

2Q 2018 Earnings Release

# HYUNDAI OILBANK



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Chapter 1.

## 2Q 2018 Earnings

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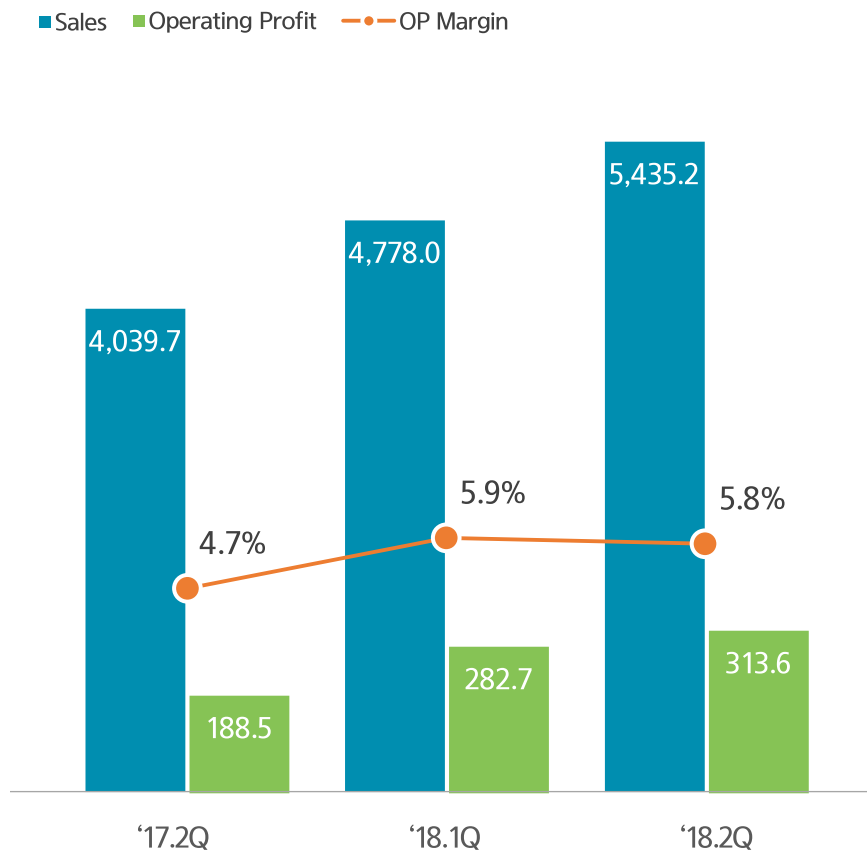




# 1. Consolidated Earnings

## 2Q 2018 Consolidated Earnings

Unit: KRW bil.



Note: Hyundai Oilbank's consolidated Earnings

- **Sales: KRW 5,435.2 bil.**
  - QoQ 13.8% Increase (+KRW 657.2 bil.)
  - YoY 34.5% Increase (+KRW 1,399.5 bil.)
- **QoQ Analysis**
  - Sales increased due to the rise in the crude price (+\$8)
- **YoY Analysis**
  - Sales increased due to the rise in the crude price (+\$22) and the operating capacity (+30K b/d)
- **Operating Profit: KRW 313.6 bil.**
  - QoQ 10.9% Increase (+KRW 30.9 bil.)
  - YoY 66.4% Increase (+KRW 125.1 bil.)
- **QoQ Analysis**
  - Lagging effect of crude oil and inventory-related gains increased due to the rise in the crude price
- **YoY Analysis**
  - Decrease in the crude price led to negative lagging effect and inventory-related losses in 2Q 2017
  - Positive effect of the rise in the crude price this quarter increased the profit YoY

## 2. Consolidated Earnings by Business Segment

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### 2Q 2018 Consolidated Earnings

Unit: KRW bil.

