

2Q 2021 Earnings Release

**HYUNDAI  
OILBANK**



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**I. 2Q 2021 Earnings**

**II. 2021 Investment Highlights**

**III. Appendix**



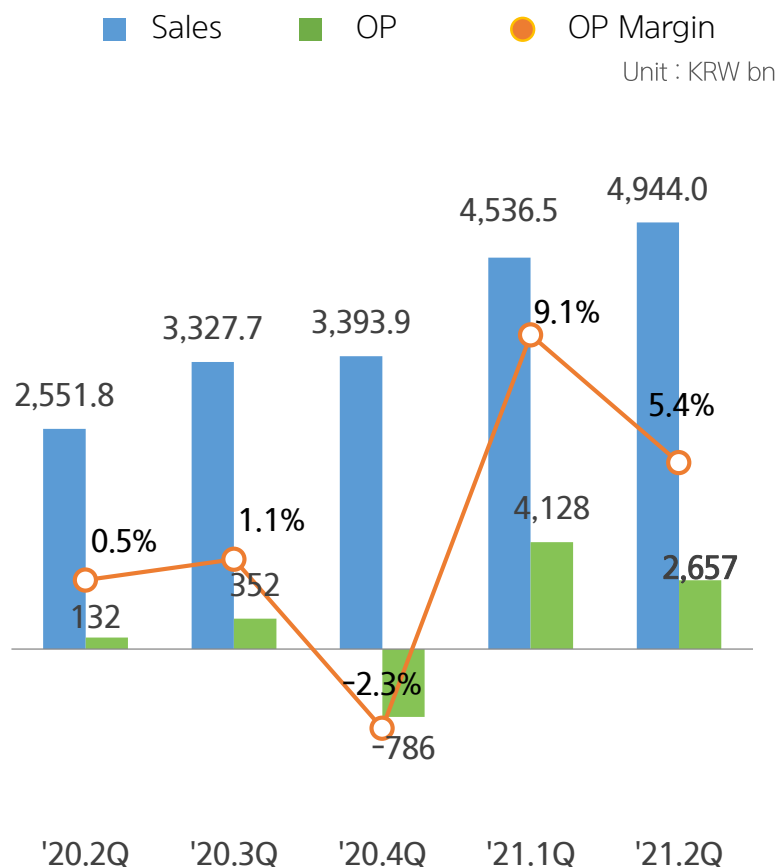
# I. 2Q 2021 Earnings

1. Consolidated Earnings
2. Earnings by Business Segment
3. 2Q 2021 Market Conditions
4. Market Outlook by Business Segment

# 1. Consolidated Earnings

Hyundai Oilbank recorded an operating profit of KRW 265.7 bn in 2Q with improved demand due to acceleration of vaccination in the U.S. and Europe amid OPEC+ production cut agreement.

## 2Q 2021 Consolidated Earnings



- **2Q 2021 Operating Profit KRW +265.7 bn**

- As the refining margin improved, the operating profit reached 265.7 bn in 2Q, 678.5 in 1H total.
- QoQ decrease : - KRW 147.4 bn (QoQ inventory effect ↓)
- YoY increase : + KRW 252.5 bn

- **Refining Margin improved as oil price & product crack rose**

- Demand supported by OPEC+ agreement on supply cut and vaccination rollout across US and Europe
- Oil Price : (QoQ) 60.0 → 66.9 \$/b
- Cracks : (QoQ) Gasoline 5.6 → 8.1 \$/b, Gasoil 5.8 → 6.9 \$/b

## 2. Earnings by Business Segment

### 2Q 2021 Earnings

Unit : KRW bn

Business	'21.2Q			'21.1Q			'20.2Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Refining	4,751.1	90.9	1.9%	4,285.8	211.3	4.9%	2,108.6	-18.6	-0.9%
Petrochemical	982.5	73.7	7.5%	879.3	102.2	11.6%	662.7	38.8	5.9%
Lube Base Oil (Newly consolidated*)	281.7	92.1	32.7%	307.7	103.0	33.5%			
Others/Adjustments	-1,071.2	9.0		-936.3	-3.7		-219.5	-6.9	
Consolidated Earnings	4,944.0	265.7	5.4%	4,536.5	412.8	9.1%	2,551.7	13.2	0.5%

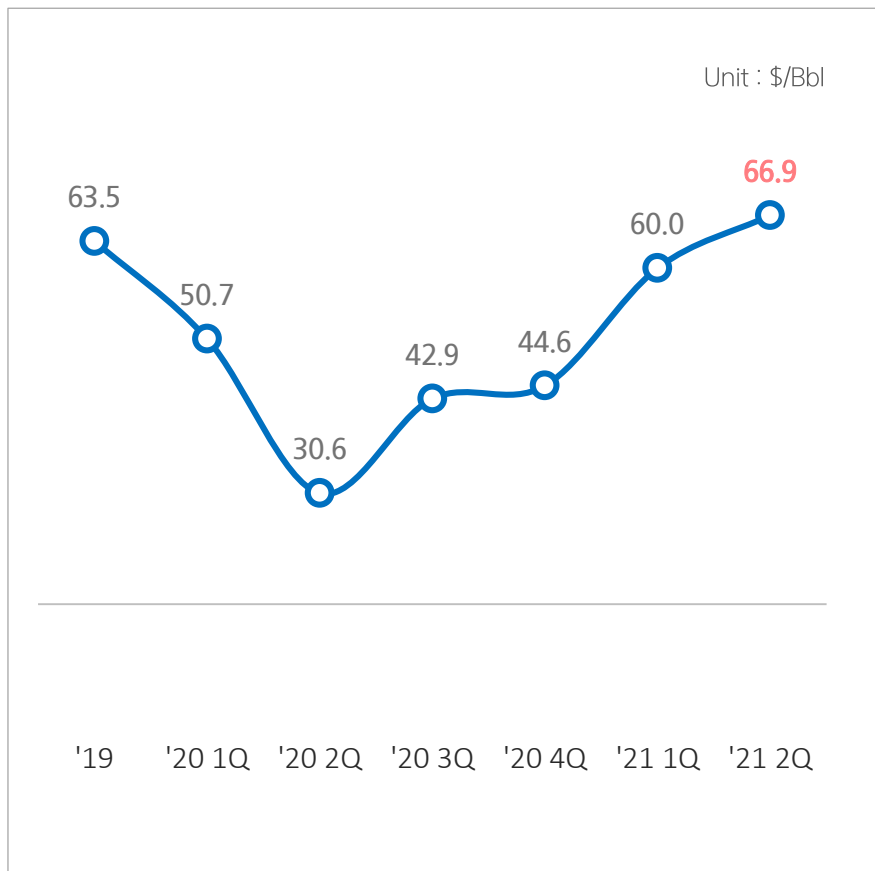
※ Lube base oil business (Hyundai Shell Base Oil, HSB) has been newly consolidated since Nov 2020 (HSB 2020 OP : 94.9 KRW bn)

