

# **3Q 2019 Business Result**

**1 November 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 third 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.

**3Q 2019 Business Results**

**Results & Outlook by Business**

**Investment Plan**

**Appendix**

# 3Q 2019 Business Results : Income Statements

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(Unit: KRW bn)

	2019.3Q (E)	2019.2Q	QoQ	2018.3Q	YoY
Revenue	3,940	4,035	▲2.3%	4,248	▲7.2%
Operating Profit (%)	315 (8.0%)	346 (8.6%)	▲9.1%	504 (11.9%)	▲37.5%
EBITDA (%)	488 (12.4%)	519 (12.9%)	▲6.1%	675 (15.9%)	▲27.8%
Pre-tax Income (%)	316 (8.0%)	374 (9.3%)	▲15.7%	597 (14.1%)	▲47.2%
Net Income (%)	214 (5.4%)	271 (6.7%)	▲21.1%	454 (10.7%)	▲52.9%

# 3Q 2019 Business Results : Financial Position

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## Financial Position

(Unit: KRW bn)

	2019.3Q (E)	2018	Change
<b>Asset</b>	<b>21,307</b>	<b>20,799</b>	<b>2.4%</b>
Cash and Equivalents	4,021	4,708	▲16.0%
<b>Liabilities</b>	<b>7,088</b>	<b>7,255</b>	<b>▲2.3%</b>
Borrowings	4,650	4,786	▲2.8%
<b>Shareholder's Equity</b>	<b>14,219</b>	<b>13,544</b>	<b>5.0%</b>

## Financial Ratios

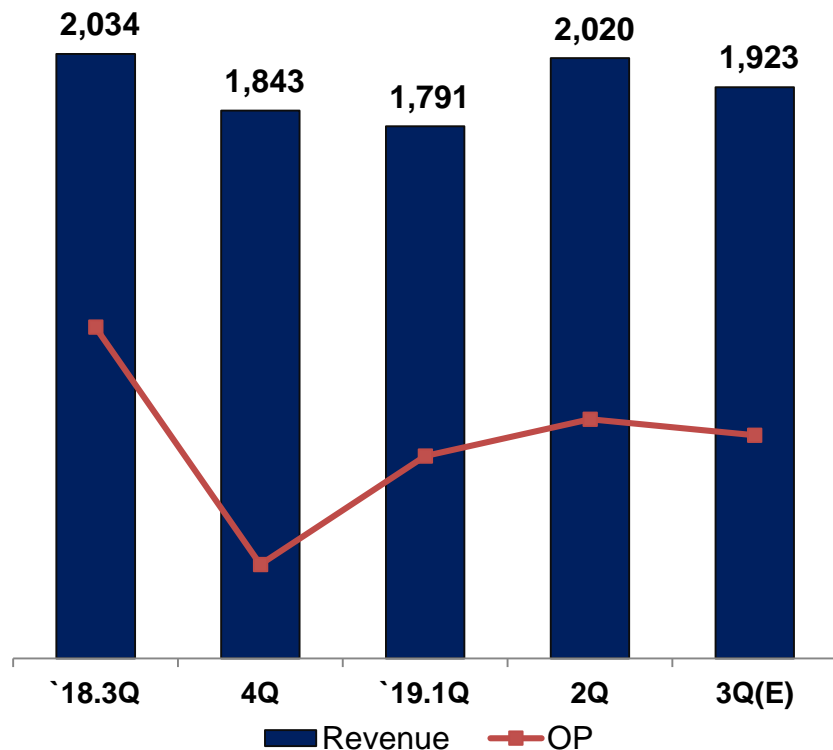
(Unit: %)

	2019.3Q (E)	2018	Change
<b>Debt / Equity</b>	<b>49.8</b>	<b>53.6</b>	<b>▲3.8%p</b>
<b>ROE</b>	<b>6.8</b>	<b>12.7</b>	<b>▲5.9%p</b>
<b>ROA</b>	<b>4.5</b>	<b>8.1</b>	<b>▲3.6%p</b>

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

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## Quarterly Earnings Trend (Unit: KRW bn)



Operating Profit	312	88	191	225	210
OPM (%)	15.3	4.8	10.6	11.1	10.9

## 3Q Earnings Review

- Sales fell slightly as product prices declined, but maintained stable profitability owing to offshore cracker trouble resulting in tight supply condition.

### PE/PP

- Stable profitability maintained due to buying sentiment improvement after U.S.-China trade talks resumed and Saudi attacks occurred.

### MEG

- Profitability slightly improved due to a short-term rally after Saudi attacks and improved demand for polyester peak season.

### BD

- Profitability improved due to tight supply from regional regular maintenance and offshore cracker trouble.

### SM

- Profitability slightly decreased amid an easing of tight supply conditions caused by new production and weak downstream market.

