



# **3Q 2019 Earnings Release**

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**October 2019**

# DISCLAIMER

Financial results for 3Q 2019 are provisional and subject to change according to the outside independent auditors' review.

This presentation contains forward-looking statements that are based on our current expectation, assumptions, estimates and projections about S-OIL and the refinery industry. We caution you not to place undue reliance on any forward-looking statement which may involve various risks and uncertainties.

Please also note that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Except as required by law, we do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

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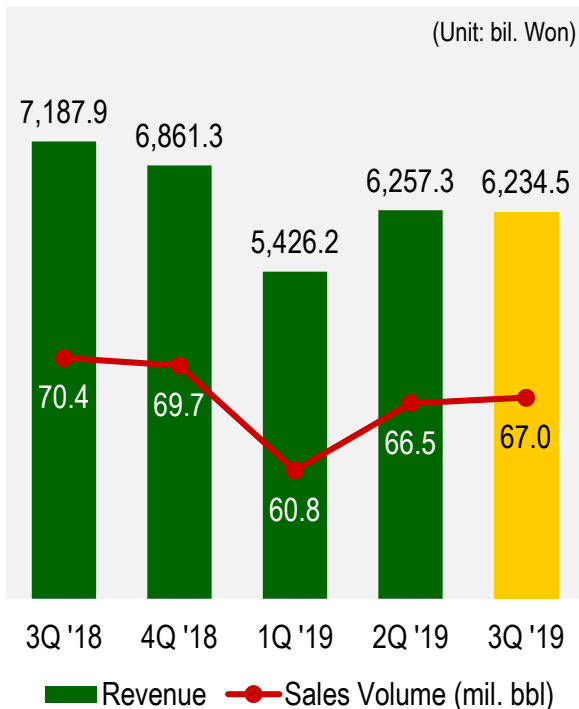
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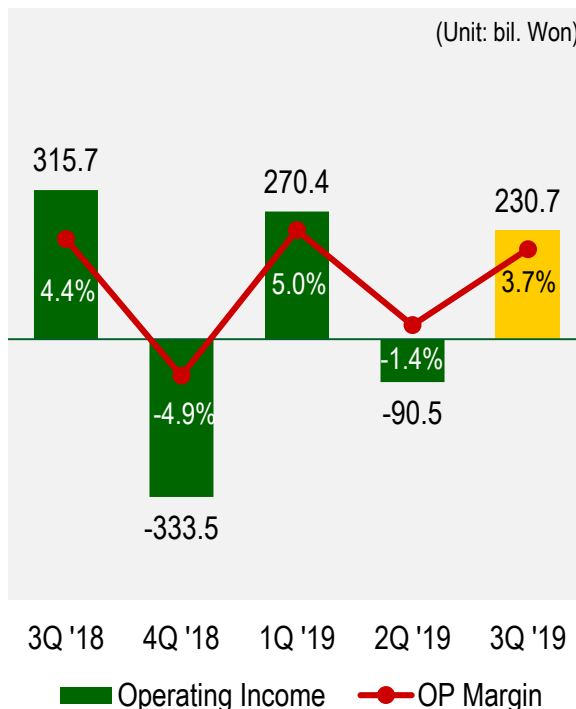
## Revenue



**Flat QoQ on stable sales price and sales volume**

- Quarterly average selling price: 1.1% ↓, QoQ
- Sales volume: 0.7% ↑, QoQ

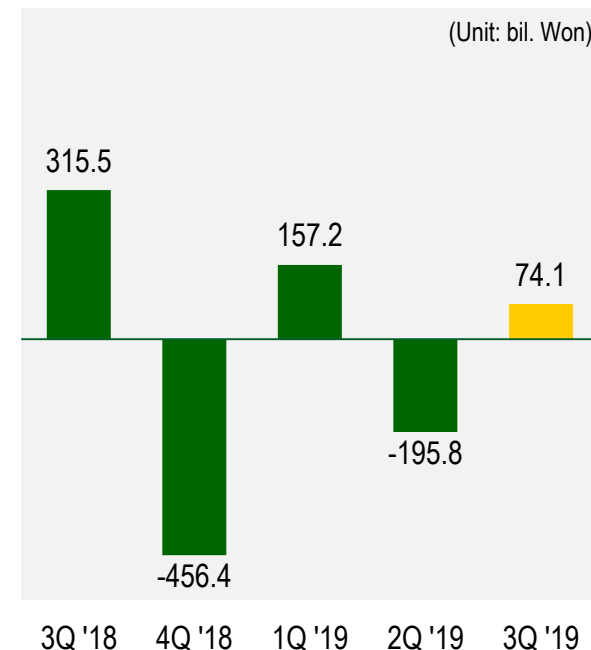
## Operating Income



**Increased 321.2 bil. Won on hike of refining margin and end of main units' maintenance**

- Inventory-related gain: -65 bil. Won (2Q '19: +2 bil. Won)
- Singapore complex margin(\$/bbl): 3Q 3.9 (2.9 ↑, QoQ)