※ Please refer to *Appendix* section for non-consolidated subsidiaries

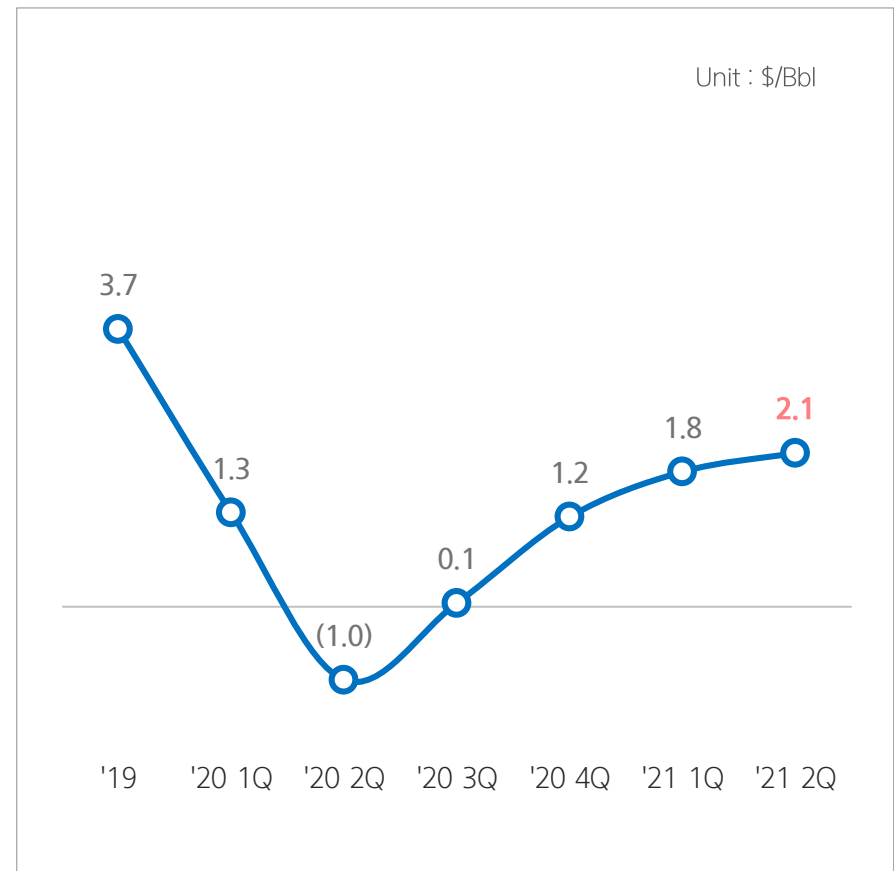
### 3. 2Q 2021 Market Conditions (Refining)

2Q 2021 oil price rose sharply under expectations of global economic recovery with vaccination rollout, while OPEC maintaining cooperation. Refining margins are continuously improving as demand for products rise.

#### Dubai Oil Price



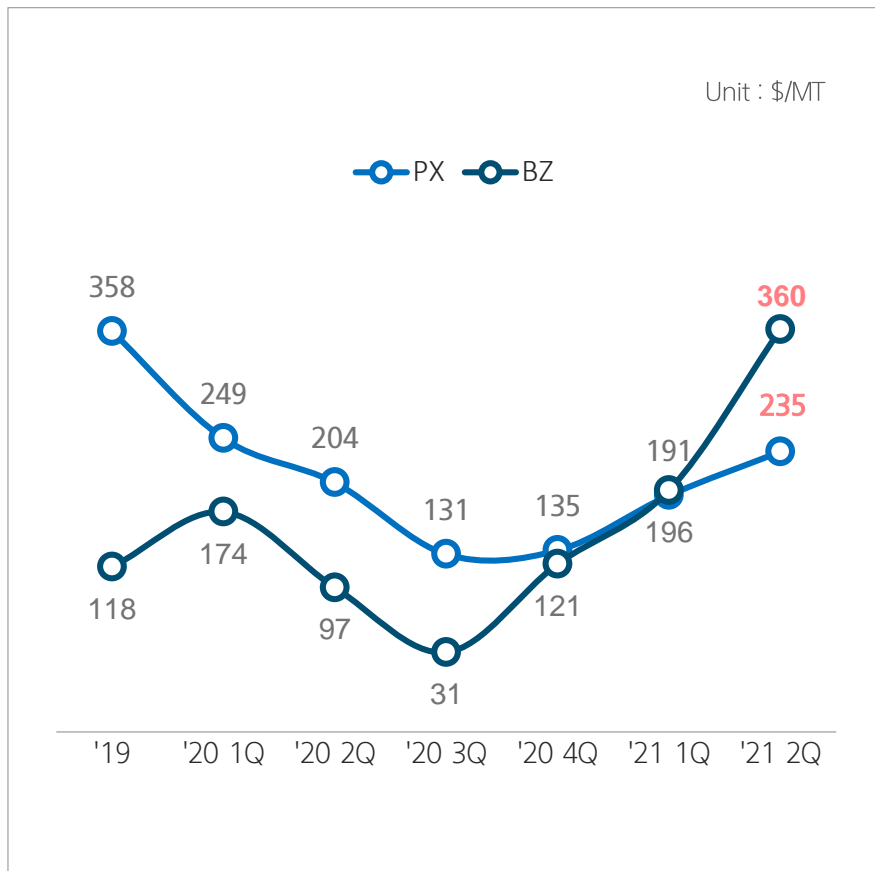
#### Singapore Refining Margin



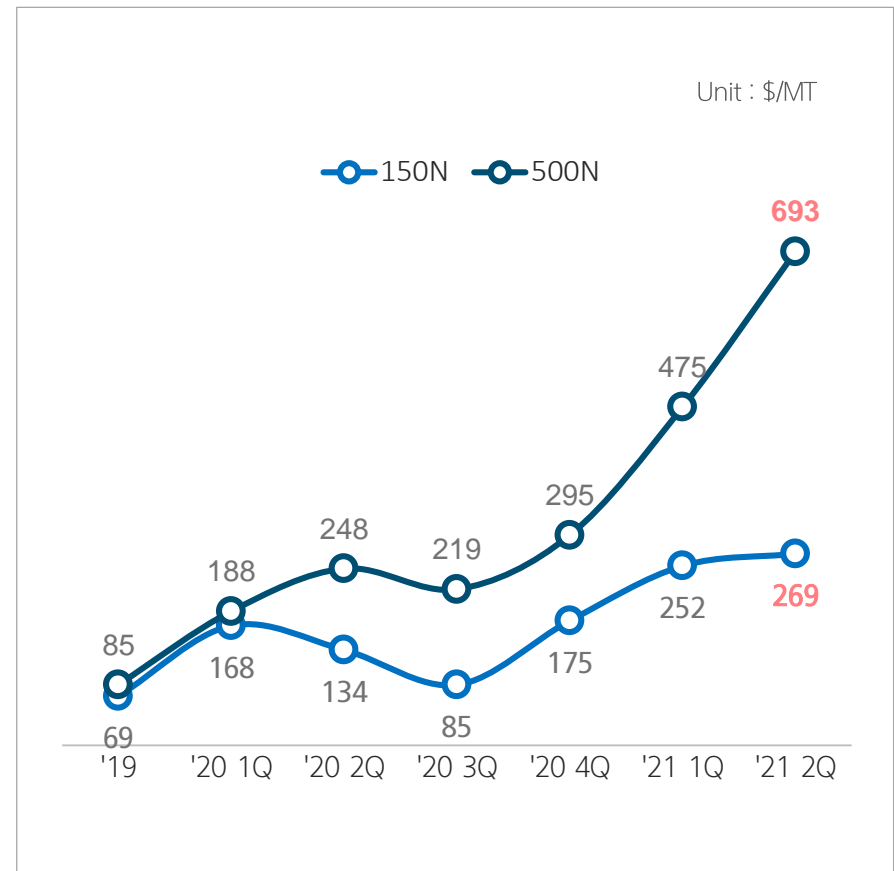
### 3. 2Q 2021 Market Conditions (BTX/Base oil)

2Q 2021 BTX spread as well has improved due to worldwide maintenance and tight supply of US BZ, and Base oil margin maintained strong performance due to tight supply.

