

S-OIL Corporation 3Q 2022 Results

October 2022



Highlights



511.7 billion Won
Operating profit in 3Q

The Company reports 511.7 billion Won in 3Q operating income largely contributed by lube and chemical segments despite downward correction in oil price and refining margin



Winter Seasonal Demand

Demand for oil products will show an upswing for heating purpose during winter months, while easing mobility restrictions remain a potential upside



Refining Facility Shortage

Long-term demand and supply projections by institutions indicate a sizeable shortage of refining facility for a prolonged period

DISCLAIMER

Financial results for 3Q 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.



3Q 2022 Performance & Outlook

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3Q 2022 Performance & Outlook

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- Financial Status
- Refining
- Petrochemical
- Lube

3Q 2022 Financial Result

(Unit: bil. Won)	3Q 22	2Q 22	QoQ	3Q 21	1Q-3Q 22	1Q-3Q 21
Revenue	11,122.6	11,442.4	2.8%↓	7,117.0	31,852.1	19,172.8
Operating Income	511.7	1,722.0	70.3%↓	549.4	3,565.6	1,749.7
(Margin)	4.6%	15.0%	-	7.7%	11.2%	9.1%
Refining	78.8	1,445.1	94.5%↓	185.5	2,726.1	680.1
Petrochemical	56.1	18.0	212.1%↑	75.1	8.5	307.4
Lube	376.7	258.9	45.5%↑	288.8	831.0	762.2
Finance & Other Income	-538.1	-322.6	-	-76.4	-996.7	-260.6
- Net Interest gain	-34.3	-29.7	-	-25.9	-85.1	-77.9
- Net F/X gain*	-520.0	-271.0	-	-157.6	-871.7	-266.0
- Others	16.2	-21.9	-	107.1	-40.0	83.2
Income before tax	-26.4	1,399.4	-	473.1	2,568.9	1,489.0
Net Income	-9.6	1,014.2	-	334.5	1,875.5	1,090.0

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

Operating Income

- 511.7 bil. Won in operating income (QoQ -1,210.3)
 - Decreased refining profit due to decline in crude oil price and refining margin
 - Improved profit in petrochemical and lube segments
 - Inventory-related impact
3Q: -158.1 bil. Won
(2Q: 357.9 bil. Won)

Income before Tax

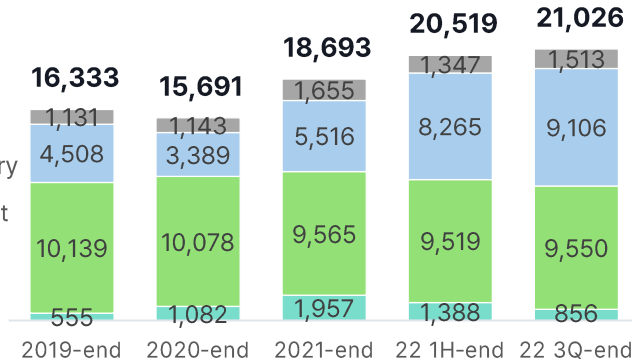
- -26.4 bil. Won of income before tax (QoQ -1,425.8)
 - Increase of ₩/\$ rate
2Q: +82.1 ₩/\$
3Q: +141.9 ₩/\$

Financial Status

Assets

(Unit: bil. Won)

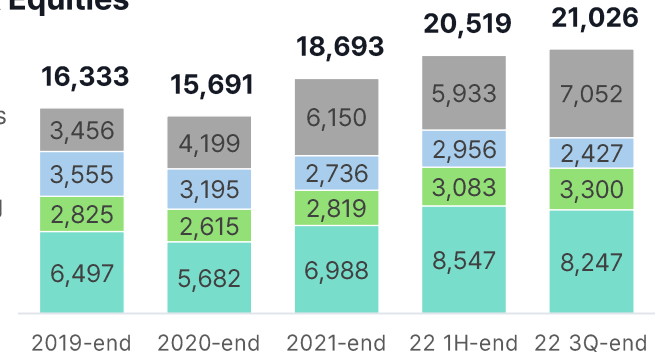
- Others
- A/R & inventory
- Tangible asset
- Cash



