



S-OIL

Discovering the infinite possibility of oil



2Q 2020 Earnings Release

July 2020

DISCLAIMER

Financial results for 2Q 2020 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.

2Q 2020 Performance

2Q 2020 Financial Result	4
Financial Status	5
Performance by Business Segment	6
CAPEX & Operation	7

Market Environment & Outlook

Refining	8
Petrochemical – Aromatics	9
Petrochemical – Olefins	10
Lube Base Oil	11

Appendices

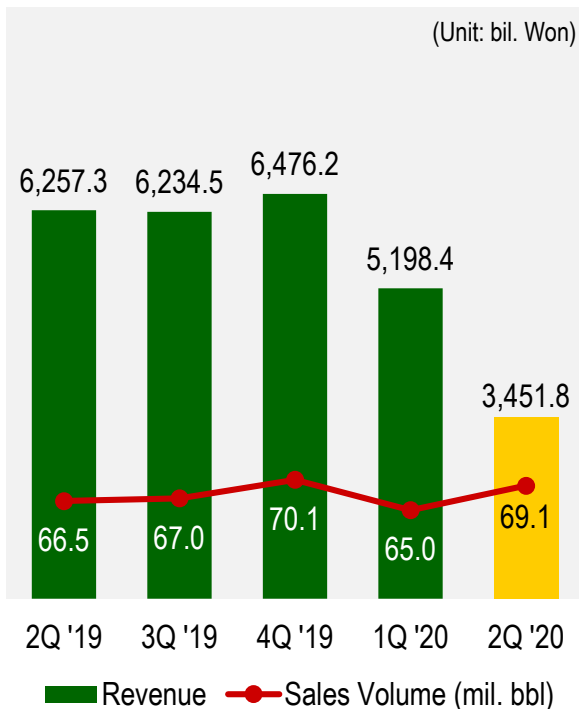
Summarized Income Statement	12
Quarterly Trend of Sales by Region	13
Efforts and Activities in ESG	14
S-OIL's Petrochemical Product & Value Chain	15
Long-term Margin Trend	16



Contents

2Q 2020 Financial Result

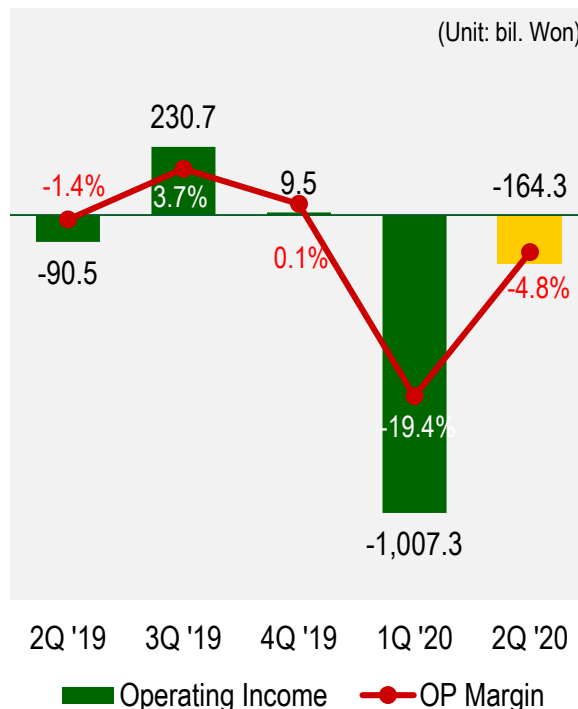
Revenue



**Decreased 33.6% QoQ
due to oil price drop**

- Quarterly average selling price: 37.6% ↓, QoQ
- Sales volume: 6.4% ↑, QoQ

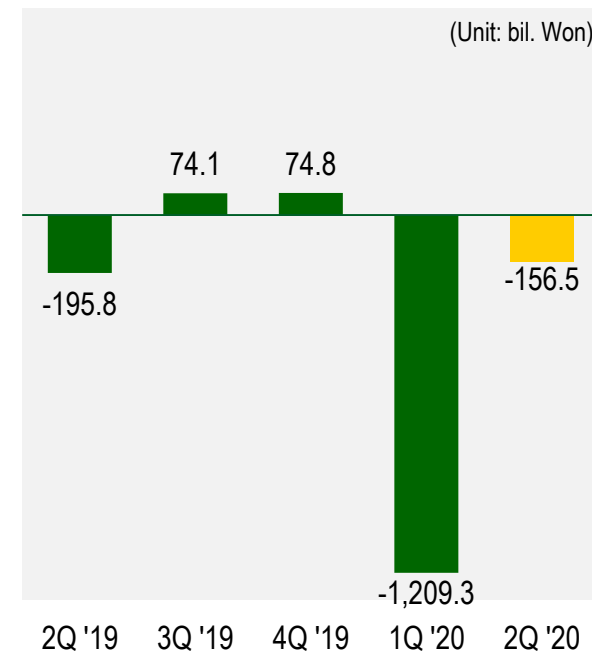
Operating Income



**Increased 843.0 bil. Won QoQ
due to the decrease of inventory-
related loss**

- Inventory-related loss: 169 bil. Won (Inventory-related loss in 1Q '20: 721 bil. Won)
- Singapore complex margin(\$/bbl): 2Q -1.7 (2.3 ↓, QoQ)

