

3Q 2018 Business Results & Outlook

January, 2019



Disclaimer

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.

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3Q 2018 Business Results

Income Statements

(Unit: KRW bn)

Classification	3Q '17	2Q '18	3Q '18	YoY	QoQ
Sales	6,397	7,052	7,235	13.1%	2.6%
Operating Profit	790	703	602	-23.7%	-14.3%
(%)	(12.3)	(10.0)	(8.3)		
EBITDA	1,137	1,065	975	-14.2%	-8.5%
(%)	(17.8)	(15.1)	(13.5)		
Pre-tax Income	702	644	485	-30.9%	-24.7%
(%)	(11.0)	(9.1)	(6.7)		
Net Income	546	493	347	-36.5%	-29.8%
(%)	(8.5)	(7.0)	(4.8)		

Balance Sheet

(Unit: KRW bn)

	'17 (End)	1Q'18 (End)	2Q'18 (End)	3Q'18 (End)	Change
Asset	25,041	26,416	27,399	28,419	3.7%
Cash and equivalents	2,779	3,132	2,830	3,333	17.8%
Liabilities	8,703	9,905	10,391	11,162	7.4%
Debt	3,045	4,236	5,114	5,300	3.6%
Shareholder's Equity	16,339	16,510	17,009	17,257	1.5%
Liabilities/Equity	53.3	60.0	61.1	64.7	3.6%p

Financial Ratios

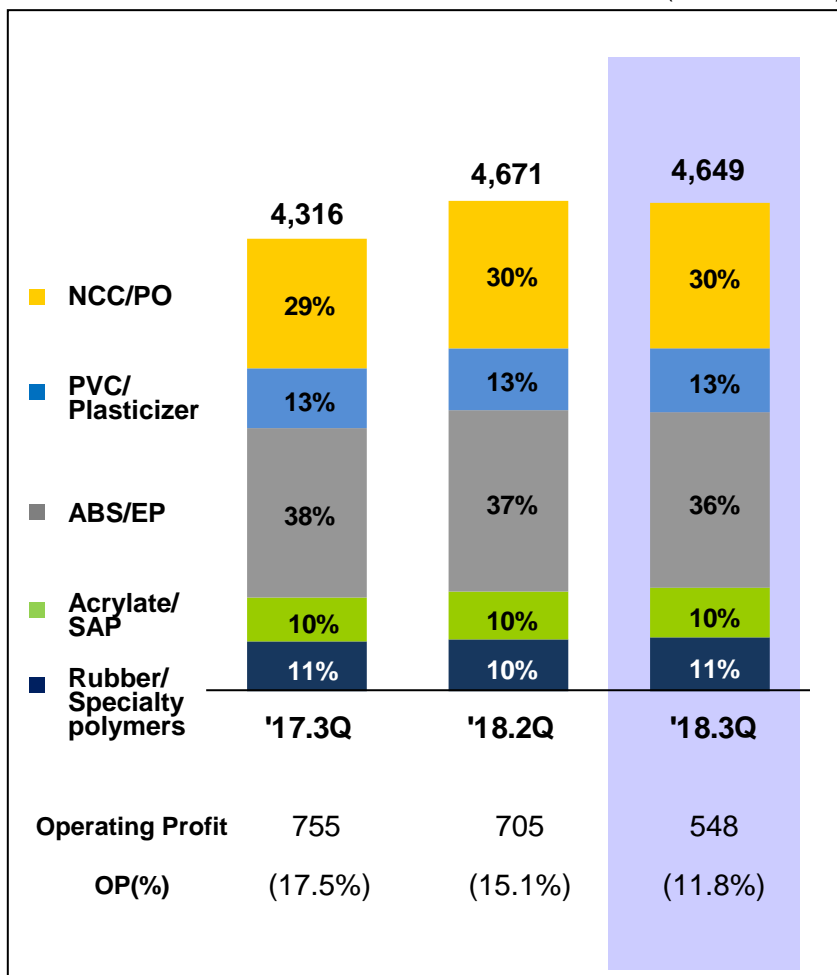
(Unit: %)

