



4Q 2018 Earnings Release

Jan 2019

DISCLAIMER

Financial results for 4Q and full year of 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.

4Q 2018 Performance

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Progress of RUC/ODC Project

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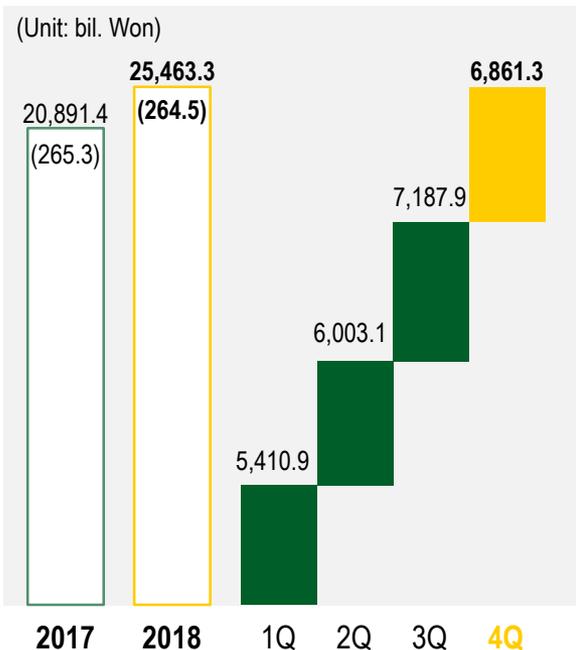
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Revenue

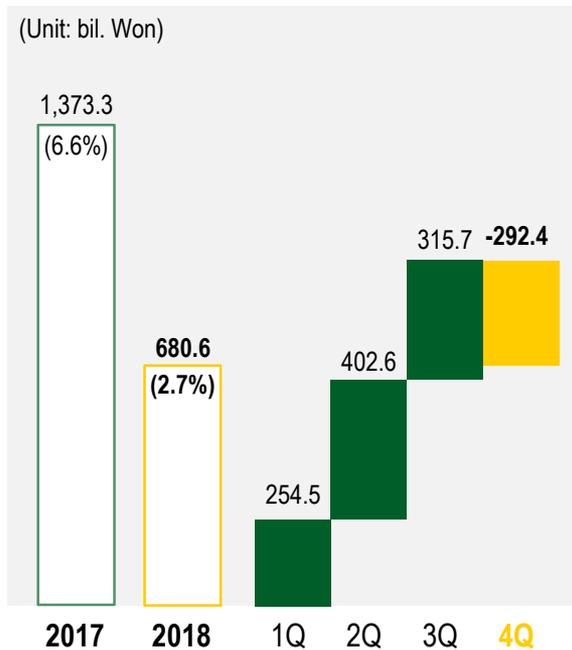


() : Sales volume in million bbl

**Decreased 4.5% QoQ
mostly due to oil price drop**

- Quarterly average selling price: 3.4% ↓, QoQ
- Sales volume: 1.2% ↓, QoQ

Operating Income

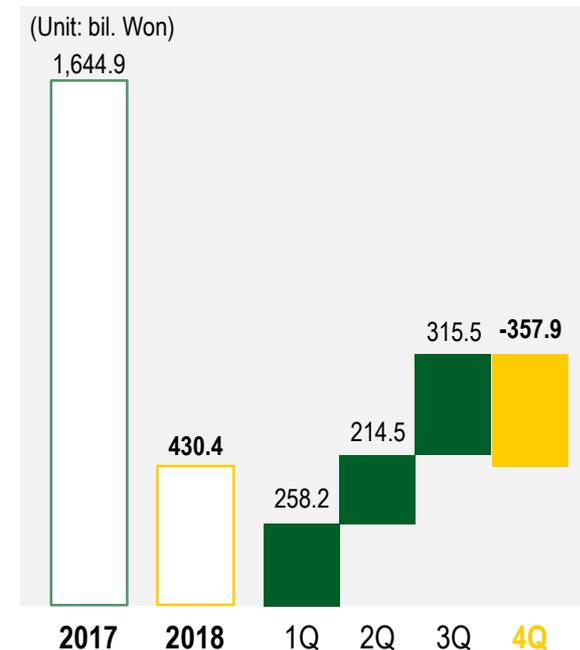


() : Operating income margin

**Recorded loss due to
sizeable inventory-related loss
by oil price drop**

- Inventory-related loss: -390 bil. Won (3Q '18: +30 bil. Won)
- Singapore complex margin(\$/bbl): 4Q 2.8 (0.4 ↓, QoQ)

