COMPANY UPDATE

2026. 7. 31

EV/Mobility Team

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Lotte Fine Chemical (004000)

2Q review; valuation becoming more attractive

- Lotte Fine Chemical reported a 2Q operating profit of KRW61.9b (up 89% q-q), exceeding consensus by 121%, led by all business segments performing well due to supply tightness stemming from the Middle East conflict.
- Reflecting lower valuation gains on investment assets, we cut our 2026 ROE forecast and reduce our target price by 19% under the ROE-P/B valuation model.
- Nevertheless, we maintain our BUY rating, considering an attractive dividend yield of about 6% for 2026 and a low EV/EBITDA multiple of 3.3x.

▶ AT A GLANCE

BUY

Target price	KRW66,000	45.1%
Current price	KRW45,500	
Market cap	KRW1.2t/USD0.8b	
Shares (float)	25,800,000 (55.2%)	
52-week high/low	KRW71,200/KRW40,450	
Avg daily trading value (60-day)	KRW3.8b/ USD2.6m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Lotte Fine Chemical (%)	3.3	-4.1	8.2
Vs Kospi (%pts)	56.5	-10.4	-37.0

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	66,000	82,000	-19.5%
2026E EPS	8,782	10,543	-16.7%
2027E EPS	7,536	8,213	-8.2%

▶ SAMSUNG vs THE STREET

No of estimates	7
Target price	75,000
Recommendation	4.0

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

WHAT'S THE STORY?

2Q review - Results beat consensus: Lotte Fine Chemical reported a 2Q operating profit of KRW61.9b (up 89% q-q), exceeding FnGuide consensus (KRW28.1b) and our estimate (KRW31.5b) by 121% and 96%, respectively. The chlorine-relatives division posted an operating profit of KRW19.3b (up 180% q-q), driven by improved profitability in ECH, caustic soda, and TMAC. The cellulose and ammonia relatives divisions posted a respective operating profit of KRW13.5b (up 25% q-q) and KRW29.1b (up 95% q-q). Cellulose profitability improved significantly following price hikes and FX improvements after the Middle East conflict, while ammonia earnings benefited from a positive inventory effect due to rising international prices. The company's pre-tax profit also reached KRW115b (up 108% q-q), surpassing consensus by 179%, driven by a sharp recovery in equity-method income (KRW44.7b; up 248% q-q) attributable to strong AA and VAM performance.

(Continued on the next page)

SUMMARY 2Q RESULTS

(KRWb)	2Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	586.3	38.1	14.8	19.2	12.3
Operating profit	61.9	610.5	89.5	96.3	55.8
Pre-tax profit	115.0	529.0	107.5	-25.6	10.0
Net profit	94.2	506.8	110.8	-31.3	16.3
Margins (%)					
Operating profit	10.6				
Pre-tax profit	19.6				
Net profit	16.1				

data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	10.8	5.2	6.0
P/B	0.5	0.4	0.4
EV/EBITDA	4.4	3.3	2.8
Div yield (%)	3.4	5.9	5.1
EPS growth (% y-y)	191.6	113.6	-14.2
ROE (%)	4.4	9.0	7.3
Per-share data (KRW)			
EPS	4,112	8,782	7,536
BVPS	95,632	102,364	107,297
DPS	1,500	2,700	2,300

Samsung Securities

3Q preview—To miss consensus: We forecast Lotte Fine Chemical's 3Q operating profit at KRW28.7b (down 54% q-q), missing consensus (KRW35.8b; FnGuide) by 20%. Chlorine segment operating profit is expected to be KRW2.3b (down 88% q-q), driven by lower domestic ECH and caustic soda prices. Cellulose and ammonia segment operating profits are forecast at KRW13.6b (up 1% q-q) and KRW12.7b (down 56% q-q), respectively.

