

S-OIL Corporation 1Q 2022 Results

April 2022



Highlights



1.3 trillion Won Operating profit

The Company posted the quarterly record high operating profit of 1.3 trillion Won thanks to strong refining margin and surge in international oil prices



Solid fundamental

Solid fundamentals in Asian refining industry is being driven by multiple structural factors. S-OIL is one of the best positioned to benefit with superior facility competitiveness



Green Initiatives

Strategic directions to pursue growth while preparing for energy transition and climate change
(1) Decarbonization,
(2) Petrochemical Growth, and
(3) New Energy Business

DISCLAIMER

Financial results for 1Q 2022 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.



1Q 2022 Performance & Outlook

1Q 2022 Financial Result	5	→
Financial Status	6	→
Refining	7	→
Petrochemical	8	→
Lube	9	→

Key Business Update

Structural Refining Margin Strength	11	→
Enhanced Profitability by RUC/ODC	12	→
S-OIL's Green Initiatives	13	→

Supplementary Information

1Q 2022 Performance & Outlook

- 1Q 2022 Financial Result
- Financial Status
- Refining
- Petrochemical
- Lube

1Q 2022 Financial Result

(Unit: bil. Won)	1Q '22	4Q '21	QoQ	1Q '21	YoY
Revenue	9,287.0	8,291.1	12.0%↑	5,344.8	73.8%↑
Operating Income	1,332.0	391.3	240.4%↑	629.2	111.7%↑
(Margin)	14.3%	4.7%	-	11.8%	
Refining	1,202.2	228.2	426.9%↑	342.0	251.5%↑
Petrochemical	-65.6	-63.7	-	98.3	-
Lube	195.3	226.8	13.9%↓	188.9	3.4%↑
Finance & Other Income	-136.1	-2.3	-	-162.1	-
- Net Interest gain	-21.1	-22.9	-	-25.9	-
- Net F/X gain*	-80.7	2.7	-	-109.8	-
- Others	-34.3	17.9	-	-26.4	-
Income before tax	1,195.9	389.0	207.4%↑	467.1	156.0%↑
Net Income	870.8	288.5	201.8%↑	344.7	152.6%↑

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

Operating Income

- Record-high operating profit of 1,332.0 bil. Won (QoQ +940.7)
 - driven by strong earnings growth in refining segment
 - inventory-related gain
1Q: 562.0 bil. Won
(4Q: 84.8 bil. Won)

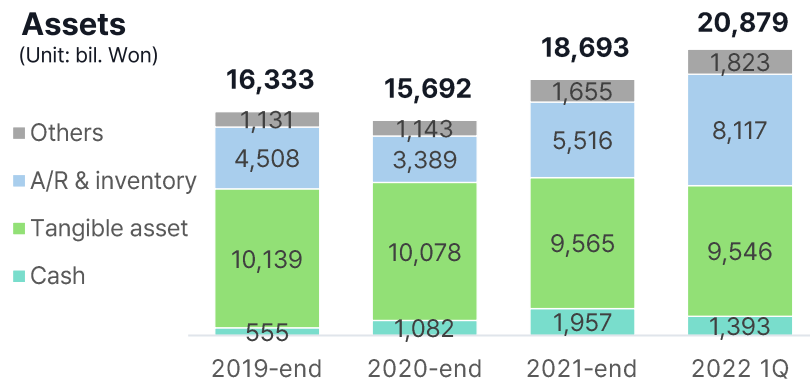
Income before Tax

- 1,195.9 bil. Won of income before tax (QoQ +806.9)
 - Net FX loss due to increase of ₩/\$ rate (+24.7 ₩/\$, QoQ)

Financial Status

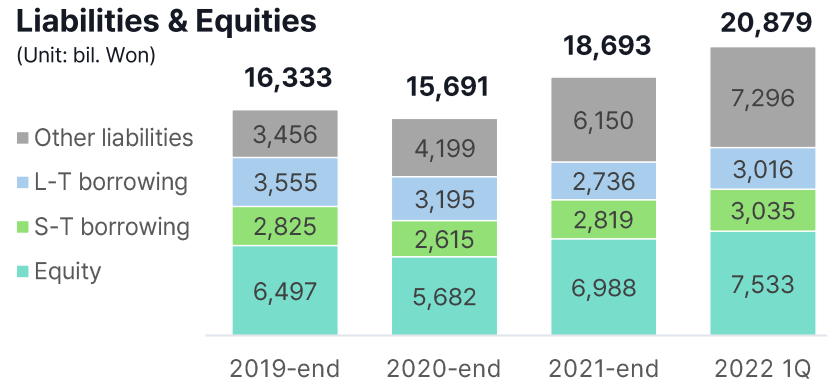
Assets

(Unit: bil. Won)

