

# **2Q 2019 Business Result**

**5 August 2019**



The financial information in this document are consolidated earnings results based on K-IFRS. The previous earnings results have also been stated in compliance with K-IFRS.

The business results for the second quarter of 2019 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 actual results may differ from those included in this release due to a variety of factors. LOTTE Chemical undertakes no obligation to update or revise the preliminary provided in this release. Also, this material is not legally binding for any of investors' investment result.

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.

**2Q 2019 Business Results**

**Results & Outlook by Business**

**Investment Plan**

**Appendix**

# 2Q 2019 Business Results : Income Statements

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(Unit: KRW bn)

	2019.2Q (E)	2019.1Q	QoQ	2018.2Q	YoY
Revenue	4,035	3,722	8.4%	4,330	▲6.8%
Operating Profit (%)	346 (8.6%)	296 (7.9%)	17.1%	701 (16.2%)	▲50.6%
EBITDA (%)	518 (12.8%)	460 (12.4%)	12.5%	875 (20.2%)	▲40.9%
Pre-tax Income (%)	374 (9.3%)	363 (9.8%)	3.1%	818 (18.9%)	▲54.2%
Net Income (%)	271 (6.7%)	224 (6.0%)	21.2%	579 (13.4%)	▲53.1%

# 2Q 2019 Business Results : Financial Position

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## Financial Position

(Unit: KRW bn)

	2019.2Q (E)	2018	Change
<b>Asset</b>	<b>21,582</b>	<b>20,799</b>	<b>3.8%</b>
Cash and Equivalents	4,612	4,708	▲2.0%
<b>Liabilities</b>	<b>7,790</b>	<b>7,255</b>	<b>7.4%</b>
Borrowings	5,175	4,786	8.1%
<b>Shareholder's Equity</b>	<b>13,792</b>	<b>13,544</b>	<b>1.8%</b>

## Financial Ratios

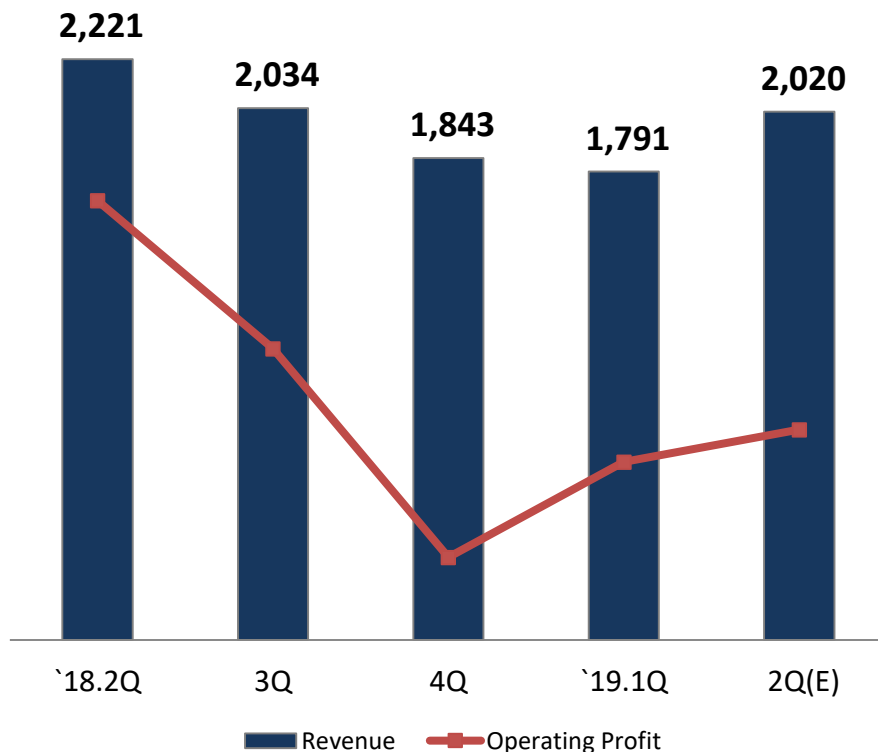
(Unit: %)

	2019.2Q (E)	2018	Change
<b>Debt / Equity</b>	<b>56.5</b>	<b>53.6</b>	<b>2.9%p</b>
<b>ROE</b>	<b>7.2</b>	<b>12.7</b>	<b>▲5.5%p</b>
<b>ROA</b>	<b>4.7</b>	<b>8.1</b>	<b>▲3.4%p</b>

# Results & Outlook by Business : LOTTE Chemical (Olefin)

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## Quarterly Earnings Trend (Unit: KRW bn)



OP	470	312	88	191	225
OPM (%)	21.2	15.3	4.8	10.6	11.1

## 2Q Earnings Review

Profitability increased due to reducing overcapacity by domestic cracker troubles and 1Q's one-time cost elimination.

