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4Q 2019

Business Results & Outlook

7 February 2020



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 fourth 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.

Earnings Summary

Results & Outlook by Business

Investment Plan

Appendix

FY 2019 Business Results

More than Chemistry

Income Statements

(Unit: KRW bn)

	`19 (E)	`18	YoY (%)
Sales	15,124	16,073	▲950 (▲5.9%)
OP	1,108	1,946	▲839 (▲43.1%)
(%)	(7.3%)	(12.1%)	
EBITDA	1,837	2,631	▲794 (▲30.2%)
(%)	(12.1%)	(16.4%)	
Pre-Tax Income	1,249	2,209	▲960 (▲43.5%)
(%)	(8.3%)	(13.7%)	
Net Income	758	1,642	▲884 (▲53.8%)
(%)	(5.0%)	(10.2%)	

Operating Profit (%)

※ Yearly ratio in () is operating profit margin

(Unit: KRW bn)

	`19 (E)	`18	YoY (%)
Lotte Chem	1,108 (7.3%)	1,946 (12.1%)	▲839 (▲43.1%)
Olefin	740 (9.9%)	1,283 (15.7%)	▲543 (▲42.3%)
Aromatics	87 (3.3%)	328 (10.5%)	▲241 (▲73.6%)
LC Titan	65 (2.7%)	185 (7.3%)	▲120 (▲64.8%)
롯데첨단소재	181 (6.2%)	236 (7.7%)	▲55 (▲23.2%)
LC USA	77 (24.8%)	—	—

4Q 2019 Business Results : Income Statements

More than Chemistry

(Unit: KRW bn)

	`19.4Q (E)	`19.3Q	QoQ (%)	`18.4Q	YOY (%)
Sales	3,692	3,859	▲167 (▲4.3%)	3,726	▲34 (▲0.9%)
OP	143	320	▲177 (▲55.4%)	100	42 (42.2%)
(%)	(3.9%)	(8.3%)		(2.7%)	
EBITDA	339	516	▲177 (▲34.3%)	266	73 (27.5%)
(%)	(9.2%)	(13.4%)		(7.1%)	
Pre-tax Income	116	391	▲275 (▲70.3%)	95	22.6%
(%)	(3.1%)	(10.1%)		(2.5%)	
Net Income	49	214	▲165 (▲77.1%)	65	▲16 (▲24.9%)
(%)	(1.3%)	(5.5%)		(1.8%)	

4Q 2019 Business Results : Financial Position

More than Chemistry

Balance Sheet

(Unit: KRW bn)

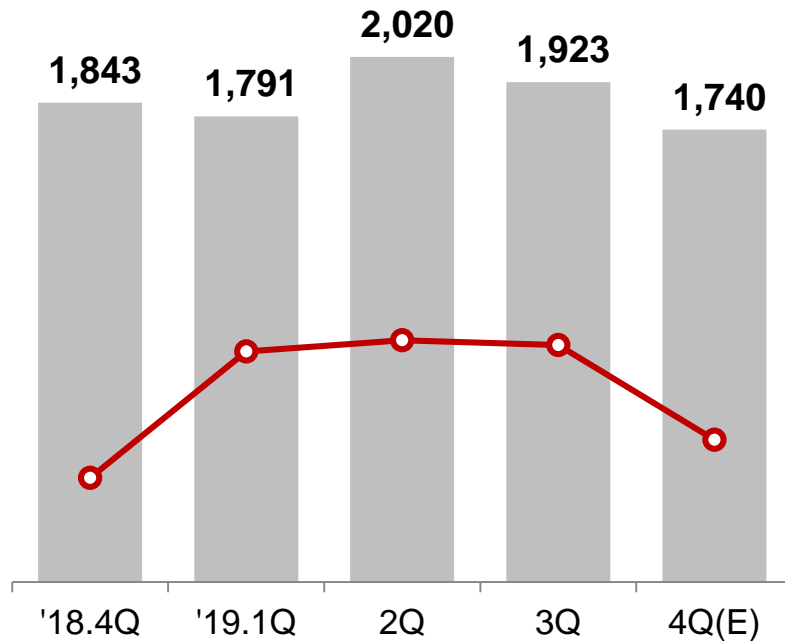
	`19 (E)	`18	YoY (%)
Asset	20,082	20,799	▲717 (▲3.4%)
Cash and Equivalents	3,802	4,696	▲894 (▲19.0%)
Liabilities	6,024	7,255	▲1,231 (▲17.0%)
Borrowings	3,502	4,786	▲1,284 (▲26.8%)
Shareholder' Equity	14,058	13,544	514 (3.8%)

Financial Ratios

	`19 (E)	`18	YoY (%)
Debt/Equity	42.9%	53.6%	▲10.7%p
Net Debt/Equity	▲2.1%	0.7%	▲2.8%p
ROE	8.8%	15.8%	▲7.0%p
ROA	3.7%	8.1%	▲4.4%p

Quarterly Earnings (Unit: KRW bn)

■ Sales ○ OPM



	'18.4Q	'19.1Q	2Q	3Q	4Q(E)
OP	88	191	225	210	114
OPM (%)	4.8	10.6	11.1	10.9	6.6

'19.4Q Earnings Review

- Daesan plant T/A cost (one-time) recognized
- Profitability declined owing to entire product spread decrease caused by strong raw material prices

PE/PP

- Profitability decreased due to new capacity addition and buyers' wait-and-see approach amid volatile international economies

MEG

- Returned to bearish phase due to seasonality and Chinese CTMEG operating rate rise

BD

- Tight supply eased due to offshore troubled crackers normalization and returned to bearish phase by new capacity expectation

SM

- Product spread decreased owing to strong raw material prices and weak downstream demand

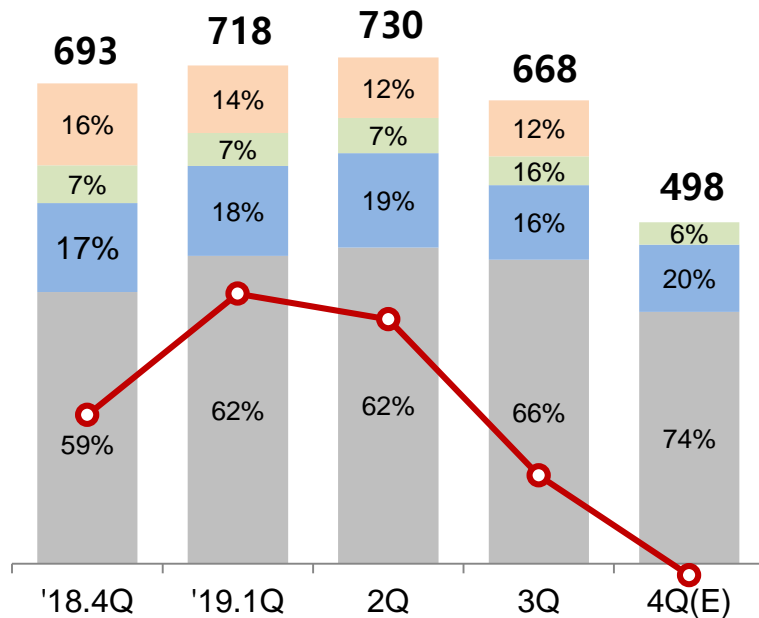
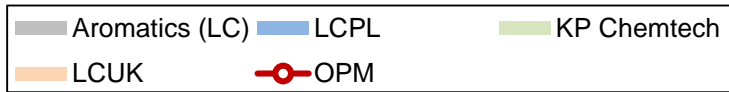
'20.1Q Outlook

- Profitability expected to remain weak due to new capacity addition in Asia amid volatile international economies

Results & Outlook by Business : Lotte Chem Aromatics

More than Chemistry

Quarterly Earnings (Unit: KRW bn)



