



LOTTE FINE CHEMICAL

3Q FY19 Business Results

Oct. 31st 2019

Lifetime
Value Creator

Since this document has yet to be reviewed by external auditors, please note that the figures in the document may be revised following an independent review.

This document contains forward-looking statements or information that are based on estimates and assumptions.

Please be advised that such forward-looking statements involve known and unknown risks, uncertainties and assumptions, and are subject to change.

The financial information in this document has been prepared in accordance with K-IFRS.

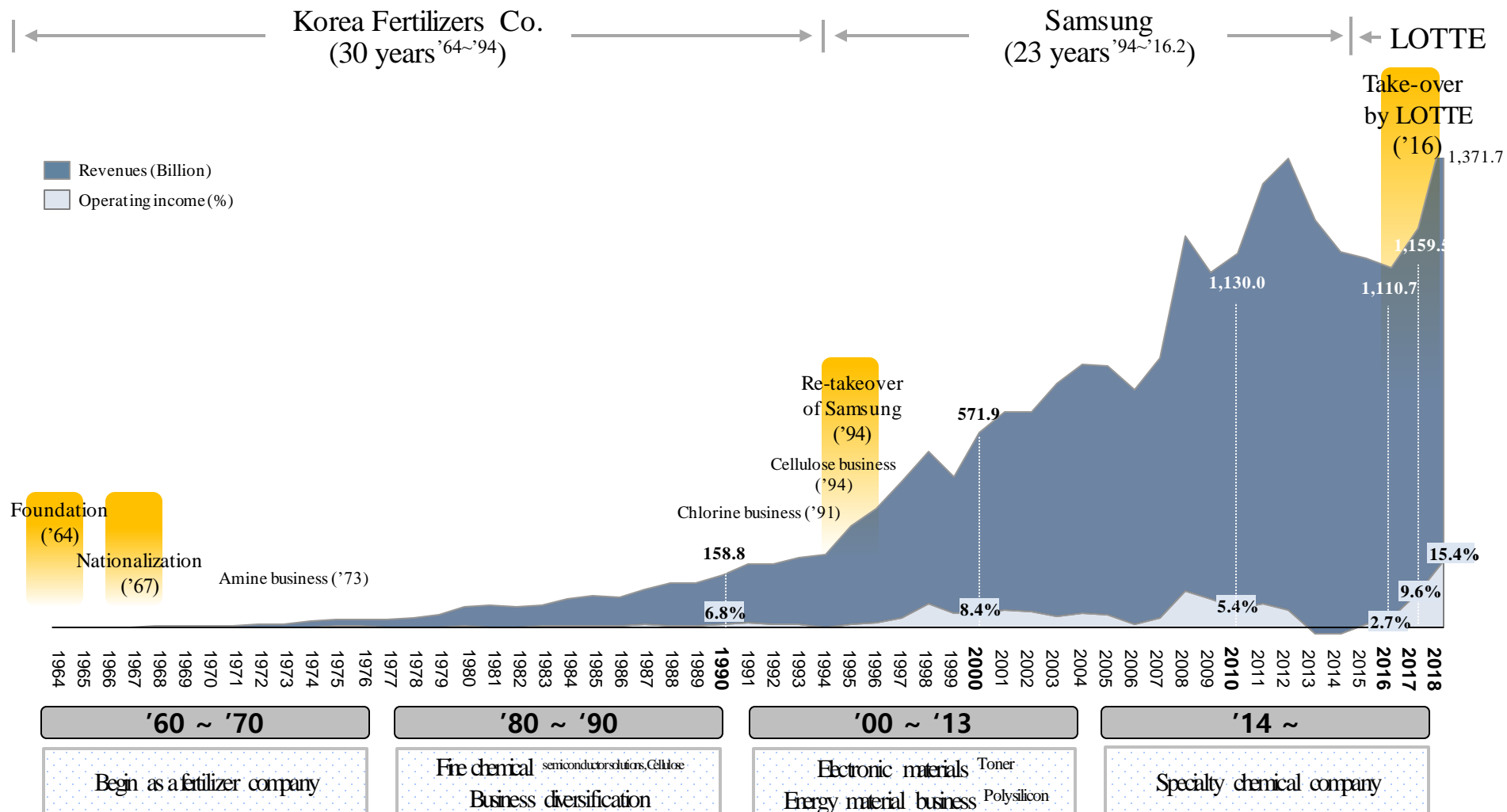
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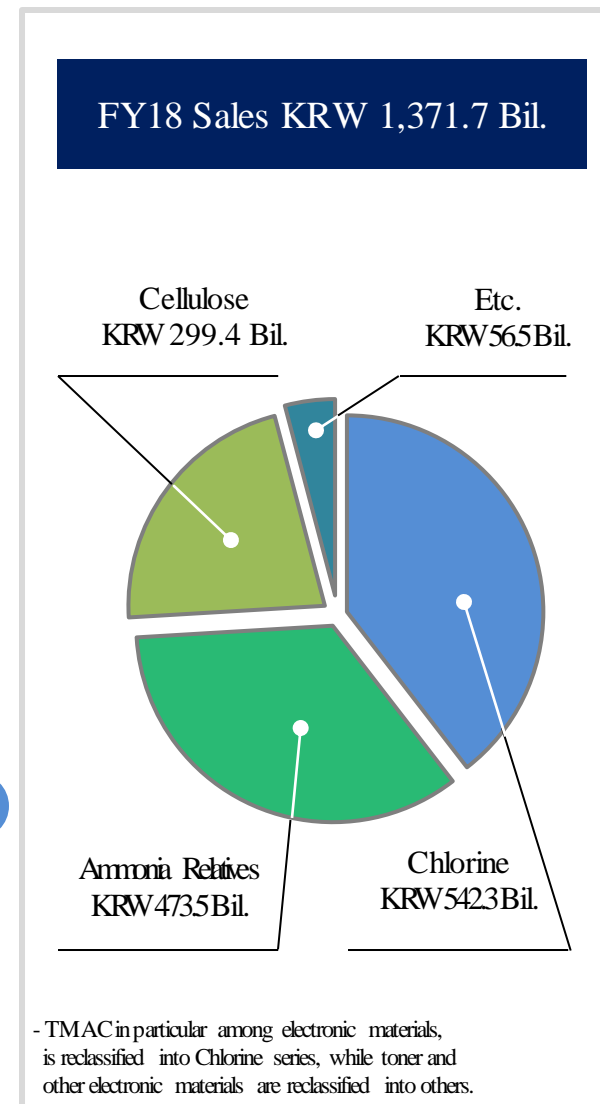
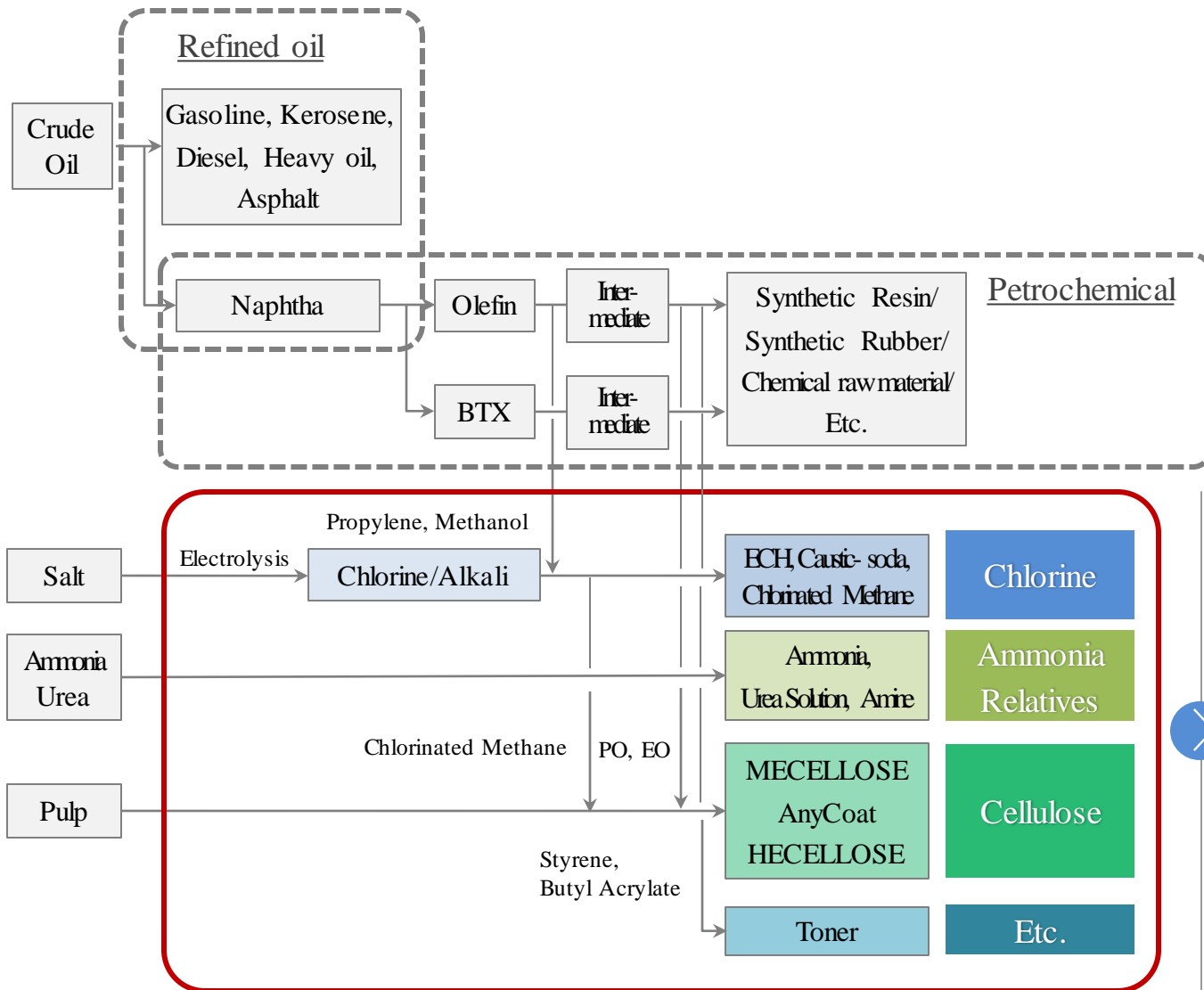
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1. Company overview

