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# 4Q 2022 Earnings Release

WeConnectScience



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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 strategy.**

# 4Q 2022 Business Results

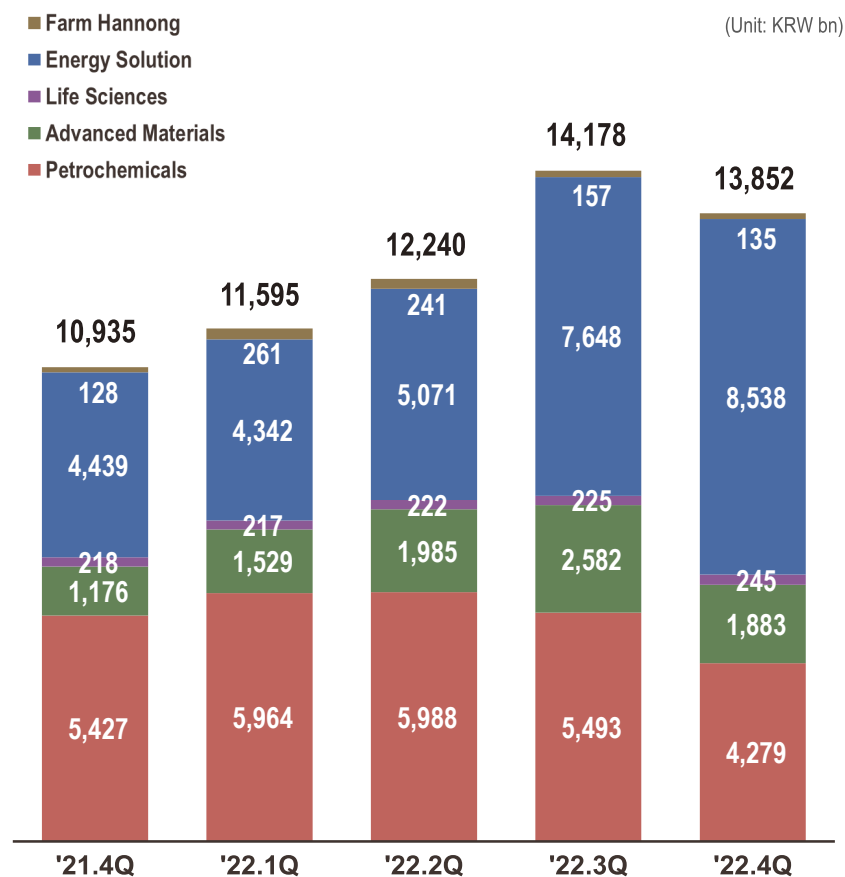
## Sales & Profits Trends (consolidated)

(Unit: KRW bn)

	2021	2022			
	4Q	1Q	2Q	3Q	4Q
<b>Sales</b>	10,935	11,595	12,240	14,178	<b>13,852</b>
<b>Operating Profit (%)</b>	749 6.9%	1,025 8.8%	878 7.2%	901 6.4%	<b>191 1.4%</b>
<b>EBITDA (%)</b>	1,537 14.1%	1,818 15.7%	1,697 13.9%	1,772 12.5%	<b>1,120 8.1%</b>
<b>Pre-tax Income (%)</b>	513 4.7%	1,023 8.8%	943 7.7%	926 6.5%	<b>-79 -0.6%</b>
<b>Net Income (%)</b>	337 3.1%	769 6.6%	718 5.9%	714 5.0%	<b>-6 -0.0%</b>

※ In accordance with some of suspended/sold business, business performance was written retrospectively.

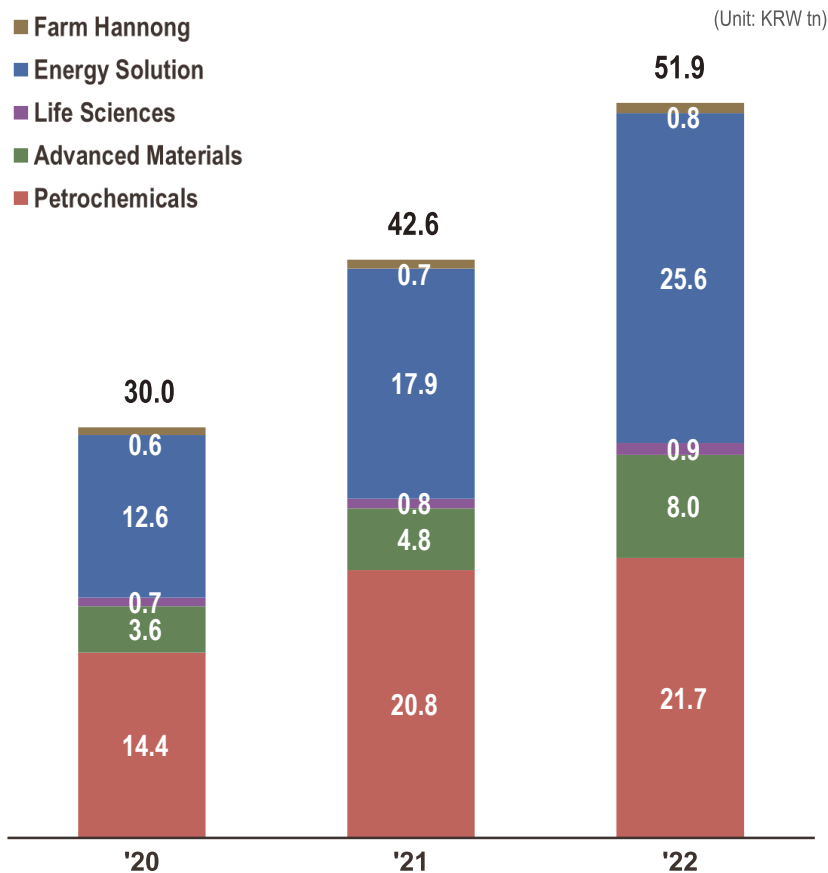
### Sales trend by business



# 4Q 2022 Business Results

## Sales & Profits Trends (consolidated)

### Annual Sales Trend



(Unit: KRW bn)

	2020	2021	2022
<b>Operating Profit (%)</b>	1,801 6.0%	5,026 11.8%	<b>2,996</b> 5.8%
<b>Petrochemicals</b>	1,955 13.6%	4,082 19.7%	<b>1,075</b> 4.9%
<b>Advanced Materials</b>	194 5.4%	236 4.9%	<b>923</b> 11.6%
<b>Life Sciences</b>	54 8.1%	67 8.8%	<b>74</b> 8.1%
<b>Energy Solution</b>	-289 -2.3%	768 4.3%	<b>1,214</b> 4.7%
<b>Farm Hannong</b>	25 4.2%	30 4.4%	<b>41</b> 5.1%
<b>EBITDA (%)</b>	4,117 13.7%	7,870 18.5%	<b>6,408</b> 12.4%

※ In accordance with some of suspended/sold business, business performance was written retrospectively.