### PE/PP

- Profitability increased on improved buying sentiment by US-China trade talks and solid high-value product sales.

### MEG

- Profitability decreased by new supply, despite sound demand by seasonal reason.

### BD

- Profitability increased thanks to supply tightness from regional plants' shutdown, despite weak demand for downstream products by volatile international economies.

### SM

- Profitability improved on supply tightness by regional shutdowns, despite weak demand in China.

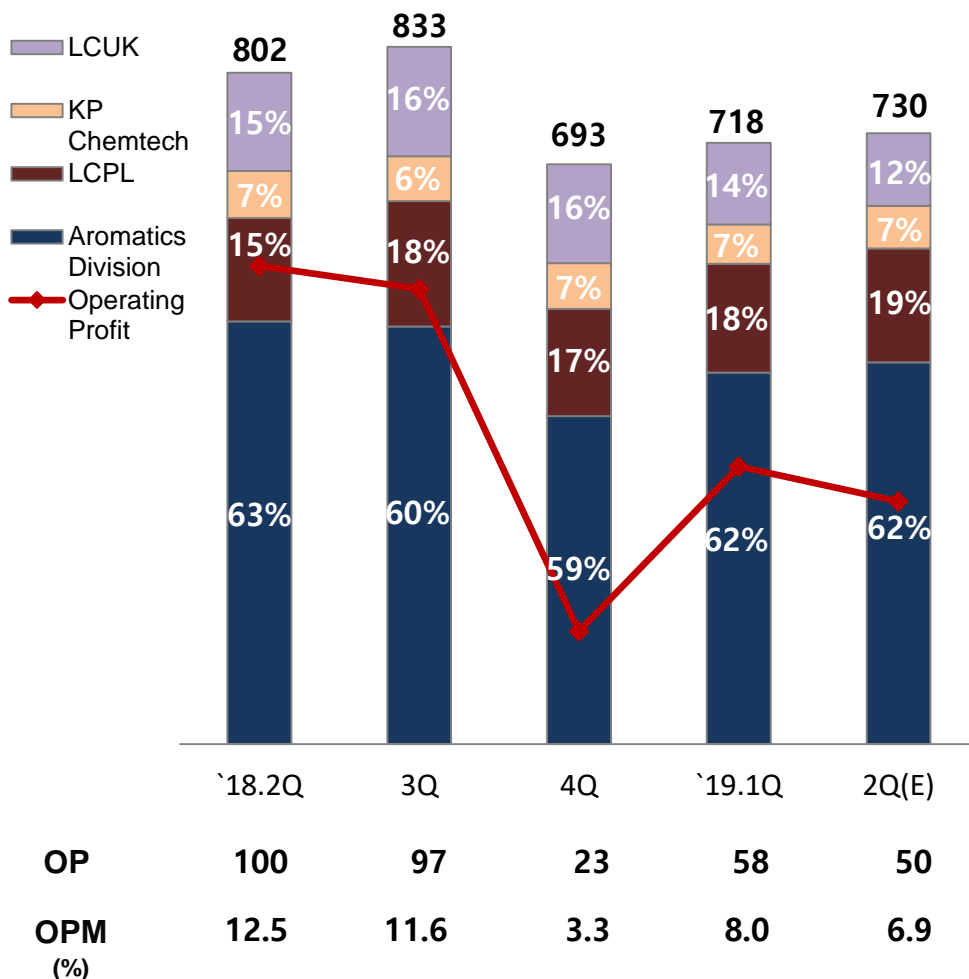
## 3Q Outlook

Despite demand increase by China's economic stimulus effect, expect supply expansion thanks to new supply from commercial operation of new facilities.

# Results & Outlook by Business : Aromatics

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## Quarterly Earnings Trend (Unit: KRW bn)



## 2Q Earnings Review

**Profitability decreased by feedstock overcapacity issue, despite healthy demand by seasonal reason.**

PX

- Profitability decreased due to continued buyer's resistance on overcapacity issue as China's large-scale projects started operation.

PET

- Profitability slightly improved on healthy demand by seasonal reason.

LCUK / LCPL

- Profitability increased due to sound demand by seasonal reason and lower feedstock cost.