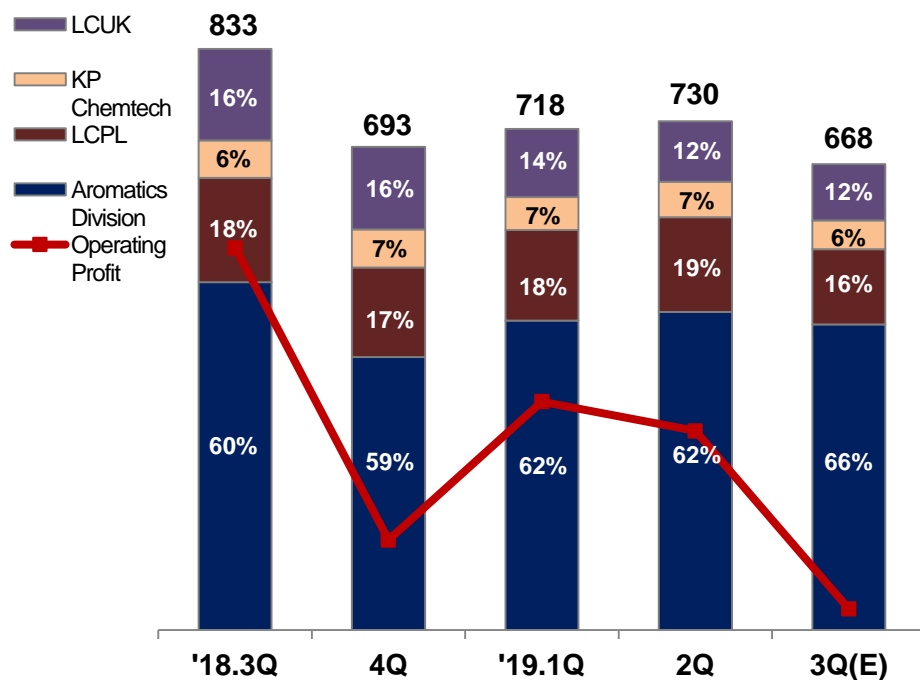
## 4Q Outlook

- In spite of several maintenance plans, profitability expected to remain weak due to new capacity addition.
- One-time costs forecasted to be occurred from Daesan plant regular maintenance.

# Results & Outlook by Business : Aromatics

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## Quarterly Earnings Trend (Unit: KRW bn)



Operating Profit	97	23	58	50	5
OPM (%)	11.6	3.3	8.0	6.9	0.8

## 3Q Earnings Review

- Profitability decreased due to oversupply from China's large scale PX plants' operation in spite of improved demand for polyester peak season.

PX

- Profitability decreased due to the problem of oversupply caused by China's large-scale projects' operation and operating rates increase.

PET

- Profitability decreased as weak raw material prices resulting in buyers' wait-and-see approach.

LCUK / LCPL

- Stable profitability maintained thanks to weak raw material prices although sales fell slightly caused by product prices decrease.

## 4Q Outlook

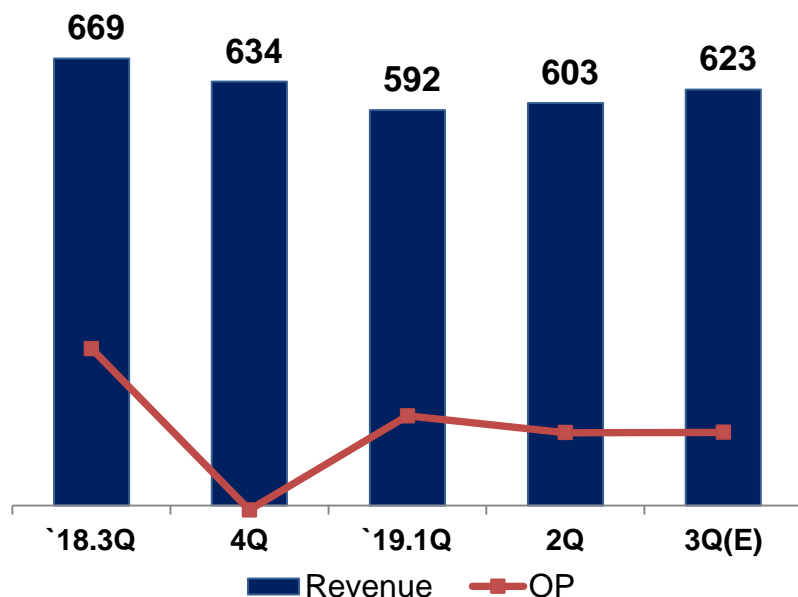
- Market improvement expected to be limited for the time being due to continuous oversupply.
- Opportunity costs expected owing to PTA/PIA swing facility repair.

\* 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)



Operating Profit	49	▲5	26	21	21
OPM (%)	7.3	▲0.8	4.4	3.4	3.3

## 3Q Earnings Review

- Profitability maintained by expanding sales volume as operating rate increases although product spreads over raw materials decreased due to supply growth.

### PE/PP

- Profitability decreased owing to weak buying sentiment, the inflow of offshore PE products, and regional new PP capacity addition.

### BZ

- Profitability slightly improved due to the easing of oversupply conditions caused by global PX manufacturers' lower operating rate.

### BD

- Profitability improved thanks to regional regular maintenance and offshore cracker trouble.

