



**S-OIL**

Discovering the infinite possibility of oil



# **1Q 2020 Earnings Release**

---

**April 2020**

# DISCLAIMER

Financial results for 1Q 2020 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 2020 Performance

|                                 |   |
|---------------------------------|---|
| 1Q 2020 Financial Result        | 4 |
| Financial Status                | 5 |
| Performance by Business Segment | 6 |
| CAPEX & Operation               | 7 |

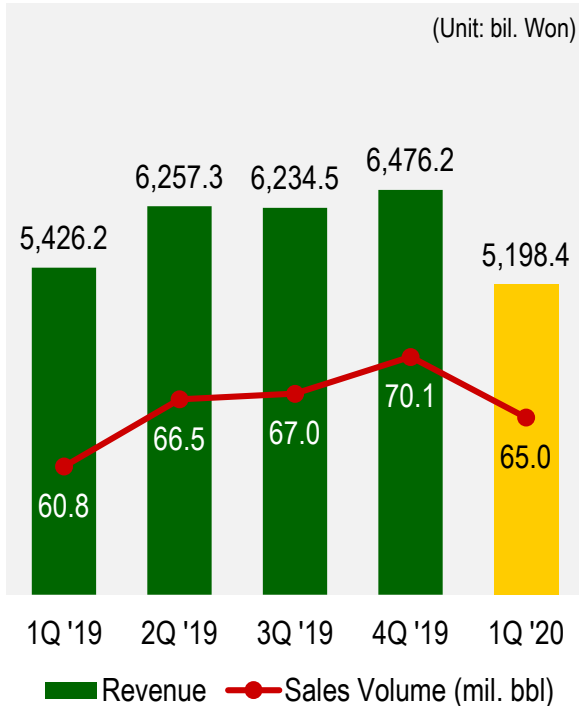
## Market Environment & Outlook

|                           |    |
|---------------------------|----|
| Refining                  | 8  |
| Petrochemical – Aromatics | 9  |
| Petrochemical – Olefins   | 10 |
| Lube Base Oil             | 11 |

## Appendices

|   |    |
|---|----|
| Summarized Income Statement                 | 12 |
| Quarterly Trend of Sales by Region          | 13 |
| Efforts and Activities in ESG               | 14 |
| S-OIL's Petrochemical Product & Value Chain | 15 |
| Long-term Margin Trend                      | 16 |

