



# 3Q 2018 Earnings Release

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Oct 2018

# DISCLAIMER

Financial results for 3Q 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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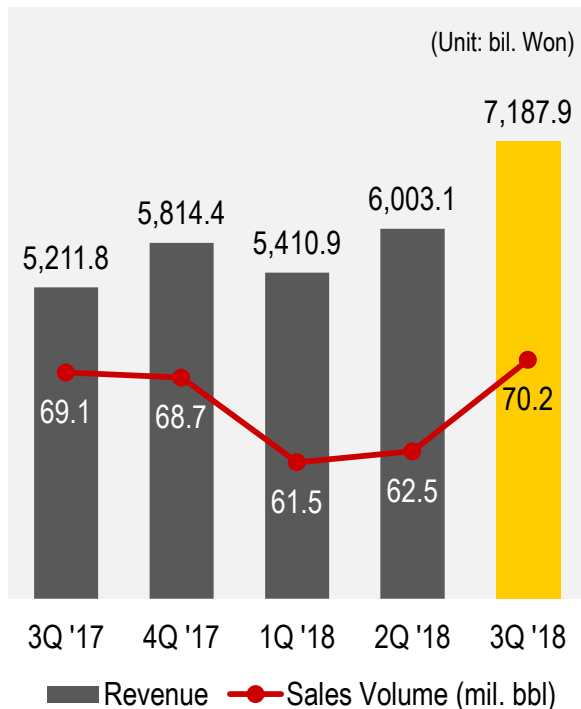
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# 3Q 2018 Financial Result



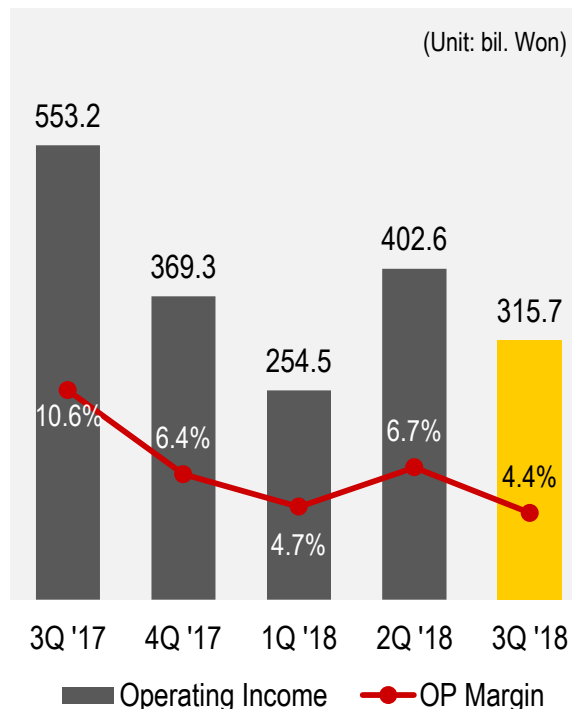
## Revenue



**Increased 19.7% QoQ  
on uplift in sales volume  
and oil price rise**

- Quarterly average selling price: 6.6% ↑, QoQ
- Sales volume: 12.4% ↑, QoQ

## Operating Income



**Declined due to contraction of  
inventory related gain despite  
refining margin recovery**

- Inventory related gain: 35 bil. Won (2Q '18: 170 bil. Won)
- Singapore complex margin(\$/bbl): 3Q 3.3 (0.6 ↑, QoQ)

## Income before Tax



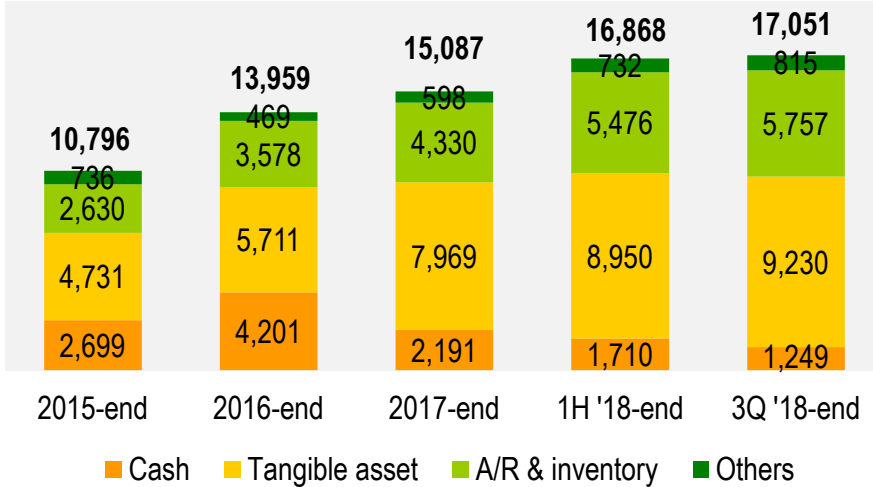
**Increased 101.0 bil. Won QoQ  
amid stable movement of  
KRW/dollar exchange rate**

- F/X gain: 24.7 bil. Won (2Q '18 F/X loss: 179.2 bil. Won)
- ₩/\$ rate: 3Q-end 1,112.7 (9.0 ↓, QoQ)

