

**LG Chem, Ltd. and Subsidiaries**  
**Consolidated Interim Financial Statements**  
**September 30, 2020 and 2019**

**LG Chem, Ltd. and Subsidiaries**  
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**September 30, 2020 and 2019**

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## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
LG Chem, Ltd.

### ***Reviewed Financial Statements***

We have reviewed the accompanying consolidated interim financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at September 30, 2020, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2020 and 2019, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

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

**Conclusion**

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

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 4 to the consolidated interim financial statements which describes management's plans and actions taken to deal with the business impact of Coronavirus Disease-19 ("COVID-19") on the Group's productivity and ability to fulfill orders from customers and related uncertainty.

**Other Matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 9, 2020. The consolidated statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

November 16, 2020

Seoul, Korea

This report is effective as of November 16, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG Chem, Ltd. and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2020 and December 31, 2019**

(in millions of Korean won)

	Notes	September 30, 2020 (Unaudited)	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3, 5, 6	3,539,014	1,888,631
Trade receivables	3, 5, 7, 31	5,392,744	3,738,224
Other receivables	3, 5, 7, 31	472,710	266,551
Other current financial assets	3, 5, 8	12,774	10,879
Prepaid income taxes		15,811	118,349
Other current assets	13	732,528	793,796
Inventories	9	4,928,061	5,033,721
Assets held for sale	34	784,509	19,573
Total current assets		<u>15,878,151</u>	<u>11,869,724</u>
<b>Non-current assets</b>			
Trade receivables	3, 5, 7	31,685	-
Other receivables	3, 5, 7	251,964	172,933
Other non-current financial assets	3, 5, 8	84,561	159,955
Investments in associates and joint ventures	1, 10, 33	278,806	307,577
Deferred tax assets	28	766,415	516,606
Property, plant and equipment	11	20,157,060	18,593,642
Intangible assets	12	2,370,550	2,206,229
Investment properties	36	48,684	53,328
Other non-current assets	13	150,993	144,432
Total non-current assets		<u>24,140,718</u>	<u>22,154,702</u>
<b>Total assets</b>		<u>40,018,869</u>	<u>34,024,426</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	3, 5, 31	2,858,768	2,379,711
Other payables	3, 5, 31	4,423,905	4,142,953
Borrowings	3, 5, 14	2,509,078	1,356,097
Other current financial liabilities	3, 5, 8	93,608	-
Provisions	15	368,271	472,129
Income tax payables	28	390,026	84,713
Other current liabilities	17	802,578	505,926
Liabilities held for sale	34	129,254	-
Total current liabilities		<u>11,575,488</u>	<u>8,941,529</u>
<b>Non-current liabilities</b>			
Other payables	3, 5	11,951	10,951
Borrowings	3, 5, 14	8,856,205	7,058,171
Other non-current financial liabilities	3, 5, 8	-	930
Provisions	15	290,465	264,599
Net defined benefit liabilities	16	324,729	179,160
Deferred tax liabilities	28	49,533	51,812
Other non-current liabilities	17	89,918	133,485
Total non-current liabilities		<u>9,622,801</u>	<u>7,699,108</u>
<b>Total liabilities</b>		<u>21,198,289</u>	<u>16,640,637</u>

**LG Chem, Ltd. and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2020 and December 31, 2019**

*(in millions of Korean won)*

	Notes	September 30, 2020 (Unaudited)	December 31, 2019
<b>Equity</b>			
Share capital	1, 19	391,406	391,406
Capital surplus		2,417,901	2,274,620
Other components of equity	21	(245,553)	(374,243)
Accumulated other comprehensive income		46,933	(85,496)
Retained earnings	20	15,556,021	14,798,690
<b>Equity attributable to owners of the Parent Company</b>		<u>18,166,708</u>	<u>17,004,977</u>
<b>Non-controlling interest</b>		653,872	378,812
<b>Total equity</b>		<u>18,820,580</u>	<u>17,383,789</u>
<b>Total liabilities and equity</b>		<u>40,018,869</u>	<u>34,024,426</u>

The above consolidated interim statements of financial position should be read in conjunction with the accompanying notes.

**LG Chem, Ltd. and Subsidiaries**  
**Consolidated Interim Statements of Profit or Loss**  
**Three-Month and Nine-Month Periods Ended September 30, 2020 and 2019**

		Period Ended September 30			
		2020		2019	
		(Unaudited)		(Unaudited)	
Notes	Three months	Nine months	Three months	Nine months	
<b>Revenue</b>	31, 33	7,507,281	21,171,641	6,898,945	19,942,535
<b>Cost of sales</b>	23, 31	(5,711,165)	(16,752,716)	(5,700,672)	(16,504,213)
<b>Gross profit</b>		1,796,116	4,418,925	1,198,273	3,438,322
Selling and administrative expenses	22, 23, 31	(894,032)	(2,739,343)	(849,516)	(2,579,556)
<b>Operating profit</b>	33	902,084	1,679,582	348,757	858,766
Finance income	5, 25	63,476	269,394	66,510	215,138
Finance costs	5, 25	(245,445)	(792,034)	(186,786)	(393,354)
Share of net profit of associates and joint ventures accounted for using the equity method	10	1,110	3,319	2,972	13,242
Other non-operating income	5, 26	189,103	902,918	135,399	347,409
Other non-operating expenses	5, 27	(202,687)	(727,924)	(143,409)	(369,819)
<b>Profit before income tax</b>	32	707,641	1,335,255	223,443	671,382
<b>Income tax expense</b>	28	(186,230)	(373,222)	(97,053)	(269,057)
<b>Profit from continuing operations</b>		521,411	962,033	126,390	402,325
Profit from discontinued operations	34	48,976	63,771	10,795	30,621
<b>Profit for the period</b>		570,387	1,025,804	137,185	432,946
<b>Profit is attributable to:</b>					
Owners of the Parent Company					
Profit from continuing operations		463,324	851,874	117,760	360,509
Profit from discontinued operations		48,976	63,771	10,795	30,621
		512,300	915,645	128,555	391,130
Non-controlling interests					
Profit from continuing operations		58,087	110,159	8,630	41,816
		58,087	110,159	8,630	41,816
<b>Earnings per share for profit from continuing operations attributable to the equity holders of the Parent Company (in won)</b>	29				
Basic earnings per ordinary share		6,042	11,107	1,536	4,702
Basic earnings per preferred share		6,054	11,144	1,548	4,739
Diluted earnings per ordinary share		6,042	11,107	1,435	4,497
Diluted earnings per preferred share		6,054	11,144	1,448	4,535
<b>Earnings per share for profit from discontinued operations attributable to the equity holders of the Parent Company (in won)</b>	29				
Basic earnings per ordinary share		638	832	141	400
Basic earnings per preferred share		638	832	141	400
Diluted earnings per ordinary share		638	832	138	393
Diluted earnings per preferred share		638	832	138	393

The above consolidated interim statements of profit or loss should be read in conjunction with the accompanying notes.

**LG Chem, Ltd. and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month and Nine-Month Periods Ended September 30, 2020 and 2019**

	Notes	Period Ended September 30			
		2020		2019	
		(Unaudited)		(Unaudited)	
		Three months	Nine months	Three months	Nine months
<i>(in millions of Korean won)</i>					
<b>Profit for the period</b>		570,387	1,025,804	137,185	432,946
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of net defined benefit liability	16	(1,131)	(5,062)	(1,668)	(6,938)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		(6,993)	6,419	6,825	5,591
Shares of remeasurements of net defined benefit liabilities of associates		-	159	-	(132)
Income tax relating to these items		2,233	(376)	(1,419)	365
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		15,200	114,024	(12,195)	120,768
Cash flow hedge		12,946	(5,560)	48,056	70,625
Shares of other comprehensive income (loss) of joint ventures and associates		774	33,238	(1,596)	(297)
Income tax relating to these items		(2,642)	(410)	(12,817)	(18,333)
<b>Other comprehensive income for the period, net of tax</b>		<u>20,387</u>	<u>142,432</u>	<u>25,186</u>	<u>171,649</u>
<b>Total comprehensive income for the period</b>		<u>590,774</u>	<u>1,168,236</u>	<u>162,371</u>	<u>604,595</u>
<b>Total comprehensive income for the period is attributable to:</b>					
Owners of the Parent Company		527,475	1,044,560	154,084	554,137
Non-controlling interest		63,299	123,676	8,287	50,458

The above consolidated interim statements of comprehensive income should be read in conjunction with the accompanying notes.

**LG Chem, Ltd. and Subsidiaries**  
**Consolidated Interim Statements of Changes in Equity**  
**Nine-Month Periods Ended September 30, 2020 and 2019**

(in millions of Korean won)

	Notes	Attributable to owners of the Parent Company						Non-controlling interests	Total equity
		Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total		
<b>Balance at January 1, 2019</b>		391,406	2,274,623	(374,243)	(202,994)	14,994,252	17,083,044	239,084	17,322,128
<b>Comprehensive income</b>									
Profit for the period		-	-	-	-	391,130	391,130	41,816	432,946
Remeasurements of net defined benefit liability	16	-	-	-	-	(5,036)	(5,036)	-	(5,036)
Exchange differences on translation of foreign operations		-	-	-	113,216	-	113,216	8,642	121,858
Gain on valuation of financial assets at fair value through other comprehensive income		-	-	-	4,053	-	4,053	-	4,053
Cash flow hedge		-	-	-	51,203	-	51,203	-	51,203
Others		-	-	-	(297)	(132)	(429)	-	(429)
<b>Total comprehensive income for the period</b>		-	-	-	168,175	385,962	554,137	50,458	604,595
<b>Transactions with owners:</b>									
Dividends	30	-	-	-	-	(460,058)	(460,058)	(23,852)	(483,910)
Increase in paid-in capital of a subsidiary		-	-	-	-	-	-	49,558	49,558
Others		-	-	-	-	(1,191)	(1,191)	(397)	(1,588)
<b>Total transactions with owners</b>		-	-	-	-	(461,249)	(461,249)	25,309	(435,940)
<b>Balance at September 30, 2019 (Unaudited)</b>		391,406	2,274,623	(374,243)	(34,819)	14,918,965	17,175,932	314,851	17,490,783
<b>Balance at January 1, 2020</b>		391,406	2,274,620	(374,243)	(85,496)	14,798,690	17,004,977	378,812	17,383,789
<b>Comprehensive income</b>									
Profit for the period		-	-	-	-	915,645	915,645	110,159	1,025,804
Remeasurements of net defined benefit liability		-	-	-	-	(3,672)	(3,672)	-	(3,672)
Exchange differences on translation of foreign operations	16	-	-	-	98,569	-	98,569	13,517	112,086
Gain on valuation of financial assets at fair value through other comprehensive income		-	-	-	4,654	-	4,654	-	4,654
Cash flow hedge		-	-	-	(4,031)	-	(4,031)	-	(4,031)
Others		-	-	-	33,237	158	33,395	-	33,395
<b>Total comprehensive income for the period</b>		-	-	-	132,429	912,131	1,044,560	123,676	1,168,236
<b>Transactions with owners:</b>									
Disposal of treasury shares		-	143,281	128,690	-	-	271,971	-	271,971
Dividends	30	-	-	-	-	(153,608)	(153,608)	(24,040)	(177,648)
Increase in paid-in capital of a subsidiary		-	-	-	-	-	-	175,821	175,821
Others		-	-	-	-	(1,192)	(1,192)	(397)	(1,589)
<b>Total transactions with owners</b>		-	143,281	128,690	-	(154,800)	117,171	151,384	268,555
<b>Balance at September 30, 2020 (Unaudited)</b>		391,406	2,417,901	(245,553)	46,933	15,556,021	18,166,708	653,872	18,820,580

The above consolidated interim statements of changes in equity should be read in conjunction with the accompanying notes.

**LG Chem, Ltd. and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Nine-Month Periods Ended September 30, 2020 and 2019**

(in millions of Korean won)

	Notes	2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	32	4,055,858	1,828,482
Interest received		28,504	43,294
Interest paid		(173,414)	(134,152)
Dividends received		14,048	10,990
Income taxes paid		(318,869)	(463,669)
<b>Net cash inflow from operating activities</b>		<u>3,606,127</u>	<u>1,284,945</u>
<b>Cash flows from investing activities</b>			
Decrease in other receivables		80,075	168,578
Decrease in other non-current receivables		36,700	44,315
Proceeds from disposal of investments in associates		382,945	-
Proceeds from disposal of financial instruments		85,481	2,662
Proceeds from disposal of property, plant and equipment		5,275	52,115
Proceeds from disposal of intangible assets		930	4,600
Government grants received		209,300	219,910
Net cash inflow from losing control of subsidiaries		1,757	-
Proceeds from disposal of assets held for sale		52,114	-
Proceeds from business transfer		184,302	-
Increase in other receivables		(62,515)	(132,499)
Increase in other non-current receivables		(97,732)	(99,669)
Acquisition of investments in associates and joint ventures		(15,908)	(32,999)
Acquisition of financial assets		(10,820)	(17,901)
Acquisition of property, plant and equipment		(4,221,330)	(4,615,623)
Acquisition of intangible assets		(102,588)	(211,904)
Business combination		-	(529)
<b>Net cash outflow from investing activities</b>		<u>(3,472,014)</u>	<u>(4,618,944)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		3,980,490	3,779,443
Capital contribution from non-controlling interests		175,821	49,558
Repayments of borrowings		(2,444,271)	(523,134)
Dividends paid		(177,648)	(483,910)
<b>Net cash inflow from financing activities</b>		<u>1,534,392</u>	<u>2,821,957</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		1,668,505	(512,042)
Cash and cash equivalents at the beginning of the period		1,888,631	2,513,702
Effects of exchange rate changes on cash and cash equivalents		(8,533)	53,136
Cash and cash equivalents included in disposal groups classified as held for sale		(9,589)	-
<b>Cash and cash equivalents at the end of the period in the consolidated interim statement of financial position</b>		<u>3,539,014</u>	<u>2,054,796</u>

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.

# LG Chem, Ltd. and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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#### 1. General Information

General information about LG Chem, Ltd. (the Parent Company) and its 46 subsidiaries (collectively referred to as “the Group”) is as follows:

##### 1.1 The Parent Company

The Parent Company was spun off on April 1, 2001, from LG Chem Investment Ltd. (now LG Corp., formerly LG Chemical Ltd.).

As at September 30, 2020, the Parent Company has its manufacturing facilities in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju, Osong, Onsan and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As at September 30, 2020, the Parent Company has issued and outstanding 70,592,343 ordinary shares (₩352,962 million) and 7,688,800 preferred shares (₩38,444 million). The largest shareholder of the Parent Company is LG Corp., which owns 33.34% of the Parent Company’s ordinary shares. Preferred shareholders have no voting rights but are entitled to receive dividends at a rate 1% more than those paid to ordinary shareholders.

##### 1.2 Business Overview

The Group is engaged in Petrochemicals, Energy solutions, and Advanced materials business, and also engaged in Life Sciences business acquired through a merger with LG Life Sciences, Ltd. in January 2017. In addition, the Parent Company acquired 100% shares of FarmHannong Co., Ltd., in April 2016, which is engaged to manufacture crop protection products, seeds, fertilizers and others.

The Petrochemical business includes production of olefin petrochemicals, such as ethylene, propylene, butadiene from Naphtha, and aromatic petrochemicals such as benzene. It also includes production of synthetic resin and synthetic components from olefin, and aromatic petrochemicals. This business bears characteristics of a large-volume process industry. The Group’s major products are PE, PP, BPA, ABS, EP, PVC, plasticizers, acrylic, SAP, synthetic rubber, a special resin, and others.

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

The Advanced material business manufactures and supplies various kinds of IT materials such as polarizer, automotive material, OLED film, semiconductor materials and display and battery materials for LCD Photoresist, OLED materials, battery materials and others and RO membranes, which will be the next growth engine for future.

The Life Sciences business manufactures and supplies pharmaceutical products, such as human growth hormone ‘Eutropin’, diabetes drug ‘Zemiglo’, bovine somatotropin ‘Boostin’, hyaluronic acid filler ‘YVOIRE’ and others, as well as fine chemical products, such as herbicide ‘PYANCHOR’ for rice farming and others.

# LG Chem, Ltd. and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### September 30, 2020 and 2019 (Unaudited), and December 31, 2019

FarmHannong Co., Ltd., subsidiary of the Parent Company, manufactures and sells crop protection products, seeds, fertilizers and others. The crop protection business provides high value products such as environmentally-friendly pesticide. The fertilizer business leads developing a next generation fertilizers such as eco-friendly organic and functional fertilizers, and potting soil. The seed business puts priority on retaining various genetic resources and developing rare breeds with high profit in order to remain competitive in a future food industry.