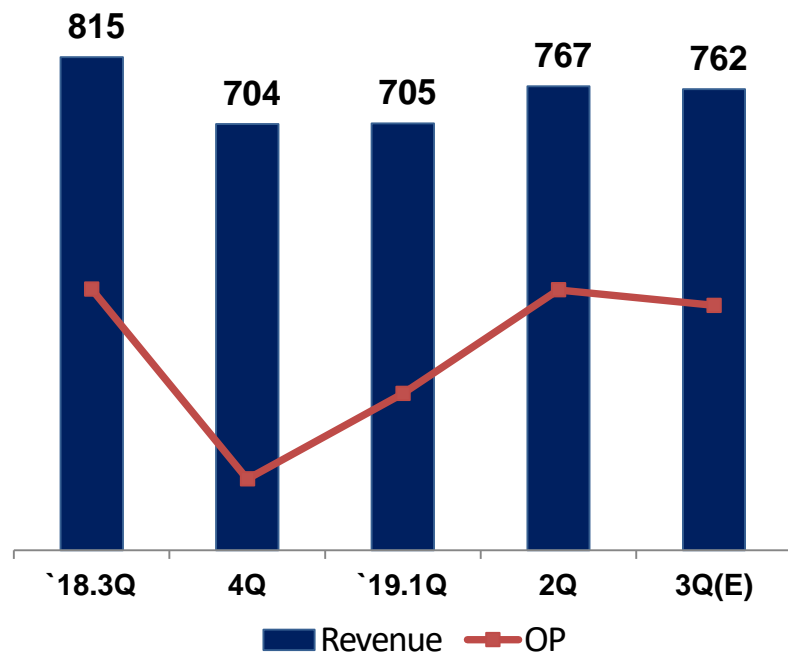
## 4Q Outlook

- Profitability expected to decrease due to new capacity operation in SEA despite continued market growth in the region.



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

## Quarterly Earnings Trend (Unit: KRW bn)



Operating Profit	59	9	31	59	55
OPM (%)	7.2	1.3	4.5	7.7	7.2

## 3Q Earnings Review

- Stable profitability maintained due to solid profit margin of compounding products despite upstream industry's sluggish demand.

### ABS

- Profitability decreased due to weak demand by volatile international economies.

### PC

- Profitability improved by Chinese manufacturers' reduced operating rate and healthy demand for the peak season in the U.S. and Europe.

### Construction Material

- Solid profitability maintained although sales slightly fell due to seasonal factors.

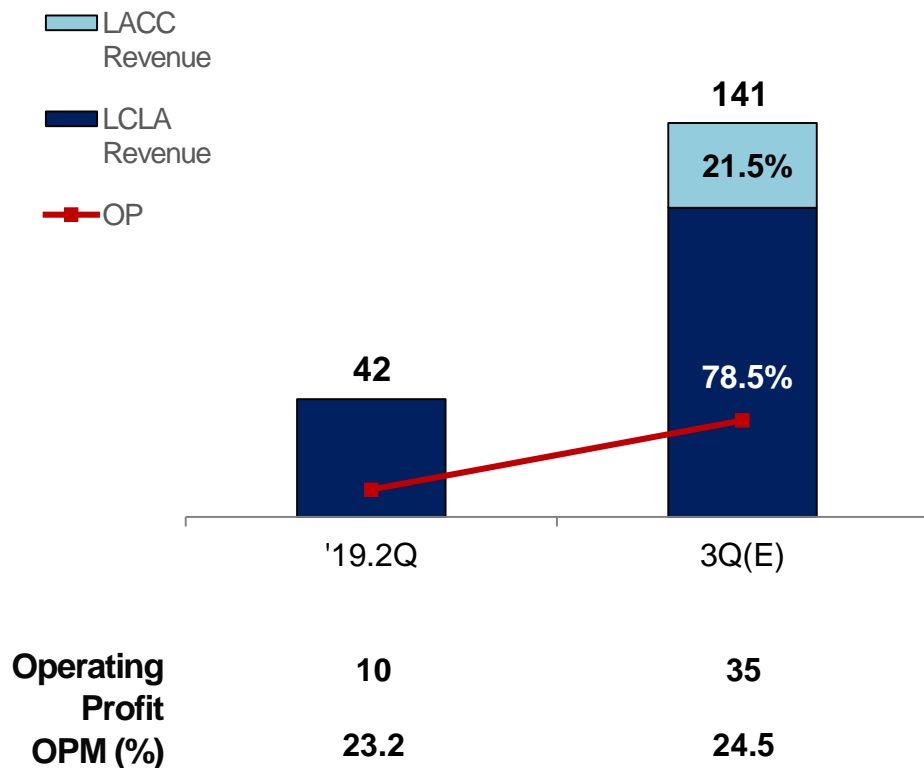
## 4Q Outlook

- Profitability expected to remain stable although sales are likely to slightly decline by seasonal factors.

