



3Q FY17 Business Results

# LOTTE FINE CHEMICAL

October 30<sup>th</sup> 2017

**Since this document has yet to be reviewed by external auditors, please note that the figures in the document may be revised following an independent review.**

**This document contains forward-looking statements or information that are based on estimates and assumptions.**

**Please be advised that such forward-looking statements involve known and unknown risks, uncertainties and assumptions, and are subject to change.**

**The financial information in this document has been prepared in accordance with K-IFRS.**

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# I . 3Q FY17 Business Results

## 1. Income Statement

Unit: Bil KRW

	3Q FY16	2Q FY17	3Q FY17	QoQ	YoY
<b>Sales</b>	284.9	323.0	<b>309.3</b>	▲4.2%	8.6%
<b>Gross Profit</b>	36.9	57.8	<b>56.8</b>	▲1.7%	53.9%
<b>Operating Profit</b>	10.0	33.6	<b>29.4</b>	▲12.5%	194.0%
<b>Pre-tax Income</b>	11.8	39.5	<b>40.9</b>	3.5%	246.6%
<b>Net Income</b>	8.7	30.5	<b>31.7</b>	3.9%	264.4%
<b>Oil Price(WTI, \$/bbl)</b>	44.94	48.29	<b>48.23</b>	▲0.1%	7.3%
<b>Exchange Rate (₩/\$)</b>	1,121.09	1,129.35	<b>1,132.26</b>	0.3%	1.0%

# I . 3Q FY17 Business Results

## 2. Financial Position

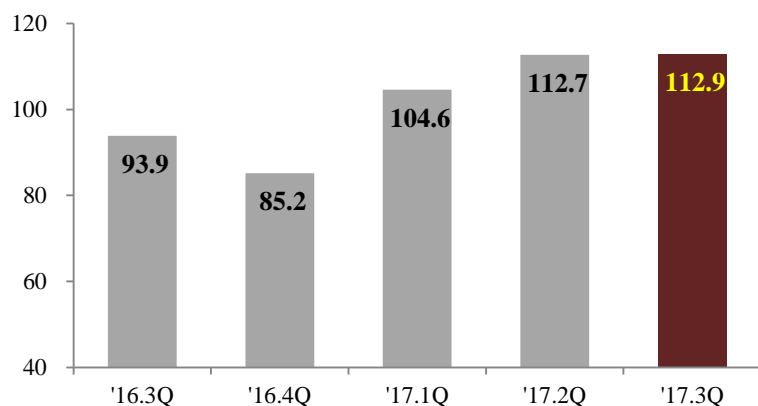
Unit: Bil KRW

	Sep. 2016	Jun. 2017	Sep. 2017
<b>Asset</b>	<b>1,543.0</b>	<b>1,706.6</b>	<b>1,610.5</b>
Cash and Equivalents	220.9	335.8	221.3
<b>Liabilities</b>	<b>438.5</b>	<b>552.6</b>	<b>424.8</b>
Borrowings	300.6	380.9	281.0
<b>Shareholder's Equity</b>	<b>1,104.5</b>	<b>1,154.0</b>	<b>1,185.7</b>
Capital	129.0	129.0	129.0
<b>Debt Ratio</b>	39.7%	47.9%	35.8%
<b>Capital Ratio</b>	71.6%	67.6%	73.6%

# II. Divisional Results : Chlorine

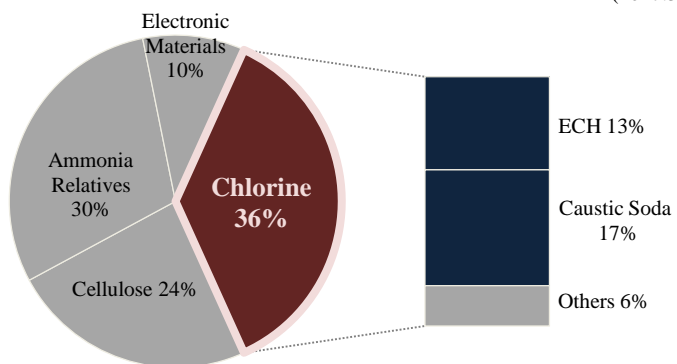
## Sales

(Bil KRW)



## Sales Portion

(2017.3Q)