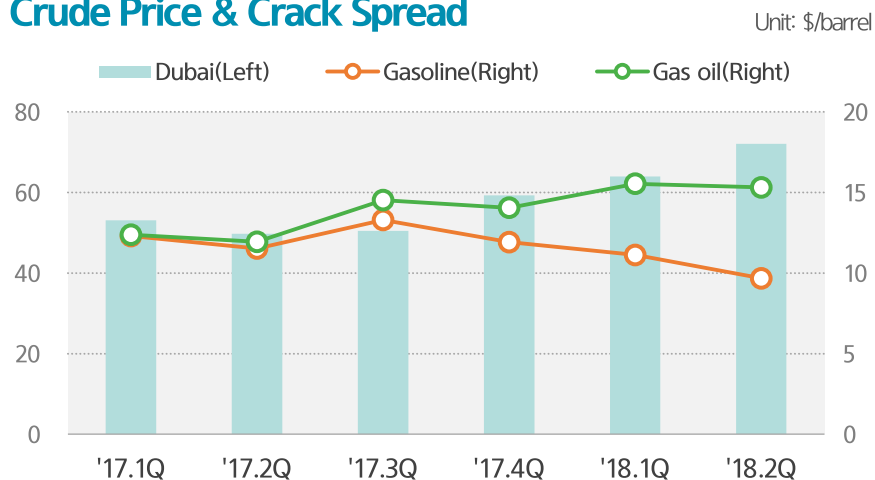
	'17.2Q			'18.1Q			'18.2Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Hyundai Oilbank	3,426.7	130.4	3.8%	4,185.2	232.6	5.6%	4,693.4	281.4	6.0%
Hyundai Chemical	819.1	52.3	6.4%	1,052.3	42.0	4.0%	1,063.6	21.7	2.0%
Hyundai OCI	13.3	0.9	6.8%	24.0	1.7	7.1%	35.0	3.2	9.1%
Others / Adjustments	(219.4)	4.9	-	(483.5)	6.4	-	(356.8)	7.3	-
Consolidated Earnings	4,039.7	188.5	4.7%	4,778.0	282.7	5.9%	5,435.2	313.6	5.8%
Hyundai Cosmo (Equity Method)	585.7	30.2	5.2%	709.4	32.5	4.6%	716.3	22.0	3.1%
Hyundai Shell Base Oil (Equity Method)	181.2	41.0	22.6%	194.2	31.0	16.0%	201.1	26.1	13.0%

Note: Hyundai Cosmo and Hyundai Shell Base Oil are accounted for using the equity method, and thus their earnings are not included in the consolidated earnings.

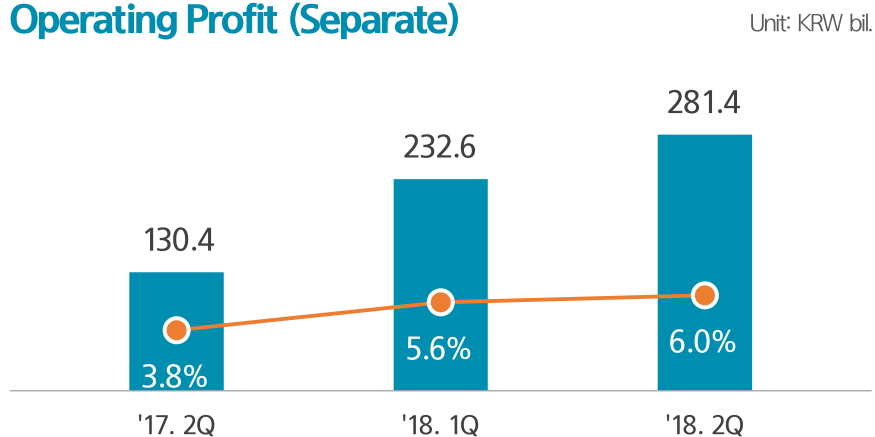
### 3. Key Index and Operating Profit (Hyundai Oilbank)

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#### Crude Price & Crack Spread



#### Operating Profit (Separate)



#### •2Q Analysis

- Crude price increased due to U.S. sanctions on Iran and production setbacks of major oil producers including Venezuela and Libya
- Kero/gas oil crack decreased as the production increased following the spring seasonal maintenance of the refineries
- Gasoline crack decreased as the rise in the crude price decreased the demand and the new refinery in Vietnam commenced its operation

#### •3Q Forecast

- High price volatility is expected as various world events unfolds (crude production increase, U.S.-China tariff war, and production setbacks in Libya, etc.)
- Gasoline crack will decrease slightly due to the decrease in demand following the rise in the crude price
- Kero/gas oil crack will decrease slightly due to weak seasonal demand, but will rebound as the fall seasonal maintenance approaches