# Results & Outlook by Business : LC USA

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## Quarterly Earnings Trend (Unit: KRW bn)

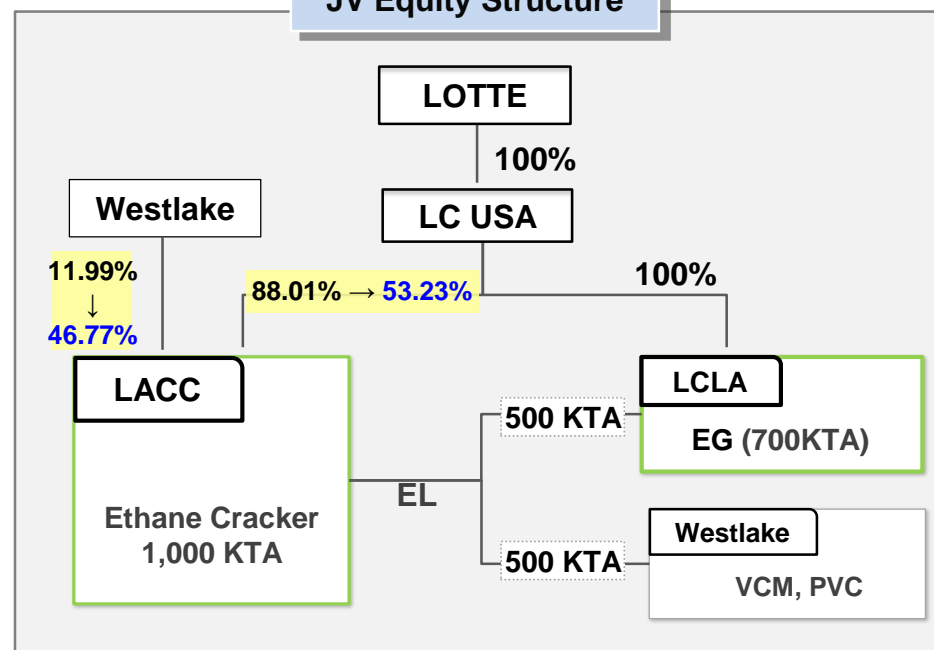


\* Depreciation period reduced from 25 years to 20 years, resulting in additional depreciation expenses of KRW 1 bil. for the 3<sup>rd</sup> quarter.

## LC USA First-year Milestones

- May 22 : LCLA (MEG Plant) started commercial operation.
- August 15 : LACC (Ethane Cracker) started commercial operation.
- October 29 : Agreed to transfer stake in LACC as JV partner exercised call option.
  - Changes in the JV equity ratio : 11.99% → 46.77%
  - Transacted at \$816mm

### JV Equity Structure



## On-Going Investment

Project	Investment Cost (KRW bn)	Capacity (KTA)	Location	Mechanical Completion
MeX Project PC Project	368	MeX 200 PC 110	Ulsan, Korea Yeosu, Korea	Completed
EOA Project	96	HPEO 100 EOA 100	Yeosu, Korea	2020.2H
HPC Project <sup>1</sup> (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
LINE Project <sup>2</sup>	USD 4.4 bn	EL 1,000	Inonesia	2023.2H

**APPENDIX.**

# Appendix : Quarterly Performance

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(Unit: KRW bn)

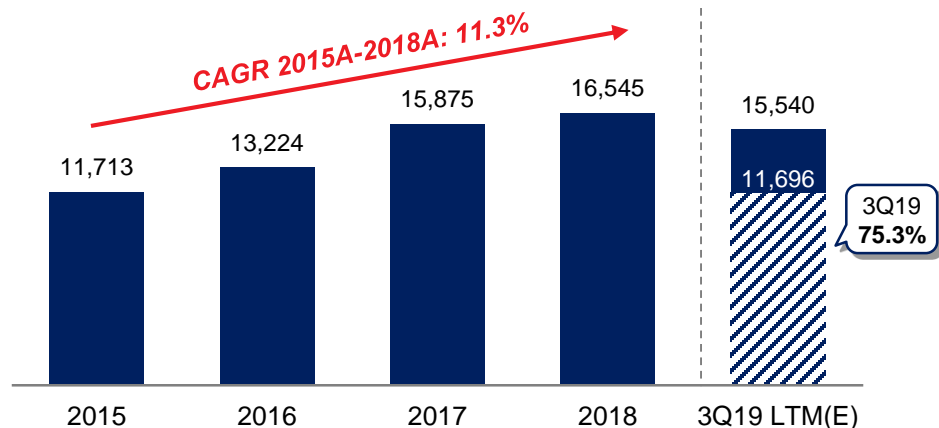
	2018					2019				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q(E)	4Q	Total
Revenue	4,123	4,330	4,248	3,844	16,545	3,722	4,035	3,940		11,697
Operating Profit	662	701	504	100	1,967	296	346	315		957
Pre-tax Income	745	818	597	93	2,253	363	374	316		1,053
Net Income	543	579	454	65	1,642	224	271	214		709

# Appendix : Historical P&L Trend (Consolidated)

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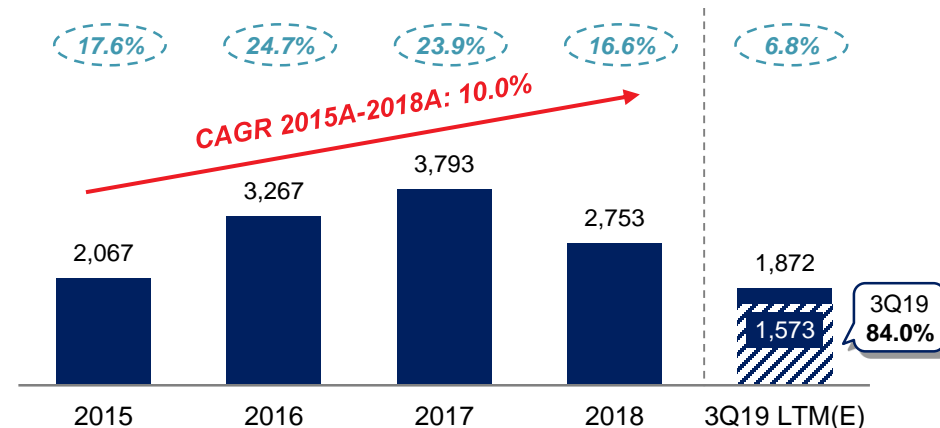
## Revenue

