

4Q 2017 Business Results & Outlook

January 31, 2018



Disclaimer

The business results for the fourth quarter of 2017 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).

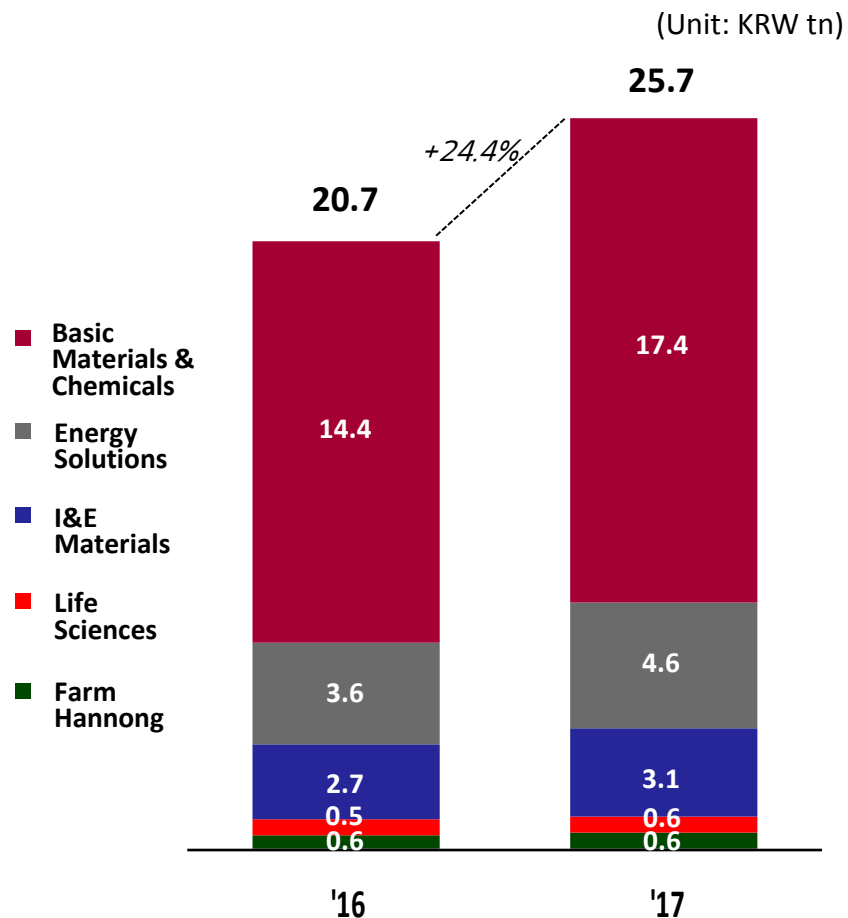
Forecasts and projections contained in this material are based on current business environments and management's strategies, and they may differ from the actual results upon changes and unaccounted variables.

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2017 Business Results

Sales



Operating Profit

(Unit: KRW bn)

Classification	'16	'17	YoY(%)
LG Chem	1,992 (9.6)	2,929 (11.4)	+47.0%
Basic Materials & Chemicals	2,139 (14.8)	2,808 (16.1)	+31.3%
Energy Solutions	-49 (-1.4)	29 (0.6)	T/B
I&E Materials	-55 (-2.1)	112 (3.6)	T/B
Life Sciences	47 (8.9)	54 (9.7)	+13.4%
Farm Hannong	-15 (-2.6)	36 (5.9)	T/B

(Unit: KRW bn)

Classification	4Q '16	3Q '17	4Q '17	YoY	QoQ
Sales	5,512	6,397	6,432	16.7%	0.5%
Operating Profit	462	790	615	33.2%	-22.1%
(%)	(8.4)	(12.3)	(9.6)		
EBITDA	805	1,137	972	20.8%	-14.5%
(%)	(14.6)	(17.8)	(15.1)		
Pre-tax Income	358	703	434	21.1%	-38.3%
(%)	(6.5)	(11.0)	(6.7)		
Net Income	270	546	338	25.2%	-38.0%
(%)	(4.9)	(8.5)	(5.3)		

* Business performances of Farm Hannong and Life Sciences have been included since '16.2Q and '17.1Q, respectively.