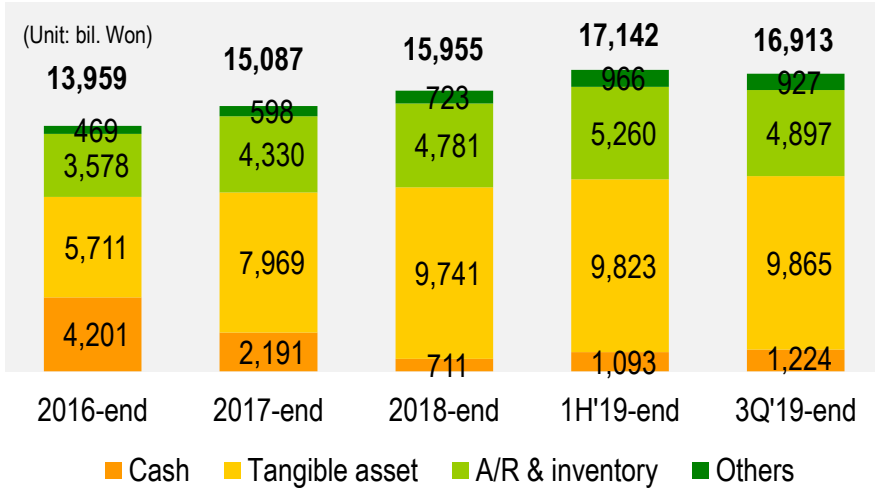
## Income before Tax



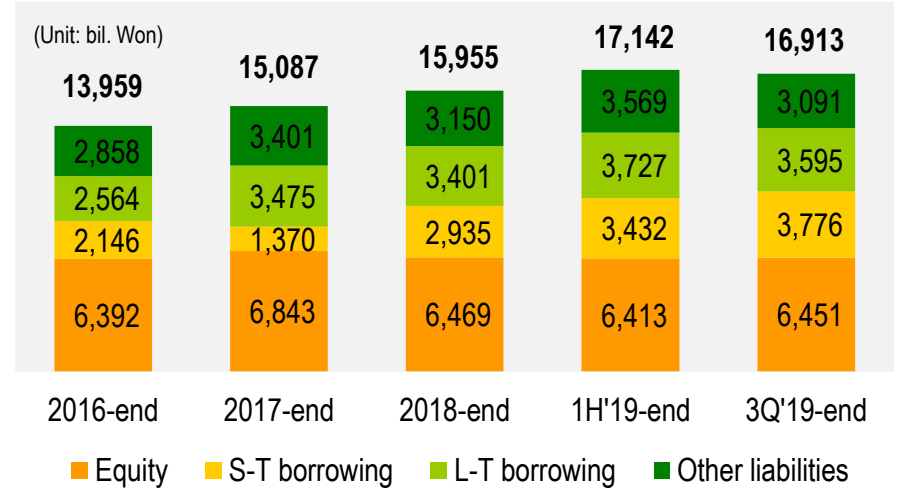
**Extended 269.9 bil. Won thanks to operating income increase**

- F/X loss: 109 bil. Won (2Q '19 F/X loss: 67 bil. Won)
- ₩/\$ rate: 3Q-end 1,201.3 (44.5 ↑, QoQ)

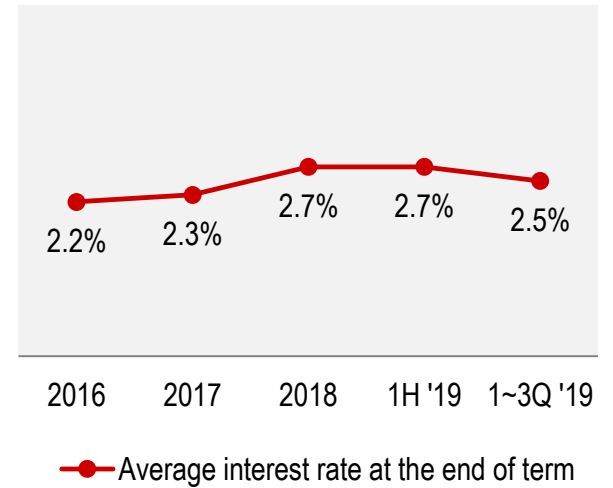
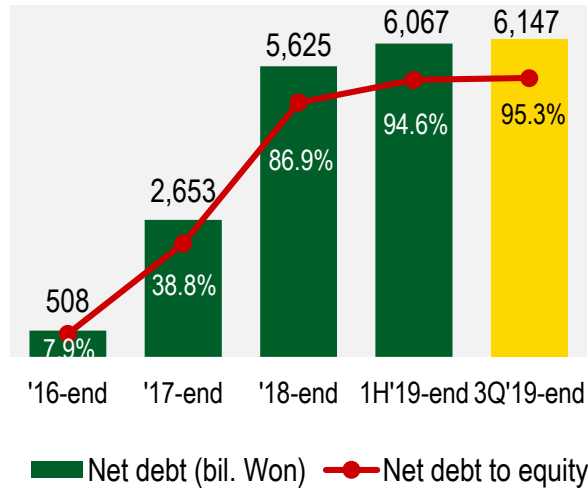
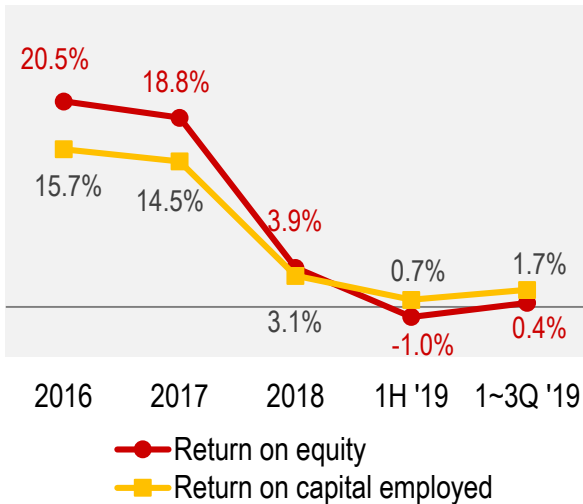
## Assets