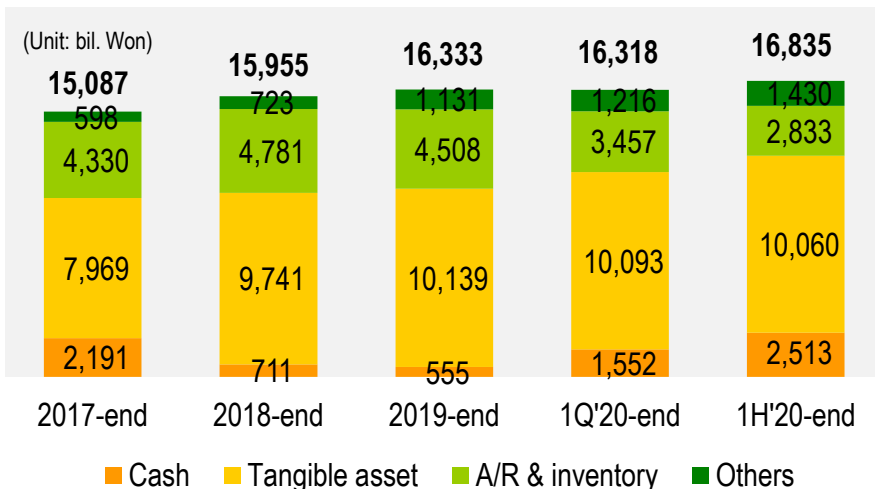
Income before Tax



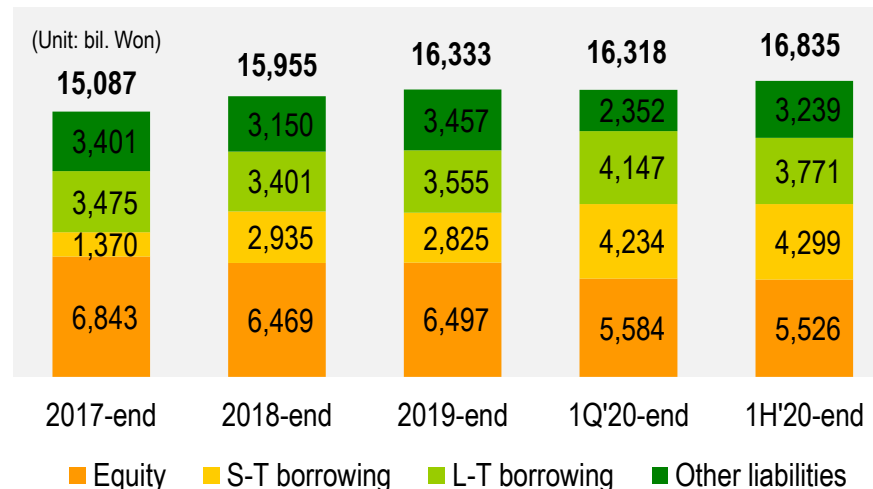
**Increased 1,052.8 bil. Won on
the reduction of operating loss**

- F/X gain: 34 bil. Won (1Q '20 F/X loss: 141 bil. Won)
- ₩/\$ rate: 2Q-end 1,200.7 (21.9 ↓, QoQ)

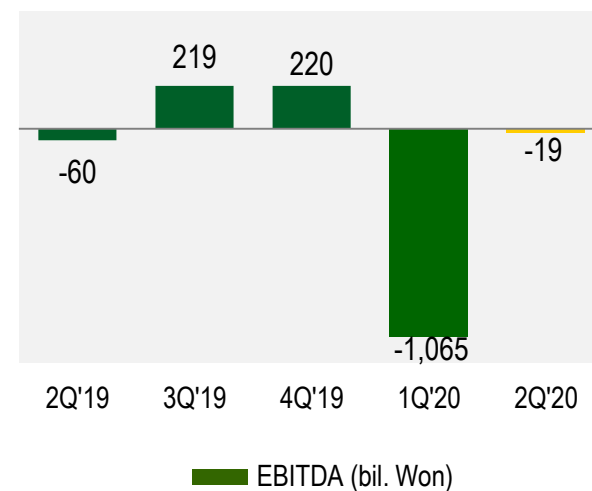
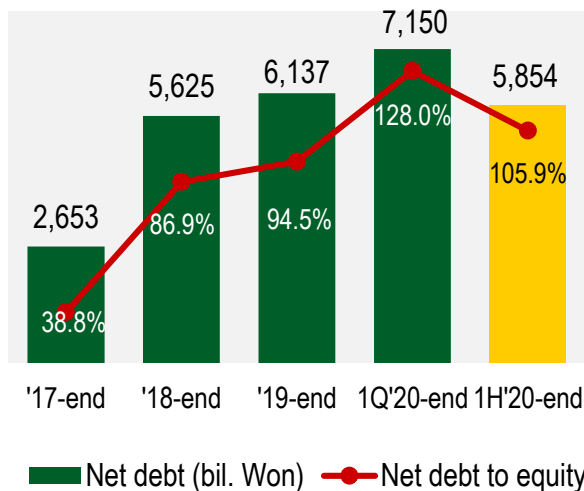
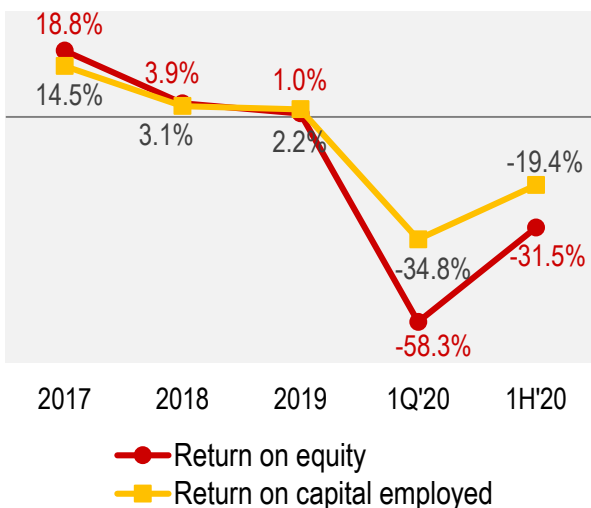
Assets



