



2Q 2018 Earnings Release

July 2018

DISCLAIMER

Financial results for 2Q 2018 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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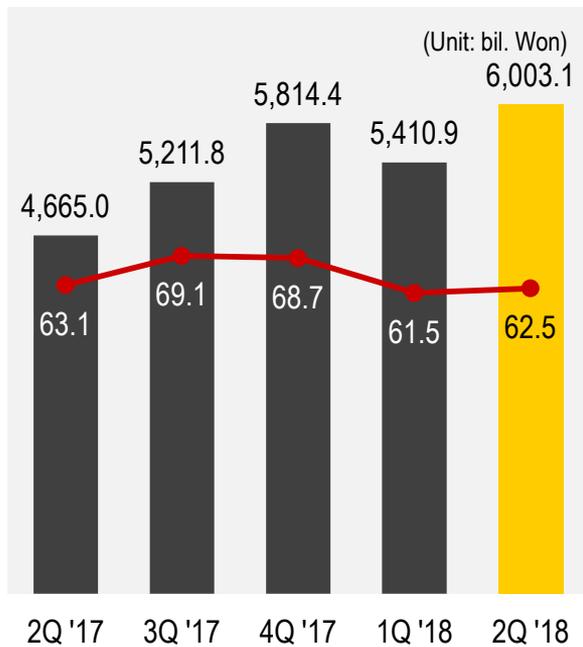
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2Q 2018 Financial Result



Revenue

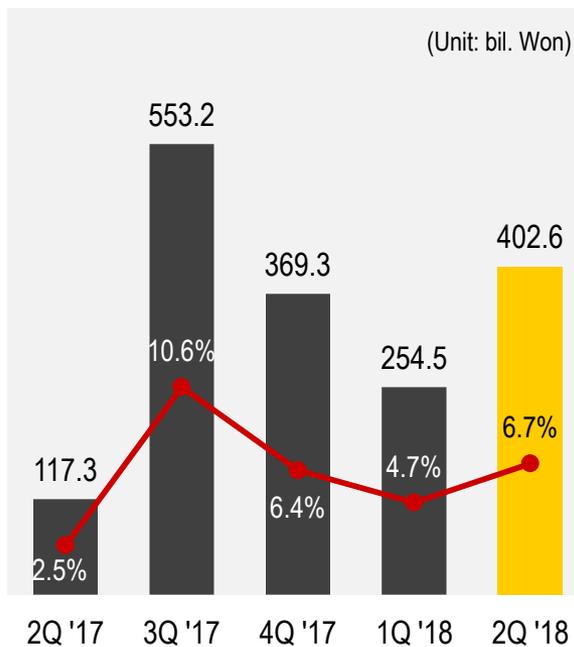


■ Revenue ● Sales Volume (mil. bbl)

Increased 10.9% QoQ mostly due to oil price rise

- Quarterly average selling price: 9.3% ↑, QoQ
- Sales volume: 1.5% ↑, QoQ

Operating Income

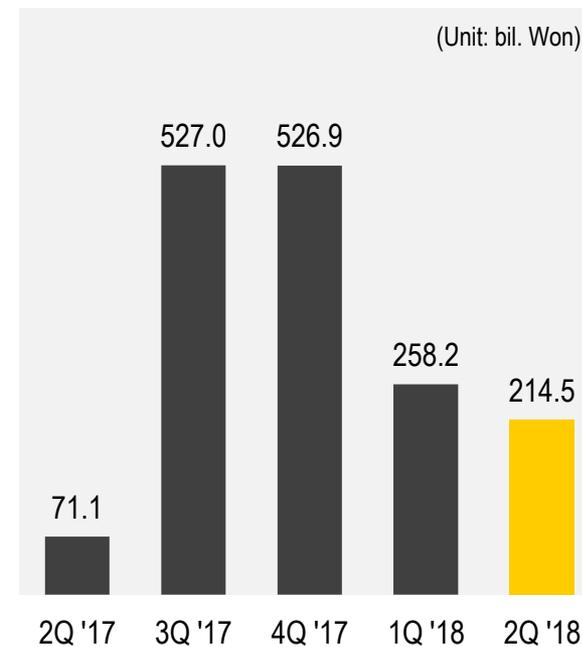


■ Operating Income ● OP Margin

Increased 148.1 bil. Won QoQ by inventory related gain

- Inventory related gain: 170 bil. Won (1Q '18: 5 bil. Won)
- Singapore complex margin(\$/bbl): 2Q 3.0 (1.5 ↓, QoQ)

