

LOTTE CHEMICAL TITAN HOLDING BERHAD
199101012045 (222357-P)

**Unaudited condensed consolidated
interim financial statements**

For first quarter ended 31 March 2021

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

Contents	Page
Unaudited condensed consolidated statement of comprehensive income	1 - 2
Unaudited condensed consolidated statement of financial position	3 - 4
Unaudited condensed consolidated statement of changes in equity	5
Unaudited condensed consolidated statement of cash flows	6 - 7
Explanatory notes pursuant to MFRS 134	8 - 17
Other explanatory notes	18 - 28

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

The Board of Directors of Lotte Chemical Titan Holding Berhad ("LCT" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements of LCT and its subsidiaries ("the Group") for the quarter ended 31 March 2021, which should be read in conjunction with the accompanying explanatory notes on page 8 to 28.

Unaudited condensed consolidated statement of comprehensive income

	Note	Quarter ended 31.03.2021 RM'000	Quarter ended 31.03.2020 RM'000	Changes RM'000 %	
Revenue	A8	2,367,093	1,461,834	905,259	62%
Cost of goods sold		(1,823,733)	(1,660,328)	(163,405)	10%
Gross profit/(loss)		543,360	(198,494)	741,854	-374%
Other income		5,317	7,704	(2,387)	-31%
Distribution expenses		(33,656)	(18,327)	(15,329)	84%
Administrative expenses		(24,370)	(23,879)	(491)	2%
Foreign exchange differences		21,718	61,432	(39,714)	-65%
Fair value changes on derivatives		-	3,640	(3,640)	-100%
Other expenses		(3,665)	(22,614)	18,949	-84%
Profit/(Loss) from operations		508,704	(190,538)	699,242	-367%
Finance income		11,573	23,749	(12,176)	-51%
Finance costs	B6	(3,282)	(3,890)	608	-16%
Net finance income		8,291	19,859	(11,568)	-58%
Share of results of associates		50,113	(35,116)	85,229	-243%
Profit/(Loss) before tax	B5	567,108	(205,795)	772,903	-376%
Income tax	B7	(125,832)	36,299	(162,131)	-447%
Net profit/(loss) for the period		441,276	(169,496)	610,772	-360%

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Unaudited condensed consolidated statement of comprehensive income (cont'd)

	Individual Quarter ended 31.03.2021 RM'000	Individual Quarter ended 31.03.2020 RM'000
Other comprehensive income, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	317,423	535,668
	<u>317,423</u>	<u>535,668</u>
Total comprehensive income for the period	<u>758,699</u>	<u>366,172</u>
Net profit/(loss) for the period attributable to:		
Owner of the Company	440,003	(170,063)
Non-controlling interests	1,273	567
	<u>441,276</u>	<u>(169,496)</u>
Total comprehensive income for the period attributable to:		
Owner of the Company	741,703	342,921
Non-controlling interests	16,996	23,251
	<u>758,699</u>	<u>366,172</u>
Basic and diluted earnings/(loss) per ordinary share (sen)	B18 <u>19.36</u>	<u>(7.48)</u>

The unaudited condensed consolidated statement of other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Unaudited condensed consolidated statement of financial position

	Note	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Assets			
Non-current assets			
Property, plant and equipment		5,092,621	5,067,755
Right-of-use assets		550,939	499,378
Prepayment for acquisition of land		-	19,248
Investments in associates		2,209,116	2,092,828
		<u>7,852,676</u>	<u>7,679,209</u>
Current assets			
Inventories		1,420,984	1,294,003
Trade and other receivables		818,301	733,903
Current tax assets		9,599	8,271
Prepayments		34,716	34,831
Other investments	B13	3,140,547	2,889,690
Cash and bank balances	B14	1,558,111	1,268,313
		<u>6,982,258</u>	<u>6,229,011</u>
Total assets		<u>14,834,934</u>	<u>13,908,220</u>
Equity and liabilities			
Capital and reserves			
Share capital		5,816,813	5,816,813
Other reserves		1,346,270	1,044,570
Retained earnings		5,529,893	5,164,217
Treasury shares, at cost		<u>(226,252)</u>	<u>(226,252)</u>
Total equity attributable to owners of the Company		12,466,724	11,799,348
Non-controlling interests		505,634	468,793
		<u>12,972,358</u>	<u>12,268,141</u>

