

1Q 2019 Earnings Release

**HYUNDAI
OILBANK**



Disclaimer

This report has been prepared by Hyundai Oilbank Co., Ltd., indicated as "Company" below, for the purpose of promoting understanding of the company's business activities and it is prohibited to export, copy or redistribute the report.

"Predictive information" contained in this report is information that has not been subjected to individual verification. This refers to information related to future events, such as expected future management status and financial performance of the company. In terms of expressions, vocabulary such as 'prediction', 'forecast', 'plan', 'expectation', '(E)' are included.

The above "forecast information" is influenced by changes in the future business environment and inherently contains uncertainties. As a result of such uncertainties, actual future performance may significantly differ from those stated or implied in the "forecast information".

Furthermore, the outlook is based on current market conditions and the direction of the company management. Please be advised that changes may occur due to changes in the market environment and strategies, and are subject to change without notice.

Please note that the Company and its employees do not bear any responsibility for any loss resulting from the use of this material. (Including negligence and other cases)

Please do not copy or distribute this material as it contains the confidential information of the Company.

1Q 2019 Earnings

1. Consolidated Earnings
2. Earnings Breakdown
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. Operating Profit of Equity Method Affiliates (Hyundai Cosmo, Hyundai Shell Base Oil)
7. Financial Ratio



1. Consolidated Earnings

1Q 2019 Consolidated Earnings

Unit: KRW bil.



- **Sales: KRW 5.1 trillion**

- QoQ 16.0% decrease (- KRW 976.3 bil.)
- YoY 7.6% increase (+ KRW 363.1 bil.)

- **QoQ Analysis**

- Sales decreased QoQ due to the decrease of average crude price (67.4 → 63.5 \$/B)

- **YoY Analysis**

- Sales increased YoY due to the increase of refining capacity (440,000 B/D → 480,000 B/D)

- **Operating Profit: KRW 100.8 bil.**

- QoQ increase + KRW 276.1 bil.
- YoY decrease - KRW 181.9 bil.

- **QoQ Analysis**

- The inventory valuation loss in 4Q18 was recovered in 1Q19. (Hyundai Oilbank KRW +126.5 bil., Hyundai Chemical KRW +15.7 bil.)

- **YoY Analysis**

- Refining margin decreased as the gasoline / naphtha crack narrowed.

2. Earnings Breakdown

'1Q 2019 Earnings

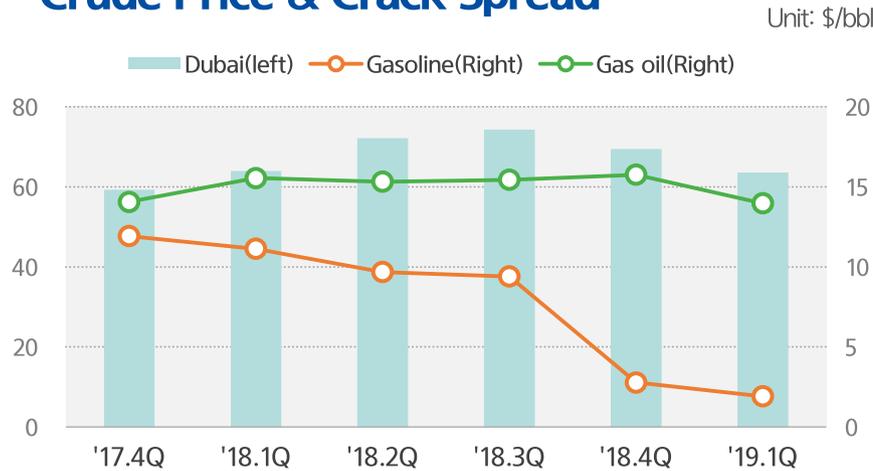
Unit: KRW bil.

