



1Q 2018 Earnings Release

April 2018

DISCLAIMER

Financial results for 1Q 2018 are provisional and accordingly 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.

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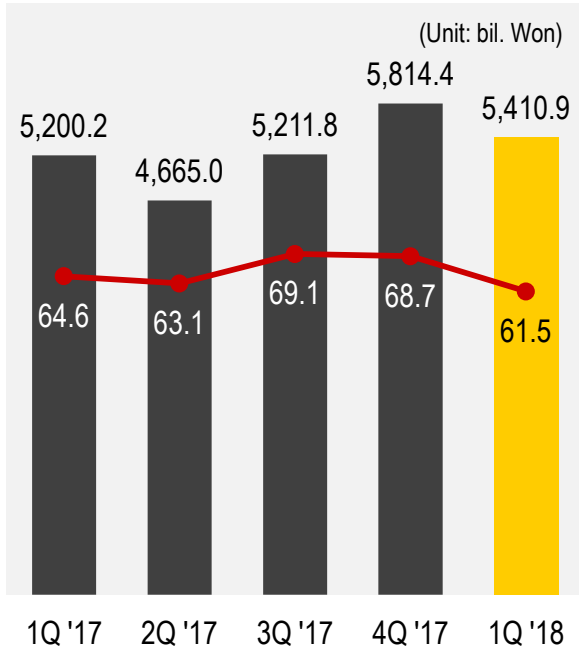
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1Q 2018 Financial Result



Revenue

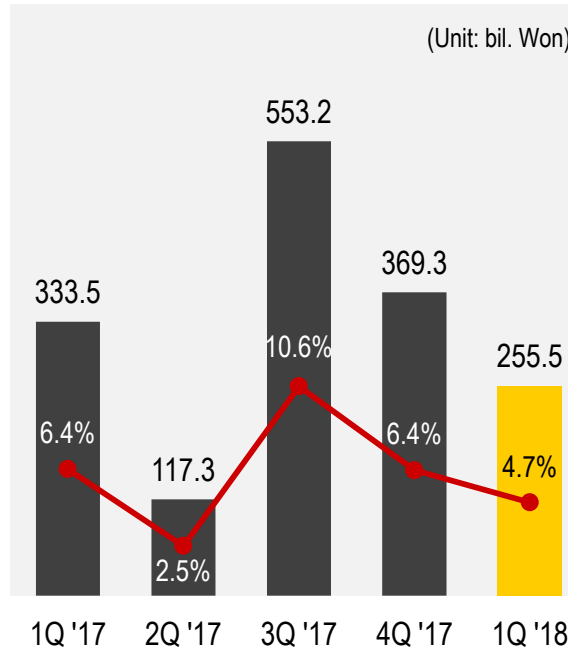


■ Revenue ● Sales Volume (mil. bbl)

Decreased 7% QoQ due to decrease in sales volume from planned refinery maintenance

- Quarterly average selling price: 3.9% ↑, QoQ
- Sales volume: 10.4% ↓, QoQ

Operating Income

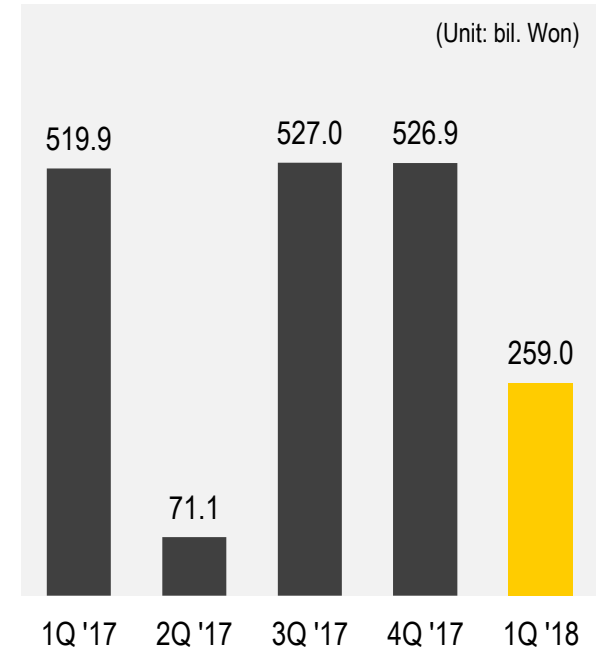


■ Operating Income ● OP Margin

Contracted QoQ due to refinery maintenance with reduced inventory related gain

- Opportunity loss from maintenance : 65 bil. Won
- Inventory related gain: 5 bil. Won (4Q '17: 95 bil. Won)