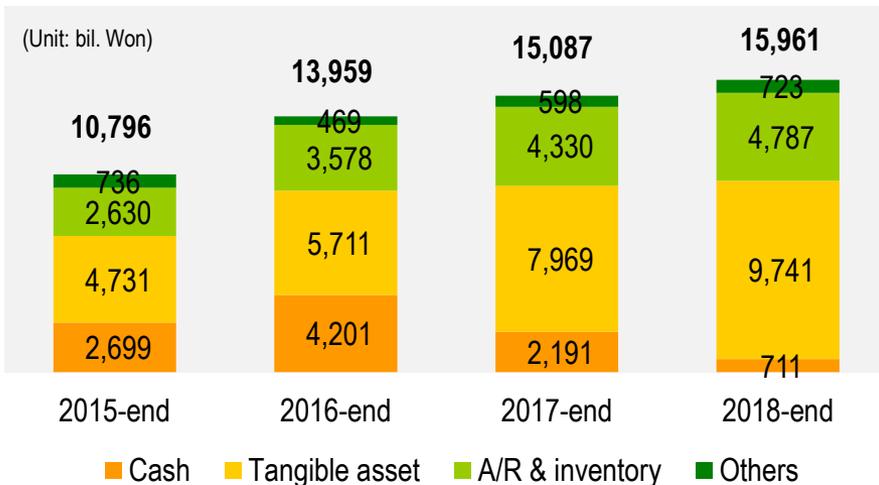
Income before Tax



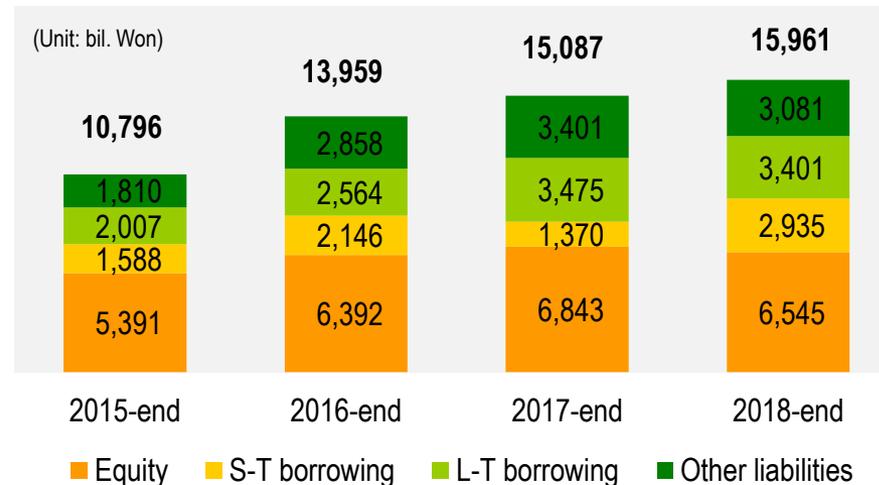
**Recorded loss by operating
loss coupled with F/X loss**

- F/X loss: -30 bil. Won (3Q '18 F/X gain: +25 bil. Won)
- ₩/\$ rate: 4Q-end 1,118.1 (5.4 ↑, QoQ)

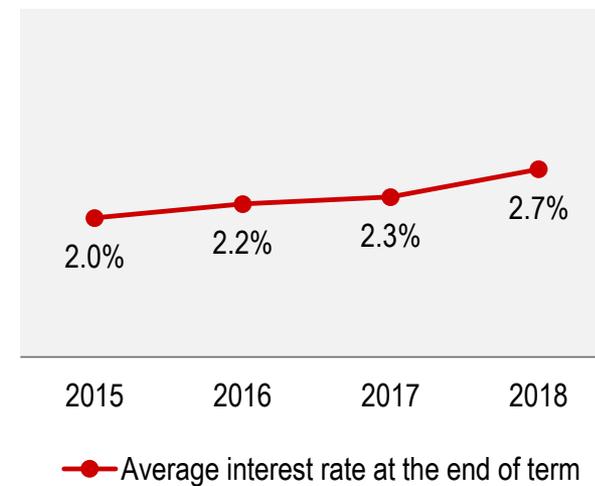
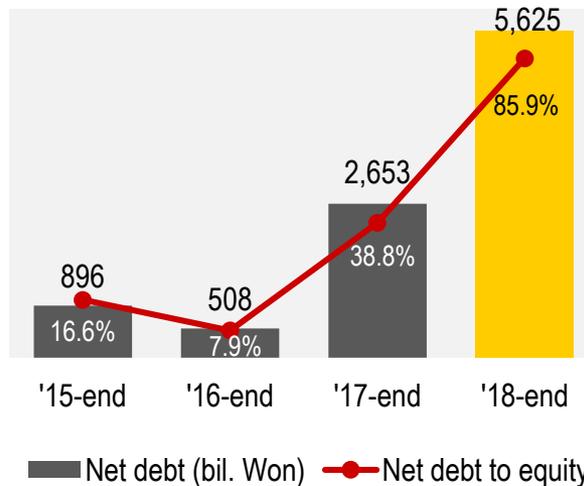
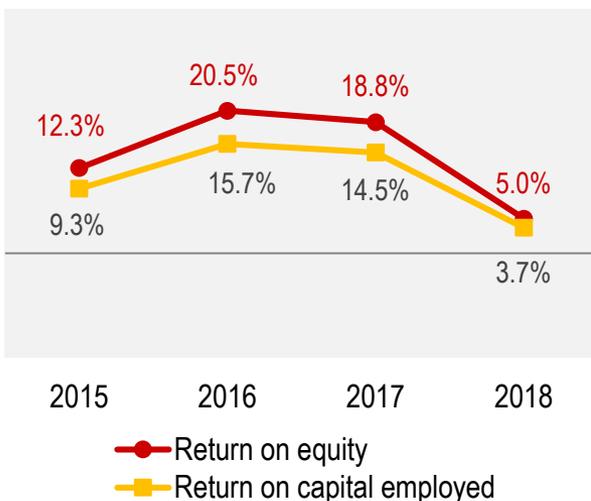
Assets