Financial Position

(Unit: KRW bn)

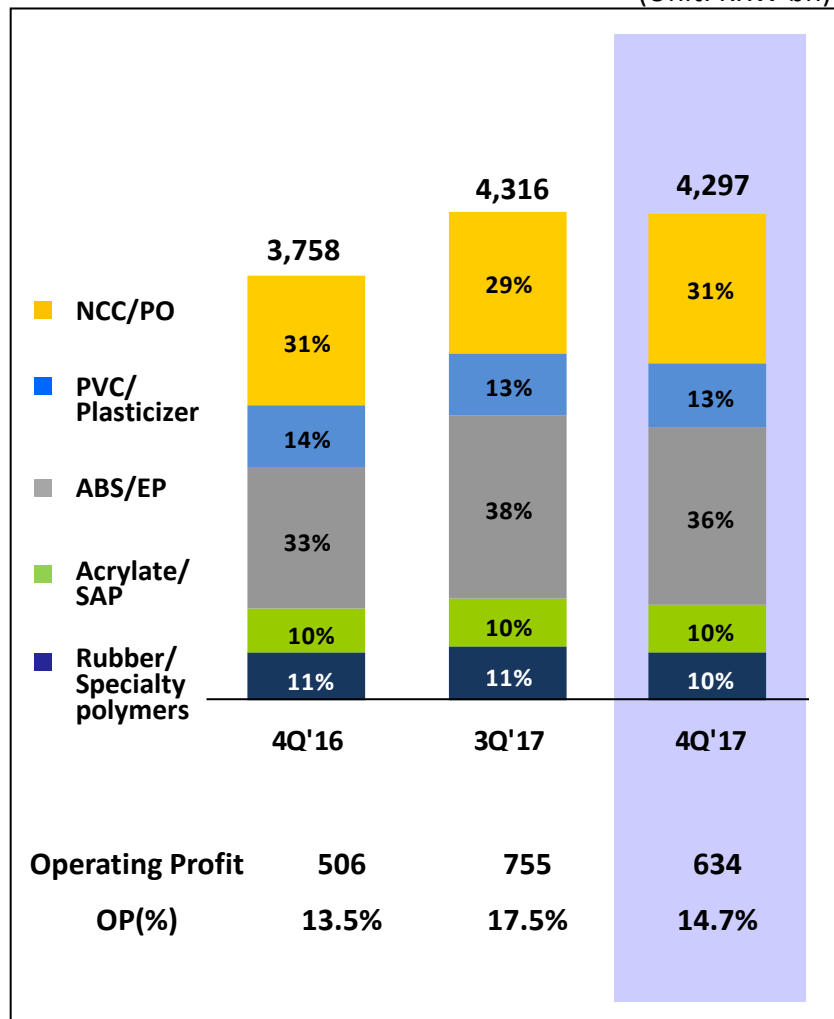
Classification	'16 (End)	'17 (End)	Change
Asset	20,487	25,041	22.2%
Cash and equivalents	2,207	2,779	25.9%
Liabilities	6,436	8,703	35.2%
Borrowings	2,891	3,045	5.3%
Shareholder's Equity	14,051	16,339	16.3%
Liabilities/Equity	45.8	53.3	7.5%p

Financial Ratios

Classification	'16 (End)	'17 (End)	Change
Borrowings / Equity (%)	20.6	18.6	-2.0%p
Net borrowings/ Equity (%)	4.9	1.6	-3.3%p
Interest Coverage Ratio (x)	25.9	29.3	3.4
ROE (%)	9.4	13.3	3.9%p
ROA (%)	6.6	8.9	2.3%p

Divisional Results

(Unit: KRW bn)