OP	23	58	50	5	▲27
OPM (%)	3.3	8.0	6.9	0.8	▲5.4

'19.4Q Earnings Review

- PTA-PIA maintenance cost (one-time) recognized
- Turned to deficit due to oversupply and weak demand

PX

- Profitability worsened owing to continuous inflow of new Chinese capacity despite some manufacturers' operating rate adjustment

PET

- Demand declined due to seasonality of 4Q and buyers' wait-and-see approach caused by weak raw material prices

LC PL

- Profitability decreased due to product price decline impacted by new capacity coming operation

'20.1Q Outlook

- Oversupply expected to be continued due to Chinese large scale capacity addition

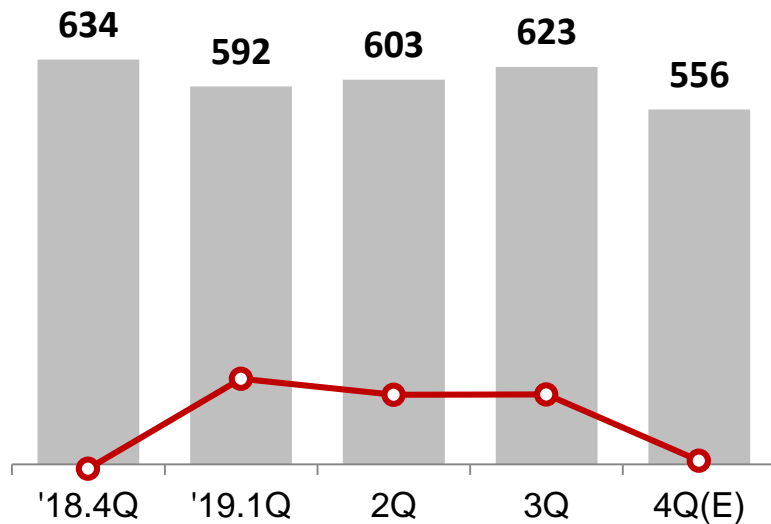
* Aromatics 부문 실적은 롯데케미칼 방향족 부문, LCPL, KP캠텍 손익의 단순 합산 기준

Results & Outlook by Business : LC Titan

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Quarterly Earnings (Unit: KRW bn)

■ Sales ○ OPM



OP	▲5	26	21	21	▲3
OPM (%)	▲0.8	4.4	3.4	3.3	▲0.4

'19.4Q Earnings Review

- Profitability decreased due to lower products' prices and strong feedstock price
- Overall demand weakened amid oversupply in SEA

PE/PP

- Profitability decreased with lower prices from continued inflow of U.S PE supply and expected new domestic capacity addition

BZ

- Maintaining profitability owing to delayed new projects and lower global PX running rate

BD

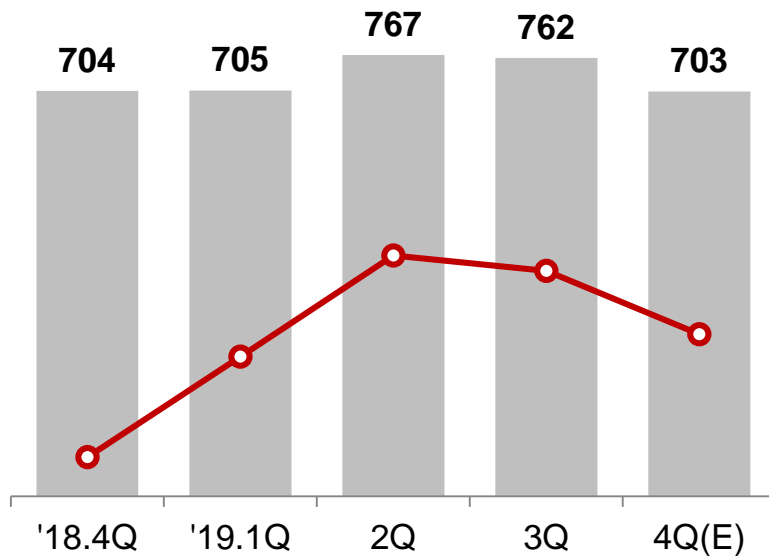
- Profitability decreased due to expected new domestic capacity addition and continued inflow of offshore supply

'20.1Q Outlook

- Limited performance improvement expected due to volatile feedstock price and increased regional competition in SEA markets

Quarterly Earnings (Unit: KRW bn)

— Sales — OPM



	'18.4Q	'19.1Q	2Q	3Q	4Q(E)
OP	9	31	59	55	36
OPM (%)	1.3	4.5	7.7	7.2	5.2

'19.4Q Earnings Review

- Sales and profitability slightly decreased due to seasonality of major products' front industry and recognition of one-time costs in construction materials

ABS

- Maintaining profitability impacted by seasonality of compound product despite improved commodity product spread

PC

- Maintaining profitability thanks to robust performance of compound product despite slight sales decrease

Construction Materials

- Profitability decrease due to recognition of one-time costs despite sales expansion

'20.1Q Outlook

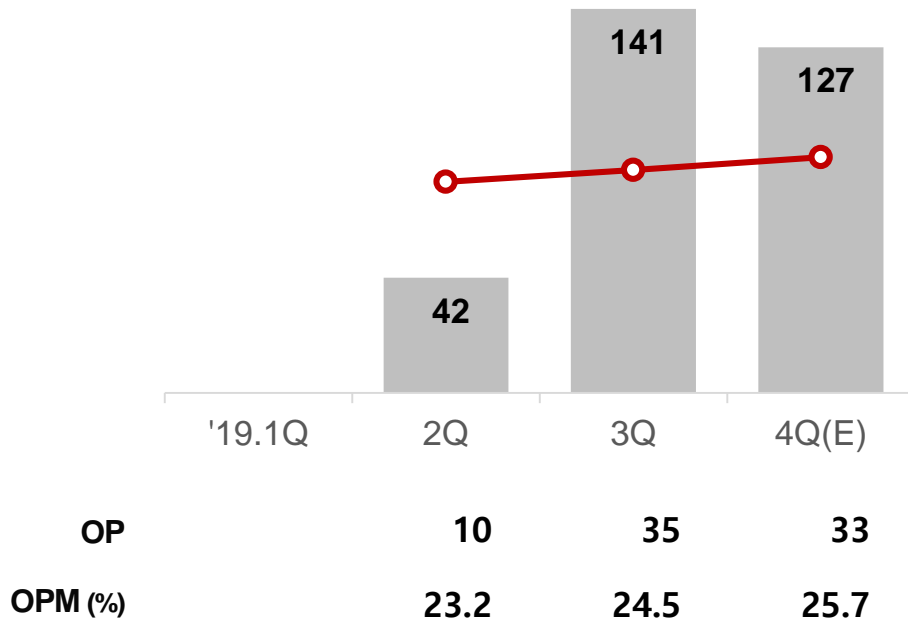
- Earnings expected to be impacted by new capacity of commodity products and increased market uncertainty

Results & Outlook by Business : LC USA

More than Chemistry

Quarterly Earnings (Unit: KRW bn)