View—Valuation merit to come into limelight: We lower our ROE-P/B valuation-based target P/B multiple from 0.77x to 0.63x (0.5 standard deviations below the average P/B since 2011) and target price from KRW82,000 to KRW66,000, to reflect the reversal of most prior gains in investment asset valuations. However, we maintain our BUY rating, considering an attractive dividend yield of nearly 6% for 2026 and a low EV/EBITDA multiple of 3.3x.

Lotte Fine Chemical: Quarterly results

(KRWb)	2Q26P	1Q26	2Q25	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	586.3	510.7	424.7	481.0	491.9	14.8	38.1	21.9	19.2
Operating profit	61.9	32.7	8.7	28.1	31.5	89.5	610.5	120.6	96.3
Pre-tax profit	115.0	55.4	18.3	41.3	154.7	107.5	529.0	178.8	-25.6
Net profit	94.2	44.7	15.5	37.1	137.0	110.8	506.8	153.7	-31.3
Attributable to parent	94.2	44.7	15.5	34.5	137.0	110.8	506.8	173.3	-31.3
Margins (%)									
Operating profit	10.6	6.4	2.1	5.8	6.4				
Pre-tax profit	19.6	10.9	4.3	8.6	31.4				
Net profit	16.1	8.8	3.7	7.7	27.9				
Attributable to parent	16.1	8.8	3.7	7.2	27.9				

Source: Company data, FnGuide, Samsung Securities estimates

Lotte Fine Chemical: 2Q review, by division

(KRWb)	2Q26P	1Q26	2Q25	Chg (% q-q)	Chg (% y-y)
Sales	**586.3**	**510.7**	**424.7**	**16.3**	**14.6**
Chlorine	201.5	183.7	140.1	6.2	22.9
Cellulose	154.2	142.1	137.4	17.2	11.5
Ammonia trading	230.6	184.8	138.1	27.4	15.4
Operating profit	**61.9**	**32.7**	**8.7**	**69.4**	**74.1**
Chlorine	19.3	6.9	-6.4	265.2	Turned pos
Cellulose	13.5	10.8	7.0	47.3	-19.4
Ammonia trading	29.1	15.0	11.8	48.9	16.2
Pre-tax profit	115.0	55.4	18.3	84.8	63.5
Net profit	**94.2**	**44.7**	**15.5**	**65.8**	**57.5**
Margins (%)					
Operating profit	10.6	6.4	2.1		
Chlorine	9.6	3.7	-4.6		
Cellulose	8.8	7.6	5.1		
Ammonia trading	12.6	8.1	8.6		
Pre-tax profit	19.6	10.9	4.3		
Net profit	16.1	8.8	3.7		

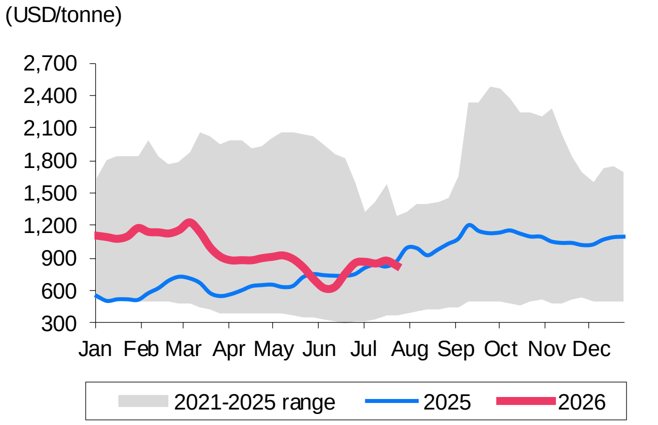
Note: Divisional operating profit figures are Samsung Securities estimates
Source: Company data, Samsung Securities estimates

Lotte Fine Chemical: P/B valuation

(KRW)	Old	New	Note
Target P/B (x)	0.77	0.63	0.5 standard deviations below post-2011 average
Forward BVPS	106,191	105,216	Revised down by 0.9%
Fair price per share	**81,600**	**66,298**	
Target price	**82,000**	**66,000**	**Revised down by 19.5%**
Current price		45,500	As of Jul 30 close
Upside (%)		45.1	
2026 implied P/E (x)	9.3	7.5	
2027 implied P/E (x)	10.9	8.8	