Liabilities & Equities



Financial Highlights



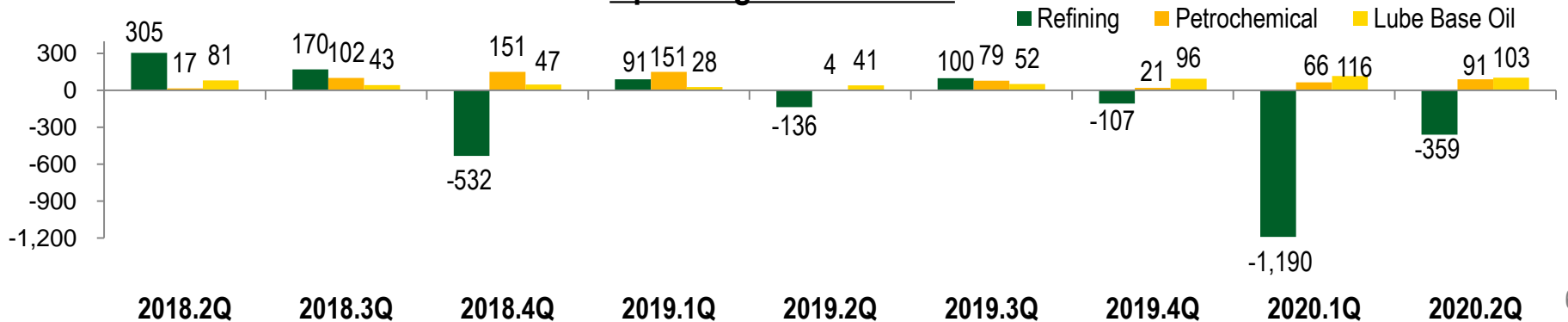
• Net debt: Short-term borrowing + Long-term borrowing + Lease obligation - Cash

* EBITDA: Income before tax + Net interest expense + Depreciation(Excluding catalyst amortization cost)

Performance by Business Segment

Segment	(Unit: bil. Won)	2Q '20	1Q '20	QoQ	2Q '19	YoY
Refining	Revenue	2,591.5	3,956.4	34.5% ↓	5,001.8	48.2% ↓
	Operating Income	-358.7	-1,190.0		-136.1	
	(Margin)	(-13.8%)	(-30.1%)		(-2.7%)	
Petrochemical	Revenue	589.1	808.1	27.1% ↓	911.2	35.3% ↓
	Operating Income	91.1	66.5	37.1% ↑	4.2	2,069.0% ↑
	(Margin)	(15.5%)	(8.2%)		(0.5%)	
Lube Base Oil	Revenue	271.3	433.9	37.5% ↓	344.3	21.2% ↓
	Operating Income	103.3	116.2	11.1% ↓	41.4	149.5% ↑
	(Margin)	(38.1%)	(26.8%)		(12.0%)	
Total	Revenue	3,451.8	5,198.4	33.6% ↓	6,257.3	44.8% ↓
	Operating Income	-164.3	-1,007.3		-90.5	
	(Margin)	(-4.8%)	(-19.4%)		(-1.4%)	

Operating Income Trend

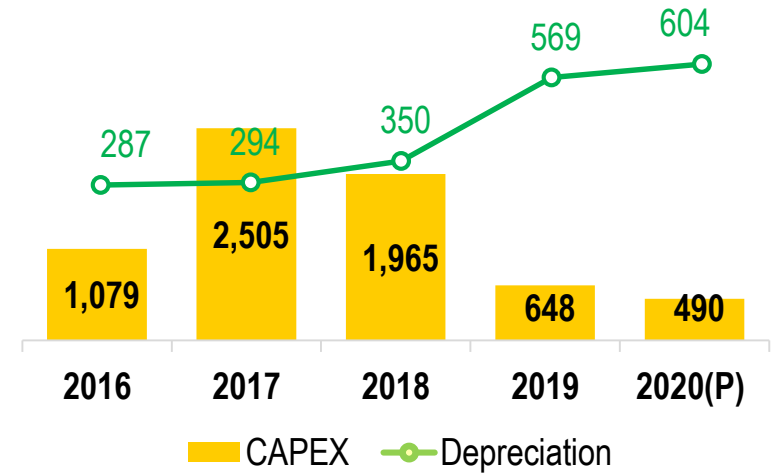


CAPEX & Depreciation

(Unit: bil. Won)	2019	2020 Plan	1H '20
Land acquisition*	79.1	5.5	-
Upgrade & Maintenance	383.7	424.2	122.9
Others	185.3	60.1	16.8
Total CAPEX	648.1	489.8	139.8
Depreciation	569.1	604.3	284.7

* For future project

(Unit: bil. Won)



Maintenances

	2018	2019	1H '20	3Q '20
Refining	#2 CDU	#3 CDU CFU	-	#1 CDU
	HYC FH	#1,2 RFCC HYC FH		#2 RFCC (Jun.~Jul.)
Petrochemical	#1 PX	#2 PX		PP/PO (Jun.~Jul.)
Lube Base Oil	-	HYC SH	-	#1 HDT