Income before Tax



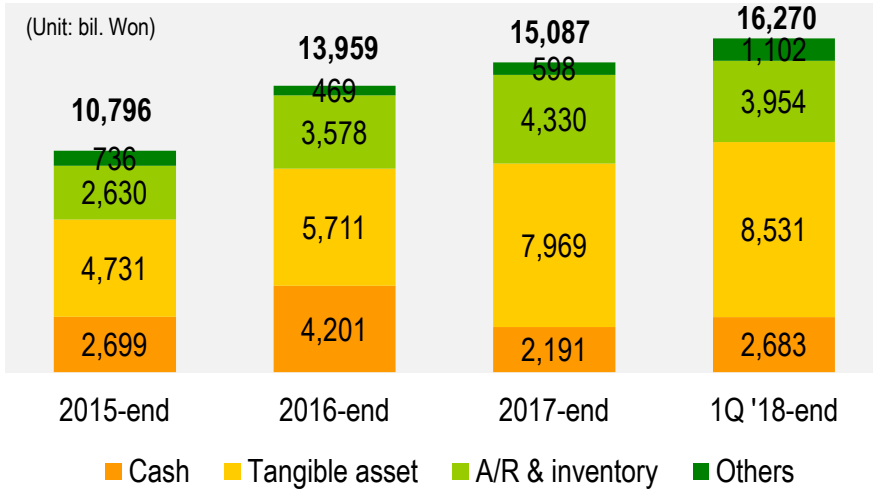
■ Income before Tax

Declined QoQ by operating income contraction coupled with decreased F/X gain

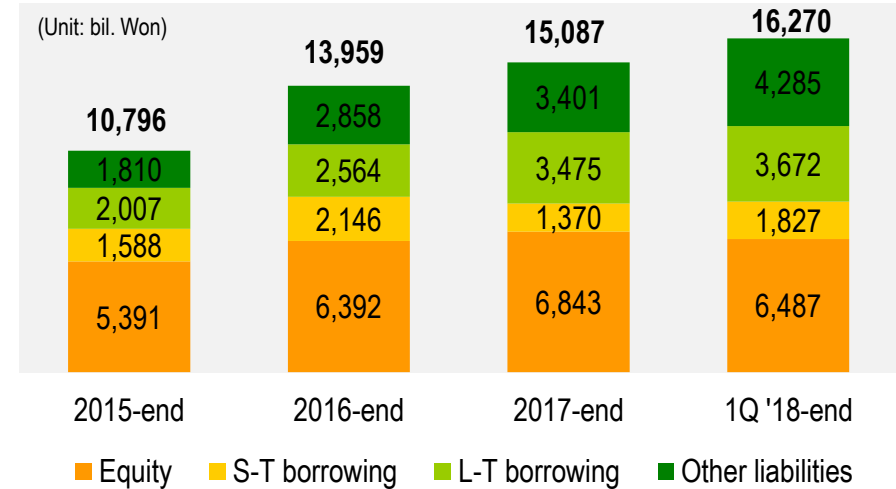
- F/X gain: 6.3 bil. Won (4Q '17 F/X gain: 158.0 bil. Won)
- ₩/\$ rate: 1Q-end 1,066.5 (4.9 ↓, QoQ)

Financial Status

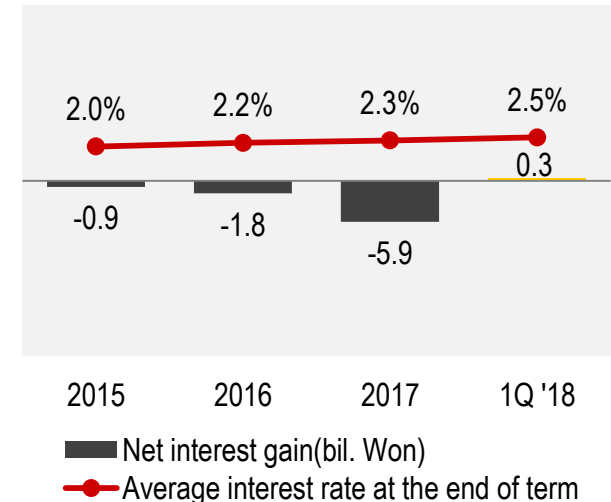
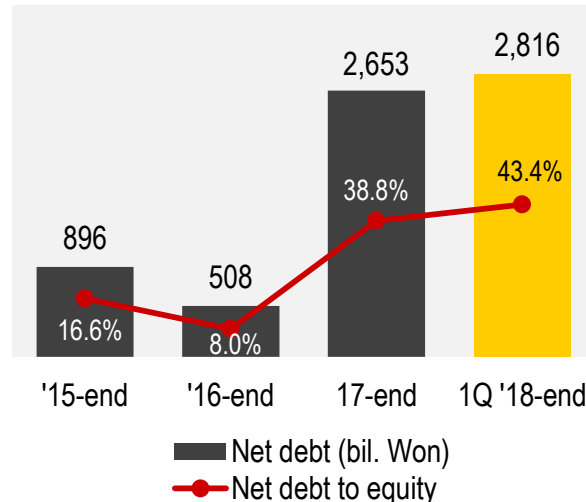
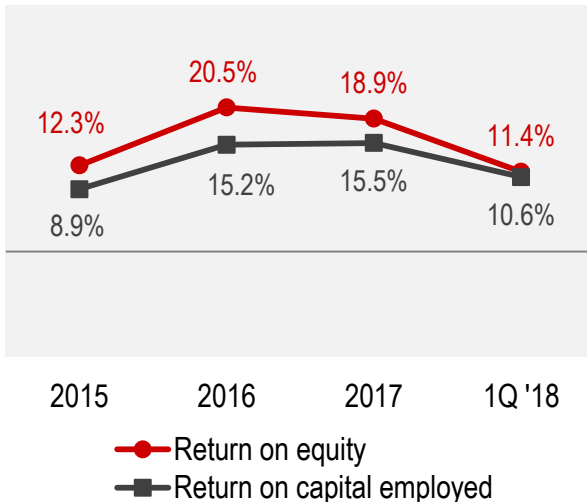
Assets



