

July 24, 2019

SolutionPartner

2Q 2019 Business Results & Outlook



 LG Chem



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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.

2Q 2019 Business Results

Income Statements

(Unit:KRW bn)

	2018			2019		YoY	QoQ
	2Q	3Q	4Q	1Q	2Q		
Sales	7,052	7,235	7,343	6,639	7,177	+1.8%	+8.1%
OP (%)	703 10.0%	602 8.3%	290 3.9%	275 4.1%	268 3.7%	-62.0%	-2.9%
EBITDA (%)	1,065 15.1%	975 13.5%	684 9.3%	682 10.3%	725 10.1%	-31.9%	+6.3%
Pre-tax Income (%)	644 9.1%	485 6.7%	158 2.1%	280 4.2%	193 2.7%	-70.1%	-31.0%
Net Income (%)	493 7.0%	347 4.8%	127 1.7%	212 3.2%	84 1.2%	-83.0%	-60.4%

2Q 2019 Business Results

Financial Position

Balance Sheet

(Unit:KRW tn)

	2018	1Q 2019	2Q 2019	QoQ
Asset	28.94	31.21	32.44	+3.9%
Cash and Equivalents	2.56	3.12	2.67	-14.6%
Liabilities	11.62	14.01	15.16	+8.2%
Debt	5.32	6.90	8.48	+22.8%
Shareholder's Equity	17.32	17.20	17.28	+0.5%

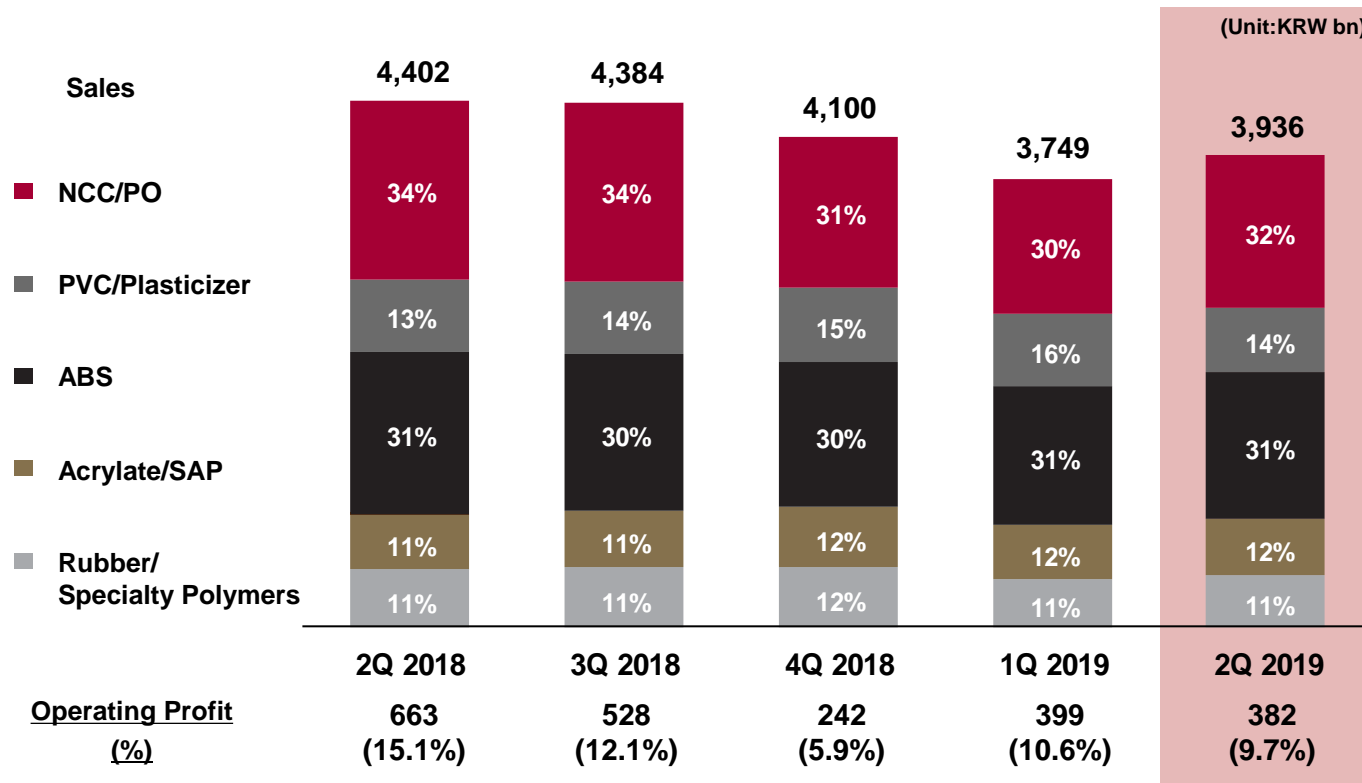
Financial Ratios

	2018	1Q 2019	2Q 2019	QoQ
Liabilities / Equity	67.1%	81.5%	87.7%	+6.2%p
Debt / Equity	30.7%	40.1%	49.1%	+9.0%p
Net Debt / Equity	16.0%	22.0%	33.6%	+11.6%p
ROE	9.0%	4.9%	3.4%	-1.5%p
ROA	5.6%	2.8%	1.9%	-0.9%p