	'19.1Q			'18.4Q			'18.1Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Hyundai Oilbank	4547.0	75.0	1.6%	5140.5	(140.5)	-2.7%	4185.2	232.6	5.6%
Hyundai Chemical	924.0	6.3	0.7%	985.2	(50.1)	-5.1%	1052.3	42.0	4.0%
Hyundai OCI	48.2	9.1	18.8%	36.8	4.6	12.5%	24.0	1.7	7.1%
Others/Adjustments	(378.1)	10.4	-	(45.1)	10.7	-	(483.5)	6.4	-
Consolidated Earnings	5141.1	100.8	2.0%	6117.4	(175.3)	-2.9%	4778.0	282.7	5.9%
Hyundai Cosmo (Equity Method)	785.3	99.7	12.7%	743.2	60.0	8.1%	709.4	32.5	4.6%
Hyundai Shell Base Oil (Equity Method)	209.3	0.6	0.3%	183.6	1.8	1.0%	194.2	31.0	16.0%

Note) Equity method affiliates Hyundai Cosmo & Hyundai Shell Base Oil are excluded in the consolidated earnings

3. Key Index and Operating Profit - Hyundai Oilbank

Crude Price & Crack Spread



Operating Profit (Separate)



- 1Q Market Analysis**

- Crude price turned upward with the oil production cuts by OPEC & Non-OPEC and supply disruption in Venezuela.
- Gasoline crack remained low with its oversupply from increased operation rate of US refineries and low WTI price.
- Kero/gas oil crack slightly dropped with a decrease in heating oil demand amid a mild weather and growing concerns on global economic recession arising from US-China trade dispute.

- 2Q 2019 Forecast**

- Oil price is likely to stay firm and steady due to production cuts and the end of Iran sanction waivers, while concerns on the global recession may pose a downward pressure.
- Gasoline crack is projected to rise QoQ with a higher demand from the upcoming driving season and a diminished supply in the U.S. due to T/A and operational disruptions.
- Kero/gas oil crack will slightly decline with diminishing industrial demands due to an economic downturn and new refineries' operation in China and Malaysia.

- QoQ Operating Profit Analysis**

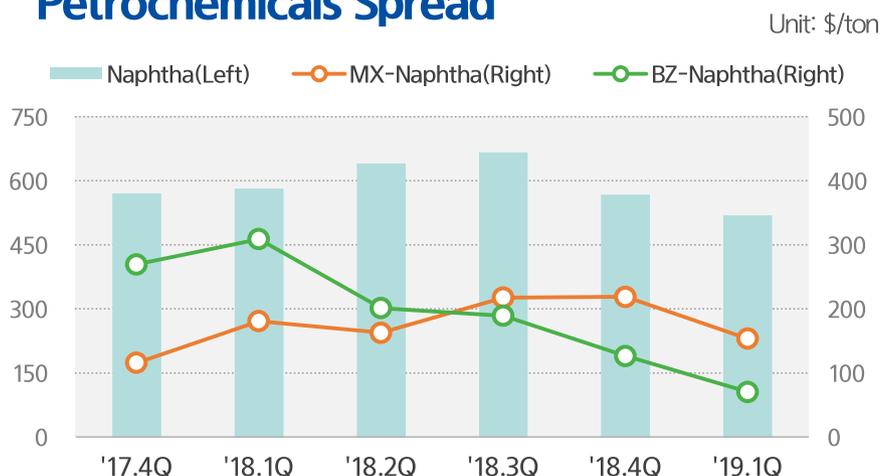
- Inventory valuation loss reflected in 4Q18 was recovered in 1Q19.