## Financial Status

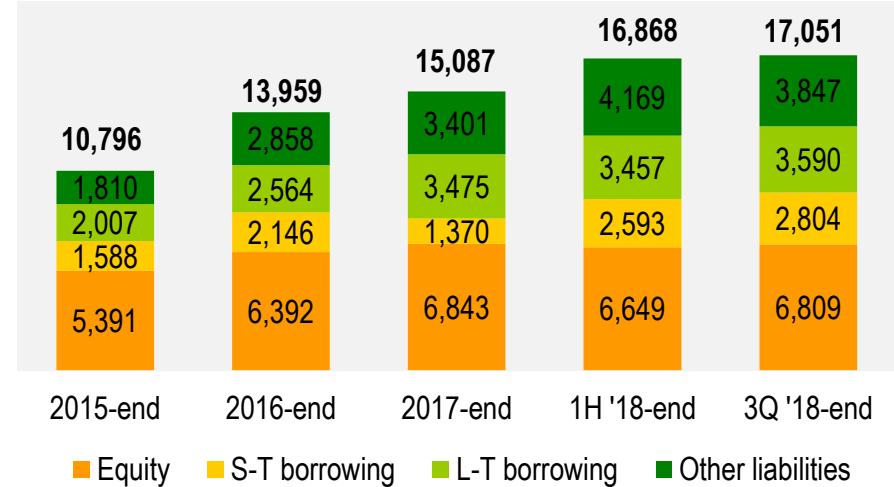
### Assets

(Unit: bil. Won)

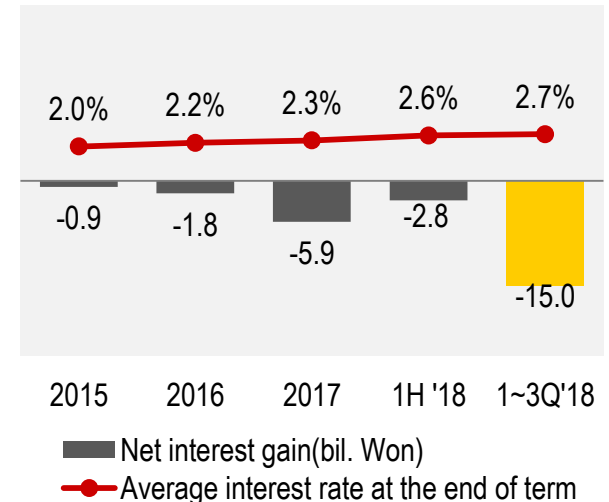
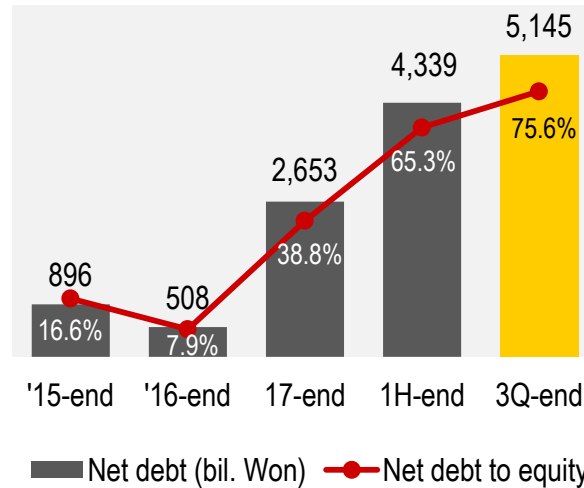
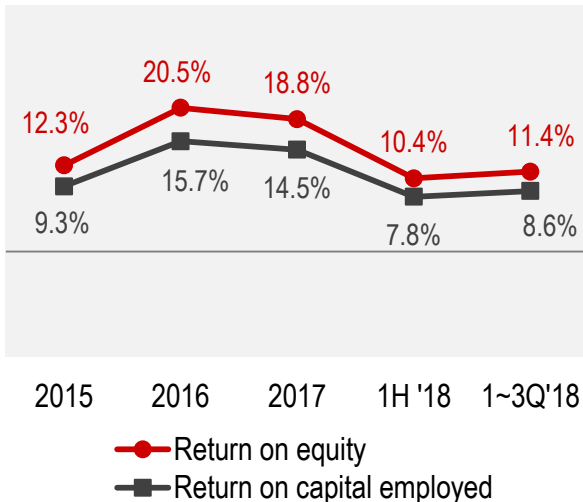


### Liabilities & Equities

(Unit: bil. Won)



## Financial Ratios



# Capital Expenditure



## CAPEX

(Unit: bil. Won)	FY '15	FY '16	FY '17	FY '18 Plan	1~3Q '18
<b>RUC/ODC Project*</b>	290.4	682.2	2,157.3	1,568.0	1,152.8
<b>Land acquisition**</b>	-	-	-	239.5	21.7
<b>Upgrade &amp; Maintenance</b>	343.9	328.0	300.0	233.2	151.0
<b>Others</b>	91.7	69.2	48.1	107.4	28.0
<b>Total</b>	<b>726.0</b>	<b>1,079.4</b>	<b>2,505.4</b>	<b>2,148.1</b>	<b>1,353.6</b>

