measure the services provided with reliability, the Group determines the progress of completion based on the nature of the transaction, using reliable measurement methods such as assessing the degree of work performed, the ratio of cumulative service performed to the total estimated service volume, and the ratio of cumulative costs incurred to the total estimated costs, and others.

(4) Significant financing component

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

2.8 Lease

(1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease, and is determined based on a series of inputs, including the risk-free rate, based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed-lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in the measurement of the ‘Borrowings’ comprise.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option; in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value; in which case, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate; in which case, a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease; in which case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, plus any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the measurement of the 'Property, plant and equipment' comprise.

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(2) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for expected credit losses on the finance lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies K-IFRS 1115 to allocate the consideration under the contract to each component.

2.9 Foreign exchange

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period; in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests, as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the consolidated statements of financial position by deducting the grant from the carrying amount of the asset (including property, plant and equipment). The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to revenue are recognized as income over the corresponding period in accordance with systematic criteria to match against the costs intended to preservation. Also, government grants received as immediate financial support to the Group, without offsetting against previously incurred costs or losses and without anticipation of future-related costs, are recognized as current income when the right to receive such grants arises.

Government grants toward staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

2.12 Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the consolidated statements of financial position with a charge or credit to the consolidated statements of comprehensive income in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

Service costs and net interest expense or income are recognized within the cost of sales and selling and administrative expenses and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

2.13 Taxation

Income tax expense represents the sum of the current tax and deferred tax expense.

(1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statements of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and, in certain cases, based on specialist independent tax advice.

(2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination or for transactions that give rise to equal taxable and deductible temporary differences) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences, and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period. Such tax rates are the average rates that are expected to apply to taxable income deducting unused tax losses. In case a forecast taxable income is expected to fall below zero, the Group applies the lowest rate in the range of future expected progressive tax rates. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model, whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

(3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.14 Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives
Buildings	25 – 50 years
Structures	6 – 50 years
Machinery	6 – 15 years
Others	1 – 12 years

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method; the estimated useful lives; and the residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.15 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset, or as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.16 Intangible assets

(1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

	Useful lives
Software	6 years
Development costs	6 years
Industrial property rights	1 – 10 years
Others	6 – 10 years

(2) Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new, or substantially improved, products, and the Group can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

(4) Derecognition of intangible assets

An intangible asset is derecognized at disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(5) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

2.17 Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell or value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.18 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in transit measured using specific identification of their individual costs, is measured under the weighted-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some, or all, of the expenditure required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

2.20 Cash and cash equivalents

In the consolidated statements of financial position, cash and cash equivalents are comprised of cash (i.e., cash on hand and on-demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Group is subject to third-party contractual restrictions are included as part of cash, unless the restrictions result in a bank balance no longer meeting the definition of cash. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statements of financial position.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statements of financial position.

2.21 Financial Instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have significant financing components, which are measured at the transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVPL")) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVPL are recognized immediately in profit or loss.

2.22 Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

(1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (1-3) below); and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (see (1-4) below).

1-1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the debt instrument or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "finance income" line item.

1-2) Debt instruments classified as at FVOCI

The corporate bonds held by the Group are classified as at FVOCI. Fair value is determined in the manner described in Note 50. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Finance income' line item in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVOCI on initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

1-4) Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are measured at FVPL. Specifically:

- Investments in equity instruments are classified as at FVPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVOCI on initial recognition (see (1-3) above).
- Debt instruments that do not meet the amortized cost criteria or the FVOCI criteria (see (1-1) and (1-2) above) are classified as at FVPL. In addition, debt instruments that meet either the amortized cost criteria or the FVOCI criteria may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so-called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes interest earned on the financial asset and is included in the 'financial income' line item. Fair value is determined in the manner described in Note 3.

(2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other non-operating income (expenses)' line item;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'Other non-operating income (expenses)' line item. As the foreign currency element recognized in profit or loss is the same as if it was measured at amortized cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognized in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other non-operating income (expenses)' line item as part of the fair value gain or loss; and
- for equity instruments measured at FVOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

(3) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience; adjusted for factors that are specific to the debtors; general economic conditions; and an assessment of both the current and the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(4) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss-given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss-given default is based on historical data adjusted by forward-looking information, as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as of the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116 *Leases*.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

(5) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on the derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.23 Financial liabilities and equity instruments

(1) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group are measured in accordance with the specific accounting policies set out below.

1-1) Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVPL.

A financial liability is classified as held for trading if either:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if either:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1109 permits the entire combined contract to be designated as at FVPL.

Financial liabilities at FVPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘financial costs’ line item in profit or loss.

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as FVPL are recognized in profit or loss.

1-2) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

(2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with K-IFRS 1109; and
- the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

(3) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other non-operating income (expenses)' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those that are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(4) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one, with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

2.24 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value on each reporting date. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset, whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements, unless the Group has both legally enforceable right and the intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(1) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e., including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of options for a hedging instrument as a means to hedge risks associated with forecast transactions. Time value changes (i.e., undesignated elements) are recognized in profit or loss in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement*. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income in accordance with K-IFRS 1109 *Financial Instruments*. The amount accumulated in equity is either reclassified to the profit or loss or derecognized from equity and included in the book value of non-financial items during when the hedged item affects the profit or loss.

The Group designates only the intrinsic value of option contracts as a hedging instrument, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period-related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is non-financial, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some, or all, of the loss accumulated in the cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

1-1) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss, except when the hedging instrument hedges an equity instrument designated at FVOCI; in which case, it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

1-2) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'Other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some, or all, of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

2.25 Accounting Treatment Related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. Emission rights allowances the government allocated free of charge are measured at nil, and emission rights allowances purchased are measured at cost, which the Group paid to purchase the allowances. If emission rights the government-allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage years, the emissions liabilities are measured at nil. However, for the emissions liabilities that exceed the allowances allocated free of charge, the shortfall is measured at the best estimate at the end of the reporting period.

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 EURO. 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 operates a dedicated team for foreign exchange risk management and utilizes foreign exchange derivatives such as forward exchange contracts and currency swaps as hedging instruments, while principally excluding transactions for trading purposes.

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 December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 4,302,999	₩ 6,674,089	₩ 3,960,461	₩ 4,217,923
EUR	406,770	3,728,590	494,637	4,402,758
JPY	50,688	131,907	10,673	64,295
CNY and others	243,000	56,719	128,184	9,188

With all other variables held constant as of December 31, 2024 and 2023, a hypothetical change in exchange rates by 10% would have increased (decreased) the Group's profit before tax as follows (Korean won in millions):

	December 31, 2024		December 31, 2023	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (237,109)	₩ 237,109	₩ (25,746)	₩ 25,746
EUR	(332,182)	332,182	(390,812)	390,812
JPY	(8,122)	8,122	(5,362)	5,362
CNY and others	18,628	(18,628)	11,900	(11,900)

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

As of December 31, 2024, the Group entered into foreign currency forwards and foreign currency swaps 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 (*)	KB Kookmin Bank	USD 500	1,102.83	2020.11.24	2029.04.16	₩ 118,088	₩ -
	JP Morgan	USD 200	1,337.60	2023.09.25	2026.09.25	26,287	-
	Shinhan Bank	USD 200	1,337.60	2023.09.25	2026.09.25	25,771	-
	KDB Bank	USD 400	1,337.60	2023.09.25	2028.09.25	39,389	-
	Woori Bank	USD 200	1,337.60	2023.09.25	2028.09.25	19,699	-
	DBS	USD 200	1,380.80	2024.07.02	2027.07.02	19,530	-
	JP Morgan	USD 200	1,380.80	2024.07.02	2027.07.02	19,639	-
	Shinhan Bank	USD 300	1,380.80	2024.07.02	2027.07.02	28,677	-
Currency swap (*)	KB Kookmin Bank	USD 200	1,380.80	2024.07.02	2029.07.02	15,143	-
	Woori Bank	USD 200	1,380.80	2024.07.02	2029.07.02	15,142	-
	Korea Exim Bank	USD 200	1,380.80	2024.07.02	2029.07.02	15,113	-
	IBK Securities	USD 100	1,380.80	2024.07.02	2029.07.02	7,482	-
	KDB Bank	USD 100	1,380.80	2024.07.02	2029.07.02	7,507	-
	KDB Bank	USD 400	1,380.80	2024.07.02	2034.07.02	10,243	-
	Woori Bank	USD 100	1,380.80	2024.07.02	2034.07.02	2,566	-

(*) 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 rates. 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.

The table below summarizes the impact of increases/decreases in interest rates 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	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Increase	₩ (46,125)	₩ (47,822)	₩ (46,125)	₩ (47,822)
Decrease	46,125	47,822	46,125	47,822

3) Price risk

The Group is exposed to price risks from equity instruments. As of December 31, 2024, the fair value of equity instruments is ₩163,991 million. With all other variables held constant, a price change in equity instruments by 10% would have changed the Group's equity by ₩16,399 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 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 the 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 relationships with financial institutions with high credit ratings evaluated by independent credit rating agencies and, accordingly, credit risks associated with these financial institutions are limited.

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 December 31, 2024 and 2023, 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
December 31, 2024 (trade receivables)				
Gross carrying amount	₩ 5,226,311	₩ 110,292	₩ 1	₩ 5,336,604
Expected loss rate	-	-	100.00%	0.00%
Provisions for receivables	-	-	1	1
December 31, 2023 (trade receivables)				
Gross carrying amount	₩ 5,208,387	₩ 50,082	₩ -	₩ 5,258,469
Expected loss rate	-	-	-	-
Provisions for receivables	-	-	-	-

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

Changes in the provisions for trade receivables for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Beginning	₩ -	₩ 1,234
Provisions recognized in profit or loss	13	-
Write-off	(12)	(1,234)
Ending	₩ 1	₩ -

As of December 31, 2024, the carrying amount of trade receivables representing the maximum exposure to credit risk amounted to ₩5,336,603 million (as of December 31, 2023, was ₩5,258,469 million).

2) Other financial assets at amortized cost

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.

As of December 31, 2024 and 2023, the provisions for other financial assets at amortized cost do not exist.

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.

(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):

	December 31, 2024			
	Less than 1 year	Between 1-2 years	Between 2-5 years	More than 5 years
Non-derivative instruments:				
Borrowings	₩ 3,059,952	₩ 3,658,210	₩ 8,594,217	₩ 2,340,232
Lease liabilities	87,984	57,643	103,007	134,674
Trade and other payables (*)	8,095,329	17,194	4,887	1
	11,243,265	3,733,047	8,702,111	2,474,907
Derivative instruments:				
Currency forwards and swaps settled in gross:				
Inflows	-	(588,000)	(3,822,000)	(735,000)
Outflows	-	535,040	3,425,175	690,400
	-	(52,960)	(396,825)	(44,600)
	₩ 11,243,265	₩ 3,680,087	₩ 8,305,286	₩ 2,430,307

	December 31, 2023			
	Less than 1 year	Between 1-2 years	Between 2-5 years	More than 5 years
Non-derivative instruments:				
Borrowings	₩ 3,593,996	₩ 1,470,668	₩ 5,466,623	₩ 1,795,105
Lease liabilities	58,359	50,288	36,469	22,533
Trade and other payables (*)	6,551,822	16,229	9,062	-
	10,204,177	1,537,185	5,512,154	1,817,638
Derivative instruments:				
Currency forwards and swaps settled in gross:				
Inflows	(644,700)	-	(1,289,400)	(644,700)
Outflows	567,800	-	1,337,600	551,415
	(76,900)	-	48,200	(93,285)
	₩ 10,127,277	₩ 1,537,185	₩ 5,560,354	₩ 1,724,353

(*) As of the end of the current period, the amount paid using the purchasing card includes ₩439,603 million, for which the substantive maturity has been extended. There was no outstanding balance related to the use of the purchasing card as of the end of 2023.