## Liabilities & Equities



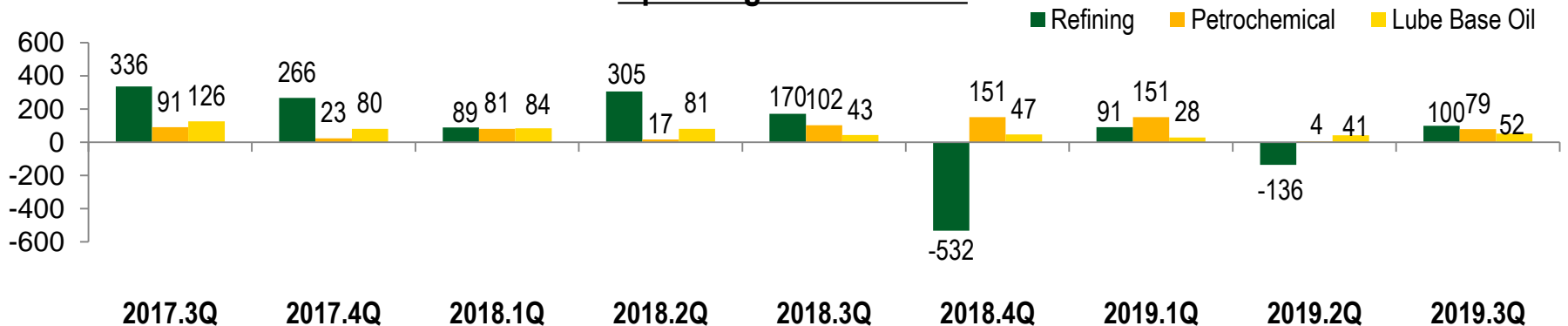
## Financial Ratios



# Performance by Business Segment

Segment	(Unit: bil. Won)	3Q '19	2Q '19	QoQ	3Q '18	YoY
Refining	Revenue	4,869.0	5,001.8	2.7% ↓	5,728.1	15.0% ↓
	Operating Income	99.7	-136.1		170.4	41.5% ↓
	(Margin)	(2.0%)	(-2.7%)		(3.0%)	
Petrochemical	Revenue	962.4	911.2	5.6% ↑	1,050.4	8.4% ↓
	Operating Income	79.4	4.2	1,790.2% ↑	102.1	22.2% ↓
	(Margin)	(8.3%)	(0.5%)		(9.7%)	
Lube Base Oil	Revenue	403.1	344.3	17.1% ↑	409.4	1.5% ↓
	Operating Income	51.6	41.4	24.6% ↑	43.2	19.4% ↑
	(Margin)	(12.8%)	(12.0%)		(10.6%)	
Total	Revenue	6,234.5	6,257.3	0.4% ↓	7,187.9	13.3% ↓
	Operating Income	230.7	-90.5		315.7	26.9% ↓
	(Margin)	(3.7%)	(-1.4%)		(4.4%)	

### Operating Income Trend

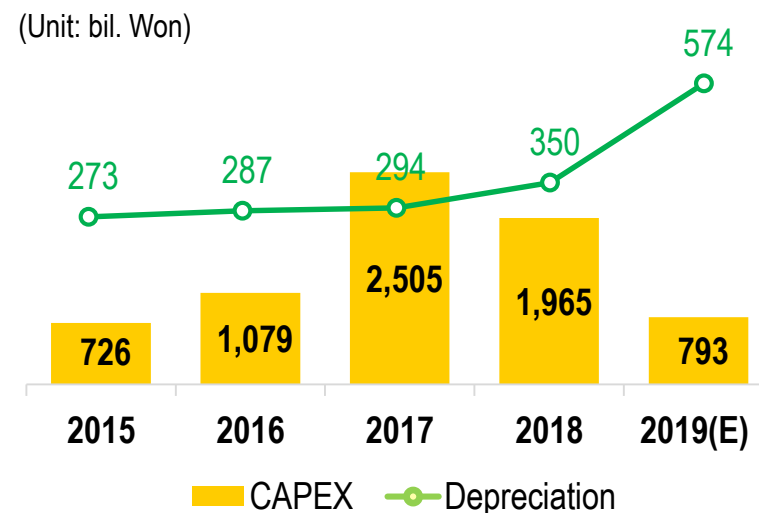


## CAPEX & Depreciation

(Unit: bil. Won)	2019 Plan	1~3Q '19
Land acquisition*	96.4	49.4
Upgrade & Maintenance	564.8	263.0
Others	132.0	81.2
<b>Total CAPEX</b>	<b>793.2</b>	<b>393.6</b>
<b>Depreciation**</b>	<b>573.7</b>	<b>423.2</b>

\* For future project

\*\* Including catalyst amortization cost



## Maintenances

	2017	2018	1H '19	2H '19
<b>Refining</b>	CFU	#2 CDU	#3 CDU CFU	-
	-	HYC FH	#2 RFCC HYC FH	#1 RFCC (mid-Sep.~Oct.)
<b>Petrochemical</b>	#2 PX	#1 PX	#2 PX (Mar.- Jul.)	
<b>Lube Base Oil</b>	-	-	HYC SH	-

## Utilization Rate

(Unit: k bpd, %)	2017	2018	1Q'19	2Q'19	3Q'19
<b>CDU</b>	99.3%	99.1%	87.0%	99.2%	97.4%
<b>RFCC/HYC</b>	96.4%	94.2%	85.5%	79.8%	92.1%
<b>PX Plants</b>	94.3%	81.2%	77.1%	46.3%	81.4%
<b>PP/PO Plants</b>	-	65.6%	75.4%	48.5%	90.6%
<b>Lube Plants</b>	96.5%	92.3%	77.6%	89.2%	94.7%

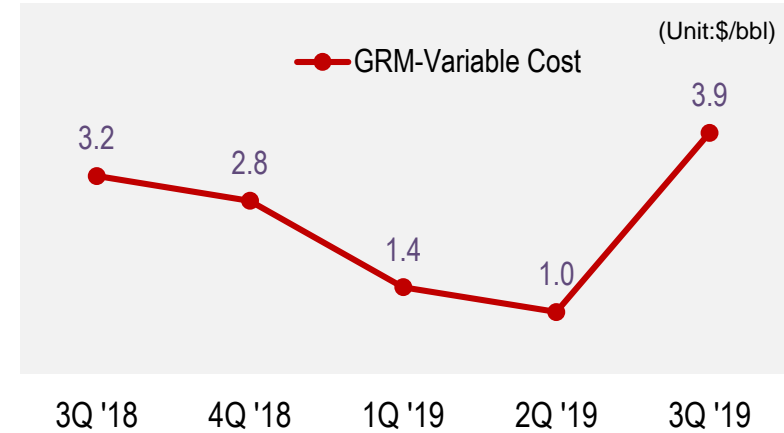
## 3Q '19 Market Environment

- **Refining margin** surged thanks to decent demand supported by driving season and early IMO effects, coupled with tight supply from regular maintenances in the region.