# 4Q 2022 Business Results

## Financial Position (consolidated)

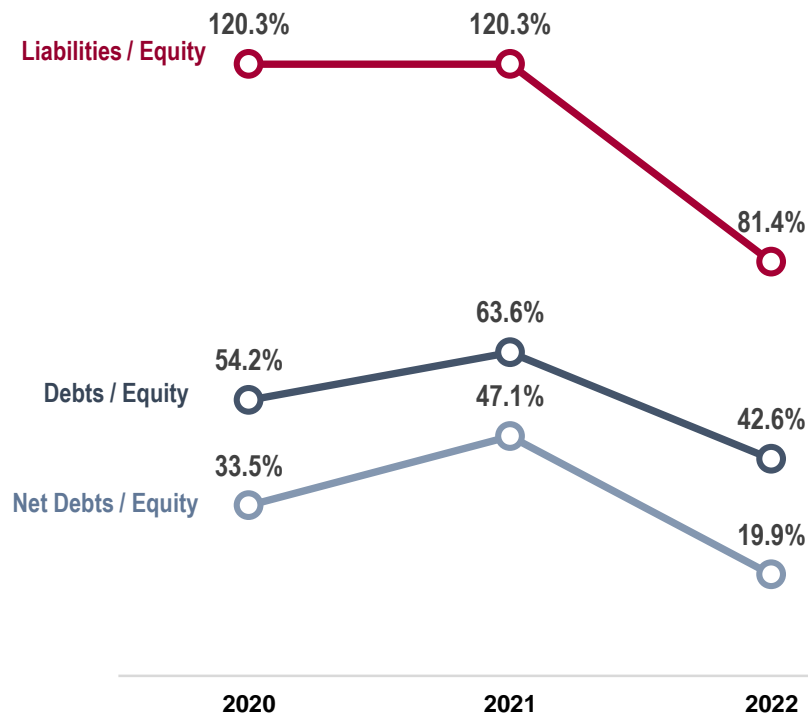
### Balance Sheet

(Unit: KRW tn)

	2020	2021	2022
<b>Asset</b>	41.4	51.1	<b>68.0</b>
Cash and Equivalents	3.9	3.8	<b>8.5</b>
<b>Liabilities</b>	22.6	27.9	<b>30.5</b>
Debt	10.2	14.8	<b>16.0</b>
<b>Equity</b>	18.8	23.2	<b>37.5</b>
<b>BPS (Unit:KRW)</b>	230,440	277,127	<b>401,764</b>

### Financial Ratios

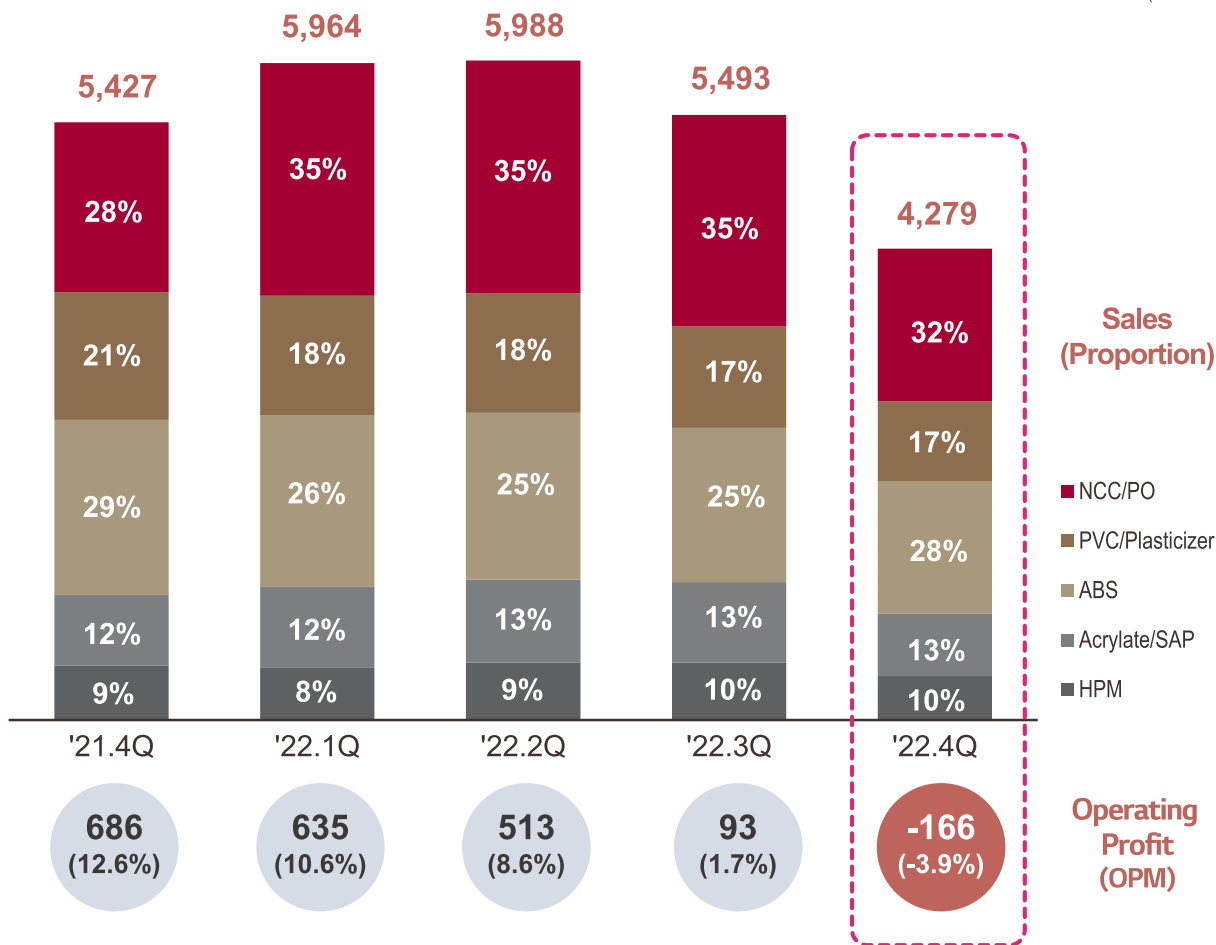
(Unit: %)