■ Sales ○ OPM



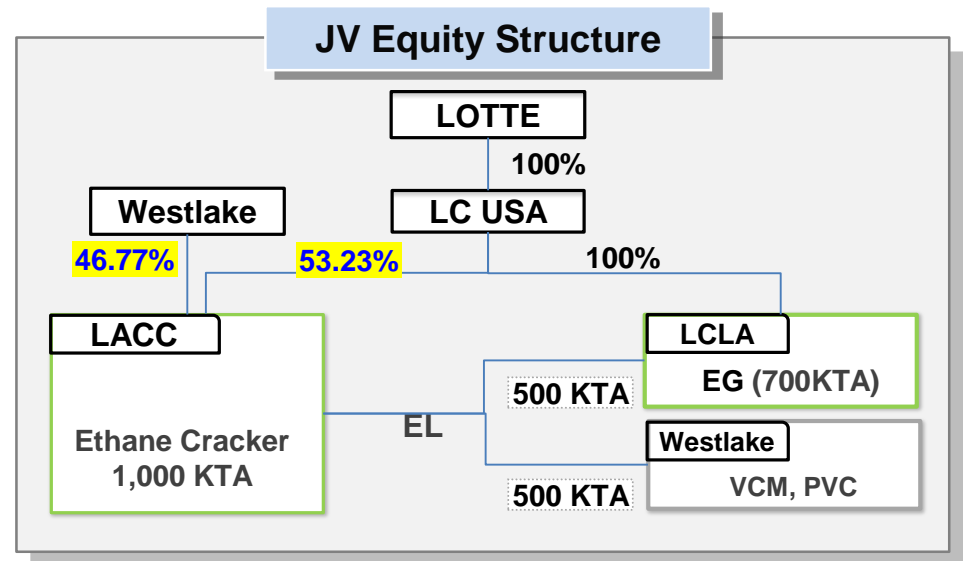
'19.4Q Earnings Review

- Maintaining high operating profit margin although sales to the joint venture decreased

'20.1Q Outlook

- LACC T/A costs expected to be recognized (February)
- Robust profitability expected to be maintained although Ethane price likely to be increased impacted by U.S. new crackers' coming operation

JV Equity Structure



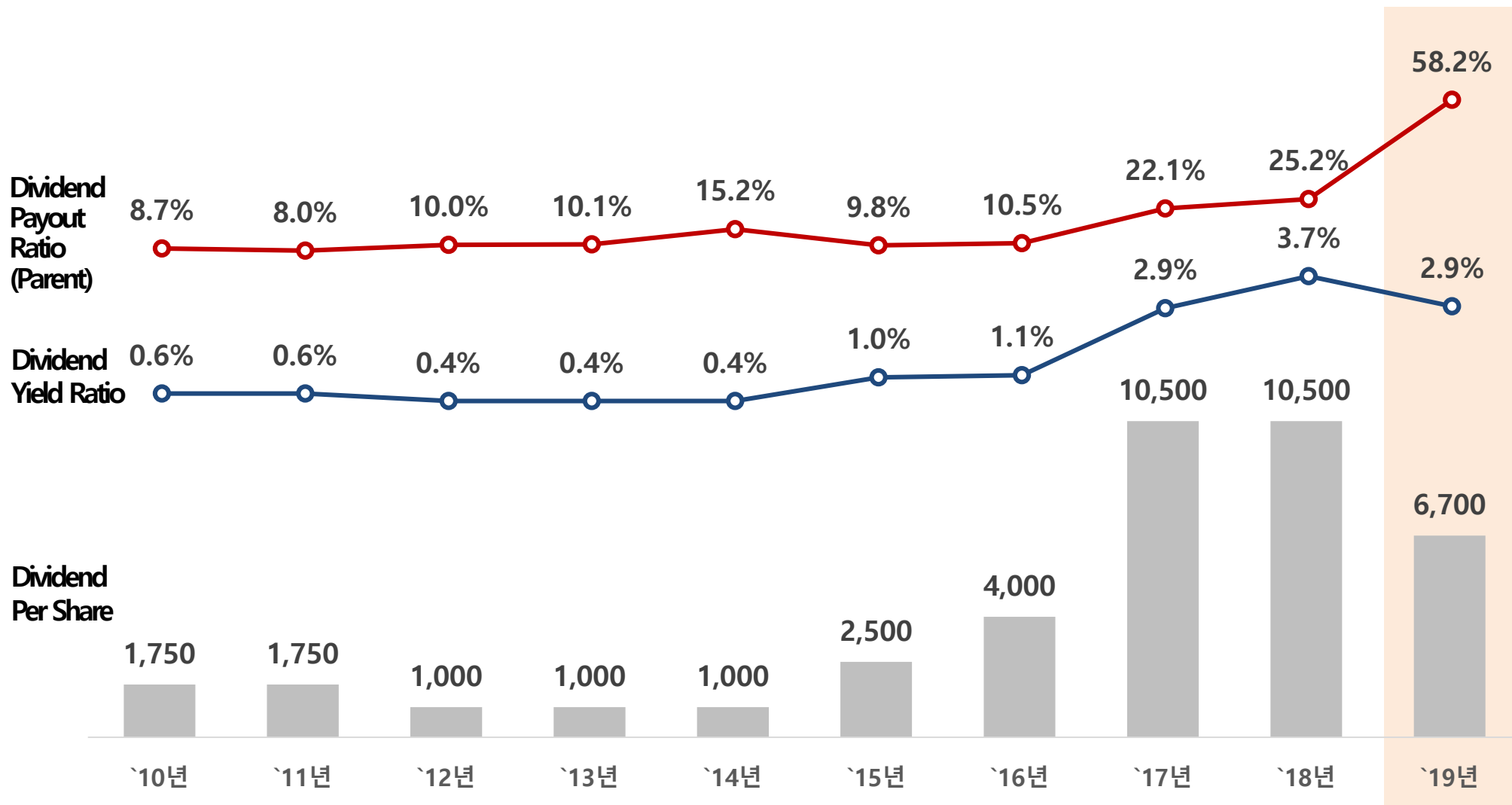
On-Going Investment

Project	Investment cost (KRW)	Capacity (KTA)	Location	Mechanical Completion
EOA Project	960	HPEO 100 EOA 100	Yeosu, Korea	2020.2H
HPC Project ¹ (JV)	2,960 (총 27,000)	EL 750 PL 400 PE 850 PP 500 BD 150	Daesan, Korea	2021.2H
GS Energy JV (51%)	1,632 (총 8,000)	BD 90 TBA 70 BN-1 40 MTBE 15	Yeosu, Korea	2022. 1H
		Phenol 350 Acetone 215 BPA 200		2023. 2H
LINE Project ²	44억 USD	EL 1,000	Indonesia	2023. 2H

1. HPC : Heavy Feed Petrochemical Complex; 2. LINE : LOTTE Indonesia New Ethylene

Dividend

More than Chemistry



※ Dividend of 2019 is approved by the board of directors and will be finalized after approval of the 44th Annual General Meeting.

APPENDIX.

Appendix : Income Statements

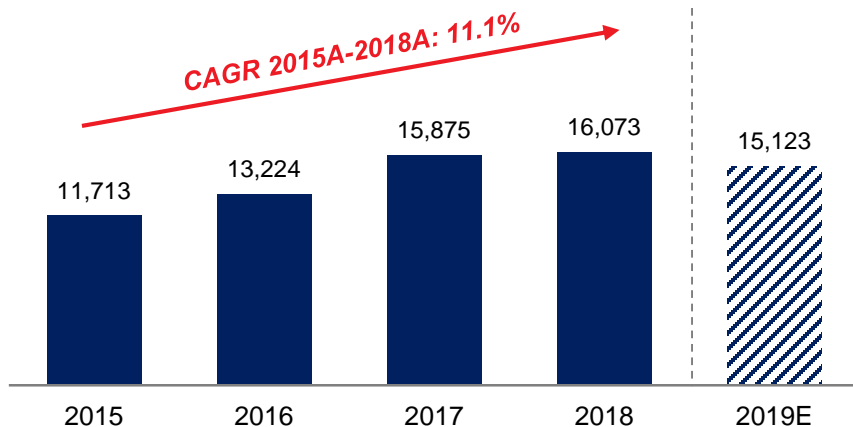
More than Chemistry

(Unit : KRW bn)

	2018					2019				
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q (E)	
Sales	4,018	4,213	4,117	3,726	16,073	3,624	3,948	3,859	3,692	15,124
Operating Profit	660	695	491	100	1,946	298	348	320	143	1,108
Pre-tax Income	742	789	583	95	2,209	361	381	391	116	1,249
Net Income	543	579	454	65	1,642	224	271	214	49	758