#### •QoQ Operating Profit Analysis

- Profit increased QoQ as the rise in the crude price increased the lagging effect of crude oil and inventory-related gains

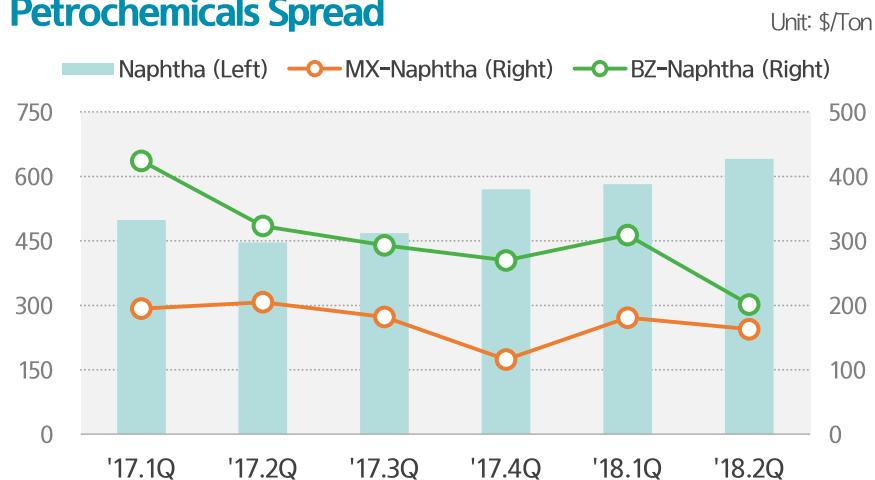
#### •YoY Operating Profit Analysis

- Operating profit improved due to better crack spreads and increased inventory-related gains following the rise in the crude price

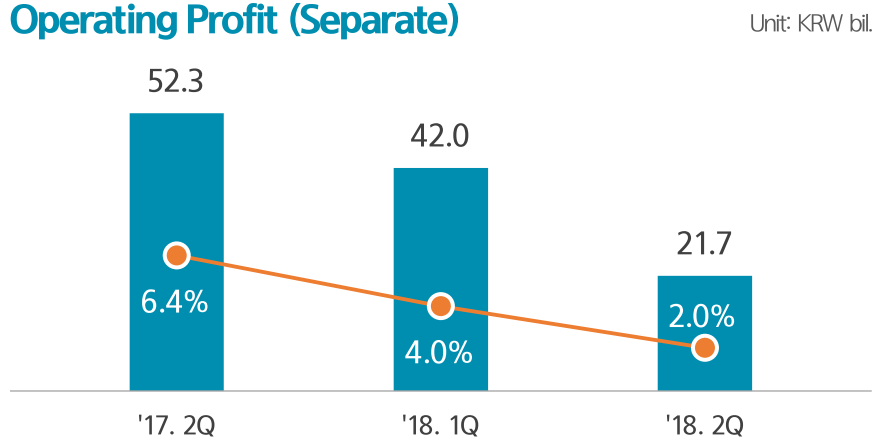
## 4. Key Index and Operating Profit (Hyundai Chemical)

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### Petrochemicals Spread



### Operating Profit (Separate)



### • 2Q Analysis

- PX & MX spread decreased as the operation of the new BTX plant in Saudi Arabia increased the supply
- BZ spread decreased as the operation of the new BTX plant in Saudi Arabia increased the regional supply and as China's domestic supply increased

### • 3Q Forecast

- MX spread will increase slightly as the supply decreases due to the maintenance of Japanese MX producer

### • QoQ Operating Profit Analysis

- Despite the positive lagging effect of the crude price increase, profit decreased QoQ due to the decrease in the spread of petrochemicals (MX, BZ, etc.) and petroleum products (Naphtha, etc.)

