



3Q 2017 Earnings Release

October 2017

DISCLAIMER

Financial results for 3Q 2017 are provisional and accordingly 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.

3Q 2017 Performance

3Q 2017 Financial Result	4
Financial Status	5
Capital Expenditure	6
Operation	7

Performance by Business Segment

Financial Result by Business Segment	8
Market Environment in 3Q 2017	9

Industry Outlook

4Q 2017 Outlook – Refining	10
4Q 2017 Outlook – Petrochemical & Lube Base Oil	11

Progress of RUC/ODC Project

Progress of RUC/ODC Project	12
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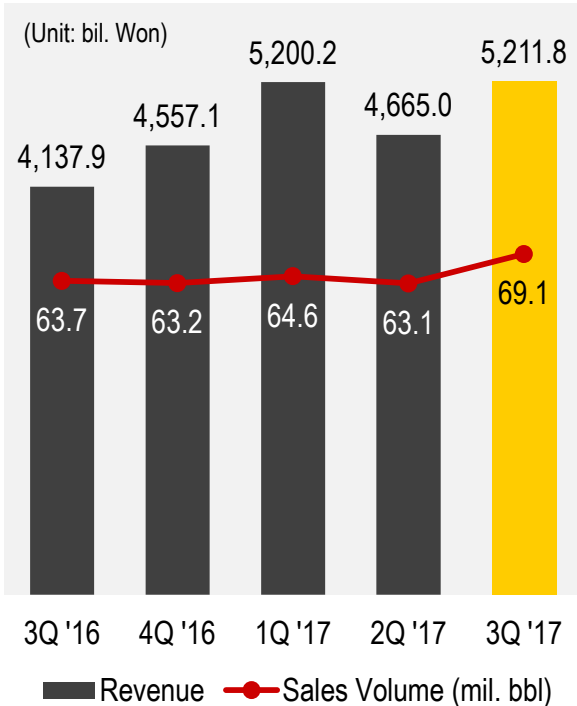
Appendices

Summarized Income Statement	13
Sales Breakdown	14
RUC/ODC Project Overview	15
PP&PO Demand/Capacity Outlook	16
PP&PO Value Chain	17
Long-term Margin Trend	18

3Q 2017 Financial Result



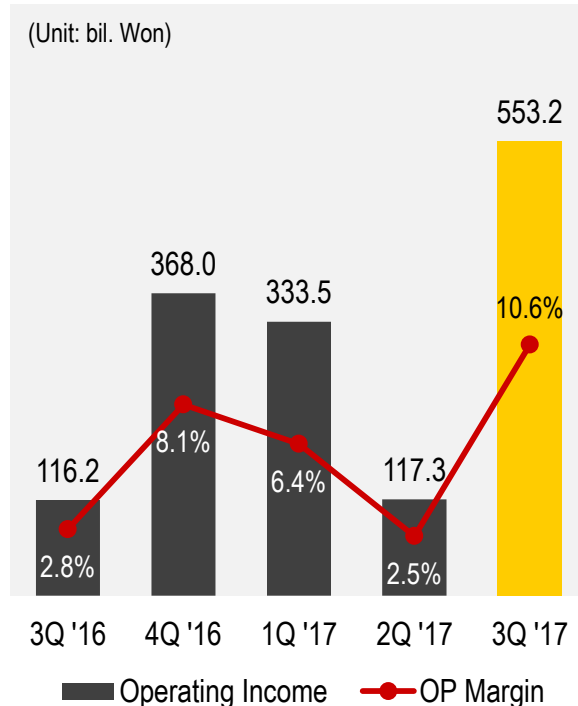
Revenue



Increased 11.7% QoQ on maximized plant operation

- Quarterly average selling price: 2.1% ↑, QoQ
- Sales volume: 9.4% ↑, QoQ

Operating Income



Greatly expanded mainly due to strong refining margin amid rise of oil prices

- Inventory related gain(E): 30 bil. Won (QoQ +80bil. Won)
- Singapore complex margin(\$/bbl): 3Q 5.5 (1.7↑, QoQ)

Income before Tax

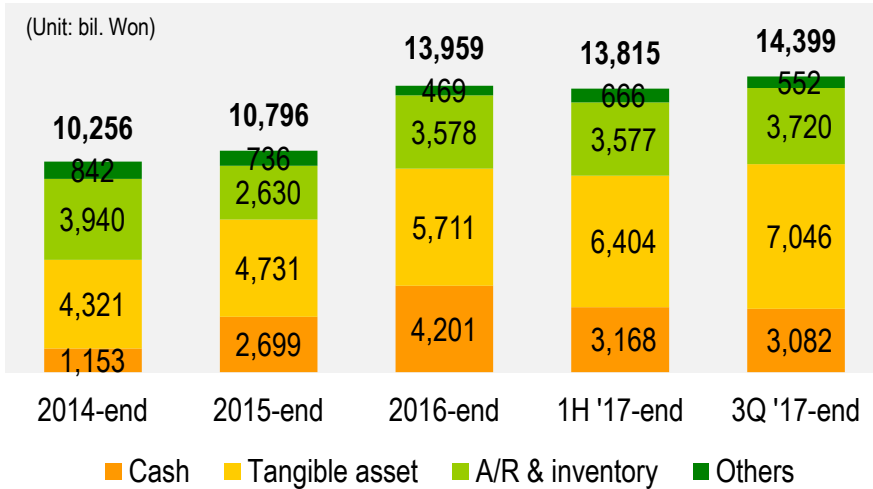


Increased 455.9 bil. Won QoQ with reduced FX loss on top of operating income extension