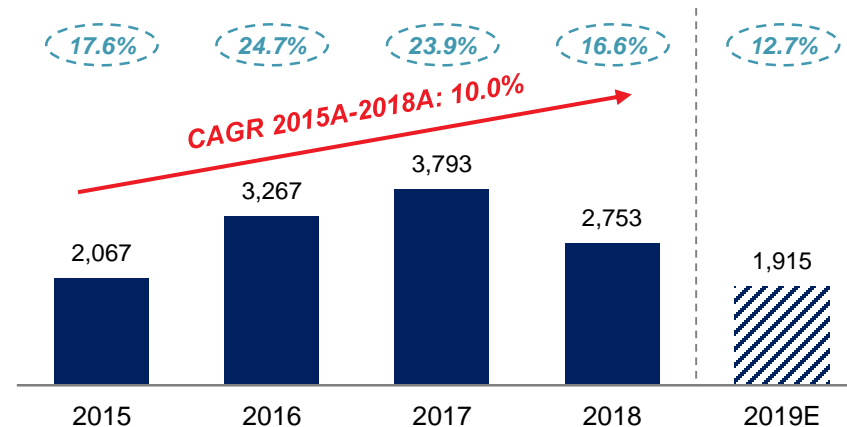
Sales

(Unit: KRW bn)



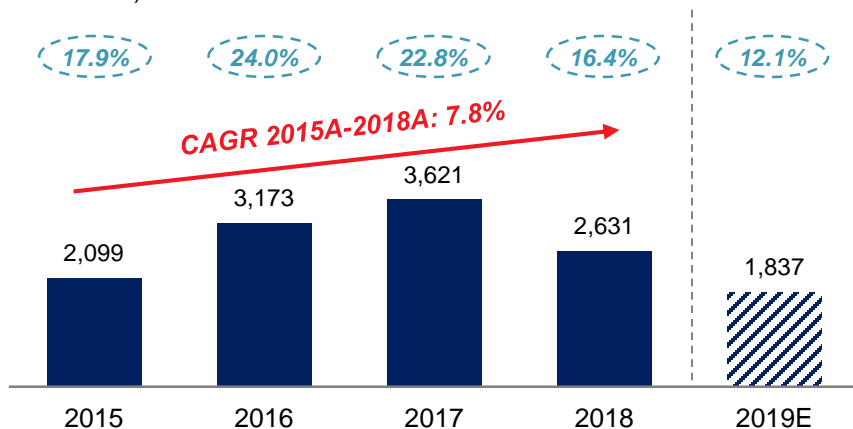
Gross Profit

(Unit: KRW bn)



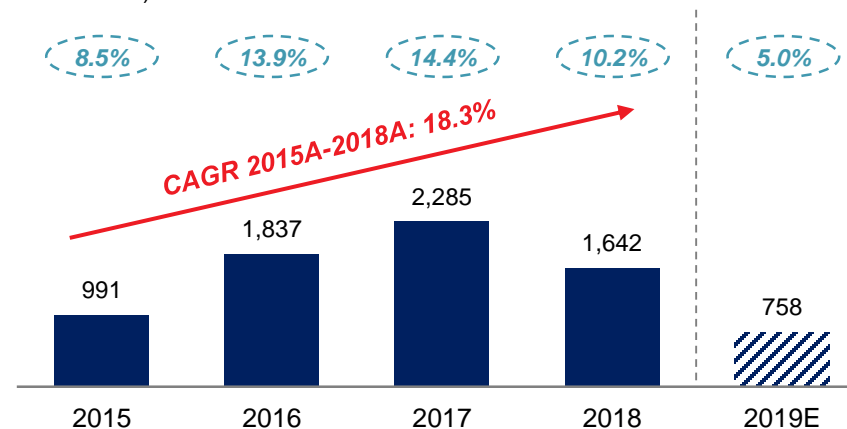
EBITDA

(Unit: KRW bn)

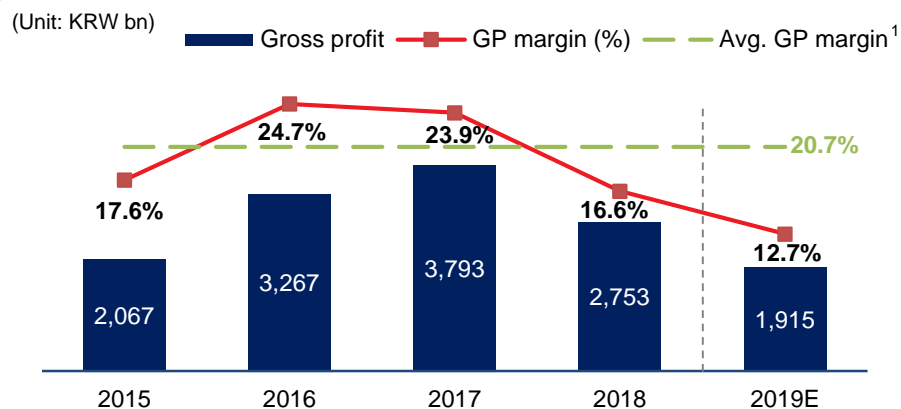


Net Income

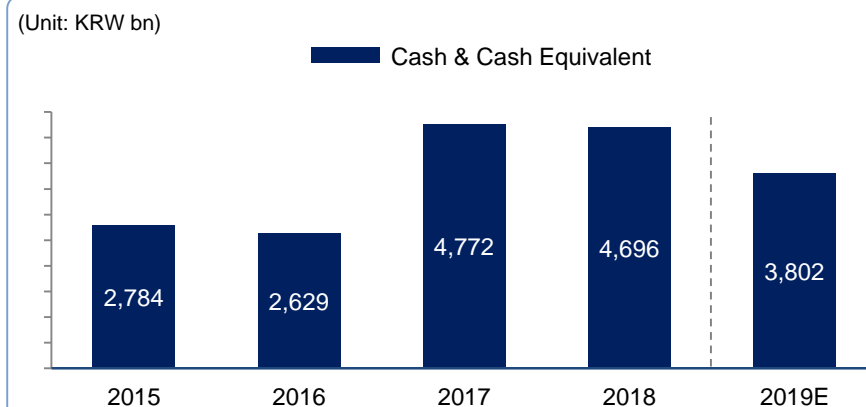
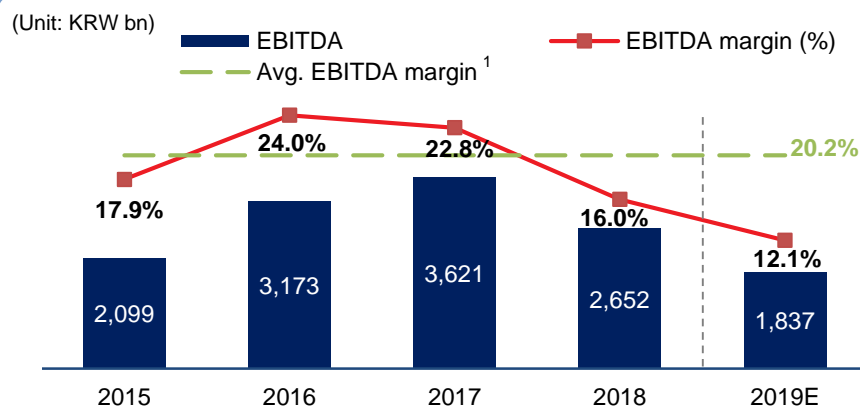
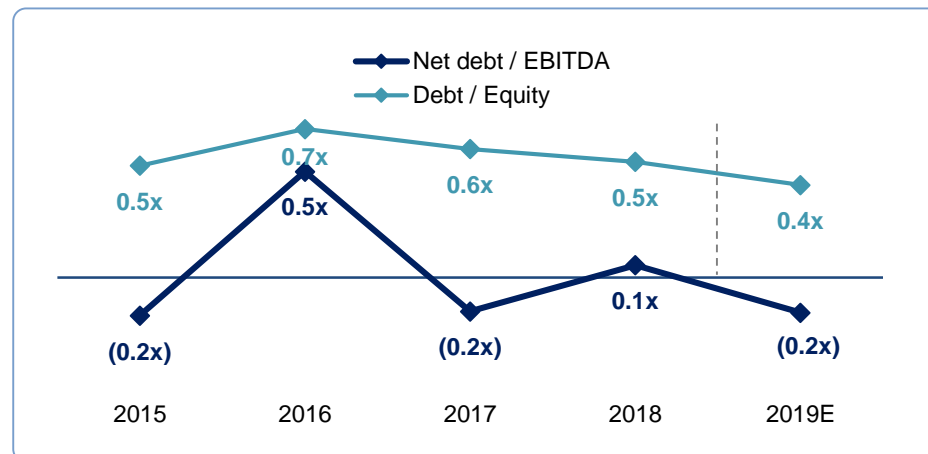
(Unit: KRW bn)