#### 1.3 Consolidated Subsidiaries, Associates and Joint Ventures

	September 30, 2020			
	Percentage of ownership (%)	Business location	Closing month	Business activities
<b>Consolidated subsidiaries</b>				
Ningbo LG Yongxing Chemical Co., Ltd. <sup>1</sup>	75	China	December	ABS/SBL manufacturing and sales
Ningbo Zhenhai LG Yongxing Trade Co., Ltd. <sup>1</sup>	75	China	December	ABS sales
LG Chem America, Inc. <sup>2</sup>	100	USA	December	Sales and trading
LG Chemical India Pvt. Ltd. <sup>3</sup>	100	India	December	Synthetic resin manufacturing and sales
LG Polymers India Pvt. Ltd. <sup>3</sup>	100	India	December	PS manufacturing and sales
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100	China	December	EP manufacturing and sales
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	100	China	December	Battery/ Polarizer manufacturing and sales
LG Chem (Taiwan), Ltd.	100	Taiwan	December	Polarizer manufacturing and sales
LG Chem Display Materials (Beijing) Co., Ltd.	100	China	December	Polarizer manufacturing and sales
Tianjin LG Bohai Chemical Co., Ltd.	75	China	December	PVC, VCM, EDC manufacturing and sales
Tianjin LG BOTIAN Chemical Co., Ltd.	58	China	December	SBS manufacturing and sales
LG Chem (China) Investment Co., Ltd.	100	China	December	China holding company
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	100	China	December	EP manufacturing and sales
LG Chem Europe GmbH	100	Germany	December	Sales and trading
LG Chem Poland Sp. z o.o.	100	Poland	December	EP manufacturing and sales
LG Chem Michigan Inc. <sup>2,4</sup>	100	USA	December	Automotive battery research and manufacturing
LGC Petrochemical India Private Ltd.	100	India	December	Synthetic resin manufacturing and sales
HAENGBOKNURI CO., LTD.	100	Korea	December	Facility management and general cleaning
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	100	Turkey	December	Sales and trading
LG Chem Japan Co., Ltd.	100	Japan	December	Sales and trading
LG NanoH2O, LLC <sup>2</sup>	100	USA	December	Water processing membrane sales
Nanjing LG Chem New Energy Battery Co., Ltd. <sup>5</sup>	50	China	December	Automotive battery manufacturing and sales
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	100	China	December	EP manufacturing and sales
LG Chem Wroclaw Energy sp. z o.o. <sup>6</sup>	100	Poland	December	Automotive battery manufacturing and sales
LG Chem(HUIZHOU) Petrochemical Co., Ltd.	70	China	December	ABS manufacturing and sales
FarmHannong Co., Ltd. <sup>7</sup>	100	Korea	December	Agricultural pesticide manufacturing and sales
LG Chem Life Sciences India Pvt. Ltd.	100	India	December	Pharmaceutical products sales
LG Chem Life Sciences (Beijing) Co., Ltd.	100	China	December	Pharmaceutical products sales
LG Chem Life Sciences (Thailand) Ltd.	100	Thailand	December	Pharmaceutical products sales
Farmhannong America, Inc. <sup>7</sup>	100	USA	December	Agricultural pesticide sales
LG Chem Hai Phong Vietnam Co., Ltd.	100	Vietnam	December	Polarizer manufacturing and sales
LG Chem Australia Pty Ltd.	100	Australia	December	ESS sales
LG Chem Mexico S.A. de C.V.	100	Mexico	December	Sales and trading

# LG Chem, Ltd. and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### September 30, 2020 and 2019 (Unaudited), and December 31, 2019

FarmHannong(Thailand) Ltd. <sup>7</sup>	100	Thailand	December	Research and development on seeds
LG Chem Hai Phong engineering Plastics LLC.	100	Vietnam	December	EP manufacturing and sales
LG Chem (Guangzhou) Information & Electronics Materials Co., Ltd.	100	China	December	Polarizer manufacturing and sales
LEYOU NEW ENERGY MATERIALS(WUXI) Co., LTD <sup>8</sup>	51	China	December	Battery materials manufacturing and sales
LG Chem Fund I LLC <sup>9</sup>	100	USA	December	Investments in venture companies
Ugimag Korea Co., Ltd <sup>10</sup>	100	Korea	December	Electronic parts manufacturing and sales
Uniseal, Inc. <sup>2,11</sup>	100	USA	December	Adhesive manufacturing and sales
Uniseal Europe Ltd. <sup>11</sup>	100	England	December	Adhesive manufacturing and sales
LG Chem Nanjing Energy Solution Co., Ltd. <sup>12</sup>	100	China	December	Battery manufacturing and sales
LG Chem Life Science Innovation Center, Inc. <sup>2</sup>	100	USA	December	Pharmaceutical products research
FARMHANNONG(MALAYSIA) SDN. BHD. <sup>7</sup>	100	Malaysia	December	Agricultural pesticide licensing
PT FARM HANNONG INDONESIA <sup>7,13</sup>	100	Indonesia	December	Agricultural pesticide licensing
Ultium Cells LLC <sup>2,14</sup>	50	USA	December	Automotive battery manufacturing and sales
<b>Associates</b>				
TECHWIN Co., Ltd.	20	Korea	December	Environment solution and construction of chemical plant
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA. <sup>15</sup>	100	Brazil	December	Sales and trading
LG Chem Malaysia SDN.BHD. <sup>15</sup>	100	Malaysia	December	Sales and trading
FJ Composite Material Co., Ltd.	30	Japan	May	Heat diffuser research and manufacturing
WUXI CL New Energy Technology Ltd.	30	China	December	ESS manufacturing and sales
LG Chem Life Sciences Poland Ltd. <sup>15</sup>	100	Poland	December	Pharmaceutical products sales
Combustion Synthesis Co., Ltd.	36	Japan	December	Nitride-based ceramic powder production
HUAJIN NEW ENERGY MATERIALS(QUZHOU)CO., LTD. <sup>16</sup>	49	China	December	Battery materials manufacturing and sales
VINFAST LITHIUM BATTERY PACK LLC.	35	Vietnam	December	Battery manufacturing and sales
Jiangxi VL Battery., Ltd. <sup>17</sup>	34	China	December	Battery manufacturing and sales
<b>Joint ventures</b>				
LG VINA Chemical Co., Ltd.	50	Vietnam	December	DOP production and sales
HL Greenpower Co., Ltd.	49	Korea	December	Automotive battery manufacturing and sales
SEETEC Co., Ltd.	50	Korea	December	Plant utility and distribution, research assistance service

<sup>1</sup> As at September 30, 2020, Ningbo LG Yongxing Chemical Co., Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trading Co., Ltd.'s shares.

<sup>2</sup> As at September 30, 2020, LG Chem Michigan Inc. owns 100% of LG Chem America, Inc., LG NanoH2O, Inc., Uniseal, Inc. and LG Chem Life Science Innovation Center, Inc.'s shares, and owns 50% of Ultium Cells LLC's shares.

<sup>3</sup> As at September 30, 2020, LG Chemical India Pvt. Ltd. owns 100% of LG Polymers India Pvt. Ltd.'s shares.

<sup>4</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of LG Chem Michigan Inc. for ₩ 102,791 million.

<sup>5</sup> Although the Parent Company does not own more than 50% of shares of Nanjing LG Chem New Energy Battery Co., Ltd., the Parent Company is considered to have control over the investee as the Parent Company can exercise the majority voting rights in its decision-making process in accordance with the shareholders' agreement.

<sup>6</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of LG Chem Wrocław Energy sp. z o.o. for ₩ 413,739 million.

<sup>7</sup> As at September 30, 2020, FarmHannong Co., Ltd. owns 100% of Farmhannong America, Inc., FarmHannong(Thailand) Ltd., and FARMHANNONG(MALAYSIA) SDN.BHD.'s shares, and 99.6% of PT FARM HANNONG INDONESIA's shares.

# LG Chem, Ltd. and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

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- <sup>8</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of LEYOU NEW ENERGY MATERIALS(WUXI) Co., LTD. for ₩ 17,639 million.
- <sup>9</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of LG CHEM FUND I LLC for ₩ 5,510 million.
- <sup>10</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of Ugimag Korea Co., Ltd. for ₩ 24,500 million.
- <sup>11</sup> Uniseal, Inc. holds 100% of Uniseal Europe Ltd.
- <sup>12</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of LG Chem Nanjing Energy Solution Co., Ltd. for ₩ 514,136 million.
- <sup>13</sup> PT FARM HANNONG INDONESIA was newly established during the nine-month period ended September 30, 2020, and the Group acquired 99.6% shares of PT FARM HANNONG INDONESIA for ₩ 208 million.
- <sup>14</sup> Ultium Cells LLC was newly established during the nine-month period ended September 30, 2020, and the Group acquired 50% shares of Ultium Cells LLC for ₩ 102,791 million. The Group possesses control over the investee as the Group can exercise the majority voting rights in its decision-making process and has the ability to use power to affect the variable returns of the investee through its involvement in the production and cost management and other activities in accordance with the shareholders' agreement.
- <sup>15</sup> Classified as an investment in associate due to its small size.
- <sup>16</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of HUAJIN NEW ENERGY MATERIALS(QUZHOU)CO., LTD. for ₩ 13,612 million.
- <sup>17</sup> During the nine-month period ended September 30, 2020, the Parent Company newly acquired 34% shares of Jiangxi VL Battery., Ltd. for ₩ 2,296 million.

#### 1.4 Summarized Financial Information of Subsidiaries, Associates and Joint Ventures

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

(in millions of Korean won)

	September 30, 2020			2020	
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the period
<b>Subsidiaries</b>					
Ningbo LG Yongxing Chemical Co., Ltd.	950,698	194,491	756,207	1,192,816	223,017
Ningbo Zhenhai LG Yongxing Trade Co., Ltd.	6,357	1,412	4,945	15,248	293
LG Chem America, Inc.	234,041	206,405	27,636	518,212	1,225
LG Chemical India Pvt. Ltd.	32,773	31	32,742	-	26
LG Polymers India Pvt. Ltd.	95,587	40,625	54,962	61,501	(27,895)
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	109,553	37,122	72,431	147,085	11,865
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. <sup>1</sup>	3,857,636	1,627,028	2,230,608	2,346,996	259,194
LG Chem (Taiwan), Ltd.	116,206	43,822	72,384	98,070	4,838
LG Chem Display Materials (Beijing) Co., Ltd. <sup>1</sup>	38,225	9,727	28,498	167	1,852
Tianjin LG Bohai Chemical Co., Ltd.	276,102	55,633	220,469	348,598	52,095
Tianjin LG BOTIAN Chemical Co., Ltd.	39,119	14,705	24,414	86,247	9,067
LG Chem (China) Investment Co., Ltd.	753,784	443,685	310,099	44,157	4,446
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	52,000	8,951	43,049	40,605	3,708
LG Chem Europe GmbH	254,540	203,628	50,912	499,790	3,944
LG Chem Poland Sp. z o.o.	63,020	20,120	42,900	78,140	6,020
LG Chem Michigan Inc.	1,008,515	689,285	319,230	503,182	(47,203)
LGC Petrochemical India Private Ltd.	4,003	749	3,254	2,750	265

**LG Chem, Ltd. and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
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HAENGBOKNURI CO., LTD.	4,662	1,869	2,793	8,603	913
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	8,481	7,240	1,241	35,777	379
LG Chem Japan Co., Ltd.	6,114	1,028	5,086	4,352	382
LG NanoH2O, LLC <sup>2</sup>	31,490	9,767	21,723	25,760	3,086
Nanjing LG Chem New Energy Battery Co., Ltd.	1,099,022	826,212	272,810	923,793	50,275
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	33,413	7,204	26,209	33,640	2,845
LG Chem Wroclaw Energy sp. z o.o.	6,241,729	5,021,636	1,220,093	3,072,462	(282,063)
LG Chem(HUIZHOU) Petrochemical Co., Ltd.	366,315	219,564	146,751	491,791	67,573
FarmHannong Co., Ltd. <sup>2,3</sup>	1,095,506	705,997	389,509	501,247	20,763
LG Life Sciences India Pvt. Ltd.	1,738	1,567	171	4,415	725
LG Life Sciences (Beijing) Co., Ltd.	1,854	469	1,385	1,009	44
LG Life Sciences (Thailand) Ltd.	19,224	8,650	10,574	21,754	(32)
LG Chem Hai Phong Vietnam Company Ltd.	10,975	4,360	6,615	9,785	(123)
LG Chem Australia Pty Ltd.	6,257	4,780	1,477	6,781	316
LG Chem Mexico S.A. de C.V.	1,062	126	936	957	150
LG Chem Hai Phong Engineering Plastics Ltd.	23,379	10,912	12,467	10,035	(1,476)
LG Chem (Guangzhou) Information & Electronics Materials Co., Ltd. <sup>1</sup>	633,796	445,327	188,469	27,422	14,572
LEYOU NEW ENERGY MATERIALS(WUXI) Co., LTD	387,488	50,993	336,495	-	(3,601)
LG Chem Fund I LLC	20,964	29	20,935	-	(3,062)
Ugimag Korea Co., Ltd. <sup>2</sup>	39,652	14,479	25,173	12,089	(5,843)
Uniseal, Inc. <sup>2,3</sup>	37,023	7,009	30,014	42,180	153
LG Chem Nanjing Energy Solution Co., Ltd.	1,748,800	930,459	818,341	522,258	34,267
LG Chem Life Science Innovation Center, Inc.	3,635	2,164	1,471	3,457	181
Ultium Cells LLC	257,864	57,669	200,195	-	11
<b>Associates</b>					
TECHWIN Co., Ltd.	184,014	97,906	86,108	-	-
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR Q UIMICO LTDA.	615	105	510	1,157	338
LG Chem Malaysia SDN.BHD.	469	2	467	523	62
FJ Composite Material Co., Ltd.	11,869	5,019	6,850	1,324	347
WUXI CL New Energy Technology Ltd.	3,311	4,112	(801)	242	258
LG Life Sciences Poland Ltd.	183	71	112	152	7
Combustion Synthesis Co., Ltd.	871	52	819	76	(360)
HUAJIN NEW ENERGY MATERIALS(QUZHOU)CO., LTD.	223,214	52,521	170,693	-	720
VINFAST LITHIUM BATTERY PACK LLC.	21,030	7,893	13,137	16,328	(974)
Jiangxi VL Battery., Ltd.	6,753	-	6,753	-	-
<b>Joint ventures</b>					
LG VINA Chemical Co., Ltd.	40,255	33,069	7,186	60,363	450
HL Greenpower Co., Ltd.	358,251	314,463	43,788	839,392	(3,171)
SEETEC Co., Ltd.	331,134	47,879	283,255	363,011	11,052

<sup>1</sup> The LCD polarizer business of these entities was classified as discontinued operations and profit or loss from the business was included in profit from discontinued operations.

<sup>2</sup> Fair value adjustments due to business combination recorded in the consolidated financial statements are not included in the above information.

<sup>3</sup> Represent financial information of intermediate parent company consolidating its subsidiaries.

**LG Chem, Ltd. and Subsidiaries**  
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(in millions of Korean won)	December 31, 2019			2019	
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the period
<b>Subsidiaries</b>					
Ningbo LG Yongxing Chemical Co., Ltd.	781,530	174,627	606,903	1,353,851	97,109
Ningbo Zhenhai LG Yongxing Trade Co., Ltd.	5,956	1,472	4,484	14,755	281
LG Chem HK Ltd.	-	-	-	-	16
LG Chem America, Inc.	311,718	285,645	26,073	604,802	(436)
LG Chemical India Pvt. Ltd.	32,758	17	32,741	-	32
LG Polymers India Pvt. Ltd.	122,078	37,794	84,284	171,654	6,649
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	103,530	42,832	60,698	153,092	6,893
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. <sup>1</sup>	3,685,798	1,785,288	1,900,510	1,816,140	78,544
LG Chem (Taiwan), Ltd.	101,804	34,195	67,609	108,765	2,590
LG Chem Display Materials (Beijing) Co., Ltd. <sup>1</sup>	41,729	11,486	30,243	-	-
Tianjin LG Bohai Chemical Co., Ltd.	244,047	81,853	162,194	382,173	41,691
Tianjin LG BOTIAN Chemical Co., Ltd.	43,473	28,726	14,747	113,390	9,464
LG Chem (China) Investment Co., Ltd.	934,186	630,040	304,146	46,093	2,473
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	45,380	7,448	37,932	50,540	(3,706)
LG Chem Europe GmbH	330,807	286,252	44,555	628,787	1,690
LG Chem Poland Sp. z o.o.	63,814	26,005	37,809	89,050	1,300
LG Chem Michigan Inc.	709,715	448,675	261,040	270,175	(62,940)
LGC Petrochemical India Private Ltd.	3,762	708	3,054	3,127	356
HAENGBOKNURI CO., LTD.	3,716	1,837	1,879	7,763	436
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	9,807	8,601	1,206	27,970	406
LG Chem Japan Co., Ltd.	5,638	1,138	4,500	4,921	468
LG NanoH2O, LLC <sup>2</sup>	23,684	5,219	18,465	20,804	2,987
NanoH2O (Jiangsu) Water Processing Technology Co. Ltd.	-	-	-	-	1,463
Nanjing LG Chem New Energy Battery Co., Ltd.	1,002,457	845,483	156,974	804,686	24,466
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	33,009	10,480	22,529	26,338	(1,494)
LG Chem Wroclaw Energy sp. z o.o.	4,330,353	3,211,121	1,119,232	1,456,903	(229,444)
LG Chem(HUIZHOU) Petrochemical Co., Ltd.	364,406	288,234	76,172	424,940	(1,518)
FarmHannong Co., Ltd. <sup>2,3</sup>	1,022,865	652,462	370,403	491,504	18,794
LG Life Sciences India Pvt. Ltd.	2,774	3,322	(548)	5,056	(407)
LG Life Sciences (Beijing) Co., Ltd.	1,878	585	1,293	935	57
LG Life Sciences (Thailand) Ltd.	26,245	15,190	11,055	27,312	3,822
LG Chem Hai Phong Vietnam Company Ltd.	17,152	10,502	6,650	29,849	1,528
LG Chem Australia Pty Ltd.	2,595	1,471	1,124	1,949	187
LG Chem Mexico S.A. de C.V.	930	152	778	1,019	149
LG Chem Hai Phong Engineering Plastics Ltd.	22,794	9,053	13,741	1,405	(1,453)
LG Chem (Guangzhou) Information & Electronics Materials Co., Ltd. <sup>1</sup>	570,429	402,793	167,636	-	(760)
LEYOU NEW ENERGY MATERIALS(WUXI) Co., LTD	348,722	54,207	294,515	-	2,410
LG Chem Fund I LLC	18,317	63	18,254	-	(2,562)
Ugimag Korea Co., Ltd. <sup>2</sup>	39,082	32,563	6,519	15,834	(4,845)
Uniseal, Inc. <sup>2,3</sup>	36,013	6,218	29,795	47,620	1,821
LG Chem Nanjing Energy Solution Co., Ltd.	807,952	550,770	257,182	-	(7,312)
LG Chem Life Science Innovation Center, Inc.	3,558	2,281	1,277	1,543	86
<b>Associates</b>					
LG Holdings (HK) Ltd.	196,270	40,724	155,546	37,080	11,567

**LG Chem, Ltd. and Subsidiaries**  
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TECHWIN Co., Ltd.	173,997	81,803	92,194	-	-
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR Q UIMICO LTDA.	410	108	302	1,298	237
LG Chem Malaysia SDN.BHD.	409	2	407	686	85
LG Fuel Cell Systems Inc.	-	-	-	265	(3,714)
FJ Composite Material Co., Ltd.	8,393	4,692	3,701	1,072	(147)
WUXI CL New Energy Technology Ltd.	3,701	4,617	(916)	(2,327)	(855)
LG Chem Life Sciences Poland Ltd.	178	87	91	240	52
Combustion Synthesis Co., Ltd.	971	79	892	44	(483)
HUAJIN NEW ENERGY MATERIALS(QUZHOU)CO., LTD.	203,635	66,725	136,910	-	672
VINFAST LITHIUM BATTERY PACK LLC.	28,283	14,413	13,870	-	-
<b>Joint ventures</b>					
LG VINA Chemical Co., Ltd.	34,259	27,559	6,700	41,729	(35)
HL Greenpower Co., Ltd.	401,313	353,936	47,377	756,918	3,460
SEETEC Co., Ltd..	351,935	59,732	292,203	449,553	10,033

<sup>1</sup> The LCD polarizer business of these entities was classified as a discontinued operation and profit or loss from the business was included in profit or loss from discontinued operation.

<sup>2</sup> Fair value adjustments due to business combination recorded in the consolidated financial statements are not included in the above information.

<sup>3</sup> Represent financial information of intermediate parent company consolidating its subsidiaries.

### 1.5 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the nine-month period ended September 30, 2020, are as follows:

Subsidiary	Reason
PT FARM HANNONG INDONESIA	Newly established
Ultium Cells LLC	Newly established

Subsidiary excluded from the consolidation for the nine-month period ended September 30, 2020, is as follows:

Subsidiary	Reason
Farm Hannong (Heilongjiang) Chemical Co., Ltd.	Disposed

## 2. Summary of Significant Accounting Policies

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

### 2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

# LG Chem, Ltd. and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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The Group's consolidated interim financial statements for the nine-month period ended September 30, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at September 30, 2020.