2) As of December 31, 2024 and 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 contract	Hedged items	Financial institution	Maturity	December 31, 2024		December 31, 2023	
					Assets	Liabilities	Asset	Liability
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, etc.	2027.12	₩ 64	₩ 1,594	₩ 89	₩ 4,899

(*) 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 guaranteed contracts by maturity as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024			
	Less than 1 year	Between 1-2 years	Between 2-5 years	More than 5 years
Financial guarantee contracts (*)	₩ -	₩ -	₩ -	₩ -

	December 31, 2023			
	Less than 1 year	Between 1-2 years	Between 2-5 years	More than 5 years
Financial guarantee contracts (*)	₩ 285,602	₩ -	₩ -	₩ -

(*) The Group has provided financial guarantees for joint venture and the amount represents the maximum amount that can be required to guarantee as of December 31, 2024 and 2023. As of December 31, 2024, there is no total payment guarantee limit under the agreements entered into (as of December 31, 2023, was ₩458,382 million) (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 consolidated statements of financial position, plus net debt.

The gearing ratio and debt-to-equity ratio as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Total borrowings (Note 14) (A)	₩ 15,390,551	₩ 10,932,288
Less: cash and cash equivalents (B)	(3,898,711)	(5,068,783)
Net debt (C=A+B)	11,491,840	5,863,505
Total liabilities (D)	29,340,248	21,063,635
Total equity (E)	30,966,543	24,373,509
Total capital (F=C+E)	42,458,383	30,237,014
Gearing ratio (C/F)	27.1%	19.4%
Debt-to-equity ratio (D/E)	94.7%	86.4%

3.3 Fair Value Estimation

(1) The carrying amount and fair value of financial instruments by category as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current):				
Cash and cash equivalents	₩ 3,898,711	(*)	₩ 5,068,783	(*)
Trade receivables	4,944,019	(*)	5,128,474	(*)
Other receivables (excluding due from financial institutions)	603,635	(*)	550,186	(*)
Due from financial institutions	-	-	5,000	(*)
Current derivative financial assets	42	42	51	51
Current derivative financial assets (currency forward)	-	-	65,388	65,388
Financial assets (non-current):				
Due from financial institutions	66,231	(*)	61,343	(*)
Trade receivables	392,584	(*)	129,995	(*)
Other receivables (excluding due from financial institutions)	68,219	(*)	60,939	(*)
Other non-current financial assets (measured at fair value)				
Marketable financial assets	26,973	26,973	31,143	31,143
Non-marketable financial assets	703,957	703,957	261,542	261,542
Non-current derivative financial assets	31,163	31,163	17,215	17,215
Non-current derivative financial assets (currency forward)	118,088	118,088	47,138	47,138
Non-current derivative financial assets (currency swap)	252,187	252,187	-	-
Financial liabilities (current):				
Trade and other payables	8,095,329	(*)	6,551,822	(*)
Current borrowings (excluding lease liabilities)	2,413,086	(*)	3,157,459	(*)
Current derivative financial liabilities	1,159	1,159	3,937	3,937
Current derivative financial liabilities (currency forward)	-	-	3,715	(*)
Financial liabilities (non-current):				
Non-current borrowings (excluding lease liabilities)	12,641,359	13,202,530	7,628,468	7,750,905
Other non-current payables	22,082	(*)	25,291	(*)
Non-current derivative financial liabilities	435	435	962	962
Non-current derivative financial liabilities (currency swap)	-	-	67,862	67,862
Non-current financial liabilities at amortized cost	1,000,200	(*)	-	-

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

(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 the yield of the Company's Korean won-denominated corporate bonds with the specified credit rating (AA0). The applied discount rates as of December 31, 2024 and 2023, are as follows:

	December 31, 2024	December 31, 2023
Discount rate	3.17% ~ 4.12%	3.79% ~ 4.79%

(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 December 31, 2024 and 2023, fair value hierarchy of the financial instruments that are consistently measured and recognized at fair value is as follows (Korean won in millions):

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ -	₩ 42	₩ -	₩ 42
Non-current derivative financial assets	-	22	31,141	31,163
Non-current derivative financial assets (currency forward)	-	118,088	-	118,088
Non-current derivative financial assets (currency swap)	-	252,187	-	252,187
Other non-current financial assets (marketable financial assets)	26,973	-	-	26,973
Other non-current financial assets (non-marketable financial assets)	-	-	703,957	703,957
Current derivative financial liabilities	-	1,159	-	1,159
Non-current derivative financial liabilities	-	435	-	435
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	13,202,530	-	13,202,530

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ -	₩ 51	₩ -	₩ 51
Current derivative financial assets (currency forward)	-	65,388	-	65,388
Non-current derivative financial assets	-	38	17,177	17,215
Non-current derivative financial assets (currency forward)	-	47,138	-	47,138
Other non-current financial assets (marketable financial assets)	31,143	-	-	31,143
Other non-current financial assets (non-marketable financial assets)	-	-	261,542	261,542
Current derivative financial liabilities	-	3,937	-	3,937
Non-current derivative financial liabilities	-	962	-	962
Non-current derivative financial liabilities (currency swap)	-	67,862	-	67,862
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding lease liabilities)	-	7,750,905	-	7,750,905

(4) Valuation techniques and inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2024 and 2023, are as follows:

	December 31, 2024			
(In millions of Korean won)	**Fair Value**	**Valuation technique**	**Unobservable significant inputs**	**Coverage of inputs (weighted average)**
Non-listed shares:				
Volta Energy Solutions S.a.r.l	₩ 48,481	Discounted cash flows model	Perpetual growth rate	1.00%
			Weighted average cost of capital	10.40%
Shanghai Greatpower Technology Co., Ltd.	29,420	Discounted cash flows model	Perpetual growth rate	1.00%
			Weighted average cost of capital	11.30%
Non-current derivatives:				
Put option on Volta Energy Solution S.a.r.l	31,141	Binominal option-pricing model	Volatility	47.83%
			Risk-free rate	3.63%
Convertible Bonds on Liontown Resources Limited. CB	353,964	Binominal option-pricing model	Volatility	68.13%
			Risk-free rate	3.84%

(5) Changes in Level 3 of the financial instruments for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	**2023**
Beginning	₩ 278,719	₩ 263,686
Increase	407,600	99,829
Decrease	(2,023)	-
Profit for the period	39,639	13,601
Other comprehensive (loss) income	11,163	(98,397)
Ending	₩ 735,098	₩ 278,719

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgment 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 consolidated financial statements are the same as those of the annual consolidated financial statements as of and for the year ended December 31, 2023, except for estimates used in determining income tax expenses.

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

(1) Income taxes

The Group's taxable income generated from these operations 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, increases 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 in 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 the average warranty period, revenue and historical claim experience rate. Provisions related to voluntary recalls by the Group's customers 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 on December 31, 2024 (see Note 3.3).

(4) Impairment of financial assets

The provision for impairment of financial assets is based on assumptions about the risk of default and expected loss rates. The Group uses judgment 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 liabilities (assets)

The present value of net defined benefit liabilities (assets) depend 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.

5. FINANCIAL INSTRUMENTS BY CATEGORY:

(1) Categorizations of financial instruments as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024				
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	₩ 3,898,711	₩ -	₩ -	₩ -	₩ 3,898,711
Trade receivables	4,621,452	-	322,567	-	4,944,019
Non-current trade receivables	392,584	-	-	-	392,584
Other current receivables	603,635	-	-	-	603,635
Other non-current receivables	134,450	-	-	-	134,450
Other current financial assets	-	-	-	42	42
Other non-current financial assets	-	968,355	163,991	22	1,132,368
	₩ 9,650,832	968,355	₩ 486,558	₩ 64	₩ 11,105,809

	December 31, 2024		
Financial liabilities	**Financial liabilities at amortized cost**	**Other financial liabilities (*3)**	**Total**
Trade payables	₩ 2,705,481	₩ -	₩ 2,705,481
Other payables	5,389,848	-	5,389,848
Other non-current payables	22,082	-	22,082
Current borrowings	2,413,086	77,154	2,490,240
Non-current borrowings	12,641,359	258,952	12,900,311
Other current financial liabilities	-	1,159	1,159
Other non-current financial liabilities	1,000,200	435	1,000,635
	₩ 24,172,056	₩ 337,700	₩ 24,509,756

	December 31, 2023				
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	₩ 5,068,783	₩ -	₩ -	₩ -	₩ 5,068,783
Trade receivables	4,709,277	-	419,197	-	5,128,474
Non-current trade receivables	129,995	-	-	-	129,995
Other current receivables	555,186	-	-	-	555,186
Other non-current receivables	122,282	-	-	-	122,282
Other current financial assets	-	65,388	-	51	65,439
Other non-current financial assets	-	216,565	140,435	38	357,038
	₩ 10,585,523	281,953	₩ 559,632	₩ 89	₩ 11,427,197

	December 31, 2023			
Financial liabilities	**Financial liabilities at amortized cost**	**Financial assets at FVPL**	**Other financial liabilities (*3)**	**Total**
Trade payables	₩ 3,093,719	₩ -	₩ -	₩ 3,093,719
Other payables	3,458,103	-	-	3,458,103
Other non-current payables	25,291	-	-	25,291
Current borrowings	3,157,459	-	53,997	3,211,456
Non-current borrowings	7,628,468	-	92,364	7,720,832
Other current financial liabilities	3,715	-	3,937	7,652
Other non-current financial liabilities	-	67,862	962	68,824
	₩ 17,366,755	₩ 67,862	₩ 151,260	₩ 17,585,877

(*1) At initial recognition, the Group made an irrevocable election to designate investments in equity instruments as at FVOCI. These instruments are held for 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.

(2) Net gains (losses) on each category of financial instruments for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Interest income:		
Financial assets at amortized cost	₩ 222,769	₩ 177,840
Interest expense:		
Financial liabilities at amortized cost	(650,894)	(371,479)
Other financial liabilities	(9,522)	(2,288)
Financial assets at amortized cost (*)	(46)	(6,271)
Gains (losses) on valuation or disposal:		
Financial assets at FVPL	(8,823)	-
Financial assets at FVOCI	(251)	(136,381)
Derivative instruments	405,371	(50,534)
Exchange differences:		
Financial assets at amortized cost	561,078	4,702
Financial liabilities at amortized cost	(617,614)	397,916
Financial assets at FVPL	34,561	1,063

(*) Fees paid to financial institutions for factoring

(3) Supplier financing arrangements

Supplier financing arrangements involve one or more financial institutions providing amounts that the Group is obligated to pay to the supplier. The Group then reimburses the financial institutions according to the terms of the arrangement after the supplier has received the payment. These arrangements typically provide the Group with an extended payment term beyond the supplier's payment due date or allow the supplier to receive payment earlier than expected.

As of December 31, 2024, the Group has entered into the following supplier financing arrangements. (Korean won in millions):

Classification	Line item	December 31, 2024	Index
Purchase card	Accounts payable	₩ 439,603	(*)

(*) Under the purchase card arrangement, the financial institution acquires the rights to specific receivables of the supplier. Although there is a change in the payment terms due to this arrangement, since the terms of the liability have not materially changed, it was deemed appropriate to continue to present the amounts related to accounts payable and other liabilities in the financial statement. In the cash flow statement, the Group determined that it is not a party to the cash flows between the financial institution and the supplier, and since the substantive terms of the accounts payable have not changed, it was considered as a regular payment for business transactions.

There were no significant business combinations or exchange rate differences affecting the supplier financing liabilities.

The supplier financing liabilities are short-term, and their carrying amounts are considered to be a reasonable approximation of fair value.

6. CASH AND CASH EQUIVALENTS:

(1) Details of cash and cash equivalents as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Bank deposits and cash on hand	₩ 2,950,257	₩ 2,444,702
Cash equivalents	948,454	2,624,081
	₩ 3,898,711	₩ 5,068,783

(2) As of December 31, 2024, cash and cash equivalents include ₩1,204,633 million, which is subject to a restriction on the use and remittance (as of December 31, 2023, was ₩1,165 million).

