

April 28, 2020

SolutionPartner

# 1Q 2020 Business Results & Outlook



 LG Chem



# Contents

- **1Q 2020 Earnings Summary** | **4~5**
- **Results & Outlook by Business** | **6~9**
- **Appendix** | **10~18**
  - Sales & Operating Profit by Business
  - Income Statements / Financial Position / Cash Flows
  - Dividend Summary
  - Capex / R&D Expenses
  - Ethylene / PE Demand & Supply
  - Quarterly / Monthly Price Trends

**The business results currently under audit review are presented here for investors' convenience. Hence, please be advised that some of their contents may be altered in the course of audit.**

**The business results are subject to the K-IFRS(Korea International Financial Reporting Standards).**

**Forecasts and projections contained in this material are based on current business environments and management's strategies. Please note it may differ from actual results, due to uncertainties including changes in the future business environment and recalibration of strategy.**

# 1Q 2020 Business Results

## Income Statements

(Unit:KRW bn)

	2019				2020	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q		
<b>Sales</b>	6,622	7,163	7,334	7,451	<b>7,116</b>	<b>+7.5%</b>	<b>-4.5%</b>
<b>OP (%)</b>	281 4.2%	279 3.9%	392 5.3%	-13 -0.2%	<b>237</b> <b>3.3%</b>	<b>-15.8%</b>	<b>Turn a profit</b>
<b>EBITDA (%)</b>	686 10.4%	736 10.3%	869 11.8%	495 6.6%	<b>765</b> <b>10.8%</b>	<b>+11.5%</b>	<b>+54.6%</b>
<b>Pre-tax Income (%)</b>	286 4.3%	206 2.9%	257 3.5%	-71 -1.0%	<b>176</b> <b>2.5%</b>	<b>-38.5%</b>	<b>Turn a profit</b>
<b>Net Income (%)</b>	212 3.2%	84 1.2%	137 1.9%	-57 -0.8%	<b>36</b> <b>0.5%</b>	<b>-82.9%</b>	<b>Turn a profit</b>

※ The historical business results retroactively excluded the results of the discontinued business from '20.1Q.

# 1Q 2020 Business Results

## Financial Position

### Balance Sheet

(Unit:KRW tn)

	2018	2019	1Q 2020
<b>Assets</b>	28.94	34.02	<b>37.12</b>
<b>Cash and Equivalents</b>	2.56	1.92	<b>2.80</b>
<b>Liabilities</b>	11.62	16.64	<b>19.71</b>
<b>Debts</b>	5.32	8.41	<b>11.55</b>
<b>Shareholder's Equity</b>	17.32	17.38	<b>17.42</b>

### Financial Ratios

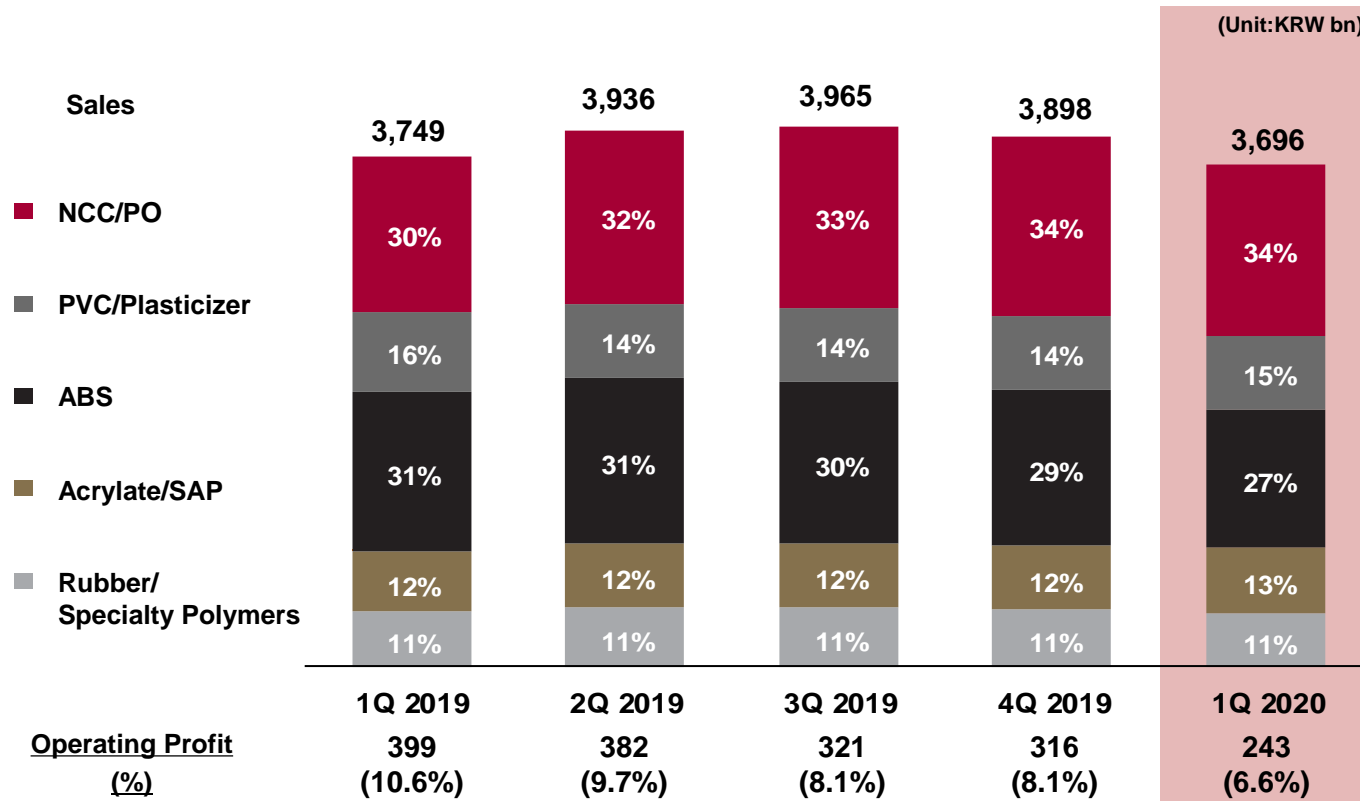
(Unit:%)