*(a) New and amended standard adopted by the Group*

The Group has applied the following standards for the first time for their annual reporting period commencing January 1, 2020.

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendment does not have a significant impact on the consolidated interim financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the consolidated interim financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the consolidated interim financial statements.

# LG Chem, Ltd. and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

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*(b) New and amended standard not yet adopted by the Group*

The following new accounting standard that has been published that is not mandatory for September 30, 2020 reporting period and has not been early adopted by the Group.

- Amendments to Korean IFRS 1116 *Leases – Practical Expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. These amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the consolidated interim financial statements.

## 2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2019, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.(a) and the ones described below.

### 2.2.1 Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

## 3. Financial Risk Management

### 3.1 Financial Risk Factors

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

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

**LG Chem, Ltd. and Subsidiaries**  
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(1) Market risk

1) Foreign exchange risk

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

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group manages maximum loss for currency risk exposures within acceptable range by using currency risk management model and hires employees who are exclusively responsible for currency risk management.

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

As at September 30, 2020 and December 31, 2019, the Group's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
USD	3,196,764	3,528,926	2,681,402	3,321,586
EUR	271,931	5,033,956	275,799	3,157,509
JPY	28,290	289,881	30,081	208,998
CNY and others	629,097	4,826	693,284	8,231

As at September 30, 2020 and December 31, 2019, if the Group's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit before income tax would have been affected as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
USD	(2,384)	2,384	(64,018)	64,018

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

2) Price risk

The Group is exposed to equity securities price risk arises from investments held by the Group and classified in the consolidated interim statement of financial position as non-current financial assets. The Group's equity investments are publicly traded and are related to the KOSDAQ and NASDAQ index.

**LG Chem, Ltd. and Subsidiaries**  
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The table below summarizes the impact of increases/decreases of the listed stock price index on the Group's equity before tax effects as at September 30, 2020 and December 31, 2019. The analysis is based on the assumption that the equity index has increased/decreased by 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the index.

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
KOSDAQ	-	-	676	(676)
NASDAQ	1,038	(1,038)	819	(819)
HSI	-	-	7,944	(7,944)
<b>Total</b>	<b>1,038</b>	<b>(1,038)</b>	<b>9,439</b>	<b>(9,439)</b>

3) Interest rate risk

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

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

The table below summarizes the impact of increases/decreases of interest rate on the Group's equity and post-tax profit for the nine-month periods ended September 30, 2020 and 2019. The analysis is based on the assumption that the interest rate has increased/decreased by 1% (100 basis points) with all other variables held constant.

<i>(in millions of Korean won)</i>	<b>Impact on post-tax profit</b>		<b>Impact on equity</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Increase	(41,022)	(26,470)	(41,022)	(26,470)
Decrease	41,022	26,470	41,022	26,470

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(2) Credit risk

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

1) Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at September 30, 2020 is as follows. Expected credit losses include forward-looking information.

(in millions of Korean won)

	Receivables not past due <sup>1</sup>	Receivables past due but not impaired <sup>1</sup>	Impaired receivables <sup>2</sup>	Total
<b>September 30, 2020</b>				
(trade receivables)				
Gross carrying amount	4,892,058	533,707	3,996	5,429,761
Expected loss rate	0.0%	0.1%	59.6%	0.1%
Loss allowance provision	2,371	578	2,383	5,332
<b>December 31, 2019</b>				
(trade receivables)				
Gross carrying amount	3,005,591	729,226	9,237	3,744,054
Expected loss rate	0.1%	0.1%	31.3%	0.2%
Loss allowance provision	2,111	829	2,890	5,830

<sup>1</sup> See Note 7.(3) for aging analysis.

<sup>2</sup> Impaired receivables are those for which impairment indicators have been confirmed, such as significant lack of collectability.

Movements in the loss allowance provision for trade receivables for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

(in millions of Korean won)

	Trade receivables	
	September 30, 2020	December 31, 2019
<b>Beginning balance</b>	5,830	7,910
Increase in loss allowance recognized in profit or loss	(341)	(903)
Receivables written off as uncollectible	-	(1,164)
Exchange differences	(157)	(13)
<b>Ending balance</b>	<u>5,332</u>	<u>5,830</u>

As at September 30, 2020, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩ 5,429,761 million (December 31, 2019: ₩ 3,744,054 million).

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2) Other financial assets at amortized cost

Movements in loss allowance provision for other financial assets at amortized cost for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Other receivables</b>	
	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Beginning balance</b>	2,109	2,726
Increase in loss allowance recognized as 'other non-operating expenses' in profit or loss	2	(630)
Exchange differences	-	13
<b>Ending balance</b>	<b>2,111</b>	<b>2,109</b>

All of the financial assets at amortized costs are considered to have low credit risk, and the loss allowance recognized during the period was, therefore, limited to 12 months expected losses.

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

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

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

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

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

(3) Liquidity risk

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

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The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting period to the contractual maturity date. Cash flows presented below are gross cash flows before discount, and includes cash flows for interests.

(in millions of Korean won)

	September 30, 2020			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Borrowings (excluding lease liabilities)	2,632,383	1,931,524	5,075,545	2,338,901
Lease liabilities	49,588	31,305	40,207	58,846
Trade and other payables <sup>1</sup>	7,282,673	11,748	33	170
<b>Total</b>	<b>9,964,644</b>	<b>1,974,577</b>	<b>5,115,785</b>	<b>2,397,917</b>

(in millions of Korean won)

	December 31, 2019			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,463,659	1,445,986	4,060,071	1,976,074
Lease liabilities	64,481	41,132	79,703	114,050
Trade and other payables	6,522,664	10,787	43	121
<b>Total</b>	<b>8,050,804</b>	<b>1,497,905</b>	<b>4,139,817</b>	<b>2,090,245</b>

<sup>1</sup> Included ₩ 1,455,768 millions of financial liabilities due to a financial institution relating to reverse factoring arrangement. The Parent Company has entered into reverse factoring arrangement (interest rate CD 91 days + 0.95~1.41%) with a financial institution whereby suppliers receive payments from the financial institution on the due date of each invoice and the Parent Company pays to the financial institution at the end of extended credit period as agreed in the reverse factoring arrangement.

As at September 30, 2020, the Group has entered into swap contracts for which cash flow hedge accounting is applied, to avoid market price fluctuation of raw materials.

(in millions of Korean won)

	September 30, 2020				
	Purpose of the contracts	Hedged items	Financial institution	Maturity	Fair value
Merchandise (raw materials) swap <sup>1</sup>	Cash flow hedge	Non-ferrous metal	Citi bank	~2021. 12	15,811

Details of derivative assets and liabilities as at September 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	September 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Merchandise (raw materials) swap <sup>1</sup>	15,901	90	21,371	-
<b>Total</b>	<b>15,901</b>	<b>90</b>	<b>21,371</b>	<b>-</b>

<sup>1</sup> Gain (loss) resulting from the contracts to avoid cash flow fluctuation risk of expected future transaction is accounted for as accumulated other comprehensive income (Note 5).

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**3.2 Capital Risk Management**

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

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

The gearing ratio and debt-to-equity ratio as at September 30, 2020 and December 31, 2019, were as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Total borrowings (Note 14) (A)	11,365,283	8,414,268
Less: cash and cash equivalents (B)	(3,539,014)	(1,888,631)
Net debt (C=A+B)	<u>7,826,269</u>	<u>6,525,637</u>
Total liabilities (D)	21,198,289	16,640,637
Total equity (E)	<u>18,820,580</u>	<u>17,383,789</u>
Total capital (F=C+E)	<u>26,646,849</u>	<u>23,909,426</u>
Gearing ratio (C/F)	29.4%	27.3%
Debt-to-equity ratio (D/E)	112.6%	95.7%

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**3.3 Fair Value**

(1) Carrying amount and fair value of financial instruments by category as at September 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets (current)</b>				
Cash and cash equivalents	3,539,014	1	1,888,631	1
Deposits held by financial institutions	15,037	1	32,515	1
Trade receivables	5,392,744	1	3,738,224	1
Other receivables (excluding deposits held by financial institutions)	457,673	1	234,036	1
Current derivative financial assets	12,774	12,774	10,879	10,879
<b>Financial assets (non-current)</b>				
Deposits held by financial institutions	167,110	1	107,434	1
Trade receivables	31,685	1	-	-
Other receivables (excluding deposits held by financial institutions)	84,854	1	65,499	1
Other non-current financial assets (carried at fair value)				
Marketable financial assets	9,965	9,965	83,174	83,174
Non-marketable financial assets <sup>2</sup>	71,469	71,469	66,289	66,289
Non-current derivative financial assets	3,127	3,127	10,492	10,492
<b>Financial liabilities (current)</b>				
Trade and other payables	7,282,673	1	6,522,664	1
Current borrowings (excluding convertible bonds and lease liabilities)	2,027,477	1	1,300,989	1
Current borrowings (convertible bonds)	435,306	437,394	-	-
Current lease liabilities	46,295	3	55,108	3
Current derivative financial liabilities (forward contract)	90	90	-	-
Current derivative financial liabilities (conversion rights)	93,518	93,518	-	-
<b>Financial liabilities (non-current)</b>				
Non-current borrowings (excluding lease liabilities)	8,746,921	8,906,533	6,836,034	7,042,233
Non-current lease liabilities	109,284	3	222,137	3
Other non-current payables	11,951	1	10,951	1
Other non-current derivative financial liabilities (conversion rights)	-	-	930	930

<sup>1</sup> These financial assets and liabilities are not included in the disclosure above as their carrying amount is a reasonable approximation of the fair value.

<sup>2</sup> Acquisition costs of these financial assets approximate their fair values.

<sup>3</sup> Fair values for these financial assets and liabilities are not disclosed above in accordance with related Korean IFRS.

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

Fair values of financial liabilities (non-current) are based on cash outflows discounted by using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and the applied discount rates as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in percentage)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.97% ~ 2.02%	1.63% ~ 2.24%

(3) Fair value hierarchy

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

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

Fair value hierarchy classifications of the financial instruments that are measured at fair value or their fair value are disclosed as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets/liabilities measured at fair value</b>				
Other non-current financial assets (marketable financial assets)	9,965	-	-	9,965
Other non-current financial assets (non-marketable financial assets)	-	-	71,469	71,469
Current derivative financial assets	-	12,774	-	12,774
Non-current derivative financial assets	-	3,127	-	3,127
Current derivative financial liabilities (forward contract)	-	90	-	90
Current derivative financial liabilities (conversion rights)	-	-	93,518	93,518
<b>Financial assets/liabilities not measured at fair value</b>				
Current borrowings (convertible bonds)	-	-	437,394	437,394
Non-current borrowings (excluding lease liabilities)	-	8,906,533	-	8,906,533

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	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Financial assets/liabilities measured at fair value</b>				
Other non-current financial assets (marketable financial assets)	83,174	-	-	83,174
Other non-current financial assets (non-marketable financial assets)	-	-	66,289	66,289
Current derivative financial assets	-	10,879	-	10,879
Non-current derivative financial assets	-	10,492	-	10,492
Non-current financial liabilities (conversion rights)	-	-	930	930
<b>Financial assets/liabilities not measured at fair value</b>				
Non-current borrowings (excluding lease liabilities)	-	6,390,480	651,753	7,042,233

(4) Valuation technique and the inputs

Valuation techniques and inputs used in level 3 fair value measurements are as follows:

(in millions of Korean won)

	September 30, 2020				
	Fair value	Level	Valuation Technique	Inputs	Coverage of Level 3 inputs
<b>Financial liabilities – Convertible Bond</b>					
Convertible Bond	437,394	3	Binominal option pricing model	Annual rates of credit volatility	-0.5%p ~ +0.5%p
Equity Conversion Option	93,518	3	Binominal option pricing model	Annual rates of credit volatility Underlying asset (equity) volatility	-0.5%p ~ +0.5%p -5% ~ +5%

(in millions of Korean won)

	December 31, 2019				
	Fair value	Level	Valuation Technique	Inputs	Coverage of Level 3 inputs
<b>Financial liabilities – Convertible Bond</b>					
Convertible Bond	651,753	3	Binominal option pricing model	Annual rates of credit volatility	-0.5%p ~ +0.5%p
Equity Conversion Option	930	3	Binominal option pricing model	Annual rates of credit volatility Underlying asset (equity) volatility	-0.5%p ~ +0.5%p -5% ~ +5%

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(5) Sensitivity analysis for recurring fair value measurements categorized within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the most favorable or most unfavorable amounts are presented.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for convertible notes categorized as level 3 and subject to sensitivity analysis, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	
	<b>The effect on profit</b>	<b>The effect on loss</b>
<b>Financial liabilities</b>		
<b>– Convertible Bond</b>		
Annual rates of credit volatility	1,175	(1,186)
<b>Financial liabilities</b>		
<b>– Equity Conversion Option</b>		
Annual rates of credit volatility	536	(540)
Underlying asset (equity) volatility	2,589	(2,586)
 <i>(in millions of Korean won)</i>		
	<b>December 31, 2019</b>	
	<b>The effect on profit</b>	<b>The effect on loss</b>
<b>Financial liabilities</b>		
<b>– Convertible Bond</b>		
Annual rates of credit volatility	4,130	(4,177)
<b>Financial liabilities</b>		
<b>– Equity Conversion Option</b>		
Annual rates of credit volatility	112	(107)
Underlying asset (equity) volatility	497	(580)

**4. Critical Accounting Estimates and Assumptions**

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

Significant accounting estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2019, except for the estimates used to determine income tax expense.

During 2020, the spread of Coronavirus Disease 19 ("COVID-19") has a material impact on domestic and foreign economy. Accordingly, it may have an impact on the financial position and financial performance of the Group, and such impact is expected to continue on the consolidated financial statements in 2020.

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on the changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot be determined at this time.

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**5. Financial Instruments by Category**

Categorizations of financial instruments as at September 30, 2020 and December 31, 2019, are as follows:

*(in millions of Korean won)*

Financial assets	September 30, 2020				Total
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Other financial assets <sup>1</sup>	
Cash and cash equivalents	3,539,014	-	-	-	3,539,014
Trade receivables	4,671,806	-	720,938	-	5,392,744
Non-current trade receivables	31,685	-	-	-	31,685
Other receivables	318,084	-	154,627	-	472,711
Other non-current receivables	251,964	-	-	-	251,964
Other current financial assets	-	-	-	12,774	12,774
Other non-current financial assets	-	28,210	53,224	3,127	84,561
<b>Total</b>	<b>8,812,553</b>	<b>28,210</b>	<b>928,789</b>	<b>15,901</b>	<b>9,785,453</b>

*(in millions of Korean won)*

Financial liabilities	September 30, 2020			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities <sup>2</sup>	
Trade payables	-	2,858,768	-	2,858,768
Other payables	-	4,423,905	-	4,423,905
Borrowings (current)	-	2,462,783	46,295	2,509,078
Other current financial liabilities	93,518	-	90	93,608
Other non-current payables	-	11,951	-	11,951
Borrowings (non-current)	-	8,746,921	109,284	8,856,205
<b>Total</b>	<b>93,518</b>	<b>18,504,328</b>	<b>155,669</b>	<b>18,753,515</b>

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	December 31, 2019				Total
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
<b>Financial assets</b>					
Cash and cash equivalents	1,888,631	-	-	-	1,888,631
Trade receivables	3,114,376	-	623,848	-	3,738,224
Other receivables	259,204	-	7,347	-	266,551
Other non-current receivables	172,933	-	-	-	172,933
Other current financial assets	-	-	-	10,879	10,879
Other non-current financial assets	-	24,613	124,850	10,492	159,955
<b>Total</b>	<b>5,435,144</b>	<b>24,613</b>	<b>756,045</b>	<b>21,371</b>	<b>6,237,173</b>

(in millions of Korean won)

	December 31, 2019			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities <sup>2</sup>	
<b>Financial liabilities</b>				
Trade payables	-	2,379,711	-	2,379,711
Other payables	-	4,142,953	-	4,142,953
Borrowings (current)	-	1,300,989	55,108	1,356,097
Other non-current financial liabilities	930	-	-	930
Other non-current payables	-	10,951	-	10,951
Borrowings (non-current)	-	6,836,034	222,137	7,058,171
<b>Total</b>	<b>930</b>	<b>14,670,638</b>	<b>277,245</b>	<b>14,948,813</b>

<sup>1</sup> Other financial assets include derivative assets that are not subject to the categorizations.

<sup>2</sup> Other financial liabilities include lease liabilities and derivative liabilities that are not subject to the categorizations.

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Net gains or losses on each category of financial instruments for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
<b>Dividend income</b>				
Financial assets at fair value through other comprehensive income	-	12	1,267	1,316
<b>Interest income</b>				
Financial assets at amortized cost	7,950	28,804	8,070	36,414
<b>Interest expense</b>				
Financial liabilities at amortized cost	(62,265)	(190,840)	(57,641)	(150,954)
Other financial liabilities	(2,798)	(7,152)	(684)	(1,977)
Financial assets at amortized cost <sup>1</sup>	4	(875)	(636)	(3,236)
Financial assets at fair value through other comprehensive income <sup>1</sup>	(141)	(2,469)	(824)	(6,333)
<b>Gain (loss) on valuation</b>				
Financial assets at fair value through profit or loss	-	-	89	167
Financial assets at fair value through other comprehensive income	(6,993)	6,419	7,317	6,487
Derivative instruments	(94,239)	(173,865)	62,386	97,202
<b>Exchange differences</b>				
Financial assets at amortized cost	(107,819)	18,410	150,604	249,305
Financial liabilities at amortized cost	75,961	(257,184)	(235,463)	(315,702)
Other financial liabilities	(5,911)	(11,469)	461	38

<sup>1</sup> Fees paid to financial institutions for factoring.

**6. Cash and Cash Equivalents**

Details of cash and cash equivalents as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Bank deposits and cash on hand	1,519,899	902,764
Deposits held by financial institutions and others	2,019,115	985,867
<b>Total</b>	<b>3,539,014</b>	<b>1,888,631</b>

As at September 30, 2020, cash and cash equivalents include ₩ 5,054 million which is subject to a restriction on the use in association with the national R&D projects.

