4Q 2018 Business Result

February 2019

LOTTE CHEMICAL

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 fourth quarter of 2018 currently under audit review 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.

Products & Capacity _ LOTTE Chemical (Olefin) / LAM / LMCC

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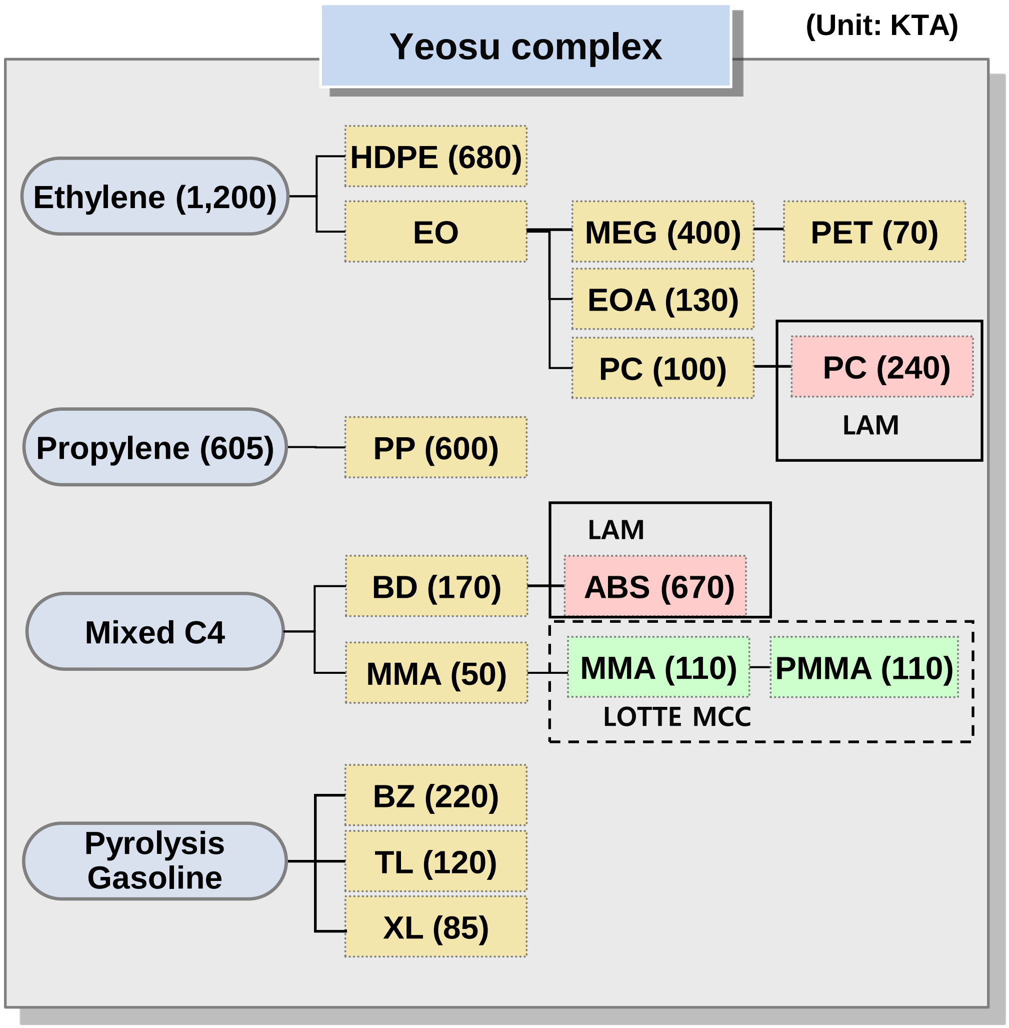
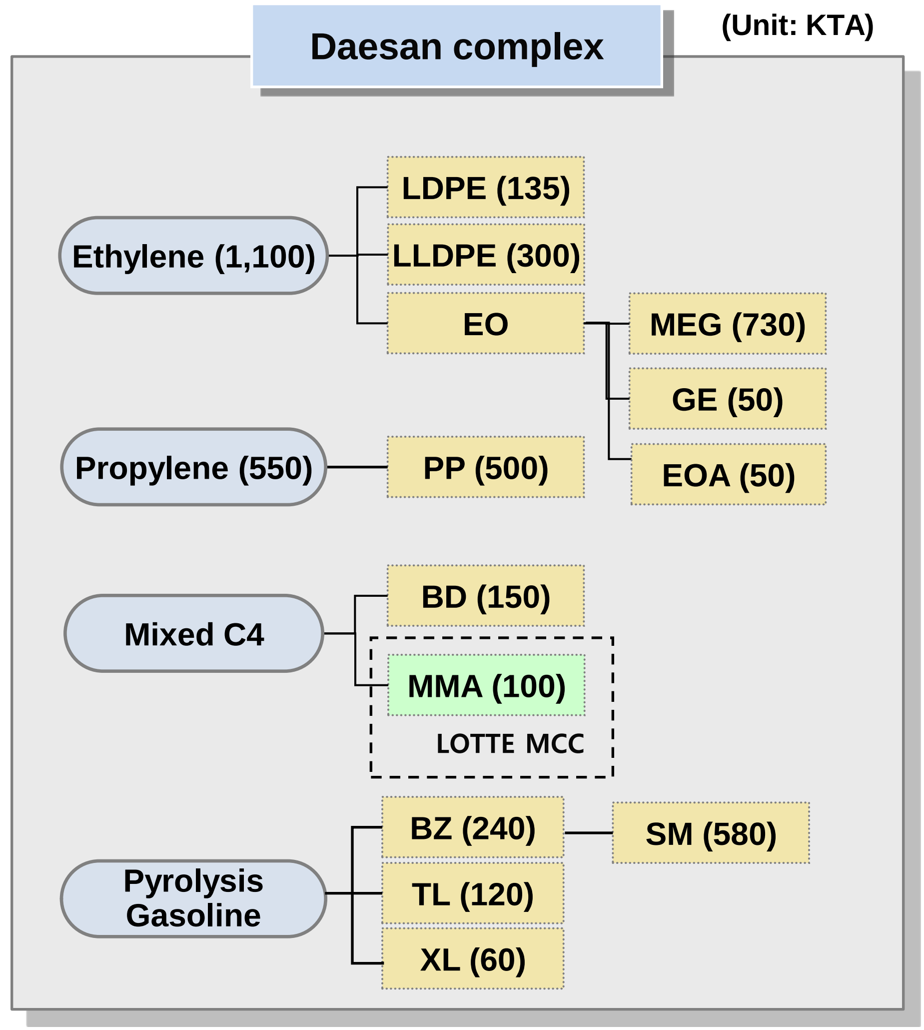
- LOTTE Chemical has Naphtha Cracking Center, which has 2,300 KTA of Ethylene capacity and various types of downstream products in Korea