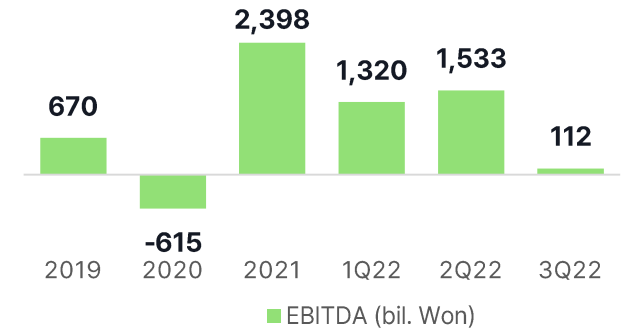
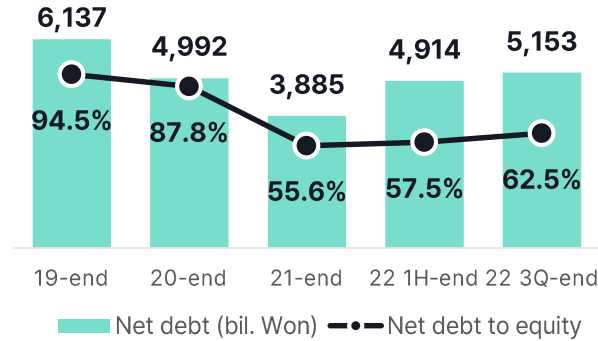
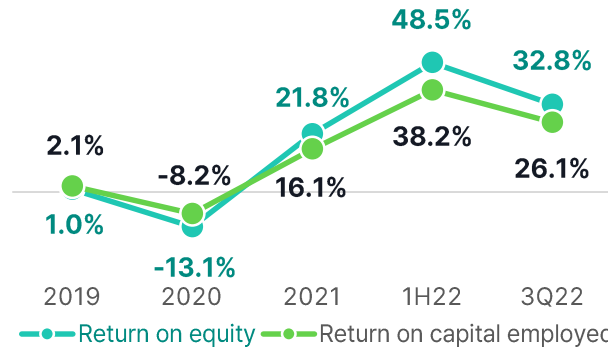
Liabilities & Equities

(Unit: bil. Won)

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



Financial Highlights

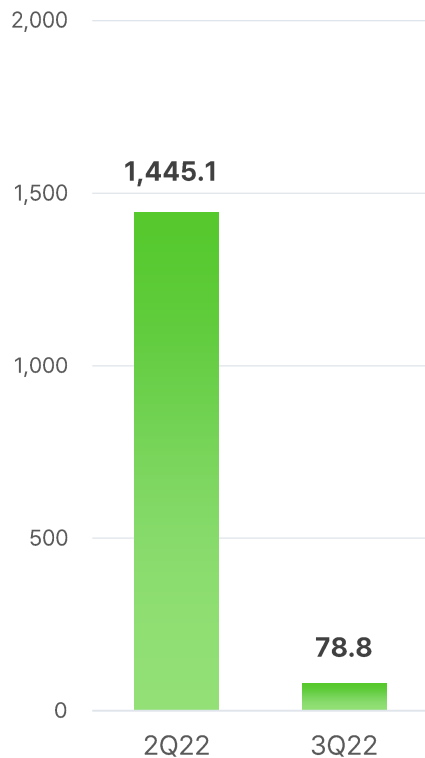


* Net debt: Short-term borrowing + Long-term borrowing + Lease obligation - Cash

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

Refining

Operating Income (Unit: bil. Won)



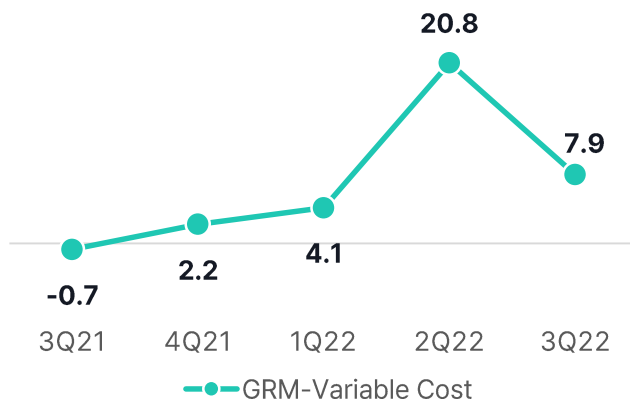
3Q 22 Market Environment

- **Regional refining margin** was corrected down due to lower-than-anticipated summer seasonal demand and concern over China's additional issuance of fuel product export quota
- **Crude oil price** fell on concerns over global economic recession, which led to the transient negative crude oil price-related impact in 3Q operating income

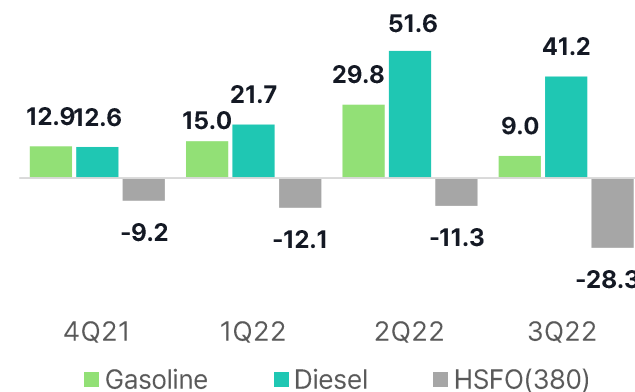
4Q 22 Outlook

- **Regional refining margin** is projected to improve by augmenting winter seasonal demand, but with sporadic volatilities
 - Expected Chinese export increase is likely to be offset to some extent by potential loss of Russian refining production
- **Diesel & kerosene spreads** are anticipated to remain at elevated levels given markedly low global inventory in the face of heating demand increase in winter