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables and their provisions for impairment as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024			December 31, 2023		
	Gross amount	Provision for impairment	Carrying amount	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 4,944,020	₩ (1)	₩ 4,944,019	₩ 5,128,474	₩ -	₩ 5,128,474
Non-current trade receivables	392,584	-	392,584	129,995	-	129,995
Other current receivables	603,635	-	603,635	555,186	-	555,186
Other non-current receivables	134,450	-	134,450	122,282	-	122,282
	₩ 6,074,689	₩ (1)	₩ 6,074,688	₩ 5,935,937	₩ -	₩ 5,935,937

(2) Details of other receivables as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Current:		
Non-trade receivables	₩ 571,809	₩ 519,339
Due from financial institutions	-	5,000
Accrued income	4,529	4,840
Loans	99	-
Guarantee deposits provided	27,198	26,007
	603,635	555,186
Non-current:		
Non-trade receivables	3,291	7,592
Due from financial institutions (*)	66,231	61,343
Loans	11,433	6,344
Guarantee deposits provided	53,495	47,003
	134,450	122,282
	₩ 738,085	₩ 677,468

(*) As of December 31, 2024, the deposits from financial institutions (non-current) are subject to withdrawal restrictions, which include ₩60,000 million for the Agreement on the Win-Win Growth Cooperation, ₩14 million related to guarantee deposit for current account opening, and USD 4 million as collateral for LOC issuance.

(3) The aging analysis of trade and other receivables as of December 31, 2024 and 2023, is as follows (Korean won in millions):

	December 31, 2024		December 31, 2023	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 5,226,311	₩ 721,072	₩ 5,208,387	₩ 633,790
Past due, but not impaired:				
Up to three months	109,247	13,873	33,667	27,694
Between 3–6 months	961	598	16,403	11,818
Over six months	84	2,542	12	4,166
	110,292	17,013	50,082	43,678
Impaired receivables	1	-	-	-
	₩ 5,336,604	₩ 738,085	₩ 5,258,469	₩ 677,468

(4) Changes in the provision for impairment of trade and other receivables for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024		2023	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ -	₩ -	₩ 1,234	₩ 54
Additions	13	-	-	-
Write-off	(12)	-	(1,234)	(54)
Ending	₩ 1	₩ -	₩ -	₩ -

(5) As of December 31, 2024 and 2023, the carrying amounts of trade and other receivables are approximation of their fair values.

(6) The Group transfers trade receivables along with substantially all the risks and rewards of ownership. Therefore, the amount was derecognized on the discount date. As of December 31, 2024, there is no balance of transferred trade receivables. (As of December 31, 2023, trade receivables were ₩35,033 million.)

8. OTHER FINANCIAL ASSETS AND LIABILITIES:

(1) Details of other financial assets and liabilities as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Other financial assets:		
Financial assets at FVOCI	₩ 163,991	₩ 140,435
Cash flow hedge	64	89
Financial assets at FVPL	968,355	281,953
	₩ 1,132,410	₩ 422,477
Other financial liabilities:		
Financial guarantee contracts	₩ -	₩ 3,715
Cash flow hedge	1,594	4,899
Financial liabilities at FVPL	-	67,862
Other financial liabilities at amortized cost	1,000,200	-
	₩ 1,001,794	₩ 76,476

(2) Details of changes in equity securities included in other financial assets for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Beginning	₩ 140,435	₩ 245,585
Acquisitions/Transfer	16,563	30,169
Valuation gain (loss) (before income tax deduction), other comprehensive income item	(251)	(136,381)
Others	7,244	1,062
Ending	₩ 163,991	₩ 140,435

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.

9. INVENTORIES:

(1) Details of inventories as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024			December 31, 2023		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Merchandise	₩ 207,834	₩ (35,724)	₩ 172,110	₩ 340,444	₩ (28,951)	₩ 311,493
Finished/semifinished products	2,781,000	(242,822)	2,538,178	3,188,515	(161,497)	3,027,018
Raw materials	1,322,065	(16,384)	1,305,681	1,413,895	(45,709)	1,368,186
Supplies	109,352	(7,776)	101,576	121,344	(10,038)	111,306
Materials in transit	434,810	-	434,810	578,333	-	578,333
	₩ 4,855,061	₩ (302,706)	₩ 4,552,355	₩ 5,642,531	₩ (246,195)	₩ 5,396,336

(2) The amount of inventories expensed as cost of sales for the years ended December 31, 2024 and 2023, was ₩21,587,966 million and ₩28,421,367 million, respectively.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Changes in investments in associates and joint ventures for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024							
					Share of other comprehensive income of associates and joint ventures			
	Beginning	Acquisitions	Dividend	Share of loss of associates and joint ventures	Effect of foreign currency translation	Reclassification due to disposal	Disposals	Ending
PT. HLI Green Power (*1)	₩162,273	₩ -	₩ -	₩ (42,710)	₩ 15,209	₩ (37,804)	₩ (96,968)	₩ -
Sama Aluminium Co., Ltd.	46,257	-	(150)	(711)	-	-	-	45,396
Nexpo Co., Ltd.	2,186	1,900	-	(255)	-	-	-	3,831
Bricks Capital Management Global Battery Private Equity Fund I	12,843	5,761	-	(5,442)	-	-	-	13,162
	₩ 223,559	₩ 7,661	₩ (150)	₩ (49,118)	₩ 15,209	₩ (37,804)	₩ (96,968)	₩ 62,389

	2023					
	Beginning	Acquisitions	Share of loss of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures	Impairment	Ending
VINFAST LITHIUM BATTERY PACK LLC (*2)	₩ 2,428	₩ -	₩ (482)	₩ 66	₩ (2,012)	₩ -
Jiangxi VL Battery Co., Ltd (*3).	13,323	-	(1,317)	543	(12,549)	-
PT. HLI Green Power	187,945	-	(29,606)	3,934	-	162,273
Sama Aluminium Co., Ltd.	-	46,575	(318)	-	-	46,257
Nexpo Co., Ltd	-	2,375	(189)	-	-	2,186
Bricks Capital Management Global Battery Private Equity Fund I	-	13,381	(538)	-	-	12,843
	₩ 203,696	₩ 62,331	₩ (32,450)	₩ 4,543	₩ (14,561)	₩ 223,559

(*1) During the current period, the Group reclassified PT. HLI Green Power from a joint venture to a subsidiary due to amendments in the shareholder agreement.

(*2) During the year ended December 31, 2023, the Group disposed of its entire ownership interest in VINFAST LITHIUM BATTERY PACK LLC.

(*3) During the year ended December 31, 2023, the Group disposed of its entire ownership interest in Jiangxi VL Battery Co., Ltd.

(2) As of December 31, 2024 and 2023, 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):

	December 31, 2024				
	Net assets	Group's percentage of ownership	Net asset value for shares	Internal transactions and others	Carrying amount
Sama Aluminium Co., Ltd.	243,665	10.2	24,854	20,542	45,396
Nexpo Co., Ltd	20,270	19.0	3,851	(20)	3,831
Bricks Capital Management Global Battery Private Equity Fund I	22,345	59.9	13,385	(223)	13,162
	₩ 286,280		₩ 42,090	₩ 20,299	₩ 62,389

	December 31, 2023				
	Net assets	Group's percentage of ownership	Net asset value for shares	Internal transactions and others	Carrying amount
PT. HLI Green Power	₩ 434,608	50.0	₩ 217,304	₩ (55,031)	₩ 162,273
Sama Aluminium Co., Ltd.	252,271	10.2	25,732	20,525	46,257
Nexpo Co., Ltd	11,505	19.0	2,186	-	2,186
Bricks Capital Management Global Battery Private Equity Fund I	21,551	59.9	12,905	(62)	12,843
	₩ 719,935		₩ 258,127	₩ (34,568)	₩ 223,559

11. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024					
	Land	Building	Structures	Machinery	Vehicle	Tool
Beginning						
Carrying amount	₩ 400,073	₩ 5,914,966	₩ 257,545	₩ 12,477,426	₩ 28,953	₩ 1,499,883
Accumulated depreciation	-	(730,670)	(69,163)	(6,572,874)	(18,176)	(780,220)
Accumulated impairment	(668)	(4,305)	(1,835)	(43,900)	(24)	(3,682)
	₩ 399,405	₩ 5,179,991	₩ 186,547	₩ 5,860,652	₩ 10,753	₩ 715,981
Acquisition/Transfer	41,194	1,740,238	40,233	3,308,978	5,794	378,623
Disposal/Transfer	(18,756)	(51,733)	(6,684)	(213,886)	(1,461)	(42,793)
Exchange differences	10,964	589,561	19,293	734,843	656	39,330
Depreciation	-	(208,576)	(17,686)	(2,190,395)	(3,892)	(247,706)
Business combination	54,797	232,269	39,416	532,629	448	26,044
Impairment	-	(36,649)	-	(70,502)	(22)	(16,724)
Ending						
Carrying amount	488,272	8,501,946	355,098	16,991,679	33,942	1,814,893
Accumulated depreciation	-	(1,012,932)	(92,144)	(8,909,021)	(21,596)	(946,508)
Accumulated impairment	(668)	(43,913)	(1,835)	(120,339)	(70)	(15,630)
	₩ 487,604	₩ 7,445,101	₩ 261,119	₩ 7,962,319	₩ 12,276	₩ 852,755

	2024(Cont.)					
	Fixtures	Right-of-use assets	Construction in progress	Machinery in transit	Others	Total
Beginning						
Carrying amount	₩ 532,465	₩ 287,127	₩ 10,910,441	₩ 22,509	₩ 22,745	₩ 32,354,133
Accumulated depreciation	(217,340)	(121,043)	-	-	(6,684)	(8,516,170)
Accumulated impairment	(571)	-	(128,301)	-	-	(183,286)
	₩ 314,554	₩ 166,084	₩ 10,782,140	₩ 22,509	₩ 16,061	₩ 23,654,677
Acquisition/Transfer	243,062	253,705	13,673,753	94,954	15,668	19,796,202
Disposal/Transfer	(4,161)	(17,376)	(6,139,148)	(23,266)	(2,890)	(6,522,154)
Exchange differences	27,043	24,448	1,827,114	(2,811)	-	3,270,441
Depreciation	(99,259)	(73,925)	-	-	(8,006)	(2,849,445)
Business combination	31,493	604	108,639	-	-	1,026,339
Impairment	(181)	-	97,570	-	-	(26,508)
Ending						
Carrying amount	838,172	538,317	20,390,183	91,386	35,523	50,079,411
Accumulated depreciation	(324,958)	(184,777)	-	-	(14,690)	(11,506,626)
Accumulated impairment	(663)	-	(40,115)	-	-	(223,233)
	₩ 512,551	₩ 353,540	₩ 20,350,068	₩ 91,386	₩ 20,833	₩ 38,349,552

	2023					
	Land	Building	Structures	Machinery	Vehicle	Tool
Beginning						
Carrying amount	₩ 349,255	₩ 4,703,585	₩ 236,574	₩ 10,227,713	₩ 17,118	₩ 1,263,884
Accumulated depreciation	-	(570,459)	(56,040)	(5,163,539)	(7,798)	(646,927)
Accumulated impairment	(668)	(3,558)	(1,835)	(3,185)	(8)	(357)
	₩ 348,587	₩ 4,129,568	₩ 178,699	₩ 5,060,989	₩ 9,312	₩ 616,600
Acquisition/Transfer	42,281	983,966	15,689	2,504,920	3,576	322,978
Disposal/Transfer	-	(1,029)	(1,491)	(251,875)	(1,055)	(29,724)
Exchange differences	8,537	220,842	7,791	219,252	1,494	21,340
Depreciation	-	(152,610)	(14,141)	(1,636,219)	(2,556)	(211,889)
Impairment	-	(746)	-	(36,145)	(18)	(3,324)
Ending						
Carrying amount	400,073	5,914,966	257,545	12,477,426	28,953	1,499,883
Accumulated depreciation	-	(730,670)	(69,163)	(6,572,874)	(18,176)	(780,220)
Accumulated impairment	(668)	(4,305)	(1,835)	(43,900)	(24)	(3,682)
	₩ 399,405	₩ 5,179,991	₩ 186,547	₩ 5,860,652	₩ 10,753	₩ 715,981

