

S-OIL Corporation 2Q 2022 Results

July 2022



Highlights



1.72 trillion Won
Operating profit in 2Q

With significant improvement across all business segments, the Company achieved earnings growth of 29% over the previous quarter posting 1.72 trillion Won in 2Q operating profit



**Resilient Refined
Product Demand**

Refined product demand is showing resilience with continuing recovery to pre-pandemic levels under easing restrictions and lockdowns



**Refining Facility
Shortage**

With massive scale rationalization during the pandemic and discouraged new investment, refining facility shortage is expected to persist

DISCLAIMER

Financial results for 2Q 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.



2Q 2022 Performance & Outlook

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2Q 2022 Performance & Outlook

- 2Q 2022 Financial Result
- Financial Status
- Refining
- Petrochemical
- Lube

2Q 2022 Financial Result

(Unit: bil. Won)	2Q 22	1Q 22	QoQ	2Q 21	1H 22	1H 21
Revenue	11,442.4	9,287.0	23.2% ↑	6,711.0	20,729.4	12,055.8
Operating Income	1,722.0	1,332.0	29.3% ↑	571.0	3,053.9	1,200.2
(Margin)	15.0%	14.3%	-	8.5%	14.7%	10.0%
Refining	1,445.1	1,202.2	20.2% ↑	152.5	2,647.3	494.6
Petrochemical	18.0	-65.6	Turn to Profit ↑	134.0	-47.6	232.3
Lube	258.9	195.3	32.5% ↑	284.5	454.3	473.4
Finance & Other Income	-322.6	-136.1	-	-22.2	-458.6	-184.3
- Net Interest gain	-29.7	-21.1	-	-26.1	-50.8	-52.0
- Net F/X gain*	-271.0	-80.7	-	1.5	-351.7	-108.4
- Others	-21.9	-34.2	-	2.4	-56.1	-23.9
Income before tax	1,399.4	1,195.9	17.0% ↑	548.8	2,595.3	1,016.0
Net Income	1,014.2	870.8	16.5% ↑	410.7	1,885.1	755.4

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

Operating Income

- +29% growth in operating income reporting 1,722.0 bil. Won (QoQ +390.0)
 - Extended strength in refining margins, returned to profit in petrochemical, and increased profit in lube
 - Inventory-related gain
2Q: 357.9 bil. Won
(1Q: 562.0 bil. Won)

Income before Tax

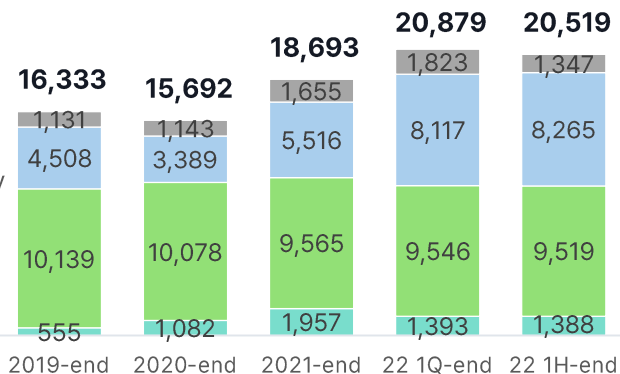
- 1,399.4 bil. Won of income before tax (QoQ +203.5)
 - Net FX loss due to increase of ₩/\$ rate (+56.8 ₩/\$, QoQ)

Financial Status

Assets

(Unit: bil. Won)

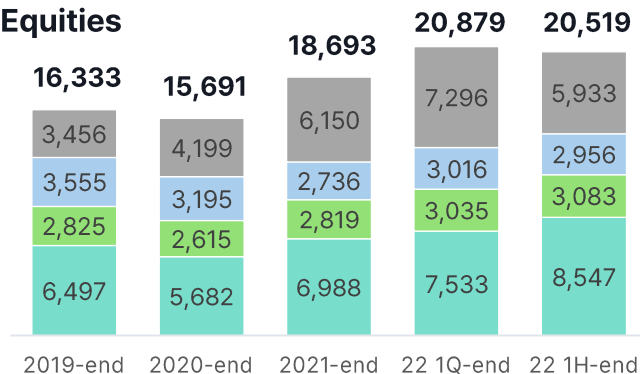
- Others
- A/R & inventory
- Tangible asset
- Cash



