
LG Chem, Ltd.

Separate Financial Statements and
Internal Control over Financial Reporting
December 31, 2025 and 2024

LG Chem, Ltd.
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December 31, 2025 and 2024

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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 statements of financial position as at December 31, 2025 and 2024, and the separate income statements, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years 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, 2025 and 2024, and its separate financial performance and its separate cash flows for the years 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 at December 31, 2025, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 6, 2026, 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 (₩ 421,716 million as at December 31, 2025) 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 Notes 11 and 12.

In particular, we focused our audit procedures on the impairment test of goodwill related to the Life Sciences CGU (₩ 391,311 million as at December 31, 2025) which are the CGU with significant balance and the group of Petrochemicals CGU which recognized impairment loss of ₩ 1,278,628 million in the current year. The Company management determined that there was a sufficient headroom between the recoverable amount and the underlying book value of the Life Science CGU, and recognized impairment loss on the group of Petrochemicals CGU in the current year due to the deterioration of market conditions. The Company management engaged independent external experts to measure the Life Sciences CGU and the recoverable amount of the group of Petrochemicals 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 determined this matter to be 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:

- 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 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 Matter

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 Jin-Hyun Kim, Certified Public Accountant.

Samil PricewaterhouseCoopers

Seoul, Korea
March 6, 2026

This report is effective as of March 6, 2026, 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, 2025 and 2024

<i>(in millions of Korean won)</i>	Notes			2025			2024
Assets							
Current assets							
Cash and cash equivalents	3, 5, 6	₩		3,990,941	₩		1,888,049
Trade receivables	3, 5, 7, 31			2,296,703			3,382,992
Other receivables	3, 5, 7, 31			1,255,428			341,649
Other current financial assets	3, 5, 8			198,740			219,803
Other current assets	13			90,094			110,472
Inventories	9			2,520,899			2,913,432
Assets held for sale	34			552,445			-
Total current assets				10,905,250			8,856,397
Non-current assets							
Other receivables	3, 5, 7			335,809			308,595
Other non-current financial assets	3, 5, 8			1,176,628			1,121,202
Investments in subsidiaries	10			10,064,551			9,611,024
Investments in associates and joint ventures	10			201,777			687,549
Property, plant and equipment	11			10,162,484			12,138,943
Intangible assets	12			1,185,355			1,375,420
Investment properties	36			60,180			59,523
Other non-current assets	13, 16			332,110			77,133
Total non-current assets				23,518,894			25,379,389
Total assets		₩		34,424,144	₩		34,235,786
Liabilities							
Current liabilities							
Trade payables	3, 5, 31	₩		1,045,568	₩		1,100,542
Other payables	3, 5, 31			892,631			1,157,219
Borrowings	3, 5, 14			4,274,687			4,555,452
Other current financial liabilities	3, 5, 8			681,254			351,109
Provisions	15			25,560			1,894
Income tax payables				443,624			139,682
Other current liabilities	17, 35			246,079			290,080
Total current liabilities				7,609,403			7,595,978
Non-current liabilities							
Other payables	3, 5, 31			26,321			9,353
Borrowings	3, 5, 14			4,572,033			5,928,066
Other non-current financial liabilities	3, 5, 8			39,531			42,464
Provisions	15			6,370			-
Deferred tax liabilities	28			122,994			213,495
Other non-current liabilities	17, 35			54,903			181,298
Total non-current liabilities				4,822,152			6,374,676
Total liabilities		₩		12,431,555	₩		13,970,654

LG Chem, Ltd.
Separate Statements of Financial Position
December 31, 2025 and 2024

<i>(in millions of Korean won)</i>	Notes	2025	2024
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 (loss)		94,659	(59,741)
Retained earnings	20	18,581,345	17,008,288
Total equity		<u>21,992,589</u>	<u>20,265,132</u>
Total liabilities and equity		<u>₩ 34,424,144</u>	<u>₩ 34,235,786</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, 2025 and 2024

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2025		2024	
Revenue	31, 35	₩	18,216,499	₩	20,387,492
Cost of sales	23		<u>(15,602,252)</u>		<u>(17,301,193)</u>
Gross profit			2,614,247		3,086,299
Selling and administrative expenses	22, 23		<u>(2,824,795)</u>		<u>(2,970,558)</u>
Operating income (loss)			(210,548)		115,741
Finance income	25		1,591,555		1,171,747
Finance costs	25		(955,213)		(1,366,489)
Other non-operating income	26		2,096,474		452,895
Other non-operating expenses	27		<u>(2,059,777)</u>		<u>(1,077,815)</u>
Profit (Loss) before income tax	32		462,491		(703,921)
Income tax benefit (expense)	28		(65,080)		47,049
Profit (Loss) from continuing operations		₩	<u>397,411</u>	₩	<u>(656,872)</u>
Profit from discontinued operations	34	₩	<u>970,560</u>	₩	<u>823,395</u>
Profit		₩	<u>1,367,971</u>	₩	<u>166,523</u>
Earnings (losses) per share (in won)	29				
Basic earnings per ordinary share		₩	17,472	₩	2,123
Basic earnings (losses) per ordinary share from continuing operations			5,072		(8,392)
Basic earnings per preferred share		₩	17,522	₩	2,173
Basic earnings (losses) per preferred share from continuing operations			5,122		(8,392)

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, 2025 and 2024

(in millions of Korean won)

	Notes	2025	2024
Profit		₩ 1,367,971	₩ 166,523
Other comprehensive income (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities	16	384,715	(180,914)
Gain on valuation of financial assets at fair value through other comprehensive income	8	211,880	137,088
Income tax relating to these items		(158,450)	11,570
Other comprehensive income (loss), net of tax		<u>438,145</u>	<u>(32,256)</u>
Total comprehensive income		<u>₩ 1,806,116</u>	<u>₩ 134,267</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, 2025 and 2024

<i>(in millions of Korean won)</i>	Notes	Issued capital	Capital surplus	Elements of other stockholders equity	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
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 through other comprehensive income	8	-	-	-	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
Balance at January 1, 2025		₩ 391,406	₩ 2,925,449	₩ (270)	₩ (59,741)	₩ 17,008,288	₩ 20,265,132
Total comprehensive income							
Profit		-	-	-	-	1,367,971	1,367,971
Remeasurements of net defined benefit liabilities	16	-	-	-	-	283,745	283,745
Gain on valuation of financial assets at fair value through other comprehensive income	8	-	-	-	154,400	-	154,400
Total comprehensive income		-	-	-	154,400	1,651,716	1,806,116
Transactions with owners:							
Dividends paid	30	-	-	-	-	(78,659)	(78,659)
Total transactions with owners		-	-	-	-	(78,659)	(78,659)
Balance at December 31, 2025		₩ 391,406	₩ 2,925,449	₩ (270)	₩ 94,659	₩ 18,581,345	₩ 21,992,589

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, 2025 and 2024

<i>(in millions of Korean won)</i>	Note	2025	2024
Cash flows from operating activities			
Cash generated from operations	32	₩ 2,790,901	₩ 1,675,981
Interest received		59,199	75,707
Interest paid		(254,526)	(260,997)
Dividends received		755,587	217,163
Income taxes paid		(169,028)	(47,529)
Net cash inflow from operating activities		<u>3,182,133</u>	<u>1,660,325</u>
Cash flows from investing activities			
Decrease in other receivables		14,265	13,710
Proceeds from disposal of investments in associates and joint ventures		42,239	-
Proceeds from disposal of investments in subsidiaries		1,991,132	-
Proceeds from disposal of other financial assets		142,612	57,110
Proceeds from disposal of property, plant and equipment		3,779	2,759
Proceeds from disposal of intangible assets		8,154	1,168
Government grants received		-	561
Cash inflow from settlement of derivative instruments transactions		-	4,061
Proceeds from disposal of assets held for sale		-	42
Cash inflow from transfer of business		1,562,960	690,653
Increase in other receivables		(1,008,782)	(9,764)
Acquisition of investments in subsidiaries		(1,012,525)	(551,295)
Acquisition of other financial assets		(30,824)	(65,843)
Acquisition of property, plant and equipment		(930,828)	(1,443,636)
Acquisition of intangible assets		(42,734)	(49,607)
Cash outflow from settlement of derivative instruments transactions		(27,867)	(18,091)
Net cash inflow (outflow) from investing activities		<u>711,581</u>	<u>(1,368,172)</u>
Cash flows from financing activities			
Proceeds from borrowings		2,270,596	1,603,087
Settlement of derivative instruments transactions		131,856	49,480
Repayments of borrowings and others		(4,103,671)	(1,888,033)
Dividends paid		(78,659)	(274,347)
Net cash outflow from financing activities		<u>(1,779,878)</u>	<u>(509,813)</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		2,113,836	(217,660)
Effects of exchange rate changes on cash and cash equivalents		1,888,049	2,096,074
		(10,944)	9,635
Cash and cash equivalents at the end of period		<u>₩ 3,990,941</u>	<u>₩ 1,888,049</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, 2025 and 2024

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, 2025, the Company has its manufacturing facilities in Yeosu, Daesan, Cheongju, Naju, Iksan, Osong, Onsan and overseas sites, and engaged in Petrochemicals, Advanced materials and Life Sciences business.

As at December 31, 2025, 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 34.95% 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, 2025, 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 (Hangeul) 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

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Notes to the Separate Financial Statements

December 31, 2025 and 2024

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, 2025.

(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 do not have a significant impact on the separate financial statements.

(b) *Amendments to Korean IFRS 1117 Insurance Contracts*

If the estimation techniques used for input variables in measuring insurance contracts differ from the principles required by insurance regulations, the entity shall disclose those differences and their effects when the differences and their effects on the separate financial statements are considered relevant and material to users of financial statements.

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, 2025 reporting periods and have not been early adopted by the Company.

(a) *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. The Company is in review for the impact of these amendments on the separate financial statements. These amendments:

- 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 sole 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 instrument if the timing or amount of contractual cash flow changes due to amendment of contract term; and

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- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

(b) Annual Improvements to Korean IFRS -Volume 11

Korean IFRS 1109 Financial Instruments and Korean IFRS 1107 Financial Instruments: 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 1110 *Consolidated Financial Statements: Determination of a 'de facto agent'*
- Korean IFRS 1007 *Statement of Cash Flows: Cost method*

(c) Amendments to Korean IFRS 1109 Financial Instruments and Korean IFRS 1107 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity

Contracts referencing nature-dependent electricity are defined contracts that expose an entity to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions (for example, the weather). The amendments clarify that 'contracts to buy or sell such electricity' are assessed for eligibility under the own-use exemption. In addition, the amendments modify hedge accounting requirements by allowing an entity to designate as the hedged item a variable nominal amount of forecast electricity transactions that reflect the nature-dependent variability of electricity and introduce additional disclosure requirements. The amendments should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The amendments do not have a significant impact on the separate financial statements.

(d) Korean IFRS 1118 Presentation and Disclosure in Financial Statements

Korean IFRS 1118 Presentation and Disclosure in Financial Statements replaces Korean IFRS 1001 Presentation of Financial Statements and includes new requirements aimed at enhancing comparability of financial performance between similar entities and providing more relevant information to users. While the amendments do not affect the recognition or measurement of items in the separate financial statements, they are expected to have a significant impact on presentation and disclosure, including the income statement and the disclosure of management-defined performance measures.

The amendments should be applied for annual periods beginning on or after January 1, 2027, and earlier application is permitted. In accordance with the retrospective application requirements,

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Notes to the Separate Financial Statements

December 31, 2025 and 2024

comparative information for the year ended December 31, 2026, shall be restated under Korean IFRS 1118.

Management is in review for the impact of applying the new standard on separate financial statements. Adoption of the standard is not expected to have an impact on the Company's net profit or loss; however, it will require revenues and expenses in the income statements to be classified into new categories, which is expected to have an impact on the calculation and presentation of operating profit (loss).

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 separate 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.

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Notes to the Separate Financial Statements

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2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits, and 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:

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- 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 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 continues 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.

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(d) 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.

(e) Recognition and Derecognition

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

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

(f) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate 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)

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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.

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.

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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.

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.

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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.

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.

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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 separate statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.15 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.

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.

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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.

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.

When it is determined that the terms of trade and other payables are substantially changed due to a supplier finance arrangement, the Company derecognizes the existing liabilities and presents them as new financial liabilities. The determination of whether the changes in terms of liabilities are substantial is described in Note 5.

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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 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 separate 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 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 a substantive 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*

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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 effects neither accounting profit nor taxable profit or loss.

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

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

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

2.22 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.

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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.

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

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

(b) Other long-term employee benefits

The Company provides 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.

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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 a specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with volume discounts, and it is the Company's policy to sell its products to the customer with a right of return. Accumulated 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 separate

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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.

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.

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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 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 Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance team under policies approved by the 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 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. This foreign exchange exposure is primarily managed through borrowings and other financial instruments denominated in the relevant foreign currency.