## 3Q Outlook

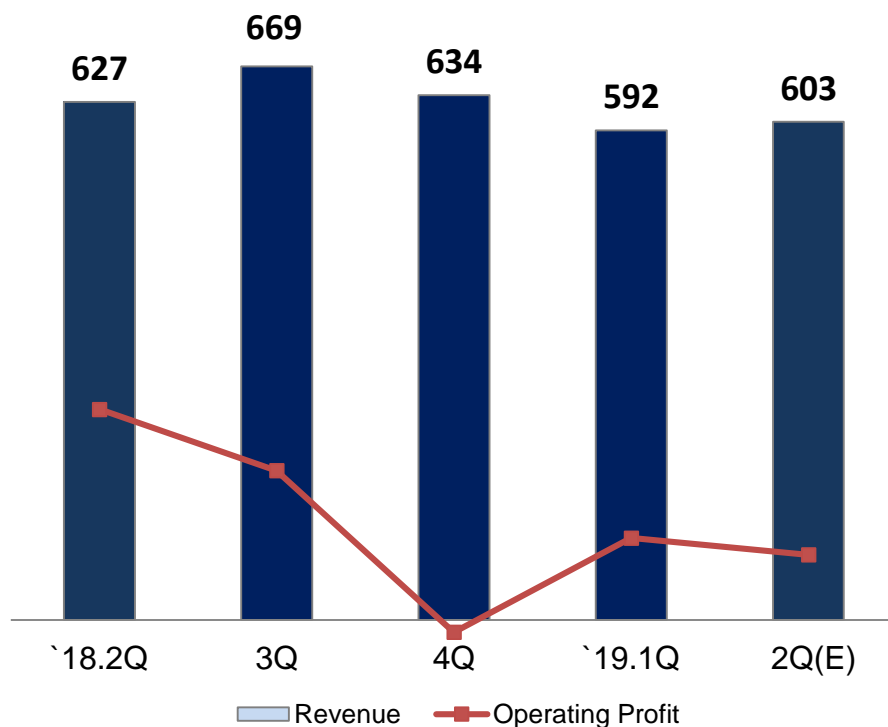
**Despite downstream products' healthy demand by seasonal reason, feedstock business' competition is expected to increase due to China's large-scale project's higher utilization rate.**

\* The above numbers have been calculated by simply adding up Aromatic division of LOTTE Chemical (parent company), KP Chemtech, LCPL, LCUK.

# Results & Outlook by Business : LC Titan

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## Quarterly Earnings Trend (Unit: KRW bn)



OP	69	49	▲5	26	21
OPM (%)	11.0	7.3	▲0.8	4.4	3.4

## 2Q Earnings Review

**Profitability decreased due to overcapacity by new import volume and Muslim holidays in June.**

### PE/PP

- Profitability slightly decreased due to intensified competition by continued new supply inflows.

### BZ

- Profitability come down thanks to product price decline by China's large scale project operation.

### BD

- Profitability decreased due to sluggish downstream market condition by continued new supply inflows and the volatile international economies.

