



LOTTE FINE CHEMICAL

Q2 FY20 Business Results

Jul. 29th 2020

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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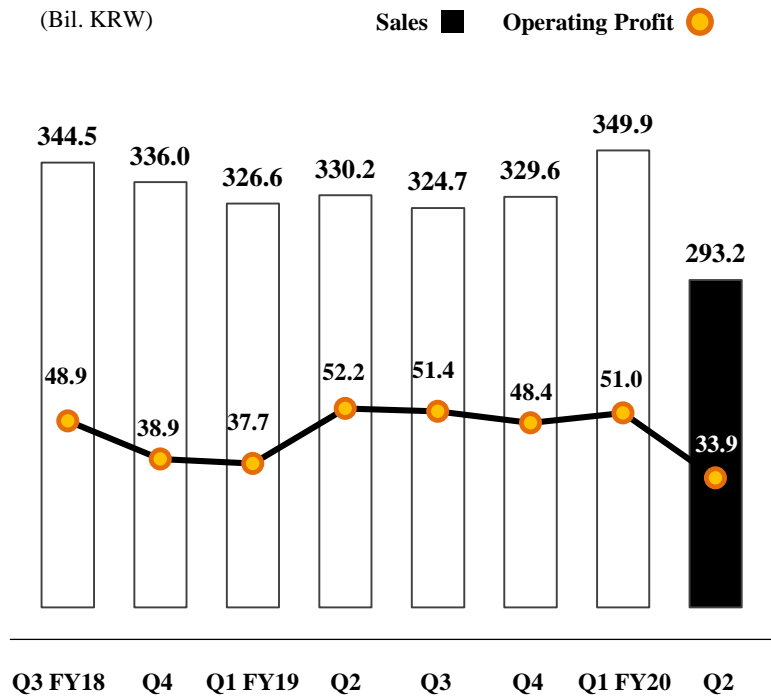
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1. Q2 FY20 Business Results

(1) Income Statement



Revenues and operating profit recorded KRW 293.2 billion and KRW 33.9 billion respectively (OPM 11.6%)



(Bil. KRW)	Q2 FY19	Q1 FY20	Q2 FY20	QoQ	YoY
Sales	330.2	349.9	293.2	▲16.2%	▲11.2%
Gross Profit	75.2	74.9	57.7	▲23.0%	▲23.3%
Operating Profit	52.2	51.0	33.9	▲33.5%	▲35.1%
Pre-tax Income	58.1	64.6	86.4	33.7%	48.7%
Net Income	40.0	43.1	65.0	50.8%	62.5%
Oil Price(WTI, \$/bbl)	59.82	46.17	27.85	▲39.7%	▲53.4%
Exchange Rate (₩/\$)	1,166.62	1,192.72	1,218.30	2.1%	4.4%

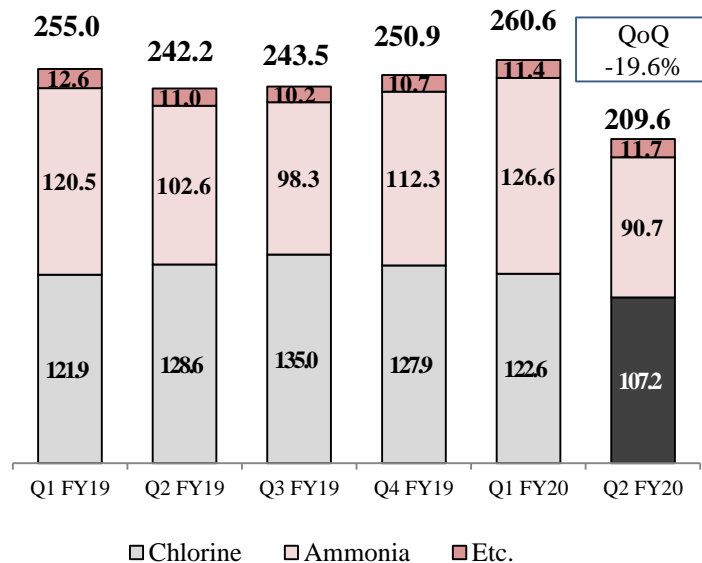
Assets and liabilities stood at KRW 1,782.8 billion and KRW 224.9 billion respectively at the end of June.

