

3Q 2018 Earnings Release

# HYUNDAI OILBANK



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Chapter 1.

## 3Q 2018 Earnings

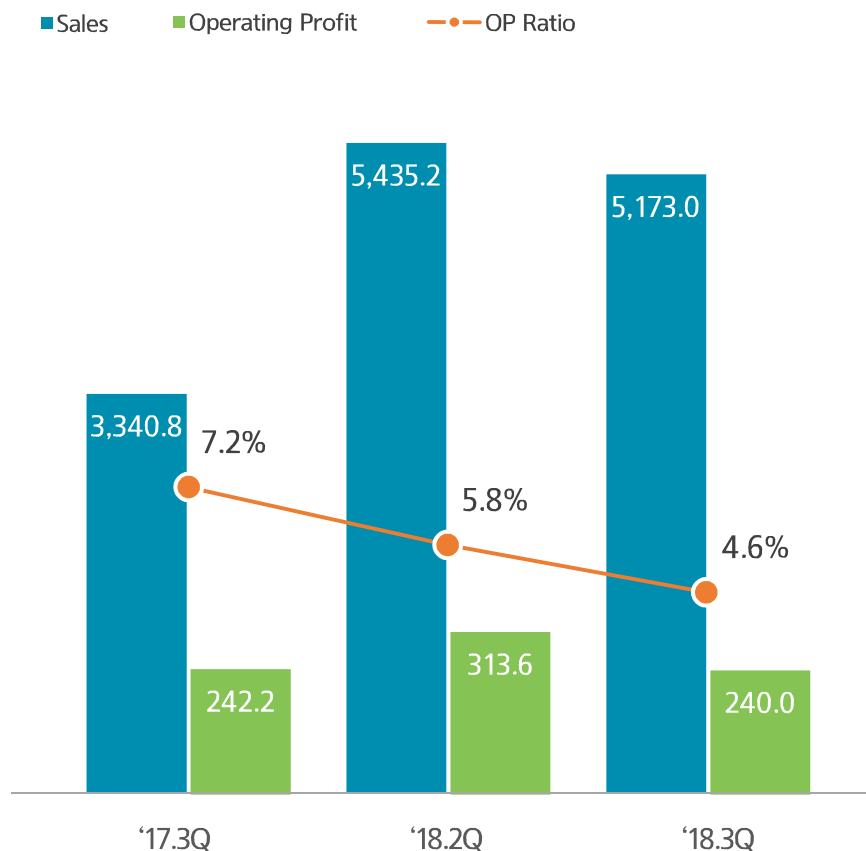
1. Consolidated Earnings
2. Earnings by Business Segment
3. Key Index and Operating Profit - Hyundai Oilbank
4. Key Index and Operating Profit - Hyundai Chemical
5. Key Index and Operating Profit - Hyundai OCI
6. Key Index and Operating Profit - Hyundai Cosmo (Equity Method Affiliate)
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8. Financial Ratio



# 1. Consolidated Earnings

## 3Q 2018 Consolidated Earnings

Unit: KRW bil.



- **Sales: KRW 5,173.0 bil.**
    - QoQ 4.8% decrease (-KRW 262.2 bil.)
    - YoY 54.8% increase (+KRW 1,832.2 bil.)
  - **QoQ Analysis**
    - Sales decreased as the utilization rate decreased due to the regular T/A (#1 plant) in 3Q
  - **YoY Analysis**
    - Sales increased due to the increase in the crude price (+\$24) and the capacity (+50K b/d, #2 plant T/A previous year)
- 
- **Operating Profit: KRW 240 bil.**
    - QoQ 23.5% decrease (-KRW 73.6 bil.)
    - YoY 0.9% decrease (-KRW 2.2 bil.)
  - **QoQ Analysis**
    - Operating profit decreased due to the regular T/A in 3Q
  - **YoY Analysis**
    - Operating profit decreased as the rise in the production cost of Hyundai Chemical led to decreased profitability

## 2. Earnings by Business Segment

### 3Q 2018 Earnings

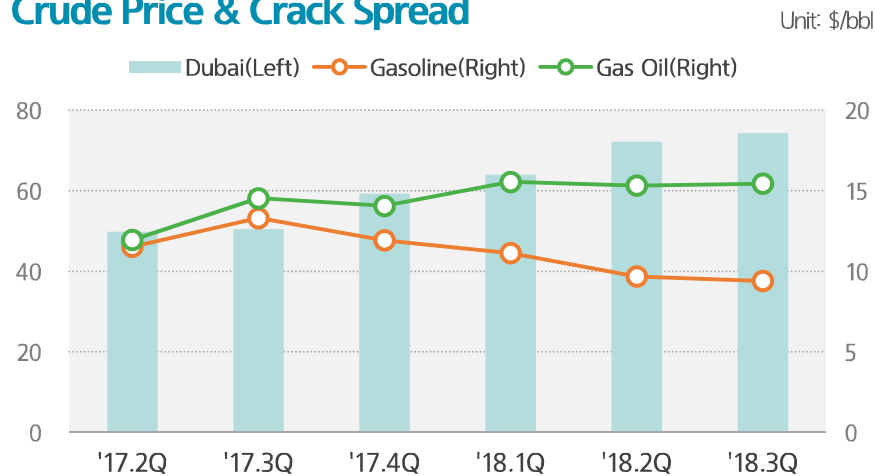
Unit : KRW bil.