199101012045 (222357-P)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Unaudited condensed consolidated statement of financial position (cont'd)

	Note	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Non-current liabilities			
Provision		259,757	332,400
Deferred tax liabilities		553,728	431,139
Defined benefit obligation		20,057	19,307
Lease liabilities		35,612	37,774
		<u>869,154</u>	<u>820,620</u>
Current liabilities			
Trade and other payables		903,976	805,901
Current tax liabilities		3,559	1,303
Other financial liabilities		135	152
Lease liabilities		11,425	12,103
Dividend payable		74,327	-
		<u>993,422</u>	<u>819,459</u>
Total liabilities		<u>1,862,576</u>	<u>1,640,079</u>
Total equity and liabilities		<u>14,834,934</u>	<u>13,908,220</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>5.48</u>	<u>5.19</u>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

199101012045 (222357-P)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Unaudited condensed consolidated statement of changes in equity

Note	<----- Attributable to owners of the Company ----->				Distributable	Total equity attributable to owners of the Company	Non-controlling interest	Total
	Share capital	Treasury Shares	Equity transaction reserves	Foreign currency translation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	5,816,813	(226,252)	26,539	1,172,686	5,171,854	11,961,640	317,584	12,279,224
Net loss for the period	-	-	-	-	(170,063)	(170,063)	567	(169,496)
Other comprehensive income	-	-	-	512,984	-	512,984	22,684	535,668
Total comprehensive income for the period	-	-	-	512,984	(170,063)	342,921	23,251	366,172
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-	103,733	103,733
Dividends	-	-	-	-	(159,109)	(159,109)	-	(159,109)
At 31 March 2020	5,816,813	(226,252)	26,539	1,685,670	4,842,682	12,145,452	444,568	12,590,020
At 1 January 2021	5,816,813	(226,252)	26,539	1,018,031	5,164,217	11,799,348	468,793	12,268,141
Net profit for the period	-	-	-	-	440,003	440,003	1,273	441,276
Other comprehensive loss	-	-	-	301,700	-	301,700	15,723	317,423
Total comprehensive loss for the period	-	-	-	301,700	440,003	741,703	16,996	758,699
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-	19,845	19,845
Dividends	-	-	-	-	(74,327)	(74,327)	-	(74,327)
At 31 March 2021	5,816,813	(226,252)	26,539	1,319,731	5,529,893	12,466,724	505,634	12,972,358

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Unaudited condensed consolidated statement of cash flows

	Quarter ended 31.03.2021 RM'000	Quarter ended 31.03.2020 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	567,108	(205,795)
Adjustments for:-		
Depreciation of property, plant and equipment and right-of-use assets	138,644	134,679
Finance costs	3,282	3,890
Property, plant and equipment written off	221	229
Write-down of inventories to net realisable value	-	81,396
Expenses recognised in respect of defined benefit plan	1,662	878
Inventories written off	-	18
Share of results of associates	(50,113)	35,116
Gain on disposal of property, plant and equipment	-	(3,388)
Finance income	(11,573)	(23,749)
Fair value changes in derivatives	-	(3,640)
Unrealised gain on foreign exchange	(16,186)	(48,191)
Operating profit/(loss) before working capital changes	633,045	(28,557)
Change in inventories	(85,725)	205,761
Change in trade and other receivables	(61,764)	338,644
Change in trade and other payables	79,648	(244,956)
Cash generated from operations	565,204	270,892
Payments under defined benefit plan	(870)	-
Finance costs paid	(1,767)	(1,877)
Income tax (paid)/refund	(4,518)	773
Net cash generated from operating activities	558,049	269,788

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Unaudited condensed consolidated statement of cash flows (cont'd)