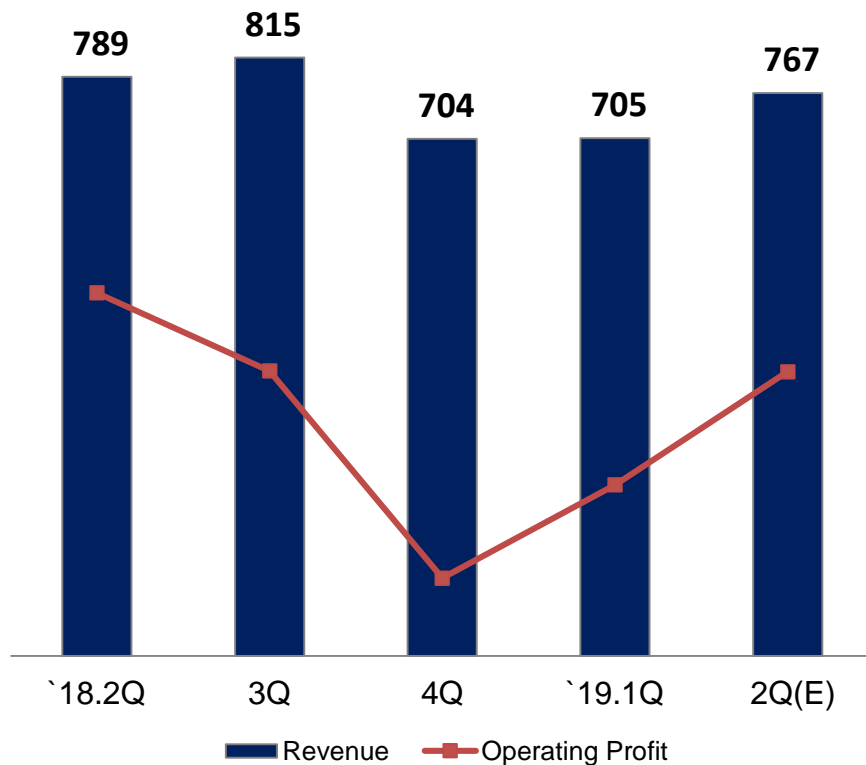
## 3Q Outlook

**Despite continued market growth in Southeast Asia, expect the growth to be limited due to regional overcapacity.**



# Results & Outlook by Business : LOTTE Advanced Materials *More than Chemistry*

## Quarterly Earnings Trend (Unit: KRW bn)



OP	78	59	9	31	59
OPM (%)	9.9	7.2	1.3	4.5	7.7

## 2Q Earnings Review

**Profitability increased due to 1Q's negative feedstock lagging effect elimination, despite weak demand.**

### ABS

- Profitability slightly improved on higher feedstock cost lagging elimination, despite weak demand by volatile international economies from US-China trade dispute.