Liabilities & Equities



Financial Ratios



Capital Expenditure



CAPEX

(Unit: bil. Won)	FY '15	FY '16	FY '17	FY '18 Plan	1Q '18
RUC/ODC Project¹⁾	290.4	682.2	2,157.3	1,568.0	535.5
Upgrade & Maintenance²⁾	343.9	328.0	300.0	233.2	39.2
Others	91.7	69.2	48.1	107.4	6.5
Total	726.0	1,079.4	2,505.4	1,908.6	581.3

¹⁾ Residue Upgrading Complex and Olefin Downstream Complex project

²⁾ Super Project to maximize the profitability through upgrading and revamping of existing facilities was completed in 2017

Depreciation

(Unit: bil. Won)	FY '15	FY '16	FY '17	*2018 Plan	1Q '18
Depreciation (Including catalyst amortization cost)	273.2	286.7	293.6	299.8	77.0

* The RUC/ODC portion will be added after its commercial operation.

Utilization Rate

(Unit: k bpd, %)	Capacity	2016	2017	4Q '17	1Q '18
CDU	669.0	95.0%	99.3%	99.4%	94.7%
B-C Cracking	149.5	91.2%	96.4%	98.9%	89.9%
PX Plants	37.5	100.9%	94.3%	100.7%	85.9%
Lube Plants	44.7	97.5%	96.5%	98.6%	85.7%

In 1Q, the operation rate of major plants recorded lower than usual due to regular maintenances.

Maintenances

	2016	2017	1H '18	2H '18
Refining	#1 CDU	CFU	#2 CDU	-
	RFCC	-	HYC FH	-
Petrochemical	-	#2 PX	#1 PX	-
Lube Base Oil	#1&2 HDT	-	-	-

2018 regular maintenances having started in March were already completed in early April except for #1 PX plant, of which the maintenance is scheduled to finish in May.

Financial Result by Business Segment



Refining

(Unit: bil. Won)	1Q '17	YoY	4Q '17	QoQ	1Q '18
Revenue	4,044.0	7.4% ↑	4,562.4	4.8% ↓	4,341.3
Operating Income	109.7	17.6% ↓	266.1	66.0% ↓	90.4
(Margin)	(2.7%)	-	(5.8%)	-	(2.1%)

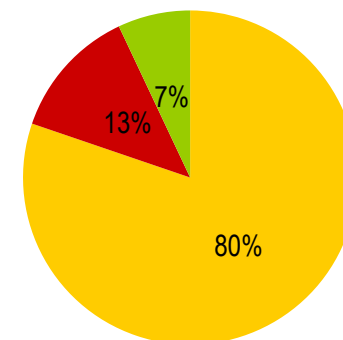
Petrochemical

(Unit: bil. Won)	1Q '17	YoY	4Q '17	QoQ	1Q '18
Revenue	771.4	10.5% ↓	832.6	17.1% ↓	690.2
Operating Income	139.6	42.0% ↓	22.9	254.2% ↑	81.0
(Margin)	(18.1%)	-	(2.7%)	-	(11.7%)

Lube Base Oil

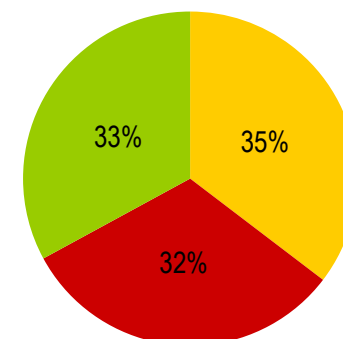
(Unit: bil. Won)	1Q '17	YoY	4Q '17	QoQ	1Q '18
Revenue	384.8	1.4% ↓	419.4	9.5% ↓	379.5
Operating Income	84.2	-	80.4	4.7% ↑	84.1
(Margin)	(21.9%)	-	(19.2%)	-	(22.2%)

1Q '18 Revenue



■ Refining ■ Petrochemical ■ Lube

1Q '18 Operating Income



Market Environment in 1Q 2018



Refining

Singapore Margin
[GRM – Variable Cost]

(Unit: \$/bbl)



1Q '17 2Q '17 3Q '17 4Q '17 1Q '18

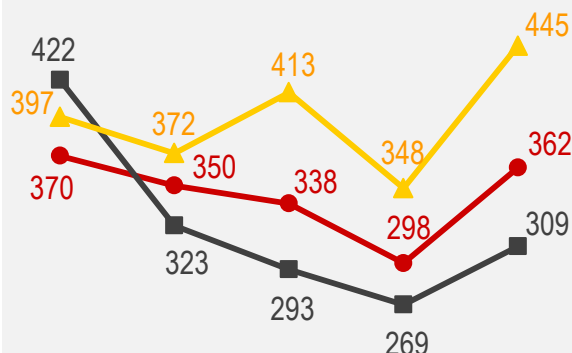
—●— Singapore Complex Refining Margin

The strong demand for middle distillates amid the cold weather supported the healthy margins to continue.