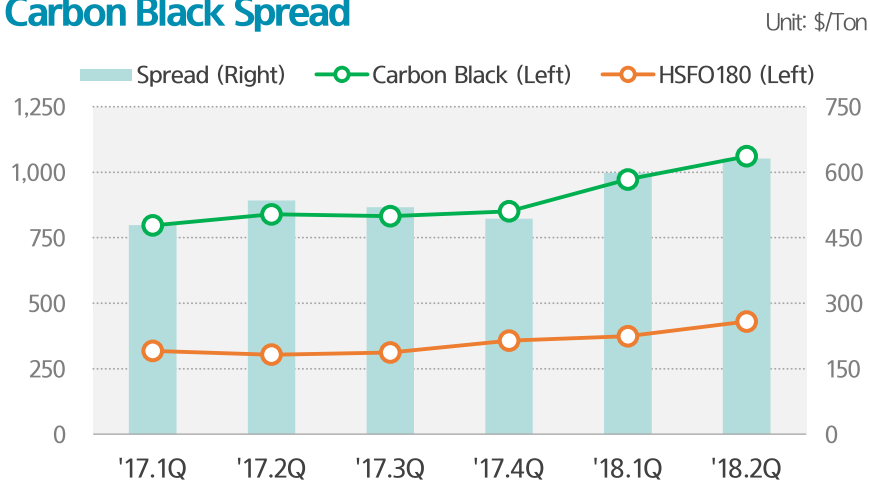
### • YoY Operating Profit Analysis

- Profit decreased YoY as the petrochemicals spread decreased and the rise in the condensate premium increased the feedstock price



## 5. Key Index and Operating Profit (Hyundai OCI)

### Carbon Black Spread



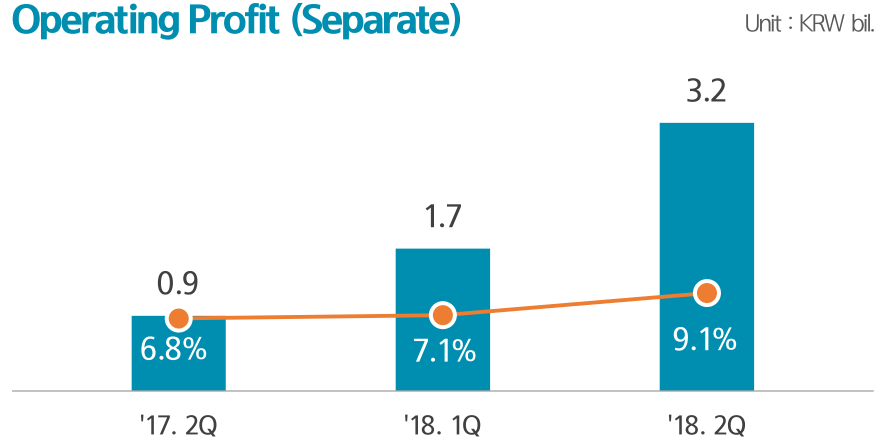
#### • 2Q Analysis

- Carbon black spread increased as the crude price increase from the previous quarter was reflected in the carbon black price

#### • 3Q Forecast

- Carbon black price will continue to rise due to the increase in the crude price

### Operating Profit (Separate)



#### • Operating Profit Analysis

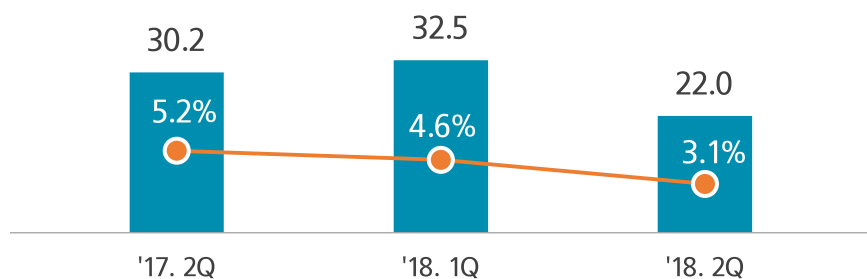
- Profit increased as product quality certifications and sales to tire/rubber producers began following the commencement of carbon black plant's commercial operation
- Normal operation and sales expected beginning in 3Q

## 6. Operating Profit of Equity Method Affiliates (Hyundai Cosmo, Hyundai Shell Base Oil)

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### Operating Profit of Hyundai Cosmo

Unit: KRW bil.