	'17 (End)	1Q'18 (End)	2Q'18 (End)	3Q'18 (End)	Change
Debt / Equity	18.6	25.7	30.1	30.7	0.6%p
Net Debt/Equity	1.6	6.7	13.4	11.4	-2.0%p
Interest Coverage Ratio (x)	29.3	25.4	24.5	21.5	-3.0
ROE	13.3	13.5	12.5	11.1	-1.4%p
ROA	8.9	8.6	8.0	6.9	-1.1%p

※ ROE: Annualized net profit / Avg of beginning & ending shareholders' equity
 ROA: Annualized net profit / Avg of beginning & ending assets

Performance Breakdown

(Unit: KRW bn)



Analysis & Outlook

Analysis

- Spread decreased due to increasing of feedstock prices and weaker demand because of trade war
- Increased sales and improved profitability in Acrylate/SAP by improving customer structure

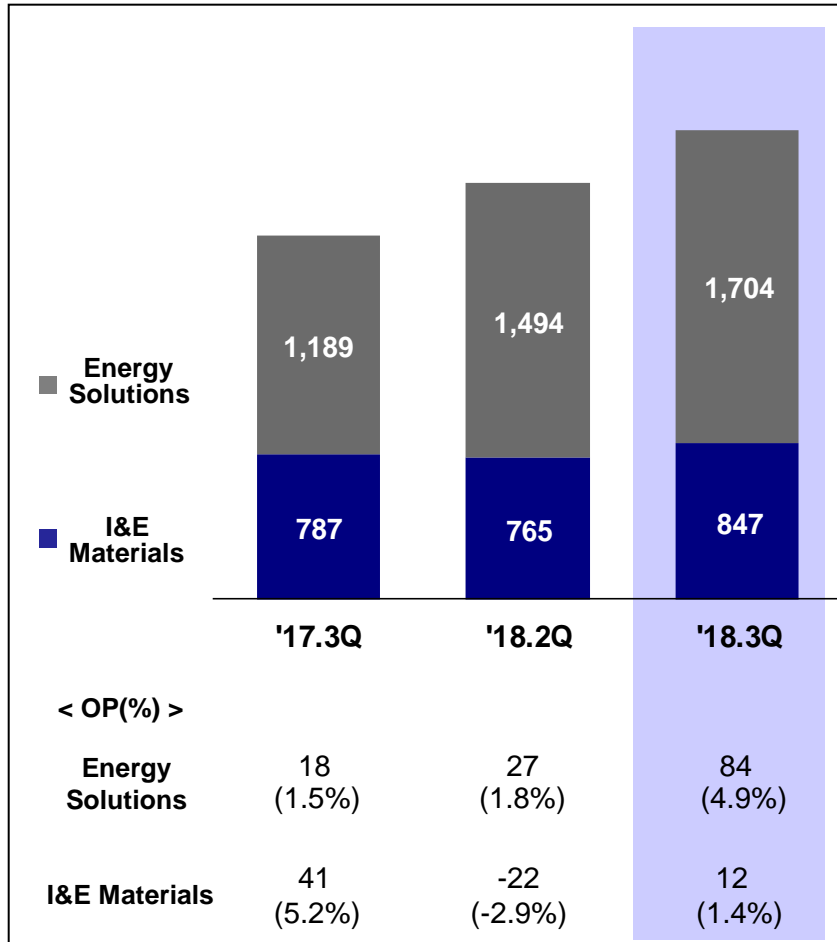
Outlook

- Although external uncertainties and unbalanced supply/demand situation in long-term upstream industry are expected, inventory level of major products is expected to be low and supply/demand situation in most downstream industry to be improved in longer term view
- Short-term profit is expected to slow down due to regular maintenance(T/A) of NCC, but profitability will be improved through differentiated competitiveness

Performance Breakdown

Analysis & Outlook

(Unit: KRW bn)



Analysis

- Energy Solutions** Sales was posted historic-high and profitability was improved from an increase in EV sales and IT & New Application Battery
- I&E Materials** Turnaround was made by increasing in sales volume caused by seasonality