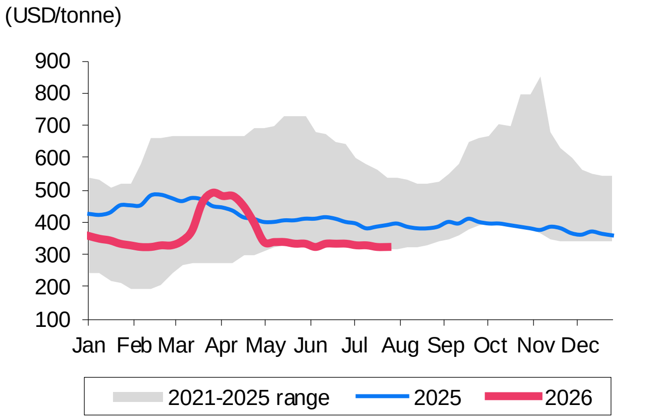
Source: Samsung Securities estimates

ECH-propylene spread (Lotte Fine Chemical)



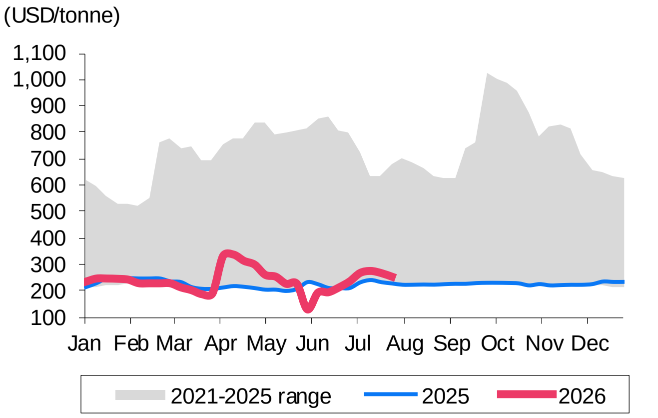
Source: Cischem, S&P Global Platts, Samsung Securities

Caustic soda prices (LG Chem/Hanwha Solutions/LFC)



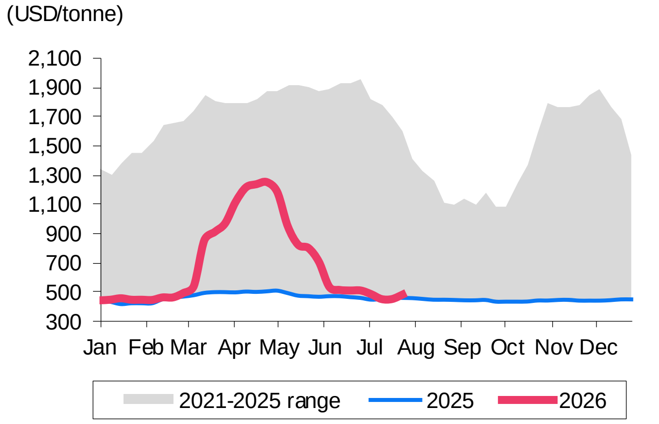
Source: Cischem, S&P Global Platts, Samsung Securities

AA-methanol spread (Lotte Fine Chemical)



Source: Cischem, S&P Global Platts, Samsung Securities

VAM-AA spread (Lotte Fine Chemical)