Income before Tax



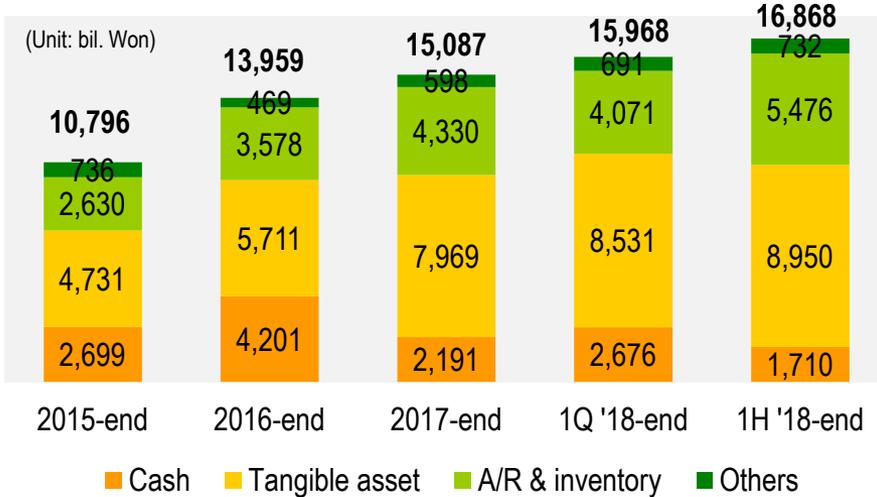
■ Income before Tax

Decreased QoQ by F/X loss on ₩/\$ rate surge despite operating income extension

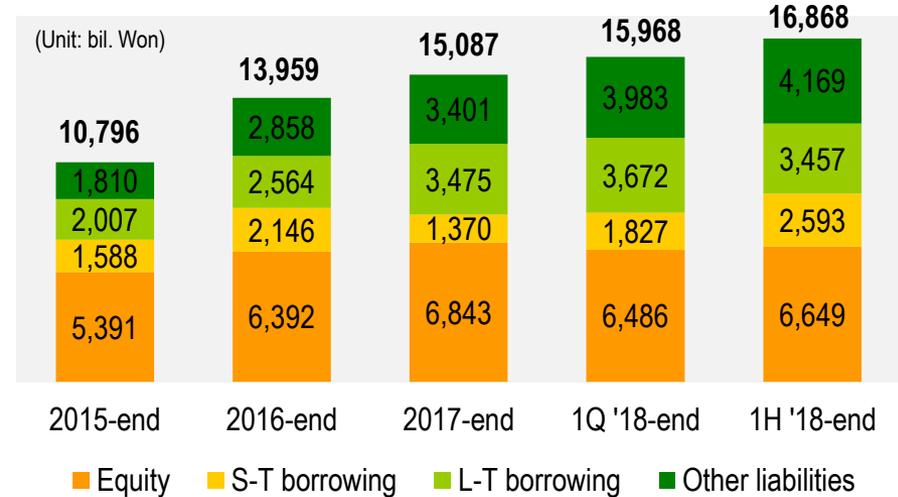
- F/X loss: 179.2 bil. Won (1Q '18 F/X gain: 6.6 bil. Won)
- ₩/\$ rate: 2Q-end 1,121.7 (55.2 ↑, QoQ)