(Unit: KRW bn)



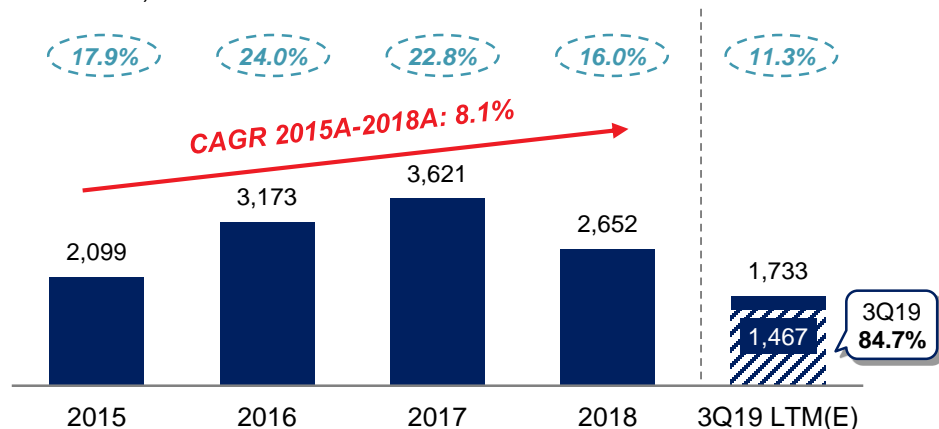
## Gross Profit

(Unit: KRW bn)



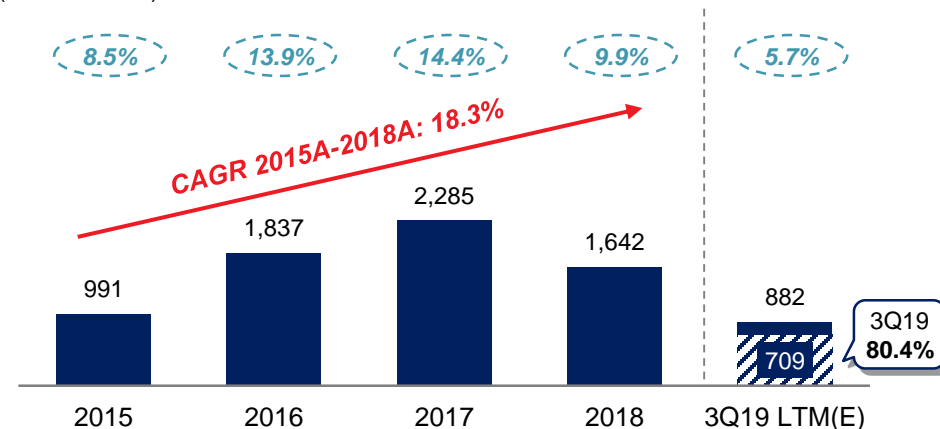
## EBITDA

(Unit: KRW bn)



## Net Income

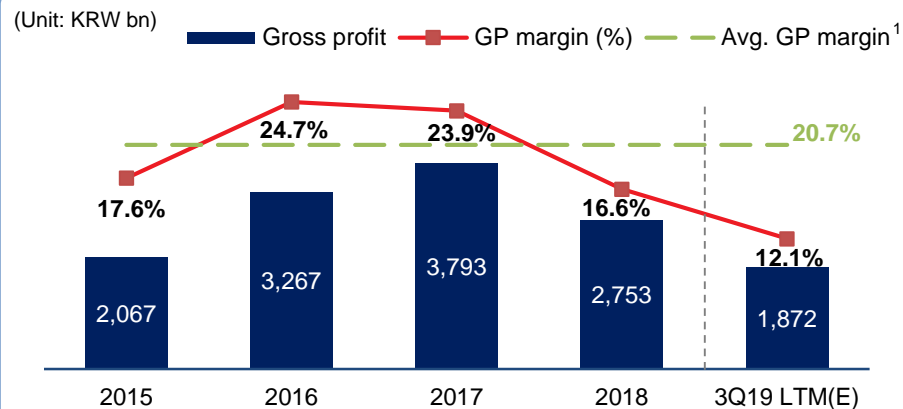
(Unit: KRW bn)



