

LG Chem, Ltd.

**Separate Financial Statements and
Internal Control over Financial Reporting**

December 31, 2024 and 2023

LG Chem, Ltd. and Subsidiaries

Index

December 31, 2024 and 2023

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the separate financial statements of LG Chem, Ltd.(the Company), which comprise the separate statement of financial position as at December 31, 2024, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2024, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2024, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 7, 2025, expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Impairment Assessment for CGUs to which Goodwill has been Allocated

Reason why the matter was determined to be a Key Audit Matter

The Company annually performs impairment assessment on the goodwill. We focused on goodwill impairment assessment due to the significant size of goodwill balance (₩ 429,909 million as at December 31, 2024) and management's involvement in assumptions and judgments in the future results of the business, discount rate used in the measurement of the 'recoverable amount' of the Company's Cash-Generating Units (CGUs). Details are described in Note 12.

In particular, we focused our audit effort on the impairment test of goodwill recognized in relation to the Life Sciences CGU (₩ 391,311 million as at December 31, 2024) with the significant balance of goodwill and the Separator CGU which recognized an impairment loss of ₩ 160,577 million in the current year. The Company's management determined that there was a sufficient headroom between the value in use and the underlying book value of the Life Science CGU, while due to the deterioration of market conditions, recognized impairment loss of ₩ 160,577 million in the Separator CGUs in the current year. The Company's management engaged independent external experts to measure the recoverable amount of the Life Sciences and the Separator CGU. Considering the size of the balance and impairment loss recognized on goodwill, as well as management's involvement in significant assumptions and judgments for the estimation of value in use, we have determined this matter as a key audit matter.

How our audit addressed the key audit matter

We have performed the following audit procedures to address this key audit matter, including the involvement of valuation specialists:

- Obtained an understanding of and evaluated accounting policy and internal controls related to the impairment assessment.
- Assessed the design and operating effectiveness of relevant internal controls in place in connection with impairment assessment, including review and approval by management of future cash flow forecasts and assumptions applied in the assessment.
- Assessed the objectivity and eligibility of the expert utilized by the management.
- Obtained understanding of valuation technique model, assumptions applied and fundamental data used by management in estimating the recoverable amount,
- Assessed whether an appropriate valuation model has been used by management to estimate recoverable amount.
- Reviewed the validity of applied key significant assumptions in terms of value-in-use evaluation.
 - Assessment of the appropriateness of management's business plan estimates by comparing actual performance to the past business plans of the relevant CGUs.
 - Comparison between long-term growth rate and economic and industry forecasts
 - Comparison between the discount rate used by management and the discount rate independently calculated by us using observable information
- Confirmed whether the estimation of future cash flows related to impairment assessments is based on the business plans approved by the management, excluding certain adjusted cash flows from the perspective of market participants.
- Reviewed the adequacy of the corresponding carrying amount allocated to CGUs subject to impairment test.

- Evaluated the reasonableness of the key assumptions used in the estimation of fair value less costs to sell.
- Evaluated the results of the management's sensitivity analysis of discount rates and perpetual growth rates to assess the impact on impairment assessment due to variations in key assumptions applied.

Other Matters

The separate financial statements of the Company for the year ended December 31, 2023, were audited by another auditor who expressed an unqualified opinion on those statements on March 7, 2024.

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

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Seung-Hun Kim, Certified Public Accountant.

Seoul, Korea
March 7, 2025

This report is effective as of March 7, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Chem, Ltd.
Separate Statements of Financial Position
December 31, 2024 and 2023

<i>(in millions of Korean won)</i>	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	₩ 1,888,049	₩ 2,096,074
Trade receivables	3, 5, 7, 31	3,382,992	3,209,503
Other receivables	3, 5, 7, 31	341,649	132,699
Other current financial assets	3, 5, 8	219,803	75,989
Other current assets	13	110,472	137,996
Inventories	9	2,913,432	2,893,935
Assets held for sale	34	-	104,879
Total current assets		<u>8,856,397</u>	<u>8,651,075</u>
Non-current assets			
Other receivables	3, 5, 7	308,595	303,504
Other non-current financial assets	3, 5, 8	1,121,202	748,085
Investments in subsidiaries	10	9,611,024	9,276,614
Investments in associates and joint ventures	10	687,549	687,549
Property, plant and equipment	11	12,138,943	12,402,679
Intangible assets	12	1,375,420	1,631,557
Investment properties	36	59,523	50,375
Other non-current assets	13, 16	77,133	342,146
Total non-current assets		<u>25,379,389</u>	<u>25,442,509</u>
Total assets		<u>₩ 34,235,786</u>	<u>₩ 34,093,584</u>
Liabilities			
Current liabilities			
Trade payables	3, 5, 31	₩ 1,100,542	₩ 1,312,945
Other payables	3, 5, 31	1,157,219	1,246,110
Borrowings	3, 5, 14	4,555,452	3,292,634
Other current financial liabilities	3, 5, 8	351,109	516,442
Provisions	15	1,894	2,594
Income tax payables		139,682	103
Other current liabilities	17, 35	290,080	232,080
Total current liabilities		<u>7,595,978</u>	<u>6,602,908</u>
Non-current liabilities			
Other payables	3, 5, 31	9,353	8,135
Borrowings	3, 5, 14	5,928,066	6,531,926
Other non-current financial liabilities	3, 5, 8	42,464	31,126
Deferred tax liabilities	28	213,495	460,576
Other non-current liabilities	17, 35	181,298	53,701
Total non-current liabilities		<u>6,374,676</u>	<u>7,085,464</u>
Total liabilities		<u>₩ 13,970,654</u>	<u>₩ 13,688,372</u>

LG Chem, Ltd.
Separate Statements of Financial Position
December 31, 2024 and 2023

<i>(in millions of Korean won)</i>	Notes	2024	2023
Equity			
Issued capital	1, 19	391,406	391,406
Capital surplus	19	2,925,449	2,925,449
Elements of other stockholders equity	19, 21	(270)	(270)
Accumulated other comprehensive income		(59,741)	(160,638)
Retained earnings	20	17,008,288	17,249,265
Total equity		<u>20,265,132</u>	<u>20,405,212</u>
Total liabilities and equity		<u>₩ 34,235,786</u>	<u>₩ 34,093,584</u>

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

LG Chem, Ltd.
Separate Income Statements
Years Ended December 31, 2024 and 2023

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2024		2023	
Revenue	31, 35	₩	20,601,857	₩	19,947,377
Cost of sales	23		<u>(17,434,819)</u>		<u>(17,253,928)</u>
Gross profit			3,167,038		2,693,449
Selling and administrative expenses	22, 23		<u>(3,012,640)</u>		<u>(2,802,598)</u>
Operating income (loss)	-		154,398		(109,149)
Finance income	25		1,177,351		862,867
Finance costs	25		(1,378,460)		(712,312)
Other non-operating income	26		460,530		521,511
Other non-operating expenses	27		<u>(1,081,090)</u>		<u>(406,286)</u>
Profit (Loss) before income tax	32		(667,271)		156,631
Income tax expense	28		38,643		85,284
Profit (Loss) from continuing operations		₩	<u>(628,628)</u>	₩	<u>241,915</u>
Profit (Loss) from discontinued operations	34	₩	795,151	₩	(13,789)
Profit		₩	<u>166,523</u>	₩	<u>228,126</u>
Earnings per share (in won)	29				
Basic earnings per ordinary share		₩	2,123	₩	2,910
Basic earnings (losses) per ordinary share from continuing operations		₩	(8,031)	₩	3,086
Basic earnings per preferred share		₩	2,173	₩	2,960
Basic earnings (losses) per preferred share from continuing operations		₩	(8,031)	₩	3,136

The above separate income statements should be read in conjunction with the accompanying notes.

LG Chem, Ltd.
Separate Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

<i>(in millions of Korean won)</i>	Notes	2024	2023
Profit		<u>₩ 166,523</u>	<u>₩ 228,126</u>
Other comprehensive income (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities	16	(180,914)	(31,317)
Gain (Loss) on valuation of financial assets at fair value through other comprehensive income	8	137,088	(122,498)
Income tax relating to these items		11,570	40,607
Other comprehensive income (loss), net of tax		<u>(32,256)</u>	<u>(113,208)</u>
Total comprehensive income		<u>₩ 134,267</u>	<u>₩ 114,918</u>

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

LG Chem, Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2024 and 2023

				Elements of other stockholders equity	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
(in millions of Korean won)	Notes	Issued capital	Capital surplus				
Balance at January 1, 2023		₩ 391,406	₩ 2,925,449	₩ (270)	₩ (70,479)	₩ 17,827,322	₩ 21,073,428
Total comprehensive income							
Profit		-	-	-	-	228,126	228,126
Remeasurements of net defined benefit liabilities	16	-	-	-	-	(23,049)	(23,049)
Loss on valuation of financial assets at fair value	8						
through other comprehensive income		-	-	-	(90,159)	-	(90,159)
Total comprehensive income		-	-	-	(90,159)	205,077	114,918
Transactions with owners:							
Dividends paid	30	-	-	-	-	(783,134)	(783,134)
Total transactions with owners		-	-	-	-	(783,134)	(783,134)
Balance at December 31, 2023		₩ 391,406	₩ 2,925,449	₩ (270)	₩ (160,638)	₩ 17,249,265	₩ 20,405,212
Balance at January 1, 2024		₩ 391,406	₩ 2,925,449	₩ (270)	₩ (160,638)	₩ 17,249,265	₩ 20,405,212
Total comprehensive income							
Profit		-	-	-	-	166,523	166,523
Remeasurements of net defined benefit liabilities	16	-	-	-	-	(133,153)	(133,153)
Gain on valuation of financial assets at fair value	8						
through other comprehensive income		-	-	-	100,897	-	100,897
Total comprehensive income		-	-	-	100,897	33,370	134,267
Transactions with owners:							
Dividends paid	30	-	-	-	-	(274,347)	(274,347)
Total transactions with owners		-	-	-	-	(274,347)	(274,347)
Balance at December 31, 2024		₩ 391,406	₩ 2,925,449	₩ (270)	₩ (59,741)	₩ 17,008,288	₩ 20,265,132

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

LG Chem, Ltd.
Separate Statements of Cash Flows
Years Ended December 31, 2024 and 2023

<i>(in millions of Korean won)</i>	Notes	2024	2023
Cash flows from operating activities			
Cash generated from operations	32	₩ 1,675,981	₩ 2,418,621
Interest received		75,707	147,827
Interest paid		(260,997)	(220,138)
Dividends received		217,163	252,646
Income taxes paid		(47,529)	(494,956)
Net cash inflow from operating activities		<u>1,660,325</u>	<u>2,104,000</u>
Cash flows from investing activities			
Decrease in other receivables		13,710	378,539
Proceeds from disposal of other financial assets		57,110	3,835
Proceeds from disposal of property, plant and equipment		2,759	5,252
Proceeds from disposal of intangible assets		1,168	374
Government grants received		561	-
Proceeds from disposal of assets held for sale		42	27,620
Cash inflow from transfer of business		690,653	151,800
Cash inflow from settlement of derivative instruments transactions		4,061	-
Increase in other receivables		(9,764)	(54,372)
Acquisition of investments in subsidiaries		(551,295)	(822,980)
Acquisition of investments in associates and joint ventures		-	(30,576)
Acquisition of other financial assets		(65,843)	(151,880)
Acquisition of property, plant and equipment		(1,443,636)	(2,371,302)
Acquisition of intangible assets		(49,607)	(48,480)
Cash outflow from settlement of derivative instruments transactions		(18,091)	-
Net cash outflow from investing activities		<u>(1,368,172)</u>	<u>(2,912,170)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,603,087	6,353,546
Settlement of derivative instruments transactions		49,480	-
Repayments of borrowings and others		(1,888,033)	(3,982,427)
Dividends paid		(274,347)	(783,135)
Net cash outflow (inflow) from financing activities		<u>(509,813)</u>	<u>1,587,984</u>
Net increase (decrease) in cash and cash equivalents		(217,660)	779,814
Cash and cash equivalents at the beginning of period		2,096,074	1,323,209
Effects of exchange rate changes on cash and cash equivalents		9,635	(6,949)
Cash and cash equivalents at the end of period		<u>₩ 1,888,049</u>	<u>₩ 2,096,074</u>

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

LG Chem, Ltd.

Notes to the Separate Financial Statements

December 31, 2024 and 2023

1. General Information

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

As at December 31, 2024, the Company has its manufacturing facilities in Yeosu, Daesan, Cheongju, Naju, Iksan, Osong, Onsan, Gimcheon and overseas sites, and engaged in petrochemicals, advanced materials, and life sciences business.

As at December 31, 2024, the Company's capital, including the preferred issued capital of ₩ 38,444 million, is ₩ 391,406 million. The largest shareholder of the Company is LG Corp., which owns 34.04% of the Company's ordinary shares.

The Company is authorized to issue 292 million shares of ordinary shares with par value of ₩ 5,000 per share. As at December 31, 2024, the Company has 70,592,343 ordinary shares and 7,688,800 preferred shares issued and outstanding. Preferred shareholders have no voting rights but are entitled to receive dividends at a rate of 1% more than those paid to ordinary shareholders.

2. Material Accounting Policies

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

2.1 Basis of Preparation

The Company 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 separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

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

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

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- Non-current assets held for sale – measured at fair value less costs to sell
- Contingent consideration – measured at fair value, and
- Defined benefit plans – plan assets measured at fair value

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2024.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments do not have a significant impact on the separate financial statements.

(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The Company has provided new disclosures for liabilities under supplier finance arrangements, as well as the associated cash flows, in Notes 5.

(c) Amendments to Korean IFRS 1116 Leases – Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not have a significant impact on the separate financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets

The amendments require an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments do not have a significant impact on the separate financial statements.

LG Chem, Ltd.
Notes to the Separate Financial Statements
December 31, 2024 and 2023

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The Company is in review for the impact of these amendments on the separate financial statements.

(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1107 Financial Instruments: Disclosures

Korean IFRS 1109 *Financial Instruments* and Korean IFRS 1107 *Financial Instruments: Disclosures* have been amended to respond to recent questions arising in practice, and to include new requirements. The amendments should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted.

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures of impact on the entity and the extent to which the entity is exposed for each type of financial instruments if the timing or amount of contractual cash flow changes due to amendment of contract term; and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Company is in review for the impact of these amendments on the separate financial statements.

(c) Annual Improvements to Korean IFRS - Volume 11

Annual Improvements to Korean IFRS - *Volume 11* should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Korean IFRS 1101 *First-time Adoption of International Financial Reporting Standards: Hedge accounting by a first-time adopter*
- Korean IFRS 1107 *Financial Instruments: Disclosures: Gain or loss on derecognition, and implementation guidance*
- Korean IFRS 1109 *Financial Instruments: Derecognition of lease liabilities and definition of transaction price*
- Korean IFRS 1007 *Statement of Cash Flows: Cost method*

LG Chem, Ltd.
Notes to the Separate Financial Statements
December 31, 2024 and 2023

2.3 Subsidiaries, Joint Ventures, and Associates

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries, joint ventures and associates are recognized at cost. Management applied the carrying amounts under the previous K-GAAP at the time of transition to Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, joint ventures and associates in profit or loss when its right to receive the dividend is established.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the income statements, within finance costs.

Foreign exchange gains and losses on non-monetary items are recognized as part of gains and losses resulting from the changes in fair value. Foreign exchange gains and losses on equity investments measured at fair value through profit or loss are recognized in profit or loss and those on equity investments measured at fair value through other comprehensive income are recognized in other comprehensive income.

2.5 Cash and Cash Equivalents

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

2.6 Financial Assets

(a) Classification

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

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

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

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

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

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

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

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income (costs)' in the income statement as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

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

(d) Recognition and Derecognition

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

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ownership.

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

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7 Derivatives

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'finance income or costs' based on the nature of transactions.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has hedge relationships and designates certain derivatives as either:

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

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

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

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Cash flow hedge

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

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

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

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

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

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

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

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Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

A hybrid contract contains a host that is an asset within the scope of Korean IFRS 1109 *Financial Instruments* is not separated. An entity subsequently measure the entire hybrid contract as at amortized cost or fair value through profit or loss.

If an embedded derivative in a hybrid contract, contains a host that is not an financial assets within the scope of Korean IFRS 1109 *Financial Instruments*, would meet the definition of a derivative, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss, is accounted for as a separate derivative.

An embedded derivative is classified as a non-current asset or liability when the remaining maturity of a hybrid contract is more than 12 months and it is not expected to be realized or settled within 12 months.

2.8 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses.

2.9 Inventories

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

2.10 Assets Held for sale (or disposal group)

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

2.11 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings	25 - 50 years
Structures	15 - 50
Machinery	4 – 15
Other property plant and equipment	1 - 15

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

2.12 Investment Property

Investment property is property (including right-of-use assets) held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Company depreciates investment properties, except for land, using the straight-line method over their useful lives of 20 ~ 50 years.

2.13 Borrowing Costs

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

2.14 Government Grants

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

2.15 Intangible Assets

If the consideration transferred, amount of acquisition-date fair value of any previous equity interest in the acquired entity are greater than the fair value of the net identifiable assets acquired, the excess is recorded as goodwill. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

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

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

2.16 Research and Development

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

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

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

Internally generated development projects in the Life Sciences business have the following stages; formulation of potential candidates, preclinical research, clinical research, such as phase 1, 2 and 3 trials, approval of regulatory body and new product launch. Expenditures incurred from new drug development projects are recognized as expensed in the research phase. However, expenditures incurred during clinical phase 1–3 trials from development projects for generic drugs or biosimilars are recognized as intangible assets depending on the nature of the products.

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

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

2.17 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.18 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Financial Liabilities

(a) Classification and measurement

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

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

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no

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evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(b) Derecognition

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

2.20 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.21 Current and Deferred Tax

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

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

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

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

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

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

2.22 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.23 Greenhouse Gas Emissions Permits and Obligations

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

2.24 Employee Benefits

(a) Post-employment benefits

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

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

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

(b) Other long-term employee benefits

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

2.25 Revenue Recognition

(a) Identify performance obligation

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

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

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

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The goods are often sold with volume discounts, and it is the Company's policy to sell its products to the customer with a right of return. Accumulated experiences are used to estimate the discounts and the refund, and the volume discounts are calculated based on the periodic forecast sales. The warranty provision for the sales and refund is recognized based on reasonable estimation.

(c) Sales return

A gross contract liability for the expected refunds to customers is recognized as adjustment to revenue, and for the right to recover the product from the customer where the customers exercise the right of return, the Company recognizes an asset and a corresponding adjustment to cost of sales. A right to recover the products is measured at former carrying amount of the product less the costs to recover.

(d) Significant financing component

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

2.26 Leases

(a) Lessor

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

(b) Lessee

The Company leases various machinery, real estate, and cars. Lease contracts are typically made for fixed periods, but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

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

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company uses that rate as a starting point to determine the incremental borrowing rate.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the

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remaining balance of the liability for each period.

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Extension and termination options

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

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3. Financial Risk Management

3.1 Financial Risk Factors

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

Risk management is carried out by the Company's finance team under policies approved by the Corporate Management Committee. The finance team identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Company 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.