Financial Status

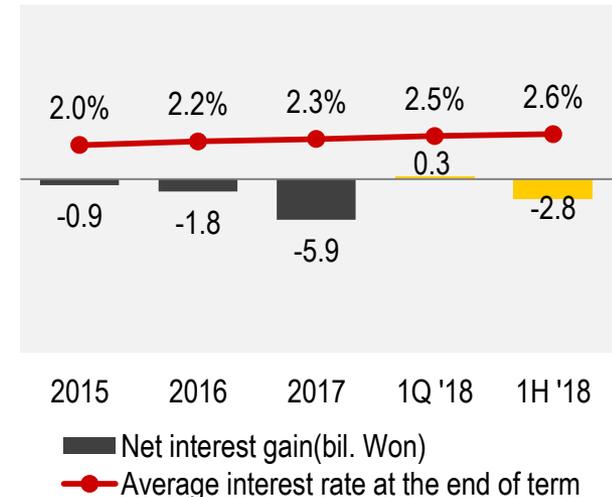
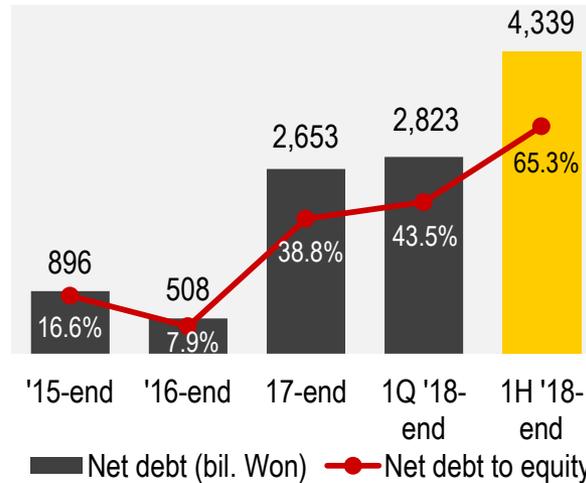
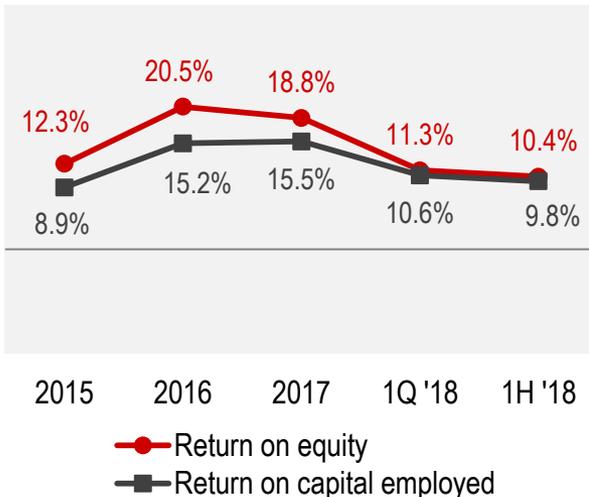
Assets



Liabilities & Equities



Financial Ratios



Capital Expenditure



CAPEX

(Unit: bil. Won)	FY '15	FY '16	FY '17	FY '18 Plan	1H '18
RUC/ODC Project*	290.4	682.2	2,157.3	1,568.0	861.6
Upgrade & Maintenance	343.9	328.0	300.0	233.2	114.4
Others	91.7	69.2	48.1	107.4	16.3
Total	726.0	1,079.4	2,505.4	1,908.6	992.3

* Residue Upgrading Complex and Olefin Downstream Complex project

Depreciation

(Unit: bil. Won)	FY '15	FY '16	FY '17	*2018 Plan	1H '18
Depreciation (Including catalyst amortization cost)	273.2	286.7	293.6	299.8	150.6

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

Utilization Rate

(Unit: k bpd, %)	Capacity	2016	2017	1Q '18	2Q '18
CDU	669.0	95.0%	99.3%	94.7%	97.4%
B-C Cracking	149.5	91.2%	96.4%	89.9%	96.3%
PX Plants	37.5	100.9%	94.3%	85.9%	55.2%
Lube Plants	44.7	97.5%	96.5%	85.7%	92.4%

Except for #1 PX that was off-line until May due to regular maintenance, most major plants were normally operated from early 2Q.

Maintenances

	2016	2017	1H '18	2H '18
Refining	#1 CDU	CFU	#2 CDU	-
	RFCC	-	HYC FH	-
Petrochemical	-	#2 PX	#1 PX	-
Lube Base Oil	#1&2 HDT	-	-	-

Throughout the 2nd half, all plants in refinery are expected to be operated at optimal level.

Financial Result by Business Segment



Refining

(Unit: bil. Won)	2Q '17	YoY	1Q '18	QoQ	2Q '18
Revenue	3,698.6	28.5% ↑	4,341.3	9.5% ↑	4,754.1
Operating Income	-84.9	-	89.3	241.7% ↑	305.2
(Margin)	(-2.3%)	-	(2.1%)	-	(6.4%)