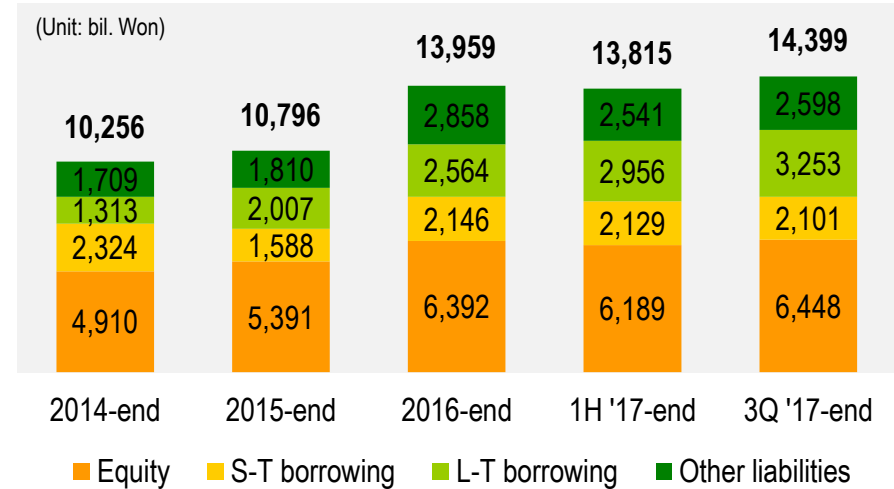
- F/X loss: 15.4 bil. Won (2Q F/X loss: 48.2 bil. Won)
- ₩/\$ rate: 3Q-end 1,146.7 (7.1↑, QoQ)

Financial Status

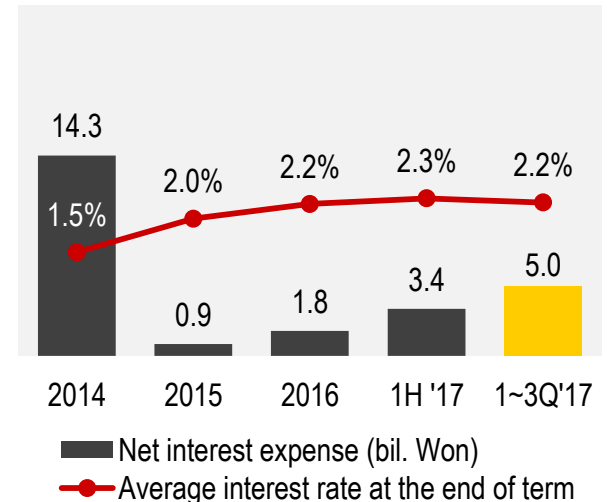
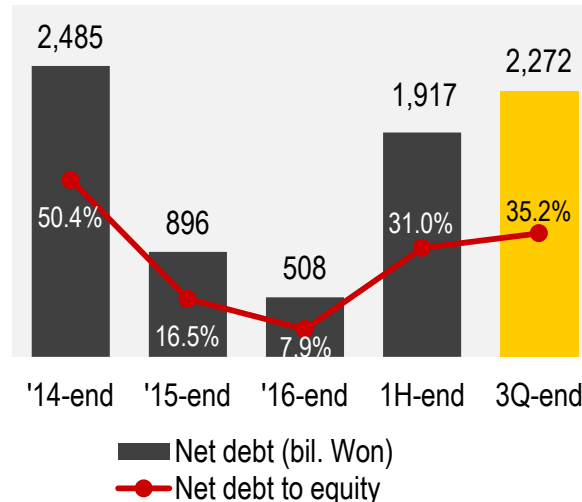
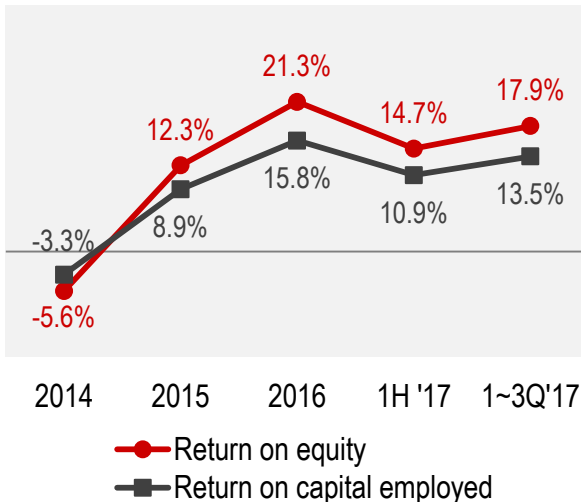
Assets



Liabilities & Equities



Financial Ratios



Capital Expenditure



CAPEX

(Unit: bil. Won)	FY '14	FY '15	FY '16	FY '17 Plan (Update)	1~3Q '17
Major Projects	675.2	465.1	863.2	2,383.1	1,375.9
- RUC/ODC Project ¹⁾	97.0	290.4	682.2	2,213.5	1,341.7
- KNOC land acquisition ²⁾	519.0	-	-	-	-
- SUPER Project ³⁾ and Profit Improvement Program	8.5	141.7	177.4	47.2	31.7
Upgrade & Maintenance	62.0	169.2	147.0	148.3	79.9
Marketing related expenditure	37.5	48.4	8.0	50.6	13.6
Others	108.8	43.3	61.2	28.6	15.3
Total	883.5	726.0	1,079.4	2,610.6	1,484.8

¹⁾ Residue Upgrading Complex and Olefin Downstream Complex project

²⁾ Excluding incidental costs

³⁾ Project to maximize the profitability through upgrading and revamping of existing facilities

Depreciation

(Unit: bil. Won)	FY '14	FY '15	FY '16	FY '17 Plan	1~3Q '17
Depreciation (Including catalyst amortization cost)	339.7	273.2	286.7	330.5	218.5

Utilization Rate

(Unit: k bpd, %)	Capacity	2015	2016	1Q '17	2Q '17	3Q '17
CDU	669.0	90.7%	95.0%	99.9%	96.5%	101.3%
B-C Cracking	149.5	93.4%	91.2%	97.8%	93.0%	96.0%
PX Plants	37.5	84.5%	100.9%	100.8%	75.3%	100.4%
Lube Plants	*44.0	85.4%	97.5%	98.4%	100.7%	92.9%

* Changed retroactively to 2016(42.7→44.0), with adjustment of utilization rate, to reflect stable operation at the extended capacity since SUPER Project in 4Q 2015.