Singapore Margin (Unit:\$/bbl)

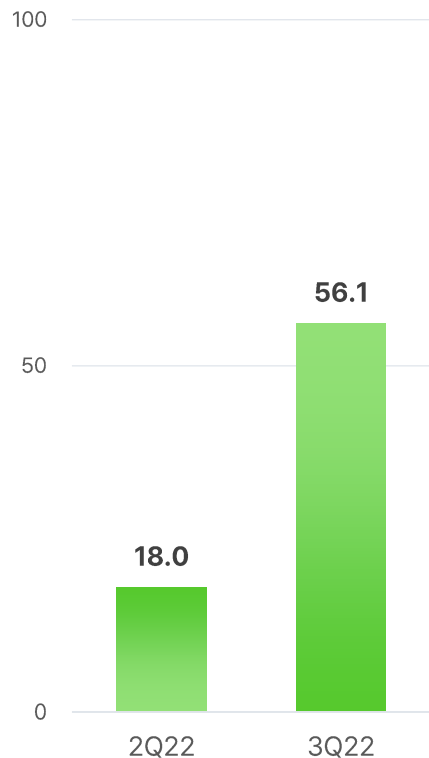


Products Spread over Dubai (Unit:\$/bbl)



Petrochemical

Operating Income (Unit: bil. Won)



3Q 22 Market Environment

Aromatics

- PX spread maintained a solid level supported by run-cut and scheduled maintenance of PX players along with continued discount of feedstock naphtha price

Olefin downstream

- PP and PO demand was still constrained by China's zero COVID policy
 - PO spread weakened QoQ due to start-up of a new Chinese plant in June-end

4Q 22 Outlook

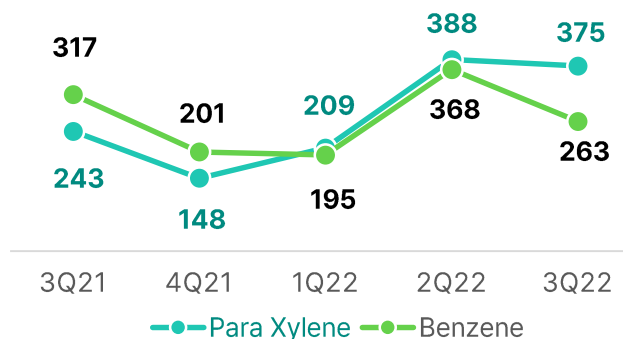
Aromatics

- PX spread is expected to moderate with new PX capacities coming online, but sustained alternative demand for gasoline blending, and softness in feedstock price to provide support

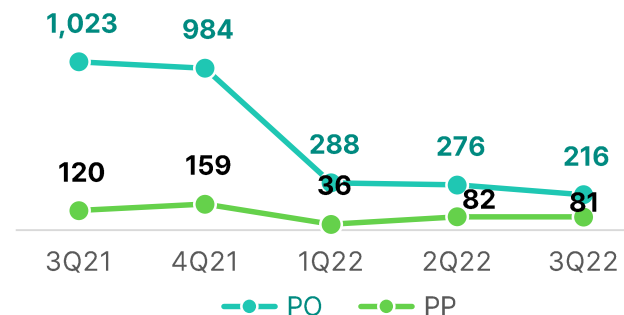
Olefin downstream

- PP and PO market balance is likely to recover gradually in line with consumer demand increase toward year-end
 - PO spread is forecast to recover moderately with regular maintenance

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

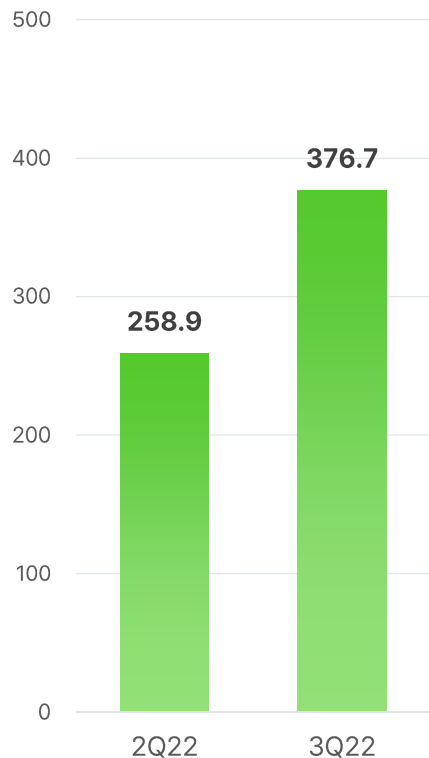


Olefin Spread over Propylene (Unit : \$/ton)



Lube

Operating Income (Unit: bil. Won)



