

1Q 2020 Earnings Release

**HYUNDAI
OILBANK**



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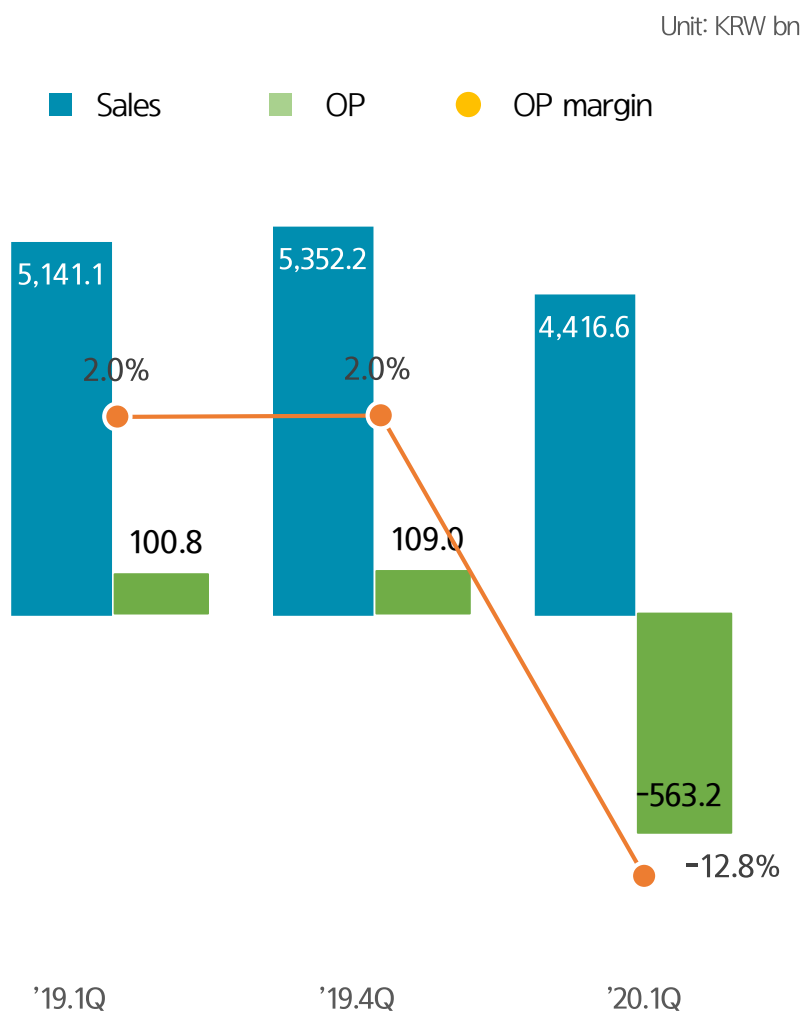
1Q 2020 Earnings

1. Consolidated Earnings
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3. Key Index and Operating Profit - Hyundai Oilbank
4. Key Index and Operating Profit - Hyundai Chemical
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1. Consolidated Earnings

1Q 2020 Consolidated Earnings



- Sales: KRW 4.4 trillion**

- QoQ 17.5% decrease (- KRW 935.6 bn)
- YoY 14.1% decrease (- KRW 724.5 bn)

- QoQ Analysis**

- Sales decreased QoQ as the average crude price fell (62.1 → 50.7 \$/B)

- YoY Analysis**

- Sales decreased YoY as the average crude price fell (63.5 → 50.7 \$/B)

- Operating Profit : KRW -563.2 bn**

- QoQ decrease: -KRW 672.2 bn
- YoY decrease: -KRW 664.0 bn

- QoQ / YoY Analysis**

- Amid shrinking cracks due to a decrease in product demand following the COVID-19 outbreak, oil price plunge triggered by oil-producing nations' production increase incurred gross operating losses of KRW 588.5 bn including inventory valuation losses of KRW 187.4 bn