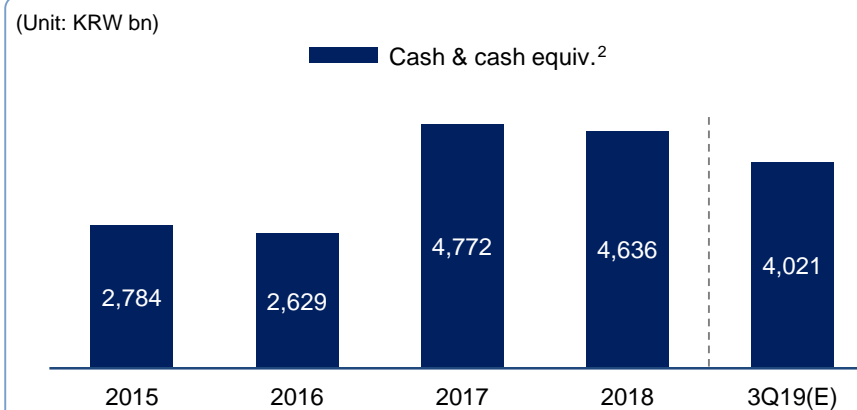
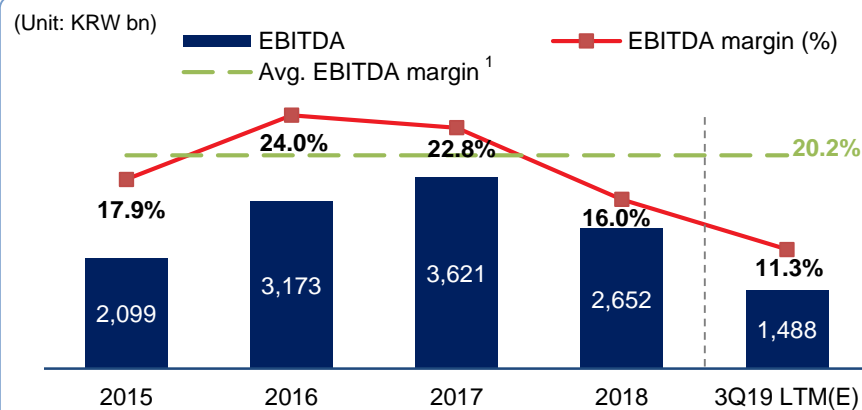
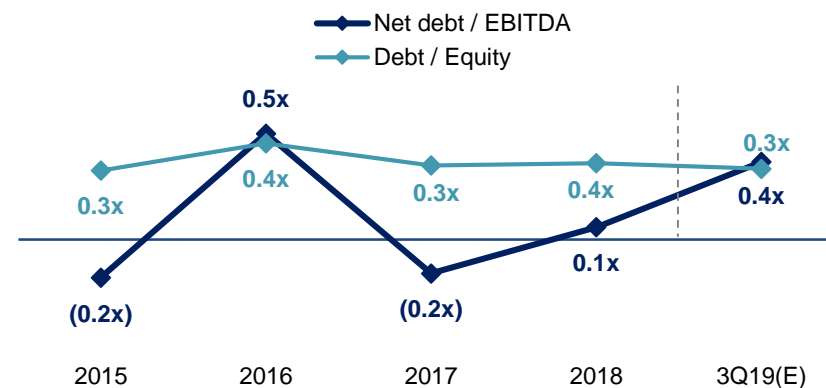
# Appendix : Historical Trend

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## Gross Profit / EBITDA Margin