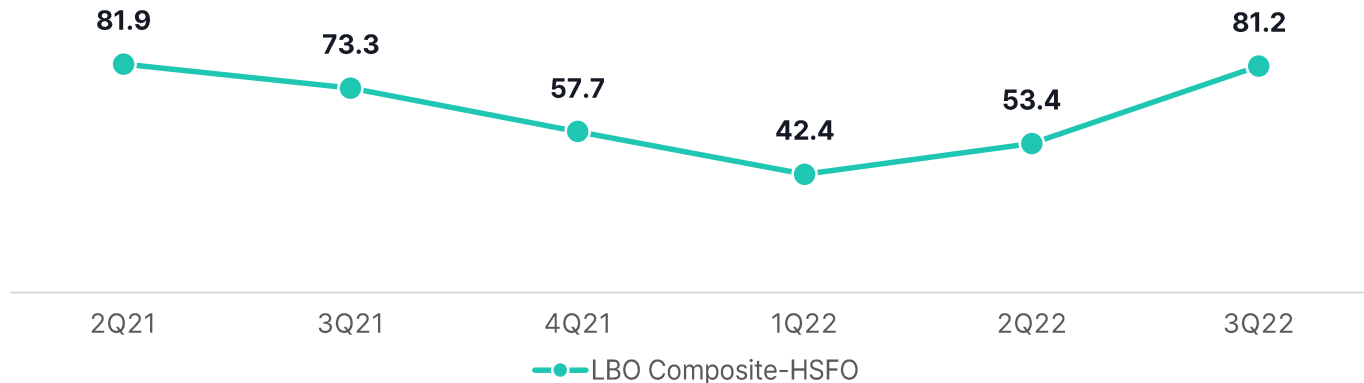
3Q 22 Market Environment

- **LBO fundamental** maintained soundness supported by scheduled maintenance despite demand moderation after peak summer season
- **LBO spread** widened considerably owing to lowered feedstock cost amid the decline in crude oil price

4Q 22 Outlook

- **LBO fundamental** is expected to be softened due to seasonally weaker demand, but to be still supported by underlying firmness amid limited capacity addition
- **LBO spread** is estimated to maintain a healthy level, though easing from the current near-record level is likely

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



Key Business Update

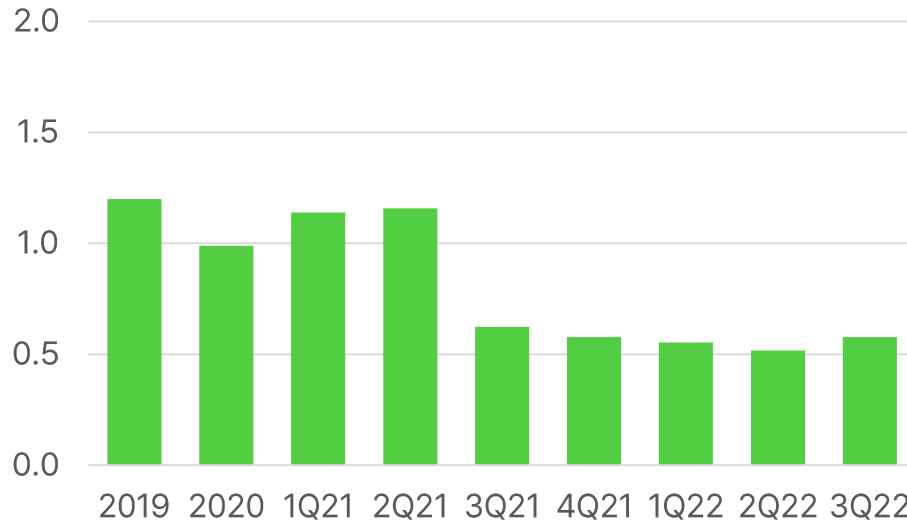
- Potential Reduction of Russian Refining Production
- Refining Facility Shortage

Potential Reduction of Russian Refining Production

- Expected China's product export increase under the extra quota issued in September is likely to be offset in part by potential loss of Russian refining production around the EU's sanction in Feb 2023

China's Light Fuel Export Historical Trend

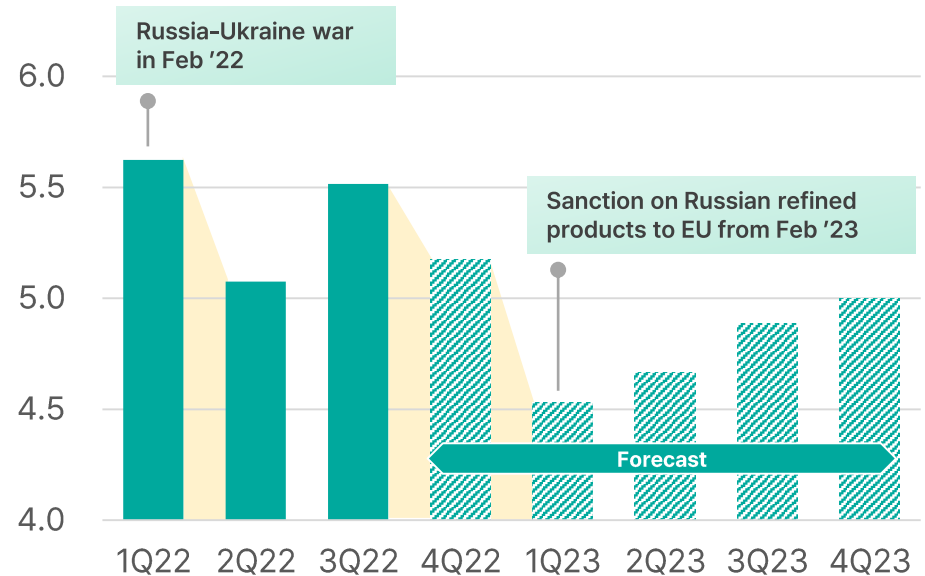
(Unit : mil. B/D)