# Results & Outlook by Business

## Petrochemicals

(Unit: KRW bn)



### Results

- Recorded a loss due to non-recurring factors such as T/A and cargo strike, and reduced demand from spread of COVID-19 in China



### Outlook

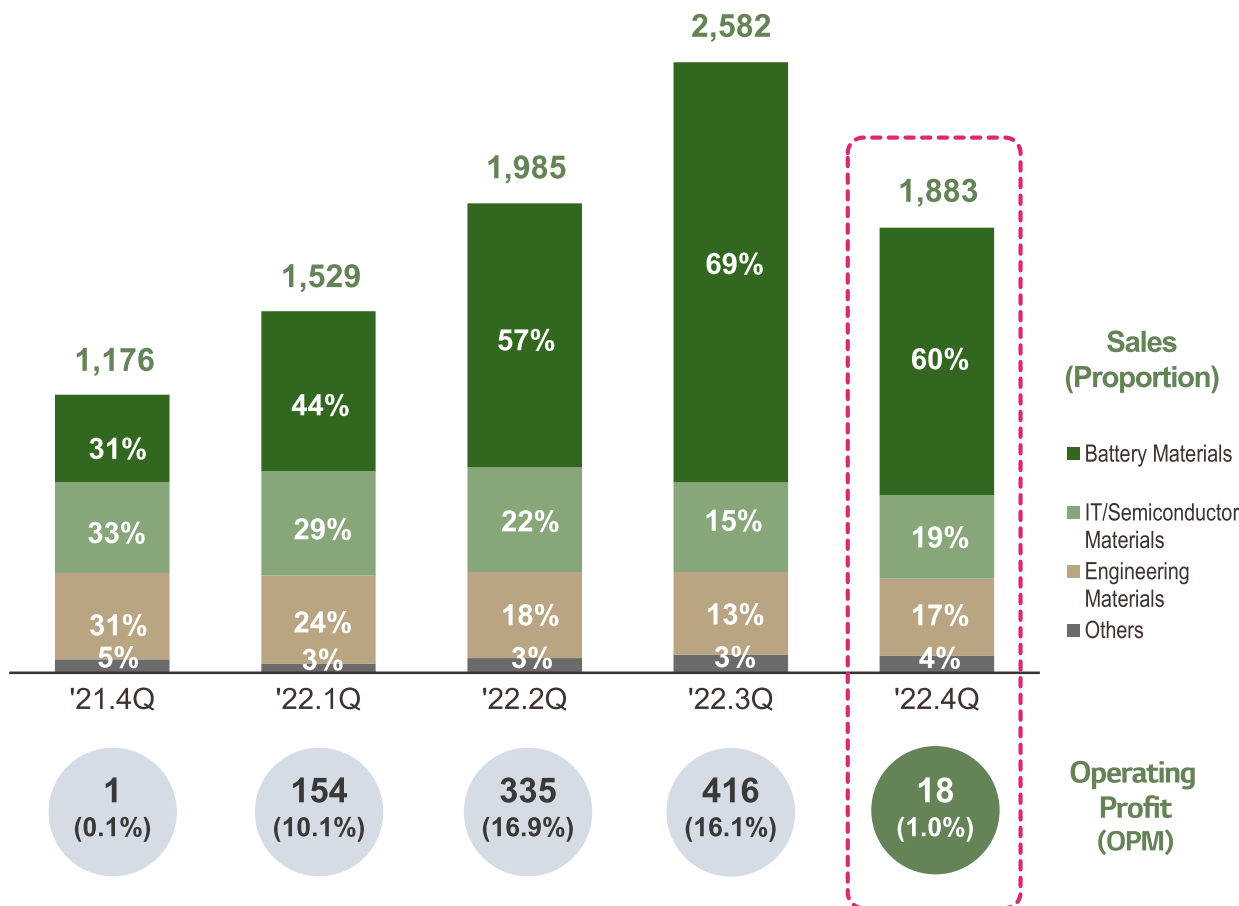
- Despite oversupply in the upstream industry, market condition expected to recover gradually followed by China's reopening
- Solid earnings growth to continue in high value-added products such as POE/CNT/SAP

※ HPM : High Performance Materials

# Results & Outlook by Business

## Advanced Materials

(Unit: KRW bn)



### Results

- Sales declined due to reduced shipments from customer inventory adjustments in the battery materials and deteriorating downstream IT/semiconductor market



### Outlook

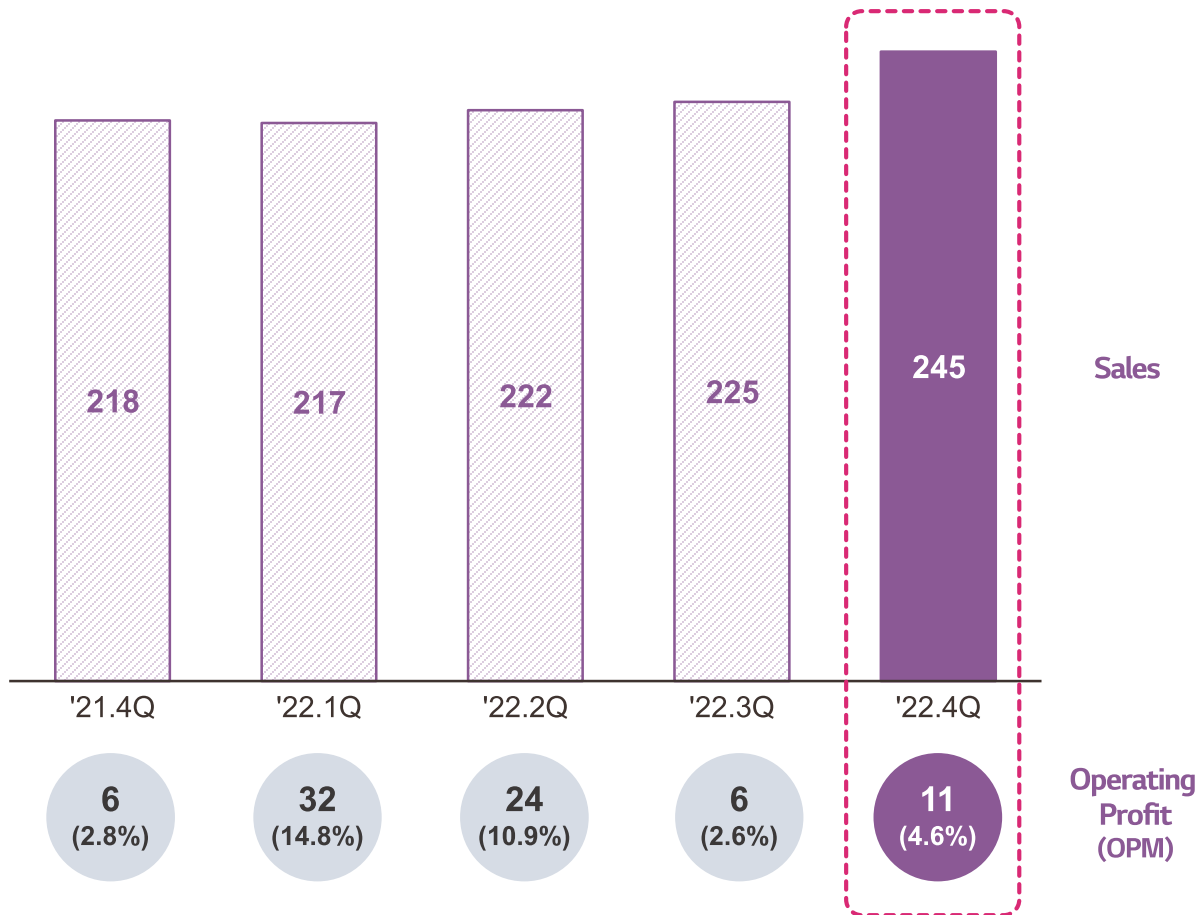
- Downstream market conditions such as IT materials expected to worsen, but sales growth and solid profitability expected through increasing cathode shipments and a stabilization of metal sourcing