(1) History

Beginning with the Urea fertilizer business in 1964, the company has expanded to cover Amine, Chloride, and Cellulose businesses.





LOTTE Fine Chemical(LFC) Business scope

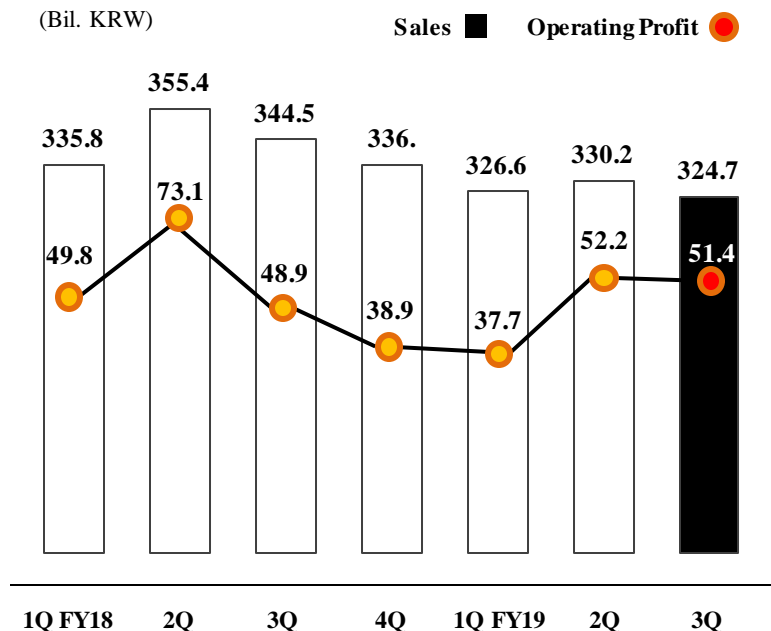
ECH : Epichlorohydrin / MECELLOSE® : Additive for construction MC(Methyl Cellulose) / AnyCoat® : Capsule coating material for medicine MC / HECCELLOSE® : Additive for paint HEC(Hydroxyethyl Cellulose)