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

Results & Outlook by Business

Petrochemicals



[Analysis]

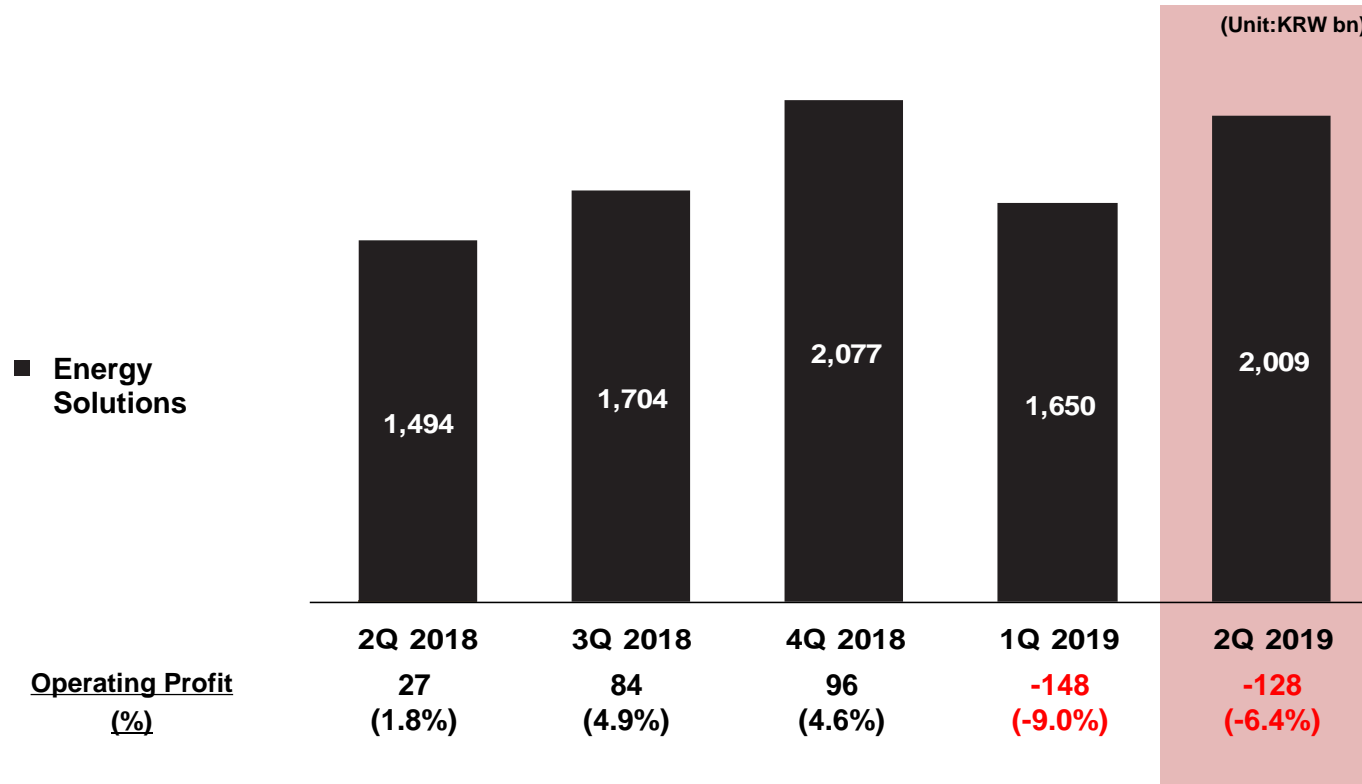
- Pressuring profitability due to one-off loss and lower spread which caused by sluggish demand and rise in feedstock prices

[Outlook]

- Spreads for main products are expected to be weak but limited possibility of further decline
- Solid performance in premium products and full effect of capacity expansion

Results & Outlook by Business

Energy Solutions



[Analysis]