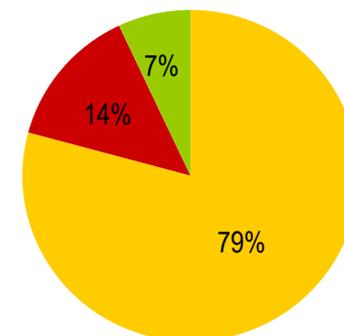
Petrochemical

(Unit: bil. Won)	2Q '17	YoY	1Q '18	QoQ	2Q '18
Revenue	560.6	47.9% ↑	690.2	20.2% ↑	829.3
Operating Income	72.8	77.3% ↓	81.1	79.6% ↓	16.5
(Margin)	(13.0%)	-	(11.7%)	-	(2.0%)

Lube Base Oil

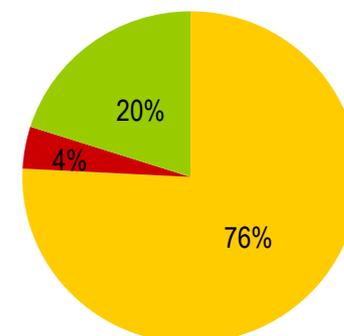
(Unit: bil. Won)	2Q '17	YoY	1Q '18	QoQ	2Q '18
Revenue	405.8	3.4% ↑	379.5	10.6% ↑	419.7
Operating Income	129.4	37.5% ↓	84.1	3.8% ↓	80.9
(Margin)	(31.9%)	-	(22.2%)	-	(19.3%)

2Q '18 Revenue



■ Refining ■ Petrochemical ■ Lube

2Q '18 Operating Income



Market Environment in 2Q 2018



Refining

Singapore Margin
[GRM – Variable Cost]

(Unit: \$/bbl)



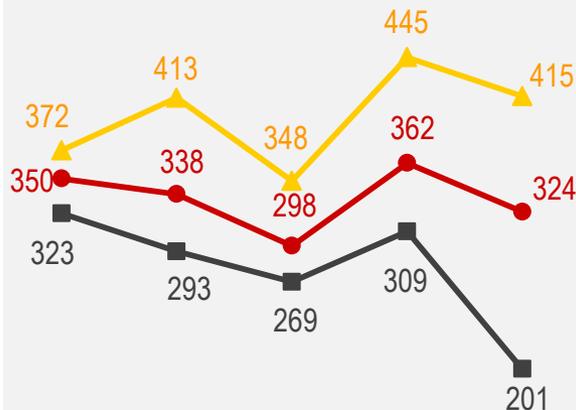
2Q '17 3Q '17 4Q '17 1Q '18 2Q '18
—●— Singapore Complex Refining Margin

Margin plunged due to weak seasonality together with heightened uncertainties over crude prices amid new capacity addition in the region.

Petrochemical

Product Spread

(Unit: \$/ton)



2Q '17 3Q '17 4Q '17 1Q '18 2Q '18
—●— P-Xylene —■— Benzene —▲— Propylene

Aromatic spreads narrowed due to large-scale maintenance of major downstream plants and start-up of new aromatic facilities in the region.

Lube Base Oil

Product Spread

(Unit: \$/ton)



2Q '17 3Q '17 4Q '17 1Q '18 2Q '18
—●— Group I (150N)-HSFO380

LBO spread decreased due to lagging effect and supply returns from major players after completion of regular maintenance.

3Q '18 Outlook – Refining



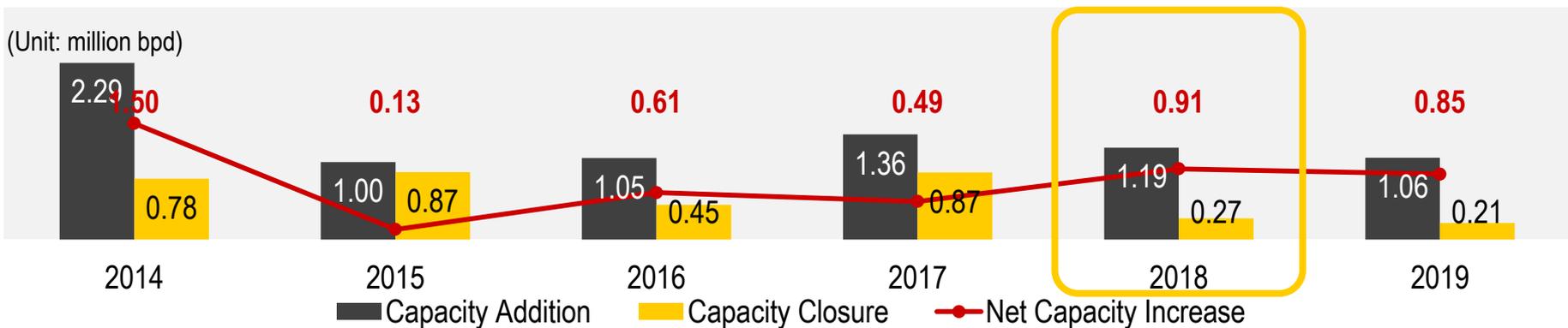
Improvement of refining margin

The refining margin is expected to bottom out and improve gradually on the back of continuously robust demand growth and limited capacity expansions in Asia Pacific.

