

2Q 2020 Earnings Release

**HYUNDAI
OILBANK**



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I. 2020 2Q Earnings

II. 2020 2H Investment Highlights

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I. 2020 2Q Earnings

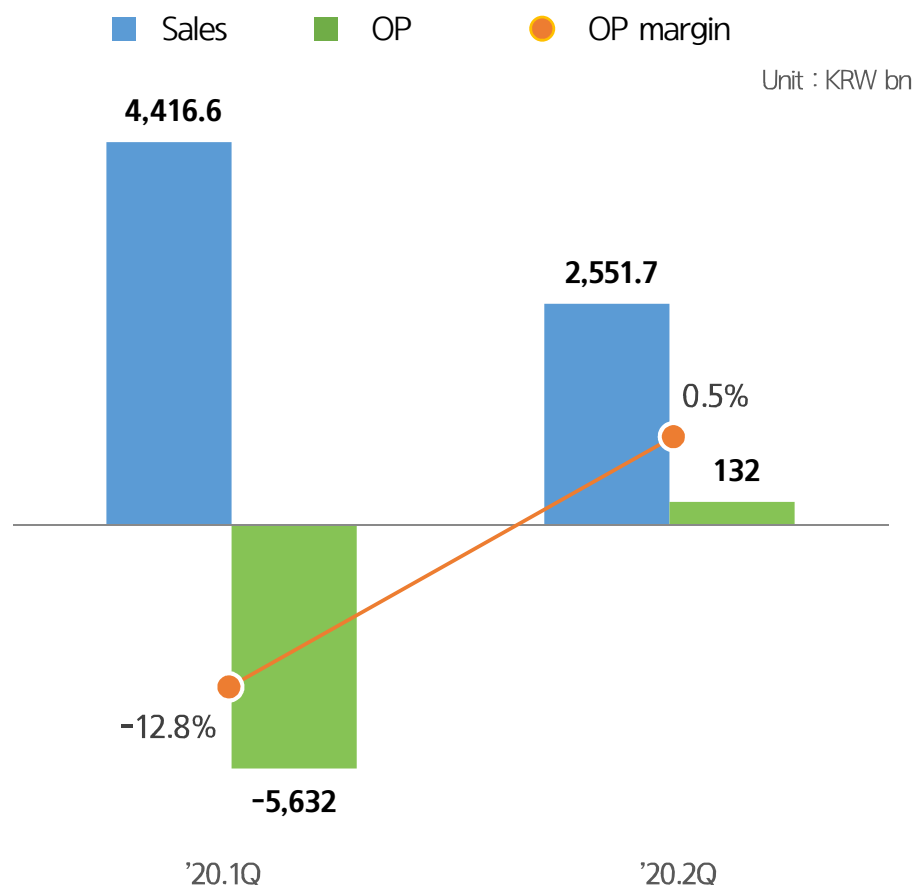
1. Consolidated Earnings
2. Earnings by Business Segment
3. 2Q Earnings Analysis



1. Consolidated Earnings

While cracks have significantly worsened due to oil demand shock from COVID-19 pandemic, 2Q consolidated earnings turned KRW 13.2 bn profit despite unfavorable market conditions.

'20. 2Q Consolidated Earnings



- **2Q Sales KRW 2,551.7 bn**

- Sales decreased by 42.2% QoQ (KRW -1,864.9 bn)
- as oil price dropped (1Q 50.7 → 2Q 30.5 \$/bbl) and
- #2 CDU operated at a low utilization rate during T/A

- **2Q Earnings turned KRW 13.2 bn profit**

- Operating profit increased by KRW 576.4 bn QoQ
- Despite tough market conditions, we turned a profit by increasing ultra-heavy crude input and gas-oil yields.

2. Earnings by Business Segment

'2Q 2020 Earnings

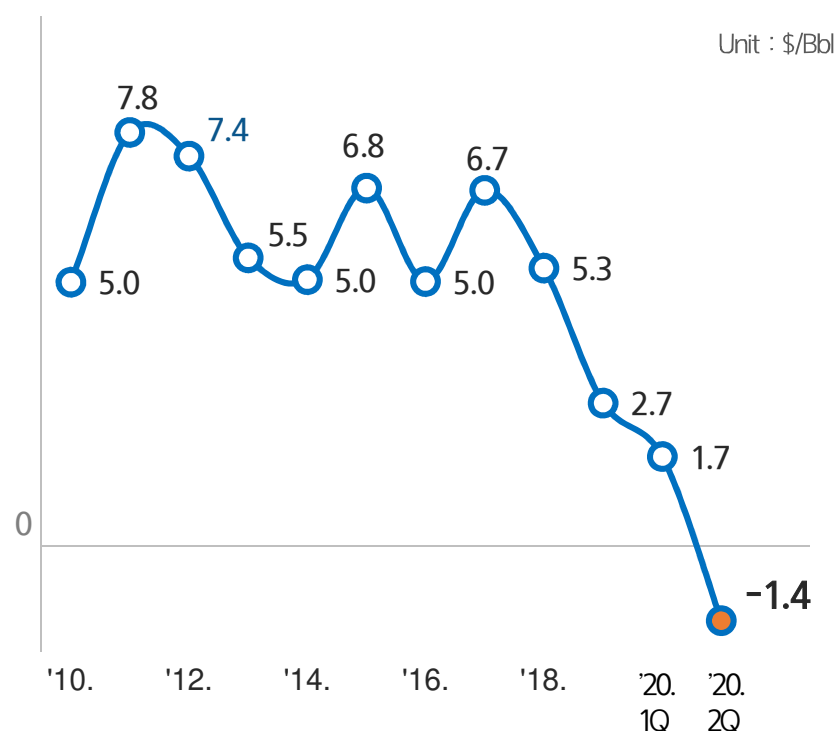
Unit : KRW bn

Business	'20.2Q			'20.1Q			'19.2Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Refining	2,108.6	-18.6	-0.9%	3,973.7	-476.9	-12.0%	4,905.1	107.5	2.2%
Petrochemical (Consolidated)	634.4	32.3	5.1%	837.0	-104.7	-12.5%	702.9	24.7	3.5%
Carbon Black	28.3	6.5	22.9%	48.8	11.9	24.4%	43.7	7.0	16.0%
Others/Adjustments	-219.5	-6.9		-442.8	6.5		-332.0	15.2	
Consolidated Earnings	2,551.7	13.2	0.5%	4,416.6	-563.2	-12.8%	5,319.6	154.4	2.9%
Petrochemical (Non-consolidated)	216.2	-20.8	-9.6%	549.7	-6.2	-1.1%	677.6	27.6	4.1%
Lube Base Oil (Non-consolidated)	123.7	20.2	16.4%	180.1	23.5	13.0%	221.2	4.5	2.0%

