



4Q 2019 Earnings Release

January 2020

DISCLAIMER

Financial results for 4Q and full year of 2019 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.

4Q 2019 Performance

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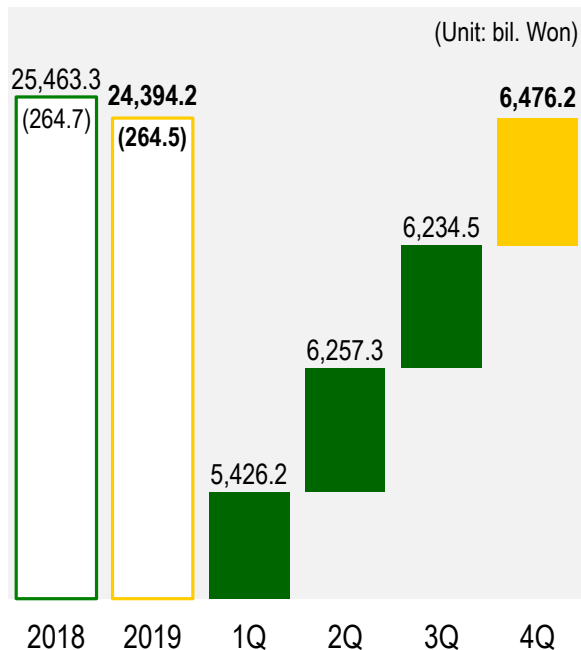
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Revenue

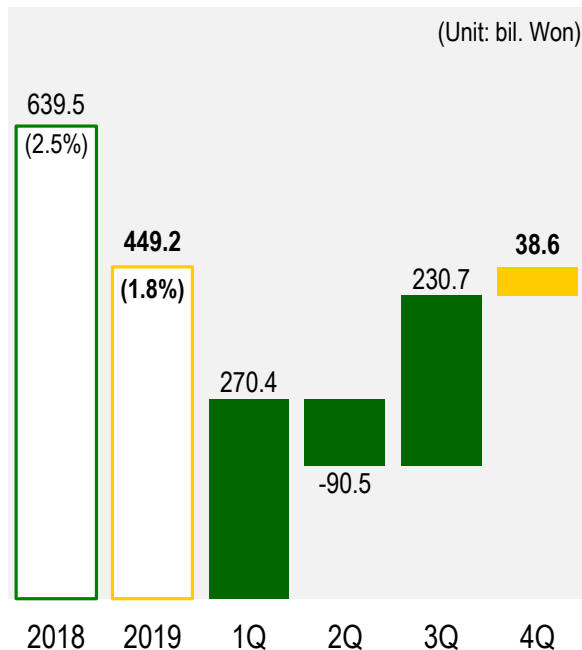


(): Sales volume in million bbl

**Increased 3.9% QoQ
due to increase in sales volume**

- Quarterly average selling price: 0.7% ↓, QoQ
- Sales volume: 4.6% ↑, QoQ

Operating Income

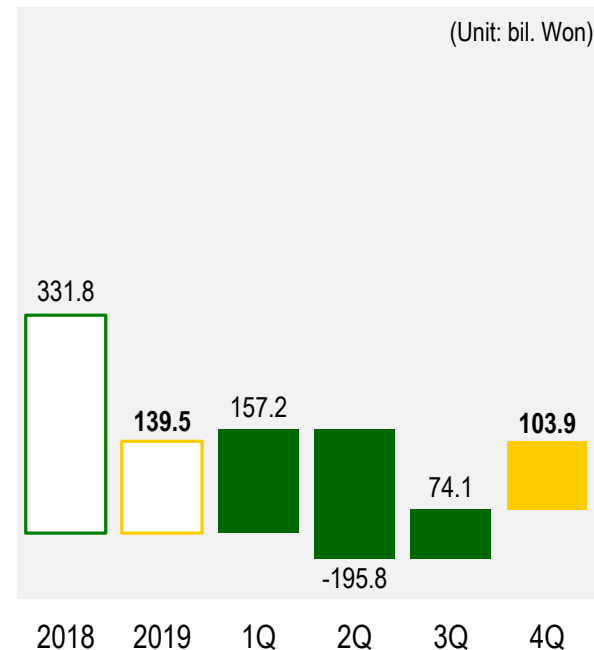


(): Operating income margin

**Decreased 192.1 bil. Won QoQ
due to lower refining margin**

- Singapore complex margin(\$/bbl): 4Q 0.2 (3.7 ↓, QoQ)
- PX spread vs. Naphtha(\$/ton): 4Q 242 (58 ↓, QoQ)