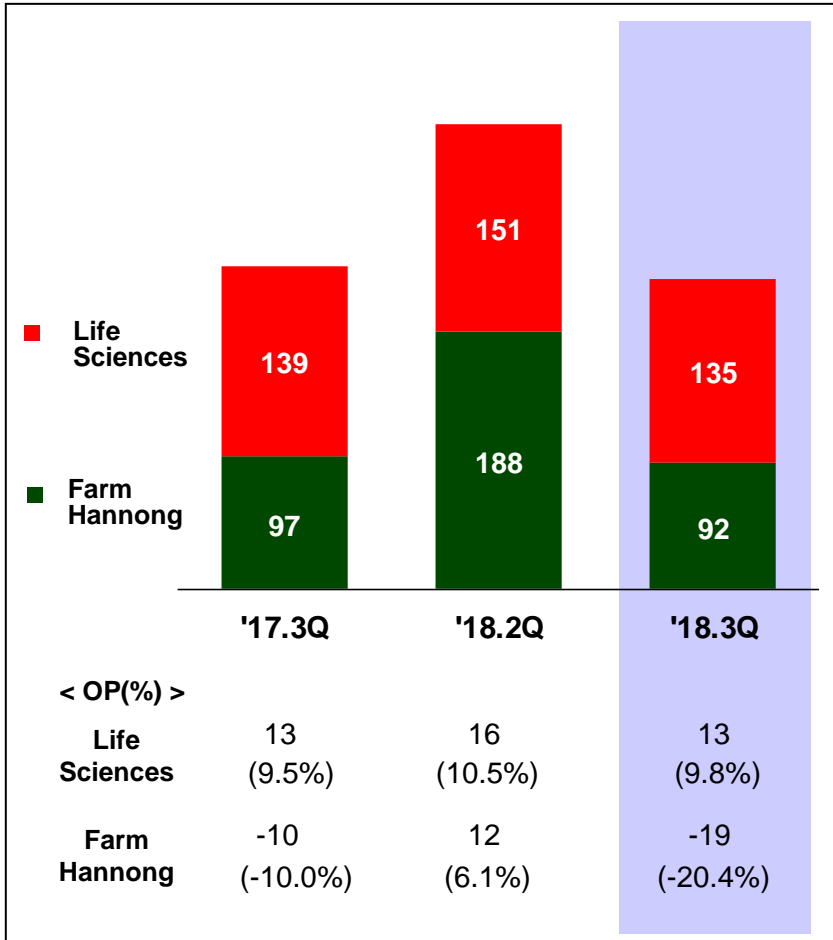
Outlook

- Energy Solutions** Revenue growth and profitability expect to grow continually due to huge growth of automotive and ESS battery demand
- I&E Materials** Despite concerns about slowing demand in display market and declined price, revenue expects to increase due to strength of cost competitiveness and growth of premium product sales

Performance Breakdown

Analysis & Outlook

(Unit: KRW bn)



Analysis

- **Life Sciences** Sales was slightly decreased due to seasonality
- **Farm Hannong** Profitability was declined YoY caused by rising of feedstock prices

Outlook

- **Life Sciences** Sales of key products such as Zemiglo and YVOIRE is expected to grow while new drug R&D and marketing expense are expected to increase as well
- **Farm Hannong** Export of main products and sales of new product (Terrad'or) are expected to expand

(Unit: KRW bn)