3. 2Q Earnings Analysis – Market

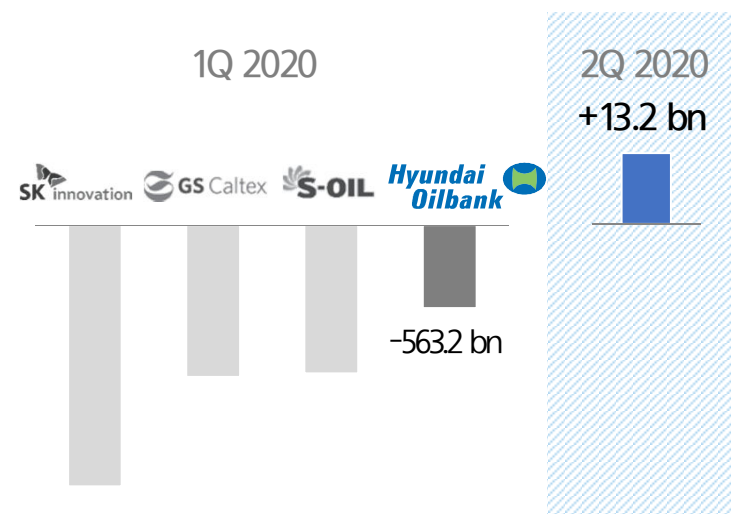
Singapore refining margin plunged to -1.4\$/bbl in 2Q due to COVID-19, a record-low level in the last decade. While most refiners' profitability deteriorated amid an unprecedentedly plummeting refining margin, we achieved a successful turnaround in the second quarter.

Singapore Refining Margin (2010 ~ 2020 2Q)



※ Source : I H S

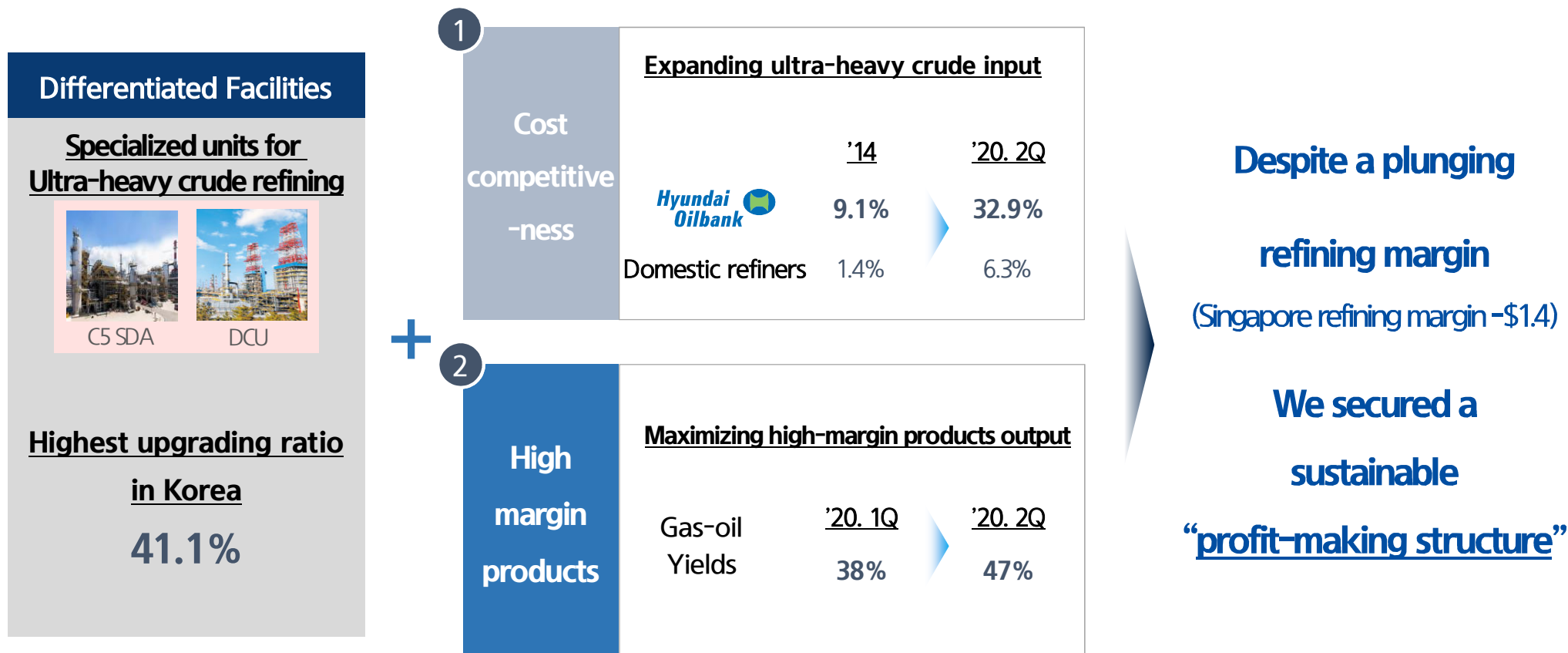
Hyundai Oilbank Operating Profit



- 1Q : Other Korean refiners recorded massive losses of KRW 1 tn as oil price plunged.
We minimized our loss compared to other refiners
- 2Q : Despite negative conditions including low refining margin, we turned a profit.

3. 2Q Earnings Analysis – Summary

With our top-level refining facilities, we improved our profit by ① maximizing ultra-heavy crude input and ② increasing high-margin products yields.



* C5 SDA : Solvent De-Asphaltene, DCU : Delayed Coker Unit

3. 2Q Earnings Analysis – Cost Competitiveness

Based on our supreme ultra-heavy crude refining facilities, we have steadily increased the share of ultra-heavy crude, and we are now 27%p ahead of other Korean refiners in ultra-heavy crude input ratio.

Ultra-heavy Crude Input Maximization

With our unique C5 SDA and DCU, we have higher capacity for economic ultra-heavy crude compared to other refiners

	'14년	'20년 2Q
 Hyundai Oilbank	9.1%	32.9%
Other refiners*	1.4%	6.3%

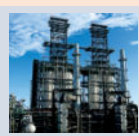
* Other refiners: SK Innovation, S-oil, GS Caltex

[Specialized units for ultra-heavy crude refining]



C5 SDA (Solvent De-Asphaltene)