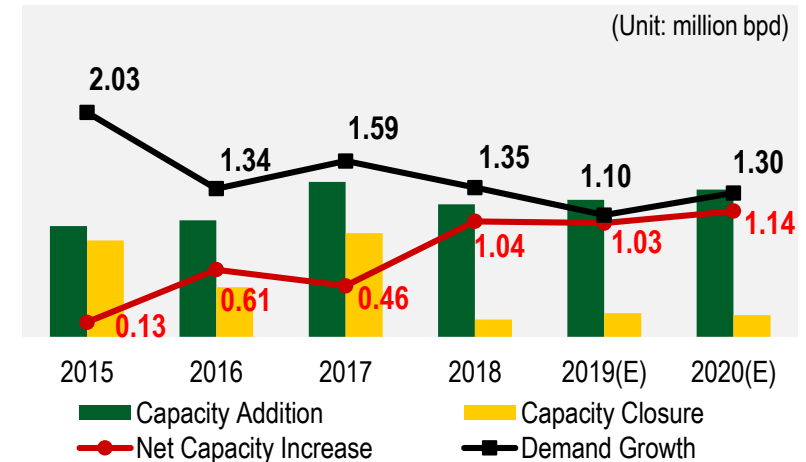
## 4Q '19 Outlook

- **Refining margin** is expected to improve further on the back of robust demand growth (YoY 0.7 mil. bpd) in the region for seasonal pickup along with inventory build-up in preparation of IMO implementation.

## Singapore Margin



## Global Net Capacity Increase vs. Demand Growth



Source: IEA, OPEC, EIA, FACTS Global Energy, Wood Mackenzie, The Company



## 3Q '19 Market Environment

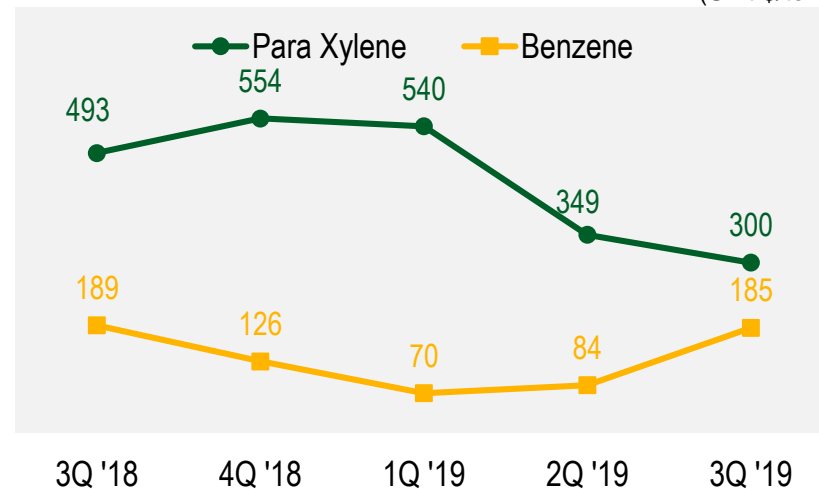
- **Para Xylene** : Spread decreased due to the start-up of new large-scale PX plant in China. The market sentiment was very bearish with worry of oversupply.
- **Benzene** : Spreads rebounded sharply as market fundamentals improved on suppliers' lower utilization rates due to weak PX spread, and reduction of inventory levels in the region.

## 4Q '19 Outlook

- **Para Xylene** spread would remain at weak level amid major PTA facilities' planned maintenance in the region despite supply cut by marginal PX players.
- **Benzene** spread is expected to decrease slightly as China's downstream demand slows and new capacities are coming on stream towards the end of the year.

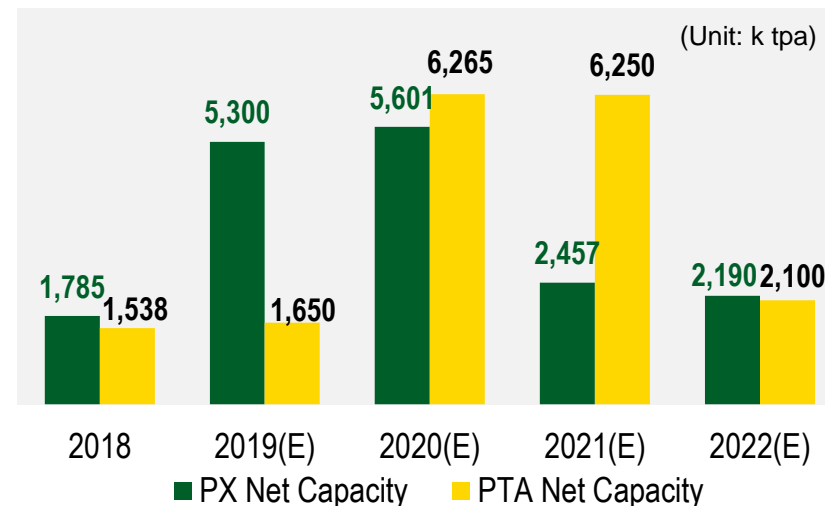
### Product Spread (Vs. Naptha)

(Unit:\$/ton)



### PX & PTA Net Capacity Expansion

(Unit: k tpa)



Source: PCI, IHS, The Company

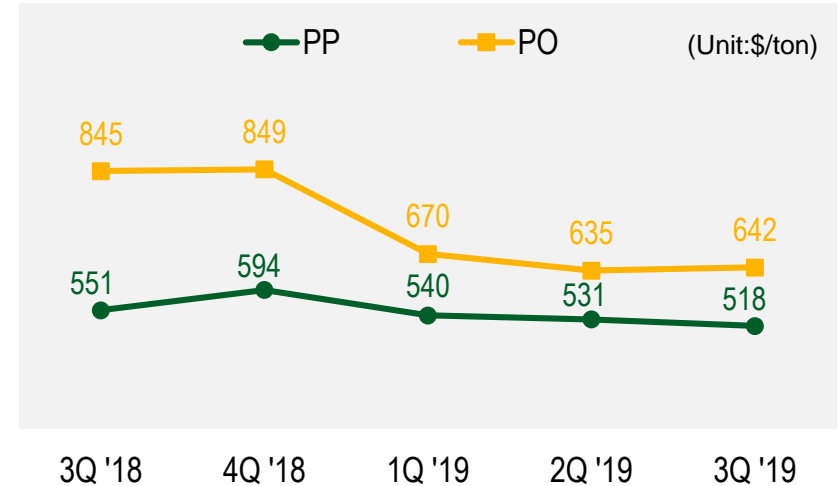
## 3Q '19 Market Environment

- PP spread softened due to continuous trade disputes between the U.S. and China amid weak Chinese currency against U.S. dollar which further hampered import demand for China.
- PO spread against naphtha slightly increased on expectations of a recovery in Chinese construction industry.