Gross Profit / EBITDA Margin



Net Debt / EBITDA, Debt / Equity, Cash Ratio

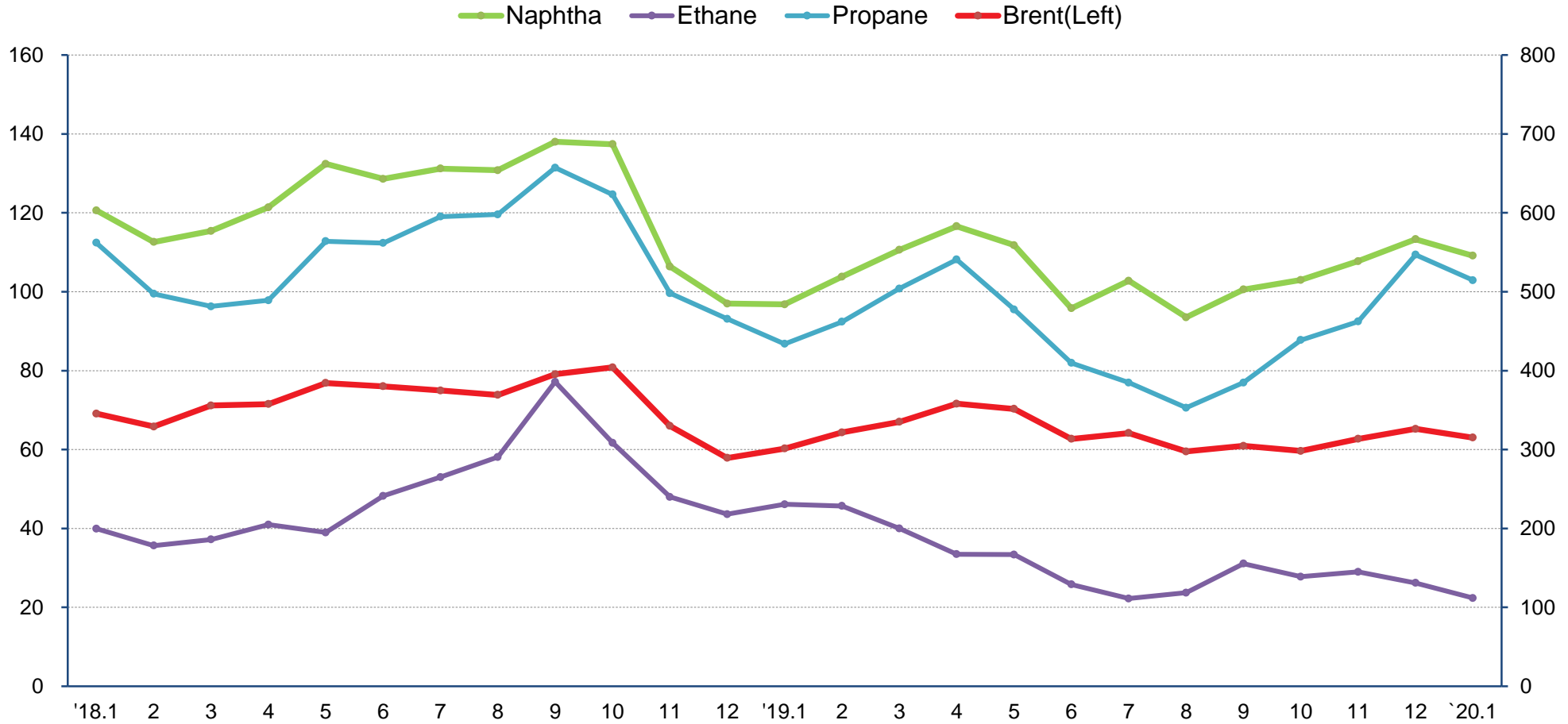


1. Average margin for Lotte Chemical represent the simple numerical average for the period of 2015A-2018A; 2. Includes marketable securities

Appendix : Feedstock Price Trend

Brent / Naptha / Ethane / LPG

(Unit: US\$ per Metric Ton)