Analysis & Outlook

Analysis

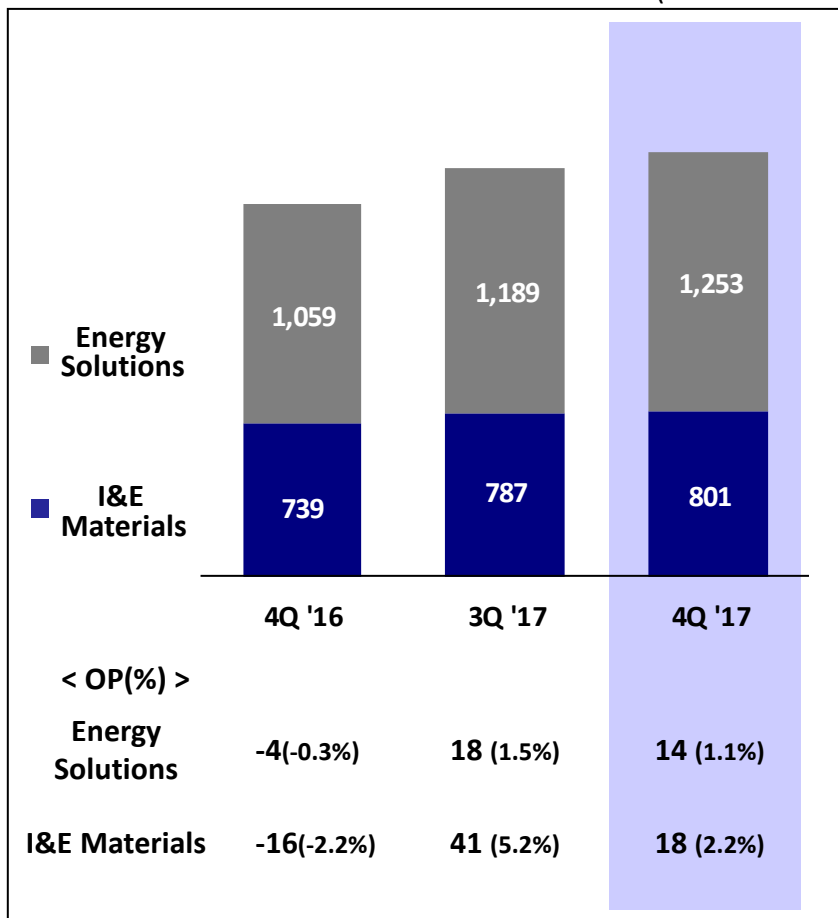
- Despite the impact of strong KRW and increase in maintenance expenses, historical high 4Q results were achieved on the back of solid performance from NCC and ABS, etc.
 - NCC/PO : Profitability remained solid on the back of strong prices led by demand from new downstream plants' operation
 - PVC/Plasticizer : Profit decreased on softening product margin due to the weak seasonality at year end
 - ABS/EP : Solid earnings continued thanks to robust sales driven by demand for home appliances in China
 - Acrylate/SAP : Profitability declined QoQ on the back of the weak demand at year end
 - Rubber/Specialty Polymers : Earnings decreased QoQ due to the selling price cut on quarterly contracts of synthetic rubber

Outlook

- Despite remaining impact of strong KRW in 1Q, profitability will be higher than previous quarter's level on the back of solid downstream demand

Divisional Results

(Unit: KRW bn)



Analysis & Outlook

Analysis

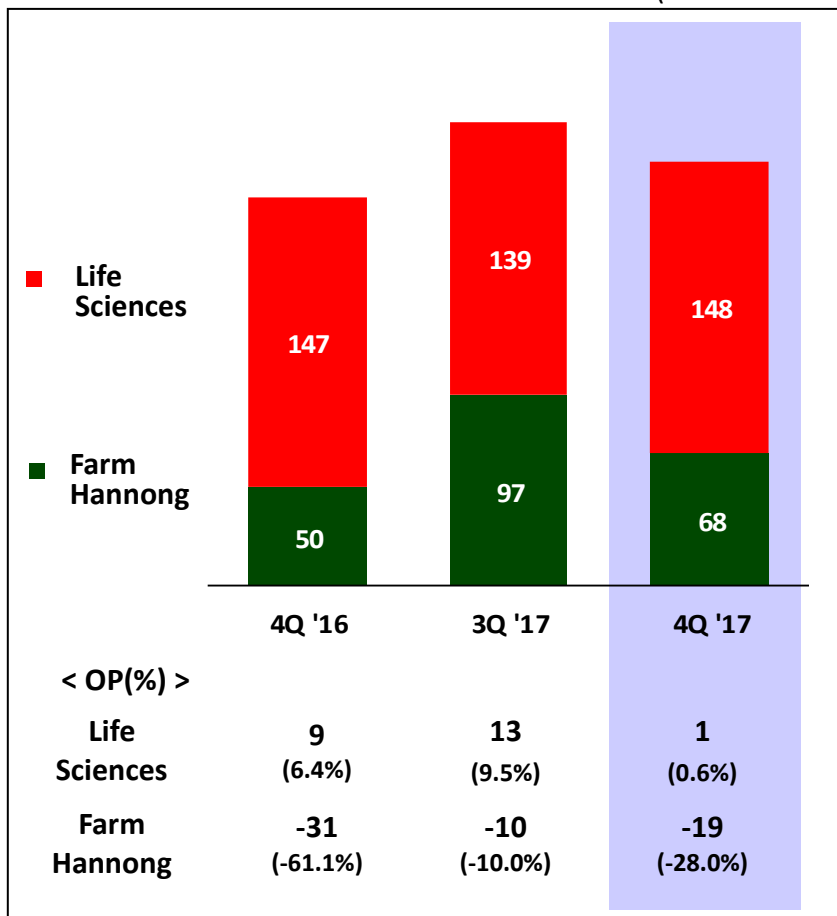
- Energy Solutions** : Quarterly sales recorded historical high and positive operating income continued thanks to the brisk sales of EVs as well as ESS sales growth
- I&E Materials** : Profitability declined due to the ASP cut and strong KRW