2. 3Q FY19 Business Results

(1) Income Statement

Revenues and operating profit recorded KRW 324.7 billion and KRW 51.4 billion respectively (OPM15.8%)

- Revenues and profit have been turned down due to economic slowdown since Q3, 2018. Those figures are on the recovery following Cellulose expansion in 2019.
- In Q3 of 2019, revenues and operating profit dropped QoQ as affected by economic slowdown



(Bil. KRW)	3Q FY18	2Q FY19	3Q FY19	QoQ	YoY
Sales	344.5	330.2	324.7	▲1.7%	▲5.7%
Gross Profit	72.6	75.2	76.9	2.3%	5.9%
Operating Profit	48.9	52.2	51.4	▲1.5%	5.1%
Pre-tax Income	70.4	58.1	64.3	10.7%	▲8.7%
Net Income	54.7	40.0	48.7	21.8%	▲11.0%
Oil Price(WTI, \$/bbl)	69.50	59.82	56.45	▲5.6%	▲18.8%
Exchange Rate (₩/\$)	1,121.52	1,166.62	1,194.94	2.4%	6.5%

Assets and liabilities stood at KRW 1,761.3 billion and KRW 297.1 billion respectively at the end of September

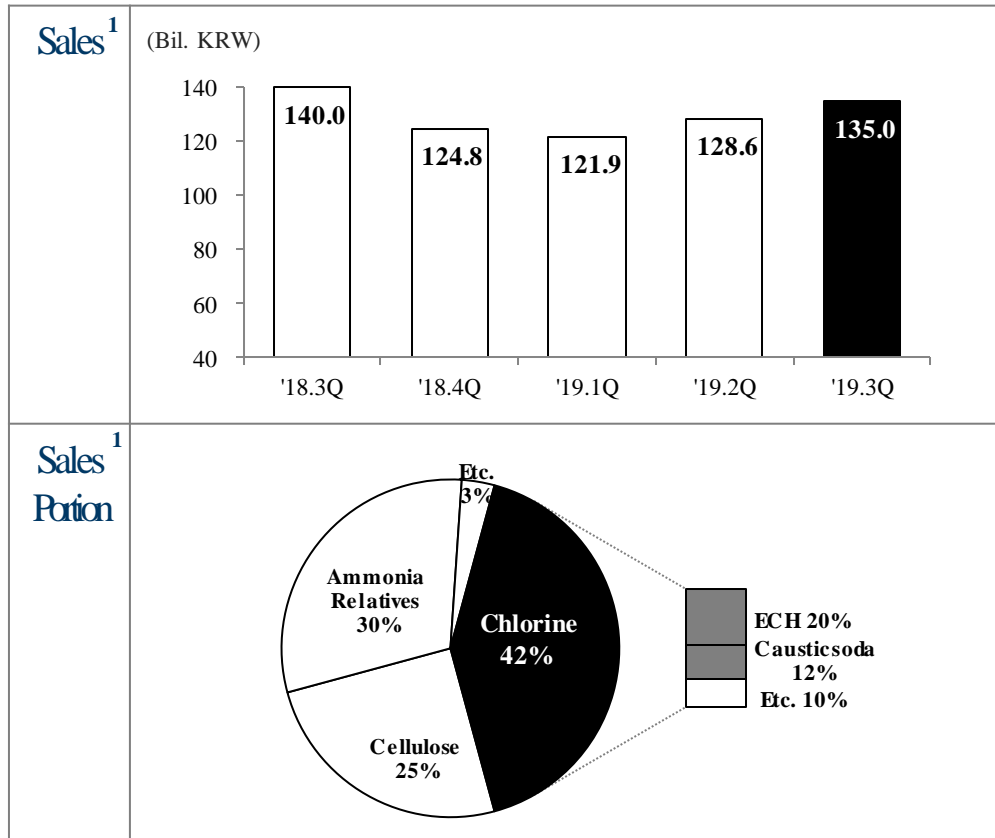
- The financial structure remained sound with 20.3% in debt ratio and 83.1% in equity ratio.
- Debts stood at KRW 81.3 billion and net debts after cash and savings consideration stood at KRW ▲353.7 billion.