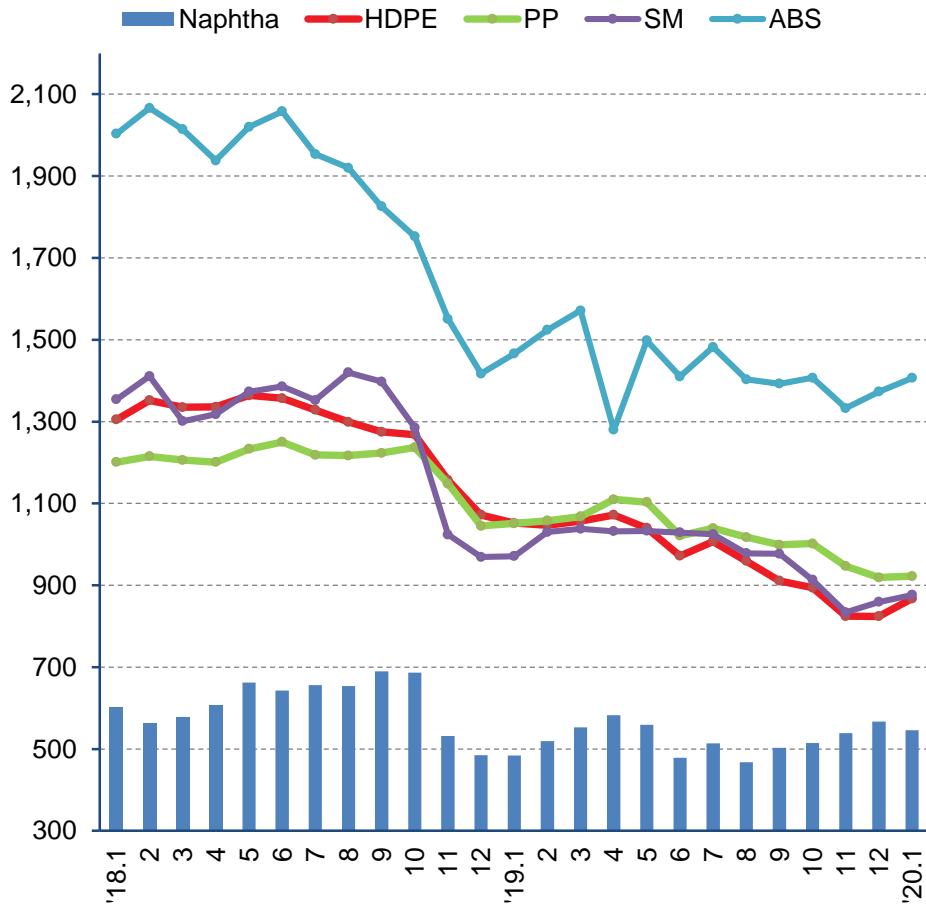


*Up to January 31st, 2020, Naptha (MOPJ), Ethane (USA M/B), Propane (CFR NEA) 기준

Appendix : Key Product Price Trend

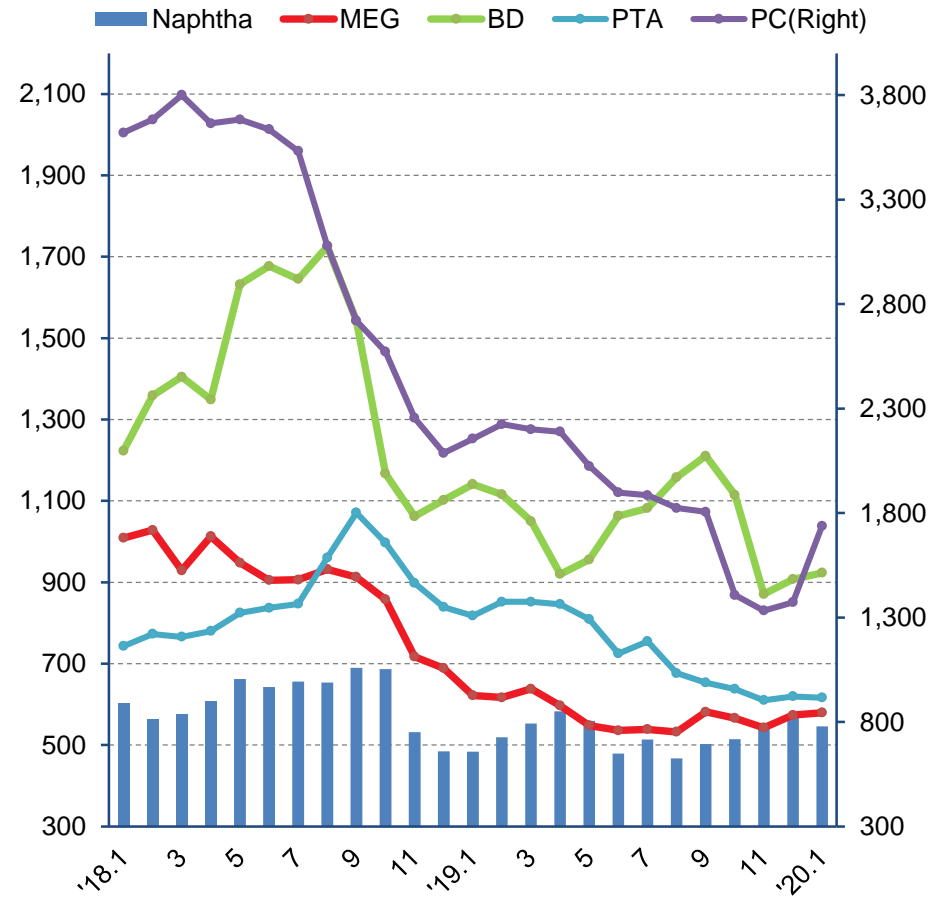
HDPE / PP / SM / ABS

(Unit: US\$ per Metric Ton)

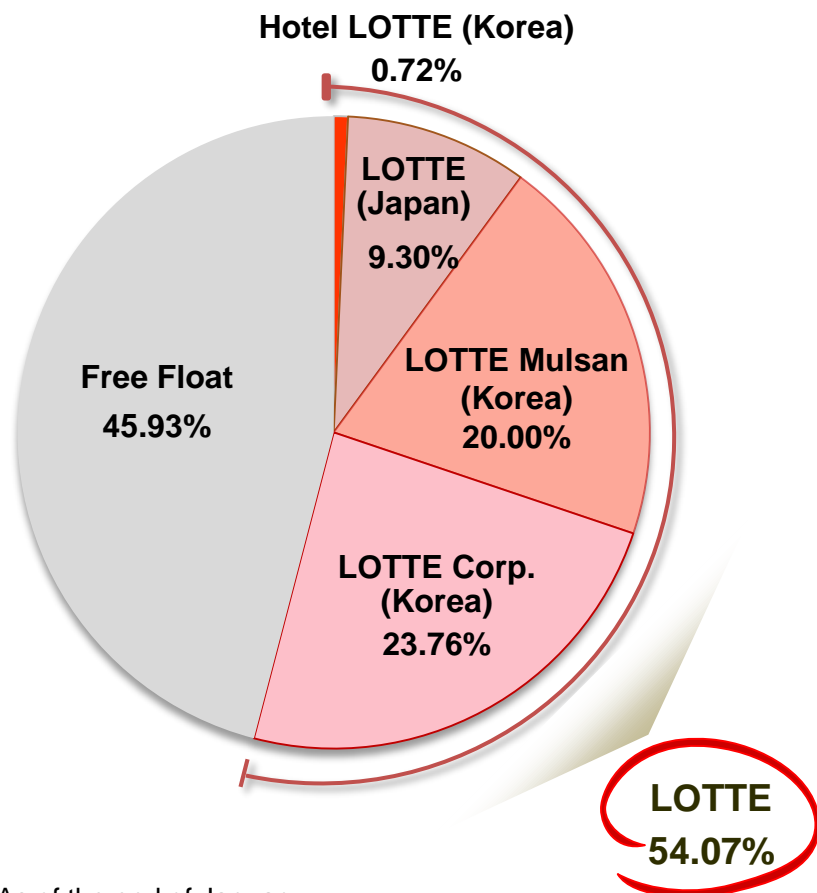


MEG / PTA / BD / PC

(Unit: US\$ per Metric Ton)