As at December 31, 2025 and 2024, 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>	2025				2024			
	Assets		Liabilities		Assets		Liabilities	
USD	₩	2,717,519	₩	5,688,533	₩	2,862,823	₩	7,044,340
EUR		432,501		20,268		412,501		14,434
JPY		17,686		17,365		11,109		29,277
CNY and others		66,096		9,097		150,219		132,209

As at December 31, 2025 and 2024, 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>	2025				2024			
	10% Increase		10% Decrease		10% Increase		10% Decrease	
USD	₩	(297,101)	₩	297,101	₩	(418,152)	₩	418,152
EUR		41,223		(41,223)		39,807		(39,807)
JPY		32		(32)		(1,817)		1,817
CNY and others		5,700		(5,700)		1,801		(1,801)

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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, 2025 and 2024, the Company entered into 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)

		2025				Book amount		
	Contractor	Contract amount	Contract exchange rate	Contract inception date	Contract maturity	Assets	Liabilities	
Currency swap	KDB	USD 35	1,135.60	2021.6.24	2026.6.24	₩ 10,883	₩	-
	Shinhan Bank	USD 300	1,131.80	2021.7.7	2026.7.7	87,898		-
	Woori Bank	USD 100	1,131.80	2021.7.7	2026.7.7	29,355		-
	Industrial and Commercial Bank of China	USD 100	1,131.80	2021.7.7	2026.7.7	29,417		-
	Shinhan Bank	USD 100	1,131.80	2021.7.7	2031.7.7	26,266		-
	Woori Bank	USD 200	1,131.80	2021.7.7	2031.7.7	52,897		-
	KDB	USD 200	1,131.80	2021.7.7	2031.7.7	52,989		-
	Shinhan Bank	USD 82.5	1,289.70	2022.6.15	2027.6.15	11,618		-
	Shinhan Bank	USD 100	1,233.40	2023.1.26	2026.1.26	20,586		-
	KDB	USD 100	1,233.40	2023.1.26	2026.1.26	20,601		-

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

		2024				Book amount		
	Contractor	Contract amount	Contract exchange rate	Contract inception date	Contract maturity	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		-

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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, 2025 and 2024. 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)

	2025				2024			
	10% Increase		10% Decrease		10% Increase		10% Decrease	
NASDAQ	₩	2,871	₩	(2,871)	₩	2,886	₩	(2,886)
NYSE		-		-		118		(118)
SZSE		-		-		5,111		(5,111)
HSI		14,546		(14,546)		6,427		(6,427)
KOSPI		43,386		(43,386)		32,615		(32,615)
Total	₩	60,803	₩	(60,803)	₩	47,157	₩	(47,157)

Interest rate risk

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

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

The 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, 2025 and 2024. 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)

	2025				2024			
	1%p Increase		1%p Decrease		1%p Increase		1%p Decrease	
Interest income	₩	20,272	₩	(20,272)	₩	18,212	₩	(18,212)
Interest expense		-		-		-		-

The deposits exposed to the above interest rate risk are Money Market Trusts (MMT) or Money Market Deposit Accounts (MMDA), which held for the purpose of meeting the short-term demand for cash as it is easily convertible to a determined amount of cash.

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Also, the above borrowings are variable interest rate borrowings, the Company has entered into a currency interest rate swap contract amounting to USD 318 million (equivalent to ₩ 455,581 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, 2025 and 2024, is as follows. Expected credit losses include forward-looking information.

(in millions of Korean won)

	Receivables not past due ¹		Receivables past due but not impaired ¹		Impaired receivables ²		Total
December 31, 2025							
(trade receivables)							
Gross carrying amount—trade receivables	₩	2,267,281	₩	29,241	₩	1,452	₩ 2,297,974
Expected loss rate		0.0%		0.1%		9.8%	0.1%
Loss allowance provision	₩	1,108	₩	21	₩	142	₩ 1,271
December 31, 2024							
(trade receivables)							
Gross carrying amount—trade receivables	₩	3,360,020	₩	22,882	₩	1,181	₩ 3,384,083
Expected loss rate		0.0%		0.2%		19.4%	0.0%
Loss allowance provision	₩	826	₩	36	₩	229	₩ 1,091

¹ Note 7.(3) for aging analysis.

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, 2025 and 2024, are as follows:

(in millions of Korean won)

	Trade receivables	
	2025	2024
Beginning balance	₩ 1,091	₩ 1,546
(Reversal of) Loss allowance	35	(336)
Write-off	(41)	(119)
Exchange differences	186	-
Ending balance	₩ 1,271	₩ 1,091

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The carrying amounts of trade receivables representing the maximum exposure to credit risk as at December 31, 2025 and 2024, are as follows:

	Trade receivables			
	2025		2024	
Maximum exposure to credit risk	₩	2,296,703	₩	3,382,992

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, 2025 and 2024, are as follows:

	Other receivables and other non-current receivables			
	2025		2024	
Beginning balance	₩	628	₩	628
Loss allowance		1,402		-
Write-off		(1,208)		-
Exchange differences		(194)		-
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 the receivables, the Company evaluates the credit rating of customers and determines credit limit for each customer based on the information provided by credit rating agencies and other available financial information before commencing business with new customers. The credit risks relating to trade receivables are also mitigated by insurance contracts, collateral as well as payment guarantees.

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

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

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(c) Liquidity risk

Finance team of the Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. 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)

	2025			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments				
Borrowings (excluding lease liabilities)	₩ 5,127,101	₩ 677,447	₩ 2,606,006	₩ 1,584,878
Lease liabilities	12,382	9,181	22,129	85,207
Trade and other payables ¹	1,938,199	21,674	4,647	-
	<u>7,077,682</u>	<u>708,302</u>	<u>2,632,782</u>	<u>1,670,085</u>
Derivative instruments				
Gross settlement currency forwards and swaps				
(Inflows)	(1,169,931)	(57,400)	(51,118)	(734,489)
Outflows	950,021	48,862	38,321	578,662
	<u>(219,910)</u>	<u>(8,538)</u>	<u>(12,797)</u>	<u>(155,827)</u>
	<u>₩ 6,857,772</u>	<u>₩ 699,764</u>	<u>₩ 2,619,985</u>	<u>₩ 1,514,258</u>

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<i>(in millions of Korean won)</i>	2024			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative 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 ¹	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>

¹ As at December 31, 2025, there are no amounts with extended actual maturity paid by reverse factoring arrangement. There is no balance of reverse factoring arrangement as at December 31, 2024.

During the years ended December 31, 2025 and prior periods, the Company issued exchangeable bonds that allow issuers and investors to exercise their early redemption rights and included in the above cash flow (Note 14).

2) Details of financial guarantee contracts by maturity as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Financial guarantee contracts ¹	₩ 798,008	₩ -	₩ -	₩ -

<i>(in millions of Korean won)</i>	2024			
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Financial guarantee contracts ¹	₩ -	₩ -	₩ -	₩ -

¹ The financial guarantee contracts above are for subsidiaries and are presented based on the maximum amount of guarantee that can be requested as at December 31, 2025 and 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, 2025 and 2024, were as follows:

<i>(in millions of Korean won, except for ratios)</i>	2025		2024	
Total borrowings (Note 14) (A)	₩	8,846,720	₩	10,483,518
Less: cash and cash equivalents (B)		<u>(3,990,941)</u>		<u>(1,888,049)</u>
Net debt (C=A+B)		<u>4,855,779</u>		<u>8,595,469</u>
Total liabilities (D)		12,431,555		13,970,654
Total equity (E)		<u>21,992,589</u>		<u>20,265,132</u>
Total capital (F=C+E)		<u>26,848,368</u>		<u>28,860,601</u>
Gearing ratio (C/F)		18.10%		29.80%
Debt-to-equity ratio (D/E)		56.50%		68.90%

3.3 Fair Value

Carrying amount and fair value of financial instruments by category as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current)				
Cash and cash equivalents	₩ 3,990,941	1	₩ 1,888,049	1
Trade receivables	2,296,703	1	3,382,992	1
Deposits held by financial institutions	1,000,000	1	-	-
Other receivables (excluding deposits held by financial institutions)	255,428	1	341,649	1
Current derivative financial assets (currency swap)	198,740	198,740	188,578	188,578
Current derivative financial assets (purchase of interests)	-	-	31,225	31,225
Financial assets (non-current)				
Deposits held by financial institutions	206,119	1	206,119	1
Other receivables (excluding deposits held by financial institutions)	129,690	1	102,476	1
Other non-current financial assets (measured at fair value)				
Marketable financial assets (excluding derivative instruments)	679,525	679,525	528,920	528,920

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<i>(in millions of Korean won)</i>	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-marketable financial assets ³	247,808	247,808	262,777	262,777
Non-current derivative financial assets (currency swap)	143,770	143,770	329,505	329,505
Non-current derivative financial assets (price return swap)	105,525	105,525	-	-
Financial liabilities (current)				
Trade and other payables	1,938,199	¹	2,257,761	¹
Current borrowings (excluding lease liabilities/ exchangeable bond)	1,917,613	¹	2,063,453	¹
Current borrowings (exchangeable bond)	2,348,186	2,661,851	2,461,344	2,532,310
Current lease liabilities	8,888	²	30,655	²
Current derivative financial liabilities (right of exchange/option)	609,817	609,817	351,109	351,109
Current derivative financial liabilities (price return swap)	67,353	67,353	-	-
Other current financial liabilities (excluding derivative instruments)	4,083	¹	-	-
Financial liabilities (non-current)				
Non-current borrowings (excluding lease liabilities)	4,514,116	4,341,035	5,875,520	5,681,491
Non-current lease liabilities	57,917	²	52,546	²
Non-current derivative financial liabilities (purchase of interests)	-	-	42,464	42,464
Other long-term debts	26,321	¹	9,353	¹
Other non-current financial liabilities (excluding derivative instruments)	39,531	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 non-marketable 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	2025	2024	Remark
Non-current borrowings (excluding lease liabilities/ exchangeable bond)	3.03% ~ 4.34%	3.07% ~ 3.90%	Yield of won debenture with credit rating (AA+) and others
Current borrowings (exchangeable bond)	4.04% ~ 4.13%	5.04% ~ 5.20%	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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value				
Other non-current financial assets (marketable financial assets)	₩ 679,525	₩ -	₩ -	₩ 679,525
Other non-current financial assets (non-marketable financial assets) ¹	-	-	247,808	247,808
Current derivative financial assets (currency swap)	-	198,740	-	198,740
Non-current derivative financial assets (currency swap)	-	143,770	-	143,770
Non-current derivative financial assets (price return swap)	-	-	105,525	105,525
Current derivative financial liabilities (right of exchange/option)	-	-	609,817	609,817
Current derivative financial liabilities (price return swap)	-	-	67,353	67,353
Financial assets/liabilities not measured at fair value				
Current borrowings (exchangeable bond)	-	-	2,661,851	2,661,851
Non-current borrowings (excluding lease liabilities)	-	-	4,341,035	4,341,035
<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

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(in millions of Korean won)	2024			
	Level 1	Level 2	Level 3	Total
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

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, 2025 and December 31, 2024, are as follows:

(in millions of Korean won)	2025				
	Fair value	Level	Valuation Technique	Inputs	Coverage of Level 3 inputs (weighted average)
Other non-current financial assets (non-marketable financial assets)	₩ 3,527	3	Binomial option-pricing model	Volatility	11.58%
	14,123	3	Hull&White/LSMC	Stock price of underlying assets	₩ 6,794 (in Korean won)
				Risk-free rate	3.17%
				Discount rates	21.24%
				Volatility	28.81%
	22,876	3	Market approach	-	-
28,131	3	Discounted cash flows model	Discount rates	10.28% and others	
174,294	3	Adjusted net asset method	-	-	
Non-current derivative financial assets (price return swap)	105,525	3	Binomial option-pricing model	Stock price of underlying assets	₩ 368,500 (in Korean won)
				Risk-free rate	2.39% ~ 2.98%
				Risk rate	3.07% ~ 3.51%
				Volatility	43.66%
Current derivative financial liabilities (price return swap)	67,353	3	Binomial option-pricing model	Stock price of underlying assets	₩ 368,500 (in Korean won)
				Risk-free rate	2.39% ~ 2.98%
				Risk rate	3.07% ~ 3.51%
				Volatility	43.66%

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Current derivative financial liabilities (right of exchange/ option)	609,817	3	Binomial option-pricing model	Stock price of underlying assets Risk-free rate Risk rate Volatility	₩ 368,500 (in Korean won) 3.61% ~ 3.75% 4.04% ~ 4.13% 43.10%
<i>(in millions of Korean won)</i>					
2024					
	Fair value	Level	Valuation Technique	Inputs	Coverage of Level 3 inputs (weighted average)
	₩ 8,617	3	Binomial option-pricing model	Volatility	19.51%
Other non-current financial assets (non-marketable financial assets)	19,442	3	Hull&White/LSMC	Stock price of underlying assets Risk-free rate Discount rates Volatility	₩ 7,439 (in Korean won) 2.65% 20.85% 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)	31,225	3	Monte Carlo Simulation	Stock volatility of underlying assets Stock price correlation coefficient Volatility of financial indicators	47.76% 25.85% 20.94%
Non-current derivative financial liabilities (purchase of interests)	42,464	3	Monte Carlo Simulation	Stock volatility of underlying assets Stock price correlation coefficient Volatility of financial indicators	47.76% 25.85% 20.94%
Current derivative financial liabilities (right of exchange/ option)	351,110	3	Binomial option-pricing model	Stock price of underlying assets Risk-free rate Risk rate Volatility	₩ 348,000 (in Korean won) 4.51% ~ 4.74% 5.04% ~ 5.20% 40.86%

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

(in millions of Korean won)

	2025		2024	
	Financial assets measured at fair value	Financial liabilities measured at fair value	Financial assets measured at fair value	Financial liabilities measured at fair value
Beginning balance	₩ 294,002	₩ 393,573	₩ 251,804	₩ 521,832
Acquisitions (disposals) of level 3 financial assets	(20,531)	168,750	31,570	-
Gains (losses) recognized in profit or loss	73,273	114,847	7,089	(128,259)
Gains recognized in other comprehensive income	6,589	-	3,539	-
Ending balance	₩ 353,333	₩ 677,170	₩ 294,002	₩ 393,573

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 and restoration, as explained in Note 15. These provisions are estimated based on the past experience.

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(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.(b)).

(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. The Company changed the basis for determining the discount rate within the actuarial assumptions used in the projected unit credit method in order to derive a more reasonable measurement of its defined benefit obligations during the year ended December 31, 2025. (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 CGUs

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.

