



2Q 2019 Earnings Release

July 2019



DISCLAIMER

Financial results for 2Q 2019 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.

2Q 2019 Performance

2Q 2019 Financial Result	4
Financial Status	5
Performance by Business Segment	6
CAPEX & Operation	7

Market Environment & Outlook

Refining	8
Petrochemical – Aromatics	9
Petrochemical – Olefins	10
Lube Base Oil	11

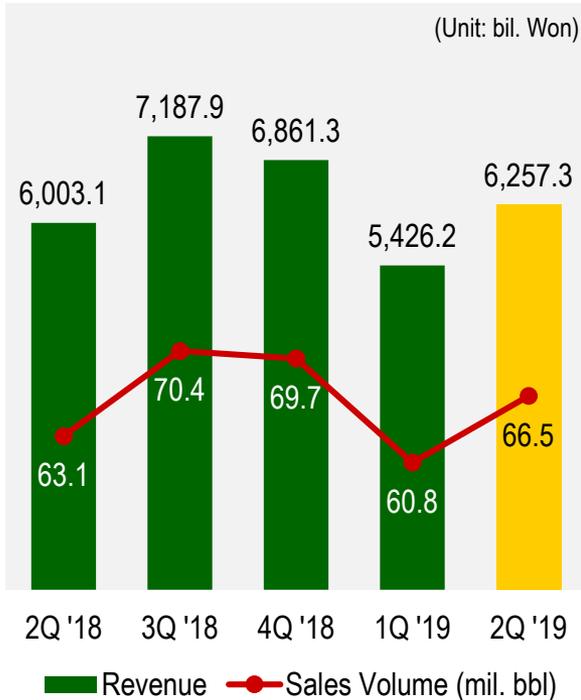
Appendices

Summarized Income Statement	12
Sales Breakdown	13
Outlook for IMO 2020 Effects	14
RUC/ODC Project Overview	15
PP/PO Value Chain	16
Long-term Margin Trend	17



Contents

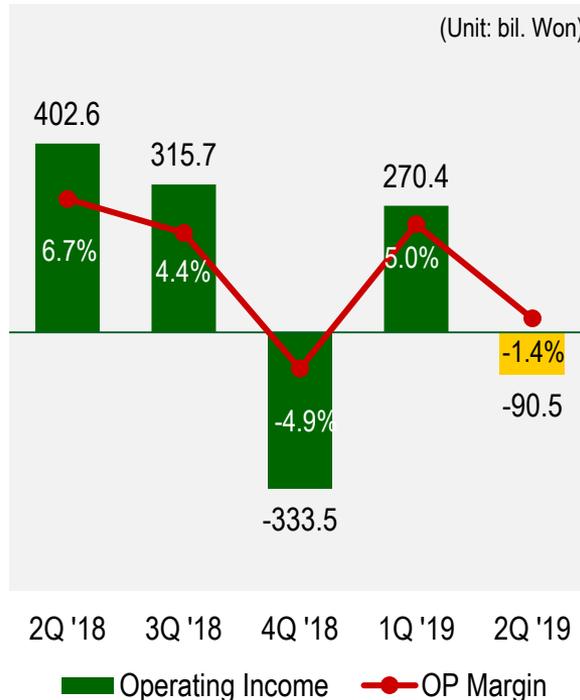
Revenue



**Increased 15.3% QoQ
on uplift in sales volume and
average crude price rise**

- Quarterly average selling price: 5.5% ↑, QoQ
- Sales volume: 9.3% ↑, QoQ

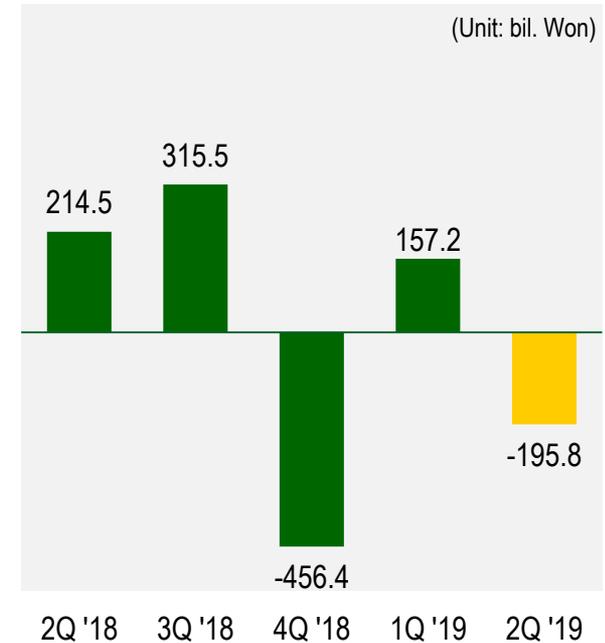
Operating Income



**Recorded loss due to reduced
inventory-related gain
and lower refining margins**

- Inventory-related gain: +2 bil. Won (1Q '19: +200 bil. Won)
- Singapore complex margin(\$/bbl): 2Q 1.0 (0.4 ↓, QoQ)