Outlook

- Energy Solutions** : Despite continuing growth of EV sales in 1Q, weak seasonality of mobile/ESS batteries and fixed cost increase in the initial stage of new plant operation in Poland will be a burden on profitability
- I&E Materials** : Declined profitability is expected on the back of strong KRW in 1Q, weak seasonality, and slowdown in front line industry

Divisional Results

(Unit: KRW bn)



Analysis & Outlook

Analysis

- **Life Sciences** : Declined profitability due to strong KRW, increased marketing expenses for new products as well as R&D expenses for new drug development
- **Farm Hannong** : Although earnings decreased QoQ due to the weak seasonality of agrochemical business, profitability improved YoY thanks to the cost reduction, etc.

Outlook

- **Life Sciences** : Growth of major products including 'YVOIRE', 'Zemiglo' will continue while sales of vaccine will decline in 1Q
- **Farm Hannong** : Both sales and profitability will improve sharply in 1Q thanks to the seasonality of strong 1H and weak 2H

Business Plan

(Unit: KRW tn)

Classification	'17	'18 Plan	Change
Sales	25.7	26.9	+4.7%
Basic Materials & Chemicals	17.4	16.8	-3.6%
Energy Solutions	4.6	6.1	+34.2%
I&E Materials	3.1	3.4	+9.4%
Life Sciences ¹⁾	0.6	0.6	+8.8%
Farm Hannong ²⁾	0.6	0.7	+14.3%
Operating Profits	2.9	N/A	N/A

CAPEX Plan

(Unit: KRW tn)

Classification	'17	'18 Plan	Change
LG Chem	2.5	3.8	+52%
New/Expansion	1.2	2.2	+85%
Maintenance	0.9	1.2	+30%
R&D	0.4	0.4	+2%

	'17	'18
Basic Materials & Chemicals	0.7	1.3
Energy Solution	1.0	1.5
Others	0.4	0.7

- Expansion of Investment in specialty items and their feedstock
- Preparation for mass production of awarded projects and laying the groundwork for core competency
- Investment in mobile and ESS batteries

(Unit: KRW bn)

Classification	2016					2017				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	4,874	5,219	5,054	5,512	20,659	6,487	6,382	6,397	6,432	25,698
Operating Profit	458	612	460	462	1,992	797	727	790	615	2,929
(%)	9.4%	11.7%	9.1%	8.4%	9.6%	12.3%	11.4%	12.3%	9.6%	11.4%
EBITDA	780	946	796	805	3,327	1,151	1,074	1,137	972	4,335
(%)	16.0%	18.1%	15.8%	14.6%	16.0%	17.8%	16.8%	17.8%	15.1%	16.9%
Basic Materials & Chemicals	3,512	3,653	3,525	3,758	14,447	4,495	4,319	4,316	4,297	17,427
NCC / PO	1,156	1,221	1,131	1,161	4,669	1,362	1,291	1,246	1,323	5,222
PVC / Plasticizer	489	508	496	542	2,035	588	572	560	568	2,288
ABS	877	920	866	948	3,611	1,216	1,185	1,261	1,214	4,876
EP	298	299	304	308	1,210	332	307	357	347	1,343
Acrylate / SAP	345	331	357	391	1,424	435	427	425	420	1,706
Rubber / Specialty Polymer	347	374	370	408	1,499	563	537	467	424	1,991
Operating Profit	466	649	517	506	2,139	734	686	755	634	2,808
(%)	13.3%	17.8%	14.7%	13.5%	14.8%	16.3%	15.9%	17.5%	14.7%	16.1%
Energy Solutions	814	809	879	1,059	3,562	999	1,120	1,189	1,253	4,561
Operating Profit	0	-31	-14	-4	-49	-10	8	18	14	29
(%)	0.0%	-3.9%	-1.6%	-0.3%	-1.4%	-1.0%	0.7%	1.5%	1.1%	0.6%
I&E Materials	627	650	641	739	2,656	726	747	787	801	3,062
Operating Profit	-8	-15	-16	-16	-55	29	23	41	18	112
(%)	-1.3%	-2.2%	-2.5%	-2.2%	-2.1%	4.0%	3.1%	5.2%	2.2%	3.6%
Life Sciences	120	131	135	147	532	129	135	139	148	552
Operating Profit	17	11	10	9	47	21	19	13	1	54
(%)	14.3%	8.1%	7.5%	6.4%	8.9%	15.9%	14.0%	9.5%	0.6%	9.7%
Farm Hannong	242	189	87	50	568	254	186	97	68	604
Operating Profit	39	-2	-20	-31	-15	50	14	-10	-19	36
(%)	15.9%	-1.2%	-23.3%	-61.1%	-2.6%	19.8%	7.3%	-10.1%	28.0%	5.9%
(Excluding One-off expenses)	49	20	-14	-25	29	50	14	-10	-19	36

