# 1Q 2024 Business Results & Outlook

2024.5.9



## **Disclaimer**

The financial information in this document are consolidated earnings results based on K-IFRS.

The previous earnings results have also been stated in compliance with K-IFRS.

The business results for the first quarter of 2024 are presented here for investors' convenience.

Hence, please be advised that some of their contents may be altered in the course of audit.

The actual results may differ from those included in this release due to a variety of factors.

LOTTE Chemical undertakes no obligation to update or revise the preliminary provided in this release.

Also, this material is not legally binding for any of investors' investment result.

Forecasts and projections contained in this material are based on current business environments and management's strategies, and they may differ from the actual results upon changes and unaccounted variables.



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## 1Q 2024 Business Results – Income Statement



(Unit: KRW bn, %)

	1Q24 (E)	4Q23	QoQ	1Q23	YoY
Sales	5,086	4,905	3.7%	5,041	0.9%
Operating Income (%)	<b>△135</b> (△2.7%)	<b>△316</b> (△6.4%)	<b>+181</b> (3.8%p)	<b>△5</b> (△0.1%)	<b>△130</b> (△2.6%p)
EBITDA (%)	<b>172</b> (3.4%)	<b>37</b> (0.8%)	<b>+134</b> (2.6%p)	<b>253</b> (5.0%)	<b>△82</b> (△1.7%p)
Pre-tax Income (%)	<b>△88</b> (△1.7%)	<b>△527</b> (△10.8%)	<b>+440</b> (9.0%p)	<b>297</b> (5.9%)	<b>△385</b> (△7.6%p)
Net Income (%)	<b>△60</b> (△1.2%)	<b>△154</b> (△3.1%)	<b>+94</b> (2.0%p)	<b>225</b> (4.5%)	<b>△286</b> (△5.7%p)

<sup>\*</sup> Equity Method Income 15 KRW bn (4Q23  $\triangle$ 22 KRW bn, 1Q23  $\triangle$ 6 KRW bn)

## 1Q 2024 Business Results – Financial Position

#### **Balance Sheet**

## **Financial Ratio**

(	U	nit:	KR	VV	bn,	%)	
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	FY22	4Q23	1Q24(E)	<b>QoQ</b> (Change)
Asset	26,785	33,476	35,130	+1,654 (+4.9%)
Cash and Equivalents <sup>1</sup>	3,725	3,914	4,392	+478 (+12.2%)
Liabilities <sup>2</sup>	9,520	13,244	14,710	+1,466 (+11.1%)
Borrowings <sup>2</sup>	6,168	9,828	10,758	+930 (+9.5%)
Shareholder's Equity	17,264	20,233	20,421	+188 (+0.9%)

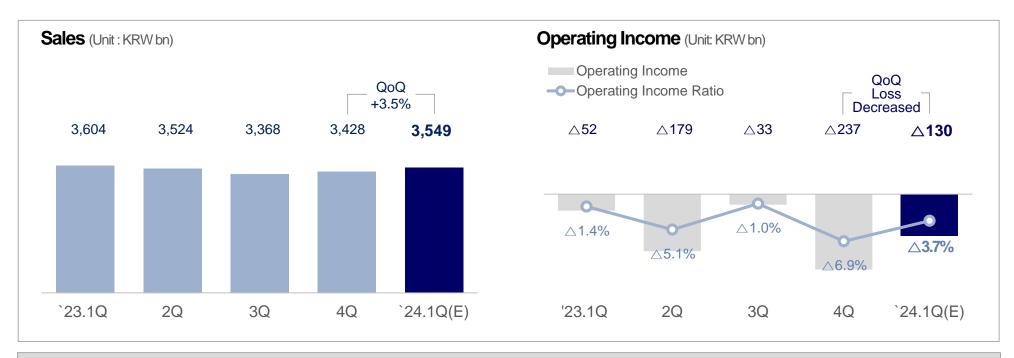
	(Unit:			
	FY22	4Q23	1Q24(E)	QoQ
Debt/ Equity	55.1%	65.5%	72.0%	+6.6%
Net Debt/ Equity	14.2%	29.2%	31.2%	+2.0%
ROE <sup>3</sup>	0.4%	∆0.3%	<b>∆0.5</b> %	△0.2%
ROA⁴	0.2%	∆0.2%	△0.2%	-

<sup>1.</sup> Cash and Equivalents = Cash and cash equivalents + Short-term financial instruments + Financial assets at fair value through other comprehensive income; 2. Total debt decreased due to decrease in trade payables, corporate tax liabilities and other financial liabilities, but borrowings and loans are increased; 3. ROE = Net income (accumulated net income of current quarter) / average of beginning & ending shareholder's equity, Net income and shareholder's equity are based on controlling interest base; 4. ROA = Net income (accumulated net income of current quarter) / average of beginning & ending of assets