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(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.

5. Financial Instruments by Category

(a) Categorizations of financial instruments as at December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025						
	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	₩	3,990,941	₩	-	₩	-	₩ 3,990,941
Trade receivables		2,296,703		-		-	2,296,703
Other receivables		1,255,428		-		-	1,255,428
Other non-current receivables		335,809		-		-	335,809
Other current financial assets		-		198,740		-	198,740
Other non-current financial assets		-		437,712		738,916	1,176,628
Total	₩	7,878,881	₩	636,452	₩	738,916	₩ 9,254,249

(in millions of Korean won)

	2025						
	Financial liabilities at amortized cost		Financial liabilities at fair value through profit or loss		Other financial liabilities¹		Total
Financial liabilities							
Trade payables	₩	1,045,568	₩	-	₩	-	₩ 1,045,568
Other payables		892,089		-		-	892,089
Borrowings (current)		4,265,800		-		8,888	4,274,688
Other current financial liabilities		-		677,171		4,083	681,254
Other non-current financial liabilities		-		-		39,531	39,531
Other non-current payables		26,320		-		-	26,320
Borrowings (non-current)		4,514,116		-		57,917	4,572,033
Total	₩	10,743,893	₩	677,171	₩	110,419	₩ 11,531,483

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(in millions of Korean won)

	2024			
	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 ¹	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

¹ Other financial liabilities include lease liabilities and finance guarantee contract liabilities 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, 2025 and 2024, as follows:

<i>(in millions of Korean won)</i>	2025	2024
Liabilities presented as trade and other payables		
Carrying amounts of trade and other payables under supplier finance arrangements ^{1, 2}	₩ 313,488	₩ 346,030
Carrying amounts of trade and other payables of which the supplier has already received payment from the finance provider ³	43,719	48,501

¹ Under the Shipper's Usance and B2B purchase arrangements, 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 and other payables on the separate statements of financial position. In the separate 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 and other 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 arrangements, 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 separate statements of financial position, and previous liabilities are derecognized at the time of assumption of debt by financial institutions. In the separate 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 financing activities.

³ The amounts paid under separate arrangements between the supplier and the financial institutions are excluded.

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Range of payment due dates of financial liabilities under supplier finance arrangements and of comparable trade payables that are not part of the supplier finance arrangement are as follows:

	Reverse factoring arrangement	Shipper's Usance and B2B purchase arrangements
Liabilities presented as trade and other payables		
Range of payment due dates of trade payables under supplier finance arrangements	Approximately 90 days to up to 1 year from the settlement date	Within 90 days from the end of the billing month
Range of payment due dates of trade payables that are not part of the supplier finance arrangement	Within 60 days from the end of the billing month	Within 90 days from the end of the billing month

Net gains or losses on each category of financial instruments for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Dividend income		
Financial assets at fair value through other comprehensive income	₩ 2,979	₩ 9,615
Financial assets at fair value through profit or loss	-	199
Impairment losses (reversal)		
Financial assets at amortized cost	1,437	(336)
Interest income		
Financial assets at amortized cost	71,777	76,992
Interest expense		
Financial liabilities at amortized cost	(354,324)	(364,526)
Other financial liabilities ¹	(3,498)	(2,189)
Gain (loss) on valuation and disposal		
Financial assets at fair value through profit or loss	36,433	39,909
Financial assets at fair value through other comprehensive income	211,880	137,088
Derivative instruments	(16,577)	517,602
Financial liabilities at amortized cost	(41,540)	-
Exchange differences		
Financial assets at amortized cost	(23,091)	372,697
Financial liabilities at amortized cost	204,330	(869,409)
Other financial liabilities	(11,101)	-

¹ Other financial liabilities include interest expenses of lease liabilities and fees paid to financial institutions for factoring that are not affected by category of financial liabilities.

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6. Cash and Cash Equivalents

Details of cash and cash equivalents as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Bank deposits and cash on hand	₩	33,235	₩	66,895
Deposits held by financial institutions and others		3,957,706		1,821,154
Total	₩	3,990,941	₩	1,888,049

7. Trade and Other Receivables

Trade and other receivables and its provisions for impairment, as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 2,297,974	₩ (1,271)	₩ 2,296,703
Other current receivables	1,256,056	(628)	1,255,428
Other non-current receivables	335,809	-	335,809
Total	₩ 3,889,839	₩ (1,899)	₩ 3,887,940

<i>(in millions of Korean won)</i>	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

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Details of other receivables as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Current				
Non-trade receivables	₩	224,089	₩	326,971
Deposits held by financial institutions		1,000,000		-
Accrued income		14,332		2,277
Guarantee deposits provided		17,007		12,401
		<u>1,255,428</u>		<u>341,649</u>
Non-current				
Non-trade receivables		66,785		28,431
Deposits held by financial institutions ¹		206,119		206,119
Loans		44,531		45,257
Guarantee deposits provided		18,374		28,788
		<u>335,809</u>		<u>308,595</u>
Total	₩	<u>1,591,237</u>	₩	<u>650,244</u>

¹ As at December 31, 2025, ₩ 206,100 million (2024: ₩ 206,100 million) in financial institutions are restricted in use under agreements such as the Co-Growth Cooperation Agreement between large and small-medium enterprises, and ₩ 19 million (2024: ₩ 19 million) is restricted in use as a deposit for opening a checking account.

The aging analysis of trade and other receivables as at December 31, 2025 and 2024, is as follows:

<i>(in millions of Korean won)</i>	2025		2024	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 2,267,281	₩ 1,588,971	₩ 3,360,020	₩ 650,244
Past due but not impaired	29,241	2,266	22,882	-
Up to 3 months	27,114	2,266	22,457	-
Between 3-6 months	1,069	-	114	-
Over 6 months	1,058	-	311	-
Impaired receivables	<u>1,452</u>	<u>628</u>	<u>1,181</u>	<u>628</u>
Total	₩ <u>2,297,974</u>	₩ <u>1,591,865</u>	₩ <u>3,384,083</u>	₩ <u>650,872</u>

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Movements on the provision for impairment of trade and other receivables for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025							
	Trade receivables				Other receivables			
	Current		Non-current		Current		Non-current	
Beginning balance	₩	1,091	₩	-	₩	628	₩	-
Additions		35		-		1,402		-
Write-off		(41)		-		(1,208)		-
Exchange differences		186		-		(194)		-
Ending balance	₩	1,271	₩	-	₩	628	₩	-

(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)		-		-		-
Exchange differences		-		-		-		-
Ending balance	₩	1,091	₩	-	₩	628	₩	-

As at December 31, 2025 and 2024, 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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Other financial assets				
Financial assets at fair value through profit or loss (derivative instruments) (current)	₩	198,740	₩	219,803
Financial assets at fair value through other comprehensive income (excluding derivative instruments) (non-current)		738,915		527,035
Financial assets at fair value through profit or loss (excluding derivative instruments) (non-current)		188,417		264,662
Financial assets at fair value through profit or loss (derivative instruments) (non-current)		249,295		329,505
		<u>1,375,367</u>		<u>1,341,005</u>
Other financial liabilities				
Financial guarantee contracts (current)		4,083		-
Financial liabilities at fair value through profit or loss (derivative instruments) (current)		677,171		351,110
Financial guarantee contracts (non-current)		39,531		-
Financial liabilities at fair value through profit or loss (derivative instruments) (non-current)		-		42,464
	₩	<u>720,785</u>	₩	<u>393,574</u>

Changes in equity and debt instruments included in other financial assets for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Beginning balance	₩	791,697	₩	606,047
Acquisitions / transfer		30,824		65,843
Disposals		(142,612)		(57,110)
Gain on valuation through other comprehensive income (before income tax effects)		211,880		137,089
Gain on valuation through profit or loss		35,543		39,828
Ending balance	₩	<u>927,332</u>	₩	<u>791,697</u>

For the years ended December 31, 2025 and 2024, the Company did not recognize impairment for other financial assets.

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9. Inventories

Details of inventories as at December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025		
	Gross amount	Provision for impairment	Carrying amount
Merchandise	₩ 33,730	₩ (670)	₩ 33,060
Finished / Semi-finished products	1,244,225	(96,513)	1,147,712
Work-in-process	19,666	-	19,666
Raw materials	776,105	(12,302)	763,803
Supplies	209,633	-	209,633
Goods-in-transit	347,025	-	347,025
Total	₩ 2,630,384	₩ (109,485)	₩ 2,520,899

(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

During the year ended December 31, 2025, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 11,324,697 million (2024: ₩ 12,714,273 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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Beginning balance	₩	10,298,573	₩	9,964,163
Acquisitions / transfer		1,001,555		551,295
Impairment ¹		(221,592)		(216,885)
Reclassified as held-for-sale (Note 34) ²		(564,857)		-
Disposals		(247,351)		-
Ending balance	₩	<u>10,266,328</u>	₩	<u>10,298,573</u>

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.

² During the year ended December 31, 2025, the Company decided to dispose of its shares of LG Jiansheng Life Sciences (Beijing) Co., Ltd. and LG NanoH2O, Inc. As a result, they are reclassified as assets held for sale and the entire shares of LG NanoH2O, Inc. are completed to dispose. In addition, the Company decided to dispose of a portion of shares of LG Chem Hungary Battery Separator Kft., which has been classified as a subsidiary, and reclassified them as assets held for sale.

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(b) Details of investments in subsidiaries, associates and joint ventures as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won and in percentage)</i>	Location	Percentage of ownership (%)		Carrying amount	
		2025	2024	2025	2024
Subsidiaries					
Ningbo LG Yongxing Chemical Co.,Ltd. ^{15, 17, 19}	China	75	75	₩ 135,908	₩ 135,908
LG Energy Solution, Ltd. ¹	Korea	79	82	6,419,487	6,618,295
LG Chemical India Pvt. Ltd. ²	India	100	100	120,536	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. ^{3,15, 17, 19}	China	68	68	-	77,871
Tianjin LG BOTIAN Chemical Co.,Ltd. ^{15, 17, 18, 19}	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. ¹⁵	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. ¹⁵	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. ⁴	China	100	100	-	5,989
LG Chem Life Sciences (Thailand) Ltd.	Thailand	100	100	431	431
LG Chem Life Sciences USA, Inc	USA	100	100	508,593	508,593
LG CHEM FUND I LLC ⁵	USA	100	100	89,196	87,523
LEYOU NEW ENERGY MATERIALS(WUXI)CO.,LTD. ^{8, 13, 15, 17, 19}	China	51	51	169,113	169,113
LG Chem America, Inc.	USA	100	100	32,283	32,283
LG NanoH2O, Inc. ⁶	USA	-	100	-	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 ^{7, 15, 17, 18}	Malaysia	51	51	72,875	36,867
LG Chem Ohio Petrochemical, Inc.	USA	100	100	22,516	22,516
LG-HY BCM CO., LTD. ^{14, 15, 17, 18, 19}	Korea	51	51	133,761	133,761

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(in millions of Korean won and in percentage)	Location	Percentage of ownership (%)		Carrying amount	
		2025	2024	2025	2024
LG Chem Vietnam Co., LTD.	Vietnam	100	100	359	359
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 ^{14, 15, 17, 18, 19}	Korea	60	60	67,800	67,800
LG Chem America Advanced Materials, Inc ⁸	USA	100	100	981,620	405,680
LG-Eni Biorefining Co., Ltd ^{9, 17, 18, 19}	Korea	51	51	154,938	86,751
LG CHEM COLOMBIA S.A.S. ¹⁰	Columbia	100	-	154	-
LG Chem Hungary Battery Separator Kft. ¹¹	Hungary	100	-	57,829	-
				<u>10,064,551</u>	<u>9,611,024</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 ^{13, 15, 17, 19}	China	49	49	89,523	89,523
TL Chemical CO., Ltd. ¹²	Korea	-	40	-	48,544
KOREA PRECURSOR CO.,LTD. ^{16, 17, 18, 19}	Korea	49	49	50,960	50,960
				<u>143,361</u>	<u>191,905</u>
Joint ventures					
SEETEC Co.,Ltd.	Korea	50	50	58,416	58,416
LG Chem Hungary Battery Separator Kft. ¹¹	Hungary	-	50	-	437,228
				<u>58,416</u>	<u>495,644</u>
Total				<u>₩ 201,777</u>	<u>₩ 687,549</u>

¹ During the year ended December 31, 2025, the Company entered into a price return swap (PRS) contract using 5,750,000 ordinary shares of LG Energy Solution, Ltd. as the underlying assets, and disposed of shares for ₩ 198,722 million through the contract. In addition, due to the exercise of exchange rights by exchangeable bondholders, 2,475 ordinary shares of LG Energy Solution, Ltd. were exchanged, resulting in the disposal of shares for ₩ 86 million.

² During the year ended December 31, 2025, the Company additionally acquired shares of LG Chemical India Pvt. Ltd. for ₩ 34,818 million.

³ During the year ended December 31, 2025, the Company recognized impairment losses of shares of Tianjin LG Bohai Chemical Co.,Ltd. for ₩ 77,871 million.

⁴ During the year ended December 31, 2025, the Company decided to dispose its shares of LG Jiansheng Life Sciences (Beijing) Co., Ltd. and reclassified them as assets held for sale.

⁵ During the year ended December 31, 2025, the Company additionally acquired shares of LG CHEM FUND I LLC for ₩ 1,673 million.

⁶ During the year ended December 31, 2025, the Company decided to dispose its shares of LG NanoH2O, Inc. and reclassified them as assets held for sale. The disposal was completed during the year ended December 31, 2025.

⁷ During the year ended December 31, 2025, the Company additionally acquired shares of LG PETRONAS Chemicals Malaysia Sdn. Bhd for ₩ 36,008 million.