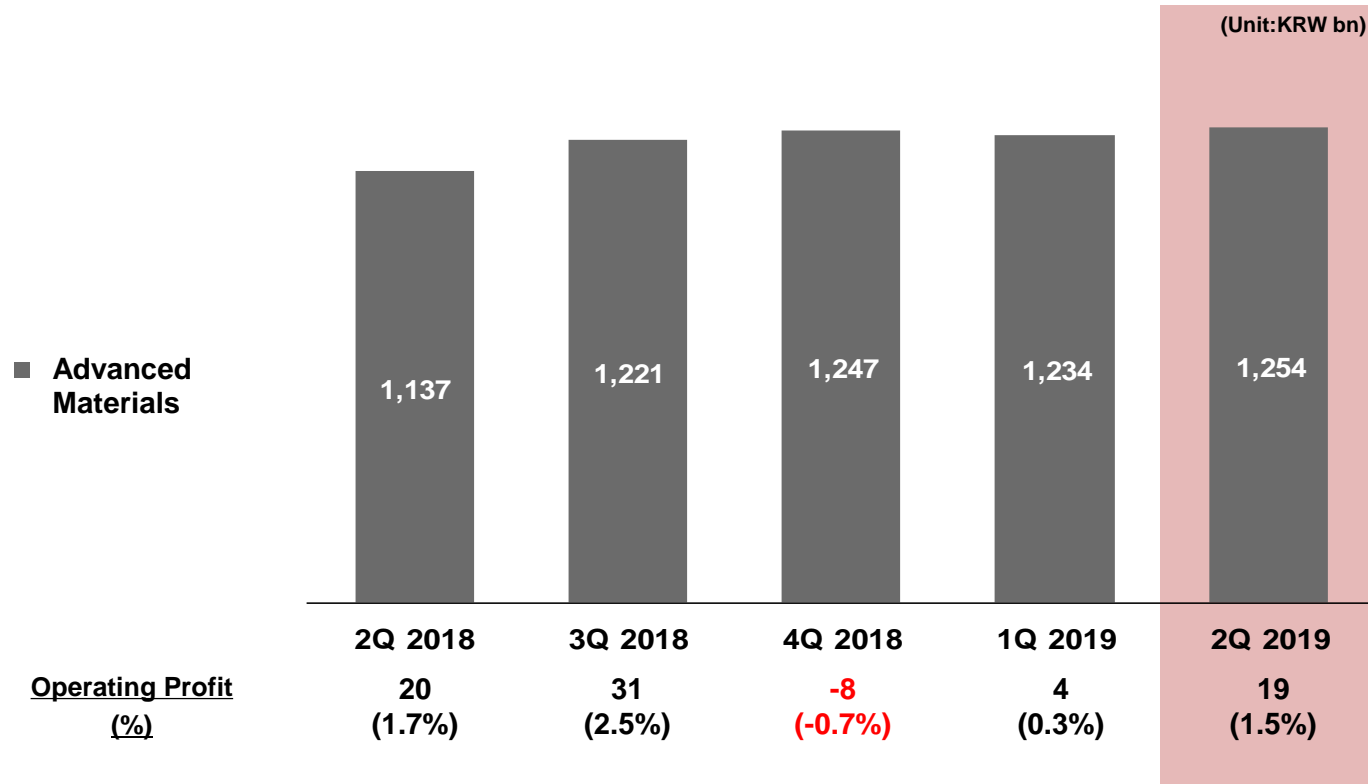
- Loss recorded due to an increase in fixed cost, operation cost in new capacity, and one-off loss in ESS

[Outlook]

- Profitability is expected to be improved because of an increase sales in all business segments and stabilization in production yield

Results & Outlook by Business

Advanced Materials



[Analysis]

