

4Q 2018 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.

# 4Q 2018 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

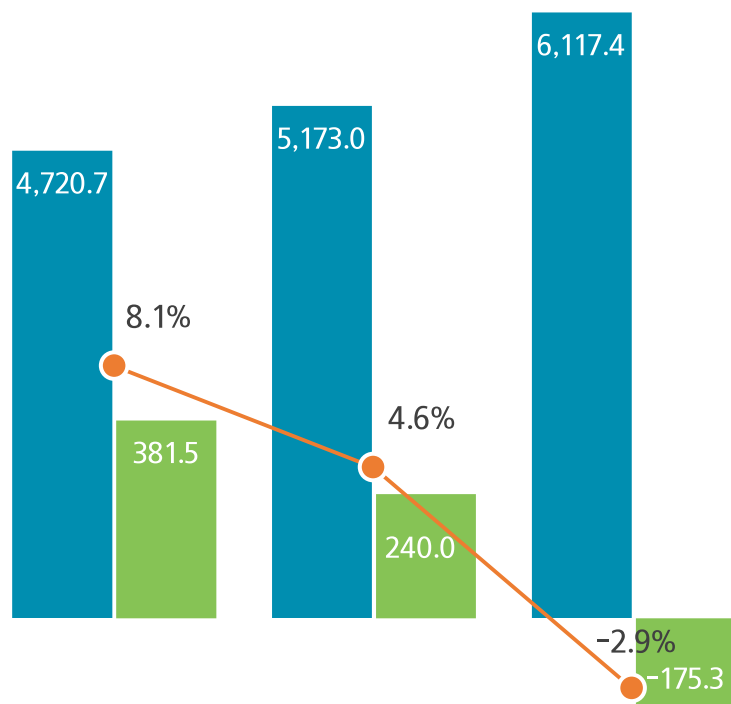


# 1. Consolidated Earnings

## 4Q 2018 Consolidated Earnings

Unit: KRW bil.

■ Sales ■ Operating Profit — OP Margin



- **Sales: KRW 6.1 trillion**

- QoQ 18.3% increase (+ KRW 944.4 bil.)
- YoY 29.6% increase (+ KRW 1.4 tril.)

- **QoQ Analysis**

- Following the 3Q T/A, sales increased QoQ after returning to normal operation

- **YoY Analysis**

- Sales increased YoY due to the increase in the oil price and the refining capacity

- **Operating Profit: - KRW 175.3 bil.**

- QoQ 173% decrease (- KRW 415.3 bil.)
- YoY 146% decrease (- KRW 556.8 bil.)

- **QoQ Analysis**

- Profit decreased QoQ due to inventory related loss as the oil price plummeted in 4Q

- **YoY Analysis**

- Profit decreased YoY due to inventory related loss as the oil price plummeted in 4Q

## 2. Earnings Breakdown

### 4Q 2018 Earnings

Unit: KRW bil.

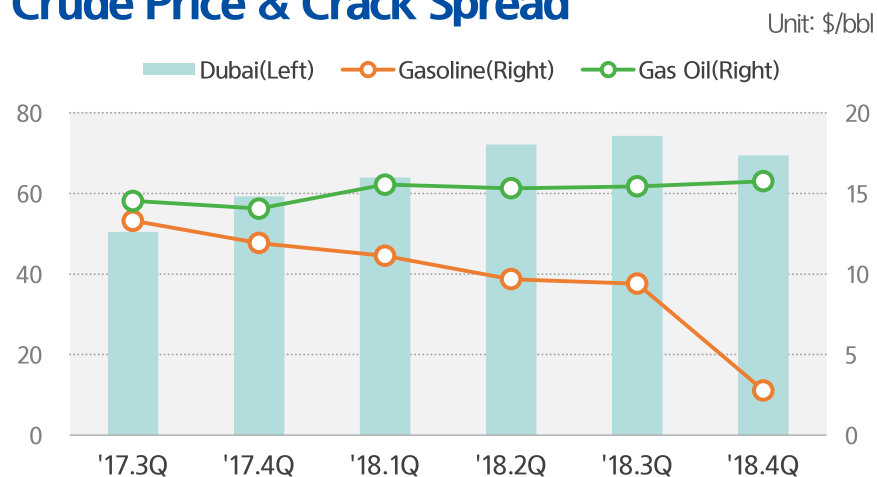
	'18.4Q			'18.3Q			'17.4Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Hyundai Oilbank	5,140.5	-140.5	-2.7%	4,499.7	201.5	4.5%	4,142.2	303.6	7.3%
Hyundai Chemical	985.2	-50.1	-5.1%	1,051.6	25.1	2.4%	953.9	70.2	7.4%
Hyundai OCI	36.8	4.6	12.5%	40.3	5.3	13.2%	12.4	0.6	4.8%
Others/Adjustments	(45.1)	10.7	-	(418.6)	8.1	-	(387.8)	7.1	-
Consolidated Earnings	6,117.4	-175.3	-2.9%	5,173.0	240.0	4.6%	4,720.7	381.5	8.1%
Hyundai Cosmo (Equity Method)	743.2	60.0	8.1%	820.4	53.5	6.5%	685.3	18.1	2.6%
Hyundai Shell Base Oil (Equity Method)	183.6	1.8	1.0%	153.1	6.8	4.4%	171.1	21.0	12.3%