#### • QoQ Operating Profit Analysis

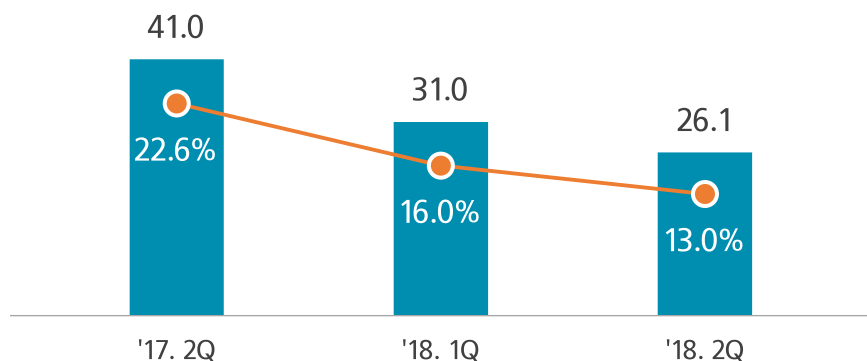
- Profit decreased QoQ due to the decrease in petrochemical spreads (PX, BZ, etc.)

#### • YoY Operating Profit Analysis

- Profit decreased YoY due to the decrease in petrochemical spreads (PX, BZ, etc.)

### Operating Profit of Hyundai Shell Base Oil

Unit: KRW bil.



#### • QoQ Operating Profit Analysis

- Profit decreased QoQ as the rise in the crude price increased the feedstock price, leading to the decrease in the lube base oil spread

#### • YoY Operating Profit Analysis

- Profit decreased YoY as the lube base oil spread decreased

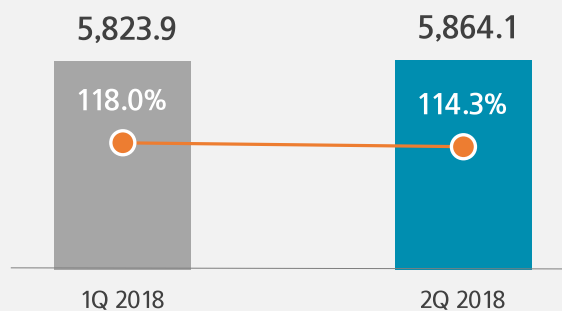
## 7. Financial Ratio

### Consolidated Financial Ratio

#### Debt-to-Equity Ratio

114.3%

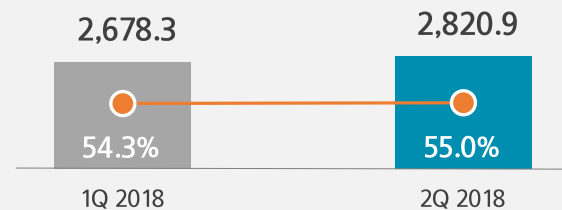
Unit: KRW bil.



#### Net Debt-to-Equity Ratio

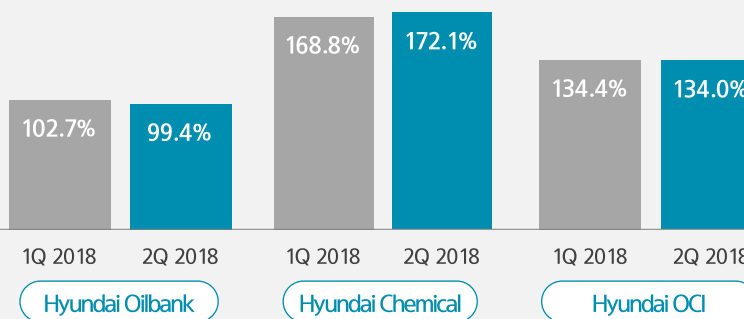
55.0%

Unit: KRW bil.