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**September 30, 2020 and 2019 (Unaudited), and December 31, 2019**

**7. Trade and Other Receivables**

Trade and other receivables and its provisions for impairment, as at September 30, 2020 and December 31, 2019, are as follows:

*(in millions of Korean won)*

	<b>September 30, 2020</b>		
	<b>Gross amount</b>	<b>Provision for impairment</b>	<b>Carrying amount</b>
Trade receivables	5,398,076	(5,332)	5,392,744
Non-current trade receivables	31,685	-	31,685
Other current receivables	474,821	(2,111)	472,710
Other non-current receivables	251,964	-	251,964
<b>Total</b>	<b>6,156,546</b>	<b>(7,443)</b>	<b>6,149,103</b>

*(in millions of Korean won)*

	<b>December 31, 2019</b>		
	<b>Gross amount</b>	<b>Provision for impairment</b>	<b>Carrying amount</b>
Trade receivables	3,744,054	(5,830)	3,738,224
Other current receivables	268,660	(2,109)	266,551
Other non-current receivables	172,933	-	172,933
<b>Total</b>	<b>4,185,647</b>	<b>(7,939)</b>	<b>4,177,708</b>

Details of other receivables as at September 30, 2020 and December 31, 2019, are as follows:

*(in millions of Korean won)*

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Non-trade receivables	411,115	195,182
Deposits held by financial institutions	15,037	32,515
Accrued income	2,867	2,317
Guarantee deposits provided	43,691	36,537
	<u>472,710</u>	<u>266,551</u>
<b>Non-current</b>		
Non-trade receivables	24,910	-
Deposits held by financial institutions <sup>1</sup>	167,110	107,434
Loans	874	677
Guarantee deposits provided	59,070	64,822
	<u>251,964</u>	<u>172,933</u>
<b>Total</b>	<b><u>724,674</u></b>	<b><u>439,484</u></b>

<sup>1</sup> As at September 30, 2020, ₩ 166,100 million (2019: ₩ 106,600 million) is restricted from being withdrawn in relation to large, small and medium-sized companies cooperation agreement and others. In addition, ₩ 984 million is restricted from withdrawal in connection with maintaining checking accounts (2019: ₩ 808 million).

**LG Chem, Ltd. and Subsidiaries**  
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The aging analysis of trade and other receivables as at September 30, 2020 and December 31, 2019, is as follows:

(in millions of Korean won)

	September 30, 2020		December 31, 2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
<b>Receivables not past due</b>	4,892,058	703,923	3,005,591	378,107
<b>Past due but not impaired</b>				
Up to 3 months	338,007	16,177	554,620	43,891
Between 3-6 months	128,581	2,820	153,457	7,107
Over 6 months	67,119	1,754	21,149	5,578
	533,707	20,751	729,226	56,576
<b>Impaired receivables</b>	3,996	2,111	9,237	6,910
<b>Total</b>	5,429,761	726,785	3,744,054	441,593

Movements on the provision for impairment of trade and other receivables for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

(in millions of Korean won)

	September 30, 2020			
	Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current
<b>Beginning balance</b>	5,830	-	2,109	-
Additions (reversal)	(341)	-	2	-
Write-off	-	-	-	-
Exchange differences	(157)	-	-	-
<b>Ending balance</b>	5,332	-	2,111	-

(in millions of Korean won)

	December 31, 2019			
	Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current
<b>Beginning balance</b>	7,910	-	2,726	-
Reversal	(903)	-	(630)	-
Write-off	(1,164)	-	-	-
Exchange differences	(13)	-	13	-
<b>Ending balance</b>	5,830	-	2,109	-

As at September 30, 2020 and December 31, 2019, the carrying amounts of trade and other receivables are approximation of their fair values.

The Group transferred trade and other receivables to financial institutions for ₩ 127,679 million at September 30, 2020, and derecognized the trade and other receivables from the financial statements at the date of disposal, as substantial all the risks and rewards were transferred.

**LG Chem, Ltd. and Subsidiaries**  
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**8. Other Financial Assets and Liabilities**

Details of other financial assets and liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Other financial assets</b>		
Derivative financial assets (forward contract) (current)	12,774	10,879
Financial assets at fair value through other comprehensive income (excluding forward contract) (non-current)	53,224	124,850
Derivative financial assets (forward contract) (non-current)	3,127	10,492
Financial assets at fair value through profit or loss (excluding forward contract) (non-current)	28,210	24,613
	<u>97,335</u>	<u>170,834</u>
<b>Other financial liabilities</b>		
Derivative financial liabilities (forward contract) (current)	90	-
Financial liabilities at fair value through profit or loss (conversion rights) (current)	93,518	-
Financial liabilities at fair value through profit or loss (conversion rights) (non-current)	-	930
	<u>93,608</u>	<u>930</u>

Changes in equity securities and debts instruments included in other financial assets for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Beginning balance</b>	149,463	93,350
Acquisitions / transfer	10,820	23,572
Disposals	(85,481)	(2,873)
Gain on valuation (before income tax effects) through other comprehensive income	6,419	35,315
Others	213	99
<b>Ending balance</b>	<u>81,434</u>	<u>149,463</u>

During the nine-month period ended September 30, 2020 and the year ended December 31, 2019, the Group did not recognize impairment for other financial assets.

**LG Chem, Ltd. and Subsidiaries**  
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**9. Inventories**

Details of inventories as at September 30, 2020 and December 31, 2019, are as follows:

*(in millions of Korean won)*

	<b>September 30, 2020</b>		
	<b>Gross amount</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Merchandise	141,408	(6,797)	134,611
Finished / Semi-finished products	2,912,259	(99,090)	2,813,169
Work-in-process	13,986	-	13,986
Raw materials	1,215,755	(25,759)	1,189,996
Supplies	191,627	-	191,627
Materials-in-transit	584,672	-	584,672
<b>Total</b>	<b>5,059,707</b>	<b>(131,646)</b>	<b>4,928,061</b>

*(in millions of Korean won)*

	<b>December 31, 2019</b>		
	<b>Gross amount</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Merchandise	179,572	(4,880)	174,692
Finished / Semi-finished products	2,821,981	(134,101)	2,687,880
Work-in-process	11,561	-	11,561
Raw materials	1,213,481	(18,669)	1,194,812
Supplies	177,535	-	177,535
Materials-in-transit	787,241	-	787,241
<b>Total</b>	<b>5,191,371</b>	<b>(157,650)</b>	<b>5,033,721</b>

During the nine-month period ended September 30, 2020, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 12,332,606 million (2019: ₩ 12,314,013 million).

**LG Chem, Ltd. and Subsidiaries**  
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**10. Investments in Associates and Joint Ventures**

Changes in investments in associates and joint ventures for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

(in millions of  
Korean won)

	September 30, 2020							
	Beginning balance	Acquisitions / transfer	Dividends	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures	Impairment / disposals	Others	Ending balance
LG VINA Chemical Co., Ltd.	4,403	-	-	888	18	-	-	5,309
HL Greenpower Co., Ltd.	23,366	-	-	(1,927)	-	-	8	21,447
LG Holdings (HK) Ltd. <sup>1</sup>	40,973	-	-	436	(369)	(41,040)	-	-
TECHWIN Co., Ltd.	19,376	-	(314)	(1,278)	-	-	-	17,784
SEETEC Co., Ltd	142,554	-	(10,000)	5,453	-	-	151	138,158
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	-	579
LG Chem Malaysia SDN.BHD	150	-	-	-	-	-	-	150
FJ Composite Materials Co., LTD.	2,171	-	-	(108)	(43)	-	870	2,890
WUXI CL New Energy Technology Ltd <sup>2</sup>	-	-	-	-	-	-	-	-
LG Life Sciences Poland Ltd.	17	-	-	-	-	-	-	17
Combustion Synthesis Co., Ltd.	2,042	-	-	(40)	(56)	-	102	2,048
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD <sup>3</sup>	67,058	13,612	-	227	2,590	-	-	83,487
VINFAST LITHIUM BATTERY PACK LLC.	4,888	-	-	(332)	85	-	-	4,641
Jiangxi VL Battery Co, Ltd. <sup>4</sup>	-	2,296	-	-	-	-	-	2,296
	<u>307,577</u>	<u>15,908</u>	<u>(10,314)</u>	<u>3,319</u>	<u>2,225</u>	<u>(41,040)</u>	<u>1,131</u>	<u>278,806</u>

**LG Chem, Ltd. and Subsidiaries**  
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(in millions of  
Korean won)

	December 31, 2019							Ending balance
	Beginning balance	Acquisitions / transfer	Dividends	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures	Impairment / disposals	Others	
LG VINA Chemical Co., Ltd.	4,479	-	-	(348)	272	-	-	4,403
HL Greenpower Co., Ltd.	19,565	-	-	3,919	-	-	(118)	23,366
LG Holdings (HK) Ltd.	54,735	-	-	3,993	(1,967)	-	(15,788)	40,973
TECHWIN Co., Ltd.	9,828	-	-	9,563	(15)	-	-	19,376
SEETEC Co., Ltd	145,649	-	(10,000)	6,919	-	-	(14)	142,554
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	-	579
LG Chem Malaysia SDN.BHD	150	-	-	-	-	-	-	150
FJ Composite Materials Co., LTD.	2,315	-	-	(240)	96	-	-	2,171
WUXI CL New Energy Technology Ltd.	1,288	-	-	(1,336)	48	-	-	-
LG Life Sciences Poland Ltd.	17	-	-	-	-	-	-	17
Combustion Synthesis Co., Ltd.	1,397	645	-	(289)	220	-	69	2,042
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.	26,120	41,202	-	222	(486)	-	-	67,058
VINFAST LITHIUM BATTERY PACK LLC.	-	5,323	-	(192)	(243)	-	-	4,888
	<u>266,122</u>	<u>47,170</u>	<u>(10,000)</u>	<u>22,211</u>	<u>(2,075)</u>	<u>-</u>	<u>(15,851)</u>	<u>307,577</u>

<sup>1</sup> During the nine-month period ended September 30, 2020, LG Holdings (HK) Ltd. was liquidated.

<sup>2</sup> As at September 30, 2020, the Group discontinued recognizing its share of further losses as its share of losses of an associate exceeds the carrying amount of its interest in the associate. Unrecognized accumulated losses amounted to ₩ 237 million.

<sup>3</sup> During the nine-month period ended September 30, 2020, the Parent Company acquired additional shares of HUAJIN NEW ENERGY MATERIALS(QUZHOU)CO., LTD. for ₩ 13,612 million.

<sup>4</sup> During the nine-month period ended September 30, 2020, the Parent Company newly acquired 34% shares of Jiangxi VL Battery Co., Ltd. for ₩ 2,296 million.

**LG Chem, Ltd. and Subsidiaries**  
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**11. Property, Plant and Equipment**

Changes in property, plant and equipment for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

(in millions of Korean won)	September 30, 2020											
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Right-of- use assets	Construction -in-progress	Machinery -in-transit	Total
<b>Beginning balance</b>	1,759,528	3,890,961	957,739	6,348,867	6,261	601,958	163,470	175,122	319,620	4,210,088	160,028	18,593,642
Cost	1,796,480	4,769,924	1,583,401	17,044,880	33,056	1,457,840	467,293	378,823	380,814	4,300,788	160,028	32,373,327
Accumulated depreciation	-	(839,904)	(609,282)	(10,486,289)	(26,648)	(843,955)	(301,041)	(197,978)	(61,119)	-	-	(13,366,216)
Accumulated impairment	(36,952)	(39,059)	(16,380)	(209,724)	(147)	(11,927)	(2,782)	(5,723)	(75)	(90,700)	-	(413,469)
Acquisitions/ transfer	12,852	1,032,734	92,729	2,172,328	3,751	196,771	53,211	26,332	54,487	3,796,789	205,513	7,647,497
Disposals/ transfer	(529)	(17,915)	(918)	(17,164)	(1)	(8,743)	(207)	(1,979)	(7,871)	(3,950,320)	(57,683)	(4,063,330)
Exchange differences	(628)	77,144	5,149	52,608	(39)	3,635	1,813	-	11,490	(19,907)	-	131,265
Depreciation	-	(107,088)	(45,087)	(1,096,232)	(1,743)	(141,116)	(37,995)	(65,597)	(52,698)	-	-	(1,547,556)
Impairment	-	(1,969)	(6,859)	(32,188)	-	(10,132)	(57)	(195)	(11)	(1,768)	(259)	(53,438)
Reversal of impairment	-	-	-	-	-	-	-	-	-	220	-	220
Transfer to assets held for sale	-	(69,049)	(4,953)	(323,306)	(30)	(11,049)	(8,864)	-	(122,530)	(11,459)	-	(551,240)
<b>Ending balance</b>	<b>1,771,223</b>	<b>4,804,818</b>	<b>997,800</b>	<b>7,104,913</b>	<b>8,199</b>	<b>631,324</b>	<b>171,371</b>	<b>133,683</b>	<b>202,487</b>	<b>4,023,643</b>	<b>307,599</b>	<b>20,157,060</b>
Cost	1,808,175	5,748,049	1,676,454	18,433,828	35,100	1,576,698	496,433	400,644	307,836	4,105,132	307,599	34,895,948
Accumulated depreciation	-	(904,311)	(655,258)	(11,090,333)	(26,780)	(925,488)	(322,230)	(261,043)	(105,336)	-	-	(14,290,779)
Accumulated impairment	(36,952)	(38,920)	(23,396)	(238,582)	(121)	(19,886)	(2,832)	(5,918)	(13)	(81,489)	-	(448,109)

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(in millions of Korean won)	December 31, 2019											
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Right-of- use assets	Construction -in-progress	Machinery -in-transit	Total
<b>Beginning balance</b>	1,620,153	3,187,757	827,775	4,691,884	12,865	471,130	149,599	115,901	-	2,588,018	174,116	13,839,198
Cost	1,657,105	3,959,198	1,407,903	14,412,619	41,803	1,233,217	420,342	315,049	-	2,641,276	174,116	26,262,628
Accumulated depreciation	-	(735,173)	(566,151)	(9,564,688)	(28,783)	(750,202)	(268,298)	(196,996)	-	-	-	(12,110,291)
Accumulated impairment	(36,952)	(36,268)	(13,977)	(156,047)	(155)	(11,885)	(2,445)	(2,152)	-	(53,258)	-	(313,139)
Changes in accounting policies	-	-	(17,697)	(9,668)	-	-	-	-	175,599	-	-	148,234
<b>Restated beginning balance</b>	1,620,153	3,187,757	810,078	4,682,216	12,865	471,130	149,599	115,901	175,599	2,588,018	174,116	13,987,432
Acquisitions/ Transfer	150,097	841,640	207,263	3,053,495	6,021	311,322	62,487	144,766	180,963	6,767,527	195,797	11,921,378
Disposals/ Transfer	(10,846)	(40,096)	(3,436)	(92,420)	(10,139)	(15,174)	(2,776)	(173)	(3,890)	(5,117,686)	(208,708)	(5,505,344)
Exchange differences	124	18,966	1,665	20,526	30	2,012	613	-	2,380	11,305	-	57,621
Depreciation	-	(114,179)	(55,546)	(1,221,114)	(2,518)	(166,457)	(46,032)	(81,801)	(35,357)	-	-	(1,723,004)
Impairment	-	(3,139)	(2,297)	(74,968)	-	(828)	(429)	(3,571)	(75)	(39,076)	(1,177)	(125,560)
Reversal of impairment	-	12	12	181	2	-	8	-	-	-	-	215
Transfer to assets held for sale	-	-	-	(19,049)	-	(47)	-	-	-	-	-	(19,096)
<b>Ending balance</b>	<b>1,759,528</b>	<b>3,890,961</b>	<b>957,739</b>	<b>6,348,867</b>	<b>6,261</b>	<b>601,958</b>	<b>163,470</b>	<b>175,122</b>	<b>319,620</b>	<b>4,210,088</b>	<b>160,028</b>	<b>18,593,642</b>
Cost	1,796,480	4,769,924	1,583,401	17,044,880	33,056	1,457,840	467,293	378,823	380,814	4,300,788	160,028	32,373,327
Accumulated depreciation	-	(839,904)	(609,282)	(10,486,289)	(26,648)	(843,955)	(301,041)	(197,978)	(61,119)	-	-	(13,366,216)
Accumulated impairment	(36,952)	(39,059)	(16,380)	(209,724)	(147)	(11,927)	(2,782)	(5,723)	(75)	(90,700)	-	(413,469)

During the nine-month period ended September 30, 2020, the Group capitalized ₩ 32,292 million of borrowing costs (2019: ₩ 18,276 million) in relation to acquisition of property, plant and equipment, on property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 1.43% (2019: 2.31%).

Line items including depreciation in the consolidated interim statements of profit or loss for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)	2020		2019	
	Three months	Nine months	Three months	Nine months
Cost of sales	487,360	1,359,226	391,407	1,084,385
Selling and administrative expenses	48,679	141,192	37,580	109,774
Others	744	1,878	1,363	3,801
Discontinued operations	1,280	45,260	16,732	51,281
<b>Total</b>	<b>538,063</b>	<b>1,547,556</b>	<b>447,082</b>	<b>1,249,241</b>

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*Lease*

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

The consolidated interim statement of financial position shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Right-of-use assets <sup>1</sup>		
Real-estate	150,561	272,958
Machinery	27,493	23,041
Vehicles	19,914	22,425
Tools	3,747	162
Equipment	772	1,034
	<u>202,487</u>	<u>319,620</u>

<sup>1</sup> Included in the line item 'Property, plant and equipment' in the consolidated statements of financial position.

Additions to the right-of-use assets during the nine-month period ended September 30, 2020, were ₩ 54,487 million.

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Lease liabilities <sup>1</sup>		
Current	46,295	55,108
Non-current	109,284	222,137
	<u>155,579</u>	<u>277,245</u>

<sup>1</sup> Included in the line item 'borrowings' in the consolidated statements of financial position.

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

The consolidated interim statement of profit or loss shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Depreciation of right-of-use assets		
Real-estate	37,743	11,886
Machinery	3,632	2,505
Vehicles	10,359	6,328
Tools	590	10
Equipment	374	589
	<u>52,698</u>	<u>21,318</u>
Interest expense relating to lease liabilities (included in finance cost)	7,152	1,977
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	26,440	36,887
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	13,052	8,036
Expense relating to variable lease payments not included in lease liabilities (included in cost of goods sold and administrative expenses)	-	16

The total cash outflow for leases during the nine-month period ended September 30, 2020, was ₩ 92,782 million.

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**12. Intangible Assets**

Changes in intangible assets for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>					
	<b>Development costs</b>	<b>Industrial property rights</b>	<b>Goodwill</b>	<b>Memberships</b>	<b>Others</b>	<b>Total</b>
<b>Beginning balance</b>	269,596	569,129	1,010,534	47,329	309,641	2,206,229
Separate acquisitions/ transfer	171,842	89,540	-	867	44,077	306,326
Additions – internal development	4,516	-	-	-	-	4,516
Disposals/transfer	(1,404)	(3,160)	-	(695)	(8,016)	(13,275)
Exchange differences	(112)	(688)	2,406	18	830	2,454
Amortization	(59,264)	(35,674)	-	-	(31,199)	(126,137)
Impairment	(19)	(1,447)	-	-	(7)	(1,473)
Transfer to assets held for sale (Note 34)	(2,956)	(5,123)	-	-	(11)	(8,090)
<b>Ending balance</b>	<b>382,199</b>	<b>612,577</b>	<b>1,012,940</b>	<b>47,519</b>	<b>315,315</b>	<b>2,370,550</b>

<i>(in millions of Korean won)</i>	<b>December 31, 2019</b>					
	<b>Development costs</b>	<b>Industrial property rights</b>	<b>Goodwill</b>	<b>Memberships</b>	<b>Others</b>	<b>Total</b>
<b>Beginning balance</b>	220,860	405,282	1,017,855	50,885	311,356	2,006,238
Separate acquisitions/ transfer <sup>1</sup>	134,414	215,545	-	66	63,803	413,828
Additions – internal development	17,170	-	-	-	-	17,170
Disposals/transfer	(18,372)	(4,456)	-	(3,635)	(12,439)	(38,902)
Exchange differences	260	60	4,294	13	1,888	6,515
Amortization	(52,593)	(43,713)	-	-	(40,564)	(136,870)
Impairment	(32,143)	(3,589)	(11,615)	-	(14,403)	(61,750)
<b>Ending balance</b>	<b>269,596</b>	<b>569,129</b>	<b>1,010,534</b>	<b>47,329</b>	<b>309,641</b>	<b>2,206,229</b>

<sup>1</sup> Intangible assets acquired from Dupont related to S-OLED are included.