Liabilities & Equities



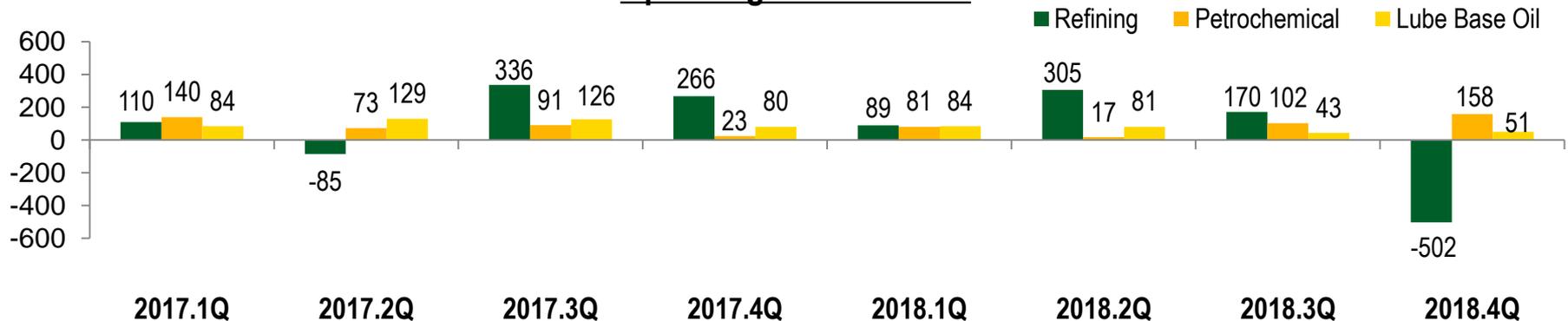
Financial Ratios



Performance by Business Segment

Segment	(Unit: bil. Won)	4Q '18	3Q '18	QoQ	2018	2017	YoY
Refining	Revenue	5,303.0	5,728.1	7.4% ↓	20,126.5	16,412.3	22.6% ↑
	Operating Income	-501.6	170.4		63.3	627.3	89.9% ↓
	(Margin)	(-9.5%)	(3.0%)		(0.3%)	(3.8%)	
Petrochemical	Revenue	1,131.5	1,050.4	7.7% ↑	3,701.5	2,864.1	29.2% ↑
	Operating Income	158.4	102.1	55.1% ↑	358.1	325.8	9.9% ↑
	(Margin)	(14.0%)	(9.7%)		(9.7%)	(11.4%)	
Lube Base Oil	Revenue	426.8	409.4	4.2% ↑	1,635.4	1,614.9	1.3% ↑
	Operating Income	50.9	43.2	17.7% ↑	259.1	420.2	38.3% ↓
	(Margin)	(11.9%)	(10.6%)		(15.8%)	(26.0%)	
Total	Revenue	6,861.3	7,187.9	4.5% ↓	25,463.3	20,891.4	21.9% ↑
	Operating Income	-292.4	315.7		680.6	1,373.3	50.4% ↓
	(Margin)	(-4.3%)	(4.4%)		(2.7%)	(6.6%)	

Operating Income Trend



CAPEX & Depreciation

(Unit: bil. Won)	2016	2017	2018	'19 Plan
RUC/ODC Project	682.2	2,157.3	1,549.3	2.3
Land acquisition *	-	-	200.5	42.0
Upgrade & Maintenance	328.0	300.0	174.9	619.2
Others	69.2	48.1	40.3	129.7
Total CAPEX	1,079.4	2,505.4	1,965.0	793.2
Depreciation (Including catalyst amortization cost)	286.7	293.6	350.2	573.7

* For future project

Maintenances

	2017	2018	'19 Plan
Refining	CFU	#2 CDU	#3CDU/CFU
	-	HYC FH	#1 RFCC HYC FH
Petrochemical	#2 PX	#1 PX	#2 PX
Lube Base Oil	-	-	HYC SH

Utilization Rate

(Unit: k bpd, %)	2016	2017	4Q '18	2018
CDU	95.0%	99.3%	102.1%	99.1%
RFCC/HYC	91.2%	96.4%	98.2%*	94.2%
PX Plants	100.9%	94.3%	92.5%	81.2%
PP/PO Plants**	-	-	65.6%	65.6%
Lube Plants	97.5%	96.5%	97.9%	92.3%

* #2 RFCC of RUC: 92.1% (Nov. ~ Dec. 2018)

** For Nov. ~ Dec. 2018

4Q '18 Market Environment

- **Refining margin** softened driven by supply gluts along with elevated utilization rate of global refiners in spite of QoQ solid demand growth.

2019 Outlook

- **Refining margin** will improve on the back of demand growth sufficient to accommodate supply increase.