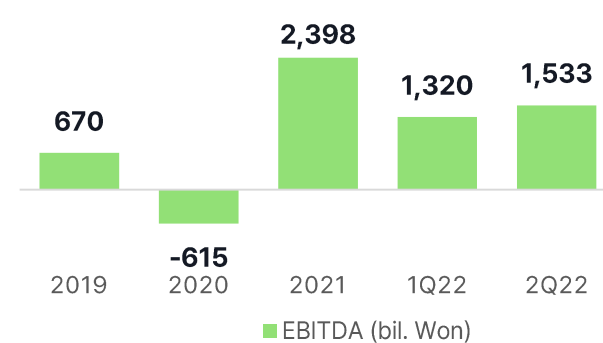
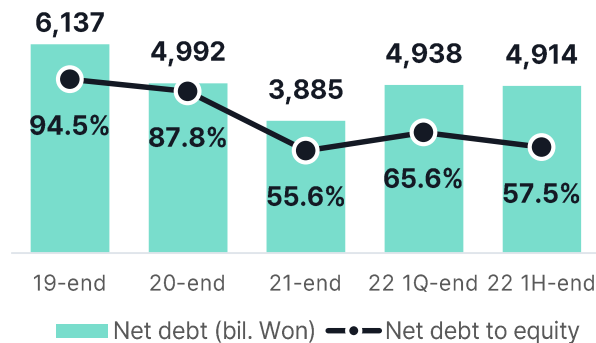
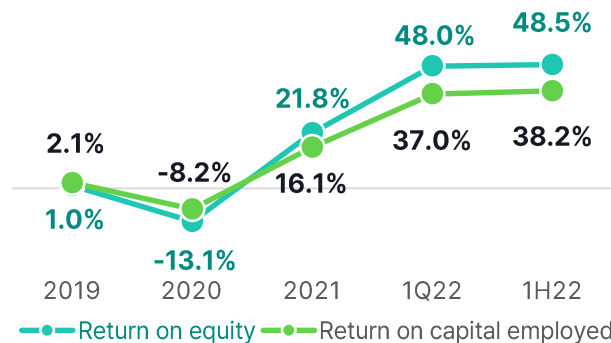
Liabilities & Equities

(Unit: bil. Won)

- Other liabilities
- L-T borrowing
- S-T borrowing
- Equity



Financial Highlights

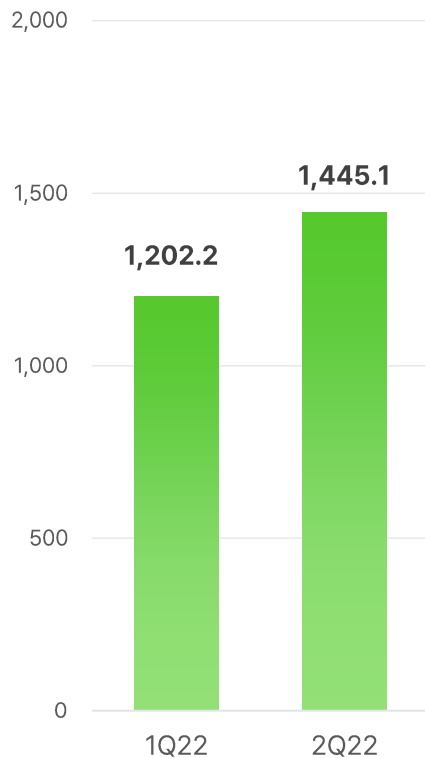


* Net debt: Short-term borrowing + Long-term borrowing + Lease obligation - Cash

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

Refining

Operating Income (Unit: bil. Won)



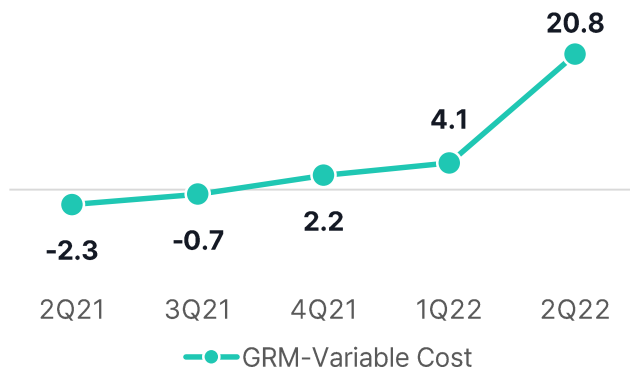
2Q 22 Market Environment

- **Regional refining margins** soared as refining supply was constrained by sanctions on Russia-origin import and reduced export from China, while demand was solid boosted by post pandemic recovery
- **Gasoline, Diesel, and Jet spread** surged to unprecedented levels under exceedingly tight supply and thin inventory