Line items including amortization of intangible assets for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Cost of sales	11,142	29,997	7,679	20,472
Selling and administrative expenses	35,955	95,726	27,869	76,376
Discontinued operations	12	414	191	571
<b>Total</b>	<b>47,109</b>	<b>126,137</b>	<b>35,739</b>	<b>97,419</b>

The Group recognized total research and development costs of ₩ 809,360 million (2019: ₩ 796,317 million) as expenses.

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Changes in greenhouse gas emission permits for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in thousands of tons and millions of Korean won)</i>	<b>September 30, 2020</b>			
	<b>2019</b>		<b>2020</b>	
	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>
<b>Beginning balance</b>	7,656	4,375	7,546	-
Allocation with nil consideration	898	-	2	-
Purchase/Sale	138	3,525	-	-
Borrowings/Carry forwards between years	41	-	(41)	-
Surrendered to the government	(8,733)	(7,900)	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>	<b>7,507</b>	<b>-</b>

<i>(in thousands of tons and millions of Korean won)</i>	<b>December 31, 2019</b>					
	<b>2018</b>		<b>2019</b>		<b>2020</b>	
	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>
<b>Beginning balance</b>	7,903	7,359	7,546	-	-	-
Allocation with nil consideration	245	-	-	-	7,546	-
Purchase/Sale	100	2,790	130	4,375	-	-
Borrowings/Carry forwards between years	20	-	(20)	-	-	-
Surrendered to the government	(8,268)	(10,149)	-	-	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>	<b>7,656</b>	<b>4,375</b>	<b>7,546</b>	<b>-</b>

**13. Other Current and Non-Current Assets**

Details of other current and non-current assets as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Prepayments to suppliers and prepaid expenses	158,721	106,380
Prepaid value added tax	483,003	545,668
Others	90,804	141,748
<b>Total</b>	<b>732,528</b>	<b>793,796</b>
<b>Non-current</b>		
Long-term prepayments and long-term prepaid expenses	150,893	144,336
Others	100	96
<b>Total</b>	<b>150,993</b>	<b>144,432</b>

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**14. Borrowings**

Borrowings as at September 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Short-term borrowings	1,315,775	771,102
Current portion of long-term borrowings of bank loans	471,802	309,944
Current-portion of debentures	675,206	219,943
Finance lease liabilities	46,295	55,108
	<u>2,509,078</u>	<u>1,356,097</u>
<b>Non-current</b>		
Long-term borrowings	3,270,923	1,536,821
Debentures	5,475,998	5,299,213
Lease liabilities	109,284	222,137
	<u>8,856,205</u>	<u>7,058,171</u>
<b>Total</b>	<u>11,365,283</u>	<u>8,414,268</u>

Details of short-term borrowings as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Bank</b>	<b>Latest maturity date</b>	<b>Interest rate(%) as at September 30, 2020</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Bank loans	Nonghyup Bank, others	May 21, 2021	2.60 and others	1,315,775	771,102
<b>Total</b>				<u>1,315,775</u>	<u>771,102</u>

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Details of long-term borrowings as at September 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)	September 30, 2020				
	Bank	Annual interest rate (%)	Amount in Korean won	Current	Non-current
<b>Borrowings in Korean won</b>	KDB <sup>1</sup>	(1Y) + 1.45 ~ 1.99	6,850	2,160	4,690
	Kookmin Bank	24M MOR + 1.89	2,000	-	2,000
<b>Borrowings in foreign currencies</b>	HSBC	USD: 3M LIBOR + 0.95 ~ 1.40 CNY: PBOC × 0.95	154,381	56,804	97,577
	SMBC	3M LIBOR + 0.65 ~ 1.05	239,837	37,143	202,694
	Agricultural Bank of China	USD: 3M LIBOR + 0.80 CNY: PBOC × 0.90	20,878	4,204	16,674
	Construction Bank of China	PBOC × 0.90	89,247	26,046	63,201
	Communications Bank of China	PBOC × 1.00	5,845	5,845	-
	CITI	USD: 3M LIBOR + 0.95 EUR: EURIBOR + 0.65	244,831	42,137	202,694
	ING	6M EURIBOR + 0.70 ~ 0.83	162,155	-	162,155
	UOB	6M LIBOR + 1.20	58,533	58,533	-
	Standard Chartered Bank	USD: 3M LIBOR + 1.20 CNY: PBOC × 0.95	110,103	84,318	25,785
	CNOOC Finance	PBOC × 0.90	13,752	3,438	10,314
	EBRD	6M EURIBOR + 0.62	337,824	-	337,824
	Bank of China	3M LIBOR + 0.95	12,205	12,205	-
	MUFG	USD: 3M LIBOR + 1.00 EUR: 3M EURIBOR + 0.60 ~ 0.80	176,081	5,850	170,231
	Industrial and Commercial Bank of China	PBOC × 1.00	49,544	9,708	39,836
	CIMB	3M LIBOR + 1.50	52,677	52,677	-
	Hana Bank	3M EURIBOR + 0.62	270,259	-	270,259
KDB	USD: 3M LIBOR + 0.80 ~ 0.93 CNY: 4.13% EUR: 6M EURIBOR + 1.50	469,816	34,506	435,310	
The Export-Import Bank of Korea	6M LIBOR + 1.50	297,285	-	297,285	
NongHyup Bank	6M LIBOR + 1.50	148,642	-	148,642	
Deutsche Bank	PBOC × 0.84	36,228	36,228	-	
EIB	3M EURIBOR + 0.47	648,622	-	648,622	
DBS	6M EURIBOR + 0.60	135,130	-	135,130	
<b>Total</b>			<b>3,742,725</b>	<b>471,802</b>	<b>3,270,923</b>

<sup>1</sup> Manufacturing facilities are pledged as collateral for the above long-term borrowings (Note 18).

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(in millions of Korean won)	December 31, 2019				
	Bank	Annual interest rate (%)	Amount in Korean won	Current	Non-current
<b>Borrowings in Korean won</b>	KDB <sup>1</sup>	(1Y)+1.45~1.99	7,607	986	6,621
	Kookmin Bank	24M MOR+1.89	1,188	-	1,188
<b>Borrowings in foreign currencies</b>	HSBC	USD: 3M LIBOR +0.95~1.40 CNY: PBOC ×0.95	87,958	14,974	72,984
	SMBC	3M LIBOR + 0.65~1.05	71,822	9,171	62,651
	Agricultural Bank of China	USD: 3M LIBOR + 0.80 CNY: PBOC ×0.90	33,594	10,059	23,535
	Construction Bank of China	PBOC ×0.90	37,146	7,146	30,000
	Communications Bank of China	PBOC ×1.00	38,576	5,800	32,776
	CITI	USD: 3M LIBOR + 0.95 EUR: EURIBOR + 0.65	279,935	43,574	236,361
	Bank of America	3M LIBOR + 0.90	17,367	-	17,367
	ING	6M EURIBOR + 0.70~0.83	155,795	-	155,795
	UOB	6M LIBOR + 1.20	111,664	111,664	-
	Standard Chartered Bank	USD: 3M LIBOR + 1.20 CNY: PBOC ×0.95	107,534	12,431	95,103
	Mizuho Banking Corporation	3M LIBOR + 0.98	31,180	6,929	24,251
	CNOOC Finance	PBOC ×0.90	33,148	23,204	9,944
	EBRD	6M EURIBOR + 0.62	129,829	-	129,829
	Hangseng	3M LIBOR + 1.00	29,483	29,483	-
	Bank of China	3M LIBOR + 0.95	18,298	12,487	5,811
	MUFG	USD: 3LIBOR + 1.00 EUR:3M EURIBOR + 0.60~0.80	173,165	5,778	167,387
	Industrial and Commercial Bank of China	PBOC ×1.00	43,579	5,801	37,778
CIMB	3LIBOR + 1.50	57,809	5,781	52,028	
KEB Hana Bank	3M EURIBOR + 0.62	259,658	-	259,658	
KDB	3M LIBOR + 0.93	30,182	3,018	27,164	
Deutsche Bank	PBOC×0.84	90,248	1,658	88,590	
<b>Total</b>			<b>1,846,765</b>	<b>309,944</b>	<b>1,536,821</b>

<sup>1</sup> Manufacturing facilities are pledged as collateral for the above long-term borrowings (Note 18).

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Details of debentures as at September 30, 2020 and December 31, 2019, are as follows:

		September 30, 2020				
		Annual interest rate (%)	Latest maturity date	Amount in Korean won	Current	Non-current
<i>(in millions of Korean won)</i>						
	Financial institution					
<b>50-2<sup>nd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.28	2022.5.19	400,000	-	400,000
<b>50-3<sup>rd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.53	2024.5.19	280,000	-	280,000
<b>51-1<sup>st</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.56	2021.2.20	190,000	190,000	-
<b>51-2<sup>nd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.88	2023.2.20	240,000	-	240,000
<b>51-3<sup>rd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	3.07	2025.2.20	270,000	-	270,000
<b>51-4<sup>th</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	3.29	2028.2.20	300,000	-	300,000
<b>52-1<sup>st</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.02	2022.3.13	160,000	-	160,000
<b>52-2<sup>nd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.11	2024.3.13	240,000	-	240,000
<b>52-3<sup>rd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.21	2026.3.13	200,000	-	200,000
<b>52-4<sup>th</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.40	2029.3.13	400,000	-	400,000
<b>53-1<sup>st</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	1.57	2023.2.19	350,000	-	350,000
<b>53-2<sup>nd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	1.65	2025.2.19	250,000	-	250,000
<b>53-3<sup>rd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	1.72	2027.2.19	50,000	-	50,000
<b>53-4<sup>th</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	1.91	2030.2.19	250,000	-	250,000
<b>1-1<sup>st</sup> USD Overseas Convertible bonds<sup>1,3</sup></b>	Credit Suisse	-	2020.10.7	8,449	8,449	-
<b>1-2<sup>nd</sup> EUR Overseas Convertible bonds<sup>2,3</sup></b>	Credit Suisse	-	2021.4.16	431,367	431,367	-
<b>USD foreign currency debenture with maturity in 2024</b>	CITI and others	3.25	2024.10.15	586,750	-	586,750
<b>USD foreign currency debenture with maturity in 2029</b>	CITI and others	3.63	2029.4.15	586,750	-	586,750
<b>EUR foreign currency debenture with maturity in 2023</b>	CITI and others	0.50	2023.4.15	684,710	-	684,710
<b>Debentures in Korean won (non-guaranteed)</b>	NH Investment & Securities Co., Ltd. and others	2.26	2022.2.16	100,000	-	100,000
	NH Investment & Securities Co., Ltd. and others	2.71	2021.3.02	50,000	50,000	-
	NH Investment & Securities Co., Ltd. and others	3.00	2023.3.02	40,000	-	40,000
	NH Investment & Securities Co., Ltd. and others	1.95	2023.2.14	80,000	-	80,000
	NH Investment & Securities Co., Ltd. and others	2.22	2025.2.14	30,000	-	30,000
Less: discount on debentures				(26,822)	(4,610)	(22,212)
<b>Total</b>				<u>6,151,204</u>	<u>675,206</u>	<u>5,475,998</u>

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		December 31, 2019				
	Financial institution	Annual interest rate (%)	Latest maturity date	Amount in Korean won	Current	Non-current
<b>50-1<sup>st</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	1.95	2020.5.19	120,000	120,000	-
<b>50-2<sup>nd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.28	2022.5.19	400,000	-	400,000
<b>50-3<sup>rd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.53	2024.5.19	280,000	-	280,000
<b>51-1<sup>st</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.56	2021.2.20	190,000	-	190,000
<b>51-2<sup>nd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.88	2023.2.20	240,000	-	240,000
<b>51-3<sup>rd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	3.07	2025.2.20	270,000	-	270,000
<b>51-4<sup>th</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	3.29	2028.2.20	300,000	-	300,000
<b>52-1<sup>st</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.02	2022.3.13	160,000	-	160,000
<b>52-2<sup>nd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.11	2024.3.13	240,000	-	240,000
<b>52-3<sup>rd</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.21	2026.3.13	200,000	-	200,000
<b>52-4<sup>th</sup> Debenture (non-guaranteed/public)</b>	NH Investment & Securities Co., Ltd. and others	2.40	2029.3.13	400,000	-	400,000
<b>1-1<sup>st</sup> USD Overseas Convertible bonds<sup>1</sup></b>	Credit Suisse	-	2021.4.16	254,716	-	254,716
<b>1-2<sup>nd</sup> EUR Overseas Convertible bonds<sup>2</sup></b>	Credit Suisse	-	2021.4.16	408,950	-	408,950
<b>USD foreign currency debenture with maturity in 2024</b>	CITI and others	3.25	2024.10.15	578,900	-	578,900
<b>USD foreign currency debenture with maturity in 2029</b>	CITI and others	3.63	2029.4.15	578,900	-	578,900
<b>EUR foreign currency debenture with maturity in 2023</b>	CITI and others	0.50	2023.4.15	648,715	-	648,715
<b>Debentures in Korean won (non-guaranteed)</b>	NH Investment & Securities Co., Ltd. and others	1.93	2020.2.16	100,000	100,000	-
	NH Investment & Securities Co., Ltd. and others	2.26	2022.2.16	100,000	-	100,000
	NH Investment & Securities Co., Ltd. and others	2.71	2021.3.2	50,000	-	50,000
	NH Investment & Securities Co., Ltd. and others	3.00	2023.3.2	40,000	-	40,000
Less: discount on debentures				(41,025)	(57)	(40,968)
<b>Total</b>				<u>5,519,156</u>	<u>219,943</u>	<u>5,299,213</u>

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<sup>1</sup> Details of 1-1<sup>st</sup> USD overseas convertible bonds are as follows:

	<b>Details</b>
<b>Aggregate principal amount</b>	USD 220,000,000
<b>Issue price</b>	USD 220,000,000
<b>Coupon rate (%)</b>	0.00
<b>Issue date</b>	April 16, 2018
<b>Maturity date</b>	April 16, 2021
<b>Redemption</b>	- Redemption at maturity: Outstanding bond principal, which is not repaid early or which call option is not exercised on, is repaid at maturity as a lump sum. - Prepayment: The issuer has a call option.
<b>Underlying shares</b>	509,606 registered ordinary shares (treasury shares)
<b>Conversion price</b>	460,000
<b>(Korean won/shares)</b>	
<b>Conversion period</b>	From May 27, 2018 to April 6, 2021
<b>Call option by the issuer</b>	- Share price (based on closing price) is higher than 130% of conversion price for more than 20 trading days during 30 consecutive trading days in a row, after 1 year from the closing date. - The amount of outstanding bonds is less than 10% in aggregate principal amount of the bonds originally issued (clean up call). - As a result of changes relating to tax laws in Korea, the issuer becomes obliged to pay any additional amounts.
<b>Call option by bondholders</b>	- The shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive trading days. - The occurrence of a change of control

<sup>2</sup> Details of 1-2<sup>nd</sup> EUR overseas convertible bonds are as follows:

	<b>Details</b>
<b>Aggregate principal amount</b>	EUR 315,200,000
<b>Issue price</b>	EUR 315,200,000
<b>Coupon rate (%)</b>	0.00
<b>Issue date</b>	April 16, 2018
<b>Maturity date</b>	April 16, 2021
<b>Redemption</b>	- Redemption at maturity: Outstanding bond principal, which is not repaid early or which call option is not exercised on, is repaid at maturity as a lump sum. - Prepayment: The issuer has a call option.
<b>Underlying shares</b>	775,128 registered ordinary shares (treasury shares)
<b>Conversion price</b>	533,600
<b>(Korean won/shares)</b>	
<b>Conversion period</b>	From May 27, 2018 to April 6, 2021
<b>Call option by the issuer</b>	- Share price (based on closing price) is higher than 130% of conversion price for more than 20 trading days during 30 consecutive trading days in a row, after 1 year from the closing date. - The amount of outstanding bonds is less than 10% in aggregate principal amount of the bonds originally issued (clean up call). - As a result of changes relating to tax laws in Korea, the issuer becomes obliged to pay any additional amounts.
<b>Call option by bondholders</b>	- The shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive trading days. - The occurrence of a change of control

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<sup>3</sup> For the nine-month period ended September 30, 2020, convertible bonds of USD 212,800,000 and EUR 200,000 were converted into 492,901 and 491 treasury shares, respectively. In October 2020, convertible bonds of USD 7,000,000 were additionally converted into 16,212 treasury shares and the remaining convertible bonds of USD 200,000 have been early repaid.

Details of lease liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>		<b>September 30, 2020</b>			
<b>Leaser</b>	<b>Annual interest rate (%)</b>	<b>Latest maturity date</b>	<b>Total amount</b>	<b>Current</b>	<b>Non-current</b>
Hyundai Oil Bank and others	1.98 ~ 4.13	2068.12.31	155,579	46,295	109,284

  

<i>(in millions of Korean won)</i>		<b>December 31, 2019</b>			
<b>Leaser</b>	<b>Annual interest rate (%)</b>	<b>Latest maturity date</b>	<b>Total amount</b>	<b>Current</b>	<b>Non-current</b>
Hyundai Oil Bank and others	1.98 ~ 4.13	2068.12.31	277,245	55,108	222,137

**15. Provisions**

Changes in provisions for other liabilities and charges for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, as follows:

<i>(in millions of Korean won)</i>		<b>September 30, 2020</b>			
	<b>Warranty<sup>1</sup></b>	<b>Greenhouse gas emission<sup>2</sup></b>	<b>Legal Claims<sup>3</sup></b>	<b>Restoration<sup>4</sup></b>	<b>Total</b>
<b>Beginning balance</b>	596,251	25,157	370	114,950	736,728
Additions (reversal)	154,385	(4,222)	7,960	17,572	175,695
Used	(229,891)	(7,900)	-	(15,896)	(253,687)
<b>Ending balance</b>	520,745	13,035	8,330	116,626	658,736
Less: current portion	(315,147)	(13,035)	-	(40,089)	(368,271)
<b>Total</b>	205,598	-	8,330	76,537	290,465

  

<i>(in millions of Korean won)</i>		<b>December 31, 2019</b>			
	<b>Warranty<sup>1</sup></b>	<b>Greenhouse gas emission<sup>2</sup></b>	<b>Legal claims<sup>3</sup></b>	<b>Restoration<sup>4</sup></b>	<b>Total</b>
<b>Beginning balance</b>	198,575	11,700	402	126,976	337,653
Additions	652,528	23,606	13	8,884	685,031
Used	(254,852)	(10,149)	(45)	(20,910)	(285,956)
<b>Ending balance</b>	596,251	25,157	370	114,950	736,728
Less: current portion	(417,561)	(25,157)	-	(29,411)	(472,129)
<b>Total</b>	178,690	-	370	85,539	264,599

<sup>1</sup> Warranty provisions have been accrued for the estimated warranty costs to be incurred due to quality control, exchange, refunds with regard to products based on historical experience. In addition, provisions related to downtime loss compensation for ESS fire accidents are included.