	2023(Cont.)					
	Fixtures	Right-of-use assets	Construction in progress	Machinery in transit	Others	Total
Beginning						
Carrying amount	₩ 430,727	₩ 215,777	₩ 4,561,629	₩ 9,465	₩ 3,316	₩ 22,019,043
Accumulated depreciation	(159,050)	(69,417)	-	-	(299)	(6,673,529)
Accumulated impairment	(528)	-	(4,328)	-	-	(14,467)
	₩ 271,149	₩ 146,360	₩ 4,557,301	₩ 9,465	₩ 3,017	₩ 15,331,047
Acquisition/Transfer	113,339	97,347	10,619,440	47,113	22,820	14,773,469
Disposal/Transfer	(3,871)	(23,839)	(4,292,206)	(34,069)	(5,502)	(4,644,661)
Exchange differences	5,300	(4,702)	22,903	-	2,112	504,869
Depreciation	(71,301)	(49,082)	-	-	(6,386)	(2,144,184)
Impairment	(62)	-	(125,298)	-	-	(165,863)
Ending						
Carrying amount	532,465	287,127	10,910,441	22,509	22,745	32,354,133
Accumulated depreciation	(217,340)	(121,043)	-	-	(6,684)	(8,516,170)
Accumulated impairment	(571)	-	(128,301)	-	-	(183,286)
	₩ 314,554	₩ 166,084	₩ 10,782,140	₩ 22,509	₩ 16,061	₩ 23,654,677

(2) The current ending balances of property, plant and equipment include ₩20,350,068 million and ₩10,782,140 million of construction in progress as of December 31, 2024 and 2023, respectively, and some of them will subsequently be transferred to intangible assets.

(3) The Group capitalized ₩96,216 million of borrowing costs in relation to the acquisition of property, plant and equipment (for the year ended December 31, 2023, were ₩58,015 million). The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 4.62% (for the year ended December 31, 2023, was 3.93%).

(4) Line items including depreciation in the consolidated statements of profit or loss for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Cost of sales	₩ 2,629,770	₩ 1,970,703
Selling and administrative expenses	219,675	173,481
	₩ 2,849,445	₩ 2,144,184

(5) Lease

1) Amounts recognized in the consolidated statements of financial position

Details of amounts recognized in the consolidated statements of financial position in relation to lease for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Right-of-use assets (*):		
Real estate	₩ 331,260	₩ 147,546
Machinery	733	561
Vehicles	16,369	15,460
Tools	4,068	1,736
Equipment	1,110	781
	₩ 353,540	₩ 166,084

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

Additions to the right-of-use assets for the year ended December 31, 2024, are ₩253,705 million (for the year ended December 31, 2023, were ₩97,347 million).

	December 31, 2024	December 31, 2023
Lease liabilities (*):		
Current	₩ 77,154	₩ 53,997
Non-current	258,952	92,363
	₩ 336,106	₩ 146,360

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

2) Amounts recognized in the consolidated statements of profit or loss

Details of amounts recognized in the consolidated statements of profit or loss in relation to lease for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Depreciation of right-of-use assets:		
Real estate	₩ 62,316	₩ 39,423
Machinery	337	271
Vehicles	9,720	8,519
Tools	1,245	680
Equipment	306	189
	₩ 73,924	₩ 49,082
Interest expense relating to lease liabilities (included in finance cost)	₩ 9,522	₩ 2,288
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	24,863	19,899
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	7,754	7,278

Total cash outflow for leases for the year ended December 31, 2024, is ₩112,551 million (for the year ended December 31, 2023, was ₩66,941 million).

12. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024				
	Software	Industrial Property Rights	Memberships	Others	Total
Beginning	₩ 565,299	₩ 277,038	₩ 19,094	₩ 14,562	₩ 875,993
Acquisition/Transfer	319,686	106,048	4,563	14,011	444,308
Disposal/Transfer	(6,454)	(1,413)	(2,600)	(172)	(10,639)
Exchange differences	20,185	-	17	(4,037)	16,165
Amortization	(158,099)	(24,921)	-	(6,719)	(189,739)
Business Combination	26,872	-	-	122,195	149,067
Impairment	(579)	-	-	-	(579)
Ending	₩ 766,910	₩ 356,752	₩ 21,074	₩ 139,840	₩ 1,284,576

	2023				
	Software	Industrial Property Rights	Memberships	Others	Total
Beginning	₩ 396,957	₩ 221,408	₩ 14,909	₩ 8,816	₩ 642,090
Acquisition/Transfer	276,054	78,404	5,269	4,675	364,402
Disposal/Transfer	(1,870)	(1,220)	(1,083)	(179)	(4,352)
Exchange differences	9,205	-	(1)	1,424	10,628
Amortization	(114,944)	(21,554)	-	(174)	(136,672)
Impairment	(103)	-	-	-	(103)
Ending	₩ 565,299	₩ 277,038	₩ 19,094	₩ 14,562	₩ 875,993

(2) Line items including amortization of intangibles in the consolidated statements of profit or loss for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Cost of sales	₩ 56,403	₩ 33,597
Selling and administrative expenses	133,336	103,075
	₩ 189,739	₩ 136,672

(3) The total amount of research and development expenses recognized by the Group is ₩1,058,001 million (for the year ended December 31, 2023, was ₩991,287 million).

(4) 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):

	2021	2022	2023	2024	2025
Allocated emission rights	281	332(*1)	360(*2)	297	297

(*1) An additional 32,000 tons have been allocated due to the expansion of the workplace discharge facility in addition to the initial free amount 300,000 tons of allocated greenhouse gas emission rights.
(*2) An additional 60,000 tons have been allocated due to the determination of emissions for 2023 in addition to the initial free amount 300,000 tons of allocated greenhouse gas emission rights.

2) Based on the Korea Emission Trading Scheme, changes in greenhouse gas emission rights (included in other intangible assets) for the years ended December 31, 2024 and 2023, are as follows (ton in thousands and Korean won in millions):

	2024					
	2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount
Beginning/allocated	360	₩ -	297	₩ -	297	₩ -
Purchase/sale	7	171	-	-	-	-
Borrowing/carried over	-	-	-	-	-	-
Government submission	(367)	(171)	-	-	-	-
Ending	-	₩ -	297	₩ -	297	₩ -

	2023							
	2022		2023		2024		2025	
	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount
Beginning/allocated	332	₩ -	300	₩ -	297	₩ -	297	₩ -
Purchase/sale	23	179	-	-	-	-	-	-
Borrowing/carried over	3	-	-	-	-	-	-	-
Government submission	(358)	(179)	-	-	-	-	-	-
Ending	-	₩ -	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 year ended December 31, 2024 and 2023, are as follows (ton in thousands and Korean won in millions):

	2024		2023	
	Ton	Amount	Ton	Amount
Beginning	153	₩ 13,809	87	₩ 8,002
Increase	74	6,120	170	16,875
Decrease	(115)	(8,361)	(104)	(11,068)
Ending	112	₩ 11,568	153	₩ 13,809

13. OTHER CURRENT AND NON-CURRENT ASSETS:

Details of other current and other non-current assets as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Current:		
Prepayments and prepaid expenses	₩ 376,556	₩ 220,761
Prepaid value-added tax	204,939	170,951
Others	625,869	535,394
	₩ 1,207,364	₩ 927,106
Non-current:		
Long-term prepayments and long-term prepaid expenses	₩ 480,546	₩ 267,209
Net defined benefit assets	142,766	156,509
Others	78	73
	₩ 623,390	₩ 423,791

14. BORROWINGS:

(1) Borrowings as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Current:		
Short-term borrowings	₩ 1,291,015	₩ 1,576,437
Current portion of long-term borrowings	997,160	937,127
Current portion of debentures	124,911	643,895
Current lease liabilities	77,154	53,997
	₩ 2,490,240	₩ 3,211,456
Non-current:		
Long-term borrowings	₩ 4,865,830	₩ 4,512,180
Debentures	7,775,529	3,116,289
Non-current lease liabilities	258,952	92,363
	12,900,311	7,720,832
	₩ 15,390,551	₩ 10,932,288

(2) Details of borrowings as of December 31, 2024 and 2023, are as follows:

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

	Bank	Interest rate (%)	Longest maturity date	December 31, 2024	December 31, 2023
Bank loans	SMBC and others	3.59 ~ 5.33	2025.11.07	₩ 1,291,015	₩ 1,576,437

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

				December 31, 2024		
	Bank	Interest rate (%)	Longest maturity date	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	ANZ/HSBC/JPM and others	3M SOFR + 0.70	2032.10.25	₩ 897,958	₩ -	₩ 897,958
	DBS	3M EURIBOR + 0.90 6M EURIBOR + 1.00	2026.05.24	305,374	-	305,374
	DOE	3.65–4.55	2031.12.15	2,544,236	176,436	2,367,800
	EBRD	6M EURIBOR + 0.62	2026.10.15	137,418	76,343	61,075
	EIB	3M EURIBOR + 0.47	2027.03.31	407,166	162,867	244,299
	KDB/Exim/ Nonghyup	3M EURIBOR + 0.89–1.04	2027.04.26	1,458,866	564,942	893,924
	KDB/Exim/ Nonghyup and others	3M SOFR + 1.62	2030.12.20	65,226	-	65,226
	SMBC	0.48	2027.02.04	34,355	15,269	19,086
	China	LPR(1Y) - 0.30	2027.11.19	11,930	1,193	10,737
	China Construction Bank	LPR(1Y) - 0.66	2027.12.26	461	110	351
				₩ 5,862,990	₩ 997,160	₩ 4,865,830

				December 31, 2023		
	Bank	Interest rate (%)	Longest maturity date	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	Citibank	3M EURIBOR + 0.62	2024.08.19	₩ 143,097	₩ 143,097	₩ -
	DBS	3M EURIBOR + 0.90	2026.03.10	143,097	-	143,097
	DOE	3.65–4.55	2031.12.15	2,209,255	-	2,209,255
	EBRD	6M EURIBOR + 0.62	2026.10.15	200,336	71,549	128,787
	EIB	3M EURIBOR + 0.47	2027.03.31	534,227	152,636	381,591
	KDB	3M LIBOR + 0.91	2024.01.25	62,295	62,295	-
	KDB/Exim/ Nonghyup	3M EURIBOR + 0.89–1.04	2027.04.26	1,448,668	83,175	1,365,493
	KDB/Exim/ Nonghyup and others	3M SOFR + 1.62	2030.12.20	55,997	-	55,997
	KEB Hana	3M EURIBOR + 0.62	2024.02.15	286,194	286,194	-
	MUFG	6M EURIBOR + 0.80	2024.01.18	71,549	71,549	-
	SMBC	0.48	2027.02.04	46,507	14,310	32,197
	China: Agricultural Bank	LPR(1Y) - 0.70	2024.09.10	39,785	39,785	-
	China	LPR(1Y) - 0.65–1.00	2025.06.14	106,565	12,537	94,028
	China Construction Bank	LPR(1Y) - 1.00	2026.05.24	101,735	-	101,735
				₩ 5,449,307	₩ 937,127	₩ 4,512,180

The Group has entered into loan agreements stipulating that a loss of benefit of term will occur if the agreed ratio under the covenant is not maintained based on the half-year or full fiscal year. As of the end of the current period, the relevant amount is KRW 3.1 trillion, and the covenant ratios have been complied with.