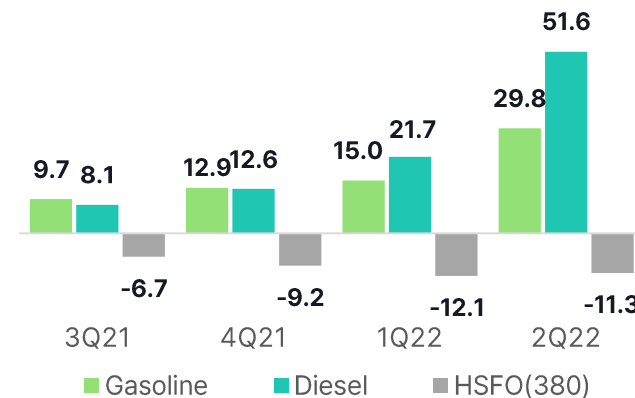
3Q 22 Outlook

- **Regional refining margins** are expected to correct downward but stay elevated than previous cycles supported by tight supply situation in global refining system
- **Diesel spread** is anticipated to soften ahead of seasonal heating demand in winter, but maintain well above the pre-Ukraine war level amid reduced Chinese export

Singapore Margin (Unit:\$./bbl)

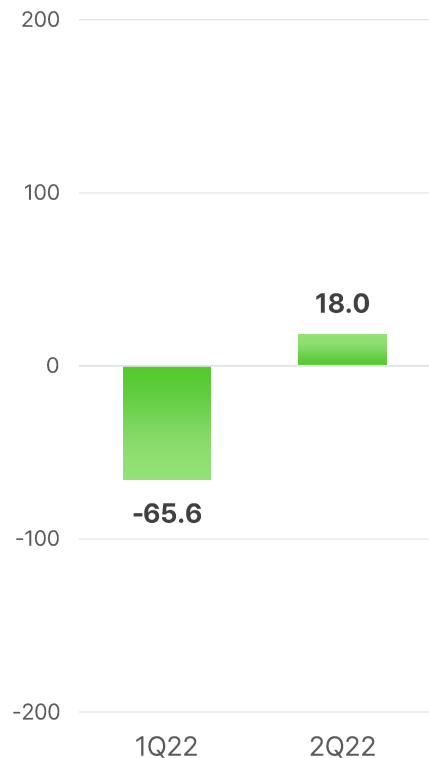


Products Spread over Dubai (Unit:\$./bbl)



Petrochemical

Operating Income (Unit: bil. Won)



2Q 22 Market Environment

Aromatics

- PX spread rebounded drastically owing to strong aromatics feedstock demand for gasoline blending, unplanned outage, and regular maintenance

Olefin downstream

- PP and PO demand recovery remained constrained by lockdowns in China
- PP spread bottomed out due to reduced operation rate, while PO spread steadied at a modest level

3Q 22 Outlook

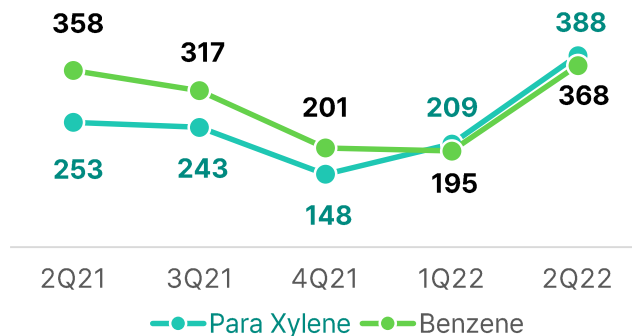
Aromatics

- PX spread is likely to maintain a sound level in the summer months, but trend lower toward the quarter-end with new capacities in China

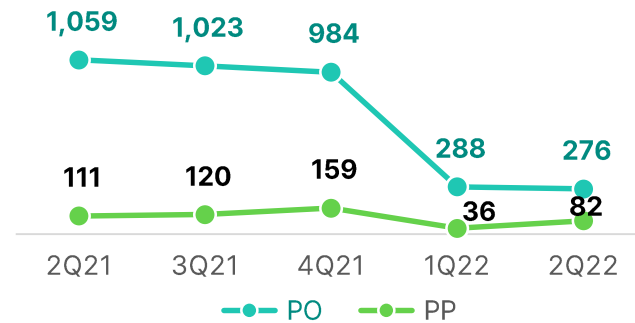
Olefin downstream

- PP and PO spread is anticipated to gradually improve with easing trend of pandemic restrictions in China