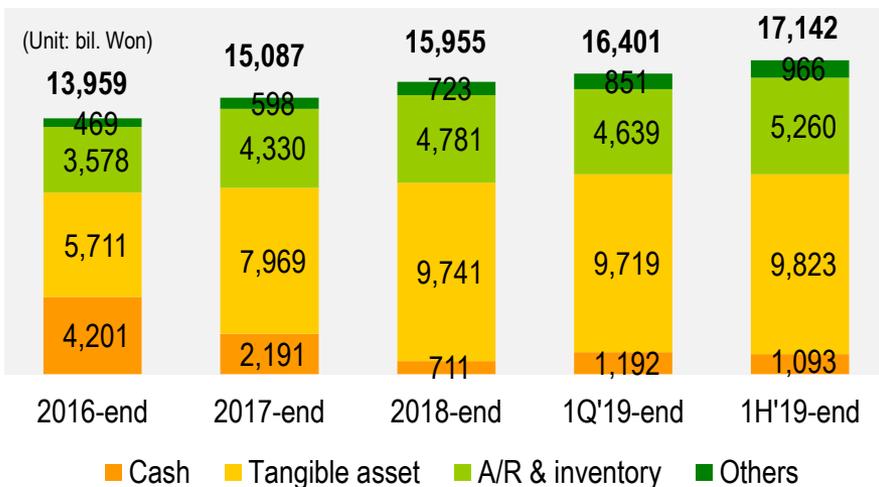
Income before Tax



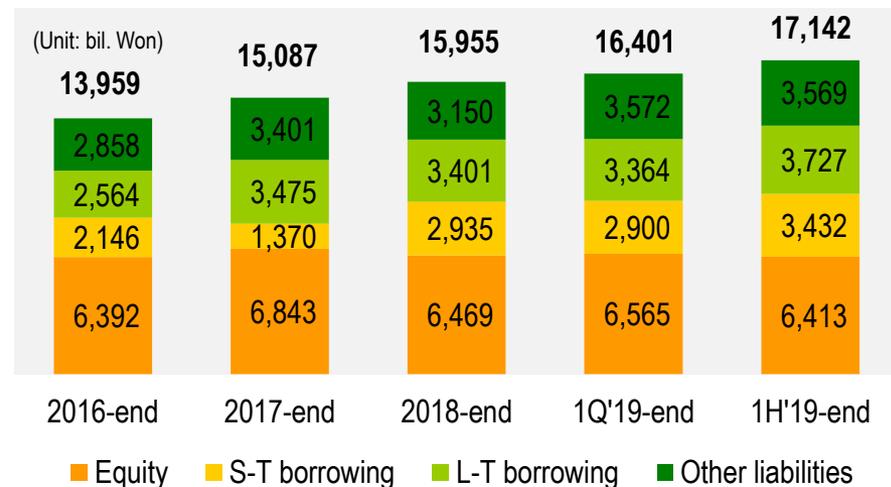
**Recorded loss by operating
loss coupled with F/X loss**

- F/X loss: 67 bil. Won (1Q '19 F/X loss: 48 bil. Won)
- ₩/\$ rate: 2Q-end 1,156.8 (19.0 ↑, QoQ)

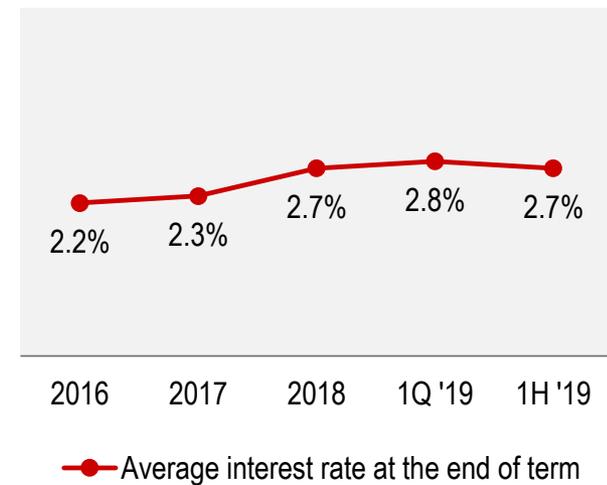
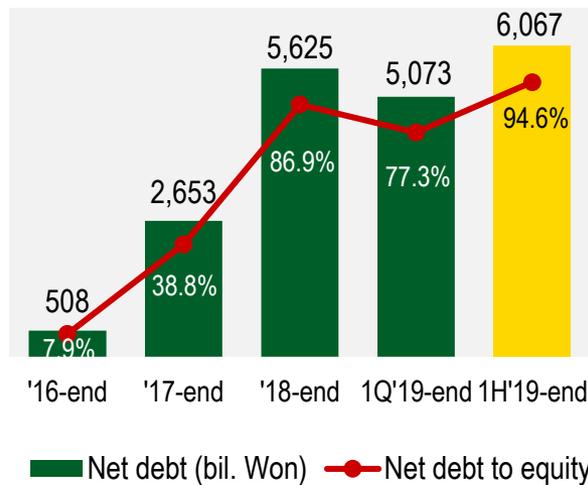
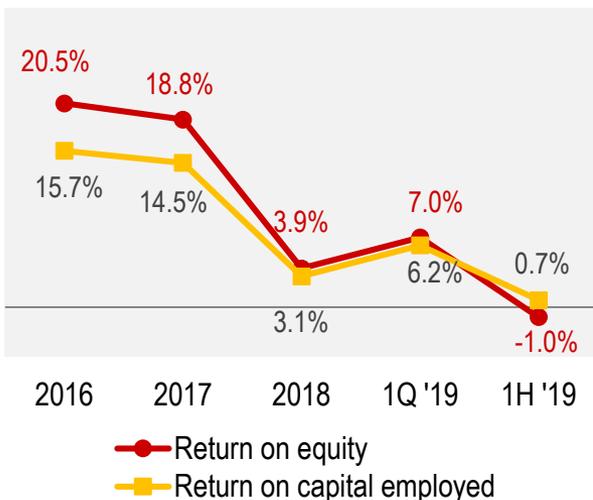
Assets