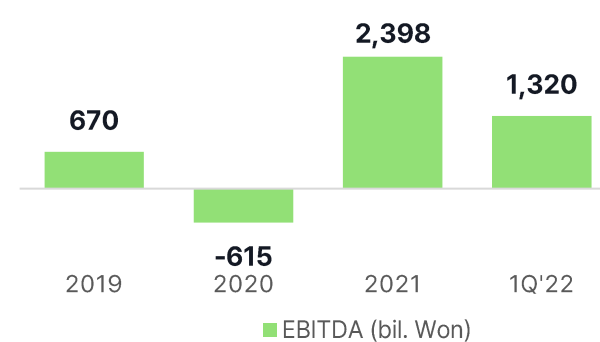
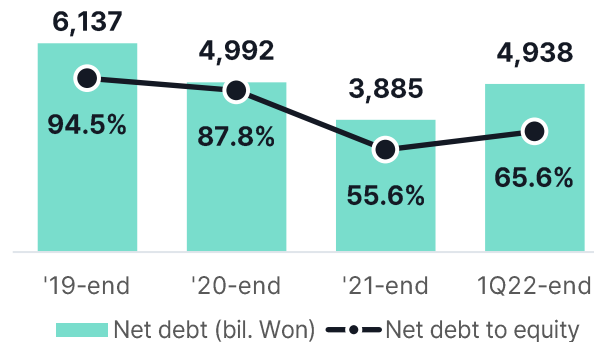
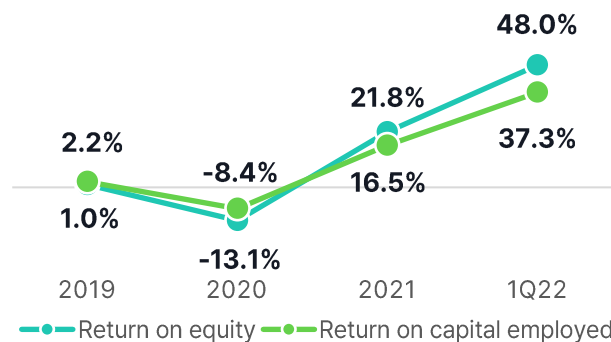


Liabilities & Equities

(Unit: bil. Won)



Financial Highlights

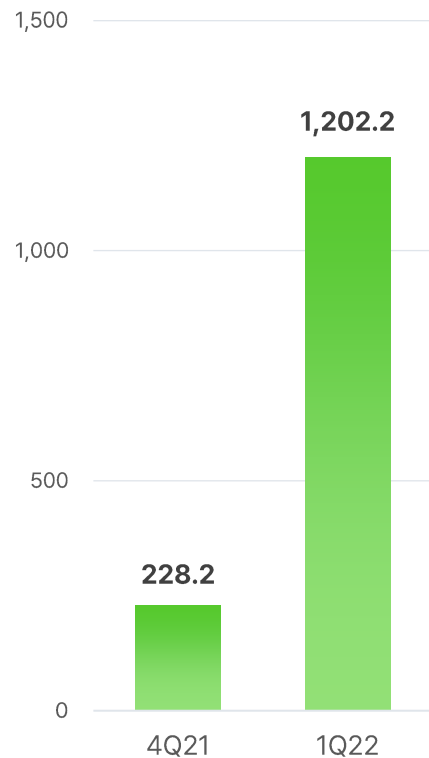


* Net debt: Short-term borrowing + Long-term borrowing + Lease obligation - Cash

* EBITDA: Income before tax + Net interest expense + Depreciation (Excluding catalyst amortization cost)

Refining

Operating Income (Unit: bil. Won)