#### BTX Margin



#### Base Oil Margin





## 4. Market Outlook by Business Segment

### 21. 3Q Outlook

### 21. 4Q Outlook

#### Refining

- Dubai oil price will remain stable around 70~75 \$/B as OPEC maintain cooperation.
- Gasoline crack will gradually decline as driving season ends.
- Kerosine/Gasoil crack will increase as industrial demand recovers.

- Oil demand outlook (IEA, June 2021)  
: demand recovery 21.2Q 95m → 21.4Q 99m BD
- Cracks outlook (IHS, June 2021)  
: 21.4Q Gasoline 10.1\$/B, Gas oil 12.5\$/B
- Refining margin will gradually improve until the year-end as demand recovers.

#### Petro-chemical (BTX)

- PX demand expected to increase with large scale PTA expansions in China during 2H.
- BZ-N spread will stay bullish but with limited additional increase due to weak SM margin

- PTA market will recover in line with rebounding demand of apparels and synthetic textiles.
- Imbalance between supply and demand will enable BZ margin to stay bullish until the end of the year.

#### Lube Base — Carbon Black

- Lube base oil margin will decline as refineries ramp up runs after maintenance.
- Carbon black margin will stay firm as increase in feedstock price is reflected to product price.

- Lube base oil margin will remain strong with a high demand of premium base oil (Group II/III).
- Carbon black margin will improve with tire demand restoring from COVID-19 impacts.

## II. 2021 Investment Highlights

1. HPC Project
2. MTBE plant expansion
3. Green Energy Business



# 1. HPC Project – Progress

Heavy-feed Petrochemical Complex (HPC) is in progress with 94% of completion rate as of Jun 2021 and commercial operation is scheduled in Nov 2021. HPC uses naphtha, T-DAO and residue gases to produce polyethylene (850kT/A) and polypropylene (500kT/A).

## HPC Project (Hyundai Chemical)

- Overview : Unlike NCC using naphtha as a main feed, HPC uses multi-feed (T-DAO, Naphtha, LPG) to maximize ethylene production economics

- Shares : HDO 60%, Lotte Chemical 40%

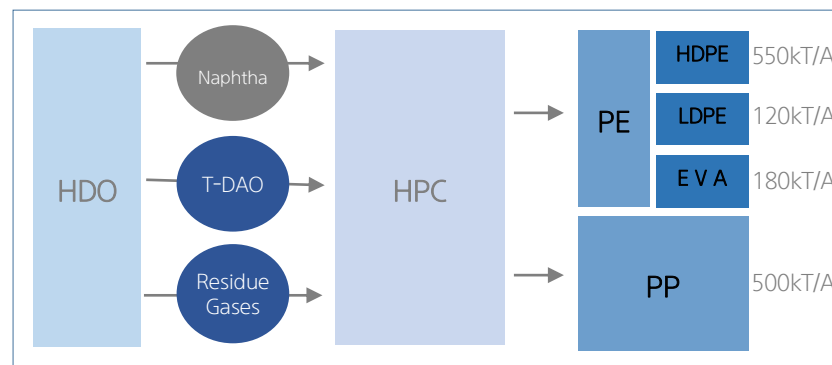
- Product : Polyethylene 850KT/A, Polypropylene 500KT/A

- Schedule : Completion & Test Run (Aug 2021)

Commercial Operation (Nov 2021)

※ T-DAO: Treated De-Asphaltene Oil

### • Plant and product summary



- Completion Rate : 94% (as of June 2021)



# 1. HPC Project – Competitiveness and material business

HPC uses T-DAO and residue gases cheaper than naphtha, which enables HPC to secure solid cost-competitiveness compared to other NCCs. We are planning expansion of eco-friendly, profitable chemical/material downstream business such as solar module production after HPC commercial operation.

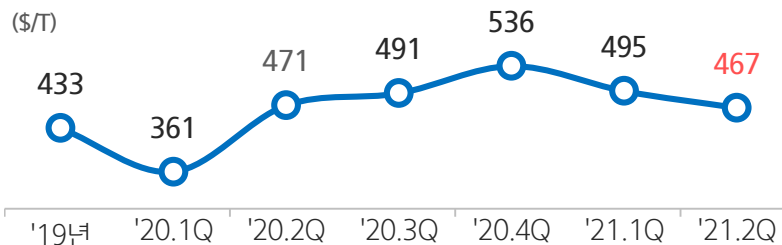
## HPC competitiveness

### • Feedstock Comparison with NCC

- 1) T-DAO and residue gases are cost-competitive feedstock as they are cheaper than naphtha.
- 2) Feedstock composition can be flexibly adjusted in response to market variation.

Feedstock	NCC	HPC
LPG / Refined Gas	0 ~ 10%	26%
T-DAO	-	34%
Light Naph	90 ~ 100%	40%

### • HDPE – Naph spread

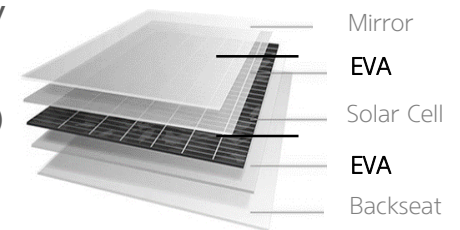


## Eco-friendly energy material business

### EVA

[ Solar Module ]

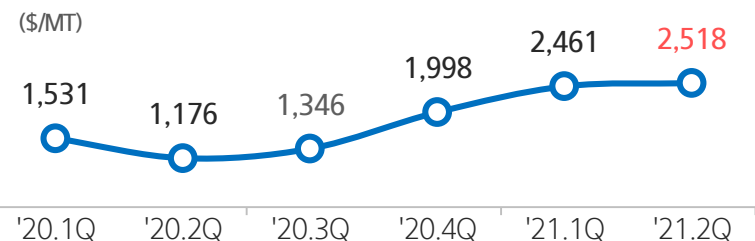
Outstanding permeability and adhesiveness  
(Solar cell protective film)



\* EVA : Ethylene Vinyl Acetate

### • EVA market

- Market is strong in 21.2Q and we plan to produce 180 KT/A upon the completion of HPC Project.