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<sup>2</sup> Greenhouse gas emission provisions have been accrued for estimated expenditures to be obligated for any excess emission. The estimated emission as at September 30, 2020 amounts to 6,480 thousand tons (2019: 6,108 thousand tons).

<sup>3</sup> Lawsuit provisions have been accrued for certain pending cases.

<sup>4</sup> As at September 30, 2020, restoration provisions have been accrued for the estimated expenses to restore land pollutions and others.

**16. Net Defined Benefit Liabilities**

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations <sup>1</sup>	1,442,800	1,343,553
Fair value of plan assets	<u>(1,118,071)</u>	<u>(1,164,393)</u>
<b>Liabilities in the consolidated statement of financial position</b>	<u><b>324,729</b></u>	<u><b>179,160</b></u>

<sup>1</sup> The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩ 737 million as at September 30, 2020 (2019: ₩ 768 million).

The amounts recognized in the consolidated interim statements of profit or loss for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Current service cost <sup>1</sup>	46,425	138,702	40,364	120,848
Interest cost	<u>1,024</u>	<u>3,116</u>	<u>1,119</u>	<u>4,149</u>
<b>Total, included in employee benefit expenses</b>	<u><b>47,449</b></u>	<u><b>141,818</b></u>	<u><b>41,483</b></u>	<u><b>124,997</b></u>

<sup>1</sup> The above amounts excluded ₩ 1,863 million (2019: ₩ 1,336 million) of expenses capitalized to construction in progress and development costs.

Post-employment benefits recognized for defined contribution plan for the nine-month period ended September 30, 2020, amounted to ₩ 5,513 million (2019: ₩ 6,125 million).

Post-employment benefits recognized in the consolidated interim statements of profit or loss for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Cost of sales	29,280	86,407	26,091	79,267
Selling and administrative expenses	18,263	55,392	14,558	43,204
Discontinued operations	<u>1,652</u>	<u>5,532</u>	<u>2,864</u>	<u>8,650</u>
<b>Total</b>	<u><b>49,195</b></u>	<u><b>147,331</b></u>	<u><b>43,513</b></u>	<u><b>131,121</b></u>

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Movements in the present value of defined benefit obligations for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Beginning balance</b>	1,343,553	1,167,524
Transfer in	3,775	20,820
Transfer out	(1,550)	(5,909)
Current service cost	140,565	162,931
Interest expense	23,241	30,649
Remeasurements:		
Actuarial loss from change in demographic assumptions	-	5,316
Actuarial loss from change in financial assumptions	-	74,372
Actuarial gain from experience adjustments	-	(21,594)
Others	-	916
Exchange differences	(501)	(949)
Payments from plans	(66,283)	(90,523)
<b>Ending balance</b>	<u>1,442,800</u>	<u>1,343,553</u>

Movements in the fair value of plan assets for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Beginning balance</b>	1,164,393	939,980
Transfer in	-	
Transfer out	(725)	(184)
Interest income	20,125	24,586
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(5,062)	(6,796)
Contributions:		
Employers	547	283,196
Payments from plans	(60,379)	(75,299)
Administrative costs	(828)	(1,090)
<b>Ending balance</b>	<u>1,118,071</u>	<u>1,164,393</u>

The actual return on plan assets for the nine-month period ended September 30, 2020, was ₩ 15,063 million (December 31, 2019: ₩ 17,790 million).

The significant actuarial assumptions as at September 30, 2020 and December 31, 2019, are as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Discount rate	2.4% ~ 2.5%	2.4% ~ 2.5%
Salary growth rate	4.0% ~ 5.0%	4.0% ~ 5.0%

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The sensitivity analysis for changes in key actuarial assumptions as at September 30, 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>Increase by 0.5%</b>	<b>Decrease by 0.5%</b>
<b>Discount rate:</b>		
Increase (decrease) in defined benefit obligations	(84,900)	93,486
<b>Salary growth rate:</b>		
Increase (decrease) in defined benefit obligations	90,751	(83,421)

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

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Plan assets as at September 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Amount</b>	<b>Composition (%)</b>	<b>Amount</b>	<b>Composition (%)</b>
Insurance contracts with guaranteed yield	1,094,057	97.9	1,138,725	97.8
Equity linked bonds	23,320	2.0	24,891	2.1
Time deposits	694	0.1	777	0.1
	<u>1,118,071</u>	<u>100</u>	<u>1,164,393</u>	<u>100</u>

Plan assets consist of various debt instruments with principal and interest protection and others which have no quoted market prices in an active market.

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**17. Other Current and Non-Current Liabilities**

Details of other current and non-current liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Advances from customers	197,207	150,673
Withholdings	97,009	108,140
Unearned revenues	102,658	48,907
Accrued expenses	405,704	198,206
<b>Total</b>	<b>802,578</b>	<b>505,926</b>
<b>Non-current</b>		
Long-term accrued expenses	62,646	59,514
Long-term unearned revenues	15,272	15,272
Long-term advanced received	12,000	58,699
<b>Total</b>	<b>89,918</b>	<b>133,485</b>

**18. Commitments and Contingencies**

(1) As at September 30, 2020, the Parent Company and certain subsidiaries have been guaranteed from Seoul Guarantee Insurance Company for the execution of contracts and others.

(2) As at September 30, 2020, the Parent Company and certain subsidiaries have various specific line of credit agreements with several financial institutions, as follows:

*(unit: Korean won in millions, foreign currencies in millions)*

Classification	The Parent Group		Certain Overseas Subsidiaries					
	KRW	USD	KRW	USD	CNY	EUR	INR	THB
Limit of bank overdraft	29,100	-	-	300	1,100	29	-	10
Limit of the letter of credit	22,000	346	-	288	4,705	-	777	-
Limit of discount of notes from export	-	942	-	-	-	-	-	-
Limit of guaranteed payments in other foreign currency	-	132	-	-	-	-	-	-
Limit of loan arrangements	-	-	83,351	2,931	5,473	2,475	3,017	-

The Group also entered into comprehensive credit line agreements with other financial institutions relating to trade finance and import/export amounting to ₩ 20,000 million (including bank overdraft of ₩ 5,000 million) and USD 55 million.

(3) As at September 30, 2020, the Parent Company and certain subsidiaries have B2B purchase arrangements with several financial institutions with limit of ₩ 450,000 million and ₩ 27,818 million, respectively, as well as enterprise general fund arrangement with limit of ₩ 350,000 million.

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- (4) As at September 30, 2020, the Parent Company has reverse factoring agreements, and utilized the facility for ₩ 532,911 million with credit limit of ₩ 600,000 million provided by Shinhan Card and utilized the facility for ₩ 922,857 million provided by Woori Card.
- (5) As at September 30, 2020, in relation to price fixing of mobile batteries, the consumers in Canada and Israel have filed two class actions against the Parent Company and certain overseas subsidiaries. However, the ultimate outcome of these cases cannot be determined at the reporting date.
- (6) As at September 30, 2020, in connection with styrene monomer gas leakage accident, several law suits against LG Polymer India Pvt. Ltd., a subsidiary, have been filed with National Green Tribunal of India (NGT) and Andhra Pradesh High Court (APHC). The ultimate outcome of these cases cannot be determined at the reporting date. NGT has ordered LG Polymer India Pvt. Ltd. to deposit INR 500 million in connection with this accident and the manufacturing facility is currently closed with limited access in accordance with APHC's order.
- (7) In addition, as at September 30, 2020, the Parent Company and certain subsidiaries have been named as a plaintiff in 18 and 18 legal actions, respectively, involving ₩ 21,622 million and ₩ 8,842 million in claims, respectively. They have been named as a defendant in 164 and 45 legal actions, respectively, with ₩ 5,011 million and ₩ 11,411 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.
- (8) As at September 30, 2020, the Parent Company is under investigation by the related authorities in relation to the manipulation of the emission of fine dust-causing substance in the Yeosu Industrial Complex, and the final outcome of these investigations cannot be determined at the reporting date. As at September 30, 2020, the Parent Company shut down the relevant production facilities.
- (9) The Parent Company has entered into manufacture and production technical contracts with ExxonMobil and others.
- (10) The Parent Company 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.
- (11) As at September 30, 2020, the Parent Company has entered into payment guarantee contract of USD 7 million, EUR 7 million and ₩ 5,373 million with financial institutions to guarantee the warrant of certain installed products. Also, certain subsidiaries have entered into payment guarantee contract of CNY 94 million with financial institutions in relation to custom of imported raw materials.

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(12) As at September 30, 2020 and December 31, 2019, assets pledged as collateral for the borrowings are as follows:

(in millions of Korean won)

	September 30, 2020			Secured party
	Secured amount	Borrowings / Loan	Limit	
Factory	20,880	Current and non-current borrowings	6,850	KDB
	<u>20,880</u>		<u>6,850</u>	

(in millions of Korean won)

	December 31, 2019			Secured party
	Secured amount	Borrowings / Loan	Limit	
Factory	20,880	Non-current borrowings	16,208	KDB
	<u>20,880</u>		<u>16,208</u>	

(13) Capital expenditure arrangement that has not incur at the end of the reporting period is as follows:

(in millions of Korean won)

	September 30, 2020	December 31, 2019
Property, plant and equipment	1,509,338	2,069,630

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

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

**19. Share Capital**

Changes in share capital and share premium for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019, are as follows:

(in millions of Korean won and in shares)

	Ordinary shares		Preferred shares		Share premium
	Number of shares	Share capital	Number of shares	Share capital	
January 1, 2019	70,592,343	352,962	7,688,800	38,444	2,014,038
December 31, 2019	<u>70,592,343</u>	<u>352,962</u>	<u>7,688,800</u>	<u>38,444</u>	<u>2,014,036</u>
September 30, 2020	<u>70,592,343</u>	<u>352,962</u>	<u>7,688,800</u>	<u>38,444</u>	<u>2,014,036</u>

Changes in treasury shares for the nine-month period ended September 30, 2020 and for the year

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ended December 31, 2019, are as follows:

<i>(in millions of Korean won and in shares)</i>	<b>Number of shares</b>		<b>Carrying amount</b>	<b>Gain on disposal of treasury shares</b>
	<b>Ordinary shares</b>	<b>Preferred shares</b>		
January 1, 2019	1,652,417	16,367	354,945	13,855
December 31, 2019	1,652,417	16,367	354,945	13,855
Decrease in treasury shares due to exercise of conversion rights	(493,392)	-	(128,691)	143,281
September 30, 2020	1,159,025	16,367	226,254	157,136

**20. Retained Earnings**

Retained earnings as at September 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Legal reserve <sup>1</sup>	355,013	352,286
Discretionary reserve <sup>2</sup>	13,780,609	13,608,917
Retained earnings before appropriation	1,420,399	837,487
<b>Total</b>	<b>15,556,021</b>	<b>14,798,690</b>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

<sup>2</sup> The Group separately accumulates a discretionary reserve for research and human resource development through appropriation of retained earnings, which has been included as deductible expense for the corporate income tax return according to the Special Tax Treatment Law. The reserve could be reversed in accordance with the terms of related tax laws.

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**21. Other Components of Equity**

Details of other components of equity as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Treasury shares (Note 19)	(226,254)	(354,945)
Capital transactions within the Group <sup>1</sup>	(19,299)	(19,298)
<b>Total</b>	<u>(245,553)</u>	<u>(374,243)</u>

<sup>1</sup> Includes gain or loss on disposal of investments and investment differences due to changes in equity, net of deferred tax.

**22. Selling and Administrative Expenses**

Selling and administrative expenses for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Wages and salaries	248,975	710,643	187,027	641,266
Post-employment benefits (Note 16)	18,263	55,392	14,558	43,204
Employee benefits	48,320	142,910	46,648	134,913
Travel expense	8,267	25,475	19,052	55,645
Water & utilities	14,427	42,726	14,154	38,934
Packaging expense	2,025	5,706	2,091	5,705
Rental expenses	21,660	61,504	26,683	73,124
Commission expenses	145,292	503,411	149,269	375,494
Depreciation	48,957	142,114	40,374	109,783
Advertising expense	6,634	16,893	10,017	27,361
Freight expenses	140,089	444,836	147,127	427,323
Training expense	4,131	9,980	6,847	17,879
Amortization (Note 12)	35,955	95,726	27,869	76,376
Sample expense	6,191	17,566	5,222	13,287
Development costs	50,214	163,612	52,681	156,050
Others	94,632	300,849	99,897	383,212
<b>Total</b>	<u>894,032</u>	<u>2,739,343</u>	<u>849,516</u>	<u>2,579,556</u>

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**23. Breakdown of Expenses by Nature**

Cost of sales, and selling and administrative expenses by nature for the three-month and nine-month periods ended September 30, 2020 and 2019, consist of:

*(in millions of Korean won)*

	2020		2019	
	Three months	Nine months	Three months	Nine months
Changes in inventories of merchandise, finished goods, semi-finished goods and work in process	(222,514)	(205,469)	(111,882)	(353,490)
Raw materials and consumables used	4,060,386	11,688,245	3,896,770	11,720,989
Purchase of merchandise	334,243	849,830	426,221	946,514
Employee benefit expenses (Note 24)	751,205	2,129,468	572,895	1,842,517
Advertising expenses	6,988	17,596	10,285	28,175
Freight expenses	150,442	473,236	155,131	451,343
Commission expenses	253,181	802,931	236,044	613,190
Depreciation and amortization	583,414	1,627,065	464,535	1,291,007
Operating lease payments	14,766	44,847	20,393	60,660
Other expenses	673,086	2,064,310	879,796	2,482,864
<b>Total</b>	<b>6,605,197</b>	<b>19,492,059</b>	<b>6,550,188</b>	<b>19,083,769</b>

**24. Employee Benefit Expenses**

Details of employee benefit expenses for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

*(in millions of Korean won)*

	2020		2019	
	Three months	Nine months	Three months	Nine months
Salaries	634,039	1,793,689	470,521	1,545,533
Post-employment benefits – Defined benefit plan (Note 16)	45,798	136,286	38,619	116,347
Post-employment benefits – Defined contribution plan (Note 16)	1,745	5,513	2,031	6,124
Others	69,623	193,980	61,724	174,513
<b>Total</b>	<b>751,205</b>	<b>2,129,468</b>	<b>572,895</b>	<b>1,842,517</b>

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**25. Finance Income and Costs**

Details of finance income and costs for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
<b>Finance income</b>				
Interest income <sup>1</sup>	7,950	28,804	8,070	36,414
Dividend income	-	12	1,268	1,316
Exchange differences	55,526	240,578	43,185	150,408
Gain on derivative instruments	-	-	13,921	26,934
Others	-	-	66	66
<b>Total</b>	<b>63,476</b>	<b>269,394</b>	<b>66,510</b>	<b>215,138</b>
<b>Finance costs</b>				
Interest expense <sup>2</sup>	51,330	169,044	53,377	144,224
Exchange differences	86,930	454,685	133,404	248,852
Loss on derivative instruments	107,185	168,305	-	273
Others	-	-	5	5
<b>Total</b>	<b>245,445</b>	<b>792,034</b>	<b>186,786</b>	<b>393,354</b>

<sup>1</sup> Details of interest income for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Deposits held by financial institutions	6,384	19,894	7,615	29,588
Other loans and receivables	1,566	8,910	455	6,826
<b>Total</b>	<b>7,950</b>	<b>28,804</b>	<b>8,070</b>	<b>36,414</b>

<sup>2</sup> Details of interest expense for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Interest on bank overdraft and borrowings	16,047	52,879	22,092	67,144
Interest on lease liabilities	2,798	7,152	684	1,977
Interest on debentures	37,730	114,413	33,564	82,901
Other interest expenses	8,625	26,892	3,445	10,478
Capitalized interest for qualifying assets	(13,870)	(32,292)	(6,408)	(18,276)
<b>Total</b>	<b>51,330</b>	<b>169,044</b>	<b>53,377</b>	<b>144,224</b>

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**26. Other Non-Operating Income**

Details of other non-operating income for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Exchange differences	145,129	523,007	126,304	323,470
Gain on disposal of property, plant and equipment	243	1,628	4,133	8,266
Gain on disposal of intangible assets	-	147	54	215
Reversal of impairment loss on property, plant and equipment	220	220	-	-
Gain on disposal of associates and joint ventures	1,530	312,068	-	-
Others	41,981	65,848	4,908	15,458
<b>Total</b>	<b>189,103</b>	<b>902,918</b>	<b>135,399</b>	<b>347,409</b>

**27. Other Non-Operating Expenses**

Details of other non-operating expenses for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Exchange differences	151,494	559,143	120,483	291,385
Loss on disposal of property, plant and equipment	32,388	51,550	7,566	31,076
Loss on disposal of intangible assets	1,310	1,423	16	141
Impairment loss on property, plant and equipment (Note 11)	2,820	51,184	2,075	21,898
Impairment loss on intangible assets (Note 12)	1,363	1,405	-	-
Donations	2,403	7,577	7,935	10,927
Others	10,909	55,642	5,334	14,392
<b>Total</b>	<b>202,687</b>	<b>727,924</b>	<b>143,409</b>	<b>369,819</b>

**28. Tax Expense and Deferred Tax**

Income tax expense is recognized based on the best estimate of weighted average annual income tax rate expected for the full financial year. The estimated average annual income tax rate used for the year ending December 31, 2020, is 23.1% (the estimated tax rate for the year ended December 31, 2019: 24.3%).

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**29. Earnings per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of shares in issue excluding shares purchased by the Parent Company and held as treasury shares. As at the reporting date, the Parent Company has no potential ordinary shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the earnings per share information for the both of ordinary shares and preferred shares.