(Bil. KRW)	Dec. 2019	Mar. 2020	Jun. 2020	Compared to Dec. 2019
Asset	1,792.7	1,864.0	1,782.8	▲9.9
Cash and Equivalents	10.6	16.1	17.2	6.6
Liabilities	299.6	371.0	224.9	▲74.7
Borrowings	81.3	82.0	2.0	▲79.3
Shareholder's Equity	1,493.1	1,493.0	1,557.9	64.8
Capital	129.0	129.0	129.0	-
Debt Ratio	20.1%	24.8%	14.4%	▲5.7%p
Capital Ratio	83.3%	80.1%	87.4%	4.1%p

The Q2 sales of the Chemicals reached KRW 209.6 billion, accounting for 71.5% of the total sales of the company. It is a 19.6% decrease QoQ.

Quarterly sales of the Chemicals

(Bil. KRW)



Q2 Report

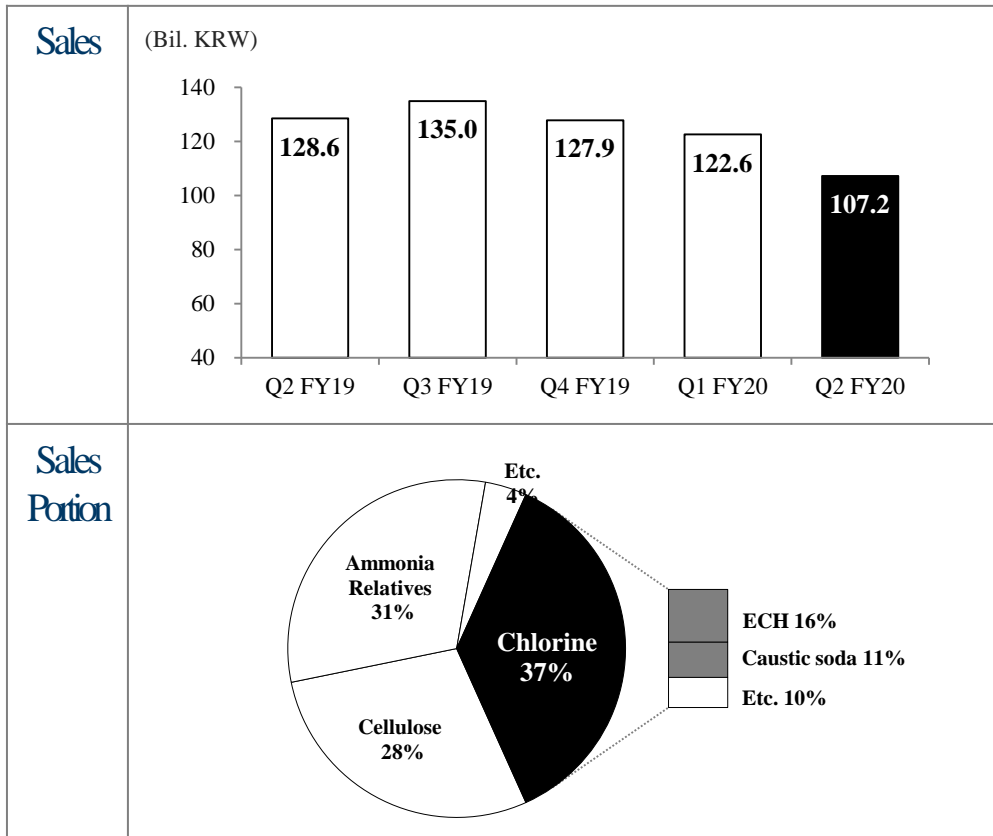
- With diminished demand of the downstream businesses as affected by the COVID-19, which dragged down the sales volume and the market price, the sales and the operating income dropped.

Q3 Outlook

- The operating income is expected to recover following the expected demand recovery of downstream choline-businesses despite weakened prices to be continued for some products.

2. Divisional Results (1) Chemicals : Chlorine

Revenues stood at KRW 107.2 billion, accounting for 36.6% of the total revenues.

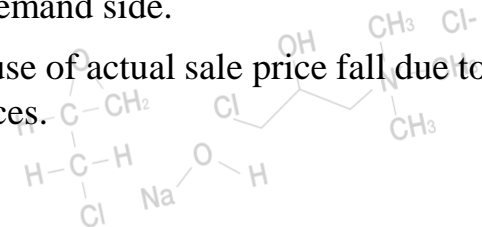


ECH

- Sales dropped QoQ, because Haili, a key Chinese producer, began its factory operation again pushing up supply volume, despite diminished operations on the demand side due to COVID-19, resulting in international price down.
- Sales volume and price YoY were on the decrease, resulting in sales fall.