- YoY Operating Profit Analysis**

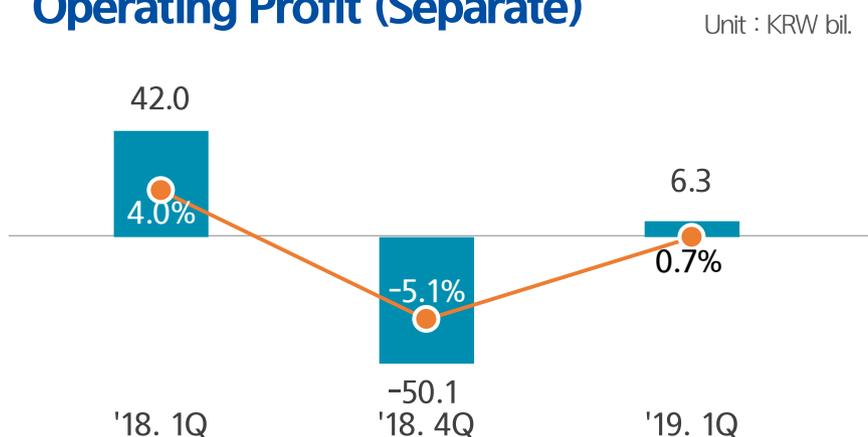
- Refining margin dropped as product crack decreased YoY.

4. Key Index and Operating Profit – Hyundai Chemical

Petrochemicals Spread



Operating Profit (Separate)



1Q Market Analysis

- PX facilities' shutdown in the S-OIL and Taiwan Formosa led to a weak demand of MX used for its production, resulting in a lower MX spread compared to last quarter.
- BZ spread decreased with its oversupply from high operation rates of BTX units with a high PX margin.

2Q 2019 Forecast

- MX spread is likely to rise with its growing demand from new PX factories set to run in China.
- BZ spread will stay low due to its oversupply.

QoQ Operating Profit Analysis

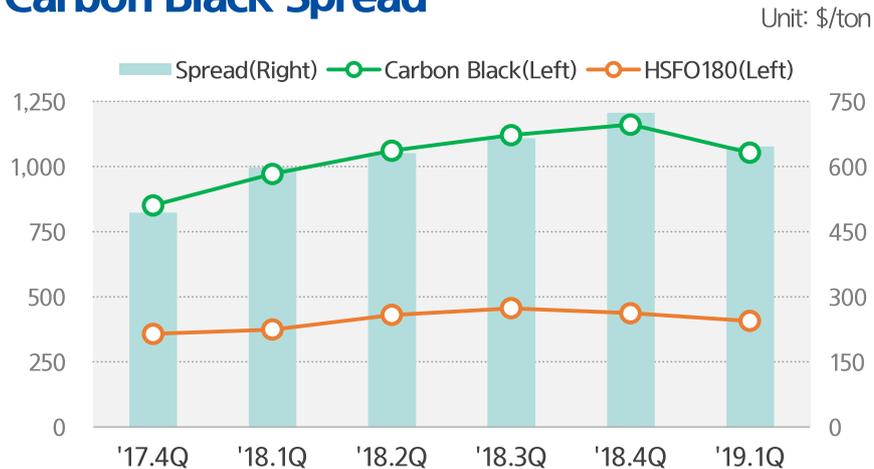
- Operating profit increased due to the recovery of inventory valuation loss reflected in last quarter, despite a drop in product spread.

YoY Operating Profit Analysis

- MX-Naph, BZ-Naph spread shrank YoY (MX-N: 181→154 \$/ton, BZ-N: 309→70 \$/ton)

5. Key Index and Operating Profit – Hyundai OCI

Carbon Black Spread



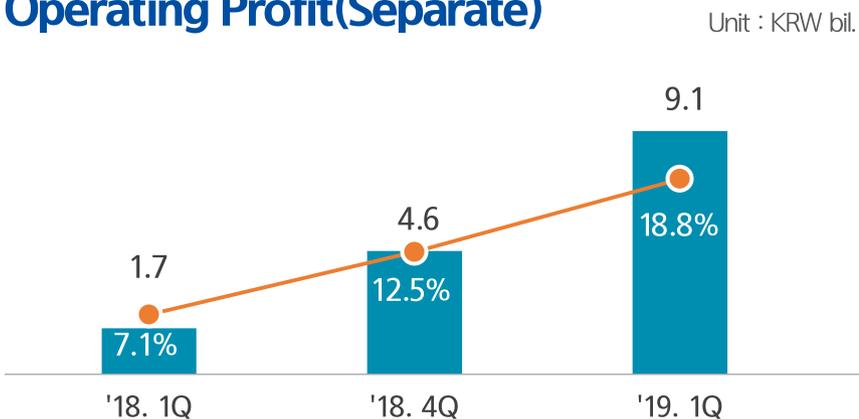
• 1Q Market Analysis

- The oil price drop in 4Q18 was reflected to the spread drop in 1Q19, as carbon black price tends to follow crude price trend with 3 to 6 months lag.