Basic earnings per share for profit from continuing operations and earnings per share attributable to the equity holders of the Parent Company for the three-month and nine-month periods ended September 30, 2020 and 2019, are computed as follows:

**Basic earnings per ordinary share from continuing operations**

*(in millions of Korean won and  
in number of shares)*

	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit from continuing operations attributable to ordinary shares <sup>1</sup>	416,873	766,370	105,880	324,146
Weighted average number of ordinary shares outstanding <sup>2</sup>	68,999,296	68,999,296	68,939,926	68,939,926
Basic earnings per ordinary share from continuing operations <i>(in won)</i>	6,042	11,107	1,536	4,702

**Basic earnings per ordinary share**

*(in millions of Korean won and  
in number of shares)*

	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares <sup>1</sup>	460,949	823,758	115,594	351,700
Weighted average number of ordinary shares outstanding <sup>2</sup>	68,999,296	68,999,296	68,939,926	68,939,926
Basic earnings per ordinary shares <i>(in won)</i>	6,680	11,939	1,677	5,102

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**Basic earnings per preferred share from continuing operations**

(in millions of Korean won and  
in number of shares)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit from continuing operations attributable to preferred share <sup>1</sup>	46,451	85,504	11,880	36,363
Weighted average number of preferred shares outstanding <sup>2</sup>	7,672,433	7,672,433	7,672,433	7,672,433
Basic earnings per preferred share from continuing operations (in won)	6,054	11,144	1,548	4,739

**Basic earnings per preferred share**

(in millions of Korean won and  
in number of shares)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares <sup>1</sup>	51,351	91,887	12,961	39,430
Weighted average number of preferred shares outstanding <sup>2</sup>	7,672,433	7,672,433	7,672,433	7,672,433
Basic earnings per preferred shares (in won)	6,692	11,976	1,689	5,139

<sup>1</sup> Profit attributable to ordinary and preferred shares are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
<b>Profit from continuing operations attributable to the equity holders of the Parent Company</b>	463,324	851,874	117,760	360,509
Ordinary shares dividends (A)	34,499	103,499	103,410	310,230
Preferred shares dividends (B)	3,932	11,796	11,604	34,813
<b>Undistributed earnings from continuing operation for the period</b>	424,893	736,579	2,746	15,466
Undistributed earnings available for ordinary shares (C)	382,374	662,871	2,470	13,916
Undistributed earnings available for preferred shares (D)	42,519	73,708	276	1,550
<b>Profit from continuing operations for the period attributable to ordinary shares (A+C)</b>	416,873	766,370	105,880	324,146
<b>Profit from continuing operations for the period attributable to preferred shares (B+D)</b>	46,451	85,504	11,880	36,363

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(in millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
<b>Profit attributable to the equity holders of the Parent Company</b>	512,300	915,645	128,555	391,130
Ordinary shares dividends (A)	34,500	103,499	103,410	310,230
Preferred shares dividends (B)	3,932	11,796	11,605	34,814
<b>Undistributed earnings for the period</b>	473,868	800,350	13,540	46,086
Undistributed earnings available for ordinary shares (C)	426,449	720,259	12,184	41,470
Undistributed earnings available for preferred shares (D)	47,419	80,091	1,356	4,616
<b>Profit for the period attributable to ordinary shares (A+C)</b>	460,949	823,758	115,594	351,700
<b>Profit for the period attributable to preferred shares (B+D)</b>	51,351	91,887	12,961	39,430

<sup>2</sup> Weighted average numbers of shares are calculated as follows:

Ordinary shares outstanding	Period	2020		
		Number of shares	Number of days	Number of shares x days
Beginning balance	2020. 1. 1 - 2020. 9. 30	68,939,926	274	18,889,539,724
Conversion of treasury shares	2020. 8. 1 - 2020. 9. 30	47,277	61	2,883,897
	2020. 9. 1 - 2020. 9. 30	446,115	30	13,383,450
<b>Total</b>				<b>18,905,807,071</b>

Weighted average number of ordinary shares outstanding:  $18,905,807,071 / 274 = 68,999,296$  shares

Preferred shares outstanding	Period	2020		
		Number of shares	Number of days	Number of shares x days
Beginning balance	2020. 1. 1 - 2020. 9. 30	7,672,433	274	2,102,246,642
<b>Total</b>				<b>2,102,246,642</b>

Weighted average number of preferred shares outstanding:  $2,102,246,642 / 274 = 7,672,433$  shares

Ordinary shares outstanding	Period	2019		
		Number of shares	Number of days	Number of shares x days
Beginning balance	2019. 1. 1 - 2019. 9. 30	68,939,926	273	18,820,599,798
<b>Total</b>				<b>18,820,599,798</b>

Weighted average number of ordinary shares outstanding:  $18,820,599,798 / 273 = 68,939,926$  shares

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Preferred shares outstanding	Period	2019		
		Number of shares	Number of days	Number of shares x days
Beginning balance	2019. 1. 1 - 2019. 9. 30	7,672,433	273	2,094,574,209
<b>Total</b>				<u>2,094,574,209</u>

Weighted average number of preferred shares outstanding: 2,094,574,209 / 273 = 7,672,433 shares

For the nine-month period ended September 30, 2020, the Parent Company did not calculate diluted earnings per share due to antidilution.

*(in millions of Korean won and in number of shares)*

	2019	
	Three months	Nine months
<b>Diluted earnings per ordinary shares from continuing operations</b>		
Profit from continuing operation for the period attributable to ordinary shares	105,880	324,146
Loss on convertible bonds (after tax effects)	(5,056)	(8,327)
Profit from continuing operation used in calculating diluted earnings per share from continuing operation	100,824	315,819
Weighted average number of ordinary shares outstanding	68,939,926	68,939,926
Adjustments for calculation of diluted earnings per share:		
Assumed conversion of convertible bonds	<u>1,284,734</u>	<u>1,284,734</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share from continuing operation	<u>70,224,660</u>	<u>70,224,660</u>
Diluted earnings per share from continuing operation attributable to the ordinary shares <i>(in won)</i>	<u>1,435</u>	<u>4,497</u>

*(in millions of Korean won and in number of shares)*

	2019	
	Three months	Nine months
<b>Diluted earnings per ordinary shares</b>		
Profit for the period attributable to the ordinary shares	115,594	351,700
Loss on convertible bonds (after tax effects)	(5,039)	(8,276)
Profit used in calculating diluted earnings per share	110,555	343,424
Weighted average number of ordinary shares outstanding	68,939,926	68,939,926
Adjustments for calculation of diluted earnings per share:		
Assumed conversion of convertible bonds	<u>1,284,734</u>	<u>1,284,734</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>70,224,660</u>	<u>70,224,660</u>
Diluted earnings per share attributable to the ordinary shares <i>(in won)</i>	<u>1,573</u>	<u>4,890</u>

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(in millions of Korean won and in number of shares)

	2019	
	Three months	Nine months
<b>Diluted earnings per preferred share from continuing operations</b>		
Profit from continuing operation for the period attributable to preferred shares	11,880	36,363
Loss on convertible bonds (after tax effects)	(769)	(1,570)
Profit from continuing operation used in calculating diluted earnings per share from continuing operation	11,111	34,793
Weighted average number of preferred shares outstanding	7,672,433	7,672,433
Adjustments for calculation of diluted earnings per share:		
Assumed conversion of convertible bonds	-	-
Weighted average number of preferred shares and potential preferred shares used as the denominator in calculating diluted earnings per share from continuing operation	<u>7,672,433</u>	<u>7,672,433</u>
Diluted earnings per share from continuing operation attributable to preferred shares (in won)	<u>1,448</u>	<u>4,535</u>

(in millions of Korean won and in number of shares)

	2019	
	Three months	Nine months
<b>Diluted earnings per preferred shares</b>		
Profit for the period attributable to preferred shares	12,961	39,430
Loss on convertible bonds (after tax effects)	(786)	(1,620)
Profit used in calculating diluted earnings per share	12,175	37,810
Weighted average number of preferred shares outstanding	7,672,433	7,672,433
Adjustments for calculation of diluted earnings per share:		
Assumed conversion of convertible bonds	-	-
Weighted average number of preferred shares and potential preferred shares used as the denominator in calculating diluted earnings per share	<u>7,672,433</u>	<u>7,672,433</u>
Diluted earnings per share attributable to the preferred shares (in won)	<u>1,586</u>	<u>4,928</u>

Basic and diluted earnings per share attributable to ordinary and preferred shares from discounted operations for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

(in Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Basic earnings per ordinary share from discounted operations	638	832	141	400
Basic earnings per preferred share from discounted operations	638	832	141	400
Diluted earnings per ordinary share from discounted operations	638	832	138	393
Diluted earnings per preferred share from discounted operations	638	832	138	393

# LG Chem, Ltd. and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### September 30, 2020 and 2019 (Unaudited), and December 31, 2019

#### 30. Dividends

The ₩ 153,608 million (2019: ₩ 460,058 million) of dividends for the year ended December 31, 2019, was paid to the shareholders of the Parent Company in April 2020.

#### 31. Related Party Transactions

As at September 30, 2020 and December 31, 2019, LG Corp. is an entity exercising a significant influence over the Group, which owns 33.34% of the Parent Company's ordinary shares.

Details of associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as at September 30, 2020 and December 31, 2019, are as follows, and the details of investments in subsidiaries, associates and joint ventures are described in Note 1.3:

Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Details
S&I Corp.	S&I CM	S&I CM NANJING Co., Ltd. and others	Subsidiary of LG Corp.
LG CNS Co., Ltd.	Biz Tech Partners Co., Ltd. and others	LG CNS America Inc. and others	Subsidiary of LG Corp.
LG Management Development Institute	-	-	Subsidiary of LG Corp.
LG Sports Ltd.	-	-	Subsidiary of LG Corp.
LG Holdings Japan	-	-	Subsidiary of LG Corp.
LG MMA Corporation	-	-	Joint venture of LG Corp.
LG Display Co., Ltd.	-	LG Display (China) Co., Ltd. and others	LG Enterprise group <sup>1</sup>
LG Electronics, Inc.	LG Innotek Co., Ltd. and others	Inspur LG Digital Mobile Communications Co., Ltd. and others	LG Enterprise group <sup>1</sup>
LG International Corp.	Pantos Logistics Co., Ltd. and others	LG International (Japan) Ltd. and others	LG Enterprise group <sup>1</sup>
LG Hausys, Ltd.	-	LG Hausys Tianjin Co., Ltd. and others	LG Enterprise group <sup>1</sup>
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	-	LG Enterprise group <sup>1</sup>
LG Uplus Corp.	LG HelloVision Corp.	-	LG Enterprise group <sup>1</sup>
G II R Inc.	HS AD Inc.	-	LG Enterprise group <sup>1</sup>
Silicon Works Co., Ltd.	-	-	LG Enterprise group <sup>1</sup>
SERVEONE <sup>2</sup>	-	Serveone(Nanjing).Co., Ltd. and others	LG Enterprise group <sup>1</sup>

<sup>1</sup> Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, these entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>2</sup> During 2019, SERVEONE has been excluded from other related parties as S&I Corp. has sold its shares of SERVEONE.

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Sales and purchases with related parties for the nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020					
	Sales and others	Purchase and others				
		Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense	Others
<b>Entity with a significant influence over the Group</b>						
LG Corp.	-	-	-	-	159	44,952
<b>Associates and joint ventures</b>						
SEETEC Co., Ltd.	41,776	98,244	10	618	21	61,127
TECWIN Co., Ltd.	-	295	1,142	-	-	111
HL Greenpower Co., Ltd.	674,399	-	-	-	-	3,179
Others	47	2,457	-	-	-	1,915
<b>Other related parties</b>						
LG MMA Corporation <sup>1</sup>	70,786	100,880	-	-	-	2,608
S&I Corp. and its subsidiaries	181	16,551	469,004	-	-	44,278
LG CNS Co., Ltd. and its subsidiaries	6,818	2,499	221,374	-	13	82,718
Others	5	-	-	583	2	11,644
<b>Others</b>						
LG Display Co., Ltd. and its subsidiaries	637,212	98	879	891	6	255
LG Electronics Inc. and its subsidiaries <sup>2</sup>	805,506	578,254	283,919	-	-	57,279
LG International Corp. and its subsidiaries	48,088	243,175	108,254	1,181	3	342,520
LG Hausys, Ltd. and its subsidiaries	124,296	1,183	4,217	-	1	4,857
Others	5,926	17,172	648	1,605	24	4,426
<b>Total</b>	<b>2,415,040</b>	<b>1,060,808</b>	<b>1,089,447</b>	<b>4,878</b>	<b>229</b>	<b>661,869</b>

**LG Chem, Ltd. and Subsidiaries**  
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(in millions of Korean won)

	2019					
	Sales and others	Purchase and others				
		Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense	Others
<b>Entity with a significant influence over the Group</b>						
LG Corp.	2,655	-	-	-	-	53,885
<b>Associates and joint ventures</b>						
SEETEC Co., Ltd.	34,097	152,532	336	2,775	14	66,650
TECWIN Co., Ltd.	3	37	3,189	-	-	127
HL Greenpower Co., Ltd.	611,193	-	-	-	-	719
Others	219	28	-	-	-	2,252
<b>Other related parties</b>						
LG MMA Corporation <sup>1</sup>	82,638	150,782	-	-	-	4,474
S&I Corp. and its subsidiaries <sup>3</sup>	8,475	433,917	552,355	-	-	113,542
LG CNS Co., Ltd. and its subsidiaries	13,242	3,401	196,567	-	-	67,876
Others	-	-	-	530	5	14,870
<b>Others</b>						
LG Display Co., Ltd. and its subsidiaries	877,677	130	80,089	37	-	2,017
LG Electronics Inc. and its subsidiaries	728,854	424,932	403,024	-	-	47,620
LG International Corp. and its subsidiaries	135,568	341,441	26,258	28	-	399,440
LG Hausys, Ltd. and its subsidiaries	146,525	6,266	2,950	113	-	5,290
Others	11,242	18,084	828	280	2	6,845
<b>Total</b>	<b>2,652,388</b>	<b>1,531,550</b>	<b>1,265,596</b>	<b>3,763</b>	<b>21</b>	<b>785,607</b>

<sup>1</sup> Net sales and purchase amounts after offsetting for Raffinate transactions with LG MMA.

<sup>2</sup> In October 2020, the Group acquired automotive battery pack manufacturing facilities from LG Electronics Inc. for approximately USD 37 million.

<sup>3</sup> SERVEONE has been excluded from the related parties at December 31, 2019 since S&I Corp. sold its shares of SERVEONE in 2019. Transactions with SERVEONE until the sale of shares have been included in the above information.

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Balances of receivables and payables arising from sales and purchases of goods and services as at September 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	September 30, 2020			
	Receivables			Total
	Trade receivables and others	Loan receivables	Other receivables	
<b>Entity with a significant influence over the Group</b>				
LG Corp.	-	-	12,385	12,385
<b>Associates and joint ventures</b>				
SEETEC Co., Ltd.	6,078	-	187	6,265
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	195,711	-	-	195,711
Others	-	-	17	17
<b>Other related parties</b>				
LG MMA Corporation	6,545	-	543	7,088
S&I Corp. and its subsidiaries <sup>1</sup>	3	-	24,787	24,790
LG CNS Co., Ltd. and its subsidiaries	4,171	-	-	4,171
Others	639	-	4,350	4,989
<b>Others</b>				
LG Display Co., Ltd. and its subsidiaries	165,859	-	20,074	185,933
LG Electronics Inc. and its subsidiaries	287,720	-	112,743	400,463
LG International Corp. and its subsidiaries	4,750	-	-	4,750
LG Hausys, Ltd. and its subsidiaries	31,532	-	16	31,548
Others	70	-	762	832
<b>Total</b>	<b>703,078</b>	<b>-</b>	<b>175,864</b>	<b>878,942</b>

(in millions of Korean won)

	September 30, 2020			
	Payables			Total
	Trade payables	Borrowings	Lease liabilities	
<b>Entity with a significant influence over the Group</b>				
LG Corp.	-	-	3,716	7,756
<b>Associates and joint ventures</b>				
SEETEC Co., Ltd.	10,675	-	505	9,374
TECWIN Co., Ltd.	23	-	-	92
HL Greenpower Co., Ltd.	-	-	-	162
Others	-	-	-	203
<b>Other related parties</b>				
LG MMA Corporation	12,555	-	-	-
S&I Corp. and its subsidiaries <sup>1</sup>	41	-	-	230,371
LG CNS Co., Ltd. and its subsidiaries	-	-	301	104,766
Others	-	-	244	709
<b>Others</b>				
LG Display Co., Ltd. and its subsidiaries	31	-	799	131
LG Electronics Inc. and its subsidiaries	191,819	-	-	219,097
LG International Corp. and its subsidiaries	32,492	-	844	72,944
LG Hausys, Ltd. and its subsidiaries	-	-	12	3,588
Others	1,676	-	1,238	3,930
<b>Total</b>	<b>249,312</b>	<b>-</b>	<b>7,659</b>	<b>653,123</b>

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	December 31, 2019			
	Receivables			Total
	Trade receivables and others	Loan receivables	Other receivables	
<b>Entity with a significant influence over the Group</b>				
LG Corp.	-	-	12,391	12,391
<b>Associates and joint ventures</b>				
SEETEC Co., Ltd.	4,140	-	636	4,776
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	54,907	-	-	54,907
Others	-	-	10	10
<b>Other related parties</b>				
LG MMA Corporation	8,425	-	844	9,269
S&I Corp. and its subsidiaries <sup>1</sup>	8	-	24,574	24,582
LG CNS Co., Ltd. and its subsidiaries	7,650	-	-	7,650
Others	607	-	4,356	4,963
<b>Others</b>				
LG Display Co., Ltd. and its subsidiaries	128,562	-	74	128,636
LG Electronics Inc. and its subsidiaries	231,821	-	21,095	252,916
LG International Corp. and its subsidiaries	13,861	-	-	13,861
LG Hausys, Ltd. and its subsidiaries	19,995	-	262	20,257
Others	39	-	1,096	1,135
<b>Total</b>	<b>470,015</b>	<b>-</b>	<b>65,338</b>	<b>535,353</b>

(in millions of Korean won)

	December 31, 2019				
	Payables				Total
	Trade payables	Borrowings	Lease liabilities	Other payables	
<b>Entity with a significant influence over the Group</b>					
LG Corp.	-	-	14,863	1,360	16,223
<b>Associates and joint ventures</b>					
SEETEC Co., Ltd.	15,781	-	1,402	11,375	28,558
TECWIN Co., Ltd.	-	-	-	1,633	1,633
HL Greenpower Co., Ltd.	-	-	-	65	65
Others	-	-	-	258	258
<b>Other related parties</b>					
LG MMA Corporation	13,413	-	-	-	13,413
S&I Corp. and its subsidiaries <sup>1</sup>	19	-	-	300,928	300,947
LG CNS Co., Ltd. And its subsidiaries	860	-	1,206	163,654	165,720
Others	-	-	93	462	555
<b>Others</b>					
LG Display Co., Ltd. and its subsidiaries	7	-	9	87	103
LG Electronics Inc. and its subsidiaries	115,622	-	448	436,962	553,032
LG International Corp. and its subsidiaries	10,398	-	20	97,017	107,435
LG Hausys, Ltd. and its subsidiaries	512	-	50	5,925	6,487
Others	1,706	-	168	4,328	6,202
<b>Total</b>	<b>158,318</b>	<b>-</b>	<b>18,259</b>	<b>1,024,054</b>	<b>1,200,631</b>

<sup>1</sup> Other receivables to S&I Corp. include the amount of deposits which are classified as memberships in the financial statements of the Group.