	'17.3Q			'18.2Q			'18.3Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Hyundai Oilbank	2,758.4	185.0	6.7%	4,693.4	281.4	6.0%	4,499.7	201.5	4.5%
Hyundai Chemical	775.3	54.4	7.0%	1,063.6	21.7	2.0%	1,051.6	25.1	2.4%
Hyundai OCI	13.8	1.0	7.2%	35.0	3.2	9.1%	40.3	5.3	13.2%
Others/Adjustments	(206.8)	1.8	-	(356.8)	7.3	-	(418.6)	8.1	-
Consolidated Earnings	3,340.8	242.2	7.2%	5,435.2	3,136	5.8%	5,173.0	240.0	4.6%
Hyundai Cosmo (Equity Method)	453.3	20.3	4.5%	716.3	22.0	3.1%	820.4	53.5	6.5%
Hyundai Shell Base Oil (Equity Method)	173.7	32.8	18.9%	201.1	26.1	13.0%	153.1	6.8	4.4%

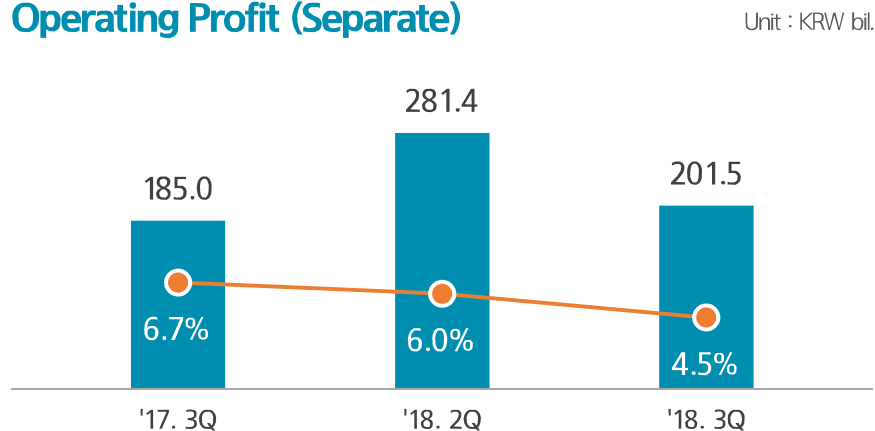
Note) Earnings of Hyundai Cosmo and Hyundai Shell Base Oil are excluded in the consolidated earnings as they are accounted for using the equity method

### 3. Key Index and Operating Profit - Hyundai Oilbank

#### Crude Price & Crack Spread



#### Operating Profit (Separate)



#### 3Q Market Analysis

- Crude price increased as the U.S. sanction on Iran decreased exports and the setback in Venezuela's production continued.
- Weak Kero/gas oil crack spread due to the supply increase in the early 3Q rebounded as the fall regular T/A approached.
- Gasoline crack spread remained stable as the seasonal increase in demand canceled out the effects of the increased supply of the new refinery in Vietnam.

#### 4Q Forecast

- Crude price will remain volatile due to various supply and demand factors including sanctions on Iran, increase in crude production, and financial market fears.
- Weak gasoline crack spread is expected due to weak seasonal demand as well as higher U.S. gasoline inventory.
- Strong kero/gas oil crack spread is expected due to high seasonal demand.

#### QoQ Operating Profit Analysis

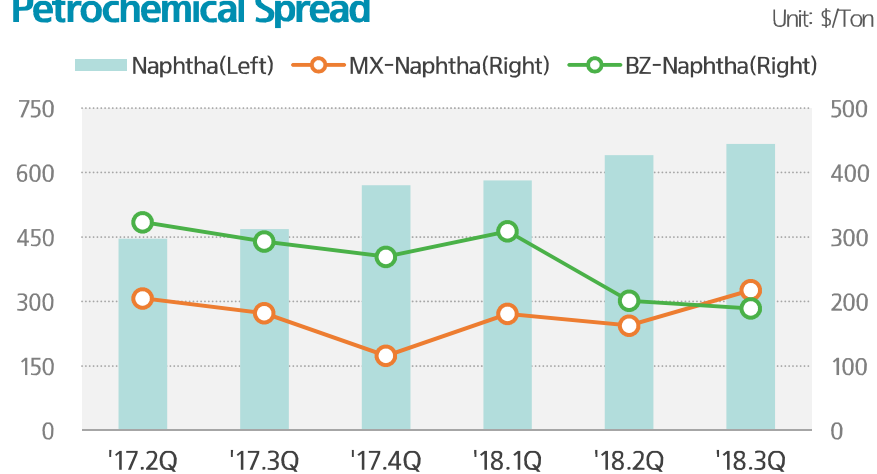
- Operating profit decreased QoQ as the regular T/A in 3Q decreased the utilization rate.

