

S-OIL Corporation 1Q 2023 Results

April 2023



Highlights



515.7 billion Won
Operating income in 1Q

Oil price bottoming out, refining and lube base oil margins continuing firmness, and petrochemical segment turning to profit led to a sound quarterly operating income



Raised Demand Forecast

China's post reopening demand recovery prompted upward revisions in 2023 oil demand forecast by energy agencies. With upcoming summer high demand season, demand strength is expected to continue



Digital Refinery

We are driving the full-scale transformation to Digital Refinery aimed at enhancing operational excellence and reliability through adopting state-of-the-art digital technologies

DISCLAIMER

Financial results for 1Q 2023 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 2023 Performance & Outlook

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1Q 2023 Performance & Outlook

- 1Q 2023 Financial Result
- Financial Status
- Refining
- Petrochemical
- Lube

1Q 2023 Financial Result

(Unit: bil. Won)	1Q 23	4Q 22	QoQ	1Q 22	YoY
Revenue	9,077.6	10,594.0	14.3% ↓	9,287.0	2.3% ↓
Operating Income	515.7	-160.4	Turn to Profit ↑	1,332.0	61.3% ↓
(Margin)	5.7%	-1.5%	-	14.3%	
Refining	290.6	-381.8	Turn to Profit ↑	1,202.2	75.8% ↓
Petrochemical	29.3	-58.3	Turn to Profit ↑	-65.6	Turn to Profit ↑
Lube	195.8	279.7	30.0% ↓	195.3	0.2% ↑
Finance & Other Income	-160.8	490.1	-	-136.1	
- Net Interest gain	-36.4	-35.1	-	-21.1	
- Net F/X gain*	-119.1	516.4	-	-80.7	
- Others	-5.3	8.8	-	-34.3	
Income before tax	354.9	329.7	7.7% ↑	1,195.9	70.3% ↓
Net Income	265.3	228.9	15.9% ↑	870.8	69.5% ↓

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

Operating Income

- 515.7 bil. Won in operating income (turned to profit QoQ)
 - Consistent profit contribution by solid refining and lube margins
 - Petrochemical segment turning to profit
 - Inventory-related impact
1Q 23: -123.4 bil. Won
(4Q 22: -433.8 bil. Won)

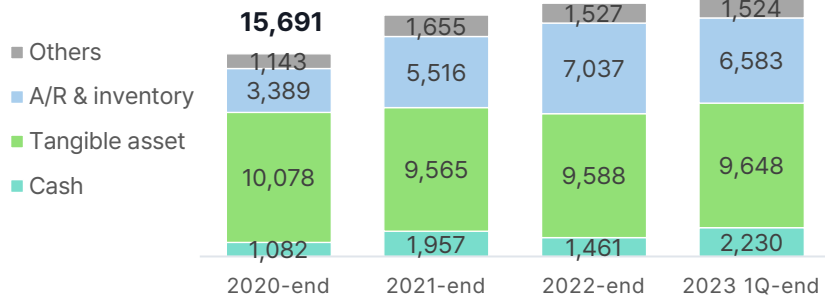
Income before Tax

- 354.9 bil. Won of income before tax (+25.2 QoQ)
 - Increase of ₩/\$ rate
 - 1Q 23: +36.5 ₩/\$
 - 4Q 22: -167.5 ₩/\$

Financial Status

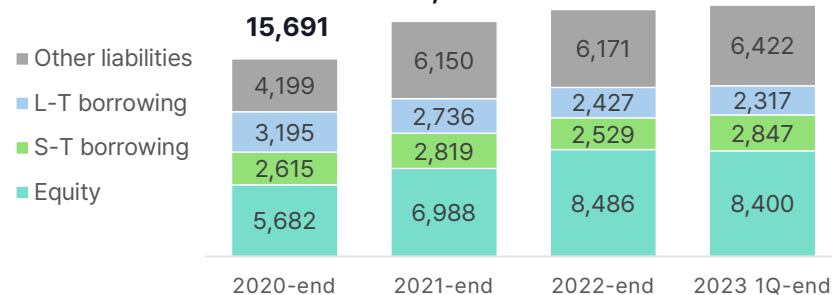
Assets

(Unit: bil. Won)

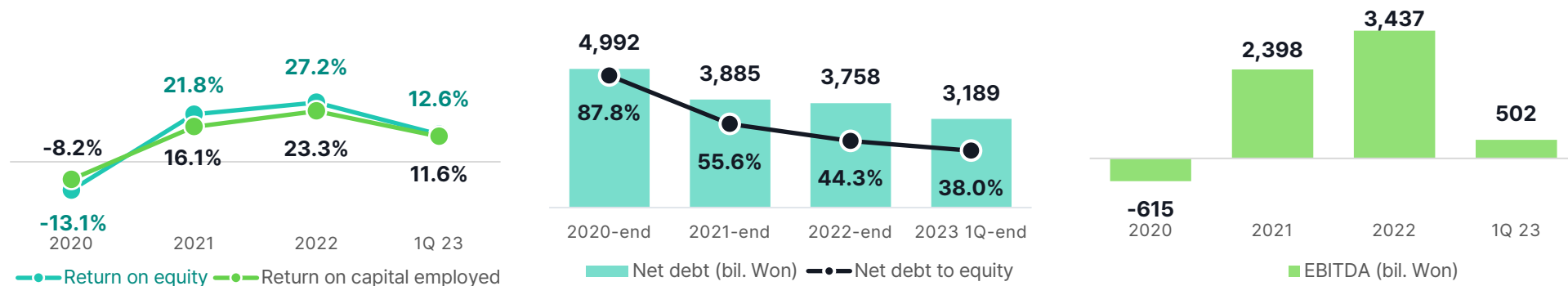


Liabilities & Equities

(Unit: bil. Won)