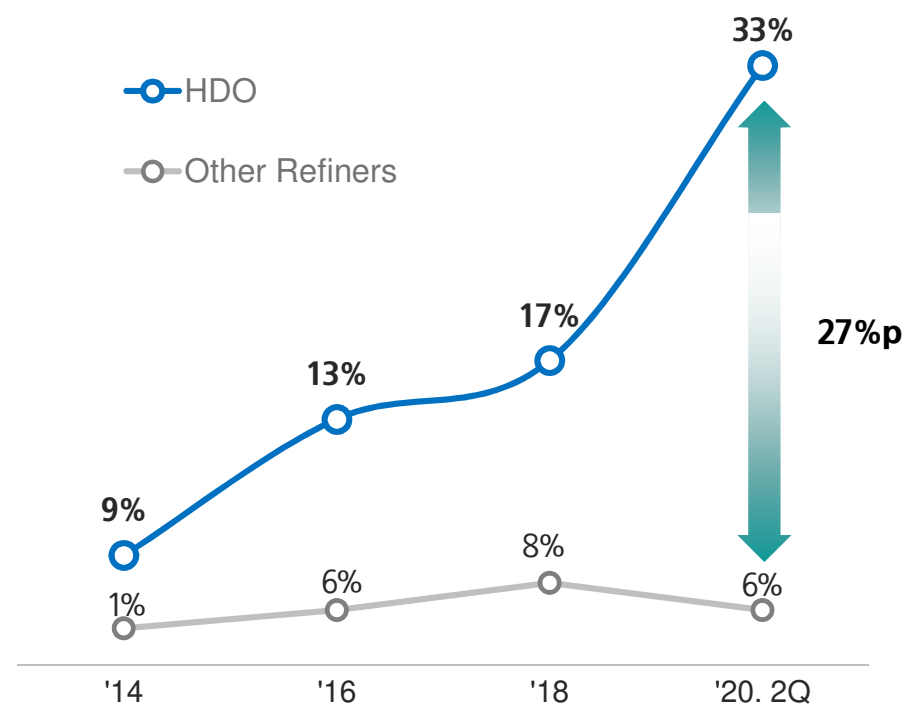
C5 SDA removes asphaltene to increase ultra-heavy crude input



DCU (Delayed Cokes Unit)

DCU pyrolyzes heavy residues from ultra-heavy crude

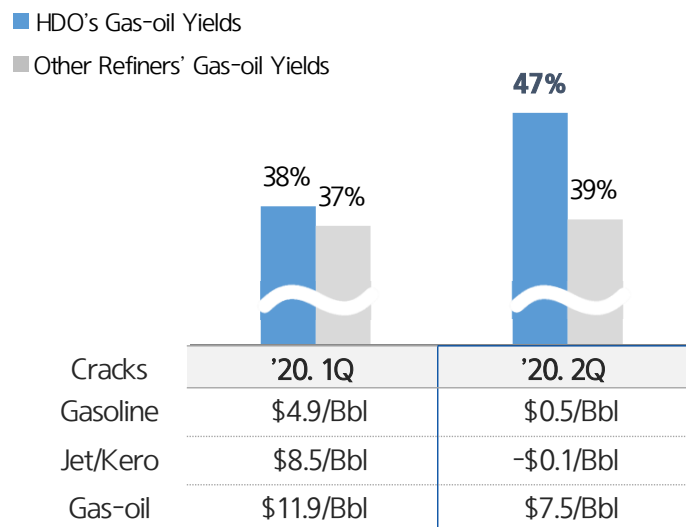
[Ultra-heavy crude input ratio]



3. 2Q Earnings Analysis – High Margin Products

We expanded Gas-oil and high-margin products sales by flexible manufacturing adjustment through our top-tier upgrading plants.

Gas-oil Yields Maximization



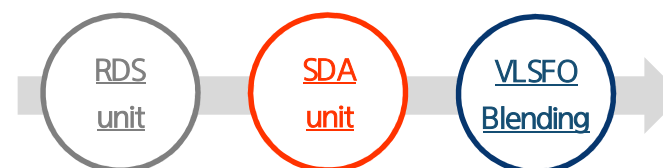
- **2Q Gas-oil Yields Compared to Other Refiners (+8%p)**

- Our top-level upgrading plants can flexibly adjust yields.
- We improved profitability by maximizing high margin gas-oil output.

VLSFO Sales

- **VLSFO (Very Low Sulfur Fuel Oil)**

- With our industry-leading upgrading/desulfurization units, we developed an eco-friendly VLSFO plant with our unique technology



VLSFO plant developed with our unique technology



HYUNDAI STAR

Global first eco-friendly VLSFO

+

[Other high margin products]

CarbonBlack (Tires, ink material)
100LL (Jet Gasoline)