LG CHEM	2016					2017					2018		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q
Sales	4,874	5,219	5,054	5,512	20,659	6,487	6,382	6,397	6,432	25,698	6,554	7,052	7,235
Operating Profits	458	612	460	462	1,992	797	727	790	615	2,928	651	703	602
(%)	9.4%	11.7%	9.1%	8.4%	9.6%	12.3%	11.4%	12.3%	9.6%	11.4%	9.9%	10.0%	8.3%
EBITDA	780	946	796	805	3,327	1,151	1,074	1,137	972	4,335	1,006	1,065	975
(%)	16.0%	18.1%	15.8%	14.6%	16.0%	17.8%	16.8%	17.8%	15.1%	16.9%	15.3%	15.1%	13.5%
Basic Materials & Chemicals	3,512	3,653	3,525	3,758	14,447	4,495	4,319	4,316	4,297	17,427	4,359	4,671	4,649
NCC / PO	1,156	1,221	1,131	1,161	4,669	1,362	1,291	1,246	1,323	5,222	1,326	1,401	1,386
PVC / Plasticizer	489	508	495	542	2,035	587	572	560	568	2,288	605	596	611
ABS	877	920	866	947	3,611	1,216	1,185	1,261	1,214	4,876	1,233	1,356	1,304
EP	298	299	304	308	1,210	332	307	357	347	1,343	347	372	374
Acrylate / SAP	345	331	357	391	1,424	435	427	424	420	1,706	427	468	477
Rubber / Specialty Polymer	347	374	370	408	1,499	563	537	467	424	1,991	420	478	497
Operating Profit	466	649	517	506	2,139	734	686	755	634	2,808	637	704	548
(%)	13.3%	17.8%	14.7%	13.5%	14.8%	16.3%	15.9%	17.5%	14.7%	16.1%	14.6%	15.1%	11.8%
Energy Solutions	814	809	879	1,059	3,562	999	1,120	1,189	1,253	4,561	1,244	1,494	1,704
Operating Profit	0	-31	-14	-4	-49	-10	7	18	14	29	2	27	84
(%)	0.0%	-3.9%	-1.6%	-0.3%	-1.4%	-1.0%	0.7%	1.5%	1.1%	0.6%	0.2%	1.8%	4.9%
I&E Materials	627	650	641	739	2,656	725	747	786	801	3,059	759	765	847
Operating Profit	-8	-15	-16	-16	-55	29	23	41	18	111	-10	-22	12
(%)	-1.3%	-2.2%	-2.5%	-2.2%	-2.1%	4.0%	3.1%	5.2%	2.2%	3.6%	-1.3%	-2.9%	1.4%
Life Sciences	120	131	135	147	532	129	135	139	148	552	131	151	135
Operating Profit	17	11	10	9	47	21	19	13	1	54	7	16	13
(%)	14.3%	8.1%	7.5%	6.4%	8.9%	15.9%	14.0%	9.5%	0.6%	9.7%	5.3%	10.5%	9.8%
Farm Hannong	242	189	87	50	568	254	186	97	67	604	237	188	92
Operating Profit	39	-2	-20	-31	-15	50	14	-10	-19	36	45	12	-19
(%)	15.9%	-1.2%	-23.3%	-61.1%	-2.6%	19.8%	7.3%	-10.1%	-27.9%	5.9%	19.2%	6.1%	-20.4%

Debt

(Unit : KRW bn)

Classification	'17 (End)	1Q'18 (End)	2Q'18 (End)	3Q'18 (End)
Total	3,045	4,236	5,114	5,300
KRW denominated	1,327 44%	2,375 56%	2,340 46%	2,346 44%
Other currency denominated	1,718 56%	1,861 44%	2,774 54%	2,954 56%
Short-term	1,451 48%	1,593 38%	1,903 37%	2,037 38%
Long-term	1,594 52%	2,643 62%	3,211 63%	3,262 62%
Cash	2,779	3,132	2,830	3,333
Net Debt	266	1,105	2,284	1,967

Cashflow

(Unit: KRW bn)

Classification	2017	1Q'18	2Q'18	3Q'18
Beginning Cash	2,207	2,779	3,132	2,830
Operations/Investment Activities	1,337	-831	-662	289
Operating profit	2,929	651	703	602
Depreciation	1,406	355	362	373
Working Capital	-845	-707	-446	128
Investing Activities	-1,844	-867	-744	-905
Others	-309	-262	-537	91
Financial Activities	-737	1,170	369	238
Debt (Financed & reimbursed)	-351	1,170	829	270
Dividends paid	-386	-	-460	-32
Ending Cash	2,779	3,132	2,830	3,333

CAPEX

(Unit: KRW bn)

Classification		'16	'17	1Q '18	2Q '18	3Q '18
Basic Materials & Chemicals	New / Expansion	103	324	116	229	182
	Maintenance	289	345	49	104	114
	Total	392	669	164	333	296
Energy Solutions	New / Expansion	365	691	150	275	502
	Maintenance	197	259	30	72	68
	Total	563	950	180	347	569
I & E Materials	New / Expansion	291	120	46	30	51
	Maintenance	95	101	28	37	32
	Total	386	221	75	67	83
Life Sciences	New / Expansion	124	81	24	18	9
	Maintenance	38	25	2	6	8
	Total	162	106	26	24	17
Common (including Farm Hannong)	New / Expansion	555	395	21	43	28
	Maintenance	82	200	36	45	39
	Total	637	595	56	88	67
Total	New / Expansion	1,314	1,612	357	595	771
	Maintenance	663	928	145	263	259
	Total	1,977	2,540	501	859	1,030