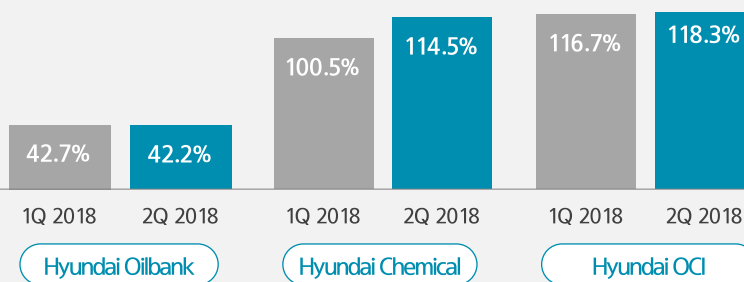


### Financial Ratio of Major Subsidiaries (Separate)

#### Debt-to-Equity Ratio



#### Net Debt-to-Equity Ratio



# APPENDIX

1. Condensed Financial Statements of Hyundai Oilbank (Consolidated)
2. Condensed Financial Statements of Hyundai Oilbank (Separate)
3. Condensed Financial Statements of Hyundai Chemical (Separate)
4. Key Investments of 2018
5. HPC Project Overview





# 1. Condensed Financial Statement of Hyundai Oilbank (Consolidated)

HYUNDAI OILBANK

## Consolidated Income Statement

Unit: KRW bil.

	'18.2Q	QoQ	YoY	'18.1Q	'17.2Q
Sales	5,435.2	13.8%	34.5%	4,778.0	4,039.7
Cost of goods sold	5,031.1	14.6%	33.9%	4,389.0	3,757.8
Gross profit	404.1	3.9%	43.3%	389.0	281.9
Operating profit	313.6	10.9%	66.4%	282.7	188.5
OP margin	5.8%	-0.1%p	+1.1%	5.9%	4.7%
Non operating income & expenses	-85.8	-	-	-21.1	-31.8
Net interest gain	-22.0	-	-	-20.8	-18.4
Net F/X gain	-57.1	-	-	3.8	-14.1
Equity method gain	19.5	-	-	26.6	31.1
Profit before tax	247.3	-14.2%	31.7%	288.2	187.8
Income tax	62.0	-	-	69.3	44.6
Net income	185.3	-15.3%	29.4%	218.9	143.2

Note: Consolidated in accordance with K-IFRS

## Consolidated Balance Sheet

Unit: KRW bil.

	'17.2Q	'18.1Q	'18.2Q
Current assets	3,061.9	3,909.9	4,062.1
(Cash & Cash equivalents)	287.0	234.2	185.0
Non-current assets	6,434.5	6,849.0	6,934.4
<b>Total assets</b>	<b>9,496.4</b>	<b>10,758.9</b>	<b>10,996.5</b>
Current liabilities	2,993.9	3,628.9	3,666.0
(Short-term borrowings)	1,177.2	945.8	1,039.6
Non-current liabilities	1,640.5	2,194.9	2,198.1
(Long-term borrowings)	1,447.1	1,976.2	1,976.6
<b>Total liabilities</b>	<b>4,634.4</b>	<b>5,823.9</b>	<b>5,864.1</b>
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	460.4	440.4	453.8
Retained earnings	2,881.3	2,927.7	3,109.4
Non-controlling interests	294.9	341.5	343.8
<b>Total equity</b>	<b>4,862.0</b>	<b>4,935.0</b>	<b>5,132.4</b>
<b>Total liabilities &amp; equity</b>	<b>9,496.4</b>	<b>10,758.9</b>	<b>10,996.5</b>

## 2. Condensed Financial Statement of Hyundai Oilbank (Separate)

HYUNDAI OILBANK

### Income Statement

Unit: KRW bil.

	'18.2Q	QoQ	YoY	'18.1Q	'17.2Q
Sales	4,693.4	12.1%	37.0%	4,185.2	3,426.7
Cost of goods sold	4,324.0	12.3%	34.8%	3,849.6	3,207.5
Gross profit	369.4	10.1%	68.5%	335.6	219.2
Operating profit	281.4	21.0%	115.8%	232.6	130.4
OP margin	6.0%	+0.4%p	+2.2%p	5.6%	3.8%
Non operating income & expenses	-59.0	-	-	13.1	-22.2
Net interest gain	-12.7	-	-	-12.2	-10.1
Net F/X gain	-47.0	-	-	5.3	-13.5
Profit before tax	222.4	-9.4%	105.5%	245.7	108.2
Income tax	58.5	-	-	61.0	23.8
Net income	163.9	-11.3%	94.2%	184.7	84.4

### Balance Sheet

Unit: KRW bil.