Financial Highlights

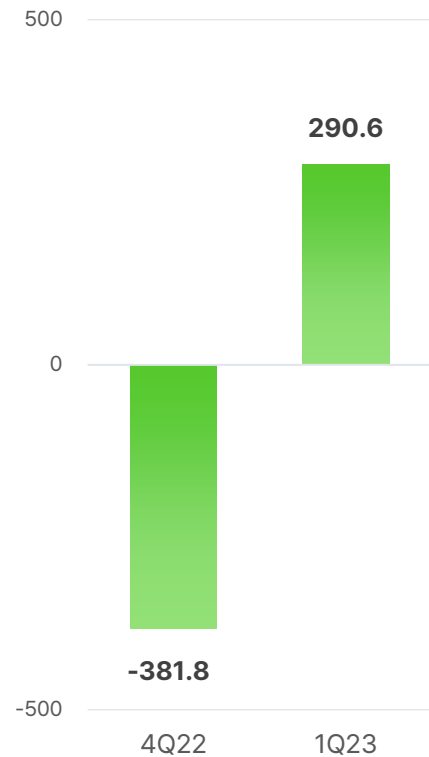


* Net debt: Short-term borrowing + Long-term borrowing + Lease obligation - Cash

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

Refining

Operating Income (Unit: bil. Won)



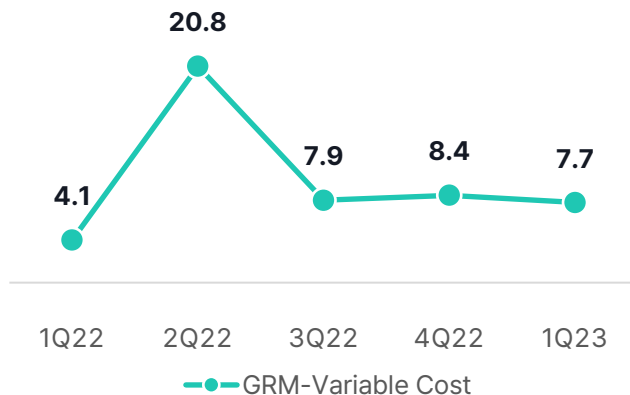
1Q 23 Market Environment

- **Regional refining margins** maintained a firm level thanks to rise in the regional demand post China's reopening despite eased diesel spread
 - **Gasoline spread** turned bullish due to China's recovering mobility and extra-regional supply disruptions such as in the US and Europe
- **Dubai crude price** bottomed out from the last year-end level, while Asian OSP of Middle East crudes declined

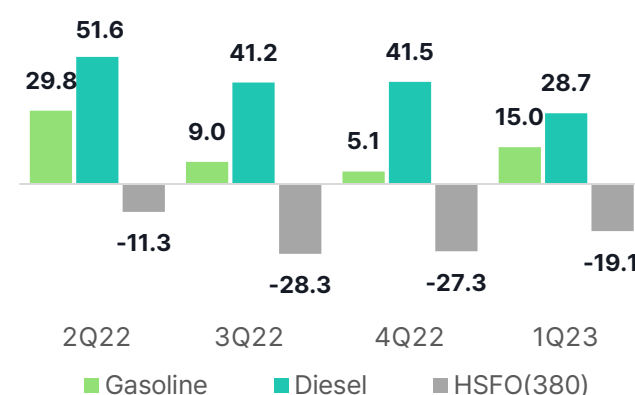
2Q 23 Outlook

- **Regional refining margins** were recently adjusted downward, but are expected to be supported by increasing demand during summer driving season, and regular maintenance of global refineries
 - Gasoline and jet fuel demand upswing is expected over the China's first Labor Day holiday and seasonal peak demand period after its reopening

Singapore Margin (Unit:\$/bbl)

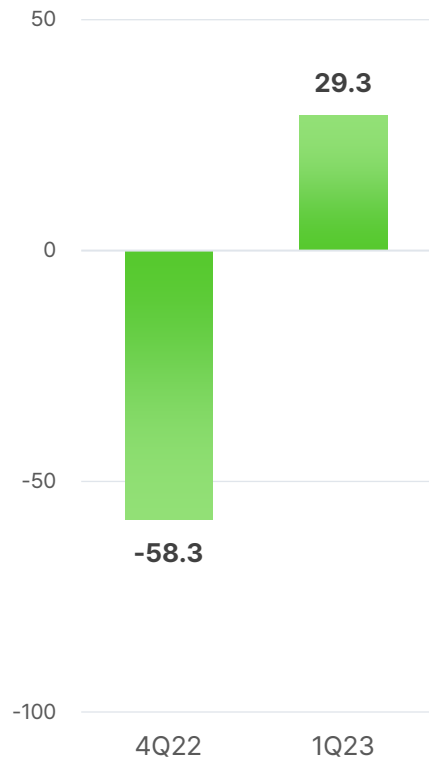


Products Spread over Dubai (Unit:\$/bbl)