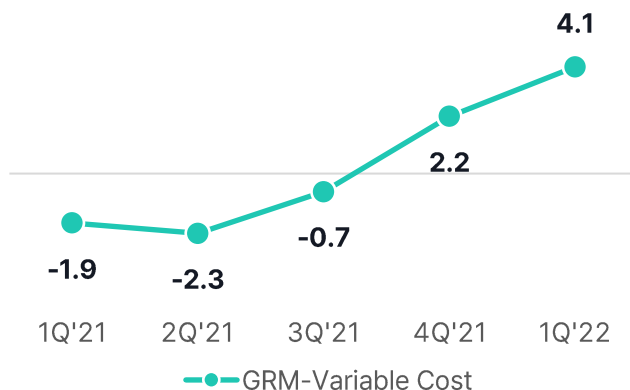
1Q '22 Market Environment

- **Regional refining margins** surged as Russia - Ukraine conflict further deepened tightness in supply-demand balance that was ongoing under multi-year low product inventory across the world
- **Diesel spread** soared as Russian supply disruption added to already strong fundamentals shaped by sharp drop of Chinese export, steady intra-regional import demand, and multi-year low inventory level

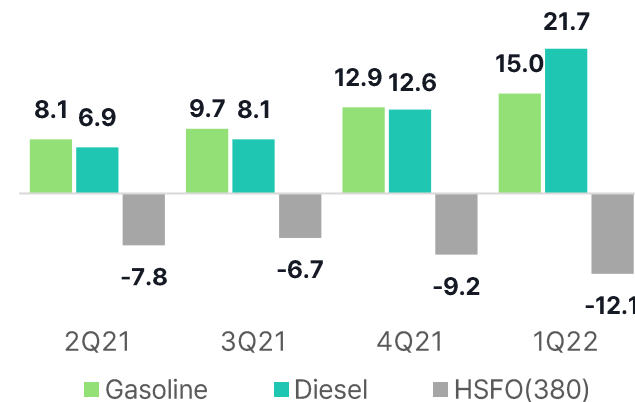
2Q '22 Outlook

- **Regional refining margins** are expected to stay firm supported by seasonal demand and easing pandemic restrictions amid sustained global supply tightness
- **Diesel spread** is to be driven by geopolitical supply pressure while maintaining healthy fundamentals
- **Gasoline spread** is to improve getting into Ramadan and summer driving season

Singapore Margin (Unit:\$/bbl)

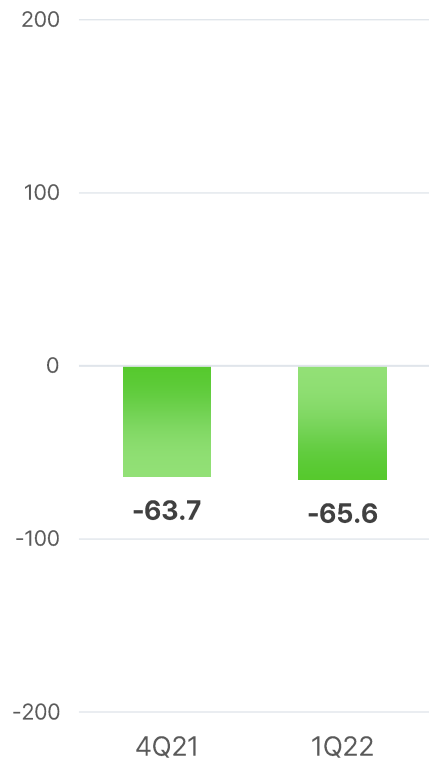


Products Spread over Dubai (Unit:\$/bbl)



Petrochemical

Operating Income (Unit: bil. Won)



1Q '22 Market Environment

Aromatics

- PX spread recovered by run cut or shut-down of less competitive PX plants amid spring seasonal demand for polyester despite hike in feedstock naphtha price

Olefin

- PP and PO spread narrowed due mainly to feedstock propylene price hike, and demand weakened by lockdowns in China amid lingering impact of new capacities came online early this year

2Q '22 Outlook

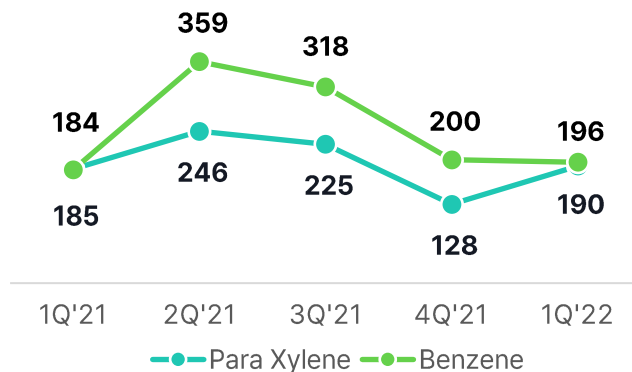
Aromatics

- PX spread is expected to widen by tightening supply: scheduled maintenance, lowered utilization and production raise of gasoline being incentivized over PX