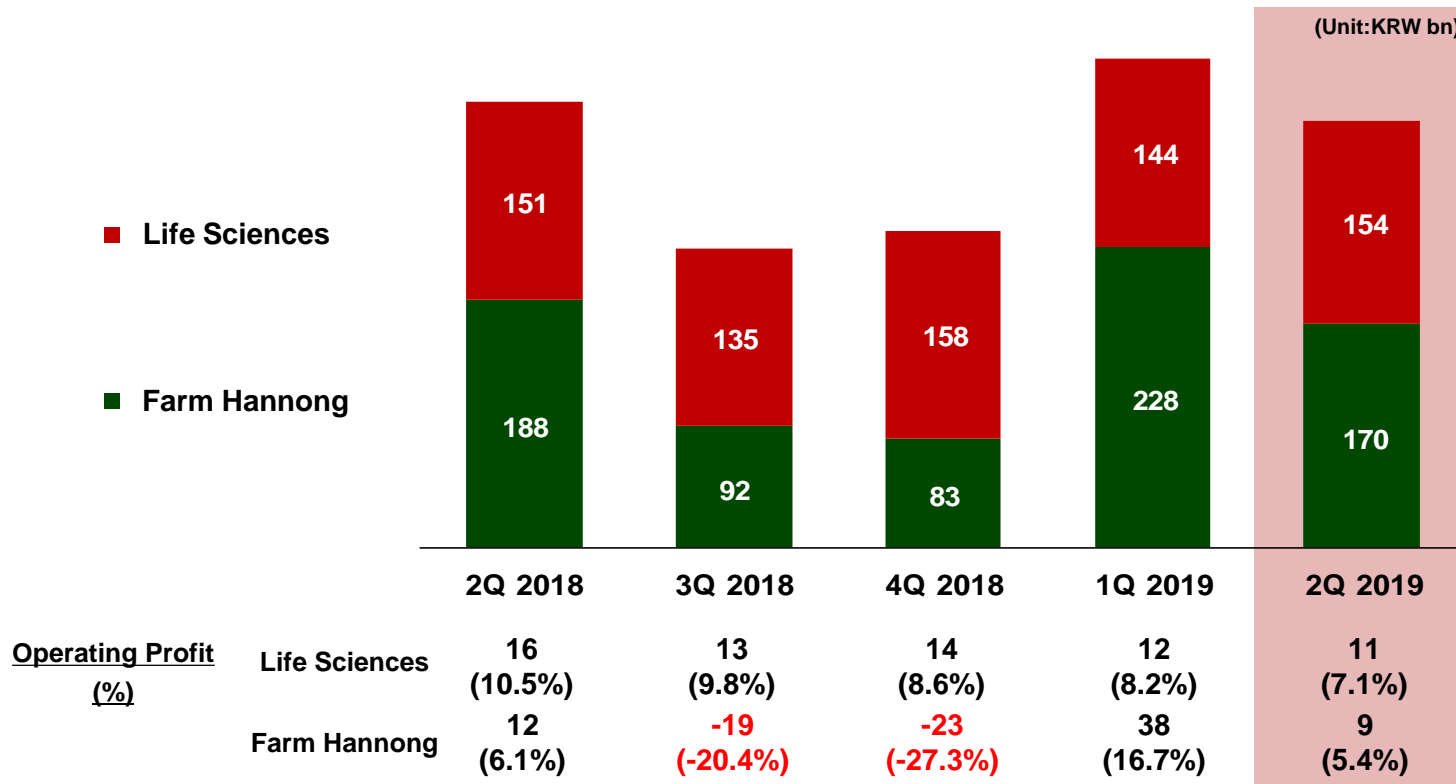
- Slightly improved sales and profitability due to increased shipment of IT materials

[Outlook]

- Sales are expected to grow in increased shipment of Automotive and IT materials

Results & Outlook by Business

Life Sciences / Farm Hannong



[Analysis]

- Life Sciences: Increased sales due to expansion of sales in Eucept and Zemiglo
- Farm Hannong: Decreased YoY sales due to focusing on profit-driven selective bidding and reduced domestic consumption

[Outlook]

- Life Sciences: Although sales in main products is expected to grow, R&D expenses increase as well
- Farm Hannong: Increased YoY profitability is expected due to expansion of sales in premium products

Appendix

Sales & Operating Profits by Business

(Unit:KRW bn)