	Quarter ended 31.03.2021 RM'000	Quarter ended 31.03.2020 RM'000
Cash flows from investing activities		
Finance income received	11,573	23,749
Proceeds from disposal of property, plant and equipment	-	3,388
Acquisition of property, plant and equipment	(93,407)	(390,864)
Payment for right-of-use asset	(22,798)	-
Prepayment for acquisition of land	-	(8)
Fund placement in other investment	(250,857)	(55,896)
Net cash used in investing activities	<u>(355,489)</u>	<u>(419,631)</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	19,845	103,733
Payment of lease liabilities	(3,177)	(3,749)
Net cash generated from financing activities	<u>16,668</u>	<u>99,984</u>
Net increase/(decrease) in cash and cash equivalents	219,228	(49,859)
Effect of exchange rate changes on the balance of cash held in foreign currencies	70,570	111,443
Cash and cash equivalents at beginning of period	<u>1,268,313</u>	<u>999,769</u>
Cash and cash equivalents at end of period (Note B14)	<u><u>1,558,111</u></u>	<u><u>1,061,353</u></u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Part A - Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134 Interim Financial Reporting and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the year ended 31 December 2020 and the accompanying notes attached to the unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 28 April 2021.

A2. Significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, except for the adoption of the following amendments to MFRSs during the financial period:

Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions
Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendments had no significant impact to the financial statements of the Group.

A3. Seasonality or cyclicity of operations

The petrochemical industry and the operating margins in this industry have historically been cyclical. Changes in supply and demand, both domestically and internationally (including in Southeast Asia, China and other markets the Group sells to), and resulting utilisation rates are key factors that influence the cycle and profitability of the petrochemical industry.

Supply is affected by significant capacity additions in the market, and if such additions are not matched by corresponding growth in demand, average industry utilisation rates and margins will face downward pressures. Conversely, if capacity additions are not able to keep up with increased demand, average industry utilisation rates and margins face upward pressure. As a result, the petrochemical industry is cyclical and characterised by periods of tight supply, leading to high utilisation rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced utilisation rates and margins. The demand and supply balance may favour one position or the other for an extended period of time and may not rebalance quickly.

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A3. Seasonality or cyclicity of operations (cont'd)

As the petrochemical industry is cyclical, new investments usually occur at the same time, following periods of sustained higher profitability. Cyclical changes in supply and demand are usually closely linked to economic growth patterns.

It is not possible to predict accurately the supply and demand balances, market conditions and other factors that may affect industry capacity utilisation rates and margins in the future.

A4. Exceptional items

There was no exceptional item during the period under review.

A5. Material changes in estimates

The Group regularly reviews the significant assumptions used in measuring its provision for dismantling cost to ensure that the assumptions are in line with economic measurements. In Q1 2021, based on an analysis performed by the management, the Group has revised the discount rate from 1.81% to 2.79%. This change has resulted in a decrease by approximately RM84,504,000 in the provision for dismantling cost.

A6. Debt and equity securities

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review.

A7. Dividend paid

No dividend was paid during the quarter under review.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A8. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Olefins and derivative products RM'000	Polyolefin products RM'000	Total RM'000
For the financial period ended 31 March 2021			
Geographical markets			
Malaysia	83,180	733,390	816,570
Indonesia	76,000	646,882	722,882
China (including Hong Kong)	49,344	156,676	206,020
Southeast Asia	92,825	227,521	320,346
Northeast Asia	70,351	48,234	118,585
Indian Sub-Continent	54,287	94,038	148,325
Others	-	34,365	34,365
	<u>425,987</u>	<u>1,941,106</u>	<u>2,367,093</u>
For the financial period ended 31 March 2020			
Geographical markets			
Malaysia	77,543	503,138	580,681
Indonesia	-	425,663	425,663
China (including Hong Kong)	43,426	72,564	115,990
Southeast Asia	64,563	145,073	209,636
Northeast Asia	45,753	30,287	76,040
Indian Sub-Continent	15,508	31,936	47,444
Others	-	6,380	6,380
	<u>246,793</u>	<u>1,215,041</u>	<u>1,461,834</u>