2. Earnings Breakdown

'1Q 2019 Earnings

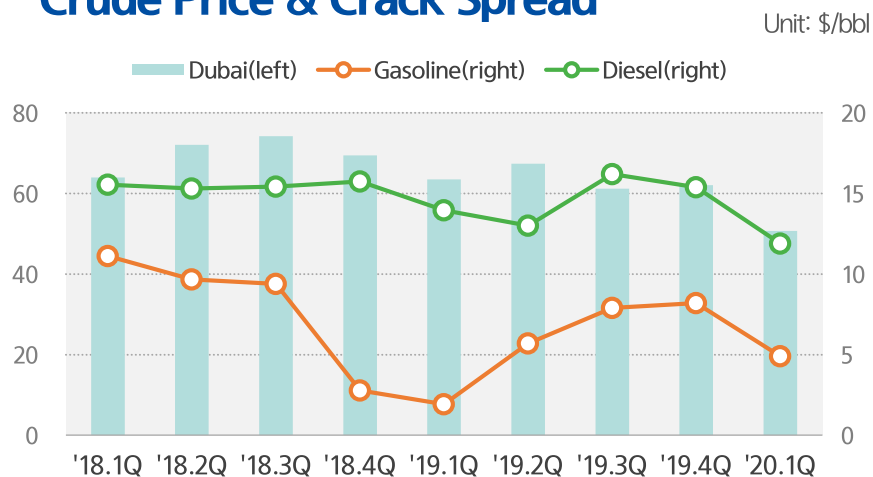
Unit: KRW bn

	'20.1Q			'19.4Q			'19.1Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Hyundai Oilbank	3,973.7	- 476.9	-12.0%	4,928.3	59.9	1.2%	4,547.0	75.0	1.6%
Hyundai Chemical	837.0	- 104.7	-12.5%	990.8	26.9	2.7%	924.0	6.3	0.7%
Hyundai OCI	48.8	11.9	24.4%	44.3	10.7	24.0%	48.2	9.1	18.8%
Others/Adjustments	- 442.8	6.5		- 611.2	11.5		- 378.1	10.4	-
Consolidated Earnings	4,416.6	- 563.2	-12.8%	5,352.2	109.0	2.0%	5,141.1	100.8	2.0%
Hyundai Cosmo (Equity Method)	549.7	- 6.2	-1.1%	736.5	- 28.5	-3.9%	785.3	99.7	12.7%
Hyundai Shell Base Oil (Equity Method)	180.1	23.5	13.0%	180.8	6.5	3.6%	209.3	0.6	0.3%

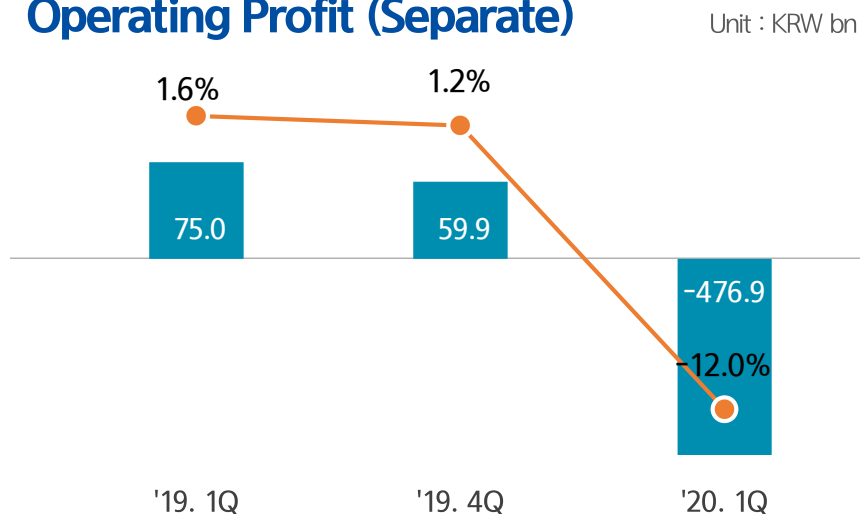
Note) Equity method affiliates Hyundai Cosmo & Hyundai Shell Base Oil are excluded in the consolidated earnings

3. Key Index and Operating Profit - Hyundai Oilbank

Crude Price & Crack Spread



Operating Profit (Separate)



1Q Market Analysis

- Oil price fell with the oversupply: oil demand plummeted with worldwide COVID-19 outbreak and oil supply surged with oil-producing countries' competitive output increase.
- Gasoline crack dropped as transport demand sharply fell with lockdown orders in response to the global proliferation of COVID-19 cases.
- Gas-oil crack narrowed down with new plants' operation (Rongsheng 400kbd, RAPID 300kbd) and low transport demand due to the COVID-19.

2Q 2020 Forecast

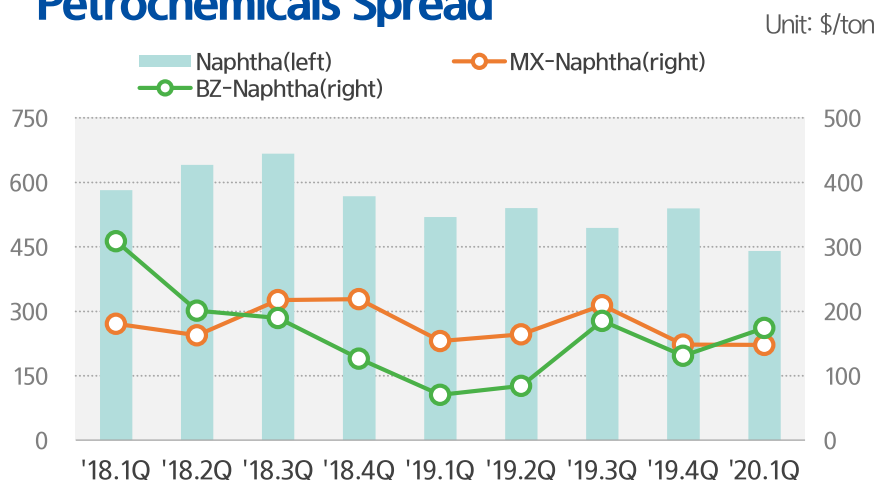
- Oil price is expected to show high volatility depending on: whether oil-producing countries will reach an agreement on production cut; and when the market will recover from COVID-19 impacts. Oil-producing countries' official selling price cuts will reduce production costs from June onwards.
- Gasoline demand is likely to recover after COVID-19, currently spreading out across Europe and North America, starts to show a clear sign of slowdown or termination.
- Gas-oil crack is projected to narrow down in the 2nd quarter with extended lockdown orders and a decrease in the industrial demand amid economic depression, and it is expected to rebound in the 3rd quarter.