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Fund transactions with related parties for the nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020						
	Dividends received	Dividends paid	Equity contributions in cash	Loans		Borrowings <sup>1</sup>	
				Loans	Repayment	Borrowings	Repayment
<b>Entity with a significant influence over the Group</b>							
LG Corp.	-	47,068	-	-	-	-	10,988
<b>Associates and joint ventures</b>							
SEETEC Co., Ltd.	10,000	-	-	-	-	618	1,505
TECWIN Co., Ltd.	314	-	-	-	-	-	-
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO.,Ltd	-	-	13,611	-	-	-	-
Jiangxi VL Battery Co., Ltd.	-	-	2,296	-	-	-	-
<b>Other related parties</b>							
LG CNS Co., Ltd.	-	-	-	-	-	-	892
LG Holdings Japan Co.,Ltd.	-	-	-	-	-	583	438
<b>Others</b>							
LG Display America,Inc. <sup>5</sup>	-	-	-	-	-	891	59
Pantos Logistics (China) Co., Ltd.	-	-	-	-	-	-	17
Pantos Logistics France	-	-	-	-	-	854	238
Pantos Logistics Spain S.L.	-	-	-	-	-	328	91
LG Hausys, Ltd.	-	-	-	-	-	-	49
LG HOUSEHOLD & HEALTH CARE LTD	-	-	-	-	-	1,605	524
<b>Total</b>	<b>10,314</b>	<b>47,068</b>	<b>15,907</b>	<b>-</b>	<b>-</b>	<b>4,879</b>	<b>14,801</b>

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(in millions of Korean won)

	2019						
	Dividends received	Dividends paid	Equity contributions in cash	Loans		Borrowings <sup>1</sup>	
				Loans	Repayment	Borrowings	Repayment
<b>Entity with a significant influence over the Group</b>							
LG Corp.	-	141,205	-	-	-	-	-
<b>Associates and joint ventures</b>							
SEETEC Co., Ltd.	10,000	-	-	-	-	2,775	1,027
LG Holdings (HK) Ltd.	-	-	(15,789)	-	-	-	-
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO.,Ltd	-	-	27,676	-	-	-	-
VINFAST LITHIUM BATTERY PACK LLC.	-	-	5,323	-	-	-	-
<b>Other related parties</b>							
LG Holdings Japan Co.,Ltd.	-	-	-	-	-	530	322
<b>Others</b>							
LG Display America, Inc.	-	-	-	-	-	37	21
Pantos Logistics (China) Co., Ltd.	-	-	-	-	-	28	8
LG Hausys, Ltd.	-	-	-	-	-	113	39
LG HOUSEHOLD & HEALTH CARE LTD	-	-	-	-	-	280	105
<b>Total</b>	<b>10,000</b>	<b>141,205</b>	<b>17,210</b>	<b>-</b>	<b>-</b>	<b>3,763</b>	<b>1,522</b>

<sup>1</sup> The amounts represent lease liabilities that were recognized or repaid for the nine-month periods ended September 30, 2020 and 2019.

Compensation for key management of the Group for the nine-month periods ended September 30, 2020 and 2019, consists of:

(in millions of Korean won)	2020	2019
Short-term employee benefits	68,012	62,507
Post-employment benefits	5,315	4,666
<b>Total</b>	<b>73,327</b>	<b>67,173</b>

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

There are no provisions recognized against receivables from related parties as at September 30, 2020 and at December 2019; therefore, there are no impairment losses recognized against the receivables from related parties for the nine-month period ended September 30, 2020 and for the year ended December 31, 2019.

As at September 30, 2020, there are no payment guarantees provided by the Group for related parties.

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**32. Cash Generated from Operations**

Reconciliation between profit before income tax and cash generated from operations for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Profit before income tax</b>		
Profit before income tax from continuing operations	1,335,255	671,382
Profit before income tax from discontinued operations	103,520	45,046
	<u>1,438,775</u>	<u>716,428</u>
<b>Adjustments for:</b>		
Depreciation	1,546,600	1,245,449
Amortization	126,137	97,419
Post-employment benefits	141,818	124,997
Finance income	(116,660)	(141,424)
Finance costs	645,934	403,589
Foreign exchange differences	7,925	(3,241)
Loss (gain) on valuation of inventories	(26,004)	12,268
Gain on disposal of property, plant and equipment	(3,200)	(8,725)
Gain on disposal of intangible assets	(149)	(215)
Gain on disposal of other assets	(2,771)	-
Loss on disposal of property, plant and equipment	54,141	33,227
Loss on disposal of intangible assets	1,474	933
Reversal of impairment loss on property, plant and equipment	(220)	-
Impairment loss on property, plant and equipment	53,438	23,624
Impairment loss on intangible assets	1,473	-
Gain on disposal of investments in joint ventures	(312,084)	-
Gain on disposal of business	(32,134)	-
Additions to provisions	175,695	294,771
Other income	4,068	2,162
Increase in inventories	(30,512)	(641,332)
Increase in trade receivables	(1,674,256)	(107,523)
Decrease (increase) in other receivables	(197,420)	11,716
Increase in other current assets	(15,299)	(177,728)
Increase in trade payables	1,251,555	207,126
Increase (decrease) in other payables	944,706	(83,915)
Increase in other current liabilities	348,532	18,013
Decrease in provisions	(245,787)	(166,871)
Decrease in net defined benefit liabilities	(2,671)	(6,057)
Other cash flows from operations	(27,246)	(26,209)
<b>Cash generated from operations</b>	<u><u>4,055,858</u></u>	<u><u>1,828,482</u></u>

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Changes in liabilities arising from financial activities for the nine-month period ended September 30, 2020, are as follows:

<i>(in millions of Korean won)</i>	2020						
	At January 1, 2020	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Others	At September 30, 2020
Short-term borrowings	1,136,154	88,179	490,654	-	-	118,885	1,833,872
Long-term borrowings	1,758,958	2,209,882	(490,654)	-	47,127	(145,106)	3,380,207
Debentures	5,519,156	786,932	-	14,257	-	(169,141)	6,151,204
Conversion rights	930	-	-	-	-	92,588	93,518
Other payables for the reverse factoring arrangement	856,287	(1,548,774)	-	-	-	2,136,238	1,443,751
<b>Total</b>	<b>9,271,485</b>	<b>1,536,219</b>	<b>-</b>	<b>14,257</b>	<b>47,127</b>	<b>2,033,464</b>	<b>12,902,552</b>

The significant non-cash transactions for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of construction-in-progress	3,950,320	3,654,959
Reclassification of machinery-in-transit	57,683	158,760
Reclassification of long-term borrowings into current portion	1,403,797	596,580
Other payables related to acquisitions of property, plant and equipment and intangible assets	1,778,136	1,605,035
Reclassification of other payables under the reverse factoring arrangement	2,136,238	49,881
Reclassification into non-current assets held for sale	770,070	5,490
Reclassification into non-current liabilities held for sale	129,254	-
Conversion of convertible bonds into treasury shares	335,180	-

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**33. Segment Information**

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

Segment	Products or services	Major customers
Petrochemicals	ABS, PC, PE, PP, Acrylic, Alcohol, SAP, PVC, Synthetic rubber, Special resin, BPA, Ethylene, Propylene and others	LG Electronics Inc., OCI Group Co. Ltd., Mitsubishi Corp. and others
Energy solutions	Mobile batteries, Automotive batteries, Electricity storage batteries and others	Hewlett-Packard Co., General Motors Corp., and others
Advanced materials <sup>1</sup>	OLED Polarizers, Automotive components, LCD Photoresist, OLED materials, Battery materials and others	LG Display Co., Ltd., Samsung Display Co., Ltd., BOE, AUO and others
Life sciences	Growth hormone, Vaccine, Antidiabetic, agricultural chemicals and others	HUADONG NINGBO, UNICEF, Intervet and others
Common and others <sup>1</sup>	Crop protection products, Seeds, Fertilizers, General management, sales and R&D and others	National Agriculture Cooperative Federation and others

<sup>1</sup> Part of the Advanced materials business was reclassified into the Common and others business sector. The information for the comparative period has been restated to reflect these changes.

The segment information on revenue, profit and loss for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	Petro-chemicals	Energy solutions	Advanced materials	Life sciences	Common and others <sup>3</sup>	Total
Total segment revenue	10,592,306	8,227,785	2,601,274	491,773	697,448	22,610,586
Inter-segment revenue	417,198	(39)	925,142	2,266	94,378	1,438,945
Revenue from external customers <sup>1</sup>	10,175,108	8,227,824	1,676,132	489,507	603,070	21,171,641
Operating profit (loss) <sup>2</sup>	1,398,903	272,497	126,129	46,072	(164,019)	1,679,582
<i>(in millions of Korean won)</i>	2019					
	Petro-chemicals	Energy solutions	Advanced materials	Life sciences	Common and others <sup>3</sup>	Total
Total segment revenue	11,649,850	5,869,699	2,593,975	463,360	672,882	21,249,766
Inter-segment revenue	407,734	-	859,596	3,750	36,151	1,307,231
Revenue from external customers <sup>1</sup>	11,242,116	5,869,699	1,734,379	459,610	636,731	19,942,535
Operating profit (loss) <sup>2</sup>	1,102,058	(204,693)	4,630	38,819	(82,048)	858,766

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<sup>1</sup> Revenue from external customers consists of sales of goods. Interest income and dividend income are included in finance income.

<sup>2</sup> Management assesses the performance of the operating segments based on a measurement of operating profit of segment.

<sup>3</sup> Common and other segments include operating segments not qualifying as a reportable segment, supporting divisions as well as R&D divisions.

The segment information on assets and liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won</i>	<b>September 30, 2020</b>					
	<b>Petro-chemicals</b>	<b>Energy solutions</b>	<b>Advanced materials</b>	<b>Life sciences</b>	<b>Common and others</b>	<b>Total</b>
Reportable segment asset <sup>1</sup>	11,533,495	15,808,382	3,686,406	1,871,712	7,118,874	40,018,869
Investments in associates and joint ventures	6,038	28,384	83,486	17	160,881	278,806
Reportable segment liability <sup>1</sup>	3,418,061	9,130,634	996,794	235,105	7,417,695	21,198,289

<i>(in millions of Korean won</i>	<b>December 31, 2019</b>					
	<b>Petro-chemicals</b>	<b>Energy solutions</b>	<b>Advanced materials</b>	<b>Life sciences</b>	<b>Common and others</b>	<b>Total</b>
Reportable segment asset <sup>1</sup>	10,564,216	12,091,983	3,618,226	1,906,005	5,843,996	34,024,426
Investments in associates and joint ventures	5,132	28,254	67,059	17	207,115	307,577
Reportable segment liability <sup>1</sup>	3,358,939	6,587,857	687,400	232,049	5,774,392	16,640,637

<sup>1</sup> Assets and liabilities are measured in a manner consistent with those in the financial statements, and allocated on the basis of segment operation.

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The external sales and non-current assets by geographical segments from continuing operations for the nine-month periods ended September 30, 2020 and 2019, and as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Sales</b>		<b>Non-current assets<sup>1</sup></b>	
	<b>2020</b>	<b>2019</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Korea <sup>2</sup>	6,176,562	6,202,976	14,232,623	13,208,426
China	6,299,304	5,983,610	3,740,851	3,975,505
Asia	2,451,820	2,649,662	54,430	58,990
America	1,778,847	1,325,994	715,393	559,051
Europe	4,207,041	3,231,230	3,832,997	3,051,227
Others	258,067	549,063	-	-
<b>Total</b>	<b>21,171,641</b>	<b>19,942,535</b>	<b>22,576,294</b>	<b>20,853,199</b>

<sup>1</sup> Represents aggregate amount of property, plant and equipment, intangible assets and investment properties.

<sup>2</sup> Domestic sales include the exports made through local letters of credit.

There is no single external customer contributes over 10% of the Group's revenue for the nine-month periods ended September 30, 2020 and 2019.

**34. Non-current Assets and Liabilities Held for Sale and Discontinued Operations**

**34.1 Non-current Assets and Liabilities Held for Sale**

Upon the approval of management, the Group decided to dispose of six lines of small pouch assembly facilities and others (June 2019) related to pressure sensitive adhesive (PSAA) (July 2020), and LCD polarizer business (June 2020). The related assets and liabilities were reclassified as non-current assets and liabilities held for sale. The disposal of the small pouch assembly facilities related to PSAA is expected to be completed in the second half of 2020, and the disposal of LCD polarizer business is expected to be completed in the first half of 2021. Land acquired during the course of the business combination of FarmHannong Co., Ltd., is also included in the disposal group, and the disposal of the land is expected to be completed in the second half of 2020.

Details of assets and liabilities of disposal group classified as held for sale as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Assets of disposal group</b>		
Inventories	190,338	-
Property, plant and equipment	565,621	19,573
Intangible assets	8,148	-
Others	20,402	-
<b>Total</b>	<b>784,509</b>	<b>19,573</b>
<b>Liabilities of disposal group</b>		
Borrowings and others	129,254	-
<b>Total</b>	<b>129,254</b>	<b>-</b>

Assets of the disposal group were measured at net fair value immediately before the initial

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classification as assets as held for sale and there are no other non-operating expenses (income) recognized from the measurement for the nine-month periods ended September 30, 2020 and 2019.

The Group recognized cumulative gains of ₩ 5,161 million directly to other comprehensive income in relation to the disposal groups classified as held for sale.

**34.2 Discontinued Operations**

The Group decided to discontinue Glass substrate business with the resolution of the Board of Directors in January 2020 and substantially discontinued the related business as of March 2020. In addition, the Group decided to dispose of LCD polarizer business with the resolution of the Board of Directors in June 2020, and the disposal is expected to be completed in the first half of 2021. Accordingly, the profit and loss from the related operations are presented as discontinued operations and the comparative consolidated interim statements of profit or loss have been restated.

Comprehensive income information from discontinued operation for the nine-month periods ended September 30, 2020 and 2019, are as follows:

*(in millions of Korean won)*

	<b>2020</b>		
	<b>LCD polarizer</b>	<b>Glass substrate</b>	<b>Total</b>
Revenue	1,246,370	28,082	1,274,452
Expense	(1,103,203)	(67,729)	(1,170,932)
Gain (loss) before income tax of discontinued operation	143,167	(39,647)	103,520
Income tax benefits (expense)	(47,407)	7,658	(39,749)
Gain (loss) after income tax of discontinued operations	95,760	(31,989)	63,771

*(in millions of Korean won)*

	<b>2019</b>		
	<b>LCD polarizer</b>	<b>Glass substrate</b>	<b>Total</b>
Revenue	1,210,453	46,247	1,256,700
Expense	(1,135,638)	(76,016)	(1,211,654)
Gain (loss) before income tax of discontinued operation	74,815	(29,769)	45,046
Income tax benefits (expense)	(22,354)	7,929	(14,425)
Gain (loss) after income tax of discontinued operations	52,461	(21,840)	30,621

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Net cash flows from discontinued operations for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>		
	<b>LCD polarizer</b>	<b>Glass substrate</b>	<b>Total</b>
Net cash inflow from operating activities	26,534	7,724	34,258
Net cash inflow (outflow) from investing activities	(44,702)	1,043	(43,659)
Net cash inflow (outflow) from financing activities	27,435	(8,767)	18,668
 <i>(in millions of Korean won)</i>			
	<b>2019</b>		
	<b>LCD polarizer</b>	<b>Glass substrate</b>	<b>Total</b>
Net cash inflow (outflow) from operating activities	167,630	(20,597)	147,033
Net cash inflow (outflow) from investing activities	(35,327)	(36,924)	(72,251)
Net cash inflow (outflow) from financing activities	(132,832)	57,521	(75,311)

**35. Assets and Liabilities related to Contracts with Customers**

Assets and liabilities related to contracts with customers as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Contract assets</b>		
A right to recover the product	6,146	5,191
<b>Total contract assets</b>	<u>6,146</u>	<u>5,191</u>
<b>Contract liabilities</b>		
Advances in relation to revenue from the Group's main business activities	205,200	204,337
Expected services to be transferred	-	3,500
Expected customer incentives	4,680	6,400
Unearned revenue	28,914	34,247
Expected refunds	10,960	10,893
<b>Total contract liabilities</b>	<u>249,754</u>	<u>259,377</u>

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*Revenue recognized in relation to contract liabilities*

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior periods.

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Revenue recognized in the current period from the contract liability balance at the beginning of the period	143,513	68,643
Advances in relation to revenue from the Group's main business activities	130,632	62,040
Unearned revenue	9,381	2,068
Expected services to be transferred	3,500	4,535
Revenue recognized from performance obligations satisfied in previous periods	-	-

**36. Investment Properties**

Details of investment properties as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>				<b>December 31, 2019</b>			
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Book amount</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Book amount</b>
Land	4,211	-	-	4,211	4,368	-	-	4,368
Buildings	53,435	(8,952)	(10)	44,473	61,242	(12,202)	(80)	48,960
	<u>57,646</u>	<u>(8,952)</u>	<u>(10)</u>	<u>48,684</u>	<u>65,610</u>	<u>(12,202)</u>	<u>(80)</u>	<u>53,328</u>

Changes in investment properties for the nine-month period ended September 30, 2020 and for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>			<b>December 31, 2019</b>		
	<b>Land</b>	<b>Building</b>	<b>Total</b>	<b>Land</b>	<b>Building</b>	<b>Total</b>
Beginning balance	4,368	48,960	53,328	486	464	950
Acquisitions/transfers	-	1,387	1,387	3,882	49,722	53,604
Disposals/transfers	(157)	(4,952)	(5,109)	-	-	-
Depreciation	-	(922)	(922)	-	(1,226)	(1,226)
Ending balance	<u>4,211</u>	<u>44,473</u>	<u>48,684</u>	<u>4,368</u>	<u>48,960</u>	<u>53,328</u>

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 at September 30, 2020, is ₩ 48,629 million.

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Rental income from investment properties under operating lease is ₩ 5,210 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) are ₩ 794 million. Operating expenses incurred for investment properties that do not generate rental income (including maintenance and repair expenses) are ₩ 9 million.

*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 at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Within one year	6,980	6,848
	6,980	6,848

**37. Events After the Reporting Period**

- (1) In October 2020, the Group acquired automotive battery packs facilities from LG Electronics Inc. for approximately USD 37 million.
- (2) After the reporting period, Hyundai Motor Company has issued a recall for the Kona EV to investigate fire risk. Investigation on the cause of the fire is being conducted by related authorities and the exact cause of fire has not been determined yet at the reporting date. As such, the Group cannot make reasonable expectation of the timing and amount of an outflow from the Group of resources due to the uncertainty of the cause of the accident.
- (3) On September 17, 2020, the Board of Director of the Parent Company has approved the plan to split off Energy solutions business and the plan has been also approved by the shareholders on October 30, 2020. The main purpose of the split-off is to focus on further expansion of battery business. The split-off will be made following the rules in accordance with Article 530-2 or 530-12 of *the Commercial Act* of Korea. The split-off date is expected to be December 1, 2020, and further details are included in the 'Report on significant matters (Decision on a split-off)' disclosed on September 17, 2020.
- (4) After the reporting period, General Motors Company has issued a recall for the Chevrolet Bolt EV to investigate fire risk. Investigation on the cause of the fire is being conducted by related authorities and the exact cause of fire has not been determined yet at the reporting date. As such, the Group cannot make reasonable expectation of the timing and amount of an outflow from the Group of resources due to the uncertainty of the cause of the accident.