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A9. Operating segments

For management purposes, the Group is organised into business units based on its products and has 2 reportable segments, as follows:

- (i) Olefins and derivative products - Manufacture and sale of olefins and derivative products
- (ii) Polyolefin products - Manufacture and sale of polyolefin products

The following table provides an analysis of the Group's revenue and results by business segment:

	Olefins and derivative products RM'000	Polyolefin products RM'000	Eliminations and unallocated results RM'000	Total RM'000
For the financial period ended 31 March 2021				
Revenue				
External customers	425,987	1,941,106	-	2,367,093
Inter-segment	899,314	-	(899,314)	-
Total revenue	1,325,301	1,941,106	(899,314)	2,367,093
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	93,983	44,356	305	138,644
Property, plant and equipment written off	181	40	-	221
Segment results	43,348	418,118	105,642	567,108

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A9. Operating segments (cont'd)

	Olefins and derivative products RM'000	Polyolefin products RM'000	Eliminations and unallocated results RM'000	Total RM'000
For the financial period ended 31 March 2020				
Revenue				
External customers	246,793	1,215,041	-	1,461,834
Inter-segment	775,416	-	(775,416)	-
Total revenue	<u>1,022,209</u>	<u>1,215,041</u>	<u>(775,416)</u>	<u>1,461,834</u>
Expenses				
Depreciation of property, plant and equipment and right-of-use	85,315	48,894	470	134,679
Property, plant and equipment written off	-	229	-	229
Write-down of inventories to net realisable value	59,912	21,484	-	81,396
Segment results	<u>(130,844)</u>	<u>(127,860)</u>	<u>52,909</u>	<u>(205,795)</u>

Adjustments and eliminations

Finance income are allocated to individual segments other than finance income derived from the Company's proceeds from its initial public offering amounting to approximately RM7.0 million for the financial period ended 31 March 2021 which are managed on a group basis.

Foreign exchange gain/loss are allocated to individual segments other than foreign exchange gain arising from the conversion of the unutilised proceeds of the Company's initial public offering to USD amounting to approximately RM44.2 million for the financial period ended 31 March 2021 which are managed on a group basis.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A9. Operating segments (cont'd)

Reconciliation of profit

	Quarter ended 31.03.2021 RM'000	Quarter ended 31.03.2020 RM'000
Segment profit/(loss) of:		
- Olefins and derivative products	43,348	(130,844)
- Polyolefin products	418,118	(127,860)
Total segment profit	<u>461,466</u>	<u>(258,704)</u>
Inter-segment sales (elimination)	-	(673)
Share of results of associates	50,113	(35,116)
Finance income derived from IPO proceeds	7,030	15,860
Foreign exchange gain/(loss) arise as a result of converting a portion of IPO proceed to USD	44,183	87,447
Other unallocated cost	4,316	(14,609)
Eliminations and unallocated results	105,642	52,909
Profit/(Loss) before tax	<u><u>567,108</u></u>	<u><u>(205,795)</u></u>

A10. Valuation of property, plant and equipment

There were no revaluations of property, plant and equipment for the period under review. As at 31 March 2021, all property, plant and equipment were stated at cost less accumulated depreciation.

A11. Material subsequent event

There were no material events subsequent to the end of the current period.

A12. Contingencies

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2020.

199101012045 (222357-P)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A13. Changes in composition of the Group

Lotte Chemical USA Corporation (“LC USA”) has filed a Notice of Arbitration on the dispute with Eagle US 2 LLC (“Eagle US”) relating to the purchase price formula for transferring its equity interest in LACC LLC (“LACC”) to Eagle US. The arbitration hearing is scheduled to begin on 21 June 2021, subject to possible schedule changes including resulting from COVID-19 pandemic.

There were no other material changes in the composition of the Group during the period.

A14. Capital commitments

Capital expenditure as at the reporting date is as follows:

	As at	As at
	31.03.2021	31.12.2020
	RM'000	RM'000
Contracted but not provided for	<u>307,776</u>	<u>342,826</u>

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

A15. Fair value information

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

- (i) Trade and other receivables
- (ii) Trade and other payables

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Derivatives

Fair values of forward currency contracts are calculated by reference to forward rates quoted at the reporting date for contracts with similar maturity profiles.