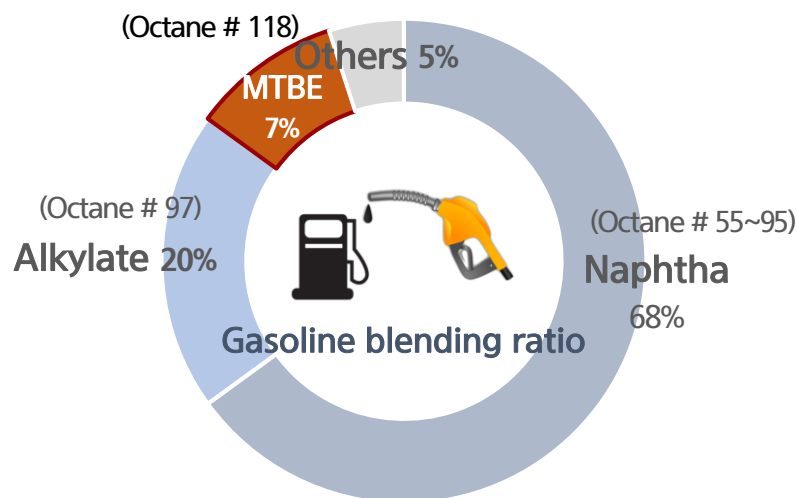


## 2. MTBE plant expansion

From 4Q 2021, MTBE plant will be in operation to directly produce MTBE used as a compounding material for gasoline octane adjustment, which we expect to improve gasoline manufacturing cost as MTBE has higher octane number and cheaper price compared to other gasoline components.

### Gasoline blending ratio (Octane Adjustment) MTBE plant expansion

- High octane MTBE blending is required to meet the octane standard of gasoline products (88~98 RON).



- Reduction of gasoline manufacturing cost through MTBE plant expansion
  - MTBE has higher octane number and cheaper price compared to other high cost gasoline components such as alkylate.
  - MTBE will be directly produced with C4 raffinate feedstock from HPC.

#### [Investment Summary]

Investment	KRW 88.0 bn
Capacity	200 KT/A
Estimated Return	KRW 31.2bn/annum
Commercial Operation	2021.4Q



### 3. Green Energy Business

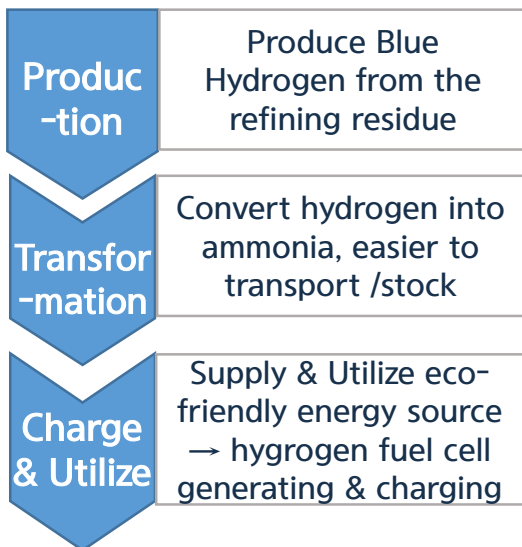
Plan to increase portion of eco-friendly business by 2030 by promoting : Blue Hydrogen / White BIO / Green chemicals · materials projects.

#### 3 Green Future Projects

#### 1 Blue Hydrogen(BH) Project

- ① Produce 100KT of BH by 2025
- ② Hydrogen charging station and fuel cell power generation

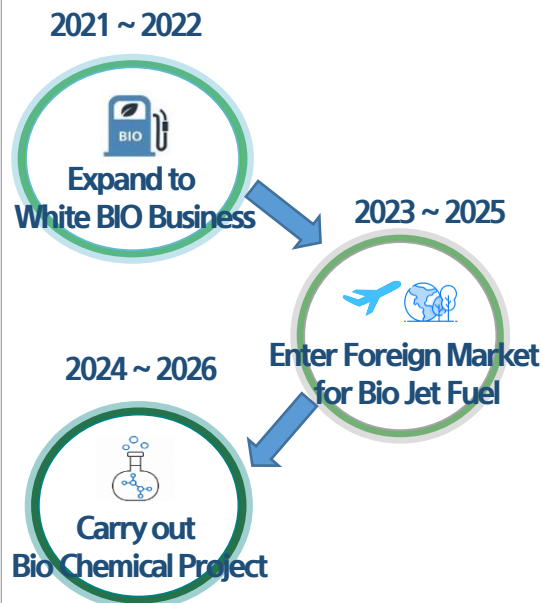
Secure CO2 capture · utilize technology & produce 100KT of blue hydrogen with profitability.



#### 2 White BIO Project

- ① Expand to 2<sup>nd</sup> generation White BIO
- ② Buildup million ton Bio ecosystem

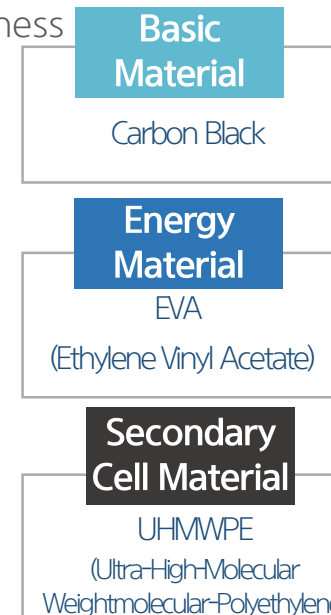
Build 1 million ton ecosystem of white bio by 2030



#### 3 Green Chemicals Projects

- ① HPC Project Commercial Operation
- ② Expand Green chemical/material business

Plan to expand profitable and differentiated eco-friendly chemicals/materials downstream business



### 3. Green Energy Business (Progress Status)

For the rapid promotion of eco-friendly future projects, HDO is in cooperation with partners in various business field and plan to settle eco-friendly future projects in advance through additional cooperation.

	Partner	Content	Date
1  Blue Hydrogen		<ul style="list-style-type: none"> <li>Singed Eco-Friendly Hydrogen business MOU</li> <li>By sharing Air Products manufacturing tech, we will secure hydrogen production cost competitiveness.</li> </ul>	'21.04
		<ul style="list-style-type: none"> <li>Singed MOU regarding joint development of Renewable Energy business</li> <li>Promote fuel cell generating business in cooperation with Korea Energy corporation</li> </ul>	'21.05
		<ul style="list-style-type: none"> <li>Held groundbreaking ceremony of construction of liquid carbonic acid plant</li> <li>Manufacture dry ice / carbon dioxide by supplying 200KT/year of CO2</li> </ul>	'21.06
2  White BIO		<ul style="list-style-type: none"> <li>Signed MOU for BIO jet fuel production / utilization</li> <li>production/commercialization of standard products, establishment of refueling infrastructure in airports</li> <li>Investigate on constructing BIO jet fuel production plant</li> </ul>	'21.06

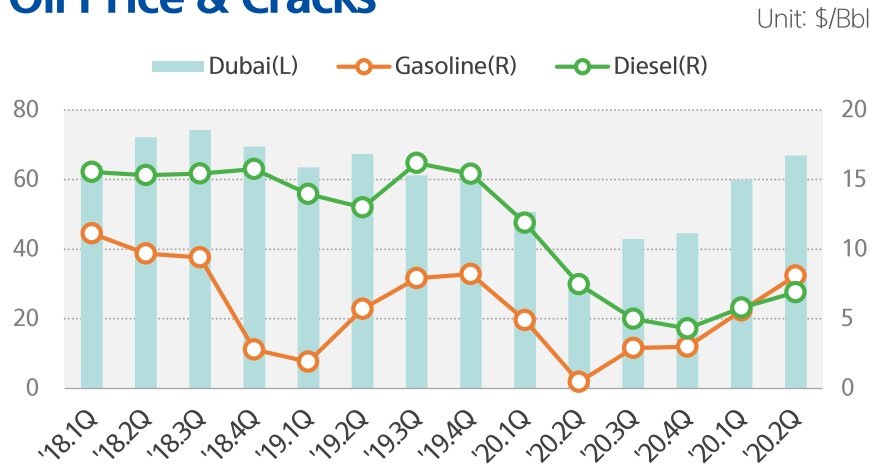
## III. APPENDIX

1. Hyundai Oilbank
2. Hyundai Chemical
3. Hyundai Shell Base Oil
4. Hyundai OCI
5. Hyundai Cosmo (Equity Method)
6. Financial Ratios
7. Financial Statements



