



4Q 2017 Earnings Release

January 2018

DISCLAIMER

Financial results for full year and 4Q 2017 are provisional and accordingly subject to change according to the outside independent auditors' review, etc.

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.

4Q 2017 Performance

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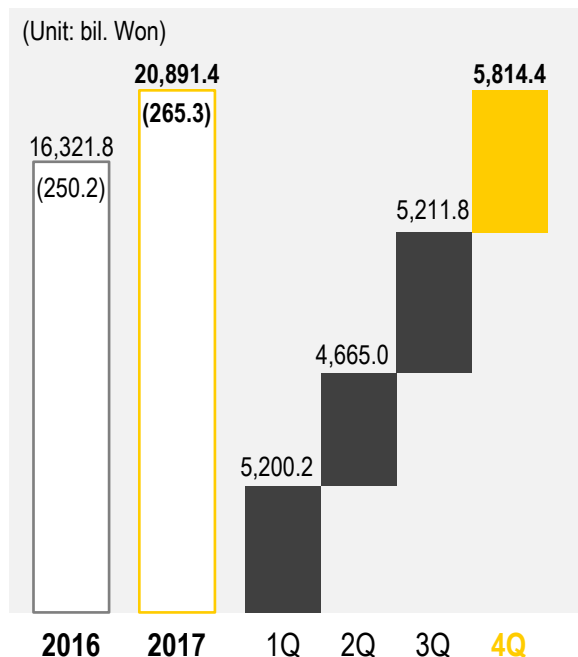
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4Q 2017 Financial Result



Revenue

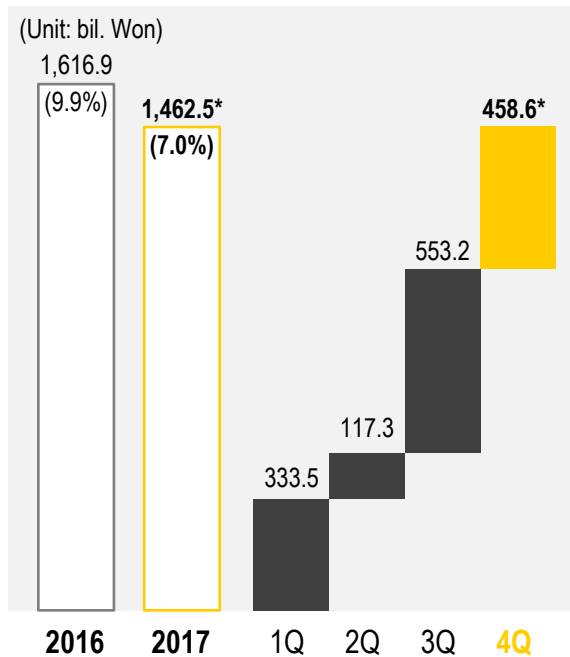


() : Sales volume in million bbl

**Increased 11.6% QoQ
on the rise in oil prices**

- Quarterly average selling price: 12.3% ↑, QoQ
- Sales volume: 0.6% ↓, QoQ

Operating Income

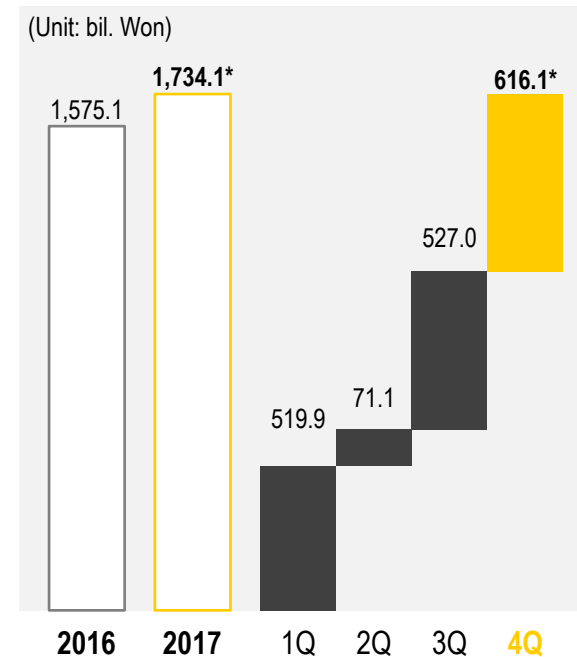


() : Operating income margin

**Decreased due to lower margin
coupled with Won strength
despite rise of oil prices**

- Singapore complex margin (\$/bbl): 4Q 5.0 (0.5 ↓, QoQ)
- FX impact: -90 billion Won
- Inventory-related gain: +95 billion Won