• 2Q 2019 Forecast

- The spread is likely to slightly decline in 2Q compared to 1Q, with additional reflection of the oil price drop in 4Q18.

Operating Profit (Separate)



• Operating Profit Analysis

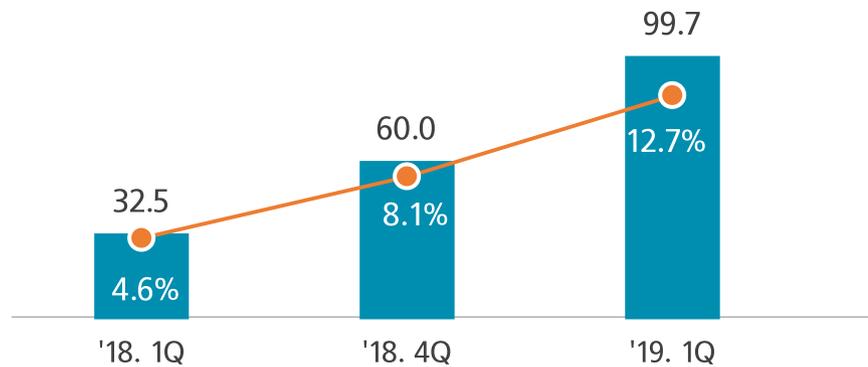
- The output increased QoQ (9.8→25.1 Kiloton) and sales of inventory from last year contributed to the OP growth.

- The carbon black facilities started the commercial operation in Feb. 2018.

6. Equity Method Affiliates (Hyundai Cosmo, Hyundai Shell Base Oil) Hyundai Oilbank

Operating Profit (Hyundai Cosmo)

Unit: KRW bil.



• QoQ Operating Profit Analysis

- Operating profit rose QoQ due to PX spread that has grown at a steady pace since 3Q18.

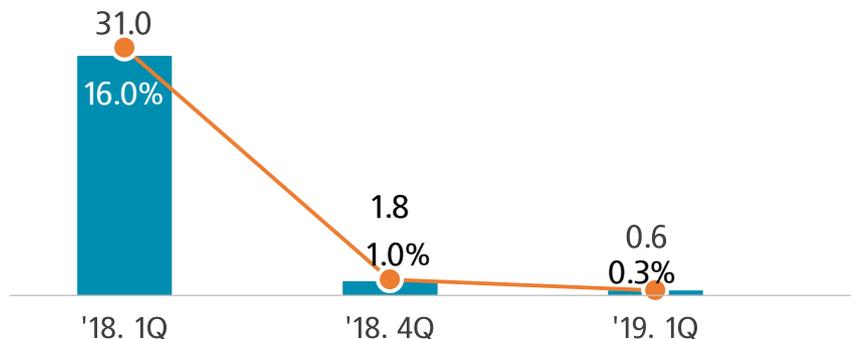
(PX-N (\$/ton) : (1Q18) 362, (4Q18) 554 (1Q19) 541)

• YoY Operating Profit Analysis

- Favorable PX market conditions contributed to YoY growth of operating profit.

Operating Profit (Hyundai Shell Base Oil)

Unit: KRW bil.



• QoQ Operating Profit Analysis

- Lube base oil price remained low due to a lower demand in China.

• YoY Operating Profit Analysis

- Lube base oil product spread has decreased.