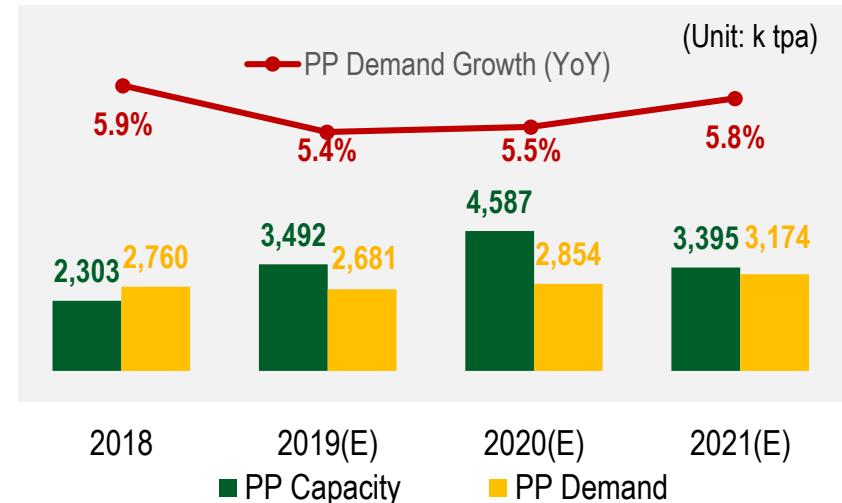
## 4Q '19 Outlook

- PP spread is expected to bottom out due to concentration of maintenances as well as increased demand for home appliances and packaging ahead of year-end.
- PO spread is expected to gradually improve on the delay in planned capacity expansion.

### Product Spread (Vs. Naphtha)



### Increase of PP Capacity and Demand (Asia & ME)



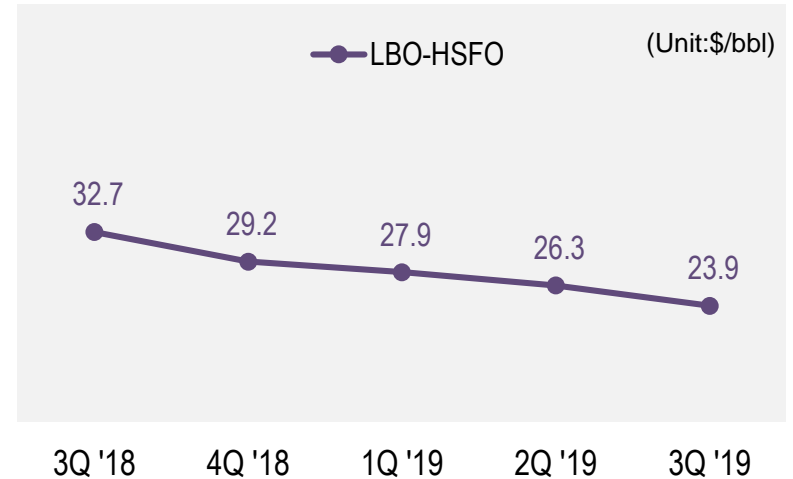
## 3Q '19 Market Environment

- Overall LBO spreads fell slightly due to weak Asian market prices, while high-quality product spreads in the U.S and European markets remained solid.

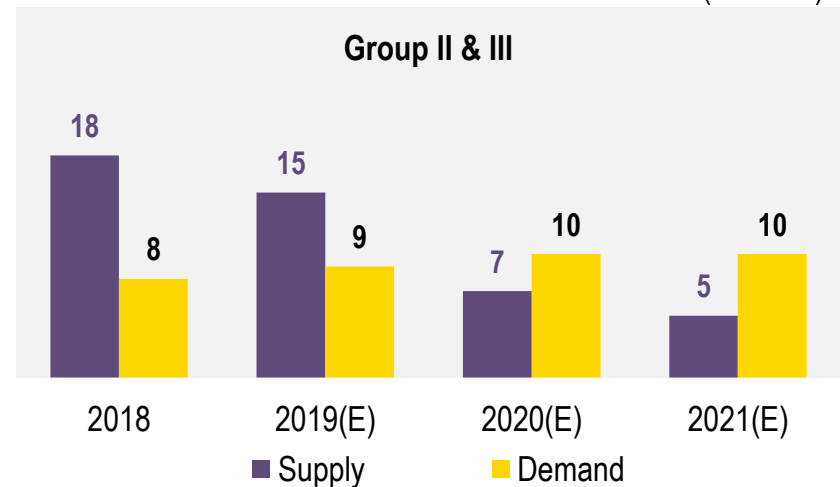
## 4Q '19 Outlook

- Spread would be widened due to the fall in HSFO prices ahead of IMO 2020 implementation and solid demands growth of high-quality products.