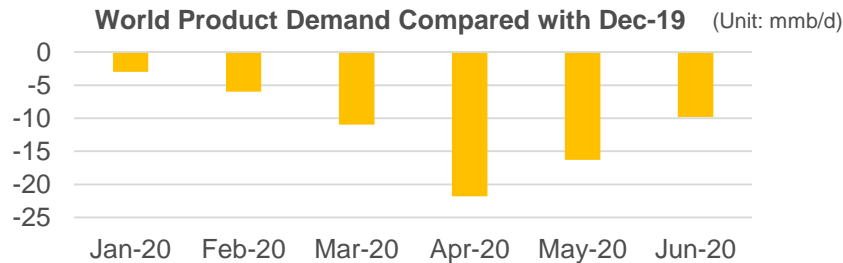
Utilization Rate

	2018	2019	1Q'20	2Q'20
CDU	99.1%	95.4%	93.4%	99.8%
RFCC/HYC	94.2%	86.8%	96.2%	89.6%
PX Plants	81.2%	75.6%	98.5%	95.7%
PP/PO Plants	65.6%	75.4%	94.1%	75.7%
Lube Plants	92.3%	88.7%	93.5%	80.1%

2Q '20 Market Environment

- **Refining margins** tumbled into negative territory due to the massive product inventories built up in 1Q.

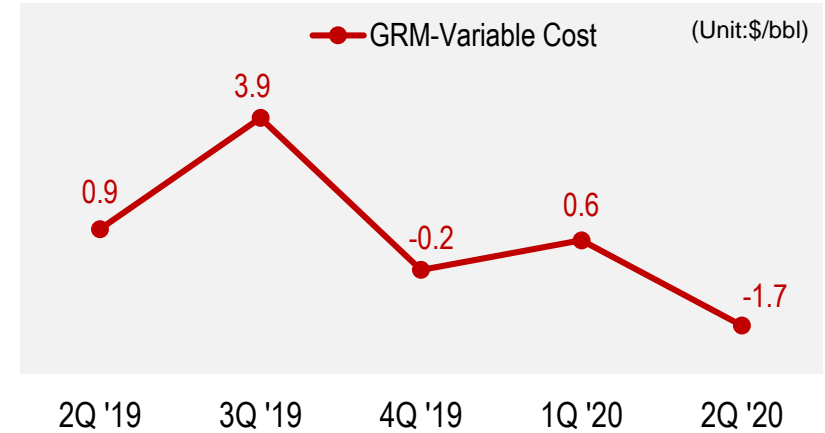
However, demand is recovering thanks to the easing of lockdowns and stimulus measures in major countries.



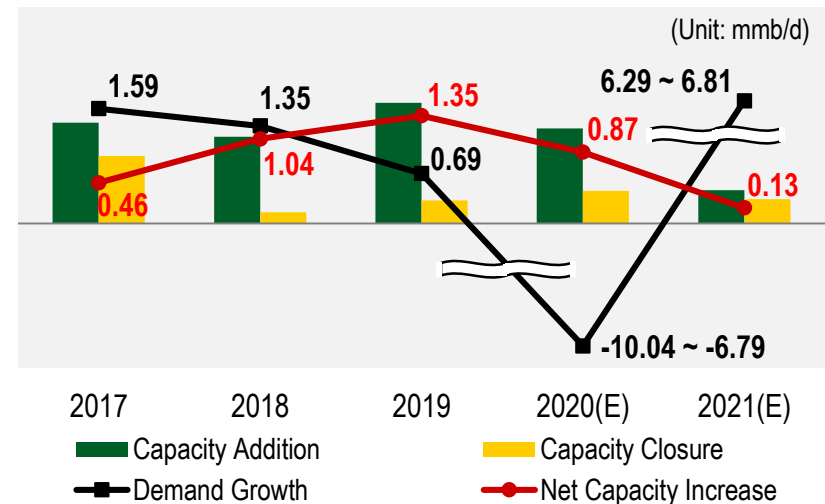
3Q '20 Outlook

- **Refining margins** will continuously recover amid easing of COVID-19 related restrictions.

Singapore Margin



Global Net Capacity Increase vs. Demand Growth



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

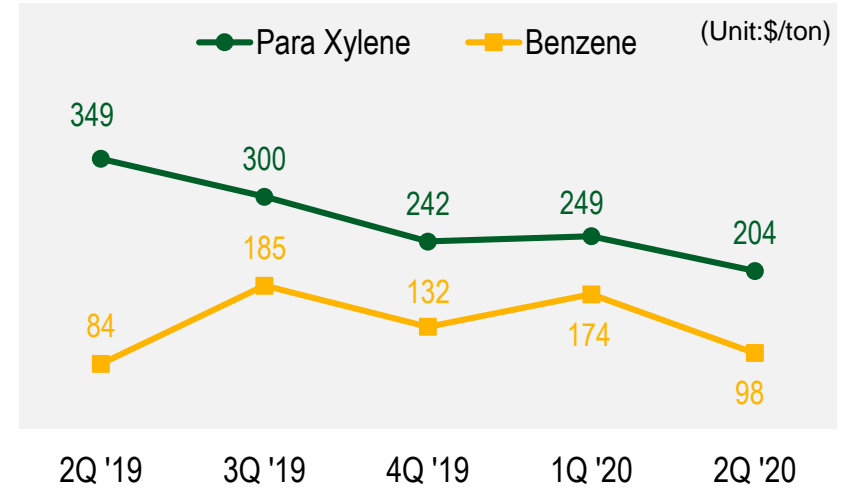
2Q '20 Market Environment

- **Para Xylene spread** narrowed due to oversupply from new plants while operating rates were reduced in the region.
- **Benzene spread** plummeted due to sluggish downstream demand and high inventory in China.