(Bil. KRW)	Dec. 2018	Jun. 2019	Sep. 2019	Compared to Dec. 2018
Asset	1,700.0	1,701.3	1,761.3	61.3
Cash and Equivalents	6.8	23.1	53.2	46.4
Liabilities	322.1	285.8	297.1	▲25.0
Borrowings	81.2	81.2	81.3	0.1
Shareholder's Equity	1,377.9	1,415.5	1,464.2	86.3
Capital	129.0	129.0	129.0	-
Debt Ratio	23.4%	20.2%	20.3%	▲3.1%p
Capital Ratio	81.1%	83.2%	83.1%	2.0%p

3. Divisional Results : Chlorine

Revenues stood at KRW 135.0 billion, accounting for 42% of the total revenues.

ECH price increased and sales volume increase of caustic soda resulted in KRW 6.4 billion increase QoQ.



ECH

- With demand and supply imbalance of ECH in China pushing up the international market price, the elevated product price resulted in revenue increase QoQ.
- Revenues rose as a result of the sales volume increase as affected by domestic demand rise² YoY.

Caustic soda

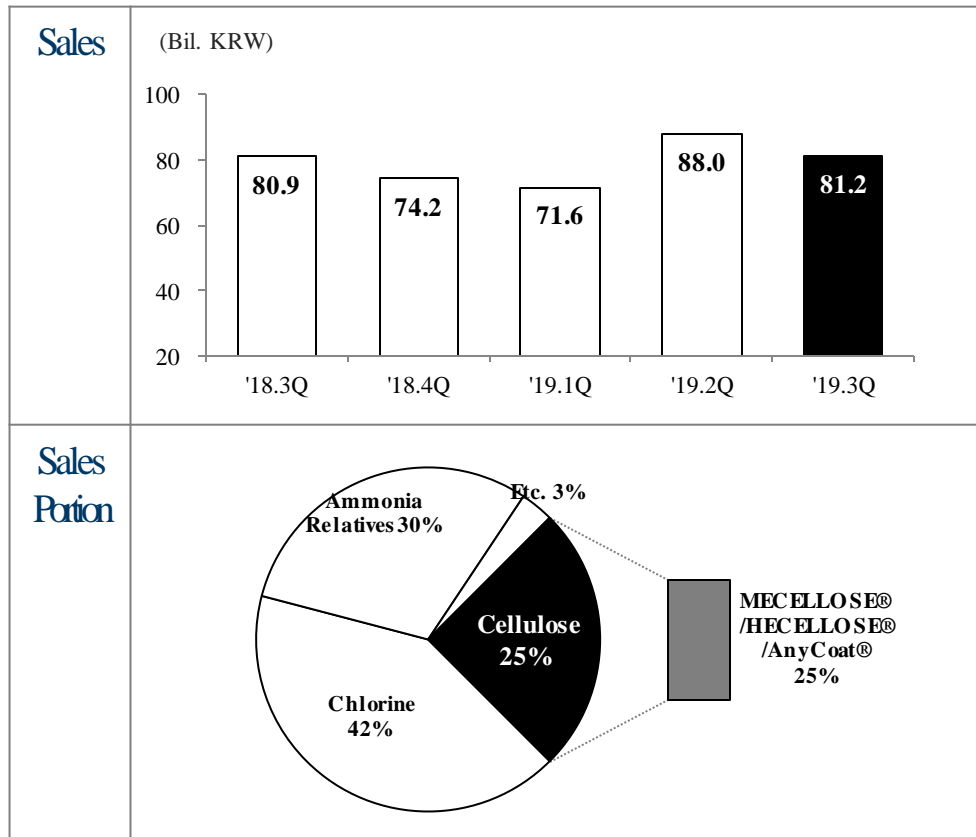
- The weakened Ethylene price contributed to recovery of PVC profitability and its production increase, but the sluggish demand due to economic downturn pulled down the international price.
- Sales volume recovered after the scheduled maintenance, pushing up the revenues QoQ.
- Revenues reduced due to price cut as affected by the international market price fall YoY.