Petrochemical

Operating Income (Unit: bil. Won)



1Q 23 Market Environment

Aromatics

- PX and BZ markets were supported by start-up of new downstream plants and gradual recovery of derivatives demand following China's reopening, despite start-up of large aromatic plants in China

Olefin downstream

- PP and PO markets faced downward pressure from new capacities mainly in Asia, but were shored up by regional regular maintenance and gradually improving demand from China's reopening
 - PO spread gained backed by large-scale regional maintenance

2Q 23 Outlook

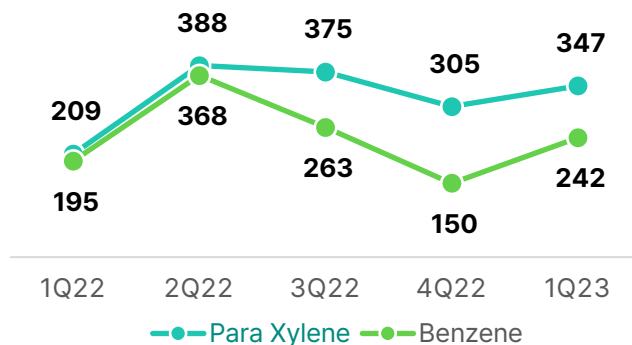
Aromatics

- PX and BZ markets are expected to remain supported by downstream demand increase and gasoline blending demand around summer driving season amid concentrated maintenance activities

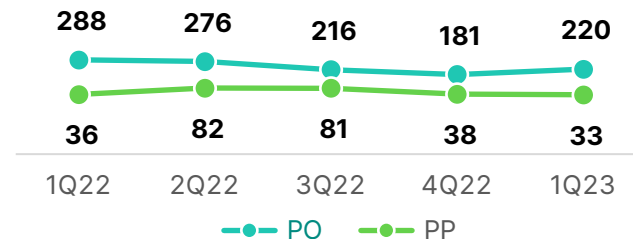
Olefin downstream

- PP and PO markets are expected to remain under the supply impact from China & Southeast Asia's new facilities, but gradual recovery is expected with improving demand through China's reopening, as well as from Ramadan and China's Labor Day holiday

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

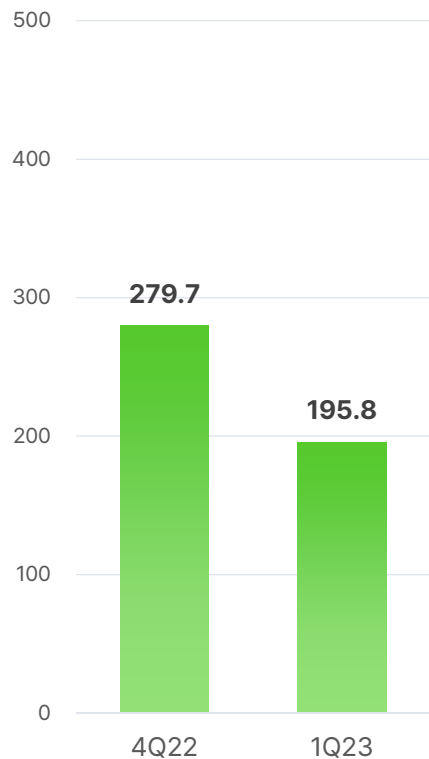


Olefin Spread over Propylene (Unit : \$/ton)



Lube

Operating Income (Unit: bil. Won)



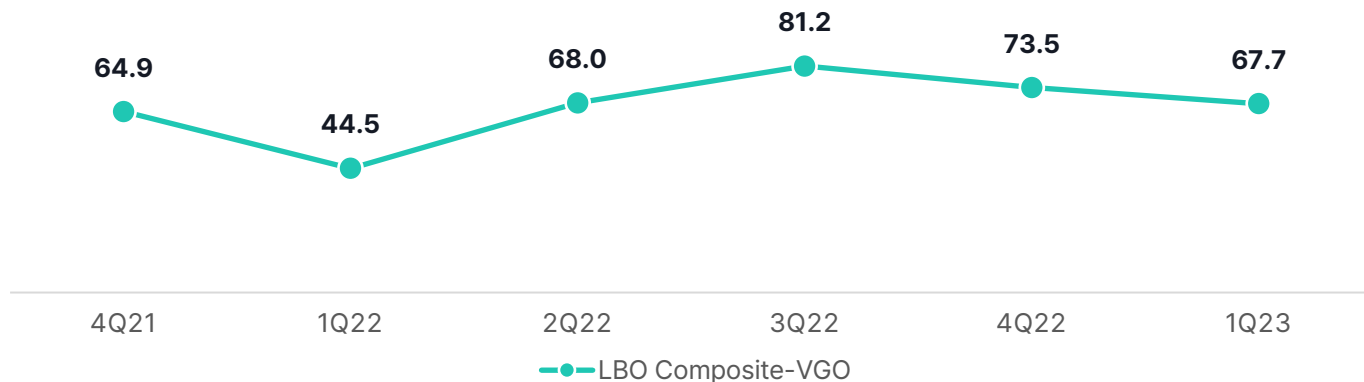
1Q 23 Market Environment

- **LBO fundamental** regained firmness with rebounding demand past the winter off-season
 - Demand recovery after China's reopening and Chinese New Year
 - Inventory stockpiling ahead of the peak season
- **LBO spread** slightly adjusted downward QoQ, but remained higher than usual under lowered feedstock cost