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

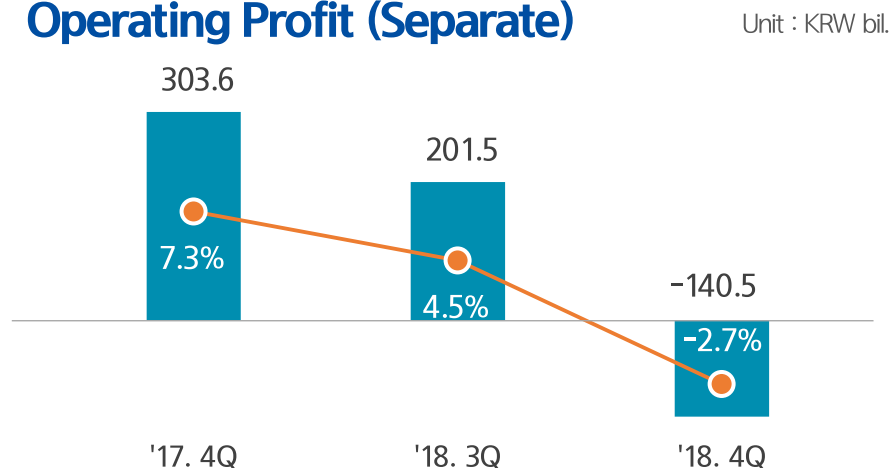


### 3. Key Index and Operating Profit – Hyundai Oilbank

#### Crude Price & Crack Spread



#### Operating Profit (Separate)



#### 4Q Market Analysis

- Crude price decreased as the U.S. allowed exemptions Iranian oil imports and as the major crude producers (Saudi Arabia, Russia, etc.) increased their production.
- Gasoline crack decreased due to the seasonal decrease in demand, operation of new refining plants in Vietnam, and high inventory of U.S. gasoline.
- Kero/gas oil crack decreased due to increasing concerns about recession as well as decreased demand caused by high temperature.

#### 1Q 2019 Forecast

- Risk of crude price decrease maintains due to the concerns about recession, but the oil price is projected to recover as the crude producers cut their production.
- Gasoline crack projects to be low due to high U.S. Inventory, but it will slightly rise in the driving season.
- The recent drop in the kero/gas oil crack will begin to recover in March when the maintenance season begins.