Liabilities & Equities



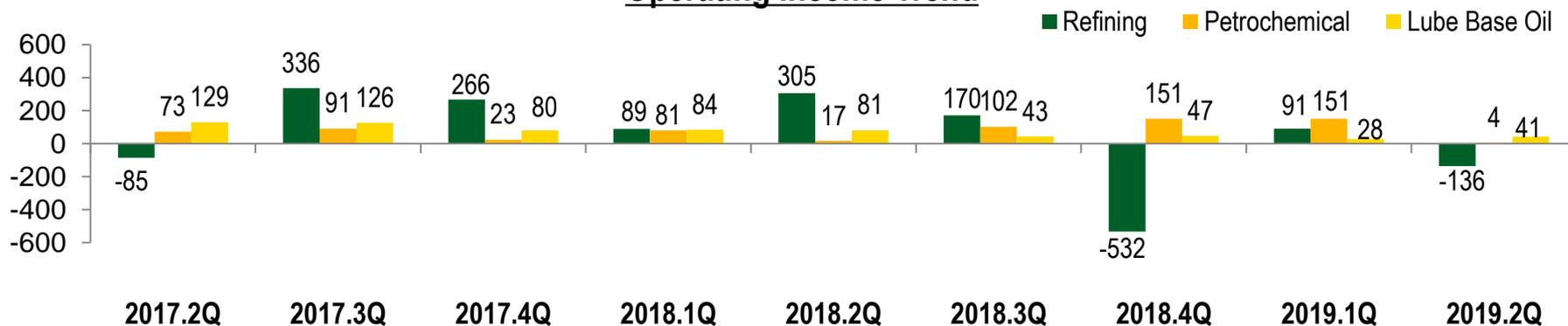
Financial Ratios



Performance by Business Segment

Segment	(Unit: bil. Won)	2Q '19	1Q '19	QoQ	2Q '18	YoY
Refining	Revenue	5,001.8	4,074.3	22.8% ↑	4,754.1	5.2% ↑
	Operating Income	-136.1	90.8		305.2	
	(Margin)	(-2.7%)	(2.2%)		(6.4%)	
Petrochemical	Revenue	911.2	986.9	7.7% ↓	829.3	9.9% ↑
	Operating Income	4.2	151.3	97.3% ↓	16.5	75.2% ↓
	(Margin)	(0.5%)	(15.3%)		(2.0%)	
Lube Base Oil	Revenue	344.3	365.0	5.7% ↓	419.7	18.0% ↓
	Operating Income	41.4	28.3	46.3% ↑	80.9	48.8% ↓
	(Margin)	(12.0%)	(7.8%)		(19.3%)	
Total	Revenue	6,257.3	5,426.2	15.3% ↑	6,003.1	4.2% ↑
	Operating Income	-90.5	270.4		402.6	
	(Margin)	(-1.4%)	(5.0%)		(6.7%)	

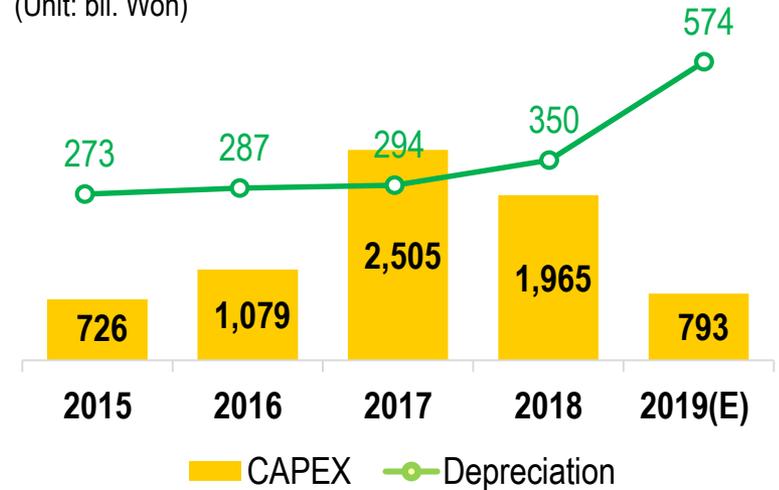
Operating Income Trend



CAPEX & Depreciation

(Unit: bil. Won)	2019 Plan	1H '19
Land acquisition*	42.0	25.0
Upgrade & Maintenance	619.2	158.9
Others	132.0	65.0
Total CAPEX	793.2	248.9
Depreciation**	573.7	275.3

(Unit: bil. Won)



* For future project

** Including catalyst amortization cost

Maintenances

	2017	2018	1H '19	3Q '19
Refining	CFU	#2 CDU	#3 CDU CFU	-
	-	HYC FH	#2 RFCC HYC FH	#1 RFCC
Petrochemical	#2 PX	#1 PX	#2 PX (Mar.~Jul.)	
Lube Base Oil	-	-	HYC SH	-

Utilization Rate

(Unit: k bpd, %)	2017	2018	1Q '19	2Q '19
CDU	99.3%	99.1%	87.0%	99.2%
RFCC/HYC	96.4%	94.2%	85.5%	79.8%
PX Plants	94.3%	81.2%	77.1%	46.3%
PP/PO Plants	-	65.6%	75.4%	48.5%
Lube Plants	96.5%	92.3%	77.6%	89.2%

2Q '19 Market Environment

- **Refining margin** deteriorated further as Asian demand declined QoQ due to low seasonality and sluggish economic growth in the region triggered by global trade tensions.