### PC

- Sound profitability maintained due to solid compound product sales, despite overcapacity issue from China's new supply.

### Construction Material

- Sales & profitability increased due to expanding high-value Engineered Stone sales in major overseas markets.

## 3Q Outlook

**Despite weak demand by volatile international economies, expect sound profitability due to healthy demand by seasonal reason and solid compound product sales.**

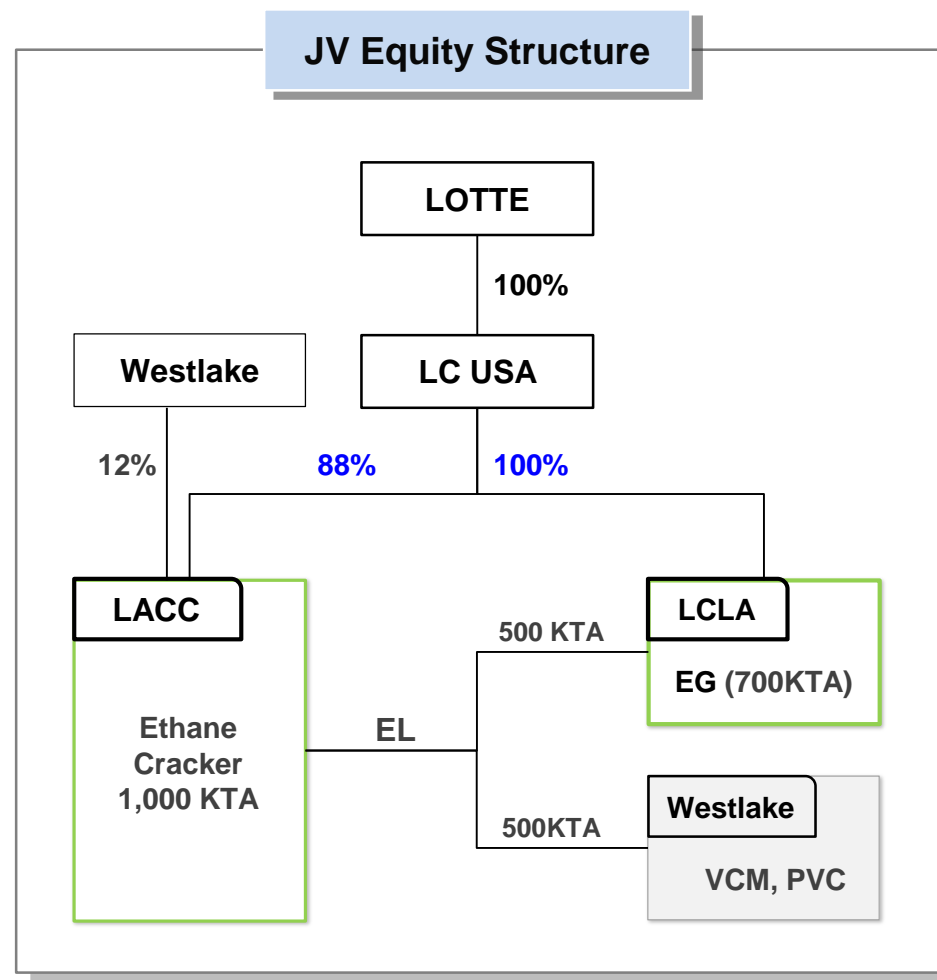
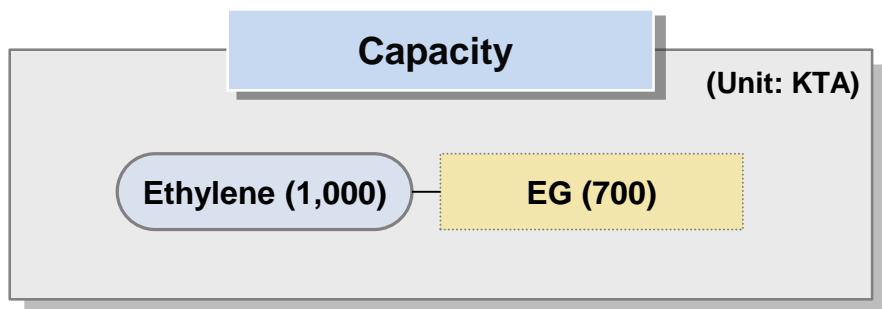
## On-Going Investment