⁸ During the year ended December 31, 2025, the Company additionally acquired shares of LG Chem America Advanced Materials, Inc. for ₩ 575,940 million.

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- ⁹ During the year ended December 31, 2025, the Company additionally acquired shares of LG-Eni Biorefining Co., Ltd for ₩ 68,187 million.
- ¹⁰ During the year ended December 31, 2025, the Company acquired 100% ownership LG CHEM COLOMBIA S.A.S. for ₩ 154 million.
- ¹¹ During the year ended December 31, 2025, the Company has acquired 50% interest in LG Chem Hungary Battery Separator Kft. under the joint venture agreement with Toray Industries, Inc. for ₩ 284,776 million. During the year ended December 31, 2025, the impairment was identified, and the Company recognized impairment losses of ₩ 143,721 million. The Company decided to dispose a portion of interest and reclassified ₩ 520,454 million as assets held for sale.
- ¹² During the year ended December 31, 2025, the Company disposed of the entire interest in TL Chemical CO., Ltd.
- ¹³ In accordance with the shareholder's agreement regarding the shares held, each shareholder is restricted from disposing of its shares to any third party for 10 years from the registration date.
- ¹⁴ In accordance with the shareholder's agreement regarding the shares held, each shareholder is restricted from disposing of its shares to any third party without the consent of the other shareholder during the agreed lock-up period.
- ¹⁵ In accordance with the shareholder's agreement regarding the shares held, each shareholder holds a right of first refusal on the shares held by the other party of the agreement.
- ¹⁶ In accordance with the shareholder's agreement regarding the shares held, each shareholder holds a right of first refusal and a tag-along right on the shares held by the other party of the agreement.
- ¹⁷ In accordance with the shareholder's agreement regarding the shares held, upon the occurrence of termination due to a party's default, the non-defaulting party has a call option or a put option on the defaulting party's shares under the terms of the agreement.
- ¹⁸ In accordance with the shareholder's agreement regarding the shares held, upon the occurrence of deadlock, each shareholder has a call option or a put option on the other shareholder's shares under the terms of the agreement.
- ¹⁹ In accordance with the shareholder's agreement regarding the shares held, upon the occurrence of liquidation, each shareholder has a right of first refusal on the assets of the investee company under the terms of the agreement.

Details of investments in subsidiaries that have a quoted market price as at December 31, 2025, are as follows:

(in millions of Korean won)

Classification	Number of shares	2025	
		Market price per share <i>(in won)</i>	Market value Book amount
LG Energy Solution, Ltd.	Subsidiary	185,747,525 ₩ 368,500	₩ 68,447,963 ₩ 6,419,487

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11. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025					
	Land	Buildings	Structures	Machinery	Vehicles	Tools
Beginning 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)
Acquisitions/ transfer	1,758	106,923	91,814	413,392	1,135	50,262
Disposals/ transfer	(3,764)	(4,039)	(92)	(4,744)	(6)	(1,478)
Depreciation	-	(70,713)	(70,379)	(709,585)	(1,632)	(76,692)
Impairment ¹	-	(20,545)	(75,295)	(1,237,400)	(147)	(6,057)
Reversal of impairment	-	-	-	1,118	-	-
Transfer to assets held for sale (Note 34)	(22,403)	(78,120)	(5,023)	(83,763)	-	(2,964)
Ending balance	₩ 1,126,910	₩ 2,557,953	₩ 1,185,255	₩ 3,291,748	₩ 4,814	₩ 198,988
Cost	₩ 1,162,998	₩ 3,307,670	₩ 2,144,575	₩ 14,531,265	₩ 21,280	₩ 860,223
Accumulated depreciation	-	(698,786)	(854,891)	(9,792,553)	(16,272)	(651,081)
Accumulated impairment losses	(36,088)	(50,931)	(104,429)	(1,446,964)	(194)	(10,154)

(in millions of Korean won)

	2025					
	Equipment	Others	Right-of-use assets	Construction-in-progress	Machinery-in-transit	Total
Beginning 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)
Acquisitions/ transfer	29,432	187,828	17,662	799,492	39,999	1,739,697
Disposals/ transfer	(121)	-	(2,079)	(922,982)	(39,080)	(978,385)
Depreciation	(43,637)	(130,113)	(30,010)	-	-	(1,132,761)
Impairment ¹	(6,738)	(30,048)	(5,035)	(8,117)	-	(1,389,382)
Reversal of impairment	-	-	-	335	-	1,453
Transfer to assets held for sale (Note 34)	(1,899)	-	-	(22,909)	-	(217,081)
Ending balance	₩ 112,265	₩ 203,179	₩ 59,784	₩ 1,297,601	₩ 123,987	₩ 10,162,484
Cost	₩ 414,325	₩ 593,590	₩ 229,616	₩ 1,541,056	₩ 152,307	₩ 24,958,905
Accumulated depreciation	(294,169)	(346,239)	(164,795)	-	-	(12,818,786)
Accumulated impairment losses	(7,891)	(44,172)	(5,037)	(243,455)	(28,320)	(1,977,635)

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	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/ reversal of impairment	-	(8,112)	(15,709)	(104,733)	(2)	(131)
Transfer to assets held for sale (Note 34)	-	-	-	(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/ reversal of impairment	(238)	(10,621)	(340)	(171,485)	(28,320)	(339,691)
Transfer to assets held for sale (Note 34)	(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, 2025, the Company performed impairment tests on CGUs considering the outlook of the future economic benefits and changes in market conditions. As a result, impairment losses were recognized on certain assets and recorded as other non-operating expenses.

During the year ended December 31, 2025, impairment losses of ₩ 1,278,628 million were recognized on the group of Petrochemicals CGU as the recoverable amount fell below its carrying amounts due to the deteriorating market conditions. Among this amount, impairment losses of ₩ 1,266,827 million are recognized on property, plant and equipment. Further, details related to impairment losses recognized on intangible assets, including goodwill of the relevant group of CGUs, and the determination of the recoverable amounts are described in Note 12.

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During the year ended December 31, 2025, the Company capitalized ₩ 37,319 million of borrowing costs (2024: ₩ 45,716 million) in relation to acquisition of property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 3.86% (2024: 3.36%).

Line items including depreciation in the separate income statements for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Cost of sales	₩	981,878	₩	1,025,703
Selling and administrative expenses		144,892		148,349
Discounted operations		5,991		21,473
Total	₩	<u>1,132,761</u>	₩	<u>1,195,525</u>

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>	2025		2024	
Right-of-use assets ¹				
Real estate	₩	54,290	₩	72,233
Machinery		23		32
Vehicles		5,471		6,981
Total	₩	<u>59,784</u>	₩	<u>79,246</u>

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, 2025, were ₩ 17,661 million (2024: ₩ 48,483 million).

<i>(in millions of Korean won)</i>	2025		2024	
Lease liabilities ¹				
Current	₩	8,888	₩	30,655
Non-current		57,917		52,546
Total	₩	<u>66,805</u>	₩	<u>83,201</u>

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

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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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Depreciation of right-of-use assets		
Real estate	₩ 24,918	₩ 28,788
Machinery	60	1,347
Vehicles and others	5,032	5,762
	<u>₩ 30,010</u>	<u>₩ 35,897</u>
Interest expense on lease liabilities (included in finance cost)	₩ 2,103	₩ 2,189
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	2,555	8,074
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	9,561	9,464

Total cash outflow for leases for the year ended December 31, 2025, was ₩ 45,926 million (2024: ₩ 56,566 million).

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12. Intangible Assets

Changes in intangible assets for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025						
	Development costs	Software	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	₩ 33,718	₩ 420,776	₩ 362,700	₩ 429,909	₩ 18,315	₩ 110,002	₩ 1,375,420
Acquisitions/ transfer	482	79,294	28,625	-	322	13,149	121,872
Disposals/ transfer	(281)	(16,495)	(15,098)	-	(540)	(2,240)	(34,654)
Amortization	(3,586)	(141,848)	(39,658)	-	-	(15,976)	(201,068)
Impairment	-	(3,933)	(61,927)	(8,193)	-	-	(74,053)
Transfer to assets held for sale (Note 34)	-	-	(2,162)	-	-	-	(2,162)
Ending balance	₩ 30,333	₩ 337,794	₩ 272,480	₩ 421,716	₩ 18,097	₩ 104,935	₩ 1,185,355

(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	-	132,544	47,668	-	-	10,308	190,520
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	₩ 420,776	₩ 362,700	₩ 429,909	₩ 18,315	₩ 110,002	₩ 1,375,420

Line items including amortization of intangible assets for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025	2024
Cost of sales	₩ 24,789	₩ 25,120
Selling and administrative expenses	174,091	172,183
Discontinued operations	2,188	10,512
Total	₩ 201,068	₩ 207,815

Research and development costs

Total research and development costs recognized as expenses amounted to ₩ 858,099 million (2024: ₩ 939,258 million) for the year ended December 31, 2025.

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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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Petrochemicals		
Merger with LG Petrochemicals ¹	₩ -	₩ 8,193
Acquisition of SAP business	25,222	25,222
Advanced Materials		
Acquisition of CEM business	5,183	5,183
Life Sciences		
Acquisition of LG Life Sciences, Ltd	391,311	391,311
Total	₩ 421,716	₩ 429,909

¹ The Company recognized impairment losses of ₩ 8,193 related to the goodwill from the merger with LG Petrochemicals as a result of an impairment test performed on the relevant group of CGU during the year ended December 31, 2025.

The recoverable amount of the CGUs was determined based on the value-in-use or the fair value less costs 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.

During the year ended December 31, 2025, key assumptions used for calculation of value-in-use related to the principal CGUs are as follows:

	2025	
	Discount rate before tax	Growth rate for subsequent years after five years
Petrochemicals	7.62% ~ 8.56%	1.00%
Life Sciences	9.72%	2.00%

The sensitivity analysis for the recoverable amounts of the principal CGUs 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	₩ (175,602)	₩ 208,677
Petrochemicals	(1,108,382)	1,329,952

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If the pre-tax discount rate used in the estimation is 0.5% higher than management's estimate, the Group will additionally recognize an impairment loss of ₩ 499,760 million.

Changes in growth rate

(in millions of Korean won)

	Increase (decrease) in recoverable amount			
	Increase by 0.5%		Decrease by 0.5%	
Life Sciences	₩	140,919	₩	(118,480)
Petrochemicals		892,818		(744,855)

If the growth rate used in the estimation is 0.5% lower than management's estimate, the Group will additionally recognize an impairment loss of ₩ 330,311 million.

Impairment test on intangible assets other than goodwill

The impairment losses for intangible assets other than goodwill that the Company recognized during the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025			
	Software	Industrial property rights	Others	Total
Separator	₩ 286	₩ 446	₩ -	₩ 732
OLED	-	61,481	-	61,481
Petrochemicals ¹	3,647	-	-	3,647
	<u>₩ 3,933</u>	<u>₩ 61,927</u>	<u>₩ -</u>	<u>₩ 65,860</u>

¹ The Company recognized impairment losses of ₩ 3,608 million on the group of Petrochemicals CGUs as their recoverable amount fell below their carrying amounts due to the deteriorating of market conditions.

(in millions of Korean won)

	2024			
	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
	<u>₩ 12,026</u>	<u>₩ 13,094</u>	<u>₩ 43,239</u>	<u>₩ 68,359</u>

Considering the outlook of the future economic benefits and changes in market conditions, impairment loss was recognized on certain intangible assets and included in other non-operating expenses.

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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	9,468	8,592	45,838

Changes in greenhouse gas emission permits during the years ended December 31, 2025 and 2024, are as follows:

<i>(in thousands of tons and millions of Korean won)</i>	2025								
	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>	2025					
	2024		2025		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Beginning balance /						
Allocation with nil consideration	9,468	₩ -	8,592	₩ -	53,978	₩ -
Purchase/Sale	(365)	-	-	-	(1,670)	-
Exchange	-	-	-	-	-	-
Borrowings/Carry forwards						
between years	(752)	-	1,825	-	-	-
Surrendered to the government	(8,351)	-	-	-	(41,891)	-
Ending balance	-	₩ -	10,417	₩ -	10,417	₩ -

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<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	₩ -

During the years ended December 31, 2025 and 2024, 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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Current				
Prepayments to suppliers and prepaid expenses	₩	25,711	₩	26,514
Prepaid value added tax		61,714		78,371
Others		2,669		5,587
Total	₩	<u>90,094</u>	₩	<u>110,472</u>
Non-current				
Net defined benefit assets (Note 16)	₩	328,905	₩	73,520
Long-term prepayments and long-term prepaid expenses		3,205		3,613
Total	₩	<u>332,110</u>	₩	<u>77,133</u>

14. Borrowings

Borrowings as at December 31, 2025 and 2024, consist of:

<i>(in millions of Korean won)</i>	2025		2024	
Current				
Short-term borrowings	₩	-	₩	60,381
Current portion of long-term borrowings		416,008		892,846
Current portion of debentures		3,849,791		3,571,570
Current lease liabilities		8,888		30,655
		<u>4,274,687</u>		<u>4,555,452</u>
Non-current				
Long-term borrowings		339,460		766,652
Debentures		4,174,656		5,108,868
Lease liabilities		57,917		52,546
		<u>4,572,033</u>		<u>5,928,066</u>
Total	₩	<u>8,846,720</u>	₩	<u>10,483,518</u>

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Details of general borrowings as at December 31, 2025 and 2024, are as follows:

(in millions of Korean won)		Currency	Bank	Latest maturity date	Interest rate (%) as at December 31, 2025	Carrying amount						
						2025		2024				
						Current	Non-current	Current	Non-current			
Short-term borrowings												
Loans from Subsidiaries	Foreign currency	LG Chem (China) Investment Co.,Ltd.	-	-	₩	-	₩	-	₩	60,381	₩	-
Total					₩	-	₩	-	₩	60,381	₩	-
Long-term borrowings												
Bank loans	Korean won	KDB Bank and others	November 1, 2028	3.05 and others	₩	-	₩	300,000	₩	-	₩	300,000
	Foreign currency	KDB Bank and others	June 15, 2027	3M SOFR + 0.79 and others		416,121		39,460		893,025		466,725
Less: discount on long-term borrowings						(113)		-		(179)		(73)
Total					₩	416,008	₩	339,460	₩	892,846	₩	766,652
Debentures												
Public debentures	Korean won	KB Securities Co., Ltd. and others	February 19, 2036	3.73 and others	₩	785,000	₩	3,315,000	₩	670,000	₩	3,500,000
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		717,450		717,450		441,000		1,470,000
Exchangeable bonds ^{1,2,3}	Foreign currency	CITI Securities and others	July 18, 2030	1.60 and others		2,877,118		-		2,940,000		-
Less: discount on debentures						(529,777)		(7,794)		(479,430)		(11,132)
Total					₩	3,849,791	₩	4,174,656	₩	3,571,570	₩	5,108,868

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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 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. 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 (%)	1.6
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 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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³The details of issued exchangeable bonds (Tranche 3) are as follows:

Category	Details
Aggregate principal amount	USD 1,000,000,000
Issue price	USD 1,000,000,000
Interest rate (%)	1.75
Issue Date	June 16, 2025
Maturity Date	June 16, 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 Company has the Call Option, and the bondholder has the Put Option.</p>
Exchange Target	4,129,404 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)	337,700 (25.05.15 closing price X premium 110%) 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	July 27, 2025 – June 09, 2028
Early Redemption at the Option of the Issuer	<p>1) After two 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 120% 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) 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>2) When there is a change in control of the company or the issuer of stocks subject to exchange (Change of Control)</p> <p>3) 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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	July 18, 2023	December 31, 2024	December 31, 2025
Issue price	₩ 1,266,100	₩ 1,470,000	₩ 8,179
Book amount of exchangeable bonds	991,756	1,273,431	7,369
Derivative financial liabilities	263,532	156,776	305

¹ For the year ended December 31, 2025, the Company repurchased some of the debentures for ₩ 837,985 million, and the book amount as of the date of repurchase was ₩ 811,249 million (total book amount of ₩ 1,323,192 million). The difference between the repurchase amount and the book amount of ₩ 26,736 million was recognized as finance costs.

¹ For the year ended December 31, 2025, the Company repaid the debenture amounting to ₩ 530,173 million due to the exercise of the call option of the investors, and the book amount as of the date of repayment was ₩ 515,367 million (total book amount of ₩ 525,905 million). The difference between the repayment amount and the book amount of ₩ 14,804 million was recognized as finance costs.

Details of the exchangeable bonds (Tranche 2) as of the date of issuance and as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	July 18, 2023	December 31, 2024	December 31, 2025
Issue price	₩ 1,266,100	₩ 1,470,000	₩ 1,434,900
Book amount of exchangeable bonds	914,412	1,187,914	1,201,706
Derivative financial liabilities	340,876	194,334	148,785

Details of the exchangeable bonds (Tranche 3) as of the date of issuance and as at December 31, 2025, are as follows:

<i>(in millions of Korean won)</i>	June 16, 2025	December 31, 2025
Issue price	₩ 1,366,800	₩ 1,434,039
Book amount of exchangeable bonds	1,017,330	1,139,112
Derivative financial liabilities	337,914	460,728

¹ For the year ended December 31, 2025, 2,475 shares amounting to USD 600,000 were exchanged due to the exercise of the right of exchange of the investors.

The Company has entered into an agreement stipulating that, if the Company fails to maintain the covenant ratios for bonds and borrowings as at the end of each reporting period for semi-annual, or annual reports, an event of default will occur. As at December 31, 2025, the related amount is ₩ 4,393,490 million.

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Details of lease liabilities as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>		2025							
		Annual interest rate (%)	Latest maturity date	Total amount		Current	Non-current		
Leaser									
Korea World Service and others		2.01 ~ 2.96	2082.2.28	₩	66,805	₩	8,888	₩	57,917

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

15. Provisions

Changes in provisions for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>		2025						
		Warranty ¹	Greenhouse gas emission ²	Others ³	Total			
Beginning balance	₩	1,894	₩	-	₩	-	₩	1,894
Additions		21,641		-		28,108		49,749
Used		(19,575)		-		(138)		(19,713)
Ending balance	₩	3,960	₩	-	₩	27,970	₩	31,930
Current		3,960		-		21,600		25,560
Non-current		-		-		6,370		6,370

<i>(in millions of Korean won)</i>		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		-		-		-		-

¹ The company has recognized warranty provisions based on historical experience for amounts expected to arise from quality warranties, exchanges and refunds related to 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, 2025, amounts to 7,673 thousand tons (2024: 8,352 thousand tons).

³ The Company has recognized provisions based on estimating the costs required for soil contamination restoration and other related remediation.

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16. Net Defined Benefit Assets

Details of net defined benefit liabilities (assets) recognized in the separate statements of financial position as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Present value of defined benefit obligations ¹	₩ 878,140	₩ 1,238,475
Fair value of plan assets	<u>(1,207,045)</u>	<u>(1,311,995)</u>
Liabilities (assets) in the separate statements of financial position	<u>₩ (328,905)</u>	<u>₩ (73,520)</u>

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩ 374 million as at December 31, 2025 (2024: ₩ 454 million).

The amounts recognized in the separate income statements for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Current service cost ¹	₩ 131,144	₩ 115,880
Interest cost	<u>(3,014)</u>	<u>(15,554)</u>
Total, included in employee benefit expenses	<u>₩ 128,130</u>	<u>₩ 100,326</u>

¹ The above amounts excluded ₩ 3,045 million (2024: ₩ 1,329 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, 2025, amounted to ₩ 14,031 million (2024: ₩ 13,439 million).

Post-employment benefits recognized in the separate income statements for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Cost of sales	₩ 86,506	₩ 67,637
Selling and administrative expenses	53,437	38,764
Discontinued operations	<u>2,218</u>	<u>7,364</u>
Total	<u>₩ 142,161</u>	<u>₩ 113,765</u>

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Movements in the present value of defined benefit obligations for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Beginning balance	₩ 1,238,475	₩ 1,019,829
Transferred-in liability due to intercompany transfer	981	616
Transferred-out liability due to intercompany transfer	(4,439)	(1,079)
Transfer to assets held for sale (Note 34)	(10,713)	-
Current service cost	134,189	117,209
Interest expense	50,037	45,933
Remeasurements:		
Actuarial loss (gain) arising from change in demographic assumptions	2,529	(435)
Actuarial loss (gain) arising from change in financial assumptions	(292,584)	190,525
Actuarial gain arising from experience adjustments	(99,628)	(13,122)
Others	(238)	(33)
Payments from plans ¹	(140,469)	(120,968)
Ending balance	<u>₩ 878,140</u>	<u>₩ 1,238,475</u>

¹The amount paid to employees who converted to the defined contribution plan for the year ended December 31, 2025, is ₩ 104,610 million (2024: ₩ 87,921 million).

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Movements in the fair value of plan assets for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Beginning balance	₩	1,311,995	₩	1,357,957
Transferred-in plan assets due to intercompany transfer		124		-
Transferred-out plan assets due to intercompany transfer		(193)		(145)
Transfer to assets held for sale (Note 34)		(10,713)		-
Interest income		53,051		61,487
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(5,206)		(3,979)
Contributions:				
Employers		-		13,000
Payments from plans ¹		(139,564)		(113,886)
Administrative costs		(2,449)		(2,439)
Ending balance	₩	<u>1,207,045</u>	₩	<u>1,311,995</u>

¹The amount paid to employees who converted to the defined contribution plan for the year ended December 31, 2025, is ₩ 104,610 million (2024: ₩ 87,921 million).

The actual return on plan assets for the year ended December 31, 2025, was ₩ 47,845 million (2024: ₩ 57,508 million).

The significant actuarial assumptions as at December 31, 2025 and 2024, are as follows:

	2025	2024
Discount rate ¹	4.80%	4.10%
Salary growth rate	3.70%	6.00%

¹ During the year ended December 31, 2025, the Company changed the methodology for determining the discount rate within the actuarial assumptions applied under the projected unit credit method in order to derive a more reasonable measurement of its defined benefit obligations. As a result of this change in accounting estimate, the defined benefit obligations decreased by ₩ 55,116 million, and retained earnings increased by ₩ 55,116 million, before income tax effects.

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The sensitivity analysis for changes in key actuarial assumptions as at December 31, 2025, is as follows:

<i>(in millions of Korean won)</i>	Increase by 1%	Decrease by 1%
Discount rate:		
Increase (decrease) in defined benefit obligations	₩ (68,070)	₩ 78,737
Salary growth rate:		
Increase (decrease) in defined benefit obligations	82,025	(71,839)

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, 2025 and 2024, consist of:

<i>(in millions of Korean won)</i>	2025		2024	
	Amount	Composition (%)	Amount	Composition (%)
Insurance contracts with guaranteed yield and others	₩ 1,207,045	100	₩ 1,311,995	100
	<u>₩ 1,207,045</u>	<u>100</u>	<u>₩ 1,311,995</u>	<u>100</u>

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

The weighted-average duration of the defined benefit obligation is 8.60 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, 2026, are ₩ 81,674 million.

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17. Other Current and Non-Current Liabilities

Details of other current and non-current liabilities as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Current				
Advances from customers	₩	112,280	₩	70,480
Withholdings		45,184		60,564
Unearned revenues		25,734		26,007
Accrued expenses		62,881		133,029
Total	₩	246,079	₩	290,080
Non-current				
Long-term accrued expenses	₩	49,886	₩	54,723
Long-term unearned revenues		5,017		6,174
Long-term advanced received		-		120,401
Total	₩	54,903	₩	181,298

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, 2025, the Company has been guaranteed by Seoul Guarantee Insurance Company for the payment and others.
- (c) As at December 31, 2025, 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 280 million, foreign currency purchase agreement for up to USD 760 million, and for the guaranteed payments in foreign currency for up to USD 21 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).
- (d) As at December 31, 2025, 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 ₩ 150,000 million.
- (e) As at December 31, 2025, the Company have reverse factoring agreements with Lotte Card, Shinhan Card, and Hyundai Card. Of the limits granted by these card companies, There is no amount utilized among the credit limits granted by these card companies.
- (f) As at December 31, 2025, the Company has been named as a plaintiff in 16 legal actions, involving ₩ 36,464 million in claims. The Company has been named as a defendant in 12 legal actions, with ₩ 16,064 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, 2025, the Company has entered into a payment guarantee contract of USD 0.3 million with financial institutions to guarantee the warranty of products and payment, and others.
- (j) As at December 31, 2025, the Company has guaranteed on borrowings. Details of guarantees provided as at December 31, 2025 and 2024, are as follows:

(in millions of MYR and USD)

Guarantee beneficiary	Financial institution	Guarantee period	Currency	Amount of guarantee ¹		Outstanding loan amount ²	
				2025	2024	2025	2024
LG PETRONAS Chemicals Malaysia Sdn. Bhd.	RHB	2025.7.18~2036.1.19	MYR	227	-	230	-
LG Chem America Advanced Materials, Inc. ³	BNP, CA	2025.7.25~2035.7.25	USD	500	-	1,000	-

¹ This is the amount of loans drawn down within the total guaranteed limit as at December 31, 2025.

² This is the amount of the total guaranteed limit

³ The Company is provided payment guarantees from Korea Trade Insurance Corporation in relation to guarantee beneficiary's borrowing with a total credit line of USD 950 million.

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

- (k) As at December 31, 2025, the Company has guaranteed on performance of its subsidiary's purchase payment. Details of guarantees provided as at December 31, 2025 and 2024, are as follows:

(in millions of USD)

Guarantee beneficiary	Counterparty	Guarantee period	Currency	Amount of guarantee	
				2025	2024
LG PETRONAS Chemicals Malaysia Sdn. Bhd.	Pengerang Refining Company Sdn, Bhd.	2024.7.17~2043.7.16	USD	6	6

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- (l) Capital expenditure arrangement that has not incurred as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Property, plant and equipment	₩ 129,889	₩ 456,570

- (m) As at December 31, 2025, the Company's investment agreements are as follows:

<i>(in millions of Korean won, USD)</i>	Currency	Committed investments	Cumulative investments	Remaining
KBE Fund ¹	KRW	75,000	62,112	12,888
Growth Acceleration Fund	KRW	5,000	5,000	-
LGC Fund	USD	75	74	1
BNZ (Beyond Net Zero) Fund	USD	75	57	18

¹ As at December 31, 2025, the Company received a refund of ₩ 14,288 million out of its cumulative investments of ₩ 62,112 million from the KBE Fund.

- (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 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 S.p.A. has the right to request that the Company sells its shares under the same conditions.
- (p) For the year ended December 31, 2025 and before the prior period, 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).