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

	December 31, 2024					
	Financial institution	**Interest rate (%)**	**Longest maturity date**	**Amount**	**Current portion**	**Non-current portion**
1st Debenture (non-guaranteed/public)	NH 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
3-1st Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.806	2026.02.16	180,000	-	180,000
3-2nd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	3.889	2027.02.16	660,000	-	660,000
3-3rd Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.054	2029.02.16	570,000	-	570,000
3-4th Debenture (non-guaranteed/public)	KB Securities Co., Ltd. and others	4.202	2031.02.16	190,000	-	190,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	2029.04.15	735,000 (USD 500,000)	-	735,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.625	2026.09.25	588,000 (USD 400,000)	-	588,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.750	2028.09.25	882,000 (USD 600,000)	-	882,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	2027.07.02	1,029,000 (USD 700,000)	-	1,029,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.375	2029.07.02	1,176,000 (USD 800,000)	-	1,176,000
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.500	2034.07.02	735,000 (USD 500,000)	-	735,000
Less: discount on debentures		-	-	(44,560)	(89)	(44,471)
				₩ 7,900,440	₩ 124,911	₩ 7,775,529

	December 31, 2023					
	Financial institution	**Interest rate (%)**	**Longest maturity date**	**Amount**	**Current portion**	**Non-current portion**
1st Debenture (non-guaranteed/public)	NH 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	644,700 (USD 500,000)	644,700	-
USD foreign currency debenture (non-guaranteed)	Citibank and others	3.625	2029.04.15	644,700 (USD 500,000)	-	644,700
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.625	2026.09.25	515,760 (USD 400,000)	-	515,760
USD foreign currency debenture (non-guaranteed)	Citibank and others	5.750	2028.09.25	773,640 (USD 600,000)	-	773,640
Less: discount on debentures	-	-	-	(18,616)	(805)	(17,811)
				₩ 3,760,184	₩ 643,895	₩ 3,116,289

The Group has entered into debenture agreements stipulating that a loss of benefit of term will occur if the agreed ratio under the covenant is not maintained based on the reporting for each quarter, half-year, or full fiscal year. As of the end of the current period, the relevant amount is KRW 2.7 trillion, and the covenant ratios have been complied with.

4) Lease liabilities (Korean won in millions)

	December 31, 2024				
	Interest rate (%)	**Longest maturity date**	**Amount**	**Current portion**	**Non-current portion**
Baeksan industry and others	0.67 ~ 8.42	2053.11.15	₩ 336,106	₩ 77,154	₩ 258,952

	December 31, 2023				
	Interest rate (%)	**Longest maturity date**	**Amount**	**Current portion**	**Non-current portion**
Baeksan industry and others	0.67 ~ 5.01	2053.11.15	₩ 146,360	₩ 53,997	₩ 92,363

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024			
	Warranty(*1)	Greenhouse gas emission(*2)	Other provisions (*3)	Total
Beginning	₩ 1,274,437	₩ 8,966	₩ 102,890	₩ 1,386,293
Business combination	1,807	-	-	1,807
Provision transfer	1,039,336	10,733	24,357	1,074,426
Used	(621,664)	(8,531)	(9,177)	(639,372)
Ending	1,693,916	11,168	118,070	1,823,154
Less: current portion	(921,985)	(11,168)	(111,315)	(1,044,468)
	₩ 771,931	₩ -	₩ 6,755	₩ 778,686

	2023			
	Warranty(*1)	Greenhouse gas emission(*2)	Other provisions (*3)	Total
Beginning	₩ 1,482,900	₩ 8,712	₩ 4,118	₩ 1,495,730
Business combination				
Additions	745,932	11,502	98,772	856,206
Used	(954,395)	(11,248)	-	(965,643)
Ending	1,274,437	8,966	102,890	1,386,293
Less: current portion	(411,499)	(8,966)	(96,705)	(517,170)
	₩ 862,938	₩ -	₩ 6,185	₩ 869,123

(*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 provision amount is adjusted to reflect the best estimate.

(*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 415 thousand tons for the year ended December 31, 2024 (were 440 thousand tons as of December 31, 2023).

(*3) In addition to provisions for warranties and greenhouse gases, the Group has reasonably estimated the probable amount of resource outflow embodying economic benefits as a present obligation resulting from past events and recognized it on.

16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations (*1)	₩ 667,476	₩ 673,251
Fair value of plan assets	(809,839)	(829,521)
	₩ (142,363)	₩ (156,270)
Net defined benefit liabilities	403	239
Net defined benefit assets (*2)	(142,766)	(156,509)
	₩ (142,363)	₩ (156,270)

(*1) The present value of retirement benefit obligations is the amount after deducting contributions to the National Pension Plan of ₩26 million as of December 31, 2024 (as of December 31, 2023, was ₩35 million).

(*2) The ₩142,766 million of plan assets exceeding the defined benefit obligations of the Parent Company is included in other non-current assets as of December 31, 2024 (as of December 31, 2023, was ₩156,509 million).

(2) The amounts recognized in the consolidated statements of profit or loss for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Current service cost	₩ 94,277	₩ 78,442
Interest cost	(7,252)	(12,016)
	₩ 87,025	₩ 66,426

(3) Retirement benefits recognized for the defined contribution plan for the year ended December 31, 2024, amounted to ₩26,128 million (for the year ended December 31, 2023, were ₩2,835 million).

(4) Line items, including retirement benefits recognized in the consolidated statements of profit or loss, for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Cost of sales	₩ 41,732	₩ 27,832
Selling and administrative expenses	71,421	41,429
	₩ 113,153	₩ 69,261

(5) Changes in the present value of defined benefit obligations for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Beginning	₩ 673,251	₩ 549,225
Transfer in	2,495	12,516
Transfer out	(1,572)	(2,426)
Current service cost	94,277	78,442
Interest expense	31,080	28,988
Remeasurements:		
Actuarial loss from change in financial assumption	(69,888)	45,794
Actuarial gain from change in demographic assumption	1,906	1,824
Actuarial gain due to the difference between the estimated and the actual	(3,502)	(8,634)
Others	-	(2,002)
Foreign currency conversion difference	-	(46)
Payments from plans	(60,571)	(30,430)
Ending	₩ 667,476	₩ 673,251

(6) Changes in the fair value of plan assets for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Beginning	₩ 829,521	₩ 771,244
Plan assets transferred through transfer between affiliates	(760)	(125)
Interest income	38,332	41,004
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(4,941)	1,665
Contribution:		
Employer contribution to plan assets	706	43,899
Payments from plans	(51,404)	(26,916)
Administrative costs	(1,615)	(1,250)
Ending	₩ 809,839	₩ 829,521

(7) The actual return on plan assets for the year ended December 31, 2024, was ₩33,391 million (for the year ended December 31, 2023, was ₩42,669 million).

(8) The significant actuarial assumptions as of December 31, 2024 and 2023, are as follows:

	December 31, 2024	December 31, 2023
Discount rate	4.10%	4.70%
Expected salary growth rate	3.96%	5.33%

(9) The sensitivity analysis for changes in key actuarial assumptions as of December 31, 2024, is as follows (Korean won in millions):

	Increase by 1.0%	Decrease by 1.0%
Discount rate:		
(Decrease) increase in defined benefit liabilities	₩ (75,057)	₩ 89,396
Expected salary growth rate:		
Increase in defined benefit liabilities	92,464	(78,637)

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

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

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

(10) Plan assets as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024		December 31, 2023	
	Amount	Composition (%)	Amount	Composition (%)
Insurance contracts with guaranteed yield	₩ 809,839	100	₩ 829,521	100

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

(11) The weighted-average remaining maturity of the defined benefit obligation at the end of the year ended December 31, 2024, is 13.11 years

The Group reviews the level of the fund every year and has a policy to compensate for any loss in the fund. The estimated contribution for the year ended December 31, 2025, is ₩87,913 million.

17. OTHER CURRENT AND NON-CURRENT LIABILITIES:

Details of other current and non-current liabilities as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Current:		
Advances from customers	₩ 98,034	₩ 177,044
Withholdings	67,923	61,588
Unearned revenues	44,333	79,640
Accrued expenses and others	197,886	297,492
	₩ 408,176	₩ 615,764
Non-current:		
Long-term accrued expenses	₩ 34,494	₩ 28,593
Long-term unearned revenues	97,008	114,097
Long-term advance received	2,390,974	1,279,493
	₩ 2,522,476	₩ 1,422,183

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 December 31, 2024, the Group has been guaranteed by Seoul Guarantee Insurance Company for the execution of contracts and others.

(3) As of December 31, 2024, the Group has various specific lines of credit agreements with several financial institutions as follows (Korean won in millions and foreign currencies in millions):

		December 31, 2024	
	Currency	The Parent Company	Certain subsidiaries
Limit of the letter of credit	USD	12	108
	CNY	-	859
Limit of discount of notes from export	USD	680	-
Limit of guaranteed payments in other foreign currency	USD	375	144
	CNY	-	560
Business-to-business purchase arrangements	KRW	125,000	-
General loan agreements	USD	-	6,473
	CNY	-	11,620
	EUR	-	2,636
	KRW	600,000	-
Derivatives	USD	2,366	620
	EUR	-	210
	KRW	400,000	30,000
Factoring arrangements	KRW	150,000	-

(4) As of December 31, 2024, the Group has entered into payment guarantee contracts of USD 44 million, EUR 5 million with financial institutions in relation to product warranty for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 305 million with financial institutions in relation to customs clearance of imported raw materials.

(5) As of December 31, 2024, the Group has entered into an arrangement with General Motors (“GM”) regarding joint investment in Ultium Cells Holdings LLC and 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 and is involved in 5 class actions by consumers in relation to the sales of mobile batteries and GM Bolt EV, and these actions are still in process as of December 31, 2024. The Group has also been sued in 50 other cases (amounting to ₩1,818 million) and has filed 5 lawsuit cases (amounted to USD 234 million and ₩646 million). The ultimate outcome of these pending cases cannot be determined at the reporting date.

(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 December 31, 2024, the Group has entered into a joint venture agreement with Honda and has committed to invest USD 1,802 million and has contributed USD 1,317 million as of the end of December 31, 2024. Also, the Group has decided to provide a payment guarantee of USD 450 million to the joint venture, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 883 million. In addition, if one party defaults, the other party has the right to purchase shares from the others.

(9) As of December 31, 2024, the Group has entered into a joint venture agreement with Stellantis and has committed to invest USD 1,464 million and has contributed USD 1,020 million as of the end of December 31, 2024. In addition, if one party defaults, the other party has the right to purchase shares from the other party. Also, the Group has decided to provide a payment guarantee of USD 686 million to the joint venture, determined by its proportionate ownership of the borrowed amount up to a maximum limit of USD 1,344 million.

(10) As of December 31, 2024, the Group has entered into a joint venture agreement with HMG Global LLC and has committed to invest USD 1,108 million and has contributed USD 540 million as of the end of December 31, 2024. After the expiration of the contract period, each party can sell its shares to third parties. In addition, if one party defaults, the other party has the right to purchase shares from the other party.

(11) As of December 31, 2024, the Group has entered into a commitment of USD 2,048 million for the construction of a new plant for LG Energy Solution Arizona, Inc.