Project	Investment Cost (KRW bn)	Capacity (KTA)	Location	Mechanical Completion
US ECC(JV) & MEG Project	1,277mil USD (Total 3,096mil USD)	Ethylene 1,000 (90%) EG 700 (100%)	USA	Completed
MeX Project PC Project	368	MeX 200 PC 110	Ulsan, Korea Yeosu, Korea	2019.2H
EOA Project	96	HPEO 100 EOA 100	Yeosu, Korea	2020.2H
*HPC Project (JV with Hyundai Oil bank)	296 (Total 2,700)	Ethylene 750 Propylene 400 PE 850 PP 500 BD 150	Daesan, Korea	2021.2H
GS Energy JV (51%)	163 (Total 800)	BD 90 TBA 70 BN-1 40 MTBE 15 Phenol 350 Acetone 215 BPA 200	Yeosu, Korea	2022.1H  2023.2H

# Investment Plan : LC USA

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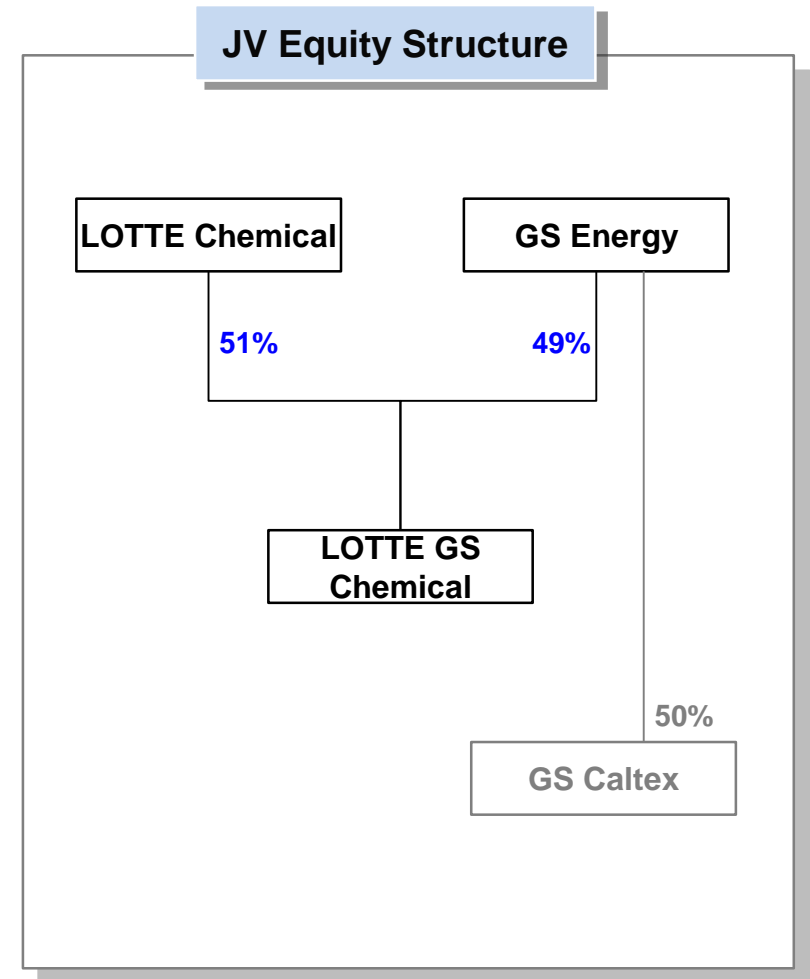
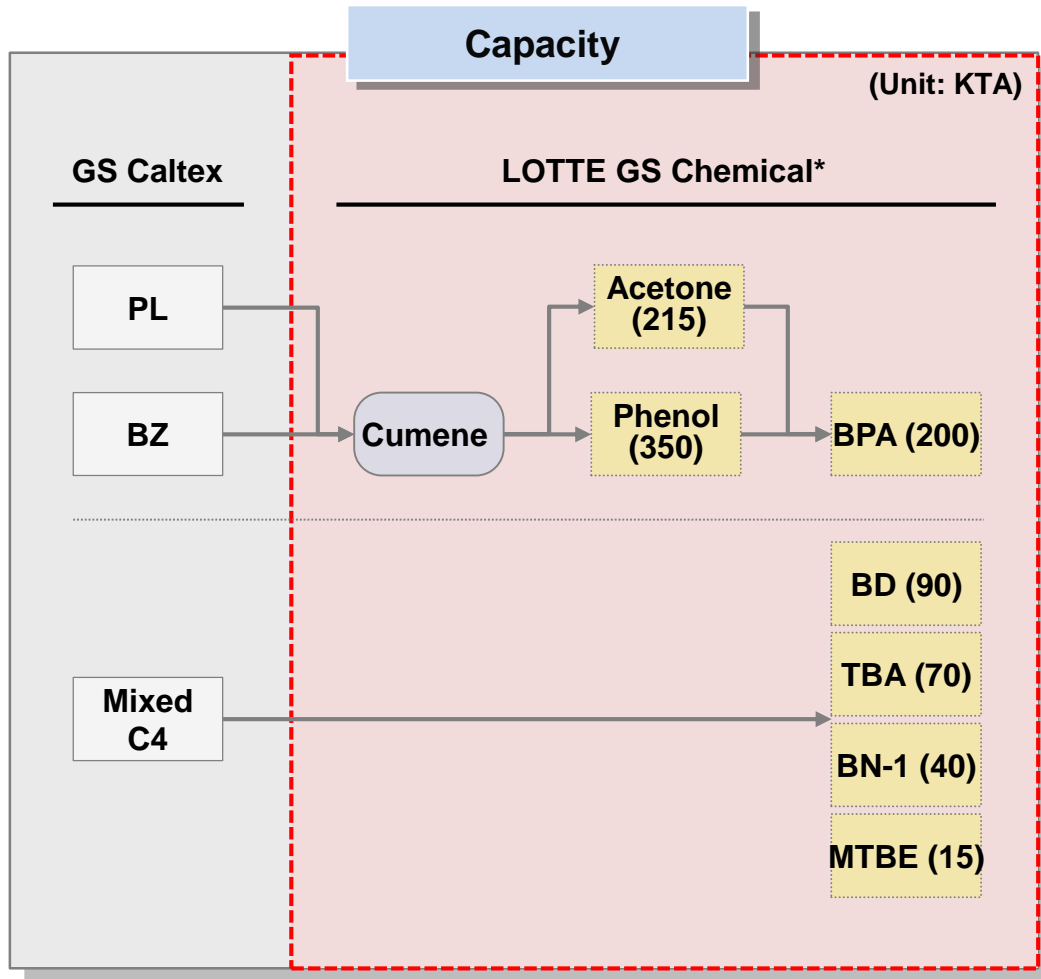
- 2019. 2Q Earnings : Revenue KRW 42 billion, OP KRW 10 billion, OPM 23.2%



# Investment Plan : GS Energy JV

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- Invest a total of KRW 800 billion (equity:debt = 40:60),  
LOTTE Chemical invests KRW 163 billion.