#### QoQ Operating Profit Analysis

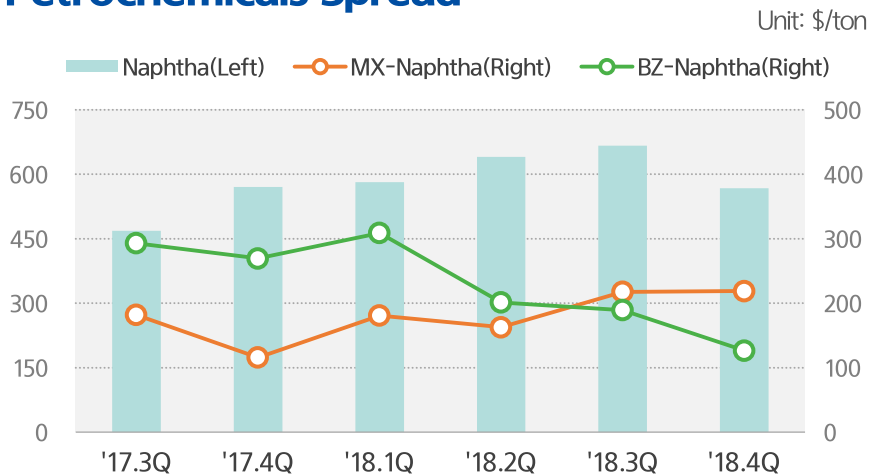
- Operating profit decreased QoQ due to inventory related loss caused by the decrease in the oil price.

#### YoY Operating Profit Analysis

- Operating profit decreased YoY due to inventory related loss caused by the decrease in the oil price.

### 3. Key Index and Operating Profit – Hyundai Chemical

#### Petrochemicals Spread



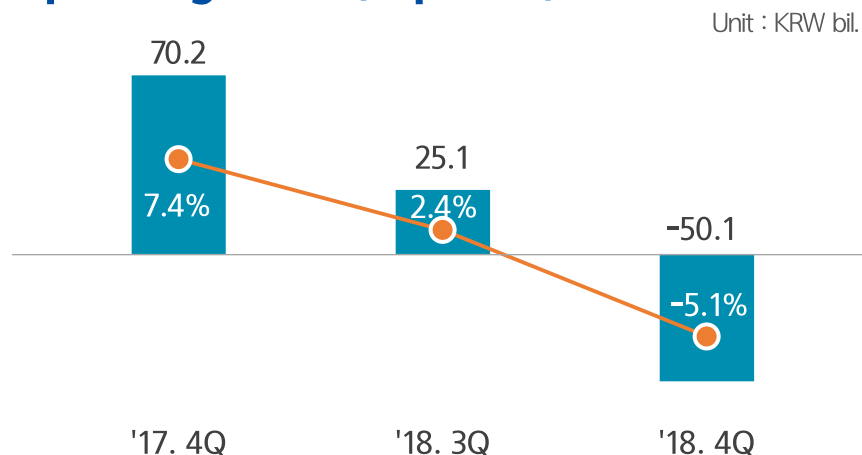
#### 4Q Market Analysis

- Large PX spread from 3Q carried over to 4Q, and MX maintained a decent spread from 3Q.
- Benzene spread decreased as the high PX margin increased the BTX operation rate.

#### 1Q 2019 Forecast

- PX spread will gradually decrease due to the supply increase caused by the high PX margin, but the drop will be restrained by the 2Q regular T/A.
- Benzene spread will remain weak due to the oversupply.

#### Operating Profit (Separate)



#### QoQ Operating Profit Analysis

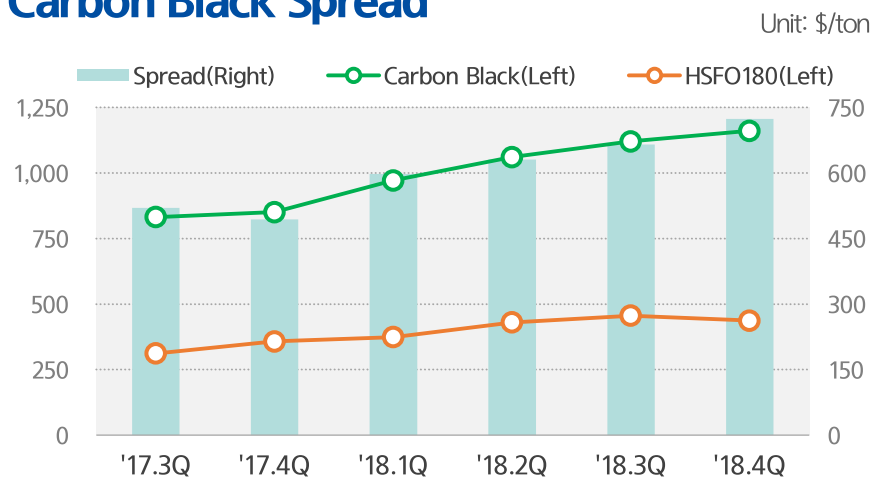
- Operating profit decreased QoQ due to inventory related loss caused by the decrease in oil price.