## Review

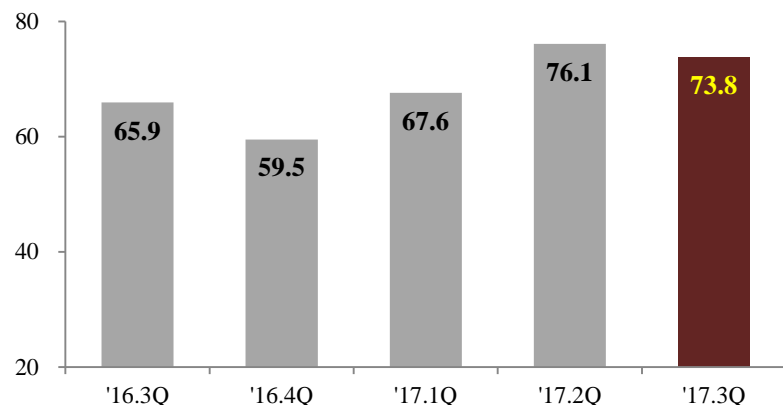
ECH market price was increased and demand for caustic soda remained strong. Cost increased due to electricity cost hike in summer season.

- ECH  
The price was recovered due to increased ECH price in the Asian market following environmental regulations and due to rigid supply by G-ECH providers. The sales volume declined partially, leading to sales decrease QoQ. And cost rose due to electricity surcharge in the summer season and price increase on propylene. The sales recorded upward following market price increase YoY.
- Caustic Soda  
Strengthened environment regulations led to a drop of caustic soda facilities' operation rate in China. Supply has been cut due to closure of European mercury facilities, resulting in price hike in the market and increased revenues in both QoQ and YoY.

## II. Divisional Results : Cellulose

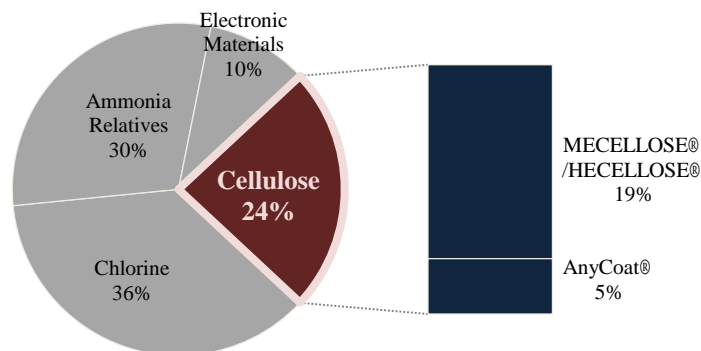
### Sales

(Bil KRW)



### Sales Portion

(2017.3Q)



### Review

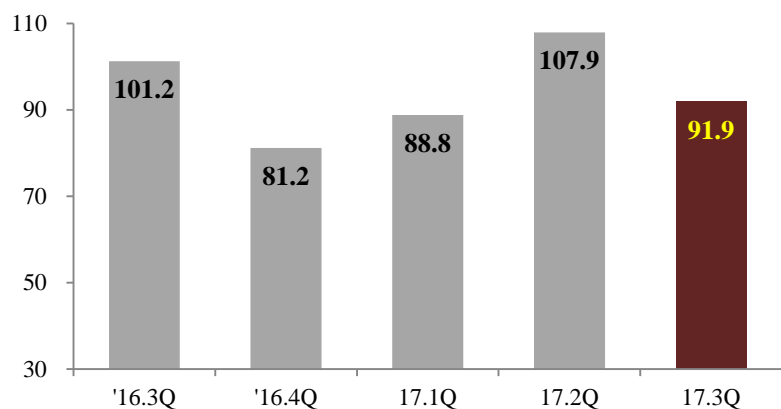
The Cellulose has been on the steadfast growth curve, enjoying the continued high demand in Q3 after Q2.

- **MECELLOSE® , HECCELLOSE®**  
The premium price was applied to some customers, pushing up the margin and operating income, which was effectively offset by slight sales volume fall QoQ, ending up in sales decline. And volume increased thanks to new customers YoY, contributing to our sales increase.
- **AnyCoat®**  
Affected by different time-points of sale by customer, sales volume QoQ was down, but market price rose so that revenues remained similar to the previous quarter.

# II. Divisional Results : Ammonia Relatives

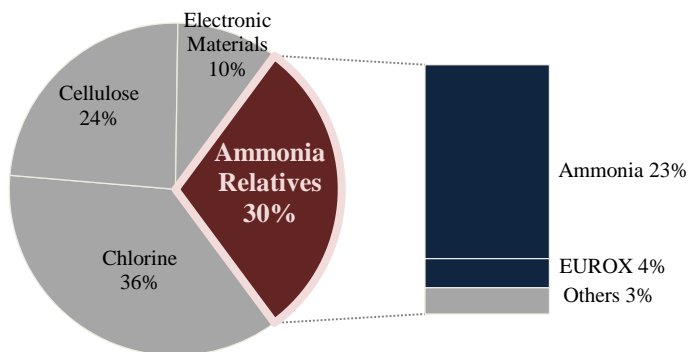
## Sales

(Bil KRW)



## Sales Portion

(2017.3Q)



## Review

Market price of Ammonia went down to a stable level, leading to lower market price and hence eroding our revenues. Increased volume pushed up profit.