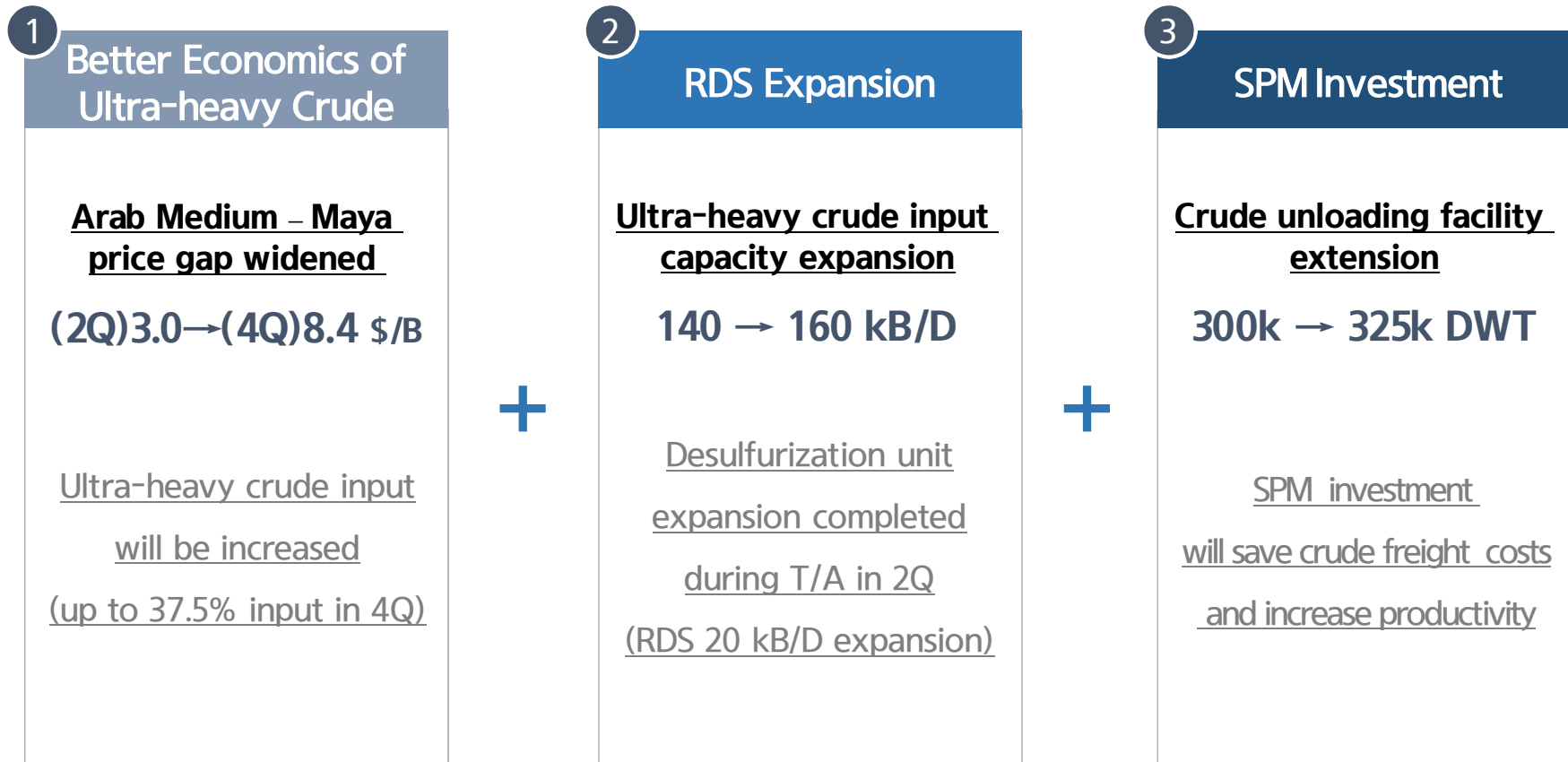
II. 2020 2H Investment Highlights

1. Ultra-heavy Crude Economics Improvement
2. RDS Expansion & SPM Investment
3. SK Networks Gas-station Acquisition



2020 2H Investment Highlights – Summary

In the second half of 2020, we expect ① economics of ultra-heavy crude will be further improved with a widening price discount over middle-east crude, and we completed ② desulfurization capacity expansion as well as ③ crude unloading facility investment in the second quarter, which will lead to better results in the second half.



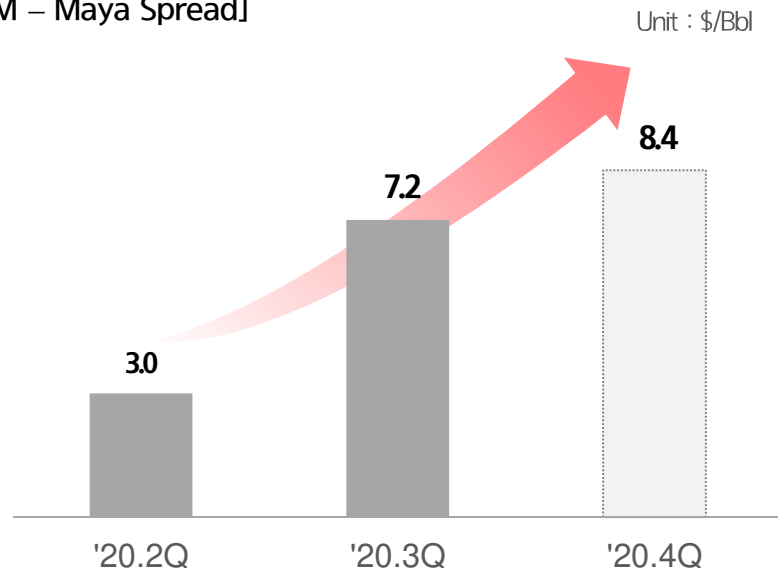
1. 2020 2H Investment Highlights – Ultra-heavy Crude Economics

In light of middle-east crude price increase, economics of ultra-heavy crude is expected to improve. In response, we plan to expand ultra-heavy crude input to 37.5% by 4Q.

Ultra-heavy Crude Economics

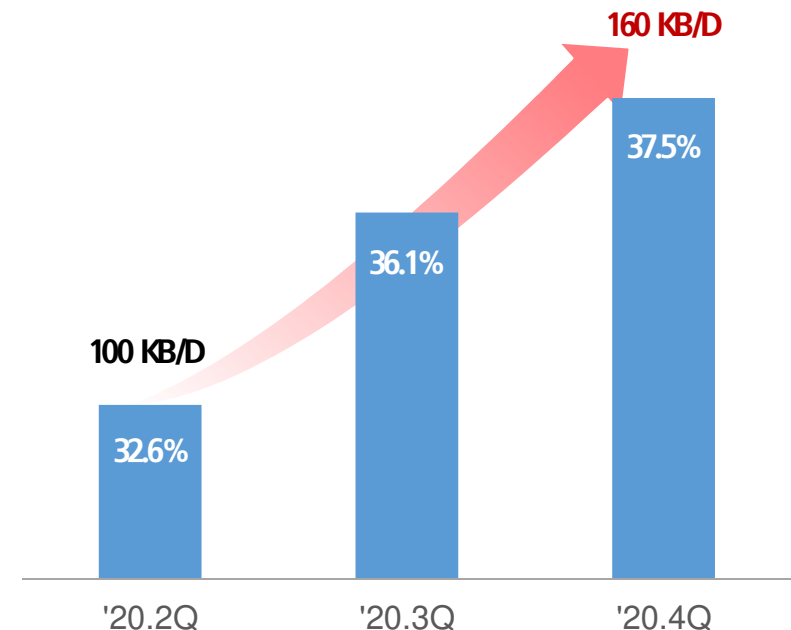
- As the oil price recovers, the spread between Maya and middle-east crude is expected to rise from 3.0\$/B to 7.2\$/B in 3Q and to further higher by the end of the year

[A/M – Maya Spread]



· Ultra-heavy Crude Input Projection in 2H

- We will increase ultra-heavy crude input share to 36.1% in 3Q and 37.5% in 4Q to improve profit in 2H



※ Source : OSP announcements and internal estimates

* A/M(Arabian Medium) : Saudi heavy crude, Maya : Mexico ultra-heavy crude

2. 2020 2H Investment Highlights – RDS & SPM Expansion

Through the expansion of desulfurization unit in the 2Q, we plan to increase ultra-heavy crude input to 160kB/D in the 2H. We also expect profits will further improve with reduced freight costs as we have completed our investment on crude unloading unit extension.

Desulfurization Unit (RDS)

RDS (Residue Desulfurization)



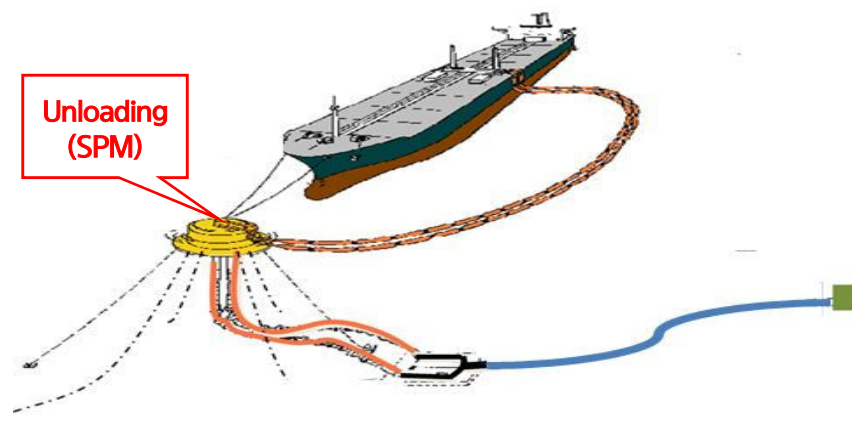
- RDS reduces sulfuric components in feedstock from 4% to 0.5% for Fluid Catalytic Cracking (FCC) unit.
- We completed extension in T/A in 2Q

• Ultra-heavy Crude Capacity Expansion

- Ultra-heavy Crude Refining Capacity : 140kB/D → 160kB/D
- Ultra-heavy Crude Input : (3Q) 150kB/D (4Q) 160kB/D

* RDS: Residue De-Sulfurization
FCC: Fluidized Catalytic Cracking

Crude Oil Tanker Unloading Unit (SPM) Investment



• Freight Costs Reduction & Operation Efficiency Improvement

- Unloading capacity enhancement (300,000 → 325,000 DWT)
- We cut down freight costs by larger loading per vessel, and we improved port operation efficiency.