# Results & Outlook by Business

## Life Sciences

(Unit: KRW bn)



### Results

- Recorded the highest quarterly revenue via sales of major products such as vaccines and growth hormone products



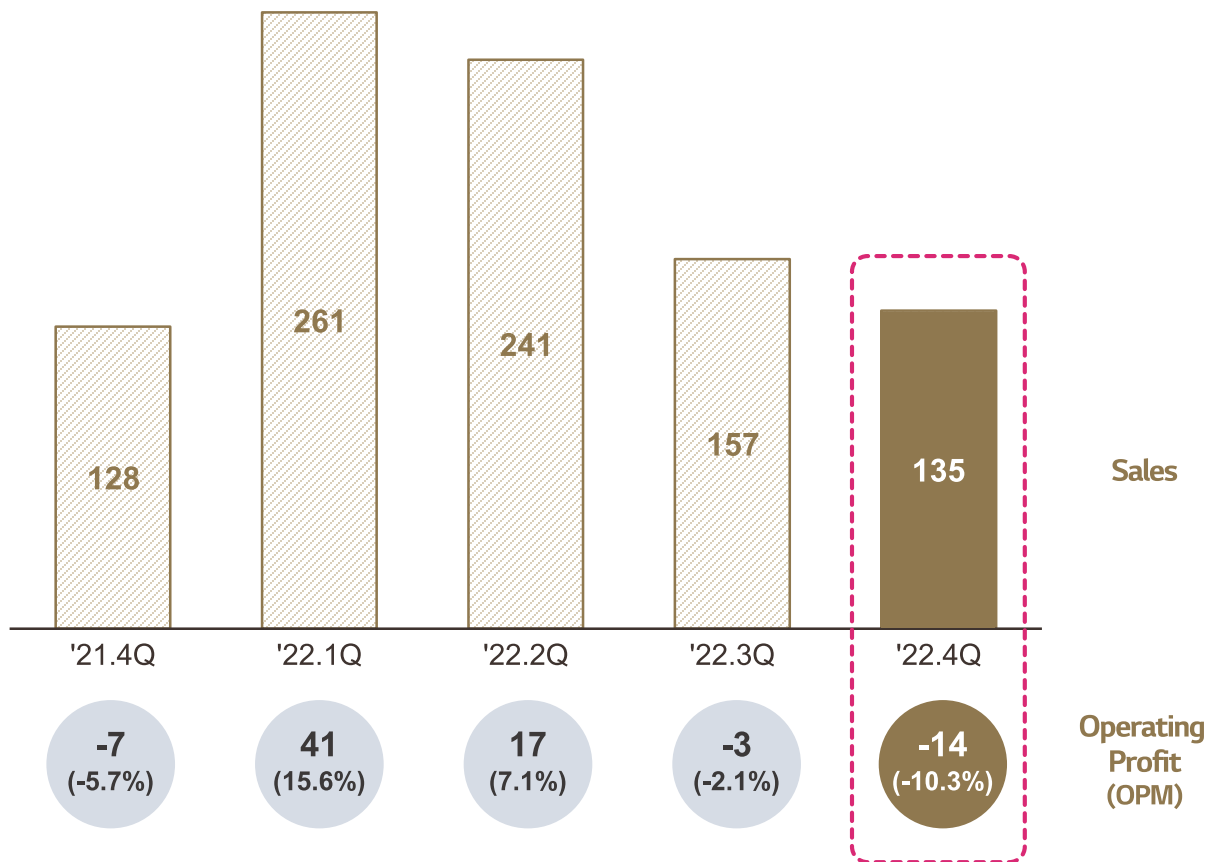
### Outlook

- Although increasing competition for products such as diabetes treatments is expected, a stable growth is expected due to increased sales of major products in the overseas markets

# Results & Outlook by Business

## Farm Hannong

(Unit: KRW bn)



### Results

- Despite increased sales due to expanding sales of crop protection products, YoY profitability worsened due to higher raw material costs and R&D expenses