(a) Market risk

Foreign exchange risk

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

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

As at December 31, 2024 and 2023, the Company's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korean won)</i>	2024				2023			
	Assets		Liabilities		Assets		Liabilities	
USD	₩	2,862,823	₩	7,044,340	₩	3,180,888	₩	6,559,144
EUR		412,501		14,434		309,736		17,797
JPY		11,109		29,277		9,172		47,109
CNY and others		150,219		132,209		194,235		11,132

As at December 31, 2024 and 2023, if the Company's functional currency had weakened / strengthened by 10% against the US dollar and other currencies with all other variables held constant, profit before income tax would have been affected as follows:

<i>(in millions of Korean won)</i>	2024				2023			
	10% Increase		10% Decrease		10% Increase		10% Decrease	
USD	₩	(418,152)	₩	418,152	₩	(337,826)	₩	337,826
EUR		39,807		(39,807)		29,194		(29,194)
JPY		(1,817)		1,817		(3,794)		3,794
CNY and others		1,801		(1,801)		18,310		(18,310)

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

As at December 31, 2024 and 2023, the Company entered into foreign currency forward and currency swap contracts to manage risk from changes in exchange rates and the details are as follows:

(in millions of Korean won and in millions of US dollars)

		2024					
	Contractor	Contract amount	Contract exchange rate	Contract inception date	Contract maturity	Book amount	
						Assets	Liabilities
Currency swap	KDB	USD 130	1,135.60	2021.6.24	2025.6.24	45,025	-
	KDB	USD 35	1,135.60	2021.6.24	2026.6.24	12,891	-
	Shinhan Bank	USD 300	1,131.80	2021.7.7	2026.7.7	88,419	-
	Woori Bank	USD 100	1,131.80	2021.7.7	2026.7.7	29,589	-
	Industrial and Commercial Bank of China	USD 100	1,131.80	2021.7.7	2026.7.7	29,778	-
	Shinhan Bank	USD 100	1,131.80	2021.7.7	2031.7.7	20,241	-
	Woori Bank	USD 200	1,131.80	2021.7.7	2031.7.7	40,936	-
	KDB	USD 200	1,131.80	2021.7.7	2031.7.7	41,000	-
	KDB	USD 250	1,289.70	2022.6.15	2025.6.15	45,444	-
	Shinhan Bank	USD 110	1,289.70	2022.6.15	2027.6.15	18,916	-
	The Export-Import Bank of Korea	USD 200	1,305.90	2022.7.14	2025.7.14	32,848	-
	Shinhan Bank	USD 100	1,305.90	2022.7.14	2025.7.14	16,492	-
	KDB	USD 200	1,233.40	2023.1.26	2025.1.26	48,769	-
	Shinhan Bank	USD 100	1,233.40	2023.1.26	2026.1.26	23,807	-
	KDB	USD 100	1,233.40	2023.1.26	2026.1.26	23,928	-

(in millions of Korean won and in millions of US dollars)

		2023					
	Contractor	Contract amount	Contract exchange rate	Contract inception date	Contract maturity	Book amount	
						Assets	Liabilities
Currency Forward	Industrial and Commercial Bank of China	USD 158	1,218.70	2022.4.22	2024.2.1	₩ -	₩ 10,808
	Bank of America	USD 158	1,307.73	2023.12.5	2024.2.1	-	3,500
Currency swap	SMBC	USD 200	1,118.00	2021.5.28	2024.5.28	31,693	-
	KDB	USD 130	1,135.60	2021.6.24	2025.6.24	24,902	-
	KDB	USD 35	1,135.60	2021.6.24	2026.6.24	7,303	-
	Shinhan Bank	USD 300	1,131.80	2021.7.7	2026.7.7	31,997	-
	Woori Bank	USD 100	1,131.80	2021.7.7	2026.7.7	10,906	-

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(in millions of Korean won and in millions of US dollars)

Contractor	Contract amount	Contract exchange rate	2023		Book amount	
			Contract inception date	Contract maturity	Assets	Liabilities
Industrial and Commercial Bank of China	USD 100	1,131.80	2021.7.7	2026.7.7	11,057	-
Shinhan Bank	USD 100	1,131.80	2021.7.7	2031.7.7	6,234	-
Woori Bank	USD 200	1,131.80	2021.7.7	2031.7.7	13,025	-
KDB	USD 200	1,131.80	2021.7.7	2031.7.7	13,108	-
KDB	USD 250	1,289.70	2022.6.15	2025.6.15	30	-
Shinhan Bank	USD 110	1,289.70	2022.6.15	2027.6.15	-	1,399
The Export-Import Bank of Korea	USD 200	1,305.90	2022.7.14	2025.7.14	-	6,571
Shinhan Bank	USD 100	1,305.90	2022.7.14	2025.7.14	-	3,274
KDB	USD 200	1,233.40	2023.1.26	2025.1.26	12,236	-
Shinhan Bank	USD 100	1,233.40	2023.1.26	2026.1.26	5,097	-
KDB	USD 100	1,233.40	2023.1.26	2026.1.26	5,332	-

Price risk

The Company is exposed to equity securities price risk arises from investments held by the Company and classified in the Separated year-end statement of financial position as non-current financial assets. The Company's equity investments are publicly traded and are related to the NASDAQ (National Association of Securities Dealers Automated Quotations), NYSE (New York Stock Exchange), SZSE (Shenzhen Stock Exchange), HSI (Hang Seng Index) and KOSPI index.

The table below summarizes the impact of increases/decreases of the listed stock price index on the Corporate's equity before tax effects as at December 31, 2024 and 2023. 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 Company's equity instruments moved in line with the index.

	(in millions of Korean won)							
	2024		2023		2024		2023	
	10% Increase	10% Decrease	10% Increase	10% Decrease	10% Increase	10% Decrease	10% Increase	10% Decrease
NASDAQ	₩ 2,886	₩ (2,886)	₩ 6,943	₩ (6,943)	₩ 6,943	₩ (6,943)	₩ 6,943	₩ (6,943)
NYSE	118	(118)	260	(260)	260	(260)	260	(260)
SZSE	5,111	(5,111)	6,446	(6,446)	6,446	(6,446)	6,446	(6,446)
HSI	6,427	(6,427)	9,277	(9,277)	9,277	(9,277)	9,277	(9,277)
KOSPI	32,615	(32,615)	15,989	(15,989)	15,989	(15,989)	15,989	(15,989)
Total	₩ 47,157	₩ (47,157)	₩ 38,915	₩ (38,915)	₩ 38,915	₩ (38,915)	₩ 38,915	₩ (38,915)

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.

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

The table below summarizes the impact of increases/decreases of interest rate on the Corporate's interest income from deposits and interest expense on variable interest rate borrowings, as at December 31, 2024 and 2023. 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.

(in millions of Korean won)	2024		2023	
	1%p Increase	1%p Decrease	1%p Increase	1%p Decrease
Interest income	₩ 18,212	₩ (18,212)	₩ 15,674	₩ (15,674)
Interest expense	-	-	-	-

The deposits exposed to the above interest rate risk are held for the purpose of meeting the short-term demand for cash as it is easily convertible to a determined amount of cash.

Also, the above borrowings are variable interest rate borrowings, the Corporate has entered into a currency interest rate swap contract amounting to USD 925 million (equivalent to ₩ 1,359,750 million) to hedge interest rate risk of variable interest rate borrowings.

(b) Credit risk

Credit risk arises from trade receivables and contract assets that the Company holds, as well as debt instruments at amortized cost.

Trade receivables

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at December 31, 2024, is as follows. Expected credit losses include forward-looking information.

(in millions of Korean won)	December 31, 2024			
	Receivables not past due ¹	Receivables past due but not impaired ¹	Impaired receivables ²	Total
December 31, 2024				
Gross carrying amount—trade receivables	₩ 3,360,020	₩ 22,882	₩ 1,181	₩ 3,384,083
Expected loss rate	0.00%	0.20%	19.40%	0.00%
Loss allowance provision	₩ 826	₩ 36	₩ 229	₩ 1,091
December 31, 2023				
Gross carrying amount—trade receivables	₩ 3,157,050	₩ 52,676	₩ 1,323	₩ 3,211,049
Expected loss rate	0.00%	0.00%	64.40%	0.00%
Loss allowance provision	₩ 674	₩ 20	₩ 852	₩ 1,546

¹ Note 7.(3) for aging analysis.

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² 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 years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	Trade receivables and contract assets			
	2024		2023	
Beginning balance	₩	1,546	₩	1,971
Reversal of loss allowance recognized in profit or loss		(336)		(425)
Receivables written off as uncollectible		(119)		-
Ending balance	₩	1,091	₩	1,546

As at December 31, 2024, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩ 3,382,992 million (2023: ₩ 3,209,503 million)

Other financial assets at amortized cost

Other financial assets at amortized cost include other receivables, other non-current receivables and others. Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	Financial assets at amortized cost			
	2024		2023	
Beginning balance	₩	628	₩	628
Reversal of loss allowance recognized in profit or loss		-		-
Receivables written off as uncollectible		-		-
Ending balance	₩	628	₩	628

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.

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

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

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

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The Company has deposited its cash and cash equivalents and other long-term deposits in several financial institutions, such as Woori Bank and others. The Corporate has also entered derivative contract with several financial institutions. The Corporate 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.

(c) Liquidity risk

Finance team of the Company monitors rolling forecasts of the Corporate'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 Corporate does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. When predicting liquidity, considerations are taken into account from external regulations or legal requirements such as funding plans of Company units, compliance with agreements, internal target financial ratios within company units, and restrictions related to currency.

The Corporate entered into supplier finance arrangements with financial institutions. These financial institutions are in a sound financial position, and the Company is monitoring liquidity at these financial institutions.

1) The table below categorizes the financial liabilities of company units based on the remaining period from the end of the reporting period to the contract maturity date. The cash flows presented in the table are amounts not discounted as present value and include the cash flows related to interest expenses.

(in millions of Korean won)

	2024			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative financial instruments				
Borrowings (excluding lease liabilities)	₩ 5,434,115	₩ 2,083,838	₩ 2,448,646	₩ 1,797,795
Lease liabilities	37,860	7,395	12,746	44,393
Trade and other payables	2,257,761	3,131	6,222	-
	<u>7,729,736</u>	<u>2,094,364</u>	<u>2,467,614</u>	<u>1,842,188</u>
Derivative instruments				
Gross settlement currency forwards and swaps				
(Inflows)	(1,427,569)	(1,199,930)	(93,846)	(769,913)
Outflows	1,204,261	950,021	74,421	591,424
	<u>(223,308)</u>	<u>(249,909)</u>	<u>(19,425)</u>	<u>(178,489)</u>
	<u>₩ 7,506,428</u>	<u>₩ 1,844,455</u>	<u>₩ 2,448,189</u>	<u>₩ 1,663,699</u>

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	2023							
	Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years	
Non-derivative financial instruments								
Borrowings (excluding lease liabilities)	₩	1,513,832	₩	1,890,110	₩	3,838,692	₩	3,258,181
Lease liabilities		37,715		15,907		14,125		47,648
Trade and other payables		2,559,055		3,473		4,662		-
		<u>4,110,602</u>		<u>1,909,490</u>		<u>3,857,479</u>		<u>3,305,829</u>
Derivative instruments								
Gross settlement currency forwards and swaps								
(Inflows)		(771,908)		(1,256,394)		(862,833)		(690,635)
Outflows		<u>710,289</u>		<u>1,204,261</u>		<u>765,000</u>		<u>604,187</u>
		<u>(61,619)</u>		<u>(52,133)</u>		<u>(97,833)</u>		<u>(86,448)</u>
	₩	<u>4,048,983</u>	₩	<u>1,857,357</u>	₩	<u>3,759,646</u>	₩	<u>3,219,381</u>

Although not included in the above cash flow, the agreement is made to purchase additional shares of LG Toray Hungary Battery Separator Kft. in accordance with the agreed price calculation method (Note 18). Additionally, during the year ended December 31, 2023, the Company issued exchangeable bonds that allow issuers and investors to exercise their early redemption rights (Note 14)

2) Details of financial guarantee contracts by maturity as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024							
	Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years	
Financial guarantee contracts ¹	₩	-	₩	-	₩	-	₩	-

(in millions of Korean won)

	2023							
	Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years	
Financial guarantee contracts ¹	₩	64,226	₩	-	₩	-	₩	-

¹ The financial guarantee contracts above are for joint ventures and are presented based on the maximum amount of guarantee that can be requested as at December 31, 2024 and 2023. Meanwhile, there are no amount of payment guarantee contracted as at December 31, 2024 (Note 18).

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3.2 Capital Risk Management

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

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

The gearing ratio and debt-to-equity ratio as at December 31, 2024 and 2023, were as follows:

<i>(in millions of Korean won, except for ratios)</i>	2024		2023	
Total borrowings (Note 14) (A)	₩	10,483,518	₩	9,824,560
Less: cash and cash equivalents (B)		(1,888,049)		(2,096,074)
Net debt (C=A+B)		8,595,469		7,728,486
Total liabilities (D)		13,970,654		13,688,372
Total equity (E)		20,265,132		20,405,212
Total capital (F=C+E)		28,860,601		28,133,698
Gearing ratio (C/F)		29.80%		27.50%
Debt-to-equity ratio (D/E)		68.90%		67.10%

3.3 Fair Value

Carrying amount and fair value of financial instruments by category as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current)				
Cash and cash equivalents	₩ 1,888,049	1	₩ 2,096,074	1
Trade receivables	3,382,992	1	3,209,503	1
Other receivables	341,649	1	132,699	1
Current derivative financial assets (currency swap)	188,578	188,578	31,693	31,693
Current derivative financial assets (purchase of interests)	31,225	31,225	44,296	44,296
Financial assets (non-current)				
Deposits held by financial institutions	206,119	1	206,119	1
Other receivables (excluding deposits held by financial institutions)	102,476	1	97,385	1
Other non-current financial assets				
Marketable financial assets (excluding derivative financial assets)	528,920	528,920	398,539	398,539
Non-marketable financial assets ³	262,777	262,777	207,508	207,508

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	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current derivative financial assets (currency swap)	329,505	329,505	142,038	142,038
Financial liabilities (current)				
Trade and other payables	2,257,761	¹	2,559,055	¹
Current borrowings (excluding lease liabilities/ exchangeable bond)	2,063,453	¹	1,277,656	¹
Current borrowings (exchangeable bond)	2,461,344	2,532,310	1,998,423	2,220,842
Current lease liabilities	30,655	²	16,555	²
Current derivative financial liabilities (currency forward)	-	-	14,308	14,308
Current derivative financial liabilities (right of exchange/option)	351,109	351,109	501,951	501,951
Financial guarantee contracts liabilities	-	-	183	¹
Financial liabilities (non-current)				
Non-current borrowings (excluding lease liabilities)	5,875,520	5,681,491	6,474,153	5,431,391
Non-current lease liabilities	52,546	²	57,773	²
Non-current derivative financial liabilities (currency swap)	-	-	11,244	11,244
Non-current derivative financial liabilities (purchase of interests)	42,464	42,464	19,881	19,881
Other long-term debts	9,353	¹	8,135	¹

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

² Fair values for these financial assets and liabilities are not disclosed above in accordance with related Korean IFRS.

³ Including some unmarketable financial assets for which acquisition cost is used as the best estimate of fair value.

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

The fair value of financial liabilities was calculated by applying the following discount rate to the nominal value of expected future outflow cash flows.

Discount rate	2024	2023	Remark
Non-current borrowings (excluding lease liabilities/ exchangeable bond)	3.07% ~ 3.90%	3.64% ~ 4.44%	Yield of won debenture with credit rating (AA+) and others
Current borrowings (exchangeable bond)	5.04% / 5.20%	4.55% / 4.47%	Yield of foreign currency debenture equal to the maturity of the evaluation target

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Fair value hierarchy

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

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

Fair value hierarchy of the financial instruments that are either measured at fair value or their fair values are disclosed for as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>		2024			
		Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value					
Other non-current financial assets (marketable financial assets)	₩	528,920	₩	-	₩ 528,920
Other non-current financial assets (non-marketable financial assets) ¹		-	-	262,777	262,777
Current derivative financial assets (currency swap)		-	188,578	-	188,578
Current derivative financial assets (purchase of interests)		-	-	31,225	31,225
Non-current derivative financial assets (currency swap)		-	329,505	-	329,505
Current derivative financial liabilities (right of exchange/option)		-	-	351,109	351,109
Non-current derivative financial liabilities (purchase of interests)		-	-	42,464	42,464
Financial assets/liabilities not measured at fair value					
Current borrowings (exchangeable bond)		-	-	2,532,310	2,532,310
Non-current borrowings (excluding lease liabilities)		-	-	5,681,491	5,681,491
<i>(in millions of Korean won)</i>		2023			
		Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value					
Other non-current financial assets (marketable financial assets)	₩	398,539	₩	-	₩ 398,539
Other non-current financial assets (non-marketable financial assets) ¹		-	-	207,508	207,508
Current derivative financial assets (currency swap)		-	31,693	-	31,693
Current derivative financial assets (purchase of interests)		-	-	44,296	44,296
Non-current derivative financial assets (currency swap)		-	142,038	-	142,038

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	2023			
	Level 1	Level 2	Level 3	Total
Current derivative financial liabilities (currency forward)	-	14,308	-	14,308
Current derivative financial liabilities (right of exchange/option)	-	-	501,951	501,951
Non-current derivative financial liabilities (currency swap)	-	11,244	-	11,244
Non-current derivative financial liabilities (purchase of interests)	-	-	19,881	19,881
Financial assets/liabilities not measured at fair value				
Current borrowings (exchangeable bond)	-	-	2,220,842	2,220,842
Non-current borrowings (excluding lease liabilities)	-	-	5,431,391	5,431,391

¹ Acquisition costs of a part of these financial assets approximate their fair values. For fair values measured by using other methods, see Valuation technique and the inputs.

Valuation technique and the inputs

Valuation techniques and inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2024 and December 31, 2023, are as follows:

(in millions of Korean won)

	2024				
	Fair value	Level	Valuation Technique	Inputs	Coverage of Level 3 inputs
	8,617	3	Binominal option-pricing model	Volatility	19.51%
Other non-current financial assets (non-listed shares and compound financial instruments)				Stock price of underlying assets	₩ 7,439 (in Korean won)
	19,442	3	Hull&White/LSMC	Risk-free rate	2.65%
				Discount rates	20.85%
				Volatility	28.39%
	17,980	3	Market approach	-	-
	17,416	3	Discounted cash flows model	Discount rates	13.41% and others
	190,531	3	Adjusted net asset method	-	-
Current derivative financial assets (purchase of interests)				Stock volatility of underlying assets	47.76%
	31,225	3	Monte Carlo Simulation	Stock price correlation coefficient	25.85%
				Volatility of financial indicators	20.94%

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Non-current derivative financial liabilities (purchase of interests)	42,464	3	Monte Carlo Simulation	Stock volatility of underlying assets	47.76%
				Stock price correlation coefficient	25.85%
				Volatility of financial indicators	20.94%
Current financial liabilities (right of exchange/ option)	351,110	3	Binominal option-pricing model	Stock price of underlying assets	₩ 348,000 (in Korean won)
				Risk-free rate	4.51% / 4.74%
				Risk rate	5.04% / 5.20%
				Volatility	40.86%
(in millions of Korean won)					
2023					
	Fair value	Level	Valuation Technique	Inputs	Coverage of Level 3 inputs
Other non-current financial assets (non-listed shares)	14,426	3	Binominal option-pricing model	Volatility	12.34%
	15,448	3	Discounted cash flows model	Discount rates	13.96%
	133,655	3	Adjusted net asset method	-	-
Current derivative financial assets (purchase of interests)	₩ 44,296	3	Monte Carlo Simulation	Stock volatility of underlying assets	32.78%
				Stock price correlation coefficient	37.38%
				Volatility of financial indicators	42.17%
Non-current derivative financial liabilities (purchase of interests)	19,881	3	Monte Carlo Simulation	Stock volatility of underlying assets	32.78%
				Stock price correlation coefficient	42.98%
				Volatility of financial indicators	21.82%
Current financial liabilities (right of exchange/ option)	501,951	3	Binominal option-pricing model	Stock price of underlying assets	₩ 427,500 (in Korean won)
				Risk-free rate	3.17% / 3.19%
				Risk rate	4.55% / 4.47%
				Volatility	45.38%

Changes in Level 3 of the Fair Value Hierarchy for the Recurring Fair Value Measurements

(in millions of Korean won)

2024		2023	
Financial assets	Financial liabilities	Financial assets	Financial liabilities

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	measured at fair value		measured at fair value		measured at fair value		measured at fair value	
Beginning balance	₩	251,804	₩	521,832	₩	240,304	₩	7,777
Transfer into Level 3		31,570		-		4,971		604,407
Gains (losses) recognized in profit for the year		7,089		(128,259)		4,195		(90,352)
Gains recognized in other comprehensive income		3,539		-		2,334		-
Ending balance	₩	294,002	₩	393,573	₩	251,804	₩	521,832

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4. Critical Accounting Estimates and Assumptions

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

(a) Estimated goodwill impairment

The Company tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (Note 12).