Income before Tax



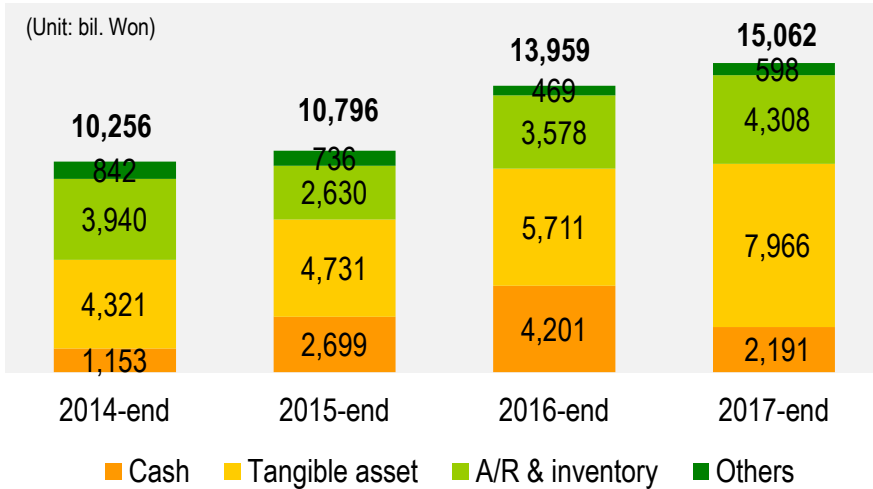
**Expanded by sizable
F/X gain in spite of
reduced operating income**

- F/X gain: 158.0 bil. Won (3Q F/X loss: 15.4 bil. Won)
- ₩/\$ rate: 4Q-end (1,071.4) (75.3↓, QoQ)

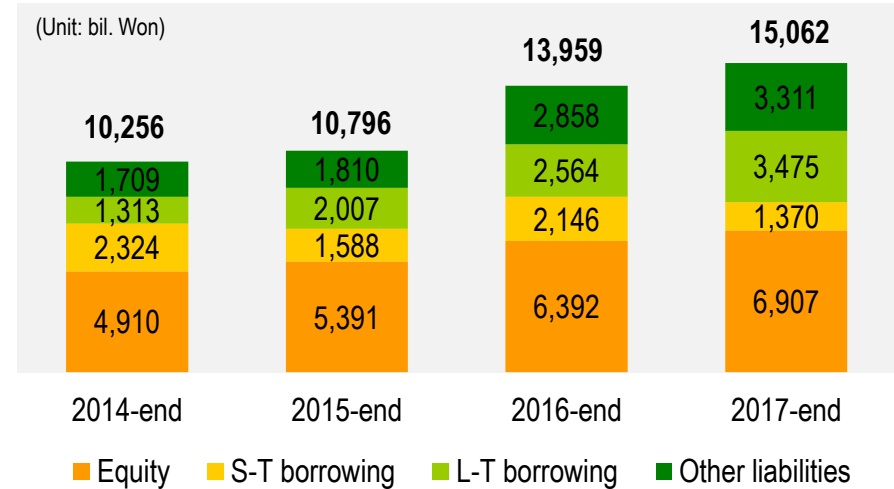
* Subject to decrease, depending on 2017 performance bonus amount to be decided later.

Financial Status

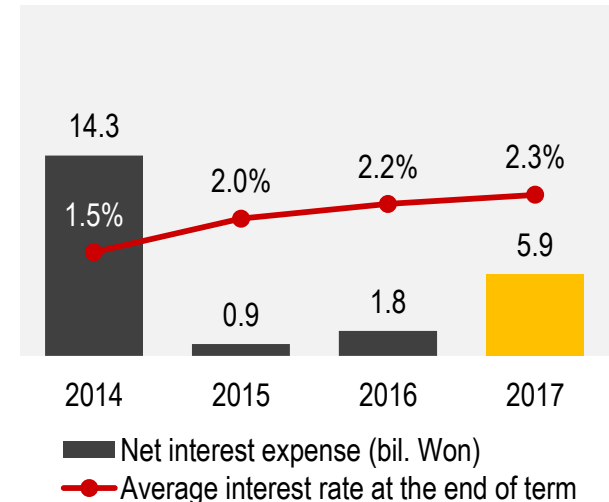
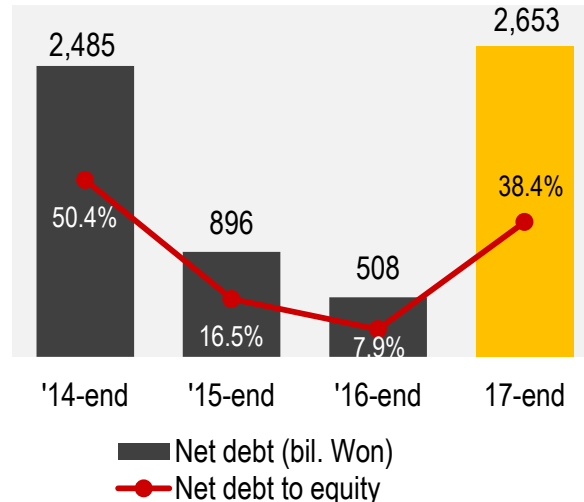
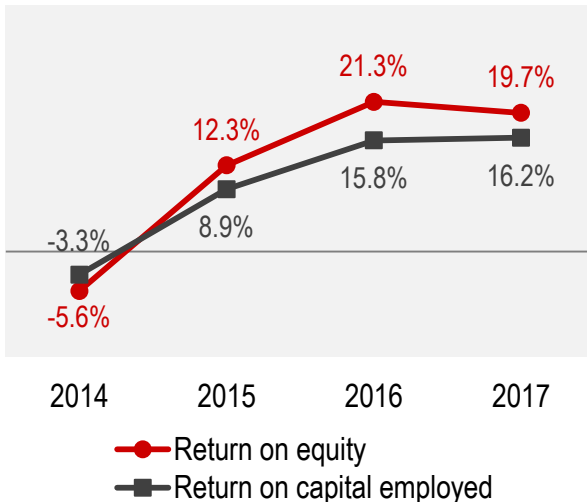
Assets