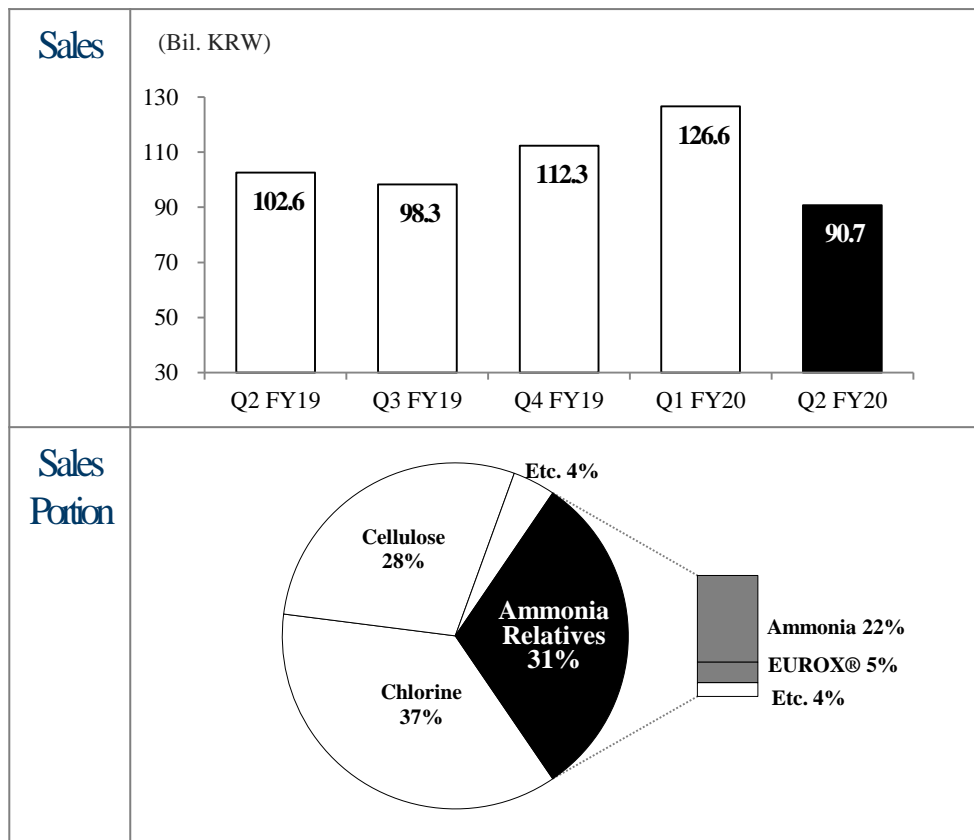
Caustic soda

- Sales decreased QoQ with weakened international prices as affected by the bearish demand of key customers and sales volume drop due to scheduled maintenances by some domestic companies on demand side.
- Sales declined YoY because of actual sale price fall due to declined international prices.



2. Divisional Results (1) Chemicals : Ammonia

Revenues stood at KRW 90.7 billion, accounting for 30.9% of the total revenues



Ammonia

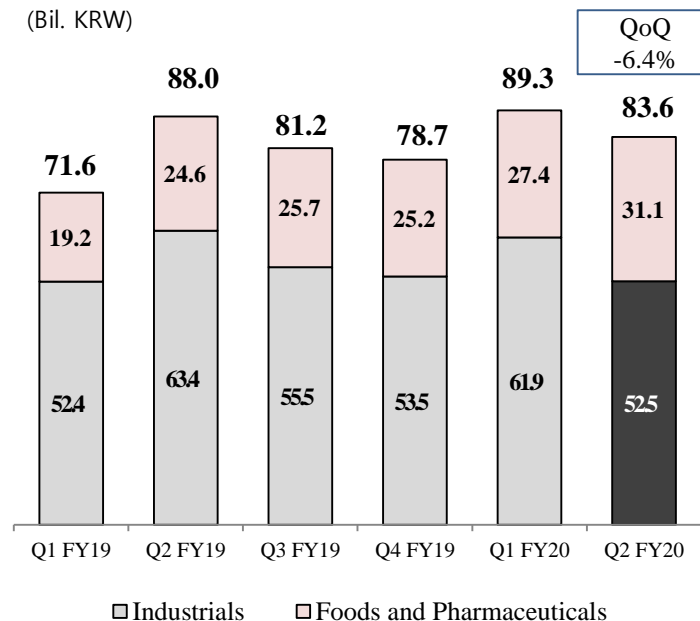
- Its international prices came down due to demand fall as affected by the COVID-19 and subsequently some of producers went through S/Down after their scheduled maintenances and troubles, leading to a slight turn-up in international prices.
- Sales fell QoQ with domestic volume drop affected by key players on the demand side pulling their operation rate downward with their scheduled maintenance and due to COVID-19.
- Sales dropped YoY due to the contracted sales volume.