#### YoY Operating Profit Analysis

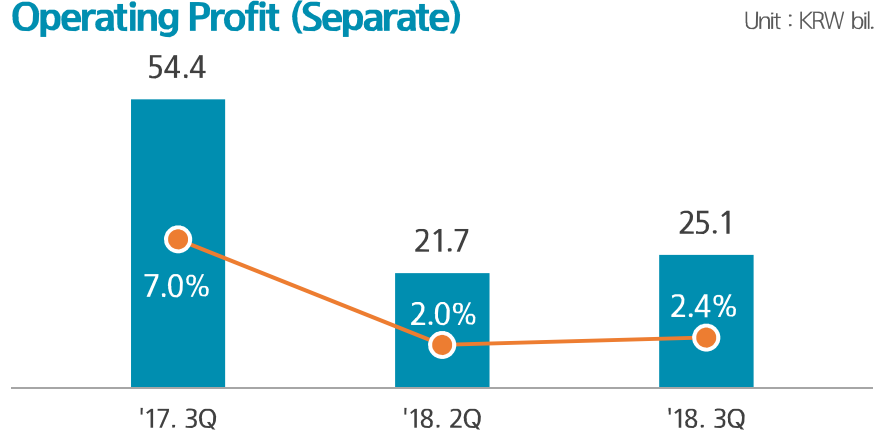
- Operating profit increased despite the decrease in the refining margin due to the higher capacity (+60K b/d).

## 4. Key Index and Operating Profit - Hyundai Chemical

### Petrochemical Spread



### Operating Profit (Separate)



#### 3Q Market Analysis

- PX & MX spread increased due to operation setbacks of the new facilities in Saudi Arabia and Vietnam as well as the high demand before the fall regular maintenance of PX producers.
- Benzene spread decreased as the high PX margin increased BTX utilization, thereby increasing the benzene supply.

#### 4Q Forecast

- MX demand will decrease due to regular maintenances by domestic PX producers, but the decrease in MX spread will be limited as the PX spread remains strong.

#### QoQ Operating Profit Analysis

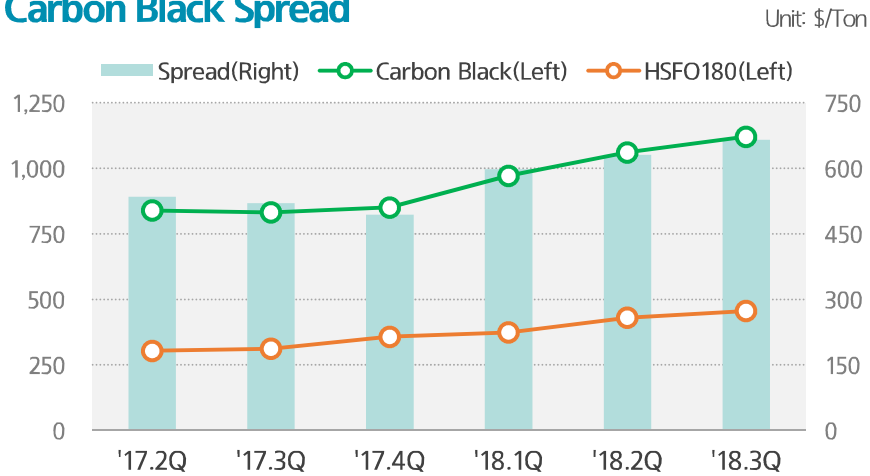
- Operating profit increased as the petrochemical margin improved due to the increase in the MX spread.

#### YoY Operating Profit Analysis

- Despite the increase in the petrochemical margin, Operating profit decreased due to the increase in the production cost.

## 5. Key Index and Operating Profit - Hyundai OCI

### Carbon Black Spread



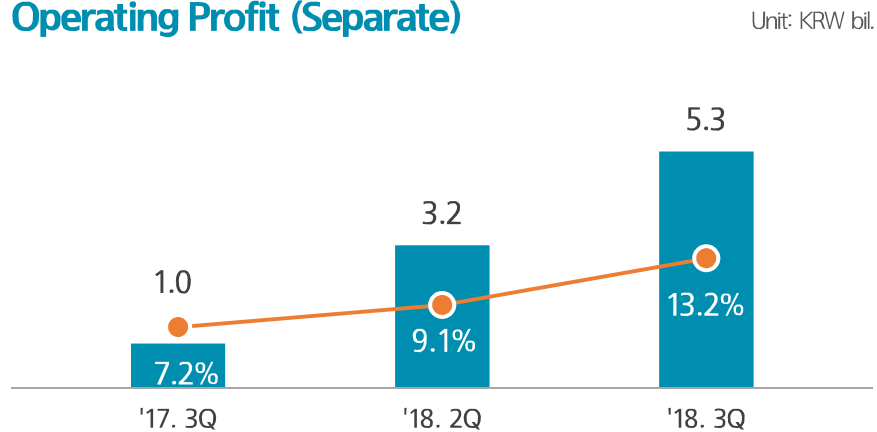
- **3Q Market Analysis**

- The carbon black spread increased as the crude price increase lag from 2Q was integrated into the carbon black price.