Liabilities & Equities



Financial Ratios



Capital Expenditure



CAPEX

(Unit: bil. Won)	FY '15	FY '16	FY '17	2018 Plan
Major Projects	465.1	863.2	2,320.2	1,599.5
- RUC/ODC Project ¹⁾	290.4	682.2	2,154.2	1,568.0
- SUPER Project ²⁾ and Profit Improvement Program	141.7	177.4	44.9	24.8
Upgrade & Maintenance	169.2	147.0	133.9	201.7
Marketing related expenditure	48.4	8.0	20.3	48.2
Others	43.3	61.2	27.8	59.2
Total	726.0	1,079.4	2,502.3	1,908.6

¹⁾ Residue Upgrading Complex and Olefin Downstream Complex project

²⁾ Project to maximize the profitability through upgrading and revamping of existing facilities

Depreciation

(Unit: bil. Won)	FY '15	FY '16	FY '17	*2018 Plan
Depreciation (Including catalyst amortization cost)	273.2	286.7	293.6	299.8

*The RUC/ODC portion will be added after its commercial operation.

Utilization Rate

(Unit: k bpd, %)	Capacity	2015	2016	2017	4Q '17
CDU	669.0	90.7%	95.0%	99.3%	99.4%
B-C Cracking	149.5	93.4%	91.2%	96.4%	98.9%
PX Plants	37.5	84.5%	100.9%	94.3%	100.7%
Lube Plants	*44.7	85.4%	97.5%	96.5%	98.6%

* Changed retroactively to Jan. 2017(44.0→44.7), with adjustment of utilization rate, to reflect stable operation of HDT unit since its upgrading works in 4Q 2016.

During 4Q, the Company steadily operated the whole plants at full capacity to fully capitalize on solid margin.

Maintenances

	2015	2016	2017	2018(Plan)
Refining	CFU, #2&3 CDU	#1 CDU	CFU	#2 CDU
	HYC FH	RFCC	-	HYC FH
Petrochemical	#1&2 PX	-	#2 PX	#1 PX
Lube Base Oil	#1&2 HDT, HYC SH	#1&2 HDT	-	-

Financial Result by Business Segment



Refining

(Unit: bil. Won)	4Q '16	3Q '17	QoQ	4Q '17	2016	2017
Revenue	3,594.5	4,107.4	11.1% ↑	4,562.4	12,464.2	16,412.3
Operating Income	229.3	336.4	1.2% ↓	332.3	699.0	693.5
(Margin)	(6.4%)	(8.2%)	-	(7.3%)	(5.6%)	(4.2%)

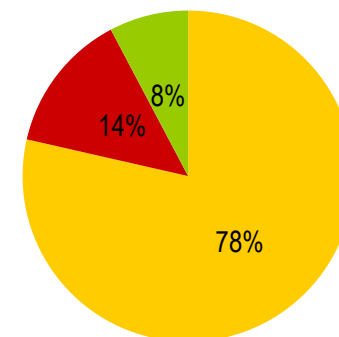
Petrochemical

(Unit: bil. Won)	4Q '16	3Q '17	QoQ	4Q '17	2016	2017
Revenue	642.1	699.5	19.0% ↑	832.6	2,544.0	2,864.1
Operating Income	79.7	90.5	57.5% ↓	38.5	505.9	341.4
(Margin)	(12.4%)	(12.9%)	-	(4.6%)	(19.9%)	(11.9%)

Lube Base Oil

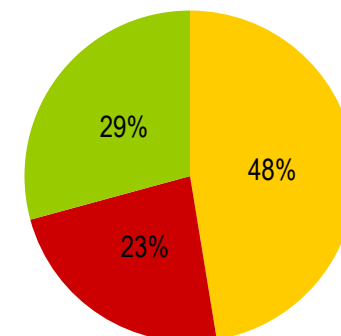
(Unit: bil. Won)	4Q '16	3Q '17	QoQ	4Q '17	2016	2017
Revenue	320.5	405.0	3.6% ↑	419.4	1,313.7	1,614.9
Operating Income	59.0	126.3	30.5% ↓	87.8	412.0	427.7
(Margin)	(18.4%)	(31.2%)	-	(20.9%)	(31.4%)	(26.5%)

2017 Revenue



■ Refining ■ Petrochemical ■ Lube

2017 Operating Income



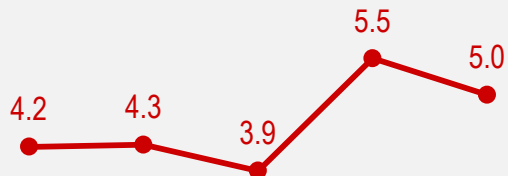
Market Environment in 4Q 2017



Refining

Singapore Margin
[GRM – Variable Cost]