## Leverage Ratios / Cash & Cash Equiv.

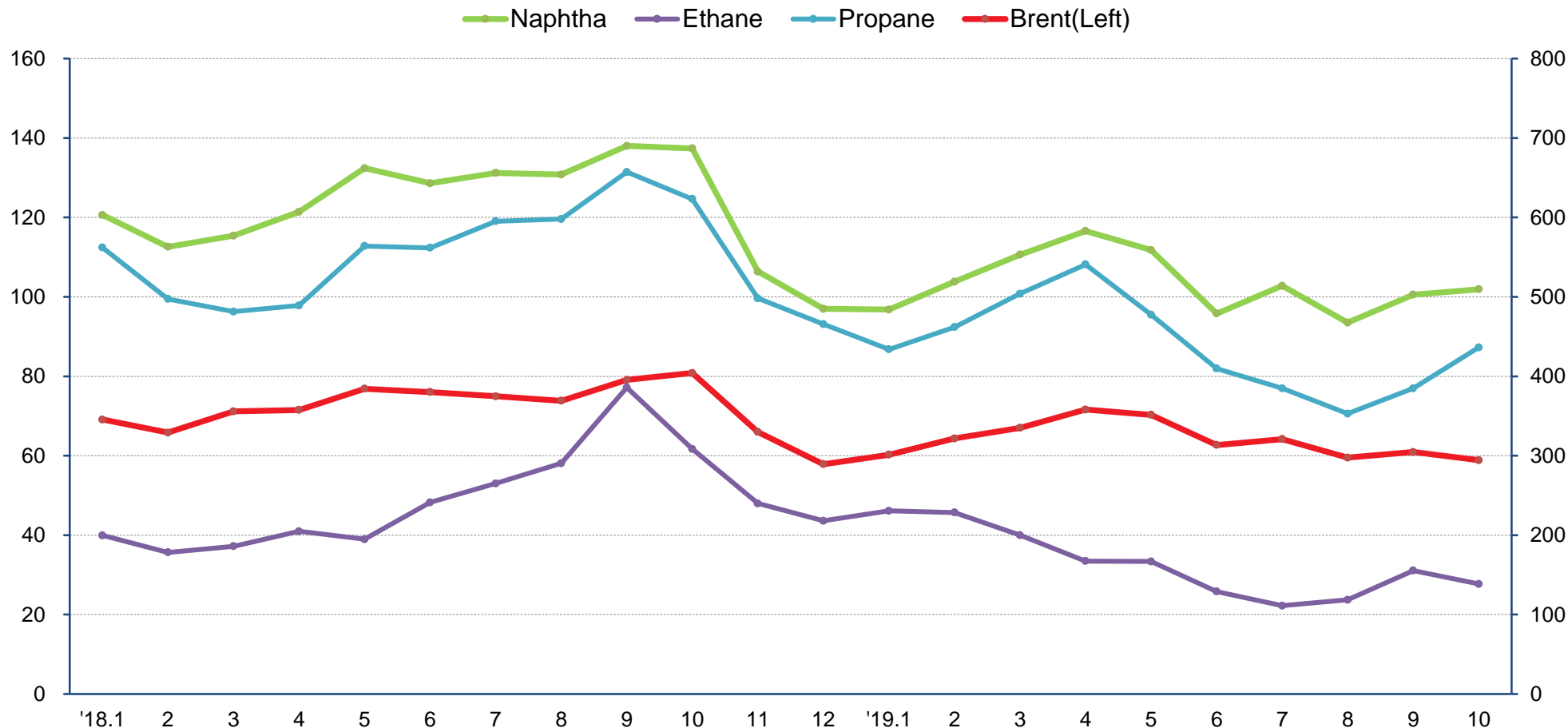


# Appendix : Feedstock Price Trend

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## Brent / Naptha / Ethane / LPG

(Unit: US\$ per Metric Ton)