Shareholders



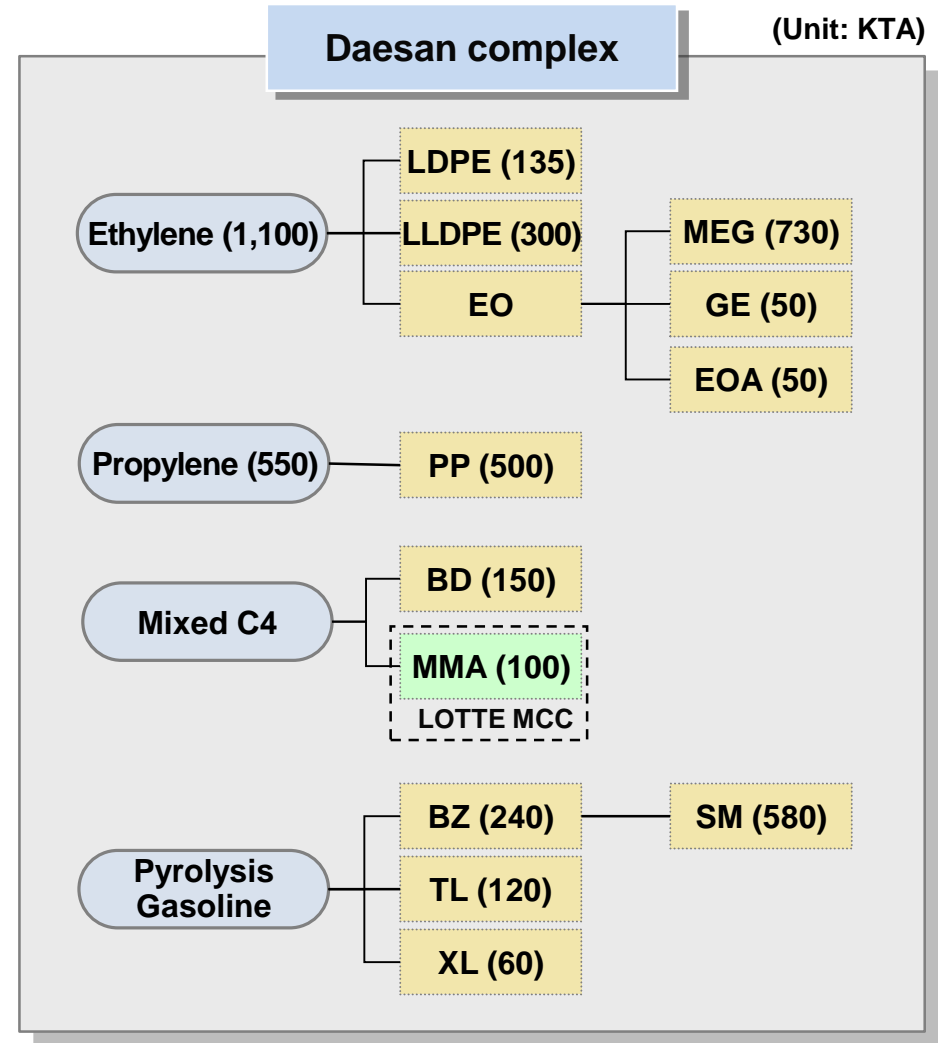
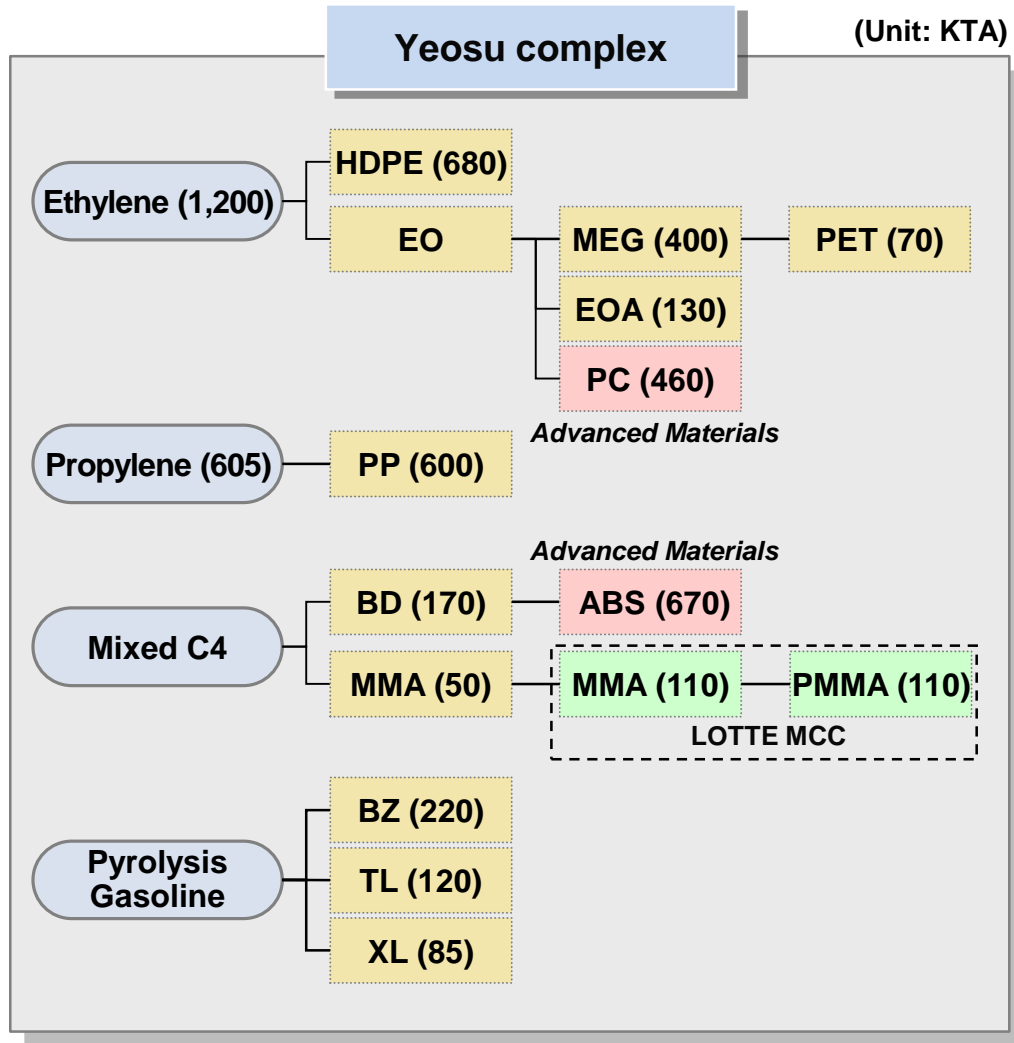
* As of the end of January