\*Residue Upgrading Complex and Olefin Downstream Complex project

\*\*Purchased from Hyundai Heavy Industries in Ulsan for future project

## Depreciation

(Unit: bil. Won)	FY '15	FY '16	FY '17	*2018 Plan	1~3Q '18
<b>Depreciation</b> (Including catalyst amortization cost)	273.2	286.7	293.6	299.8	224.2

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

## Utilization Rate

(Unit: k bpd, %)	Capacity	2016	2017	1Q '18	2Q '18	3Q '18
<b>CDU</b>	<b>669.0</b>	95.0%	99.3%	94.7%	97.4%	101.9%
<b>B-C Cracking</b>	<b>149.5</b>	91.2%	96.4%	89.9%	96.3%	94.3%
<b>PX Plants</b>	<b>37.5</b>	100.9%	94.3%	85.9%	55.2%	91.2%
<b>Lube Plants</b>	<b>44.7</b>	97.5%	96.5%	85.7%	92.4%	92.9%

In 3Q, every CDU unit was operated at full capacity after the completion of planned maintenance in 1H.

## Maintenances

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

Throughout the 4Q, all plants in refinery are expected to be operated at optimal level.

# Financial Result by Business Segment



## Refining

(Unit: bil. Won)	3Q '17	YoY	2Q '18	QoQ	3Q '18
<b>Revenue</b>	4,107.4	39.5% ↑	4,754.1	20.5% ↑	5,728.1
<b>Operating Income</b>	336.4	49.3% ↓	305.2	44.2% ↓	170.4
(Margin)	(8.2%)	-	(6.4%)	-	(3.0%)

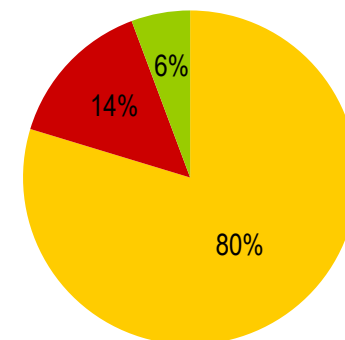
## Petrochemical

(Unit: bil. Won)	3Q '17	YoY	2Q '18	QoQ	3Q '18
<b>Revenue</b>	699.5	50.2% ↑	829.3	26.7% ↑	1,050.4
<b>Operating Income</b>	90.5	12.8% ↑	16.5	518.4% ↑	102.1
(Margin)	(12.9%)	-	(2.0%)	-	(9.7%)

## Lube Base Oil

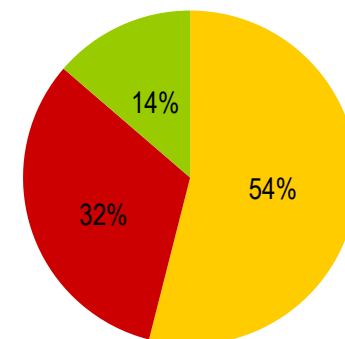
(Unit: bil. Won)	3Q '17	YoY	2Q '18	QoQ	3Q '18
<b>Revenue</b>	405.0	1.1% ↑	419.7	2.5% ↓	409.4
<b>Operating Income</b>	126.3	65.8% ↓	80.9	46.6% ↓	43.2
(Margin)	(31.2%)	-	(19.3%)	-	(10.6%)

3Q '18 Revenue



■ Refining ■ Petrochemical ■ Lube

3Q '18 Operating Income





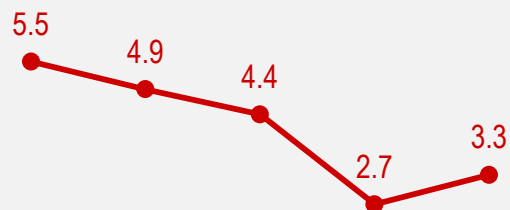
# Market Environment in 3Q 2018



## Refining

### Singapore Margin [ GRM – Variable Cost ]

(Unit: \$/bbl)



3Q '17 4Q '17 1Q '18 2Q '18 3Q '18

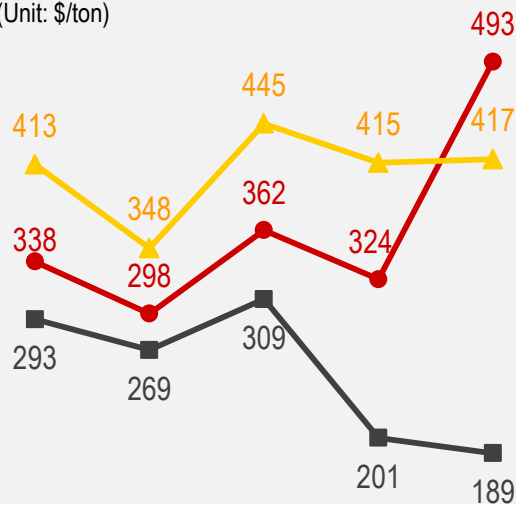
—●— Singapore Complex Refining Margin

Refining margin improved on the back of solid demand, coupled with limited new capacity additions and regular maintenances in the region.

