28 APRIL 2021

RECORD PROFITABILITY FOR LOTTE CHEMICAL TITAN HOLDING BERHAD IN 1ST QUARTER 2021 ON SURGING KEY PRODUCT SPREADS

KUALA LUMPUR – LOTTE Chemical Titan Holding Berhad ("the Company") registered its highest ever performance record since listing in 2017, with net profit after tax ("PAT") of RM 441 million for the quarter ended 31 March 2021. This is an overwhelming swing from the net loss after tax of RM 170 million in the corresponding quarter last year. The 359% surge in its PAT is attributable to the substantially stronger product margin spreads seen from a year ago. The record quarterly performance, which is close to triple of its full FY2020 PAT, is achieved despite the adversity facing the global business environment caused by the continuation of the COVID-19 pandemic.

KEY HIGHLIGHTS – FINANCIAL QUARTER ENDED 31st MARCH 2021

- ✓ Highest quarterly PAT since listing amounting to RM 441 million, surged 359% year-on-year
- ✓ Operating profit markedly improved by 366% to RM 509 million from a year ago
- ✓ Stable overall operations with Group's plant operating rate recorded at 88%

Following the spike in PAT, earnings before interest, tax, depreciation and amortization ("EBITDA") also surged to RM 647 million in the quarter, which jumped more than twelve-fold from EBITDA loss of RM 56 million registered in same quarter last year. Similarly, operating profit also markedly improved by 366% to RM 509 million from operating loss of RM 191 million recorded in the 1st quarter of 2020. At the same time, the Company also generated strong operating cash flows ("OCF") amounting to RM 558 million for the quarter. "This is indeed an excellent achievement amidst the challenging business environment," remarked its President & CEO, Mr. Park Hyun Chul.

The Company has said that the record profitability improvement during the quarter were mainly attributable to the much higher product average selling prices ("ASP") with lower naphtha feedstock costs, in line with global Brent crude oil prices. Its key polymer products have seen surging ASPs since the 4th quarter 2020, after troughed in the 2nd quarter 2020 during the height of the global pandemic. Market polymer ASPs then fell to USD 800/MT and subsequently saw notable increase to USD 1,300/MT in the 1st quarter of 2021. Two of the Company's key products, namely the low-density polyethylene ("LDPE") and polypropylene ("PP"), are fetching even higher market ASPs of around USD 1,650/MT and USD 1,550, respectively, as at March 2021. This is the highest price levels observed in the last two years since the industry experienced downturn beginning in 2018.

The significant earnings improvement seen are on the back of much higher sales revenue of RM 2.4 billion in the 1st quarter, from RM 1.5 billion recorded in corresponding quarter of prior year. Revenue for the quarter is supported by both higher production and sales performance. For the 1st quarter, overall plant operating rate improved to 88%, from 66% in the same quarter last year as the Company undertook a major statutory plant turnaround for 10 of its Malaysian plants during the period. The Company has stated that it will conduct statutory plant turnaround for the remaining two plants in Malaysia around second half of 2021. It has also provided group operating rate target of 85% to 90% for 2021, which is higher than 82% operating rate recorded for 2020.

Comparison with preceding quarter shows that its PAT also further increased by 194% to RM 441 million from RM 150 million recorded in 4th quarter 2020. Similarly, quarterly EBITDA also grew by 88% to RM 647 million from RM 345 million in the preceding quarter while operating profit for the period close to double to RM 509 million from RM 205 million in the preceding quarter. Continued improvement in business performance amid rising product ASPs boosted key earnings for the Company. In addition, the Company's performance is also further supported by improved performance in its U.S associate's operations on the back of higher ASP for MEG product.

As the petrochemical business moves in tandem with economic growth, the product ASPs are expected to remain healthy, supported by the brightening economic recovery prospect with global vaccination rollouts. This is also complemented with the sudden polymer supply shortages in the SEA region resulting from the on-going shipping container issues, which curtailed imported polymer supplies from other regions. At the same time, the winter storm Uri in the U.S in February has affected operations in the key production hub in Texas which significantly reduced U.S supplies, which is one of the key petrochemical producer. In addition, the SEA region may also experience further supply disruption due to outages and expected plant turnarounds in Asia and key Middle East producers in the first half of 2021.

The International Monetary Fund in its latest report has forecasted a gradual post-pandemic economic recovery in 2021. The recovery outlook remains volatile, as nations worldwide are experiencing mixed results from their respective pandemic containment measures and vaccination rollout progress. Nevertheless, continued accommodative monetary and fiscal policy management across major economies have helped to soften the economic downturn and lifted overall market sentiment.

LCT's President & CEO Mr. Park Hyun Chul

President Park highlighted, "For the full year outlook, we are cautiously optimistic as new additional global capacities maybe expected in the second half of the year which may have a downward pressure on the polymer ASPs. Nevertheless, we are seeing renewed relevance and higher demand for usage of plastic materials given the importance of hygiene and clean food packaging, and higher demand for PPEs as well as e-commerce packaging during the pandemic period. As such, we expect the petrochemical business to remain volatile for the remaining period of the year."

On a separate note, the Company has successfully concluded its 4th Annual General Meeting ("AGM") 2021 yesterday. The AGM was conducted virtually to ensure compliance with social distancing measures as well as minimize physical meeting amidst the ongoing COVID-19 pandemic. All the resolutions presented were passed with overwhelming support from the shareholders who were present virtually and voted during the meeting yesterday.

"Our Company will continue to focus on operational and financial performance optimization initiatives. We will also be undertaking a strategic review on the timing and progress for our Indonesia LINE project in light of the pandemic impact to the global economy. The Company will continue to maintain its strong financial resilience, after adding more than RM 500 million to our net cash position to RM 4.7 billion as at 31 March 2021, as well as optimize operations to ride through the uncertain business environment moving forward," President Park further elaborated.

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Media Contact:

Thomas Khoo
Email: tckhoo@lotte.net
Mobile: 6012-2570430