Financial guarantees

The Company provides a financial guarantee to a bank for credit facilities granted to an associate. The fair value of the guarantee is not expected to be material due to the following reasons:

- The likelihood is remote that the guaranteed party will default within the guaranteed period; and
- The estimated loss exposure to the Company arising from the outstanding credit facility that is not recovered if the guaranteed party were to default is not expected to be significant as the guaranteed party has net assets in excess of the outstanding amount of credit facilities.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

Fair value hierarchy

The following table is the fair value measurement hierarchy of the Group's assets and liabilities.

	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
At 31 March 2021				

Financial assets

Fund placements with licensed
financial institutions

1,557,957	-	1,557,957	-
-----------	---	-----------	---

	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
At 31 December 2020				

Financial assets

Fund placements with licensed
financial institutions

1,416,558	-	1,416,558	-
-----------	---	-----------	---

A16. Related parties

For the purposes of these interim financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A16. Related parties (cont'd)

The significant related party transactions of the Group are as follows:

	Quarterly ended 31.03.2021 RM'000	Quarterly ended 31.03.2020 RM'000
Ultimate holding company		
Sales of goods	18,683	7,826
Reimbursement of payroll for secondment of expatriates	2,830	3,032
Purchase of materials	-	600
Commission expense	339	270
Royalty expense	9,765	138
Commission income	7	16
Capital expenditure incurred	7,281	4,162
IT support services fee paid/payable	157	152
Related companies		
Sales of goods	30,767	15,156
Capital expenditure incurred	50,191	59,469
IT support services fee paid/payable	858	873
Commission expense	329	459
Warehouse and logistics services incurred	5,786	4,935
Other administrative expenses	2	26
Associate company		
Sales of goods	40,728	35,571
Sales of utilities	3,341	2,541
Income from shared services	11	102
Financial guarantee income	1	-
Interest income	32	13
Lease rental income	719	700

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part B - Other explanatory notes

B1. Review of group performance

(a) Performance of the current quarter against the corresponding quarter

	Individual quarter ended 31 March					
	2021	2020	2021	2020	2021	2020
	Group		Olefins and derivative products		Polyolefin products	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,367,093	1,461,834	425,987	246,793	1,941,106	1,215,041
Profit/(Loss) before tax	567,108	(205,795)	43,348	(130,844)	418,118	(127,860)
EBITDA*	<u>647,348</u>	<u>(55,859)</u>	<u>137,307</u>	<u>(46,044)</u>	<u>461,885</u>	<u>(79,678)</u>

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation and is computed based on profit from operations plus depreciation of property, plant and equipment and right-of-use assets.

The Group's revenue increased by 62% (or RM 905.3 million) from RM 1,461.8 million to RM 2,367.1 million mainly due to the increase in average product selling price and sales volume. This is in tandem with the economic recovery with the commencement of global COVID-19 vaccination roll-out. In addition, plant outages in United States and South East Asia ("SEA") coupled with the turnaround activities in Middle East have affected the global supply chain. The shortages of containers have further spurred the demand sentiment as buyers experienced longer delivery period for shipment to SEA.

The average plant utilisation rate was higher at 88% in Q1 2021 as compared to 66% in corresponding period which was attributable to the plant major statutory turnaround activities that commenced in March 2020.

The Group's profit before tax has improved by 376% from a loss before tax of RM 205.8 million to profit before tax of RM 567.1 million. This is mainly due to the improved margin spread resulting from higher average product selling price and lower feedstock costs. The gross profit margin has improved from (14%) to 23%. This was further improved by the performance of an associated company, Lotte Chemical USA Corp. which resulted in a profit from share of results of associates of RM50.1 million compared to a loss of RM35.1 million in the corresponding quarter.

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Part B - Other explanatory notes (cont'd)

B1. Review of group performance (cont'd)

(a) Performance of the current quarter against the corresponding quarter (cont'd)

The improvement in Group's profit before tax was mainly offset by lower foreign exchange gain.

