LOTTE CHEMICAL TITAN

30 JULY 2020

EARNINGS SOAR AS LOTTE CHEMICAL TITAN HOLDING BERHAD SWINGS TO PROFITABILITY IN 2ND QUARTER 2020

KUALA LUMPUR – Despite the adverse global business environment caused by the fallout from the COVID-19 pandemic, LOTTE Chemical Titan Holding Berhad ("the Company") has returned to the black in its 2nd quarter performance, registering net profit of RM 96 million from a loss of RM 170 million in the 1st quarter. This marks a record profit swing amounting to RM 266 million on quarterly basis. Similarly, operating profit for the quarter also soared to RM 119 million from operating loss of RM 191 million recorded in the previous quarter. This represents a remarkable operating profitability improvement of RM 310 million for the Company on quarterly basis.

The notable earnings improvement and v-shaped recovery seen are on the back of higher sales revenue of RM 1.58 billion in the 1st quarter, from RM 1.46 billion recorded in previous quarter. Revenue for the quarter is supported by both higher production and sales performance which have markedly improved following the successful completion of the statutory turnaround undertaken by the Company in 1st quarter 2020. The Company has noted that the overall plant operating rate for the Group has recorded a jump of 20%, to 86% during the quarter with the completion of plant turnaround activities and subsequent ramping up of production with much higher operating efficiencies.

The Management has stated that notwithstanding the challenging business environment caused by the COVID-19 pandemic lockdown which has affected majority of the global manufacturing industry, the Company is able to achieve the highest sales volume record since its inception 29 years ago, in the month of May and June 2020.

Following the improvement to net profit, earnings before interest, tax, depreciation and amortization ("EBITDA") also saw an increase to RM 262 million in the quarter, which improved more than five-fold from EBITDA loss of RM 56 million registered in previous quarter. At the same time, the Company also generated positive operating cash flows ("OCF") amounting to RM 242 million for the quarter, which brings the total OCF generated to RM 512 million, to-date this year. "This is indeed an excellent achievement despite the hostile business environment," remarked its President & CEO, Dr. Lee Dong Woo.

The Company has said that the record profitability improvement during the quarter were mainly attributable to product margin spread improvement amid much lower naphtha feedstock costs following the fall in Brent crude oil price in April and enhanced plant efficiency upon completion of major statutory turnaround. Furthermore, it also recorded a reversal of provision for write-down of inventories to net realisable value made in previous quarter with its average product selling prices ("ASP") stabilizing. These achievements were made despite the on-going global economic downturn caused by the outbreak of the COVID-19 pandemic, which began to intensify worldwide since March this year.

On yearly basis, the Company explained that earnings were lower on continuation of operating margin compression as a result from the lower ASPs as compared to corresponding period last year. The fall in its product ASPs was mainly due to heightened economic uncertainties following the outbreak of COVID-19 pandemic which has disrupted global business activities and weakened overall manufacturing demand in 2020.

The International Monetary Fund in its latest report has forecasted the global economy in 2020 to be in recession with subdued turnaround in 2021 following the COVID-19 pandemic. The recovery outlook will remain largely uncertain for now, as nations worldwide are experiencing mixed results from their respective responses to contain the pandemic. Nevertheless, sizable monetary and fiscal stimulus countermeasures have been deployed worldwide to support the economy and this has helped to soften the economic downturn and lifted overall market sentiment.

President Lee said, "The global economy has been in unchartered territory with the fallout from the COVID-19 pandemic. Nevertheless, with major economies gradually reopening since June 2020, manufacturing and business activities have begun starting-up and are expected to normalize and improve in the second half of 2020. The improving business outlook will be dependent on the global economic recovery pace."

"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. Notwithstanding the external environment, the Company will continue to maintain its strong financial resilience with its net cash position of more than RM 3.8 billion, as well as optimize its operations to ride through the highly volatile business environment," President Lee further emphasized.

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