2Q 23 Outlook

- **LBO fundamental** is expected to show strength owing to seasonal demand increase and scheduled maintenance by major suppliers
 - Demand pick-up over spring oil change and summer driving season
- **LBO spread** is also forecast to be robust under strong fundamental

Products Spread (Unit : \$/bbl)



Key Business Update

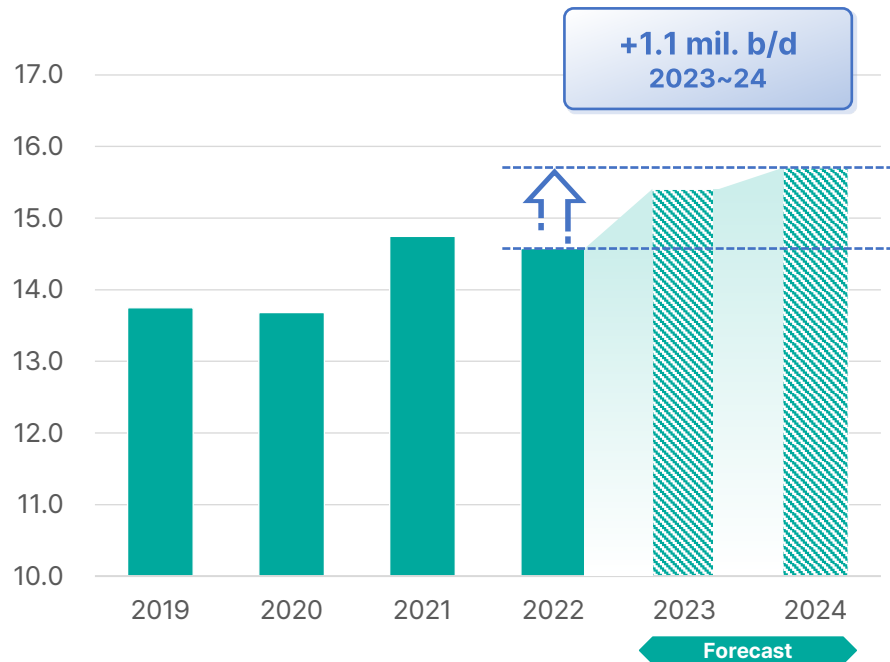
- Raised Demand Forecast
- Digital Refinery
- Shaheen Project

Raised Demand Forecast

- Major institutes raised 2023 global oil demand forecast in line with resumed economic activities and increased mobility following China's reopening

China's Oil Demand Outlook by Major Institutes

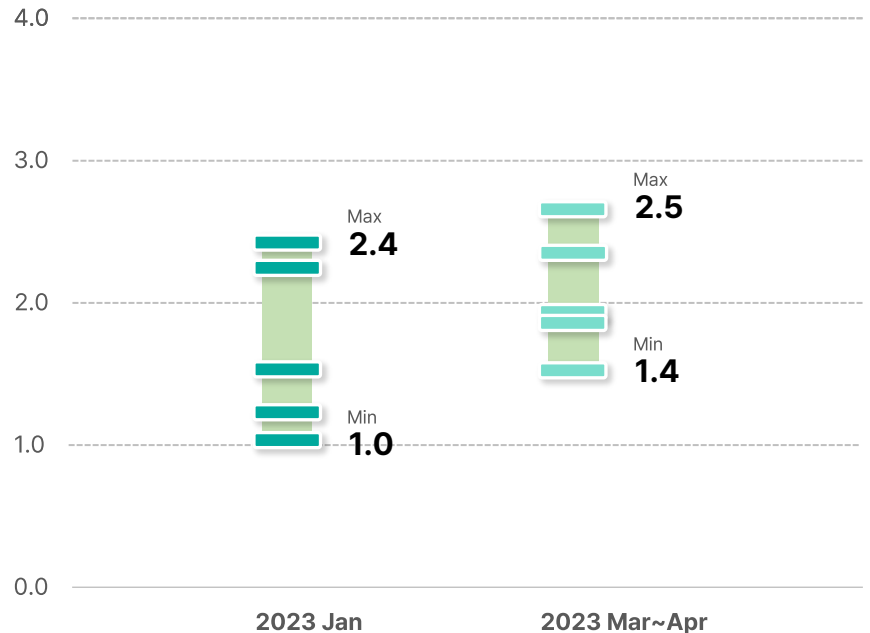
(Unit : mil. b/d)



Source: EIA, OPEC, IHS, FACTS, WoodMac

2023 Global Oil Demand Growth Outlook by Major Institutes

(Unit : mil. b/d)