LG CHEM	2017					2018					2019		
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q	2Q	
Sales	6,487	6,382	6,397	6,432	25,698	6,554	7,052	7,235	7,343	28,183	6,639	7,177	13,817
Operating Profits	797	727	790	615	2,929	651	703	602	290	2,246	275	268	543
(%)	12.3%	11.4%	12.3%	9.6%	11.4%	9.9%	10.0%	8.3%	3.9%	8.0%	4.1%	3.7%	3.9%
EBITDA	1,151	1,074	1,137	972	4,335	1,006	1,065	975	684	3,730	682	725	1,408
(%)	17.7%	16.8%	17.8%	15.1%	16.9%	15.3%	15.1%	13.5%	9.3%	13.2%	10.3%	10.1%	10.2%
Petrochemicals	4,240	4,072	4,031	4,036	16,378	4,100	4,402	4,384	4,100	16,987	3,749	3,936	7,685
NCC/PO	1,438	1,351	1,318	1,409	5,516	1,415	1,504	1,495	1,267	5,681	1,136	1,270	2,405
PVC/Plasticizer	588	572	560	568	2,288	605	596	611	622	2,434	596	538	1,134
ABS	1,216	1,185	1,261	1,214	4,876	1,233	1,357	1,304	1,209	5,102	1,170	1,228	2,397
Acrylate/SAP	435	427	425	420	1,706	427	468	477	495	1,868	447	461	909
Rubber/ Specialty Polymer	563	537	467	424	1,991	420	478	497	508	1,903	400	440	840
Operating Profits	700	666	721	596	2,683	598	663	528	242	2,031	399	382	781
(%)	16.5%	16.4%	17.9%	14.8%	16.4%	14.6%	15.1%	12.1%	5.9%	12.0%	10.6%	9.7%	10.2%
Energy Solutions	999	1,120	1,189	1,253	4,561	1,245	1,494	1,704	2,077	6,520	1,650	2,009	3,660
Operating Profits	-10	8	18	14	29	2	27	84	96	209	-148	-128	-276
(%)	-1.0%	0.7%	1.5%	1.1%	0.6%	0.2%	1.8%	4.9%	4.6%	3.2%	-9.0%	-6.4%	-7.5%
Advanced Materials	1,057	1,053	1,144	1,148	4,402	1,107	1,137	1,221	1,247	4,710	1,234	1,254	2,487
Operating Profits	63	43	75	56	237	29	20	31	-8	71	4	19	23
(%)	6.0%	4.1%	6.6%	4.8%	5.4%	2.6%	1.7%	2.5%	-0.7%	1.5%	0.3%	1.5%	0.9%
Life Sciences	129	135	139	148	552	131	151	135	158	575	144	154	298
Operating Profits	21	19	13	1	54	7	16	13	14	50	12	11	23
(%)	15.9%	14.0%	9.5%	0.6%	9.7%	5.3%	10.5%	9.8%	8.6%	8.6%	8.2%	7.1%	7.6%
Farm Hannong	254	186	97	68	604	237	188	92	83	600	228	170	398
Operating Profits	50	14	-10	-19	36	45	12	-19	-23	15	38	9	47
(%)	19.8%	7.3%	-10.0%	-28.0%	5.9%	19.2%	6.1%	-20.4%	-27.3%	2.6%	16.7%	5.4%	11.9%

※ Applied retroactive effects of past performance based on the reorganization

Appendix

CAPEX / R&D Expenses

CAPEX

(Unit:KRW tn)

	2017	2018	1Q 2019	2Q 2019
Petrochemicals	0.6	1.4	0.4	0.4
Energy Solutions	1.0	1.9	0.6	0.7
Advanced Materials	0.2	0.5	0.1	0.2
Life Sciences	0.1	0.1	0.01	0.02
Common (including Farm Hannong)	0.6	0.7	0.1	0.1
Total	2.5	4.6	1.3	1.4

R&D Expenses

(Unit:KRW bn)

	2017	2018	1Q 2019	2Q 2019
Petrochemicals	132	144	34	39
Energy Solutions	299	320	98	98
Advanced Materials	213	235	42	52
Life Sciences	96	124	32	37
Common (including Farm Hannong)	152	238	51	59
Total	893	1,062	261	285

Appendix

Income Statements

(Unit:KRW bn)

	2017					2018					2019		
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q	2Q	
Sales	6,487	6,382	6,397	6,432	25,698	6,554	7,052	7,235	7,343	28,183	6,639	7,177	13,817
Cost of Sales	5,073	5,011	4,940	5,110	20,135	5,212	5,580	5,868	6,177	22,837	5,469	6,029	11,499
Gross Profit(%)	1,414	1,371	1,457	1,322	5,564	1,342	1,472	1,367	1,166	5,346	1,170	1,148	2,318
	21.8%	21.5%	22.8%	20.6%	21.6%	20.5%	20.9%	18.9%	15.9%	19.0%	17.6%	16.0%	16.8%
SG&A Expenses	617	644	667	707	2,635	691	768	765	876	3,100	895	881	1,775
Operating Profit(%)	797	727	790	615	2,929	651	703	602	290	2,246	275	268	543
	12.3%	11.4%	12.3%	9.6%	11.4%	9.9%	10.0%	8.3%	3.9%	8.0%	4.1%	3.7%	3.9%
Other non-operating income(expenses)	-99	3	-87	-181	-365	2	-59	-117	-132	-306	4	-75	-70
Income before tax	698	730	702	434	2,564	653	644	485	158	1,940	280	193	473
Net Income	548	590	546	338	2,022	553	493	347	127	1,519	212	84	296
EPS(Unit:KRW)	6,936	7,531	6,799	4,101	25,367	6,934	6,234	4,481	1,568	19,217	2,537	888	3,425

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Appendix

Financial Position

(Unit:KRW bn)