	2018	2019	1Q 2020
<b>Liabilities / Equity</b>	67.1%	95.7%	<b>113.1%</b>
<b>Debts / Equity</b>	30.7%	48.4%	<b>66.3%</b>
<b>Net Debts / Equity</b>	16.0%	37.4%	<b>50.3%</b>
<b>ROE</b>	9.0%	2.2%	<b>0.8%</b>
<b>ROA</b>	5.6%	1.2%	<b>0.4%</b>

- ※ ROE: Net Income / Avg of beginning & ending shareholders' equity
- ROA: Net Income / Avg of beginning & ending assets
- ※ Net Income calculation for each Quarters : Quarterly Net Income X 4

# Results & Outlook by Business

Petrochemicals



## [Analysis]

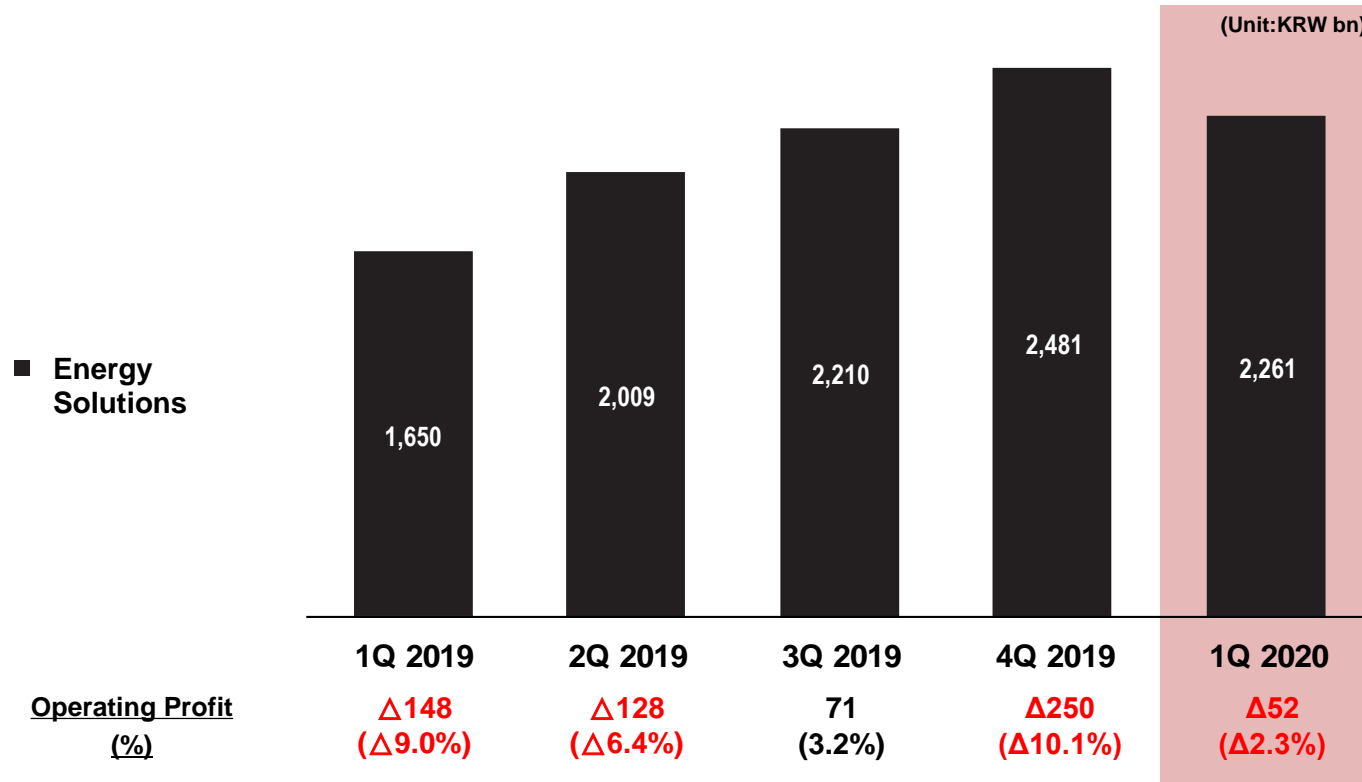
- Revenue fell due to lower oil prices and COVID-19
- Upstream profit dropped due to the lagging effect while downstream spread improved

## [Outlook]

- In spite of the uncertainties in demand, upstream profitability to recover and downstream spread to stay robust driven by prolonged low oil prices