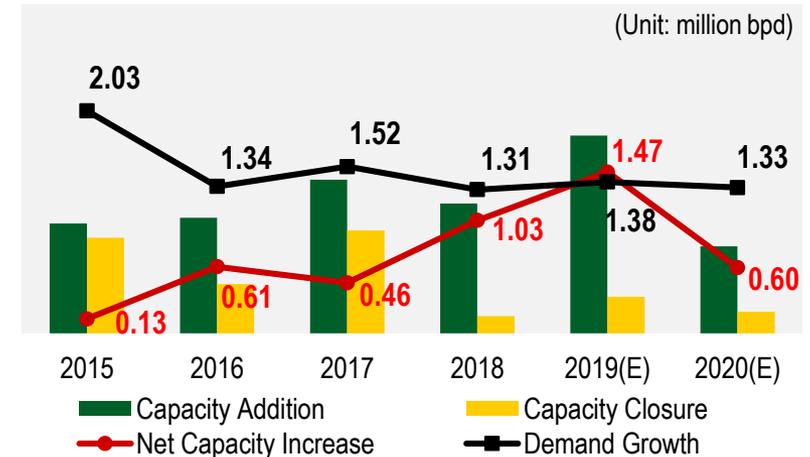
Supply increase from new CDUs is expected to be limited as most of them would come on streamline in 4Q. [180(1Q), 440(2Q), 30(3Q), 1,150(4Q) kbd]

- Especially, the margin will gain notable momentum in 2H through soaring demand for diesel ahead of IMO's 2020 sulfur cap regulation.

Singapore Margin



Global Net Capacity Increase vs. Demand Growth



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

4Q '18 Market Environment

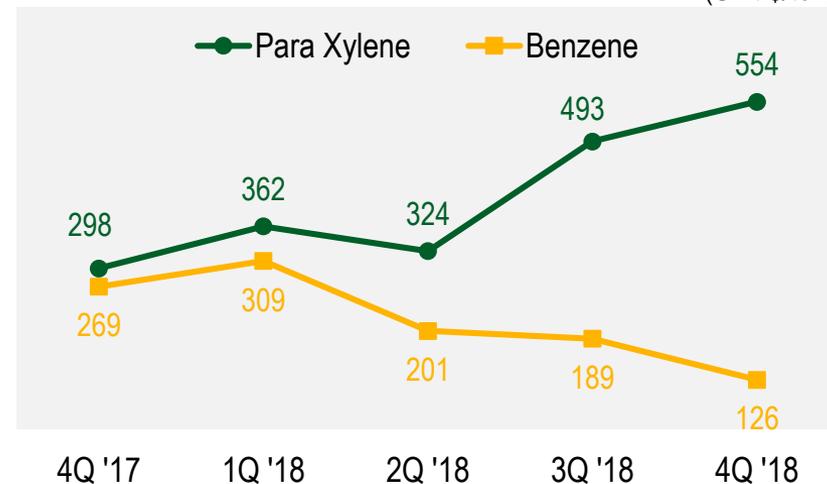
- **Para Xylene** : Spread rose sharply due to healthy demand and improved downstream economics. In 2018, PX demand growth outperformed expectations driven by China's ban on the import of waste PET and the restart of idled PTA units.
- **Benzene** : Spread was weakened by the overwhelming glut of supply. In the face of healthy PX margins, many producers were running aromatics units at full capacity and benzene by-production remained high amid slowdown of downstream demand.

2019 Outlook

- **Para Xylene** spread is expected to move in a solid range thanks to strong downstream demand. However, there would be some correction from 4Q on the concern over China's large-scale capacity additions, which is expected in 2020.
- **Benzene** spread will slightly improve, but still will take time to meaningfully recover due to lower demand by global economy downturn and oversupply from new capacities.

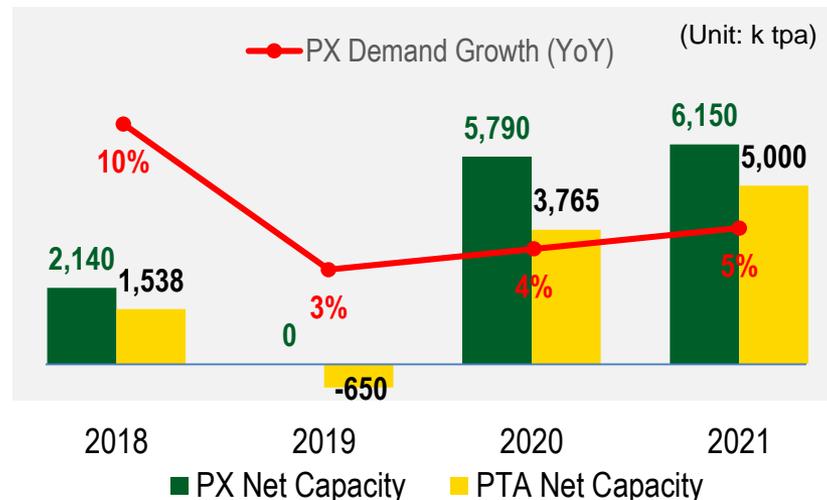
Product Spread (Vs. Naptha)

(Unit:\$/ton)



PX & PTA Net Capacity Expansion (Asia & ME)

(Unit: k tpa)