Petrochemical

Product Spread

(Unit: \$/ton)



1Q '17 2Q '17 3Q '17 4Q '17 1Q '18

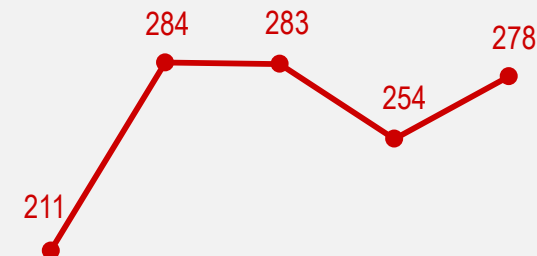
—●— P-Xylene —■— Benzene —▲— Propylene

Aromatic spreads widened thanks to robust demand from downstream sectors coupled with limited supply by maintenance of aromatic plants.

Lube Base Oil

Product Spread

(Unit: \$/ton)



1Q '17 2Q '17 3Q '17 4Q '17 1Q '18

—●— Group I (150N)-HSFO380

LBO spread improved as product prices reflected crude oil price increase in the previous quarter with time lag amid consistently solid demand.

2Q '18 Outlook – Refining

Healthy demand growth will support the margin despite new capacities.

Refining margins will be held up at healthy level given 0.6~0.8 million bpd of strong YoY demand growth in the region and spring maintenance amid considerably low product stocks in spite of new refineries ramping up.

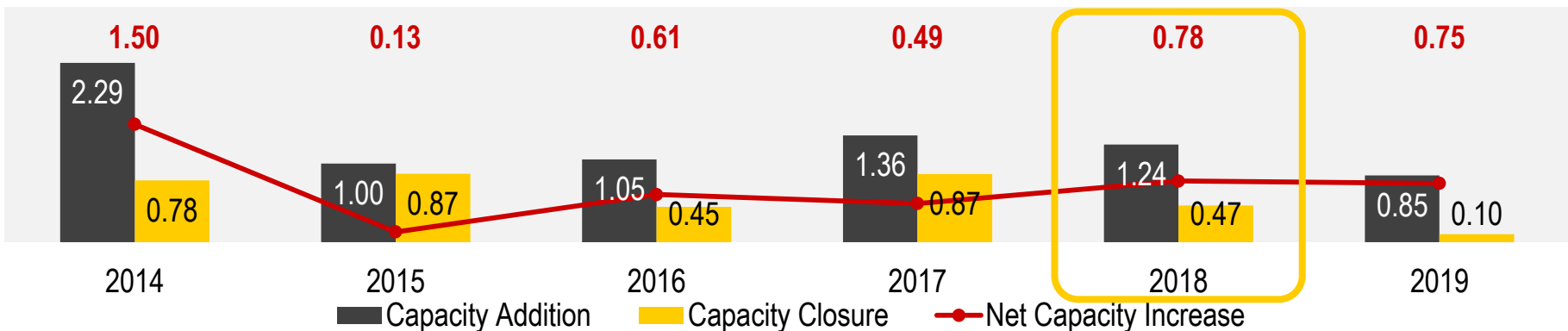
2Q '18 demand growth forecast

(Unit: mil. bpd)	Asia Pacific			Global		
	IEA	OPEC	EIA	IEA	OPEC	EIA
YoY	+0.62	+0.82	+0.85	+1.02	+1.56	+1.38

In the longer term, the market fundamental will be continuously supportive given the capacity additions lagging behind the demand growth. Besides, the upcoming implementation of the regulation on marine bunker fuel by IMO will boost the margins for complex refineries.

(Unit: million bpd)

Global Capacity Addition/Closure



Petrochemical

Aromatic

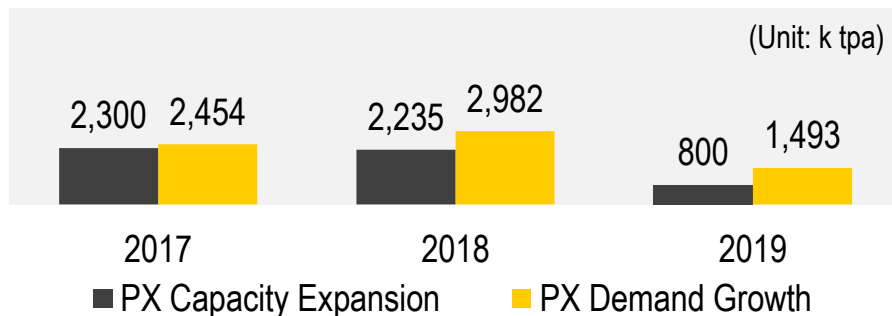
- **Para-Xylene : Stable**

PX spread is expected to move in solid range due to strong polyester demand from China's ban on import of PET waste despite start-up of new PX capacity.