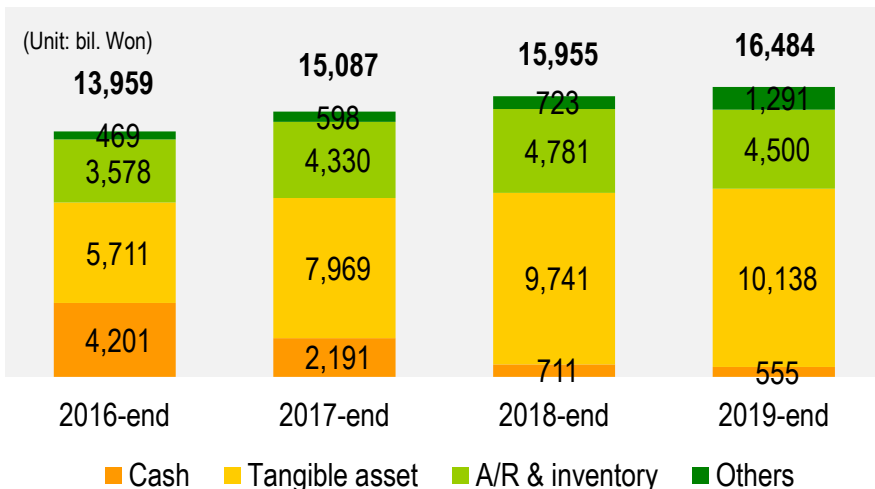
Income before Tax



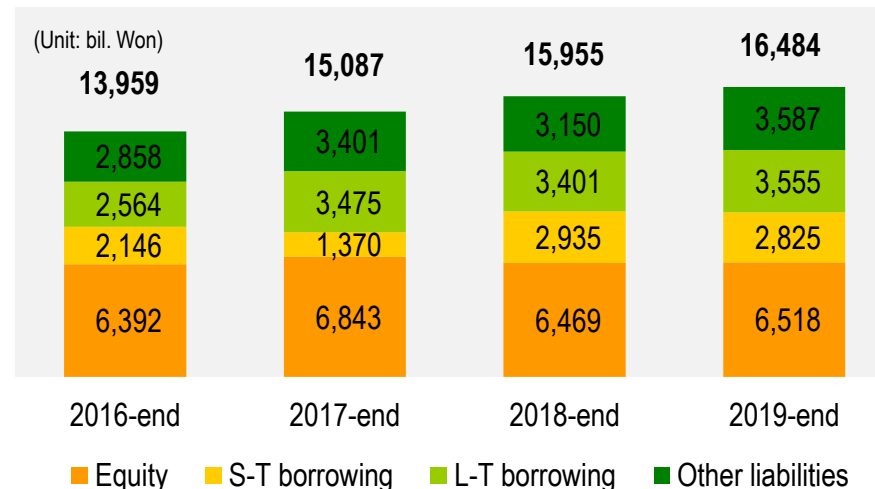
**Extended 29.8 bil. Won thanks
to F/X gain despite operating
income decrease**

- F/X gain: 102 bil. Won (3Q '19 F/X loss: 109 bil. Won)
- ₩/\$ rate: 4Q-end 1,157.8 (43.5 ↓, QoQ)

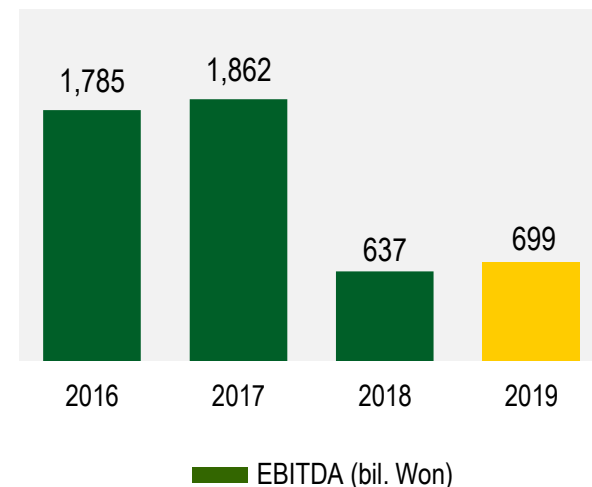
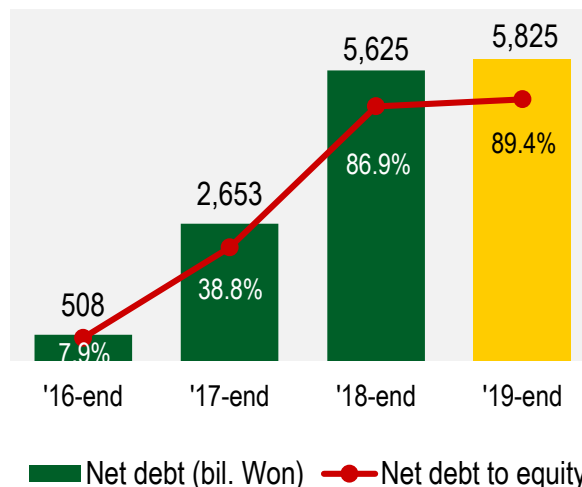
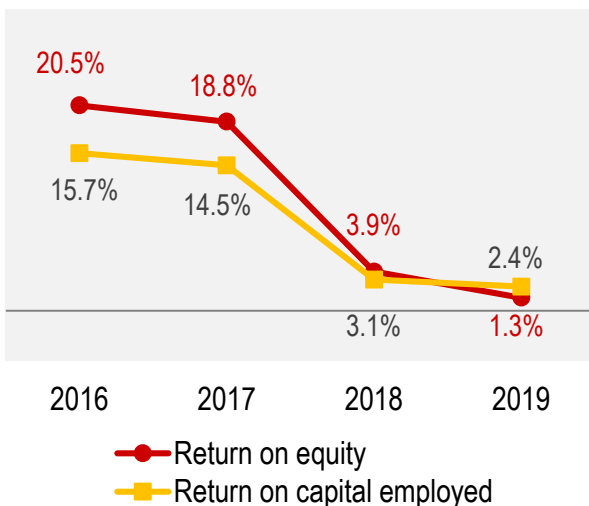
Assets