## Petrochemical

### Product Spread

(Unit: \$/ton)



3Q '17 4Q '17 1Q '18 2Q '18 3Q '18

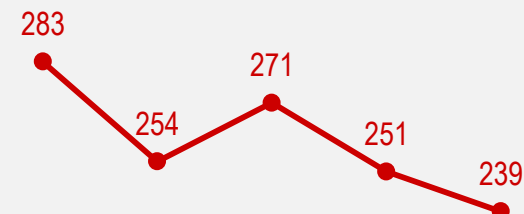
—●— P-Xylene —■— Benzene —▲— Propylene

PX spread strongly hiked due to delays in ramp-up of new facilities and strong demand. However, benzene spread was weakened by increased supply.

## Lube Base Oil

### Product Spread

(Unit: \$/ton)



3Q '17 4Q '17 1Q '18 2Q '18 3Q '18

—●— Group I (150N)-HSFO380

LBO spread decreased due to time lagging effect and low seasonality.

# 4Q '18 Outlook – Refining



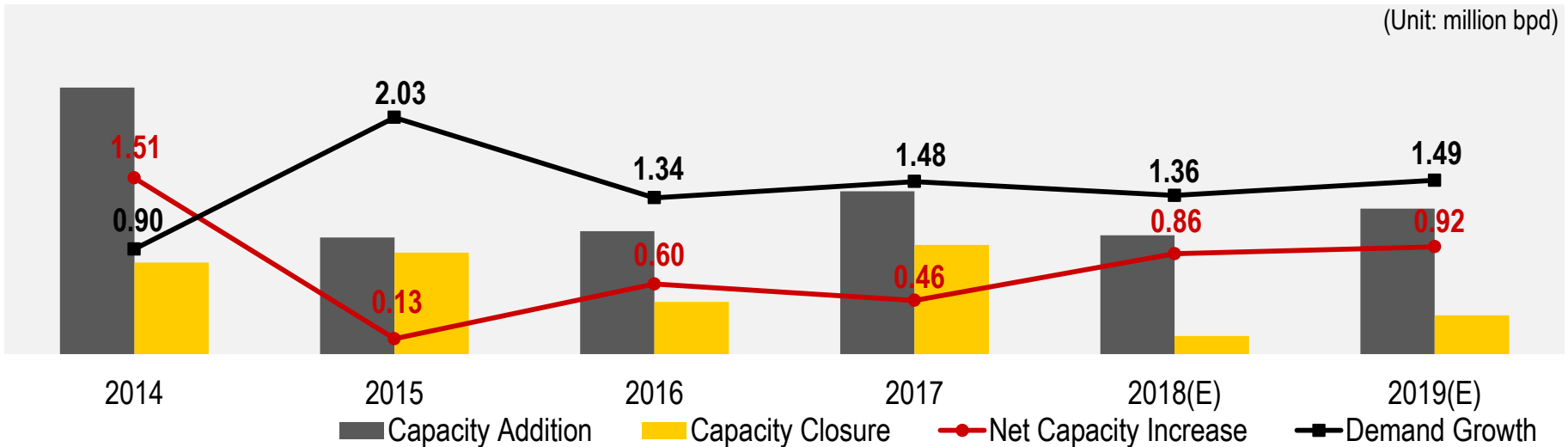
Refining margin to increase driven by tight demand-supply balance

The seasonal demand growth and limited capacity expansions in Asia Pacific will further boost the refining margin.

## 4Q '18 demand growth forecast

(Unit: mil. bpd)	Asia Pacific			Global		
	IEA	OPEC	EIA	IEA	OPEC	EIA
YoY	+1.08	+0.78	+0.82	+1.66	+1.70	+1.56

## Global Net Capacity Increase vs. Demand Growth



## Petrochemical

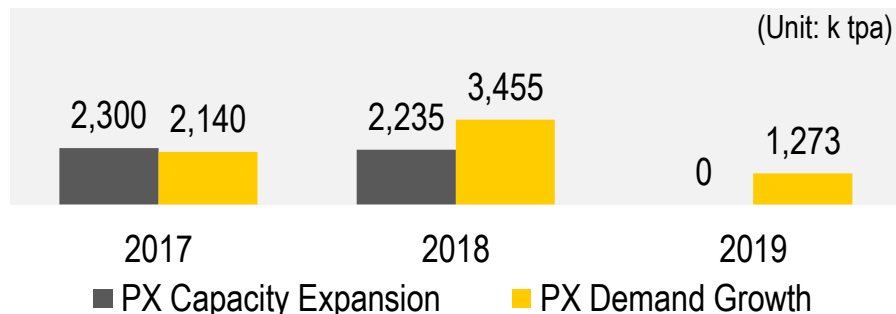
### Aromatic Spread (vs. Naphtha)

- **Para-Xylene** : Spread would remain at a strong level on the solid downstream demand despite the gradual expansion of supply from new facilities in the region.
- **Benzene** : Spread will be maintained at a weak level due to slowdown of downstream demand in 4Q.