3Q '18 demand growth forecast

(Unit: mil. bpd)	Asia Pacific			Global		
	IEA	OPEC	EIA	IEA	OPEC	EIA
YoY	+0.51	+0.75	+0.80	+0.90	+1.63	+1.76

Global Capacity Addition/Closure



Petrochemical

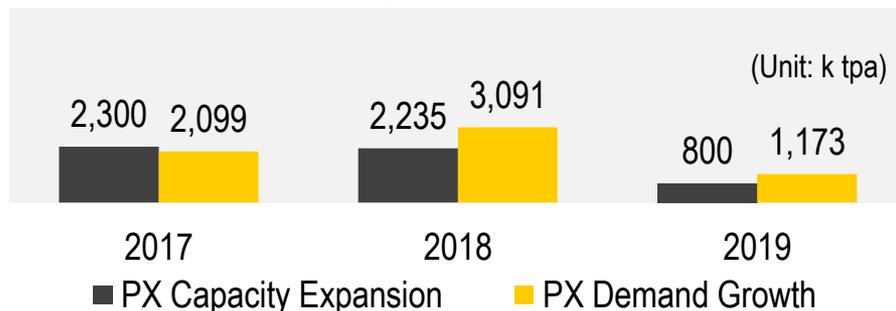
Aromatic

- **Para-Xylene** : PX spread is expected to move in solid range due to strong polyester demand despite ramp-up of new PX capacities in the region.
- **Benzene** : The spread will be maintained at a weak level due to the ramp-up of new capacities and high inventory levels in China.

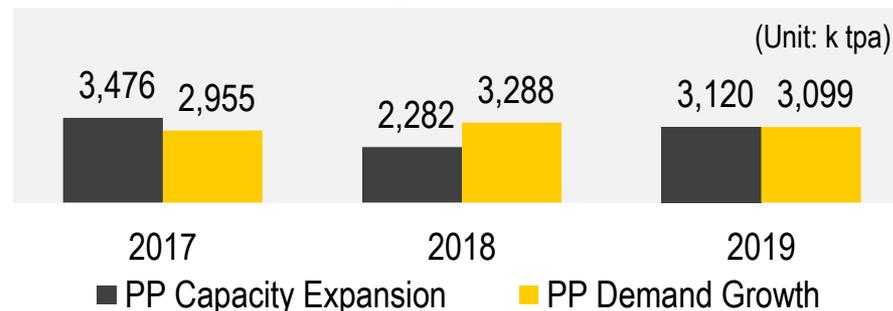
Olefin

- **PP** : PP spread is expected to increase on solid demand from Chinese automobile and consumer electronics market.
- **PO** : Despite the concern of supply increase due to the Company's new PO plant, China's strong demand from PO downstream product will keep spread stable.

PX capacity expansion and demand growth (Asia & ME)



PP capacity expansion and demand growth (Asia & ME)



Lube Base Oil

Spread to be maintained

The spread will be supported at 2Q level due to low seasonal demand in spite of reflection of a run-up in feedstock prices.

Progress of RUC/ODC Project

Project Start-up Schedule

Project	2018.2Q	2018. 3Q
RUC	Mechanical Completion	
	Commissioning	
	Feed-in & Start-up	On-spec Production & Ramp-up
ODC	Mechanical Completion	
	Commissioning	Feed-in & Start-up
		On-spec Production & R/U