Liabilities & Equities



Financial Highlights



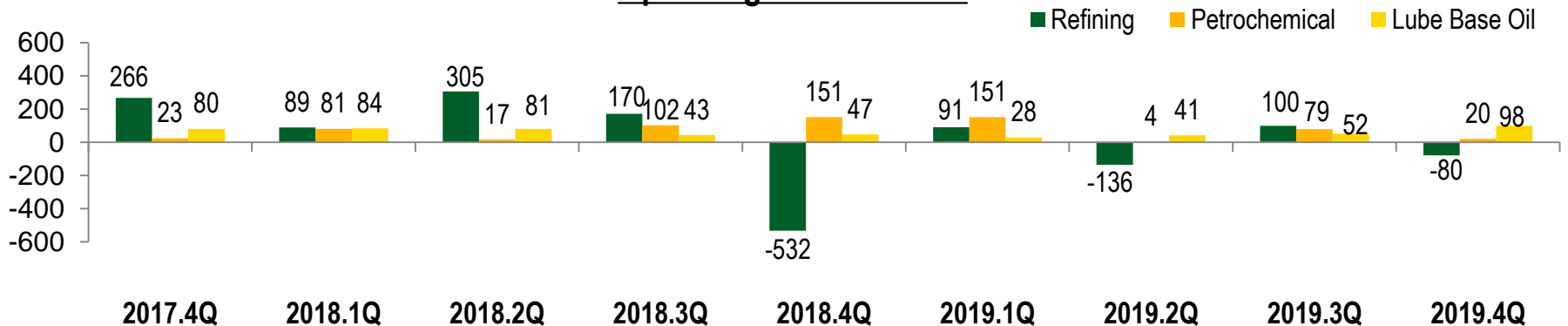
* EBITDA: Income before tax + Net interest expense + Depreciation(Excluding catalyst amortization cost)

Performance by Business Segment



Segment	(Unit: bil. Won)	4Q '19	3Q '19	QoQ	2019	2018	YoY
Refining	Revenue	5,063.5	4,869.0	4.0% ↑	19,008.6	20,126.5	5.6% ↓
	Operating Income	-79.7	99.7		-25.3	33.0	
	(Margin)	(-1.6%)	(2.0%)		(-0.1%)	(0.2%)	
Petrochemical	Revenue	1,009.1	962.4	4.9% ↑	3,869.5	3,701.5	4.5% ↑
	Operating Income	20.1	79.4	74.6% ↓	255.0	350.9	27.3% ↓
	(Margin)	(2.0%)	(8.2%)		(6.6%)	(9.5%)	
Lube Base Oil	Revenue	403.6	403.1	0.1% ↑	1,516.1	1,635.4	7.3% ↓
	Operating Income	98.2	51.6	90.1% ↑	219.5	255.6	14.1% ↓
	(Margin)	(24.3%)	(12.8%)		(14.5%)	(15.6%)	
Total	Revenue	6,476.2	6,234.5	3.9% ↑	24,394.2	25,463.3	4.2% ↓
	Operating Income	38.6	230.7	83.3% ↓	449.2	639.5	29.8% ↓
	(Margin)	(0.6%)	(3.7%)		(1.8%)	(2.5%)	

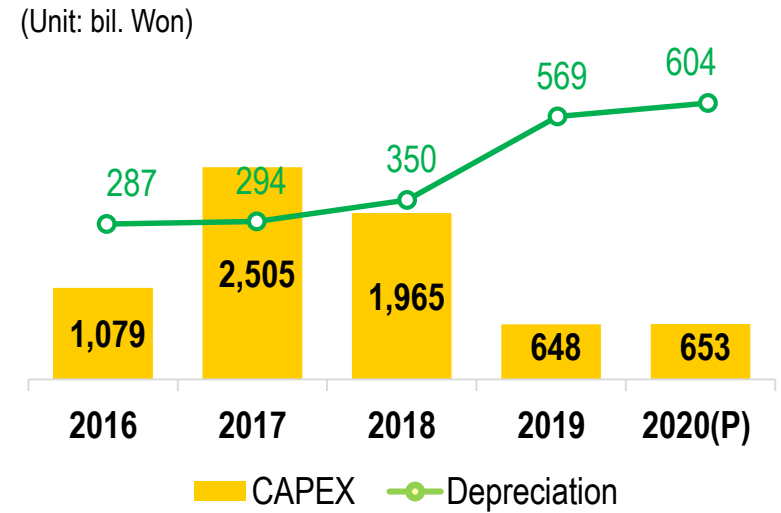
Operating Income Trend



CAPEX & Depreciation

(Unit: bil. Won)	2019	2020 Plan
Land acquisition*	79.1	9.1
Upgrade & Maintenance	383.7	512.4
Others	185.3	131.5
Total CAPEX	648.1	653.0
Depreciation	569.1	604.3

* For future project



Maintenances

	2017	2018	2019	'20 Plan
Refining	CFU	#2 CDU	#3 CDU CFU	#1 CDU
	-	HYC FH	#1,2 RFCC HYC FH	#2 RFCC
Petrochemical	#2 PX	#1 PX	#2 PX	PP/PO
Lube Base Oil	-	-	HYC SH	#1 HDT

Utilization Rate

	2017	2018	2019	4Q'19
CDU	99.3%	99.1%	95.4%	97.8%
RFCC/HYC	96.4%	94.2%	86.8%	89.7%
PX Plants	94.3%	81.2%	75.6%	97.3%
PP/PO Plants	-	65.6%	75.4%	86.9%
Lube Plants	96.5%	92.3%	88.7%	93.0%

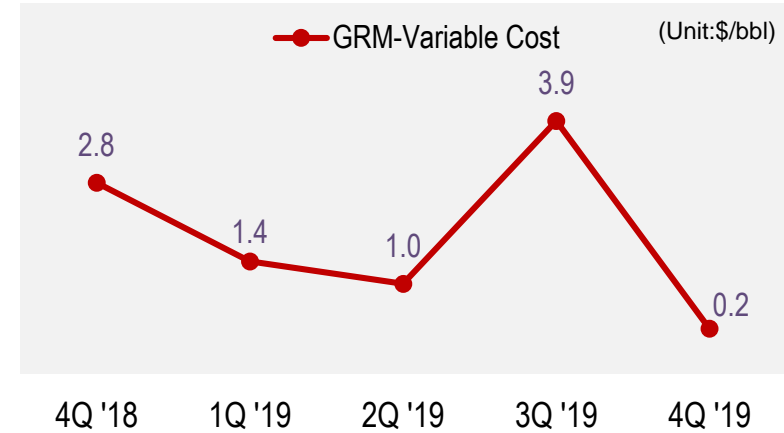
4Q '19 Market Environment

- **Refining margin** plummeted due to capacity increase from commercial operation of Chinese new refiners and plunge of HSFO margin ahead of IMO 2020 implementation.