### Product Spread (Asia)



### LBO Supply/Demand Growth










Source: ICIS, Kline, The Company

## Summarized Income Statement

(Unit: bil. Won)	3Q '18	YoY	2Q '19	QoQ	3Q '19	1~3Q '19
<b>Revenue</b>	7,187.9	13.3%↓	6,257.3	0.4%↓	6,234.5	17,917.9
<b>Operating Income</b>	315.7	26.9%↓	-90.5	-	230.7	410.6
(Margin)	(4.4%)	-	(-1.4%)	-	(3.7%)	(2.3%)
<b>Finance &amp; Other Income</b>	-0.6	-	-106.5	-	-156.9	-377.4
- Net Interest Gain	-12.2	-	-42.4	-	-45.6	-129.4
- Net F/X Gain*	24.7	-	-66.5	-	-109.4	-223.9
- Others	-13.1	-	2.4	-	-1.9	-24.1
<b>Equity Method Gain</b>	0.3	-	1.3	76.9%↓	0.3	2.3
<b>Income before Tax</b>	315.5	76.6%↓	-195.8	-	74.1	35.5
<b>Net Income</b>	229.9	77.6%↓	-147.4	-	51.6	17.8

\* Including gain/loss from F/X derivatives for hedging

## Sales Breakdown

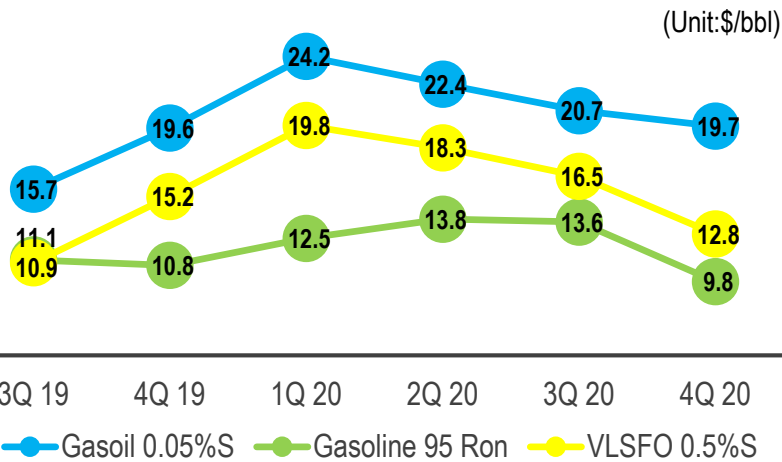
(Unit: k bpd, %)	3Q '18	4Q '18	1Q '19	2Q '19	3Q '19
<b>Sales Total</b>	765	758	676	731	728
<b>Domestic</b>	320	333	355	338	349
<b>Export</b>	445	425	321	393	379
(% in Total)	(58.2%)	(56.1%)	(47.4%)	(53.8%)	(52.0%)
 Japan	13.1%	16.5%	16.5%	18.9%	18.0%
 China	23.7%	22.5%	22.2%	22.5%	16.4%
 South East Asia	8.4%	13.0%	12.3%	12.9%	16.1%
 Singapore	4.8%	10.5%	14.8%	10.6%	11.3%
 Australia	14.5%	12.2%	7.1%	8.3%	10.7%
 USA	11.1%	7.0%	4.2%	5.8%	7.8%
 Taiwan	6.2%	8.4%	5.7%	2.2%	1.9%

## Outlook for IMO 2020 Effects

### Refining Margins

- Refining margins will strengthen from 4Q, driven by inventory build-up demand for compliant fuels in advance of IMO 2020.

Gasoil, Gasoline & VLSFO vs. Dubai\*



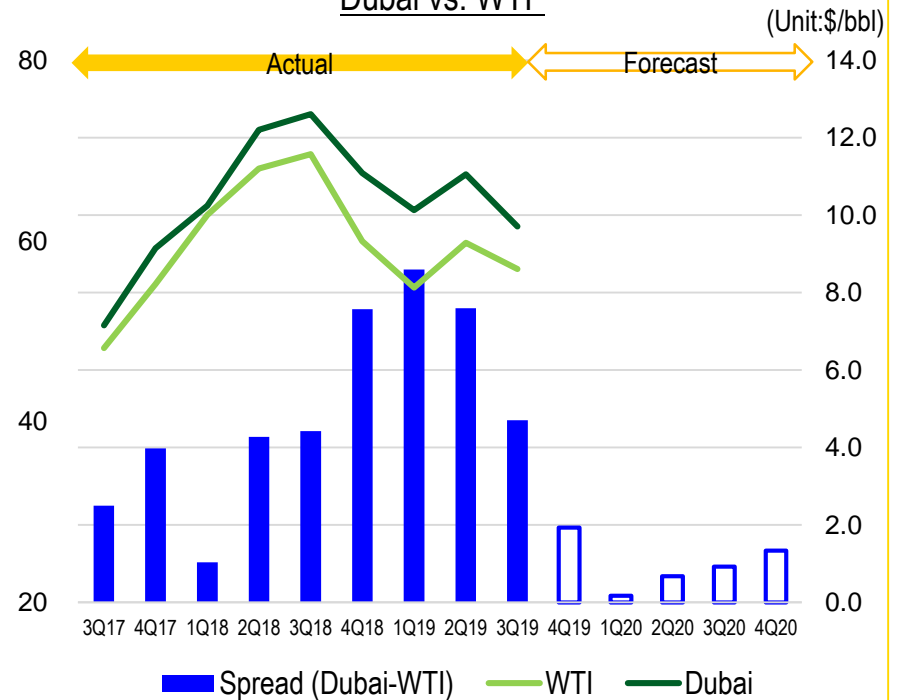
\*Average of expected figures by IHS, FGE and Wood Mackenzie

- Stock building movement for IMO 2020 compliant fuel has already started in LSFO during 2Q, which triggered hike of LSFO premium vs. HSFO. The inventory build-up will spill over into middle distillates in 4Q.

### Crude price differential

- IMO 2020 will put upward pressure on WTI prices as a result of higher demand for light-sweet crude oils. Spread between Dubai and WTI would be narrowed.