In 3Q, CDU units topped 100% running rate to fully take advantage of favorable business environment.

Maintenances

	2015	2016	1H '17	2H '17
CDU	CFU, #2&3 CDU	#1 CDU	CFU	-
Refining	HYC FH	RFCC	-	-
Petrochemical	#1&2 PX	-	#2 PX	-
Lube Base Oil	#1&2 HDT, HYC SH	#1&2 HDT	-	-

Refinery will continue to be operated at optimal level throughout 4Q without planned maintenance.

Financial Result by Business Segment



Refining

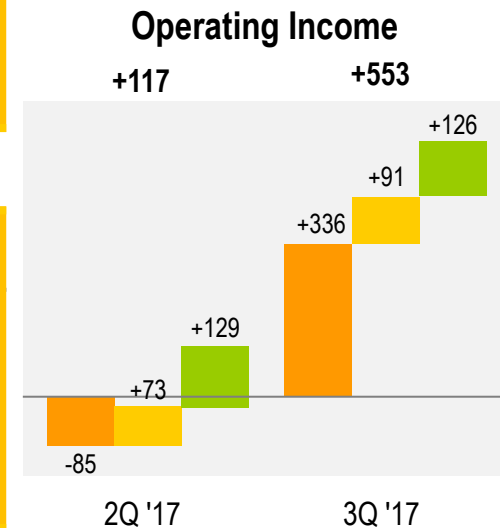
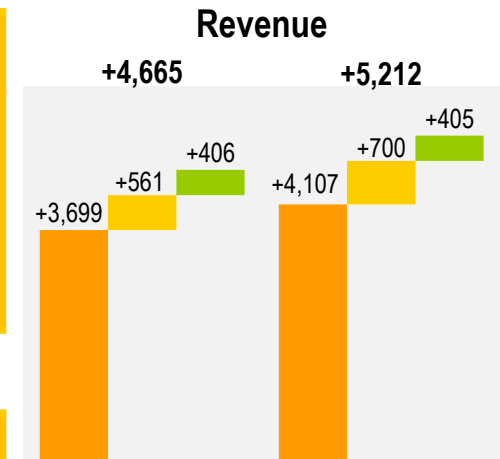
(Unit: bil. Won)	3Q '16	YoY	2Q '17	QoQ	3Q '17
Revenue	3,187.4	28.9% ↑	3,698.6	11.1% ↑	4,107.4
Operating Income	-123.4	-	-84.9	-	336.4
(Margin)	(-3.9%)	-	(-2.3%)	-	(8.2%)

Petrochemical

(Unit: bil. Won)	3Q '16	YoY	2Q '17	QoQ	3Q '17
Revenue	628.6	11.3% ↑	560.6	24.8% ↑	699.5
Operating Income	142.2	36.3% ↓	72.8	24.4% ↑	90.5
(Margin)	(22.6%)	-	(13.0%)	-	(12.9%)

Lube Base Oil

(Unit: bil. Won)	3Q '16	YoY	2Q '17	QoQ	3Q '17
Revenue	321.9	25.8% ↑	405.8	0.2% ↓	405.0
Operating Income	97.4	29.6% ↑	129.4	2.4% ↓	126.3
(Margin)	(30.3%)	-	(31.9%)	-	(31.2%)



Market Environment in 3Q 2017

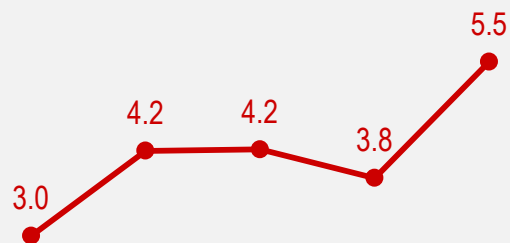


Refining

Singapore Margin

[GRM – Variable Cost]

(Unit: \$/bbl)



3Q '16 4Q '16 1Q '17 2Q '17 3Q '17

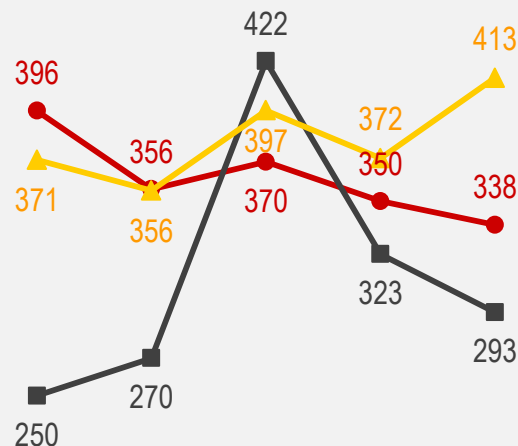
—●— Singapore Complex Refining Margin

Refining margins surged driven by the healthy demand coupled with the refinery disruptions in US due to Hurricane Harvey.

Petrochemical

Product Spread

(Unit: \$/ton)



3Q '16 4Q '16 1Q '17 2Q '17 3Q '17

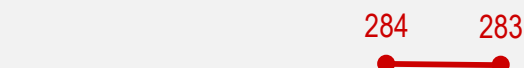
—●— P-Xylene —■— Benzene —▲— Propylene

PX spread softened due to ramp-up of new facilities and PTA plants' maintenance despite strong demand in downstream sector.