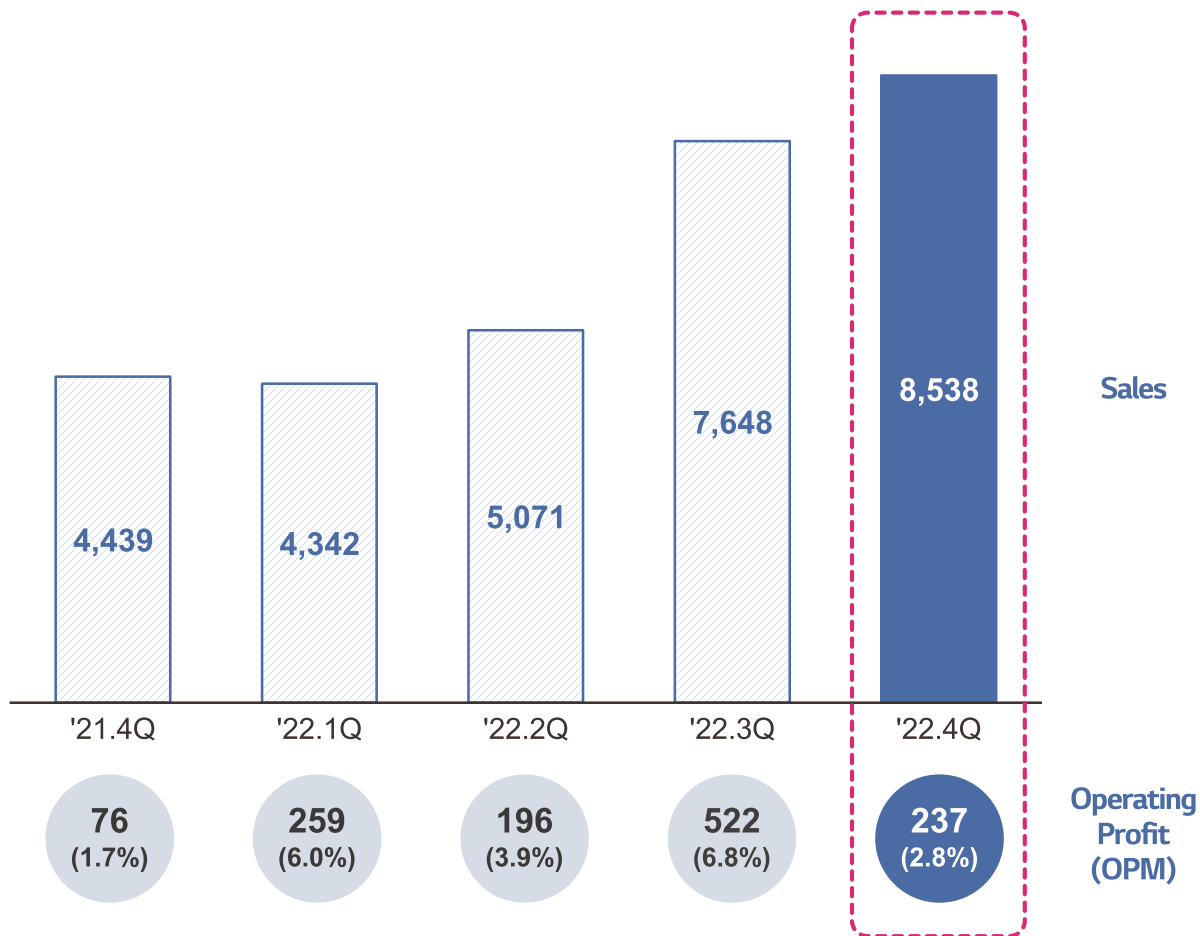
### Outlook

- Annual sales and profitability to improve through growth of crop protection in domestic/overseas markets and high value-added products

# Results & Outlook by Business

## Energy Solution

(Unit: KRW bn)



### Results

- Record-high quarterly revenue due to increased EV battery sales for major customers, GM JV Phase 1 ramp-up, power grid ESS volume growth, etc.
- Despite economies of scale led by shipment growth and continuous productivity improvement, operating profit decreased temporarily QoQ due to the recognition of one-off expenses.



### Outlook

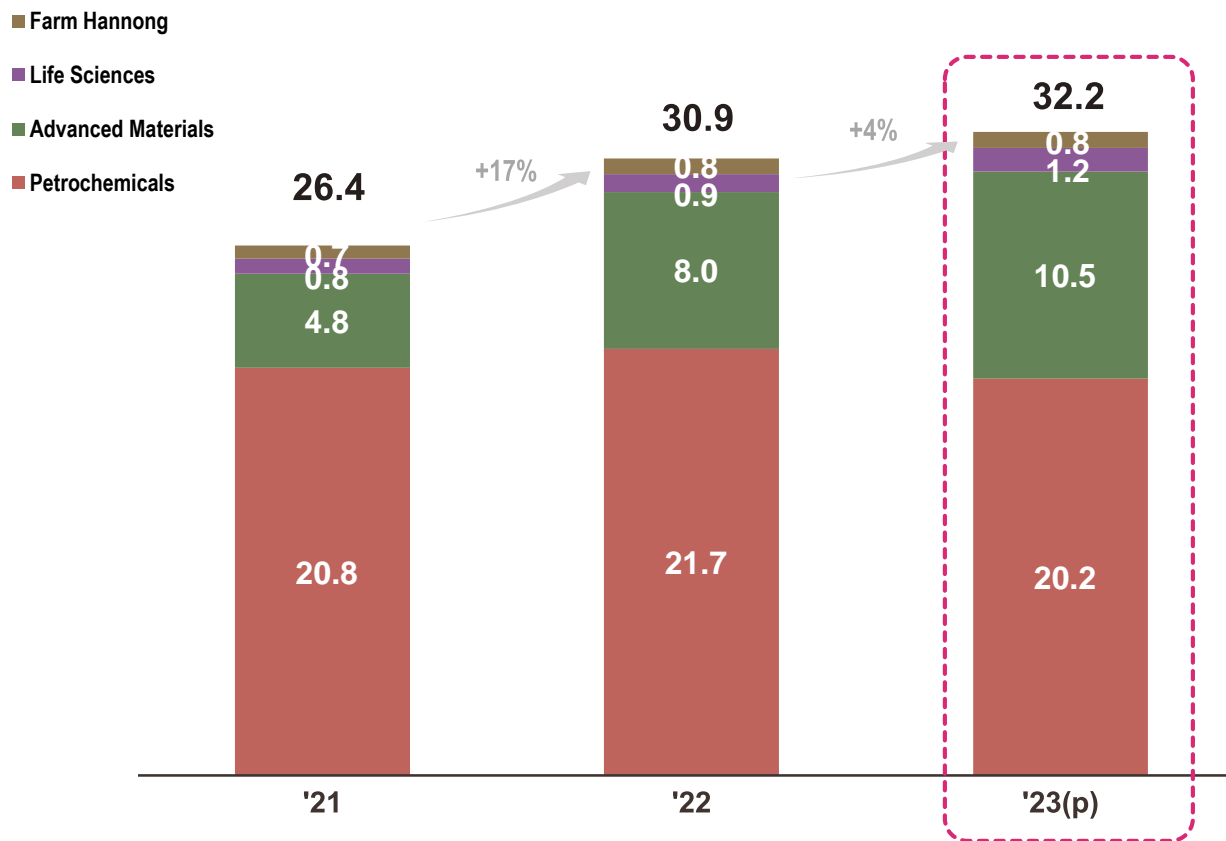
- Pursue revenue increase through stable operation of new capacity and sales expansion in high-growth markets.
- Enhance OP Margin by improving the cost curve and differentiating product competitiveness.