**APPENDIX.**

# Appendix : Quarterly Performance

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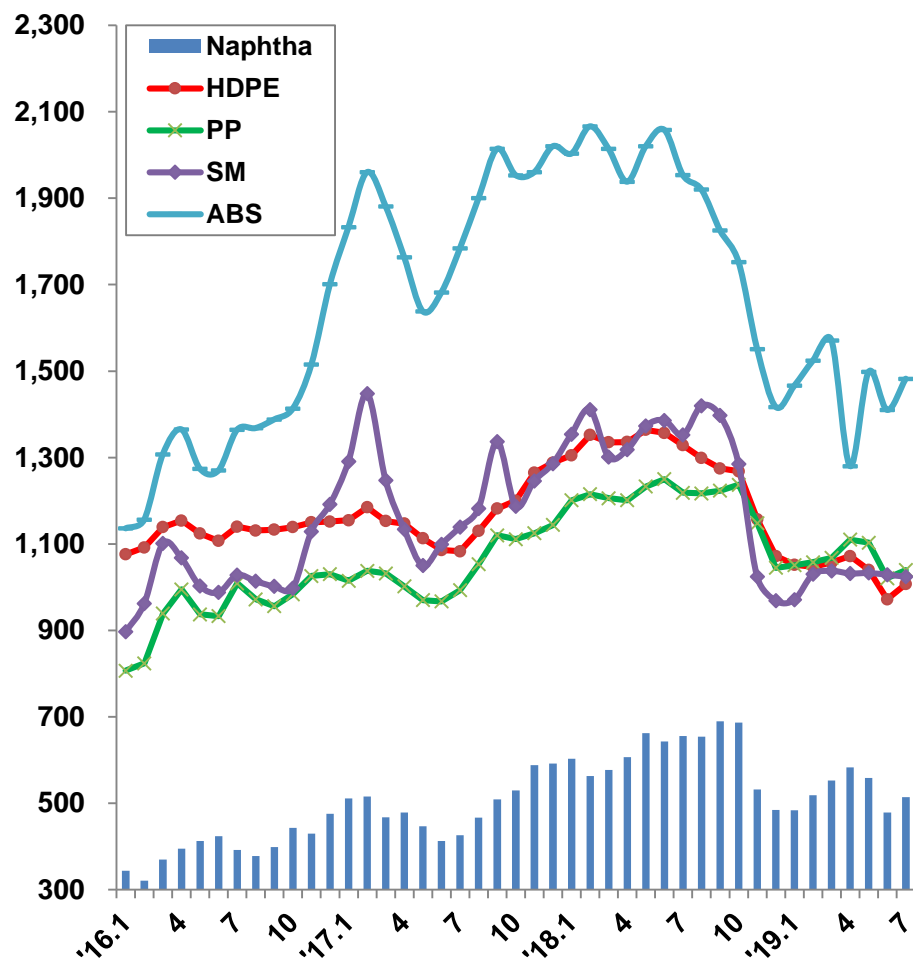
(Unit: KRW bn)

	2018					2019				
	1Q	2Q	3Q	4Q	Total	1Q	2Q(E)	3Q	4Q	Total
Revenue	4,123	4,330	4,248	3,844	16,545	3,722	4,035			7,756
Operating Profit	662	701	504	100	1,967	296	346			642
Pre-tax Income	745	818	597	93	2,253	363	374			737
Net Income	543	579	454	65	1,642	224	271			495