- **Benzene : Stable**

Despite new capacity additions, the spread should remain solid thanks to strong downstream demand and regular maintenance of major facilities.

PX capacity expansion and demand growth (Asia & ME)



Olefin

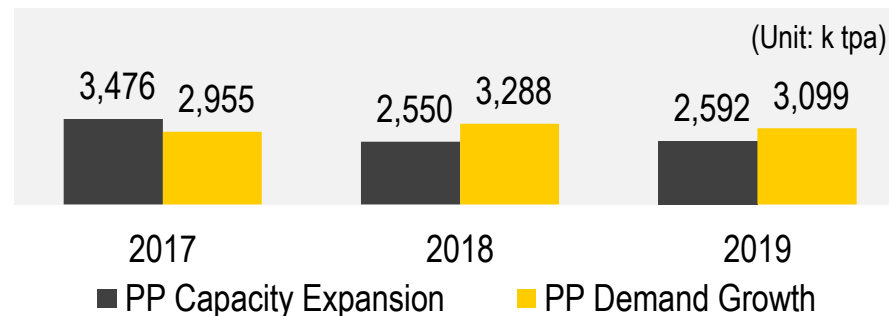
- **PP : Positive**

PP demand, which has slowed due to Chinese New Year holiday, is expected to gradually recover in 2Q.

- **PO : Stable**

Despite demand contraction by weakening economics of PO downstream product, regular maintenances in 2Q will keep PO spread robust.

PP capacity expansion and demand growth (Asia & ME)



Lube Base Oil

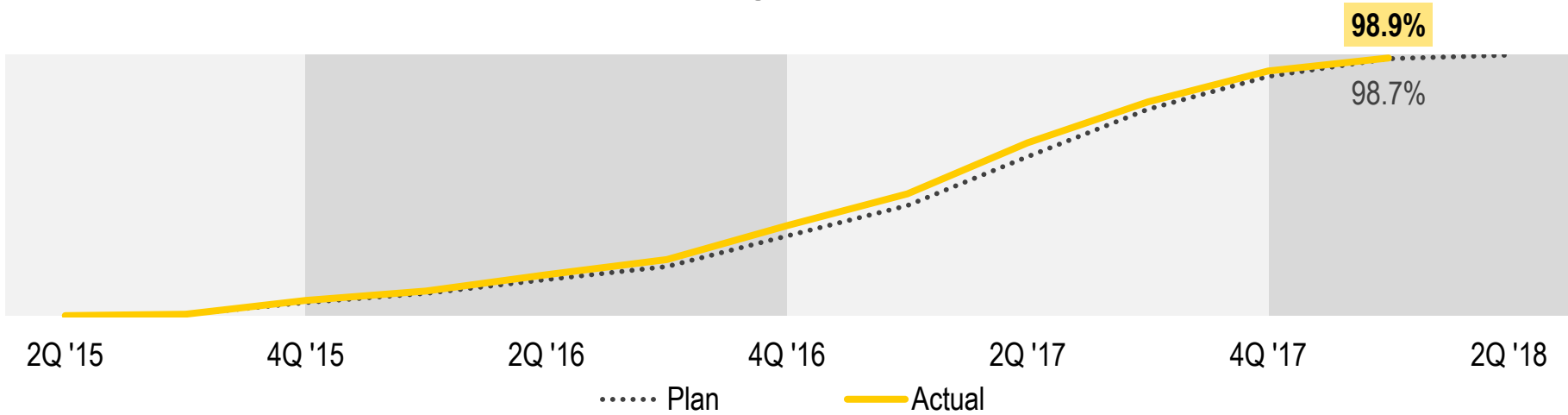
Spread to be softened

The spread is likely to be softened due to new capacity additions and completion of regular maintenance of major companies in spite of solid demand growth for high-quality products.

Progress of RUC/ODC Project



Overall Progress S-Curve



98.9% of project progress as of 1Q'18-end

Project Financing

(Unit: bil. Won)	2015	2016	2017	1Q18	Total (average interest rate)
Corporate bond	400	700	700	-	1,800 (2.1%)
Bank loan*	300	220	225	200	945 (3.2%)
Sum	700	920	925	200	2,745 (2.5%)

* Facility loan commitment: 1,500 bil. Won
Stand-by credit line: 500 bil. Won

Summarized Income Statement

(Unit: bil. Won)	1Q '17	YoY	4Q '17	QoQ	1Q '18
Revenue	5,200.2	4.1% ↑	5,814.4	6.9% ↓	5,410.9
Operating Income	333.5	23.4% ↓	369.3	30.8% ↓	255.5
(Margin)	(6.4%)	-	(6.4%)	-	(4.7%)
Finance & Other Income	184.8	99.1% ↓	156.1	98.9% ↓	1.8
- Net Interest Gain	-1.8	-	-0.9	-	0.3
- Net F/X Gain*	180.5	96.5% ↓	158.0	96.0% ↓	6.3
- Others	6.2	-	-1.0	-	-4.9
Equity Method Gain	1.6	7.7% ↑	1.4	21.9% ↑	1.8
Income before Tax	519.9	50.2% ↓	526.9	50.8% ↓	259.0
Net Income	393.9	51.9% ↓	386.9	51.1% ↓	189.3

