COMPANY UPDATE

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EV/Mobility Team

Hyunryul Cho
Senior Analyst
hyunryul.cho@samsung.com

Wonyoung Kim
Research Associate
wonyoung10.kim@samsung.com

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Lotte Chemical (011170)

1Q review; Positive inventory effects to persist in 2Q

- Lotte Chemical reported a 1Q operating profit of KRW73.5b, beating the consensus (KRW20b loss) and our estimate (KRW61.4b profit), driven by inventory valuation gains from the sharp rise in raw material prices.
- Revising up our 2026 ROE estimate, we raise our target price. But beyond the boost from inventory effects, there is little else to support a meaningful upgrade in fundamentals—so we maintain our HOLD rating.

WHAT'S THE STORY?

View—limited positive signs beyond inventory effects: Reflecting favorable inventory effects from the sharp rise in naphtha prices, we revise up our 2026 ROE estimate for Lotte Chemical (from -6.7% to -3.9%) and our target price under the ROE-P/B valuation model (from KRW92,000 to KRW110,000). However, the favorable inventory effects are largely driven by raw material price surges stemming from the Middle East war, and only a limited number of products are likely to benefit from improved supply-demand balance after the war. As no clear positive signs beyond inventory effects have emerged, we maintain our HOLD rating.

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW110,000	27.5%
Current price	KRW86,300	
Market cap	KRW3.7t/USD2.5b	
Shares (float)	42,775,419 (44.0%)	
52-week high/low	KRW118,000/KRW56,400	
Avg daily trading value (60-day)	KRW29.0b/ USD19.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Chemical (%)	-2.6	-0.8	36.3
Vs Kospi (%pts)	-27.9	-47.3	-54.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	110,000	92,000	19.6%
2026E EPS	-11,147	-11,147	0.0%
2027E EPS	-6,538	-6,538	0.0%

SAMSUNG vs THE STREET

No of estimates	7
Target price	111,571
Recommendation	3.7

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	4,990.5	1.8	6.0	-0.0	-3.2
Operating profit	73.5	nm	nm	0.0	nm
Pre-tax profit	46.2	nm	nm	-0.0	nm
Net profit	33.5	nm	nm	0.1	nm
Margins (%)					
Operating profit	1.5				
Pre-tax profit	0.9				
Net profit	0.7				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuation (x)			
P/E	n/a	n/a	n/a
P/B	0.2	0.3	0.3
EV/EBITDA	54.3	13.5	15.3
Div yield (%)	1.4	1.2	1.2
EPS growth (% y-y)	nm	nm	nm
ROE (%)	-15.1	-3.9	-2.3
Per-share data (KRW)			
EPS	-47,624	-11,147	-6,538
BVPS	298,452	286,226	278,594
DPS	1,000	1,000	1,000

1Q review—results beat consensus: Lotte Chemical reported a 1Q operating profit of KRW73.5b (up KRW507b q-q), beating the consensus (KRW20b loss; FngGuide) and our estimate (KRW61.4b profit), driven by inventory valuation gains from March's naphtha price rise which compensated for narrowing spot spreads. The basic chemicals businesses (olefins, aromatics, LC Titan, and LC USA) contributed an operating profit of KRW45.5b (up KRW441.2b q-q), with most of the profit gain q-q stemming from favorable lag effects and improved inventory valuation gains. The advanced materials business delivered an operating profit of KRW61.5b (up 219% q-q), with profitability gains supported by the completion of year-end inventory adjustments and recovering demand from downstream industries. Lotte Energy Materials narrowed operating loss by KRW28.8b q-q to KRW5b, thanks to a favorable lag effect from rising raw material prices.

2Q preview—results to beat consensus again: We expect Lotte Chemical to post a 2Q operating profit of KRW206.6b (up 181% q-q), again beating consensus (KRW18.7b; FnGuide). We believe: 1) its basic chemicals businesses will grow their combined operating profit by 282% q-q to KRW174b, on ongoing favorable inventory effects from the naphtha price spike since March; and 2) its advanced materials business will see operating profit bounce 16% q-q higher to KRW71.6b, due to additional procurement by customers amid geopolitical risks.