(b) Income tax

If certain portion of the taxable income is not used for investments or increase in wages or dividends for a certain period, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects for such period. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

Additionally, the company estimates the future corporate tax effects and recognizes them as current and deferred corporate taxes. However, the actual future tax burden may differ from the recognized related assets and liabilities. Such differences may impact the current and deferred corporate taxes when the estimated tax effects are finalized.

(c) Provisions

The Company recognizes provisions for product warranties, as explained in Note 15. These provisions are estimated based on the past experience.

(d) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 3.3).

(e) Impairment of financial assets

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

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(f) Net defined benefit liability (asset)

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

(g) Leases

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

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

(h) Valuation of Inventories

Inventories are stated at the lower of cost and net realizable value, which is determined by the estimated selling price and the estimated costs necessary to make the sale. The assessment of slow-moving inventories is made of net realizable value estimated with the market circumstances and the historical experience.

(i) Impairment assessment of CGU

To assess the recoverable amount for CGUs for impairment of property, plant and equipment and intangible assets, it is determined based on the higher amount between value in use and the net fair value, less costs of disposal.

(j) Impairment assessment of investments in subsidiaries and associates

The Company determines indications of impairment annually for investments in subsidiaries and associates. Impairment assessment is performed when there is an indication that an asset may be impaired. Impairment assessment is made by measuring the recoverable amount (value-in-use or net fair value), and estimation of the recoverable amount is made by using the valuation techniques.

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5. Financial Instruments by Category

(a) Categorizations of financial instruments as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Financial assets				
Cash and cash equivalents	₩ 1,888,049	₩ -	₩ -	₩ 1,888,049
Trade receivables	3,329,060	-	53,932	3,382,992
Other receivables	341,286	-	363	341,649
Other non-current receivables	308,595	-	-	308,595
Other current financial assets	-	219,803	-	219,803
Other non-current financial assets	-	594,167	527,035	1,121,202
Total	₩ 5,866,990	₩ 813,970	₩ 581,330	₩ 7,262,290

(in millions of
Korean won)

	2024			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other financial liabilities ²	Total
Financial liabilities				
Trade payables	₩ 1,100,542	₩ -	₩ -	₩ 1,100,542
Other payables	1,156,205	-	-	1,156,205
Borrowings (current)	4,524,797	-	30,655	4,555,452
Other current financial liabilities	-	351,109	-	351,109
Other non-current financial liabilities	-	42,464	-	42,464
Other non-current payables	9,353	-	-	9,353
Borrowings (non-current)	5,875,520	-	52,546	5,928,066
Total	₩ 12,666,417	₩ 393,573	₩ 83,201	₩ 13,143,191

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(in millions of Korean won)

	2023					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		
Financial assets						
Cash and cash equivalents	₩ 2,096,074	₩ -	₩ -	₩ -	₩ -	₩ 2,096,074
Trade receivables	3,134,615	-	74,888	-	-	3,209,503
Other receivables	131,827	-	872	-	-	132,699
Other non-current receivables	303,504	-	-	-	-	303,504
Other current financial assets	-	-	-	75,989	-	75,989
Other non-current financial assets	-	216,023	390,024	142,038	-	748,085
Total	<u>₩ 5,666,020</u>	<u>₩ 216,023</u>	<u>₩ 465,784</u>	<u>₩ 218,027</u>	<u>₩ -</u>	<u>₩ 6,565,854</u>

(in millions of Korean won)

	2023		
	Financial liabilities at amortized cost	Other financial liabilities ¹	Total
Financial liabilities			
Trade payables	₩ 1,312,945	₩ -	₩ 1,312,945
Other payables	1,246,110	-	1,246,110
Borrowings (current)	3,276,079	16,555	3,292,634
Other current financial liabilities	-	516,442	516,442
Other non-current financial liabilities	-	31,126	31,126
Other non-current payables	8,135	-	8,135
Borrowings (non-current)	6,474,153	57,773	6,531,926
Total	<u>₩ 12,317,422</u>	<u>₩ 621,896</u>	<u>₩ 12,939,318</u>

¹ Other financial liabilities include lease liabilities, derivative liabilities and negotiated borrowings that are not subject to the categorizations.

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(b) Liabilities under supplier finance arrangements

Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts that the Company owes its suppliers and the Company agreeing to pay finance providers according to the terms and conditions of the arrangements at a date later than, when suppliers are paid. These arrangements provide the Company with extended payment terms, or the Company's suppliers with early payment terms, compared to the related invoice payment due date.

Supplier finance arrangements as at December 31, 2024, as follows:

<i>(in millions of Korean won)</i>	Accounts in financial statements	2024
Shipper's Usance ¹	Trade payables ₩	18,067
Reverse factoring card ²	Other payables	-
B2B purchase agreement ³	Trade payables	66,000
B2B purchase agreement ³	Other payables	280,029

¹ Under the Shipper's Usance arrangement, financial institutions acquire rights to specific trade receivables from suppliers. The payment due would not be changed due to this arrangement, and since the terms of the liability have not substantially changed, it is determined appropriate to continue recognizing the related amount as trade payables on the statements of financial position. In the statements of cash flows, the Company is not considered a part of the supplier finance arrangement in the cash flows between the financial institutions and the suppliers. As the substantive terms of the trade payables have not changed, the Company considers the payment was made in the ordinary course of business. Accordingly, cash flows occur when the Company subsequently makes payment to the financial institution, and this is presented as a cash outflow from operating activities.

² In accordance with reverse factoring arrangement, financial institutions acquire rights to specific trade receivables from suppliers. The payment due has been extended due to this arrangement, and since the terms of the liability have substantially changed, the related amount is recognized as financial liabilities in the statements of financial position, and previous liabilities are derecognized at the time of assumption of debt by financial institutions. In the statements of cash flows, the Company considers that financial institutions settle payments on behalf of the Company. However, when financial institutions pay the suppliers, the Company is considered not a party to the cash flows and discloses the payment as a non-cash transaction. When the Company subsequently pays to financial institutions, it is presented in cash outflow from investing activities. The facility is not utilized during the current year.

³ In accordance with B2B purchase agreement, financial institutions acquire rights to specific trade receivables from suppliers. The payment due would not be changed due to this arrangement, and since the terms of the liability have not substantially changed, it is determined appropriate to continue recognizing the related amount as trade payables and other payables in the statements of financial position. In the statements of cash flows, the Company is not considered a party to the cash flows between the financial institutions and the suppliers. Since the substantive terms of the trade payables have not changed, the Company considers the payment was made in the ordinary course of business. Accordingly, cash flows occur when the Company subsequently makes payment to the financial institution, and this is presented as a cash outflow from operating activities.

There were no significant business combinations or exchange rate differences that could have affected the liabilities under supplier finance arrangements. The liabilities under supplier finance

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arrangements are considered as short-term, and their carrying amount is regarded as a reasonable approximation of fair value.

Net gains or losses on each category of financial instruments for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Dividend income		
Financial assets at fair value through other comprehensive income	₩ 9,773	₩ 19,943
Financial assets at fair value through profit or loss	199	289
Impairment losses (reversal)		
Financial assets at amortized cost	(336)	(425)
Interest income		
Financial assets at amortized cost	77,158	73,843
Interest expense		
Financial assets at amortized cost ¹	-	(23,757)
Other financial liabilities	(2,189)	(1,664)
Financial liabilities at amortized cost	(369,232)	(259,867)
Gain (loss) on valuation and disposal		
Financial assets at fair value through profit or loss	39,828	18,652
Financial assets at fair value through other comprehensive income	137,088	(122,498)
Derivative instruments	520,542	143,332
Exchange differences		
Financial assets at amortized cost	378,677	169,751
Financial liabilities at amortized cost	(875,786)	(115,841)
Other financial liabilities	-	999

¹ Fees paid to financial institutions for factoring.

6. Cash and Cash Equivalents

Details of cash and cash equivalents as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Bank deposits and cash on hand	₩ 66,895	₩ 106,306
Deposits held by financial institutions and others	1,821,154	1,989,768
Total	<u>₩ 1,888,049</u>	<u>₩ 2,096,074</u>

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7. Trade and Other Receivables

Trade and other receivables and its provisions for impairment, as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024		
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 3,384,083	₩ (1,091)	₩ 3,382,992
Other current receivables	342,277	(628)	341,649
Other non-current receivables	308,595	-	308,595
Total	₩ 4,034,955	₩ (1,719)	₩ 4,033,236

(in millions of Korean won)

	2023		
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 3,211,049	₩ (1,546)	₩ 3,209,503
Other current receivables	133,327	(628)	132,699
Other non-current receivables	303,504	-	303,504
Total	₩ 3,647,880	₩ (2,174)	₩ 3,645,706

Details of other receivables as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	2023
Current		
Non-trade receivables	₩ 326,971	₩ 113,564
Accrued income	2,277	4,477
Guarantee deposits provided	12,401	14,658
	341,649	132,699
Non-current		
Non-trade receivables	28,431	30,199
Deposits held by financial institutions ¹	206,119	206,119
Loans	45,257	37,315
Guarantee deposits provided	28,788	29,871
	308,595	303,504
Total	₩ 650,244	₩ 436,203

¹ As at December 31, 2024, ₩ 206,100 million (2023: ₩ 206,100 million) is withdrawal restricted in relation to large-, small- and medium-sized companies cooperation agreement, ₩ 19 million is restricted in use to be retained in connection with maintaining checking accounts (2023: ₩ 19 million).

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The aging analysis of trade and other receivables as at December 31, 2024 and 2023, is as follows:

(in millions of Korean won)

	2024				2023			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
Receivables not past due	₩	3,360,020	₩	650,244	₩	3,157,050	₩	436,203
Past due but not impaired		22,882		-		52,676		-
Up to 3 months		22,457		-		51,947		-
Between 3-6 months		114		-		8		-
Over 6 months		311		-		721		-
Impaired receivables		1,181		628		1,323		628
Total	₩	3,384,083	₩	650,872	₩	3,211,049	₩	436,831

Movements on the provision for impairment of trade and other receivables for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	(in millions of Korean won)							
	2024							
	Trade receivables				Other receivables			
	Current		Non-current		Current		Non-current	
Beginning balance	₩	1,546	₩	-	₩	628	₩	-
Reversal		(336)		-		-		-
Write-off		(119)		-		-		-
Ending balance	₩	1,091	₩	-	₩	628	₩	-

(in millions of Korean won)

	(in millions of Korean won)							
	2023							
	Trade receivables				Other receivables			
	Current		Non-current		Current		Non-current	
Beginning balance	₩	1,971	₩	-	₩	628	₩	-
Reversal		(425)		-		-		-
Ending balance	₩	1,546	₩	-	₩	628	₩	-

As at December 31, 2024 and 2023, the carrying amounts of trade and other receivables are approximation of their fair values.

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8. Other Financial Assets and Liabilities

Details of other financial assets and liabilities as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Other financial assets		
Financial assets at fair value through profit or loss (derivative instruments) (current)	219,803	75,989
Financial assets at fair value through other comprehensive income (excluding derivative instruments) (non-current)	527,035	390,024
Financial assets at fair value through profit or loss (excluding derivative instruments) (non-current)	264,662	216,023
Financial assets at fair value through profit or loss (derivative instruments) (non-current)	329,505	142,038
	<u>1,341,005</u>	<u>824,074</u>
Other financial liabilities		
Financial guarantee contracts	-	183
Financial liabilities at fair value through profit or loss (derivative instruments) (current)	351,110	516,259
Financial liabilities at fair value through profit or loss (derivative instruments) (non-current)	42,464	31,126
	<u>₩ 393,574</u>	<u>₩ 547,568</u>

Changes in equity and debt instruments included in other financial assets for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Beginning balance	₩ 606,047	₩ 562,857
Acquisitions / transfer	65,843	151,880
Disposals	(57,110)	(3,852)
Gain (Loss) on valuation through other comprehensive income (before income tax effects)	137,089	(122,498)
Gain on valuation through profit or loss	39,828	17,660
Ending balance	<u>₩ 791,697</u>	<u>₩ 606,047</u>

1

For the years ended December 31, 2024 and 2023, the Company did not recognize impairment for other financial assets.

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9. Inventories

Details of inventories as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024		
	Gross amount	Provision for impairment	Carrying amount
Merchandise	₩ 32,773	₩ (866)	₩ 31,907
Finished / Semi-finished products	1,524,225	(82,745)	1,441,480
Work-in-process	26,227	-	26,227
Raw materials	724,386	(16,203)	708,183
Supplies	200,315	-	200,315
Goods-in-transit	505,320	-	505,320
Total	₩ 3,013,246	₩ (99,814)	₩ 2,913,432

(in millions of Korean won)

	2023		
	Gross amount	Provision for impairment	Carrying amount
Merchandise	₩ 37,239	₩ (206)	₩ 37,033
Finished / Semi-finished products	1,538,852	(95,772)	1,443,080
Work-in-process	18,443	-	18,443
Raw materials	833,237	(20,975)	812,262
Supplies	186,772	-	186,772
Goods-in-transit	396,345	-	396,345
Total	₩ 3,010,888	₩ (116,953)	₩ 2,893,935

During the year ended December 31, 2024, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 12,773,671 million (2023: ₩ 12,838,987 million).

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10. Investments in Subsidiaries, Associates and Joint Ventures

(a) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Beginning balance	₩ 9,964,163	₩ 9,130,719
Additions / Transfer	551,295	853,556
Impairment ¹	(216,885)	-
Reclassified as held-for-sale ²	-	(11,712)
Others	-	(8,400)
Ending balance	₩ 10,298,573	₩ 9,964,163

¹ The Company reviews whether there are any events or changes in circumstances indicate that assets might be impaired at the end of each reporting period. If the indications are present, the recoverable amount of that asset is estimated by cashflow discount method or other method. If the recoverable amount is less than its carrying amount, the carrying amount of the asset shall be reduced and the impairment loss shall be recognized.

During 2024, the major assumptions used to calculate the amount of impairment recognized and the value in use measured using the discounted cash flow method are as follows:

<i>(in millions of Korean won and in percentage)</i>	2024.12.31 LG Chem Life Sciences USA, Inc
Impaired amount	216,885
Pre-tax discount rate	12.41%
Growth rate for subsequent years after five years	1.00%

² The Company decided to dispose of shares LG Chem Hangzhou Advanced Materials Co., Ltd. and reclassified it as assets held for sale during 2023, and completed the sale of all shares during 2024.

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(b) Details of investments in subsidiaries, associates and joint ventures as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won and in percentage)	Location	Percentage of ownership (%)		Carrying amount	
		2024	2023	2024	2023
Subsidiaries					
Ningbo LG Yongxing Chemical Co.,Ltd.	China	75	75	135,908	135,908
LG Energy Solution, Ltd.	Korea	82	82	6,618,295	6,618,295
LG Chemical India Pvt. Ltd.	India	100	100	85,718	85,718
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	China	100	100	21,911	21,911
LG Chem (Taiwan), Ltd.	Taiwan	100	100	1	1
Tianjin LG Bohai Chemical Co.,Ltd.	China	68	68	77,871	77,871
Tianjin LG BOTIAN Chemical Co.,Ltd.	China	58	58	10,423	10,423
LG Chem (China) Investment Co.,Ltd.	China	100	100	23,753	23,753
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	China	90	90	14,733	14,733
LG Chem Europe GmbH	Germany	100	100	20,619	20,619
LG Chem Poland Sp. z o.o.	Poland	100	100	49,142	49,142
LGC Petrochemical India Private Ltd.	India	100	100	299	299
HAENGBOKNURI CO.,LTD.	Korea	100	100	600	600
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	Turkey	100	100	174	174
LG Chem Japan Co.,Ltd.	Japan	100	100	1,406	1,406
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	China	100	100	37,410	37,410
LG Chem(HUIZHOU) Petrochemical Co., Ltd.	China	70	70	99,001	99,001
LG Chem Hai Phong Vietnam Company Ltd.	Vietnam	100	100	3,079	3,079
LG Chem Mexico S.A. de C.V.	Mexico	100	100	394	394
LG Chem Hai Phong Engineering Plastics LLC.	Vietnam	100	100	15,344	15,344
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.	China	100	100	184,491	184,491
FarmHannong Co.,Ltd.	Korea	100	100	579,581	579,581
LG Chem Life Sciences India Pvt. Ltd.	India	100	100	2,170	2,170
LG Jiansheng Life Sciences (Beijing) Co., Ltd. ¹	China	100	60	5,989	3,490
LG Chem Life Sciences (Thailand) Ltd.	Thailand	100	100	431	431
LG Chem Life Sciences USA, Inc ²	USA	100	100	508,593	725,478
LG CHEM FUND I LLC ³	USA	100	100	87,523	72,558
LEYOU NEW ENERGY MATERIALS(WUXI)CO.,LTD.	China	51	51	169,113	169,113
LG Chem America, Inc.	USA	100	100	32,283	32,283
LG NanoH2O, Inc.	USA	100	100	38,414	38,414
Uniseal, Inc.	USA	100	100	30,186	30,186
LG Chem Asia Pte. Ltd.	Singapore	100	100	821	821
LG PETRONAS Chemicals Malaysia Sdn. Bhd	Malaysia	51	51	36,867	36,867
LG Chem Hangzhou Advanced Materials Co., Ltd. ⁴	China	-	70	-	-
LG Chem Ohio Petrochemical, Inc.	USA	100	100	22,516	22,516
LG-HY BCM CO., LTD.	Korea	51	51	133,761	133,761
LG Chem Vietnam Co.. LTD.	Vietnam	100	100	359	359

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LG Chem Malaysia SDN.BHD.	Malaysia	100	100	150	150
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	Brazil	100	100	579	579
PT LG CHEM INDONESIA	Indonesia	100	100	885	885
TW Biomassenergy Co., Ltd ⁵	Korea	60	60	67,800	26,400
LG Chem America Advanced Materials, Inc. ⁶	USA	100	-	405,680	-
LG-Eni Biorefining Co., Ltd ⁷	Korea	51	-	86,751	-
				<u>9,611,024</u>	<u>9,276,614</u>
Associates					
TECWIN Co.,Ltd.	Korea	20	20	2,861	2,861
LG Chem Life Sciences Poland Ltd.	Poland	100	100	17	17
HUAJIN NEW ENERGY MATERIALS(QUZHOU)CO.,LTD	China	49	49	89,523	89,523
TL Chemical CO., Ltd.	Korea	40	40	48,544	48,544
KOREA PRECURSOR CO.,LTD.	Korea	49	49	50,960	50,960
				<u>191,905</u>	<u>191,905</u>
Joint ventures					
SEETEC Co.,Ltd.	Korea	50	50	58,416	58,416
LG Toray Hungary Battery Separator Kft.	Hungary	50	50	437,228	437,228
				<u>495,644</u>	<u>495,644</u>
Total				<u>687,549</u>	<u>687,549</u>

¹ During the year ended December 31, 2024, the Company additionally acquired shares of LG Jiansheng Life Sciences (Beijing) Co., Ltd. for ₩2,499 million, increasing the company's ownership to 100%.