Lube Base Oil

Product Spread

(Unit: \$/ton)



3Q '16 4Q '16 1Q '17 2Q '17 3Q '17

—●— Group I (150N)-HSFO380

LBO spread maintained solid level amid consistently strong demand.

4Q 2017 Outlook – Refining



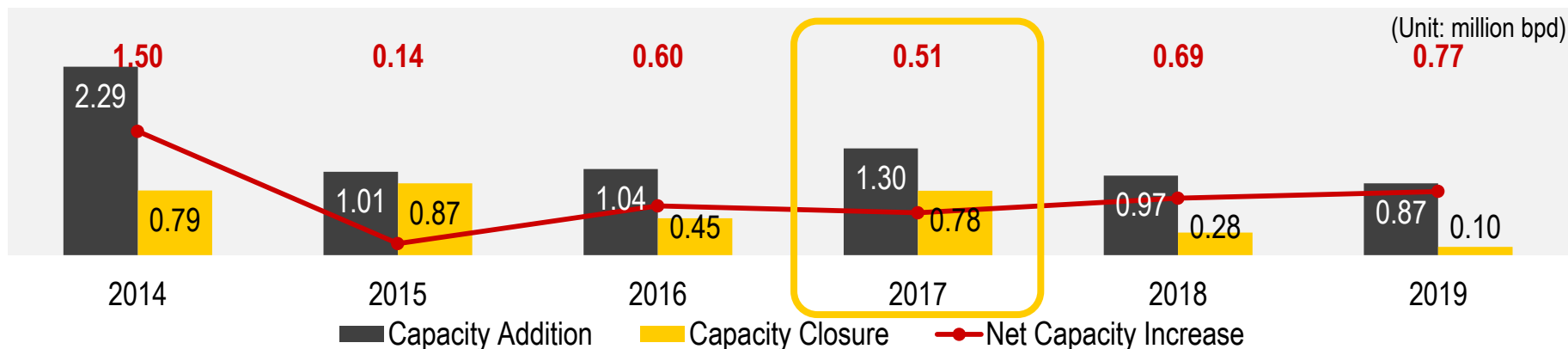
Regional supply-demand balance will remain tight despite incremental supply from seasonally higher utilization and ramp-up of new refineries, as regional demand is expected to register more than 1 million bpd of QoQ increase amid low product inventories.

4Q '17 demand growth forecast

(Unit: mil. bpd)	Asia Pacific			Global		
	IEA	OPEC	EIA	IEA	OPEC	EIA
QoQ	+1.43	+1.39	+1.14	+0.94	+0.42	+0.13
YoY	+1.00	+0.93	+0.39	+1.87	+1.79	+1.02

Strong refining margins will be sustained for the next couple of years given tight supply-demand balance outlook on the back of persistently slow capacity expansions.

Global Capacity Addition/Closure



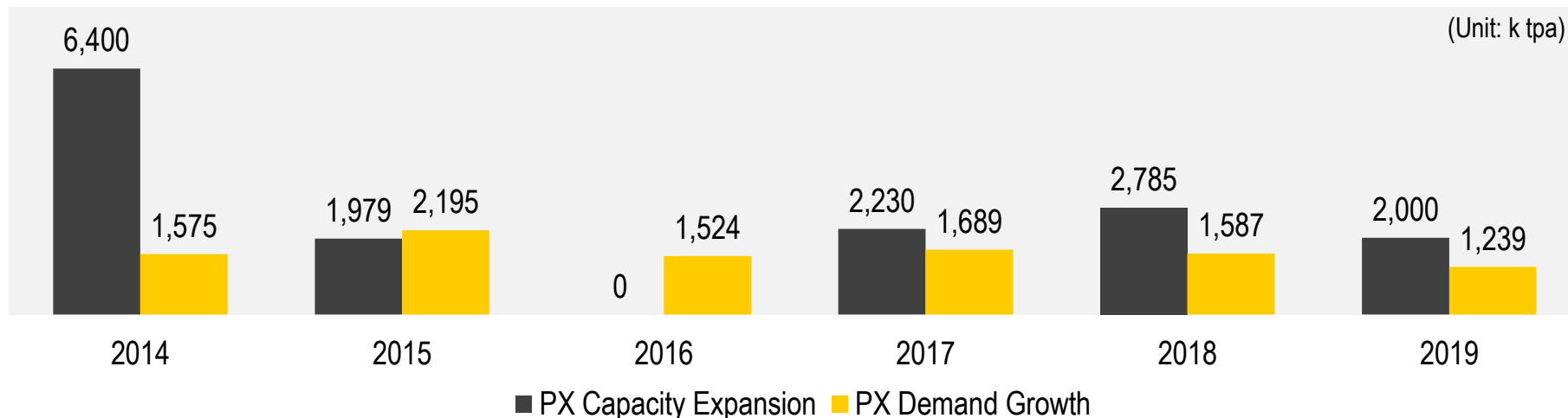
Source: IEA, OPEC, EIA, FACTS Global Energy, Wood Mackenzie, The Company

Petrochemical

Para-xylene : spread to be maintained

PX spread is expected to maintain in a decent range by start-up/restart of Asian PTA plants and seasonal demand of downstream sector, although there would be a downward pressure on the spread due to concerns over the supply increase from new PX facilities in the region.