Source: Cischem, S&P Global Platts, Samsung Securities

Lotte Fine Chemical: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26P	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,452	1,467	1,502	1,440	1,380	1,365	1,423	1,447	1,380
Sales	**446**	**425**	**443**	**439**	**511**	**586**	**485**	**416**	**1,671**	**1,753**	**1,998**	**1,975**
Growth (% q-q)	4.0	-4.7	4.4	-1.0	16.3	14.8	-17.2	-14.3				
Growth (% y-y)	11.6	0.6	5.5	2.4	14.6	38.1	9.5	-5.3	-5.5	4.9	14.0	-1.2
Chlorine	150	140	176	173	184	202	171	152	555	638	708	661
Cellulose	127	137	135	121	142	154	156	148	529	521	600	658
Ammonia trading	160	138	133	145	185	231	159	116	556	576	691	655
Electronic materials	9	9							31	18		
Operating profit	**19**	**9**	**28**	**19**	**33**	**62**	**29**	**18**	**50**	**74**	**141**	**146**
Growth (% q-q)	54.4	-53.6	216.5	-30.0	69.3	89.5	-53.7	-36.3				
Growth (% y-y)	74.3	-49.1	167.0	58.6	73.9	610.5	3.9	-5.4	-67.5	47.6	90.3	2.9
Chlorine	-6	-6	3	2	7	19.3	2	1	-55	-8	29	31
Growth (% q-q)	RR	RR	RB	-31.0	265.3	180.1	-88.2	-70.9				
Growth (% y-y)	RR	RR	RB	RB	RB	RB	-16.5	-64.8	BR	RR	RB	8.0
Cellulose	12	7	9	7	11	13.5	14	10	57	35	48	71
Growth (% q-q)	6.4	-42.5	33.6	-28.7	63.5	24.5	1.1	-30.0				
Growth (% y-y)	3.4	-54.4	-49.4	-41.7	-10.4	94.0	46.7	44.1	-43.5	-38.3	35.9	48.8
Ammonia trading	14	12	16	11	15	29.1	13	8	45	52	65	43
Growth (% q-q)	7.7	-14.4	31.3	-30.6	38.6	94.9	-56.3	-36.8				
Growth (% y-y)	-4.3	8.9	118.7	-16.0	8.1	146.2	-18.1	-25.4	3.5	14.8	24.7	-33.1
Electronic materials	-1	-4							3	-5		
Growth (% q-q)	BR	RR										
Growth (% y-y)	BR	BR							-68.0	BR		
Pre-tax profit	34	18	36	30	55	115	65	43	26	118	278	239
Growth (% q-q)	30.1	-46.0	94.9	-15.9	-52.9	107.5	-43.9	-32.9				
Growth (% y-y)	-68.0	-66.8	RB	RB	63.5	529.0	81.2	44.5	-89.7	352.1	136.3	-14.1
Net profit	**28**	**16**	**35**	**27**	**45**	**94**	**52**	**35**	**36**	**106**	**227**	**194**
Growth (% q-q)	-22.0	-45.3	126.9	-23.4	-57.9	110.8	-44.3	-32.9				
Growth (% y-y)	-66.0	-64.1	RB	RB	57.4	506.8	49.0	30.5	-80.0	191.6	113.6	-14.2
Attributable to parent	28	16	35	27	45	94	52	35	36	106	227	194
Margins (%)												
Operating profit	4.2	2.1	6.2	4.4	6.4	10.6	5.9	4.4	3.0	4.2	7.1	7.4
Chlorine	-4.1	-4.6	1.6	1.1	3.7	9.6	1.3	0.4	-9.8	-1.2	4.1	4.8
Cellulose	9.5	5.1	6.9	5.5	7.6	8.8	8.8	6.5	10.7	6.7	7.9	10.7
Ammonia trading	8.6	8.6	11.7	7.4	8.1	12.6	8.0	6.9	8.1	9.0	9.4	6.6
Electronic materials	-12.4	-40.8							9.4	-27.1		
Pre-tax profit	7.6	4.3	8.0	6.8	10.9	19.6	13.3	10.4	1.6	6.7	13.9	12.1
Net profit	6.4	3.7	7.9	6.1	8.8	16.1	10.8	8.5	2.2	6.1	11.3	9.8