Dubai vs. WTI\*



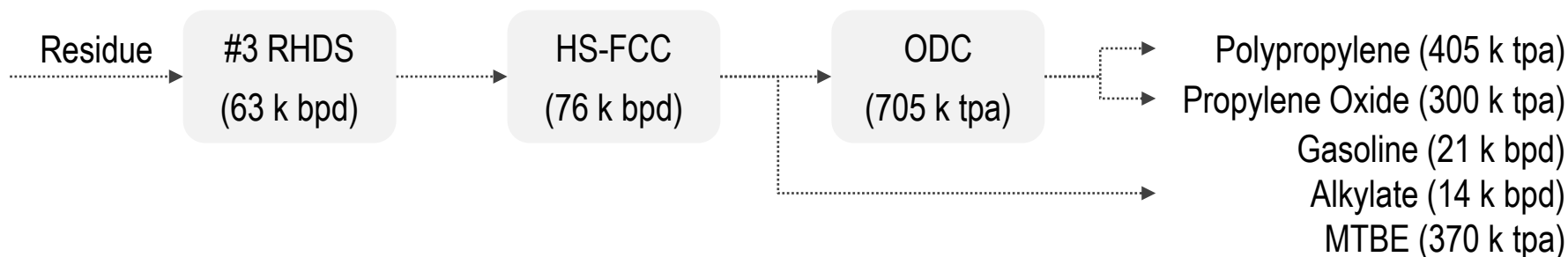
\*Average of expected figures by IHS, FGE and Wood Mackenzie

## RUC/ODC Project Overview

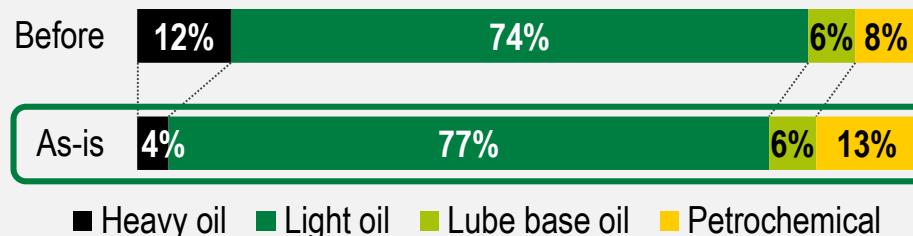
<b>Project</b>	Residue Upgrading Complex (RUC) and Olefin Downstream Complex (ODC)
<b>Project Site</b>	The Company's Onsan complex
<b>Investment Cost</b>	4.8 trillion Won
<b>Investment Period</b>	2015 ~ 2018 (Mechanical Completion in April, 2018)
<b>Commercial Operation</b>	November 2018