- **4Q Forecast**

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

### Operating Profit (Separate)



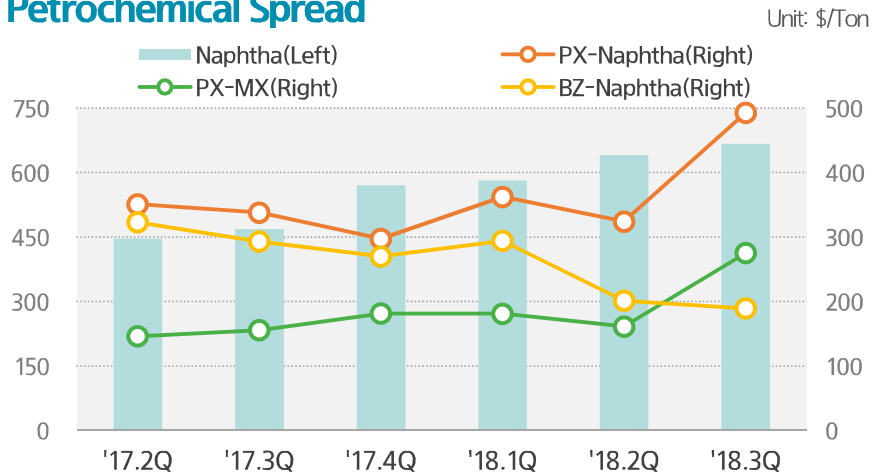
- **Operating Profit Analysis**

- Profit increased as the sales volume increased following the product quality certifications by the tire/rubber producers.



## 6. Key Index and Operating Profit - Hyundai Cosmo (Equity Method)

### Petrochemical Spread



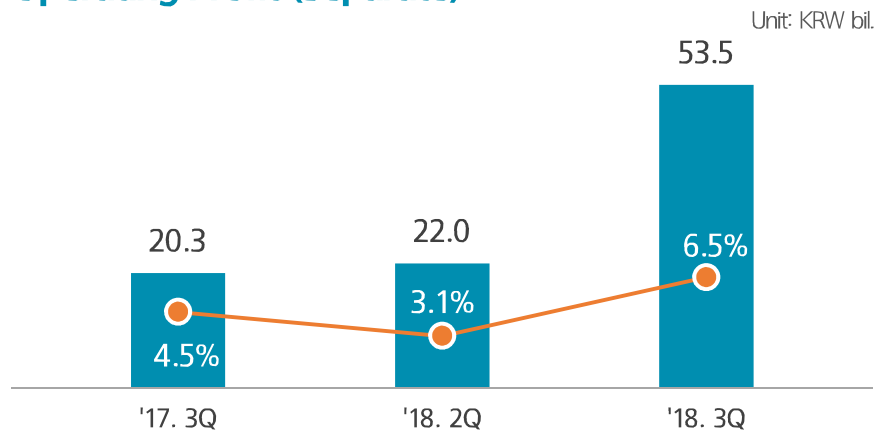
#### 3Q Market Analysis

- PX spread increased due to operation setbacks of the new facilities in Saudi Arabia and Vietnam as well as the high demand before the fall regular maintenance of PX producers.
- Benzene spread decreased as the high PX margin increased BTX utilization, thereby increasing the benzene supply.

#### 4Q Forecast

- Strong PX spread will continue as the regular maintenance of domestic PX producers lead to a tight supply and demand.

### Operating Profit (Separate)



#### QoQ Operating Profit Analysis

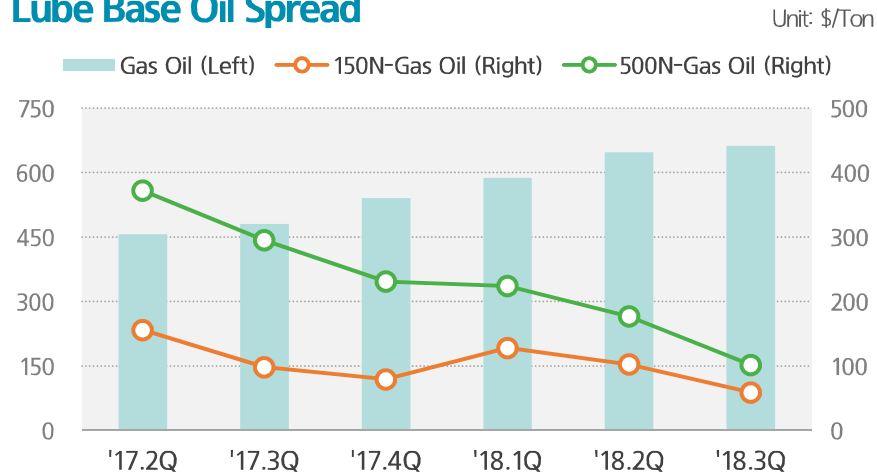
- Operating profit increased QoQ as the PX spread increased.

#### YoY Operating Profit Analysis

- Operating profit increased YoY as the PX spread increased.