Lotte Chemical: Quarterly results and forecasts

(KRWb)	1Q26	4Q25	1Q25	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	4,991	4,710	4,790	5,156.0	5,599	6.0	4.2	-3.2	-10.9
Operating profit	73	-433	-127	-20.0	61	Turned pos	Turned pos	Turned pos	19.7
Pre-tax profit	46	-1,716	-241	-163.0	-62	Turned pos	Turned pos	Turned pos	Turned pos
Net profit	33	-1,595	-246	-57.0	-57	Turned pos	Turned pos	Turned pos	Turned pos
Attributable to parent	50	-1,324	-191	-87.0	-58	Turned pos	Turned pos	Turned pos	Turned pos
Margins (%)									
Operating profit	1.5	-9.2	-2.6	-0.4	1.1				
Pre-tax profit	0.9	-36.4	-5.0	-3.2	-1.1				
Net profit	0.7	-33.9	-5.1	-1.1	-1.0				
Attributable to parent	1.0	-28.1	-4.0	-1.7	-1.0				

Source: Company data, FnGuide, Samsung Securities estimates

Lotte Chemical: Quarterly results and forecasts, by division

(KRWb)	1Q26	4Q25	1Q25	Chg (% q-q)	Chg (% y-y)
Sales	**4,991**	**4,710**	**4,790**	**6.0**	**4.2**
Olefin	1,977	1,967	2,200	0.5	-10.2
Aromatic	375	319	514	17.6	-27.0
LC Titan	933	887	487	5.2	91.5
Lotte Advanced Materials	1,023	933	1,108	9.7	-7.7
LC USA	164	170	155	-3.6	5.2
Lotte Fine Chemical	511	439	446	16.3	14.6
Lotte Energy Materials	160	171	158	-6.5	1.2
Operating profit	**73**	**-433**	**-127**	**Turned pos**	**Turned pos**
Olefin	36	-166	-77	Turned pos	Turned pos
Aromatic	25	11	15	138.7	74.5
LC Titan	-9	-206	-41	Remained neg	Remained neg
Lotte Advanced Materials	62	19	73	218.7	-15.6
LC USA	-7	-34	-5	Remained neg	Remained neg
Lotte Fine Chemical	33	19	19	69.4	74.1
Lotte Energy Materials	-5	-34	-46	Remained neg	Remained neg
Pre-tax profit	46	-1,716	-241	Turned pos	Turned pos
Net profit	**33**	**-1,595**	**-246**	**Turned pos**	**Turned pos**
Margins (%)					
Operating profit	1.5	-9.2	-2.6		
Olefin	1.8	-8.4	-3.5		
Aromatic	6.7	3.3	2.8		
LC Titan	-0.9	-23.3	-8.4		
Lotte Advanced Materials	6.0	2.1	6.6		
LC USA	-4.5	-20.2	-3.1		
Lotte Fine Chemical	6.4	4.4	4.2		
Lotte Energy Materials	-3.1	-19.8	-29.1		
Pre-tax profit	0.9	-36.4	-5.0		
Net profit	0.7	-33.9	-5.1		