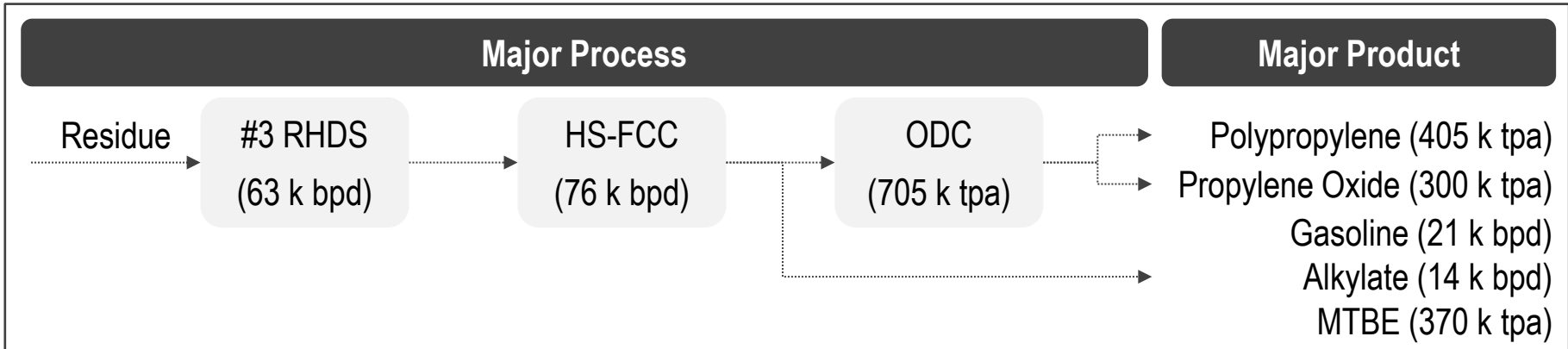
* Including gain/loss from F/X derivatives for hedging

Sales Breakdown

(Unit: k bpd, %)	1Q '17	2Q '17	3Q '17	4Q '17	1Q '18
Sales Total	700	694	751	747	684
Domestic	334	320	353	362	346
Export	366	374	398	385	338
(% in Total)	(52.3%)	(53.9%)	(52.9%)	(51.5%)	(49.4%)
China	18.5%	21.9%	20.2%	26.0%	29.3%
Japan	16.2%	14.8%	11.6%	12.2%	20.0%
Australia	16.6%	12.7%	16.4%	19.9%	11.7%
South East Asia	14.9%	13.6%	11.0%	7.6%	10.8%
USA	9.0%	10.6%	8.8%	10.5%	4.1%
Singapore	8.2%	6.5%	8.6%	6.8%	2.6%

RUC/ODC Project Overview

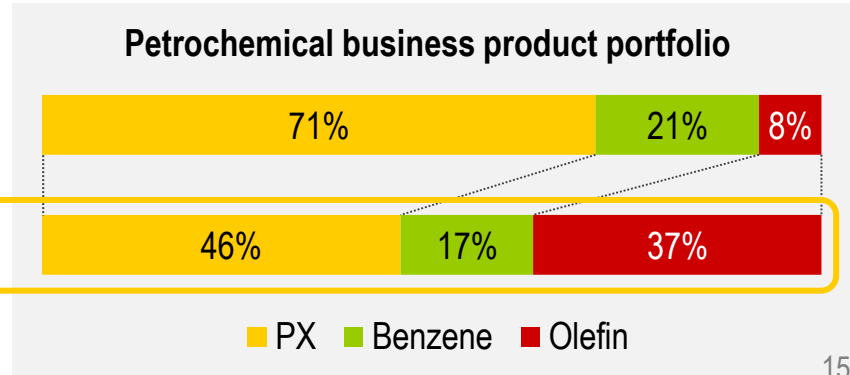
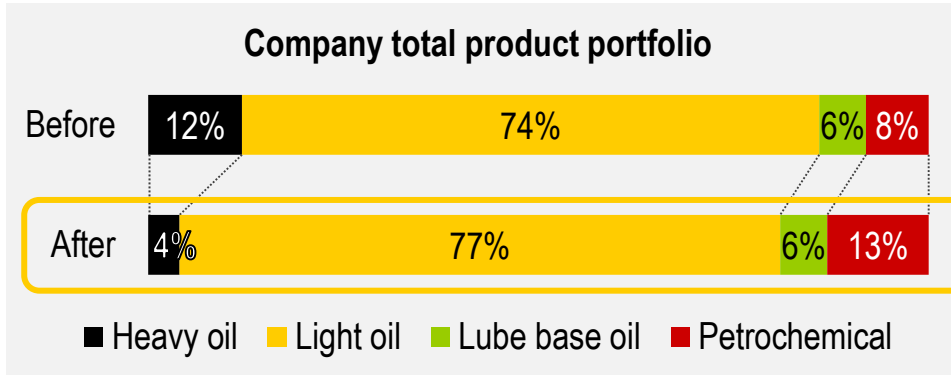
(Residue Upgrading Complex & Olefin Downstream Complex)