QoQ / YoY Operating Profit Analysis

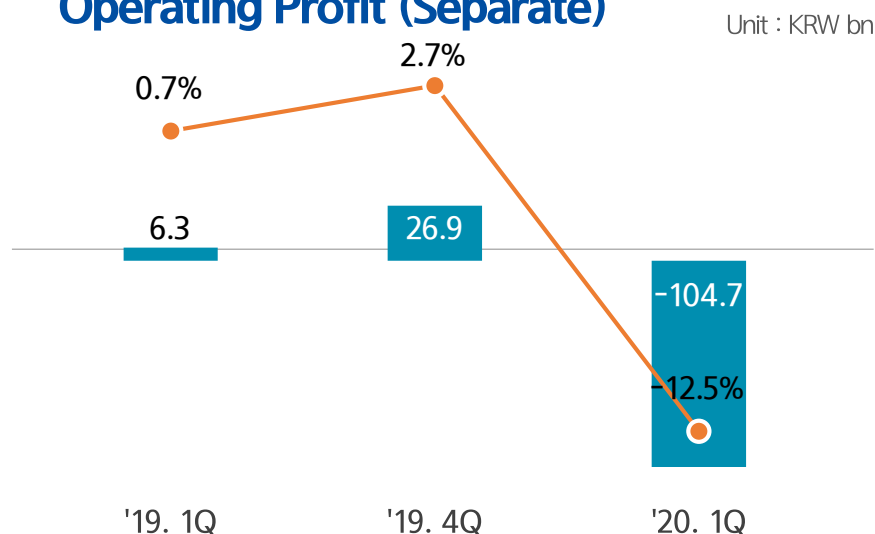
- Oil product demand decreased due to COVID-19 pandemic.
- Oil price drop incurred operating losses of - KRW 465.8 bn, inclusive of inventory valuation loss of - KRW 162.0 bn.

4. Key Index and Operating Profit – Hyundai Chemical

Petrochemicals Spread



Operating Profit (Separate)



1Q Market Analysis

- MX spread slightly declined with a decrease in demand from worsening economics of MX to PX operation and COVID-19.
- BZ spread stayed firm despite COVID-19 as producers were on T/A and purchases from China increased with low price.

2Q 2020 Forecast

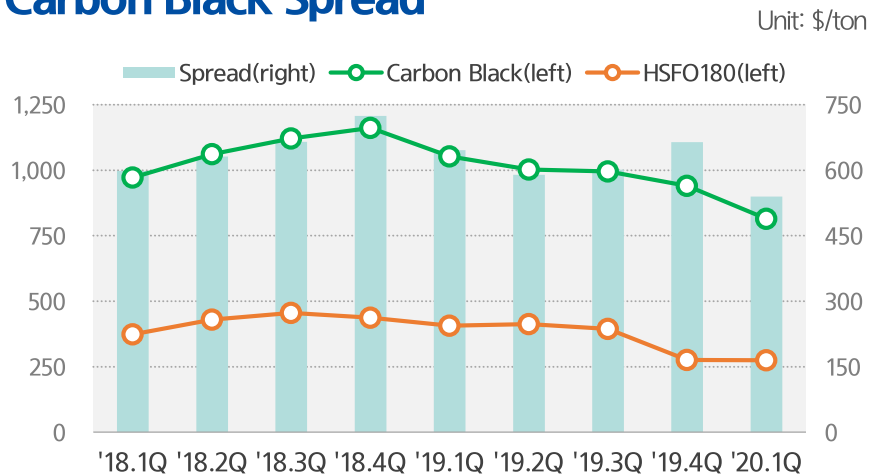
- MX spread is expected to rebound with growing demand from PX plants in China resuming operation and tight supply from refineries in Japan scheduled for T/A, while concerns on recession from COVID-19 will limit its dramatic upturn.
- BZ spread is projected to slightly fall as producers will end T/A and oil price is likely to remain volatile, while China's downstream operating rate and economics will gradually improve.

QoQ / YoY Operating Profit Analysis

- CSU(Condensate Splitter Unit) margin decreased as product cracks narrowed down.
- Oil price drop incurred operating losses of - KRW 122.7 bn, inclusive of inventory valuation loss of - KRW 25.4 bn.

5. Key Index and Operating Profit – Hyundai OCI

Carbon Black Spread



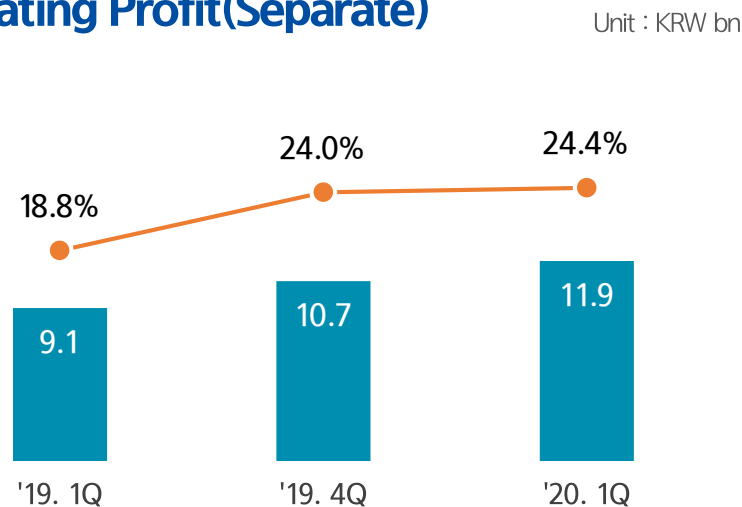
• 1Q Market Analysis

- Carbon black price fell by \$125 / ton QoQ due to oil price drop and weak demand.
- HSFO 180 purchase price remained unchanged from last quarter at \$275 / ton.