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(q) On October 30, 2025, the Company entered into a Price Return Swap (PRS) contract regarding the ordinary shares of LG Energy Solution, a subsidiary, under which the difference in share price is settled between the buyer and the Company based on predetermined conditions. The details of the contract are as follows:

Category	Price Return Swap contract
Investor	Korea Investment & Securities Co., Ltd. and others
Underlying asset	5,750,000 ordinary shares of LG Energy Solution
Reference amount	₩ 347,500 per share (closing price of September 30, 2025)
Contract amount	₩ 1,998,125 million
Effective date	November 3, 2025
Maturity date	November 3, 2028 (3 years from the effective date)
Contract details	<p>1) Upon the disposal of the underlying asset by the investor, the difference between the disposal amount and the settlement amount shall be settled.</p> <p>2) If the disposal price of the underlying asset exceeds the settlement reference amount, the investor shall pay the difference to the Company. If the disposal price of the underlying asset is lower than the settlement reference amount, the Company shall pay the difference to the investor.</p> <p>3) The investor may dispose of the underlying asset at any time before or at maturity. The Company shall not have any involvement in, nor the ability to influence, the disposal of the underlying asset.</p>

19. Issued Capital

Changes in issued capital and share premium for years ended December 31, 2025 and 2024, 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, 2024	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
December 31, 2025	70,592,343	₩ 352,962	7,688,800	₩ 38,444	₩ 2,014,453

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Changes in treasury shares for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won and in shares)</i>	Number of shares		Carrying amount	Gain on disposal of treasury shares
	Ordinary shares	Preferred shares		
January 1, 2024	-	6,041	₩ 270	₩ 655,927
Acquisition of shares	1	-	-	-
December 31, 2024	1	6,041	270	655,927
Acquisition of shares	1	-	-	-
December 31, 2025	<u>2</u>	<u>6,041</u>	<u>₩ 270</u>	<u>₩ 655,927</u>

Capital surplus as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
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	<u>₩ 2,925,449</u>	<u>₩ 2,925,449</u>

20. Retained Earnings

Retained earnings as at December 31, 2025 and 2024, consist of:

<i>(in millions of Korean won)</i>	2025	2024
Legal reserve ¹	₩ 195,703	₩ 195,703
Discretionary reserve ²	16,733,927	16,779,214
Retained earnings before appropriation	1,651,715	33,371
Total	<u>₩ 18,581,345</u>	<u>₩ 17,008,288</u>

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.

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21. Elements of Other Stockholders Equity

Details of other components of equity as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Treasury shares (Note 19)	₩ (270)	₩ (270)
Total	<u>₩ (270)</u>	<u>₩ (270)</u>

22. Selling and administrative expenses

Selling and administrative expenses for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Wages and salaries	₩ 550,469	₩ 570,127
Post-employment benefits (Note 16)	53,437	38,764
Employee benefits	112,350	129,879
Travel expense	20,393	20,110
Water and utilities	55,446	53,052
Packaging expense	4,716	4,273
Rental expenses	70,138	94,034
Commission expenses	638,851	623,738
Depreciation (Notes 11 and 36)	147,479	150,952
Advertising expense	20,249	22,791
Freight expenses	601,827	671,463
Training expense	11,854	14,965
Amortization (Note 12)	174,091	172,184
Sample expense	9,045	11,657
Development costs	210,165	268,227
Other selling and administrative expenses	144,285	124,342
Total	<u>₩ 2,824,795</u>	<u>₩ 2,970,558</u>

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23. Classification of Expenses by Nature

Cost of sales, and selling and administrative expenses by nature for the years ended December 31, 2025 and 2024, consist of:

<i>(in millions of Korean won)</i>	2025	2024
Changes in inventories of finished goods, semi-finished goods, merchandise and work in process	₩ 271,979	₩ 560
Raw materials and consumables used	10,670,574	12,340,491
Purchase of merchandise	382,144	373,223
Employee benefit expenses (Note 24)	1,626,056	1,628,383
Advertising expenses	20,973	23,660
Freight expenses	622,971	698,032
Commission expenses	796,791	820,396
Depreciation and amortization (Notes 11, 12, and 36)	1,328,237	1,373,959
Rent expenses and usage fee	23,797	31,770
Other expenses	2,683,525	2,981,279
Total	<u>₩ 18,427,047</u>	<u>₩ 20,271,752</u>

24. Employee Benefit Expenses

Details of employee benefit expenses for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Salaries	₩ 1,322,515	₩ 1,313,942
Post-employment benefits – Defined benefit plan (Note 16)	125,959	93,885
Post-employment benefits – Defined contribution plan (Note 16)	13,984	12,516
Others	163,598	208,040
Total	<u>₩ 1,626,056</u>	<u>₩ 1,628,383</u>

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25. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Finance income				
Interest income ¹	₩	71,777	₩	76,993
Dividend income		717,366		181,202
Exchange differences		560,510		292,106
Gain related to derivative instruments		181,807		567,932
Gain related to financial assets		60,095		53,514
Total	₩	1,591,555	₩	1,171,747
Finance costs				
Interest expense ²	₩	320,502	₩	320,998
Exchange differences		371,125		981,554
Loss related to derivative instruments		198,384		50,331
Loss related to financial assets		23,662		13,605
Loss on repayment of debentures		41,540		-
Total	₩	955,213	₩	1,366,488

¹ Details of interest income for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Financial assets at amortized cost	₩	71,777	₩	76,993
Total	₩	71,777	₩	76,993

² Details of interest expense for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Financial liabilities at amortized cost	₩	354,324	₩	364,526
Interest on lease liabilities		2,103		2,189
Other interest expenses		1,395		-
Capitalized interest for qualifying assets		(37,320)		(45,716)
Total	₩	320,502	₩	320,999

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26. Other Non-operating Income

Details of other non-operating income for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Exchange differences	₩	272,780	₩	424,508
Gain on disposal of property, plant and equipment		1,853		4,211
Gain on disposal of intangible assets		-		20
Gain on disposal of investments in subsidiaries		1,800,046		-
Others		21,795		24,156
Total	₩	<u>2,096,474</u>	₩	<u>452,895</u>

27. Other Non-operating Expenses

Details of other non-operating expenses for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Exchange differences	₩	292,027	₩	231,772
Loss on disposal of property, plant and equipment		10,551		24,729
Loss on disposal of intangible assets		22,517		2,181
Impairment loss on property, plant and equipment (Note 11)		1,384,288		339,350
Impairment loss on intangible assets (Note 12)		74,053		228,936
Loss on disasters		28,188		400
Donations		4,101		8,386
Others		244,052		242,061
Total	₩	<u>2,059,777</u>	₩	<u>1,077,815</u>

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28. Tax Expense and Deferred Tax

Details of income tax expense for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Current tax:		
Current tax on profit for the year	₩ 494,744	₩ 184,089
Adjustments in respect of prior years	(21,774)	10,180
Deferred tax:		
Deferred tax - movements in temporary differences	(199,113)	(255,751)
Deferred tax - impact of changes in Korean tax rate	5,972	-
Deferred tax - tax credits carryforwards	102,640	(9,599)
Deferred tax - tax losses carryforwards	-	18,270
Total Income tax expense	<u>382,469</u>	<u>(52,811)</u>
Deferred tax charged or credited directly to equity	(158,451)	10,287
Current tax charged or credited directly to equity	-	1,282
Pillar Two income taxes	-	2,600
Discontinuation effect	(158,938)	(8,407)
Income tax expense (benefit)	<u>₩ 65,080</u>	<u>₩ (47,049)</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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Current tax		
Gains on disposal of financial assets at fair value through other comprehensive income	₩ -	₩ 1,282
Total	<u>₩ -</u>	<u>₩ 1,282</u>
Deferred tax		
Remeasurements of net defined benefit liabilities	₩ (100,970)	₩ 47,761
Losses on valuation of financial assets at fair value through other comprehensive income	(57,481)	(37,474)
Total	<u>₩ (158,451)</u>	<u>₩ 11,569</u>

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The movements in deferred tax assets (liabilities) for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025					
	Beginning balance	Increase (decrease)			Ending balance	
		Profit or loss	Other comprehensive income (loss) and others			
Defined benefit liabilities	₩ 319,689	₩ 20,658	₩ (102,336)	₩ 238,011		
Severance benefit insurance	(326,134)	(10,115)	1,366	(334,883)		
Property, plant and equipment	138,227	338,841	-	477,068		
Investments in subsidiaries, associates and joint ventures	55,864	(13,206)	-	42,658		
Accrued income	(92)	(3,400)	-	(3,492)		
Others	(529,991)	18,814	(57,481)	(568,658)		
	<u>(342,437)</u>	<u>351,592</u>	<u>(158,451)</u>	<u>(149,296)</u>		
Tax credit carryforwards	128,942	(102,640)	-	26,302		
Deferred tax assets (liabilities)	<u>₩ (213,495)</u>	<u>₩ 248,952</u>	<u>₩ (158,451)</u>	<u>₩ (122,994)</u>		

(in millions of Korean won)

	2024					
	Beginning balance	Increase (decrease)			Ending balance	
		Profit or loss	Other comprehensive income (loss) and others			
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)		
	<u>(598,189)</u>	<u>245,465</u>	<u>10,287</u>	<u>(342,437)</u>		
Tax credit carryforwards	119,343	9,599	-	128,942		
Previously unrecognized tax losses	18,270	(18,270)	-	-		
Deferred tax assets (liabilities)	<u>₩ (460,576)</u>	<u>₩ 236,794</u>	<u>₩ 10,287</u>	<u>₩ (213,495)</u>		

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The reconciliations between income tax expense and accounting profit for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Profit before income tax expense¹	₩	1,591,989	₩	127,881
Income tax based on statutory tax rate		409,923		29,078
Adjustments:				
Non-taxable income		(139,487)		(43,744)
Non-deductible expense		5,779		7,219
Unrecognized deferred income tax arising from temporary differences in the current period		(22,622)		42,777
Tax credit		(179,246)		(78,965)
Deferred tax effects due to tax credit carryforwards		102,640		(9,599)
Deferred tax effects due to tax rate change		5,972		-
Others		41,059		14,592
Reflection of discontinuation effects		(158,938)		(8,407)
Income tax expense	₩	<u>65,080</u>	₩	<u>(47,049)</u>
Effective tax rate (income tax expense/profit before income tax) <i>(in %)</i>		14.1%		- 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, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024		Remarks
Investments in subsidiaries, associates and joint ventures	₩	(748,166)	₩	(857,036)	Permanent reinvestment plan of undistributed profit
		4,292,707		4,496,076	No plan for disposal
Land		7,731		323	
Total	₩	<u>3,552,272</u>	₩	<u>3,639,363</u>	

The Company is within the scope of Pillar Two model rules and recognized no additional income tax expense under Pillar II model. Therefore, there is no income tax expense recognized under Pillar II model as at December 31, 2025 and the Company 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 the Company by the weighted average number of shares in issue excluding shares purchased by the Company and held as treasury shares. As at the reporting date, the 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 Company for the years ended December 31, 2025 and 2024, are computed as follows:

Basic earnings (losses) per ordinary share from continuing operations and basic earnings (losses) per ordinary share

<i>(in millions of Korean won)</i>	2025		2024	
Profit attributable to ordinary shares ¹	₩	1,233,357	₩	149,832
Profit (loss) from continuing operations attributable to ordinary shares		358,058		(592,400)
Profit from discontinued operations attributable to ordinary shares		875,299		742,232
Weighted average number of ordinary shares outstanding <i>(in shares)</i> ²		70,592,342		70,592,343
Basic earnings per ordinary shares <i>(in won)</i>	₩	17,472	₩	2,123
Basic earnings (losses) per ordinary share from continuing operations <i>(in won)</i>		5,072		(8,392)
Basic earnings per ordinary share from discontinued operations <i>(in won)</i>	₩	12,400	₩	10,515

Basic earnings (losses) per preferred share from continuing operations and basic earnings (losses) per preferred share

<i>(in millions of Korean won)</i>	2025		2024	
Profit attributable to preferred shares ¹	₩	134,614	₩	16,691
Profit (loss) from continuing operations attributable to preferred shares		39,353		(64,472)
Profit from discontinued operations attributable to preferred shares		95,261		81,163
Weighted average number of preferred shares outstanding <i>(in shares)</i> ²		7,682,759		7,682,759
Basic earnings per preferred shares <i>(in won)</i>	₩	17,522	₩	2,173
Basic earnings (losses) per preferred share from continuing operations <i>(in won)</i>		5,122		(8,392)
Basic earnings per preferred share from discontinued operations <i>(in won)</i>	₩	12,400	₩	10,565

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

<i>(in millions of Korean won)</i>	2025		2024	
Profit attributable to the ordinary equity holders of the Company	₩	1,367,971	₩	166,523
Ordinary shares dividends (A)		-		-
Preferred shares dividends (B)		-		-
Undistributed profits for the period		1,367,971		166,523
Undistributed profits available for ordinary shares (C)		1,233,357		149,832
Undistributed profits available for preferred shares (D)		134,614		16,691
Profit for the period attributable to ordinary shares (A+C)	₩	1,233,357	₩	149,832
Profit for the period attributable to preferred shares (B+D)	₩	134,614	₩	16,691

² Weighted average numbers of shares are calculated as follows:

<i>(in shares)</i>	2025		2024	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Number of shares issued	70,592,343	7,688,800	70,592,343	7,688,800
Number of treasury shares	(2)	(6,041)	(1)	(6,041)
Shares issued and outstanding	70,592,341	7,682,759	70,592,342	7,682,759
Weighted average number of shares outstanding	70,592,342	7,682,759	70,592,343	7,682,759

For the years ended December 31, 2025 and 2024, there were no dilutive potential outstanding ordinary shares at the reporting date. Accordingly, diluted earnings per share for profit attributable to owners of the Company is identical to basic earnings per share.