Summarized Income Statement

(Unit: bil. Won)	2Q '17	YoY	1Q '18	QoQ	2Q '18
Revenue	4,665.0	28.7% ↑	5,410.9	10.9% ↑	6,003.1
Operating Income	117.3	243.4% ↑	254.5	58.2% ↑	402.6
(Margin)	(2.5%)	-	(4.7%)	-	(6.7%)
Finance & Other Income	-47.3	-	2.0	-	-189.3
- Net Interest Gain	-1.5	-	0.3	-	-3.1
- Net F/X Gain*	-48.2	-	6.6	-	-179.2
- Others	2.4	-	-4.9	-	-7.0
Equity Method Gain	1.2	4.0% ↓	1.7	34.4% ↓	1.1
Income before Tax	71.1	201.6% ↑	258.2	16.9% ↓	214.5
Net Income	66.9	143.9% ↑	188.7	13.5% ↓	163.2

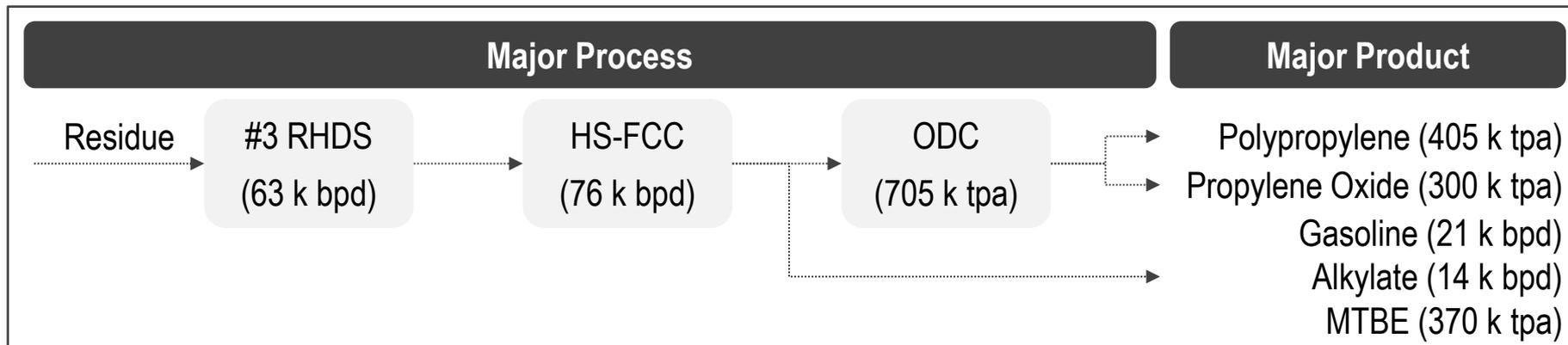
* Including gain/loss from F/X derivatives for hedging

Sales Breakdown

(Unit: k bpd, %)	2Q '17	3Q '17	4Q '17	1Q '18	2Q '18
Sales Total	694	751	747	684	693
Domestic	320	353	362	346	333
Export	374	398	385	338	361
(% in Total)	(53.9%)	(52.9%)	(51.5%)	(49.4%)	(52.0%)
China	21.9%	20.2%	26.0%	29.3%	24.6%
Australia	12.7%	16.4%	19.9%	11.7%	16.1%
Japan	14.8%	11.6%	12.2%	20.0%	13.5%
South East Asia	13.6%	11.0%	7.6%	10.8%	10.8%
USA	10.6%	8.8%	10.5%	4.1%	8.5%
Taiwan	3.2%	3.3%	1.0%	1.5%	5.8%
Singapore	6.5%	8.6%	6.8%	2.6%	4.2%

RUC/ODC Project Overview

(Residue Upgrading Complex & Olefin Downstream Complex)



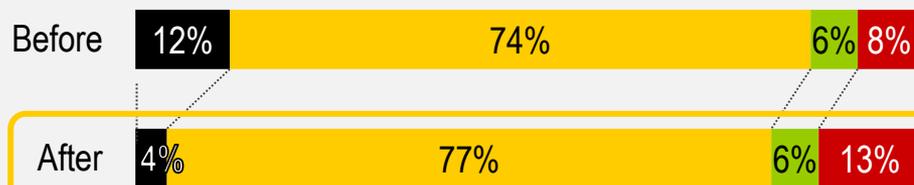
Profitability (E)