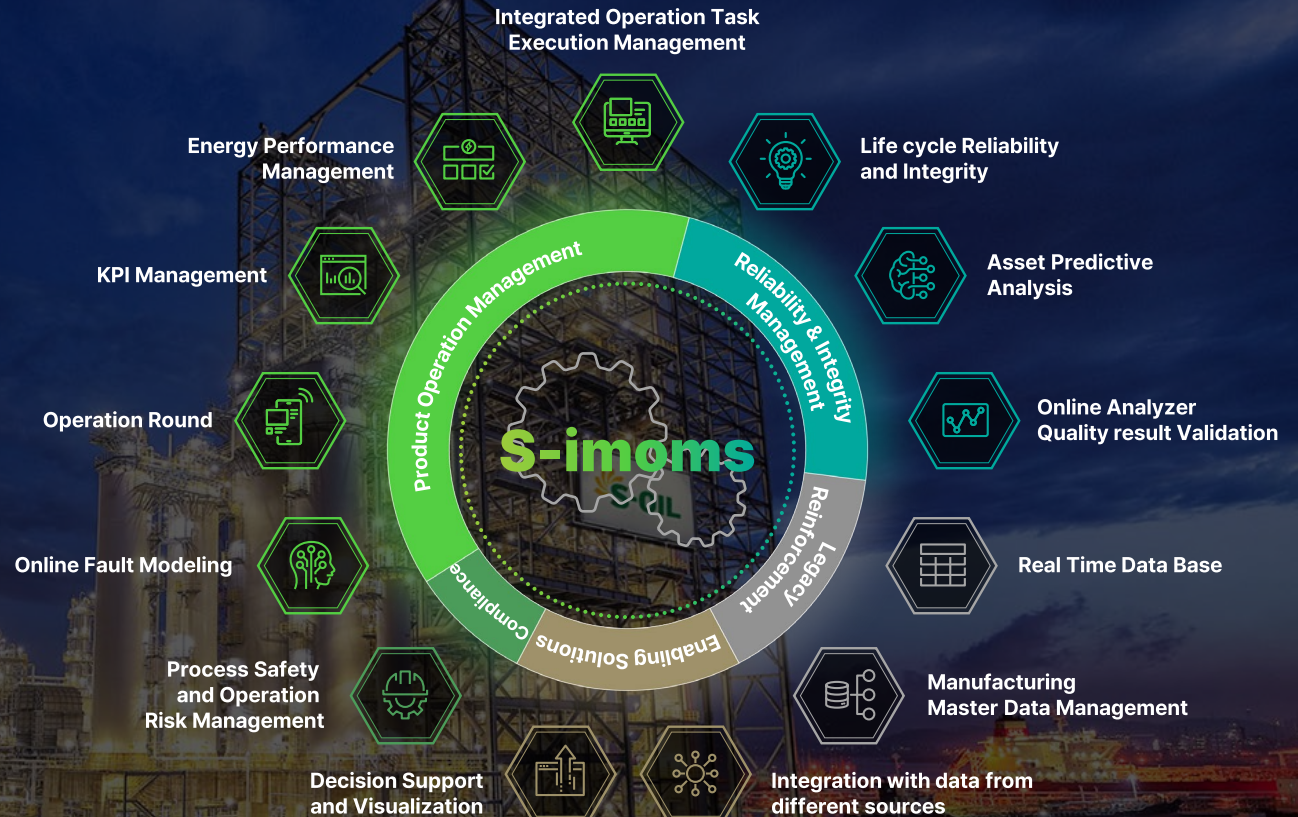
Digital Refinery

- S-imoms project pursues a full-fledged digitalization of the refinery's operational infrastructure, which encompasses operation management, reliability management, and compliance

S-imoms Project

S-OIL integrated manufacturing operation management system

- CAPEX: 27.0 bil. Won
- Period: 2020 ~ 2024 1H



Digital Refinery

➤ 4IRT Initiatives are to adopt fast evolving state-of-the-art digital technologies for further enhancing operational excellence

4IRT Initiatives

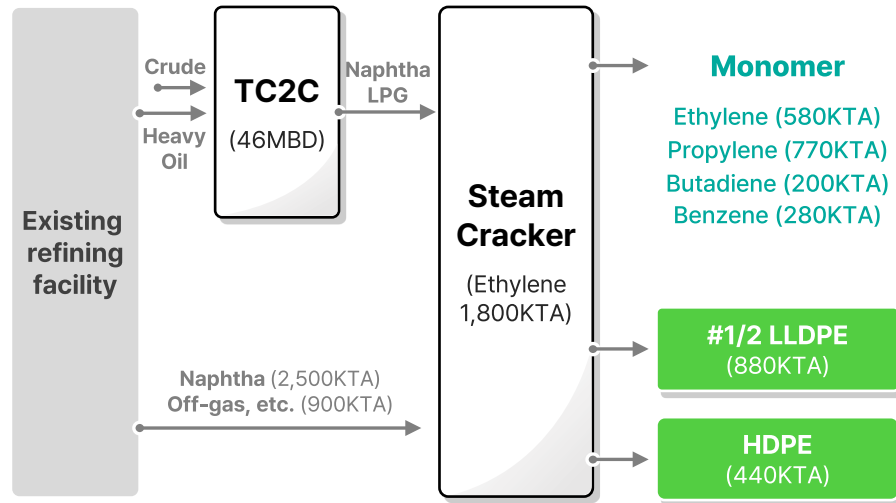
Leverage 4th Industrial Revolution Technology to Further Enhance Operational Excellence