# 2023 Business Plan

## Business target (ex-LG ES)

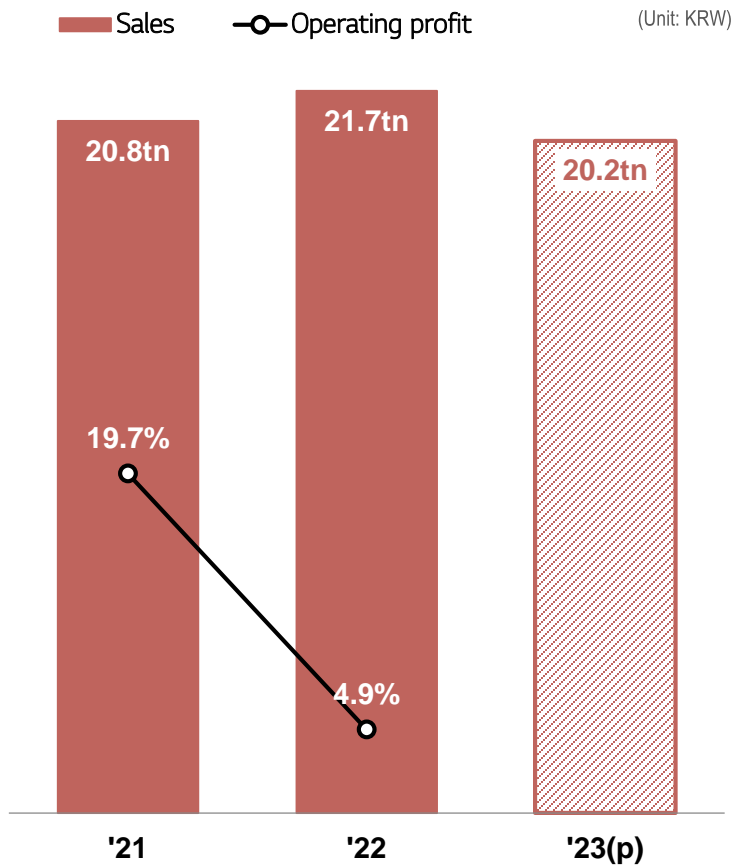
(Unit: KRW tn)



※ The projected amount of the business target is based on our business plan, and may differ from the actual amount due to changes in the business environment and strategy revision.  
 The difference between the company's sales target and the sum of sales target by business division is due to intra-company transactions and common sales.

# Business Review/Outlook

## Petrochemicals



※ The projected amount of the business target is based on our business plan, and may differ from the actual amount due to changes in the business environment and strategy revision.



### 2022 Review

- Market worsened due to an increased supply in Northeast Asia and the global economic slowdown
- Profitability of major products such as ABS/PVC declined due to difficulties in raising ASP against rising oil/feedstock prices
- Solid growth of high value-added products such as POE/CNT/SAP based on the differentiated portfolio

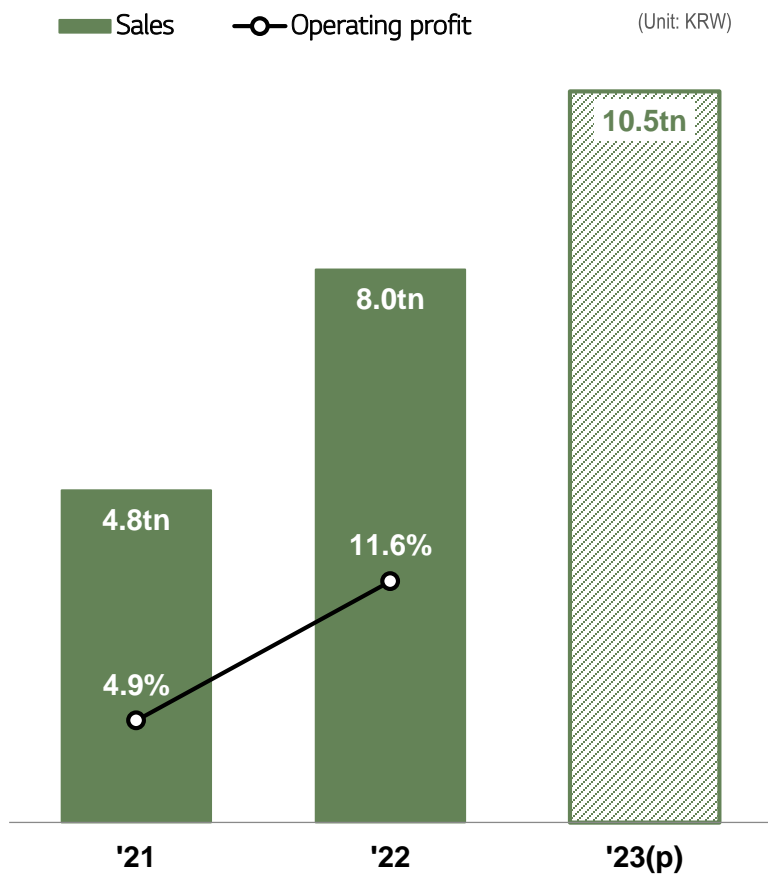


### 2023 Business Outlook / Strategic Direction

- Oversupply in the upstream market expected from continuous expansion in Northeast Asia, but market expected to improve gradually due to rebound in demand from China's reopening and an economic stimulus package
- Promote core strategies: transition to a low-carbon structure of existing products, strengthen high value-added business, and foster new Sustainability business
- Secure low-carbon technology/promote energy conversion investment and concentrate resources on high value-added/Sustainability business

# Business Review/Outlook

## Advanced Materials



※ The projected amount of the business target is based on our business plan, and may differ from the actual amount due to changes in the business environment and strategy revision.