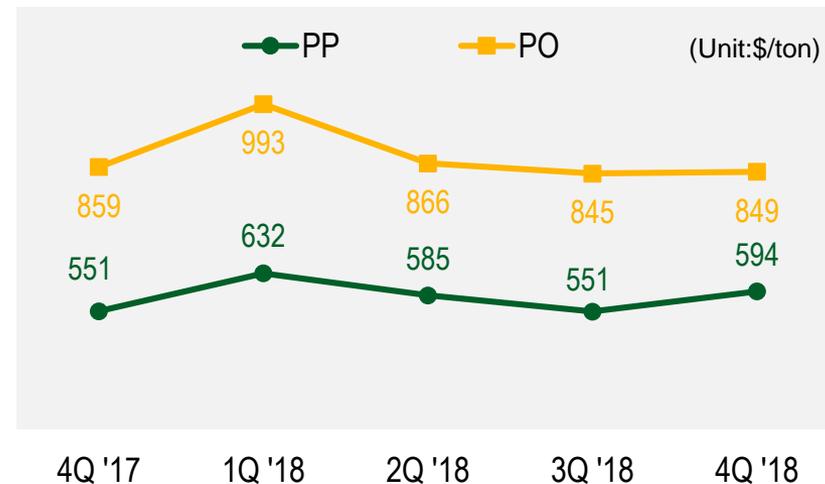
4Q '18 Market Environment

- **PP:** Despite sluggish demand, spread over propylene slightly rose compared to the previous quarter owing to concentrated regional maintenances.
- **PO :** Despite supply increase due to new S-OIL plant and higher operating rate in Chinese plants, spread slightly increased because naphtha price decreased further amid concentrated maintenances of NCC as well as gasoline price plunge.

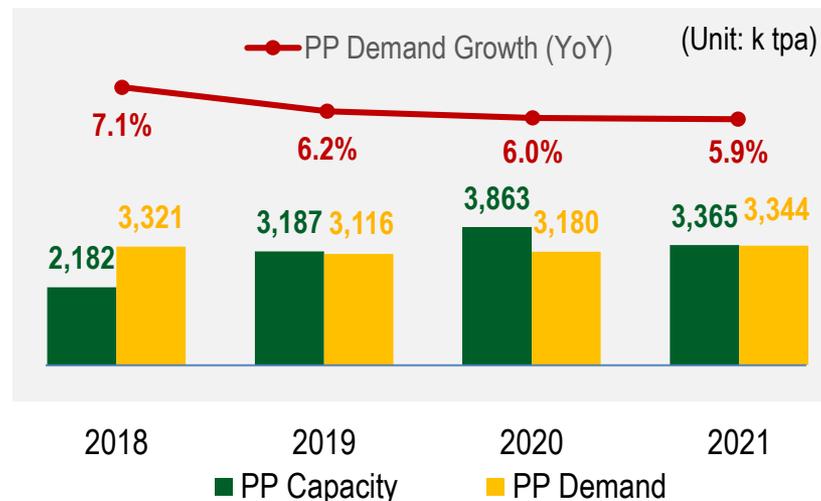
2019 Outlook

- **PP** spread is expected to stay at healthy level thanks to continued tight market on the back of robust demand growth and balanced capacity additions.
- **PO** spread is expected to slightly improve thanks to decent demand from Polyol-Polyurethane chain and reduction of new capacity addition.

Product Spread (Vs. Naphtha)



Increase of PP Capacity and Demand (Asia & ME)



4Q '18 Market Environment

- Spread rebounded as product prices reflected raw material prices in the previous quarter and solid demand in key markets of high-quality product such as the U.S and Europe sustained.

2019 Outlook

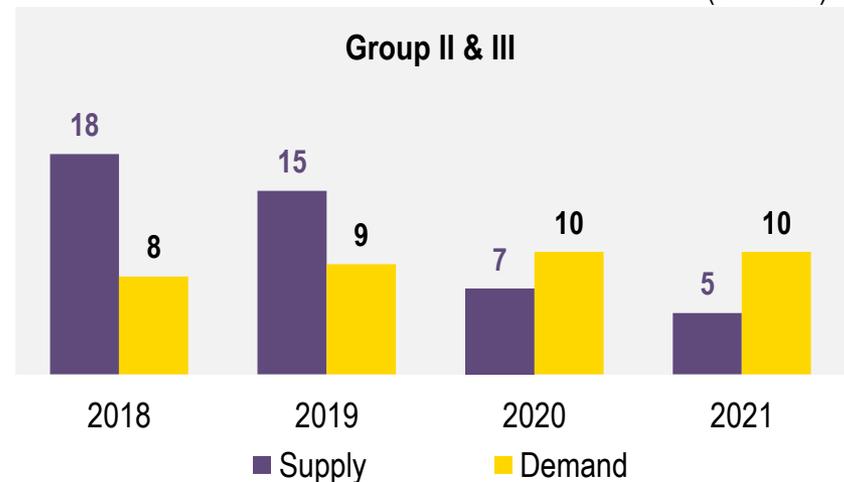
- Spread would remain decent supported by solid demand growth for high-quality product and market's entry barriers to new suppliers, despite continued new capacity additions.

From 2H, it is expected to be wider as HSFO price will sharply decline in line with the implementation of the new IMO regulation.