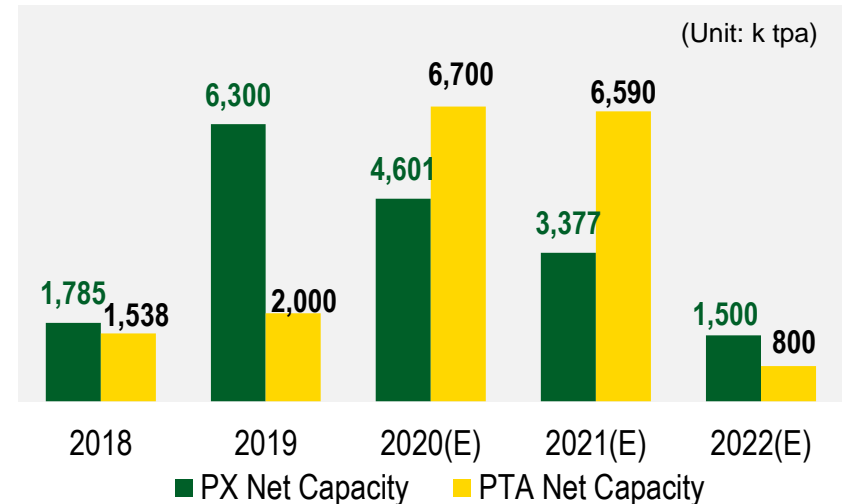
3Q '20 Outlook

- **Para Xylene & Benzene spread** will remain weak due to slower-than-expected downstream demand recovery and high inventory levels.

Product Spread (Vs. Naptha)



PX & PTA Net Capacity Expansion



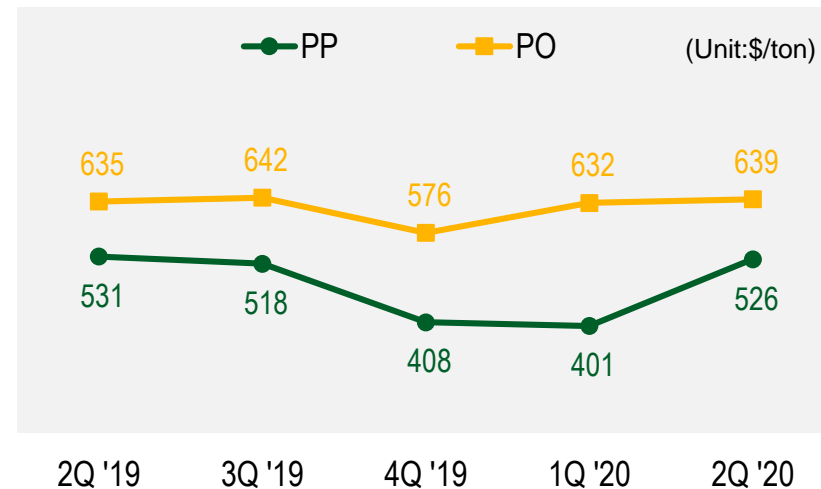
2Q '20 Market Environment

- **Polypropylene(PP) spread** widened as Chinese PP market remained relatively stable on robust demand from personal protective equipment amid plunge of feedstock naphtha price.
- **Propylene Oxide(PO) spread** slightly increased on concentrated maintenances in the region despite bearish downstream demand due to ongoing pandemic.

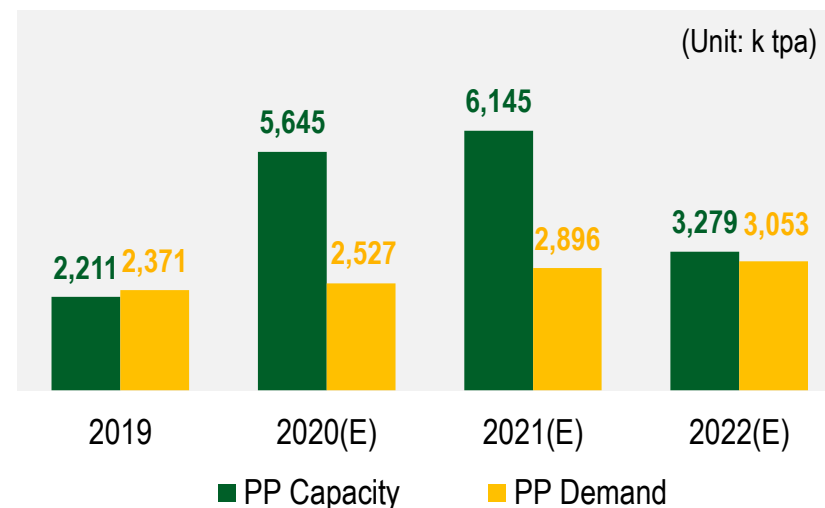
3Q '20 Outlook

- **PP spread** is expected to stay at a decent level on demand from fiber and packaging sector amid reduced supply due to heavy maintenance schedule in China.
- **PO spread** would continue moving around a current healthy level as regional plants begin to resume operation from regular maintenances amid gradual downstream Polyol-PU demand recovery from COVID-19.