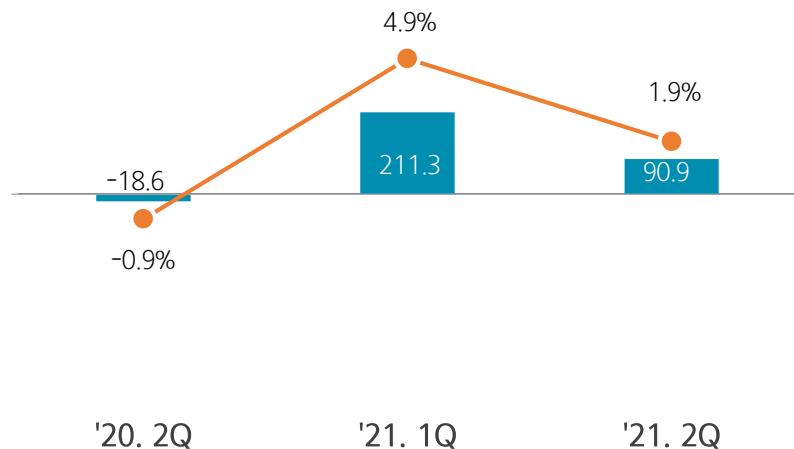
# 1. Hyundai Oilbank Key Indicators & Results

## Oil Price & Cracks



## Hyundai Oilbank Operating Income (Separate)

Unit : KRW bn.



### • 2Q Analysis

- Oil price has surged amid OPEC+ agreement and demand rebound in U.S. and Europe due to vaccination.
- Gasoline bullish among rising vaccination rate, economic recovery, and seasonality.
- Diesel/Kero remains weak amid rising global refineries operation rate and stagnant demand of jet.

### • 3Q Outlook

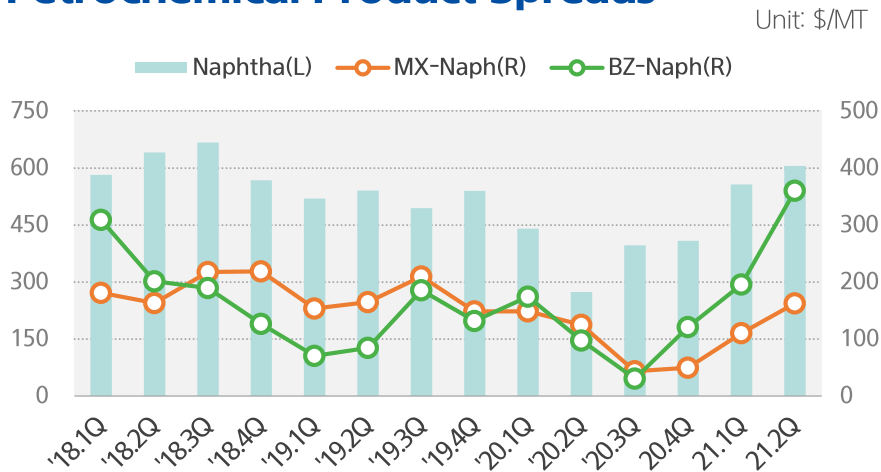
- Oil prices expected to remain strong around \$70-75 among economic recovery, while high volatility is expected due to the spread of coronavirus variant.
- Gasoline will remain bullish with Chinese export shrink due to reduced export quota/strong domestic market. Post August, will turn bearish as maintenance & peak season ends.
- Diesel/Kero projected to be weak due to accelerated supply as T/A ends, while expected to rebound post August as industrial demand rises and winter season arrives.

### • QoQ Analysis

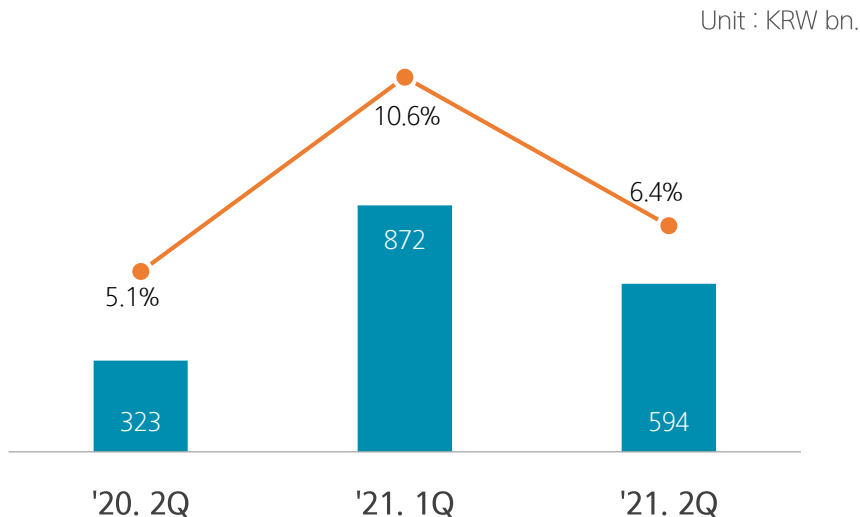
- Decrease of inventory effect  
( '20 4Q → '21.1Q oil price rose by 15.4 \$/B  
'21.1Q → '21.2Q oil price rose by 6.9\$/B)

## 2. Hyundai Chemical Key Indicators & Results

### Petrochemical Product Spreads



### Hyundai Chemical Operating Income



#### • 2Q Analysis

- MX spread rose QoQ with supply shortage of MX due to an earthquake in Japan as well as maintenance.
- BZ performs strong due to tight supply in North America & Europe, in addition to the delay in start up of new plants in China.

#### • 3Q Outlook

- MX spread is expected to drop as supply will increase after T/A and the operation of Zhejiang PC#2 in China.
- BZ spread is projected to downsize QoQ caused by drop in SM margin and the operation of Zhejiang PC.