(12) Capital expenditure arrangements that have not been incurred as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Property, plant and equipment	₩ 9,319,087	₩ 8,421,551

(13) Investment commitments as of December 31, 2024, are as follows (Korean won in millions and USD in million):

	Currency	Contractual amount	Total investments	Remaining amount
BNZ (Beyond Net Zero) Fund	USD	75	43	32
Secondary Battery Growth Fund	KRW	6,700	4,677	-
KBE(Korea Battery ESG) Fund	KRW	75,000	55,893	19,107
BCM Global Battery Fund	KRW	30,000	19,143	10,857
Yonsei Technology Holdings IP Fund	KRW	3,000	2,040	960

(14) As of December 31, 2024 and 2023, the Group has entered into a payment guarantee for the borrowings of ₩285,602 million, and the details are as follows:

			Loan amount(*1)		Credit limit(*2)	
Guarantor	Guarantee	Financial Instruments	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
LG Energy Solution, Ltd.	PT. HLI Green Power(*3)	ANZ and others	₩ -	₩ 285,602	₩ -	₩ 458,382

(*1) The amounts represent the borrowed amount as of December 31, 2024 and 2023.
(*2) The limits indicate the aggregate amount of payment guarantees.
(*3) The entity was included in the consolidated financial statements during the year ended December 31, 2024.

19. SHARE CAPITAL:

Changes in share capital and share premium for the year ended December 31, 2024, are as follows (Korean won in millions and shares):

	Ordinary shares		
	Number of shares	Share capital	Share premium
December 31, 2023	234,000,000	₩ 117,000	₩ 17,589,722
Changes	-	-	-
December 31, 2024	234,000,000	₩ 117,000	₩ 17,589,722

20. RETAINED EARNINGS:

Details of retained earnings as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Unappropriated retained earnings	₩ 1,397,211	₩ 2,364,496

21. OPERATING PROFITS:

(1) The major items encompassed in the calculation of operating profits for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Revenue (*1)	₩ 25,619,585	₩ 33,745,470
Cost of sales	22,213,605	28,802,437
Gross profit	3,405,980	4,943,033
Other operating income (*2)	1,480,020	676,874
Selling and administrative expenses:		
Wages and salaries	₩ 889,288	₩ 864,951
Retirement benefits	71,421	41,429
Employee benefits	226,456	207,477
Travel expenses	64,062	64,146
Water and utilities	84,794	70,366
Rental expenses	49,795	69,225
Commission expenses	722,632	625,119
Depreciation	226,275	179,504
Advertising expenses	38,744	27,948
Freight expenses	95,057	121,256
Training expenses	29,604	32,117
Amortization	133,336	103,075
Sample expenses	16,675	5,949
Development costs	210,408	192,956
Addition of warranty provisions	1,039,336	745,932
Others	412,730	105,223
	4,310,613	3,456,673
Operating profits	₩ 575,387	₩ 2,163,234

(*1) Revenue includes customer compensation amounting to ₩1,365,723 million. The Group considers the nature of the compensation and the terms of the agreements and determines the timing of revenue recognition by identifying performance obligations in each customer contract.

(*2) Under the Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, the tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount above is expected to be received by the Group for the year ended December 31, 2024.

(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.

22. CLASSIFICATION OF EXPENSES BY NATURE:

Cost of sales and selling and administrative expenses by nature for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Changes in inventories of merchandise, finished goods, semifinished goods, and work in process	₩ 628,223	₩ 1,066,592
Raw materials and consumables used	12,638,632	19,906,565
Purchase of merchandise	1,038,877	1,167,956
Employee benefit expenses	2,808,673	2,657,455
Advertising expenses	40,099	28,457
Freight expenses	112,860	144,050
Commission expenses	1,360,226	1,074,576
Depreciation and amortization	3,045,784	2,286,879
Rent expenses and usage fee	48,882	58,201
Addition of warranty provisions	1,039,336	745,932
Other expenses	3,762,626	3,122,447
	₩ 26,524,218	₩ 32,259,110

23. EMPLOYEE BENEFIT EXPENSES:

Details of employee benefit expenses for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Wages and salaries	₩ 2,257,486	₩ 2,198,113
Retirement benefits: defined benefit plan	87,025	66,426
Retirement benefits: defined contribution plan	26,128	2,835
Others	438,034	390,081
	₩ 2,808,673	₩ 2,657,455

24. FINANCE INCOME AND COSTS:

Details of finance income and costs for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Finance income		
Interest income (*1)	₩ 222,769	₩ 177,840
Dividend income	198	99
Exchange differences	416,477	771,456
Gain on derivatives	402,671	35,589
Gain on disposal of financial assets at FVPL	728	-
Gain on valuation of financial assets at FVPL	5,500	-
	₩ 1,048,343	₩ 984,984
Finance costs		
Interest expense (*2)	₩ 564,200	₩ 315,752
Exchange differences	680,538	466,259
Loss on disposal of trade receivables	46	6,270
Loss on derivatives	744	68,920
Loss on valuation of financial assets at FVPL	15,051	-
	₩ 1,260,579	₩ 857,201

(*1) Details of interest income for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Cash and cash equivalents and others	₩ 163,070	₩ 149,287
Other loans and receivables	59,699	28,553
	₩ 222,769	₩ 177,840

(*2) Details of interest expense for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Interest on financial institutions	₩ 367,168	₩ 269,064
Interest on financial lease liabilities	9,522	2,288
Interest on debentures	271,931	93,008
Other interest expenses	11,795	9,407
Capitalized interest for qualifying assets	(96,216)	(58,015)
	₩ 564,200	₩ 315,752

25. OTHER NON-OPERATING INCOME:

Details of other non-operating income for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Exchange differences	₩ 713,625	₩ 1,091,443
Gain on disposal of investments in joint ventures	104,512	-
Gain on bargain purchase	10,294	-
Others	30,380	34,403
	₩ 858,811	₩ 1,125,846

26. OTHER NON-OPERATING EXPENSES:

Details of other non-operating expenses for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Exchange differences	₩ 471,539	₩ 992,959
Loss on disposal of property, plant and equipment	196,335	140,421
Loss on disposal of intangible asset	1,226	814
Loss on disposal of investments in associates and disposal loss	10,294	14,561
Donations	9,689	8,260
Others	134,890	183,938
	₩ 823,973	₩ 1,340,953

27. INCOME TAX EXPENSE AND DEFERRED TAX:

(1) Details of income tax benefit for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Current tax on profit for the period	₩ 491,177	₩ 507,196
Adjustment for past income tax	(28,693)	29,222
Deferred tax – movement in temporary differences	(183,283)	256,560
Non-recognition of deferred tax on tax credit carryforwards	318,081	-
Changes in deferred tax – tax credit carryforwards	(239,479)	(249,104)
Changes in deferred tax – tax loss carryforwards	(399,780)	(219,097)
	(41,977)	324,777
Deferred tax changed directly to equity	(3,393)	51,408
Others	55,639	29,290
	₩ 10,269	₩ 405,475

(2) The aggregate deferred tax charged directly to equity (other comprehensive income) for the years ended December 31, 2024 and 2023, is as follows: (Korean won in millions)

	2024	2023
Remeasurements of net defined benefit liabilities	₩ (15,239)	₩ 8,076
Gain and losses on valuation of financial assets at FVOCI	(1,030)	29,731
Gain and losses on valuation of derivative instruments	(462)	(3)
Consolidation adjustment	13,338	8,409
Others	-	5,195
	₩ (3,393)	₩ 51,408

(3) Changes in deferred tax assets (liabilities) for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024					
		Increase (decrease)				
	Beginning	Profit (loss) for the period	Other comprehensive Income (loss)	Exchange differences	Others	Ending
Defined benefit liabilities	₩ 139,692	₩ 15,503	₩ (15,239)	₩ (1)	₩ -	₩ 139,955
Plan assets	(157,905)	7,209	-	-	-	(150,696)
Provisions	251,484	19,858	-	15,463	-	286,805
Property, plant and equipment	78,394	52,727	-	(4,525)	-	126,596
Intangible assets	3,356	(214)	-	380	-	3,522
Investments in subsidiaries, associates and joint ventures	(16,098)	(265,197)	-	(24,887)	-	(306,182)
Government grants	225,110	19,639	-	26,685	-	271,434
Succession of assets (property, plant and equipment)	55,338	2,649	-	-	-	57,987
Succession of assets (patents)	485,419	(2,570)	-	-	-	482,849
Succession of assets (others)	533	-	-	-	-	533
Others	129,039	290,932	(1,492)	33,375	(355)	451,499
	1,194,362	140,536	(16,731)	46,490	(355)	1,364,302
Tax credit carryforwards	437,967	(81,491)	-	2,888	-	359,364
Tax loss carryforwards	564,476	388,906	-	10,873	-	964,255
Others	12,161	-	13,338	-	-	25,499
Deferred tax assets (liabilities)	₩ 2,208,966	₩ 447,951	₩ (3,393)	₩ 60,251	₩ (355)	₩ 2,713,420

	2023					
		Increase (decrease)				
	Beginning	Profit (loss) for the period	Other comprehensive Income (loss)	Exchange differences	Business combination and others	Ending
Defined benefit liabilities	₩ 130,247	₩ 1,369	₩ 8,076	₩ -	₩ -	₩ 139,692
Plan assets	(185,722)	27,817	-	-	-	(157,905)
Provisions	360,338	(118,898)	-	10,044	-	251,484
Property, plant and equipment	135,489	(63,982)	-	6,887	-	78,394
Intangible assets	4,646	(1,539)	-	249	-	3,356
Investments in subsidiaries, associates and joint ventures	(104,662)	88,564	-	-	-	(16,098)
Government grants	214,793	11,234	-	(917)	-	225,110
Succession of assets (property, plant and equipment)	67,476	(12,138)	-	-	-	55,338
Succession of assets (patents)	564,426	(79,007)	-	-	-	485,419
Succession of assets (others)	615	(82)	-	-	-	533
Others	265,250	(183,620)	34,923	12,529	(43)	129,039
	1,452,896	(330,282)	42,999	28,792	(43)	1,194,362
Tax credit carryforwards	189,183	249,104	-	(320)	-	437,967
Tax loss carryforwards	346,311	219,097	-	(932)	-	564,476
Others	3,752	-	8,409	-	-	12,161
Deferred tax assets (liabilities)	₩ 1,992,142	₩ 137,919	₩ 51,408	₩ 27,540	₩ (43)	₩ 2,208,966

(4) The reconciliations between income tax expense and accounting profit for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Net profit before tax	₩ 348,871	₩ 2,043,460
Tax at domestic tax rates	(59,845)	400,545
Tax effects:		
Income not subject to tax	(288,761)	(180,843)
Expenses not deductible for tax purposes	20,962	2,858
Effect of deferred tax recognition on temporary differences in prior periods	20,223	(55,342)
Effect of non-recognition of deferred tax on temporary differences	51,289	84,668
Tax credit	(248,669)	(4,556)
Effect of non-recognition of deferred tax on tax credit carryforwards	318,081	-
Foreign tax	192,312	110,621
Others	4,677	47,524
Income tax expense	₩ 10,269	₩ 405,475
Effective tax rate (income tax expense/profit before tax)	2.94%	19.84%

(5) The future feasibility of deferred tax assets depends on a variety of factors, including the Group's ability to generate taxable income during the period when the temporary difference is realized, the overall economic environment and industry prospects. The Group reviews these factors periodically.

(6) Temporary differences that have not been recognized as deferred tax assets (liabilities) as of December 31, 2024, are ₩1,982,007 million related to investments in subsidiaries, associates and joint ventures. (As of December 31, 2023, were ₩2,013,851 related to investments in subsidiaries, associates and joint ventures, and ₩65,603 million related to unused tax loss carryforwards.)

(7) The maturity of unused tax loss as of December 31, 2024 and 2023, is as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Less than 1 year	₩ -	₩ 6,982
Between 1 year – 2 years	-	57,562
Between 2 – 5 years	-	1,059
More than 5 years	-	-

(8) Non-recognition of deferred tax on tax credit carryforwards

The amount and expiration date of non-recognition of deferred tax on tax credit carryforwards as of December 31, 2024, are as follows (Korean won in millions):

	2033	2034	Total
Non-recognition of deferred tax on tax credit carryforwards	₩ 132,635	₩ 185,446	₩ 318,081

28. EARNINGS(LOSSES) PER SHARE:

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

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

	2024	2023
Profits(losses) attributable to ordinary shares	₩ (1,018,741)	₩ 1,237,180
Weighted-average number of ordinary shares outstanding	234,000,000	234,000,000
Basic earnings(losses) per ordinary share (in Korean won)	₩ (4,354)	₩ 5,287

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

29. DIVIDEND:

The Group (foreign subsidiary) paid ₩201,580 million dividends for the accounting period ended December 31, 2024.