1. TMAC in particular among electronic materials, is reclassified into Chlorine series; 2. Kumho P&B Epoxy expansion for 45,000 tons in May 2019

3. Divisional Results : Cellulose

Revenues stood at KRW 81.2 billion, accounting for 25% of the total revenues.

Sales of Anycoat increased, which was offset by reduced sales of MECELLOSE & HECELLOSE, resulting in KRW 6.8 billion decline QoQ.

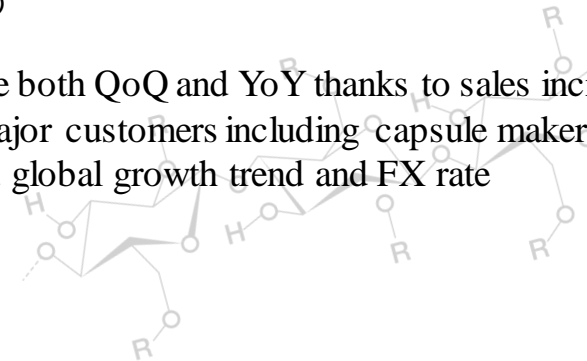


MECELLOSE[®], HECELLOSE[®]

- For MECELLOSE, sales volume was reduced QoQ and YoY due to increased in-house consumption as a result of increased Anycoat sales, and decreased sales volume as affected by increased inventory for the regular maintenance in 2020.
- HECELLOSE saw its revenues drop QoQ due to economic slowdown and go up YoY thanks to successful sale of the increased volume from expanded capacity.