(Unit: \$/bbl)



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

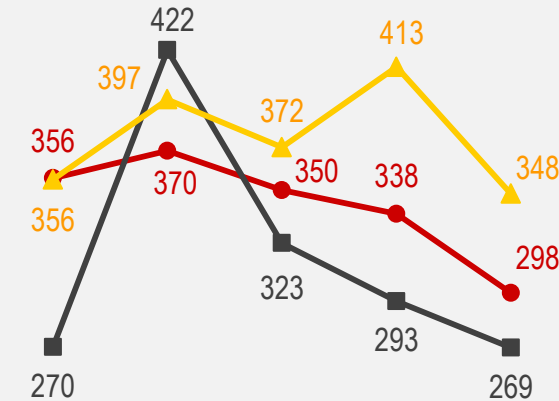
—●— Singapore Complex Refining Margin

Refining margins were sustained strong driven by the robust regional demand despite supply increase from U.S. refineries returning after the hurricane and regional new refineries.

Petrochemical

Product Spread

(Unit: \$/ton)



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

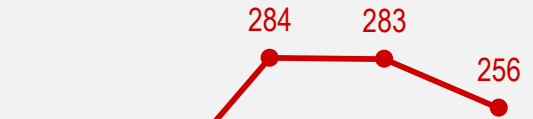
—●— P-Xylene —■— Benzene —▲— Propylene

Aromatic spread softened due to increase in operating rate and major downstream plants' maintenance despite firm demand of end-product.

Lube Base Oil

Product Spread

(Unit: \$/ton)



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

—●— Group I (150N)-HSFO380

LBO spread decreased due to low seasonality and lagging effect in spite of steady demand strength for high-quality products.

Source: IHS, ICIS, the Company

2018 Outlook – Refining



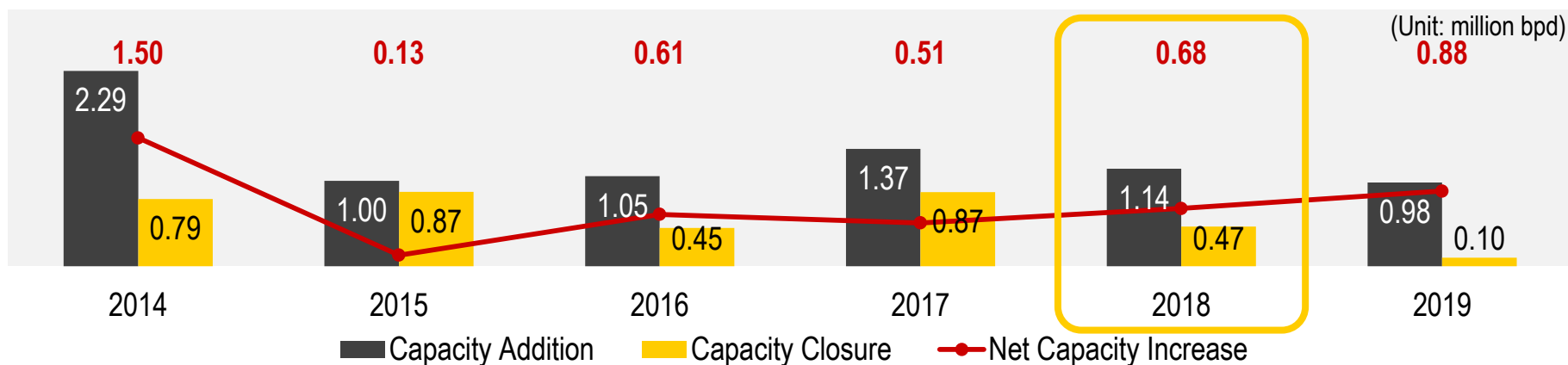
Continuously healthy demand growth will hold up regional refining margins at a robust level given limited new capacities addition and global refineries' high utilization. 0.8 million bpd of regional demand growth in Asia Pacific will well outpace 0.5 million bpd of regional capacity expansions scheduled to begin the operation in 2018.

2018 demand growth forecast

(Unit: mil. bpd)	IEA	OPEC	EIA
Global	+1.29	+1.51	+1.72
Asia Pacific	+0.80	+0.77	+0.78

In the next year, the market fundamental will be continuously supportive amid a lack of new capacities. And upcoming implementation of regulation regarding marine bunker fuel will boost the margin for complex refineries.

Global Capacity Addition/Closure



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

Petrochemical

Aromatic

- **Para-Xylene : Stable**

PX spread is expected to move in solid range by strong downstream demand growth despite new capacity addition.

- **Benzene : Positive**

Strong demand is expected due to global economy growth and start-up of new downstream facility amid limited capacity addition.