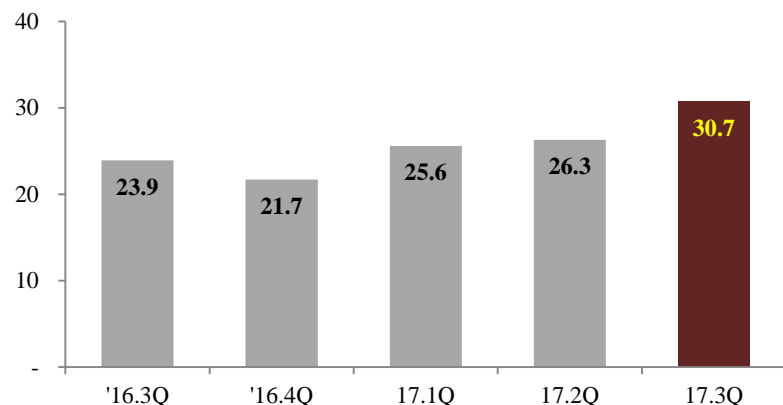
- Ammonia**  
 Supply and demand hit a stable balance after major suppliers' T/A in ME. Its international market price declined, dragging down the Ammonia purchase price and resulting in our sales reduction QoQ. With expanded sale in the downstream(AN etc.) as affected by a hurricane in the U.S, Ammonia's volume increased, leading our profits upward.
- EUROX®**  
 The sales volume cut down as affected by seasonality and rainfall, bringing down our revenues QoQ. EURO6 has been in practice and the trend of old vehicles being replaced by new vehicles was still evident. The sales volume rose YoY, pushing up revenues.



## II. Divisional Results : Electronic Materials

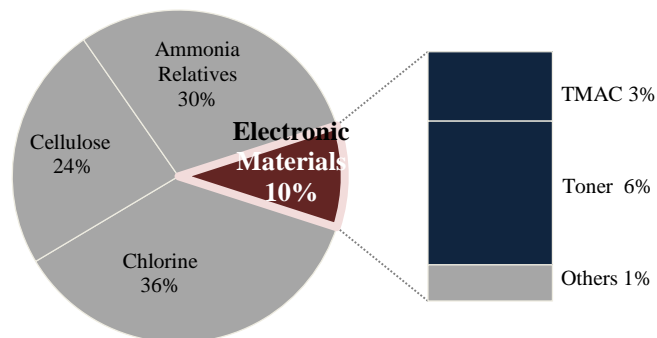
### Sales

(Bil KRW)



### Sales Portion

(2017.3Q)



### Review

Improvement of downstream economies brought the sales volume upward, contributing to revenue increased.

- **TMAC**  
The market price was down slightly with the price of methanol, the main raw material, hovering down to the upper side of \$200. Thanks to the continued bullish economy in the downstream businesses including semiconductors and displays, sales volume increased, leading our revenues upward.
- **Toner**  
With the revenue increase in the downstream, demand has been also growing. A customer made pre-purchase to secure stable production before system transition through its merging with HP, our revenues rose QoQ and YoY.

# Appendix. Quarterly Business Results

Unit: Bil KRW

	FY16					FY17				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
<b>Sales</b>	285.6	292.6	284.9	247.6	1,110.7	286.6	323.0	309.3	-	919.0
<b>Gross Profit</b>	36.0	50.1	36.9	39.7	162.8	46.2	57.8	56.8	-	160.8
<b>Operating Profit</b>	▲21.2	24.5	10.0	16.4	29.7	22.1	33.6	29.4	-	85.0
<b>Income Before Tax</b>	▲95.9	27.2	11.8	6.5	▲50.4	24.8	39.5	40.9	-	105.2
<b>Net Income</b>	▲76.9	22.0	8.7	2.6	▲43.5	19.5	30.5	31.7	-	81.7
<b>Oil Price (WTI, \$/bbl)</b>	33.45	45.59	44.94	49.33	43.33	51.93	48.29	48.23	-	49.48
<b>Exchange Rate (₩/\$)</b>	1,202.41	1,163.17	1,121.09	1,156.40	1,160.77	1,154.93	1,129.35	1,132.26	-	1,138.85

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