Shaheen Project

- Shaheen Project is a pivotal expansion into chemical business with industry-leading competitiveness, which will enable another leap forward in future profit generation capacity
- EPC work and site preparation is progressing as planned since January 2023

Configuration



Target Schedule

Mechanical Completion by 1H 2026

Core competitiveness

- 1 Refining & chemical integration synergy in feedstock, facility and operation
- 2 New TC2C technology to maximize chemical yield
- 3 Industry-leading energy efficiency and carbon intensity
- 4 1st quartile cost competitiveness in NE Asia

Estimated EBITDA margin impact

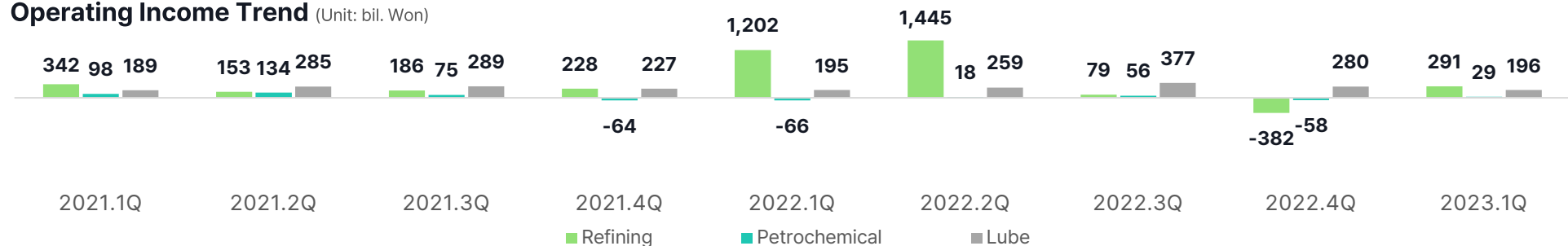
↑ 4.5+α \$/B in 2027

Supplementary Information

Performance by Business Segment

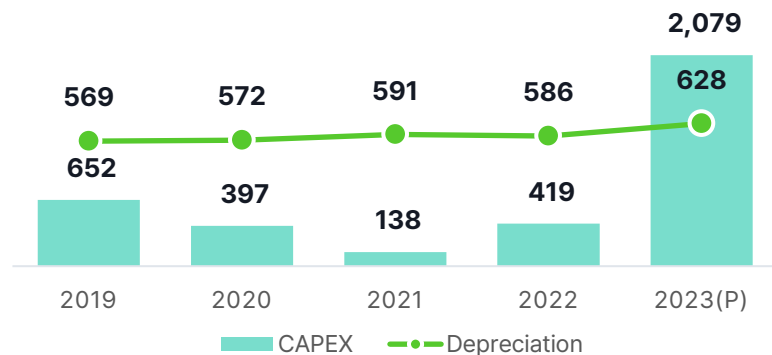
Segment	(Unit: bil. Won)	1Q 23	4Q 22	QoQ	1Q 22	YoY
Refining	Revenue	7,276.7	8,558.0	15.0%↓	7,179.1	1.4%↑
	Operating Income	290.6	-381.8	Turn to Profit↑	1,202.2	75.8%↓
	(Margin)	4.0%	-4.5%		16.7%	
Petrochemical	Revenue	1,038.5	1,195.5	13.1%↓	1,366.2	24.0%↓
	Operating Income	29.3	-58.3	Turn to Profit↑	-65.6	Turn to Profit↑
	(Margin)	2.8%	-4.9%		-4.8%	
Lube	Revenue	762.5	840.4	9.3%↓	741.7	2.8%↑
	Operating Income	195.8	279.7	30.0%↓	195.3	0.2%↑
	(Margin)	25.7%	33.3%		26.3%	
Total	Revenue	9,077.6	10,594.0	14.3%↓	9,287.0	2.3%↓
	Operating Income	515.7	-160.4	Turn to Profit↑	1,332.0	61.3%↓
	(Margin)	5.7%	-1.5%		14.3%	

Operating Income Trend (Unit: bil. Won)



CAPEX & Operation

CAPEX & Depreciation



(Unit: bil. Won)	2022	2023(P)	1Q 23
Shaheen Project	40.6	1,483.3	93.4
Upgrade & Maintenance	272.0	451.6	52.2
Marketing related expenditure	39.1	60.0	5.2
Others	67.3	84.2	18.0
Total CAPEX	418.9	2,079.1	168.8
Depreciation	586.2	627.8	152.5

Maintenances

	2021	2022	1Q 23	2-4Q 23(P)
Refining	-	#2 CDU	-	#3 CDU/CFU
	-	#1 RFCC	#2 RFCC	HYC
Petrochemical	-	#1 PX/PO	PP	#2 PX
Lube	-	-	-	-

Utilization Rate

	2021	2022	4Q 22	1Q 23
CDU	97.8%	92.6%	93.8%	96.6%
RFCC/HYC	97.0%	92.3%	91.8%	87.8%
PX Plants	91.6%	80.2%	87.9%	79.8%
PP/PO Plants	102.8%	78.7%	88.2%	84.3%
Lube Plants	99.2%	94.6%	91.4%	94.2%