# Results & Outlook by Business

Energy Solutions



## [Analysis]

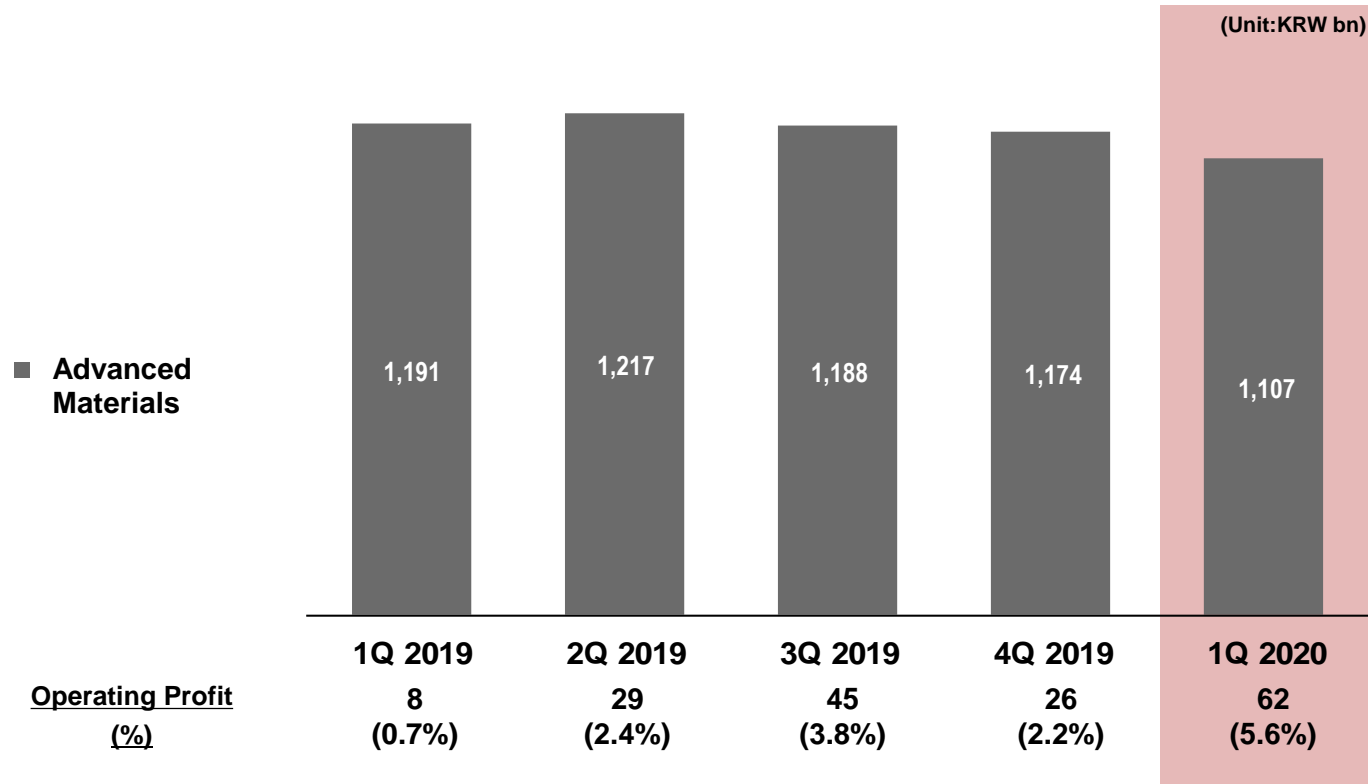
- On top of the ramp-up of new EV battery production line and seasonality of small batteries, COVID-19 impacted to lower revenue

## [Outlook]

- Further impact from COVID-19 is inevitable, however, thanks to greater EV and cylindrical battery shipments, sales expected to improve

# Results & Outlook by Business

Advanced Materials



## [Analysis]

- Due to the seasonality of front industry and COVID-19, sales dropped while profitability improved thanks to business restructuring and cost cutting efforts

## [Outlook]

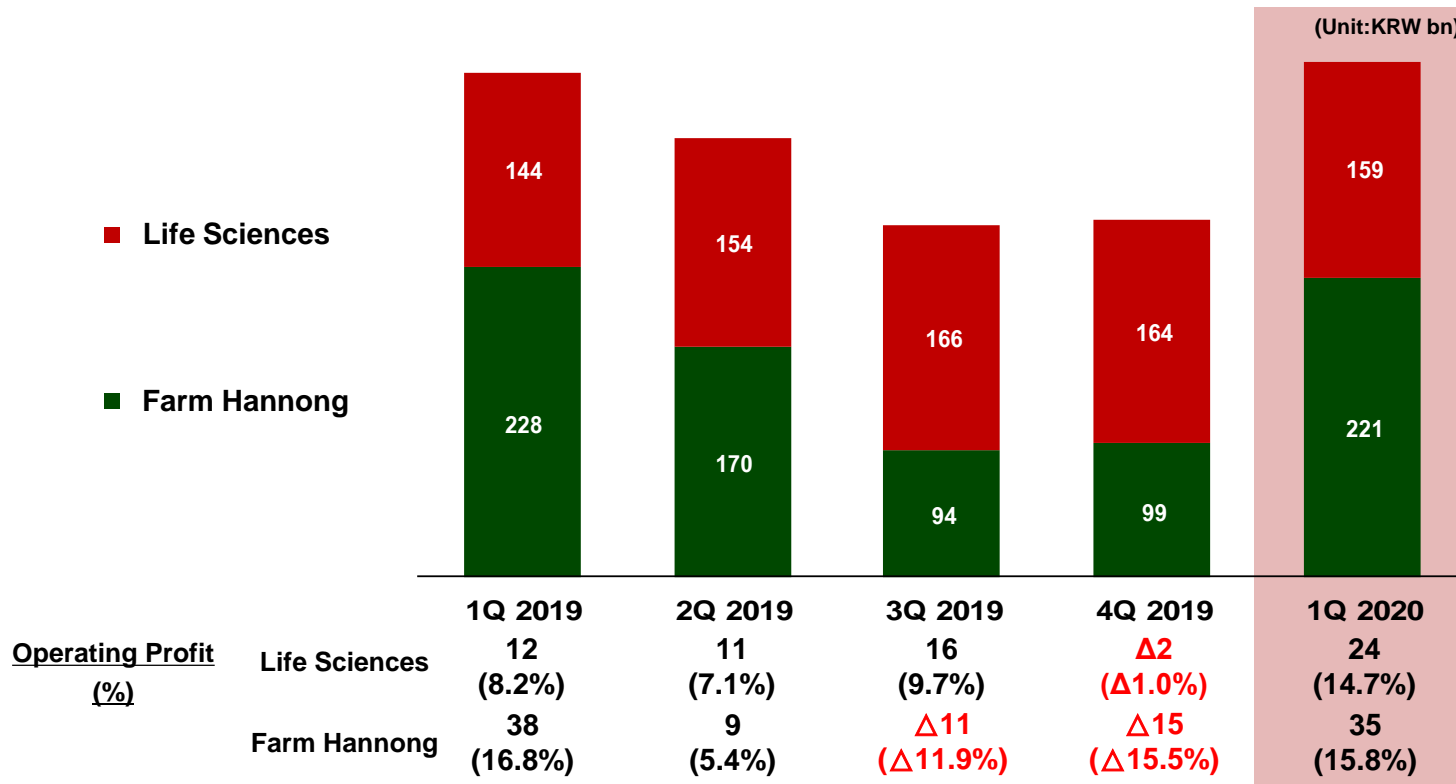
- Despite tangible benefits from business restructuring and cost efficiency efforts, sales to decline due to weaker demand as COVID-19 impact