(Unit: KTA)



(Unit: KTA)

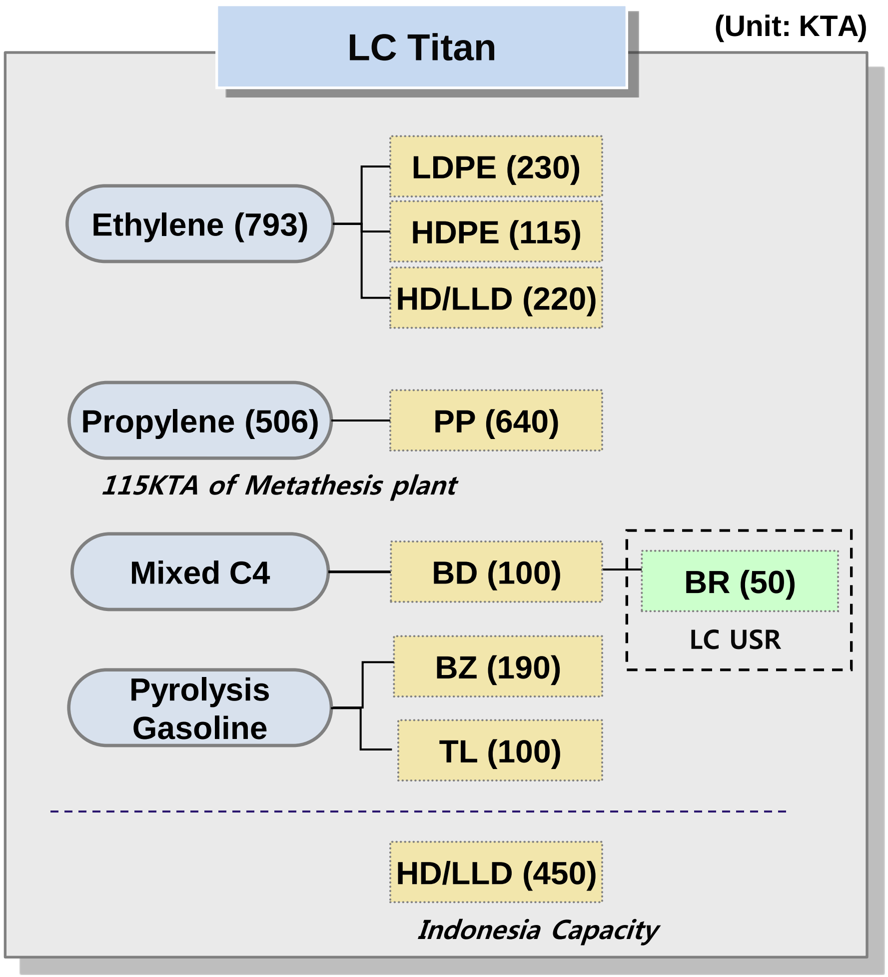


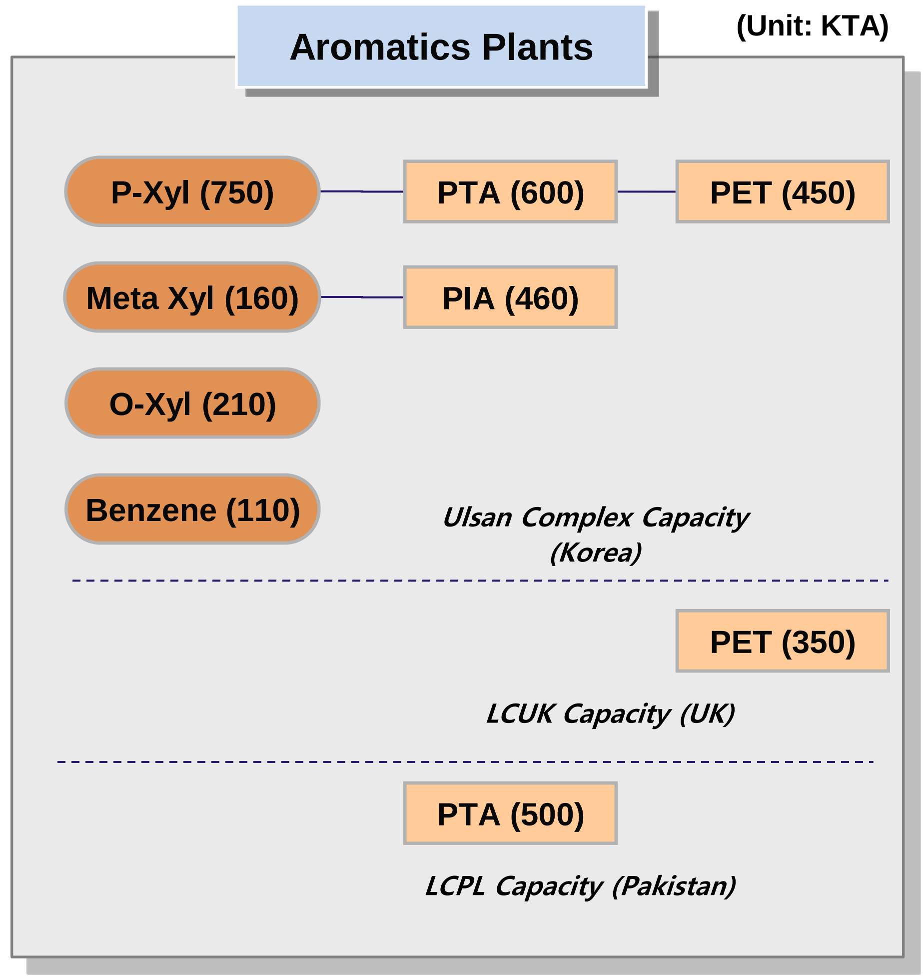
* As of 2018

Products & Capacity _ LC Titan / Aromatics Plants

More than Chemistry

- LC Titan has its Naphtha Cracker in Malaysia and PE capacity in Indonesia
- LOTTE Chemical also has Aromatics Plants in Korea (Ulsan), United Kingdom and Pakistan





* As of 2018

4Q 2018 Business Results : Income Statement

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(Unit: Bil ₩)

Type	2018.4Q (E)	2018.3Q	QoQ	2017.4Q	YoY
Revenue	3,844	4,248	▲9.5%	4,035	▲4.7%
Operating Profit (%)	102 (2.6%)	504 (11.9%)	▲79.8%	716 (17.8%)	▲85.8%
EBITDA (%)	267 (6.9%)	675 (15.9%)	▲60.5%	881 (21.8%)	▲69.7%
Pre-tax Income (%)	132 (3.4%)	597 (14.1%)	▲78.0%	702 (17.4%)	▲81.3%
Net Income (%)	102 (2.7%)	454 (10.7%)	▲77.6%	497 (12.3%)	▲79.5%

4Q 2018 Business Results : Financial Position

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Financial Position

(Unit: Bil ₩)

Classification	'2018.4Q (E)	'2017	Change
Asset	**20,842**	**19,551**	**6.6%**