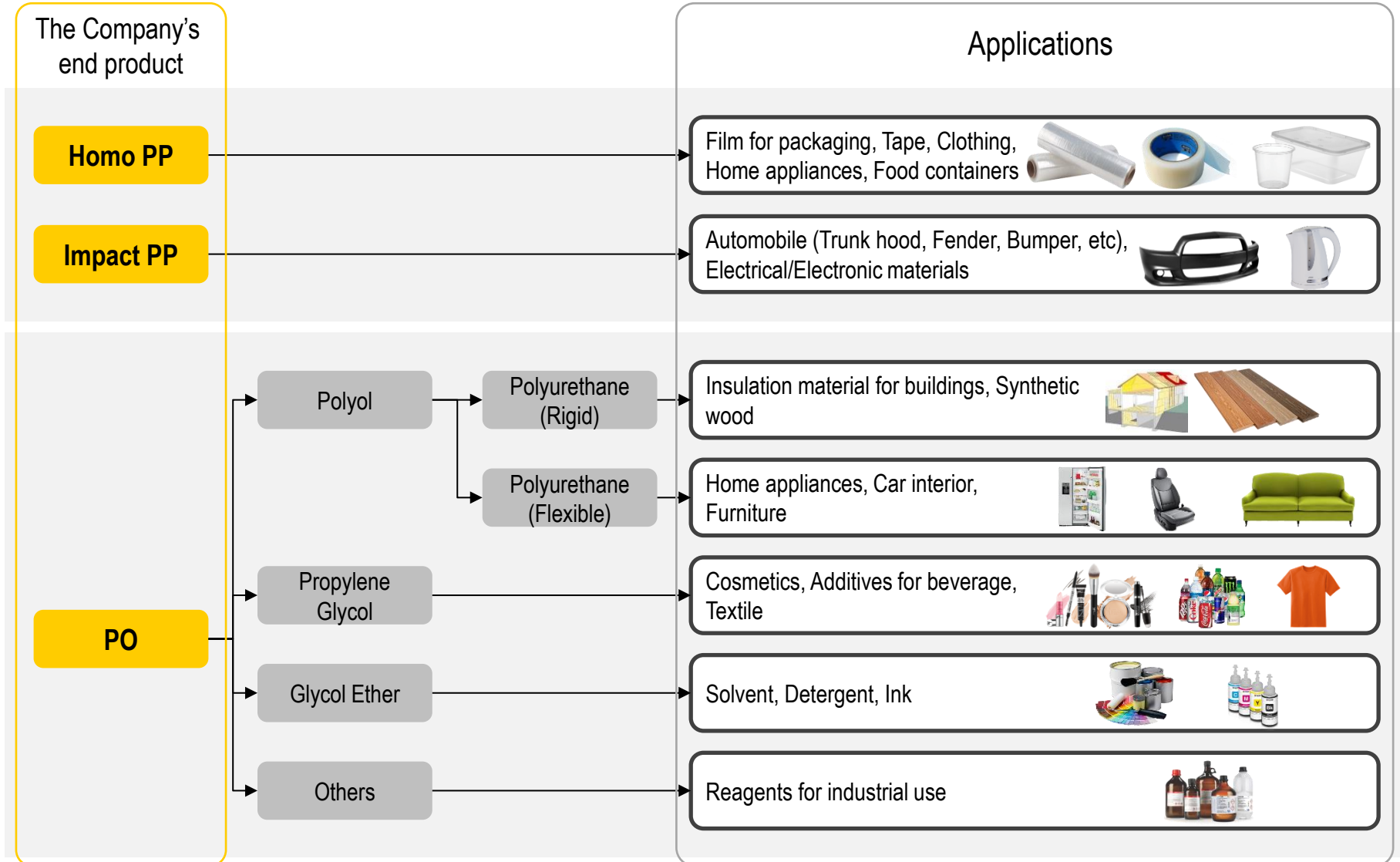
Completion (E) Mechanical completion & commissioning in 1H 2018