※ The historical business results retroactively excluded the results of the discontinued business from '20.1Q.



# Results & Outlook by Business

Life Sciences / Farm Hannong



## [Analysis]

- Life Science: Profitability improved from marketing and R&D cost cuts
- Farm Hannong: Profitability declined YoY slightly due to higher exchange rate and raw material prices

## [Outlook]

- Life Science: Sales to fall from bigger impact of COVID-19
- Farm Hannong: Full-year earnings to improve YoY thanks to greater sales of high-value-added products

# Appendix

## Sales & Operating Profits by Business

(Unit: KRW bn)

LG CHEM	2018					2019					2020
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q
Sales	6,531	7,028	7,211	7,319	28,089	6,622	7,163	7,334	7,451	28,570	7,116
Operating Profits	655	706	605	289	2,255	281	279	392	-13	939	237
(%)	10.0%	10.0%	8.4%	4.0%	8.0%	4.2%	3.9%	5.3%	-0.2%	3.3%	3.3%
EBITDA	1,004	1,062	971	681	3,719	686	736	869	495	2,785	765
(%)	15.4%	15.1%	13.5%	9.3%	13.2%	10.4%	10.3%	11.8%	6.6%	9.7%	10.8%
<b>Petrochemicals</b>	<b>4,100</b>	<b>4,402</b>	<b>4,384</b>	<b>4,100</b>	<b>16,987</b>	<b>3,749</b>	<b>3,936</b>	<b>3,965</b>	<b>3,898</b>	<b>15,548</b>	<b>3,696</b>
NCC/PO	1,415	1,504	1,495	1,267	5,681	1,136	1,270	1,327	1,316	5,048	1,261
PVC/Plasticizer	605	596	611	622	2,434	596	538	546	545	2,225	543
ABS	1,233	1,357	1,304	1,209	5,102	1,170	1,228	1,182	1,148	4,728	1,016
Acrylate/SAP	427	468	477	495	1,868	447	461	479	473	1,861	484
Rubber/ Specialty Polymer	420	478	497	508	1,903	400	440	431	415	1,686	391
Operating Profits	598	663	528	242	2,031	399	382	321	316	1,418	243
(%)	14.6%	15.1%	12.1%	5.9%	12.0%	10.6%	9.7%	8.1%	8.1%	9.1%	6.6%
<b>Energy Solutions</b>	<b>1,245</b>	<b>1,494</b>	<b>1,704</b>	<b>2,077</b>	<b>6,520</b>	<b>1,650</b>	<b>2,009</b>	<b>2,210</b>	<b>2,481</b>	<b>8,350</b>	<b>2,261</b>
Operating Profits	2	27	84	96	209	-148	-128	71	-250	-454	-52
(%)	0.2%	1.8%	4.9%	4.6%	3.2%	-9.0%	-6.4%	3.2%	-10.1%	-5.4%	-2.3%
<b>Advanced Materials</b>	<b>1,083</b>	<b>1,109</b>	<b>1,193</b>	<b>1,200</b>	<b>4,584</b>	<b>1,191</b>	<b>1,217</b>	<b>1,188</b>	<b>1,178</b>	<b>4,769</b>	<b>1,107</b>
Operating Profits	33	21	34	-9	78	8	29	45	26	108	62
(%)	3.0%	1.9%	2.8%	-0.8%	1.7%	0.7%	2.4%	3.8%	2.2%	2.3%	5.6%
<b>Life Sciences</b>	<b>131</b>	<b>151</b>	<b>135</b>	<b>158</b>	<b>575</b>	<b>144</b>	<b>154</b>	<b>166</b>	<b>164</b>	<b>628</b>	<b>159</b>
Operating Profits	7	16	13	14	50	12	11	16	-2	37	24
(%)	5.3%	10.5%	9.8%	8.6%	8.6%	8.2%	7.1%	9.7%	-1.0%	5.9%	14.7%
<b>Farm Hannong</b>	<b>237</b>	<b>188</b>	<b>92</b>	<b>83</b>	<b>600</b>	<b>228</b>	<b>170</b>	<b>94</b>	<b>99</b>	<b>590</b>	<b>221</b>
Operating Profits	45	12	-19	-23	15	38	9	-11	-15	21	35
(%)	19.2%	6.1%	-20.4%	-27.3%	2.6%	16.8%	5.4%	-11.9%	-15.5%	3.5%	15.8%

※ The business results currently under audit review are presented here for investors' convenience.

Hence, please be advised that some of their contents may be altered in the course of audit.

※ The historical business results retroactively excluded the results of the discontinued business from '20.1Q.