	2017				2018				2019	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Assets	22,171	22,671	23,708	25,041	26,416	27,399	28,419	28,944	31,212	32,436
Cash and Equivalents	1,909	2,107	2,400	2,779	3,132	2,830	3,333	2,557	3,122	2,667
A/R	3,961	4,184	4,523	4,449	4,709	5,146	4,949	4,381	4,616	4,738
Inventory	3,250	3,086	3,187	3,353	3,784	3,950	4,404	4,290	4,503	4,771
Tangible / Intangible Assets	11,773	11,954	12,130	13,035	13,366	13,936	14,074	15,845	16,938	17,993
Liabilities	7,265	7,137	7,586	8,703	9,905	10,391	11,162	11,622	14,013	15,157
A/P	1,808	1,609	1,756	2,015	1,999	2,156	2,541	2,166	2,434	2,549
Short-term debts	2,175	1,454	1,361	1,451	1,593	1,903	2,037	1,613	1,630	1,432
Long-term debts	972	1,869	1,915	1,594	2,643	3,211	3,262	3,708	5,275	7,049
Shareholders' Equity	14,906	15,535	16,122	16,339	16,510	17,009	17,257	17,322	17,199	17,279
Liabilities/Equity(%)	48.7%	45.9%	47.1%	53.3%	60.0%	61.1%	64.7%	67.1%	81.5%	87.7%
Net debt/Equity(%)	8.3%	7.8%	5.4%	1.6%	6.7%	13.4%	11.4%	16.0%	22.0%	33.6%
BPS (Unit:KRW)	188,859	196,894	203,952	206,544	208,363	214,535	217,500	218,227	216,308	217,445

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Appendix

Cash Flows

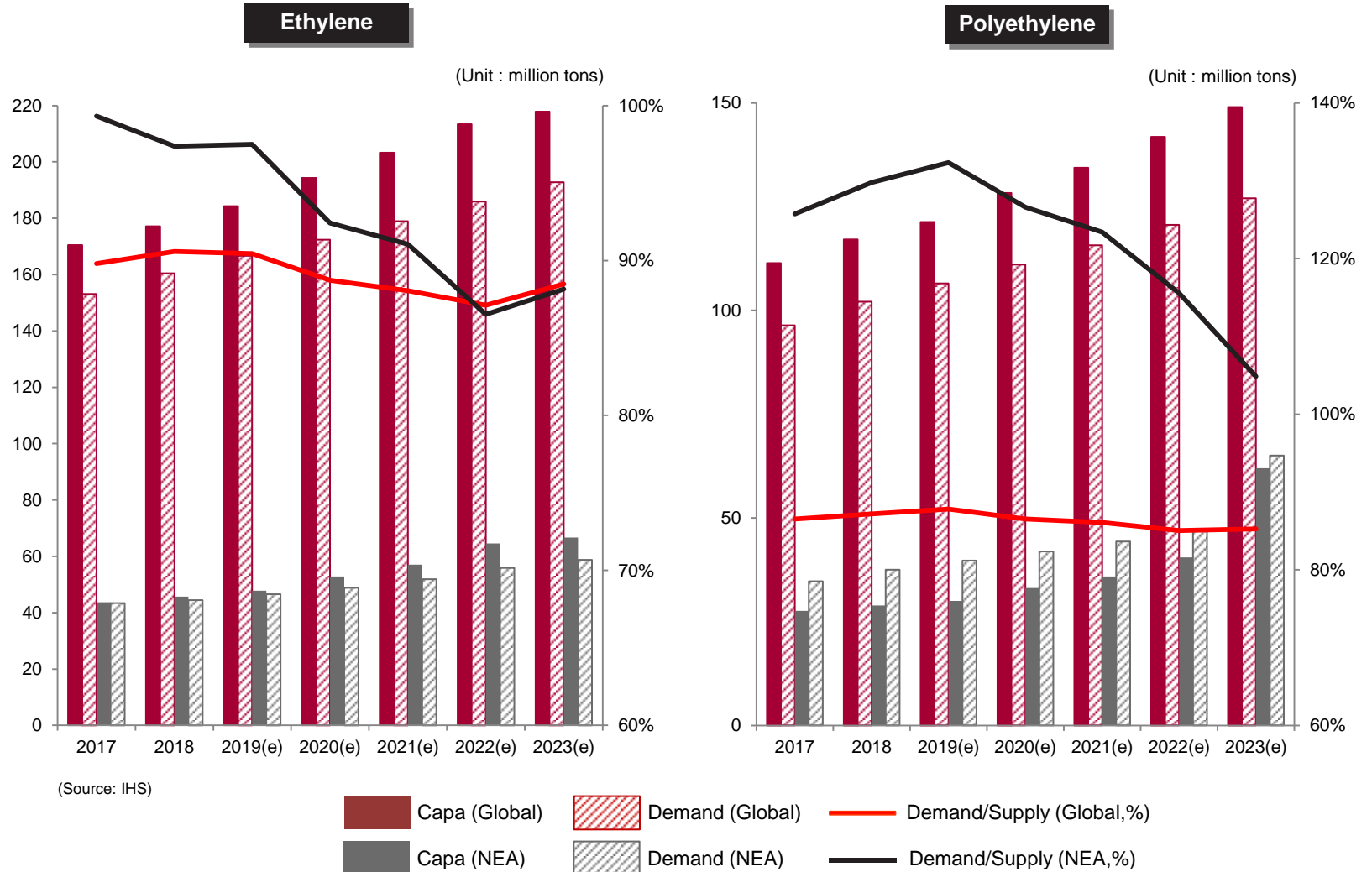
(Unit:KRW bn)