Source: Company data, Samsung Securities estimates

Lotte Chemical: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,452	1,467	1,420	1,380	1,335	1,365	1,423	1,401	1,335
Sales	**4,790**	**4,197**	**4,786**	**4,710**	**4,991**	**4,792**	**5,703**	**3,996**	**19,895**	**18,483**	**19,481**	**16,162**
Chg (% q-q)	-10.1	-12.4	14.0	-1.6	6.0	-4.0	19.0	-29.9				
Chg (% y-y)	-5.8	-15.0	-5.8	-11.6	4.2	14.2	19.2	-15.1	2.4	-9.5	5.4	-17.0
Olefin	2,200	1,751	2,112	1,967	1,977	1,234	2,250	927	8,920	8,030	6,389	3,603
Aromatic	514	357	312	319	375	387	421	334	2,366	1,502	1,517	1,341
LC Titan	487	466	806	887	933	1,272	1,145	1,000	2,216	2,647	4,349	4,019
Lotte Advanced Materials	1,108	1,046	1,022	933	1,023	1,244	1,137	1,030	4,382	4,108	4,435	4,142
LC USA	155	114	154	170	164	75	178	132	590	593	549	531
Lotte Fine Chemical	446	425	443	439	511	492	469	451	1,671	1,753	1,923	1,917
Lotte Energy Materials	158	205	144	171	160	240	255	275	902	678	929	1,217
Operating profit	**-127**	**-250**	**-133**	**-433**	**73**	**207**	**-195**	**-135**	**-915**	**-943**	**-49**	**-174**
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	181.2	Toturnneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	Toturnpos	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Olefin	-77	-128	-76	-166	36	82	-137	-76	-407	-447	-96	-127
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	127.1	Toturnneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	Toturnpos	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Aromatic	15	3	12	11	25	25	12	23	-35	39	85	86
Chg (% q-q)	Turnedpos	-80.7	310.7	-7.8	138.7	0.4	-54.7	100.8				
Chg (% y-y)	Turnedpos	-42.9	Turnedpos	Turnedpos	74.5	807.4	0.0	117.9	Remainedneg	Turnedpos	116.5	0.6
LC Titan	-41	-52	-51	-206	-9	59	-94	-105	-262	-350	-148	-381
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Toturnpos	Toturnneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Toturnpos	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Lotte Advanced Materials	73	56	58	19	62	72	49	67	188	206	249	284
Chg (% q-q)	145.5	-23.2	2.7	-66.4	218.7	16.4	-31.3	35.5				
Chg (% y-y)	64.2	-26.0	50.9	-35.0	-15.6	27.8	-14.5	245.1	-19.2	9.5	21.0	14.0
LC USA	-5	-38	-7	-34	-7	8	7	-13	-107	-84	-6	5
Chg (% q-q)	Turnedneg	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Toturnpos	-17.1	Toturnneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Turnedneg	Remainedneg	Toturnpos	Toturnpos	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toturnpos
Lotte Fine Chemical	19	9	28	19	33	32	33	29	50	74	126	159
Chg (% q-q)	54.4	-53.6	216.5	-30.0	69.4	-3.6	5.0	-13.3				
Chg (% y-y)	74.3	-49.1	167.0	58.6	74.1	262.0	20.1	48.8	-67.5	47.6	69.5	26.5
Lotte Energy Materials	-46	-31	-34	-34	-5	-9	-3	2	-64	-145	-15	44
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toturnpos				
Chg (% y-y)	Turnedneg	Turnedneg	Remainedneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg	Toturnpos	Turnedneg	Remainedneg	Toremainneg	Toturnpos
Pre-tax profit	-241	-507	-246	-1,716	46	159	-255	-608	-2,266	-2,703	-719	-671
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	245.1	Toturnneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	Toturnpos	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Net profit	**-246**	**-471**	**-164**	**-1,595**	**33**	**115**	**-185**	**-440**	**-1,826**	**-2,476**	**-537**	**-486**
Chg (% q-q)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	245.1	Toturnneg	Toremainneg				
Chg (% y-y)	Remainedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	Toturnpos	Toremainneg	Toremainneg	Remainedneg	Remainedneg	Toremainneg	Toremainneg
Attributable to parent	-191	-405	-118	-1,324	50	44	-163	-408	-1,711	-2,037	-477	-280
Margins (%)												
Operating profit	-2.6	-6.0	-2.8	-9.2	1.5	4.3	-3.4	-3.4	-4.6	-5.1	-0.3	-1.1
Olefin	-3.5	-7.3	-3.6	-8.4	1.8	6.6	-6.1	-8.2	-4.6	-5.6	-1.5	-3.5
Aromatic	2.8	0.8	3.7	3.3	6.7	6.6	2.7	6.9	-1.5	2.6	5.6	6.4
LC Titan	-8.4	-11.2	-6.3	-23.3	-0.9	4.6	-8.2	-10.5	-11.8	-13.2	-3.4	-9.5
Lotte Advanced Materials	6.6	5.4	5.6	2.1	6.0	5.8	4.3	6.5	4.3	5.0	5.6	6.8
LC USA	-3.1	-33.7	-4.5	-20.2	-4.5	10.6	3.7	-9.8	-18.1	-14.2	-1.0	0.9
Lotte Fine Chemical	4.2	2.1	6.2	4.4	6.4	6.4	7.1	6.4	3.0	4.2	6.6	8.3
Lotte Energy Materials	-29.1	-15.2	-23.9	-19.8	-3.1	-3.9	-1.2	0.8	-7.1	-21.4	-1.6	3.6
Pre-tax profit	-5.0	-12.1	-5.1	-36.4	0.9	3.3	-4.5	-15.2	-11.2	-14.7	-3.7	-4.2
Net profit	-5.1	-11.2	-3.4	-33.9	0.7	2.4	-3.2	-11.0	-9.2	-13.4	-2.8	-3.0