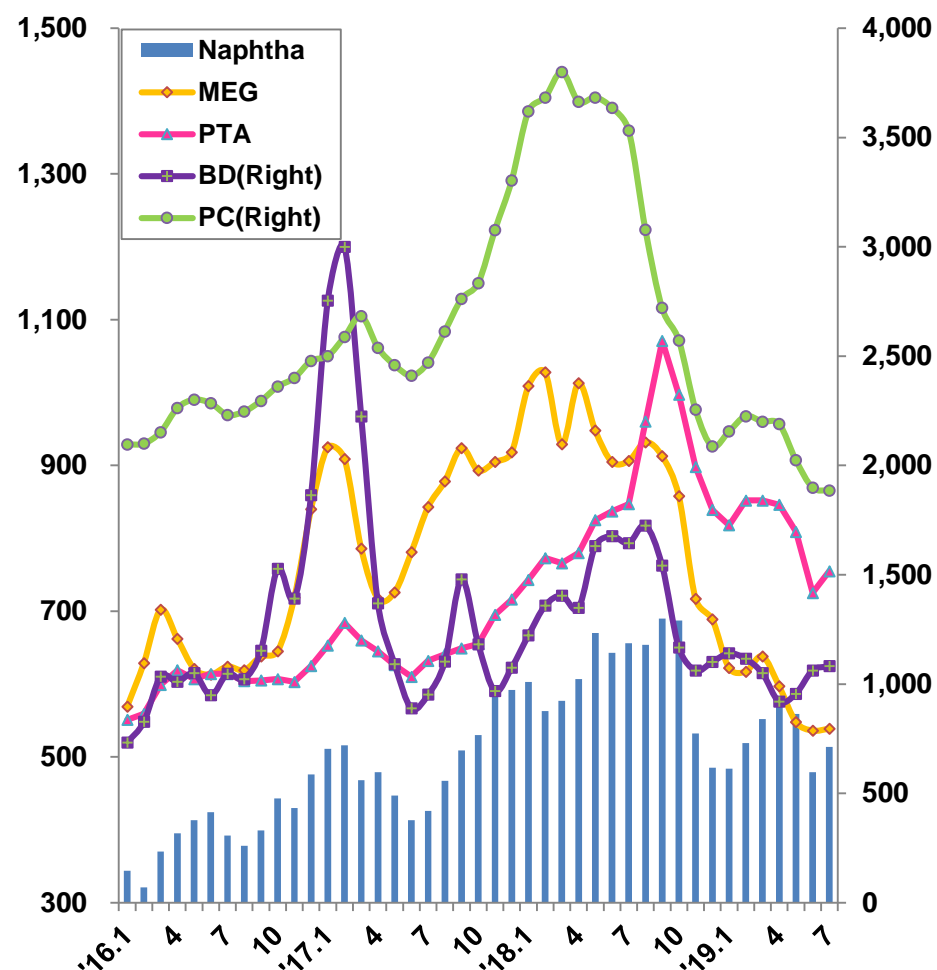
# Appendix : Market Situation

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## HDPE/PP/SM/ABS Price Trend (Unit: US\$/MT)



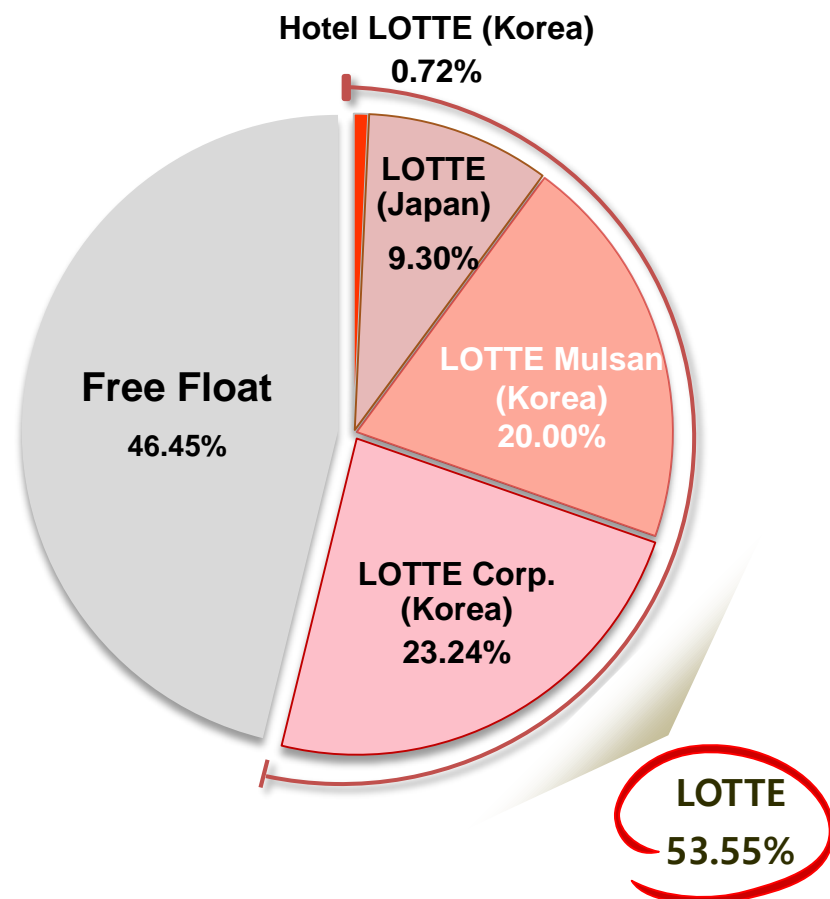
## MEG/PTA/BD/PC Price Trend (Unit: US\$/MT)




# Appendix : Shareholders, Affiliates (as of June 30th, 2019)

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## Shareholders



## Major Affiliates

 <b>LOTTE CHEMICAL</b>	
Parent	
AFFILIATES	LOTTE CHEMICAL Titan [76%]
	LOTTE Advanced Material [90%]
	LOTTE Chemical UK [100%]
	LOTTE Chemical Pakistan [75%]
J V	LOTTE MCC [50%] with MCC
	Hyundai Chemical [40%] with Hyundai OilBank
	LOTTE Versalis [50%+1 share] with Versalis
Related Company	LOTTE Fine Chemical [31.13%]
	UZ-Kor [24.5%]
	LOTTE E&C [43.8%]



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