	2017					2018					2019		
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q	2Q	3Q
Beginning Cash Balance	2,207	1,909	2,107	2,400	2,207	2,779	3,132	2,830	3,333	2,779	2,557	3,122	2,557
Operating / Investing Activities	0	442	350	546	1,337	-831	-662	289	-798	-2,001	-903	-1,490	-2,392
Operating Profits	797	727	790	615	2,929	651	703	602	290	2,246	275	268	543
Depreciation	355	347	347	357	1,406	355	362	373	394	1,484	407	458	865
Working Capital	-462	-258	-294	168	-845	-707	-446	128	326	-699	-181	-275	-456
Investing Activities	-223	-514	-571	-315	-1,623	-867	-744	-905	-1,610	-4,126	-1,547	-1,729	-3,276
Others	-466	139	77	-279	-529	-262	-537	91	-198	-907	143	-210	-68
Financing Activities	-271	-262	-72	-132	-737	1,170	369	238	17	1,794	1,450	1,003	2,453
Debts	-474	177	-47	-232	-575	1,191	878	186	-3	2,252	1,498	1,661	3,159
Dividends	-	-386	-	-	-386	-	-460	-32	-2	-494	-	-484	-484
Ending Cash Balance	1,909	2,107	2,400	2,779	2,779	3,132	2,830	3,333	2,557	2,557	3,122	2,666	2,666