Cash and Equivalents	4,764	4,939	▲.37%
Liabilities	**7,258**	**7,296**	**▲0.5%**
Borrowings	4,786	4,202	13.9%
Shareholder's Equity	**13,583**	**12,255**	**10.8%**

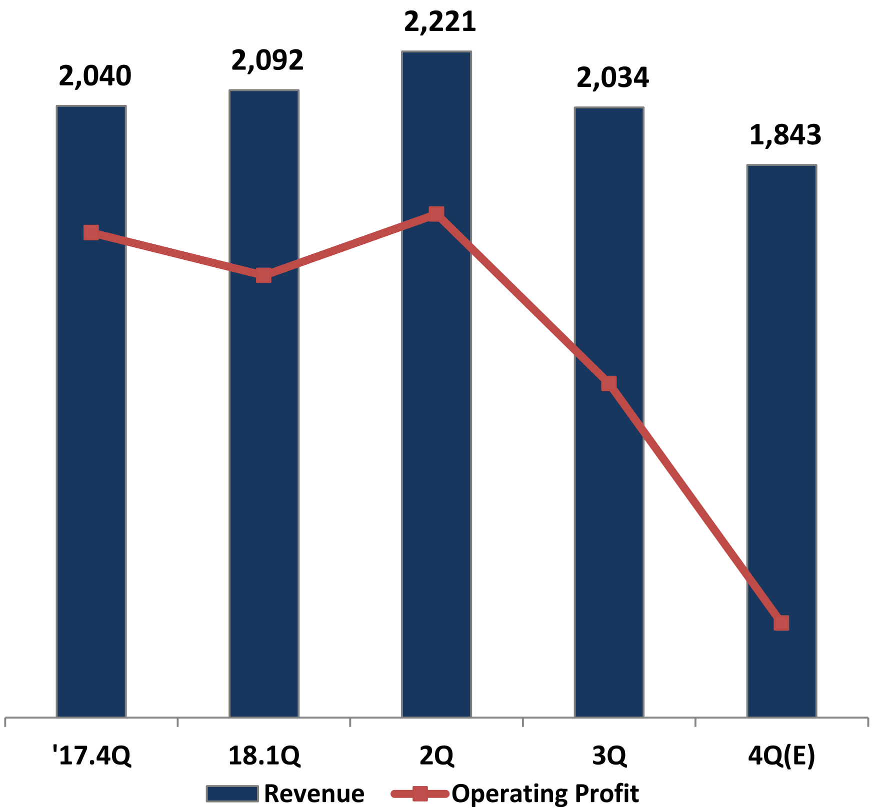
Financial Ratios

(Unit: Bil ₩)

Classification	'2018.4Q (E)	'2017	Change
Total Liabilities/ Equity (%)	**53.4**	**59.5**	**▲6.1%p**
ROE (%)	**13.0**	**21.1**	**▲8.1%p**
ROA (%)	**8.3**	**12.9**	**▲4.6%p**

Divisional Results & Outlook : LOTTE Chemical (Olefin)

Quarterly Earnings Trend (Unit: W bn)



	'17.4Q	18.1Q	2Q	3Q	4Q(E)
OP	453	413	470	312	88
OPM (%)	22.2	19.7	21.2	15.3	4.8

4Q Earnings Review

- Lower profitability due to negative lagging effect and one-time cost following Yeosu complex's regular maintenance.

PE/PP	Lower profitability due to falling demand and increased supply in the Asia region.
MEG	Lower profitability due to off-season and reduction agreement by polyester downstream in China.
BD	Low profitability due to low demand from downstream industry.
SM	Lower profitability due to influx import volume from the West as well as weakened demand.