PX capacity expansion and demand growth (Asia & ME)



Lube Base Oil

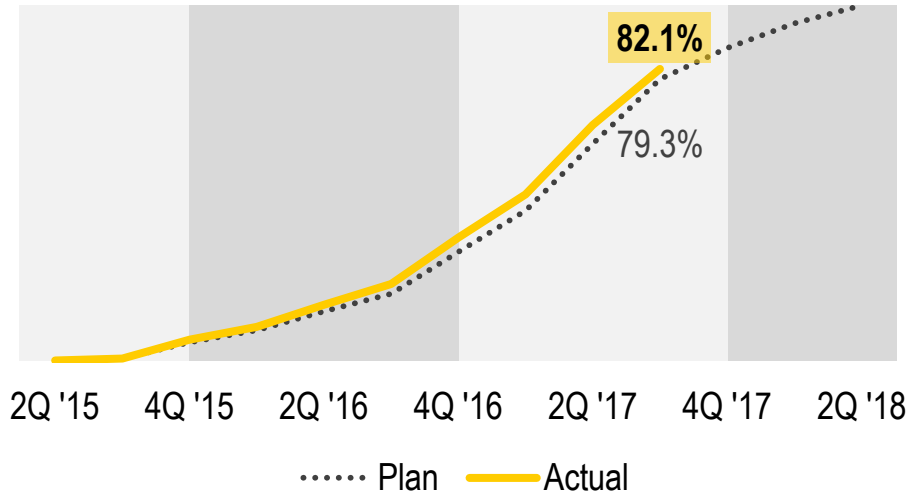
Spread to be narrowed

There will be downward pressure on the LBO margin due to low seasonality in spite of steady demand growth for high-quality products in the U.S. and Europe.

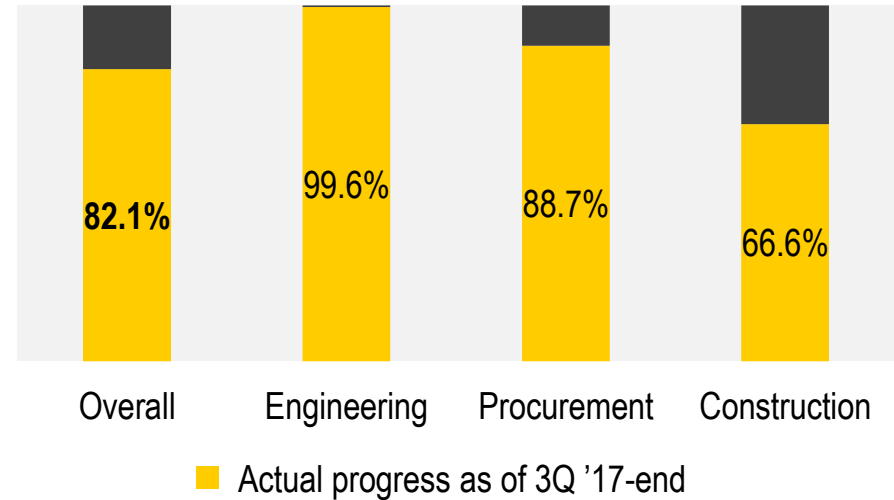
Progress of RUC/ODC Project



Overall Progress S-Curve



EPC Progress



82.1% of project progress as of 3Q '17-end
(2.8%p ahead of the plan)

Project Financing

(Unit: bil. Won)	2015	2016	2017 YTD	Total (average interest rate)	
Corporate bond	400	700	700	1,800	(2.1%)
Bank loan*	300	220	-	520	(2.9%)
Sum	700	920	700	2,320	(2.3%)

* Facility loan commitment: 1,500 bil. Won
 Stand-by credit line: 500 bil. Won

Summarized Income Statement

(Unit: bil. Won)	3Q '16	YoY	2Q '17	QoQ	3Q '17
Revenue	4,137.9	26.0% ↑	4,665.0	11.7% ↑	5,211.8
Operating Income	116.2	376.1% ↑	117.3	371.8% ↑	553.2
(Margin)	(2.8%)	-	(2.5%)	-	(10.6%)
Finance & Other Income	110.1	-	-47.3	-	-27.2
- Net Interest Gain	0.4	-	-1.5	-	-1.6
- Net F/X Gain*	115.7	-	-48.2	-	-15.4
- Others	-6.0	-	2.4	-	-10.1
Equity Method Gain	0.7	19.1% ↑	1.2	22.7% ↓	0.9
Income before Tax	227.1	132.1% ↑	71.1	641.1% ↑	527.0
Net Income	171.8	132.1% ↑	66.9	495.8% ↑	398.7