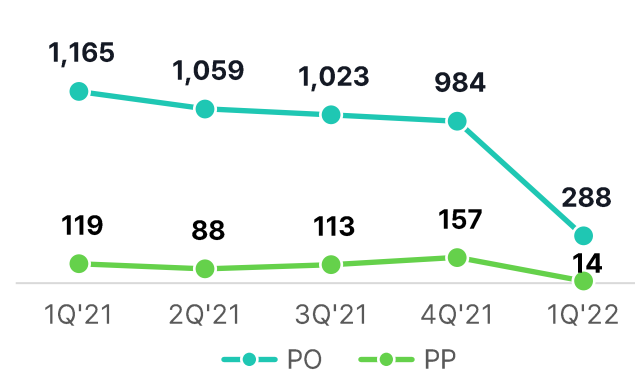
Olefin

- PP and PO spread is anticipated to recover gradually supported by reduced operation rate under squeezed margin and potential lifting of lockdowns in China

Aromatics Spread over Naphtha (Unit : \$/ton)

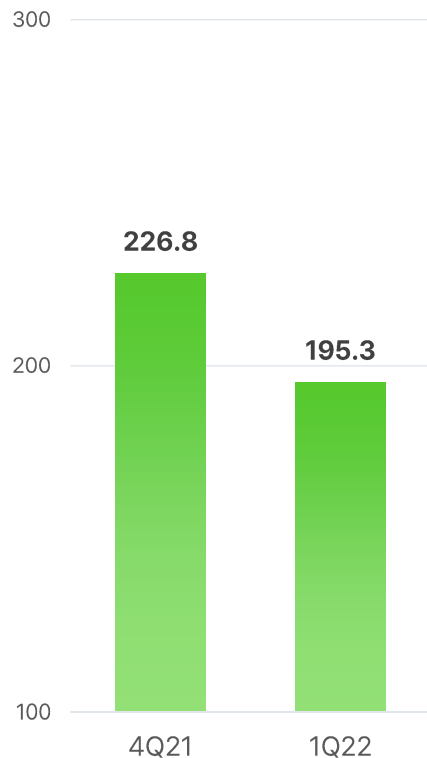


Olefin Spread over Propylene (Unit : \$/ton)



Lube

Operating Income (Unit: bil. Won)



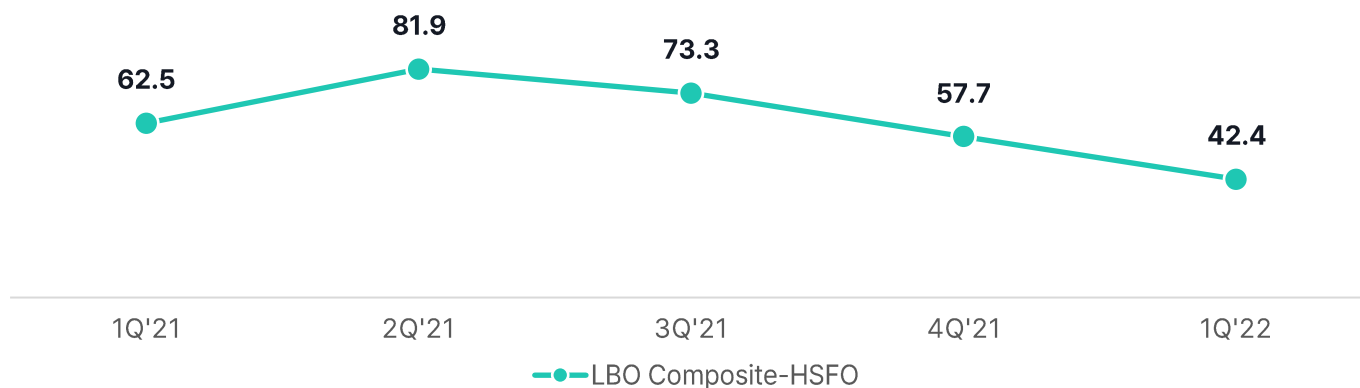
1Q '22 Market Environment

- Underlying **LBO fundamental** remained firm on the back of scheduled maintenances, and lowered lube utilization to produce more diesel
- **LBO spread** was softened due largely to increase in feedstock price, which shifted income to refining segment

2Q '22 Outlook

- **LBO fundamental** is likely to be firmer backed by tight supply and seasonal demand
 - Elevated fuel product prices are likely to continually prompt refineries to shift yield from lube to middle distillates
- **LBO spread** is expected to widen as sales price, which lags feedstock price change, catches up under sound fundamentals