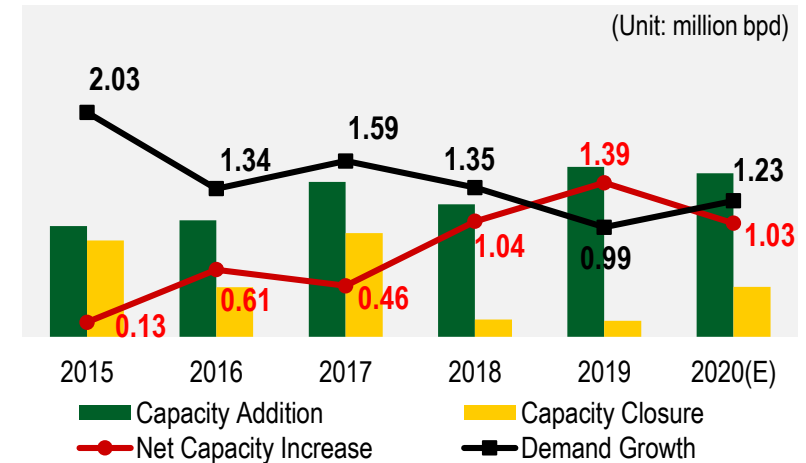
2020 Outlook

- **Refining margin** is expected to improve thanks to demand growth supported by IMO 2020 implementation and easing trade tensions between the U.S. and China, outpacing the annual supply increase.

Singapore Margin



Global Net Capacity Increase vs. Demand Growth



Source: IEA, OPEC, EIA, FACTS Global Energy, Wood Mackenzie, The Company

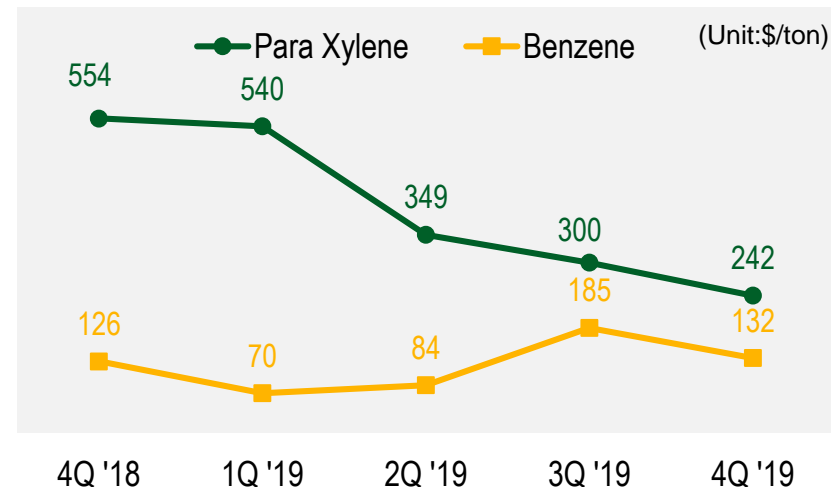
4Q '19 Market Environment

- **Para Xylene spread** continued to decrease due to the start-up of new large-scale PX plant in China despite lower running rates from marginal players.
- **Benzene spread** decreased as new PX supply addition coming on stream and the opportunity for arbitrage on U.S. exports shrunk.

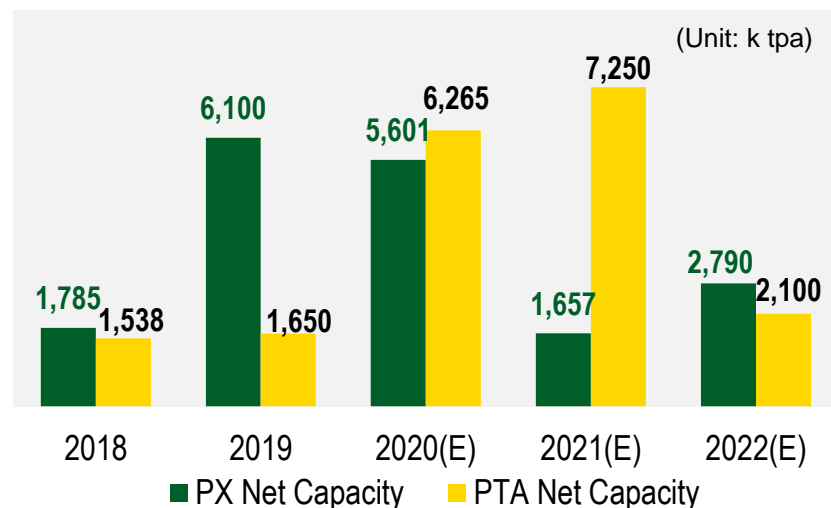
2020 Outlook

- **Para Xylene spread** is not expected to improve as additional new PX plants will come on stream. However, the pressure from overwhelming capacity will be gradually resolved by the end of the year due to more new PTA capacity addition and operation cut by uneconomical producers.
- **Benzene spread** will recover as supply will reduce in line with PX plants' operation cut on low PX margin amid steady operation in downstream.