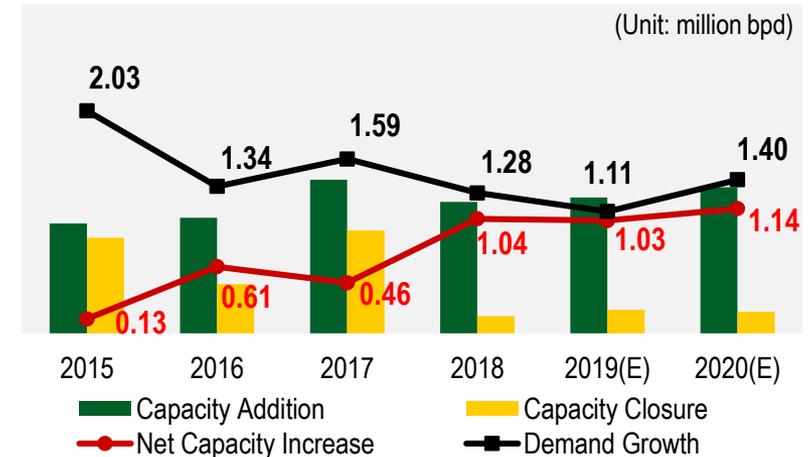
3Q '19 Outlook

- **Refining margin** is expected to bottom out and show gradual improvement on the back of solid demand growth for driving season and inventory build-up in preparation of IMO implementation whereas capacity additions are very limited in the 3rd quarter.

Singapore Margin



Global Net Capacity Increase vs. Demand Growth



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

2Q '19 Market Environment

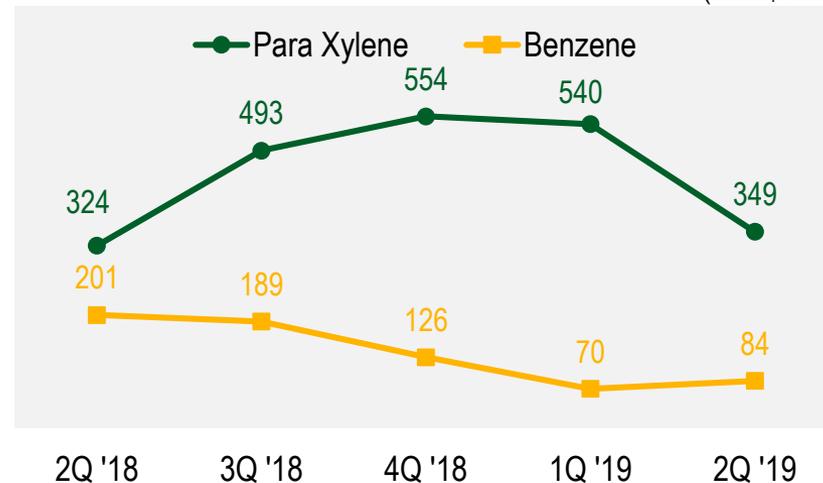
- **Para Xylene** : Spread decreased sharply in 2Q as market sentiment remains extremely weak due to the worry of oversupply from the start-up of new large-scale PX plant in China.
- **Benzene** : Spread slightly increased as benzene production decreased by cutting operating rates from June due to poor PX margins.

3Q '19 Outlook

- **Para Xylene** spread would be under downward pressure, on expectations of supply increase from China's new large-scale PX plants despite healthy demand for downstream.
- **Benzene** spread is expected to rebound due to strong downstream demand in the U.S. However, increase of spread will be limited by ample supply in Asia.

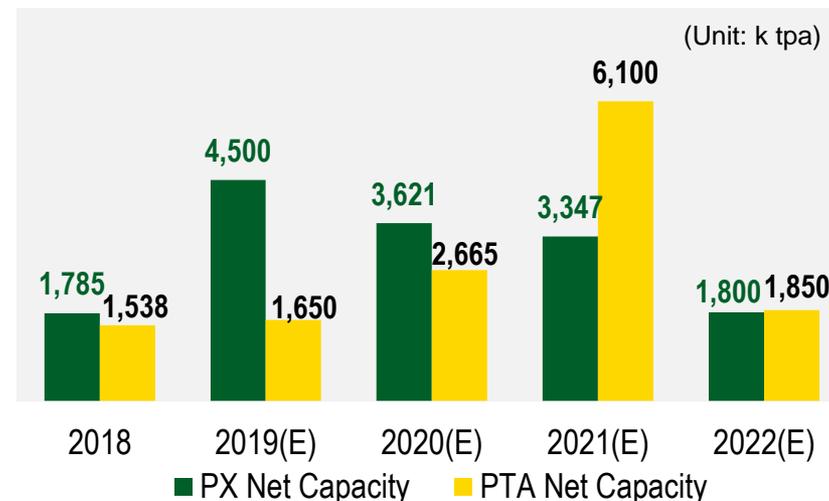
Product Spread (Vs. Naptha)

(Unit:\$/ton)



PX & PTA Net Capacity Expansion

(Unit: k tpa)