Products Spread(Asia) (Unit : \$/bbl)



Key Business Update

- Structural Refining Margin Strength
- Enhanced Profitability by RUC/ODC
- S-OIL's Green Initiatives

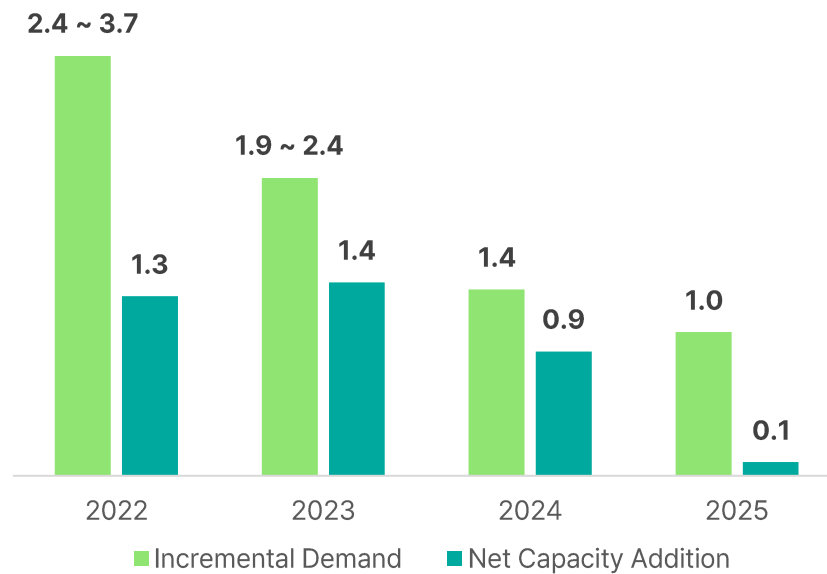
Structural Refining Margin Strength

- Solid fundamentals in Asian refining industry are being driven by structural factors
- Post-COVID demand growth is expected to outpace net increase of CDU capacity with underinvestment and closures

Multiple factors supporting refining margin strength



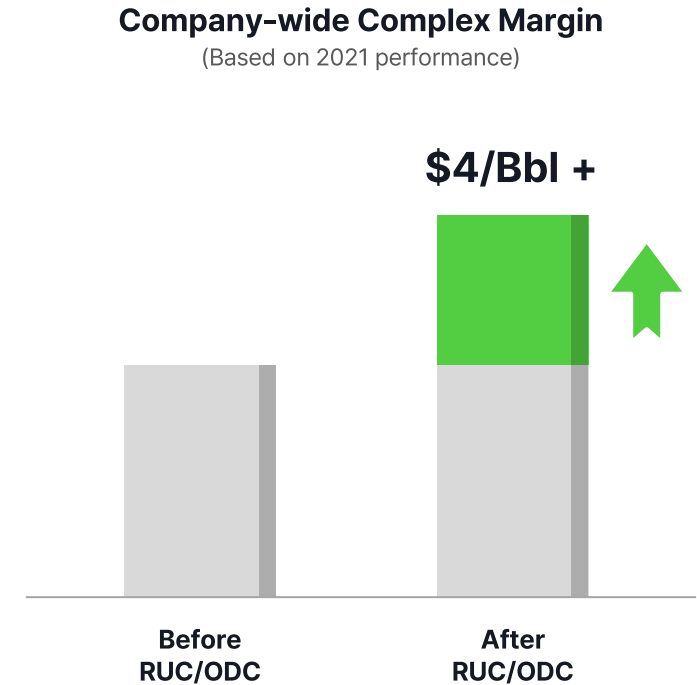
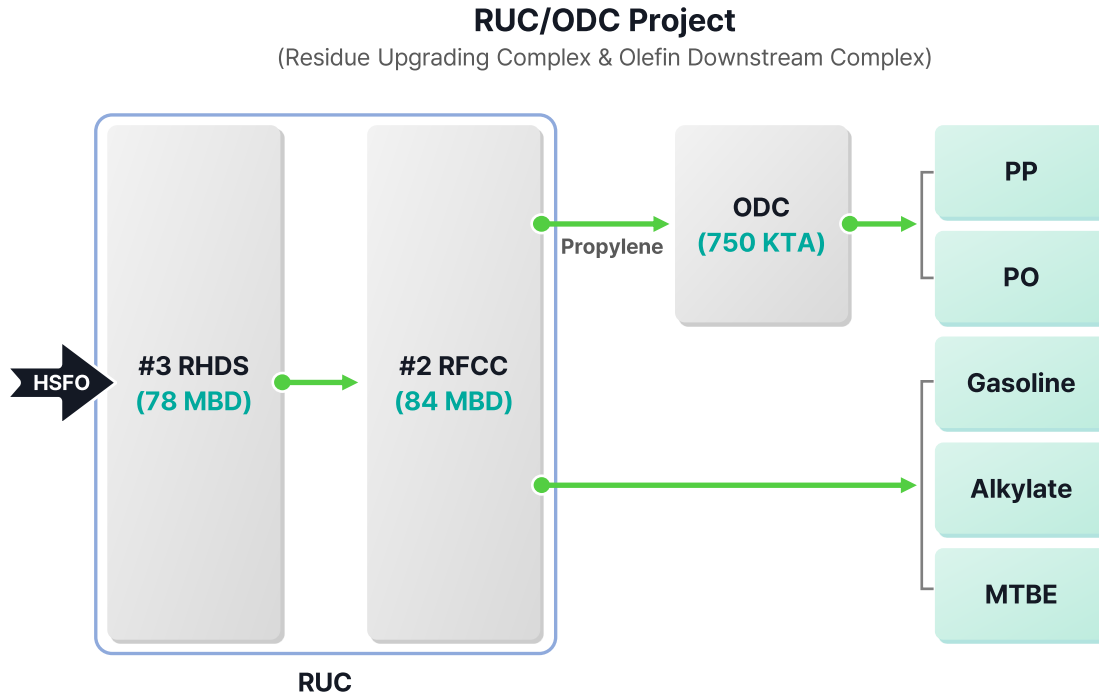
Global Demand Growth & Net Capacity Addition (Unit : mil. B/D)