	'17.2Q	'18.1Q	'18.2Q
Current assets	2,507.9	3,038.5	3,172.2
(Cash & Cash equivalents)	133.7	39.9	40.2
Non-current assets	5,613.2	5,904.4	5,966.4
<b>Total assets</b>	<b>8,121.1</b>	<b>8,942.9</b>	<b>9,138.6</b>
Current liabilities	2,750.1	3,194.4	3,220.2
(Short-term borrowings)	1,043.5	784.2	845.6
Non-current liabilities	877.1	1,336.8	1,336.4
(Long-term borrowings)	699.2	1,137.9	1,138.0
<b>Total liabilities</b>	<b>3,627.2</b>	<b>4,531.3</b>	<b>4,556.6</b>
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	439.1	425.2	434.1
Retained earnings	2,829.4	2,761.0	2,922.5
Non-controlling interests	4,493.9	4,411.6	4,582.0
<b>Total equity</b>	<b>8,121.1</b>	<b>8,942.9</b>	<b>9,138.6</b>

### 3. Condensed Financial Statement of Hyundai Chemical (Separate)

#### Income Statement

Unit: KRW bil.

	'18.2Q	QoQ	YoY	'18.1Q	'17.2Q
Sales	1,063.6	1.1%	29.8%	1,052.3	819.1
Cost of goods sold	1,037.1	3.1%	35.9%	1,005.6	762.9
Gross profit	26.5	-43.3%	-52.8%	46.7	56.2
Operating profit	21.7	-48.3%	-58.5%	42.0	52.3
OP margin	2.0%	-2.0%p	-4.4%p	4.0%	6.4%
Non operating income & expenses	-21.4	-	-	-9.0	-9.1
Net interest gain	-7.8	-	-	-7.7	-8.1
Net F/X gain	-9.9	-	-	-1.4	-0.6
Profit before tax	0.3	-99.1%	-99.3%	33.0	43.2
Income tax	-0.1	-	-	7.9	10.3
Net income	0.4	-98.4%	-98.8%	25.1	32.9

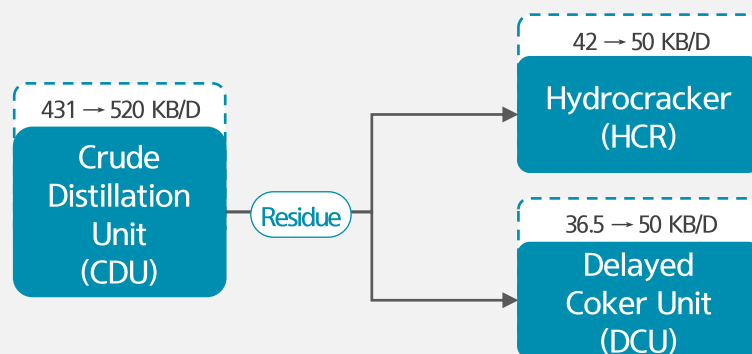
#### Balance Sheet

Unit: KRW bil.

	'17.2Q	'18.1Q	'18.2Q
Current assets	577.9	938.2	967.6
(Cash & Cash equivalents)	113.4	123.1	47.5
Non-current assets	1,017.7	1,009.8	1,013.6
<b>Total assets</b>	<b>1,595.6</b>	<b>1,948.0</b>	<b>1,981.2</b>
Current liabilities	277.3	518.1	547.4
(Short-term borrowings)	122.0	147.1	176.5
Non-current liabilities	707.6	705.2	705.8
(Long-term borrowings)	703.6	704.6	704.9
<b>Total liabilities</b>	<b>984.9</b>	<b>1,223.3</b>	<b>1,253.2</b>
Paid-in capital	480.0	480.0	480.0
Others	-2.3	-5.0	-2.1
Retained earnings	133.0	249.7	250.1
Non-controlling interests	610.7	724.7	728.0
<b>Total equity</b>	<b>1,595.6</b>	<b>1,948.0</b>	<b>1,981.2</b>