Olefin

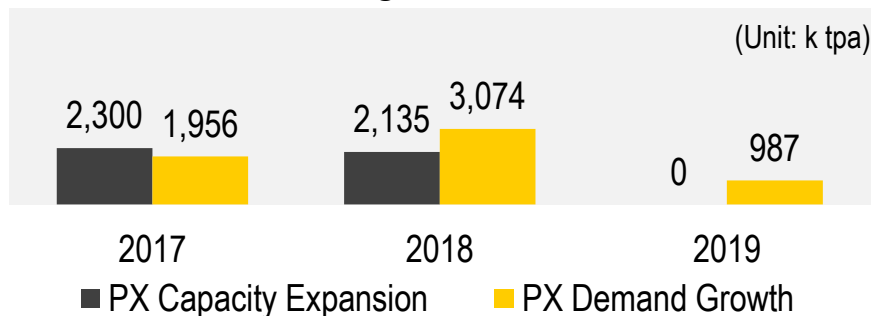
- **PP : Positive**

Regional PP spread is expected to be widened on firm demand growth amid delayed capacity addition due to Chinese government's environmental regulation.

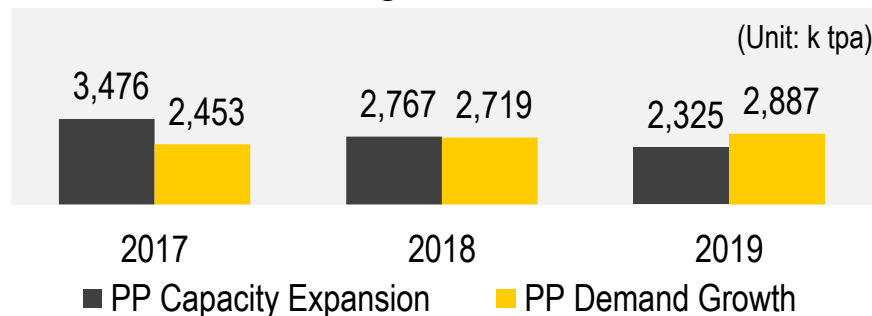
- **PO : Stable**

Regular maintenances in 1H will keep PO spread robust, while in 2H, the spread is expected to be eased due to new facility addition.

PX capacity expansion and demand growth (Asia & ME)



PP capacity expansion and demand growth (Asia & ME)



Lube Base Oil

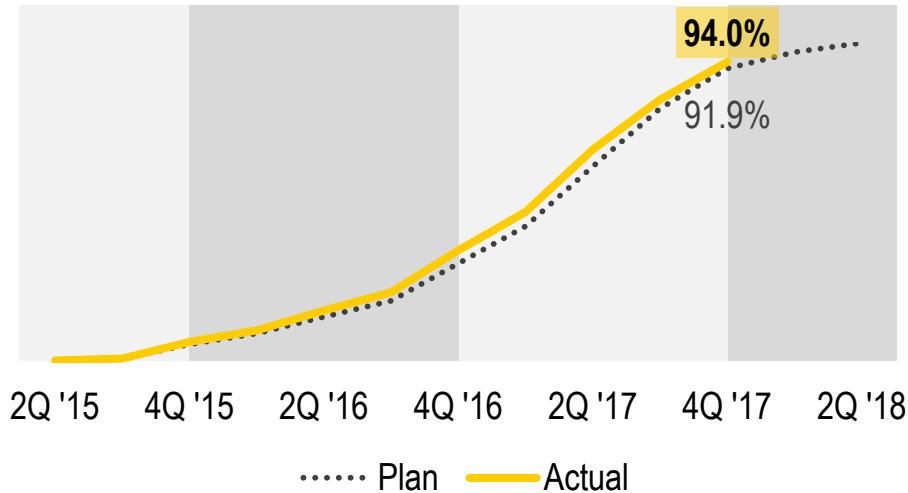
Spread to be maintained

The LBO margin will be in downward pressure from new LBO capacity additions. However, it will be maintained at a healthy level due to solid demand for high-quality products and LBO market's entry barrier for new facilities.

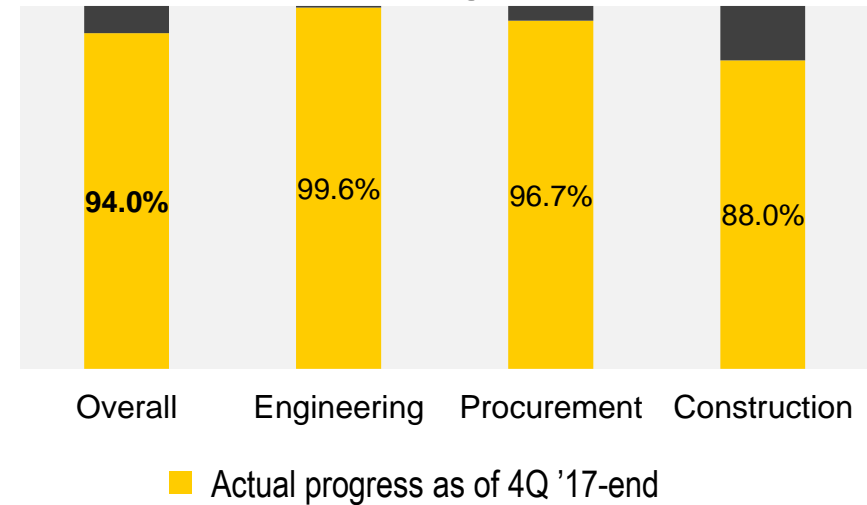
Progress of RUC/ODC Project



Overall Progress S-Curve



EPC Progress



94.0% of project progress as of 2017 year-end
(2.1%p ahead of the plan)