### 2022 Review

- Battery material business grew 2.8x YoY and the sales of advanced material division grew by 67% YoY
- Profitability improved due to rising metal prices, an early securement of NCMA cathodes' stability in quality, and an expansion of high value-added products such as semiconductor/OLED materials

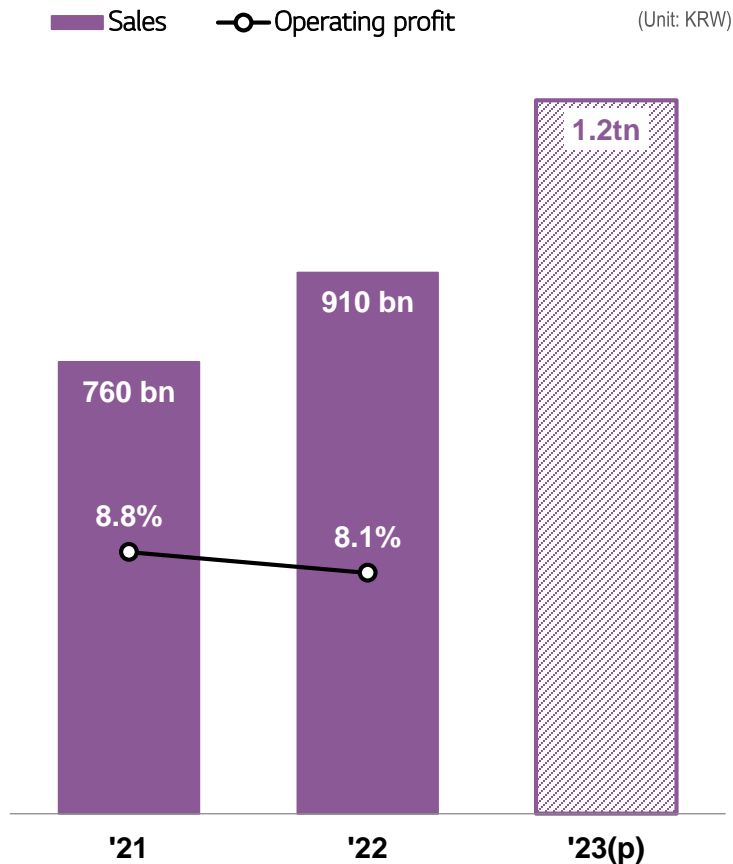


### 2023 Business Outlook / Strategic Direction

- Although slow growth/declining demand in the downstream markets such as automobiles/semiconductor/display are expected, the foundation will be laid for business in North America by diversifying customers and strengthening cooperation with strategic customers
- Development of next-generation leading products centered on businesses such as battery materials/semiconductors/e-mobility materials
- Continuous investments in business expansion, global expansion to strengthen profitability, and strengthening Value Chain

# Business Review/Outlook

## Life Sciences



※ The projected amount of the business target is based on our business plan, and may differ from the actual amount due to changes in the business environment and strategy revision.



### 2022 Review

- Increased sales by 20% YoY due to the improved market position of major products like Zemiglo /Utrophin and the launch of new product such as Zelenka
- Continued R&D progress: entering phase 3 clinical trials for gout treatment in the US
- Established a bridgehead for global business expansion by making a decision to acquire AVEO



### 2023 Business Outlook / Strategic Direction

- Continued growth expected in existing businesses via product portfolio diversification and sales expansion in the overseas market, and significant sales growth projected when consolidated with AVEO
- Expected to secure global business foundation and to find a synergy in R&D/business through successful AVEO acquisition and early stabilization
- Expectations for progress in global clinical trials

# Appendix

## Income Statements

(Unit: KRW bn)

LG Chem	2021					2022				
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
Sales	9,628	11,439	10,598	10,935	42,600	11,595	12,240	14,178	13,852	51,865
Cost of Sales	7,172	7,594	7,948	8,670	31,385	9,098	9,713	11,410	11,657	41,878
Gross Profit (%)	2,456 25.5%	3,845 33.6%	2,649 25.0%	2,264 20.7%	11,215 26.3%	2,497 21.5%	2,526 20.6%	2,768 19.5%	2,195 15.8%	9,986 19.3%
SG&A Expenses	1,048	1,704	1,922	1,515	6,188	1,472	1,648	1,867	2,004	6,991
Operating Profit (%)	1,409 14.6%	2,142 18.7%	727 6.9%	749 6.9%	5,026 11.8%	1,025 8.8%	878 7.2%	901 6.4%	191 1.4%	2,996 5.8%
Other non-operating income(expenses)	18	73	11	-237	-134	-2	64	25	-271	-183
Income before tax	1,427	2,214	738	513	4,892	1,023	943	926	-79	2,813
Net Income	1,371	1,566	680	337	3,954	769	718	714	-6	2,196
EPS (Unit:KRW)					47,108					23,670

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※ Applied retroactive effects of past performance based on the reorganization.



# Appendix

## Financial Position

(Unit: KRW bn)

LG Chem	2021				2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Assets</b>	<b>44,713</b>	<b>46,735</b>	<b>49,822</b>	<b>51,135</b>	<b>64,417</b>	<b>66,347</b>	<b>69,649</b>	<b>67,974</b>
Cash and Equivalents	5,275	4,198	4,344	3,825	14,138	11,514	9,128	8,512
A/R	6,082	6,246	6,434	6,387	7,019	7,515	8,957	7,450
Inventory	5,890	6,876	7,986	8,284	9,312	11,240	12,493	11,881
Fixed Assets	23,470	24,217	25,217	26,823	27,724	29,027	30,667	32,353
<b>Liabilities</b>	<b>25,065</b>	<b>25,244</b>	<b>27,143</b>	<b>27,925</b>	<b>28,926</b>	<b>29,799</b>	<b>30,934</b>	<b>30,493</b>
A/P	3,792	3,727	3,649	3,742	4,691	5,330	5,357	4,756
Short-term debts	1,775	3,040	3,389	3,477	4,370	4,427	4,741	3,804
Long-term debts	9,651	8,988	10,630	11,289	10,324	11,313	12,375	12,160
<b>Equity</b>	<b>19,648</b>	<b>21,491</b>	<b>22,679</b>	<b>23,210</b>	<b>35,491</b>	<b>36,548</b>	<b>38,715</b>	<b>37,481</b>
Liabilities / Equity (%)	127.7%	117.5%	119.7%	120.3%	81.5%	81.5%	79.9%	81.4%
Net debt / Equity (%)	31.3%	36.4%	42.7%	47.1%	1.6%	11.6%	20.6%	19.9%
BPS (Unit:KRW)	240,083	260,560	272,417	277,127	387,345	397,216	415,621	401,764

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# Appendix

## Cash Flows

(Unit: KRW bn)