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

Appendix 2

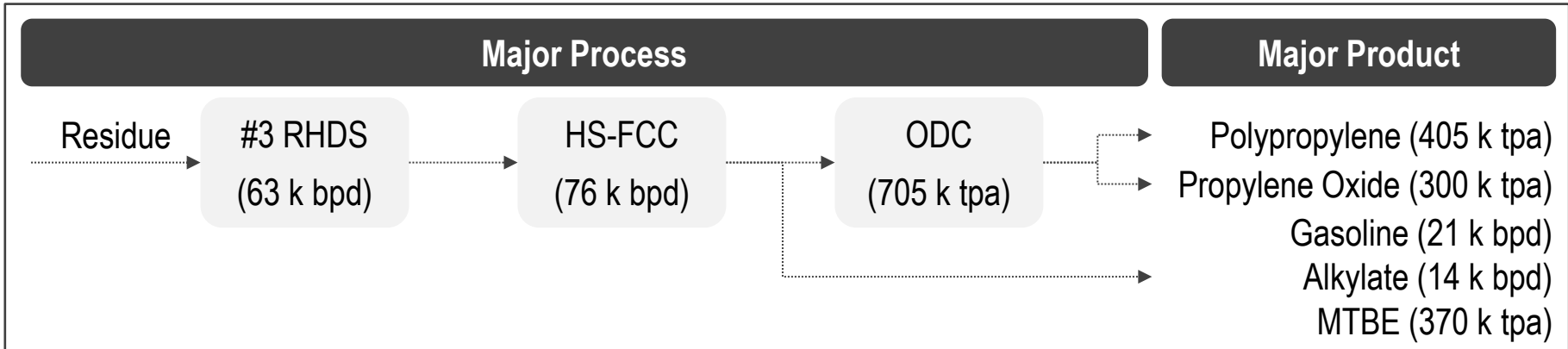


Sales Breakdown

(Unit: k bpd, %)	3Q '16	4Q '16	1Q '17	2Q '17	3Q '17
Sales Total	692	685	700	694	751
Domestic	323	330	334	320	353
Export	369	355	366	374	398
(% in Total)	(53.3%)	(51.8%)	(52.3%)	(53.9%)	(52.9%)
China	18.8%	20.7%	18.5%	21.9%	20.2%
Australia	7.9%	11.3%	16.6%	12.7%	16.4%
Japan	13.7%	19.6%	16.2%	14.8%	11.6%
South East Asia	6.2%	6.7%	14.9%	13.6%	11.0%
USA	12.7%	9.4%	9.0%	10.6%	8.8%
Singapore	14.7%	9.2%	8.2%	6.5%	8.6%
Europe	3.1%	0.9%	3.1%	5.4%	6.6%

RUC/ODC Project Overview

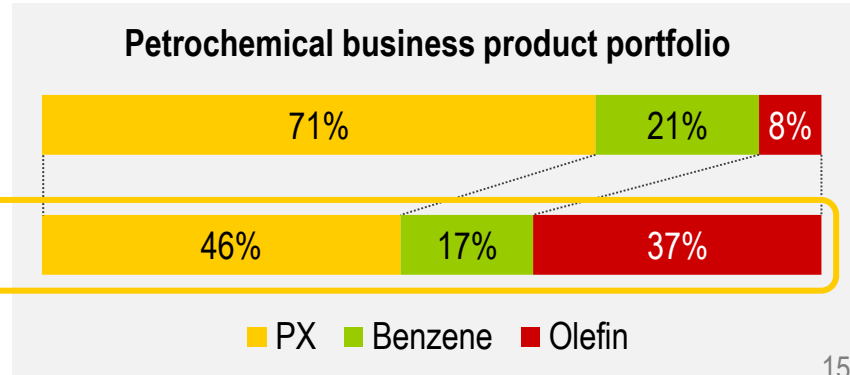
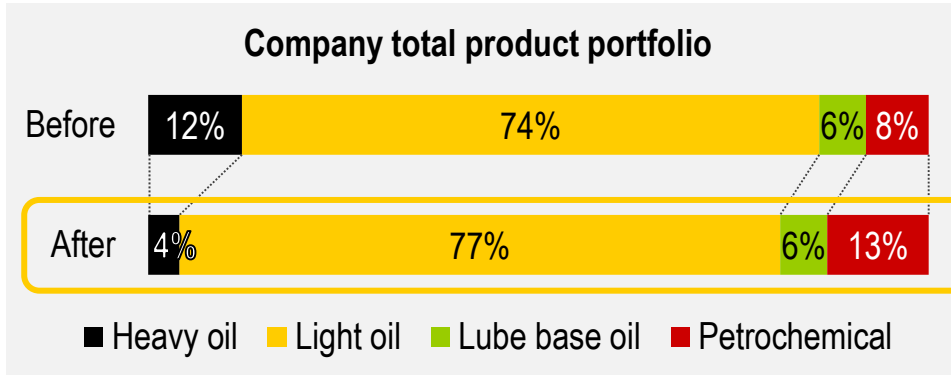
(Residue Upgrading Complex & Olefin Downstream Complex)



Completion (E) Mechanical completion & commissioning in 1H 2018

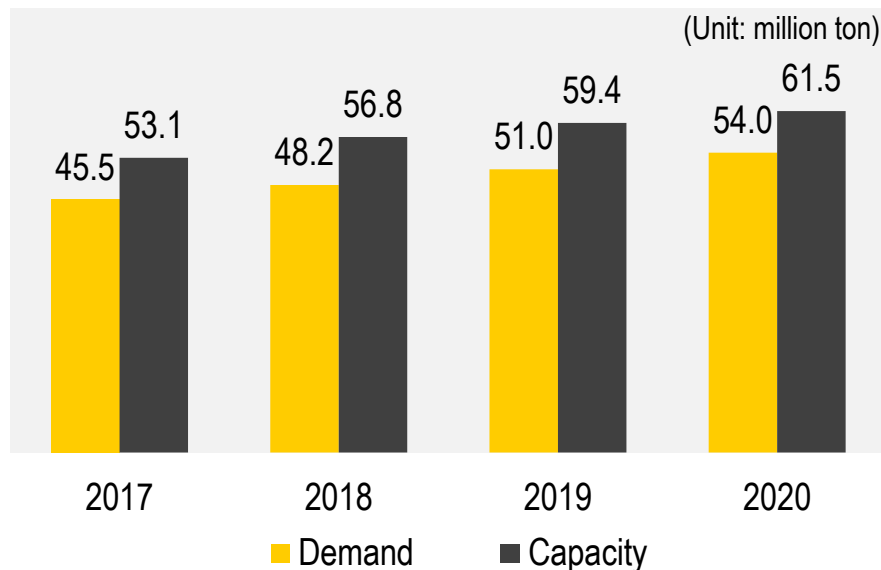
Profitability (E) IRR:18.3%, Payback period: 6 years (Estimated in 2H 2015)

CAPEX (E)	Total	~2015	2016	2017	2018
	4.8 tri. Won	0.4 tri. Won	0.7 tri. Won	2.2 tri. Won	1.5 tri. Won