## 1Q 2024 Business Results – Results & Outlook by Business Division



#### Basic Chemical: LOTTE Chemical Basic Materials, LC Titan, LC USA, LOTTE GS Chemical



#### 1Q Earnings Review

 Operating income loss reduced QoQ due to monomer product spread improvement, ethane price stabilization, and decreased inventory valuation loss

#### 2Q Outlook

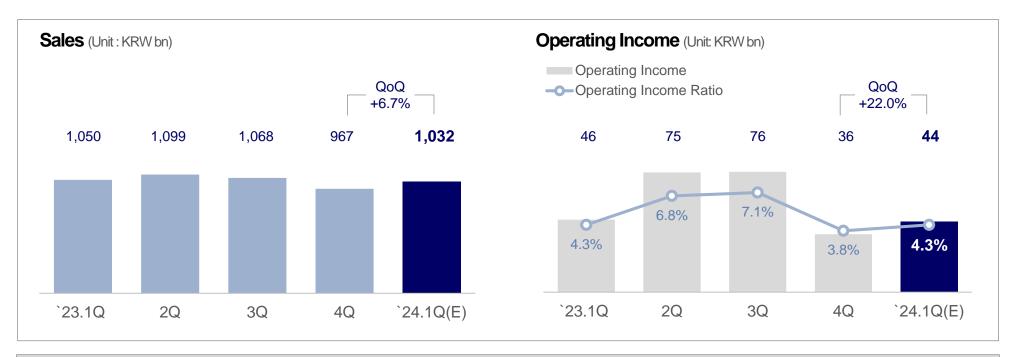
 Despite Middle Eastern geopolitical risks, recovery expected because of high seasonality, and lower supply burden due to maintenance season in the region

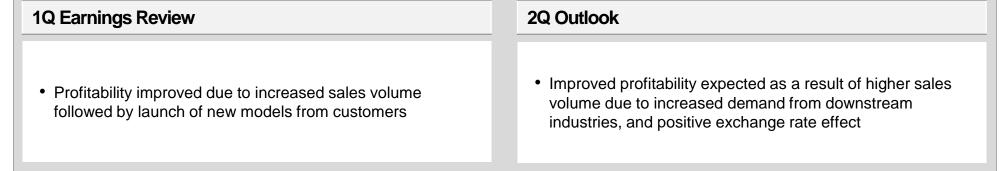
<sup>\*</sup> Simple additions of earnings performance by: Basic Chemical business division and its subsidiaries based on separate earnings of LOTTE Chemical, inter-company transactions included.

: Olefin – LOTTE Chemical(Parent) Olefin business division + LOTTE GS Chemical + LC Titan + LC USA, Aromatic – LOTTE Chemical(Parent) Aromatic business division + LCPL\* From 1Q 2024, the result of LC Titan and LC USA, major overseas subsidiaries belonging to the basic materials business division, will be integrated and provided under basic chemical. Refer to Appendix for related details.

## 1Q 2024 Business Results – Results & Outlook by Business Division

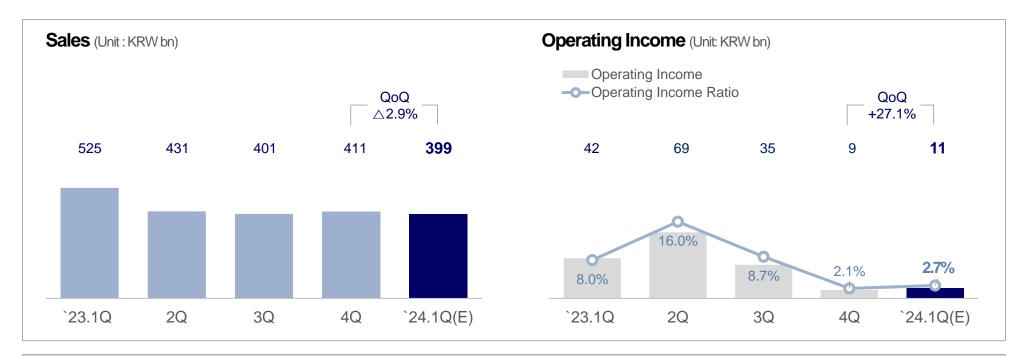






## 1Q 2024 Business Results - Results & Outlook by Business Division





#### 1Q Earnings Review

 Overall sales decreased despite more sales of green material industrial products from increased capacity, due to the weak international price of chlorine-based products