Product Spread



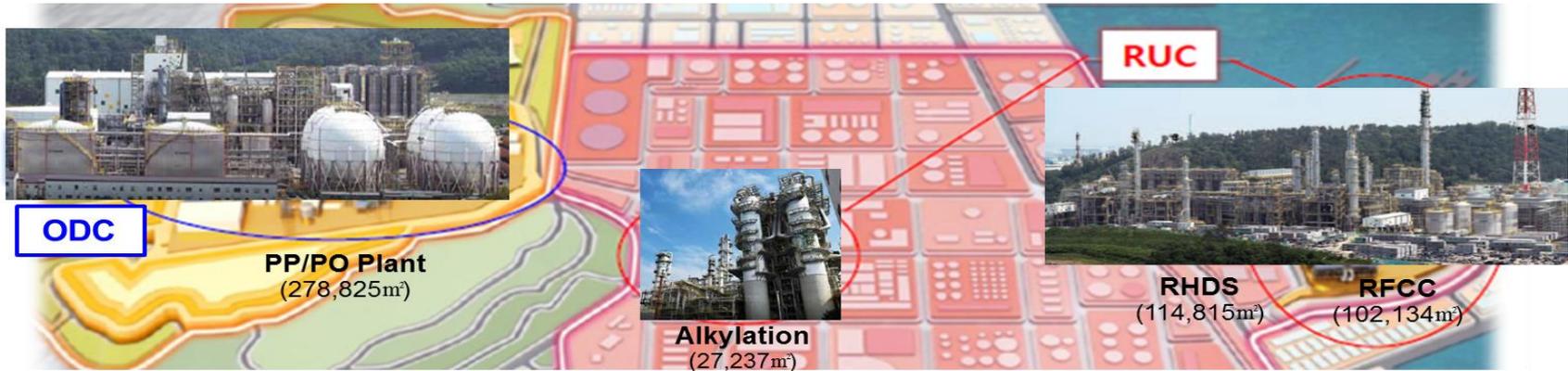
LBO Supply/Demand Growth



Source: Kline, The Company

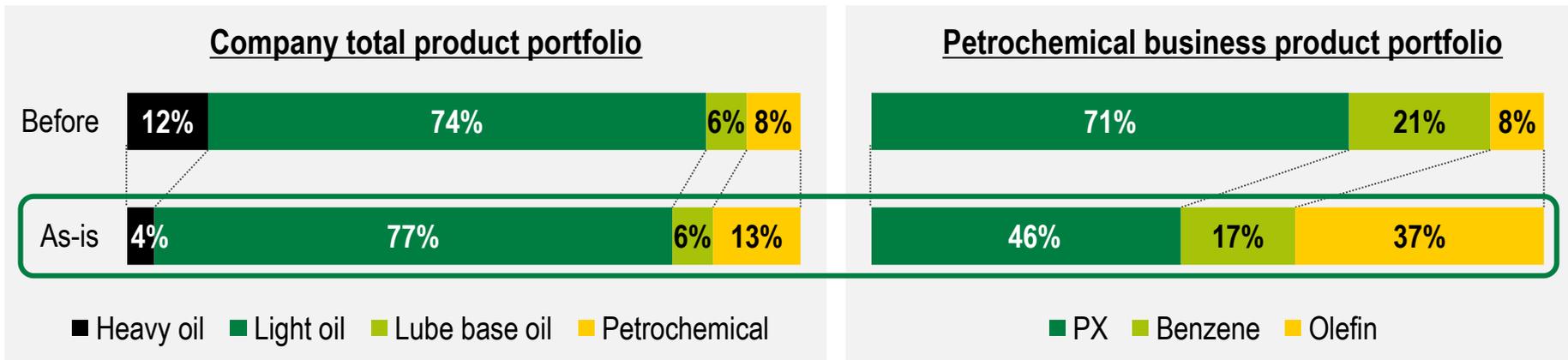
Commercial operation started in November

- From Nov. 1, RUC/ODC successfully started commercial operation.



Well-readiness for the implementation of IMO 2020

- S-OIL is expected to benefit greatly from the implementation of IMO 2020 since production of HSFO sharply reduces to 4% after RUC project while the proportion of middle distillate product is more than 50%.



Summarized Income Statement

(Unit: bil. Won)	3Q '18	QoQ	4Q '18	2017	2018
Revenue	7,187.9	4.5% ↓	6,861.3	20,891.4	25,463.3
Operating Income	315.7	-	-292.4	1,373.3	680.6
(Margin)	(4.4%)	-	(-4.3%)	(6.6%)	(2.7%)
Finance & Other Income	-0.6	-	-66.5	266.5	-254.3
- Net Interest Gain	-12.2	-	-33.1	-5.9	-48.0
- Net F/X Gain*	25.0	-	-30.4	274.9	-178.1
- Others	-13.3	-	-3.0	-2.5	-28.2
Equity Method Gain	0.3	178.0% ↑	1.0	5.1	4.1
Income before Tax	315.5	-	-357.8	1,644.9	430.4
Net Income	229.9	-	-247.8	1,246.5	334.0