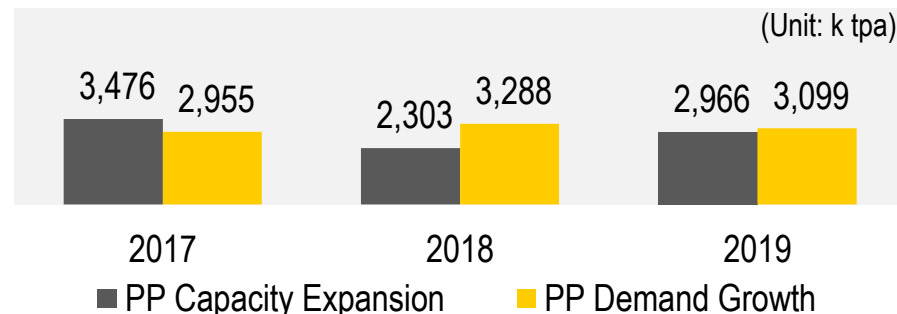
### Olefin Spread (vs. Propylene)

- **PP** : Spread is expected to be flattish due to limited supply from seasonal maintenance despite weak buying interest sentiment.
- **PO** : Despite concerns about supply increase, spread is expected to rebound on recovering economics of PO downstream product.

PX capacity expansion and demand growth (Asia & ME)



PP capacity expansion and demand growth (Asia & ME)



## Lube Base Oil

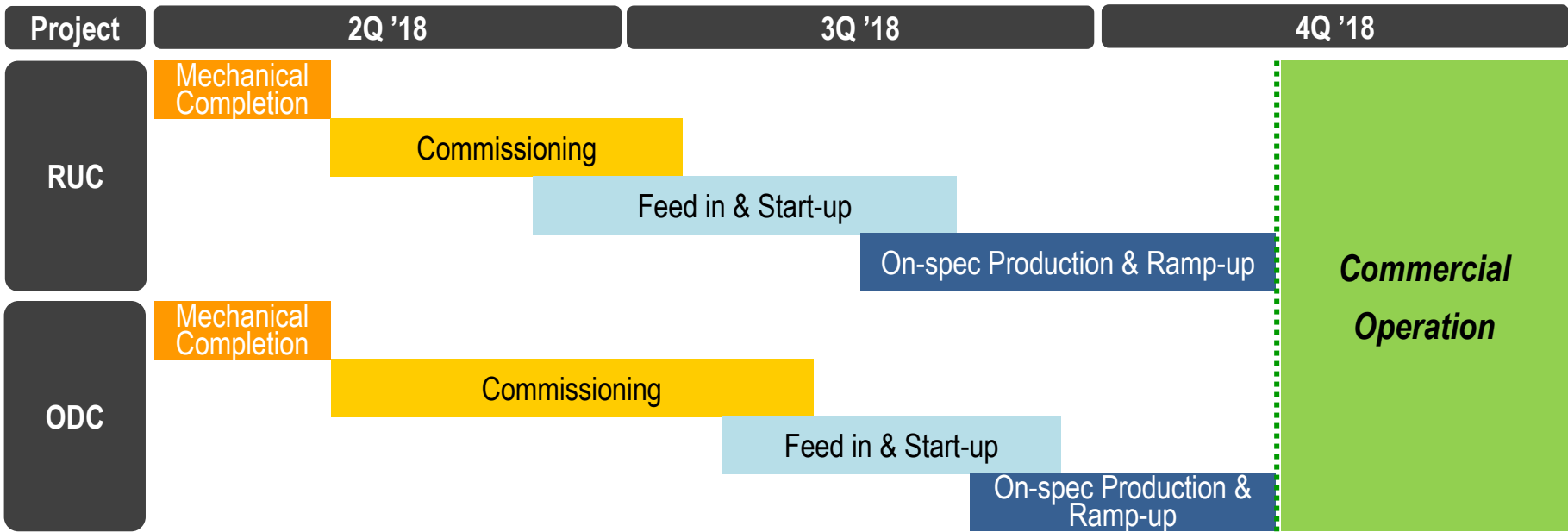
### Spread to be maintained

The spread is likely to move at around 3Q level due to seasonal demand weakness in spite of continued solid demand for high-quality products.

# Progress of RUC/ODC Project

**Commercial operation is expected to start in November**

During the 3Q, the Project has been successfully through the stage of ramp-up and stable operation. At the moment, most of major plants are fully ramped up and operated at maximum design capacity.



## Summarized Income Statement

(Unit: bil. Won)	3Q '17	YoY	2Q '18	QoQ	3Q '18
<b>Revenue</b>	<b>5,211.8</b>	<b>37.9% ↑</b>	<b>6,003.1</b>	<b>19.7% ↑</b>	<b>7,187.9</b>
<b>Operating Income</b>	<b>553.2</b>	<b>42.9% ↓</b>	<b>402.6</b>	<b>21.6% ↓</b>	<b>315.7</b>
(Margin)	(10.6%)	-	(6.7%)	-	(4.4%)
<b>Finance &amp; Other Income</b>	<b>-27.2</b>	-	<b>-189.3</b>	-	<b>-0.6</b>
- Net Interest Gain	-1.6	-	-3.1	-	-12.2
- Net F/X Gain*	-15.4	-	-179.2	-	24.7
- Others	-10.1	-	-7.0	-	-13.1
<b>Equity Method Gain</b>	<b>0.9</b>	<b>63.1% ↓</b>	<b>1.1</b>	<b>70.3% ↓</b>	<b>0.3</b>
<b>Income before Tax</b>	<b>527.0</b>	<b>40.1% ↓</b>	<b>214.5</b>	<b>47.1% ↑</b>	<b>315.5</b>
<b>Net Income</b>	<b>398.7</b>	<b>42.3% ↓</b>	<b>163.2</b>	<b>40.8% ↑</b>	<b>229.9</b>