'19. 1Q Outlook

- Expects gradual improvements in the market following Chinese Lunar New Year.
- Expects improved profitability across all products due to elimination of negative lagging effect.

Divisional Results & Outlook : Aromatics

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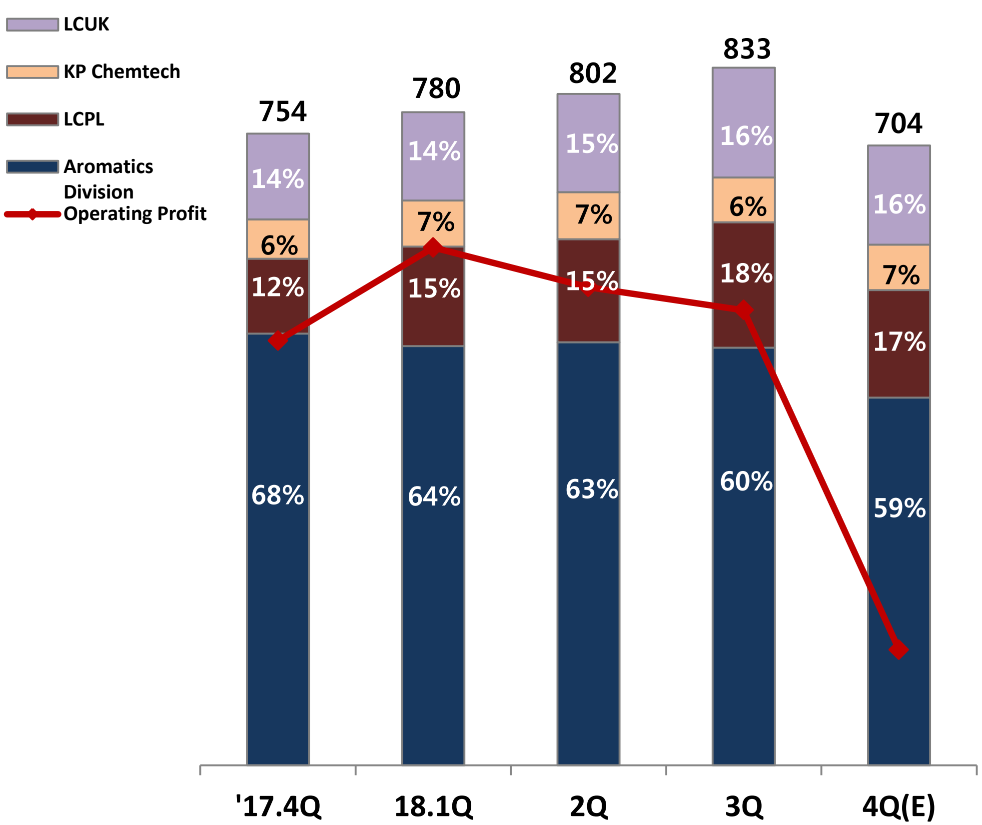
Quarterly Earnings Trend (Unit: W bn)



	'17.4Q	18.1Q	2Q	3Q	4Q(E)
OP	89	109	100	97	23
OPM (%)	11.8	14.0	12.5	11.6	3.2

* The above numbers have been calculated by simply adding up Aromatic division of LOTTE Chemical (parent company), KP Chemtech, LCPL, LCUK.

4Q Earnings Review

- Lower profitability due to one-time cost following scheduled maintenance of Ulsan Complex and off-season of polyester chain.

PX

- Improved profitability due to tight supply caused by production troubles from major competitors.

PIA

- Lower Profitability due to intensified market competition and customers' continued wait-and-see stance

LCUK / LCPL

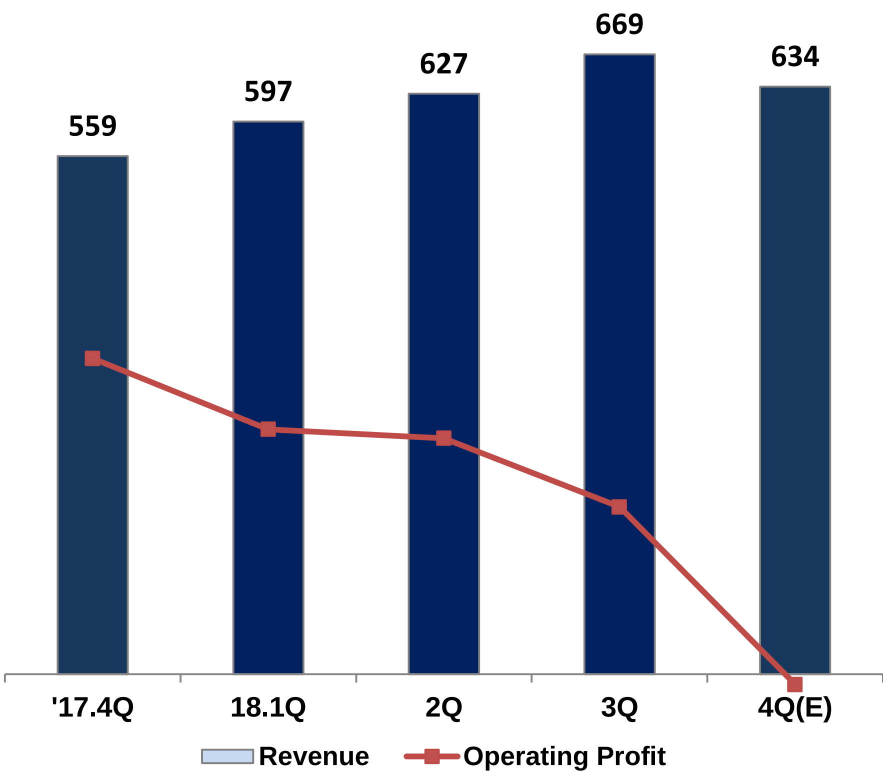
- Lower profitability due to weak demand following reduction agreement by Chinese polyester downstream.