• 2Q 2020 Forecast

- Carbon black price and production margin is expected to decrease, reflecting the oil price drop in the 1st quarter.

Operating Profit(Separate)



• Operating Profit Analysis

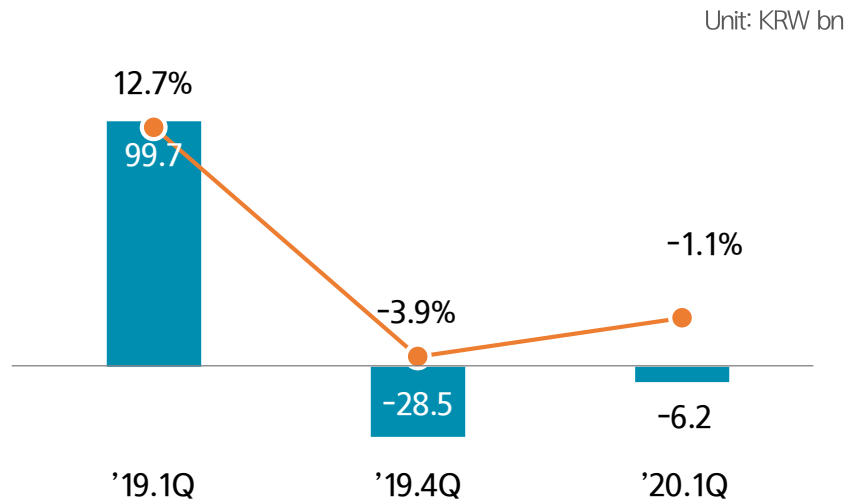
- Operating profit increased as the increase in sales volume outweighed the decrease in sales margin

(Unit: Kiloton)

Sales Volume	19.4Q	20.1Q	Incremental
Carbon Black	29	34	+5
BTX	10	14	+4

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

Operating Profit (Hyundai Cosmo)



• QoQ Operating Profit Analysis

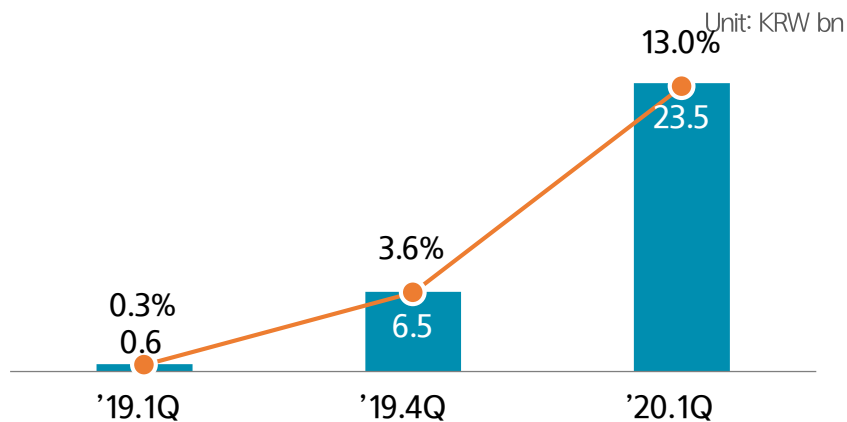
- Margin improved as raw material (naphtha) price fell with oil price and China's PTA downstream capacity utilization rose.

• YoY Operating Profit Analysis

- PX margin fell YoY.

(Unit: \$/ton)	19.1Q	19.4Q	20.1Q
PX - N	541	242	249
BZ - N	70	131	174

Operating Profit (Hyundai Shell Base Oil)



• QoQ Operating Profit Analysis

- Production margin improved as raw material price dropped in line with the oil price and sales volume increased.

• YoY Operating Profit Analysis

- Spread widened YoY.

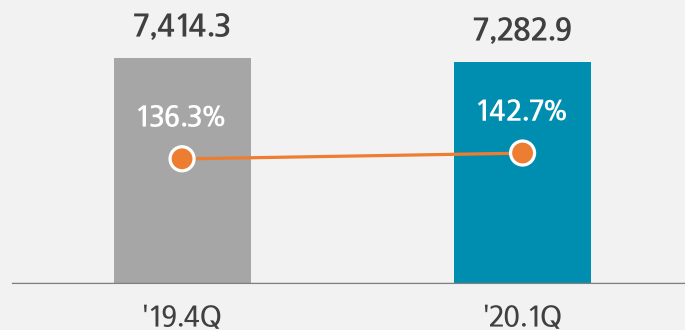
(Unit: \$/ton)	19.1Q	19.4Q	20.1Q
150N-HW	63	102	168
500N-HW	76	123	188