PP(Poly Propylene) / PO (Propylene Oxide) Demand & Capacity Outlook

Asia & ME PP outlook

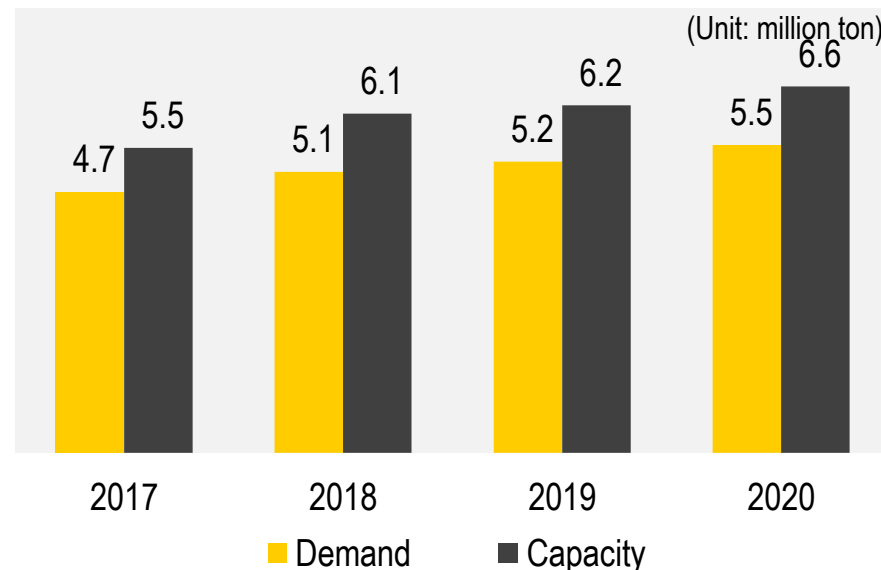


- 2018~2020 demand CAGR*: 5.8%
- 2018~2020 capacity CAGR: 4.0%

Regional PP market would likely be tighter for the next 3 years as demand growth will outpace capacity growth.

In particular, demand growth will be mainly driven by China, India, and South East Asia.

Asia & ME PO outlook



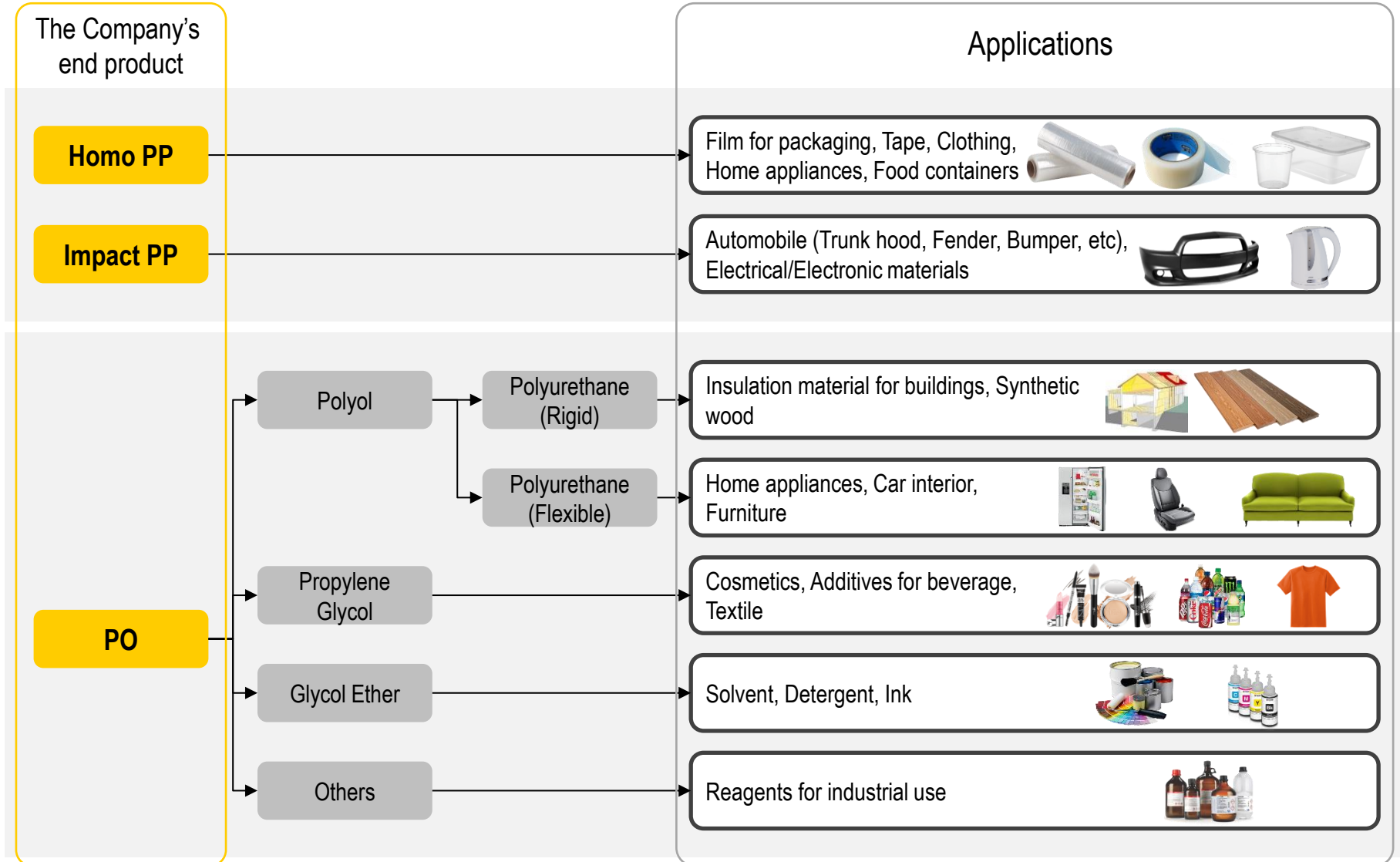
- 2018~2020 demand CAGR: 4.7%
- 2018~2020 capacity CAGR: 3.9%

Tightness of regional PO market is expected to be maintained for the next 3 years as capacity growth is expected to be slower than demand growth.