Source: EIA, OPEC, IHS, FACTS, WoodMac, The Company

Enhanced Profitability by RUC/ODC

- S-OIL is one of the best positioned to benefit from refining margin strength with superior facility competitiveness
- A significant uplift of total complex margin was achieved by RUC/ODC by upgrading low value HSFO to high value products



S-OIL's Green Initiatives

- Green Initiatives set forth strategic directions to deliver sustainable and competitive returns as we transition to a greener future maintaining focus on our unique capabilities

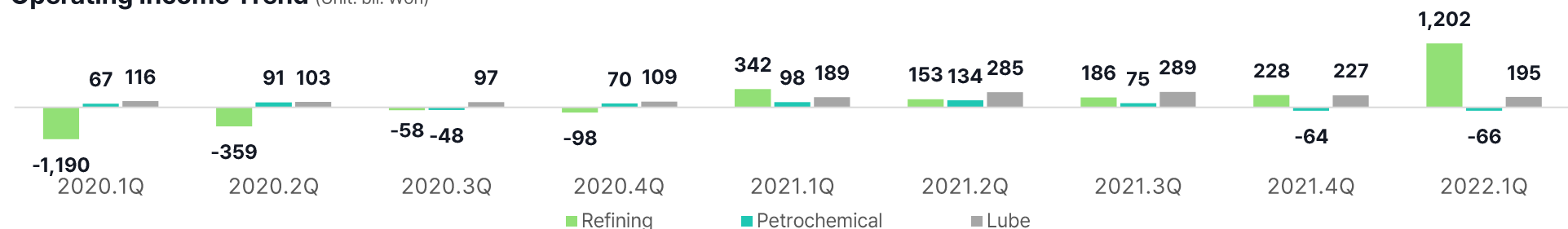


Supplementary Information

Performance by Business Segment

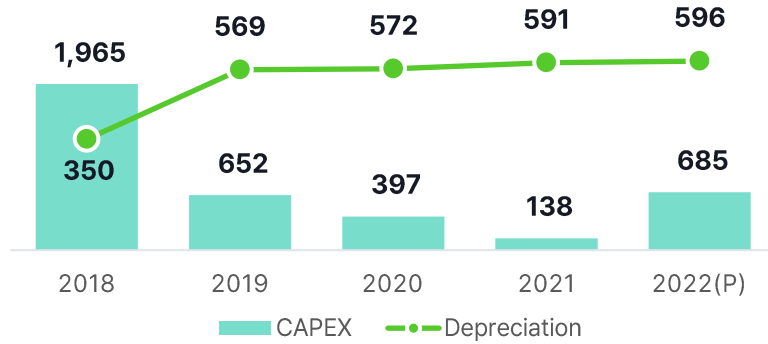
Segment	(Unit: bil. Won)	1Q '22	4Q '21	QoQ	1Q '21	YoY
Refining	Revenue	7,179.1	6,322.1	13.6% ↑	3,797.4	89.1% ↑
	Operating Income	1,202.2	228.2	426.9% ↑	342.0	251.5% ↑
	(Margin)	(16.7%)	(3.6%)		(9.0%)	
Petrochemical	Revenue	1,366.2	1,250.1	9.3% ↑	1,021.1	33.8% ↑
	Operating Income	-65.6	-63.7		98.3	
	(Margin)	(-4.8%)	(-5.1%)		(9.6%)	
Lube	Revenue	741.7	718.8	3.2% ↑	526.3	40.9% ↑
	Operating Income	195.3	226.8	13.9% ↓	188.9	3.4% ↑
	(Margin)	(26.3%)	(31.5%)		(35.9%)	
Total	Revenue	9,287.0	8,291.1	12.0% ↑	5,344.8	73.8% ↑
	Operating Income	1,332.0	391.3	240.4% ↑	629.2	111.7% ↑
	(Margin)	(14.3%)	(4.7%)		(11.8%)	

Operating Income Trend (Unit: bil. Won)



CAPEX & Operation

CAPEX & Depreciation



(Unit: bil. Won)	2021	2022(P)	1Q'22
Upgrade & Maintenance	97.6	487.1	30.8
Marketing related expenditure	21.8	49.8	5.5
Others	18.1	148.3	20.8
Total CAPEX	137.5	685.2	57.2
Depreciation	590.8	595.8	146.1