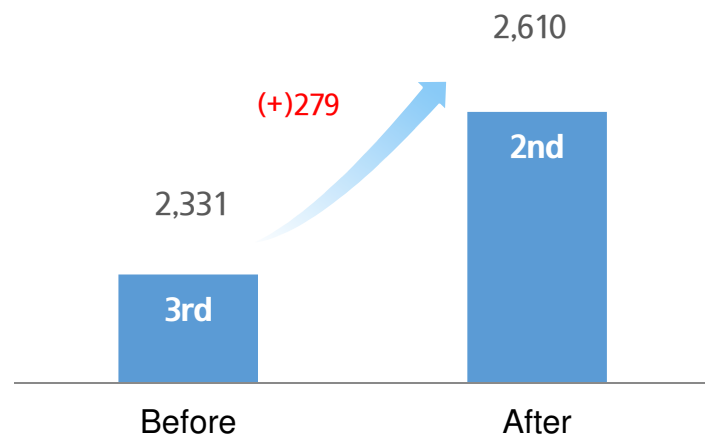
* SPM (Single Point Mooring) : Oil tanker unloading unit, DWT: Deadweight Tonnage

3. 2020 2H Investment Highlights – SK Networks Gas-station Acquisition

We have strengthened domestic sales channel competitiveness with SK Networks gas-station acquisition, and we plan to extend an electric/hydrogen vehicle charging station business with our gas-station infra.

Sales Competitiveness Enhancement with Additional Sales Channel

(Unit : The number of owned gas-station)



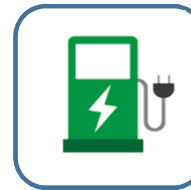
- Gas-station market share (Pole Share) : 2nd in the industry
- We augmented domestic sales competitiveness by acquiring gas-stations in the capital area.

Platform Business & Electric/Hydrogen Vehicle Charging Station Business Extension



- Coupang Logistics Hub Lease

- We lease gas-station spaces to Coupang for Logistics Hub.
- We plan to increase sales to delivery cars.



- Electric Vehicle Charging

- We will expand charging business in line with the growing number of EV, with our target of 150 charging stations



- Hydrogen Station

- Hydrogen cars are increasing with Green New Deal by the government, and we plan to widen hydrogen charging station business.

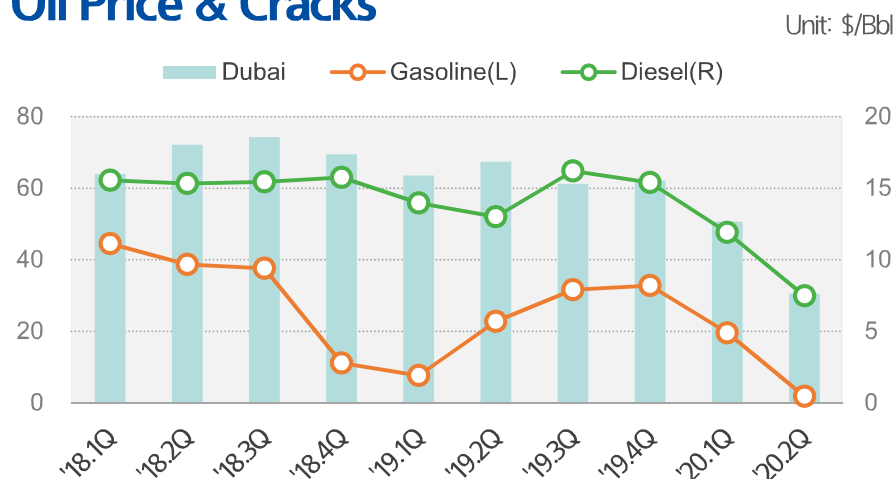
III. APPENDIX

1. Hyundai Oilbank Key Indicators & Results
2. Hyundai Chemical Key Indicators & Results
3. Hyundai OCI Key Indicators & Results
4. Equity Method Companies (Hyundai Cosmo, Hyundai Shell Base Oil)
5. Financial Ratios
6. Financial Statements Summary



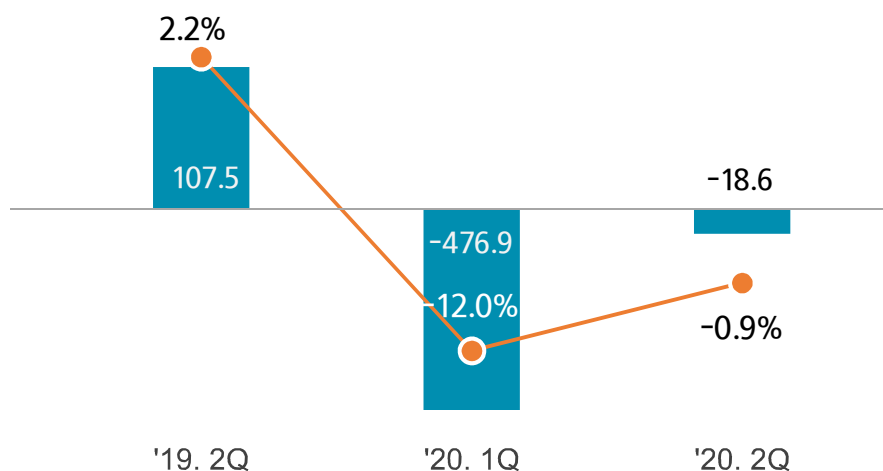
1. Hyundai Oilbank Key Indicators & Results

Oil Price & Cracks



Hyundai Oilbank Operating Income (Separate)

Unit : KRW bn.



• 2Q Analysis

- While oil price plunged until April due to a demand shock from COVID-19, it rebounded to 40\$/bbl as OPEC+ cut down oil production.
- Gasoline crack recovered from -1.0\$/bbl in April as some countries have partly lifted lockdown orders.
- Gas-oil crack declined as refiners increased gas-oil yields instead of jet fuel whose economics worsened.