7. Financial Ratio

Consolidated Financial Ratio

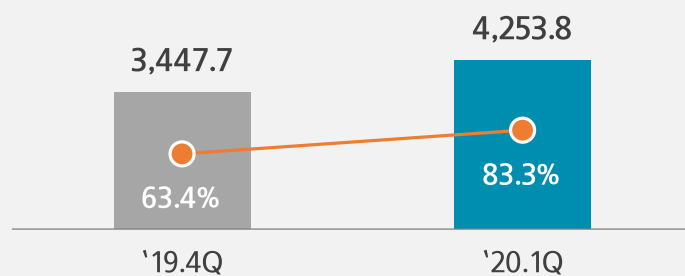
- Debt-to-Equity Ratio 142.7%

Unit: KRW bn



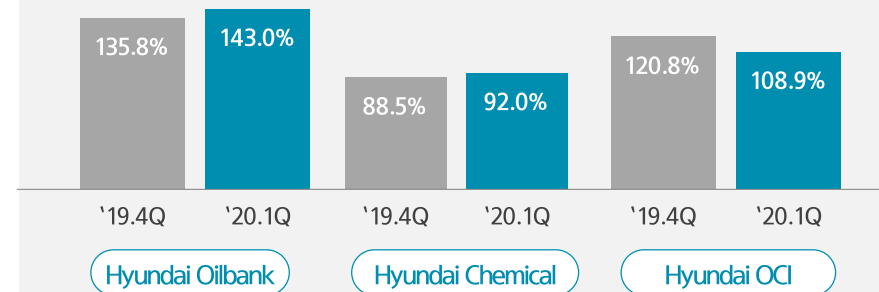
- Net debt-to-Equity Ratio 83.3%

Unit: KRW bn

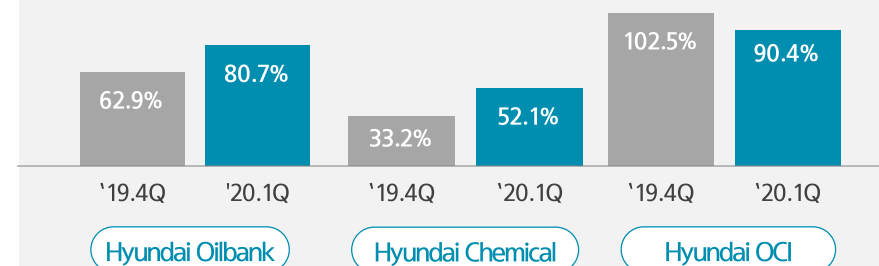


Financial Ratio of Major Subsidiaries (Separate)

- 1Q 2020 Debt-to-Equity Ratio



- 1Q 2020 Net debt-to-Equity Ratio



APPENDIX

1. 1Q Result Analysis
2. 2020 Turnarounds and Key Investments
3. HPC Project
4. Condensed Financial Statements of Hyundai Oilbank (Consolidated)
5. Condensed Financial Statements of Hyundai Oilbank (Separate)
6. Condensed Financial Statements of Hyundai Chemical (Separate)



1. 1Q Result Analysis – OP less losses from oil price drop

In the 1st quarter, domestic refiners are projected to have an unprecedentedly massive loss due to a decrease in demand from COVID-19 and an increase in supply caused by output increase competition among oil-producing countries. Nonetheless, operating profit of Hyundai Oilbank in the 1st quarter, exclusive of losses from oil price drop (-KRW 588.5 bn), was + KRW 25.3 bn, indicating robust profitability supported by competitive facilities and pre-emptive responses (e.g. run-cut) to deteriorating market condition.

□ 1Q operating profit less losses from oil price drop (+KRW 25.3 bn)

Unit : KRW bn

	Losses from Crude	Losses from Products	Inventory Valuation Loss (NRV)	Losses from Oil Price Drop (A)	O P (B)	(B) – (A)
Hyundai Oilbank	-221.3	-82.5	-162.0	-465.8	-476.9	-11.1
Hyundai Chemical	-94.9	-2.4	-25.4	-122.7	-104.7	+18.0
Others					18.4	+18.4
Total	-316.2	-84.9	-187.4	-588.5	-563.2	+25.3

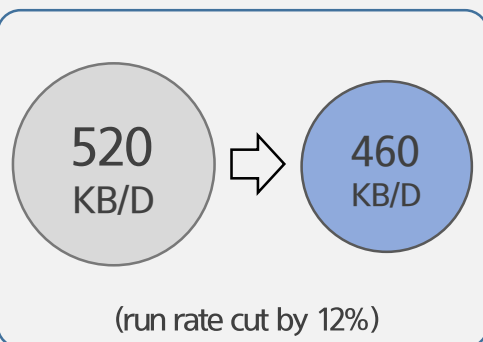
1. 1Q Result Analysis – Pre-emptive response to market

Hyundai Oilbank minimized operating loss in the 1st quarter by pre-emptive responses to worsening market condition.

1

Pre-emptive Run-cut

- We have cut runs by 60 kb/d from our full capacity of 520 kb/d to 460 kb/d, in response to decreasing market demand.