Source: PCI, IHS, The Company

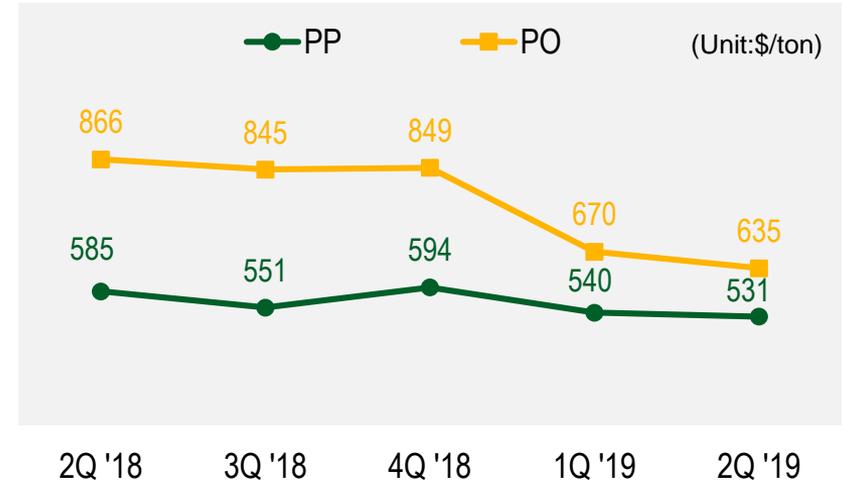
2Q '19 Market Environment

- PP & PO spread both declined due to lingering disputes between the U.S. and China, which hurt downstream demand. In addition, supply increase by restart of regional PP plants after maintenance and start-up of new Chinese plant further worsened the PP spread.

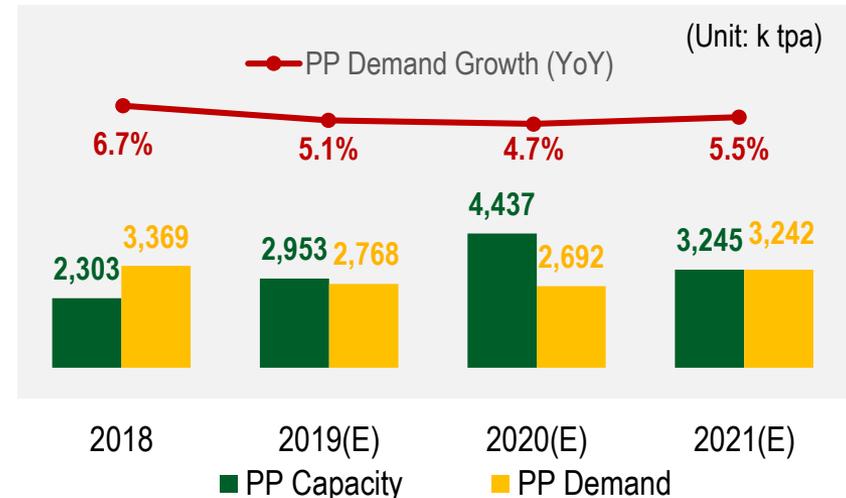
3Q '19 Outlook

- Both PP& PO market are expected to gradually improve as expectations for the resumption of trade negotiations of U.S. and China would lead to demand recovery in the olefin downstream chains.

Product Spread (Vs. Naptha)



Increase of PP Capacity and Demand (Asia & ME)



2Q '19 Market Environment

- Overall LBO spread slightly declined due to oversupply from new capacity addition in the region. However, spread of high-quality product remained robust.

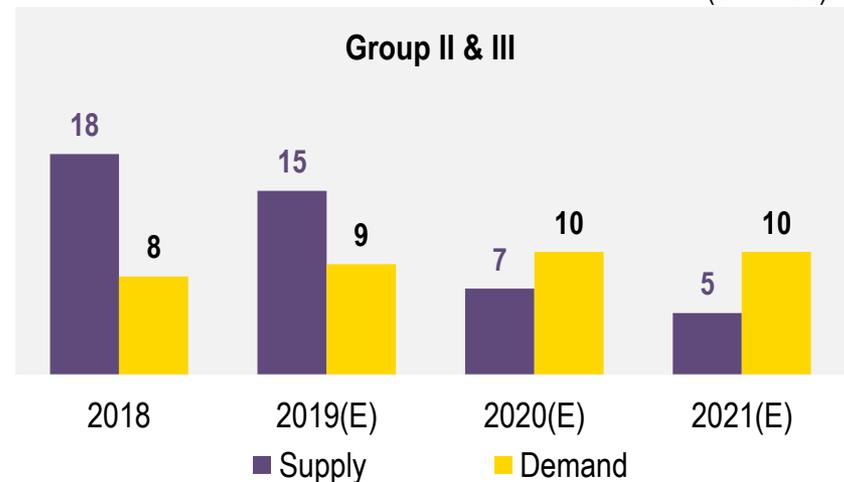
3Q '19 Outlook

- Spread is expected to maintain at current level as global demand would remain stagnant.

Product Spread (Asia)



LBO Supply/Demand Growth



Source: ICIS, Kline, The Company

Summarized Income Statement

(Unit: bil. Won)	2Q '18	YoY	1Q '19	QoQ	2Q '19	1H '19
Revenue	6,003.1	4.2% ↑	5,426.2	15.3% ↑	6,257.3	11,683.4
Operating Income	402.6	-	270.4	-	-90.5	179.8
(Margin)	(6.7%)	-	(5.0%)	-	(-1.4%)	(1.5%)
Finance & Other Income	-189.3	-	-113.9	-	-106.5	-220.3
- Net Interest Gain	-3.1	-	-41.3	-	-42.4	-83.8
- Net F/X Gain*	-179.2	-	-48.0	-	-66.5	-114.5
- Others	-7.0	-	-24.6	-	2.4	-22.0
Equity Method Gain	1.1	18.2% ↑	0.7	85.7% ↑	1.3	1.9
Income before Tax	214.5	-	157.2	-	-195.8	-38.5
Net Income	163.2	-	113.6	-	-147.4	-33.8