* Business performances of Farm Hannong and Life Sciences have been included since 2Q16 and 1Q17, respectively.

Borrowings

(Unit : KRW bn)

Classification	'16 (End)	'17 (End)
Total (Overseas Subsidiaries)	2,891 (1,892)	3,045 (1,686)
KRW Currency	521 18%	1,326 44%
C P	270	1,247
Others	252	79
Foreign Currency	2,369 82%	1,719 56%
Short-term (Overseas Subsidiaries)	2,213 (1,284) 77%	1,451 (1,167) 48%
Long-term (Overseas Subsidiaries)	678 (607) 23%	1,594 (519) 52%
Cash	2,207	2,779
Net borrowings	683	266

※ Numbers in brackets are amounts for overseas subsidiaries and the % is calculated to total borrowings.

Cash Flow

(Unit: KRW bn)

Classification	'16 (Acc.)	'17 (Acc.)
Beginning Cash	2,694	2,207
Operating/Investing	524	1,337
Operating profit	1,992	2,929
Depreciation	1,335	1,406
Working Capital	-52	-845
Investing Activities	-1,993	-1,844*
Others	-758	-309
Financing	-1,007	-737
Borrowings (Financed & reimbursed)	-661	-351
Dividends paid	-347	-386
Ending Cash	2,207	2,779

*Cash excluding accounts payable related to the investment activities (CAPEX in 2017 is KRW 2.5tn)

CAPEX

(Unit: KRW bn)

Classification		'15 (Acc.)	'16 (Acc.)	'17 (Acc.)
Basic Materials & Chemicals	New / Expansion	328	103	324
	Maintenance	385	289	345
	Total	713	392	669
Energy Solutions	New / Expansion	265	365	691
	Maintenance	189	197	259
	Total	454	563	950
I & E Materials	New / Expansion	219	291	120
	Maintenance	141	95	101
	Total	360	386	221
Life Sciences	New / Expansion	60	124	81
	Maintenance	19	38	25
	Total	79	162	106
Common (including Farm Hannong)	New / Expansion	133	555	395
	Maintenance	63	82	200
	Total	196	637	595
Total	New / Expansion	945	1,314	1,612
	Maintenance	778	663	928
	Total	1,723	1,977	2,540

* Business performances of Farm Hannong and Life Sciences have been included since 2Q16 and 1Q17, respectively.