# Appendix

## Income Statements

(Unit:KRW bn)

	2018					2019					2020
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q
<b>Sales</b>	6,531	7,028	7,211	7,319	<b>28,089</b>	6,622	7,163	7,334	7,451	<b>28,570</b>	<b>7,116</b>
Cost of Sales	5,187	5,556	5,843	6,154	<b>22,740</b>	5,448	6,005	6,071	6,163	<b>23,686</b>	<b>5,961</b>
Gross Profit(%)	1,345	1,472	1,368	1,164	<b>5,349</b>	1,174	1,158	1,264	1,288	<b>4,884</b>	<b>1,155</b>
	20.6%	20.9%	19.0%	15.9%	<b>19.0%</b>	17.7%	16.2%	17.2%	17.3%	<b>17.1%</b>	<b>16.2%</b>
SG&A Expenses	689	767	764	875	<b>3,095</b>	893	879	871	1,301	<b>3,945</b>	<b>919</b>
<b>Operating Profit(%)</b>	655	706	605	289	<b>2,255</b>	281	279	392	<b>-13</b>	<b>939</b>	<b>237</b>
	10.0%	10.0%	8.4%	4.0%	<b>8.0%</b>	4.2%	3.9%	5.3%	<b>-0.2%</b>	<b>3.3%</b>	<b>3.3%</b>
Other non-operating income(expenses)	3	<b>-58</b>	<b>-116</b>	<b>-131</b>	<b>-302</b>	5	<b>-73</b>	<b>-136</b>	<b>-58</b>	<b>-261</b>	<b>-61</b>
Income before tax	658	647	488	158	<b>1,952</b>	286	206	257	<b>-71</b>	<b>678</b>	<b>176</b>
<b>Net Income</b>	553	493	347	127	<b>1,519</b>	212	84	137	<b>-57</b>	<b>376</b>	<b>36</b>
EPS(Unit:KRW)	693	623	448	157	<b>1,922</b>	254	89	168	<b>-102</b>	<b>409</b>	<b>27</b>

※ The business results currently under audit review are presented here for investors' convenience.

Hence, please be advised that some of their contents may be altered in the course of audit.

※ The historical business results retroactively excluded the results of the discontinued business from '20.1Q.

# Appendix

## Financial Position

(Unit:KRW bn)

	2018				2019				2020
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
<b>Assets</b>	<b>26,416</b>	<b>27,399</b>	<b>28,419</b>	<b>28,944</b>	<b>31,212</b>	<b>32,436</b>	<b>33,531</b>	<b>34,024</b>	<b>37,121</b>
Cash and Equivalents	3,132	2,830	3,333	2,557	3,122	2,667	2,085	1,921	2,797
A/R	4,709	5,146	4,949	4,381	4,616	4,738	4,575	3,738	4,663
Inventory	3,784	3,950	4,404	4,290	4,503	4,771	4,977	5,034	5,335
Tangible / Intangible Assets	13,366	13,936	14,074	15,845	16,938	17,993	19,471	20,804	21,702
<b>Liabilities</b>	<b>9,905</b>	<b>10,391</b>	<b>11,162</b>	<b>11,622</b>	<b>14,013</b>	<b>15,157</b>	<b>16,040</b>	<b>16,641</b>	<b>19,705</b>
A/P	1,999	2,156	2,541	2,166	2,434	2,549	2,467	2,380	2,550
Short-term debts	1,593	1,903	2,037	1,613	1,630	1,432	1,744	1,356	2,431
Long-term debts	2,643	3,211	3,262	3,708	5,275	7,049	7,211	7,058	9,123
<b>Shareholders' Equity</b>	<b>16,510</b>	<b>17,009</b>	<b>17,257</b>	<b>17,322</b>	<b>17,199</b>	<b>17,279</b>	<b>17,491</b>	<b>17,384</b>	<b>17,416</b>
<b>Liabilities/Equity(%)</b>	60.0%	61.1%	64.7%	67.1%	81.5%	87.7%	91.7%	95.7%	113.1%
<b>Net debt/Equity(%)</b>	6.7%	13.4%	11.4%	16.0%	22.0%	33.6%	39.3%	37.4%	50.3%
<b>BPS (Unit:KRW)</b>	20,836	21,454	21,750	21,823	21,631	21,745	21,941	21,723	21,724

※ The business results currently under audit review are presented here for investors' convenience.  
Hence, please be advised that some of their contents may be altered in the course of audit.

# Appendix

## Cash Flows

(Unit:KRW bn)

	2018					2019					2020
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q
<b>Beginning Cash Balance</b>	2,249	2,917	2,352	3,067	<b>2,249</b>	2,514	3,098	2,631	2,055	<b>2,514</b>	<b>1,889</b>
<b>Operating Activities</b>	37	82	1,198	808	<b>2,125</b>	644	246	395	1,836	<b>3,121</b>	<b>-97</b>
Operating Profits	655	706	605	289	<b>2,255</b>	281	279	392	<b>-13</b>	<b>939</b>	<b>237</b>
Depreciation	349	356	367	392	<b>1,465</b>	405	456	477	508	<b>1,846</b>	<b>529</b>
Working Capital	<b>-707</b>	<b>-446</b>	128	307	<b>-718</b>	<b>-181</b>	<b>-275</b>	<b>-124</b>	693	<b>113</b>	<b>-1,056</b>
<b>Investing Activities</b>	<b>-553</b>	<b>-1,005</b>	<b>-697</b>	<b>-1,384</b>	<b>-3,639</b>	<b>-1,527</b>	<b>-1,732</b>	<b>-1,360</b>	<b>-1,493</b>	<b>-6,111</b>	<b>-1,328</b>
<b>Financing Activities</b>	1,170	369	238	17	<b>1,794</b>	1,450	986	386	<b>-521</b>	<b>2,301</b>	<b>2,283</b>
Debts	1,191	878	186	21	<b>2,276</b>	1,584	1,576	474	<b>-540</b>	<b>3,093</b>	<b>3,139</b>
Dividends	-	<b>-460</b>	<b>-34</b>	-	<b>-494</b>	-	<b>-484</b>	-	-	<b>-484</b>	-
<b>Ending Cash Balance</b>	2,917	2,352	3,067	2,514	<b>2,514</b>	3,098	2,631	2,055	1,889	<b>1,889</b>	<b>2,767</b>

※ Based on Public Disclosure standard

※ The business results currently under audit review are presented here for investors' convenience.  
Hence, please be advised that some of their contents may be altered in the course of audit.