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30. Dividends

Details of dividends of the Company as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Number of shares entitled to dividends: Shares issued and outstanding (par value per share: ₩ 5,000)		
Ordinary shares	70,592,341	70,592,342
Preferred shares	7,682,759	7,682,759
Dividend per share <i>(in Korean won, %)</i>		
Ordinary shares: cash	₩ 2,000 (40%)	₩ 1,000 (20%)
Preferred shares: cash	2,050 (41%)	1,050 (21%)
Cash dividends to distribute		
Ordinary shares	141,185	70,592
Preferred shares	15,750	8,067
	₩ 156,935	₩ 78,659

Dividend payout ratios of the Company for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Dividends (A)	₩ 156,935	₩ 78,659
Profit attributable to equity holders of the Company (B)	1,367,971	166,523
Dividend payout ratio (A/B)	11.47%	47.24%

Dividend yield ratios of the Company for the years ended December 31, 2025 and 2024, are as follows:

<i>(in Korean won)</i>	2025		2024	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Dividend per share (A)	₩ 2,000	₩ 2,050	₩ 1,000	₩ 1,050
Market value at the end of year (B) ¹	346,600	172,580	238,500	141,450
Dividend yield ratio (A/B)	0.58%	1.19%	0.42%	0.74%

¹ The price is the arithmetic average of the closing prices formed on the exchange market over the one-week period ending on the trading day immediately preceding the Board of Directors' resolution date for the cash and in-kind dividend.

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31. Related Party Transactions

Details of related parties as at December 31, 2025 and 2024, 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) Investment Co.,Ltd.		LG Chem China Tech Center	
Ningbo LG Yongxing Chemical Co.,Ltd.		Ningbo Zhenhai LG Yongxing Trade 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 MATERIALS(WUXI) Co.,LTD			

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Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Related party's associates and joint ventures
LG Chem America, Inc.			
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.			
LG CHEM COLOMBIA S.A.S. ⁴			
LG Chem Hungary Battery Separator Kft. ⁵			
Associates and joint ventures: ⁶			
TECHWIN Co., Ltd.			
LG Chem Life Sciences Poland Ltd.			
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.			
KOREA PRECURSOR CO., LTD.			
SEETEC Co., Ltd.			
Affiliate within the same large enterprise group ⁷			
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display High-Tech (China) Co., Ltd. and others	

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Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Related party's associates and joint ventures
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.		GIIR America Inc. and others	

¹ LG Corp. is an entity exercising a significant influence over the Company, which owns 34.95% of the Company's ordinary shares.

² During the year ended December 31, 2024, the Company decided to dispose of shares of LG Chem Hangzhou Advanced Materials Co., Ltd. Therefore, it was excluded from the Subsidiaries. In addition, during the year ended December 31, 2025, the Company decided to dispose of shares of LG NanoH2O, LLC. Therefore, it was excluded from the Subsidiaries.

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

⁴ During the year ended December 31, 2025, the Company newly established the entity.

⁵ During the year ended December 31, 2025, the Company has acquired an additional share and reclassified it from a joint venture to a subsidiary. After the acquisition, the entity changed its name to LG Chem Hungary Battery Separator Kft.

⁶ During the year ended December 31, 2025, the Company disposed entire shares of TL Chemical CO., Ltd and it was excluded from associates.

⁷ 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.

LG Chem, Ltd.
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Sales and purchases with related parties for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025					
	Sales and others		Purchase and others			
		Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense	Others
Entity with a significant influence over the Company						
LG Corp.	₩ 16	₩ -	₩ -	₩ -	₩ 213	₩ 47,979
Subsidiaries						
LG Energy Solution, Ltd. ¹	7,951	1,800	-	-	91	4,146
LG-HY BCM CO., LTD. ²	189,184	5,598	-	-	-	-
Ningbo LG Yongxing Chemical Co.,Ltd.	124,281	17,517	-	-	-	34
LG Chem America, Inc.	953,015	-	-	-	-	21,783
LG Energy Solution (Nanjing) Co., Ltd.	54,712	-	-	-	-	-
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	45,123	12,877	-	-	-	-
LG Chem (Taiwan), Ltd.	29,148	-	-	-	-	1,866
Tianjin LG Bohai Chemical Co.,Ltd.	347,546	1,115	-	-	-	-
LG Chem(HUIZHOU) Petrochemical Co., Ltd.	82,549	-	-	-	-	-
LG Chem (China) Investment Co.,Ltd.	345,446	-	-	-	137	44,843
LG Chem Europe GmbH	1,073,968	-	-	-	-	102,733
LG Chem Poland Sp. z o.o.	36,604	-	-	-	-	-
LG NanoH2O, Inc. ³	84,757	-	-	-	-	364
LG Energy Solution Battery (Nanjing) Co., Ltd.	31,452	-	-	-	-	-
LG Energy Solution Wroclaw sp. z o.o.	422,122	-	-	-	-	-
LG Chem (Guangzhou) I&E Materials Co., Ltd.	139,504	9,261	-	-	-	2,052
LG Energy Solution Technology (Nanjing) Co., Ltd.	44,518	-	-	-	-	-
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.	111,583	7,920	-	-	-	-
Ultium Cells LLC.	92,575	-	-	-	-	-
Others	540,200	1,260	-	-	-	62,950
Associates and joint ventures						
SEETEC Co., Ltd.	95,496	263,120	485	834	377	88,993
TECWIN Co., Ltd.	-	8	2,873	-	-	28
KOREA PRECURSOR CO., LTD.	5,473	190,774	-	-	-	64

LG Chem, Ltd.
Notes to the Separate Financial Statements
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(in millions of Korean won)

	2025					
	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
Others	2,052	49,959	-	-	-	241
Subsidiaries of the entity with significant influence:						
D&O Corp. and its subsidiaries	-	-	-	-	-	8,443
LG CNS Co., Ltd. and its subsidiaries	-	655	53,866	-	-	96,536
Others	10	-	-	-	-	40,564
Affiliate within the same large enterprise group:						
LG Display Co., Ltd. and its subsidiaries	286,619	266	-	-	-	1
LG Electronics Inc. and its subsidiaries and joint ventures	295,558	2,470	3,050	-	-	25,140
Others	9,789	21,940	11	-	40	4,381
Total	₩ 5,451,251	₩ 586,540	₩ 60,285	₩ 834	₩ 858	₩ 553,141

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

	2024					
	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						
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. ⁴	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	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
HUAJIN NEW ENERGY MATERIALS(QUZHOU) CO., LTD.	1,978	387,477	-	-	-	-

LG Chem, Ltd.
Notes to the Separate Financial Statements
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(in millions of Korean won)

	2024					
	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
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

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

² Net sales and purchases amount after offsetting for Cathode materials with LG-HY BCM CO., LTD.

³ Excluded from related parties during the year ended December 31, 2025, and the details of these relevant transactions occurred transaction details before it was excluded from related party.

⁴ The amount of sales and others include the amount of asset sales transactions.

LG Chem, Ltd.
Notes to the Separate Financial Statements
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Balances of receivables and payables arising from sales and purchases of goods and services as at December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025			
	Receivables			
	Trade receivables and others	Loan receivables	Other receivables	Total
Entity with a significant influence over the Company				
LG Corp.	₩ -	₩ -	₩ 19,307	₩ 19,307
Subsidiaries				
LG Energy Solution, Ltd.	5,003	-	652	5,655
LG-HY BCM CO., LTD.	16,448	-	1,046	17,494
Ningbo LG Yongxing Chemical Co.,Ltd.	11,864	-	1,361	13,225
LG Chem America, Inc.	232,013	-	10,847	242,860
LG Energy Solution (Nanjing) Co., Ltd.	23,800	-	-	23,800
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	1,554	-	6,470	8,024
LG Chem (Taiwan), Ltd.	5,931	-	-	5,931
Tianjin LG Bohai Chemical Co.,Ltd.	14,349	-	560	14,909
LG Chem(HUIZHOU) Petrochemical Co., Ltd.	190	-	508	698
LG Chem (China) Investment Co.,Ltd.	524	-	156	680
LG Chem Europe GmbH	334,770	-	206	334,976
LG Chem Poland Sp. z o.o.	8,207	-	4,283	12,490
LG Energy Solution Battery (Nanjing) Co., Ltd.	8,248	-	-	8,248
LG Energy Solution Wroclaw sp. z o.o.	13,781	-	-	13,781
LG Chem (Guangzhou) I&E Materials Co., Ltd.	21,381	-	1,162	22,543
LG Energy Solution Technology (Nanjing) Co., Ltd.	9,516	-	-	9,516
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.	878	-	4,202	5,080
Others	115,561	43,084	96,609	255,254
Associates and joint ventures				
SEETEC Co., Ltd.	8,307	800	499	9,606
TECWIN Co., Ltd.	-	-	-	-
KOREA PRECURSOR CO., LTD.	-	-	600	600
Others	-	-	7,232	7,232
Subsidiaries of the entity with significant influence:				
D&O Corp. and its subsidiaries	-	-	-	-
LG CNS Co., Ltd. and its subsidiaries	-	-	-	-
Others	-	-	11	11
Affiliate within the same large enterprise group:				
LG Display Co., Ltd. and its subsidiaries	44,760	-	103	44,863
LG Electronics Inc. and its subsidiaries and joint ventures	74,121	-	475	74,596
Others	87	-	1,457	1,544
Total	₩ 951,293	₩ 43,884	₩ 157,746	₩ 1,152,923

LG Chem, Ltd.
Notes to the Separate Financial Statements
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(in millions of Korean won)

	2025					Total				
	Payables				Total					
	Trade payables	Borrowings	Lease liabilities	Other payables						
Entity with a significant influence over the Company										
LG Corp.	₩	- ₩	- ₩	- ₩	- ₩	--				
Subsidiaries										
LG Energy Solution, Ltd.		4,550	-	473	2,571	7,594				
LG-HY BCM CO., LTD.		-	-	-	-	-				
Ningbo LG Yongxing Chemical Co.,Ltd.		454	-	-	2	456				
LG Chem America, Inc.		6,382	-	-	22,863	29,245				
LG Energy Solution (Nanjing) Co., Ltd.		-	-	-	-	-				
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.		994	-	-	1	995				
LG Chem (Taiwan), Ltd.		-	-	-	268	268				
Tianjin LG Bohai Chemical Co.,Ltd.		184	-	-	-	184				
LG Chem(HUIZHOU) Petrochemical Co., Ltd.		-	-	-	-	-				
LG Chem (China) Investment Co.,Ltd.		-	-	-	5,008	5,008				
LG Chem Europe GmbH		-	-	-	13,979	13,979				
LG Chem Poland Sp. z o.o.		-	-	-	-	-				
LG Energy Solution Battery (Nanjing) Co., Ltd.		-	-	-	-	-				
LG Energy Solution Wroclaw sp. z o.o.		-	-	-	-	-				
LG Chem (Guangzhou) I&E Materials Co., Ltd.		640	-	-	716	1,356				
LG Energy Solution Technology (Nanjing) Co., Ltd.		-	-	-	-	-				
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.		1,085	-	-	-	1,085				
Others		152	-	-	6,858	7,010				
Associates and joint ventures										
SEETEC Co., Ltd.		25,050	-	17,771	10,990	53,811				
TECWIN Co., Ltd.		-	-	-	224	224				
KOREA PRECURSOR CO., LTD.		2,686	-	-	-	2,686				
Others		-	-	-	1,556	1,556				
Subsidiaries of the entity with significant influence:										
D&O Corp. and its subsidiaries		-	-	-	104	104				
LG CNS Co., Ltd. and its subsidiaries		-	-	-	42,492	42,492				
Others		-	-	-	362	362				
Affiliate within the same large enterprise group:										
LG Display Co., Ltd. and its subsidiaries		-	-	-	24	24				
LG Electronics Inc. and its subsidiaries and joint ventures		-	-	-	5,788	5,788				
Others		3,094	-	1,942	2,230	7,266				
Total	₩	45,271	₩	- ₩	₩	20,186	₩	116,036	₩	181,493

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

	2024			
	Receivables			
	Trade receivables and others	Loan receivables	Other receivables	Total
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				Total
	Trade payables	Borrowings	Lease liabilities	Other payables	
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	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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Fund transactions with related parties for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025									
	Dividends received		Dividends paid		Equity contributions in cash (capital reduction) and others		Loans		Borrowings ¹	
	₩	- ₩	₩	₩	- ₩	₩	- ₩	- ₩	- ₩	₩
Entity with a significant influence over the Company										
LG Corp.	₩	- ₩	₩ 24,670	₩	- ₩	₩	- ₩	- ₩	- ₩	₩ 13,390
Subsidiaries										
LG Energy Solution, Ltd.		-	-	-	-	-	-	-	-	5,620
Ningbo LG Yongxing Chemical Co.,Ltd.		38,493	-	-	-	-	-	-	-	-
LG Chem (China) Investment Co.,Ltd.		342,431	-	-	-	-	-	-	-	60,381
LG Chem Fund I LLC		-	-	1,673	-	-	-	-	-	-
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.		17,846	-	-	-	-	-	-	-	-
LG Chem (Guangzhou) I&E Materials Co., Ltd.		49,730	-	-	-	-	-	-	-	-
LEYOU NEW ENERGY MATERIALS(WUXI) CO., LTD.		104,976	-	-	-	-	-	-	-	-
LG Chem (Taiwan), Ltd.		3,345	-	-	-	-	-	-	-	-
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.		12,313	-	-	-	-	-	-	-	-
LG Chem(HUIZHOU) Petrochemical Co., Ltd.		79,829	-	-	-	-	-	-	-	-
LG Chem (Chongqing) Engineering Plastics Co., Ltd.		7,254	-	-	-	-	-	-	-	-
LG Chemical India Pvt. Ltd.		-	-	34,818	-	-	-	-	-	-
LG Chem Japan Co.,Ltd.		1,964	-	-	-	-	-	-	-	-
LG Life Sciences (Thailand) Ltd.		8,462	-	-	-	-	-	-	-	-
LG Chem Hai Phong Vietnam Co.,Ltd.		9,112	-	-	-	-	-	-	-	-
LG Chem Hai Phong Engineering Plastics LLC.		6,110	-	-	-	-	-	-	-	-
LG Chem Europe GmbH		31,634	-	-	-	-	-	-	-	-
LG NanoH2O, LLC. ²		37,850	-	-	-	-	-	-	-	-
LG Chem America Advanced Materials, Inc.		-	-	575,940	-	-	-	-	-	-

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

	2025							
	Dividends received	Dividends paid	Equity contributions in cash (capital reduction) and others	Loans		Borrowings ¹		Repayment
Loans				Repayment	Borrowings	Repayment		
LG-Eni Biorefining Co., Ltd	-	-	68,187	-	-	-	-	-
LG PETRONAS Chemicals Malaysia SDN.BHD.	-	-	36,008	-	-	-	-	-
LG CHEM COLOMBIA S.A.S.	-	-	154	-	-	-	-	-
LG Chem Hungary Battery Separator Kft.	-	-	295,746	-	-	-	-	-
Associates and joint ventures								
SEETEC Co., Ltd.	10,000	-	-	800	-	834	-	1,452
Subsidiary of the Company with significant influence:								
LG CNS Co., Ltd.	-	-	-	-	-	-	-	-
Affiliate within the same large enterprise group:								
LG HOUSEHOLD & HEALTH CARE LTD	-	-	-	-	-	-	-	187
Total	₩ 761,349	₩ 24,670	₩ 1,012,526	₩ 800	₩ -	₩ 834	₩ -	₩ 81,030

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	Repayment	Borrowings ¹		
	₩	₩	₩	₩	₩	₩	₩	₩
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 ventures								
SEETEC Co., Ltd.	7,500						136	1,437
Subsidiary of the								

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
Company with significant influence:							
LG CNS Co., Ltd.	-	-	-	-	-	859	714
Affiliate within the same large enterprise group:							
LG HOUSEHOLD & HEALTH CARE LTD	-	-	-	-	-	-	308
Total	₩ 171,389	₩ 82,370	₩ 551,294	₩ -	₩ -	₩ 648,662	₩ 570,118

¹ The amounts contain lease liabilities that were recognized or repaid for the years ended December 31, 2025 and 2024.