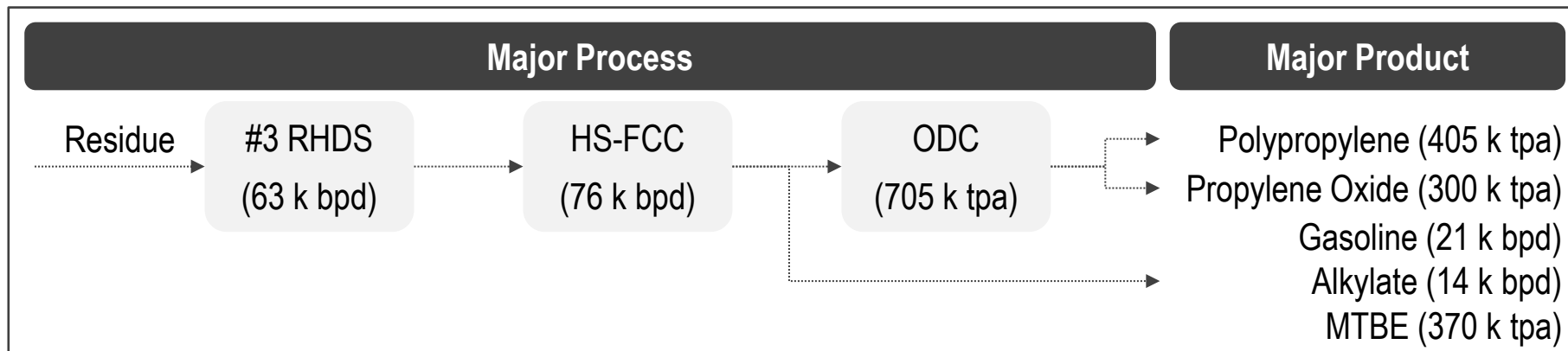
\* Including gain/loss from F/X derivatives for hedging

## Sales Breakdown

(Unit: k bpd, %)	3Q '17	4Q '17	1Q '18	2Q '18	3Q '18
<b>Sales Total</b>	751	747	684	693	765
<b>Domestic</b>	353	362	346	333	320
<b>Export</b>	398	385	338	361	445
(% in Total)	(52.9%)	(51.5%)	(49.4%)	(52.0%)	(58.2%)
China	20.2%	26.0%	29.3%	24.6%	23.7%
Australia	16.4%	19.9%	11.7%	16.1%	14.5%
Japan	11.6%	12.2%	20.0%	13.5%	13.1%
USA	8.8%	10.5%	4.1%	8.5%	11.1%
South East Asia	11.0%	7.6%	10.8%	10.8%	8.4%
Taiwan	3.3%	1.0%	1.5%	5.8%	6.2%
Singapore	8.6%	6.8%	2.6%	4.2%	4.8%

## RUC/ODC Project Overview

(Residue Upgrading Complex & Olefin Downstream Complex)



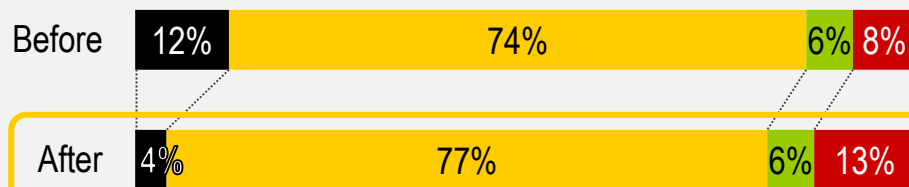
### Profitability (E)

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

### CAPEX (E)

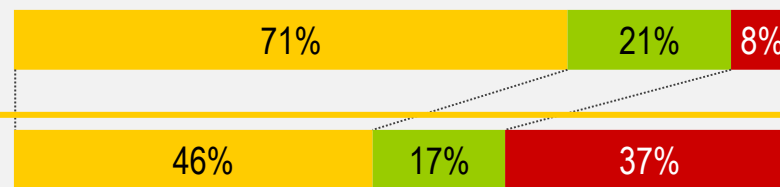
Total	~2015	2016	2017	2018
4.8 tri. Won	0.4 tri. Won	0.7 tri. Won	2.2 tri. Won	1.5 tri. Won