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

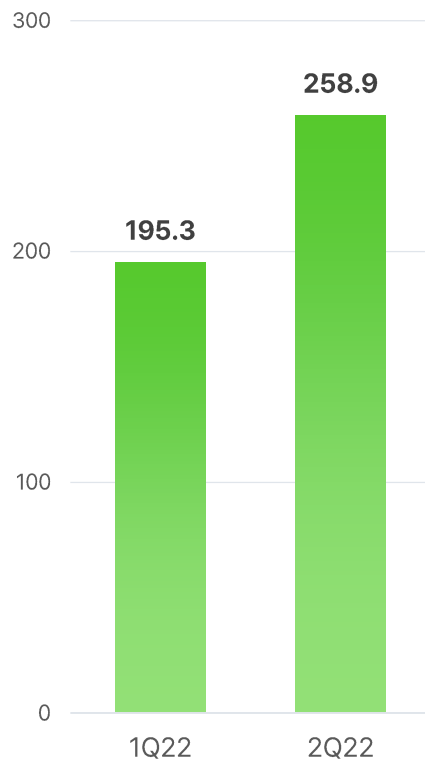


Olefin Spread over Propylene (Unit : \$/ton)



Lube

Operating Income (Unit: bil. Won)



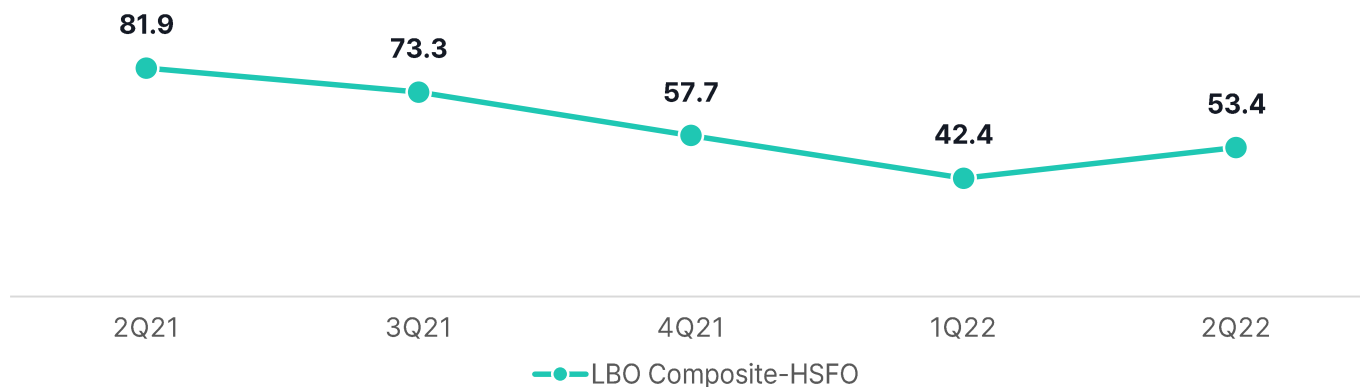
2Q 22 Market Environment

- **LBO fundamental** improved on the back of solid demand added by seasonal upswing, and supply tightness to increase diesel yield than lube base oil
- **LBO spread** widened with product prices catching up with feedstock price hike

3Q 22 Outlook

- **LBO fundamental** is expected to maintain stable-to-firm supported by healthy demand, and a few refineries' planned maintenances
- **LBO spread** is likely to sustain current level amid sound fundamentals, or potentially gain if feedstock price stabilizes lower

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



Key Business Update

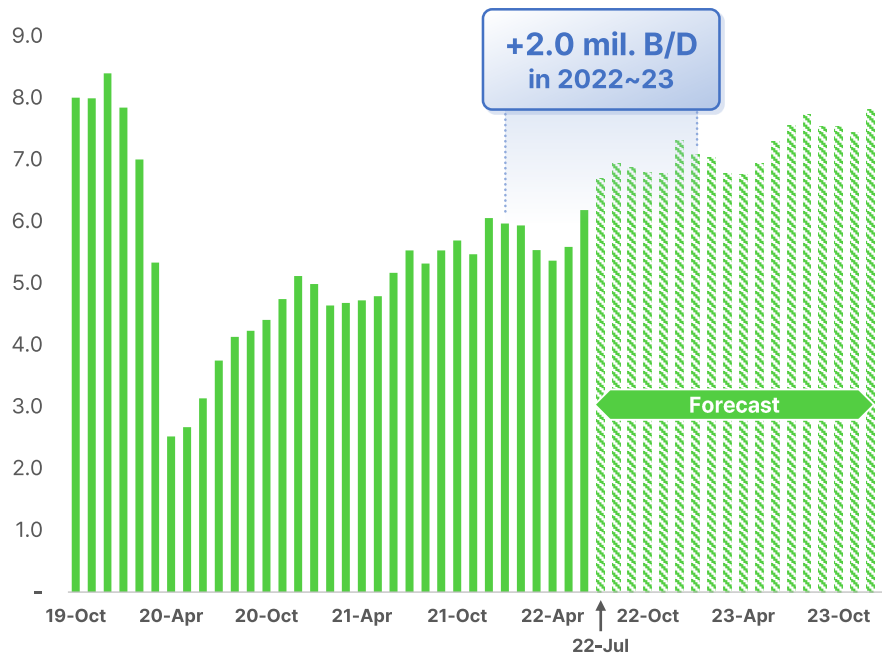
- Resilient Refined Product Demand
- Refining Facility Shortage
- Enhanced Profitability by RUC/ODC