30. RELATED-PARTY TRANSACTIONS:

(1) As of December 31, 2024, the Parent Company is LG Chem Ltd. (percentage of ownership: 81.84%), over which LG Corp. exercises a significant influence.

(2) Details of other related parties 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 December 31, 2024, 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 Enterprise group (*1)
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 Uplus Corp.	LG HelloVision Corp	LG UPLUS FUND I LLC. and others	
HS AD Inc.		GIIR America Inc. and others	
Mintech Co., Ltd. (*2)			

(*1) Although these entities are not related parties of the Group in accordance with K-IFRS 1024, they belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.
(*2) Although the Company holds less than 20% of the shares in the form of redeemable convertible preference shares, it has significant influence, as it holds the right to appoint directors. Meanwhile, the Company classifies these shares as financial assets at FVPL, taking into account the nature of the shares held and K-IFRS 1109.

(3) Transactions with related parties for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024				
		Purchase and others			
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangibles	Interest expense	Others
Parent:					
LG Chem Ltd.	₩ 5,649	₩ 1,758,321	₩ 768	₩ 19	₩ 13,808
Associates and joint ventures:					
PT. HLI Green Power (*2)	38,094	363	-	-	6,393
Sama Aluminium Co., Ltd.	-	44,440	-	-	-
Nexpo Co., Ltd.	-	94	-	-	-
Other related parties:					
LG Corp.	20	-	-	-	39,469
LG Chem (China) Investment Co., Ltd.	-	-	-	-	193
LG Chem Europe GmbH	-	-	-	-	8
HAENGBOKNURI CO., LTD.	7	-	-	-	1,239
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	1,194,172	-	-	-
LG HY BCM Co., Ltd.	-	612,395	-	-	-
Techwin, Inc.	-	-	10,403	-	72
LG Chem Poland Sp. z o.o.	-	160,882	-	-	-
LG Management Development Institute	-	-	-	-	33,845
D&O Co., Ltd. and its subsidiaries	86	-	23,597	-	7,078
LG CNS Co., Ltd. and its subsidiaries	24,854	56	914,308	-	212,212
Others	-	-	141	-	1,883
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	8	-
LG Electronics Inc. and its subsidiaries	157,169	178,609	940,438	-	171,938
Xi C&A and its subsidiaries (*1)	-	2,725	44,655	-	2,701
S&I Corporation (*1)	-	3,027	7,610	-	18,230
Others	37	-	223	15	5,418
	₩ 225,916	₩ 3,955,084	₩ 1,942,143	₩ 42	₩ 514,487

(*1) During the current period, the Company has been excluded from the large enterprise group after its separation from LG Group during the year ended December 31, 2024. The amount includes transactions before the separation.

(*2) During the current period, the Group reclassified PT. HLI Green Power from a joint venture to a subsidiary due to amendments in the shareholder agreement. The above amount pertains to transactions prior to this reclassification.

	2023				
		Purchase and others			
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangible assets	Interest expense	Others
Parent:					
LG Chem Ltd.	₩ 72,314	₩ 3,052,896	₩ 1,146	₩ 30	₩ 3,600
Associates and joint ventures:					
PT. HLI Green Power	46,252	-	-	-	3,327
VINFAST LITHIUM BATTERY PACK LLC (*)	256	-	-	-	-
Sama Aluminium Co., Ltd.	-	32,901	-	-	-
Mintech Co., Ltd.	-	-	206	-	10
Other related parties:					
LG Corp.	-	-	-	-	61,325
LG Chem America, Inc.	-	-	-	-	3
LG Chem (Taiwan), Ltd.	-	-	-	1	-
LG Chem (China) Investment Co., Ltd.	-	-	-	-	260
LG Chem Europe GmbH	-	-	-	-	34
HAENGBOKNURI CO., LTD.	5	-	-	-	560
LEYOU NEW ENERGY MATERIALS (WUXI) Co., Ltd.	-	1,683,282	-	-	-
LG HY BCM Co., Ltd.	-	81	-	-	-
Techwin, Inc.	-	-	14,970	-	7,414
LG Chem Poland Sp. z o.o.	-	224,546	-	-	-
LG Management Development Institute	11	-	-	-	29,846
D&O Co., Ltd. and its subsidiaries	83	-	22,645	-	3,959
LG CNS Co., Ltd. and its subsidiaries	36,850	224	671,399	-	179,589
Others	-	-	-	-	4,065
Others:					
LG Display Co., Ltd. and its subsidiaries	-	-	-	9	-
LG Electronics Inc. and its subsidiaries	2,130,801	312,332	817,222	-	30,507
Xi C&A and its subsidiaries	-	2,693	256,832	-	690
S&I Corporation	-	8,970	43,451	-	64,580
Others	44	3	1,179	29	4,649
	₩ 2,286,616	₩ 5,317,928	₩ 1,829,050	₩ 69	₩ 394,418

(*) During the year ended December 31, 2023, the Group disposed of its entire ownership interest and was excluded from the related party.

(4) Balances of receivables and payables from related parties as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024						
	Receivables			Payables			
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total
Parent:							
LG Chem Ltd.	₩ -	₩ 8,644	₩ 8,644	₩ 353,330	₩ 550	₩ 4,111	₩ 357,991
Associates and joint ventures:							
Sama Aluminium Co., Ltd.	-	-	-	8,627	-	22	8,649
Nexpo Co., Ltd.	-	-	-	17	-	-	17
Other related parties:							
LG Corp.	-	22,043	22,043	-	-	-	-
LG Chem (Taiwan), Ltd.	-	-	-	-	-	6	6
LG Chem (China) Investment Co., Ltd.	-	-	-	-	-	37	37
HAENGBOKNURI CO., LTD.	-	-	-	-	-	99	99
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	4	4	211,239	-	-	211,239
LG HY BCM Co., Ltd.	-	-	-	91,223	-	1,050	92,273
Techwin, Inc	-	-	-	-	-	302	302
LG Chem Poland Sp. z o.o.	-	-	-	37,626	-	-	37,626
LG Management Development Institute	-	-	-	-	-	750	750
D&O Co., Ltd. and its subsidiaries	-	-	-	-	-	4,887	4,887
LG CNS Co., Ltd. and its subsidiaries	5,149	5	5,154	-	-	443,178	443,178
Others	-	-	-	-	-	117	117
Others:							
LG Display Co., Ltd. and its subsidiaries	-	-	-	-	63	18	81
LG Electronics Inc. and its subsidiaries (*)	37,092	2,256	39,348	16,242	-	321,485	337,727
Others	-	559	559	-	335	5,191	5,526
	₩ 42,241	₩ 33,511	₩ 75,752	₩ 718,304	₩ 948	₩ 781,253	₩ 1,500,505

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

	December 31, 2023						
	Receivables			Payables			
	Trade receivables	Other receivables	Total	Trade payables	Lease liabilities	Other payables	Total
Parent:							
LG Chem Ltd.	₩ 19,062	₩ 15,319	₩ 34,381	₩ 410,997	₩ 1,100	₩ 3,581	₩ 415,678
Associates and joint ventures:							
PT. HLI Green Power	-	4,006	4,006	-	-	45,778	45,778
Sama Aluminium Co., Ltd.	-	-	-	3,769	-	-	3,769
Other related parties:							
LG Corp.	-	-	-	-	-	15,025	15,025
LG Chem (Taiwan), Ltd.	-	-	-	-	-	10	10
LG Chem (China) Investment Co., Ltd.	-	-	-	-	-	51	51
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	2	2	156,692	-	-	156,692
LG HY BCM Co., Ltd.	-	-	-	-	-	210	210
Techwin, Inc.	-	-	-	-	-	2,186	2,186
LG Chem Poland Sp. z o.o.	-	-	-	52,049	-	-	52,049
LG Management Development Institute	-	-	-	-	-	680	680
D&O Co., Ltd. and its subsidiaries	-	23	23	-	-	8,194	8,194
LG CNS Co., Ltd. and its subsidiaries	7,859	107	7,966	280	-	371,328	371,608
Others	-	-	-	-	-	348	348
Others:							
LG Display Co., Ltd. and its subsidiaries	-	-	-	-	277	19	296
LG Electronics Inc. and its subsidiaries (*)	225,439	4,341	229,780	45,524	-	296,622	342,146
Xi C&A and its subsidiaries	-	-	-	-	-	57,447	57,447
S&I Corporation	-	-	-	-	-	35,304	35,304
Others	-	559	559	-	1,006	4,734	5,740
	₩ 252,360	₩ 24,357	₩ 276,717	₩ 669,311	₩ 2,383	₩ 841,517	₩ 1,513,211

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

(5) Fund transactions with related parties for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024						
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions		Borrowing transactions (*)	
				Loan	Repayment	Borrowing	Repayment
Parent:							
LG Chem Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 531
Associates and joint ventures:							
Sama Aluminium Co., Ltd.	150	-	-	-	-	-	-
Nexpo Co., Ltd.	-	-	1,900	-	-	-	-
Bricks Capital Management Global Battery Private Equity Fund I	-	-	5,761	-	-	-	-
Others:							
LG DISPLAY AMERICA, INC.	-	-	-	-	-	-	191
LG Household & Health Care	-	-	-	-	-	-	656
	₩ 150	₩ -	₩ 7,661	₩ -	₩ -	₩ -	₩ 1,378

(*) The amounts represent lease liabilities that were recognized or repaid during the year ended December 31, 2024.

	2023						
	Dividends received	Dividends paid	Equity contribution in cash and others	Loan transactions		Borrowing transactions (*)	
				Loan	Repayment	Borrowing	Repayment
Parent:							
LG Chem Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 520
Associates and joint ventures:							
Sama Aluminium Co., Ltd.	-	-	46,575	-	-	-	-
Nexpo Co., Ltd.	-	-	2,375	-	-	-	-
Mintech Co., Ltd.	-	-	7,020	-	-	-	-
Bricks Capital Management Global Battery Private Equity Fund I	-	-	13,381	-	-	-	-
Other related parties:							
LG Chem (Taiwan), Ltd.	-	-	-	-	-	-	107
Others:							
LG DISPLAY AMERICA, INC.	-	-	-	-	-	-	178
LG Household & Health Care	-	-	-	-	-	-	641
	₩ -	₩ -	₩ 69,351	₩ -	₩ -	₩ -	₩ 1,446

(*) The amounts represent lease liabilities that were recognized or repaid during the year ended December 31, 2023.

(6) Compensation for key management of the Group for the years ended December 31, 2024 and 2023, is as follows (Korean won in millions):

	2024	2023
Short-term employee benefits	₩ 35,057	₩ 67,741
Retirement benefits	9,669	8,137
	₩ 44,726	₩ 75,878

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

(7) The details of the payment guarantees provided by the Group for related parties as of December 31, 2024 and 2023, are disclosed in Note 18.

31. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Details of cash generated from operations for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Profit before income tax	₩ 348,871	₩ 2,043,460
Adjustments for:		
- Depreciation	2,856,045	2,150,207
- Amortization	189,739	136,672
- Retirement benefits	87,025	66,426
- Financial income	(1,000,780)	(647,884)
- Financial costs	1,239,158	560,504
- Foreign currency conversion differences	(9,254)	65,557
- Loss on valuations of inventories	404,928	68,003
- Gain on disposal of property, plant and equipment and intangible assets	(9,870)	(4,461)
- Loss on disposal of property, plant and equipment and intangible assets	197,561	141,235
- Impairment losses on property, plant and equipment and intangible assets	27,108	165,966
- Gain on disposal of investments in associates	(104,512)	-
- Loss on impairment and disposal of investments in associates	10,294	14,561
- Changes in contract assets	1,438	(59,389)
- Contribution to provisions	1,060,324	856,538
- Other income	36,640	33,653
- Changes in inventories	984,159	1,934,269
- Changes in trade receivables	663,809	(164,947)
- Changes in other receivables	95,226	(80,770)
- Changes in other current assets	(373,331)	(242,923)
- Settlement of derivatives	-	(3,153)
- Changes in trade payables	(923,897)	(926,531)
- Changes in other payables	(152,272)	(331,491)
- Changes in other current liabilities	1,169,038	649,758
- Changes in provisions	(639,372)	(965,643)
- Changes in net defined benefit liabilities	(6,575)	(35,948)
- Other cash flows from operations	(126,822)	(50,211)
Cash generated from operations	₩ 6,024,678	₩ 5,373,458

(2) Changes in liabilities arising from financial activities for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024						
	Beginning	Cash flows from financing activities(*)	Reclassification of current portion	Amortization	Lease liabilities	Exchange differences and others	Ending
Short-term borrowings	₩ 2,567,561	₩ (1,948,129)	₩ 68,070	₩ -	₩ -	₩ 1,677,827	₩ 2,365,329
Long-term borrowings	4,604,543	396,483	(68,070)	-	235,545	(43,719)	5,124,782
Debentures	3,760,184	3,652,604	-	8,739	-	478,913	7,900,440
	₩ 10,932,288	₩ 2,100,958	₩ -	₩ 8,739	₩ 235,545	₩ 2,113,021	₩ 15,390,551

(*) The difference from cash flows from financing activities is due to the settlement of derivative transactions arising from the redemption of bonds.

	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	₩ (986,718)	₩ 896,526	₩ -	₩ -	₩ 466,130	₩ 2,567,561
Long-term borrowings	3,782,596	1,875,296	(896,526)	-	70,820	(227,643)	4,604,543
Debentures	2,135,034	1,597,493	-	3,470	-	24,187	3,760,184
	₩ 8,109,253	₩ 2,486,071	₩ -	₩ 3,470	₩ 70,820	₩ 262,674	₩ 10,932,288

(3) Significant non-cash transactions for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
Reclassification of construction in progress	₩ 6,090,891	₩ 4,187,452
Reclassification of machinery in transit	22,912	34,069
Reclassification of debentures into current portion	124,911	643,895
Changes in other payables related to acquisitions of property, plant and equipment and intangible assets	1,131,111	702,396
Changes in other non-current financial liabilities related to acquisitions of property, plant and equipment	1,000,200	-

32. SEGMENT INFORMATION:

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

Segment	Major products and services
LG Energy solution (*)	Automotive batteries, mobile 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 years ended December 31, 2024 and 2023, is as follows (Korean won in millions):

	2024	2023
Total segment revenue	₩ 25,619,585	₩ 33,745,470
Revenue from external customers (*1)	25,619,585	33,745,470
Other operation income (*2)	1,480,020	676,874
Operating profit of reportable segment (*3)	575,387	2,163,234

(*1) Revenue from external customers consists of sales of goods. Interest income and dividend income are included in finance income.
(*2) Under the Advanced Manufacturing Production Tax Credit of the U.S. Inflation Reduction Act, effective January 1, 2023, the tax credit can be received for battery cells/modules produced and sold in the U.S., and the amount above is expected to be received by the Group for the year ended December 31, 2024.
(*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 December 31, 2024 and 2023, is as follows (Korean won in millions):

	December 31, 2024			December 31, 2023		
	Assets	Investments in associates and joint ventures	Liabilities	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets and liabilities	₩ 60,306,791	₩ 62,389	₩ 29,340,248	₩ 45,437,144	₩ 223,559	₩ 21,063,635

(4) Sales for the years ended December 31, 2024 and 2023, and non-current assets as of December 31, 2024 and 2023, by geographical segments, are as follows (Korean won in millions):

	Sales		Non-current assets (*1)	
	2024	2023	December 31, 2024	December 31, 2023
Korea (*2)	₩ 1,747,024	₩ 2,412,430	₩ 5,204,504	₩ 4,310,996
China	5,039,840	6,081,926	3,972,006	4,251,338
Asia/Oceania	1,054,808	1,397,941	1,238,630	1,126
America	10,748,929	11,854,610	24,579,109	11,104,415
Europe	7,028,980	11,998,563	4,865,813	5,075,284
Others	4	-	-	-
	₩ 25,619,585	₩ 33,745,470	₩ 39,860,062	₩ 24,743,159

(*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 year ended December 31, 2024, revenues from external customers who account for 10% or more of the Group's revenue amounted to ₩6,090,940 million, ₩4,534,908 million and ₩3,114,723 million, respectively (for the year ended December 31, 2023, were ₩6,135,823 million, ₩5,711,817 million and ₩4,266,716 million, respectively).

33. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS:

(1) Assets and liabilities related to contracts with customers as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Contract assets:		
Due from customers	₩ 77,237	₩ 70,356
	₩ 77,237	₩ 70,356
Contract liabilities:		
Advances from customers received as part of the Group`s main business activities	₩ 2,046,780	₩ 1,292,914
Expected customer incentives	1,535	1,660
Unearned revenue	32,099	70,055
Due to customers	7,377	2,785
	₩ 2,087,791	₩ 1,367,414

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the carried-forward contract liabilities for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024	2023
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	₩ 62,709	₩ 165,483
Unearned revenue	33,859	51,915
Due to customers	850	12,361
	₩ 97,418	₩ 229,759

(3) For the year ended December 31, 2024, changes in estimates related to the total contract price and total contract costs for contracts that existed as of December 31, 2023, and recognize revenue over time using the cost-to-cost method, along with their impact on profit or loss for the current and future periods and on contract assets (liabilities), are as follows (Korean won in millions):

Changes in estimated total contract price	Changes in estimated total contract costs	Impact on current period profit or loss	Impact on future period profit or loss	Changes in contract assets (liabilities)
₩ 5,379	₩ 7,954	₩ 2,669	₩ (5,244)	₩ 2,669

(4) Costs to fulfill contracts as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Costs to fulfill contracts	₩ 328,943	₩ 103,206

Costs to fulfill contracts represent preparation costs related to contracts with customers and are recognized as cost of sales when the Group satisfies its performance obligations. The costs to fulfill contracts recognized as cost of sales during the year ended December 31, 2024, amounted to ₩60,223 million (for the year ended December 31, 2023, was ₩184,945 million).

34. INVESTMENT PROPERTIES:

(1) Details of investment properties as of December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024				December 31, 2023			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Buildings	₩ 309,064	₩ (81,729)	₩ (1,628)	₩ 225,707	₩ 295,848	₩ (81,878)	₩ (1,721)	₩ 212,249
Land	274	(12)	(35)	227	283	(8)	(35)	240
	₩ 309,338	₩ (81,741)	₩ (1,663)	₩ 225,934	₩ 296,131	₩ (81,886)	₩ (1,756)	₩ 212,489

(2) Changes in investment properties for the years ended December 31, 2024 and 2023, are as follows (Korean won in millions):

	2024		2023	
	Land	Building	Land	Building
Beginning	₩ 240	₩ 212,249	₩ 245	₩ 212,797
Acquisition/Transfer	-	28,053	-	6,500
Disposal/Transfer	(9)	(7,999)	-	(1,030)
Depreciation	(4)	(6,596)	(5)	(6,018)
Ending	₩ 227	₩ 225,707	₩ 240	₩ 212,249

(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 December 31, 2024, is ₩241,006 million (as of December 31, 2023, was ₩245,247 million).

Rental income from investment properties under operating lease for the year ended December 31, 2024, is ₩7,722 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the year ended December 31, 2023, are ₩6,600 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 December 31, 2024 and 2023, are as follows (Korean won in millions):

	December 31, 2024	December 31, 2023
Less than 1 year	₩ 7,652	₩ 150
Between 1– 2 years	2,293	150
Between 2 – 5 years	172	299
	₩ 10,117	₩ 599

35. BUSINESS COMBINATION:

As of August 1, 2024, due to amendments to the shareholder agreement of PT. HLI Green Power, 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. As a result, the Group reclassified PT. HLI Green Power from joint venture to a subsidiary.

1) The consideration transferred to PT. HLI Green Power and the fair values of assets and liabilities acquired at the acquisition are as follows (Korean won in millions):

		Amount
Consideration transferred:		
Fair value of the equity interest held prior to the business combination	₩	191,187
Accumulated amount of acquired assets and assumed liabilities:		
Cash and cash equivalents		59,825
Trade receivables and other receivables		118,338
Inventories		144,834
Property, plant and equipment		1,026,339
Intangible assets		149,067
Other assets		44,615
Trade payables and other payables		(293,584)
Other liabilities		(846,472)
Identifiable net assets		402,962
Non-controlling interest:		201,481
Goodwill (gain on bargain purchase):		(10,294)

2) As of December 31, 2024, the fair value assessment has been completed and the purchase price allocation has been finalized based on the facts and circumstances existing as of the acquisition date.

3) The remeasurement of the equity interests held prior to the business combination at fair value resulted in a disposal gain of ₩94,218 million, which is included in other non-operating income and expenses in the consolidated statements of comprehensive income.

4) Sales and net income of PT. HLI Green Power after the acquisition date reflected in the consolidated statements of profit or loss were ₩597,982 million and ₩78,602 million, respectively. If PT. HLI Green Power had been consolidated from January 1, 2024, the Group's sales and net income would have been recorded in the consolidated statements of comprehensive income as ₩25,774,204 million and ₩254,311 million, respectively.

36. EVENT AFTER THE REPORTING PERIOD:

The Group resolved to issue unsecured KRW bonds at the Management Committee held on January 24, 2025. The Group issued bonds worth ₩1,600,000 million in February 14, 2025.

4-1st Debenture: ₩640,000 million (maturity date: February 14, 2027)
4-2ed Debenture: ₩590,000 million (maturity date: February 14, 2028)
4-3rd Debenture: ₩310,000 million (maturity date: February 14, 2030)
4-4th Debenture: ₩60,000 million (maturity date: February 14, 2032)

37. DATE OF APPROVAL FOR ISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS:

The Group's consolidated financial statements were approved by the board of directors on January 24, 2025, and may be revised at the general meeting of shareholder.

REGISTERED OFFICE AND HEAD OFFICE OF THE COMPANY

LG ENERGY SOLUTION, LTD.
Parc One Tower 1
108 Yeoui-daero, Yeongdeungpo-gu
Seoul 07335
Korea

LEGAL ADVISERS TO THE COMPANY

As to U.S. law
Cleary Gottlieb Steen & Hamilton LLP
19th Floor, Ferrum Tower
19, Eulji-ro 5-gil, Jung-gu
Seoul 04539
Korea

As to Korean law
Lee & Ko
Hanjin Building
63 Namdaemun-ro, Jung-gu
Seoul 04532
Korea

LEGAL ADVISERS TO THE INITIAL PURCHASERS

As to U.S. law
Linklaters LLP
22nd Floor, East Tower, Mirae Asset Center 1
26, Eulji-ro 5-gil, Jung-gu
Seoul 04539, Korea

INDEPENDENT AUDITORS

Deloitte Anjin LLC
9th Floor, One IFC
10, Gukjegeumyung-ro, Yeongdeungpo-gu
Seoul 07326, Korea

FISCAL AGENT

Citicorp International Limited
40/F, Champion Tower
3 Garden Road
Central, Hong Kong

TRANSFER AGENT, REGISTRAR, PAYING AGENT AND CALCULATION AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

A.Plus International
FINANCIAL PRESS LIMITED
260380089