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

Sales Breakdown

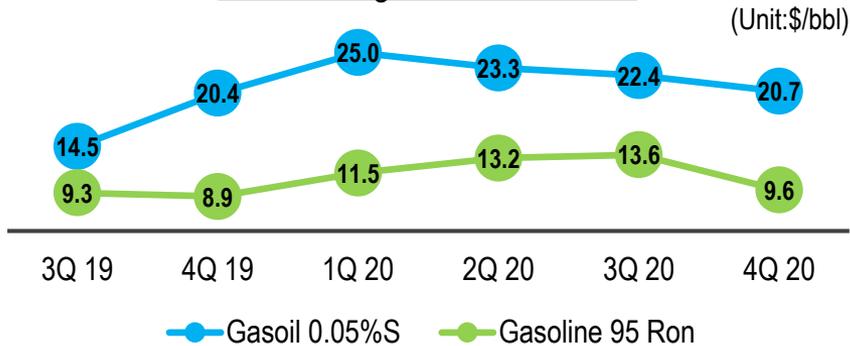
(Unit: k bpd, %)	2Q '18	3Q '18	4Q '18	1Q '19	2Q '19
Sales Total	693	765	758	676	731
Domestic	333	320	333	355	338
Export	361	445	425	321	393
(% in Total)	(52.0%)	(58.2%)	(56.1%)	(47.4%)	(53.8%)
 China	24.6%	23.7%	22.5%	22.2%	20.0%
 Japan	13.5%	13.1%	16.5%	16.5%	18.9%
 South East Asia	10.8%	8.4%	13.0%	12.3%	12.9%
 Singapore	4.2%	4.8%	10.5%	14.8%	10.6%
 Australia	16.1%	14.5%	12.2%	7.1%	8.3%
 USA	8.5%	11.1%	7.0%	4.2%	5.8%
 Taiwan	5.8%	6.2%	8.4%	5.7%	2.2%

Outlook for IMO 2020 Effects

Refining Margins

- Refining margins will strengthen from 4Q, driven by inventory build-up demand for compliant fuels in advance of IMO 2020.

Gasoil and gasoline vs. Dubai*



*Average of expected figures by IHS, FGE and Wood Mackenzie

- Stock building movement for IMO 2020 compliant fuel has already started in LSFO during 2Q, which triggered hike of LSFO premium vs. HSFO. The inventory build-up will spill over into middle distillates in 4Q.

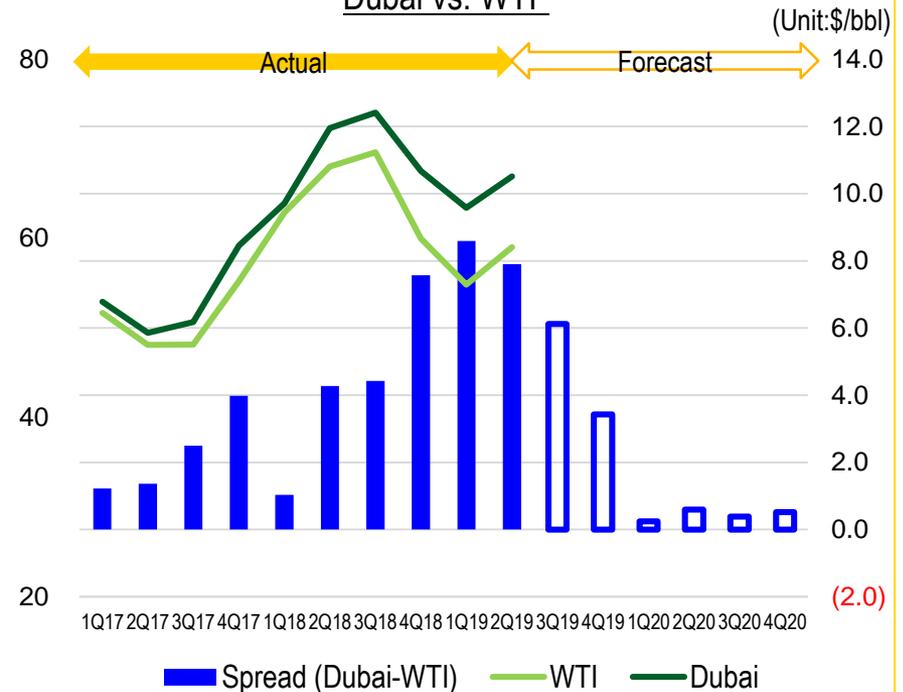
(unit: \$/MT)	1Q 19	2Q 19	Jul. 19
LSFO 0.3% vs. HSFO180cst	68	109	150

Source: Wood Mackenzie, IHS, FGE, The Company

Crude price differential

- IMO 2020 will put upward pressure on WTI prices as a result of higher demand for light-sweet crude oils. Spread between Dubai and WTI would be narrowed.