Project Financing

(Unit: bil. Won)	2015	2016	2017	Total (average interest rate)	
Corporate bond	400	700	700	1,800	(2.1%)
Bank loan*	300	220	225	745	(2.9%)
Sum	700	920	925	2,545	(2.4%)

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

Summarized Income Statement

(Unit: bil. Won)	4Q '16	YoY	3Q '17	QoQ	4Q '17	2017
Revenue	4,557.1	27.6% ↑	5,211.8	11.6% ↑	5,814.4	20,891.4
Operating Income	368.0	24.6% ↑	553.2	17.1% ↓	458.6²⁾	1,462.5²⁾
(Margin)	(8.1%)	-	(10.6%)	-	(7.9%)	(7.0%)
Finance & Other Income	-178.3	-	-27.2	-	156.1	266.5
- Net Interest Gain	-0.7	-	-1.6	-	-0.9	-5.9
- Net F/X Gain ¹⁾	-199.3	-	-15.4	-	158.0	274.9
- Others	21.7	-	-10.1	-	-1.0	-2.6
Equity Method Gain	2.5	41.3% ↓	0.9	61.8% ↑	1.4	5.1
Income before Tax	192.2	220.5% ↑	527.0	16.9% ↑	616.1²⁾	1,734.1²⁾
Net Income	156.7	188.3% ↑	398.7	13.3% ↑	451.6²⁾	1,311.2²⁾

1) Including gain/loss from F/X derivatives for hedging

2) Subject to decrease, depending on 2017 performance bonus amount to be decided later.

Appendix 2

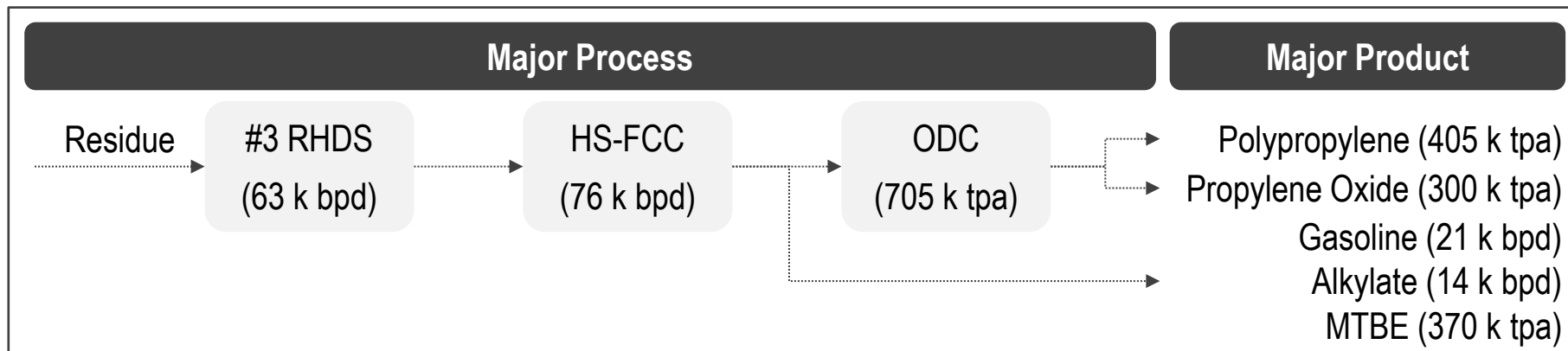


Sales Breakdown

(Unit: k bpd, %)	4Q '16	1Q '17	2Q '17	3Q '17	4Q '17
Sales Total	685	700	694	751	747
Domestic	330	334	320	353	362
Export	355	366	374	398	385
(% in Total)	(51.8%)	(52.3%)	(53.9%)	(52.9%)	(51.5%)
China	20.7%	18.5%	21.9%	20.2%	26.0%
Australia	11.3%	16.6%	12.7%	16.4%	19.9%
Japan	19.6%	16.2%	14.8%	11.6%	12.2%
USA	9.4%	9.0%	10.6%	8.8%	10.5%
South East Asia	6.7%	14.9%	13.6%	11.0%	7.6%
Singapore	9.2%	8.2%	6.5%	8.6%	6.8%
India	1.9%	2.5%	5.6%	3.7%	3.2%

RUC/ODC Project Overview

(Residue Upgrading Complex & Olefin Downstream Complex)



Completion (E)