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

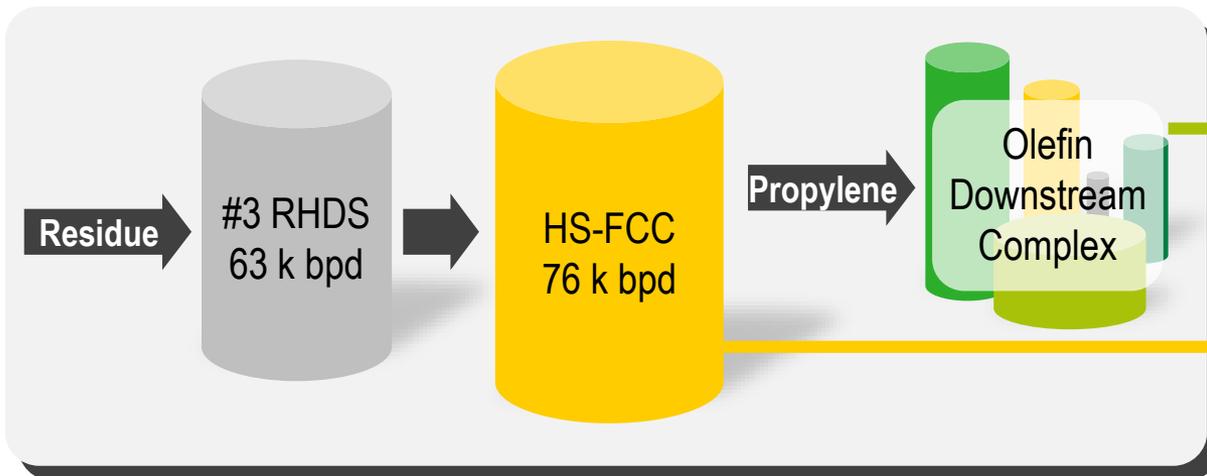
Sales Breakdown

(Unit: k bpd, %)	4Q '17	1Q '18	2Q '18	3Q '18	4Q '18
Sales Total	747	684	693	765	755
Domestic	362	346	333	320	333
Export	385	338	361	445	423
(% in Total)	(51.5%)	(49.4%)	(52.0%)	(58.2%)	(55.9%)
China	26.0%	29.3%	24.6%	23.7%	22.1%
Japan	12.2%	20.0%	13.5%	13.1%	16.6%
South East Asia	7.6%	10.8%	10.8%	8.4%	13.0%
Australia	19.9%	11.7%	16.1%	14.5%	12.2%
Singapore	6.8%	2.6%	4.2%	4.8%	10.6%
Taiwan	1.0%	1.5%	5.8%	6.2%	8.4%
USA	10.5%	4.1%	8.5%	11.1%	7.1%

RUC/ODC Project Overview

Project	Residue Upgrading Complex (RUC) and Olefin Downstream Complex (ODC)
Purpose	Increase profitability by producing high value-added products and diversify business portfolio
Project Site	The Company's Onsan complex
Investment Cost	4.8 trillion Won
Investment Period	2015 ~ 2018 (Mechanical Completion in April, 2018)
Commercial Operation	November 2018