Note: Divisional operating profit figures are Samsung Securities estimates;
Beginning 3Q25, the Electronic Materials division changed its profit/loss attribution criteria to the chlorine-based segment
Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**1,671**	**1,753**	**1,998**	**1,975**	**2,111**
Cost of goods sold	1,491	1,547	1,705	1,680	1,783
Gross profit	**179**	**205**	**293**	**294**	**328**
Gross margin (%)	10.7	11.7	14.7	14.9	15.5
SG&A expenses	129	131	152	149	160
Operating profit	**50**	**74**	**141**	**146**	**168**
Operating margin (%)	3.0	4.2	7.1	7.4	8.0
Non-operating gains (losses)	**-24**	**43**	**137**	**93**	**92**
Financial profit	46	33	29	25	24
Financial costs	102	8	0	0	0
Equity-method gains (losses)	19	20	100	60	60
Other	13	-1	8	8	8
Pre-tax profit	**26**	**118**	**278**	**239**	**260**
Taxes	-10	12	52	45	49
Effective tax rate (%)	-39.6	9.9	18.6	18.6	18.6
Profit from continuing operations	36	106	227	194	212
Profit from discontinued operations	0	0	0	0	0
Net profit	**36**	**106**	**227**	**194**	**212**
Net margin (%)	2.2	6.1	11.3	9.8	10.0
Net profit (controlling interests)	36	106	227	194	212
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	210	239	292	289	305
EBITDA margin (%)	12.6	13.6	14.6	14.6	14.5
EPS (parent-based) (KRW)	1,410	4,112	8,782	7,536	8,212
EPS (consolidated) (KRW)	1,410	4,112	8,782	7,536	8,212
Adjusted EPS (KRW)*	1,410	4,112	8,782	7,536	8,212

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**160**	**301**	**219**	**280**	**255**
Net profit	36	106	227	194	212
Non-cash profit and expenses	206	151	81	106	104
Depreciation	156	160	147	141	135
Amortization	4	4	3	3	2
Other	47	-13	-70	-37	-33
Changes in A/L from operating activities	-83	9	-56	5	-31
Cash flow from investments	**-244**	**-359**	**-128**	**-96**	**-116**
Change in tangible assets	-198	-272	-102	-102	-103
Change in financial assets	100	-0	-28	3	-16
Other	-146	-87	2	3	3
Cash flow from financing	**-79**	**-69**	**-35**	**-69**	**-57**
Change in debt	173	-131	3	-0	2
Change in equity	0	0	0	0	0
Dividends	-51	-36	-38	-69	-59
Other	-202	98	0	0	0
Change in cash	-162	-126	95	179	118
Cash at beginning of year	461	298	172	267	446
Cash at end of year	298	172	267	446	565
Gross cash flow	**243**	**257**	**307**	**301**	**316**
Free cash flow	**-38**	**29**	**117**	**178**	**152**

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**1,046**	**1,061**	**1,247**	**1,417**	**1,585**
Cash & equivalents	298	172	267	446	565
Accounts receivable	261	265	302	299	320
Inventories	304	343	391	386	413
Other current assets	182	281	286	285	288
Fixed assets	**1,668**	**1,685**	**1,708**	**1,660**	**1,665**
Investment assets	527	526	597	591	630
Tangible assets	848	976	931	892	860
Intangible assets	23	20	16	13	11
Other long-term assets	271	164	164	164	164
Total assets	**2,714**	**2,746**	**2,955**	**3,077**	**3,251**
Current liabilities	**178**	**250**	**284**	**281**	**300**
Accounts payable	48	119	136	134	143
Short-term debt	1	1	1	1	1
Other current liabilities	129	130	148	146	156
Long-term liabilities	**167**	**61**	**63**	**63**	**64**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	167	61	63	63	64
Total liabilities	**345**	**310**	**347**	**344**	**365**
Owners of parent equity	**2,369**	**2,436**	**2,607**	**2,733**	**2,886**
Capital stock	129	129	129	129	129
Capital surplus	331	331	331	331	331
Retained earnings	1,933	2,001	2,189	2,315	2,468
Other	-25	-25	-42	-42	-42
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**2,369**	**2,436**	**2,607**	**2,733**	**2,886**
Net debt	-100	-106	-199	-378	-495