Source: IHS, FACTS, WoodMac, ESAI, The Company

Russian Refining Production Forecast by Institutions

(Unit : mil. B/D)

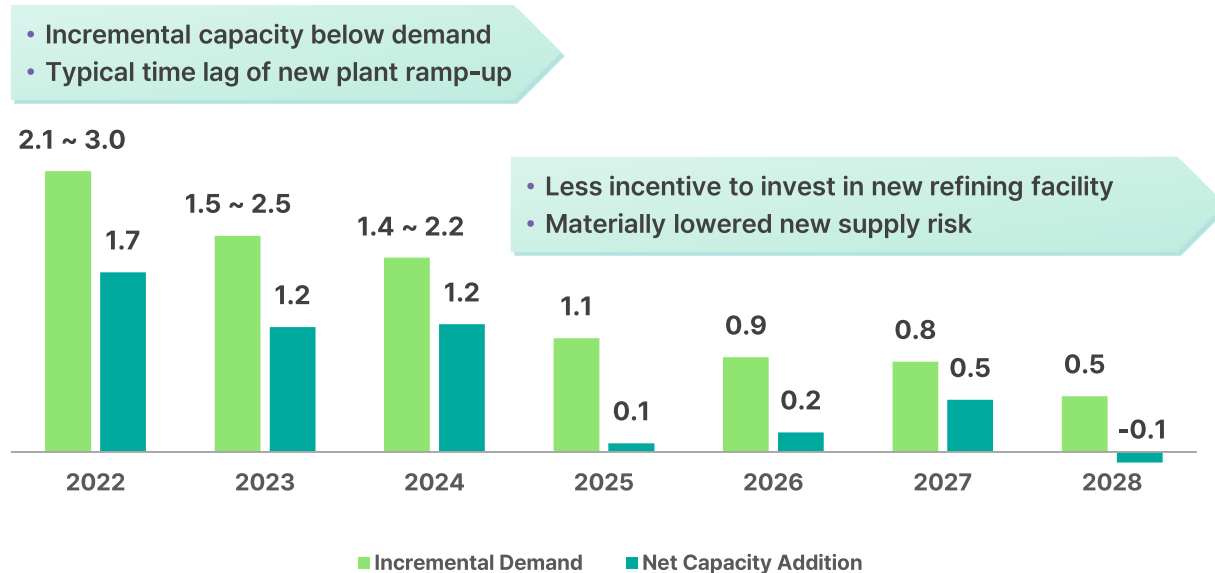


Refining Facility Shortage

- Long-term demand and supply projections by major institutions indicate a sizeable shortage of refining facility for a prolonged period, during which high cycle of the refining industry is likely to be sustained

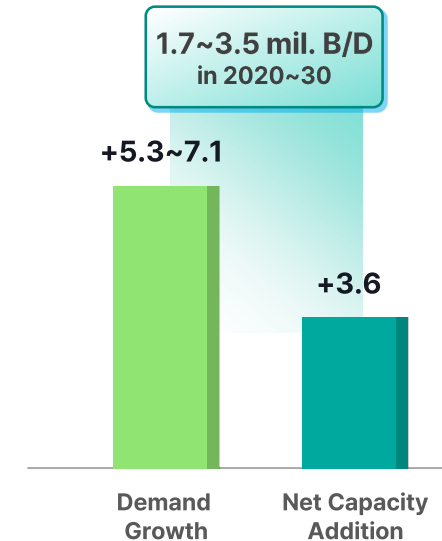
Global Demand Growth & Net Capacity Addition

(Unit : mil. B/D)



Cumulative Demand Growth & Net Capacity Addition in 2020~30

(Unit : mil. B/D)