Mechanical completion & commissioning in 1H 2018

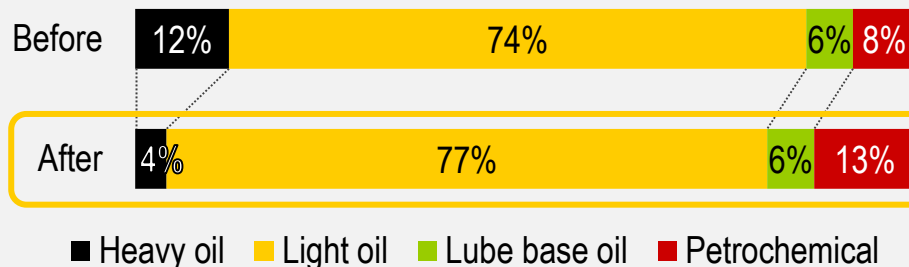
Profitability (E)

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

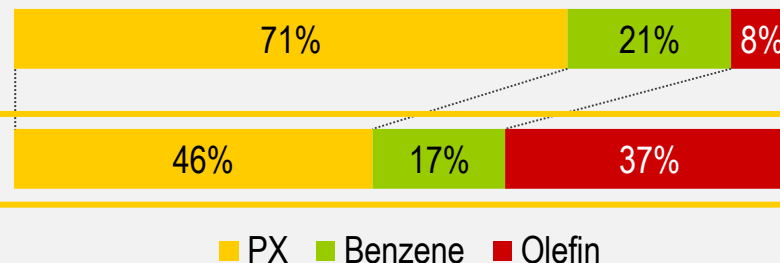
CAPEX (E)