As a result of the above, the net profit increased by 360% from loss after tax of RM 169.5 million to profit after tax of RM 441.3 million.

Olefins and derivative products

The segment recorded an increase in revenue from RM 246.8 million in Q1 2020 to RM 426.0 million in Q1 2021. This was due to the increase in average product selling price and sales volume in Q1 2021 as compared to the corresponding quarter.

Profit increased by 133% from loss before tax of RM 130.8 million to profit before tax of RM 43.3 million mainly due to improved margin spread resulting from higher average product selling price from lower feedstock costs and higher sales volume.

Polyolefin products

The segment recorded an increase in revenue from RM 1,215.0 million in Q1 2020 to RM 1,941.1 million in Q1 2021. This was due to the increase in average product selling price and sales volume as compared to the corresponding quarter.

Profitability improved by more than four-folds from loss before tax of RM 127.9 million to profit before tax of RM 418.1 million mainly due to improved margin spread resulting from higher average product selling price, lower feedstock costs and higher sales volume.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part B - Other explanatory notes (cont'd)

B2. Variation of results against the preceding quarter

	Individual Quarter ended 31 March 2021 RM'000	Individual Quarter ended 31 December 2020 RM'000
Revenue	2,367,093	1,922,658
Profit before tax	567,108	202,188
EBITDA	<u>647,348</u>	<u>344,821</u>

The Group's revenue increased by RM 444.4 million or 23% from RM 1,922.7 million to RM 2,367.1 million mainly due to the increase in average product selling price and sales volume. Demand has further improved with the roll-out of COVID-19 vaccination programme in most part of SEA. In addition, global supply was aggravated by the plant outages in United States, South East Asia, and turnaround activities in Middle East as well as the shortages of container.

The plant utilisation rate was higher at 88% in Q1 2021 as compared to 85% in the preceding quarter.

The Group's profit before tax of RM 567.1 million was more than double the amount recorded in Q4 2020 of RM 202.2 million mainly due to improved margin spread. The gross profit margin improved further from 16% to 23% and the improvement in the performance of an associated company, LCUSA.

B3. Commentary on prospects

The results of our operations for the financial period ending 31 December 2021 are expected to be primarily influenced by the following factors:

- (a) The demand and supply balance of petrochemical products in the market;
- (b) Our ability to maximise production outputs and operational efficiency;
- (c) Petrochemical product demand moves in tandem with overall global GDP growth, driven by consumption and population growth; and
- (d) Feedstock prices which is correlated to crude oil prices.

The International Monetary Fund in its latest economic outlook report has noted that a year after the unprecedented health and economic impact caused by the COVID-19 pandemic, the global economy is moving into a recovery mode in 2021. The pandemic impact on global economic activity is less severe than earlier projection, following the higher-than-expected economic pickup observed in the second half of 2020 for most major economies after easing of lockdowns and as economies began to adapt to new ways of working.

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Part B - Other explanatory notes (cont'd)

B3. Commentary on prospects (cont'd)

The overall economic outlook for 2021 will be dependent on the on-going global vaccination drive as well as continuation of accommodative monetary and fiscal policy management. Notably in the report, the IMF has projected that the emerging and developing Asia region is expected to see robust post-pandemic recovery and thus, being the key driver for global growth in 2021.

The volatile global crude oil market amid the COVID-19 pandemic and unresolved geopolitical tensions in the Middle East has led to price fluctuation for our naphtha feedstock costs, which correlate with the global crude oil price movement. Crude oil prices increased between August 2020 and February 2021 on positive vaccine news and the rapid economic recovery in Asia region. However, resurgence of COVID-19 cases and difficulties in vaccine rollout at the beginning of the year dampened the oil demand outlook and led the OPEC+ to review the relaxation of production curbs. Crude oil prices are expected to remain relatively stable with gradual upside in line with the economic and demand recovery in 2021.

