16 DECEMBER 2021

LOTTE CHEMICAL TITAN HOLDING BERHAD OBTAINS SHAREHOLDERS' NOD FOR ITS AWARD PROPOSAL FOR THE CONSTRUCTION OF INDONESIA EXPANSION PROJECT

KUALA LUMPUR, MALAYSIA – LOTTE Chemical Titan Holding Berhad ("the Company") has secured overwhelming support for its proposal to award engineering, procurement and construction ("EPC") works for the downstream plants and complex facilities of the LOTTE Chemical Indonesia New Ethylene ("LINE") Project to Korean-based LOTTE Engineering & Construction Co., Ltd. ("LEC"). The proposed EPC works to be undertaken by LEC is approximately USD 1.65 Billion, which is equivalent to RM 6.8 Billion. Given that the project award to LEC is within the purview of related party transactions, the Company has sought minority shareholders' approval for the proposed award through the voting carried out during its Extraordinary General Meeting held today.

The Company has announced earlier that it is commencing construction of the large-scale LINE expansion project in Merak, Cilegon, Banten Province, Indonesia. The LINE Project, which is a joint venture ("JV") with its parent company, LOTTE Chemical Corporation, will serve as the key expansion drive for the Company with the aim to solidify its position as a top-tier petrochemical company in the Southeast Asia region upon its completion.

The LINE project, with investment value in the range of USD 3.95 Billion (approximately RM 17 Billion), is expected to commence construction next year and slated for completion by 2025 and will comprise the development of an integrated petrochemical facility with various downstream petrochemical plants. This would entail the development of a cracker plant, which will use naphtha and liquefied petroleum gas as its feedstock to produce 1,000 kilometric tonnes per annum ("KTA") of ethylene and 520 KTA of propylene, as well as other downstream and derivatives plants.

Located right next to its current facilities, the petrochemical complex would provide key integration benefits to the three existing standalone polyethylene plants that the Company operates in its Indonesian site. Furthermore, the LINE Project will provide a significant boost to the Company's production capacity from the current 3,568 KTA to 5,878 KTA, which represents an increase of 65% for the Company's total production capacity.

Its President & CEO, Mr. Park Hyun Chul said, "The project financing will be a 60:40 debt-equity structure arrangement and the Company plans to utilize its internal funds for the equity financing on the 51% stake we own in the JV. Our current strong net cash position in excess of RM 5 Billion as at 30 September 2021, would be sufficient to provide for the equity funding for our portion, amounting to approximately USD 806 Million or equivalent to RM 3.3 Billion."

"The Company will not need to raise any form of additional equity funding from our shareholders. The debt portion for the development cost would be in the form of project financing, which is expected to be self-sustainable by the LINE Project post-completion. With the project financing, our Company will subsequently have an estimated gearing ratio of 0.84 times, from the current net cash position. The project will provide incremental value creation for our shareholders as they could benefit from the enlarged production capacity base of our Company," he further elaborated.

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At the onset of the COVID-19 pandemic in 2020, the Company stated that it was undertaking a strategic review to determine an appropriate timing for the commencement of construction of the Indonesia LINE Project. Given the scale of the project, the review was deemed necessary and prudent amid the uncertainties on the petrochemical industry outlook brought upon by the unprecedented pandemic. With the prevailing market circumstances, the Company noted that the current timing is appropriate to commence the project construction in light of the improvement observed on the global economy and overall market conditions.

President Park said on the market outlook, “We are cautiously optimistic amidst some balancing market factors weighing in. As the sector moves in tandem with economic growth, it would likely be supported by the post-pandemic economic recovery expected for the remaining of the year and continuing in 2022. However, there are new domestic capacities expected to come online next year, which may have some downward pressure on the polymer average selling prices. The positive outlook would be very much dependent on the continuation and effectiveness of vaccination as well as the pace of economic re-opening, globally and domestically. As such, we expect certain elements of volatility to remain for the petrochemical sector moving ahead.”

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