## 7. Key Index and Operating Profit - Hyundai Shell Base Oil (Equity Method)

### Lube Base Oil Spread



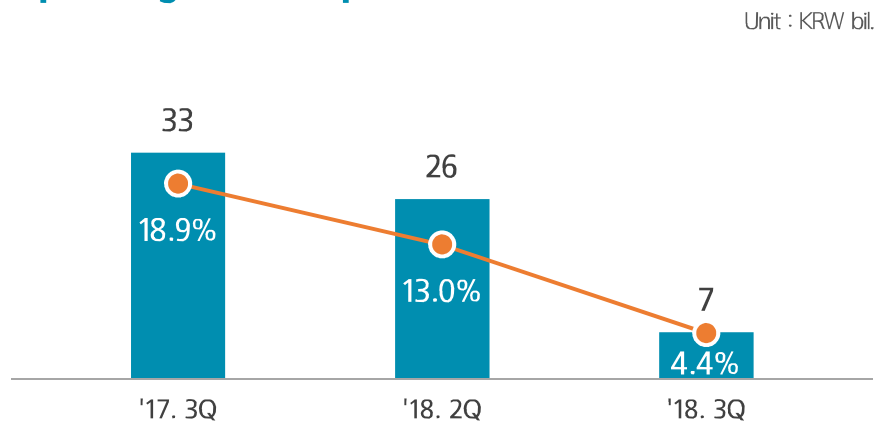
#### 3Q Market Analysis

- Lube base oil spread decreased due to the weak seasonal demand as well as the increase in the raw material cost following the rise in the crude price.

#### 4Q Forecast

- Raw material cost increase and weak demand will likely continue, but the spread will remain relatively unchanged as the supply decreases due to the regular maintenance.

### Operating Profit (Separate)



#### QoQ Operating Profit Analysis

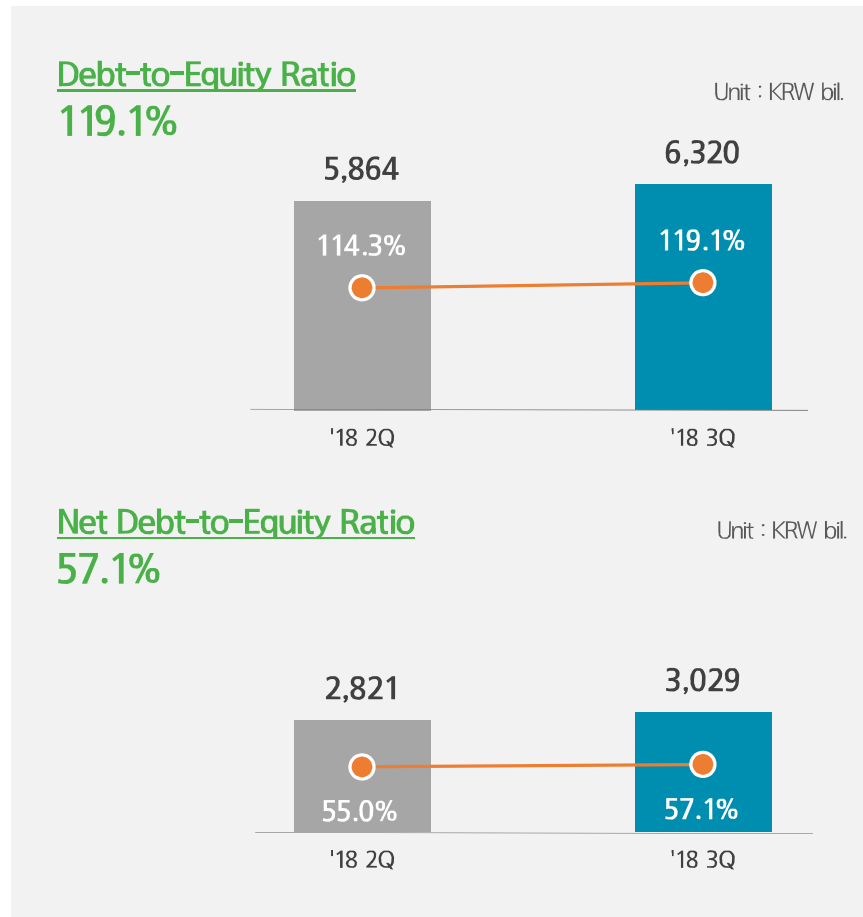
- Operating profit decreased QoQ due to the decrease in the lube base oil spread as well as the decrease in the utilization rate due to the regular maintenance.