² During the year ended December 31, 2024, the Company changed the name of LG Chem Life Science Innovation Center, Inc. to LG Chem Life Sciences USA, Inc. and recognized shares of LG Chem Life Sciences USA, Inc. for ₩216,885 million as impairment losses.

³ During the year ended December 31, 2024, the Company additional acquired shares of LG CHEM FUND I LLC for ₩14,965 million.

⁴ During the year ended December 31, 2024, the Company disposed of its entire ownership in LG Chem Hangzhou Advanced Materials Co., Ltd.

⁵ During the year ended December 31, 2024, the Company additionally acquired shares of TW BiomassEnergy Co., Ltd. for ₩41,400 million.

⁶ During the year ended December 31, 2022, the Company acquired 100% ownership of LG Chem America Advanced Materials, Inc. for ₩405,680 million.

⁷ During the year ended December 31, 2024, the Company acquired 51% ownership of LG-Eni biorefining Co.,Ltd. for ₩86,751 million.

Details of investments in subsidiaries that have a quoted market price as at December 31, 2024, are as follows:

(in millions of Korean won)

		2024			
			Market price per share (in won)	Market value	Book amount
	Classification	Number of shares			
LG Energy Solution, Ltd.	Subsidiary	191,500,000	348,000	66,642,000	6,618,295

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11. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024					
	Land	Buildings	Structures	Machinery	Vehicles	Tools
Beginning balance	₩ 1,153,861	₩ 2,486,746	₩ 1,059,274	₩ 5,142,615	₩ 3,952	₩ 266,188
Cost	1,190,145	3,105,110	1,778,644	13,885,611	23,203	826,350
Accumulated depreciation	-	(591,631)	(697,963)	(8,620,261)	(19,168)	(555,589)
Accumulated impairment losses	(36,284)	(26,733)	(21,407)	(122,735)	(83)	(4,573)
Acquisitions/ transfer	-	227,519	268,141	633,463	2,966	56,017
Disposals/ transfer	(2,542)	(12,175)	(82)	(5,137)	(5)	(2,182)
Depreciation	-	(69,531)	(67,394)	(750,622)	(1,447)	(82,488)
Impairment ¹	-	(8,112)	(15,709)	(104,733)	(2)	(131)
Transfer to assets held for sale	-	-	-	(2,856)	-	(1,487)
Ending balance	₩ 1,151,319	₩ 2,624,447	₩ 1,244,230	₩ 4,912,730	₩ 5,464	₩ 235,917
Cost	₩ 1,187,603	₩ 3,309,000	₩ 2,030,528	₩ 14,342,365	₩ 25,323	₩ 841,099
Accumulated depreciation	-	(654,143)	(756,674)	(9,216,316)	(19,775)	(601,127)
Accumulated impairment losses	(36,284)	(30,410)	(29,624)	(213,319)	(84)	(4,055)

(in millions of Korean won)

	2024					
	Equipment	Others	Right-of-use assets	Construction-in-progress	Machinery-in-transit	Total
Beginning balance	₩ 147,373	₩ 279,514	₩ 69,563	₩ 1,655,039	₩ 138,554	12,402,679
Cost	374,075	514,117	221,712	1,721,126	138,554	23,778,647
Accumulated depreciation	(225,242)	(228,522)	(152,149)	-	-	(11,090,525)
Accumulated impairment losses	(1,460)	(6,081)	-	(66,087)	-	(285,443)
Acquisitions/ transfer	33,171	49,904	48,483	1,330,850	67,681	2,718,195
Disposals/ transfer	(161)	-	(2,563)	(1,362,006)	(54,847)	(1,441,700)
Depreciation	(44,861)	(143,285)	(35,897)	-	-	(1,195,525)
Impairment ¹	(238)	(10,621)	(340)	(171,485)	(28,320)	(339,691)
Transfer to assets held for sale	(56)	-	-	(616)	-	(5,015)
Ending balance	₩ 135,228	₩ 175,512	₩ 79,246	₩ 1,451,782	₩ 123,068	₩ 12,138,943
Cost	₩ 395,971	₩ 541,248	₩ 260,195	₩ 1,689,354	₩ 151,388	₩ 24,774,074
Accumulated depreciation	(259,229)	(349,197)	(180,609)	-	-	(12,037,070)
Accumulated impairment losses	(1,514)	(16,539)	(340)	(237,572)	(28,320)	(598,061)

¹ During the year ended December 31, 2024, considering the outlook of the future economic benefits and changes in market conditions, some businesses were impaired and recognized as other non-operating expenses.

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Notes to the Separate Financial Statements
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(in millions of Korean won)

	2023					
	Land	Buildings	Structures	Machinery	Vehicles	Tools
Beginning balance	₩ 1,156,716	₩ 2,362,664	₩ 1,027,155	₩ 5,301,263	₩ 4,008	298,674
Cost	1,193,000	2,913,356	1,688,115	13,727,787	24,374	828,556
Accumulated depreciation	-	(526,846)	(640,932)	(8,310,893)	(20,283)	(524,241)
Accumulated impairment losses	(36,284)	(23,846)	(20,028)	(115,631)	(83)	(5,641)
Acquisitions/ transfer	1,015	265,062	95,077	716,220	1,235	72,357
Disposals/ transfer	(3,870)	(38,586)	(1,816)	(27,229)	(51)	(6,147)
Depreciation	-	(65,991)	(59,396)	(780,034)	(1,164)	(88,431)
Impairment/ reversal	-	(4,015)	(1,746)	(25,061)	(1)	(169)
Transfer to assets held for sale	-	(32,388)	-	(42,544)	(75)	(10,096)
Ending balance	₩ 1,153,861	₩ 2,486,746	₩ 1,059,274	₩ 5,142,615	₩ 3,952	₩ 266,188
Cost	₩ 1,190,145	₩ 3,105,110	₩ 1,778,644	₩ 13,885,611	₩ 23,203	₩ 826,350
Accumulated depreciation	-	(591,631)	(697,963)	(8,620,261)	(19,168)	(555,589)
Accumulated impairment losses	(36,284)	(26,733)	(21,407)	(122,735)	(83)	(4,573)

(in millions of Korean won)

	2023					
	Equipment	Others	Right-of-use assets	Construction-in-progress	Machinery-in-transit	Total
Beginning balance	₩ 141,970	₩ 273,560	₩ 99,380	₩ 1,170,281	₩ 102,080	11,937,751
Cost	352,358	675,183	224,307	1,245,557	102,080	22,974,673
Accumulated depreciation	(208,957)	(395,542)	(124,927)	-	-	(10,752,621)
Accumulated impairment losses	(1,431)	(6,081)	-	(75,276)	-	(284,301)
Acquisitions/ transfer	53,774	155,948	11,411	1,773,623	121,338	3,267,060
Disposals/ transfer	(2,809)	-	(4,177)	(1,288,960)	(84,864)	(1,458,509)
Depreciation	(44,053)	(149,994)	(37,051)	-	-	(1,226,114)
Impairment/ reversal	(155)	-	-	95	-	(31,052)
Transfer to assets held for sale	(1,354)	-	-	-	-	(86,457)
Ending balance	₩ 147,373	₩ 279,514	₩ 69,563	₩ 1,655,039	₩ 138,554	₩ 12,402,679
Cost	₩ 374,075	₩ 514,117	₩ 221,712	₩ 1,721,126	₩ 138,554	₩ 23,778,647
Accumulated depreciation	(225,242)	(228,522)	(152,149)	-	-	(11,090,525)
Accumulated impairment losses	(1,460)	(6,081)	-	(66,087)	-	(285,443)

During the year ended December 31, 2024, the Company capitalized ₩ 45,716 million of borrowing costs (2023: ₩ 28,994 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 3.36% (2023: 2.83%).

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Notes to the Separate Financial Statements
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Line items including depreciation in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Cost of sales	₩	1,033,803	₩	1,060,540
Selling and administrative expenses		149,793		142,061
Discounted operations		11,929		23,513
Total	₩	1,195,525	₩	1,226,114

Leases

Amounts recognized in the separate statement of financial position

Details of right-of-use assets in separate statement of financial position are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Right-of-use assets ¹				
Real estate	₩	72,233	₩	60,402
Machinery		32		1,376
Vehicles		6,981		7,786
	₩	79,246	₩	69,564

¹ Included in the line item 'Property, plant and equipment' in the separate statements of financial position.

Additions to the right-of-use assets for the year ended December 31, 2024, were ₩ 48,483 million (2023: ₩ 11,411 million).

<i>(in millions of Korean won)</i>	2024		2023	
Lease liabilities ¹				
Current	₩	30,655	₩	16,555
Non-current		52,546		57,773
	₩	83,201	₩	74,328

¹ Included in the line item 'Borrowings' in the separate statements of financial position.

LG Chem, Ltd.
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Amounts recognized in the separate income statements

Lease related expenses recognized in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Depreciation of right-of-use assets		
Real estate	₩ 28,788	₩ 29,486
Machinery	1,347	1,608
Vehicles	5,762	5,957
	<u>₩ 35,897</u>	<u>₩ 37,051</u>
Interest expense on lease liabilities (included in finance cost)	₩ 2,189	₩ 2,226
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	8,074	4,527
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	9,464	9,957

Total cash outflow for leases for the year ended December 31, 2024, was ₩ 56,566 million (2023: ₩ 53,674 million).

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12. Intangible Assets

Changes in intangible assets for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024						
	Development costs	Software	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	₩ 37,770	₩ 449,481	₩ 373,761	₩ 590,486	₩ 18,379	₩ 161,680	₩ 1,631,557
Acquisitions/ transfer	-	132,543	47,668	-	-	10,308	190,519
Disposals/ transfer	-	(1,600)	(7,160)	-	(64)	(904)	(9,728)
Amortization	(4,052)	(147,445)	(38,475)	-	-	(17,843)	(207,815)
Impairment	-	(12,026)	(13,094)	(160,577)	-	(43,239)	(228,936)
Transfer to assets held for sale (Note 34)	-	(178)	-	-	-	-	(178)
Ending balance	₩ 33,718	₩ 420,775	₩ 362,700	₩ 429,909	₩ 18,315	₩ 110,002	₩ 1,375,419

(in millions of Korean won)

	2023						
	Development costs	Software	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	₩ 43,861	₩ 435,768	₩ 413,453	₩ 590,486	₩ 18,365	₩ 185,055	₩ 1,686,988
Acquisitions/ transfer	-	151,778	61,883	-	122	20,376	234,159
Disposals/ transfer	-	(5,009)	(39,472)	-	(108)	(6,594)	(51,183)
Amortization	(6,091)	(132,783)	(39,098)	-	-	(19,876)	(197,848)
Impairment	-	(163)	(3,411)	-	-	-	(3,574)
Transfer to assets held for sale (Note 34)	-	(110)	(19,594)	-	-	(17,281)	(36,985)
Ending balance	₩ 37,770	₩ 449,481	₩ 373,761	₩ 590,486	₩ 18,379	₩ 161,680	₩ 1,631,557

Line items including amortization of intangible assets for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	2023
Cost of sales	₩ 25,831	₩ 25,609
Selling and administrative expenses	173,602	158,499
Discontinued operations	8,382	13,739
Total	₩ 207,815	₩ 197,847

Research and development costs

Total research and development costs recognized as expenses amounted to ₩ 942,847 million (2023: ₩ 916,624 million) for the year ended December 31, 2024.

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Impairment Test of goodwill

Goodwill is allocated to the Company's CGUs identified for each operating segment. The carrying amounts of goodwill allocation by CGUs as at December 31, 2024 and 2023, are as follows:

(in millions of
Korean won)

(in millions of Korean won)

		2024								
		Acquisition of Petrochemicals ¹		Acquisition of SAP		Acquisition of LG Life Sciences, Ltd		Acquisition of CEM business		Total
Petrochemicals ²										
ABS	₩	1,456	₩	-	₩	-	₩	-	₩	1,456
PO		362		-		-		-		362
PVC		1,002		-		-		-		1,002
Acrylic		827		-		-		-		827
SAP ³		364	25,222			-		-		25,586
Plasticizer		55		-		-		-		55
BPA		209		-		-		-		209
Others		3,918		-		-		-		3,918
Advanced Materials										
Separator ^{2, 4}		-		-		-		-		-
VCF		-		-		-	5,183			5,183
Life Sciences										
Life sciences		-		-	391,311		-			391,311
Total	₩	8,193	₩	25,222	₩	391,311	₩	5,183	₩	429,909

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(in millions of
Korean won)

(in millions of Korean won)

		2023								
		Acquisition of Petrochemicals ¹		Acquisition of SAP		Acquisition of LG Life Sciences, Ltd		Acquisition of CEM business		Total
Petrochemicals										
ABS	₩	2,131	₩	-	₩	-	₩	-	₩	2,131
PO		472		-		-		-		472
PVC		1,234		-		-		-		1,234
Acrylic		819		-		-		-		819
SAP ³		486	25,222			-		-		25,708
Plasticizer		87		-		-		-		87
BPA		280		-		-		-		280
Others		2,684		-		-		-		2,684
Advanced Materials										
Separator ⁴		-		-		-		160,577		160,577
VCF		-		-		-		5,183		5,183
Life Sciences										
Life sciences		-		-		391,311		-		391,311
Total	₩	8,193	₩	25,222	₩	391,311	₩	165,760	₩	590,486

¹ The Company reallocated goodwill related to the LG Petrochemicals merger due to the organizational restructuring during the year ended December 31, 2024.

² The recoverable amount of the cash-generating unit has been calculated as the greater of its value in use and its net fair value.

³ Due to the organizational restructuring in the previous period, the goodwill related to the acquisition of the SAP business unit was separated.

⁴ ₩ 160,577 million of impairment losses related to goodwill from the acquisition of CEM business of the Advanced Materials Separator business was recognized during the year ended December 31, 2024.

The recoverable amount of the CGU was determined based on the fair value less the value-in-use or cost of disposal (net fair value). The value in use was calculated using estimated cash flows before tax over a period of five years based on the business plan approved by the management.

Net fair value was evaluated by independent appraisers with certified professional qualifications, reflecting public notification of the value of land and recently available similar transaction price, etc., and this is classified as Fair Value Hierarchy Level 3.

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During the year ended December 31, 2024, key assumptions used for calculation of value-in-use and fair value less cost of disposal are as follows:

	2024	
	Discount rate before tax	Growth rate for subsequent years after five years
LG Life Sciences	8.9%	3.0%
VCF	7.7%	2.0%
Separator	7.9%	0.0%

The sensitivity analysis for the recoverable amount of each cash-generating unit is as follows:

Changes in discount rate

<i>(in millions of Korean won)</i>	Increase (decrease) in recoverable amount	
	Increase by 0.5%	Decrease by 0.5%
Life sciences	₩ (281,276)	₩ 351,480
Separator	(31,381)	35,634

Changes in growth rate

<i>(in millions of Korean won)</i>	Increase (decrease) in recoverable amount	
	Increase by 0.5%	Decrease by 0.5%
Life sciences	₩ 264,449	₩ (211,559)
Separator	25,299	(22,628)

Impairment test on intangible assets other than goodwill

The impairment losses for intangible assets other than goodwill that the Company recognized during the year ended December 31, 2024, are as follows:

<i>(in millions of Korean won)</i>	2024					
	Develop ment costs	Software	Industrial property rights	Others	Total	
Separator	₩	- ₩	11,106 ₩	2,548 ₩	27,058 ₩	₩ 40,712
Advanced materials		-	-	10,546	16,181	26,727
Others		-	920	-	-	920
Total	₩	- ₩	12,026 ₩	13,094 ₩	43,239 ₩	₩ 68,359

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During the year ended December 31, 2024, considering the outlook of the future economic benefits and changes in market conditions, impairment loss was recognized for certain intangible assets and included in other non-operating expenses.

Greenhouse gas emission

Details of greenhouse gas emission permits included in other intangible assets are as follows:

Greenhouse gas emission permits held for the purpose of fulfilling obligations

The number of greenhouse gas emission permits received at free of charge for the 3rd planning period (2021 to 2025) is as follows:

<i>(in thousands of tons)</i>	2021	2022	2023	2024	2025	Total
Allocation with nil consideration	9,555	9,841	8,382	8,595	8,592	44,965

Changes in greenhouse gas emission permits during the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of tons and millions of Korean won)</i>	2024							
	2020		2021		2022		2023	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Beginning balance								
/Allocation with nil consideration	8,140	₩ -	9,555	₩ -	9,841	₩ -	8,382	₩ -
Purchase/Sale	(144)	-	(214)	-	(590)	-	(357)	-
Exchange	100	-	(100)	-	-	-	-	-
Borrowings/Carry forwards between years	(24)	-	(401)	-	(752)	-	104	-
Surrendered to the government	(8,072)	-	(8,840)	-	(8,499)	-	(8,129)	-
Ending balance	-	₩ -	-	₩ -	-	₩ -	-	₩ -

<i>(in thousands of tons and millions of Korean won)</i>	2024					
	2024		2025		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Beginning balance /						
Allocation with nil consideration	8,595	₩ -	8,592	₩ -	53,105	₩ -
Purchase/Sale	(83)	-	-	-	(1,388)	-
Exchange	-	-	-	-	-	-
Borrowings/Carry forwards between years	1,073	-	-	-	-	-
Surrendered to the government	-	-	-	-	(33,540)	-
Ending balance	9,585	₩ -	8,592	₩ -	18,177	₩ -

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(in thousands of tons and millions of Korean won)	2023									
	2020		2021		2022		2023			
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Beginning balance										
/Allocation with nil consideration	8,140	₩ -	9,555	₩ -	9,841	₩ -	8,737	₩ -		
Purchase/Sale	(144)	-	(214)	-	(590)	-	(53)	-		-
Exchange	100	-	(100)	-	-	-	-	-		-
Borrowings/Carry forwards between years	(24)	-	(401)	-	(752)	-	1,177	-		-
Surrendered to the government	(8,072)	-	(8,840)	-	(8,499)	-	-	-		-
Ending balance	-	₩ -	-	₩ -	-	₩ -	9,861	₩ -		-

(in thousands of tons and millions of Korean won)	2023					
	2024		2025		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Beginning balance / Allocation with nil consideration	8,608	₩ -	8,608	₩ -	53,489	₩ -
Purchase/Sale	-	-	-	-	(1,001)	-
Exchange	-	-	-	-	-	-
Borrowings/Carry forwards between years	-	-	-	-	-	-
Surrendered to the government	-	-	-	-	(25,411)	-
Ending balance	8,608	₩ -	8,608	₩ -	27,077	₩ -

During the years ended December 31, 2024 and 2023, there are no greenhouse gas emission permits held for short-term trading purpose.