Major Affiliates

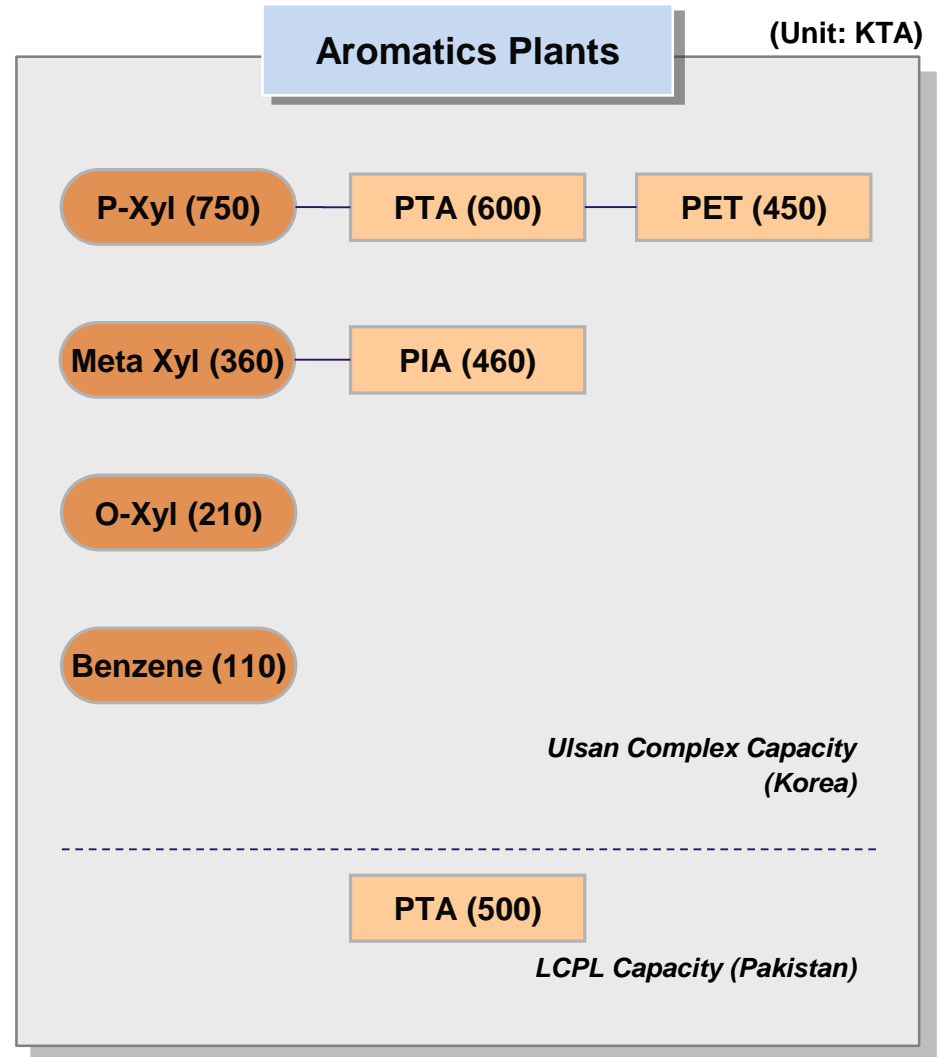
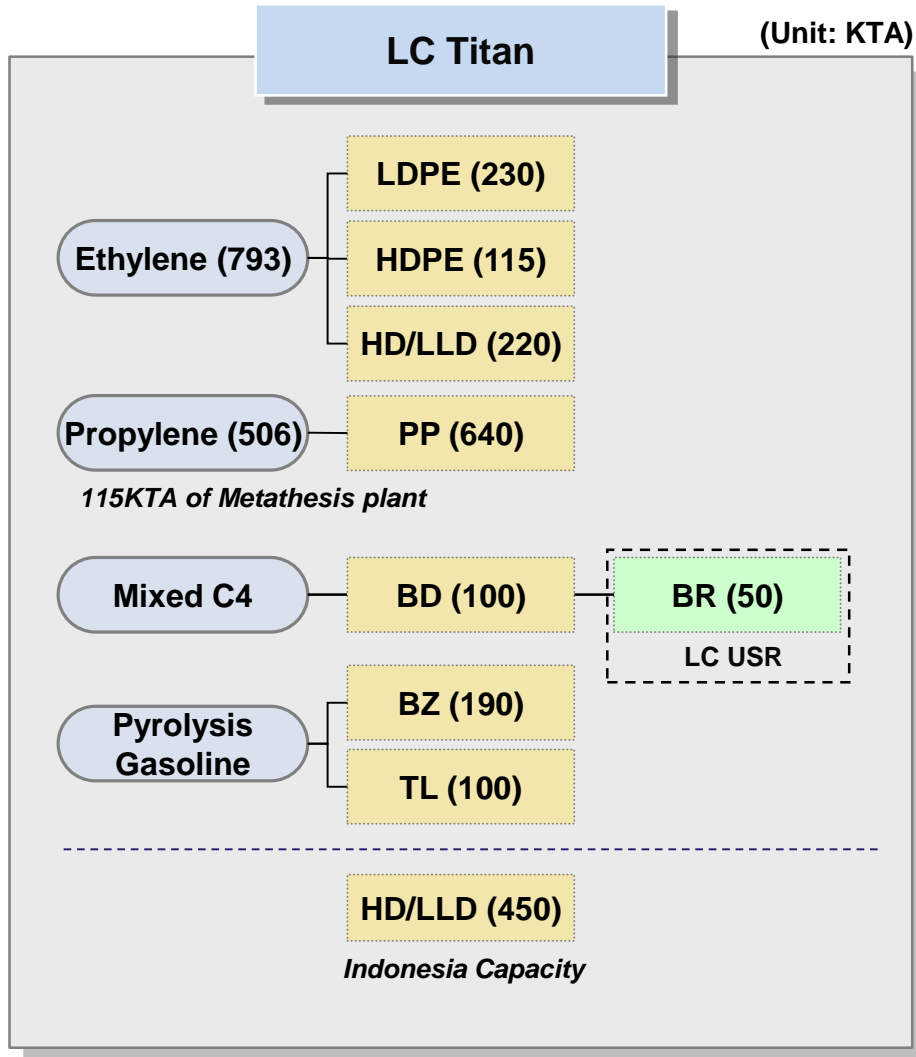
Parent	
Affiliates	LOTTE CHEMICAL Titan [76%]
	LOTTE Chemical Pakistan [75%]
JV	LOTTE MCC [50%] with MCC
	Hyundai Chemical [40%] with Hyundai OilBank
	LOTTE Versalis [50%+1share] with Versalis
Related Company	LOTTE Fine Chemical [31.13%]
	UZ-Kor [24.5%]
	LOTTE E&C [43.8%]

* As of the end of January

Product Capacity_ Lotte Chem (Olefin + Advanced Materials) / Lotte MCC *More than Chemistry*

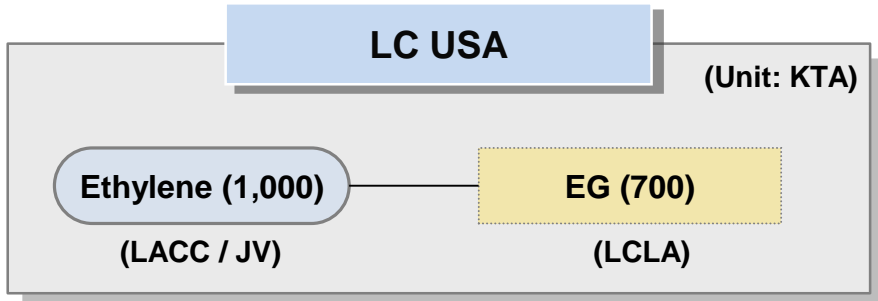


* As of January, 2020

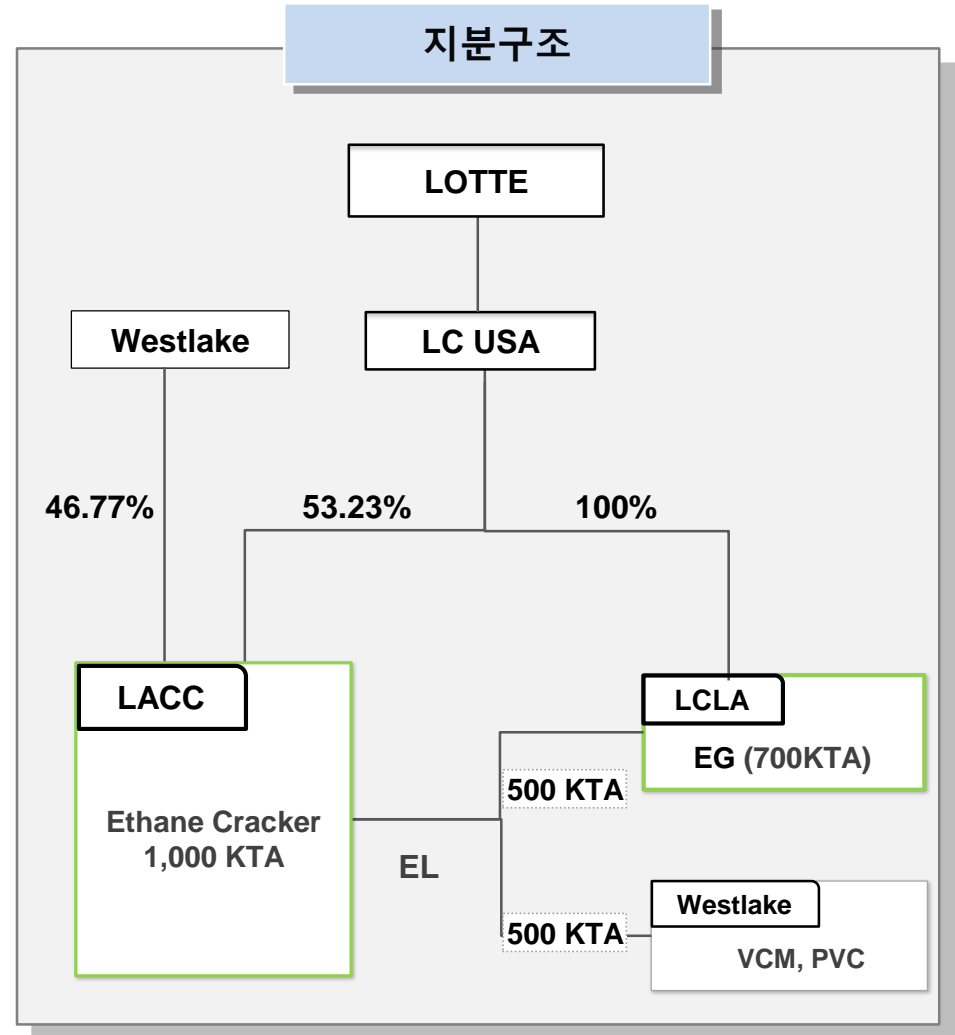


* As of October 2019

Product Capacity _ LC USA (LACC/ LCLA)



* As of October 2019



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