Amidst the external volatilities, the Company will continue to monitor closely on the pandemic development as the petrochemical industry correlates with and is heavily dependent on the regional and global economic growth and aggregate consumption pattern. In view of the above, we expect the petrochemical business to remain volatile for the remaining period of the year. Notwithstanding this, the Company will continue to maintain its strong financial resilience and optimize its operations to ride through the challenging business environment.

B4. Profit forecast or profit guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part B - Other explanatory notes (cont'd)

B5. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at after charging/(crediting):

	Individual quarter ended 31 March	
	2021	2020
	RM'000	RM'000
Depreciation of property, plant and equipment and right-of-use assets	138,644	134,679
Gain on foreign exchange:		
- Realised	(5,532)	(13,241)
- Unrealised	(16,186)	(48,191)
Inventories written off	-	18
Property, plant and equipment written off	221	229
Gain on disposal of property, plant and equipment	-	(3,388)
Write down of inventories to net realisable value	-	81,396
Fair value changes in derivatives	-	(3,640)
	<u>138,644</u>	<u>134,679</u>

B6. Finance costs

	Individual quarter ended 31 March	
	2021	2020
	RM'000	RM'000
Unwinding of lease liabilities	670	821
Bank charges	783	785
Letter of credit charges	314	258
Unwinding of discount on provision	1,515	2,013
Other finance costs	-	13
	<u>3,282</u>	<u>3,890</u>

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part B - Other explanatory notes (cont'd)

B7. Income tax

	Individual quarter	
	ended 31 March	
	2021	2020
	RM'000	RM'000
Current tax		
Current year	<u>11,025</u>	<u>2,896</u>
Deferred tax		
Origination and reversal of temporary differences	<u>114,807</u>	<u>(39,195)</u>
Total income tax recognised in profit or loss	<u>125,832</u>	<u>(36,299)</u>

By excluding the share of results of associates, the Group effective tax rate for the period ended 31 March 2021 is 24%.

B8. Sales of unquoted investments/properties

There were no material disposals of unquoted investments or properties by the Group for the period under review.

B9. Quoted securities

There were no material dealings in quoted securities during the period under review.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part B - Other explanatory notes (cont'd)

B10. Status of corporate proposals

Based on the IPO price of RM 6.50 per share, gross proceeds of RM 3,770 million was raised from the Public Issue on 11 July 2017 in the Main Market of Bursa Malaysia Securities Berhad. RM 226.3 million of the proceeds were utilised for purchase of treasury shares. The status of utilisation of the remaining IPO proceeds are as follow:

Details of use of proceeds	Intended timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation as at 31 March 2021 RM'000	Percentage utilised %
Funding of following projects:				
(i) LINE Project (formerly known as Integrated Petrochemical Facility) (Note 1)	By 2022	2,634,213	493,451	19%
(ii) TE3 Project	Fully utilised	220,000	220,000	100%
(iii) PP3 Project (Note 2)	Fully utilised	606,805	606,805	100%
Listing expenses (Note 3)	Fully utilised	82,730	82,730	100%
		3,543,748	1,402,986	40%

Note 1: The funding for LINE Project (formerly known as Integrated Petrochemical Facility) has been revised from RM 2,588,044,000 to RM 2,634,213,000 due to the excess fund from PP3 project and listing expenses.

Note 2: The PP3 project has been revised from RM 620,000,000 to RM 606,805,000. The excess fund of RM 13,195,000 from PP3 project would be invested in the LINE Project (formerly known as Integrated Petrochemical Facility).

Note 3: The listing expenses has been revised from RM 115,704,000 to RM 82,730,000. The excess fund of RM 32,974,000 from listing expenses would be invested in the LINE Project (formerly known as Integrated Petrochemical Facility).

The utilisation of the proceeds as disclosed above should be read in conjunction with the prospectus of the Company dated 16 June 2017 ("Prospectus"). In accordance to the Prospectus, the balance of the unutilised funds are kept as deposits, short-term money-market instruments or money-market unit trust funds in Malaysia. As at 31 March 2021, RM 16.7 million of the unutilised funds are temporarily reserved in Indonesia for subsequent payment to suppliers of LINE Project (formerly known as Integrated Petrochemical Facility).