Product Spread (Vs. Naphtha)



Increase of PP Capacity and Demand (Asia & ME)



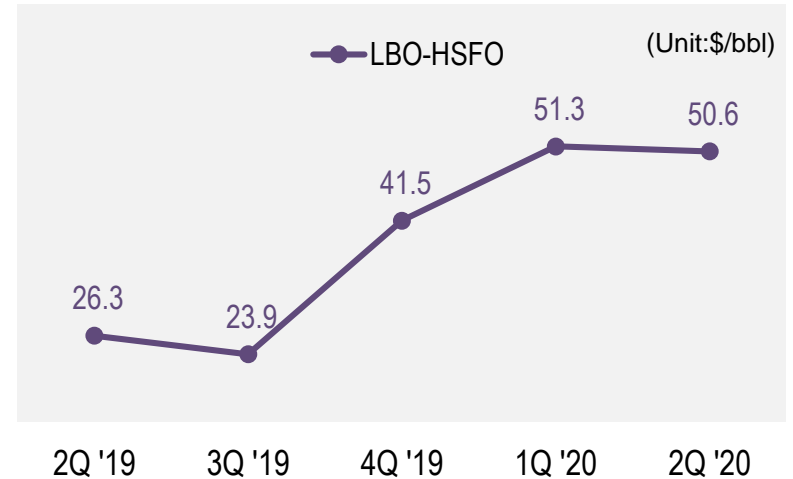
2Q '20 Market Environment

- Overall LBO spreads maintained a healthy level on low feedstock prices, despite global lockdowns.

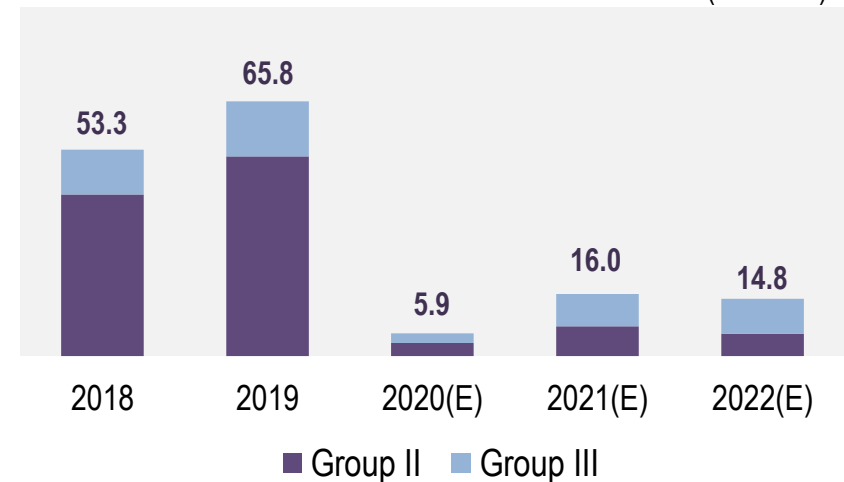
3Q '20 Outlook

- LBO spreads are expected to be supported by a gradual demand recovery amid stable crude oil prices.

Product Spread (Asia)



LBO Capacity Addition










Source: ICIS, Argus, The Company

Summarized Income Statement

(Unit: bil. Won)	2Q '20	1Q '20	QoQ	2Q '19	YoY
Revenue	3,451.8	5,198.4	33.6% ↓	6,257.3	44.8% ↓
Operating Income (Margin)	-164.3 (-4.8%)	-1,007.3 (-19.4%)	-	-90.5 (-1.4%)	-
Finance & Other Income	7.3	-202.2	-	-106.5	-
- Net Interest Gain	-37.7	-42.9	-	-42.4	-
- Net F/X Gain*	34.4	-141.5	-	-66.5	-
- Others	10.6	-17.8	-	2.4	-
Equity Method Gain	0.5	0.2	128.6% ↑	1.3	59.9% ↓
Income before Tax	-156.5	-1,209.3	-	-195.8	-
Net Income	-66.9	-880.6	-	-147.4	-

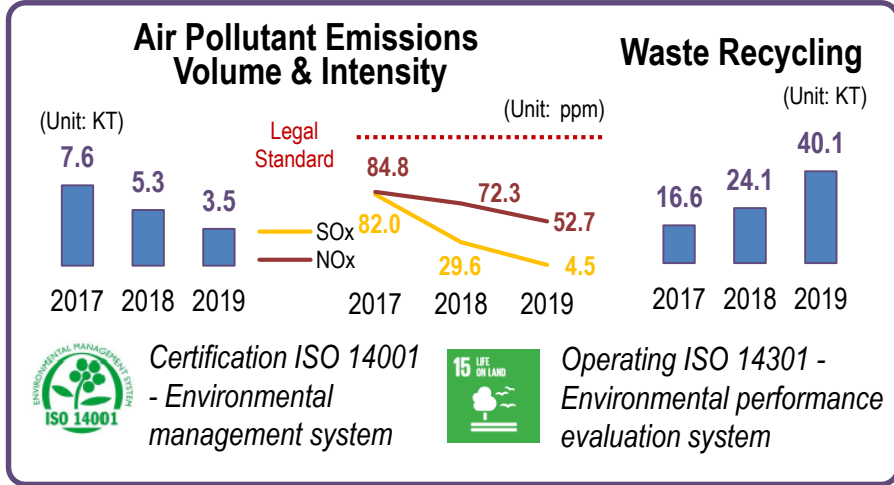
* Including gain/loss from F/X derivatives for hedging