EUROX®

- Sales grew QoQ thanks to increased sale, which is a result of an increase in business days and arrival of the high season in logistics.
- Sales grew YoY with increased sale from the market growth.

The Q2 sales of Green materials division reached KRW 83.6billion, accounting for 28.5% of the total sales of the company. It is a 6.4% decrease QoQ.

Quarterly sales of the Green Materials



Q2 Report

Industrials, the sales and the operating income dropped due to demand fall as affected by the COVID-19
 Foods and Pharmaceuticals, the sales and the income grew thanks to increased sales volume.

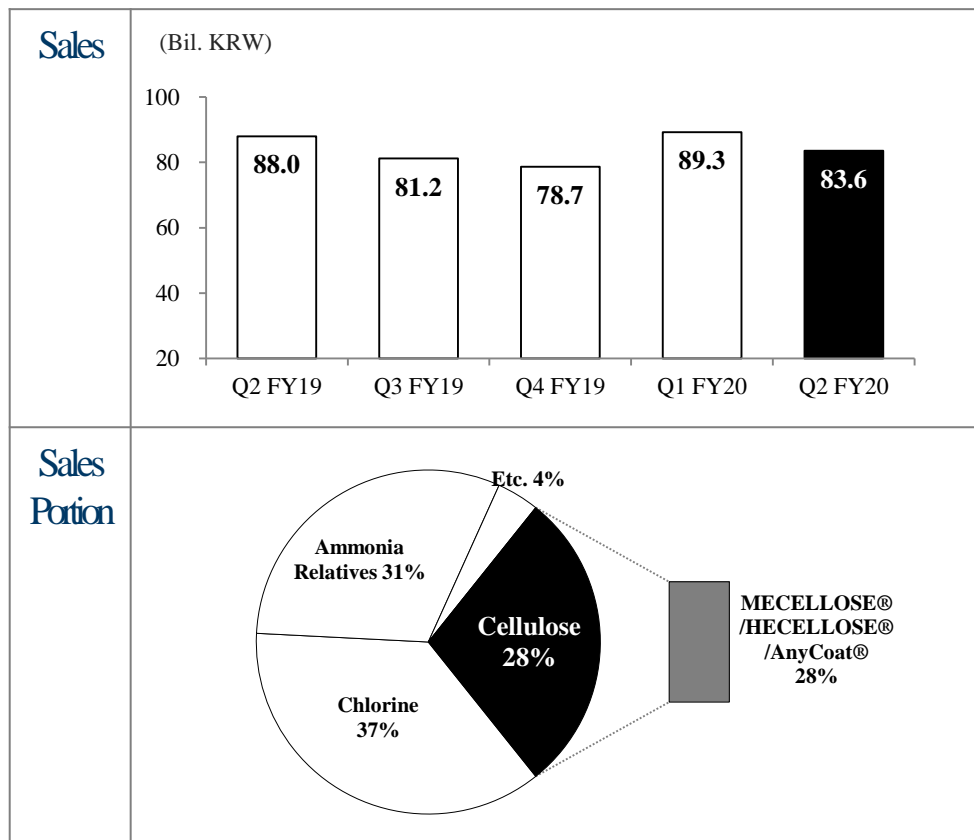
Q3 Outlook

- Industrials, the operating income is expected to recover with improved COVID-19 situation.
- Foods and Pharmaceuticals, demand is expected to remain steady.

2. Divisional Results (2) Green Materials : Industrials, Foods and Pharmaceuticals



Revenues stood at KRW 83.6 billion, accounting for 28.5% of the total revenues.