Resilient Refined Product Demand

- Refined product demand is showing resilience with post-pandemic demand normalization under easing restrictions, strong seasonal upswing, and globally unprecedented level of mitigation measures for international oil price surge

Global Jet Fuel Demand Recovery

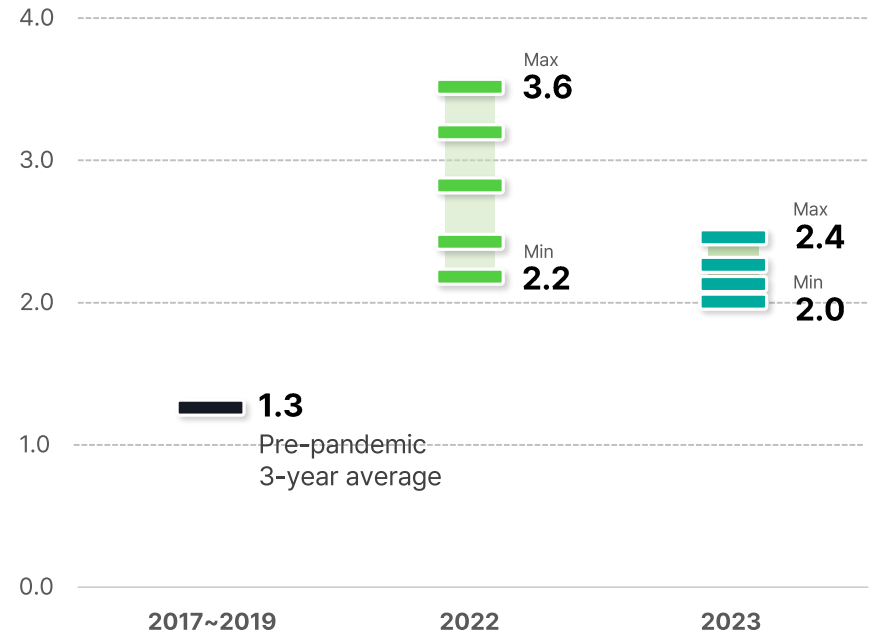
(Unit : mil. B/D)



Source: IHS, FACTS, WoodMac, The Company

Global Oil Demand Growth Outlook by Major Institutes

(Unit : mil. B/D)



Source: EIA (Jul), OPEC (Jul), IHS (Jun), FACTS (Jun), WoodMac (Jul)

Refining Facility Shortage

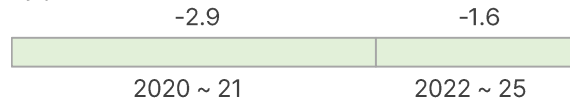
- Massive refinery rationalization made since the pandemic years has led to healthier supply-demand balance
- Little visibility of new grassroots refineries post-2024 is expected to translate to high cycle sustaining for years

Global Refinery Closure since 2020

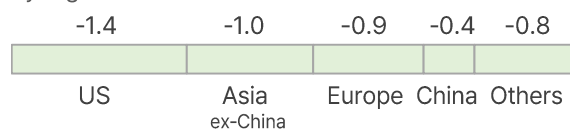
(Unit : mil. B/D)