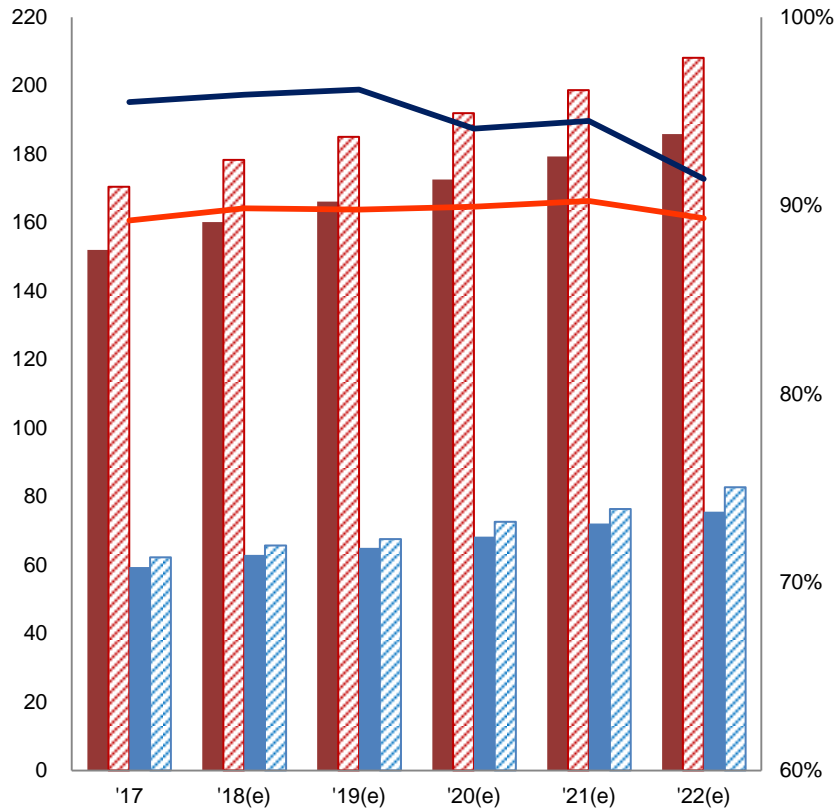
R&D expenses

(Unit: KRW bn)

Classification	2016	2017	1Q '18	2Q '18	3Q '18
Basic Materials & Chemicals (% of sales)	150 (1.0%)	164 (0.9%)	40 (0.9%)	43 (0.9%)	47 (1.0%)
Energy Solutions (% of sales)	276 (7.7%)	299 (6.6%)	70 (5.6%)	78 (5.2%)	85 (5.0%)
I & E Materials (% of sales)	161 (6.1%)	181 (5.9%)	48 (6.3%)	52 (6.7%)	50 (5.9%)
Life Sciences (% of sales)	91 (17.6%)	96 (17.5%)	28 (21.4%)	32 (21.1%)	30 (22.3%)
Common (including Farm Hannong)	104	152	45	59	58
Total (% of sales)	686 (3.3%)	893 (3.5%)	231 (3.5%)	264 (3.7%)	270 (3.5%)