### Company total product portfolio



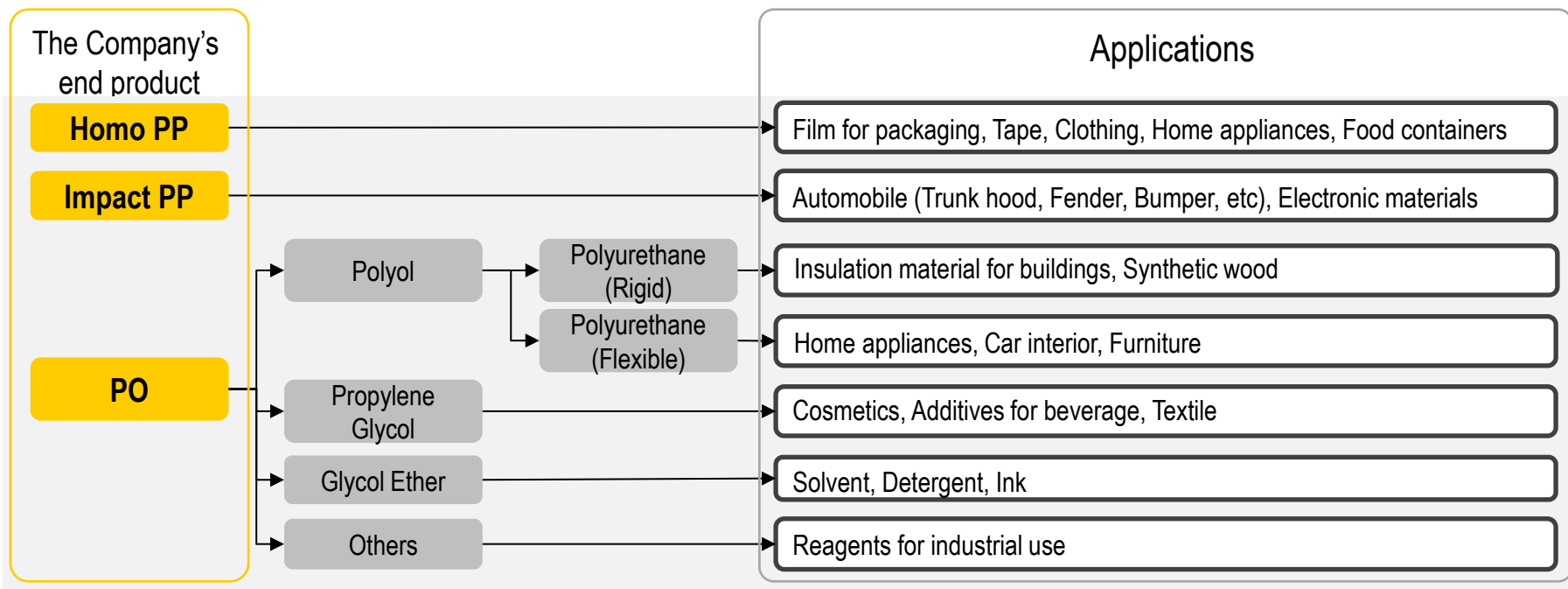
■ Heavy oil ■ Light oil ■ Lube base oil ■ Petrochemical