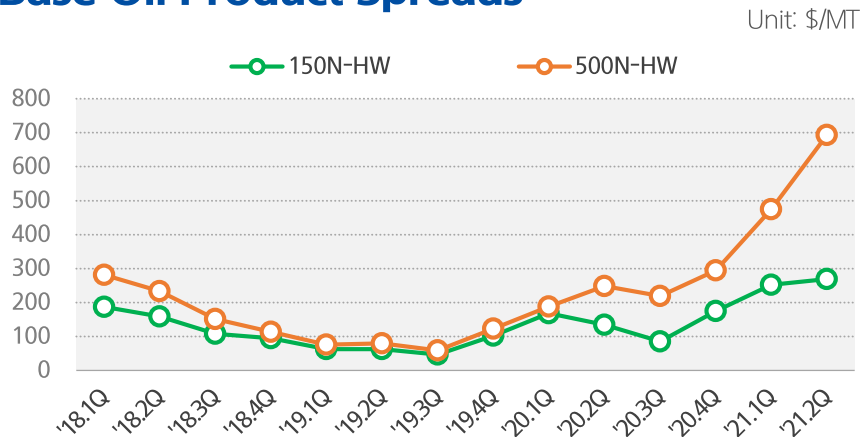
#### • QoQ Analysis

- Decrease of Inventory effect  
(1Q: 40.6 KRW bn / 2Q: 12.5 KRW bn)



### 3. Hyundai Shell Base Oil Key Indicators & Results

#### Base Oil Product Spreads



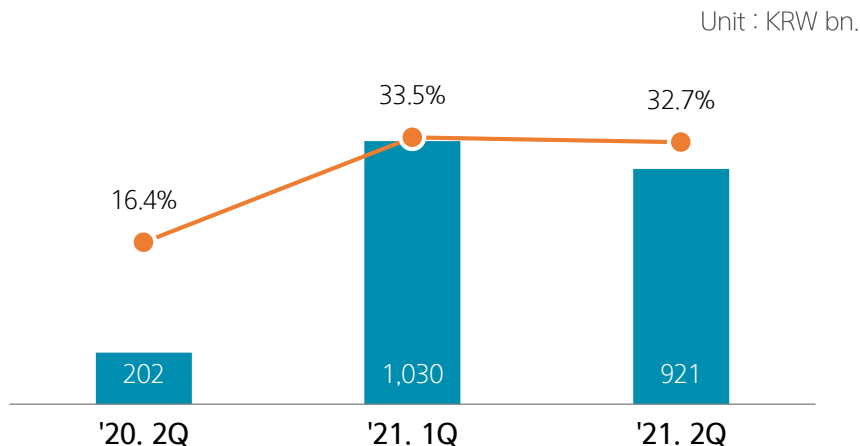
- **2Q Analysis**

- Bullish base oil margin resulting from low operation rate due to weak refining margin and T/A of some plants tightened supply while the demand in countries including China and India recovered pre-corona level.

- **3Q Outlook**

- Supply will increase as operation rate rises and T/A ends, subsequently weighing on base oil margin

#### Hyundai Shell Base Oil Operating Income



- **QoQ Analysis**

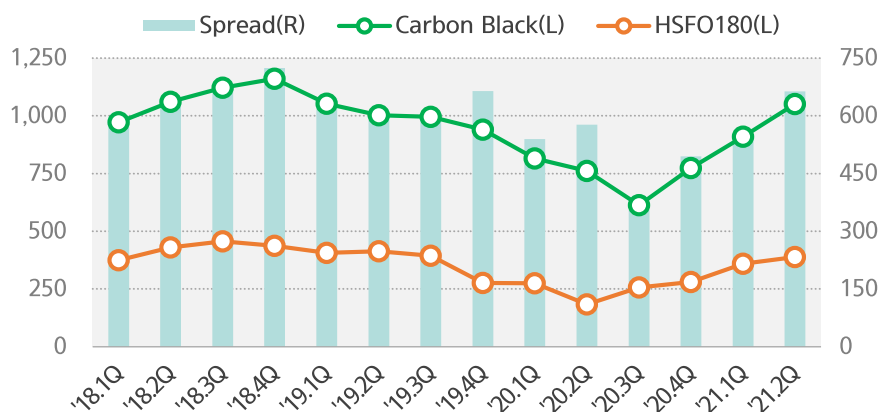
- Margin improved with a tight supply and a strong demand, but operating income decreased QoQ due to resurgence of Coronavirus in India, drop in LBO plant operation rate, and decrease in demand for low-viscosity base oil

※ '20.4Q Result: Non-consolidated earnings KRW 11.6 bn., Consolidated earnings KRW 23.8 bn., Gross earnings KRW 35.4 bn.

# 4. Hyundai OCI Key Indicators & Results

## Carbon Black Product Spread

Unit: \$/MT



### • 2Q Analysis

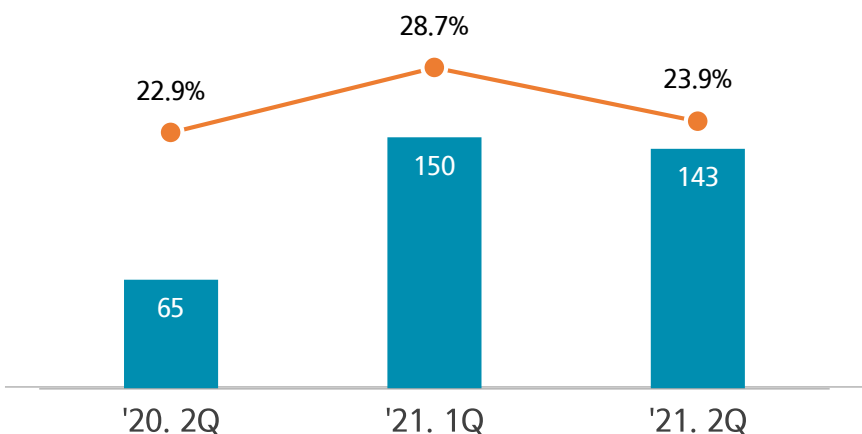
- Carbon black price follows oil price with 2-3 months lag. Carbon black price in 2Q rose by \$142 / ton QoQ with oil price increase in the previous quarter. With the increase in raw material price, Carbon black-HSFO spread widened by \$113 / ton QoQ.

### • 3Q Outlook

- Strong market is expected to continue as oil price increase in 2Q will be reflected in the product price in 3Q.

## Hyundai OCI Operating Income

Unit : KRW bn.



### • QoQ Analysis

- While carbon black sales volume QoQ has not changed much, earnings dropped slightly due to one time maintenance cost.