Long-term Margin Trend

Refining

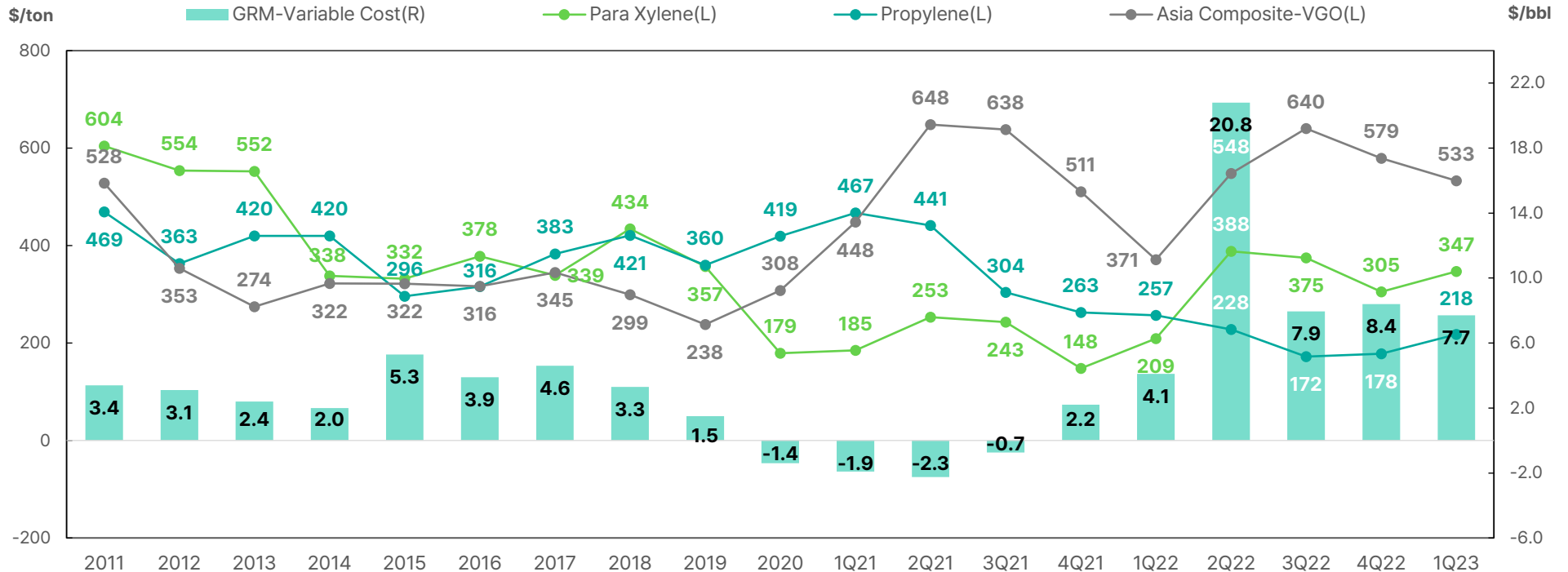
Singapore margin

Petrochemical

Product spread (vs. Naphtha)

Lube base oil

Product spread

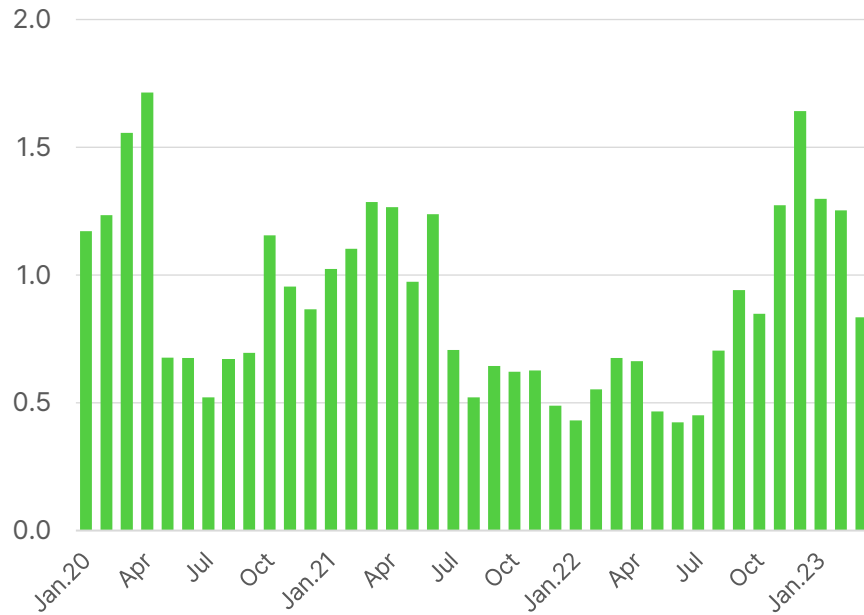


China's Light Fuel Export Trend

➤ China's light fuel export on a downward trajectory in line with the post reopening demand recovery