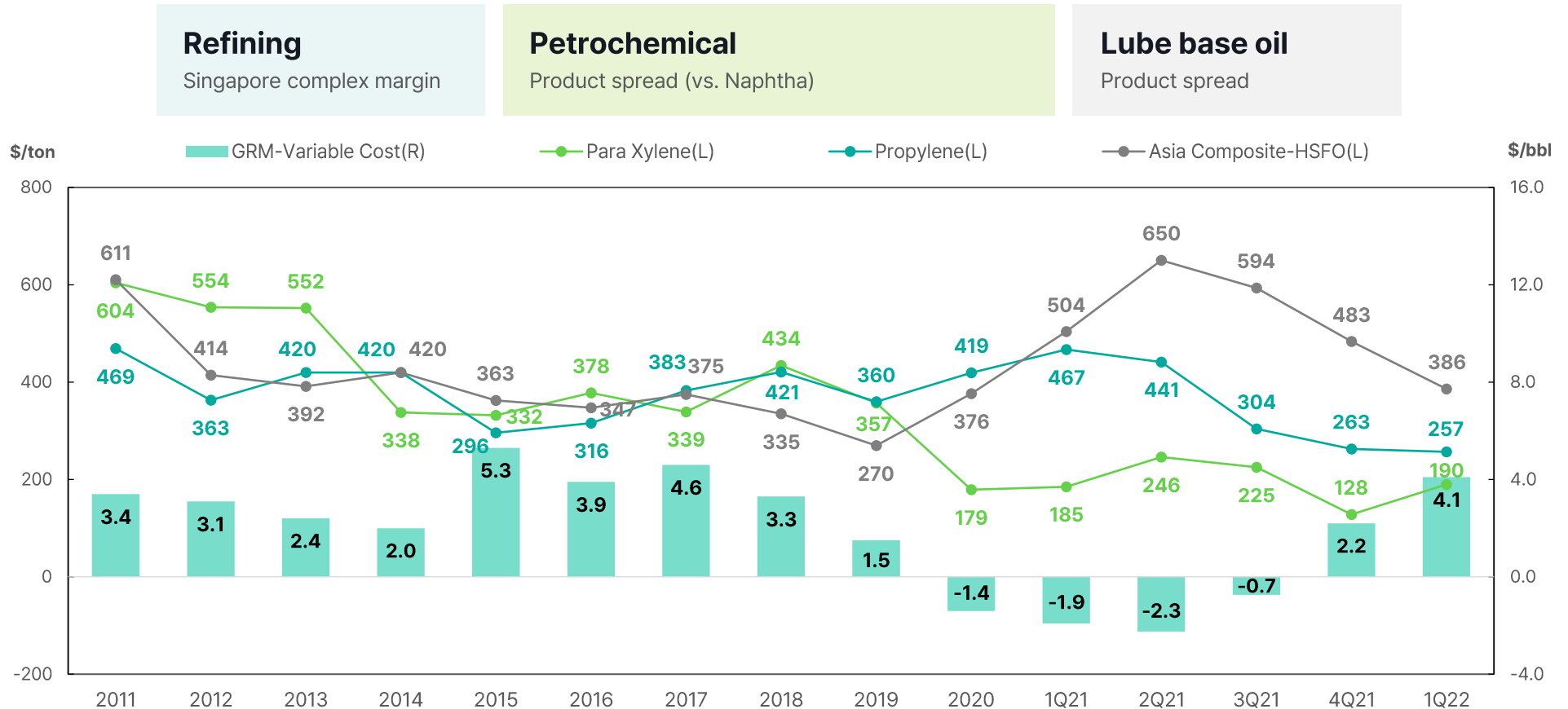
Maintenances

		2020	2021	1Q'22	2~4Q'22(P)
Refining	#1 CDU	-	-	-	#2 CDU
	#2 RFCC	-	-	-	#1 RFCC
Petrochemical	PP/PO	-	-	-	#1 PX/PO
Lube	#1 HDT	-	-	-	-

Utilization Rate

	2020	2021	4Q'21	1Q'22
CDU	96.1%	97.8%	98.7%	99.6%
RFCC/HYC	91.9%	97.0%	97.6%	97.2%
PX Plants	88.0%	91.6%	88.6%	87.5%
PP/PO Plants	78.0%	102.8%	105.7%	92.3%
Lube Plants	88.4%	99.2%	101.0%	99.1%

Long-term Margin Trend



MOU with Saudi Aramco on Low Carbon Energy Solutions

On Jan. 18th, S-OIL signed four MOUs with Saudi Aramco to enhance mutual partnership and alignment in pursuing carbon neutral and eco-friendly energy business covering clean hydrogen, thermal crude-to-chemical(TC2C), venture investment, and R&D



Collaboration for Clean Hydrogen Business

- Conduct feasibility study for blue ammonia and blue hydrogen supply and distribution in Korea
- Evaluate potential partnership models, and development plans for cooperation of the production and supply of blue ammonia and blue hydrogen

Deployment of the First Commercial Scale TC2C Technology

- Exchange information related to Saudi Aramco's TC2C technology
- Explore feasibility of potential collaboration related to Shaheen project's development & execution
- Explore Value Engineering opportunities and share operational experience



Mutual Investment into Ventures in New Energy & De-carbonization Sectors




- Explore promising Korean ventures and co-investment with Aramco Ventures in areas such as hydrogen value chain, carbon capture utilization & storage (CCUS)