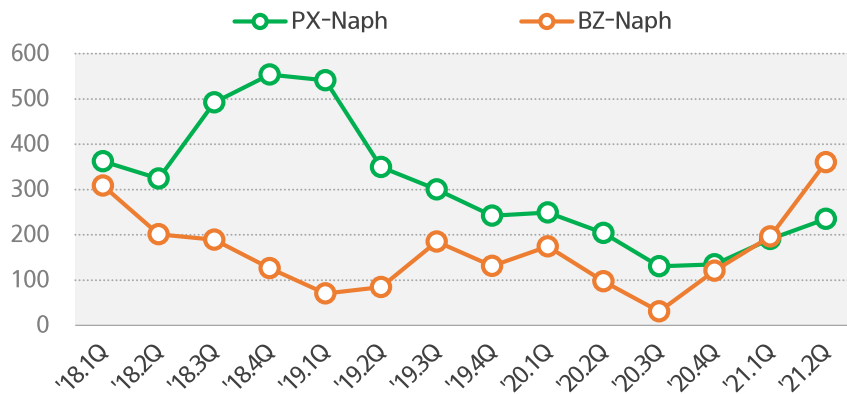
Unit: KT, \$/T

	21.1Q	21.2Q	Change
sales volume	37	36	-1
margin	550	663	+113

# 5. Equity Method Company (Hyundai Cosmo)

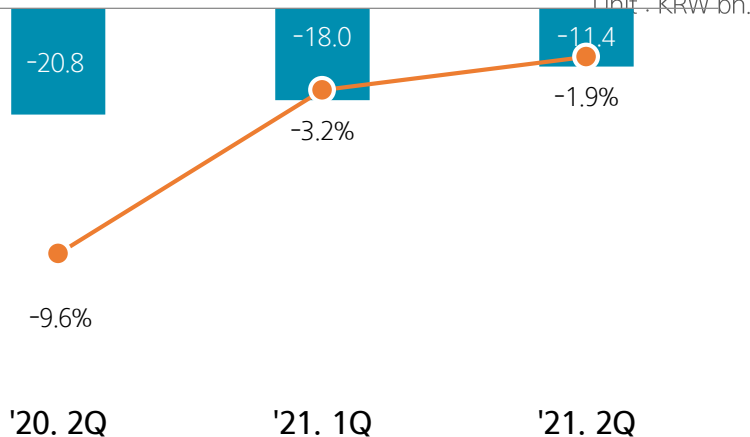
## BTX Product Spreads

Unit: \$/MT



## Hyundai Cosmo Operating Income

Unit: KRW.bn.



### • 2Q Analysis

- PX-naphtha spread widened despite concerns over PTA expansions of 2.5 million ton in China, due to maintenance of SK & Hanwha Total PX Plant.
- BZ rose with a short supply in US and Europe. Buying sentiment was initially weak from the expectations of fall in price due to Chinese expansion of 1.4 million ton during June-July, but the delay in start-up caused the shortage.

### • 3Q Outlook

- PX expected to maintain 1H level due to Zhejiang PC & PTA expansion. MX will turn bearish as the supply volume will recover pre-maintenance level, and as the feedstock demand for gasoline fades, improving PX-MX spread.
- BZ-Naph spread expected to narrow as SM margin weakens in addition to Zhejiang PC start-up.

### • QoQ Analysis

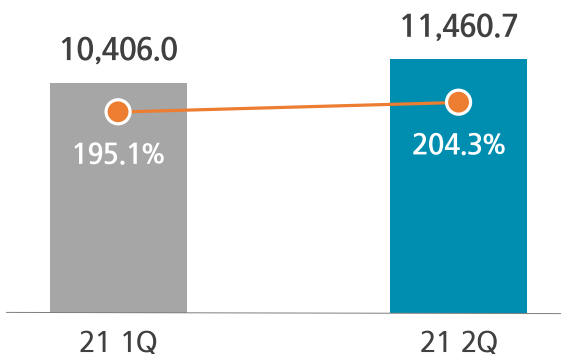
- PX and BZ spread improved.

# 6. Financial Ratios

## Consolidated Financial Ratios

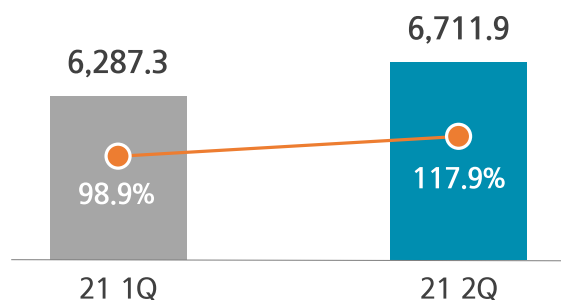
- Debt to Equity Ratio 204.3%

Unit : KRW bn.



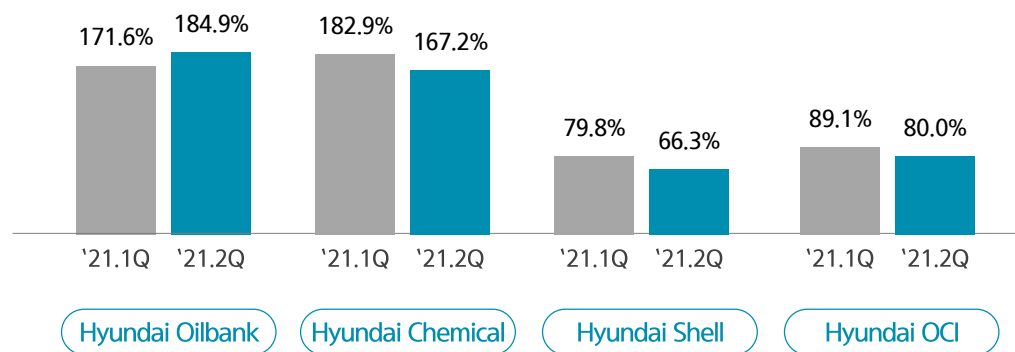
- Net Debt to Equity Ratio 119.7%

Unit : KRW bn.

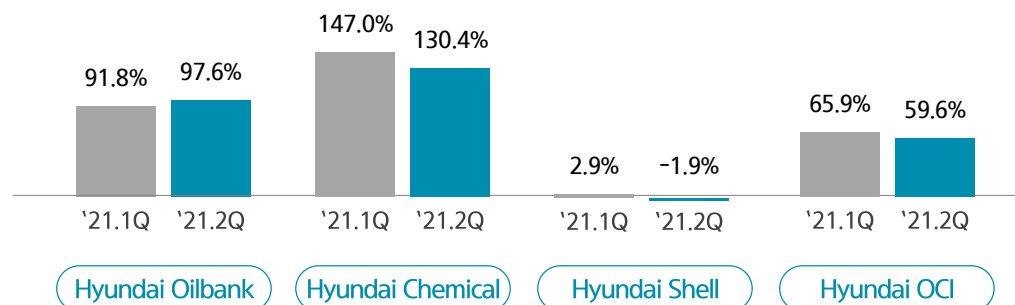


## Separate Financial Ratios

- Debt to Equity Ratio



- Net Debt to Equity Ratio



# 7-1. Financial Statements – Hyundai Oilbank (Consolidated)



## Consolidated Income Statement

Unit : KRW bn.

구 분	'21.2Q			'21.1Q	'20.2Q
		QoQ	YoY		
Sales	<b>4,944.0</b>	9.0%	93.8%	<b>4,536.5</b>	<b>2,551.7</b>
Cost of goods sold	4,549.5	14.1%	86.8%	3,988.4	2,435.8
Gross profit	394.5	-28.0%	240.3%	548.1	115.9
Operating profit	<b>265.7</b>	-35.6%	1910.9%	<b>412.8</b>	<b>13.2</b>
OP margin	5.4%	-3.7%p	4.9%p	9.1%	0.5%
Non operating Income & expenses	-38.1			-136.1	-31.8
Equity method gains	-4.0			-6.4	-0.2
Profit before tax	<b>227.6</b>	-17.8%	Turned a profit	<b>276.7</b>	<b>-18.6</b>
Income tax	60.7			83.1	-2.3
Net income	<b>166.9</b>	-13.8%	Turned a profit	<b>193.6</b>	<b>-16.3</b>

## Consolidated Balance Sheet

Unit : KRW bn.