#### YoY Operating Profit Analysis

- Operating profit decreased YoY due to inventory related loss caused by the decrease in oil price.

### 3. Key Index and Operating Profit – Hyundai OCI

#### Carbon Black Spread



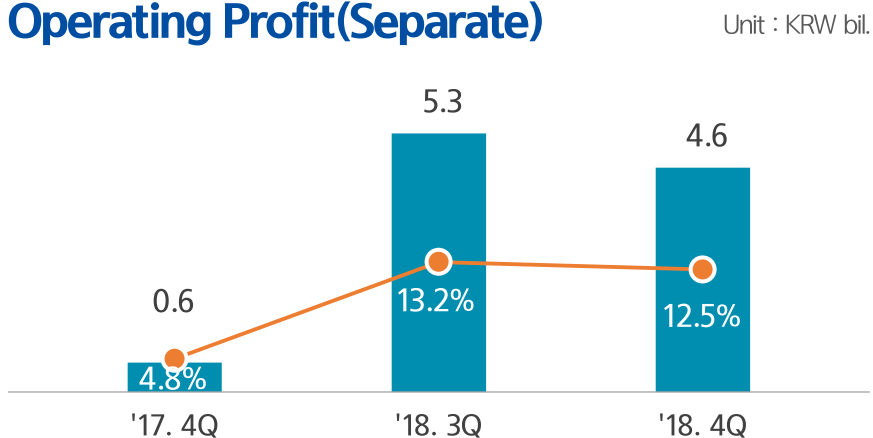
#### • 4Q Market Analysis

- The oil price from the previous quarter was reflected into the carbon black price and increase the spread.

#### • 1Q 2019 Forecast

- Carbon black price is expected to decrease following the oil price decrease.

#### Operating Profit(Separate)



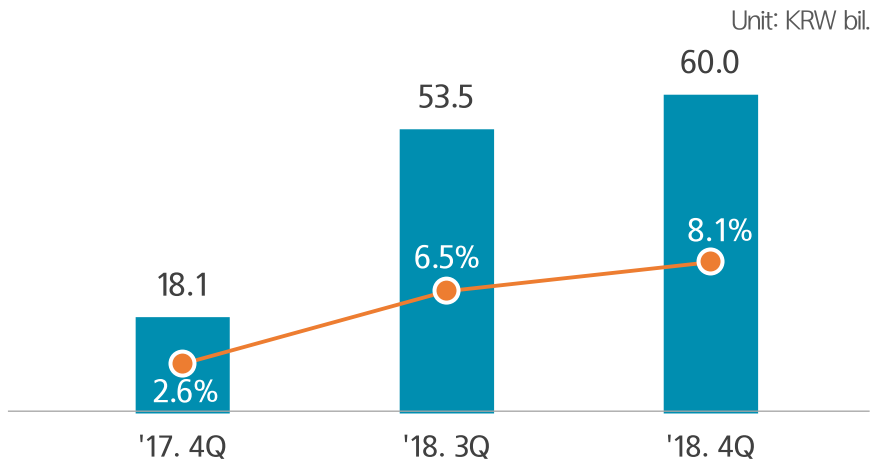
#### • Operating Profit Analysis

- Profit decreased due to the cost increase caused by the T/A (10 days) in 4Q as well as the decrease in the margin of toll processing of coke oven light oil following the BTX price decrease.