### Petrochemical business product portfolio

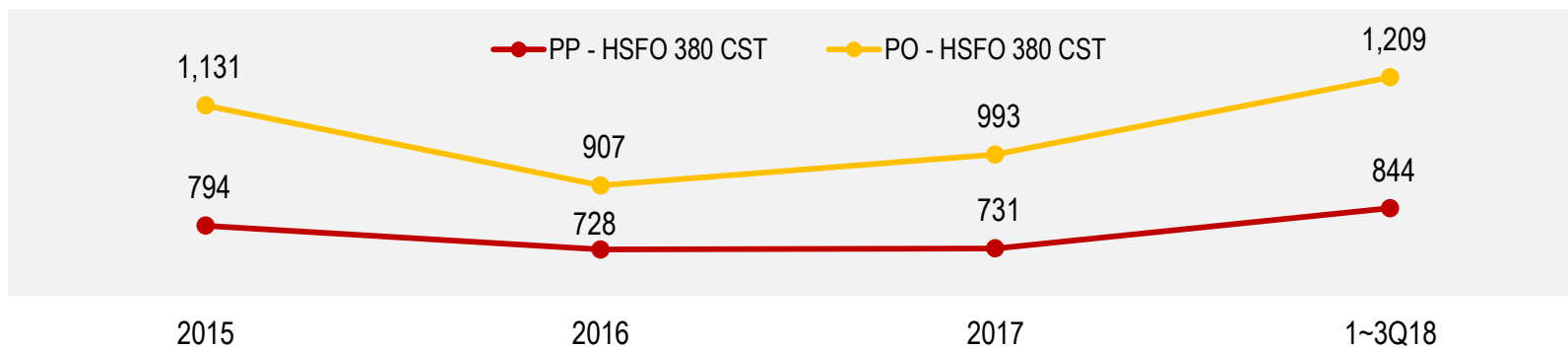


■ PX ■ Benzene ■ Olefin

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



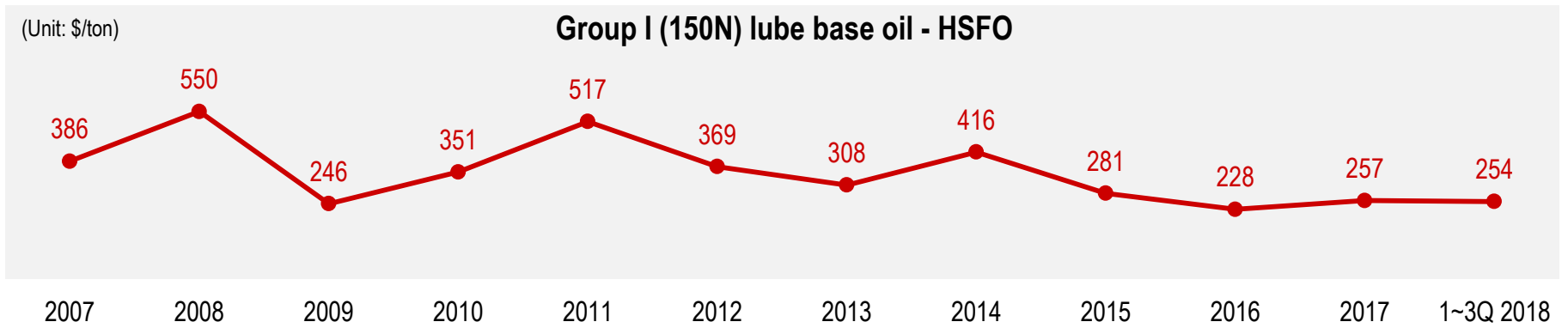
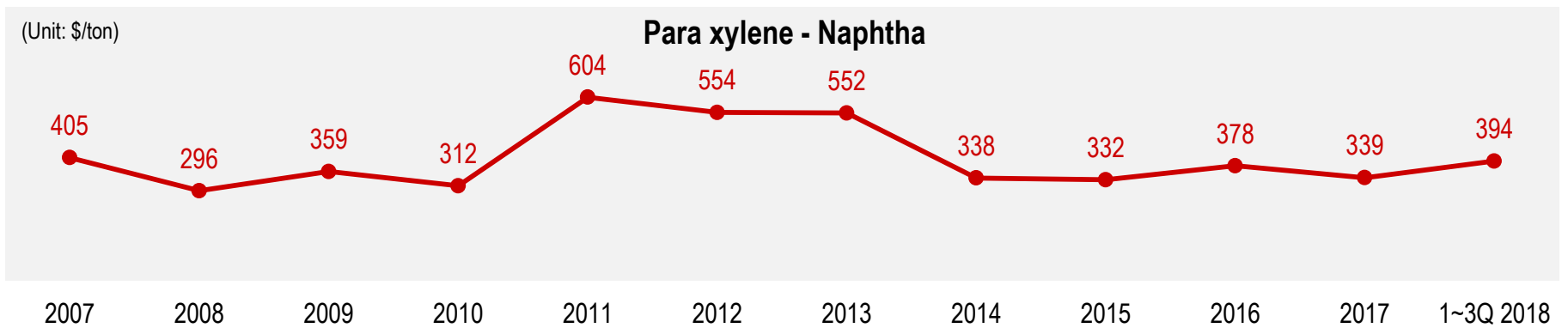
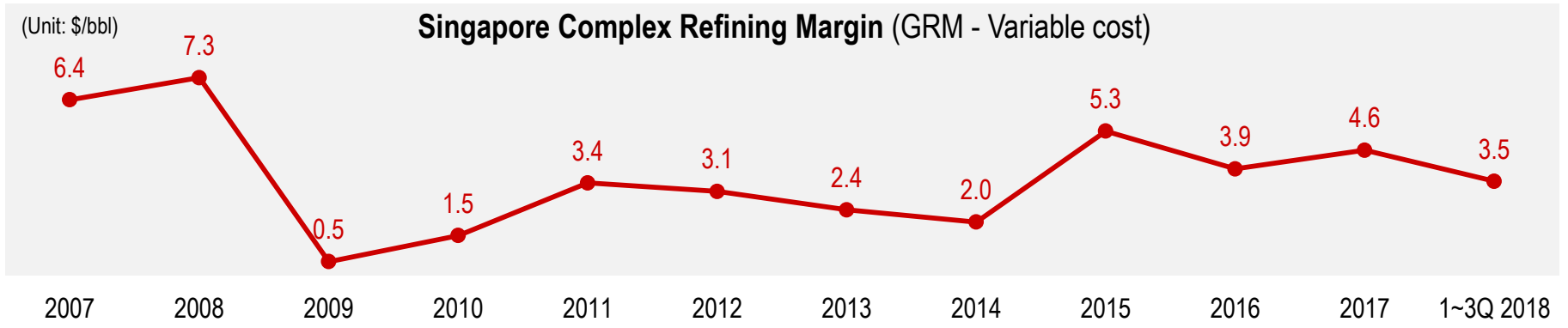
### PP and PO Spread Trend (vs. HSFO)



\*PP: Homo CFR CHN , PO: CFR CHN / Source: ICIS, Platts, the Company



## Long-term Margin Trend



# Thank You

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S-OIL IR Team

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

S-OIL, the only company named to DJSI World for the 9<sup>th</sup> consecutive year among Asia Pacific refiners