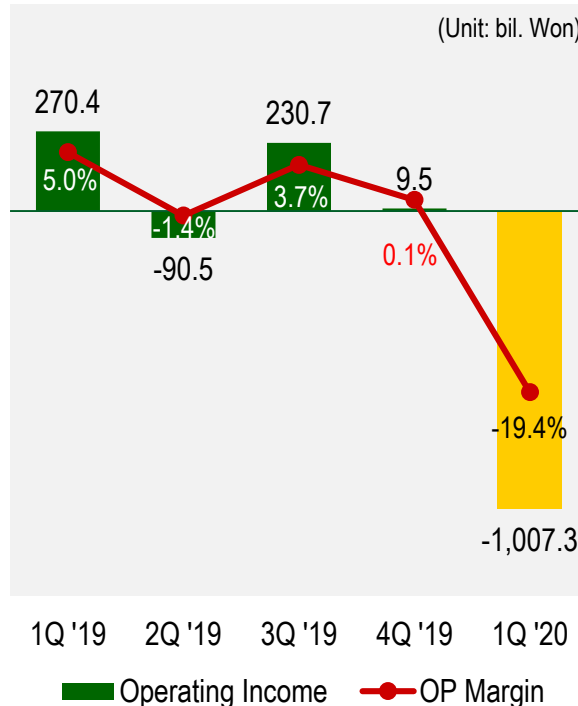
## Revenue



**Decreased 19.7% QoQ  
due to oil price drop and  
decrease in sales volume**

- Quarterly average selling price: 13.4% ↓, QoQ
- Sales volume: 7.3% ↓, QoQ

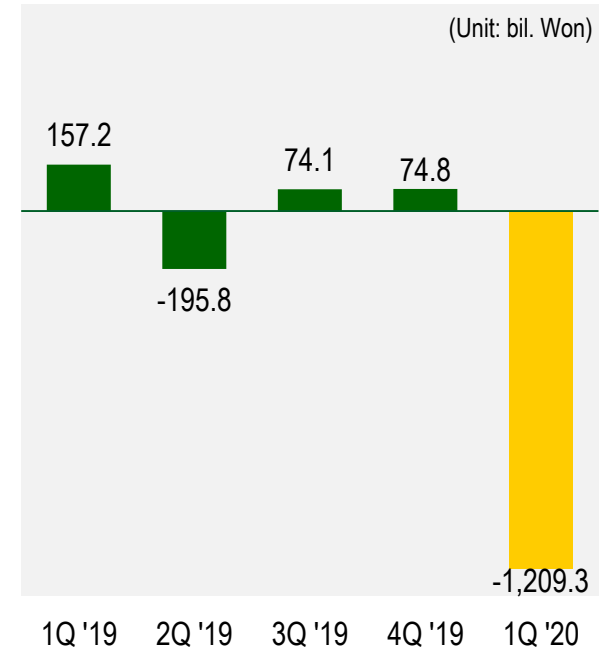
## Operating Income



**Decreased 1,016.8 bil. Won QoQ  
due to sizeable inventory-related  
loss by oil price drop**

- Inventory-related loss: 721 bil. Won (Inventory-related gain in 4Q '19: 54 bil. Won)
- Singapore complex margin(\$/bbl): 1Q 0.3 (0.5 ↑, QoQ)

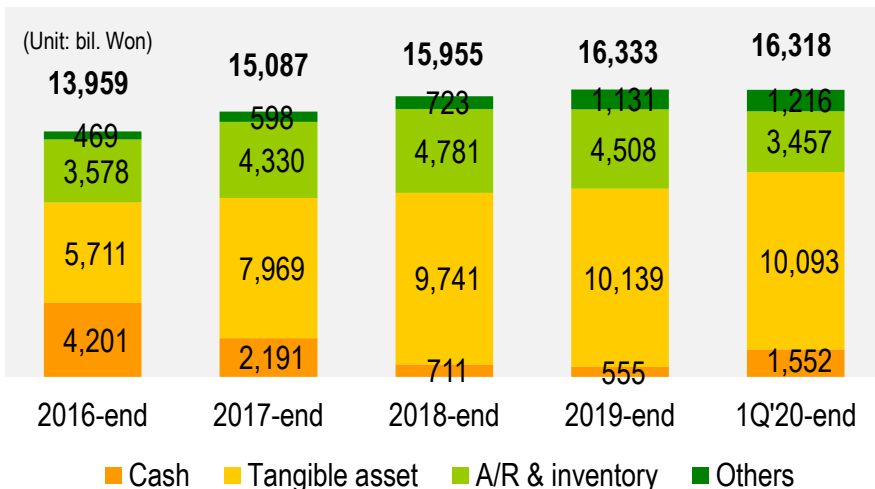
## Income before Tax



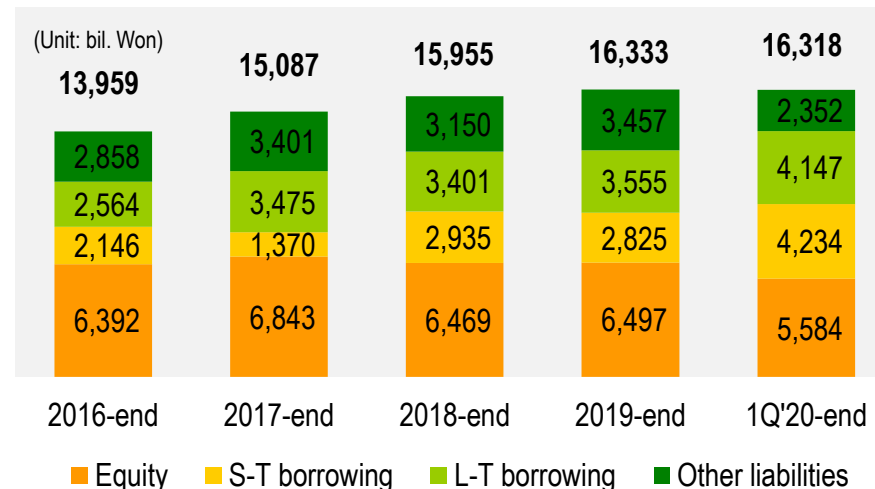
**Decreased 1,284.1 bil. Won by  
operating loss coupled with  
F/X loss**