'19.1Q Outlook

- Expects gradual improvements in the Polyester chain operating rate after Chinese Lunar New Year.

Divisional Results & Outlook : LC Titan

Quarterly Earnings Trend (Unit: W bn)



	'17.4Q	18.1Q	2Q	3Q	4Q(E)
OP	93	72	69	49	▲4
OPM (%)	16.6	12.1	11.0	7.3	▲0.7

4Q Earnings Review

- Lower profitability due to weakened demand in the market, negative lagging effect and scheduled shutdown in NC3.

PE/PP
- Lower profitability due to falling demand and increased supply in the SEA region.

BZ
- Lower profitability due to excess supply as refinery producers maintain high utilization rate.

BD
- Lower profitability due to low demand caused by squeezed margin in the downstream industry.

'19.1Q Outlook

- Profitability is expected to increase according to stable utilization rate.

Divisional Results & Outlook : LOTTE Advanced Materials

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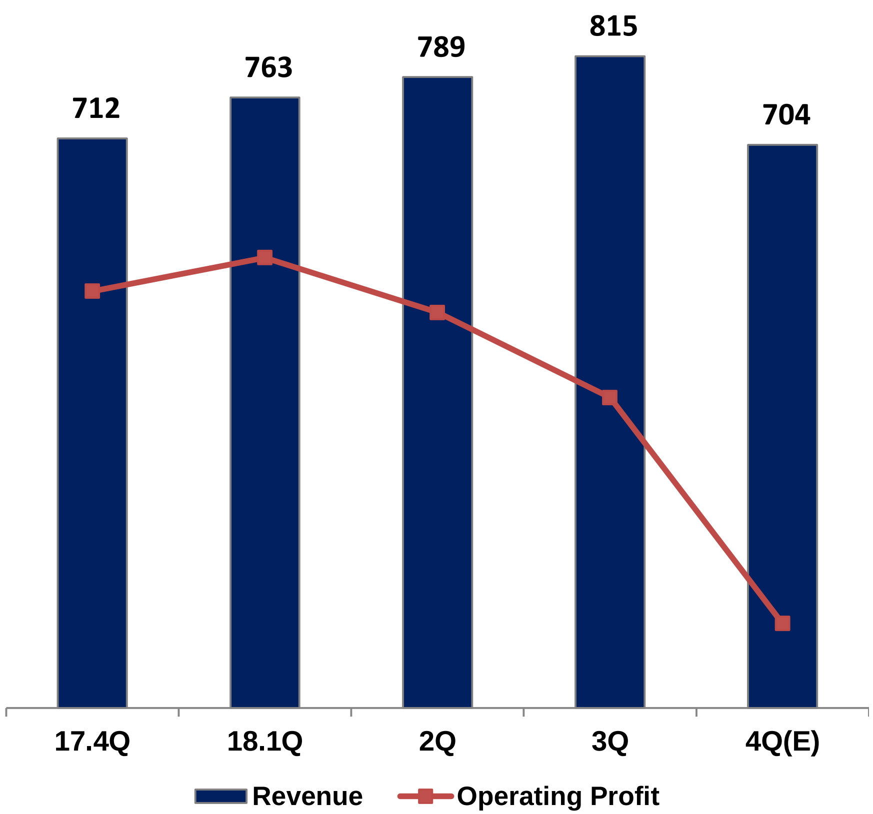
Quarterly Earnings Trend (Unit: W bn)



	17.4Q	18.1Q	2Q	3Q	4Q(E)
OP	83	90	78	59	9
OPM (%)	11.6	11.8	9.9	7.2	1.3

4Q Earnings Review

- Lower profitability due to weak demand in China according to seasonal factors and on-going trade dispute.

ABS
- Lower profitability due to weakened Chinese demand and slow season factors.

PC
- Lower profitability due to continuous capacity additions in China.

Construction Material
- Lower profitability due to slow season factors.

'19.1Q Outlook

- It looks the market have surpassed trough and demand increase after Chinese New Year.
- Expect demand stabilization due to Chinese government's economic stimulus plan.

Investment Plan

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On-Going Investment

Project	Investment Cost (Billion Won)	Capacity (KTA)	Location	Mechanical Completion
Yeosu NC Revamping	253	Ethylene 200 Propylene 100 BTX 40 BD 20	Yeosu, Korea	Completed
US ECC & MEG Project (JV)	1,277mil USD (Total 3,096mil USD)	Ethylene 1,000 (90%) EG 700 (100%)	USA	Completed
E-stone M&A (LAM)	125	E-stone 220K EA(72.5%)	Turkey	2019.1H
MeX Project PC Project	367	MeX 200 PC 110	Ulsan Yeosu	2019.2H
EOA Project	96	HPEO 100 EOA 100	Yeosu	2020.2H
*HPC Project (JV with Hyundai Oil bank)	296 (Total 2,700)	Ethylene 750 Propylene 390 PE 750 PP 400 BD 120	Daesan, Korea	2021.2H

*HPC : Heavy Feed Petrochemical Complex

APPENDIX.