Product Spread (Vs. Naptha)



PX & PTA Net Capacity Expansion



Source: PCI, IHS, The Company

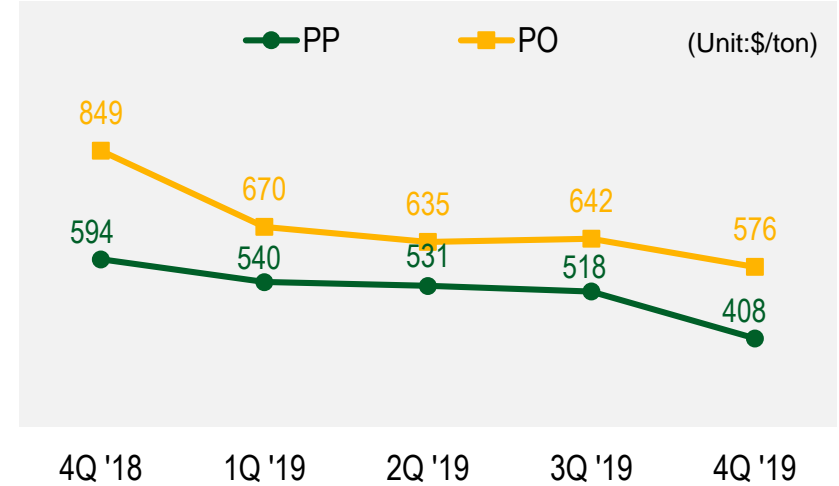
4Q '19 Market Environment

- **PP spread** fell sharply amid increased supply by start-up of new plants and curbed demand by continued trade disputes between the U.S. and China.
- **PO spread** against naphtha also dropped due to increased supply from stable operation of PO plants in China as well as higher feedstock price.

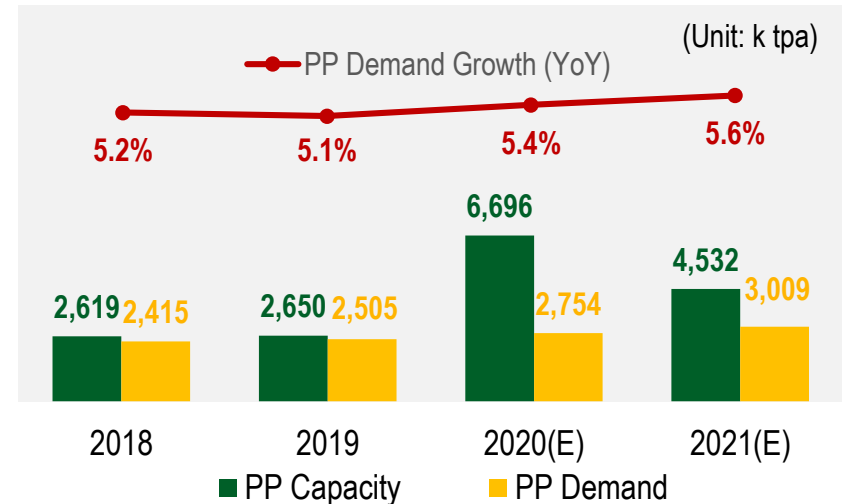
2020 Outlook

- **PP spread** is expected to be pressured in 2020 mainly due to larger capacity addition in spite of recovering demand on progress in the U.S.-China trade dispute negotiations.
- **PO spread** is expected to remain stable due to gradual recovery in downstream demand amid capacity increase continuing.

Product Spread (Vs. Naphtha)



Increase of PP Capacity and Demand (Asia & ME)



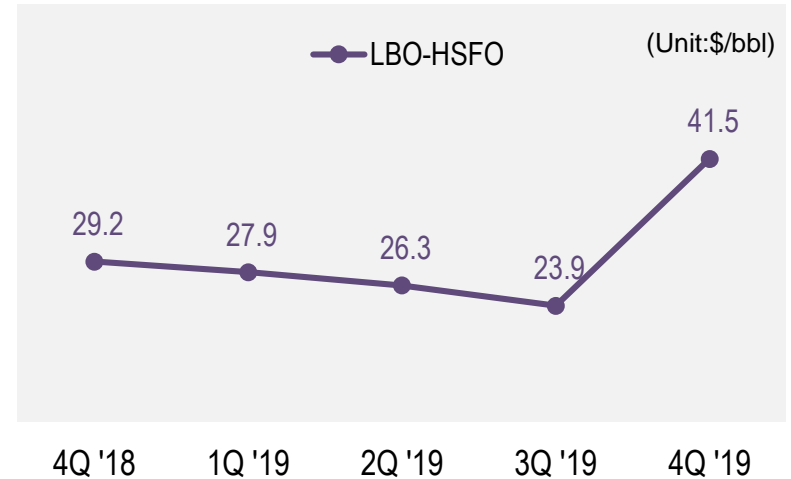
4Q '19 Market Environment

- Overall LBO spreads surged sharply, as HSFO prices plummeted ahead of IMO 2020 implementation, while product prices remained flat.

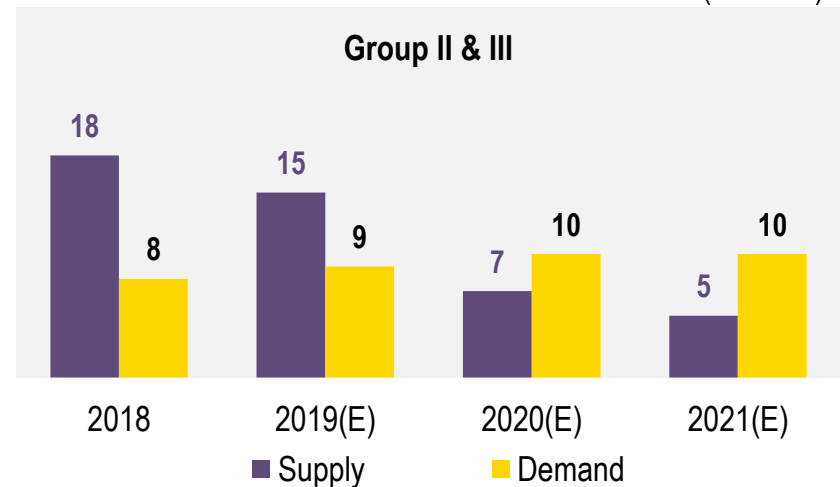
2020 Outlook

- LBO spread is expected to keep solid level as the demand for high-quality product is expected to steadily grow due to stricter emission regulations.