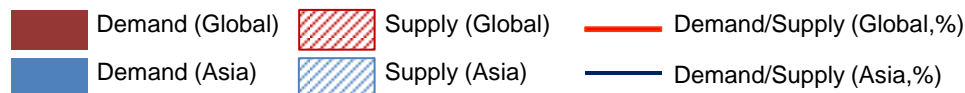
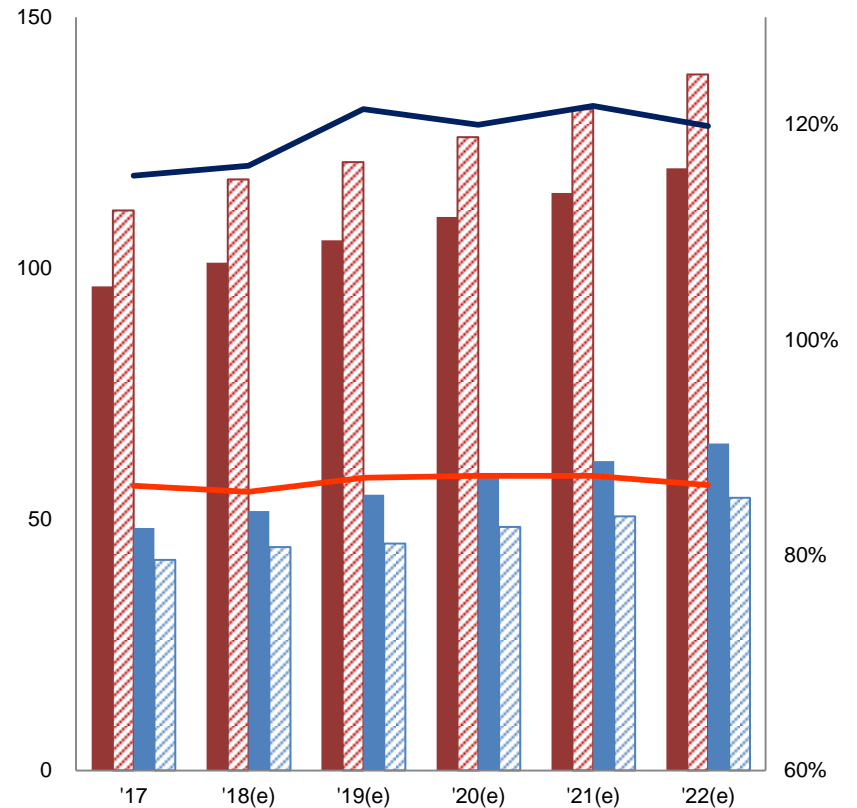
Ethylene

(Unit : Million Tons)



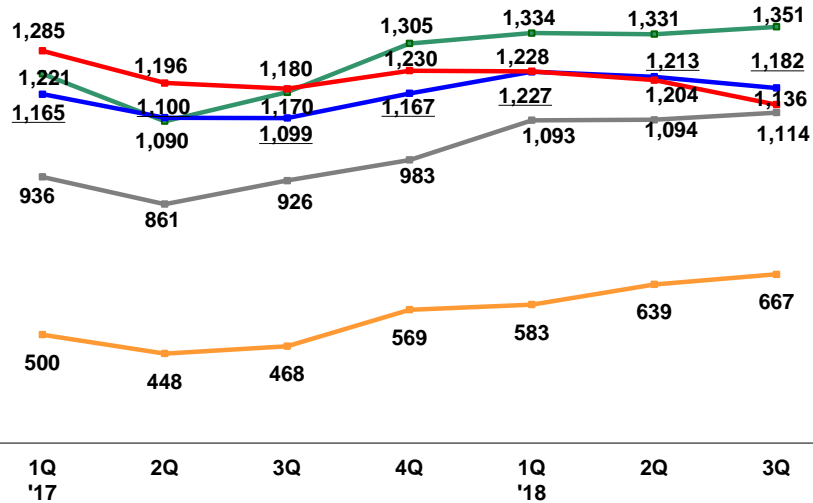
Polyethylene

(Unit : Million Tons)



(Source : IHS)

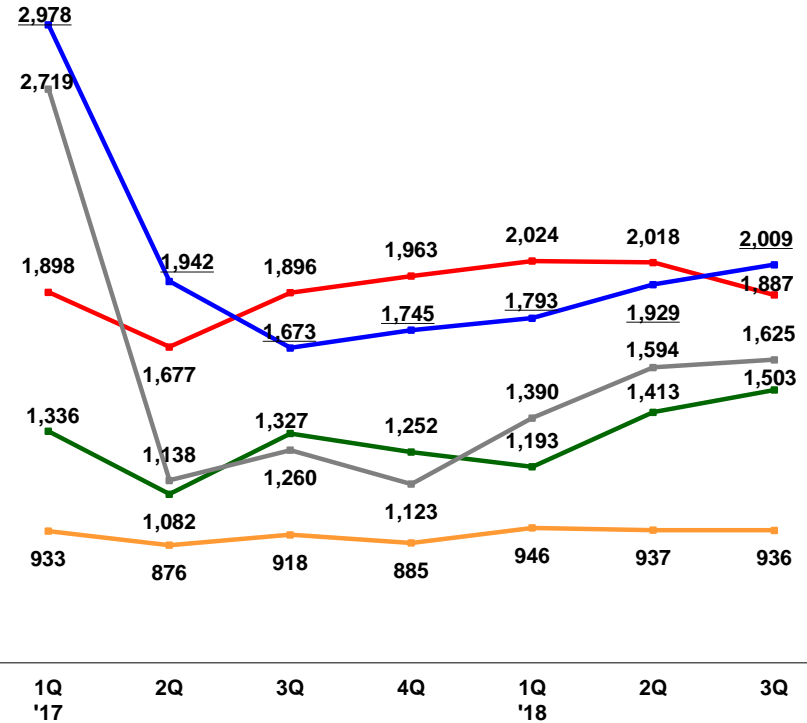
(Unit : USD/MT)