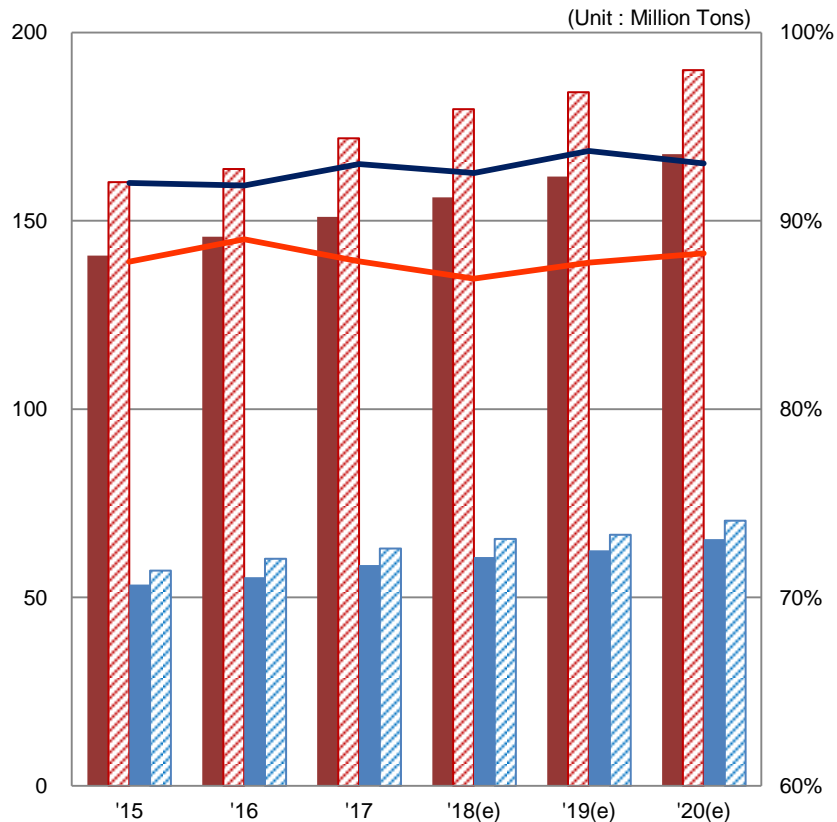
R&D expenses

(Unit: KRW bn)

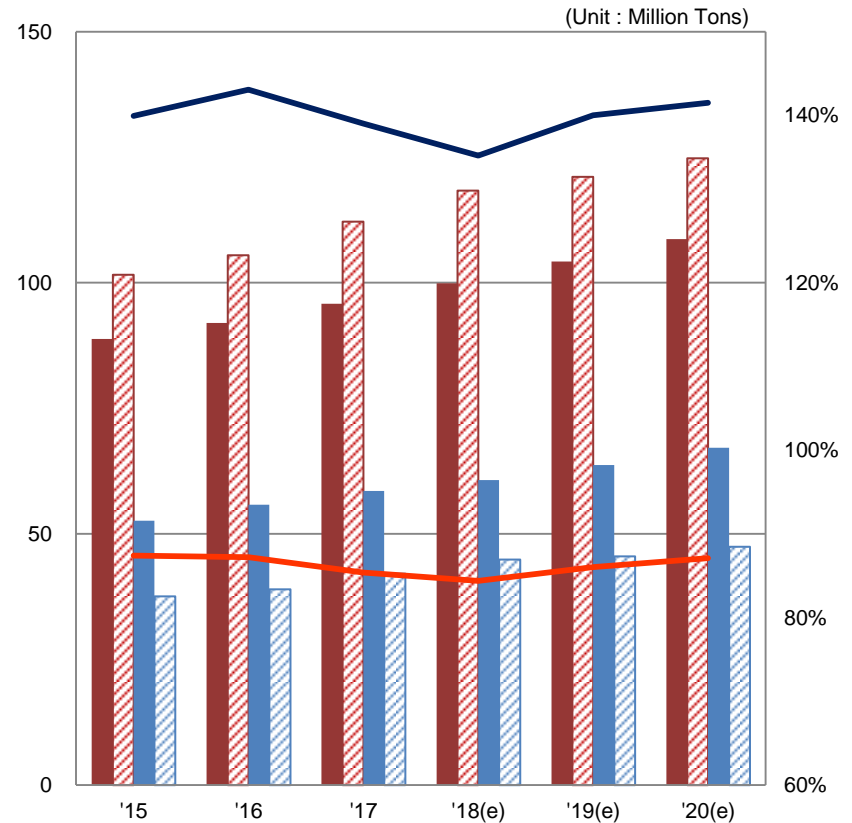
Classification	'15 (Acc.)	'16 (Acc.)	'17 (Acc.)
Basic Materials & Chemicals (% of sales)	132 (0.9%)	150 (1.0%)	164 (0.9%)
Energy Solutions (% of sales)	229 (7.3%)	276 (7.7%)	299 (6.2%)
I & E Materials (% of sales)	146 (5.3%)	161 (6.1%)	181 (5.9%)
Life Sciences (% of sales)	79 (17.5%)	91 (17.1%)	96 (17.5%)
Common (including Farm Hannong)	49	91	152
Total (% of sales)	557 (2.8%)	678 (3.3%)	892 (3.5%)

* In 2017, more than 50% of Energy solutions R&D expenses were used for EV battery accumulatively