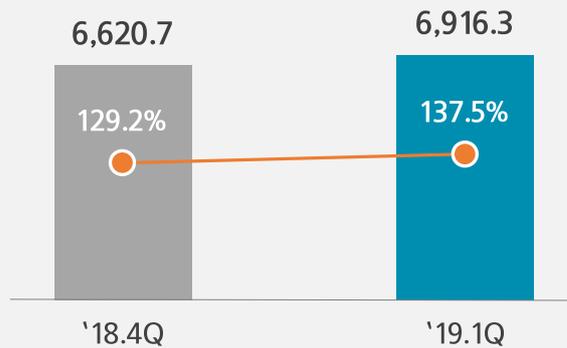
(150N+HSFO (\$/ton) : (1Q18) 341 → (1Q19) 193)

7. Financial Ratio

'Consolidated Financial Ratio

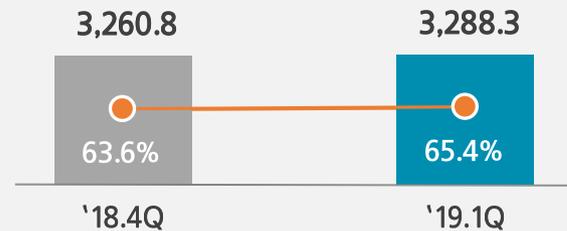
• Debt-to-Equity Ratio 137.5%

Unit: KRW bil.



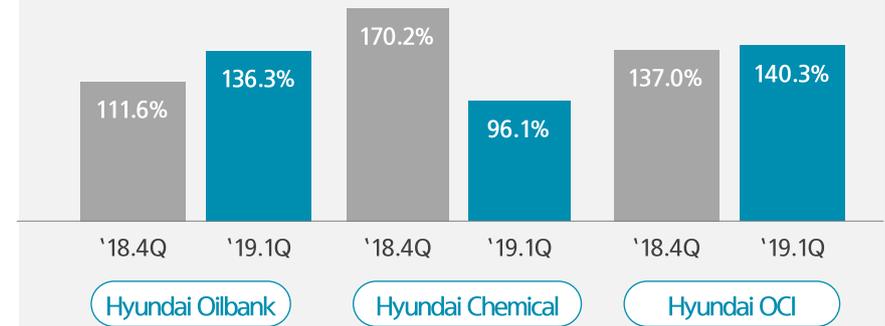
• Net debt-to-Equity Ratio 65.4%

Unit: KRW bil.



Financial Ratio of Major Subsidiaries (Separate)

• 1Q 2019 Debt-to-Equity Ratio



• 1Q 2019 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)



1. Condensed Financial Statement of Hyundai Oilbank(Consolidated)

Consolidated Income Statement

Unit: KRW bil.

	'19.1Q	QoQ	YoY	'18.4Q	'18.1Q
Sales	5,141.1	-16.0%	7.6%	6,117.4	4,778.0
Cost of goods sold	4,936.1	-20.1%	12.5%	6,179.7	4,389.0
Gross profit	204.9	-	-47.3%	-62.3	389.0
Operating profit	100.8	-	-64.3%	-175.3	282.7
OP margin	2.0%	4.9%p	-3.9%p	-2.9%	5.9%
Non operating Income & expenses	-67.7	-	-	-97.2	-21.1
Equity method gains	37.9	-	-	24.8	26.6
Profit before tax	71.0	-	-75.4%	-247.7	288.2
Income tax	12.6	-	-	-57.4	69.3
Net income	58.4	-	-73.3%	-190.3	218.9

Note: Consolidated in accordance with K-IFRS

Consolidated Balance Sheet

Unit: KRW bil.