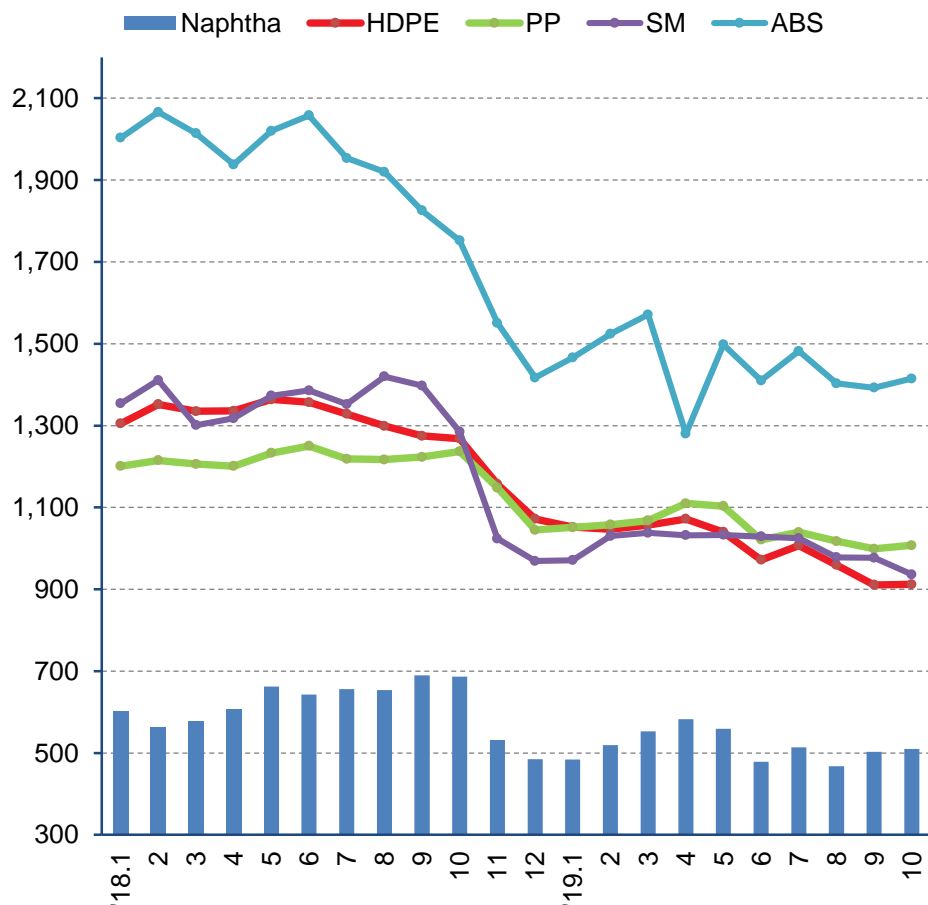


# Appendix : Key Product Price Trend

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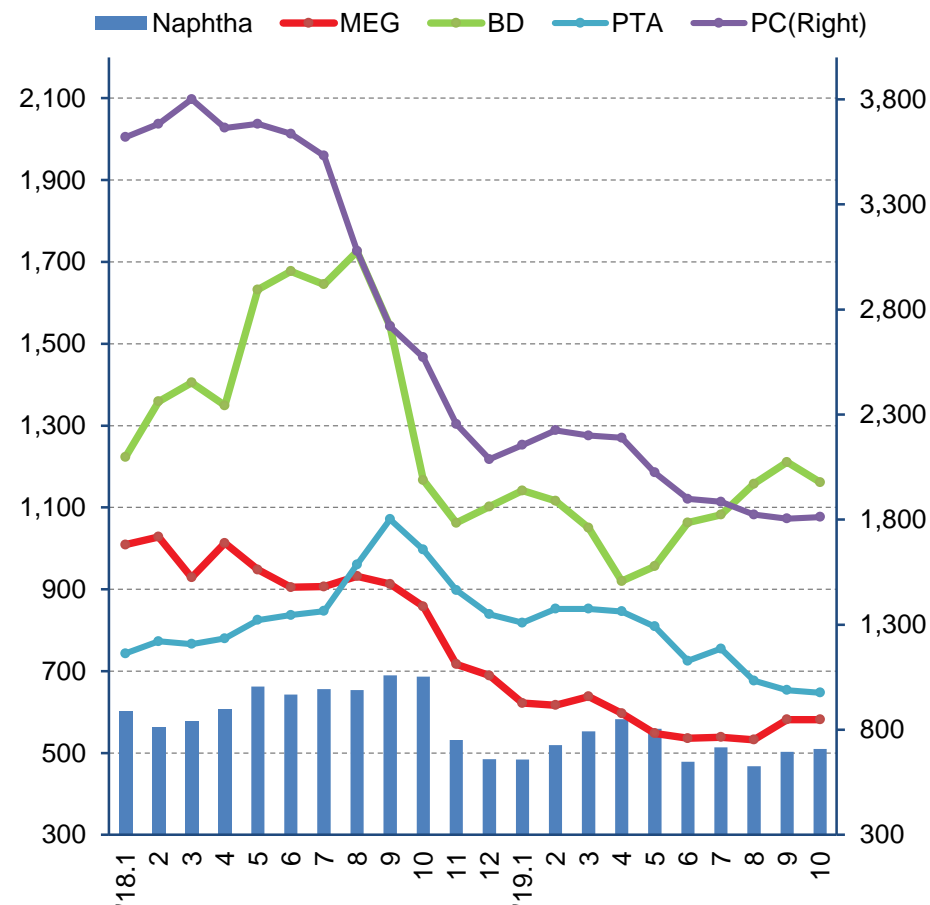
## HDPE / PP / SM / ABS

(Unit: US\$ per Metric Ton)



## MEG / PTA / BD / PC

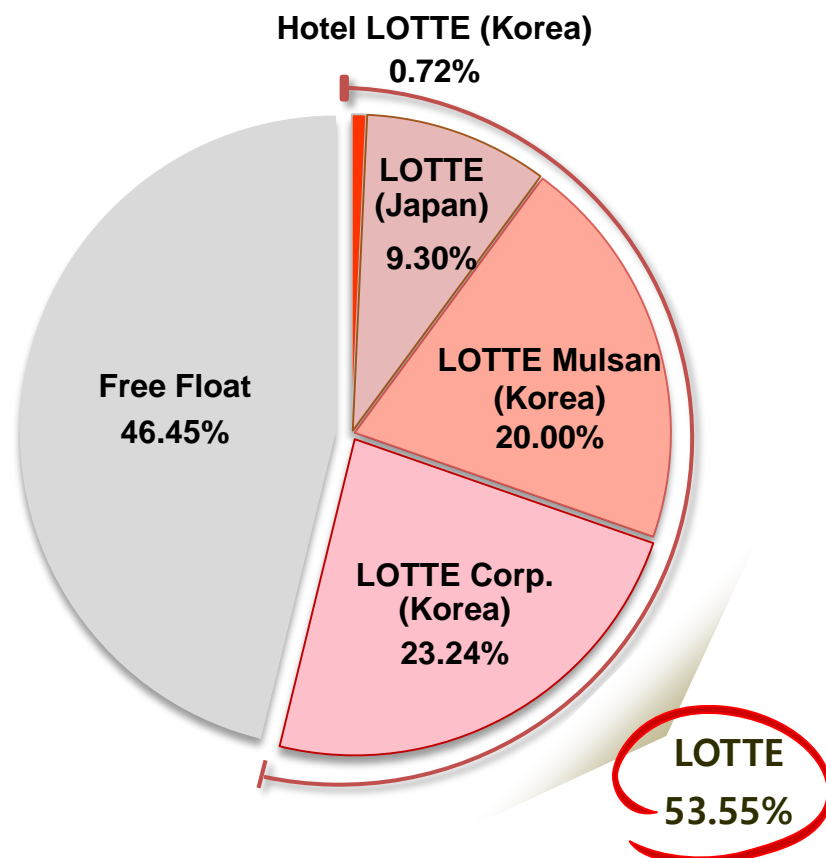
(Unit: US\$ per Metric Ton)




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

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## Shareholders



## Major Affiliates

 <b>LOTTE CHEMICAL</b>	
Parent	
Affiliates	LOTTE CHEMICAL Titan [76%]
	LOTTE Advanced Material [100%]
	LOTTE Chemical UK [100%]
	LOTTE Chemical Pakistan [75%]
J V	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%]

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