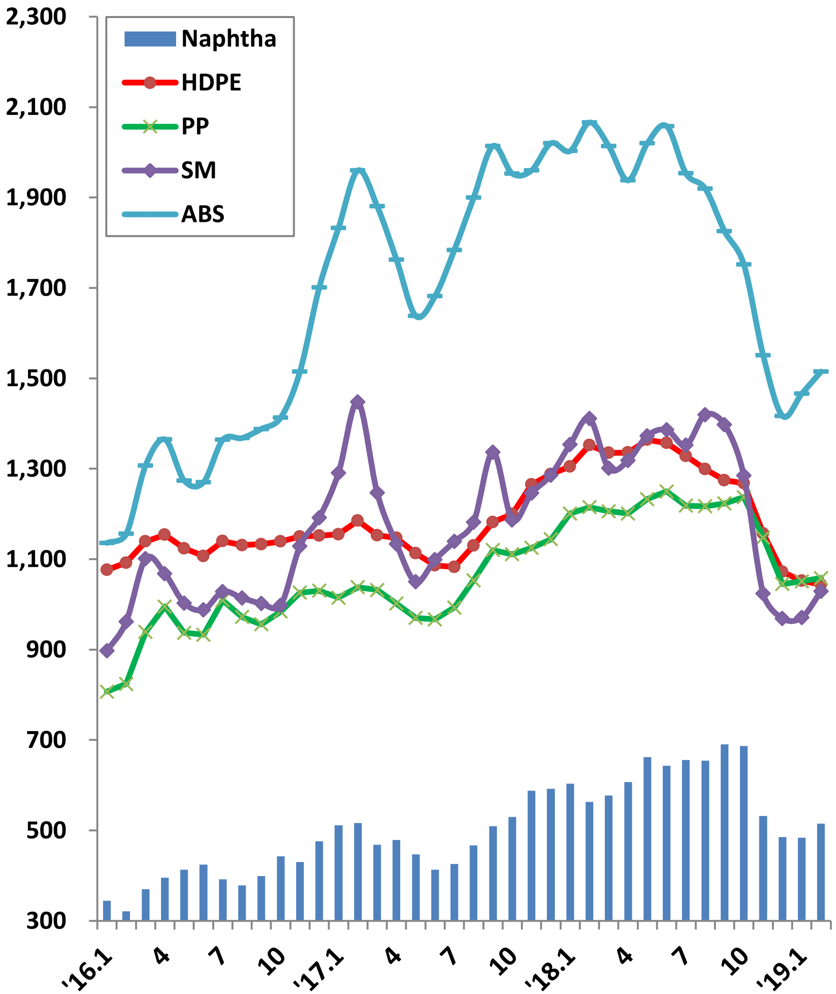
Appendix : Quarterly Performance

(Unit : W Billion)

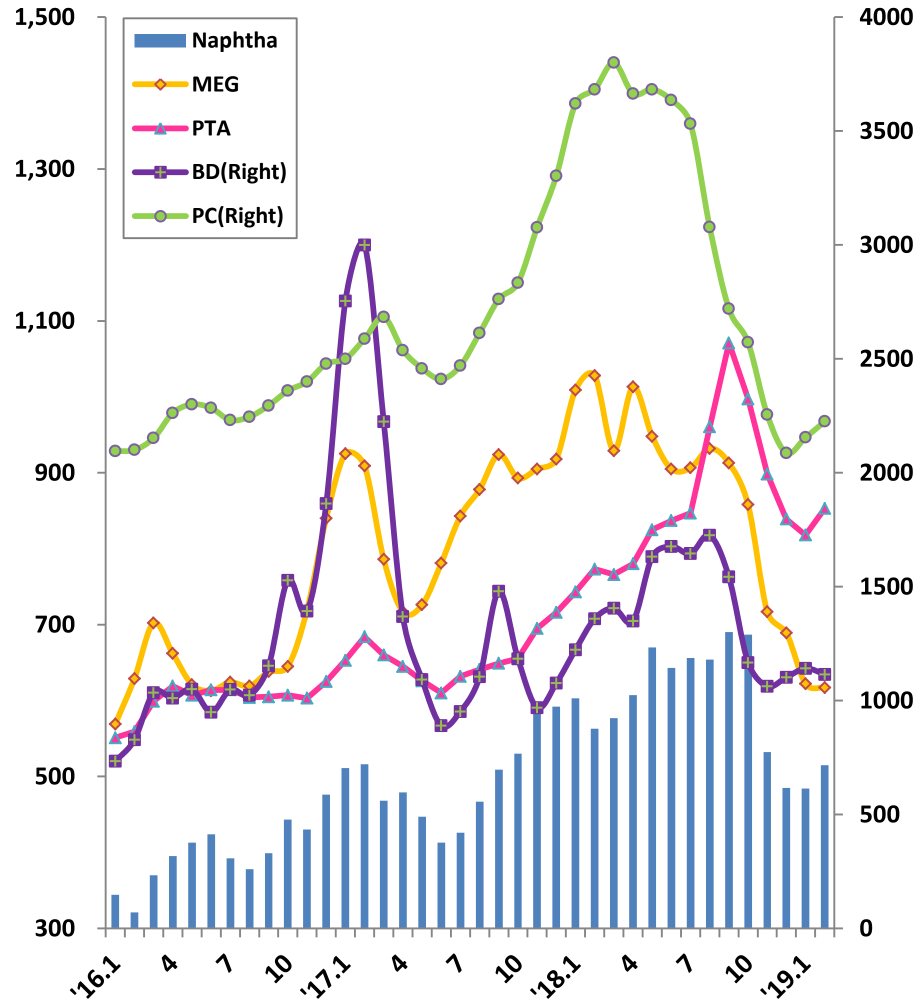
Classification	2017					2018				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q(E)	Total
Revenue	3,996	3,853	3,990	4,035	15,874	4,123	4,330	4,248	3,844	16,545
Operating Profit	815	632	766	716	2,930	662	701	504	102	1,969
Pre-tax Income	864	686	833	702	3,085	744	818	597	132	2,291
Net Income	641	516	631	497	2,285	543	579	454	102	1,678

Appendix : Market Situation

HDPE/PP/SM/ABS Price Trend (Unit: U$/MT)



MEG/PTA/BD/PC Price Trend (Unit: U$/MT)