### Major Process

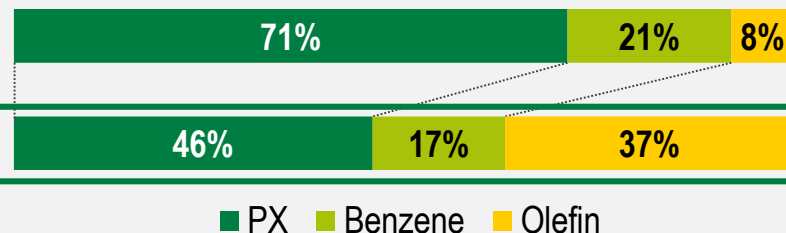
### Major Product



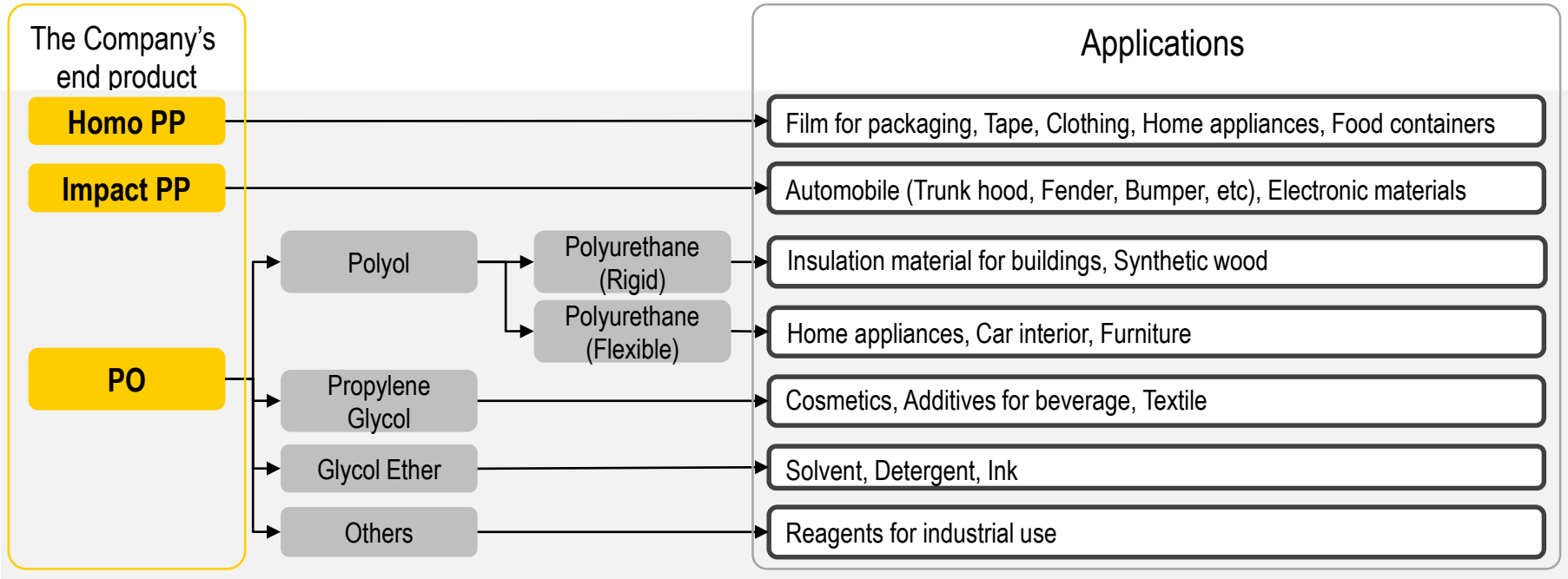
### Company total product portfolio



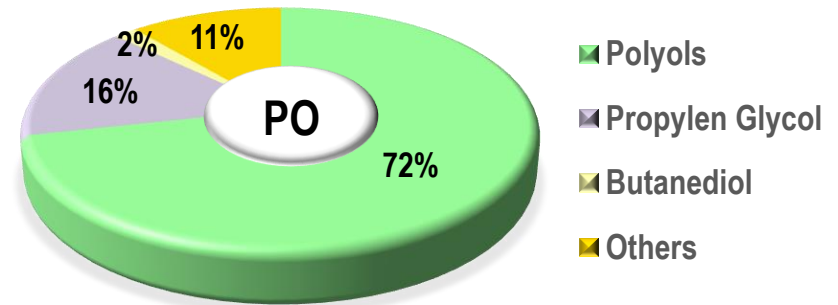
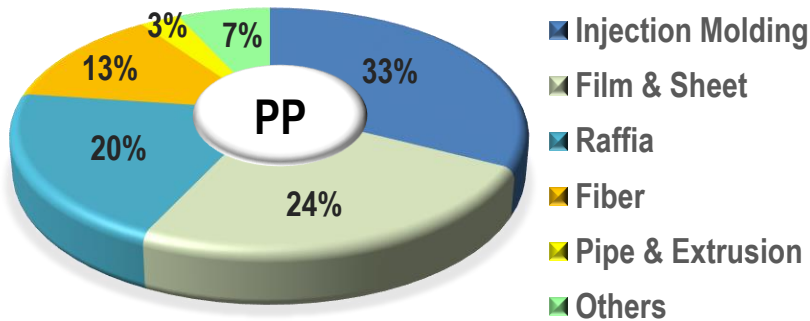
### Petrochemical business product portfolio



## PP(Poly Propylene) / PO (Propylene Oxide) Value Chain



### Global Demand by Applications





## Long-term Margin Trend

### Refining

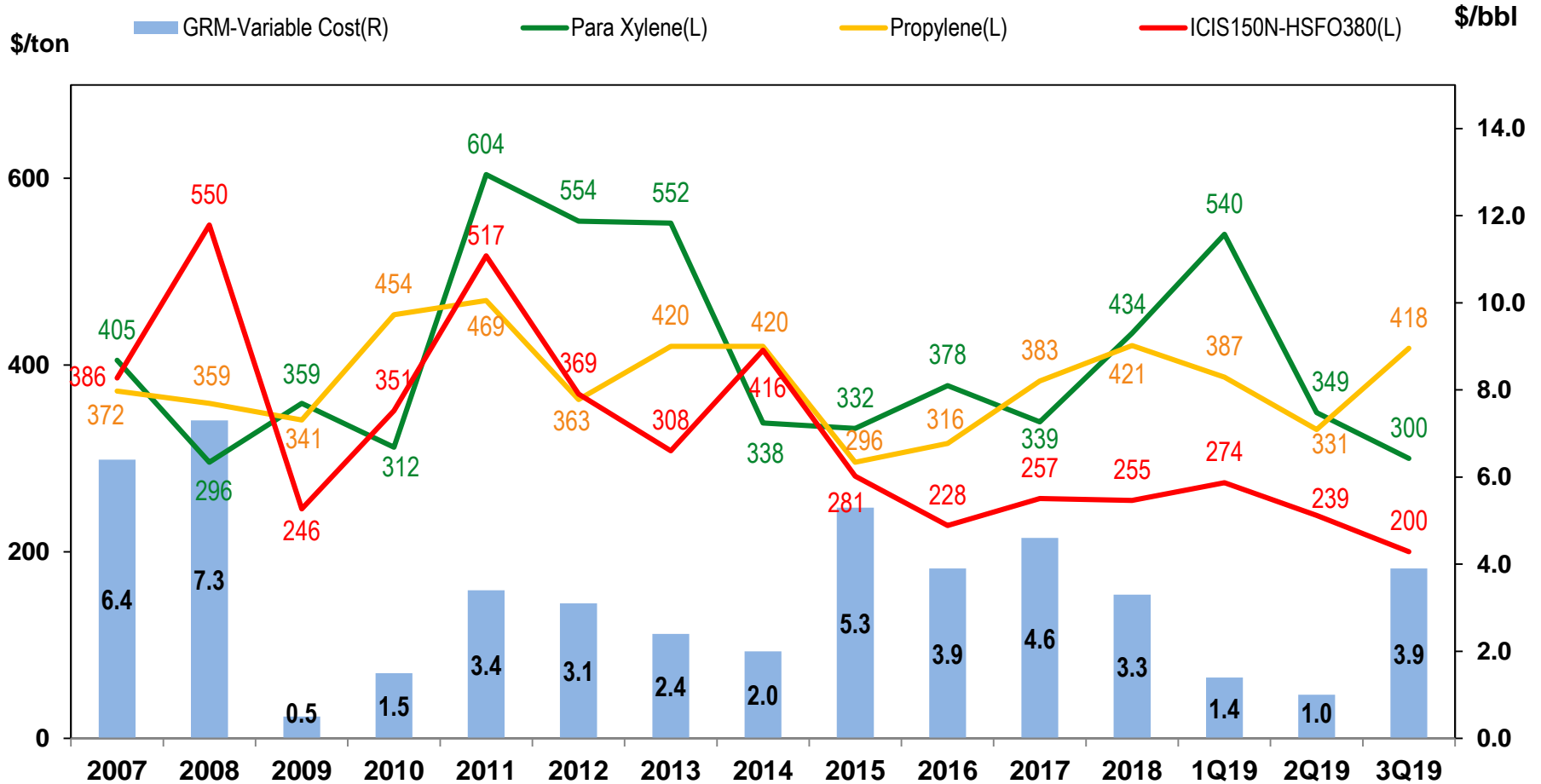
Singapore Complex Margin

### Petrochemical

Product spread (Vs. Naphtha)

### Lube base Oil

Product spread



# Thank You

## S-OIL IR Team

Contact : [IRteam@s-oil.com](mailto:IRteam@s-oil.com)

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## Winner of 2019 Korea Accounting Grand Prize

S-OIL was awarded 2019 Korea Accounting Grand Prize for enhancing accounting transparency.

## Dow Jones Sustainability Indices

In Collaboration with RobecoSAM 

S-OIL, the only company named to DJSI World for the 10<sup>th</sup> consecutive year among Asia Pacific refiners and won the grand prize of 2017 ESG evaluation from KCGS.