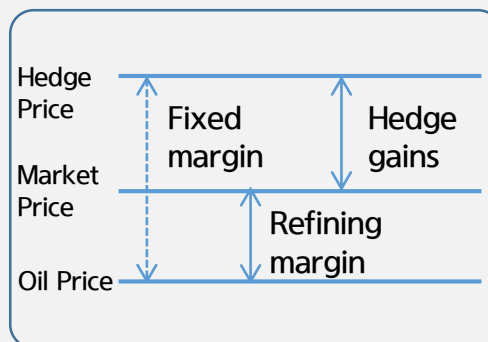


2

Risk Management with Hedging

- We have actively carried out hedging against worsening cracks of gasoline and diesel in order to secure stable profits.

(1Q +KRW 24.9 bn).



3

Contingency Management

- We have been continuously developing profit improvement items since 2019 on a weekly basis, and have escalated to intensive contingency management from 2020 onwards.
- Expenditure cut (KRW 74bn/yr)
 - : We have tightened our control on budget execution stipulations
- Investment cut (KRW 200bn/yr)
 - : We have cut or deferred our planned investments (e.g. #3 CDU)

1. 1Q Result Analysis – Facility Competitiveness Analysis

Hyundai Oilbank maintained operating economics amid unfavorable market condition with intrinsic competitiveness based on top-tier refining facilities.

1

Highest Upgrading Ratio (40.6%)

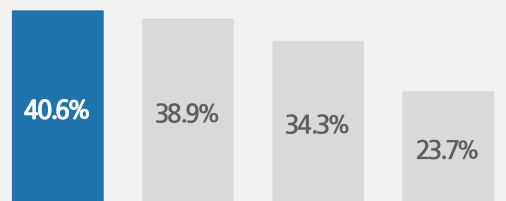
- We maximize productivity by producing high-value light products to the maximum with our heavy oil upgrading units.

* Upgrading Ratio =

Upgrading units capacity / CDU capacity

〈Upgrading Ratios Comparison〉

40.6%




A社

B社

C社

2

Ultra-heavy Crude Maximum Input

- We input ultra-heavy crude to the maximum with DCU uniquely owned by us among domestic refiners.
- * DCU can process heavy and impure oil.

〈Ultra-heavy crude usage and price〉

		Hyundai Oilbank	Competitors average
Crude Type	Condensate	4.0%	6.8%
	Light Crude	28.6%	25.7%
	Heavy Crude	32.7%	61.7%
	Ultra-heavy Crude	34.3%	6.0%
Crude Purchase Price (2019, \$/bbl)		61.9	65.1

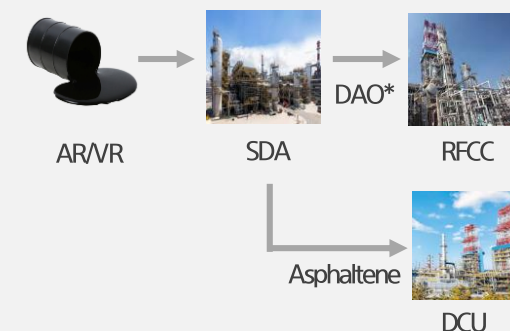
Source : Internal data, disclosures, PEDSIS

Note : All data are HDO separate basis, not consolidated.

3

SDA competitiveness

- SDA unit separates asphaltene in advance to improve efficiency of upgrading units (RFCC/RDS)
- High-value products (Diesel, VLSFO, Propylene, Gasoline) output increases.
- SDA unit removes asphaltene from residues to produce our non-coagulative VLSFO, HYUNDAI STAR.



* DAO (De Asphalted Oil) : Asphaltene-removed residues used for upgrading units' feed.

2. 2020 T/A and Expansion Plans

- **2Q T/A schedules (#2 CDU, RDS, #1 BTX, Apr 9 ~ May 22)**

- We are planning T/A and expansions in the 2nd quarter. While oil price is falling further in April, we plan to operate at a low throughput (330 kb/d) with T/A. Facility expansions will take effect on our profits from June onwards.

- Desulfurization unit (RDS) expansion (HDO)

- **Highlights**

- Desulfurization units expansion will increase the output of LSBC whose sales are expected grow upon tightened IMO regulations.
- The expansion will improve cost competitiveness by replacing feedstock from low-sulfur crude to high-sulfur heavy crude.

- **Upgraded Units**

- RDS Capacity : 100 → 120 kb/d
- LSBC(Low Sulfur B/C) output : +17 kb/d

- **Investments**

- KRW 248.0 bn (completed by '20 May)
- (ARDS 181.0 bn, #3 Desulfurization unit 67.0 bn)

- **Profit improvement : +KRW 79.3 bn / year**

- PX Plus & #1 BTX expansion (HCP)

- **Highlights**

- MX-manufacturing unit (TAU) will be revamped to increase the yield of high-value PX.
- Crystalizer unit will be newly installed to process additional PX output.

- **Upgraded Units**

- PX: + 290 KTA (1,180 → 1,470 Kilotons / annum)
- BZ: + 170 KTA (240 → 410 Kilotons / annum)

- **Investments**

- KRW192.5 bn (completed by '20 July)
- (PX Plus 157.0 bn, #1 BTX expansion 35.5 bn)

- **Profit improvement : +KRW 38.5 bn / year**

3. HPC Project – Highlights

HPC project, highlighted by its unique multi-feed capacity differing from existing NCC, is now in progress. KRW 2.7 tn will be invested through HDC, and polyolefin production will begin at the end of 2021.