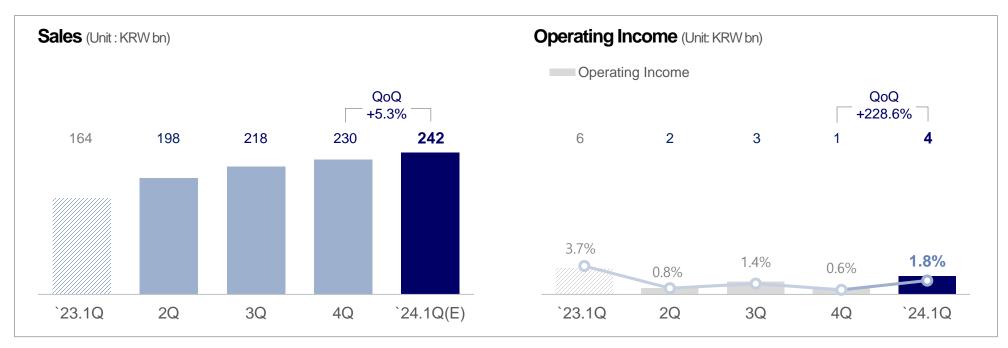
#### **2Q Outlook**

- Sales expected to decline due to maintenance of some plants and weak international prices
- Promote profit improvement by actively expanding sales of green material industrial products and food and pharmaceutical products

## 1Q 2024 Business Results – Results & Outlook by Business Division



#### **LOTTE Energy Materials**



#### 1Q Earnings Review

 Recorded largest quarterly sales volume along with profit improvement QoQ, due to diversification of customers despite decrease in expectations for growth in downstream industry

#### 2Q Outlook

 Expecting limited profit improvement as a result of weakening demand from downstream industry, despite increased sales from growing sales volume to North America

<sup>\*</sup> For a more details regarding LOTTE Energy Materials earnings results, please refer to LOTTE Energy Materials' IR material (LOTTE Energy Materials included in consolidated profit starting from `23.2Q (`23.Mar.14th Acquired 53.3% of LOTTE Energy Materials stakes, Deemed Acquisition Date `23.Mar.31st)

## **LOTTE Chemical Strategic Direction**

#### **External Environment**

- Heightened competition within petrochemical business environment
  - Capacity expansion of companies with cost-competitiveness, rising self-sufficiency in China, carbon costs, etc
- Increased capital cost, and geopolitical uncertainty

#### **LOTTE Chemical's Current Status**

- Need to strengthen strategies for vision execution
  - Clarify the direction/speed of portfolio changes
- Need investment resources for portfolio transformation

Need a principled capital allocation after clearly establishing a strategic direction

#### Business portfolio transformation based on sound financial structure

#### Task 1

#### **Business Portfolio Transformation**

- Reform commodity petrochemical business structure
- Discover/foster new growth business

(Fine Chemical/Battery Material/Hydrogen Energy, etc.)

#### Task 2

#### Improving Financial Quality (FCF Improvement)

- Operation Excellence
- Investment(CAPEX) Risk Management

### **Business Portfolio Transformation**

#### Establish Strategic Business Unit(SBU) and reorganize governance structure to implement systematic strategies <Establish Strategic Business Unit> Basic **Advanced** Fine Hydrogen **Battery** Chemical **Materials** Chemical **Material Energy** Manage Strategic Portfolio for each 5 Business Unit **Cash cow optimization** Adjust non-core portfolio with Fostering new fast-growing (Turnaround through low strategic importance future business operation/investment optimization) <Governance Optimization>

Performance management centered on SBU / Improve operational efficiency

## Strategies for each SBU

- **✓** Advance execution of portfolio transformation by clarifying strategies and goals for each SBU
- ✓ Operate with focus on enhancing corporate value and increasing efficiency of invested capital, rather than quantitative growth

#### **SBU** Strategies going forward Strengthen its position as a cash cow through "Lightening Asset" and **Basic Chemical** maximizing operational efficiency Cash Cow Growth as a central business of our portfolio by maintaining stable **Advanced Materials** revenue stream and gradual volume expansion Develop as a pivotal pillar within our portfolio, by utilizing its core **Fine Chemical** capabilities Establish global leading position centered on cathode and anode foil **Battery Materials** Value Creator • Enhance corporate value by exploring additional opportunities with market dynamics in mind Build business foundation through utilizing grey hydrogen, **Hydrogen Energy** then developing the business through acquiring overseas green ammonia



# 사랑과 신뢰를 받는 제품과 서비스를 제공하여 인류의 풍요로운 삶에 기여한다

We enrich people's lives by providing Superior products and services that Our customers love trust