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13. Other Current and Non-current Assets

Details of other current and non-current assets as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Current				
Prepayments to suppliers and prepaid expenses	₩	26,514	₩	34,053
Prepaid value added tax		78,371		87,680
Others		5,587		16,263
Total	₩	110,472	₩	137,996
Non-current				
Net defined benefit assets (Note 16)	₩	73,520	₩	338,128
Long-term prepayments and long-term prepaid expenses		3,613		4,018
Total	₩	77,133	₩	342,146

14. Borrowings

Borrowings as at December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>	2024		2023	
Current				
Short-term borrowings	₩	60,381	₩	-
Current portion of long-term borrowings		892,846		407,783
Current portion of debentures		3,571,570		2,868,296
Current lease liabilities		30,655		16,555
		4,555,452		3,292,634
Non-current				
Long-term borrowings		766,652		1,492,307
Debentures		5,108,868		4,981,846
Lease liabilities		52,546		57,773
		5,928,066		6,531,926
Total	₩	10,483,518	₩	9,824,560

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Details of general borrowings as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	Currency	Bank	Latest maturity date	Interest rate(%) as at December 31, 2024	Carrying amount			
					2024		2023	
					Current	Non-current	Current	Non-current
Short-term borrowings								
Loans from Subsidiaries	Foreign currency	LG Chem (China) Investment Co.,Ltd.	March 20, 2025	3	₩ 60,381	₩ -	₩ -	₩ -
Total					<u>₩ 60,381</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>
Long-term borrowings								
Bank loans	Korean won	KDB Bank and others	November 1, 2028	3.05 and others	₩ -	₩ 300,000	₩ 150,000	₩ 300,000
	Foreign currency	KDB Bank and others	June 15, 2027	3M SOFR + 0.79 and others	893,025	466,725	257,880	1,192,695
Less: discount on long-term borrowings					(179)	(73)	(97)	(388)
Total					<u>₩ 892,846</u>	<u>₩ 766,652</u>	<u>₩ 407,783</u>	<u>₩ 1,492,307</u>
Debentures								
Public debentures	Korean won	KB Securities Co., Ltd. and others	February 19, 2036	3.73 and others	₩ 670,000	₩ 3,500,000	₩ 870,000	₩ 3,170,000
Private debentures	Korean won	KB Securities Co., Ltd. and others	May 7, 2036	2.39 and others	-	150,000	-	150,000
	Foreign currency	CITI Securities and others	July 7, 2031	2.38 and others	441,000	1,470,000	-	1,676,220
Exchangeable bonds ^{1,2}	Foreign currency	CITI Securities and others	July 18, 2030	1.60 and others	2,940,000	-	2,578,800	-
Less: discount on debentures					(479,430)	(11,132)	(580,504)	(14,374)
Total					<u>₩ 3,571,570</u>	<u>₩5,108,868</u>	<u>₩ 2,868,296</u>	<u>₩ 4,981,846</u>

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¹ The details of issued exchangeable bonds (Tranche 1) are as follows:

Category	Details
Aggregate principal amount	USD 1,000,000,000
Issue price	USD 1,000,000,000
Interest rate (%)	1.25
Issue Date	July 18, 2023
Maturity Date	July 18, 2028
Principal Repayment Method	<p>Maturity repayment: Lump-sum repayment at maturity of the remaining principal and interest of debentures that have been repaid early by maturity or for which the right of exchange has not been exercised.</p> <p>Early redemption: The Parent Company has the Call Option, and the bondholder has the Put Option.</p>
Exchange Target	<p>1,883,636 common shares of LG Energy Solution, Ltd.</p> <p>However, despite the bondholder's exercise of the exchange right, the issuer has the option to settle by paying cash equivalent to the consideration instead of issuing the target shares.</p>
Exchange Price (KRW/share)	<p>687,500 (23.07.11 closing price X premium 125%) However, the exchange price may be adjusted according to the standards set in the investment prospectus, such as when the target company pays stock dividends.</p>
Claim Period	August 28, 2023 – July 11, 2028
Early Redemption at the Option of the Issuer	<p>1) After three years and 14 days from the date of payment, if there are more than 20 trading days out of 30 consecutive trading days when the stock price (based on closing price) is 130% or more of the exchange price based on U.S. dollar conversion.</p> <p>2) When the outstanding principal is less than 10% of the original debt (Clean Up Call)</p> <p>3) When additional tax burden arises due to revision of related laws, etc.</p>
Early Redemption at the Option of the Bondholders	<p>1) Can be exercised on 2025.07.18 (Optional Put Date)</p> <p>2) When Shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the Relevant Stock Exchange</p> <p>3) When there is a change in control of the company or the issuer of stocks subject to exchange (Change of Control)</p> <p>4) When the issuer acquires more than 85% of the Voting Rights of the issued capital of LG Energy Solution (Free Float)</p>

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² The details of issued exchangeable bonds (Tranche 2) are as follows:

Category	Details
Aggregate principal amount	USD 1,000,000,000
Issue price	USD 1,000,000,000
Interest rate (%)	1.60
Issue Date	July 18, 2023
Maturity Date	July 18, 2030
Principal Repayment Method	<p>Maturity repayment: Lump-sum repayment at maturity of the remaining principal and interest of debentures that have been repaid early by maturity or for which the right of exchange has not been exercised.</p> <p>Early redemption: The Parent Company has the Call Option, and the bondholder has the Put Option.</p>
Exchange Target	1,811,188 common shares of LG Energy Solution, Ltd. However, despite the bondholder's exercise of the exchange right, the issuer has the option to settle by paying cash equivalent to the consideration instead of issuing the target shares.
Exchange Price (KRW/share)	715,000 (23.07.11 closing price X premium 130%) However, the exchange price may be adjusted according to the standards set in the investment prospectus, such as when the target company pays stock dividends.
Claim Period	August 28, 2023 – July 11, 2030
Early Redemption at the Option of the Issuer	<p>1) After five years and 14 days from the date of payment, if there are more than 20 trading days out of 30 consecutive trading days when the stock price (based on closing price) is 130% or more of the exchange price based on U.S. dollar conversion.</p> <p>2) When the outstanding principal is less than 10% of the original debt (Clean Up Call)</p> <p>3) When additional tax burden arises due to revision of related laws, etc.</p>
Early Redemption at the Option of the Bondholders	<p>1) Can be exercised on 2027.07.18 (Optional Put Date)</p> <p>2) When Shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the Relevant Stock Exchange</p> <p>3) When there is a change in control of the company or the issuer of stocks subject to exchange (Change of Control)</p> <p>4) When the issuer acquires more than 85% of the Voting Rights of the issued capital of LG Energy Solution (Free Float)</p>

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Details of the exchangeable bonds (Tranche 1) as of the date of issuance and as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	July 18, 2023	December 31, 2023	December 31, 2024
Issue price	₩ 1,266,100	₩ 1,289,400	₩ 1,470,000
Book amount of exchangeable bonds	991,756	1,039,166	1,273,431
Derivative financial liabilities	263,532	246,994	156,776

Details of the exchangeable bonds (Tranche 2) as of the date of issuance and as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	July 18, 2023	December 31, 2023	December 31, 2024
Issue price	₩ 1,266,100	₩ 1,289,400	₩ 1,470,000
Book amount of exchangeable bonds	914,412	959,257	1,187,914
Derivative financial liabilities	340,876	254,957	194,334

Details of lease liabilities as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>		2024					
Leaser	Annual interest rate (%)	Latest maturity date	Total amount		Current		Non-current
Hyundai Oil Bank and others	2.01 ~ 3.12	2082.2.28	₩	83,201	₩	30,655	₩ 52,546

<i>(in millions of Korean won)</i>		2023					
Leaser	Annual interest rate (%)	Latest maturity date	Total amount		Current		Non-current
Hyundai Oil Bank and others	2.01 ~ 2.48	2082.2.28	₩	74,328	₩	16,555	₩ 57,773

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15. Provisions

Changes in provisions for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024			
	Warranty ¹	Greenhouse gas emission ²	Others ³	Total
Beginning balance	₩ 2,594	₩ -	₩ -	₩ 2,594
Additions	11,713	-	1,587	13,300
Used	(12,413)	-	(1,587)	(14,000)
Ending balance	₩ 1,894	₩ -	₩ -	₩ 1,894
Current	1,894	-	-	1,894
Non-current	-	-	-	-

(in millions of Korean won)

	2023			
	Warranty ¹	Greenhouse gas emission ²	Others ³	Total
Beginning balance	₩ 5,226	₩ -	₩ 7,793	₩ 13,019
Additions	20,675	-	-	20,675
Used	(23,307)	-	(7,793)	(31,100)
Ending balance	₩ 2,594	₩ -	₩ -	₩ 2,594
Current	2,594	-	-	2,594
Non-current	-	-	-	-

¹ Warranty provisions have been accrued based on historical experience for the estimated warranty costs to be incurred due to quality guarantee, exchanges and refunds of products.

² Greenhouse gas emission provisions have been accrued for estimated expenditures to be obligated for any excess emission. The estimated emissions as at December 31, 2024, amounts to 8,235 thousand tons (2023: 8,313 thousand tons).

³ The Company recognized provisions in relation to certain litigations in progress.

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16. Net Defined Benefit Liabilities

Details of net defined benefit liabilities (assets) recognized in the separate statements of financial position as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Present value of defined benefit obligations ¹	₩ 1,238,475	₩ 1,019,829
Fair value of plan assets	(1,311,995)	(1,357,957)
Liabilities (assets) in the separate statements of financial position	₩ (73,520)	₩ (338,128)

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩ 454 million as at December 31, 2024 (2023: ₩ 521 million).

The amounts recognized in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Current service cost ¹	₩ 115,880	₩ 107,689
Interest cost	(15,554)	(20,956)
Total, included in employee benefit expenses	₩ 100,326	₩ 86,733

¹ The above amounts excluded ₩ 1,329 million (2023: ₩ 1,211 million) of expenses capitalized to construction in progress and development costs.

Post-employment benefits recognized for defined contribution plan for the year ended December 31, 2024, amounted to ₩ 13,439 million (2023: ₩ 13,580 million).

Post-employment benefits recognized in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Cost of sales	₩ 68,631	₩ 60,651
Selling and administrative expenses	39,167	30,905
Discontinued operations	5,967	8,757
Total	₩ 113,765	₩ 100,313

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Movements in the present value of defined benefit obligations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Beginning balance	₩	1,019,829	₩	950,316
Transferred-in liability due to intercompany transfer		616		1,672
Transferred-out liability due to intercompany transfer		(1,079)		(6,423)
Current service cost		117,209		108,900
Interest expense		45,933		48,890
Remeasurements:				
Actuarial loss (gain) arising from change in demographic assumptions		(435)		466
Actuarial loss (gain) arising from change in financial assumptions		190,525		(33,411)
Actuarial loss (gain) arising from experience adjustments		(13,122)		66,644
Others		(33)		(337)
Payments from plans ¹		(120,968)		(116,888)
Ending balance	₩	<u>1,238,475</u>	₩	<u>1,019,829</u>

¹The amount paid to employees who converted to the defined contribution plan for the year ended December 31, 2024, is ₩ 87,921 million (2023: ₩ 98,292 million).

Movements in the fair value of plan assets for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Beginning balance	₩	1,357,957	₩	1,345,723
Transferred-out plan assets due to intercompany transfer		(145)		(1,231)
Interest income		61,487		69,846
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(3,979)		2,045
Contributions:				
Employers		13,000		50,000
Payments from plans ¹		(113,886)		(106,108)
Administrative costs		(2,439)		(2,318)
Ending balance	₩	<u>1,311,995</u>	₩	<u>1,357,957</u>

¹The amount paid to employees who converted to the defined contribution plan for the year ended December 31, 2024, is ₩ 87,921 million (2023: ₩ 98,292 million).

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The actual return on plan assets for the year ended December 31, 2024, was ₩ 57,508 million (2023: ₩ 71,891 million).

The significant actuarial assumptions as at December 31, 2024 and 2023, are as follows:

	2024	2023
Discount rate	4.1%	4.6%
Salary growth rate	6.0%	5.0%

The sensitivity analysis for changes in key actuarial assumptions as at December 31, 2024, is as follows:

<i>(in millions of Korean won)</i>	Increase by 1%	Decrease by 1%
Discount rate:		
Increase (decrease) in defined benefit obligations	₩ (133,291)	₩ 159,231
Salary growth rate:		
Increase (decrease) in defined benefit obligations	164,673	(139,617)

The decrease in corporate bond yields, which is the discount rate, is exposed to the most significant risk through an increase in the defined benefit liability.

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 December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>	2024		2023	
	Amount	Composition (%)	Amount	Composition (%)
Insurance contracts with guaranteed yield	₩ 1,311,995	100.0	₩ 1,357,957	100.0
	₩ 1,311,995	100.0	₩ 1,357,957	100.0

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

The weighted-average duration of the defined benefit obligation is 12.60 years.

The Company reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2025, are ₩ 142,334 million.

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17. Other Current and Non-Current Liabilities

Details of other current and non-current liabilities as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Current				
Advances from customers	₩	70,480	₩	24,573
Withholdings		60,564		69,198
Unearned revenues		26,007		22,651
Accrued expenses		133,029		115,658
Total	₩	290,080	₩	232,080
Non-current				
Long-term accrued expenses	₩	54,723	₩	46,828
Long-term unearned revenues		6,174		6,873
Long-term advanced received		120,401		-
Total	₩	181,298	₩	53,701

18. Commitments and Contingencies

- (a) The Company is jointly liable for liabilities of LG Energy Solution, Ltd. As at December 1, 2020. A newly established company through the split-off from the Parent Company.
- (b) As at December 31, 2024, the Company has been guaranteed by Seoul Guarantee Insurance Company for the payment and others.
- (c) As at December 31, 2024, the Company has bank overdraft agreements with several banks for up to ₩ 20,400 million, and has entered into contracts with several financial institutions, and for letters of credit for up to ₩ 1,000 million and USD 478 million, foreign currency purchase agreement for up to USD 890 million, and for the guaranteed payments in foreign currency for up to USD 104 million. The Company also has comprehensive credit line of credit agreements with several financial institutions for up to ₩ 20,000 million (including bank overdraft of ₩ 5,000 million), USD 235 million (relating to trade finance and import/export) and derivatives margin exemption agreement for up to USD 40 million.
- (d) As at December 31, 2024, the Company has B2B purchase arrangements with several financial institutions with limit of ₩ 278,000 million, as well as corporate general fund agreement with limit of ₩ 350,000 million.
- (e) As at December 31, 2024, the Company is using reverse factoring arrangements with the limit of ₩ 250,000 million granted by Lotte Card which is not utilized.
- (f) As at December 31, 2024, the Company has been named as a plaintiff in 13 legal actions, involving ₩ 27,167 million in claims. The Company has been named as a defendant in 13 legal actions, with ₩ 88,157 million. The ultimate outcome of these cases cannot be determined at the reporting date.

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- (g) The Company has entered into multiple technology license agreements with ExxonMobil and others to be provided with licenses for technologies and services.
- (h) The Company has entered into a license agreement with LG Corp. to use trademarks on the products that the Company manufactures and sells, and on the services the Company provides in relation to its business.
- (i) As at December 31, 2024, the Company has entered into a payment guarantee contract of USD 69 million with financial institutions to guarantee the warranty of products and payment.
- (j) As at December 31, 2024, the Company has guaranteed on borrowings. Details of guarantees provided as at December 31, 2024 and 2023, are as follows:

(in millions of MYR)

Guarantee beneficiary	Financial institution	Guarantee period	Currency	Amount of guarantee ¹		Outstanding loan amount ²	
				2024	2023	2024	2023
LG PETRONAS Chemicals Malaysia Sdn. Bhd.	RHB	2022.1.11~2024.2.4 ³	MYR	-	220	-	230

¹ This is the amount of loans drawn down within the total guaranteed limit.

² This is the amount of the total guaranteed limit

³ The guarantee for LG PETRONAS Chemicals Malaysia Sdn. Bhd. has been terminated during the year ended December 31, 2024.

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

Further, as at December 31, 2024, the Company provided no financial guarantee to its associates in relation to their borrowings.

- (k) As at December 31, 2024, the Company has guaranteed on performance of its subsidiary's purchase payment. Details of guarantees provided as at December 31, 2024 and 2023, are as follows:

(in millions of USD)

Guarantee beneficiary	Counterparty	Guarantee period	Currency	Amount of guarantee	
				2024	2023
LG PETRONAS Chemicals Malaysia Sdn. Bhd.	Pengerang Refining Company Sdn. Bhd.	2024.7.17~2043.7.16	USD	6	-

- (l) Capital expenditure arrangement that has not incurred as at December 31, 2024 and December 31, 2023, are as follows:

(in millions of Korean won)

	2024	2023
Property, plant and equipment	₩ 456,570	₩ 953,241

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(m) As at December 31, 2024, the Company's investment agreements are as follows:

<i>(in millions of Korean won, USD)</i>	Currency	Committed investments	Cumulative investments	Remaining
KBE Fund	KRW	75,000	54,604	20,396
Growth Acceleration Fund	KRW	5,000	4,900	100
LGC Fund	USD	105	79	26
BNZ (Beyond Net Zero) Fund	USD	75	43	32

(n) The Company has the right to request GS EPS to sell all of its shares at fair value, once in a year, after 20 years from the commencement of commercial operation of its subsidiary, TW Biomassenergy Co., Ltd. Additionally, GS EPS has the right to request LG Chem to purchase all of its shares at fair value.

(o) The Company acquired 50% of new shares issued by LG Toray Hungary Battery Separator Kft. for USD 375 million in accordance with the joint venture agreement with Toray Industries, Inc. during the year ended December 31, 2022. The shares were recognized as investment in joint venture, as it was determined that there was a joint control under the agreement. The details on agreements entered into upon the acquisition of shares are as follows:

Category	Details
Agreement to purchase additional shares	After 36 months from the acquisition date of the 50% shares, 20% shares shall be purchased in accordance with the agreed pricing method.
Restrictions on share transfer	- During Lock-Up Period ¹ , share transfer is prohibited without prior written consent of the other shareholder. - When sold to a third party, the Company holds Drag-Along Right and Toray Industries, Inc. holds Tag-Along Right.
Default	In case the Company or the counterpart in the contract defaults, non-default shareholder has the right to request the default shareholder to sell their shares (Call Option) and the default shareholder to purchase the shares held by the non-default shareholder (Put Option).
Exit put option	Once Lock-Up Period ¹ ends, the other shareholder has a put option to sell the remaining 30% of the shares to the Company.
Deadlock	After 30 months from the acquisition date of the 50% shares, in the event of a deadlock agreed by both parties, 1) the Company holds a call option to request the counterpart and subsidiaries to sell their shares. 2) The counterpart holds a put option to request the Company to purchase shares of the counterparty.

¹ Lock-Up Period: Restriction period of share transfer for five years from the time the Company acquires 50% of the shares.

(p) The Company has entered the following arrangements with Enilive S.p.A. related to LG-Eni Biorefining Co., Ltd. Unless otherwise specified in the agreement, transfer of shares is prohibited without prior written consent of the other shareholder for a period of five years from the commencement of production by LG-Eni Biorefining Co., Ltd (Lock-Up Period). Once Lock-Up Period ends, if a shareholder sells its shares to a third party, the other shareholder has the right to exercise Right of first offer. In addition, in case the Company is the shareholder who is selling the shares and if Enilive S.p.A. refuses or fails to exercise Right of First Offer, Enilive

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S.p.A. has the right to request that the Company sells its shares under the same conditions.