² Excluded from related parties during the year ended December 31, 2025, and the details of these relevant transactions occurred transaction details before it was excluded from related party.

Compensation for key management of the Company for the years ended December 31, 2025 and 2024, consists of:

(in millions of Korean won)	2025		2024	
Short-term employee benefits	₩	33,857	₩	39,435
Post-employment benefits		7,781		5,861
Total	₩	41,638	₩	45,296

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, 2025 and 2024; therefore, there are no impairment losses recognized against the receivables from related parties for the years ended December 31, 2025 and 2024.

Payment guarantees provided by the Company for related parties as at December 31, 2025, are described in Note 18.

LG Chem, Ltd.
Notes to the Separate Financial Statements
December 31, 2025 and 2024

32. Cash Flows

Cash generated from operations for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Profit				
Profit (loss) from continuing operations	₩	397,411	₩	(656,872)
Profit from discontinued operations		970,560		823,395
		1,367,971		166,523
Adjustments for:				
Income tax expense (benefit)		224,018		(38,642)
Depreciation		1,135,348		1,198,129
Amortization		201,068		207,815
Post-employment benefits		128,130		100,326
Finance income		(1,155,824)		(888,948)
Finance costs		633,578		1,156,574
Other foreign exchange differences		(108,097)		(73,627)
Loss on valuation of inventories (reversal of)		9,671		(17,140)
Gain on disposal of property, plant and equipment		(1,908)		(4,259)
Gain on disposal of intangible assets		-		(20)
Loss on disposal of property, plant and equipment		34,962		24,946
Loss on disposal of intangible assets		26,208		2,439
Impairment loss on property, plant and equipment		1,384,345		339,350
Reversal of impairment loss on property, plant and equipment		(1,453)		-
Impairment loss on intangible assets		74,053		228,936
Impairment loss on investments in associates		221,592		216,885
Gain on disposal of investments in subsidiaries		(1,800,046)		-
Loss on disposal of investments in associates		6,305		-
Gain on disposal of a business		(1,102,551)		(733,506)
Additions to provisions		49,749		13,300
Other income		40,573		(16,758)
Decrease (increase) in inventories		348,271		(2,035)
Decrease (increase) in trade receivables		1,034,433		(69,384)
Increase in other receivables		(86,928)		(36,552)
Decrease in other current assets		25,108		17,663
Cash inflow from settlement of derivative instruments transactions		5,168		-
Decrease in trade payables		(36,932)		(229,740)
Increase (decrease) in other payables		323,278		(40,774)
Increase (decrease) in other current liabilities		(165,832)		177,566
Increase (decrease) in net defined benefit liabilities		671		(17,961)

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(in millions of Korean won)

	2025	2024
Decrease in provisions	(19,713)	(14,000)
Other cash flows from operations	(4,315)	8,875
Cash generated from operations	₩ 2,790,901	₩ 1,675,981

Changes in liabilities arising from financial activities for the years ended December 31, 2025 and 2024, are as follows:

(in millions of
Korean won)

	2025					
	Beginning balance	Cash flows from financing activities	Non-cash transactions			Ending balance
			Acquisition	Amortization	Others	
Borrowings	₩ 1,719,878	₩ (924,505)	₩ -	₩ 140	₩ (40,045)	₩ 755,468
Debentures	8,680,438	(497,167)	-	135,093	(293,916)	8,024,448
Lease liabilities	83,200	(31,707)	17,661	-	(2,349)	66,805
Other payables for the reverse factoring arrangement	-	(379,696)	-	-	379,696	-
	₩ 10,483,516	₩ (1,833,075)	₩ 17,661	₩ 135,233	₩ 43,386	₩ 8,846,721

(in millions of
Korean won)

	2024					
	Beginning balance	Cash flows from financing activities	Non-cash transactions			Ending balance
			Acquisition	Amortization	Others	
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
Other payables for the reverse factoring arrangement	-	-	-	-	-	-
	₩ 9,824,558	₩ (284,946)	₩ 48,483	₩ 107,503	₩ 787,918	₩ 10,483,516

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Significant non-cash transactions for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Reclassification of construction-in-progress	₩	922,982	₩	1,331,464
Reclassification of machinery-in-transit		39,080		54,847
Reclassification of long-term borrowings into current portion		2,913,658		2,026,540
Other payables related to acquisitions of property, plant and equipment and intangible assets		282,563		409,807
Reclassification of other payables under the reverse factoring arrangement		379,696		-
Reclassification of non-current assets held for sale		552,445		-
Non-trade receivables related to disposal of non-current assets held for sale		-		166,662

33. The statements of appropriation of retained earnings

The appropriation of retained earnings for the year ended December 31, 2025, is expected at the shareholder's meeting on March 31, 2026. The appropriation date for the year ended December 31, 2024, was March 24, 2025.

The statements of appropriation of retained earnings for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
1. Unappropriated retained earnings	₩	1,651,715	₩	33,371
Unappropriated retained earnings carried over from prior year		-		-
Profit		1,367,971		166,523
Remeasurement gain (loss) on defined benefit plans		283,744		(133,152)
2. Transfers such as discretionary reserves		-		45,288
Reserve for research and human resources development		-		45,288
3. Appropriation of retained earnings		1,651,715		78,659
Earned profit reserves		-		-
Cash dividends				
(Dividends per Ordinary share (%):				
2025: ₩ 2,000 (40%),				
2024: ₩ 1,000 (20%)				
(Dividends per Preferred share (%):				
2025: ₩ 2,050 (41%),				
2024: ₩ 1,050 (21%)		156,934		78,659
Reserve for research and human resources development.		1,494,781		-
Unappropriated retained earnings to be carried forward	₩	-	₩	-

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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 Water Solutions business including its entire shares of LG NanoH2O, LLC (June 2025) and aesthetic business (August 2025), and reclassified the related assets as assets held for sale.

Additionally, in accordance with the final approval of management, the Company acquired the remaining equity interest of LG Chem Hungary Battery Separator Kft. in October 2025. Subsequently, the Company decided to dispose of a portion of that interest, and the related assets have been classified as assets held for sale.

Meanwhile, sale of Water Solutions business including its entire shares of LG NanoH2O, LLC was finalized in December 2025.

Details of assets and liabilities of disposal group classified as held for sale as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025		2024	
Assets of disposal group				
Property, plant and equipment	₩	23,859	₩	-
Intangible assets		551		-
Inventories		1,593		-
Investments in Subsidiaries		526,442		-
	₩	552,445	₩	-

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 Water Solutions business with the resolution of the board of directors in June 2025. Accordingly, the related operations are presented as discontinued operations and the disposal was completed in December 2025.

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Comprehensive income information from discontinued operation for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025			
	Glass substrate	Polarizer and related material	Water Solutions	Total
Revenue	₩ -	₩ 10,762	₩ 1,359,731	₩ 1,370,493
Expense	(7,343)	(41,672)	(191,980)	(240,995)
Profit (loss) before income tax of discontinued operation	(7,343)	(30,909)	1,167,751	1,129,498
Income tax benefit (expense)	1,033	4,350	(164,321)	(158,938)
Profit (loss) after income tax of discontinued operations	₩ (6,310)	₩ (26,560)	₩ 1,003,430	₩ 970,560

(in millions of Korean won)

	2024			
	Glass substrate	Polarizer and related material	Water Solutions	Total
Revenue	₩ 7	₩ 1,347,001	₩ 227,603	₩ 1,574,610
Expense	(7,300)	(544,556)	(190,953)	(742,809)
Profit (loss) before income tax of discontinued operation	(7,293)	802,445	36,650	831,801
Income tax expense	-	-	(8,407)	(8,407)
Profit (loss) after income tax of discontinued operations	₩ (7,293)	₩ 802,445	₩ 28,243	₩ 823,395

LG Chem, Ltd.
Notes to the Separate Financial Statements
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Net cash flows from discontinued operations for the years ended December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025			
	Glass substrate	Polarizer and related material	Water Solutions	Total
Net cash inflow (outflow) from operating activities	₩ (6,736)	₩ 17,767	₩ (222,526)	₩ (211,495)
Net cash inflow (outflow) from investing activities	66	142,417	1,476,861	1,619,344
Net cash inflow (outflow) from financing activities	-	-	-	-

(in millions of Korean won)

	2024			
	Glass substrate	Polarizer and related material	Water Solutions	Total
Net cash inflow (outflow) from operating activities	₩ (9,119)	₩ (102,250)	₩ 79,450	₩ (31,919)
Net cash inflow (outflow) from investing activities	662	671,332	(16,428)	655,566
Net cash inflow (outflow) from financing activities	-	-	-	-

35. Assets and Liabilities related to Contracts with Customers

Assets and liabilities related to contracts with customers as at December 31, 2025 and 2024, are as follows:

(in millions of Korean won)

	2025	2024
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	₩ 92,298	₩ 190,880
Expected customer incentives	1,392	1,943
Unearned revenue	24,714	27,259
Total contract liabilities	₩ 118,404	₩ 220,082

LG Chem, Ltd.
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Revenue recognized in relation to contract liabilities.

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

<i>(in millions of Korean won)</i>	2025		2024	
Revenue recognized in the current period from the contract liabilities balance at the beginning of the period	₩	146,662	₩	30,166
Advances received in relation to revenue from the Company's main business activities		139,766		22,829
Unearned revenue		6,896		7,337
Revenue recognized from performance obligations satisfied in previous periods		-		-

36. Investment Properties

Details of investment properties as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025				2024			
	Cost	Accumulated depreciation	Accumulated impairment	Book amount	Cost	Accumulated depreciation	Accumulated impairment	Book amount
Land	₩ 10,317	₩ (84)	₩ (462)	₩ 9,771	₩ 6,578	₩ (76)	₩ (462)	₩ 6,040
Buildings	86,669	(19,259)	(17,000)	50,410	87,630	(17,134)	(17,013)	53,483
Total	₩ 96,986	₩ (19,343)	₩ (17,462)	₩ 60,181	₩ 94,208	₩ (17,210)	₩ (17,475)	₩ 59,523

Changes in investment properties for the years ended December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025			2024		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 6,040	₩ 53,483	₩ 59,523	₩ 3,829	₩ 46,546	₩ 50,375
Acquisitions/transfers	3,738	536	4,274	2,220	10,020	12,240
Disposals/transfers	-	(1,029)	(1,029)	-	(488)	(488)
Depreciation	(7)	(2,580)	(2,587)	(9)	(2,595)	(2,604)
Ending balance	₩ 9,771	₩ 50,410	₩ 60,181	₩ 6,040	₩ 53,483	₩ 59,523

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, 2025, is ₩ 66,595 million (2024: ₩ 75,107 million).

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During the year ended December 31, 2025, rental income from investment properties under operating lease is ₩ 3,606 million (2024: ₩ 3,675 million), and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) are ₩ 3,823 million (2024: ₩ 3,495 million). During the year ended December 31, 2025, 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.

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as at December 31, 2025 and 2024, are as follows:

<i>(in millions of Korean won)</i>	2025	2024
Within one year	₩ 2,496	₩ 2,696
Within two years	2,373	1,993
Within five years	1,486	1,971
Total	₩ 6,355	₩ 6,660

37. Approval of Issuance of the Financial Statements

The financial statements 2025 were approved for issue by the Board of Directors on January 28, 2026 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, 2025, 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 at December 31, 2025, 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, 2025, 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, and our report dated March 6, 2026 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 entity; (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 entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity'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 Jin-Hyun Kim, Certified Public Accountant.

Samil PricewaterhouseCoopers

Seoul, Korea

March 6, 2026

This report is effective as of March 6, 2026, 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, 2025.

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, 2025, 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

January 28, 2026

Hak-Cheol Shin, Chief Executive Officer

Dong-Seok Cha, Internal Control over Financial Reporting Officer