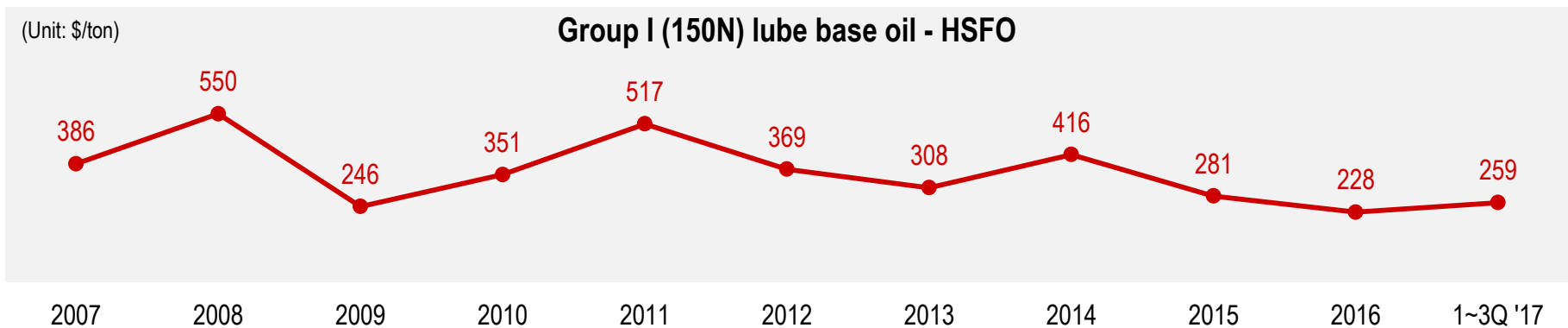
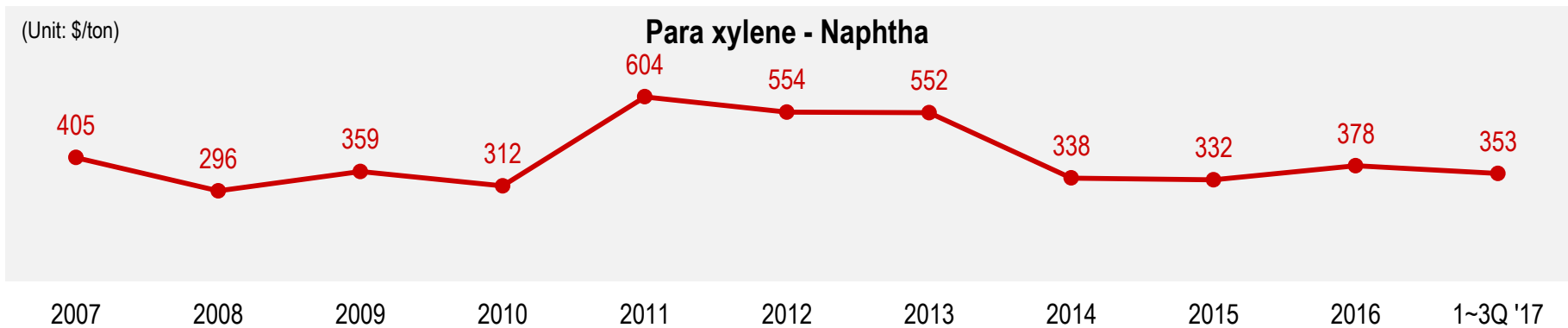
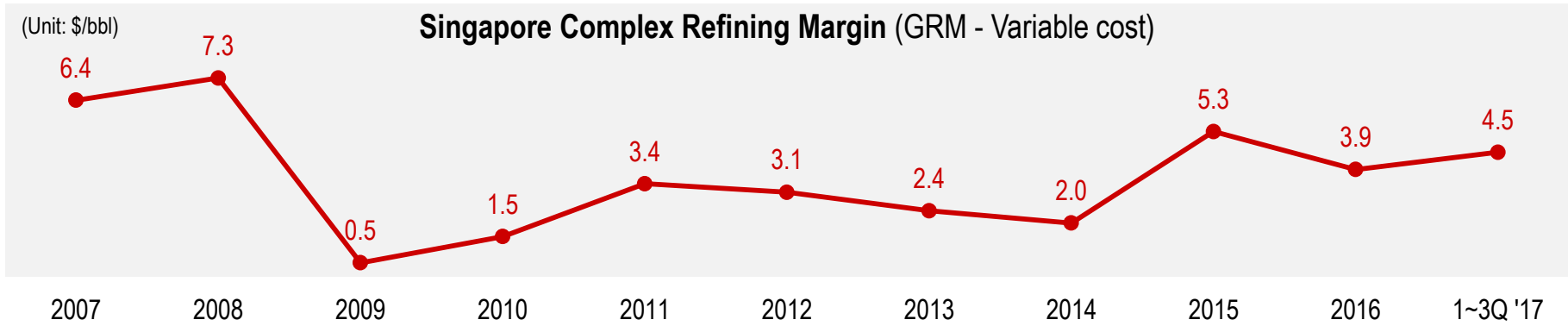
Domestic market will remain in short supply after the Company's PO plant operation.

* CAGR: Compound Annual Growth Rate
Source: IHS, The Company

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



Long-term Margin Trend



Thank You

S-OIL IR Team

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM 

S-OIL, the only company named to DJSI World for the 8th consecutive year among Asia Pacific refiners