Industrial

(MECELLOSE[®], HECCELLOSE[®])

- Sales fell QoQ with decreased sales volume affected by a sharp decrease of global demand, the inevitable result of the COVID-19 and lockdowns placed by many countries.
- Sales dropped due to the declined sales volume YoY

Foods and Pharmaceuticals

(AnyCoat[®], AnyAddy[®])

- Sales increased QoQ with sales volume increase enabled by boosted demand on capsules for pharma and food companies as big pharma players kept their normal operation despite the COVID-19.
- Sales increased YoY with a steady growth of sales volume based on the solid global growth trend.

3. Investment Plan

Project	Investment cost (Bil. KRW)	Capacity (KT)	Mechanical Completion
HECELLOSE[®] Expansion	47.3	9	2018.2H (Completion)
MECELLOSE[®] Expansion	33.6	7	2019.1H (Completion)
MECELLOSE[®] Expansion	115.0	13.8	2021.1H
AnyCoat[®] Expansion	23.9	1.9	2021.1H

4. Key Issue : Subsidiary stake sale (Hantok Chemicals)

Points

- Sell the equity stake of Hantok Chemicals held by LOTTE Fine Chemical to LOTTE Chemical
- Equivalent to an increase of KRW 43.9 billion in income before tax

About Hantok Chemicals

- A JV making and selling the developer TMAH for semi-conductors and displays based on materials from LOTTE Fine Chemical and the technology from partner Tokuyama Corp.
- Founded on Apr. 1, 1995
- Capital : KRW 4,500,000,000
- Main business : Manufacturing and sale of TMAH¹ for semiconductors and displays

Background of stake sale

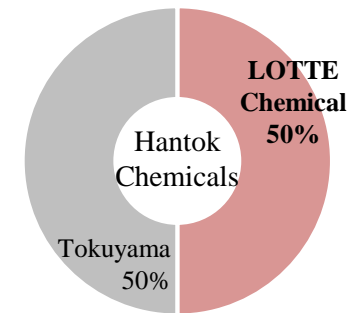
- With LOTTE Chemical incorporated into LOTTE Corporation², LOTTE Fine Chemical becomes a grandchild company of the holdings company. Accordingly LOTTE Fine Chemical becoming subject to Fair Trade Act Art 8-2³ so that the company sells off its equity holding of Hantok Chemicals

1. Tetramethyl Ammonium Hydroxide

2. Oct. 12, 2018

3. Restrictions, etc. on Acts by Holding Company, etc.: None of the second-tier subsidiaries of a general holding company shall hold shares of any domestic affiliate.

Stake sale at a glance



Jun. 26, 2020
Sell off the total
stake held
By LOTTE Fine
Chemical

- Shares dropped : 225,000 shares
- With the stake sell-off, LOTTE Fine Chemical,
 - ① has its income before tax in Q2 grow by KRW 43.9 b
 - ※ Equivalent to the gap of KRW 68.7b in the sale proceeds and KRW 24.4 b in the existing book value
 - ② expects to have the gains on valuation using equity method drop after Q2 this year