Product Spread (Asia)



LBO Supply/Demand Growth










Source: ICIS, Kline, The Company

Summarized Income Statement

(Unit: bil. Won)	4Q '19	3Q '19	QoQ	2019	2018
Revenue	6,476.2	6,234.5	3.9% ↑	24,394.2	25,463.3
Operating Income	38.6	230.7	83.3% ↓	449.2	639.5
(Margin)	(0.6%)	(3.7%)	-	(1.8%)	(2.5%)
Finance & Other Income	65.0	-156.9	-	-312.3	-311.8
- Net Interest Gain	-39.5	-45.6	-	-168.9	-48.0
- Net F/X Gain*	101.7	-109.4	-	-122.2	-178.1
- Others	2.8	-1.9	-	-21.2	-85.7
Equity Method Gain	0.3	0.3	-	2.6	4.1
Income before Tax	103.9	74.1	40.2% ↑	139.5	331.8
Net Income	68.8	51.6	33.3% ↑	86.5	258.0

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

Quarterly Trend of Sales by Region

(Unit: k bpd, %)	4Q '18	1Q '19	2Q '19	3Q '19	4Q '19
Sales Total	758	676	731	728	762
Domestic	333	355	338	349	371
Export	425	321	393	379	391
(% in Total)	(56.1%)	(47.4%)	(53.8%)	(52.0%)	(51.0%)
 South East Asia	13.0%	12.3%	12.9%	16.1%	19.1%
 Japan	16.5%	16.5%	18.9%	18.0%	17.2%
 China	22.5%	22.2%	22.5%	16.4%	16.9%
 Australia	12.2%	7.1%	8.3%	10.7%	8.2%
 Taiwan	8.4%	5.7%	2.2%	1.9%	8.0%
 USA	7.0%	4.2%	5.8%	7.8%	7.8%
 Singapore	10.5%	14.8%	10.6%	11.3%	2.9%

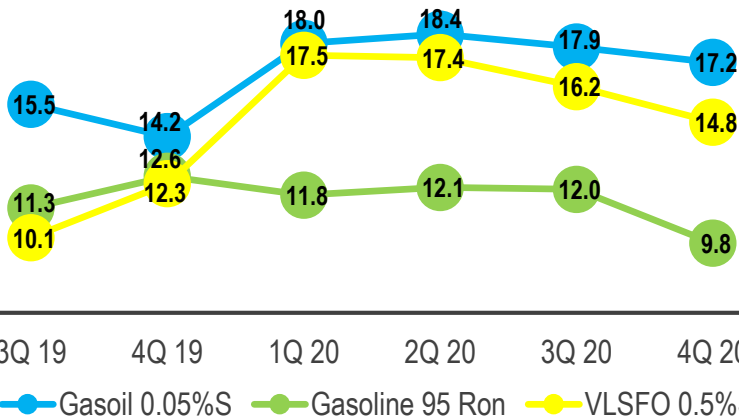
Outlook for IMO 2020 Effects

Refining Margins

- More demand of compliant fuels for IMO 2020 will result in elevated refining margins in 2020 1Q.

Gasoil, Gasoline & VLSFO vs. Dubai*

(Unit:\$/bbl)



*Average of expected figures by IHS, FGE

- Stock building movement and replacement for IMO 2020 compliant fuel has already started in 3Q, which triggered hike of VLSFO premium vs. HSFO.

(unit: \$/bbl)	3Q19(A)	4Q19(P)	1Q20(E)	2Q20(E)
VLSFO vs. HSFO	11.3	33.9	43.8	40.7

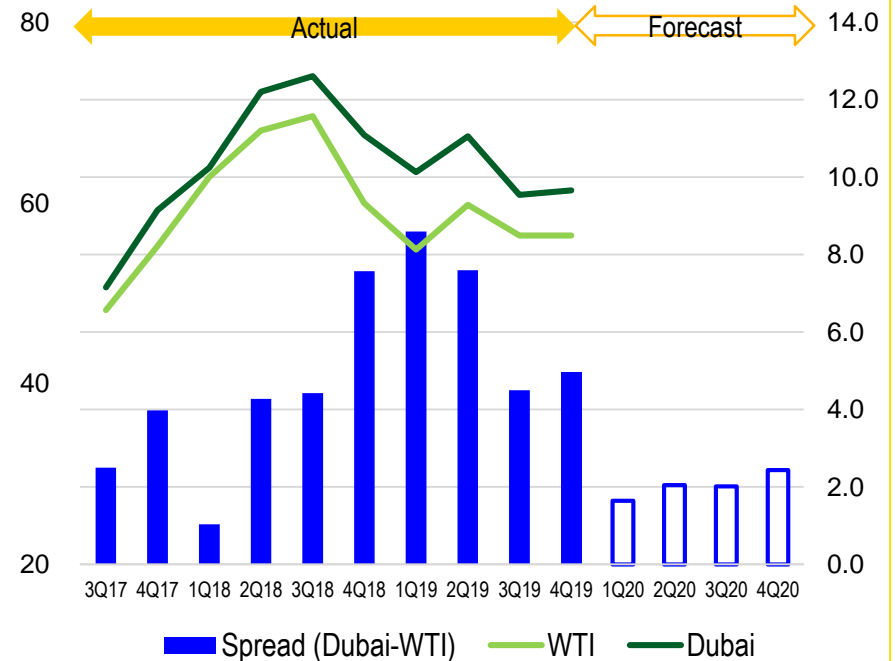
Source: Wood Mackenzie, IHS, FGE, The Company

Crude price differential

- IMO 2020 will put upward pressure on WTI prices as a result of higher demand for light-sweet crude oils. Spread between Dubai and WTI would be narrowed.