R&D Collaboration on Low Carbon Energy Solutions


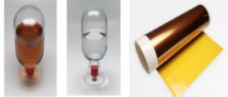



- Explore opportunities and feasibility of high-efficient hydrogen production with CCUS, carbon neutral e-fuel, and plastic recycling

Investment for New Business Opportunities

Hydrogen & Biofuel Investment

	Samsung C&T	Fuel Cell Innovation	Kohygen
Sector	Hydrogen & Biofuel	Fuel Cell / Hydrogen	Mobility/Hydrogen
Business	Hydrogen production & distribution, Bio diesel & jet fuel 	Engineering service for fuel cell plant and SOFC ¹⁾ manufacturing 	Hydrogen Refueling Station business for commercial vehicles 
Amount	Partnership MOU	8.2 bil Won	2.2 bil. Won

Venture & Other Investment

	LIBEST	IPITECH	OnePredict	Beomjun E&C	Glory & Tech
Sector	Battery & Material	Specialty polymer	Smart Plant, Industrial AI	Specialty Chemical	Carbon Emission
Business	Flexible Lithium-ion polymer battery with high capacity 	Polyimide films & varnish materials of various characteristics 	Industrial AI-based PHM ²⁾ solution and Industrial IoT 	Sulfur Modifier for concrete & asphalt and construction 	CERs ³⁾ provider via CDM business 
Amount	2.5 bil Won	2.0 bil Won	2.0 bil Won	1.0 bil Won	1.0 bil Won

1) Solid Oxide Fuel Cell 2) Prognostics and Health Management 3) Certified Emission Reductions

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



S-OIL is the only company named to DJSI World for the 12th consecutive year among Asia Pacific refiners and the winner of Best Excellence Company in 2021 ESG awards from Korean Corporate Governance Service.

S-OIL Investor Relations

www.s-oil.com