Profitability (E) IRR:18.3%, Payback period: 6 years

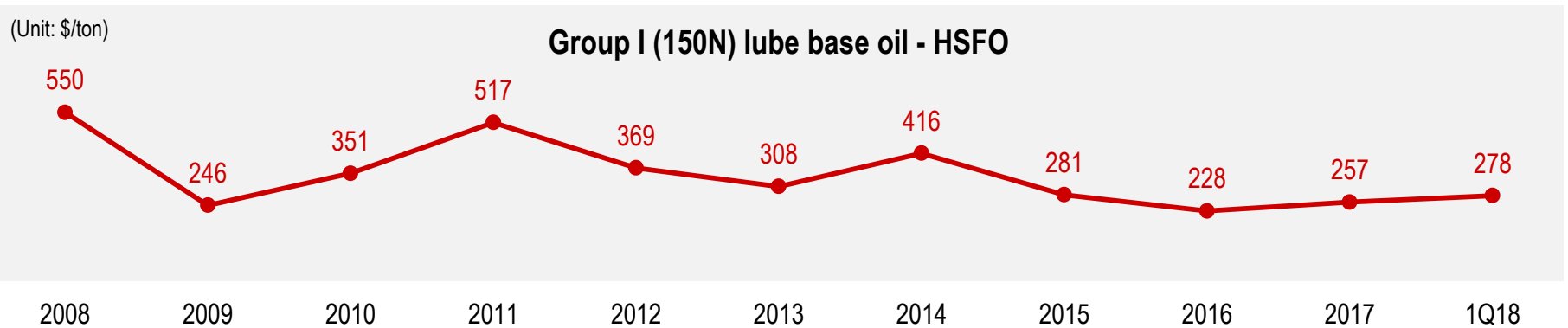
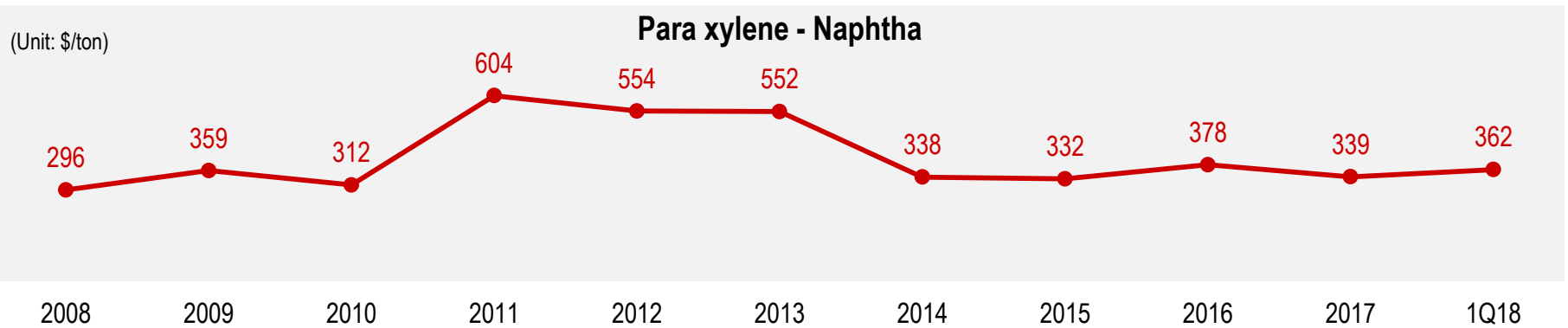
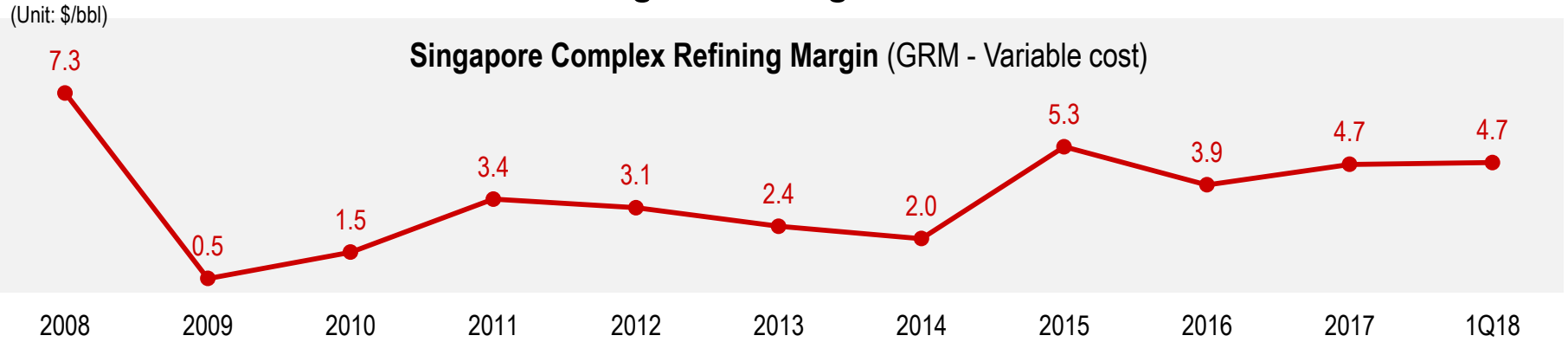
CAPEX (E)	Total	~2015	2016	2017	2018
	4.8 tri. Won	0.4 tri. Won	0.7 tri. Won	2.2 tri. Won	1.5 tri. Won



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



Long-term Margin Trend



Thank You

S-OIL IR Team

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM 

S-OIL, the only company named to DJSI World for the 8th consecutive year among Asia Pacific refiners