- (q) During the year ended December 31, 2023, the Company issued exchangeable bonds targeting the stocks of LG Energy Solution, LTD., and recognized the right of exchange and option included in the exchangeable bonds as a derivative financial liability (Note 14).

19. Issued Capital

Changes in issued capital and share premium for years ended December 31, 2024 and 2023, are as follows:

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

	Ordinary shares		Preferred shares		Share premium
	Number of shares	Issued capital	Number of shares	Issued capital	
January 1, 2023	70,592,343	₩ 352,962	7,688,800	₩ 38,444	₩ 2,014,453
December 31, 2023	70,592,343	352,962	7,688,800	38,444	2,014,453
December 31, 2024	70,592,343	₩ 352,962	7,688,800	₩ 38,444	₩ 2,014,453

Changes in treasury shares for the years ended December 31, 2024 and 2023, are as follows:

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

	Number of shares		Carrying amount	Gain on disposal of treasury shares
	Ordinary shares	Preferred shares		
January 1, 2023	-	6,041	₩ 270	₩ 655,927
December 31, 2023	-	6,041	270	655,927
Acquisition of shares	1	-	-	-
December 31, 2024	1	6,041	₩ 270	₩ 655,927

Capital surplus as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	2023
Revaluation reserve	₩ 206,769	₩ 206,769
Share premium	2,014,453	2,014,453
Gain on disposal of treasury shares	655,927	655,927
Other capital surplus	48,300	48,300
Total	₩ 2,925,449	₩ 2,925,449

20. Retained Earnings

Retained earnings as at December 31, 2024 and 2023, consist of:

(in millions of Korean won)

2024 **2023**

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<i>(in millions of Korean won)</i>	2024	2023
Legal reserve ¹	₩ 195,703	₩ 195,703
Discretionary reserve ²	16,779,214	16,848,485
Retained earnings before appropriation	33,371	205,077
Total	₩ 17,008,288	₩ 17,249,265

¹ The Commercial Code of the Republic of Korea requires the 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 capital. The reserve is not available for cash dividends payment, but may be transferred to 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.

² The Company 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. Among these reserves, the used amounts for each specific purpose and the balances after use can be transferred to discretionary reserve and will be available for dividends.

21. Elements of Other Stockholders Equity

Details of other components of equity as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Treasury shares (Note 19)	₩ (270)	₩ (270)
Total	₩ (270)	₩ (270)

22. Selling and administrative expenses

Selling and administrative expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Wages and salaries	₩ 577,611	₩ 567,474
Post-employment benefits (Note 16)	39,167	30,905
Employee benefits	131,521	95,497
Travel expense	20,513	27,494
Water and utilities	53,569	50,303
Packaging expense	4,273	4,098
Rental expenses	100,052	89,451
Commission expenses	639,759	704,893
Depreciation (Notes 11 and 36)	152,396	144,467
Advertising expense	23,538	22,006
Freight expenses	674,138	514,554
Training expense	15,083	26,280

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<i>(in millions of Korean won)</i>	2024	2023
Amortization (Note 12)	173,602	158,499
Sample expense	11,841	12,309
Development costs	269,708	220,948
Other selling and administrative expenses	125,869	133,420
Total	₩ 3,012,640	₩ 2,802,598

23. Classification of Expenses by Nature

Cost of sales, and selling and administrative expenses by nature for the years ended December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>	2024	2023
Changes in inventories of merchandise, finished goods, semi-finished goods and work in process	₩ (1,057)	₩ 447,502
Raw materials and consumables used	12,398,292	12,037,998
Purchase of merchandise	376,436	353,487
Employee benefit expenses (Note 24)	1,660,750	1,624,198
Advertising expenses	24,417	23,141
Freight expenses	700,789	541,278
Commission expenses	841,770	929,769
Depreciation and amortization (Notes 11, 12, and 36)	1,385,633	1,389,115
Rent expenses and usage fee	31,882	28,057
Other expenses	3,028,547	2,681,981
Total	₩ 20,447,459	₩ 20,056,526

24. Employee Benefit Expenses

Details of employee benefit expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Salaries	₩ 1,339,551	₩ 1,346,503
Post-employment benefits – Defined benefit plan (Note 16)	95,229	78,492
Post-employment benefits – Defined contribution plan (Note 16)	12,569	13,064
Others	213,401	186,139
Total	₩ 1,660,750	₩ 1,624,198

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25. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Finance income				
Interest income ¹	₩	77,158	₩	73,843
Dividend income		181,361		176,008
Exchange differences		294,393		444,907
Gain related to derivative instruments		570,925		145,641
Gain related to financial assets		53,514		22,468
Total	₩	1,177,351	₩	862,867
Finance costs				
Interest expense ²	₩	325,705	₩	257,432
Exchange differences		988,686		435,365
Loss related to derivative instruments		50,383		2,254
Loss related to financial assets		13,686		17,261
Total	₩	1,378,460	₩	712,312

¹ Details of interest income for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Deposits held by financial institutions	₩	69,714	₩	64,333
Other loans and receivables		7,444		9,510
Total	₩	77,158	₩	73,843

² Details of interest expense for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Interest on financial institutions	₩	53,910	₩	73,902
Interest on lease liabilities		2,189		2,226
Interest on debentures		306,244		197,733
Other interest expenses		9,078		11,426
Capitalized interest for qualifying assets		(45,716)		(27,855)
Total	₩	325,705	₩	257,432

LG Chem, Ltd.
Notes to the Separate Financial Statements
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26. Other Non-operating Income

Details of other non-operating income for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Exchange differences	₩ 432,030	₩ 356,085
Gain on disposal of property, plant and equipment	4,211	907
Gain on disposal of intangible assets	20	-
Gain on disposal of equity method investments	-	15,656
Gain on disposal of a business	-	118,353
Others	24,269	30,510
Total	₩ 460,530	₩ 521,511

27. Other Non-operating Expenses

Details of other non-operating expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Exchange differences	₩ 234,846	₩ 310,760
Loss on disposal of property, plant and equipment	24,863	9,809
Loss on disposal of intangible assets	2,185	30,531
Impairment loss on property, plant and equipment (Note 11)	339,691	31,052
Impairment loss on intangible assets (Note 12)	228,936	3,574
Impairment loss on investment assets (Note 10)	216,885	-
Loss on disasters	400	1,151
Donations	8,434	14,718
Others	24,850	4,691
Total	₩ 1,081,090	₩ 406,286

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28. Tax Expense and Deferred Tax

Details of income tax expense for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Current tax:		
Current tax on profit for the year	₩ 184,089	₩ 17,793
Adjustments in respect of prior years	10,180	46,653
Deferred tax:		
Deferred tax - movements in temporary differences	(255,751)	(67,865)
Deferred tax - tax credits carryforwards	(9,599)	(99,341)
Deferred tax - tax losses carryforwards	18,270	(18,270)
Total Income tax expense	<u>(52,811)</u>	<u>(121,030)</u>
Deferred tax charged or credited directly to equity	10,287	40,607
Current tax charged or credited directly to equity	1,282	-
Discontinuation effect	-	(4,861)
Pillar Two income taxes	2,600	-
Income tax expense	<u>₩ (38,642)</u>	<u>₩ (85,284)</u>

The aggregate current and deferred tax relating to items that are charged or credited directly to equity (other comprehensive income) for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Current tax		
Gains on disposal of financial assets at fair value through other comprehensive income	₩ 1,282	₩ -
Total	<u>₩ 1,282</u>	<u>₩ -</u>
Deferred tax		
Remeasurements of net defined benefit liabilities	₩ 47,761	₩ 8,268
Gain (losses) on valuation of financial assets at fair value through other comprehensive income	(37,474)	32,339
Total	<u>₩ 11,569</u>	<u>₩ 40,607</u>

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The movements in deferred tax assets (liabilities) for the years ended December 31, 2024 and 2023, are as follows:

	2024					
	Increase (decrease)					
	Other comprehensive income (loss) and others					
	Beginning balance	Profit or loss				Ending balance
Defined benefit liabilities	₩ 260,088	₩ 12,891	₩ 46,710	₩ 319,689		
Severance benefit insurance	(338,732)	11,547	1,051	(326,134)		
Property, plant and equipment	15,359	122,868	-	138,227		
Investments in subsidiaries, associates and joint ventures	51,539	4,325	-	55,864		
Accrued income	(754)	662	-	(92)		
Others	(585,689)	93,172	(37,474)	(529,991)		
	(598,189)	245,465	10,287	(342,437)		
Tax credit carryforwards	119,343	9,599	-	128,942		
Previously unrecognized tax losses	18,270	(18,270)	-	-		
Deferred tax assets (liabilities)	₩ (460,576)	₩ 236,794	₩ 10,287	₩ (213,495)		

	2023					
	Increase (decrease)					
	Other comprehensive income (loss) and others					
	Beginning balance	Profit or loss				Ending balance
Defined benefit liabilities	₩ 237,887	₩ 13,393	₩ 8,808	₩ 260,088		
Severance benefit insurance	(334,697)	(3,495)	(540)	(338,732)		
Property, plant and equipment	9,883	5,476	-	15,359		
Investments in subsidiaries, associates and joint ventures	(11,856)	63,395	-	51,539		
Accrued income	(16,181)	15,427	-	(754)		
Others	(551,091)	(66,937)	32,339	(585,689)		
	(666,055)	27,259	40,607	(598,189)		
Tax credit carryforwards	20,002	99,341	-	119,343		
Previously unrecognized tax losses	-	18,270	-	18,270		
Deferred tax assets (liabilities)	₩ (646,053)	₩ 144,870	₩ 40,607	₩ (460,576)		

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The reconciliations between income tax expense and accounting profit for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Profit before income tax expense¹	₩	127,881	₩	147,703
Income tax based on statutory tax rate		29,078		33,657
Adjustments:				
Non-taxable income		(43,744)		(40,403)
Non-deductible expense		7,219		9,096
Unrecognized deferred income tax arising from temporary differences in the current period		42,777		3,415
Tax credit		(78,965)		-
Others		4,993		(86,188)
Reflection of discontinuation effects		-		(4,861)
Income tax expense	₩	<u>(38,642)</u>	₩	<u>(85,284)</u>
Effective tax rate (income tax expense/profit before income tax) ²		-		-

¹ The amount includes profit before income tax from discontinued operations.

² The effective tax rate was not calculated because a negative effective tax rate was calculated.

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

Details of deductible (taxable) temporary differences unrecognized as deferred tax assets (liabilities) due to the low probability of realization as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023		Remarks
Investments in subsidiaries, associates and joint ventures	₩	(857,036)	₩	(857,036)	Permanent reinvestment plan of undistributed profit
		4,496,076		4,335,687	No plan for disposal
Land		323		373	
Total	₩	<u>3,639,363</u>	₩	<u>3,479,024</u>	

The Company is within the scope of Pillar Two model rules and the subsidiaries that operates in Indonesia are liable to pay an additional Pillar II income tax. The Company recognized current income tax expense under Pillar II model amounting to ₩2,600 million for the year ended December 31, 2024, and applied the exception to recognizing and disclosing information about deferred tax.

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29. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners 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 Company. These participation rights have been considered in presenting the earnings per share information for both of ordinary shares and preferred shares.

Basic earnings per share for profit from continuing operations and earnings per share attributable to the owners of the Parent Company for the years ended December 31, 2024 and 2023, are computed as follows:

Basic earnings (losses) per ordinary share from continuing operations

<i>(in millions of Korean won)</i>	2024	2023
Profit (loss) from continuing operations attributable to ordinary shares ¹	₩ (566,928)	₩ 217,825
Weighted average number of ordinary shares outstanding ²	70,592,343	70,592,343
Basic earnings (losses) per ordinary share from continuing operations <i>(in Korean won)</i>	₩ (8,031)	₩ 3,086

Basic earnings (losses) per ordinary share

<i>(in millions of Korean won)</i>	2024	2023
Profit (loss) attributable to ordinary shares ¹	₩ 149,833	₩ 205,389
Weighted average number of ordinary shares outstanding ²	70,592,343	70,592,343
Basic earnings (losses) per ordinary shares <i>(in Korean won)</i>	₩ 2,123	₩ 2,910

Basic earnings (losses) per preferred share from continuing operations

<i>(in millions of Korean won)</i>	2024	2023
Profit (loss) from continuing operations attributable to preferred share ¹	₩ (61,700)	₩ 24,090
Weighted average number of preferred shares outstanding ²	7,682,759	7,682,759
Basic earnings (losses) per preferred share from continuing operations <i>(in Korean won)</i>	₩ (8,031)	₩ 3,136

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Basic earnings (losses) per preferred share

<i>(in millions of Korean won)</i>	2024		2023	
Net profit (loss) attributable to preferred share ¹	₩	16,691	₩	22,737
Weighted average number of preferred shares outstanding ²		7,682,759		7,682,759
Basic earnings (losses) per preferred share <i>(in Korean won)</i>	₩	2,173	₩	2,960

¹ Profit attributable to ordinary and preferred shares are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Profit (loss) from continuing operations attributable to the ordinary equity holders of the Parent Company	₩	(628,628)	₩	241,915
Ordinary shares dividends (A)		-		247,073
Preferred shares dividends (B)		-		27,274
Undistributed earnings (losses) from continuing operation for the period		(628,628)		(32,432)
Undistributed earnings (losses) available for ordinary shares (C)		(566,928)		(29,248)
Undistributed earnings (losses) available for preferred shares (D)		(61,700)		(3,184)
Profit (loss) from continuing operations for the period attributable to ordinary shares (A+C)	₩	(566,928)	₩	217,825
Profit (loss) from continuing operations for the period attributable to preferred shares (B+D)	₩	(61,700)	₩	24,090

<i>(in millions of Korean won)</i>	2024		2023	
Profit attributable to the ordinary equity holders of the Parent Company	₩	166,523	₩	228,126
Ordinary shares dividends (A)		-		247,073
Preferred shares dividends (B)		-		27,274
Undistributed earnings (losses) for the period		166,523		(46,221)
Undistributed earnings (losses) available for ordinary shares (C)		149,833		(41,684)
Undistributed earnings (losses) available for preferred shares (D)		16,691		(4,537)
Profit (loss) for the period attributable to ordinary shares (A+C)	₩	149,833	₩	205,389
Profit (loss) for the period attributable to preferred shares (B+D)	₩	16,691	₩	22,737

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² Weighted average numbers of shares are calculated as follows:

2024				
	Period	Number of shares issued	Number of days	Number of shares x days
Ordinary shares outstanding				
Beginning balance	2024. 1. 1 - 2024. 12. 31	70,592,343	366	25,836,797,538
Payments for treasury shares	2024. 9. 9 - 2024. 12. 31	(1)	114	(114)
Total				<u>25,836,797,424</u>

Weighted-average number of ordinary shares outstanding: $25,836,797,424 / 366 = 70,592,343$ shares

2024				
	Period	Number of shares issued	Number of days	Number of shares x days
Preferred shares outstanding				
Beginning balance	2024. 1. 1 - 2024. 12. 31	7,682,759	366	<u>2,811,889,794</u>
Total				<u>2,811,889,794</u>

Weighted-average number of preferred shares outstanding: $2,811,889,794 / 366 = 7,682,759$ shares

2023				
	Period	Number of shares issued	Number of days	Number of shares x days
Ordinary shares outstanding				
Beginning balance	2023. 1. 1 - 2023. 12. 31	70,592,343	365	<u>25,766,205,195</u>
Total				<u>25,766,205,195</u>

Weighted-average number of ordinary shares outstanding: $25,766,205,195 / 365 = 70,592,343$ shares

2023				
	Period	Number of shares issued	Number of days	Number of shares x days
Preferred shares outstanding				
Beginning balance	2023. 1. 1 - 2023. 12. 31	7,682,759	365	<u>2,804,207,035</u>
Total				<u>2,804,207,035</u>

Weighted-average number of preferred shares outstanding: $2,804,207,035 / 365 = 7,682,759$ shares

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For the year ended December 31, 2024 and 2023, there were no dilutive potential outstanding ordinary shares at the reporting date. Accordingly, diluted earnings per share for profit attributable to owners of the Parent Company is identical to basic earnings per share.

Basic and diluted earnings per share attributable to ordinary and preferred shares from discontinued operations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>		2024		2023
Basic earnings per ordinary share from discontinued operations	₩	10,154	₩	(176)
Basic earnings per preferred share from discontinued operations		10,204		(176)
Diluted earnings per ordinary share from discontinued operations		10,154		(176)
Diluted earnings per preferred share from discontinued operations		10,204		(176)

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30. Dividends

Details of dividends of the Company as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Number of shares entitled to dividends: Shares issued and outstanding (par value per share: ₩ 5,000)		
Ordinary shares	70,592,342	70,592,343
Preferred shares	7,682,759	7,682,759
Dividend per share <i>(in Korean won, %)</i>		
Ordinary shares: cash	₩ 1,000 (20%)	₩ 3,500 (70%)
Preferred shares: cash	1,050 (21%)	3,550 (71%)
Cash dividends to distribute		
Ordinary shares	70,592	247,073
Preferred shares	8,067	27,274
	<u>₩ 78,659</u>	<u>₩ 274,347</u>

Dividend payout ratios of the Company for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Dividends (A)	₩ 78,659	₩ 274,347
Profit attributable to equity holders of the Company (B)	166,523	228,126
Dividend payout ratio (A/B)	47.24%	120.26%

Dividend yield ratios of the Company for the years ended December 31, 2024 and 2023, are as follows:

<i>(in Korean won)</i>	2024		2023	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Dividend per share (A)	1,000	1,050	3,500	3,550
Market value at the end of year (B) ¹	252,300	159,940	493,100	317,900
Dividend yield ratio (A/B)	0.40%	0.66%	0.71%	1.12%

¹ Average price in the stock market during one week preceding two business days before shareholder list closing date for the general shareholders' meeting.