- F/X loss: 141 bil. Won (4Q '19 F/X gain: 102 bil. Won)
- ₩/\$ rate: 1Q-end 1,222.6 (64.8 ↑, QoQ)

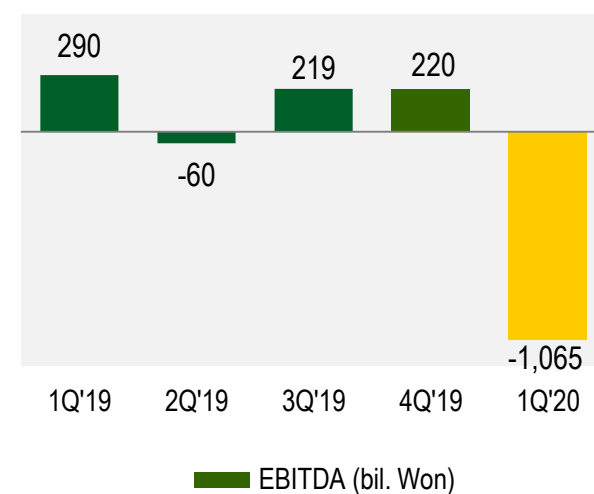
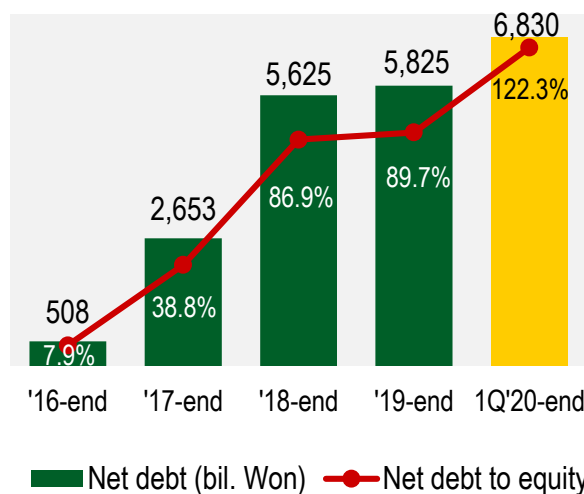
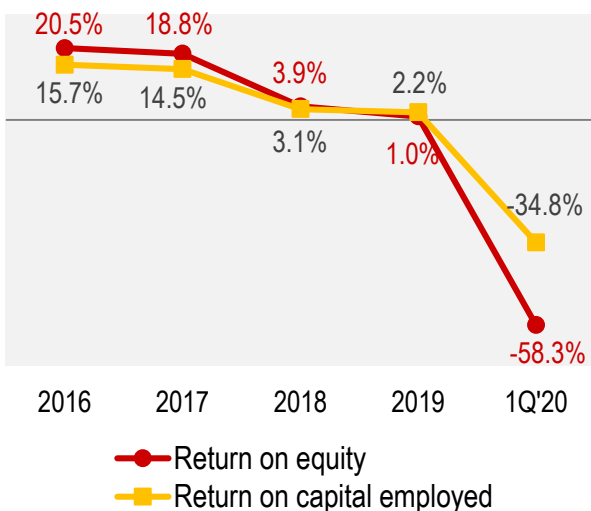
## Assets