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-5.5	4.9	14.0	-1.2	6.9
Operating profit	-67.5	47.6	90.3	2.9	15.5
Net profit	-80.0	191.6	113.6	-14.2	9.0
Adjusted EPS**	-80.0	191.6	113.6	-14.2	9.0
Per-share data (KRW)					
EPS (parent-based)	1,410	4,112	8,782	7,536	8,212
EPS (consolidated)	1,410	4,112	8,782	7,536	8,212
Adjusted EPS**	1,410	4,112	8,782	7,536	8,212
BVPS	92,999	95,632	102,364	107,297	113,316
DPS (common)	1,400	1,500	2,700	2,300	2,500
Valuations (x)					
P/E***	27.9	10.8	5.2	6.0	5.5
P/B***	0.4	0.5	0.4	0.4	0.4
EV/EBITDA	4.4	4.4	3.3	2.8	2.2
Ratios (%)					
ROE	1.5	4.4	9.0	7.3	7.5
ROA	1.3	3.9	7.9	6.4	6.7
ROIC	5.2	4.4	7.6	7.9	9.3
Payout ratio	98.0	36.0	30.4	30.1	30.1
Dividend yield (common)	3.6	3.4	5.9	5.1	5.5
Net debt to equity	-4.2	-4.4	-7.6	-13.8	-17.1
Interest coverage (x)	7.1	9.5	n/a	n/a	n/a

Compliance notice

- As of 7/30 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 7/30 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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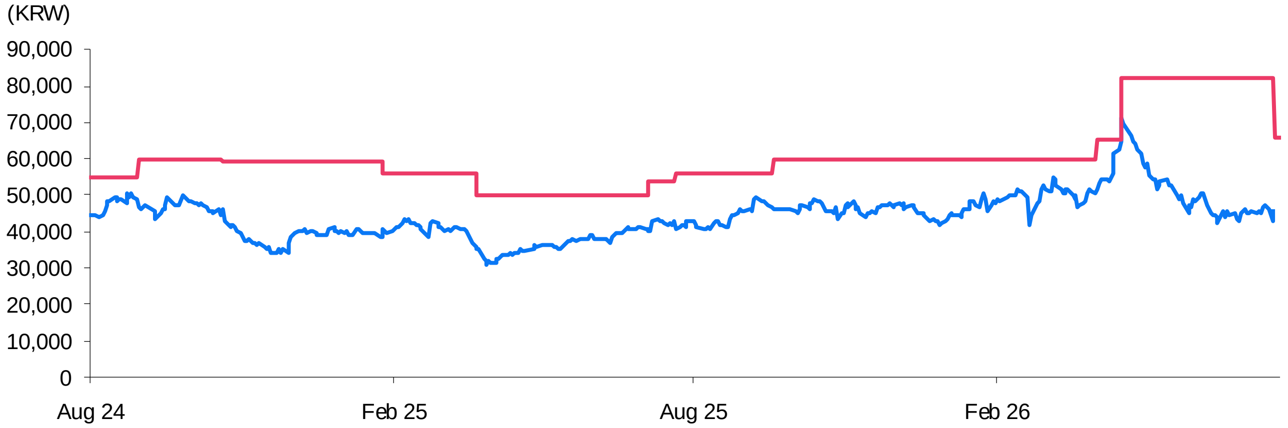
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/19	6/28	9/10	10/31	2025/2/5	4/3	7/16	8/1	9/30	2026/4/14	4/29	7/31
Recommendation	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	55000	55000	60000	59000	56000	50000	54000	56000	60000	65000	82000	66000
Gap* (average)	-14.95	-15.25	-22.06	-34.41	-27.10	-26.49	-21.44	-21.38	-21.06	-12.38	-39.32	
(max or min)**	-6.91	-8.00	-16.83	-27.71	-22.68	-17.30	-19.81	-11.79	-8.83	-0.77	-15.37	

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

Samsung Securities uses the following investment ratings*

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 2026.06.30

BUY (85.5%)·HOLD (14.5%)·SELL (0%)

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