Dubai vs. WTI*



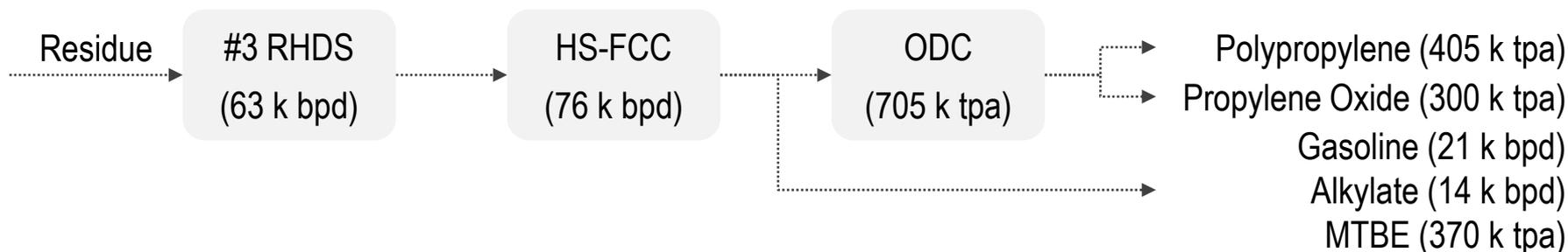
*Average of expected figures by IHS, FGE and Wood Mackenzie

RUC/ODC Project Overview

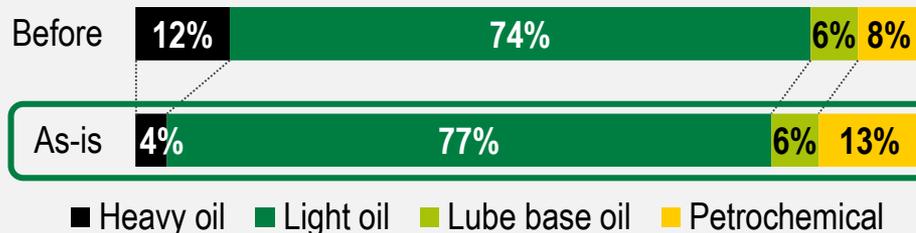
Project	Residue Upgrading Complex (RUC) and Olefin Downstream Complex (ODC)
Project Site	The Company's Onsan complex
Investment Cost	4.8 trillion Won
Investment Period	2015 ~ 2018 (Mechanical Completion in April, 2018)
Commercial Operation	November 2018

