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PROFITABILITY SURGE FOR LOTTE CHEMICAL TITAN HOLDING BERHAD IN 2ND QUARTER 2021 ON HIGHER KEY PRODUCT SPREADS

KUALA LUMPUR – LOTTE Chemical Titan Holding Berhad ("the Company") continues to record bumper profits with profit after tax ("PAT") of RM 384 million for the quarter ended 30 June 2021, surged 300% from RM 96 million registered in the corresponding quarter last year. The notable improvement is mainly attributable to the substantially higher product margin spreads seen from a year ago. The strong quarterly performance is achieved amidst the volatile global business environment due to the ongoing COVID-19 pandemic and various movement restriction measures.

Following the surge in PAT, earnings before interest, tax, depreciation and amortization ("EBITDA") also jumped to RM 585 million in the quarter, more than doubling from EBITDA of RM 262 million registered in same quarter last year. Similarly, operating profit also markedly improved by 274% to RM 445 million from operating profit of RM 119 million recorded in the 2nd quarter of 2020. At the same time, the Company also generated much stronger operating cash flows ("OCF") amounting to RM 1 billion for the 1st half of 2021 comparing to RM 512 million generated in the corresponding year period. "The stellar performance improvement even amidst the challenging business environment is remarkable," said its President & CEO, Mr. Park Hyun Chul.

The Company has said that the strong profitability improvement were mainly attributable to the much higher product average selling prices ("ASP") relative to the rising naphtha feedstock costs in 2021, in line with global Brent crude oil prices. Polymer product ASPs have experienced strong upward price momentum since bottoming at around USD 800/MT in the 2nd quarter of last year during the height of the global pandemic. The ASPs were recorded at about USD 1,300/MT in the 2nd quarter of 2021, maintaining the price levels seen during 1st quarter this year. Notably, two of the Company's key products, namely the low-density polyethylene ("LDPE") and polypropylene ("PP"), which comprised of about 53% of the Company's total polymer capacity, are still recording relatively healthier margins, to-date.

The much higher earnings are on the back of notably improved sales revenue amounting to RM 2.54 billion in the 2nd quarter, marking a 61% increase from RM 1.58 billion recorded in corresponding quarter of prior year. For operating performance, the overall plant operating rate was stable at 86% in the quarter. However, the Group's year-to-date operating performance improved to 87% from 76% in the corresponding period last year, as the Company undertook a major statutory plant turnaround for ten of its total twelve Malaysian plants in early 2020. The Company has stated that it will conduct statutory plant turnaround for the remaining two plants in Malaysia in the 3rd quarter of 2021. It has also provided group operating rate target of about 85% for 2021, which is higher than the 82% operating rate recorded in 2020.

LOTTE CHEMICAL TITAN HOLDING BERHAD [Registration no. 199101012045 (222357-P)]
Corporate Office : 6th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
T: +603. 2093 4222 **W**: WWW.LOTTECHEM.MY

At the same time, the Company saw its revenue for the 1st half of 2021 grow to RM 4.9 billion from RM 3 billion recorded during the same period last year. Remarkably, its year-to-date PAT recorded a tremendous improvement, swinging from net loss of RM 74 million last year to PAT of RM 825 million in 2021, improving more than twelve-fold. Similarly, operating profit also jumped by fourteen-fold to RM 953 million in the 1st half of 2021 from operating loss of RM 71 million during the corresponding period last year. The huge turnaround in its business performance is primarily attributable to rising product ASPs which has boosted key earnings for the Company. In addition, the Company's performance is further supported by performance turnaround in its U.S associate's operations on the back of improved operating performance driven by higher ASP for MEG product.

President Park highlighted, "We are cautiously optimistic on the petrochemical market outlook with some balancing market factors weighing on the sector. As the sector moves in tandem with economic growth, it would likely be supported by the overall global economic recovery expected in the 2nd half of the year. However, there are some new capacities in the region expected to come online in the 2nd half, which may have some downward pressure on the polymer ASPs. The positive outlook would be very much dependent on the progress of effective vaccination drive as well as the pace of economic re-opening, globally and domestically. As such, we expect the petrochemical business to remain volatile moving ahead."

The World Bank in its recent economic outlook report has noted that the global economy is set to rebound strongly in 2021 following the devastating pandemic impact in 2020. However, the recovery is on the back of highly unequal access to vaccine supplies as well as the uneven relaxation of pandemic-control measures in different countries. Major economies such as China and U.S have seen robust reopening and recovery pace this year. On the other hand, emergence of new infection waves across Asia would likely to pose some downside risks to the full recovery extent in the region.

"Moving forward, 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 and ample liquidity with our net cash position in excess of RM 5 billion as at 30 June 2021, as well as optimize operations to ride through the volatile business environment," President Park further elaborated.

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LOTTE CHEMICAL TITAN

Media Contact:

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