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

### Operating Profit (Hyundai Cosmo)



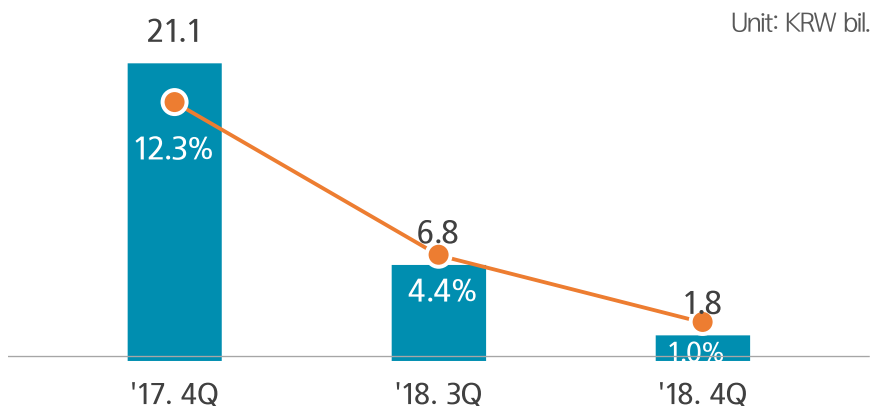
- **QoQ Operating Profit Analysis**

- Operating profit increased QoQ as the large PX spread from 3Q continued.

- **YoY Operating Profit Analysis**

- Operating profit increased YoY due to favorable PX market conditions.

### Operating Profit (Hyundai Shell Base Oil)



- **QoQ Operating Profit Analysis**

- Profit decreased QoQ due to inventory related loss and the decrease in demand caused by concerns about recession.

- **YoY Operating Profit Analysis**

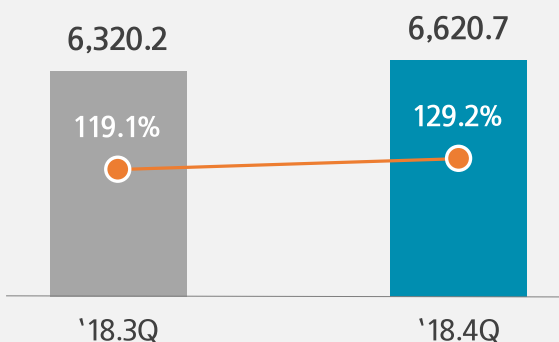
- Operating profit decreased YoY due to the decrease in the lube base oil spread.

## 7. Financial Ratio

### ‘Consolidated Financial Ratio

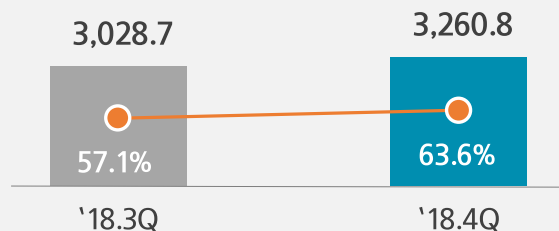
- Debt-to-Equity Ratio 128.2%

Unit: KRW bil.



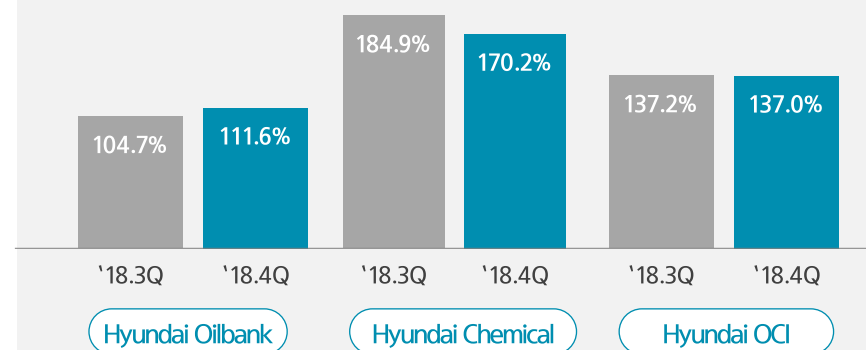
- Net debt-to-Equity Ratio 63.6%

Unit: KRW bil.