#### YoY Operating Profit Analysis

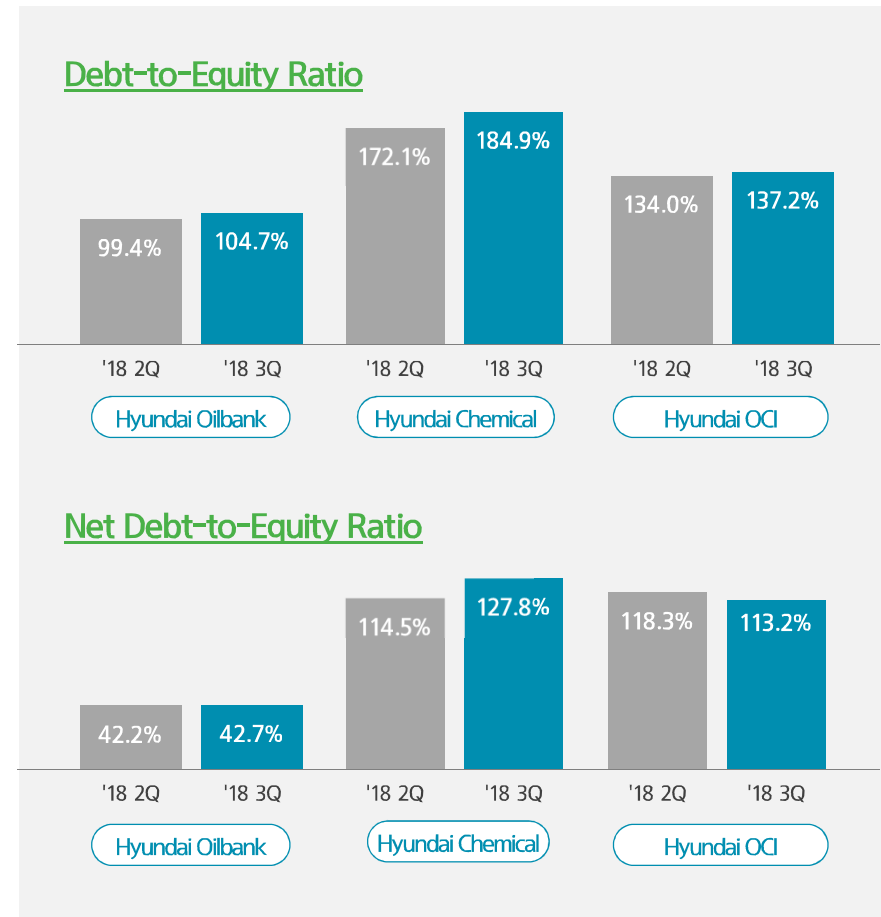
- Operating profit decreased YoY due to the decrease in the lube base oil spread as well as the decrease in the utilization rate due to the regular maintenance.

# 8. Financial Ratio

## Consolidated Financial Ratio



## Financial Ratio of Major Subsidiaries (Separate)



# 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. 2018 3Q Expansion Investments
5. HPC Project Overview



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

## Consolidated Income Statement

Unit: KRW bil.

	'18.3Q			'18.2Q	'17.3Q
		QoQ	YoY		
Sales	5,173.0	-4.8%	54.8%	5,435.2	3,340.8
Cost of goods sold	4,831.6	-4.0%	61.6%	5,031.1	2,990.7
Gross profit	341.4	-15.5%	-2.5%	404.1	350.1
Operating profit	240.0	-23.5%	-0.9%	313.6	242.2
OP margin	4.6%	-1.2%p	-2.6%p	5.8%	7.2%
Non operating income & expenses	-12.3	-	-	-85.8	-22.0
Net interest gain	-24.0	-	-	-22.0	-17.1
Net F/X gain	10.4	-	-	-57.1	-11.0
Equity method gain	22.1	-	-	19.5	23.0
Profit before tax	249.8	1.0%	2.7%	247.3	243.2
Income tax	59.9	-	-	62.0	51.9
Net income	189.9	2.5%	-0.7%	185.3	191.3

Note: Consolidated in accordance with K-IFRS

## Consolidated Balance Sheet

Unit: KRW bil.

	'17. 3Q	'18. 2Q	'18. 3Q
Current assets	3,182.3	4,062.1	4,456.1
(Cash & Cash equivalents)	186.2	185.0	139.1
Non-current assets	6,660.1	6,934.4	7,172.0
<b>Total assets</b>	<b>9,842.4</b>	<b>10,996.5</b>	<b>11,628.1</b>
Current liabilities	3,132.7	3,666.0	3,933.9
(Short-term borrowings)	986.6	1,039.6	1,002.2
Non-current liabilities	1,959.7	2,198.1	2,386.3
(Long-term borrowings)	1,766.1	1,976.6	2,175.8
<b>Total liabilities</b>	<b>5,092.4</b>	<b>5,864.1</b>	<b>6,320.2</b>
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	453.7	453.8	442.5
Retained earnings	2,761.8	3,109.4	3,289.0
Non-controlling interests	309.1	343.8	351.0
<b>Total equity</b>	<b>4,750.0</b>	<b>5,132.4</b>	<b>5,307.9</b>
<b>Total liabilities &amp; equity</b>	<b>9,842.4</b>	<b>10,996.5</b>	<b>11,628.1</b>

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

### Consolidated Income Statement

Unit: KRW bil.

	'18.3Q			'18.2Q	'17.3Q
		QoQ	YoY		
Sales	4,499.7	-4.1%	63.1%	4,693.4	2,758.4
Cost of goods sold	4,198.7	-2.9%	70.0%	4,324.0	2,469.3
Gross profit	301.0	-18.5%	4.1%	369.4	289.1
Operating profit	201.5	-28.4%	8.9%	281.4	185.0
OP margin	4.5%	-1.5%p	-2.2%p	6.0%	6.7%
Non operating income & expenses	-6.6	-	-	-59.0	-11.1
Net interest gain	-14.2	-	-	-12.7	-9.4
Net F/X gain	7.0	-	-	-47.0	-9.5
Profit before tax	194.9	-12.4%	12.1%	222.4	173.9
Income tax	50.5	-	-	58.5	38.3
Net income	144.4	-11.9%	6.5%	163.9	135.6

### Balance Sheet

Unit: KRW bil.