• 3Q Forecast

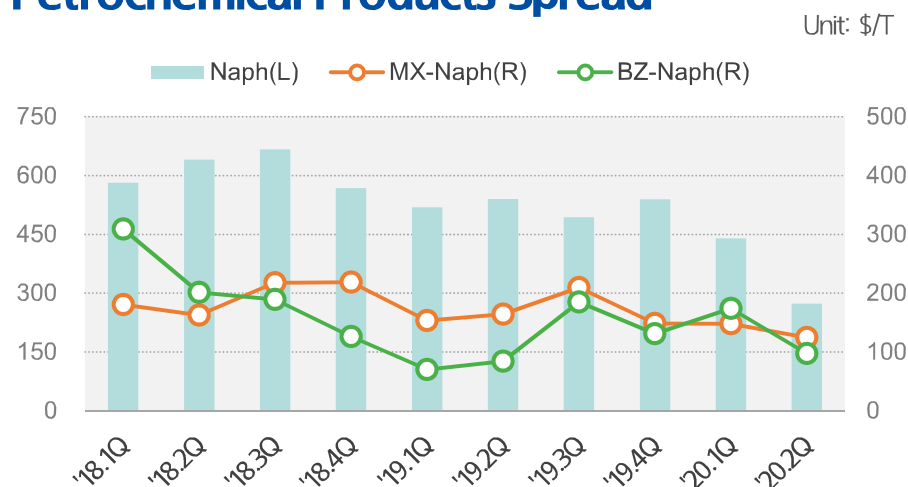
- Oil price is expected to rise as oil demand is projected to be restored from 3Q onwards while supply will remain steady as OPEC+ continues to cut production.
- Gasoline is likely to show a gradual increase in demand, while its upward momentum will be limited due to concerns over the second wave of COVID-19 and growing export from China and India.
- Gas-oil crack will rise until the year-end as lockdown orders are lifted and industrial activities are resumed.

• QoQ Analysis

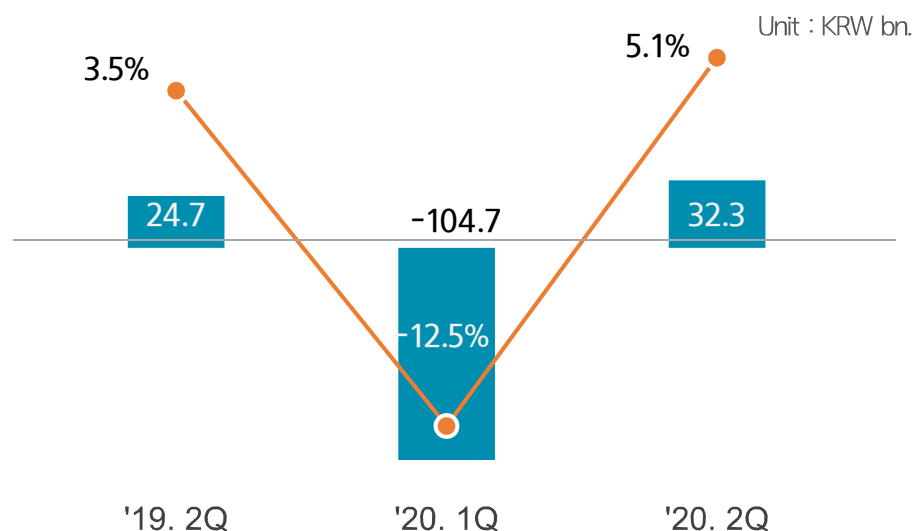
- Inventory-related losses decreased and lagging effect improved as oil price rose.
- Operating losses decreased as ultra-heavy crude reduced costs and high-margin products increased revenues.

2. Hyundai Chemical Key Indicators & Results

Petrochemical Products Spread



Hyundai Chemical Operating Income (Separate)



• 2Q Analysis

- While MX spread fell with a weak demand of MX as PX plants lowered utilization, favorable economics of China gasoline blending supported the spread.
- Despite a prompt recovery of BZ demand in China, BZ spread remained low as persisting slow demand in the US worsened the oversupply.

• 3Q Forecast

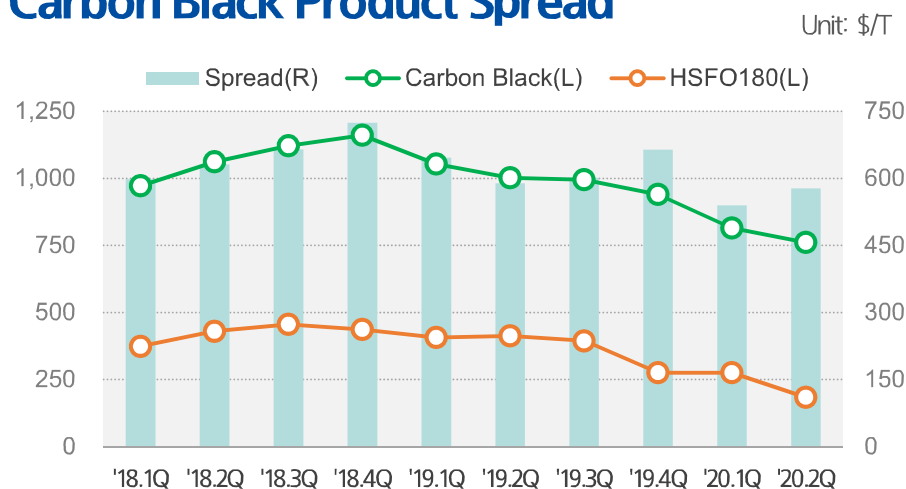
- MX spread is expected to stay bearish with worsening economics of PX, and it will recover following the large-scale PTA expansions scheduled in 4Q in China.
- With a firm demand of BZ in China, its oversupply will be eased with a gradual recovery of BZ demand in US.

• QoQ Analysis

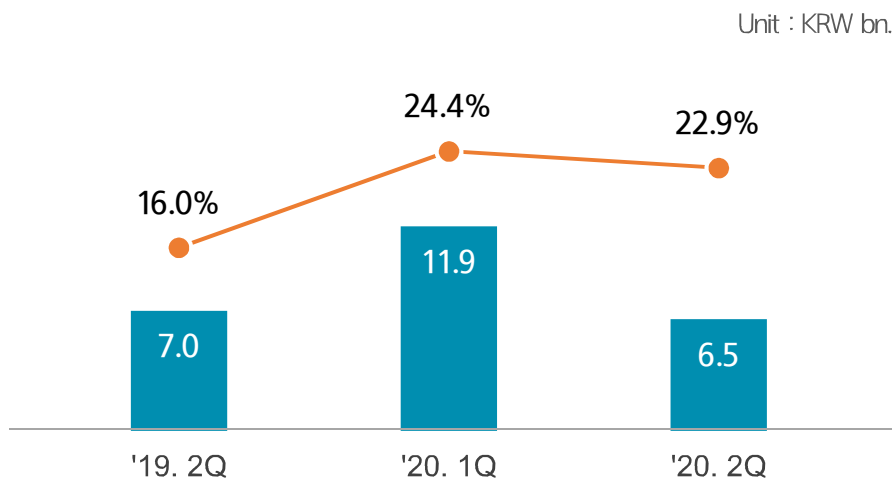
- Condensate's lagging effect improved as oil price rose.
- We turned to profit as we lowered feedstock purchase price while minimizing low-margin products output.