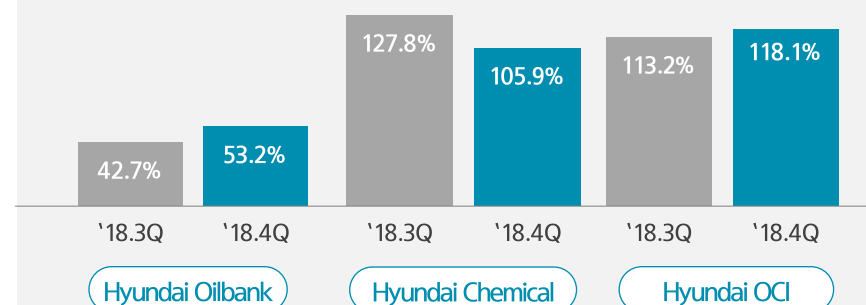


### Financial Ratio of Major Subsidiaries (Separate)

- 2018 Debt-to-Equity Ratio



- 2018 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. HPC Project Overview



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

## Consolidated Income Statement

Unit: KRW bil.

	'18.4Q	QoQ	YoY	'18.3Q	'17.4Q
Sales	6,117.4	18.3%	29.6%	5,173.0	4,720.7
Cost of goods sold	6,179.7	27.9%	46.2%	4,831.6	4,227.5
Gross profit	-62.3	-118.2%	-112.6%	341.4	493.2
Operating profit	-175.3	-173.0%	-146.0%	240.0	381.5
OP margin	-2.9%	-7.5%p	-11.0%p	4.6%	8.1%
Non operating Income & expenses	-97.2	-	-	-12.3	37.3
Equity method gains	24.8	-	-	22.1	12.7
Profit before tax	-247.7	-199.2%	-157.4%	249.8	431.5
Income tax	-57.4	-	-	59.9	114.2
Net income	-190.3	-200.2%	-160.0%	189.9	317.3

Note: Consolidated in accordance with K-IFRS

## Consolidated Balance Sheet

Unit: KRW bil.

	'16.4Q	'17.4Q	'18.4Q
Current assets	3,033.2	4,103.6	4,358.3
(Cash & cash equivalents)	300.6	148.2	162.6
Non-current assets	6,375.5	6,837.7	7,386.5
Total assets	9,408.7	10,941.3	11,744.8
Current liabilities	3,088.0	3,797.7	4,578.0
(Short-term borrowings)	1,102.0	1,015.4	1,573.7
Non-current liabilities	1,885.3	2,081.7	2,042.7
(Long-term borrowings)	1,691.3	1,860.0	1,856.1
Total liabilities	4,973.3	5,879.4	6,620.7
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	458.1	440.8	454.6
Retained earnings	2,496.0	3,064.2	3,109.9
Non-controlling interests	255.9	331.5	334.2
Total equity	4,435.4	5,061.9	5,124.1
Total liabilities & equity	9,408.7	10,941.3	11,744.8

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

### Income Statement

Unit: KRW bil.

	'18.4Q	QoQ	YoY	'18.3Q	'17.4Q
Sales	5,140.5	14.2%	24.1%	4,499.7	4,142.2
Cost of good sold	5,166.2	23.0%	38.6%	4,198.7	3,728.7
Gross profit	-25.7	-108.5%	-106.2%	301.0	413.5
Operating profit	-140.5	-169.7%	-146.3%	201.5	303.6
OP margin	-2.7%	-7.2%p	-10.0%p	4.5%	7.3%
Non-operating income & expenses	-83.8	-	-	-6.6	34.3
Profit before tax	-224.3	-215.1%	-166.4%	194.9	337.9
Income tax	-48.8	-	-	50.5	92.5
Net income	-175.5	-221.5%	-171.5%	144.4	245.4

### Balance Sheet

Unit: KRW bil.

	'16.4Q	'17.4Q	'18.4Q
Current assets	2,481.9	3,226.2	3,240.5
(Cash & cash equivalents)	110.6	57.9	26.1
Non-current assets	5,649.9	5,906.1	6,360.3
Total assets	8,131.8	9,132.3	9,600.8
Current liabilities	2,731.8	3,319.9	3,888.2
(Short-term borrowings)	823.1	835.2	1,427.6
Non-current liabilities	1,206.0	1,239.0	1,174.9
(Long-term borrowings)	1,018.9	1,038.4	1,017.5
Total liabilities	3,937.8	4,558.9	5,063.1
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	439.8	426.6	429.3
Retained earnings	2,528.8	2,921.4	2,883.0
Total equity	4,194.0	4,573.4	4,537.7
Total liabilities & equity	8,131.8	9,132.3	9,600.8

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

### Income Statement

Unit: KRW bil.