Dubai vs. WTI*

(Unit:\$/bbl)



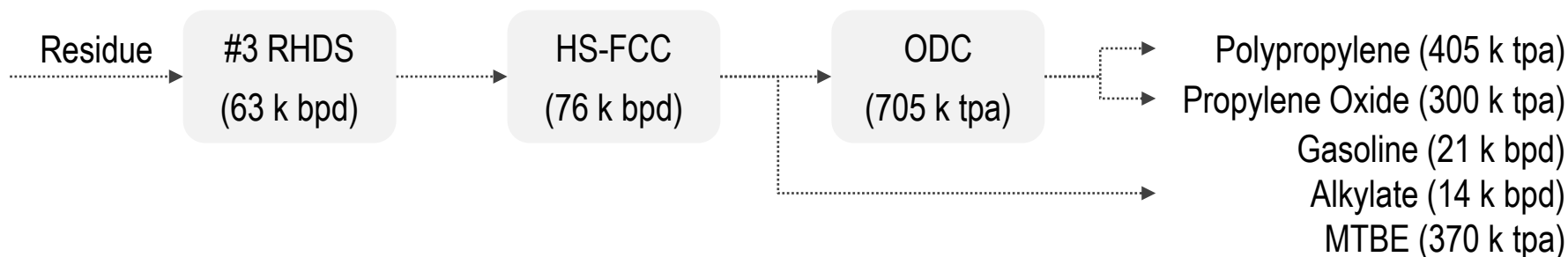
*Average of expected figures by IHS, FGE and Wood Mackenzie

RUC/ODC Overview

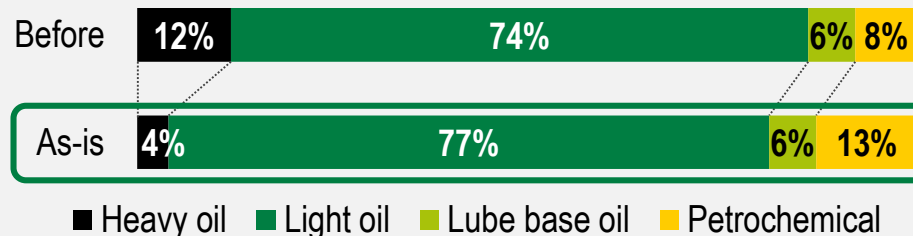
Project	Residue Upgrading Complex (RUC) and Olefin Downstream Complex (ODC)
Site	The Company's Onsan complex
Investment Period	2015 ~ 2018 (Mechanical Completion in April, 2018)
Commercial Operation	November 2018