# Appendix

## CAPEX / R&D Expenses

### CAPEX

(Unit:KRW tn)

	2018	2019	2020
			1Q
Petrochemicals	1.4	1.8	0.5
Energy Solutions	1.9	3.9	0.7
Advanced Materials	0.5	0.6	0.1
Life Sciences	0.1	0.1	0.0
Common (including Farm Hannong)	0.7	0.6	0.1
(Incentives)	(0.02)	(0.3)	(0.1)
<b>Total</b>	<b>4.6</b>	<b>6.6</b>	<b>1.3</b>

### R&D Expenses

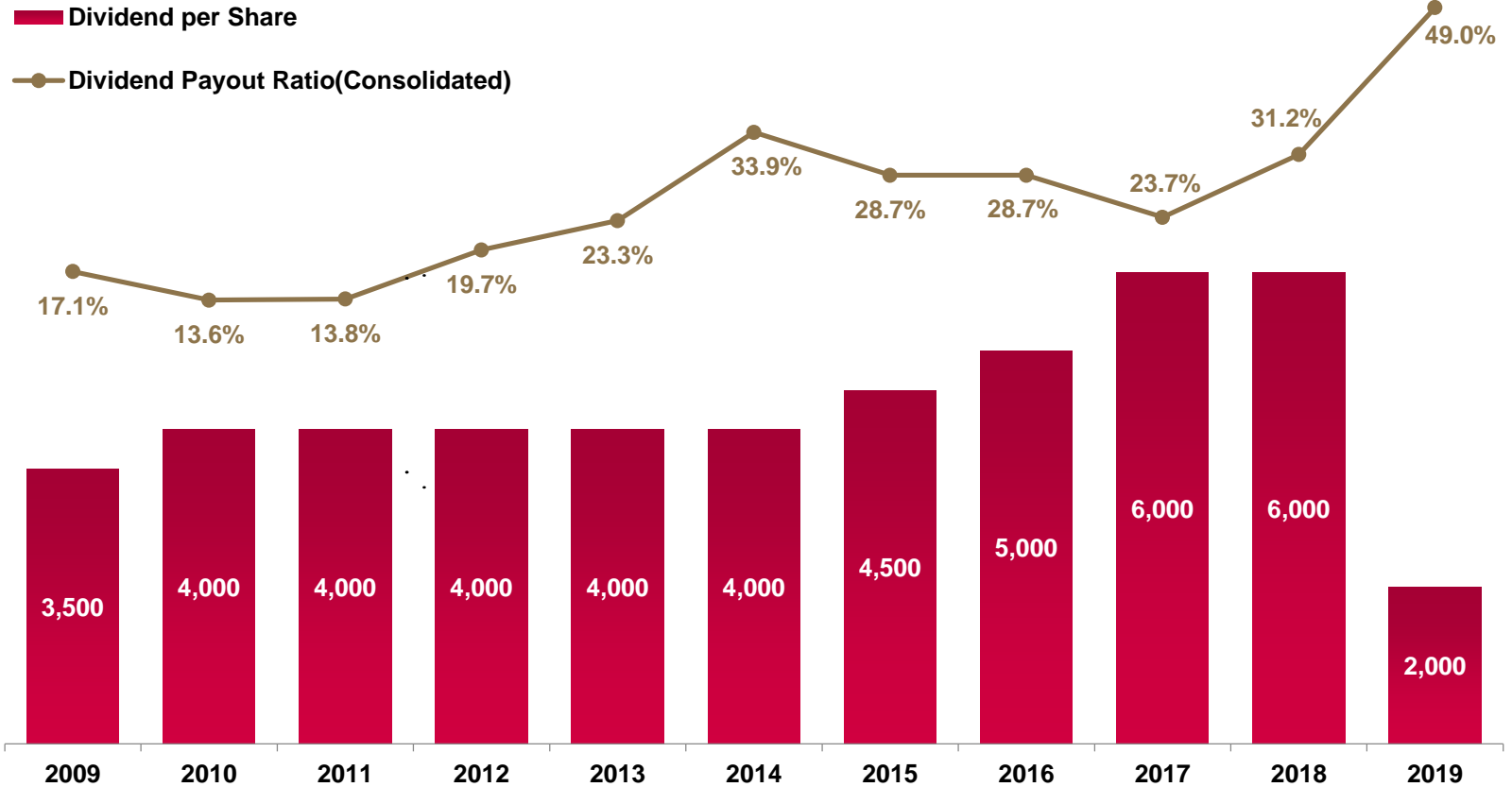
(Unit:KRW bn)

	2018	2019	2020
			1Q
Petrochemicals	144	155	39
Energy Solutions	320	388	98
Advanced Materials	235	192	39
Life Sciences	124	164	36
Common (including Farm Hannong)	238	234	54
<b>Total</b>	<b>1,062</b>	<b>1,132</b>	<b>266</b>

# Appendix

## Dividend Summary

(Unit:KRW / Common Share)