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31. Related Party Transactions

Details of related parties as at December 31, 2024 and 2023, are as follows:

Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Related party's associates and joint ventures
Significant influence over the Company:¹			
LG Corp.			
Subsidiaries of the entity with significant influence:			
LG CNS Co., Ltd.	Biztech On Co., Ltd. and others	LG CNS America Inc. and others	
D&O Corp.	D&O CM and others	D&O CM POLAND sp.z o.o. and others	
LG Management Development Institute			
LG Sports Ltd.			
LG Holdings Japan Co., Ltd.			
Subsidiaries²			
LG Energy Solution, Ltd.	Aremnuri Co., Ltd.	LG Energy Solution Wroclaw sp. Z o.o. and others	Sam-a Aluminium Company, Limited and others
FarmHannong Co.,Ltd.		Farmhannong America, Inc. and others	
HAENGBOKNURI CO.,LTD.			
LG-HY BCM CO., LTD.			
TW Biomassenergy Co., Ltd			
LG-Eni Biorefining Co., Ltd ³		LG Chem China Tech Center	
LG Chem (China) Investment Co.,Ltd.		Ningbo Zhenhai LG Yongxing Trade Co.,Ltd.	
Ningbo LG Yongxing Chemical Co.,Ltd.			
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.			
LG Chem (Taiwan), Ltd.			
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.			
Tianjin LG Bohai Chemical Co.,Ltd.			
Tianjin LG BOTIAN Chemical Co.,Ltd.			
LG Chem(HUIZHOU) Petrochemical Co., Ltd.			
LG Chem (Chongqing) Engineering Plastics Co.,Ltd.			
LG Jiansheng Life Sciences (Beijing) Co., Ltd.			
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.			
LEYOU NEW ENERGY			

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Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Related party's associates and joint ventures
MATERIALS(WUXI) Co.,LTD			
LG Chem America, Inc.			
LG NanoH2O, LLC			
LG Chem Mexico S.A. de C.V.			
Uniseal, Inc.			
LG Chem Life Sciences USA, Inc.		Aveo Pharmaceuticals. Inc.	
LG Chem Ohio Petrochemical, Inc.			
LG Chem BRASIL			
INTERMEDIACAO DE			
NEGOCIOS DO SETOR			
QUIMICO LTDA.			
LG Chemical India Pvt. Ltd.		LG Polymers India Pvt. Ltd.	
LGC Petrochemical India Private Ltd.			
LG Chem Japan Co.,Ltd.			
LG Chem Malaysia SDN.BHD.			
LG Chem Life Sciences India Pvt. Ltd.			
LG Chem Life Sciences (Thailand) Ltd.			
LG Chem Hai Phong Vietnam Company Ltd.			
LG Chem Hai Phong Engineering Plastics Ltd.			
LG Chem Asia Pte. Ltd.			
LG PETRONAS CHEMICALS			
Malaysia Sdn.Bhd.			
LG Chem VietNam Co.,Ltd			
PT LG CHEM INDONESIA			
LG Chem Europe GmbH			
LG Chem Poland Sp. z o.o.			
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.			
LG Chem America Advanced Materials, Inc. ³			
Associates and joint ventures: ⁴			
TECHWIN Co., Ltd.			
LG Chem Life Sciences Poland Ltd.			
HUAJIN NEW ENERGY			
MATERIALS(QUZHOU) CO., LTD.			
TL Chemical CO., Ltd.			
KOREA PRECURSOR CO., LTD.			
LG Toray Hungary Battery Separator Kft.			
SEETEC Co., Ltd.			
Affiliate within the same large enterprise group ⁵			
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display High-Tech	

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Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Related party's associates and joint ventures
		(China) Co., Ltd. and others	
LG Electronics Inc.	LG Innotek Co., Ltd. and others	LG ELECTRONICS INDIA PRIVATE LIMITED and others	Robostar Co., Ltd. and others
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	Everlife Co., Ltd and others	
LG Uplus Corp.	LG HelloVision Corp and others.	DACOM AMERICA, INC.	DACOM Crossing Corporation
HS AD Inc. ⁶		GIIR America Inc. and others	

¹ LG Corp. is an entity exercising a significant influence over the Company, which owns 34.04% of the Parent Company's ordinary shares.

² During the year ended December 31, 2024, the Company decided to dispose of shares LG Chem Hangzhou Advanced Materials Co., Ltd. Therefore, it was excluded from the Subsidiaries.

³ During the year ended December 31, 2024, the Company newly established the entity.

⁴ The Company decided to dispose of shares VINA Plasticizers Chemical Co.,Ltd. Therefore, it was excluded from the related parties.

⁵ Although, these entities are not the related parties of the Company in accordance with Korean IFRS 1024, these entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair-Trade Act.

⁶ During the year ended December 31, 2023, G I I R Inc. merged HS AD Inc. and LBEST Inc. After the merger, GIIR Inc. changed its name to HS AD Inc.

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Sales and purchases with related parties for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024						
	Purchase and others						
	Sales and others	Purchase of raw materials /merchandise s	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense	Others	
Entity with a significant influence over the Company							
LG Corp.	₩ 13	₩ -	₩ -	₩ 26,455	₩ 191	₩ 51,657	
Subsidiaries							
LG Energy Solution, Ltd. ¹	9,796	1,247	-	11,836	230	4,403	
Ningbo LG Yongxing Chemical Co.,Ltd.	100,228	9,421	-	-	-	-	
LG Chem America, Inc.	978,475	-	-	-	-	17,409	
LG Energy Solution (Nanjing) Co., Ltd.	63,580	-	-	-	-	-	
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	39,965	4,600	-	-	-	-	
LG Chem (Taiwan), Ltd.	29,250	-	-	-	-	1,810	
Tianjin LG Bohai Chemical Co.,Ltd.	298,879	1	-	-	-	-	
LG Chem (China) Investment Co.,Ltd.	4,658	-	-	-	8,841	50,292	
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	15,985	-	-	-	-	-	
LG Chem Europe GmbH	938,187	-	-	-	-	57,452	
LG Chem Poland Sp. z o.o.	50,623	1,657	-	-	-	-	
LG NanoH2O, Inc.	48,622	-	-	-	-	19,271	
LG Energy Solution Michigan Inc.	20,745	-	-	-	-	-	
LG Energy Solution Battery (Nanjing) Co., Ltd.	27,830	-	-	-	-	-	
LG Energy Solution Wroclaw sp. z o.o.	1,195,527	-	-	-	-	-	
LG Chem (Guangzhou) I&E Materials Co., Ltd. ²	142,035	12,754	-	-	-	2,687	
LG Energy Solution Technology (Nanjing) Co., Ltd.	115,653	-	-	-	-	-	
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.	116,966	57,437	-	-	-	-	
Ultium Cells LLC.	331,094	-	-	-	-	-	
Others ²	631,290	8,658	4	-	-	67,879	
Associates and joint ventures							
SEETEC Co., Ltd.	83,897	208,798	34	136	393	98,646	
TECWIN Co., Ltd.	-	31	158	-	-	54	

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HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.	1,978	387,477	-	-	-	-
Others	6,065	9,354	-	-	-	446
Subsidiaries of the entity with significant influence:						
D&O Corp. and its subsidiaries	-	-	760	-	-	8,803
LG CNS Co., Ltd. and its subsidiaries	36	3,356	160,136	859	11	90,592
Others	10	-	-	-	-	37,299
Affiliate within the same large enterprise group:						
LG Display Co., Ltd. and its subsidiaries	470,514	440	-	-	-	-
LG Electronics Inc. and its subsidiaries and joint ventures	366,444	1,884	1,893	-	-	24,381
Others	9,323	24,912	31,871	-	47	19,276
Total	₩ 6,097,668	₩ 732,027	₩ 194,856	₩ 39,286	₩ 9,713	₩ 552,357

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(in millions of Korean won)

(in millions of Korean won)

	2023										
	Purchase and others										
	Sales and others		Purchase of raw materials /merchandises		Acquisition of property, plant and equipment and intangible assets		Acquisition of right-of-use assets		Interest expense		Others
Entity with a significant influence over the Company	₩	31	₩	-	₩	-	₩	-	₩	146	₩ 53,814
Subsidiaries											
LG Corp.											
LG Energy Solution, Ltd. ¹		62,843		64,558		-		38		67	7,756
Ningbo LG Yongxing Chemical Co.,Ltd.		29,327		9,661		-		-		-	-
LG Chem America, Inc.		870,612		-		-		-		-	12,432
LG Energy Solution (Nanjing) Co., Ltd.		89,530		-		-		-		-	-
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.		27,792		2,614		-		-		-	-
LG Chem (Taiwan), Ltd.		73,148		-		-		-		-	1,977
Tianjin LG Bohai Chemical Co.,Ltd.		216,717		-		-		-		-	-
LG Chem (China) Investment Co.,Ltd.		6,895		-		-		-		-	64,435
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.		14,973		-		-		-		-	-
LG Chem Europe GmbH		725,315		-		-		-		-	91,512
LG Chem Poland Sp. z o.o.		68,785		477		-		-		-	-
LG NanoH2O, Inc.		34,475		-		-		-		-	17,689
LG Energy Solution Michigan Inc.		37,275		-		-		-		-	-
LG Energy Solution Battery (Nanjing) Co., Ltd.		32,015		-		-		-		-	-
LG Energy Solution Wroclaw sp. z o.o.		1,648,351		-		-		-		-	-
LG Chem (Guangzhou) I&E Materials Co., Ltd. ²		85,865		2,412		-		-		-	6
LG Energy Solution Technology (Nanjing) Co., Ltd.		698,146		-		-		-		-	-
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.		101,113		29,243		-		-		-	-
Ultium Cells LLC.		489,912		-		-		-		-	-
Others		254,702		1,548		13		-		-	57,241
Associates and joint ventures											
SEETEC Co., Ltd.		112,606		275,138		8		2,927		300	96,731
TECWIN Co., Ltd.		-		153		419		-		-	147
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.		230		794,906		-		-		-	-

LG Chem, Ltd.
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Others	46,864	3,216	-	-	-	188
Subsidiaries of the entity with significant influence:						
D&O Corp. and its subsidiaries	-	-	1,791	-	-	6,875
LG CNS Co., Ltd. and its subsidiaries	98	3,302	180,721	-	13	106,678
Others	5	-	-	-	-	43,599
Affiliate within the same large enterprise group:						
LG Display Co., Ltd. and its subsidiaries	375,145	124	-	-	-	-
LG Electronics Inc. and its subsidiaries and joint ventures	337,411	1,765	2,917	-	-	25,545
Others	9,629	27,947	352,424	632	41	76,495
Others:						
Shanjin Optoelectronics (Suzhou) Co., Ltd. and its subsidiaries ²	315,973	129	-	-	-	-
Total	₩ 6,765,783	₩ 1,217,193	₩ 538,293	₩ 3,597	₩ 567	₩ 663,120

¹ Net sales and purchases amount after offsetting for Separators with LG Energy Solution, Ltd.

² The amount of sales and others include the amount of asset sales transactions.

³ Excluded from related parties during the year ended December 31, 2023, and the details of these relevant transactions occurred transaction details before it was excluded from related party.

LG Chem, Ltd.
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Balances of receivables and payables arising from sales and purchases of goods and services as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024			
	Receivables			Total
	Trade receivables and others	Loan receivables	Other receivables	
Entity with a significant influence over the Company				
LG Corp.	₩ -	₩ -	₩ 11,335	₩ 11,335
Subsidiaries				
LG Energy Solution, Ltd.	9,545	-	3,305	12,850
Ningbo LG Yongxing Chemical Co.,Ltd.	11,330	-	1,613	12,943
LG Chem America, Inc.	273,228	-	100	273,328
LG Energy Solution (Nanjing) Co., Ltd.	13,697	-	-	13,697
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	3,639	-	6,026	9,665
LG Chem (Taiwan), Ltd.	5,318	-	-	5,318
Tianjin LG Bohai Chemical Co.,Ltd.	38,621	-	387	39,008
LG Chem (China) Investment Co.,Ltd.	847	-	-	847
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	821	-	2,448	3,269
LG Chem Europe GmbH	356,066	-	-	356,066
LG Chem Poland Sp. z o.o.	11,439	-	5,878	17,317
LG NanoH2O, Inc.	16,027	-	1,988	18,015
LG Energy Solution Michigan Inc.	315	-	-	315
LG Energy Solution Battery (Nanjing) Co., Ltd.	11,292	-	-	11,292
LG Energy Solution Wroclaw sp. z o.o.	281,521	-	-	281,521
LG Chem (Guangzhou) I&E Materials Co., Ltd.	41,455	-	608	42,063
LG Energy Solution Technology (Nanjing) Co., Ltd.	20,792	-	-	20,792
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.	-	-	26,287	26,287
Ultium Cells LLC.	12,010	-	-	12,010
Others	172,510	44,100	56,324	272,934
Associates and joint ventures				
SEETEC Co., Ltd.	6,003	-	508	6,511
TECWIN Co., Ltd.	-	-	-	-
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.	1,549	-	72	1,621
Others	-	-	193	193
Subsidiaries of the entity with significant influence:				
D&O Corp. and its subsidiaries	-	-	-	-
LG CNS Co., Ltd. and its subsidiaries	-	-	-	-
Others	-	-	6	6
Affiliate within the same large enterprise group:				
LG Display Co., Ltd. and its subsidiaries	190,691	-	3	190,694
LG Electronics Inc. and its subsidiaries and joint ventures	113,800	-	527	114,327
Others	76	-	1,620	1,696
Total	₩ 1,592,592	₩ 44,100	₩ 119,228	₩ 1,755,920

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

	2024					
	Payables					
	Trade payables	Borrowings	Lease liabilities	Other payables	Total	
Entity with a significant influence over the Company						
LG Corp.	₩ -	₩ -	₩ 13,390	₩ -	₩	13,390
Subsidiaries						
LG Energy Solution, Ltd.	4,893	-	6,231	3,751		14,875
Ningbo LG Yongxing Chemical Co.,Ltd.	445	-	-	1		446
LG Chem America, Inc.	121	-	-	18,684		18,805
LG Energy Solution (Nanjing) Co., Ltd.	-	-	-	-		-
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	266	-	-	2		268
LG Chem (Taiwan), Ltd.	-	-	-	235		235
Tianjin LG Bohai Chemical Co.,Ltd.	-	-	-	-		-
LG Chem (China) Investment Co.,Ltd.	-	60,381	-	6,600		66,981
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	-	-	-	-		-
LG Chem Europe GmbH	-	-	-	6,875		6,875
LG Chem Poland Sp. z o.o.	-	-	-	-		-
LG NanoH2O, Inc.	-	-	-	6,589		6,589
LG Energy Solution Michigan Inc.	-	-	-	-		-
LG Energy Solution Battery (Nanjing) Co., Ltd.	-	-	-	-		-
LG Energy Solution Wroclaw sp. z o.o.	-	-	-	-		-
LG Chem (Guangzhou) I&E Materials Co., Ltd.	1,403	-	-	560		1,963
LG Energy Solution Technology (Nanjing) Co., Ltd.	-	-	-	-		-
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.	3,471	-	-	-		3,471
Ultium Cells LLC.	-	-	-	-		-
Others	1,222	-	-	6,406		7,628
Associates and joint ventures						
SEETEC Co., Ltd.	18,822	-	18,773	11,999		49,594
TECWIN Co., Ltd.	-	-	-	26		26
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.	57,903	-	-	-		57,903
Others	2,664	-	-	60		2,724
Subsidiaries of the entity with significant influence:						
D&O Corp. and its subsidiaries	-	-	-	112		112
LG CNS Co., Ltd. and its subsidiaries	-	-	-	70,983		70,983
Others	-	-	-	513		513
Affiliate within the same large enterprise group:						
LG Display Co., Ltd. and its subsidiaries	110	-	-	31		141
LG Electronics Inc. and its subsidiaries and joint ventures ¹	66	-	-	4,541		4,607
Others	3,781	-	2,128	3,421		9,330
Total	₩ 95,167	₩ 60,381	₩ 40,522	₩ 141,389	₩	337,459

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

	2023			
	Receivables			
	Trade receivables and others	Loan receivables	Other receivables	Total
Entity with a significant influence over the Company				
LG Corp.	₩ -	₩ -	₩ 17,196	₩ 17,196
Subsidiaries				
LG Energy Solution, Ltd.	23,712	-	1,053	24,765
Ningbo LG Yongxing Chemical Co.,Ltd.	9,587	-	1,300	10,887
LG Chem America, Inc.	225,512	-	-	225,512
LG Energy Solution (Nanjing) Co., Ltd.	20,859	-	-	20,859
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	2,472	-	4,685	7,157
LG Chem (Taiwan), Ltd.	7,893	-	36,313	44,206
Tianjin LG Bohai Chemical Co.,Ltd.	28,807	-	351	29,158
LG Chem (China) Investment Co.,Ltd.	986	-	-	986
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	785	-	2,038	2,823
LG Chem Europe GmbH	240,250	-	35	240,285
LG Chem Poland Sp. z o.o.	12,915	-	9,496	22,411
LG NanoH2O, Inc.	10,953	-	-	10,953
LG Energy Solution Michigan Inc.	7,716	-	-	7,716
LG Energy Solution Battery (Nanjing) Co., Ltd.	7,572	-	-	7,572
LG Energy Solution Wroclaw sp. z o.o.	272,577	-	-	272,577
LG Chem (Guangzhou) I&E Materials Co., Ltd.	27,276	-	434	27,710
LG Energy Solution Technology (Nanjing) Co., Ltd.	49,493	-	-	49,493
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.	13,773	-	19,914	33,687
Ultium Cells LLC.	31,596	-	-	31,596
Others	52,921	35,551	16,675	105,147
Associates and joint ventures				
SEETEC Co., Ltd.	13,653	-	1,000	14,653
TECWIN Co., Ltd.	-	-	-	-
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.	-	-	-	-
Others	200	-	-	200
Subsidiaries of the entity with significant influence:				
D&O Corp. and its subsidiaries	-	-	-	-
LG CNS Co., Ltd. and its subsidiaries	-	-	107	107
Others	-	-	7	7
Affiliate within the same large enterprise group:				
LG Display Co., Ltd. and its subsidiaries	161,829	-	-	161,829
LG Electronics Inc. and its subsidiaries and joint ventures ¹	110,253	-	625	110,878
Others	110	-	1,642	1,752
Total	₩ 1,333,700	₩ 35,551	₩ 112,871	₩ 1,482,122

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

	2023				
	Payables				
	Trade payables	Borrowings	Lease liabilities	Other payables	Total
Entity with a significant influence over the Company					
LG Corp.	₩ -	₩ -	₩ 3,060	₩ 6,400	₩ 9,460
Subsidiaries					
LG Energy Solution, Ltd.	28,478	-	1,469	5,904	35,851
Ningbo LG Yongxing Chemical Co.,Ltd.	426	-	-	1	427
LG Chem America, Inc.	-	-	-	14,286	14,286
LG Energy Solution (Nanjing) Co., Ltd.	-	-	-	-	-
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	117	-	-	-	117
LG Chem (Taiwan), Ltd.	-	-	-	264	264
Tianjin LG Bohai Chemical Co.,Ltd.	-	-	-	-	-
LG Chem (China) Investment Co.,Ltd.	-	-	-	7,685	7,685
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	-	-	-	-	-
LG Chem Europe GmbH	-	-	-	8,671	8,671
LG Chem Poland Sp. z o.o.	235	-	-	2	237
LG NanoH2O, Inc.	-	-	-	6,250	6,250
LG Energy Solution Michigan Inc.	-	-	-	-	-
LG Energy Solution Battery (Nanjing) Co., Ltd.	-	-	-	-	-
LG Energy Solution Wroclaw sp. z o.o.	-	-	-	-	-
LG Chem (Guangzhou) I&E Materials Co., Ltd.	142	-	-	29	171
LG Energy Solution Technology (Nanjing) Co., Ltd.	-	-	-	-	-
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.	13,394	-	-	83	13,477
Ultium Cells LLC.	-	-	-	-	-
Others	712	-	-	7,326	8,038
Associates and joint ventures					
SEETEC Co., Ltd.	31,148	-	20,662	11,735	63,545
TECWIN Co., Ltd.	-	-	-	380	380
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.	161,178	-	-	-	161,178
Others	-	-	-	117	117
Subsidiaries of the entity with significant influence:					
D&O Corp. and its subsidiaries	-	-	-	456	456
LG CNS Co., Ltd. and its subsidiaries	-	-	308	89,872	90,180
Others	-	-	-	684	684
Affiliate within the same large enterprise group:					
LG Display Co., Ltd. and its subsidiaries	14	-	-	-	14
LG Electronics Inc. and its subsidiaries and joint ventures ¹	66	-	-	6,907	6,973
Others	2,713	-	2,512	101,080	106,305
Total	₩ 238,623	₩ -	₩ 28,011	₩ 268,132	₩ 534,766