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Part B - Other explanatory notes (cont'd)

B10. Status of corporate proposals (con'd)

The Company has placed the unutilised IPO proceeds with licensed bank and financial institution in Malaysia and has met the Shariah compliance ratio requirement.

The status and progress of each of the projects as at the reporting date are as follows:

- (i) LINE Project (formerly known as Integrated Petrochemical Facility)
In view of the aggravation of the global COVID-19 pandemic and volatilities in the global economy, there is uncertainty in the outlook for the petrochemical industry. The Company is monitoring the situation closely and will determine in due course the most suitable time for the commencement of LINE Project construction.
- (ii) TE3 Project
The project has started commercial operation since 16th December 2017.
- (iii) PP3 Project
The project has started commercial operation since 1st September 2018.

Please refer to Section 4.7.1 of the Prospectus for further details of the projects.

B11. Derivative financial instruments

The Group's derivative financial instruments are as disclosed in Note A15.

B12. Fair value changes of financial liabilities

Other than derivatives which are measured at fair value and are classified as liabilities only when they are at a loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after initial recognition.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021

Part B - Other explanatory notes (cont'd)

B13. Other investments

	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
<u>Fund placements with licensed financial institutions</u>		
Unutilised proceeds from initial public offering	964,379	959,814
Proceeds from internally generated funds	593,578	456,744
	<u>1,557,957</u>	<u>1,416,558</u>
<u>Short term deposits with licensed financial institutions with maturity more than 3 months</u>		
Unutilised proceeds from initial public offering	1,462,996	1,357,426
Proceeds from internally generated funds	119,594	115,706
	<u>1,582,590</u>	<u>1,473,132</u>
Total other investments	<u>3,140,547</u>	<u>2,889,690</u>

B14. Cash and bank balances

	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
<u>Unutilised proceeds from initial public offering</u>		
Cash at banks	5,320	5,189
Short term deposits with licensed financial institutions	11,408	105,152
	16,728	110,341
<u>Others</u>		
Cash at banks and on hand	1,373,325	1,097,393
Short term deposits with licensed financial institutions	168,058	60,579
Cash and cash equivalents	<u>1,558,111</u>	<u>1,268,313</u>

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

Part B - Other explanatory notes (cont'd)

B15. Off balance sheet financial instruments

There were no off balance sheet financial instruments for the period ended 31 March 2021.

B16. Material litigation

There were no material litigation taken or threatened against the Company and its subsidiaries as at reporting date.

B17. Dividends

No dividend has been paid by the Company for the quarter ended 31 March 2021.

A final single tier dividend of 3.27 sen per share, amounting to RM 74,326,560 for the financial year ended 31 December 2020 (7.0 sen per share for financial year ended 31 December 2019) had been declared on 4 March 2021.

The Board had resolved that the Dividend Reinvestment Scheme ("DRS") that was approved at the Extraordinary General Meeting held on 24 September 2020, which provides the shareholders of the Company with an option to elect to reinvest their dividends in new shares, would apply to the final single tier dividend.

The entitlement date and the payment date for the final single tier dividend and the DRS have been fixed on 3 May 2021 and 2 June 2021, respectively.

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2021**

B18. Earnings per share ("EPS")

Basic and diluted EPS are calculated by dividing net profit/(loss) for the period attributable to the owner of the Company by the weighted average number of ordinary shares outstanding during the period. The Company did not issue any instruments that will give effect to dilutive potential ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	Individual quarter ended 31 March	
	2021	2020
Net profit/(loss) attributable to the owner of the Company (RM'000)	<u>440,003</u>	<u>(170,063)</u>
Weighted average number of ordinary shares at the end of the period ('000)	<u>2,272,984</u>	<u>2,272,984</u>
Basic and diluted earning/(loss) per share (sen)	<u>19.36</u>	<u>(7.48)</u>

B19. Audit report of preceding annual financial statements

The auditors have expressed an unqualified opinion on the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2020.