*Up to February 22th

Appendix : Shareholders, Affiliates

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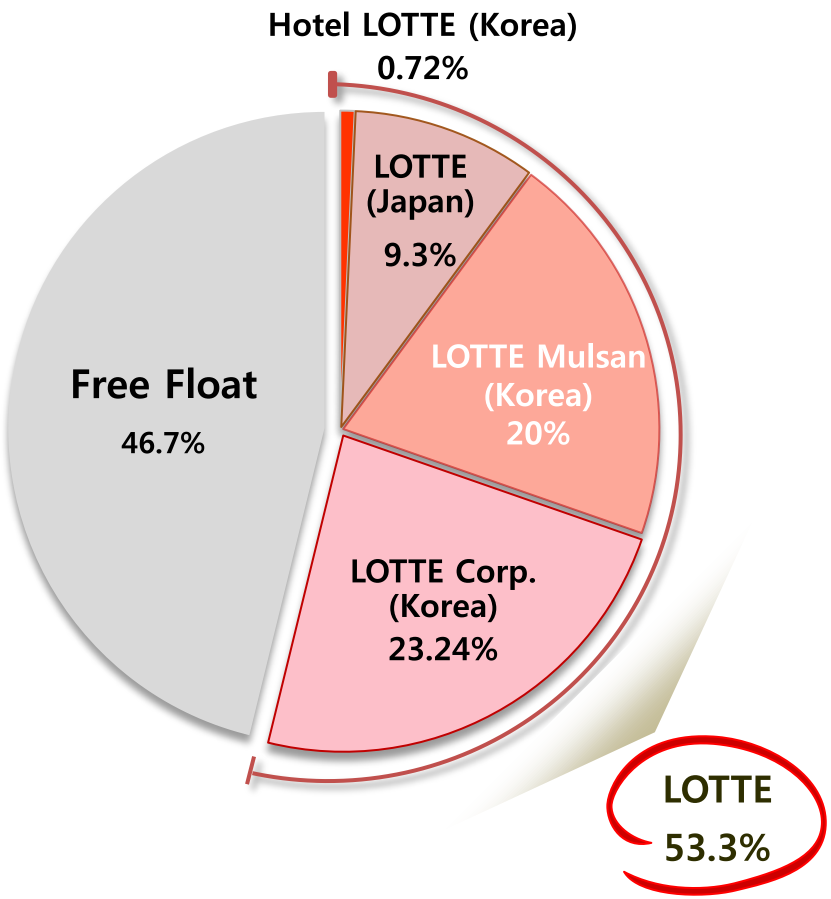
Shareholders



Major Affiliates

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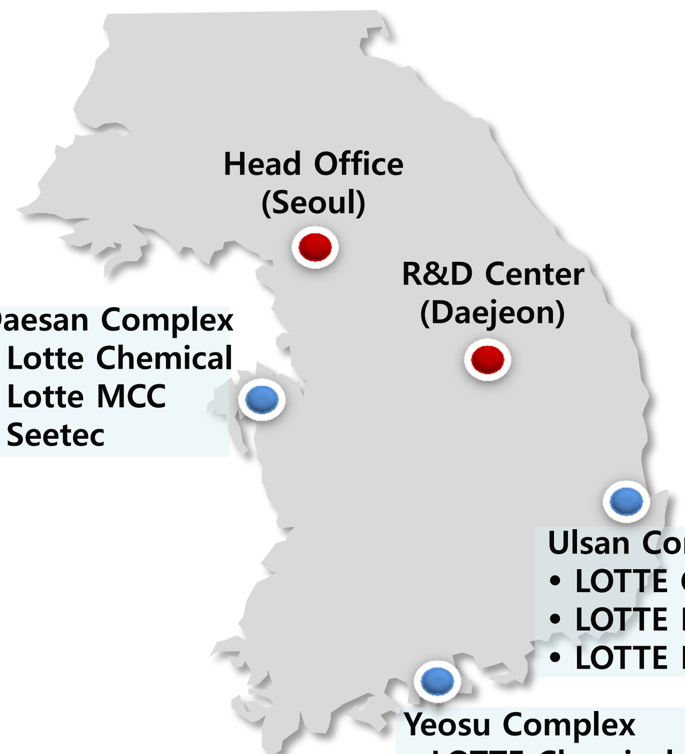
Parent

AFFILIATES	LOTTE CHEMICAL Titan [75%]
	LOTTE Advanced Material [90%]
	LOTTE Chemical UK [100%]
	LOTTE Chemical Pakistan [75%]
J V	LOTTE MCC [50%] with MCC
	Hyundai Chemical [40%] with Hyundai OilBank
	LOTTE Versalis [50%+1share] with Versalis
Related Company	LOTTE Fine Chemical [32%]
	UZ-Kor [24.5%]
	LOTTE E&C [43.8%]

Appendix : Locations

■ **LOTTE Chemical is becoming a globalized chemical company**

Domestic Production Site

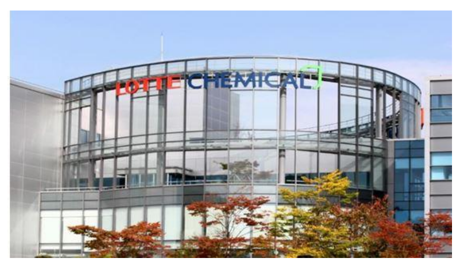


Head Office(Seoul)