※ Dividend Policy

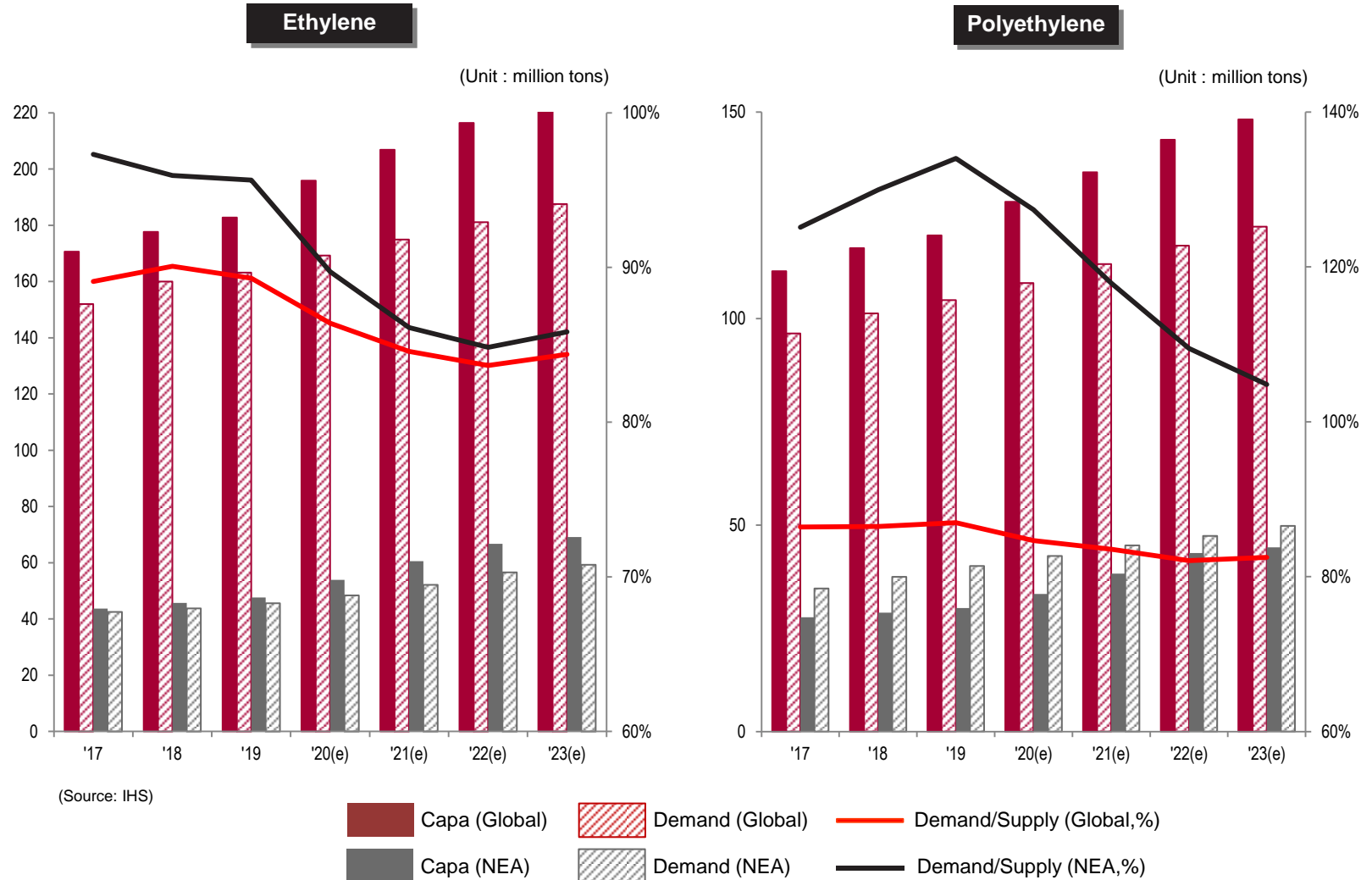
LG Chem considers all factors such as, investment amounts, cash flow, financial structure and dividend stability, etc., when the company determines dividend payout amounts for enhancing shareholders' value and expanding return of profits to its shareholders.

The dividend stability means the company tries to avoid reducing dividend per share, however, it can be flexibly applied to the direction of the company's long-term growth and continuing enhancement of shareholders' value after analyzing changes in economic condition and business strategy including CAPEX.

The company will communicate to investors about expected next year's dividend information in the conference call at least once a year.

# Appendix

## Ethylene / PE Demand Supply



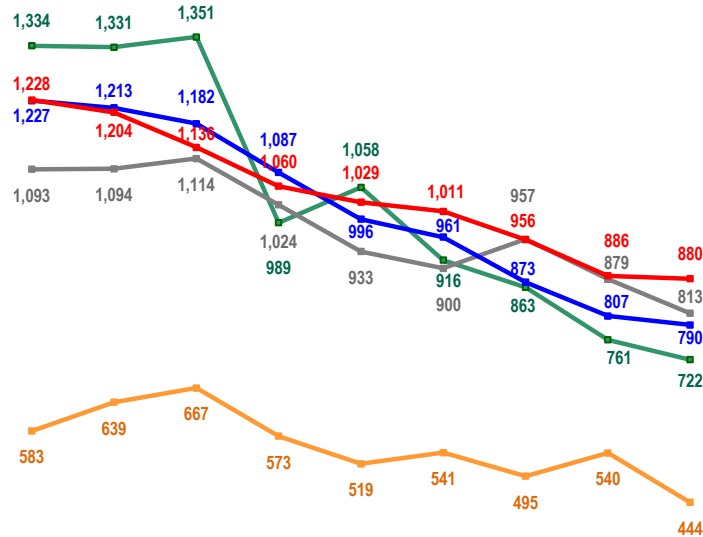


# Appendix

## Quarterly Price Trends

(Unit : USD/MT)