by period



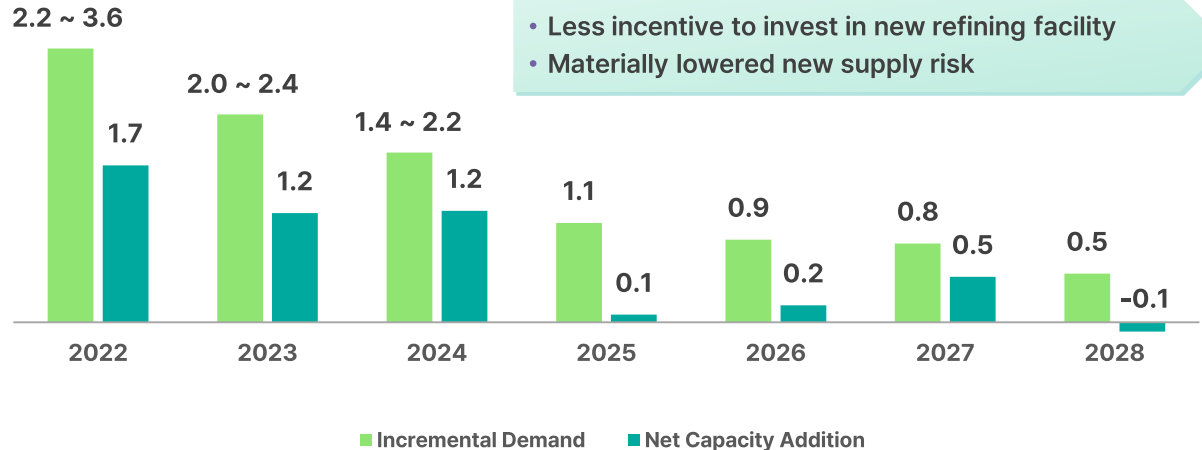
by region



Global Demand Growth & Net Capacity Addition

(Unit : mil. B/D)

- Incremental capacity below demand
- Typical time lag of new plant ramp-up



- Less incentive to invest in new refining facility
- Materially lowered new supply risk

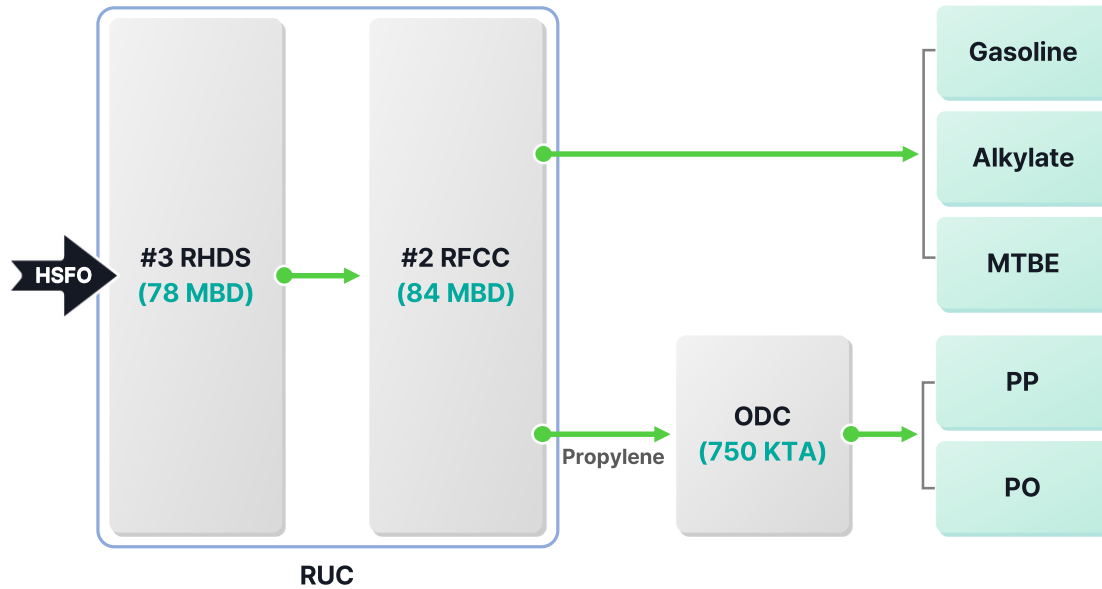
Source: EIA, OPEC, IHS, FACTS, WoodMac, The Company

Enhanced Profitability by RUC/ODC

- S-OIL is one of the best positioned to benefit from refining margin strength with superior facility competitiveness
- Profitability of RUC has remarkably widened by upgrading heavily discounted HSFO to capture lucrative gasoline margin