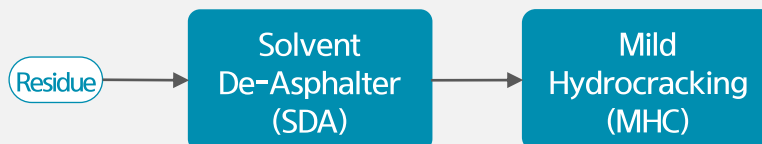
## 4. Key Investments of 2018

### CDU & HOU Expansion



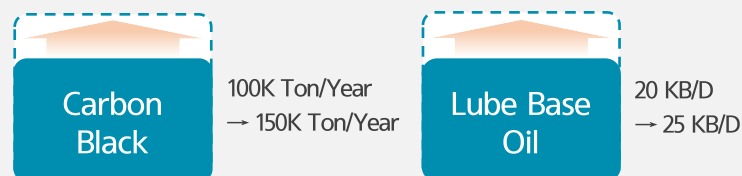
- **Total Investment: KRW 230 bil.**
- **Expected Benefits (September 2018)**
  - Crude refining capacity increase
  - Higher kero/gas oil yield

### SDA (Solvent-De-Asphalter) Construction



- **Total Investment: KRW 200 bil.**
- **Expected Benefits (September 2018)**
  - Lower feedstock cost by increasing ultra-heavy crude input
  - Convert ARDS to MHC (Increase gas oil production)

### Carbon black, Lube Base Oil Expansion

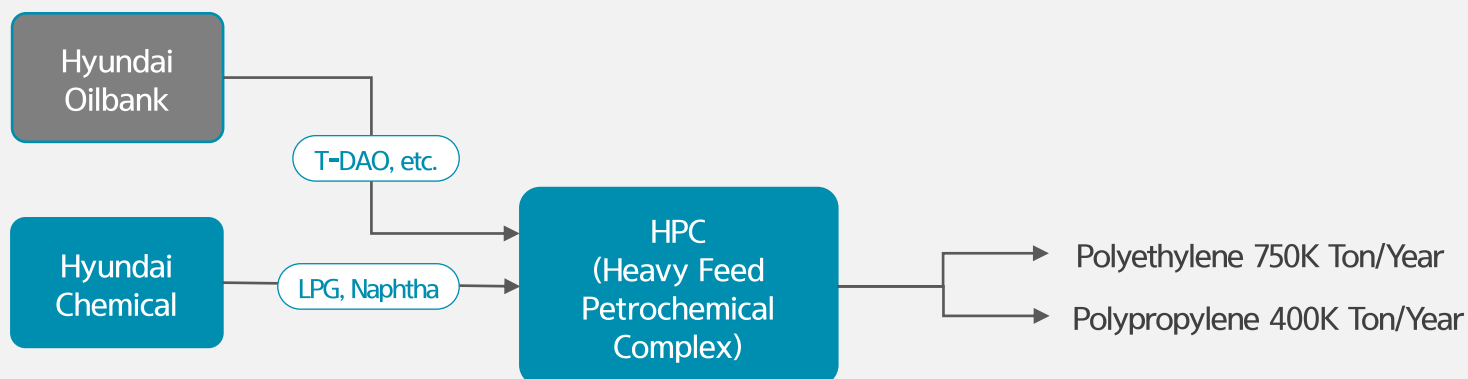


- **Total Investment: KRW 80 bil.**
- **Expected Benefits**
  - Increase carbon black capacity by 50K Ton (2019)
  - Increase LBO capacity by 5K B/D (Sept. 2018)



## 5. HPC Project Overview

### HPC Project Flow Diagram



1) Business Overview	2) Key Products	3) Investment & Profitability (Expected)
<ul style="list-style-type: none"> <li>May 2018: Hyundai Oilbank &amp; Lotte Chemical sign MOU</li> <li>Investment to be conducted by Hyundai Chemical</li> </ul>	<ul style="list-style-type: none"> <li>Polyethylene : 750K Ton/Year</li> <li>Polypropylene : 400K Ton/Year</li> </ul>	<ul style="list-style-type: none"> <li>Total Investment: KRW 2.7 trillion</li> <li>IRR: 17.7% (2018 estimation)</li> </ul>

	2018	2019	2020	2021	2022
Plant Design					
Procurement					
Construction					
Test Drive & Commercial Operation					Target commercial operation before 2022

***Hyundai  
Oilbank***