3. Hyundai OCI Key Indicators & Results

Carbon Black Product Spread



Hyundai OCI Operating Income (Separate)



• 2Q Analysis

- Sales volume decreased with a weak demand from tire producers. While carbon black price remained low, raw material price also turned downward, resulting in a slight increase in the spread.

• 3Q Forecast

- Amid a slow demand, carbon black price, following the oil price with a lag, is likely to rebound after 3Q and will contribute to our operating income.

• QoQ Analysis

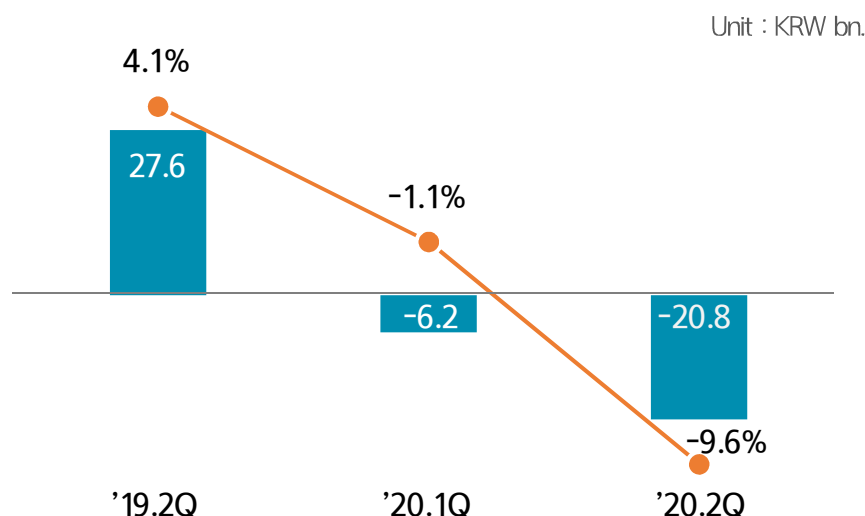
- Despite the increase in the production margin, operating income decreased as the sales volume decreased with regard to COVID-19 impacts.

Unit: Kiloton

Sales Volume	20.1Q	20.2Q	Increment
Carbon Black	34	20	-14

4. Equity Method Companies (HCP, HSB)

Hyundai Cosmo Operating Income (Separate)



• QoQ Analysis

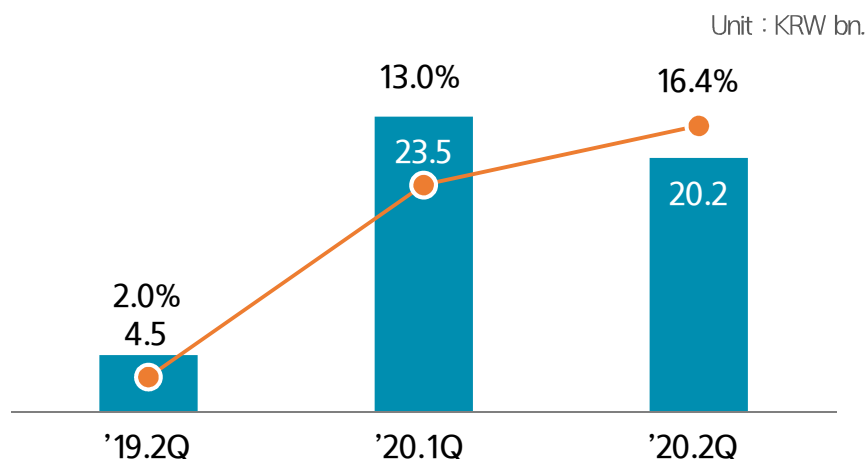
- BTX spreads narrowed down with large scale PX expansions in China and rising stocks in downstream. However, PX demand is likely to rebound with mass scale PTA expansions (Fujian, Xinjiang 6MT/Y)

• YoY Analysis

- PX-Naphtha spread fell YoY.

(Unit: \$/T)	19.2Q	20.1Q	20.2Q
PX - N	350	249	204
BZ - N	84	174	97

Hyundai Shell Base oil Operating Income (Separate)



• QoQ Analysis

- Feedstock price rose with the upturn of oil price. (Base oil products' prices follow crude price with a lag)

• YoY Analysis

- Lube base oil spread rose YoY.

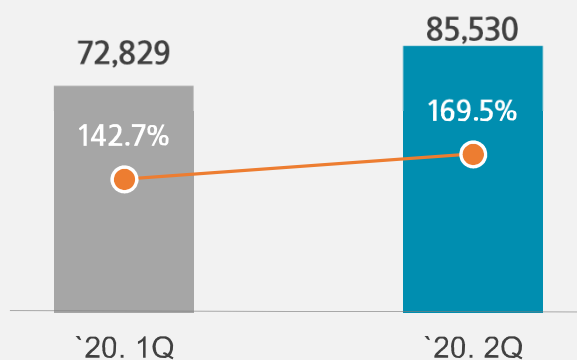
(Unit: \$/T)	19.2Q	20.1Q	20.2Q
150N-HW	63	168	134
500N-HW	80	188	248

5. Financial Ratios

Consolidated Financial Ratios

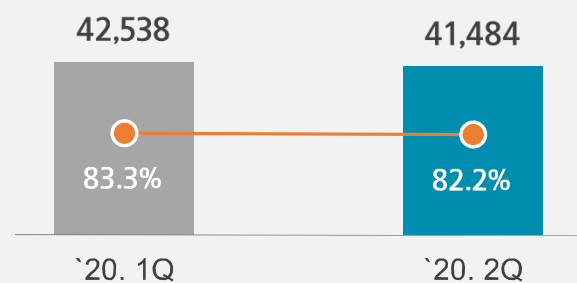
- Debt to Equity Ratio 169.5%

Unit : KRW bn.



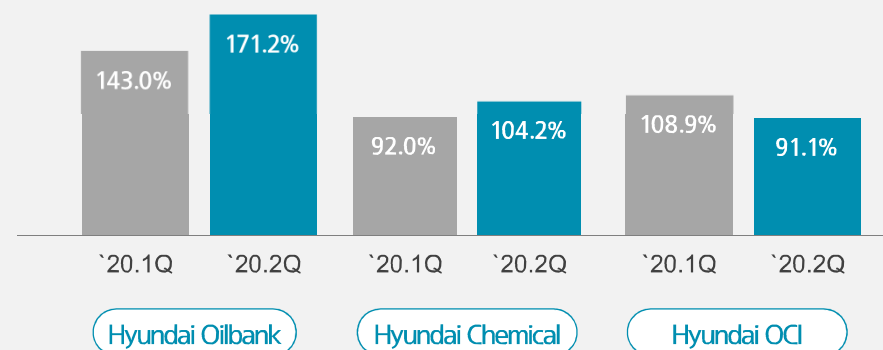
- Net Debt to Equity Ratio 82.2%

Unit : KRW bn.