Quarterly Trend of Sales by Region

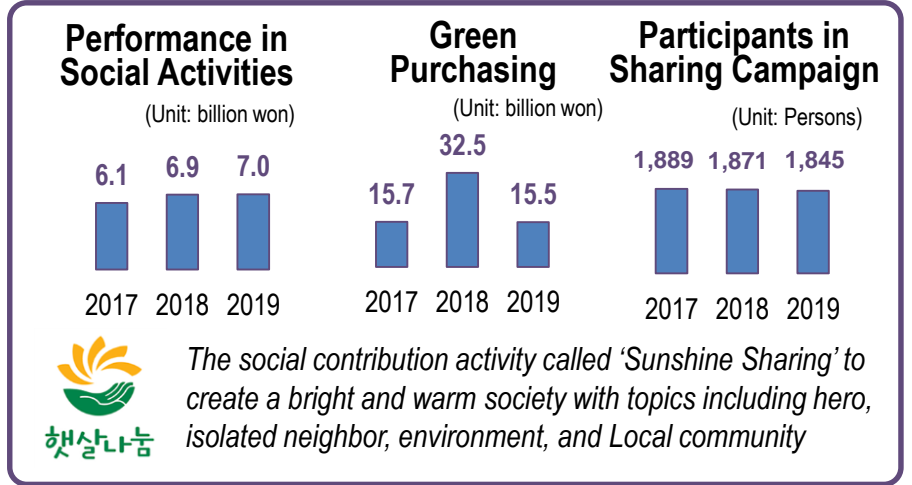
(Unit: k bpd, %)		2Q '19	3Q '19	4Q '19	1Q '20	2Q '20
Sales Total		731	728	762	714	760
Domestic		338	349	371	340	358
Export		393	379	391	374	401
(% in Total)		(53.8%)	(52.0%)	(51.2%)	(52.3%)	(52.9%)
 China		22.5%	16.4%	16.9%	15.3%	31.5%
 Japan		18.9%	18.0%	17.2%	22.9%	16.0%
 Australia		8.3%	10.7%	8.2%	8.8%	14.1%
 South East Asia		12.9%	16.1%	19.1%	10.5%	9.9%
 Singapore		10.6%	11.3%	2.9%	14.5%	6.1%
 Taiwan		2.2%	1.9%	8.0%	0.6%	4.8%
 USA		5.8%	7.8%	7.8%	10.8%	2.1%

Efforts & Activities in ESG

Environment Management



Social Contribution



Governance

- Establish transparent and sound corporate governance through organizing BOD and sub-committees with Diversity, Independence, and rich Expertise and ensuring Checks and Cooperation
 - Well organized Compliance system & Ethics management
- Acquired A+ grade of governance for 4 consecutive years since 2016

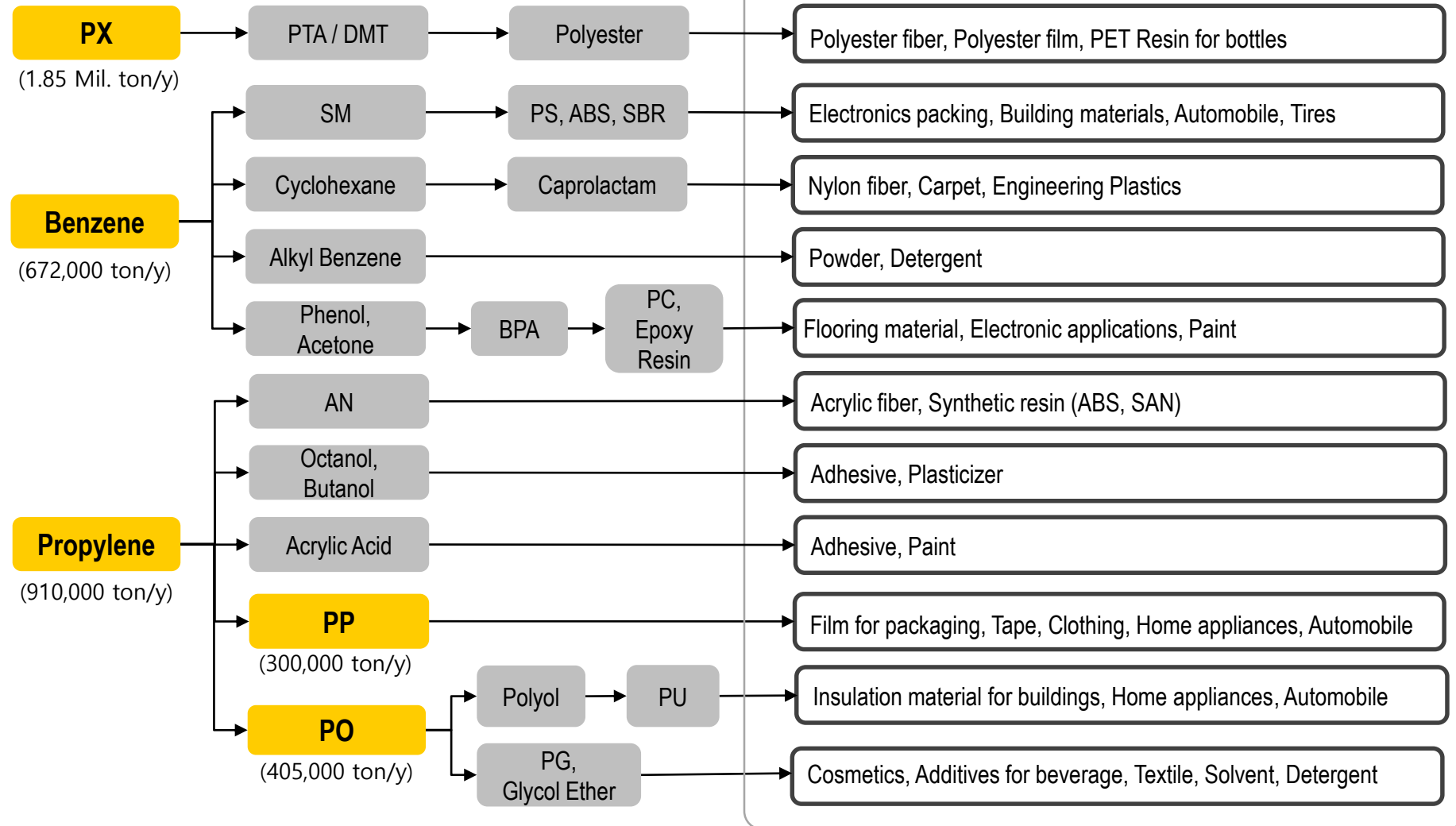
The first local manufacturing Company to acquire ISO 19600 - Compliance management system