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

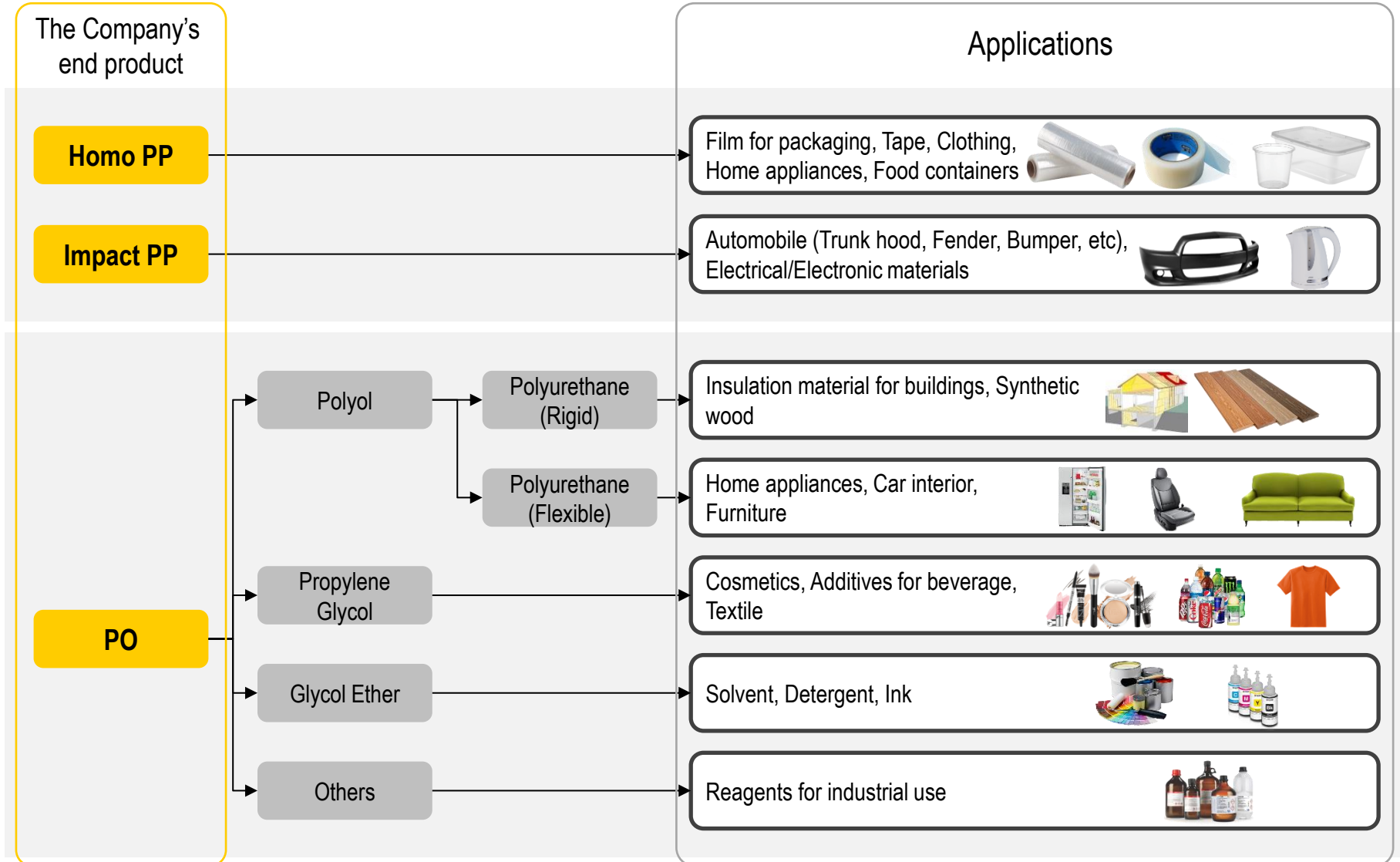
Company total product portfolio



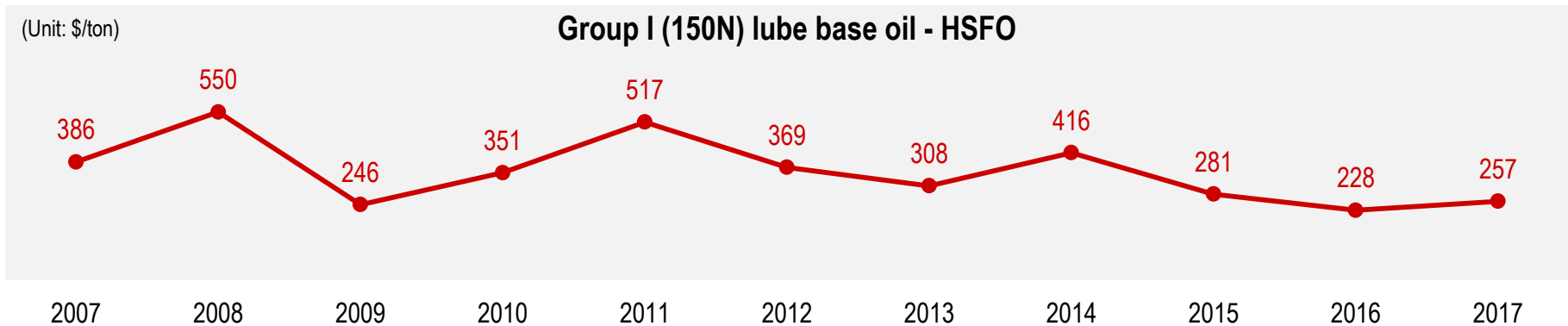
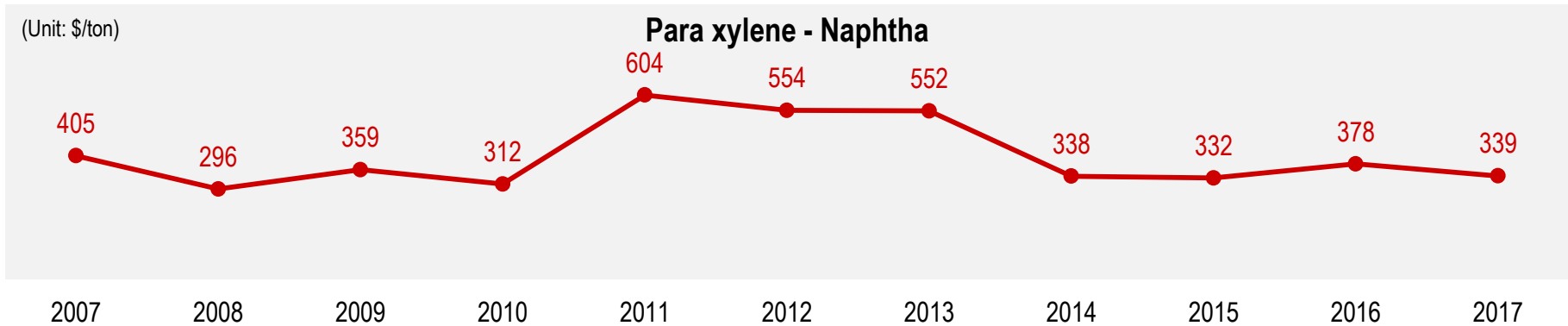
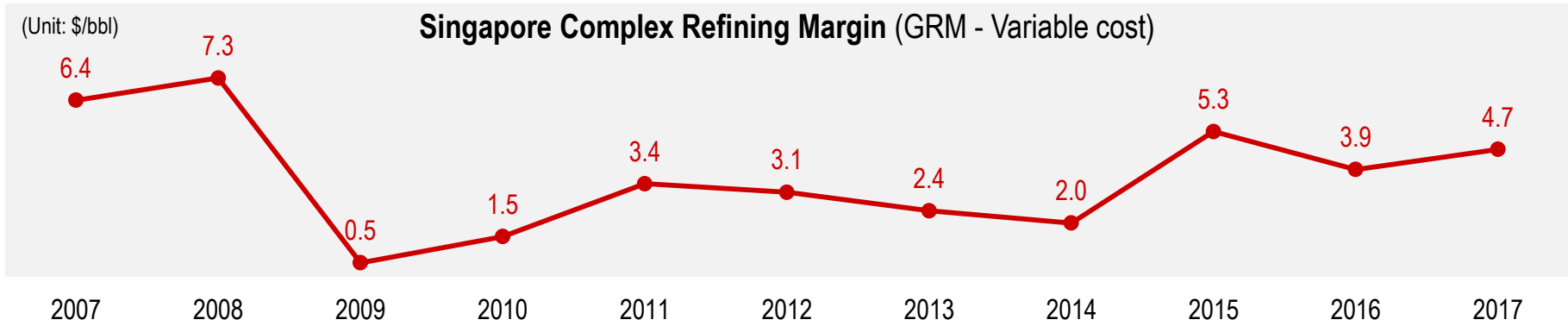
Petrochemical business product portfolio



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