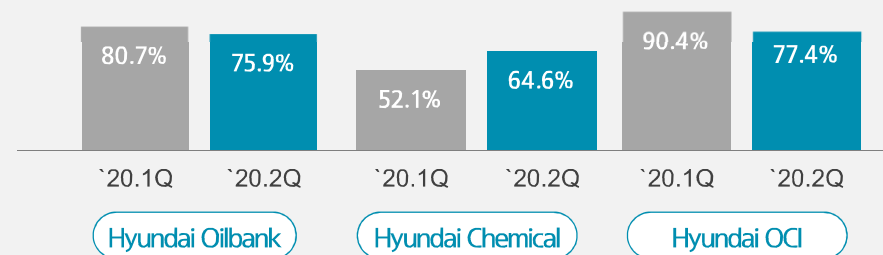


Separate Financial Ratios

- Debt to Equity Ratio (as of the end of 2020.2Q)



- Net Debt to Equity Ratio (as of the end of 2020.2Q)



※ Debt ratio increased due to the KRW 610 bn of lease debt (gas-station, crude oil tanker) and the increment in account payables related to crude purchase as the oil price rose.

6-1. Financial Statements – Hyundai Oilbank (Consolidated)

Consolidated Income Statement

Unit : KRW bn.

	'20.2Q	QoQ	YoY	'20.1Q	'19.2Q
Sales	2,551.7	-42.2%	-52.0%	4,416.6	5,319.6
Cost of goods sold	2,435.8	-50.0%	-51.9%	4,866.8	5,067.8
Gross profit	115.9	Turned a Profit	-54.0%	-450.2	251.8
Operating profit	13.2	Turned a Profit	-91.4%	-563.2	154.4
OP margin	0.5%	13.3%p	-2.4%p	-12.8%	2.9%
Non operating Income & expenses	-31.6	-	-	-122.6	-46.3
Equity method gains	-0.2	-	-	8.9	9.1
Profit before tax	-18.6	Reduced Deficit	Turned a Deficit	-676.9	117.3
Income tax	-2.3	-	-	-214.7	25.8
Net income	-16.3	Reduced Deficit	Turned a Deficit	-462.2	91.5

Note: Consolidated in accordance with K-IFRS

Consolidated Balance Sheet

Unit : KRW bn.

	'18. 4Q	'19. 4Q	'20. 2Q
Current assets	4,358.3	4,565.4	3,445.1
(Cash & cash equivalents)	162.6	480.4	425.5
Non-current assets	7,386.5	8,290.5	10,154.6
Total assets	11,744.8	12,855.9	13,599.7
Current liabilities	4,578.0	4,086.7	3,800.8
(Short-term borrowings)	1,573.7	1,125.0	898.5
Non-current liabilities	2,042.7	3,327.6	4,752.2
(Long-term borrowings)	1,856.1	2,808.4	3,680.3
Total liabilities	6,620.7	7,414.3	8,553.0
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	454.6	443.6	735.1
Retained earnings	3,109.9	3,110.1	2,437.8
Non-controlling interests	334.2	662.4	648.4
Total equity	5,124.1	5,441.6	5,046.7
Total liabilities & equity	11,744.8	12,855.9	13,599.7

6-2. Financial Statements – Hyundai Oilbank (Separate)

Income Statement (Separate)

Unit : KRW bn.

	'20.2Q	QoQ	YoY	'20.1Q	'19.2Q
Sales	2,108.6	-46.9%	-57.0%	3,973.7	4,905.1
Cost of good sold	2,025.0	-53.4%	-56.9%	4,347.5	4,703.4
Gross profit	83.6	Turned a Profit	-58.6%	-373.8	201.7
Operating profit	-18.6	Reduced Deficit	Turned a Deficit	-476.9	107.5
OP margin	-0.9%	11.1%p	-3.1%p	-12.0%	2.2%
Non-operating income & expenses	-15.7	-	-	-106.3	-37.0
Profit before tax	-34.3	Reduced Deficit	Turned a Deficit	-583.2	70.5
Income tax	-9.9	-	-	-174.3	18.7
Net income	-24.4	Reduced Deficit	Turned a Deficit	-408.9	51.8

Balance Sheet (Separate)

Unit : KRW bn.

	'18.4Q	'19.4Q	'20.2Q
Current assets	3,240.5	3,336.1	2,657.2
(Cash & cash equivalents)	26.1	37.5	176.5
Non-current assets	6,360.3	7,233.2	8,502.9
Total assets	9,600.8	10,569.3	11,160.1
Current liabilities	3,888.2	3,690.5	3,145.5
(Short-term borrowings)	1,427.6	985.4	480.2
Non-current liabilities	1,174.9	2,397.4	3,899.5
(Long-term borrowings)	1,017.5	1,875.3	2,823.2
Total liabilities	5,063.1	6,087.9	7,045.0
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	429.3	429.3	707.3
Retained earnings	2,883.0	2,826.7	2,182.4
Total equity	4,537.7	4,481.4	4,115.1
Total liabilities & equity	9,600.8	10,569.3	11,160.1

6-3. Financial Statements – Hyundai Chemical (Separate)

Income Statement (Separate)

Unit : KRW bn.

	'20.2Q	QoQ	YoY	'20.1Q	'19.2Q
Sales	634.4	-24.2%	-9.7%	837.0	702.9
Cost of good sold	598.2	-36.2%	-11.2%	937.4	673.7
Gross profit	36.2	Turned a Profit	24.2%	-100.4	29.2
Operating profit	32.3	Turned a Profit	30.8%	-104.7	24.7
OP margin	5.1%	17.6%p	1.6%p	-12.5%	3.5%
Non-operating income & expenses	-15.4	-	-	-9.8	-7.7
Profit before tax	16.9	Turned a Profit	-0.4%	-114.5	17.0
Income tax	4.1	-	-	-40.5	4.1
Net income	12.8	Turned a Profit	-1.1%	-74.0	12.9

Balance Sheet (Separate)

Unit : KRW bn.

	'18.4Q	'19.4Q	'20.2Q
Current assets	865.5	1,314.3	829.4
(Cash & cash equivalents)	89.9	391.1	182.3
Non-current assets	1,017.2	1,492.1	2,101.9
Total assets	1,882.7	2,806.4	2,931.3
Current liabilities	479.4	533.4	757.9
(Short-term borrowings)	121.9	118.6	399.9
Non-current liabilities	706.5	784.3	738.0
(Long-term borrowings)	705.6	767.3	710.1
Total liabilities	1,185.9	1,317.7	1,495.9
Paid-in capital	480.0	1,220.0	1,220.0
Others	-1.3	-10.2	-2.3
Retained earnings	218.1	278.9	217.7
Total equity	696.8	1,488.7	1,435.4
Total liabilities & equity	1,882.7	2,806.4	2,931.3

**Hyundai
Oilbank**