	'17. 3Q	'18. 2Q	'18. 3Q
Current assets	2,397.4	3,172.2	3,471.7
(Cash & Cash equivalents)	65.0	40.2	32.5
Non-current assets	5,767.9	5,966.4	6,184.0
<b>Total assets</b>	<b>8,165.3</b>	<b>9,138.6</b>	<b>9,655.7</b>
Current liabilities	2,683.3	3,220.2	3,417.3
(Short-term borrowings)	815.5	845.6	717.7
Non-current liabilities	1,151.6	1,336.4	1,522.1
(Long-term borrowings)	978.4	1,138.0	1,337.2
<b>Total liabilities</b>	<b>3,834.9</b>	<b>4,556.6</b>	<b>4,939.4</b>
Paid-in capital	1225.4	1,225.4	1225.4
Others	436.5	434.1	426.7
Retained earnings	2,668.5	2,922.5	3,064.2
<b>Total equity</b>	<b>4,330.4</b>	<b>4,582.0</b>	<b>4,716.3</b>
<b>Total liabilities &amp; equity</b>	<b>8,165.3</b>	<b>9,138.6</b>	<b>9,655.7</b>

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

#### Consolidated Income Statement

Unit: KRW bil.

	'18.3Q			'18.2Q	'17.3Q
		QoQ	YoY		
Sales	1,051.6	-1.1%	35.6%	1,063.6	775.3
Cost of goods sold	1,022.1	-1.4%	42.6%	1,037.1	716.7
Gross profit	29.5	11.3%	-49.7%	26.5	58.6
Operating profit	25.1	15.7%	-53.9%	21.7	54.4
OP margin	2.4%	+0.4%p	-4.6%p	2.0%	7.0%
Non operating income & expenses	-4.5	-	-	-21.4	-8.2
Net interest gain	-8.4	-	-	-7.8	-7.4
Net F/X gain	3.4	-	-	-9.9	-1.5
Profit before tax	20.6	6766.7%	-55.4%	0.3	46.2
Income tax	4.9	-	-	-0.1	11.1
Net income	15.7	3825.0%	-55.3%	0.4	35.1

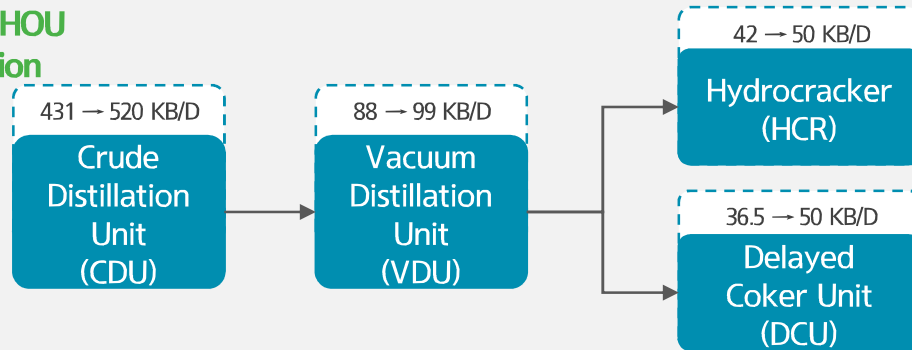
#### Balance Sheet

Unit: KRW bil.

	'17. 3Q	'18. 2Q	'18. 3Q
Current assets	783.4	967.6	1,105.7
(Cash & Cash equivalents)	88.0	47.5	25.8
Non-current assets	1,017.2	1,013.6	1,009.6
<b>Total assets</b>	<b>1,800.6</b>	<b>1,981.2</b>	<b>2,115.3</b>
Current liabilities	447.3	547.4	666.9
(Short-term borrowings)	163.0	176.5	269.9
Non-current liabilities	707.7	705.8	705.9
(Long-term borrowings)	703.9	704.9	705.3
<b>Total liabilities</b>	<b>1,155.0</b>	<b>1,253.2</b>	<b>1,372.8</b>
Paid-in capital	480.0	480.0	480.0
Others	-2.6	-2.1	-3.2
Retained earnings	168.2	250.1	265.8
<b>Total equity</b>	<b>645.6</b>	<b>728.0</b>	<b>742.6</b>
<b>Total liabilities &amp; equity</b>	<b>1,800.6</b>	<b>1,981.2</b>	<b>2,115.3</b>

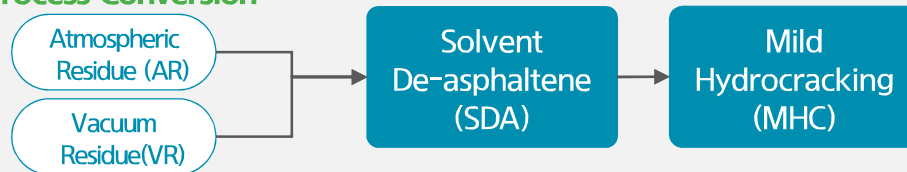
## 4. 2018 3Q Expansion Investments

### CDU & HOU Expansion



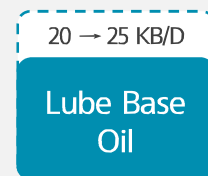
- **Total Investment: KRW 230 bil.**
- **Expected Benefits (Finished as of Sep. 2018)**
  - Refining capacity : 431 → 520 KB/D  
(Currently in test operation & stabilization)
  - HCR 42 → 50 KB/D, DCU 36.5 → 50 KB/D  
(Currently in test operation & stabilization)