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

NCC/PO

(Unit : USD/MT)



— ABS — PVC — B.Acrylate — BD — BR

ABS/EP

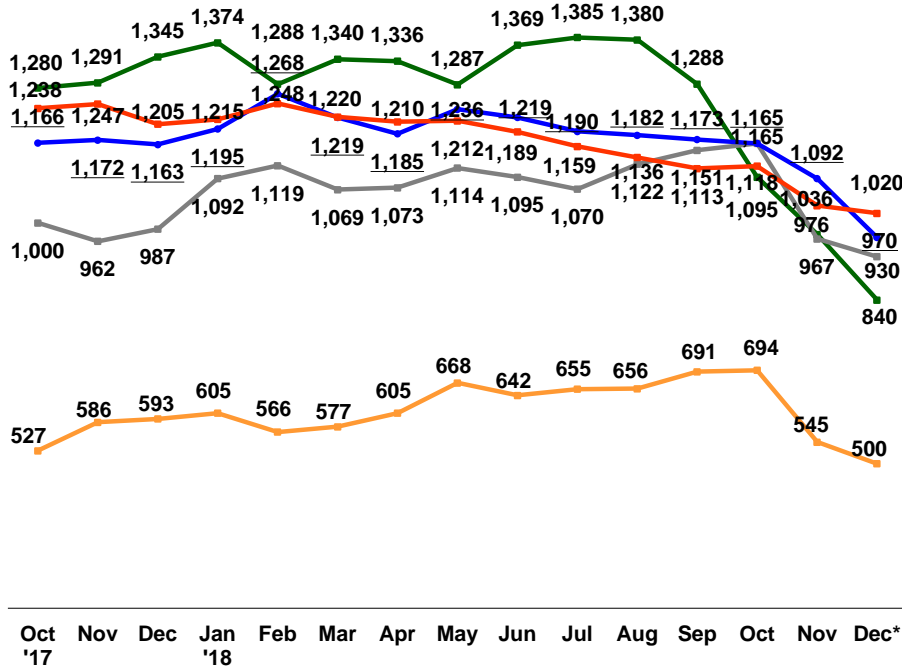
PVC/Plasticizer

Acrylate/SAP

Rubber/Specialty Polymers

• Prices are the average of CFR FE Asia for general grade in each product group

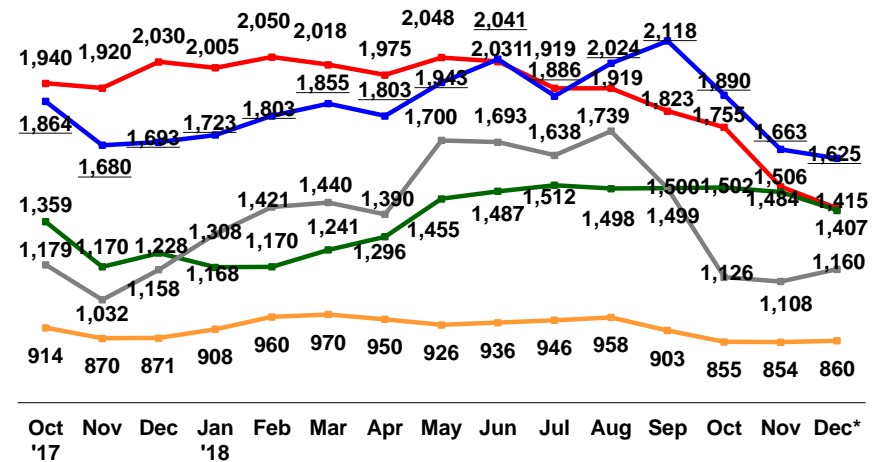
(Unit : USD/MT)



— 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

• Prices are the average of CFR FE Asia for general grade in each product group

* shows the average prices on 1st week of December, 2018