Assessment by external bodies in 2019



S-OIL's Petrochemical Product & Value Chain

The Company's end product



Long-term Margin Trend

Refining

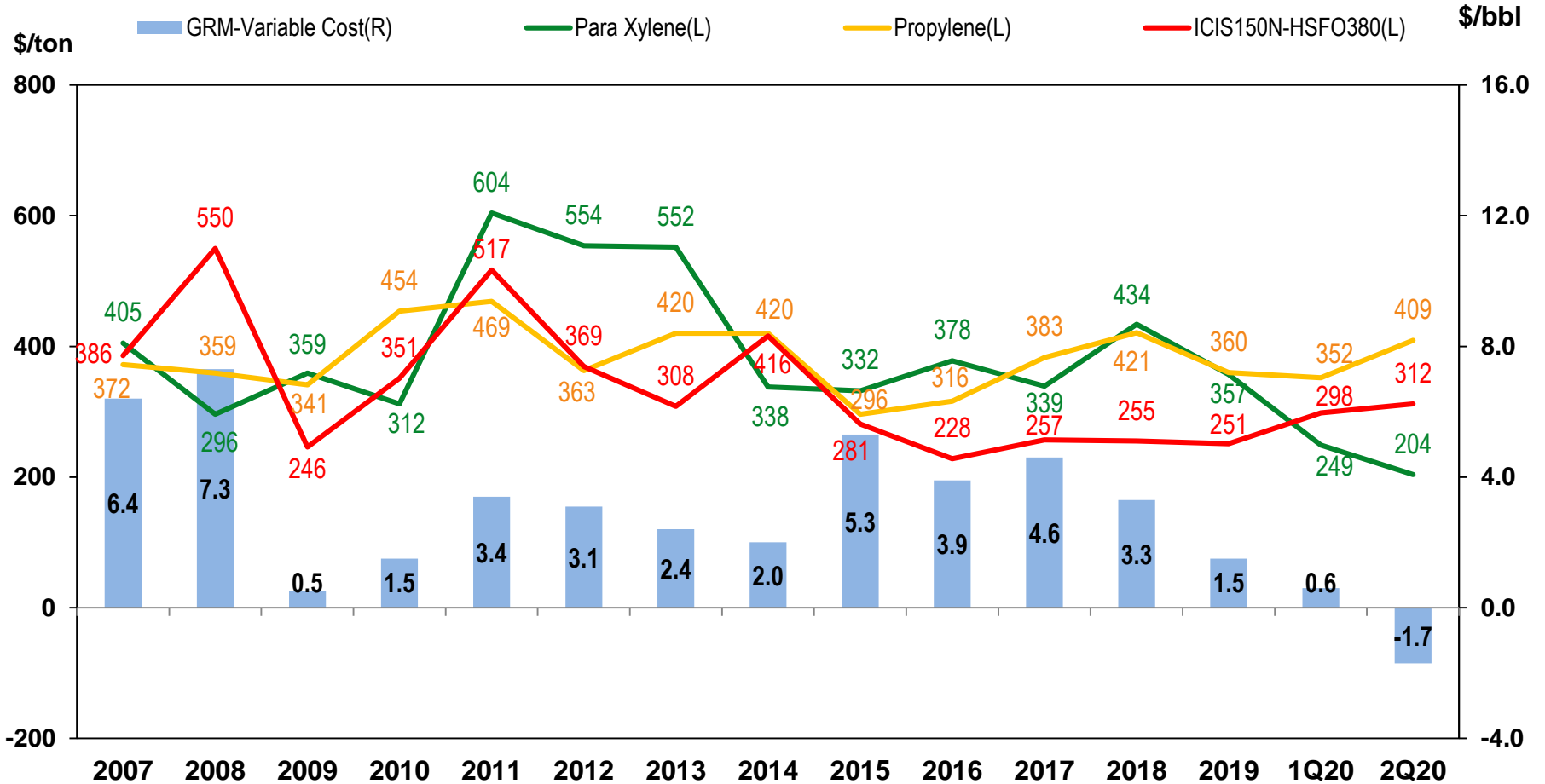
Singapore Complex Margin

Petrochemical

Product spread (Vs. Naphtha)

Lube base Oil

Product spread



Thank You

S-OIL IR Team

Contact : IRteam@s-oil.com



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 10th consecutive year among Asia Pacific refiners and won 2019 Best Governance Companies from KCGS.