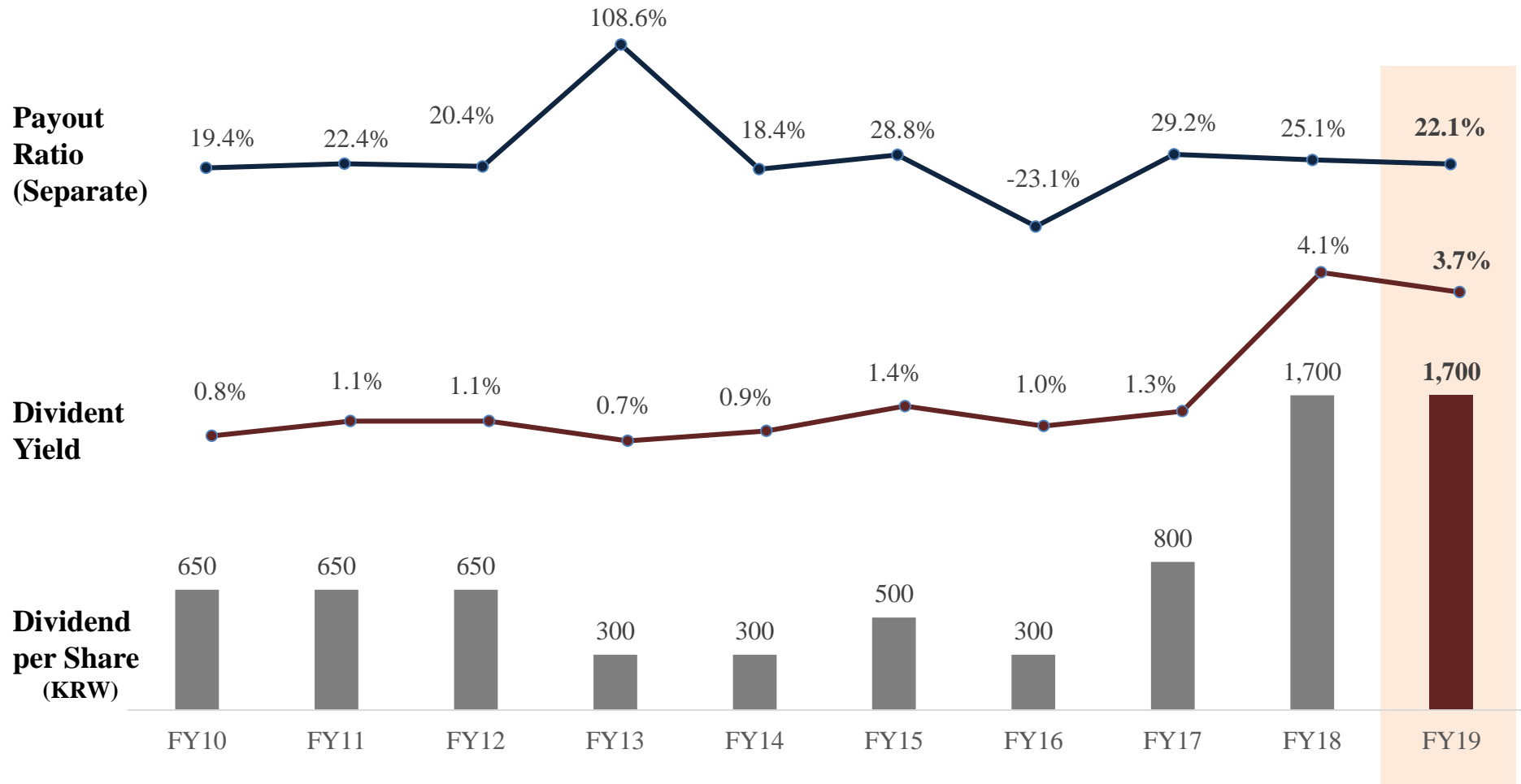
Appendix ① Quarterly Business Results

(Bil. KRW)	FY19					FY20				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Sales	326.6	330.2	324.7	329.6	1,311.3	349.9	293.2	-	-	643.1
Gross Profit	60.5	75.2	76.9	70.9	283.5	74.9	57.7	-	-	132.6
Operating Profit	37.7	52.2	51.4	48.4	189.7	51.0	33.9	-	-	84.9
Income Before Tax	51.7	58.1	64.3	50.8	224.9	64.6	86.4	-	-	150.9
Net Income	40.8	40.0	48.7	38.9	168.4	43.1	65.0	-	-	108.0
Oil Price (WTI, \$/bbl)	54.90	59.82	56.45	56.96	57.03	46.17	27.85	-	-	37.01
Exchange Rate (₩/\$)	1,125.06	1,166.62	1,194.94	1,175.81	1,165.61	1,192.72	1,218.30	-	-	1,205.51