IRR:18.3%, Payback period: 6 years

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



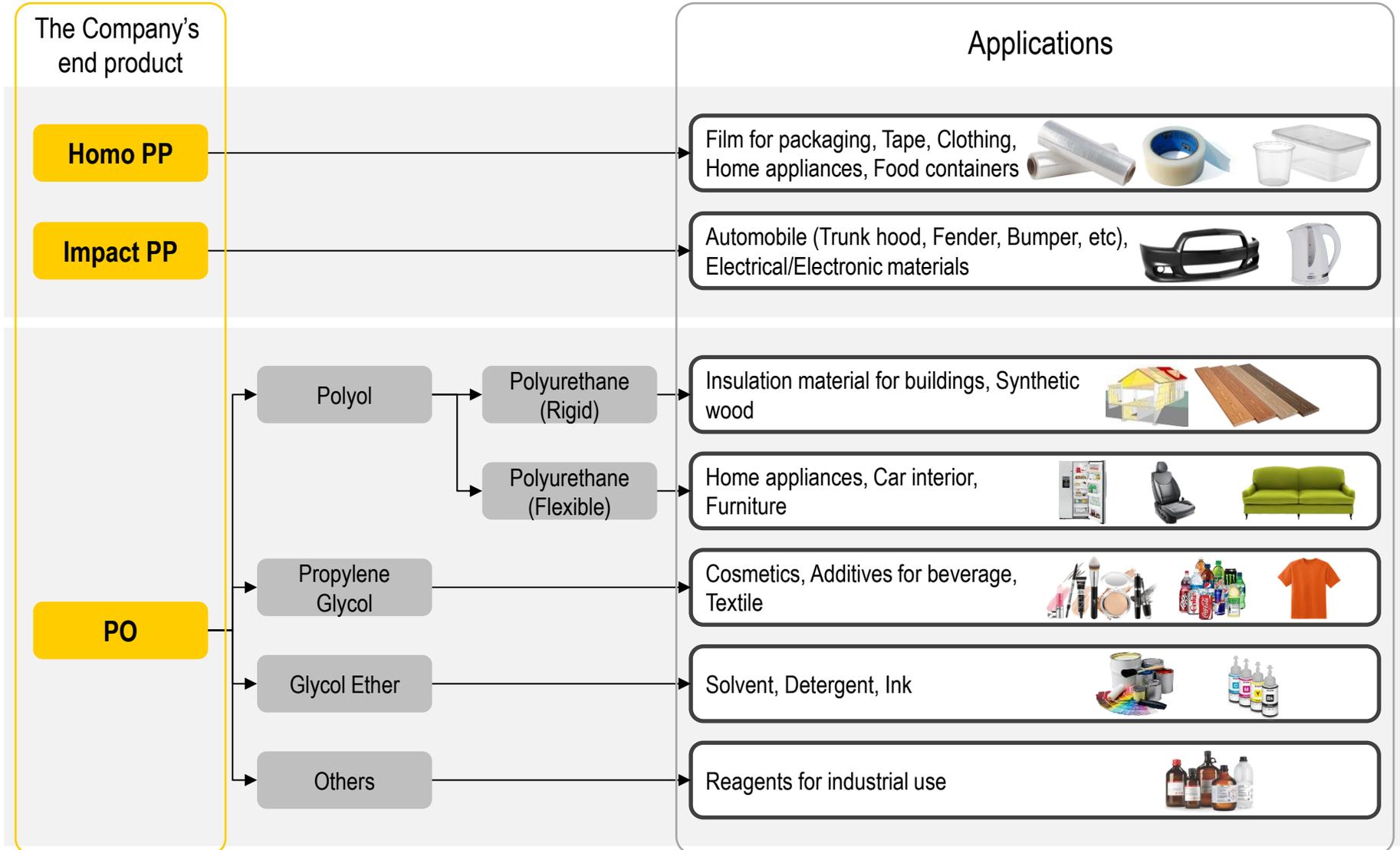
■ Heavy oil ■ Light oil ■ Lube base oil ■ Petrochemical