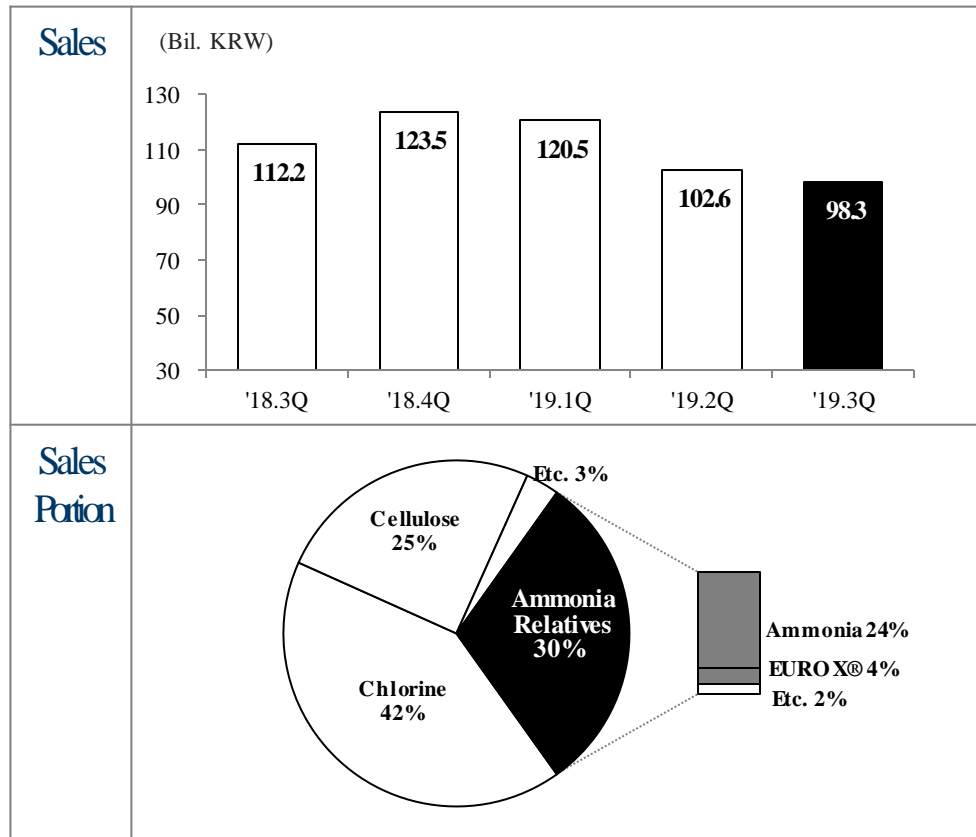
AnyCoat[®]

- Revenues rose both QoQ and YoY thanks to sales increase reported by major customers including capsule makers based on solid global growth trend and FX rate appreciation.



3. Divisional Results : Ammonia

Revenues stood at KRW 98.3 billion, accounting for 30% of the total revenues, which was a KRW 4.3 billion won drop QoQ due to the weakened Ammonia price and seasonality effect of EUROX.

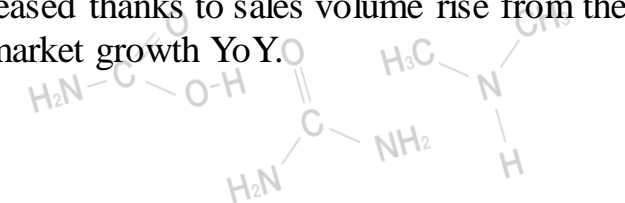


Ammonia

- Despite troubles and regular maintenance jobs in ME and SEA, supply was increased due to the new plant in Russia and demand slowed down due to depressed demand. Revenues dropped slightly due to price fall.
- Global supply rose YoY enabled by operation of a new plant in Russia, which caused the international price to go down, cutting down revenues.