Major Process

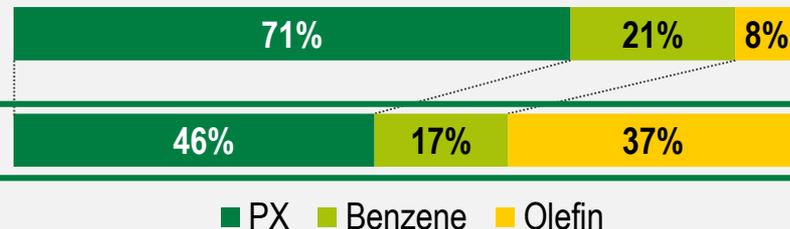
Major Product



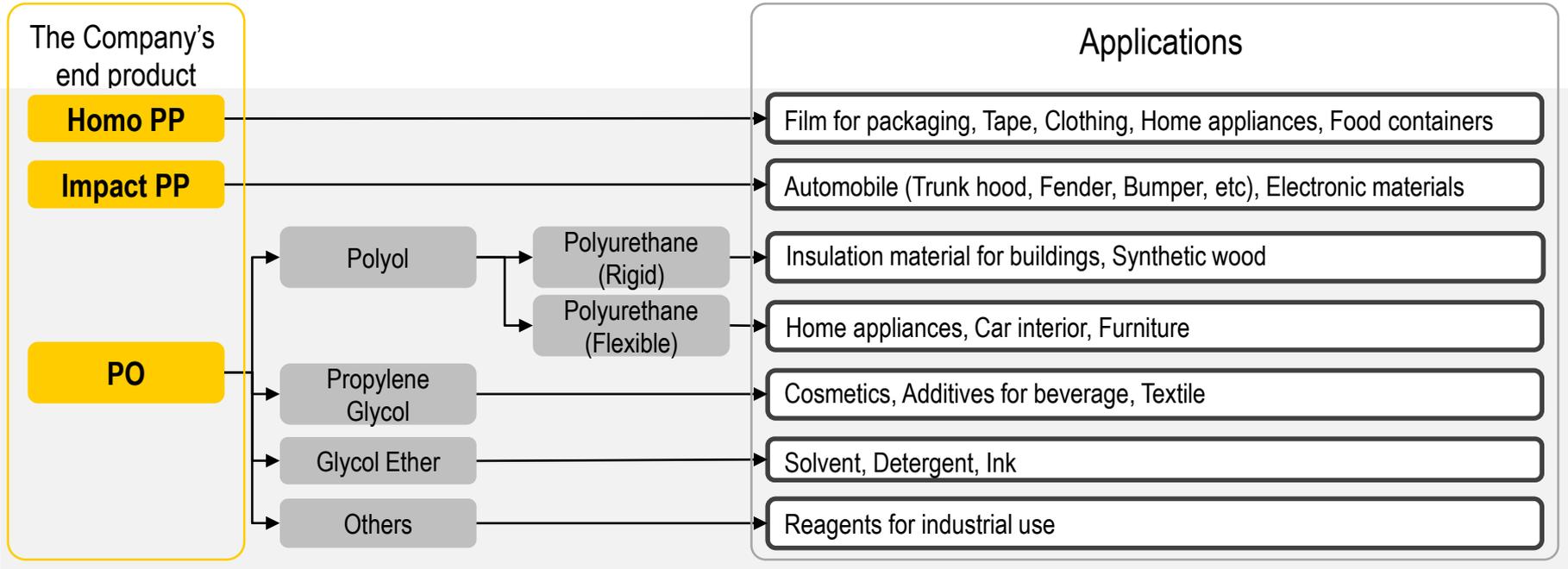
Company total product portfolio



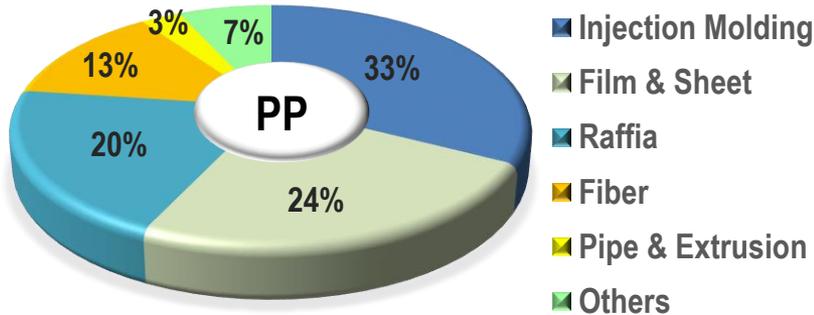
Petrochemical business product portfolio



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



Global Demand by Applications



Long-term Margin Trend

Refining

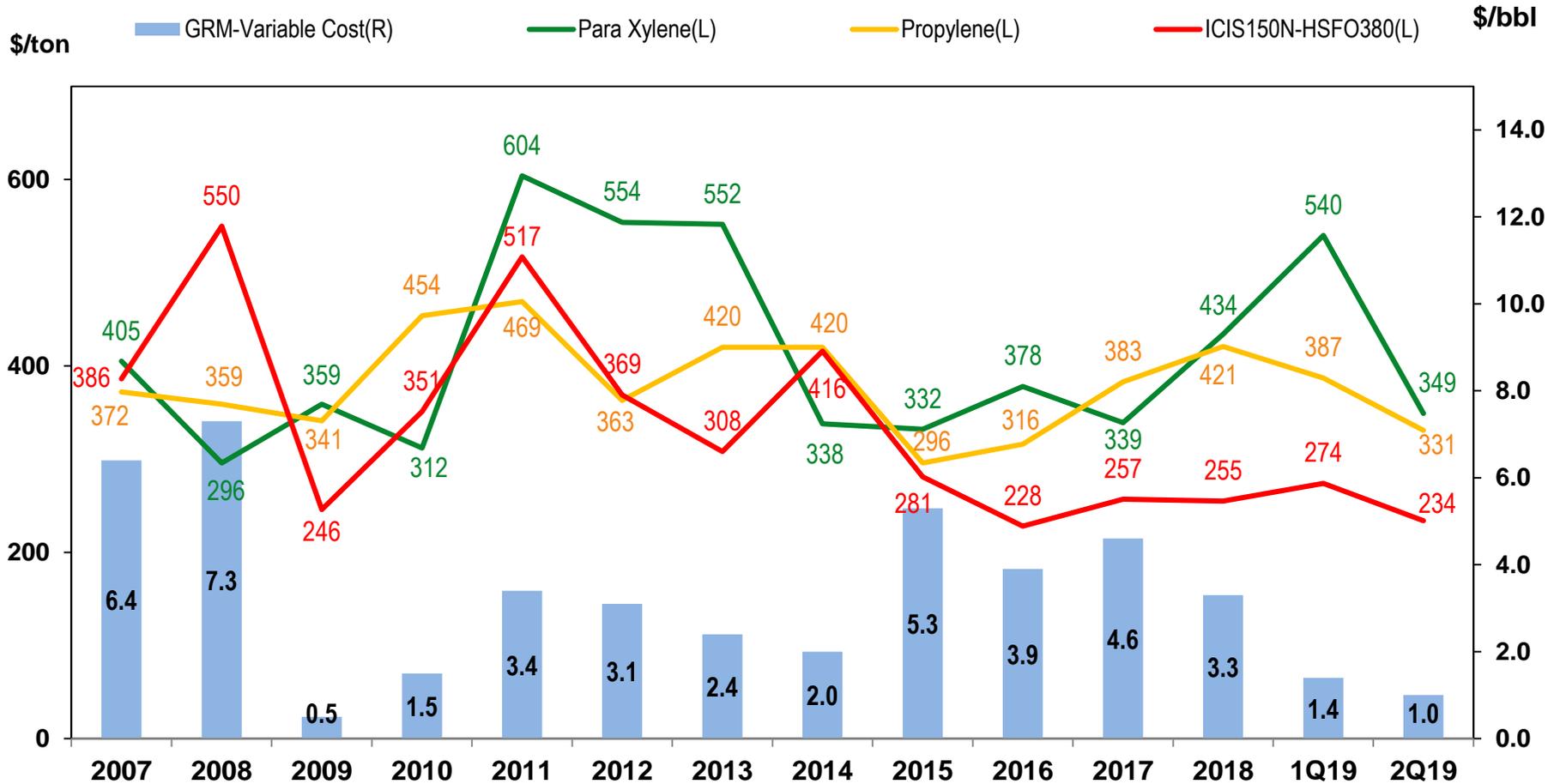
Singapore Complex Margin

Petrochemical

Product spread (Vs. Naphtha)

Lube base Oil

Product spread



Thank You

S-OIL IR Team

Contact : IRteam@s-oil.com



Winner of 2019 Korea Accounting Grand Prize

S-OIL was awarded 2019 Korea Accounting Grand Prize for enhancing accounting transparency.

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.