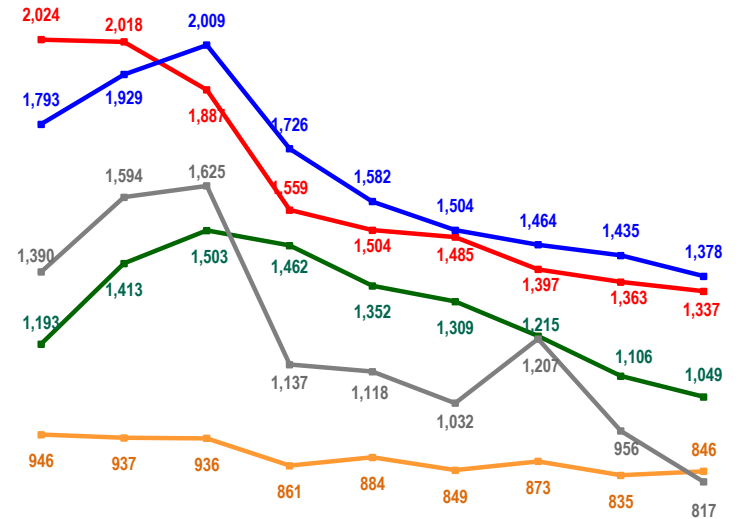
(Unit : USD/MT)



1Q '18 2Q 3Q 4Q 1Q '19 2Q 3Q 4Q 1Q '20

Naphtha Ethylene Propylene HDPE(Film) LDPE

**NCC/PO**



1Q '18 2Q 3Q 4Q 1Q '19 2Q 3Q 4Q 1Q '20

ABS PVC B.Acrylate BD BR

**ABS**

**PVC/  
Plasticizer**

**Acrylate/SAP**

**Rubber/Specialty  
Polymers**

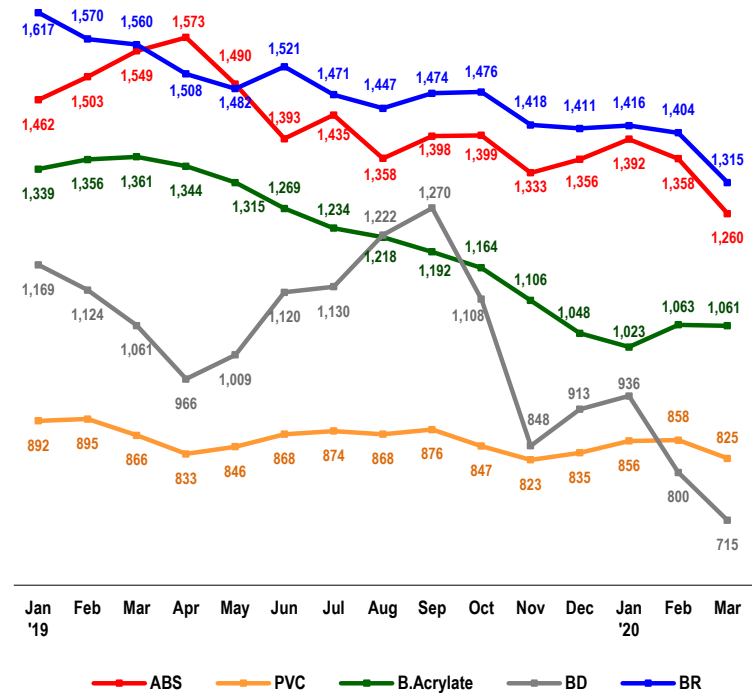
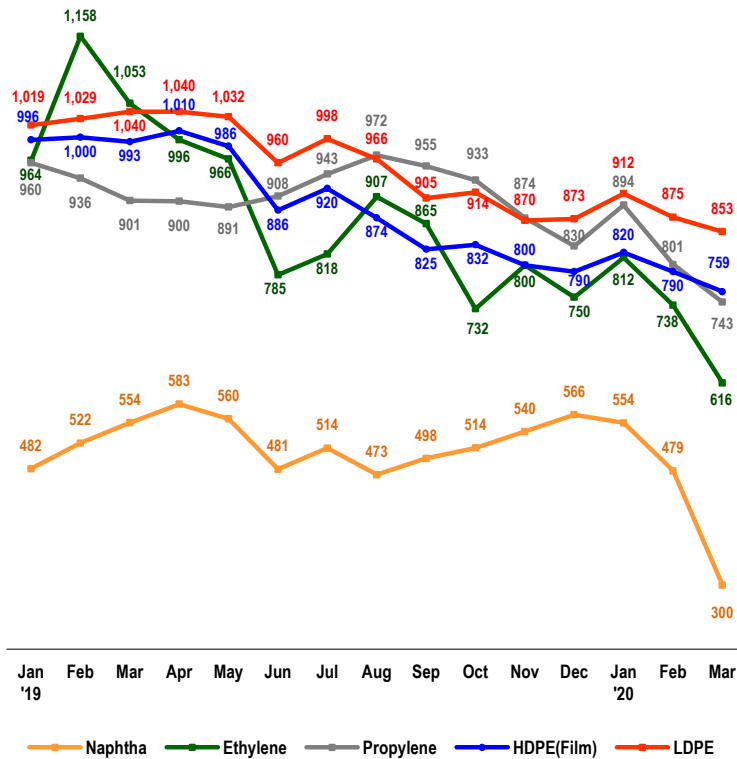
• The prices are average price of CFR FE Asia for general grade in each product group.

# Appendix

## Monthly Price Trends

(Unit : USD/MT)

(Unit : USD/MT)



**NCC/PO**

**ABS**

**PVC/  
Plasticizer**

**Acrylate/SAP**

**Rubber/Specialty  
Polymers**

• The prices are average price of CFR FE Asia for general grade in each product group.

# Thank you



**LG Chem**

07336 LG Twin Towers 128, Yeoui-daero, Yeong deung po-gu, Seoul | Tel. 02-3773-1114 | [www.lgchem.com](http://www.lgchem.com)  
Copyright© 2020 LG Chem. All Rights Reserved.