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**19,895**	**18,483**	**19,481**	**16,162**	**16,703**
Cost of goods sold	19,590	18,221	18,263	15,283	15,645
Gross profit	**305**	**262**	**1,218**	**878**	**1,059**
Gross margin (%)	1.5	1.4	6.3	5.4	6.3
SG&A expenses	1,219	1,205	1,268	1,053	1,087
Operating profit	**-915**	**-943**	**-49**	**-174**	**-29**
Operating margin (%)	-4.6	-5.1	-0.3	-1.1	-0.2
Non-operating gains (losses)	**-1,352**	**-1,760**	**-669**	**-497**	**-391**
Financial profit	440	289	248	141	138
Financial costs	800	866	564	600	584
Equity-method gains (losses)	-121	-105	47	68	86
Other	-870	-1,077	-400	-107	-30
Pre-tax profit	**-2,266**	**-2,703**	**-719**	**-671**	**-420**
Taxes	-441	-227	-182	-185	-116
Effective tax rate (%)	19.4	8.4	25.3	27.6	27.6
Profit from continuing operations	-1,838	-2,483	-537	-486	-304
Profit from discontinued operations	13	7	0	0	0
Net profit	**-1,826**	**-2,476**	**-537**	**-486**	**-304**
Net margin (%)	-9.2	-13.4	-2.8	-3.0	-1.8
Net profit (controlling interests)	-1,711	-2,037	-477	-280	-135
Net profit (non-controlling interests)	-115	-439	-60	-206	-169
EBITDA	376	290	1,275	1,054	1,374
EBITDA margin (%)	1.9	1.6	6.5	6.5	8.2
EPS (parent-based) (KRW)	-39,988	-47,624	-11,147	-6,538	-3,147
EPS (consolidated) (KRW)	-42,678	-57,888	-12,555	-11,359	-7,101
Adjusted EPS (KRW)*	-39,988	-47,624	-11,147	-6,538	-3,147

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**8,983**	**7,994**	**8,748**	**9,129**	**8,962**
Cash & equivalents	2,112	1,870	2,294	3,772	3,426
Accounts receivable	2,088	1,782	1,878	1,558	1,610
Inventories	2,818	2,910	3,067	2,545	2,630
Other current assets	1,965	1,432	1,509	1,255	1,296
Fixed assets	**25,569**	**23,123**	**23,293**	**22,347**	**21,712**
Investment assets	4,656	4,302	4,527	3,779	3,901
Tangible assets	16,085	14,585	14,681	14,618	13,983
Intangible assets	3,314	2,645	2,495	2,359	2,238
Other long-term assets	1,515	1,590	1,590	1,590	1,590
Total assets	**34,552**	**31,117**	**32,041**	**31,475**	**30,674**
Current liabilities	**8,502**	**7,674**	**7,763**	**6,994**	**6,518**
Accounts payable	1,276	1,366	1,440	1,194	1,234
Short-term debt	2,788	3,061	3,061	3,061	3,061
Other current liabilities	4,439	3,247	3,263	2,740	2,223
Long-term liabilities	**6,062**	**5,815**	**7,225**	**7,956**	**7,977**
Bonds & long-term debt	5,131	4,957	6,307	7,167	7,167
Other long-term liabilities	931	858	918	789	810
Total liabilities	**14,564**	**13,489**	**14,989**	**14,951**	**14,495**
Owners of parent equity	**14,352**	**12,585**	**12,069**	**11,747**	**11,571**
Capital stock	214	214	214	214	214
Capital surplus	1,730	2,086	2,086	2,086	2,086
Retained earnings	11,062	9,044	8,525	8,203	8,026
Other	1,346	1,241	1,245	1,245	1,245
Non-controlling interests' equity	**5,636**	**5,044**	**4,983**	**4,777**	**4,608**
Total equity	**19,988**	**17,628**	**17,053**	**16,525**	**16,179**
Net debt	8,212	7,682	8,537	7,687	7,468