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

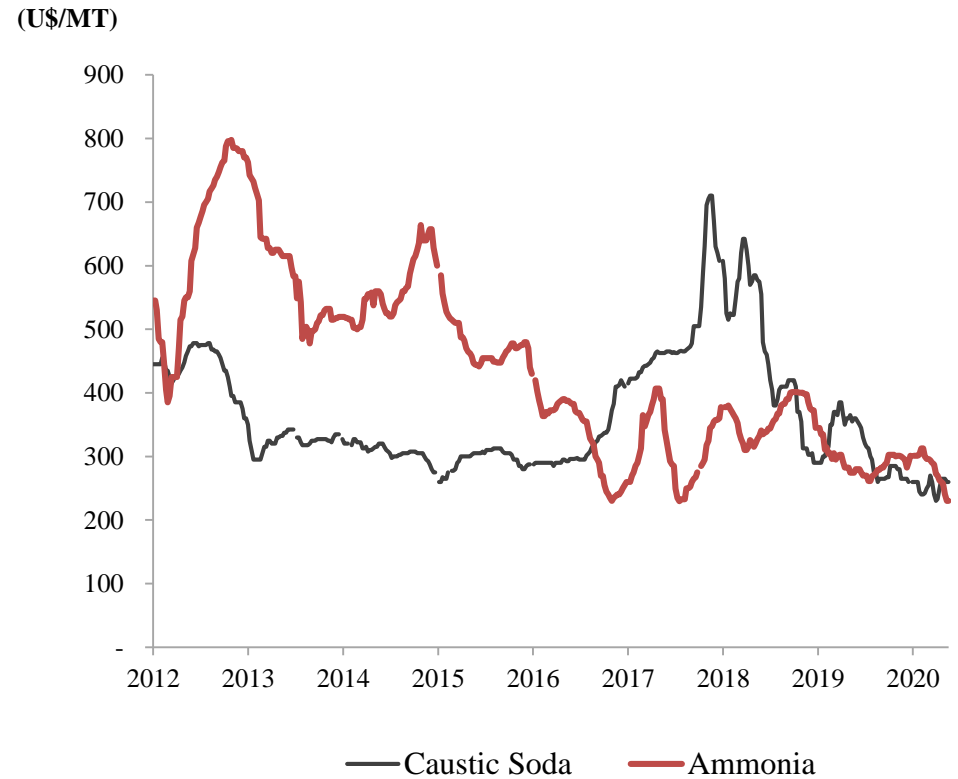
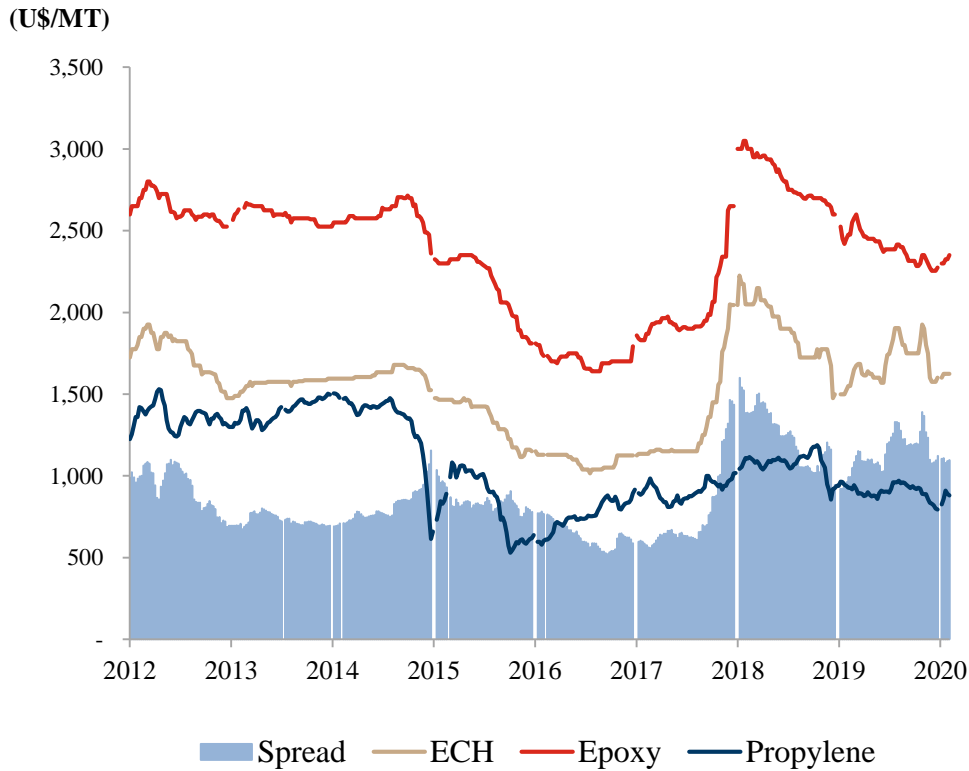
Appendix ② Dividend Policy

Dividend is decided with future investment and financial stability into consideration for dividend stability of shareholders and corporate value increase.



Appendix ③ Price Movement of Major Products

International price movement (Based on the posted prices of ICIS news)



MISSION

사랑과 신뢰를 받는
제품과 서비스를 제공하여
인류의 풍요로운 삶에 기여한다

We enrich people's lives by providing
superior products and services that
our customers love and trust