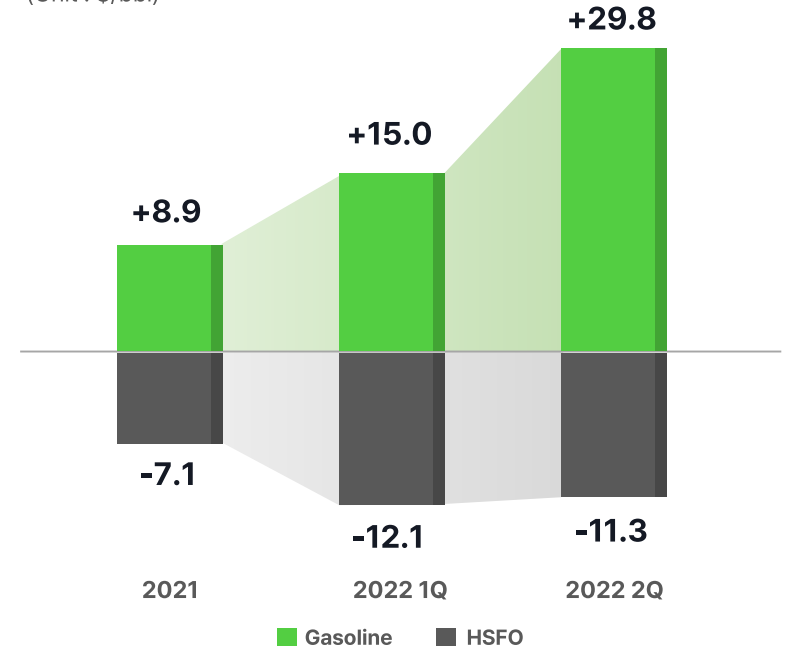
RUC/ODC Project

(Residue Upgrading Complex & Olefin Downstream Complex)



Gasoline and HSFO Spread over Dubai

(Unit : \$/bbl)

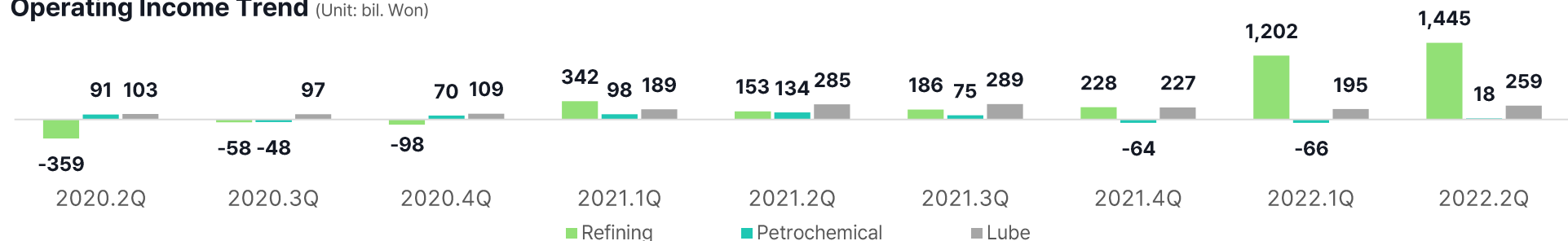


Supplementary Information

Performance by Business Segment

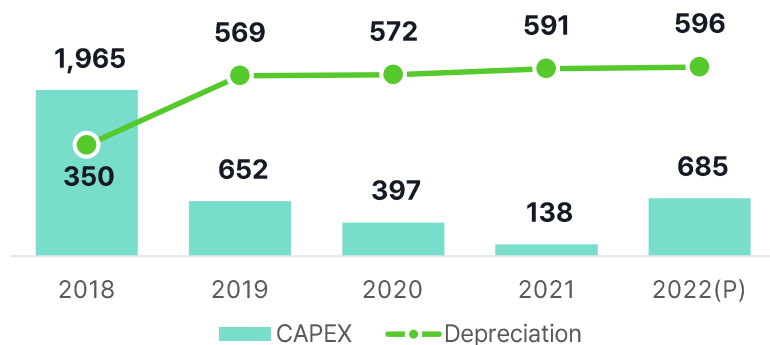
Segment	(Unit: bil. Won)	2Q 22	1Q 22	QoQ	2Q 21	1H 22	1H 21
Refining	Revenue	9,252.1	7,179.1	28.9% ↑	4,848.2	16,431.2	8,645.6
	Operating Income	1,445.1	1,202.2	20.2% ↑	152.5	2,647.3	494.6
	(Margin)	(15.6%)	(16.7%)		(3.1%)	(16.1%)	(5.7%)
Petrochemical	Revenue	1,302.3	1,366.2	4.7% ↓	1,203.3	2,668.6	2,224.5
	Operating Income	18.0	-65.6	Turn to Profit ↑	134.0	-47.6	232.3
	(Margin)	(1.4%)	(-4.8%)		(11.1%)	(-1.8%)	(10.4%)
Lube	Revenue	888.0	741.7	19.7% ↑	659.5	1,629.7	1,185.7
	Operating Income	258.9	195.3	32.5% ↑	284.5	454.3	473.4
	(Margin)	(29.2%)	(26.3%)		(43.1%)	(27.9%)	(39.9%)
Total	Revenue	11,442.4	9,287.0	23.2% ↑	6,711.0	20,729.4	12,055.8
	Operating Income	1,722.0	1,332.0	29.3% ↑	571.0	3,053.9	1,200.2
	(Margin)	(15.0%)	(14.3%)		(8.5%)	(14.7%)	(10.0%)