• HPC Project

(Heavy feed Petrochemical Complex)

- Key Points : Unlike existing NCC relying solely on naphtha, HPC uses multi-feed (T-DAO, naphtha, LPG) to optimize economics of ethylene production.
- Investments : KRW 2.7 tn
(financing plan completed: capital increase 0.7tn, loans 2.0tn)
- Schedules : Completion & Test ('21 Sep),
Commercial Operation (end of '21)

Feed	HPC	Other NCC
Refined gas / LPG	26%	0 ~ 10% (LPG)
T-DAO	34%	-
Light Naphtha	40%	90 ~ 100%

• HPC feed composition may vary by market conditions.

Product	Output
Polyethylene(PE)	850 Kilo Tons/Annum
Polypropylene(PP)	500 Kilo Tons/Annum

Expected OP KRW 400-500 bn/year

HPC project's competitiveness is expected to be further strengthened by cost competitiveness from low oil price and closures of decrepit NCC.

- SK Global Chemical NO.1 NCC closure
('20 Dec, Ethylene 200 KT/Propylene 100KT per annum)
- '22 Decrepit NCC closures : 13 units in Europe, 6 units in Japan (5 MT per annum)

- Source: Internal Data (economics are based on current market prices)
- T-DAO: Treated De-Asphaltene Oil

3. HPC Project – Competitiveness

HPC's multi-feed capacity enables a flexible feed input in line with a market change, leading to a stable profit generation. With a synergy between refining and petrochemical business, HPC has superior competitiveness over other domestic independent NCC.

Feed

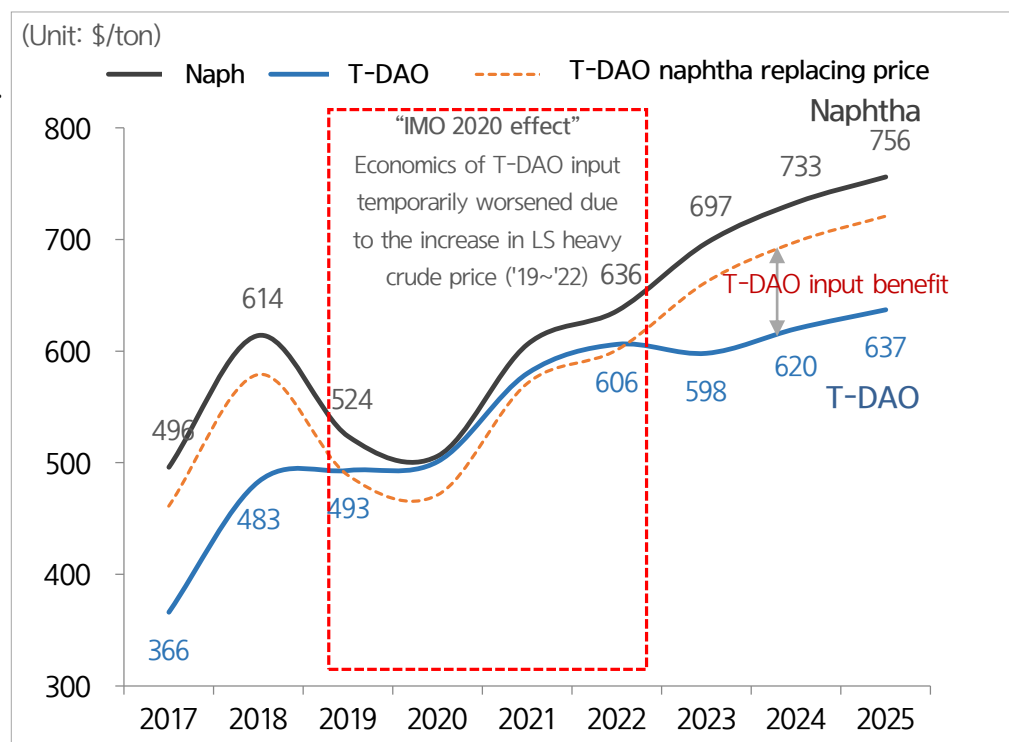
HPC uses cost-competitive feedstock, such as T-DAO and a refined gas from our refineries, superior to naphtha in terms of material costs.

Synergy

- Freight costs for raw materials are saved.
- Petrochemical byproducts are utilized. (Hydrogen, Fuel Oil, etc.)
- Facilities and utilities are shared.

