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LOTTE CHEMICAL TITAN HOLDING BERHAD RECORDS STELLAR 9-MONTH PROFIT AFTER TAX OF RM 873 MILLION, DECLARES MAIDEN SPECIAL DIVIDEND OF 18 CENTS TO REWARD SHAREHOLDERS

KUALA LUMPUR – LOTTE Chemical Titan Holding Berhad ("the Company") registered cumulative profit after tax ("PAT") of RM 873 million for the nine-month financial period ended 30 September 2021, a multiple-fold surge from just RM 4 million recorded during the corresponding period in 2020. At the same time, earnings before interest, tax, depreciation and amortization ("EBITDA") also more than tripled to RM 1.5 billion, from RM 485 million booked during the same period last year.

The remarkable improvement in its business performance is primarily attributable to the much higher key products margin spread observed in 2021, on the back of markedly higher average product selling prices ("ASP"). Key products ASP improved this year following the higher overall market demand supported by global reopening and post-pandemic economic recovery, as well as supply disruptions to the region due to shipment constraints. 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.

Riding on the back of its stellar performance to-date in 2021, the Company has introduced and declared its first-ever special dividend of 18 cents per ordinary share, which amounted to approximately RM 410 million distributable dividend to its shareholders. The special payment, which represents about 50% payout from its earnings, would translate to an attractive yield in excess of 6% based on its share price of RM 2.74, last traded on 27 October 2021. This special distribution will be independent of its dividend policy and its Board of Directors upon closing of the financial year will determine the subsequent final dividend payable for FY 2021.

The Company is cognizant on the moderation of its performance in the second half of 2021 as a result of operating margin compression with softening product ASPs and rising naphtha feedstock costs, which tracks the global Brent crude outlook. Nonetheless, it seeks to reward its shareholders in light of the much improved financial performance during the year. Supported by strong earnings, zero-debt and ample liquidity during the financial year, the Company is in a much better position to provide such distribution to its shareholders even after taking into consideration the capital expenditure requirements for its current operations as well as the upcoming Indonesia LINE Project.

Operationally, the Company stated that it had undergone statutory turnaround activities during the quarter for two plants in Malaysia, namely a Cracker plant and a Polyethylene plant. The turnaround activities had since been successfully completed within schedule and the said plants have resumed normal operations. Consequently, the overall operating rate for its complex was lower in the quarter at 76%, from 86% recorded in the previous quarter, which also led to lower production volume. Notwithstanding the turnaround, the Group operating rate to-date stood at a stable 83%, which is relatively higher than the 81% recorded during the corresponding period in 2020.

Quarter-on-quarter, profit before tax ("PBT") was lower at RM 148 million, from RM 489 million recorded in the preceding quarter. The Company has noted that quarterly earnings declined primarily due to significant operating margin compression observed, amid the higher increase in feedstock costs relative to product ASPs in the third quarter, as well as the statutory plant turnaround activities undertaken during the quarter. At the same time, tighter lockdown measures implemented in Malaysia also softened product demand during the period. For the third quarter, PAT was lower at RM 48 million, as the Company made a one-off tax adjustment of RM 66 million arising from underprovision of deferred tax in prior years.

Its President & CEO, Mr. Park Hyun Chul said, "We are cautiously optimistic on the petrochemical sector outlook 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 this year, which may have some downward pressure on the polymer ASPs. 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."

On a separate note, the Company has announced that it is commencing construction of the large-scale expansion project, known as the Lotte Chemical Indonesia New Ethylene ("LINE") Project in Merak, Cilegon, and 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 further solidify its position as one of the largest petrochemical companies in the Southeast Asia region upon its completion.

President Park continued, "Moving forward, our Company will continue to focus on operational and financial performance optimization initiatives to brace the volatile and ever-changing external environment. We will continue to be vigilant and explore value-accretive opportunities to further drive our growth while at the same time, remain steadfast to focus on our key growth strategies as we seek to become a top-tier petrochemical company in the Southeast Asia region."

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LOTTE CHEMICAL TITAN

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