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Fund transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

(in millions of Korean won)	2024													
							Equity contributions in cash (capital reduction) and others		Loans		Borrowings ¹			
							Loans	Repayment	Borrowings	Repayment				
Dividends received	Dividends paid													
Entity with a significant influence over the Company														
LG Corp.	₩	-	₩	82,370	₩	-	₩	-	₩	-	₩	26,455	₩	13,059
Subsidiaries														
LG Energy Solution, Ltd.		-		-		-		-		-		11,836		5,605
Ningbo LG Yongxing Chemical Co.,Ltd.		35,809		-		-		-		-		-		-
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.		13,231		-		-		-		-		-		-
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.		8,528		-		-		-		-		-		-
Tianjin LG Bohai Chemical Co.,Ltd.		3,205		-		-		-		-		-		-
LG Chem (China) Investment Co.,Ltd.		-		-		-		-		-		609,376		548,995
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.		83,090		-		-		-		-		-		-
TW Biomassenergy Co., Ltd		-		-		41,400		-		-		-		-
LG Chem (Chongqing) Engineering Plastics Co., Ltd.		4,040		-		-		-		-		-		-
LG CHEM FUND I LLC		-		-		14,964		-		-		-		-
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.		7,308		-		-		-		-		-		-
LG Chem (Taiwan), Ltd.		4,951		-		-		-		-		-		-
LG Chem America Advanced Materials, Inc		-		-		405,680		-		-		-		-
LG Chem Life Sciences (Thailand) Ltd.		3,727		-		-		-		-		-		-
LG Jiansheng Life Sciences (Beijing) Co., Ltd.		-		-		2,499		-		-		-		-
LG-Eni Biorefining Co., Ltd		-		-		86,751		-		-		-		-
Associates and joint														

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

	2024						
	Dividends received	Dividends paid	Equity contributions in cash (capital reduction) and others	Loans		Borrowings ¹	
				Loans	Repayment	Borrowings	Repayment
ventures							
SEETEC Co., Ltd.	7,500	-	-	-	-	136	1,437
Subsidiary of the Company with significant influence:							
LG CNS Co., Ltd.	-	-	-	-	-	859	714
Affiliate within the same large enterprise group:							
LG HOUSEHOLD & HEALTH CARE LTD	-	-	-	-	-	-	308
Total	<u>₩ 171,389</u>	<u>₩ 82,370</u>	<u>₩ 551,294</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 648,662</u>	<u>₩ 570,118</u>

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

	2023											
				Equity contributions in cash (capital reduction) and others			Loans			Borrowings ¹		
	Dividends received	Dividends paid					Loans	Repayment		Borrowings	Repayment	
Entity with a significant influence over the Company												
LG Corp.	₩	-	₩	235,342	₩	-	₩	-	₩	-	₩	12,148
Subsidiaries												
LG Energy Solution, Ltd.		-		-		-		-		38		5,838
Ningbo LG Yongxing Chemical Co.,Ltd.		74,738		-		-		-		-		-
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.		1,888		-		-		-		-		-
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.		5,097		-		-		-		-		-
Tianjin LG Bohai Chemical Co.,Ltd.		28,182		-		-		-		-		-
Tianjin LG BOTIAN Chemical Co.,Ltd.		1,549		-		-		-		-		-
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.		79,288		-		-		-		-		-
LG-HY BCM CO., LTD.		-		-		80,256		-		-		-
TW Biomassenergy Co., Ltd		-		-		26,400		-		-		-
LG CHEM FUND I LLC		-		-		8,256		-		-		-
LG Chem Life Science Innovation Center, Inc.		-		-		707,183		-		-		-
PT LG CHEM INDONESIA		-		-		885		-		-		-
LG Polymers India Pvt. Ltd.		-		-		-	21,693	-		-		-
LG Chem Asia Pte. Ltd.		-		-		-		-		327,264		327,264
LG Chem(HUIZHOU) Petrochemical Co., Ltd.		25,659		-		-		-		-		-
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.		1,887		-		-		-		-		-
LG Chem Europe GmbH		4,560		-		-		-		-		-
LG Chem (Taiwan), Ltd.		35,802		-		-		-		-		-
Associates and joint ventures												
SEETEC Co., Ltd.		5,000		-		-		-		2,927		1,357
KOREA PRECURSOR		-		-		30,576		-		-		-

LG Chem, Ltd.
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CO., LTD.									
VINA Plasticizers									
Chemical Co., Ltd.	4,444	-	-	-	-	-	-	-	-
Subsidiary of the									
Company with									
significant influence:									
LG CNS Co., Ltd.	-	-	-	-	-	-	-	-	1,222
Affiliate within the same									
large enterprise group:									
LG HOUSEHOLD &									
HEALTH CARE LTD	-	-	-	-	-	-	632	338	
Total	<u>₩ 268,094</u>	<u>₩ 235,342</u>	<u>₩ 853,556</u>	<u>₩ 21,693</u>	<u>₩ -</u>	<u>₩ 330,861</u>	<u>₩ 348,167</u>		

¹ The amounts contain lease liabilities that were recognized or repaid for the years ended December 31, 2024 and 2023.

Compensation for key management of the Company for the years ended December 31, 2024 and 2023, consists of:

<i>(in millions of Korean won)</i>	2024	2023
Short-term employee benefits	₩ 39,435	₩ 70,710
Post-employment benefits	5,861	5,388
Total	<u>₩ 45,296</u>	<u>₩ 76,098</u>

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

There is no loss allowance recognized against receivables from related parties as at December 31, 2024 and 2023; therefore, there are no impairment losses recognized against the receivables from related parties for the years ended December 31, 2024 and 2023.

As at December 31, 2024, there are no payment guarantees provided by the Company for related parties.

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32. Cash Flows

Cash generated from operations for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024		2023	
Profit before income tax				
Profit before income tax from continuing operations	₩	127,881	₩	147,703
Profit before income tax from discontinued operations		(667,271)		156,631
		<u>795,152</u>		<u>(8,928)</u>
Adjustments for:				
Depreciation		1,198,129		1,228,520
Amortization		207,815		197,847
Post-employment benefits		100,326		86,733
Finance income		(888,948)		(442,152)
Finance costs		1,156,574		413,603
Other foreign exchange differences		(73,627)		8,230
Loss on valuation of inventories		(17,140)		(68,963)
Gain on disposal of property, plant and equipment		(4,259)		(839)
Gain on disposal of intangible assets		(20)		-
Loss on disposal of property, plant and equipment		24,946		9,953
Loss on disposal of intangible assets		2,439		30,700
Impairment loss on property, plant and equipment		339,350		31,052
Impairment loss on intangible assets		228,936		3,574
Impairment loss on investments in subsidiaries		216,885		-
Gain on disposal of a business		(733,506)		-
Additions to provisions		13,300		20,675
Other income		(16,757)		(156,283)
Decrease (increase) in inventories		(2,035)		503,187
Increase in trade receivables		(69,384)		(160,790)
Decrease (increase) in other receivables		(36,552)		14,686
Decrease in other current assets		17,663		99,626
Increase (decrease) in trade payables		(229,740)		33,721
Increase (decrease) in other payables		(40,774)		738,212
Increase (decrease) in other current liabilities		177,566		(233,748)
Decrease in net defined benefit liabilities		(17,961)		(61,982)
Decrease in provisions		(14,000)		(31,100)
Other cash flows from operations		8,874		6,456
Cash generated from operations	₩	<u>1,675,981</u>	₩	<u>2,418,621</u>

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Changes in liabilities arising from financial activities for the years ended December 31, 2024 and 2023, are as follows:

(in millions of
Korean won)

	2024					
	Beginning balance	Cash flows from financing activities	Non-cash transactions			Ending balance
			Acquisition	Amortization	Others	
Short-term borrowings	₩ 1,900,088	₩ (375,154)	₩ -	₩ 233	₩ 194,711	₩ 1,719,878
Debentures	7,850,142	127,047	-	107,270	595,979	8,680,438
Lease liabilities	74,328	(36,839)	48,483	-	(2,772)	83,200
	<u>₩ 9,824,558</u>	<u>₩ (284,946)</u>	<u>₩ 48,483</u>	<u>₩ 107,503</u>	<u>₩ 787,918</u>	<u>₩ 10,483,516</u>

(in millions of
Korean won)

	2023					
	Beginning balance	Cash flows from financing activities	Non-cash transactions			Ending balance
			Acquisition	Amortization	Others	
Short-term borrowings	₩ 1,368,141	₩ 515,386	₩ -	₩ 165	₩ 16,397	₩ 1,900,089
Debentures	5,610,061	2,718,176	-	50,983	(529,078)	7,850,142
Lease liabilities	104,866	(36,963)	10,580	-	(4,155)	74,328
Other payables for the reverse factoring arrangement	-	(825,480)	-	-	825,480	-
	<u>₩ 7,083,068</u>	<u>₩ 2,371,119</u>	<u>₩ 10,580</u>	<u>₩ 51,148</u>	<u>₩ 308,644</u>	<u>₩ 9,824,559</u>

Significant non-cash transactions for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	2023
Reclassification of construction-in-progress	₩ 1,331,464	₩ 1,288,866
Reclassification of machinery-in-transit	54,847	84,864
Reclassification of long-term borrowings into current portion	2,026,540	10,156,629
Other payables related to acquisitions of property, plant and equipment and intangible assets	409,807	485,832
Reclassification of other payables under the reverse factoring arrangement	-	825,480
Reclassification of non-current assets held for sale	-	46,452
Non-trade receivables related to disposal of non-current assets held for sale	166,662	-

LG Chem, Ltd.
Notes to the Separate Financial Statements
December 31, 2024 and 2023

33. The statements of appropriation of retained earnings

The appropriation of retained earnings for the year ended December 31, 2024, is expected at the shareholder's meeting on March 24, 2025. The appropriation date for the year ended December 31, 2023, was March 25, 2024.

The statements of appropriation of retained earnings for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
1. Unappropriated retained earnings	₩	33,371	₩	205,077
Unappropriated retained earnings carried over from prior year		-		-
Profit		166,523		228,126
Remeasurement gain (loss) on defined benefit plans		(133,152)		(23,049)
2. Transfers such as discretionary reserves		45,288		69,270
Reserve for research and human resources development.		45,288		69,270
3. Appropriation of retained earnings		78,659		274,347
Earned profit reserves		-		-
Cash dividends				
(Dividends per Ordinary share (%):				
2024: ₩ 1,000 (20%),				
2023: ₩ 3,500 (70%)				
(Dividends per Preferred share (%):				
2024: ₩ 1,050 (21%),				
2023: ₩ 3,550 (71%)		78,659		274,347
Reserve for research and human resources development.		-		-
Unappropriated retained earnings to be carried forward	₩	-	₩	-

LG Chem, Ltd.
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34. Assets and Liabilities Held for Sale and Discontinued Operations

34.1 Assets and Liabilities Held for Sale

In accordance with the final approval of management, the Company decided to dispose of polarizer and related material business and all shares of LG Chem Hangzhou Advanced Materials COMPANY LIMITED (September 2023). The related assets were sold in December 2024. Diagnosis business (October 2023) and all shares of VINA PLASTICIZERS CHEMICAL COMPANY LIMITED were sold in December 2023.

Details of assets and liabilities of disposal group classified as held for sale as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024		2023	
Assets of disposal group				
Property, plant and equipment	₩	-	₩	26,353
Intangible assets		-		20,100
Inventories		-		46,714
Investments in Subsidiaries		-		11,712
	₩	-	₩	104,879

34.2 Discontinued Operations

The Company decided to discontinue polarizer and related material business with the resolution of the board of directors in September 2023 and discontinued the related business as of September 2023. Sale of the polarizer and related material business was finalized in December 2024. Also, the Company 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 Company decided to divest LCD polarizer business with the resolution of the board of directors in June 2020, and the disposal was completed in February 2021. Accordingly, the profit and loss from the related operations are presented as discontinued operations.

Comprehensive income information from discontinued operation for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024							
	LCD polarizer		Glass substrate		Polarizer and related material		Total	
Revenue	₩	-	₩	7	₩	1,347,001	₩	1,347,008
Expense		-		(7,300)		(544,556)		(551,856)
Profit (loss) before income tax of discontinued operation		-		(7,293)		802,445		795,152
Income tax benefit (expense)		-		-		-		-
Profit (loss) after income tax of discontinued operations	₩	-	₩	(7,293)	₩	802,445	₩	795,152

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(in millions of Korean won)

	2023			
	LCD polarizer	Glass substrate	Polarizer and related material	Total
Revenue	₩ 307	₩ 1	₩ 675,935	₩ 676,243
Expense	(1)	(4,940)	(680,230)	(685,171)
Profit (loss) before income tax of discontinued operation	306	(4,939)	(4,295)	(8,928)
Income tax benefit (expense)	167	(2,689)	(2,339)	(4,861)
Profit (loss) after income tax of discontinued operations	₩ 473	₩ (7,628)	₩ (6,634)	₩ (13,789)

Net cash flows from discontinued operations for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024			
	LCD polarizer	Glass substrate	Polarizer and related material	Total
Net cash outflow from operating activities	₩ -	₩ (9,119)	₩ (102,250)	₩ (111,369)
Net cash inflow from investing activities	-	662	671,332	671,994
Net cash outflow from financing activities	-	-	-	-

(in millions of Korean won)

	2023			
	LCD polarizer	Glass substrate	Polarizer and related material	Total
Net cash inflow (outflow) from operating activities	₩ (14,261)	₩ (7,148)	₩ 56,811	₩ 35,402
Net cash inflow (outflow) from investing activities	(24)	9,750	(23,589)	(13,863)
Net cash inflow (outflow) from financing activities	-	-	-	-

LG Chem, Ltd.
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35. Assets and Liabilities related to Contracts with Customers

Assets and liabilities related to contracts with customers as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Contract assets		
Due from customers for contract work	₩ -	₩ -
Total contract assets	₩ -	₩ -
Contract liabilities		
Advances in relation to revenue from the Company's main business activities	₩ 190,880	₩ 24,073
Expected customer incentives	1,943	1,582
Unearned revenue	27,259	25,222
Total contract liabilities	₩ 220,082	₩ 50,877

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 (or partially were satisfied) in the prior periods.

<i>(in millions of Korean won)</i>	2024	2023
Revenue recognized in the current period from the contract liabilities balance at the beginning of the period	₩ 30,166	₩ 36,135
Advances received in relation to revenue from the Company's main business activities	22,829	28,764
Unearned revenue	7,337	7,371
Revenue recognized from performance obligations satisfied in previous periods	-	-

LG Chem, Ltd.
Notes to the Separate Financial Statements
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36. Investment Properties

Details of investment properties as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)	2024				2023			
	Cost	Accumulated depreciation	Accumulated impairment	Book amount	Cost	Accumulated depreciation	Accumulated impairment	Book amount
Land	₩ 6,578	₩ (76)	₩ (462)	₩ 6,040	₩ 4,358	₩ (67)	₩ (462)	₩ 3,829
Buildings	87,630	(17,134)	(17,013)	53,483	76,392	(12,826)	(17,020)	46,546
Total	₩ 94,208	₩ (17,210)	₩ (17,475)	₩ 59,523	₩ 80,750	₩ (12,893)	₩ (17,482)	₩ 50,375

Changes in investment properties for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)	2024			2023		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 3,829	₩ 46,546	₩ 50,375	₩ 4,666	₩ 49,989	₩ 54,655
Acquisitions/transfers	2,220	10,020	12,240	-	398	398
Disposals/transfers	-	(488)	(488)	(812)	(1,460)	(2,272)
Depreciation	(9)	(2,595)	(2,604)	(25)	(2,381)	(2,406)
Ending balance	₩ 6,040	₩ 53,483	₩ 59,523	₩ 3,829	₩ 46,546	₩ 50,375

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 December 31, 2024, is ₩ 75,107 million (2023: ₩ 62,612 million).

During the year ended December 31, 2024, rental income from investment properties under operating lease is ₩ 3,675 million (2023: ₩ 3,416 million), and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) are ₩ 3,495 million (2023: ₩ 2,682 million). During the year ended December 31, 2024, there are no operating expenses incurred for investment properties that do not generate rental income (including maintenance and repair expenses).

Operating lease

Investment properties are leased to tenants under operating leases, requiring monthly rent payments. To reduce credit risk, the company may obtain a bank guarantee during the lease term if deemed necessary."

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

LG Chem, Ltd.
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The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Within one year	₩	2,696	₩	2,472
Within two years		1,993		2,452
Within five years		1,971		3,786
Total	₩	<u>6,660</u>	₩	<u>8,710</u>

37. Events After the Reporting Period

The Company decided to issue non-guaranteed bonds in KRW by resolution of the Management Committee held on January 7, 2025. Accordingly, the Company issued bonds in KRW of ₩ 600,000 million on January 24, 2025.

<i>(in millions of Korean won)</i>	Maturity date	Amount	
Non-guaranteed bonds in KRW (three years maturity)	2028.01.24	₩	380,000
Non-guaranteed bonds in KRW (five years maturity)	2030.01.24		130,000
Non-guaranteed bonds in KRW (seven years maturity)	2032.01.23		90,000

38. Approval of Issuance of the Financial Statements

The financial statements 2024 were approved for issue by the Board of Directors on February 3, 2025 and are expected to be finally approved at the General Shareholder's Meeting.

Independent Auditor's Report on Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

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

Opinion on Internal Control over Financial Reporting

We have audited LG Chem, Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2024, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective Internal Control over Financial Reporting as of December 31, 2024, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2024, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including material accounting policy information, and our report dated March 7, 2025 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of Internal Control over Financial Reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective Internal Control over Financial Reporting, and for its assessment about the effectiveness of Internal Control over Financial Reporting, included in the accompanying Management's Report on the Effectiveness of Internal Control over Financial Reporting.

Those charged with governance have the responsibilities for overseeing Internal Control over Financial Reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's Internal Control over Financial Reporting of based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective Internal Control over Financial Reporting was maintained in all material respects.

An audit of Internal Control over Financial Reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of Internal Control over Financial Reporting and testing and evaluating the design and operating effectiveness of Internal Control over Financial Reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

The Company's Internal Control over Financial Reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. The Company's Internal Control over Financial Reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, Internal Control over Financial Reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Seung-Hun Kim, Certified Public Accountant.

Samuel PricewaterhouseCoopers

Seoul, Korea

March 7, 2025

This report is effective as of March 7, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's Internal Control over Financial Reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Management's Report on the Effectiveness of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Auditor (Audit Committee) of
LG Chem, Ltd.

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting Officer of LG Chem, Ltd. ("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting for the year ended December 31, 2024.

The Company's management, including ourselves, is responsible for designing and operating Internal Control over Financial Reporting. We assessed the design and operating effectiveness of Internal Control over Financial Reporting in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements.

We designed and operated Internal Control over Financial Reporting in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the Internal Control over Financial Reporting Committee). And, we conducted an evaluation of Internal Control over Financial Reporting based on *Appendix 6: Evaluation and Reporting Standards for Internal Control over Financial Reporting of Enforcement Rules of the Act on External Audit and Accounting*.

Based on the assessment results, we believe that the Company's Internal Control over Financial Reporting, as at December 31, 2024, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*

We certify that this report does not contain any untrue statement of a fact or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

(Attachment)

- Internal control activities implemented by the company to address fraud risks

February 3, 2025

Hak-Cheol Shin, Chief Executive Officer

Dong-Seok Cha, Internal Control over Financial Reporting Officer