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**1,542**	**489**	**748**	**1,219**	**1,028**
Net profit	-1,826	-2,476	-537	-486	-304
Non-cash profit and expenses	2,392	2,879	1,212	1,088	1,286
Depreciation	1,079	1,066	1,174	1,093	1,281
Amortization	211	167	150	135	122
Other	1,101	1,646	-112	-140	-117
Changes in A/L from operating activities	1,029	73	-109	432	-70
Cash flow from investments	**-1,948**	**-581**	**-1,041**	**-464**	**-322**
Change in tangible assets	-2,224	-1,580	-1,270	-1,030	-646
Change in financial assets	-105	402	-70	232	-38
Other	381	596	299	334	362
Cash flow from financing	**-188**	**-149**	**870**	**-24**	**-1,026**
Change in debt	1,648	-1,231	1,327	465	-537
Change in equity	-213	356	0	0	0
Dividends	-225	-83	-42	-42	-42
Other	-1,398	809	-415	-447	-446
Change in cash	-590	-241	424	1,478	-345
Cash at beginning of year	2,702	2,112	1,870	2,294	3,772
Cash at end of year	2,112	1,870	2,294	3,772	3,426
Gross cash flow	**566**	**402**	**675**	**602**	**982**
Free cash flow	**-696**	**-1,132**	**-522**	**189**	**382**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-0.3	-7.1	5.4	-17.0	3.4
Operating profit	nm	nm	nm	nm	nm
Net profit	nm	nm	nm	nm	nm
Adjusted EPS**	nm	nm	nm	nm	nm
Per-share data (KRW)					
EPS (parent-based)	-39,988	-47,624	-11,147	-6,538	-3,147
EPS (consolidated)	-42,678	-57,888	-12,555	-11,359	-7,101
Adjusted EPS**	-39,988	-47,624	-11,147	-6,538	-3,147
BVPS	340,367	298,452	286,226	278,594	274,401
DPS (common)	2,000	1,000	1,000	1,000	1,000
Valuations (x)					
P/E***	n/a	n/a	n/a	n/a	n/a
P/B***	0.2	0.2	0.3	0.3	0.3
EV/EBITDA	43.6	54.3	13.5	15.3	11.5
Ratios (%)					
ROE	-11.4	-15.1	-3.9	-2.3	-1.2
ROA	-5.4	-7.5	-1.7	-1.5	-1.0
ROIC	-3.2	-3.9	-0.2	-0.6	-0.1
Payout ratio	-4.9	-2.1	-8.8	-15.1	-31.3
Dividend yield (common)	3.3	1.4	1.2	1.2	1.2
Net debt to equity	41.1	43.6	50.1	46.5	46.2
Interest coverage (x)	-2.2	-2.3	-0.1	-0.4	-0.1

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Compliance notice

- As of 5/13 2026, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 5/13 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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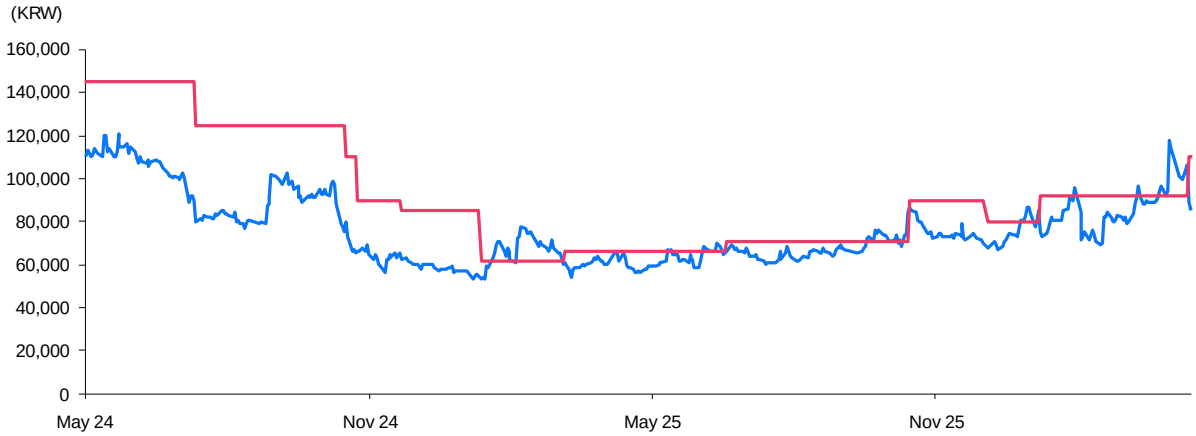
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/10	8/9	11/14	11/21	12/20	2025/2/10	4/4	7/18	11/13	12/31	2026/2/5	5/12
Recommendation	BUY	BUY	BUY	BUY	BUY	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD
Target price (KRW)	145000	125000	110000	90000	85000	62000	66000	71000	90000	80000	92000	110000
Gap* (average)	-24.60	-29.79	-38.25	-29.01	-31.50	8.77	-6.29	-5.38	-16.66	-5.60	-6.55	
(max or min)**	-16.07	-18.08	-33.27	-22.89	-25.53	25.65	6.06	19.44	-5.33	8.00	28.26	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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