	'18.4Q	QoQ	YoY	'18.3Q	'17.4Q
Sales	985.2	-6.3%	3.3%	1,051.6	953.9
Cost of goods sold	1,031.4	0.9%	17.4%	1,022.1	878.7
Gross profit	-46.2	-256.6%	-161.4%	29.5	75.2
Operating Profit	-50.1	-299.6%	-171.4%	25.1	70.2
OP margin	-5.1%	-7.5%p	-12.5%p	2.4%	7.4%
Non-operating income & expenses	-11.8	-	-	-4.5	3.3
Profit before tax	-61.9	-400.5%	-184.2%	20.6	73.5
Income tax	-14.8	-	-	4.9	17.7
Net income	-47.1	-400.0%	-184.4%	15.7	55.8

### Balance Sheet

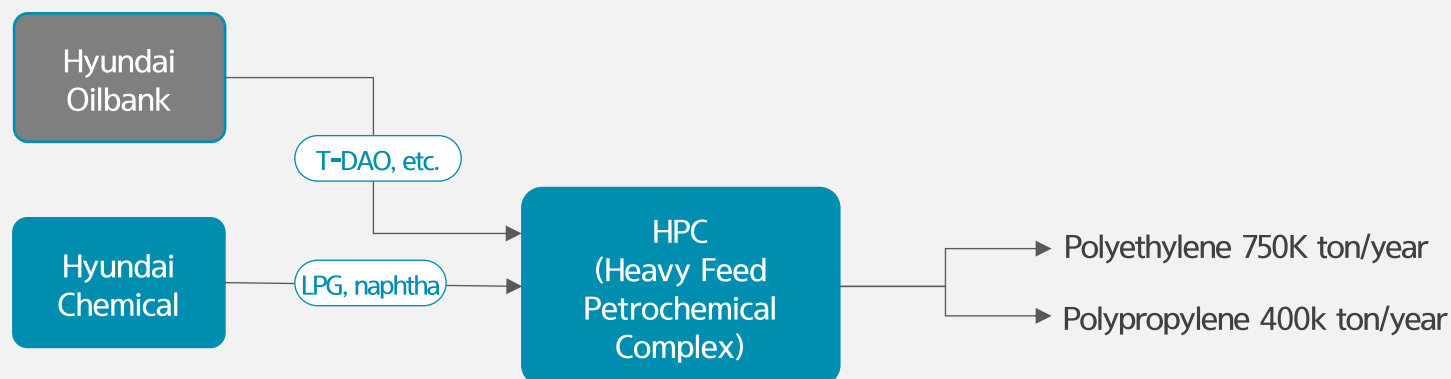
Unit: KRW bil.

	'16.4Q	'17.4Q	'18.4Q
Current assets	608.8	1,017.4	865.5
(Cash & cash equivalents)	115.9	44.7	89.9
Non-current assets	1,020.7	1,015.3	1,017.2
Total assets	1,629.5	2,032.7	1,882.7
Current liabilities	462.0	626.8	479.4
(Short-term borrowings)	266.6	174.8	121.9
Non-current liabilities	652.4	705.5	706.5
(Long-term borrowings)	648.2	704.2	705.6
Total liabilities	1,114.4	1,332.3	1,185.9
Paid-in capital	480.0	480.0	480.0
Others	-2.3	-4.2	-1.3
Retained earnings	37.4	224.6	218.1
Total equity	515.1	700.4	696.8
Total liabilities & equity	1,629.5	2,032.7	1,882.7



## 4. HPC Project Overview

**HPC Project  
Flow Diagram**



1) Overview	2) Main products	3) Total investments & profitability(E)
<ul style="list-style-type: none"> <li>May 2018 MOU signed between Hyundai Oilbank &amp; Lotte Chemical</li> <li>Project to be carried out 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% (Forecast as of 2018)</li> </ul>

구	2018	2019	2020	2021	2022
Engineering					
Procurement					
Construction					
Test run & commercial operation					Commercial operation: end of 2021

***Hyundai  
Oilbank***