China's Light Fuel Export Historical Trend

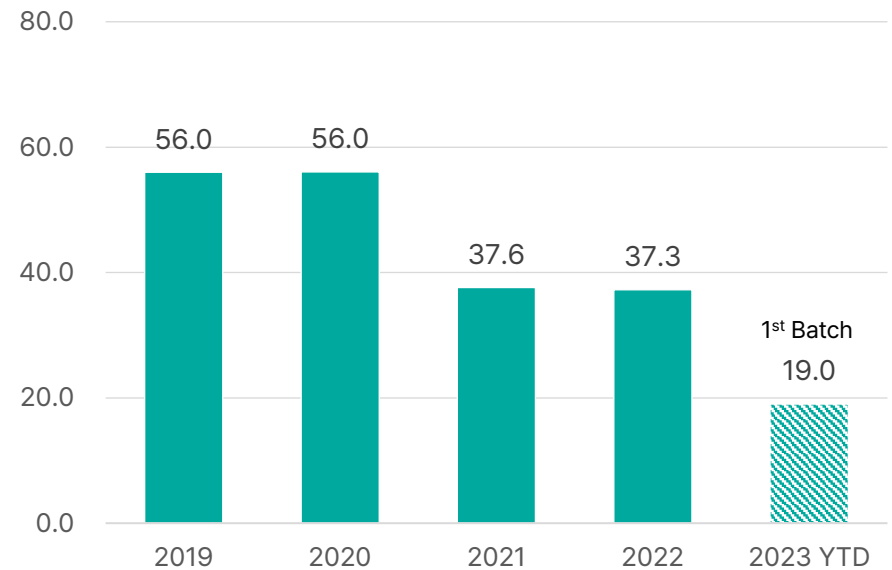
(Unit : mil. b/d)



Source: IHS, FACTS, The Company

China's Light Fuel Export Quota Historical Trend

(unit : mil.ton)

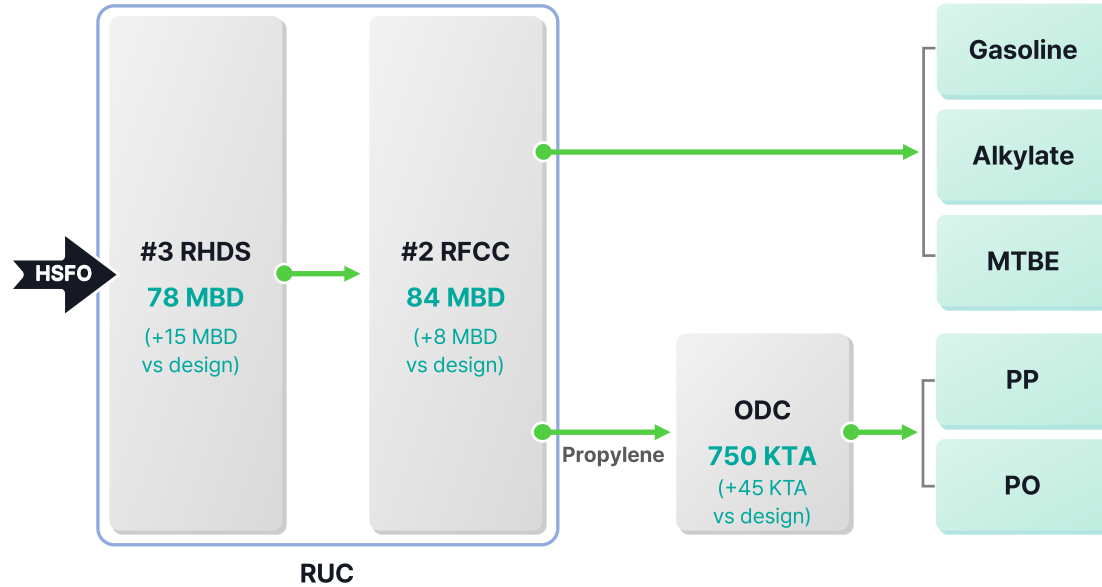


Enhanced Profitability by RUC/ODC

- 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

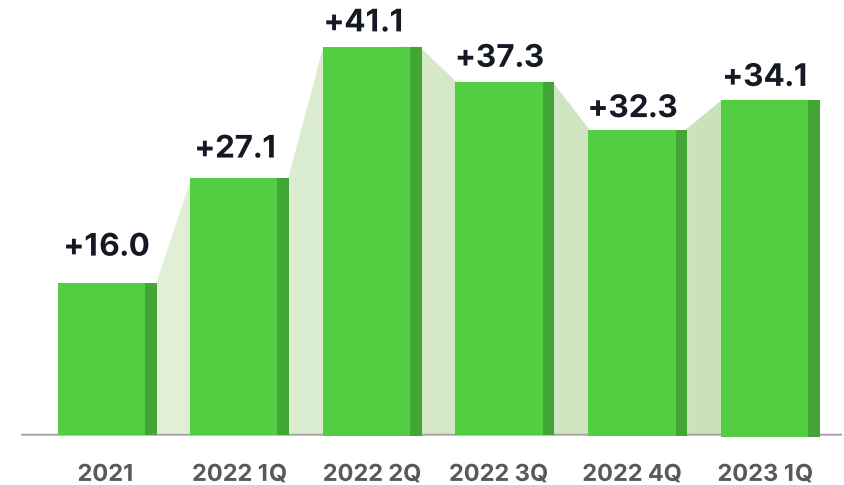
RUC/ODC Project

(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