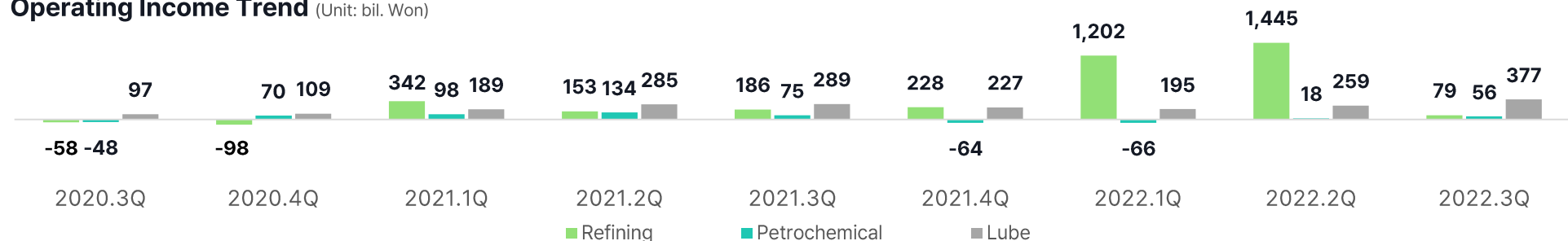


Supplementary Information

Performance by Business Segment

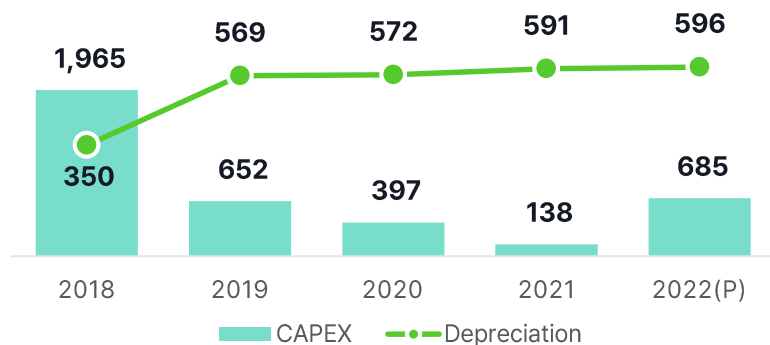
Segment	(Unit: bil. Won)	3Q 22	2Q 22	QoQ	3Q 21	1Q-3Q 22	1Q-3Q 21
Refining	Revenue	9,015.7	9,252.1	2.6%↓	5,223.0	25,446.9	13,868.6
	Operating Income	78.8	1,445.1	94.5%↓	185.5	2,726.1	680.1
	(Margin)	0.9%	15.6%		3.6%	10.7%	4.9%
Petrochemical	Revenue	1,161.5	1,302.3	10.8%↓	1,182.8	3,830.0	3,407.2
	Operating Income	56.1	18.0	212.1%↑	75.1	8.5	307.4
	(Margin)	4.8%	1.4%		6.3%	0.2%	9.0%
Lube	Revenue	945.4	888.0	6.5%↑	711.2	2,575.1	1,896.9
	Operating Income	376.7	258.9	45.5%↑	288.8	831.0	762.2
	(Margin)	39.8%	29.2%		40.6%	32.3%	40.2%
Total	Revenue	11,122.6	11,442.4	2.8%↓	7,117.0	31,852.1	19,172.8
	Operating Income	511.7	1,722.0	70.3%↓	549.4	3,565.6	1,749.7
	(Margin)	4.6%	15.0%		7.7%	11.2%	9.1%

Operating Income Trend (Unit: bil. Won)



CAPEX & Operation

CAPEX & Depreciation



(Unit: bil. Won)	2021	2022(P)	1Q-3Q 22
Upgrade & Maintenance	97.6	487.1	183.9
Marketing related expenditure	21.8	49.8	25.4
Others	18.1	148.3	46.4
Total CAPEX	137.5	685.2	255.7
Depreciation	590.8	595.8	434.7

Maintenances

		2020	2021	3Q 22	4Q 22
Refining	#1 CDU	-	-	-	-
	#2 RFCC	-	-	#1 RFCC	-
Petrochemical	PP/PO	-	-	PO	-
Lube	#1 HDT	-	-	-	-

Utilization Rate

	2020	2021	1H22	3Q 22
CDU	96.1%	97.8%	92.4%	91.6%
RFCC/HYC	91.9%	97.0%	94.1%	89.4%
PX Plants	88.0%	91.6%	79.9%	73.0%
PP/PO Plants	78.0%	102.8%	78.9%	69.0%
Lube Plants	88.4%	99.2%	96.8%	93.4%