Petrochemical business product portfolio

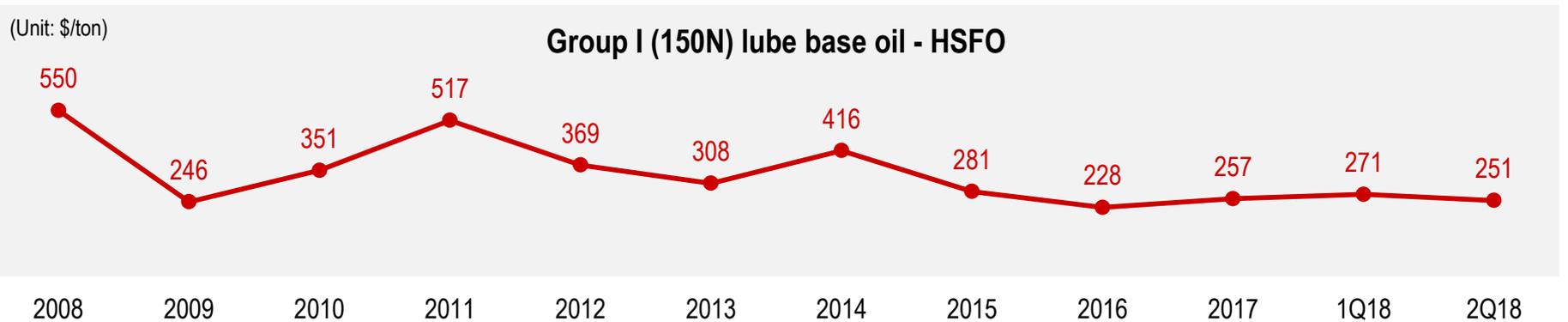
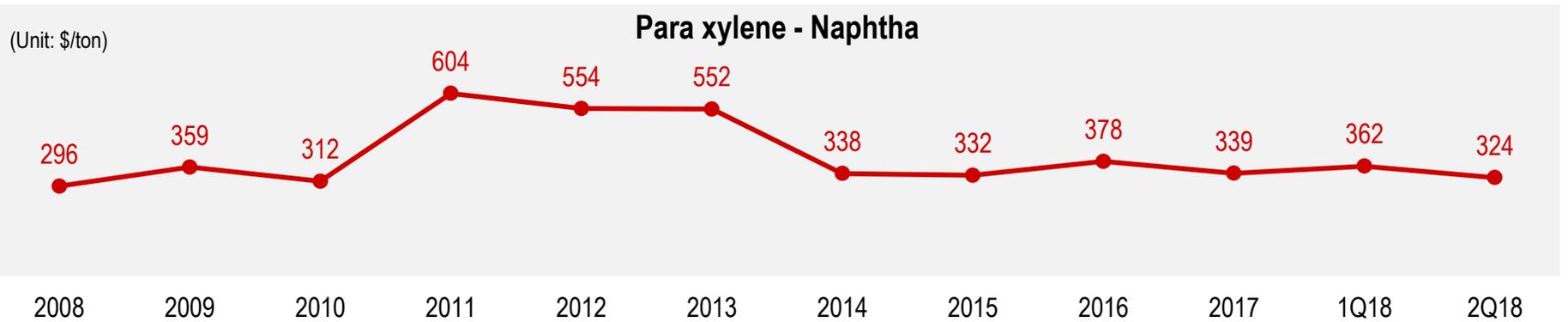
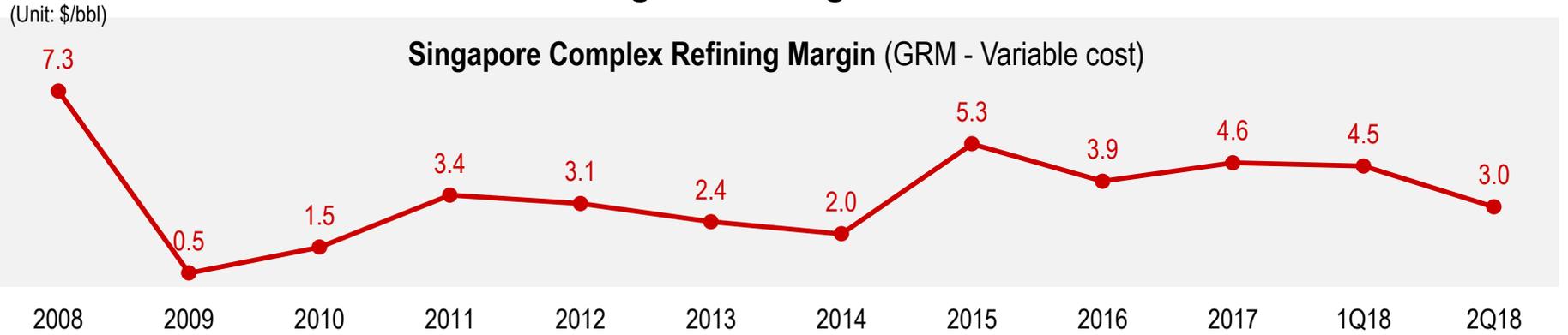


■ PX ■ Benzene ■ Olefin

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