Yeosu Complex

Daesan Complex

R&D Center



Ulsan Complex

Appendix : Locations

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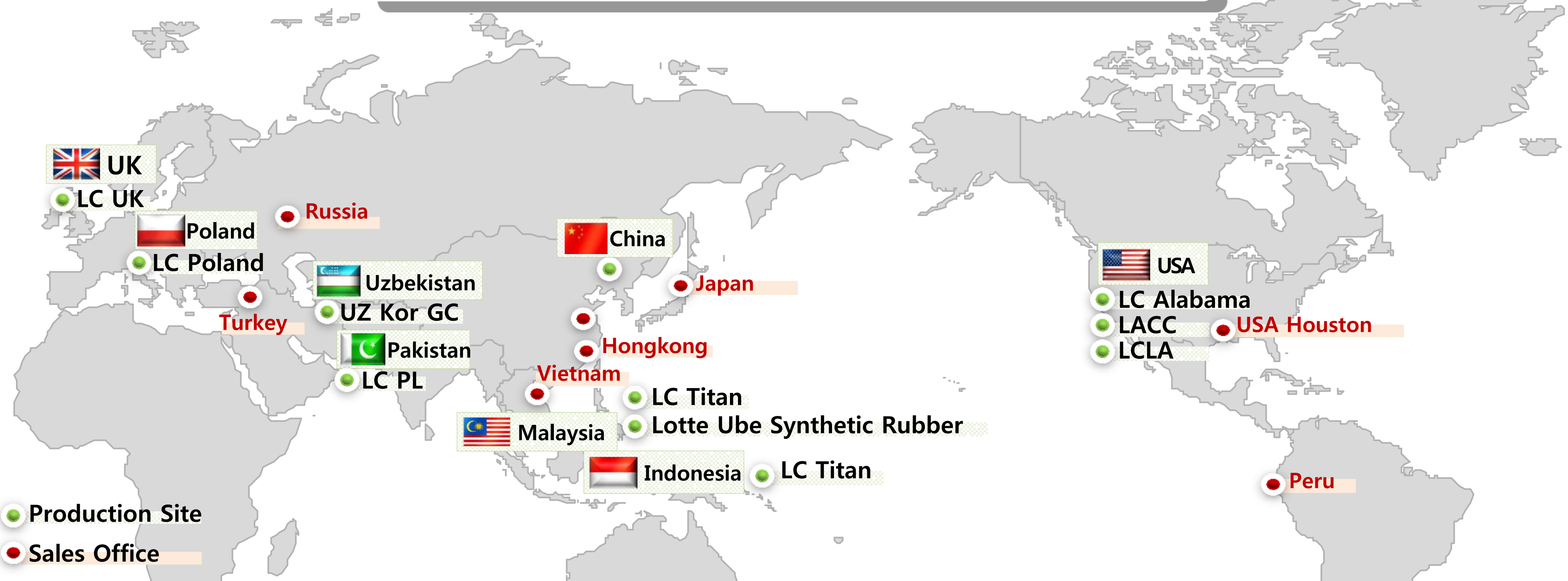
■ **LOTTE Chemical is becoming a globalized chemical company**

Production sites & Sales Offices



Production Site

Asia		
LC TITAN	UZ-Kor GC	LC Jiaxing
LC USR	LC Shenyang EP	LC Jiaxing EP
LC PL	LC Sanjian	

Europe
LC UK
LC Poland

America
LC Alabama
LACC (EL)
LCLA (MEG)

Sales Office

Branch	
China Office (Shanghai)	Turkey Office (Istanbul)
Hongkong Office	Russia Office (Moscow)
Vietnam Office (Hochimin)	USA Office (Houston)
Japan Office (Tokyo)	Peru Office (Lima)

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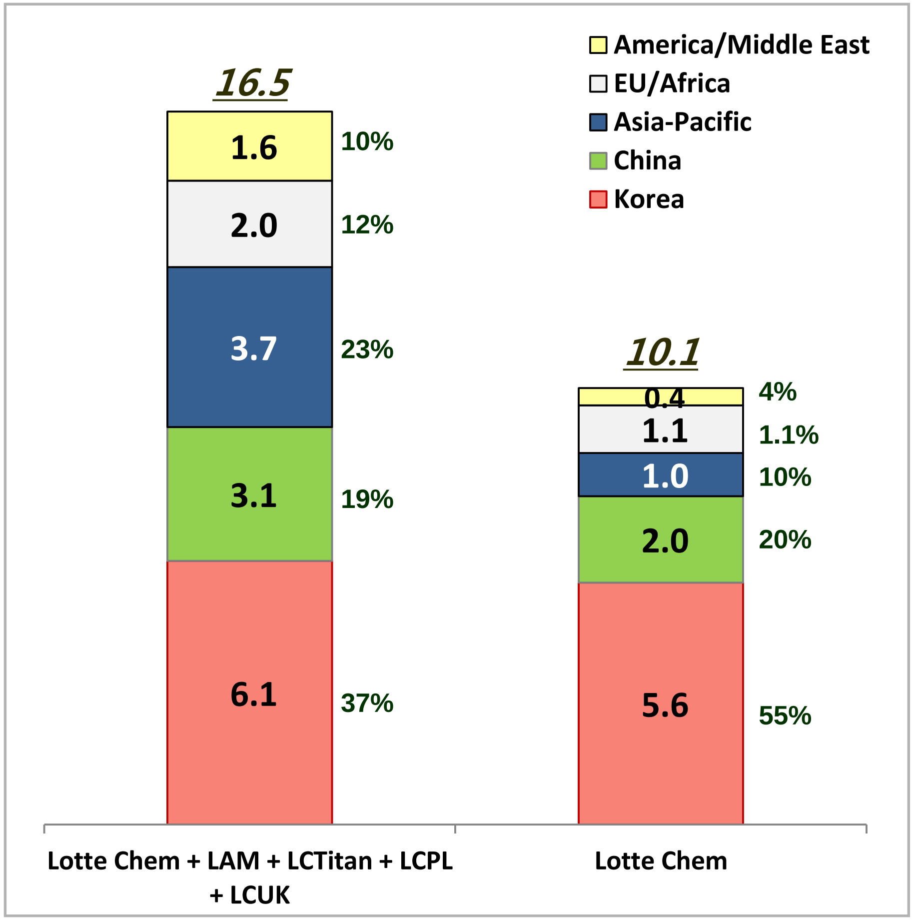
Appendix : Sales Breakdown & Region

■ Asia is the most important market to LOTTE Chemical

Sales by Regions (2018)

(Unit: Tril ₩)



Sales by Products (2018)

(Unit: Tril ₩)