Ethylene



Polyethylene

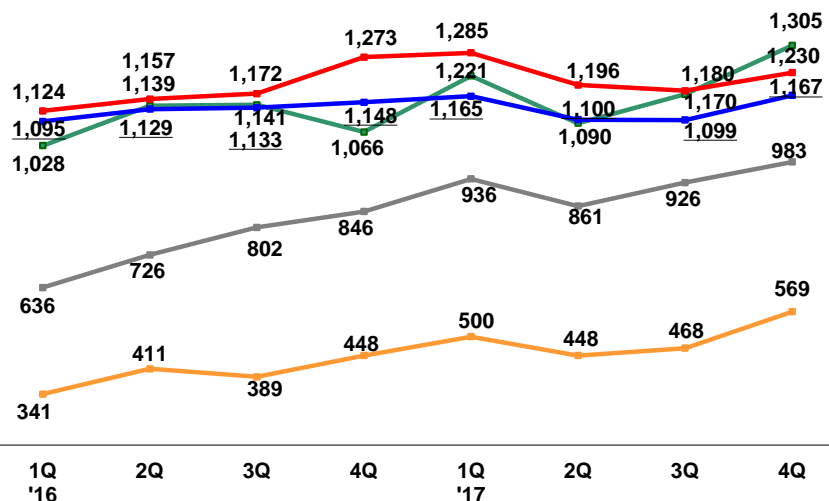


Demand (Global)
 Supply (Global)
 Demand/Supply (Global, %)

Demand (Asia)
 Supply (Asia)
 Demand/Supply (Asia, %)

(Source : IHS)

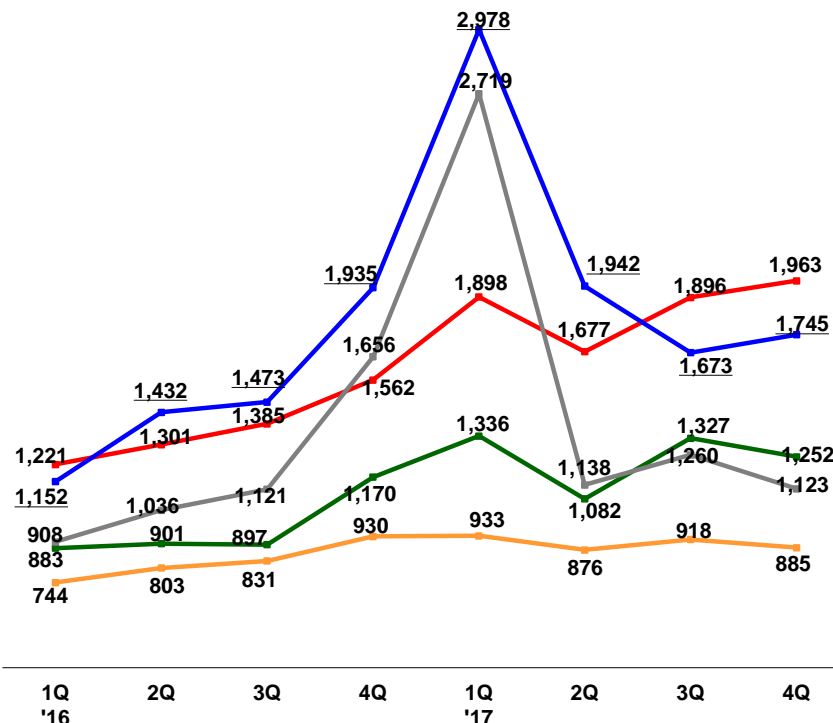
(Unit : USD/MT)



— Naphtha — Ethylene — Propylene — HDPE(Film) — LDPE

NCC/PO

(Unit : USD/MT)