구 분	'19.4Q	'20.4Q.	'21.2Q
Current assets	4,565.4	3,294.6	4,920.1
(Cash & cash equivalents)	480.4	301.7	366.1
Non-current assets	8,290.5	11,383.6	11,983.2
<b>Total assets</b>	<b>12,855.9</b>	<b>14,678.1</b>	<b>17,070.3</b>
Current liabilities	4,086.7	3,239.4	4,132.7
(Short-term borrowings)	1,125.0	644.0	1,041.8
Non-current liabilities	3,327.6	6,167.8	7,291.0
(Long-term borrowings)	2,808.4	4,871.0	6,036.2
<b>Total liabilities</b>	<b>7,414.3</b>	<b>9,407.2</b>	<b>11,460.7</b>
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	443.6	707.1	700.1
Retained earnings	3,110.1	2,535.0	2,694.1
Non-controlling interests	662.4	803.4	990.0
<b>Total equity</b>	<b>5,441.6</b>	<b>5,270.9</b>	<b>5,609.6</b>
<b>Total liabilities &amp; equity</b>	<b>12,855.9</b>	<b>14,678.1</b>	<b>17,070.3</b>

Note: Consolidated in accordance with K-IFRS



## 7-2. Financial Statements – Hyundai Oilbank (Separate)

### Income Statement (Separate)

Unit : KRW bn.

구 분	'21.2Q			'21.1Q	'20.2Q
		QoQ	YoY		
Sales	4,751.1	10.9%	125.3%	4,285.8	2,108.6
Cost of good sold	4,537.5	14.9%	124.1%	3,950.2	2,025.0
Gross profit	213.6	-36.3%	155.6%	335.6	83.6
Operating profit	90.9	-57.0%	Turned a profit	211.3	-18.6
OP margin	1.9%	-3.0%p	2.8%p	4.9%	-0.9%
Non-operating income & expenses	-30.2			-27.8	-15.7
Profit before tax	60.7	-66.9%	Turned a profit	183.5	-34.3
Income tax	13.6			34.0	-9.9
Net income	47.1	-68.5%	Turned a profit	149.5	-24.4

### Balance Sheet (Separate)

Unit : KRW bn.

구 분	'19.4Q	'20.4Q	'21.2Q
Current assets	3,336.1	2,540.6	3,630.0
(Cash & cash equivalents)	37.5	71.3	57.4
Non-current assets	7,233.2	8,790.1	8,735.9
<b>Total assets</b>	<b>10,569.3</b>	<b>11,330.7</b>	<b>12,365.9</b>
Current liabilities	3,690.5	2,724.3	3,536.7
(Short-term borrowings)	985.4	329.9	876.3
Non-current liabilities	2,397.4	4,362.8	4,488.6
(Long-term borrowings)	1,875.3	3,251.9	3,415.6
<b>Total liabilities</b>	<b>6,087.9</b>	<b>7,087.1</b>	<b>8,025.3</b>
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	429.3	859.0	853.0
Retained earnings	2,826.7	2,159.2	2,262.2
<b>Total equity</b>	<b>4,481.4</b>	<b>4,243.6</b>	<b>4,340.6</b>
<b>Total liabilities &amp; equity</b>	<b>10,569.3</b>	<b>11,330.7</b>	<b>12,365.9</b>

## 7-3. Financial Statements – Hyundai Chemical (Separate)

### Income Statement (Separate)

Unit : KRW bn.

구 분	'21.2Q			'21.1Q	'20.2Q
		QoQ	YoY		
Sales	922.8	11.6%	45.5%	827.0	634.4
Cost of good sold	859.3	16.9%	43.6%	735.3	598.2
Gross profit	63.5	-30.7%	75.5%	91.7	36.2
Operating profit	59.4	-32.0%	83.9%	87.2	32.3
OP margin	6.4%	-4.2%p	1.3%p	10.6%	5.1%
Non-operating income & expenses	-2.3			-12.6	-15.4
Profit before tax	57.1	-23.5%	238.4%	74.7	16.9
Income tax	14.6			18.0	4.1
Net income	42.5	-24.9%	232.5%	56.7	12.8

### Balance Sheet (Separate)

Unit : KRW bn.

구 분	'19.4Q	'20.4Q	'21.2Q
Current assets	1,314.3	615.1	1,081.2
(Cash & cash equivalents)	391.1	35.2	143.6
Non-current assets	1,492.1	2,852.4	3,881.6
<b>Total assets</b>	<b>2,806.4</b>	<b>3,467.5</b>	<b>4,962.8</b>
Current liabilities	533.4	580.1	639.5
(Short-term borrowings)	118.6	273.0	123.9
Non-current liabilities	784.3	1,426.8	2,466.3
(Long-term borrowings)	767.3	1,403.3	2,440.5
<b>Total liabilities</b>	<b>1,317.7</b>	<b>2,006.9</b>	<b>3,105.8</b>
Paid-in capital	1,220.0	1,220.0	1,520.0
Others	-10.2	-4.3	-7.1
Retained earnings	278.9	244.9	344.1
<b>Total equity</b>	<b>1,488.7</b>	<b>1,460.6</b>	<b>1,857.0</b>
<b>Total liabilities &amp; equity</b>	<b>2,806.4</b>	<b>3,467.5</b>	<b>4,962.8</b>

## 7-4. Financial Statements – Hyundai Shell Base Oil (Separate)



### Income Statement (Separate)

Unit : KRW bn.

구 분	'21.2Q			'21.1Q	'20.2Q
		QoQ	YoY		
Sales	<b>281.7</b>	-8.5%	127.7%	<b>307.7</b>	<b>123.7</b>
Cost of good sold	187.4	-7.6%	86.9%	202.9	100.3
Gross profit	94.3	-10.1%	302.8%	104.8	23.4
Operating profit	<b>92.1</b>	-10.6%	355.8%	<b>103.0</b>	<b>20.2</b>
OP margin	32.7%	-0.8%p	16.4%p	33.5%	16.3%
Non-operating income & expenses	-0.6			-0.1	-0.6
Profit before tax	<b>91.5</b>	-11.1%	366.9%	<b>102.9</b>	<b>19.6</b>
Income tax	22.0			24.8	4.6
Net income	<b>69.5</b>	-11.0%	363.2%	<b>78.1</b>	<b>15.0</b>

### Balance Sheet (Separate)

Unit : KRW bn.

구 분	'19.4Q	'20.4Q	'21.2Q
Current assets	179.1	192.5	330.2
(Cash & cash equivalents)	44.8	110.3	106.1
Non-current assets	288.5	269.2	258.5
<b>Total assets</b>	<b>467.6</b>	<b>461.7</b>	<b>588.7</b>
Current liabilities	97.2	56.7	136.4
(Short-term borrowings)	25.0	9.9	9.9
Non-current liabilities	126.3	98.6	98.4
(Long-term borrowings)	119.9	89.4	89.5
<b>Total liabilities</b>	<b>223.6</b>	<b>155.3</b>	<b>234.8</b>
Paid-in capital	13.0	13.0	13.0
Others	118.6	119.4	119.3
Retained earnings	112.5	174.0	221.6
<b>Total equity</b>	<b>244.0</b>	<b>306.4</b>	<b>353.9</b>
<b>Total liabilities &amp; equity</b>	<b>467.6</b>	<b>461.7</b>	<b>588.7</b>

※ HSB was included as consolidated subsidiary from Nov 2020 onwards. '20. 4Q includes both non-consolidated earnings of Oct 2020 and consolidated earnings from November.

**Hyundai**  
**Oilbank**