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Appendix

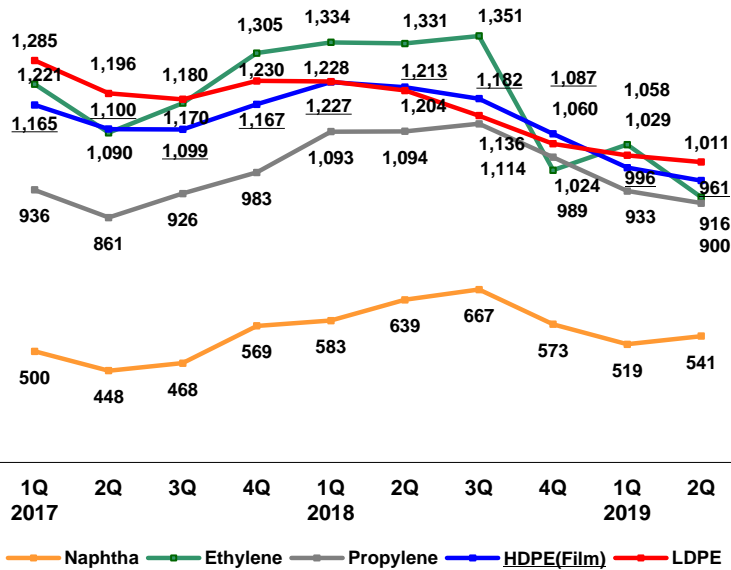
Ethylene / PE Demand Supply



Appendix

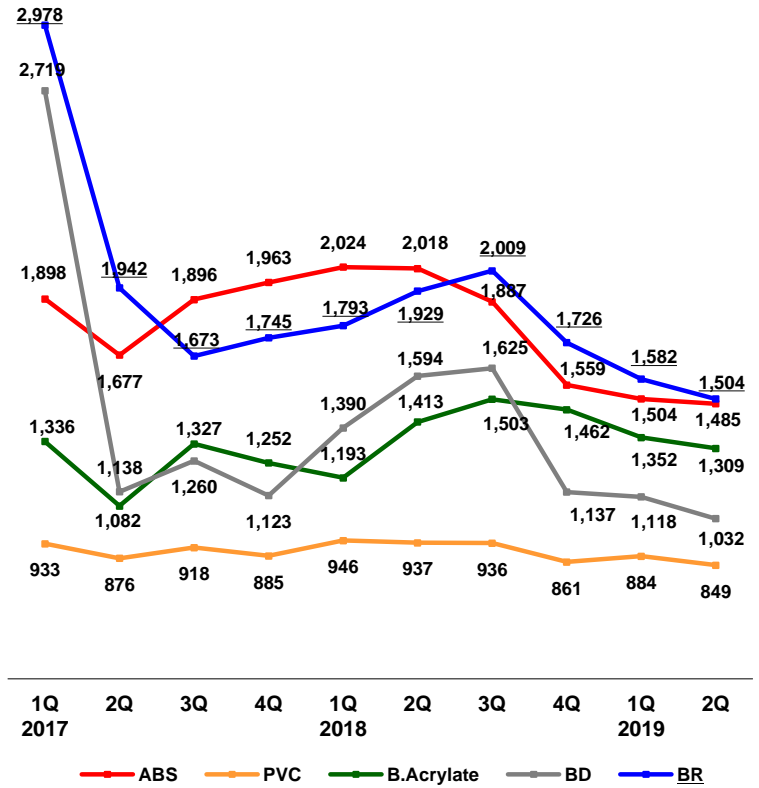
Quarterly Price Trends

(Unit : USD/MT)



NCC/PO

(Unit : USD/MT)



ABS

PVC/
Plasticizer

Acrylate/SAP

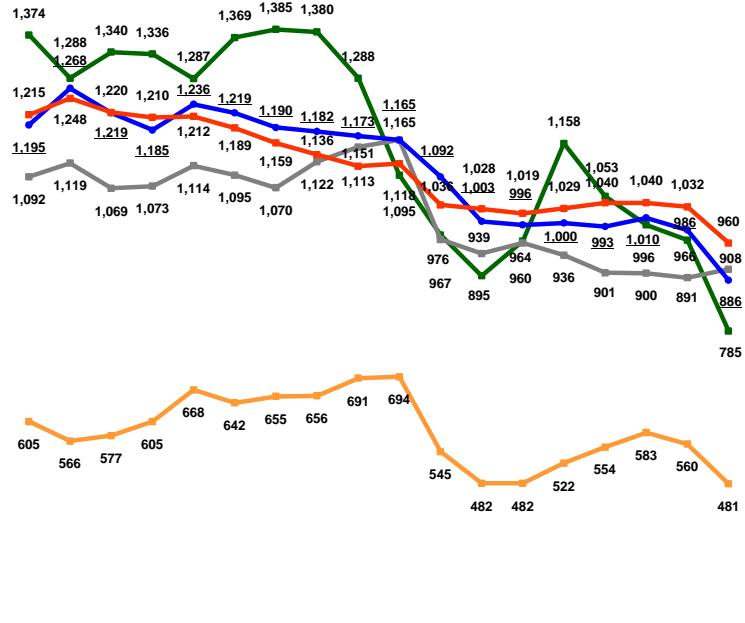
Rubber/Specialty
Polymers

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

Appendix

Monthly Price Trends

(Unit : USD/MT)

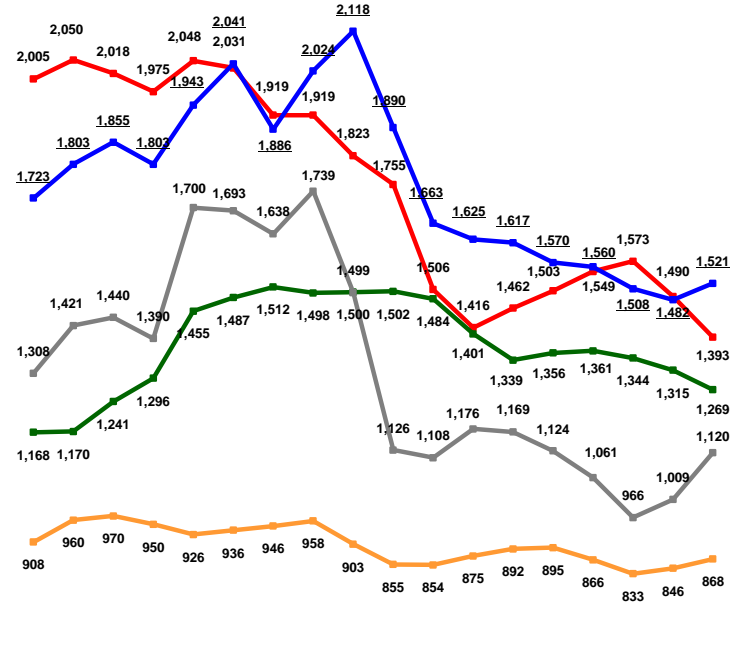


Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun 2018 2019

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

NCC/PO

(Unit : USD/MT)



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun 2018 2019

— 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.

Thank you



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