LG Chem	2021					2022				
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
<b>Beginning Cash Balance</b>	<b>3,274</b>	<b>5,058</b>	<b>4,189</b>	<b>4,279</b>	<b>3,274</b>	<b>3,761</b>	<b>9,052</b>	<b>5,279</b>	<b>4,912</b>	<b>3,761</b>
<b>Operating Activities</b>	<b>1,066</b>	<b>1,588</b>	<b>903</b>	<b>1,957</b>	<b>5,513</b>	<b>156</b>	<b>-587</b>	<b>-1,100</b>	<b>2,101</b>	<b>570</b>
Operating Profit	1,409	2,142	727	749	5,026	1,025	878	901	191	2,996
Depreciation	631	685	741	788	2,844	793	819	871	929	3,412
Working Capital	-990	-1,215	-1,376	-158	-3,739	-711	-1,785	-2,668	1,518	-3,646
<b>Investing Activities</b>	<b>-38</b>	<b>-1,360</b>	<b>-1,737</b>	<b>-2,215</b>	<b>-5,349</b>	<b>-7,264</b>	<b>-3,338</b>	<b>-169</b>	<b>1,542</b>	<b>-9,229</b>
<b>Financing Activities</b>	<b>688</b>	<b>-1,111</b>	<b>819</b>	<b>-273</b>	<b>124</b>	<b>12,337</b>	<b>47</b>	<b>739</b>	<b>211</b>	<b>13,332</b>
Borrow/Repay	1,240	602	1,991	747	4,580	-72	1,046	1,376	-1,151	1,199
Dividends	-	-869	-	-	-869	-	-945	-92	-54	-1,091
<b>Ending Cash Balance</b>	<b>5,058</b>	<b>4,189</b>	<b>4,279</b>	<b>3,761</b>	<b>3,761</b>	<b>9,052</b>	<b>5,279</b>	<b>4,912</b>	<b>8,498</b>	<b>8,498</b>

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※ Applied retroactive effects of past performance based on the reorganization.

# Appendix

## CAPEX & R&D Expenses (ex – LG ES)

### CAPEX

(Unit: KRW bn)

LG Chem	2020	2021	2022
Petrochemicals	1,831	1,610	1,645
Advanced Materials	224	840	1,089
Life Sciences	45	110	118
Common (incl. Farm Hannong)	478	593	679
<b>Total</b>	<b>2,578</b>	<b>3,153</b>	<b>3,531</b>

### R&D Expenses

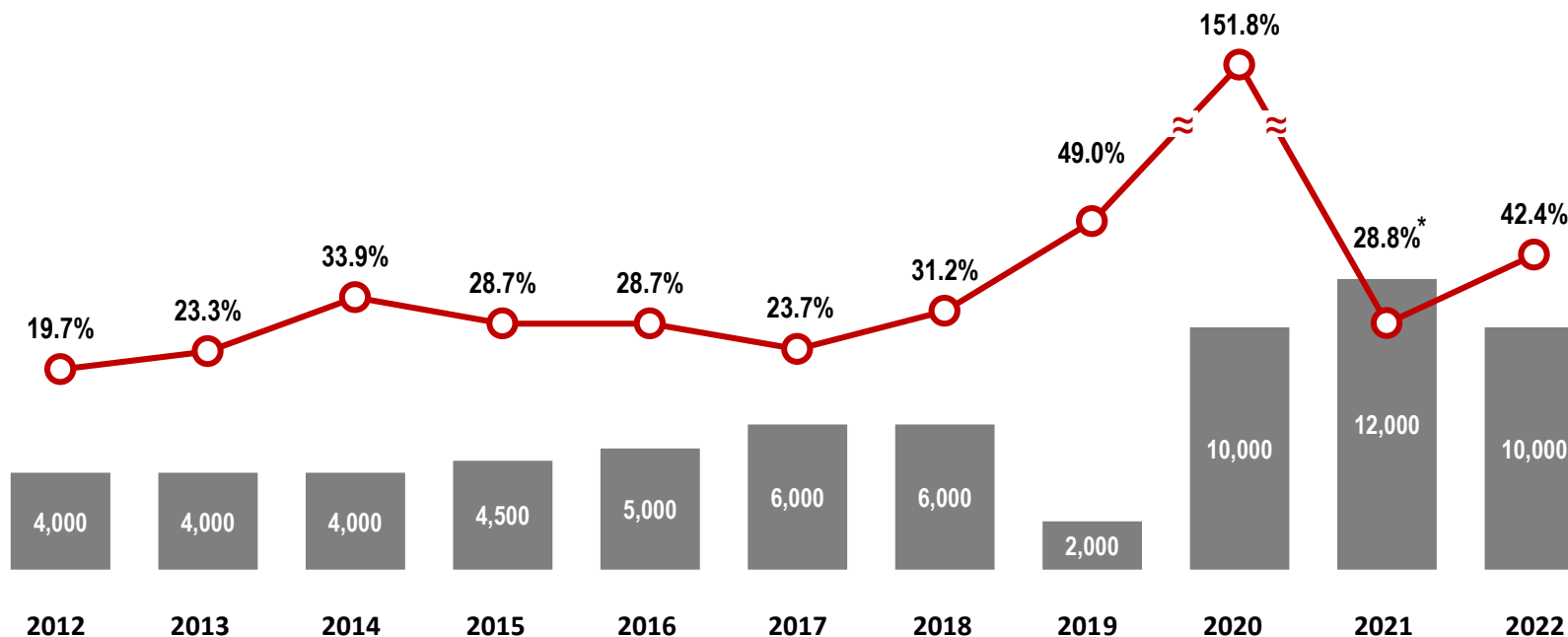
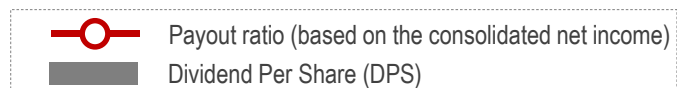
(Unit: KRW bn)

LG Chem	2020	2021	2022
Petrochemicals	167	184	216
Advanced Materials	160	154	204
Life Sciences	174	200	276
Common (incl. Farm Hannong)	245	195	205
<b>Total</b>	<b>746</b>	<b>733</b>	<b>901</b>

# Appendix

## Dividend Per Share (DPS) Trend

(Unit: KRW / Common Share)



※ Dividend Policy: To enhance LG Chem's shareholder value, the company pursues 30% payout ratio or more based on the consolidated net income (excluding one-off non-recurring gain).

\* In 2021, the net income attributable to controlling interests, 3.7 trillion won, excludes an one-off non-recurring profit such as the polarizer business.

# Thank you

*We*ConnectScience

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