Major Process

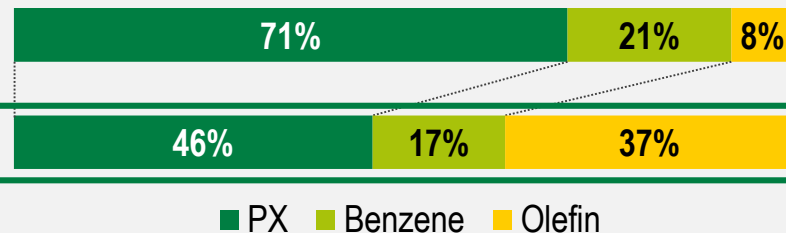
Major Product



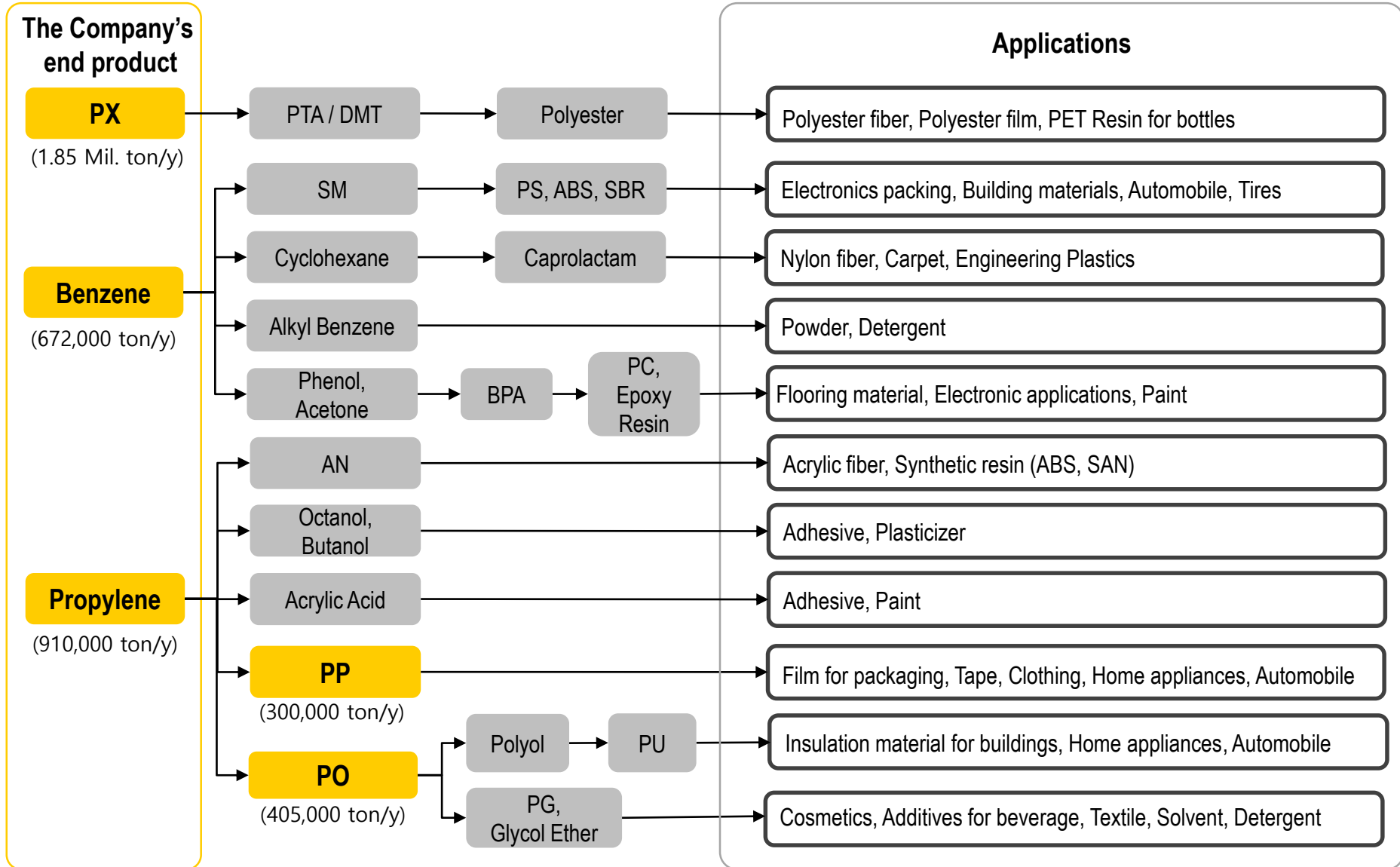
Company total product portfolio



Petrochemical business product portfolio



S-OIL's Petrochemical Product & Value Chain



Long-term Margin Trend

Refining

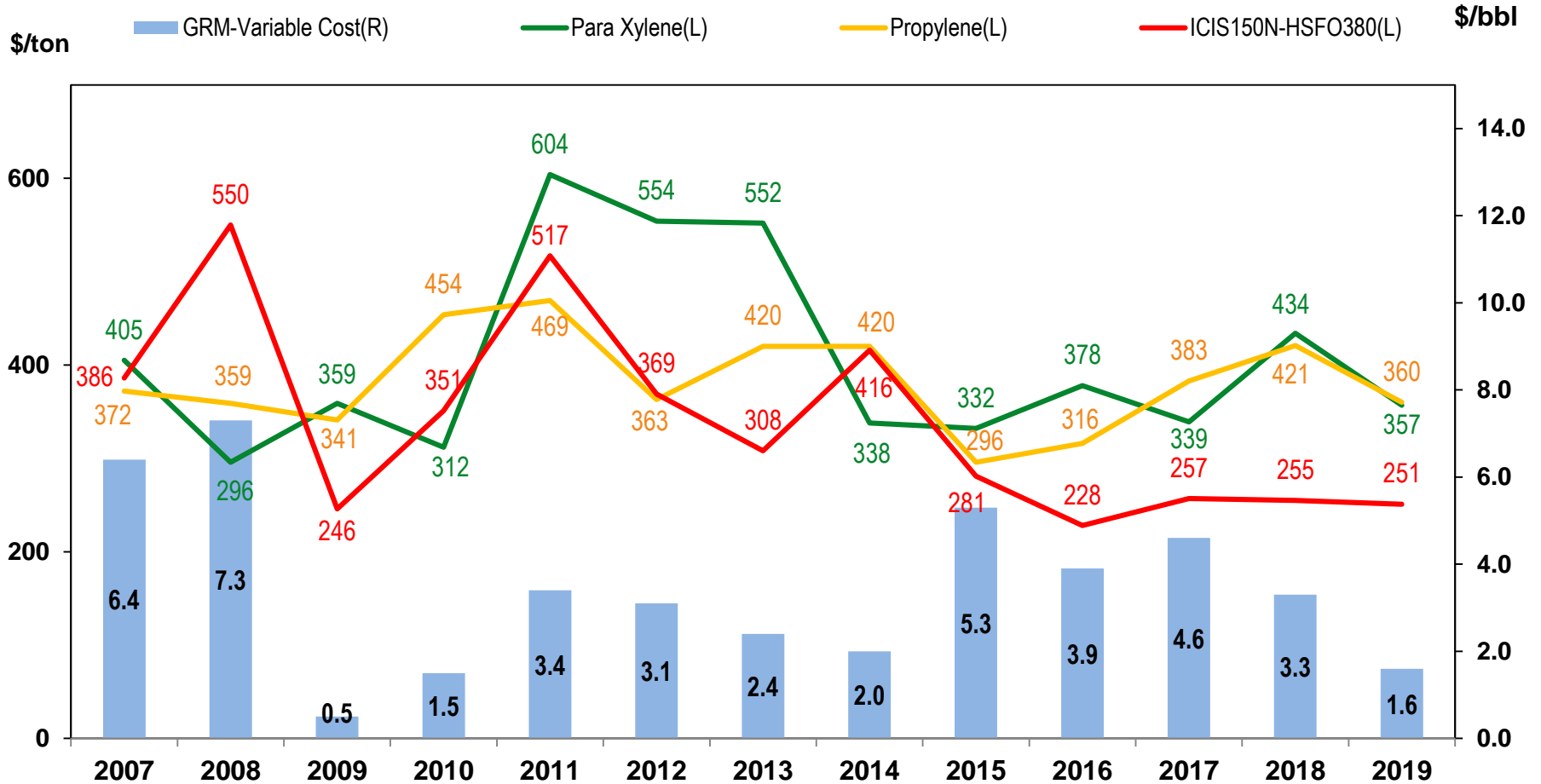
Singapore Complex Margin

Petrochemical

Product spread (Vs. Naphtha)

Lube base Oil

Product spread



Thank You

S-OIL IR Team

Contact : IRteam@s-oil.com



Winner of 2019 Korea Accounting Grand Prize

S-OIL was awarded 2019 Korea Accounting Grand Prize for enhancing accounting transparency.

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM



S-OIL, the only company named to DJSI World for the 10th consecutive year among Asia Pacific refiners and won 2019 Best Governance Companies from KCGS.