Long-term Margin Trend

Refining

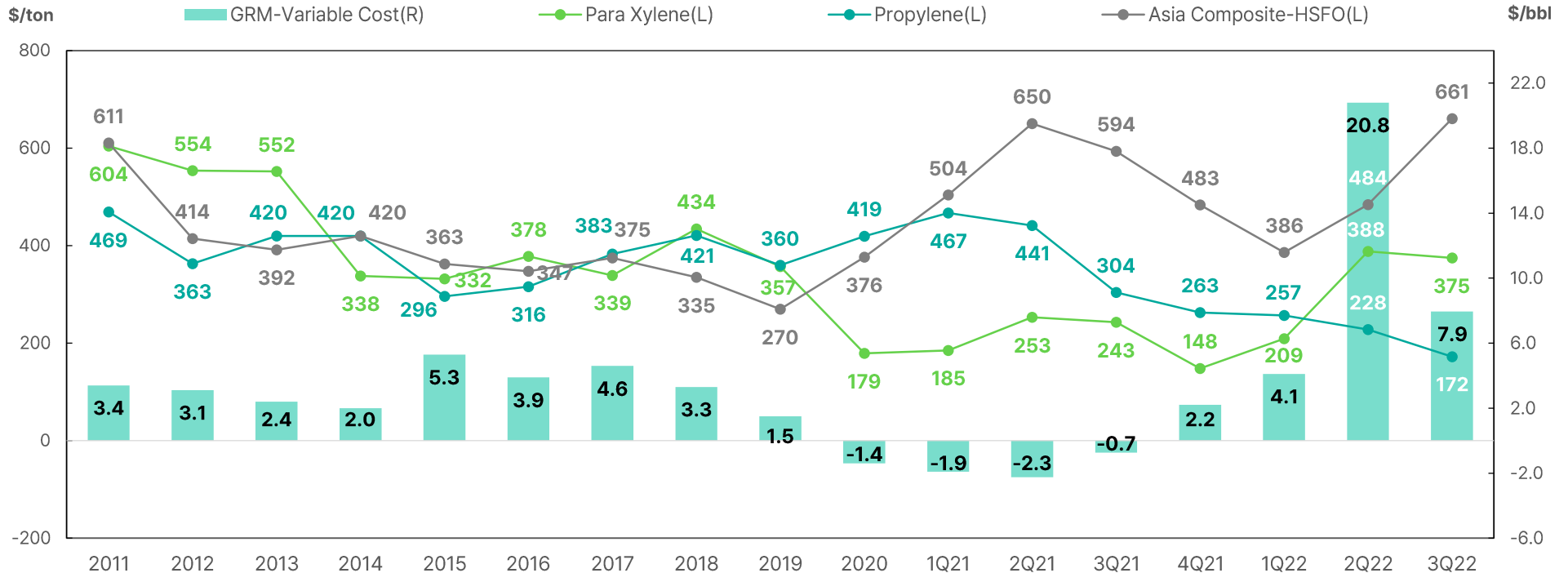
Singapore margin

Petrochemical

Product spread (vs. Naphtha)

Lube base oil

Product spread

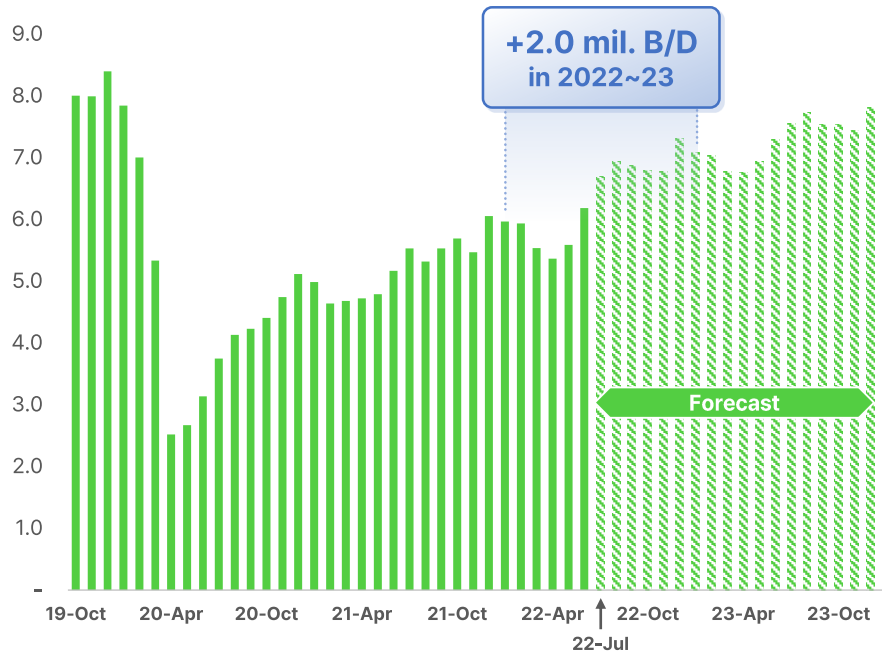


Refined Product Demand Forecast Update

- Refined product demand growth is still on recovery track to the pre-pandemic level, while slower-than-anticipated pace of growth is pushing back the timing of full recovery