### SDA (Solvent-De-Asphalt) Construction & MHC Process Conversion



- **Total Investment: KRW 200 bil.**
- **Expected Benefits (Finished as of Sep. 2018)**
  - Lower feedstock cost by increasing ultra-heavy crude input.
  - Covert parts of ARDS into MHC  
(Increase gas oil production)

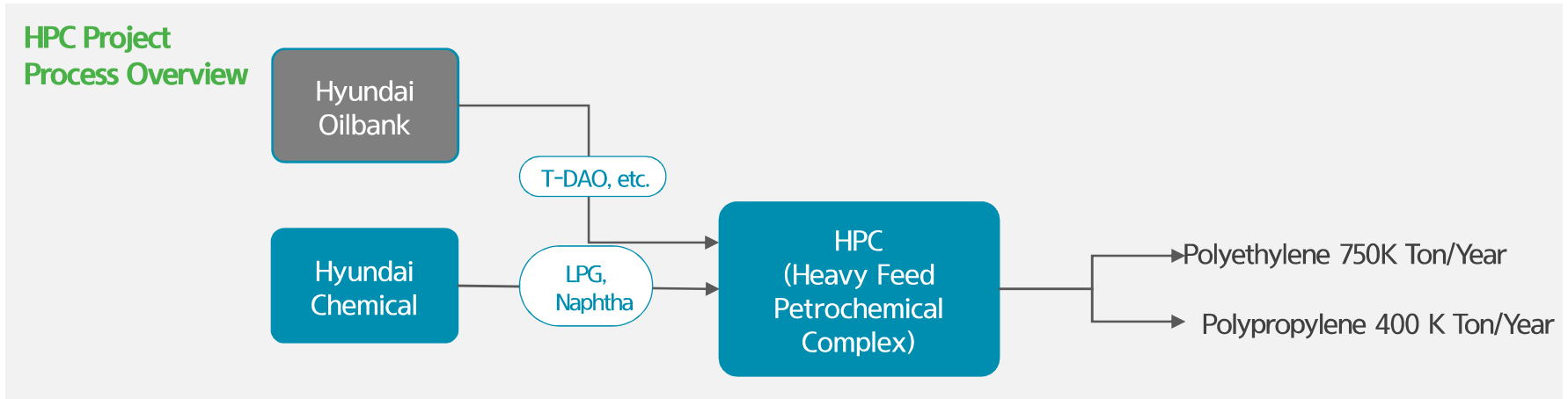
### Lube Base Oil Expansion



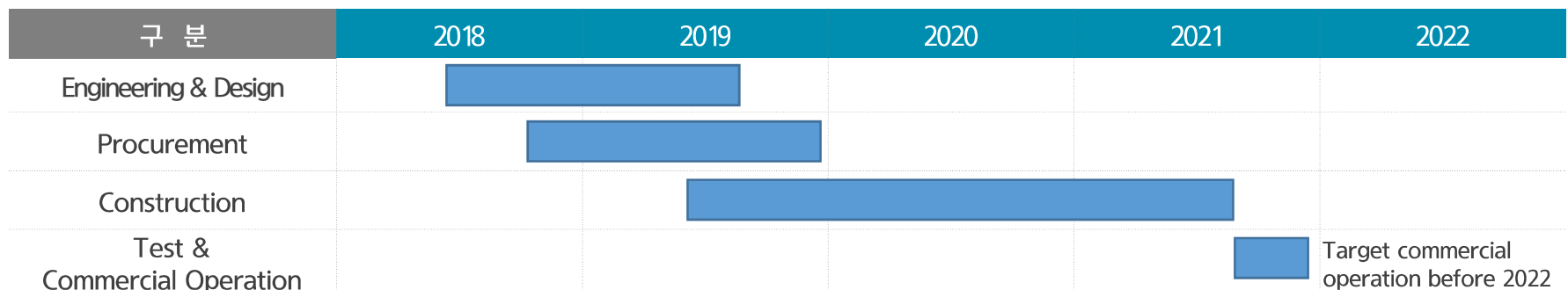
- **Total Investment: KRW 46 bil.**
- **Expected Benefits (Finished as of Sep. 2018)**
  - Increase capacity by 5K B/D  
(Yearly base oil production 800K Ton → 1000K Ton (E))



## 5. HPC Project Overview



1) Overview	2) Products	3) Investments & Profitability (E)
<ul style="list-style-type: none"> <li>• May 2018 MOU between Hyundai Oilbank &amp; Lotte Chemical</li> <li>• Investments from Hyundai Chemical expected</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 Investments: KRW 2,700 bil.</li> <li>• IRR: 17.7% (2018 expected)</li> </ul>



**Hyundai**  
**Oilbank**