	HPC	Domestic NCC
Feed Competitiveness	High	Low
Synergy with Refining Business	High	Low

Naphtha / T-DAO Price Trend ('17~'25)



* Source : WoodMac & IHS

1. Condensed Financial Statement of Hyundai Oilbank(Consolidated)

Consolidated Income Statement

Unit: KRW bn

	'20.1Q	QoQ	YoY	'19.4Q	'19.1Q
Sales	4,416.6	-17.5%	-14.1%	5,352.2	5,141.1
Cost of goods sold	4,866.8	-5.3%	-1.4%	5,137.6	4,936.1
Gross profit	-450.2	Turned to deficit	Turned to deficit	214.6	204.9
Operating profit	-563.2	Turned to deficit	Turned to deficit	109.0	100.8
OP margin	-12.8%	Turned to deficit	Turned to deficit	2.0%	2.0%
Non operating Income & expenses	-122.7	-	-	48.0	-67.6
Equity method gains	8.9	-	-	-1.1	37.9
Profit before tax	-676.9	Turned to deficit	Turned to deficit	156.0	71.0
Income tax	-214.7	-	-	34.0	12.6
Net income	-462.2	Turned to deficit	Turned to deficit	122.0	58.4

Note: Consolidated in accordance with K-IFRS

Consolidated Balance Sheet

Unit: KRW bn

	'18.4Q	'19.4Q	'20.1Q
Current assets	4,358.3	4,565.4	3,582.1
(Cash & cash equivalents)	162.6	480.4	323.8
Non-current assets	7,386.5	8,290.5	8,804.6
Total assets	11,744.8	12,855.9	12,386.7
Current liabilities	4,578.0	4,086.7	3,524.5
(Short-term borrowings)	1,573.7	1,125.0	1,313.3
Non-current liabilities	2,042.7	3,327.6	3,758.4
(Long-term borrowings)	1,856.1	2,808.4	3,269.0
Total liabilities	6,620.7	7,414.3	7,282.9
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	454.6	443.6	766.9
Retained earnings	3,109.9	3,110.1	2,465.8
Non-controlling interests	334.2	662.4	645.7
Total equity	5,124.1	5,441.6	5,103.8
Total liabilities & equity	11,744.8	12,855.9	12,386.7

2. Condensed Financial Statement of Hyundai Oilbank (Separate)

Income Statement (Separate)

Unit: KRW bn

	'20.1Q	QoQ	YoY	'19.4Q	'19.1Q
Sales	3,973.7	-19.4%	-12.6%	4,928.3	4,547.0
Cost of good sold	4,347.5	-8.5%	-0.6%	4,752.4	4,373.4
Gross profit	-373.8	Turned to deficit	Turned to deficit	175.9	173.6
Operating profit	-476.9	Turned to deficit	Turned to deficit	59.9	75.0
OP margin	-12.0%	Turned to deficit	Turned to deficit	1.2%	1.6%
Non-operating income & expenses	-106.3	-	-	47.8	25.1
Profit before tax	-583.2	Turned to deficit	Turned to deficit	107.8	100.1
Income tax	-174.3	-	-	24.4	16.6
Net income	-408.9	Turned to deficit	Turned to deficit	83.4	83.5

Balance Sheet (Separate)

Unit: KRW bn

	'18.4Q	'19.4Q	'20.1Q
Current assets	3,240.5	3,336.1	2,636.3
(Cash & cash equivalents)	26.1	37.5	133.3
Non-current assets	6,360.3	7,233.2	7,460.4
Total assets	9,600.8	10,569.3	10,096.7
Current liabilities	3,888.2	3,690.5	3,069.4
(Short-term borrowings)	1,427.6	985.4	1,116.6
Non-current liabilities	1,174.9	2,397.4	2,871.9
(Long-term borrowings)	1,017.5	1,875.3	2,373.7
Total liabilities	5,063.1	6,087.9	5,941.3
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	429.3	429.3	718.2
Retained earnings	2,883.0	2,826.7	2,211.8
Total equity	4,537.7	4,481.4	4,155.4
Total liabilities & equity	9,600.8	10,569.3	10,096.7

3. Condensed Financial Statement of Hyundai Chemical(Separate)

Income Statement (Separate)

Unit: KRW bn

	'20.1Q	QoQ	YoY	'19.4Q	'19.1Q
Sales	837.0	-15.5%	-9.4%	990.8	924.0
Cost of good sold	937.3	-2.1%	2.8%	957.7	912.0
Gross profit	-100.4	Turned to deficit	Turned to deficit	33.2	12.0
Operating profit	-104.7	Turned to deficit	Turned to deficit	26.9	6.3
OP margin	-12.5%	Turned to deficit	Turned to deficit	2.7%	0.7%
Non-operating income & expenses	-9.8	-	-	1.5	-8.8
Profit before tax	-114.5	Turned to deficit	Remained in deficit	28.4	-2.5
Income tax	-40.5	-	-	6.3	-0.6
Net income	-74.0	Turned to deficit	Remained in deficit	22.1	-1.9

Balance Sheet (Separate)

Unit: KRW bn

	'18.4Q	'19.4Q	'20.1Q
Current assets	865.5	1,314.3	958.3
(Cash & cash equivalents)	89.9	391.1	160.5
Non-current assets	1,017.2	1,492.1	1,792.9
Total assets	1,882.7	2,806.4	2,751.2
Current liabilities	479.4	533.4	552.2
(Short-term borrowings)	121.9	118.6	168.7
Non-current liabilities	706.5	784.3	766.4
(Long-term borrowings)	705.6	767.3	738.4
Total liabilities	1,185.9	1,317.7	1,318.6
Paid-in capital	480.0	1,220.0	1,220.0
Others	-1.3	-10.2	7.8
Retained earnings	218.1	278.9	204.9
Total equity	696.8	1,488.7	1,432.7
Total liabilities & equity	1,882.7	2,806.4	2,751.2

***Hyundai
Oilbank***