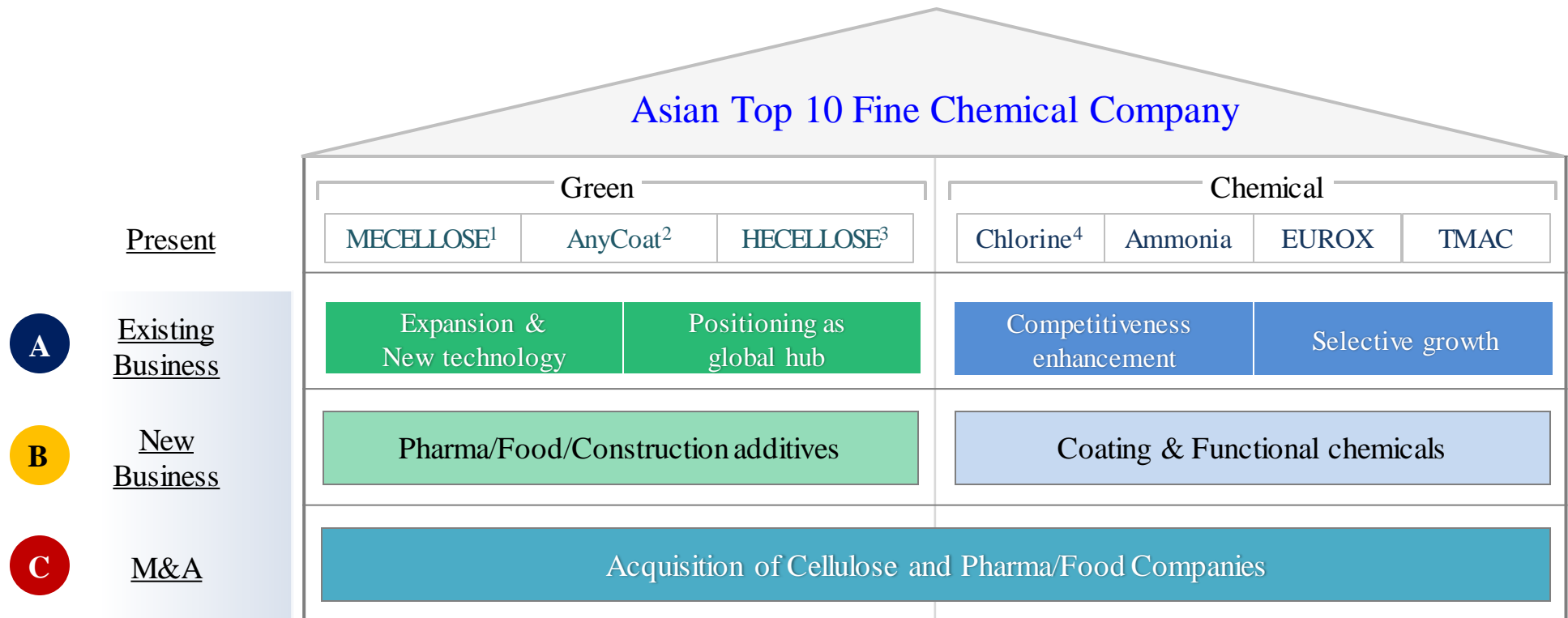
EUROX®

- Revenues fell down QoQ due to sales volume cut as affected by slow seasonality such as summer break and holidays.
- Revenues increased thanks to sales volume rise from the urea solution market growth YoY.



4. Mid and Long-Term Planning in Business

Expand into Cellulose-focused value-added specialty products and coating & functional chemicals, while chlorine & ammonia are to be used to strengthen competitiveness and serve as cash cow for future investment.



1. MECELLOSE G Line 13.8KT, 115 billion won, '19.4~'21.3; 2. AnyCoat D Line 1.8KT, 8.2 billion won, '19.4 Completed; 3. HECELLOSE plant 2 9KT, 49 billion won, '19.1 Completed; 4. ECH Revamping 6KT, 5.7 billion won, '19.4 completed

Appendix. Quarterly Business Results



Unit: Bil. KRW

	FY18					FY19				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	335.8	355.4	344.5	336.0	1,371.7	326.6	330.2	324.7		981.6
Gross Profit	71.9	94.1	72.6	61.6	300.2	60.5	75.2	76.9		212.6
Operating Profit	49.8	73.1	48.9	38.9	210.7	37.7	52.2	51.4		141.3
Income Before Tax	70.8	87.8	70.4	46.1	275.2	51.7	58.1	64.3		174.0
Net Income	55.2	68.5	54.7	36.4	214.9	40.8	40.0	48.7		129.5
Oil Price (WTI, \$/bbl)	62.90	67.26	69.50	58.77	64.76	54.90	59.82	56.45		57.06
Exchange Rate (₩/\$)	1072.72	1,078.98	1,121.52	1,127.43	1,100.16	1,125.06	1,166.62	1,194.94		1,162.21

※ The difference between quarterly results and cumulative results is attributable to the round-off.

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