Global Jet Fuel Demand Recovery

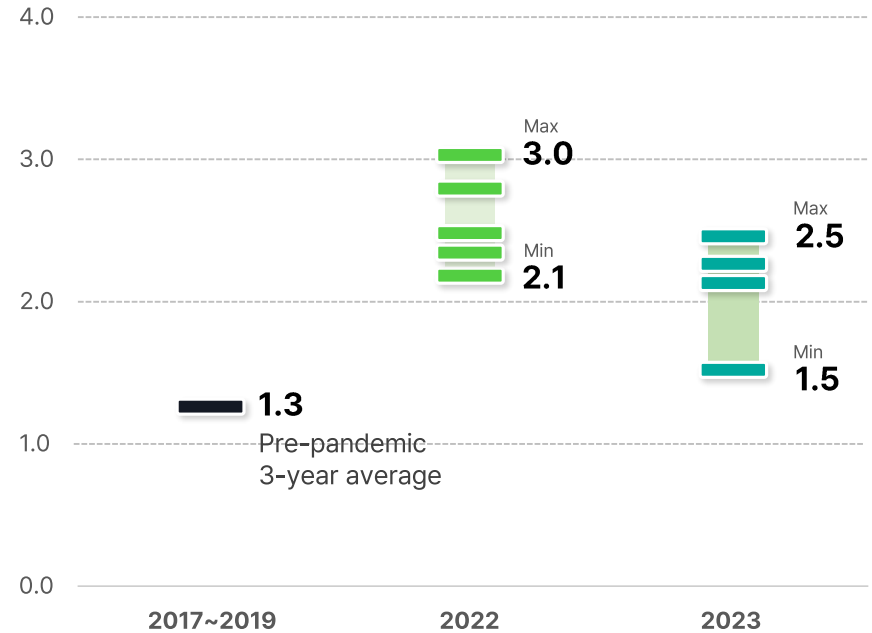
(Unit : mil. B/D)



Source: IHS, FACTS, WoodMac, The Company

Global Oil Demand Growth Outlook by Major Institutes

(Unit : mil. B/D)



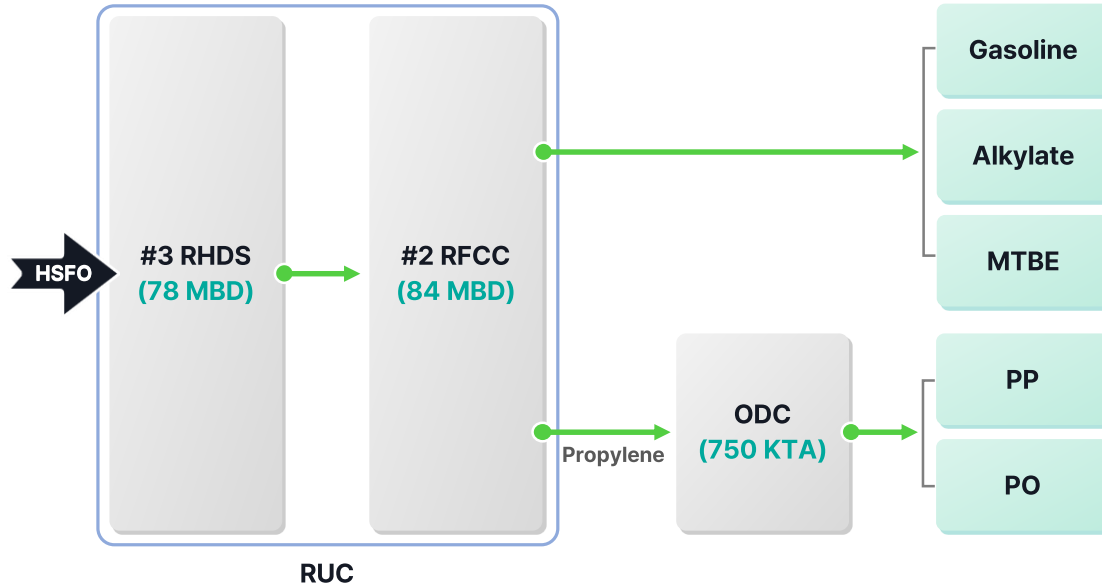
Source: EIA (Oct), OPEC (Oct), IHS (Sep), FACTS (Oct), WoodMac (Sep)

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

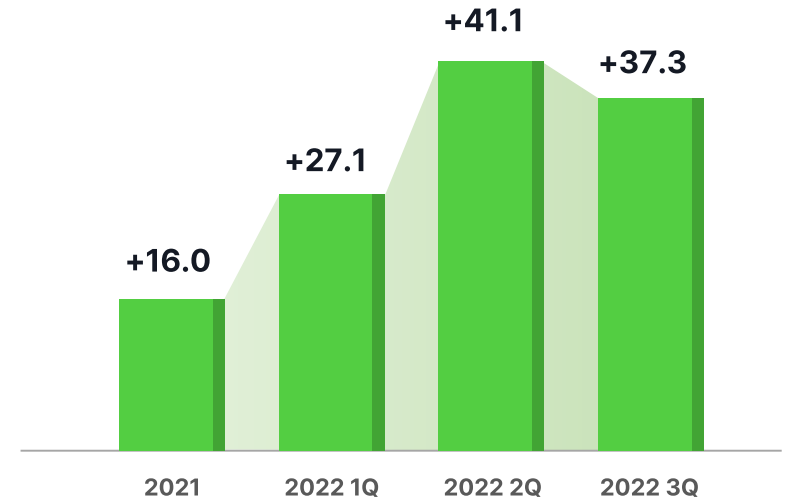
RUC/ODC Project

(Residue Upgrading Complex & Olefin Downstream Complex)



Gasoline Spread over HSFO

(Unit : \$/bbl)



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

In January 2022, 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