구 분	'17.4Q	'18.4Q	'19.1Q
Current assets	4,103.6	4,358.3	4,173.8
(Cash & cash equivalents)	148.2	162.6	207.2
Non-current assets	6,837.7	7,386.5	7,772.9
Total assets	10,941.3	11,744.8	11,946.7
Current liabilities	3,797.7	4,578.0	4,521.0
(Short-term borrowings)	1,015.4	1,573.7	1,619.9
Non-current liabilities	2,081.7	2,042.7	2,395.3
(Long-term borrowings)	1,860.0	1,856.1	1,881.4
Total liabilities	5,879.4	6,620.7	6,916.3
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	440.8	454.6	451.1
Retained earnings	3,064.2	3,109.9	2,918.2
Non-controlling interests	331.5	334.2	435.7
Total equity	5,061.9	5,124.1	5,030.4
Total liabilities & equity	10,941.3	11,744.8	11,946.7

2. Condensed Financial Statement of Hyundai Oilbank (Separate)

Income Statement (Separate)

Unit: KRW bil.

	'19.1Q			'18.4Q	'18.1Q
		QoQ	YoY		
Sales	4,547.0	-11.5%	8.6%	5,140.5	4,185.2
Cost of good sold	4,373.4	-15.3%	13.6%	5,166.2	3,849.6
Gross profit	173.6	-	-48.3%	-25.7	335.6
Operating profit	75.0	-	-67.8%	-140.5	232.6
OP margin	0.0	4.3%p	-4.0%p	0.0	0.1
Non-operating income & expenses	25.1	-	-	-83.8	13.0
Profit before tax	100.1	-	-59.2%	-224.3	245.6
Income tax	16.6	-	-	-48.8	60.9
Net income	83.5	-	-54.8%	-175.5	184.7

Balance Sheet (Separate)

Unit: KRW bil.

	'17.4Q	'18.4Q	'19.1Q
Current assets	3,226.2	3,240.5	3,428.7
(Cash & cash equivalents)	57.9	26.1	67.9
Non-current assets	5,906.1	6,360.3	6,902.4
Total assets	9,132.3	9,600.8	10,331.1
Current liabilities	3,319.9	3,888.2	4,435.4
(Short-term borrowings)	835.2	1,427.6	1,577.8
Non-current liabilities	1,239.0	1,174.9	1,522.8
(Long-term borrowings)	1,038.4	1,017.5	1,027.1
Total liabilities	4,558.9	5,063.1	5,958.2
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	426.6	429.3	428.8
Retained earnings	2,921.4	2,883.0	2,718.7
Total equity	4,573.4	4,537.7	4,372.9
Total liabilities & equity	9,132.3	9,600.8	10,331.1

3. Condensed Financial Statement of Hyundai Chemical(Separate)

Income Statement (Separate)

Unit: KRW bil.

	'19.1Q	QoQ	YoY	'18.4Q	'18.1Q
Sales	924.0	-6.2%	-12.2%	985.2	1052.3
Cost of good sold	912.0	-11.6%	-9.3%	1031.4	1005.5
Gross profit	12.0	-	-74.3%	-46.2	46.7
Operating profit	6.3	-	-85.0%	-50.1	42.0
OP margin	0.7%	5.8%p	-3.3%p	-5.1%	4.0%
Non-operating income & expenses	-8.8	-	-	-11.8	-9.0
Profit before tax	-2.5	-	-	-61.9	33.0
Income tax	-0.6	-	-	-14.8	7.9
Net income	-1.9	-	-	-47.1	25.1

Balance Sheet (Separate)

Unit: KRW bil.

	'17.4Q	'18.4Q	'19.1Q
Current assets	1,017.4	865.5	801.4
(Cash & cash equivalents)	44.7	89.9	86.6
Non-current assets	1,015.3	1,017.2	1,047.7
Total assets	2,032.7	1,882.7	1,849.1
Current liabilities	626.8	479.4	192.0
(Short-term borrowings)	174.8	121.9	30.5
Non-current liabilities	705.5	706.5	714.2
(Long-term borrowings)	704.2	705.6	705.9
Total liabilities	1,332.3	1,185.9	906.2
Paid-in capital	480.0	480.0	730.0
Others	-4.2	-1.3	-3.3
Retained earnings	224.6	218.1	216.2
Total equity	700.4	696.8	942.9
Total liabilities & equity	2,032.7	1,882.7	1,849.1

Hyundai
Oilbank