Operating Income Trend (Unit: bil. Won)



CAPEX & Operation

CAPEX & Depreciation



(Unit: bil. Won)	2021	2022(P)	1H 22
Upgrade & Maintenance	97.6	487.1	79.8
Marketing related expenditure	21.8	49.8	16.8
Others	18.1	148.3	39.4
Total CAPEX	137.5	685.2	136.0
Depreciation	590.8	595.8	292.8

Maintenances

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

Utilization Rate

	2020	2021	1Q 22	2Q 22
CDU	96.1%	97.8%	98.4%	93.8%
RFCC/HYC	91.9%	97.0%	97.2%	94.1%
PX Plants	88.0%	91.6%	87.5%	79.2%
PP/PO Plants	78.0%	102.8%	84.3%	78.9%
Lube Plants	88.4%	99.2%	99.5%	97.0%

Long-term Margin Trend

Refining

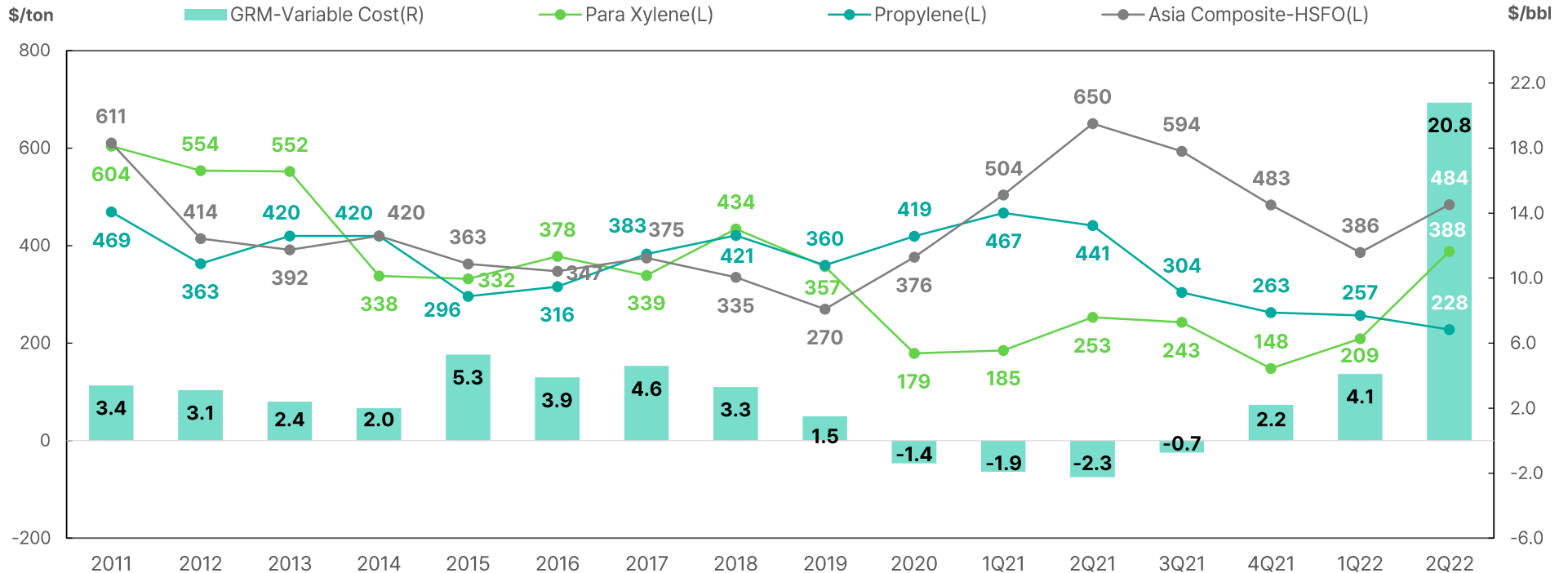
Singapore margin

Petrochemical

Product spread (vs. Naphtha)

Lube base oil

Product spread



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



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

**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