— ABS — PVC — B.Acrylate — BD — BR

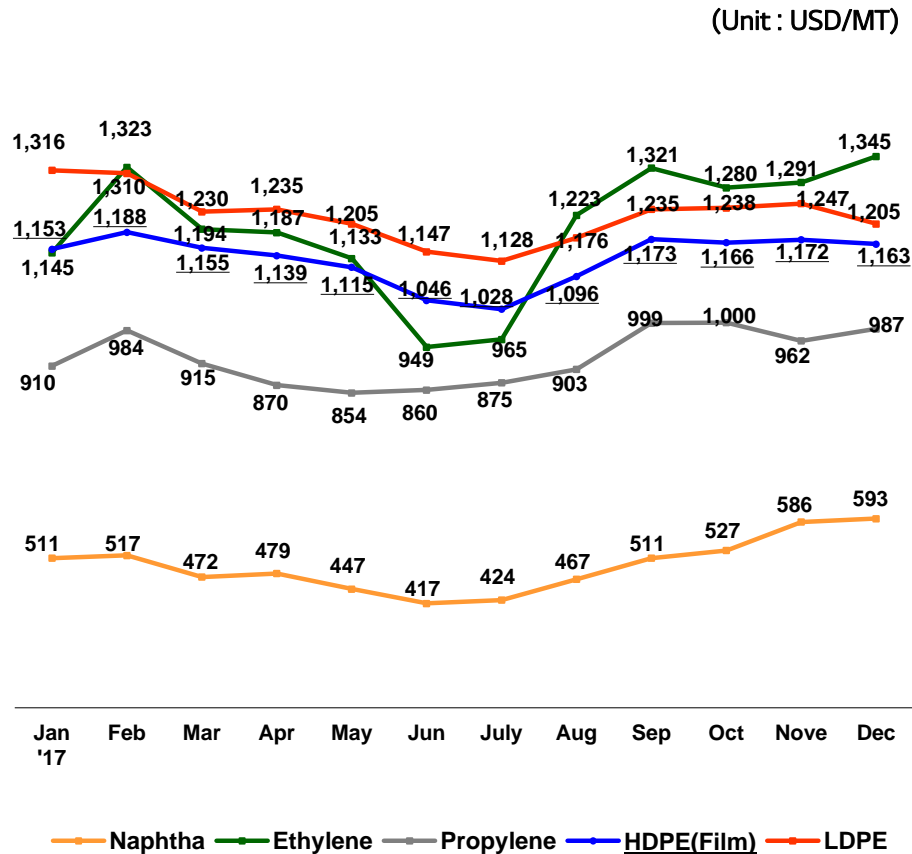
ABS/EP

**PVC/
Plasticizer**

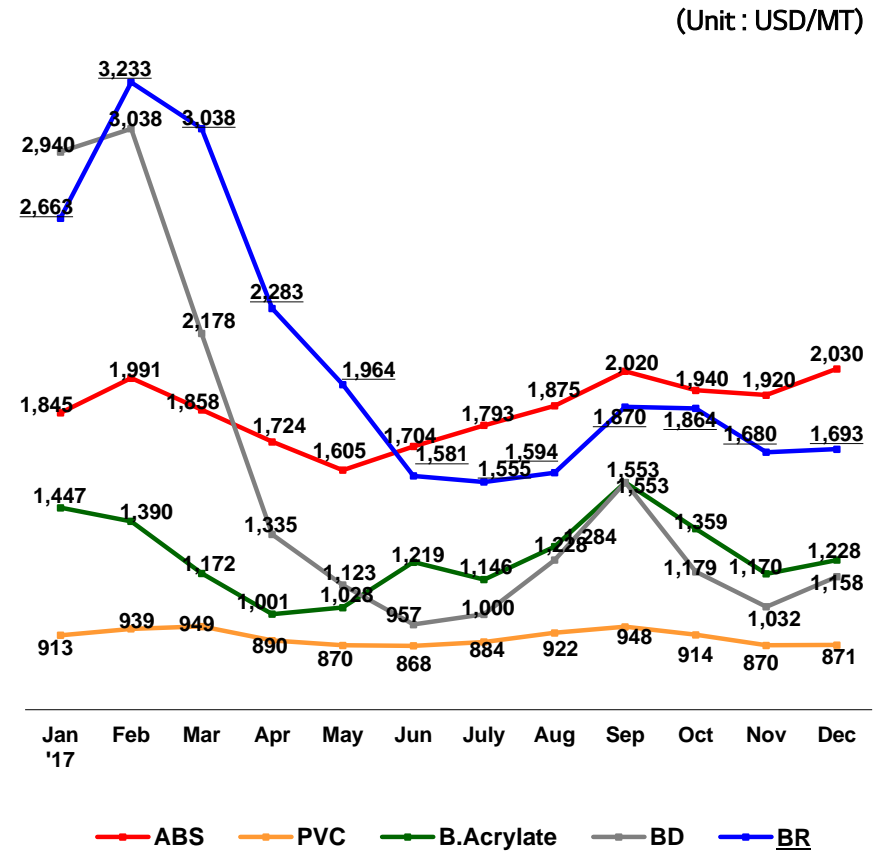
**Acrylate/
SAP**

**Rubber/
Specialty Polymers**

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



NCC/PO



ABS/EP

PVC/Plasticizer

Acrylate/SAP

Rubber/Specialty Polymers

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