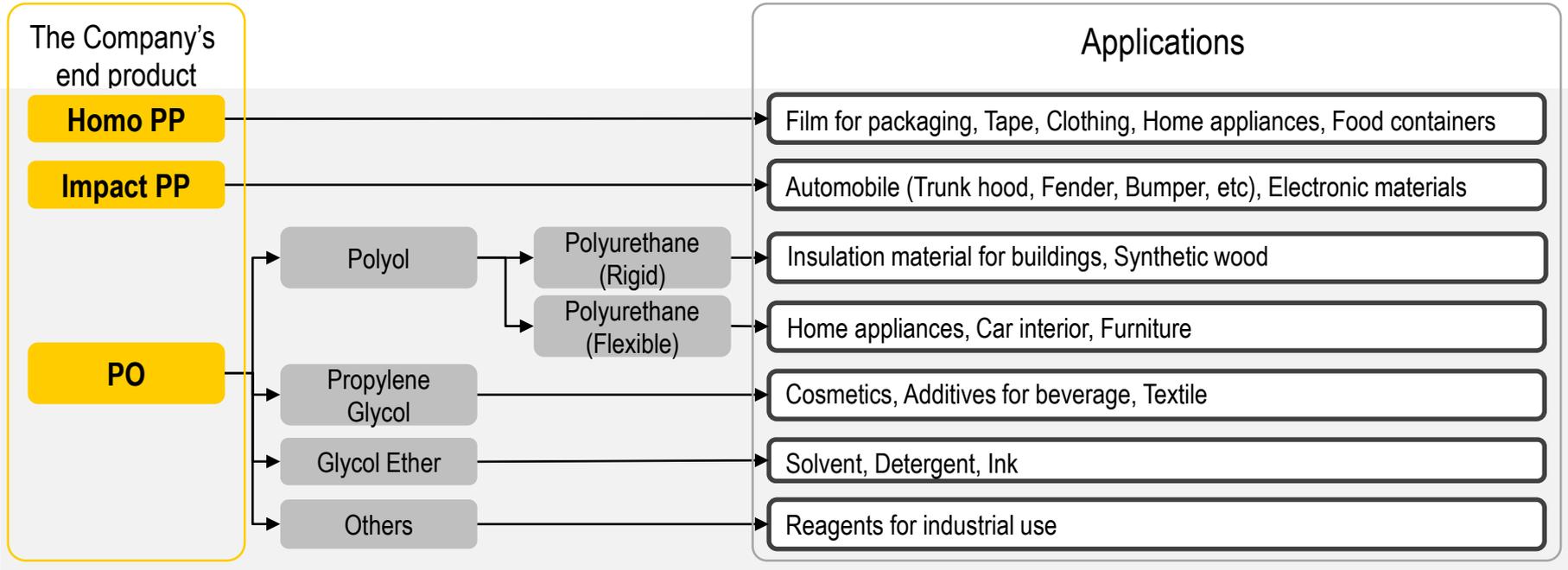
Major Process



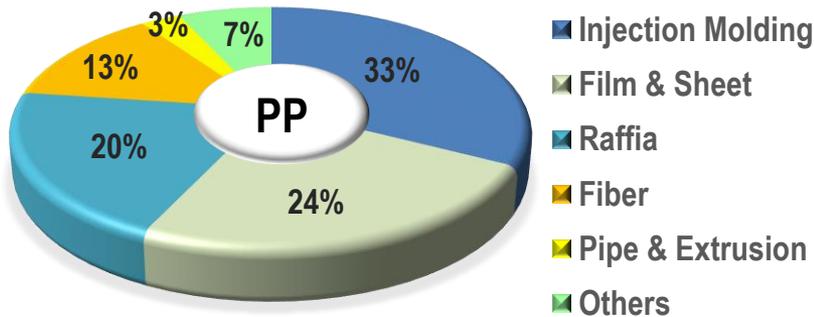
Major Product

Polypropylene (PP)	405 k tpa
Propylene Oxide (PO)	300 k tpa
Gasoline	21 k bpd
Alkylate	14 k bpd
MTBE	370 k tpa

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



Global Demand by Applications



Long-term Margin Trend

Refining

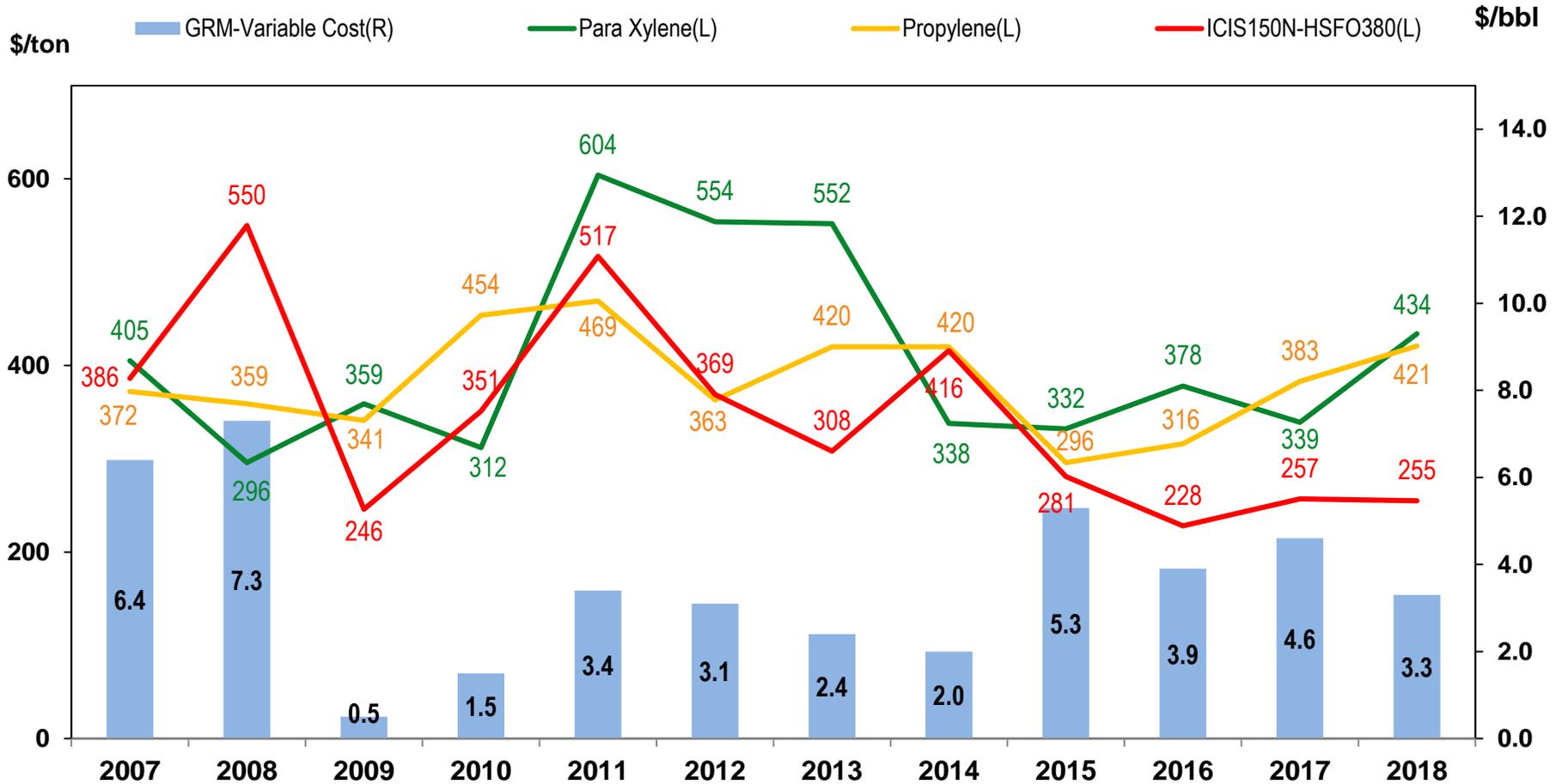
Singapore Complex Margin

Petrochemical

Product spread (Vs. Naphtha)

Lube base Oil

Product spread



Thank You

S-OIL IR Team

Contact : IRteam@s-oil.com



**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM 



S-OIL, the only company named to DJSI World for the 9th consecutive year among Asia Pacific refiners and won the grand prize of 2017 ESG evaluation from KCGS.