## Liabilities & Equities



## Financial Highlights



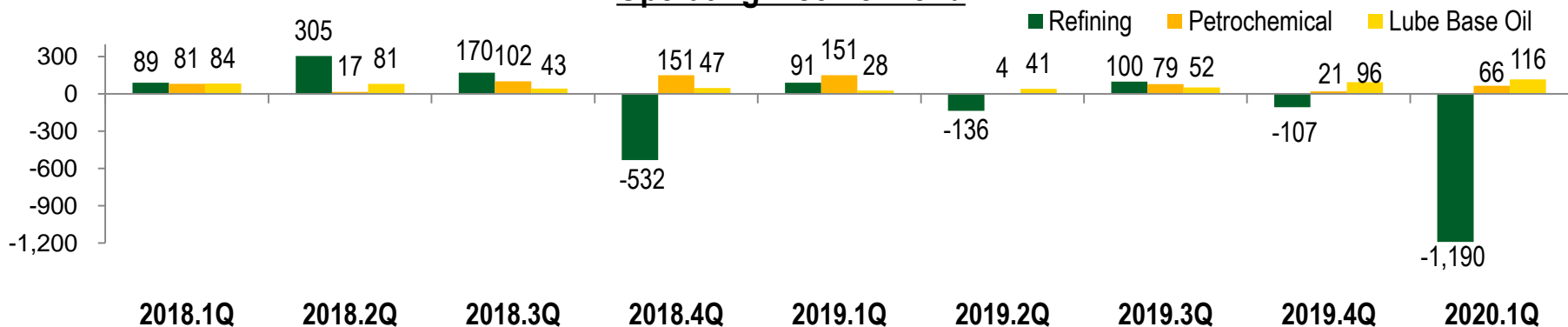
\* Net debt: Short-term borrowing + Long-term borrowing - Cash

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

# Performance by Business Segment

| Segment       | (Unit: bil. Won) | 1Q '20   | 4Q '19  | QoQ      | 1Q '19  | YoY      |
|---------------|------------------|----------|---------|----------|---------|----------|
| Refining      | Revenue          | 3,956.4  | 5,057.9 | 21.8% ↓  | 4,074.3 | 2.9% ↓   |
|               | Operating Income | -1,190.0 | -106.7  |          | 90.8    |          |
|               | (Margin)         | (-30.1%) | (-2.1%) |          | (2.2%)  |          |
| Petrochemical | Revenue          | 808.1    | 1,014.7 | 20.4% ↓  | 986.9   | 18.1% ↓  |
|               | Operating Income | 66.5     | 20.6    | 222.7% ↑ | 151.3   | 56.1% ↓  |
|               | (Margin)         | (8.2%)   | (2.0%)  |          | (15.3%) |          |
| Lube Base Oil | Revenue          | 433.9    | 403.6   | 7.5% ↑   | 365.0   | 18.9% ↑  |
|               | Operating Income | 116.2    | 95.6    | 21.6% ↑  | 28.3    | 310.8% ↑ |
|               | (Margin)         | (26.8%)  | (23.7%) |          | (7.8%)  |          |
| Total         | Revenue          | 5,198.4  | 6,476.2 | 19.7% ↓  | 5,426.2 | 4.2% ↓   |
|               | Operating Income | -1,007.3 | 9.5     |          | 270.4   |          |
|               | (Margin)         | (-19.4%) | (0.1%)  |          | (5.0%)  |          |

### Operating Income Trend

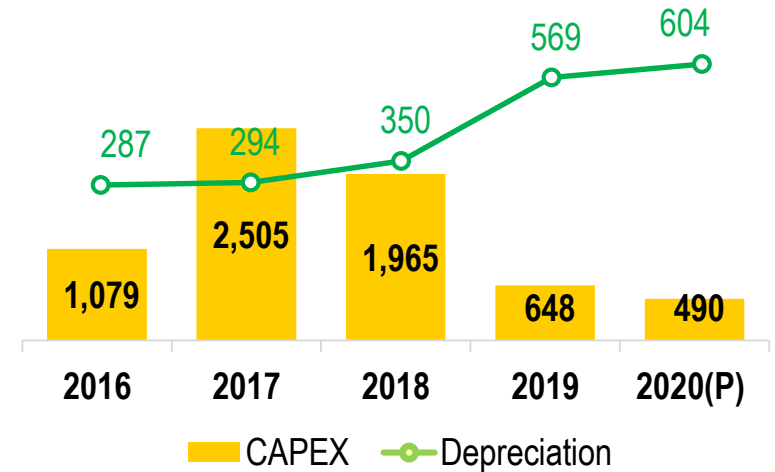


## CAPEX & Depreciation

| (Unit: bil. Won)      | 2019         | 2020 Plan    | 1Q '20       |
|-----------------------|--------------|--------------|--------------|
| Land acquisition*     | 79.1         | 5.5          | -            |
| Upgrade & Maintenance | 383.7        | 424.2        | 65.4         |
| Others                | 185.3        | 60.1         | 9.3          |
| <b>Total CAPEX</b>    | <b>648.1</b> | <b>489.8</b> | <b>74.7</b>  |
| <b>Depreciation</b>   | <b>569.1</b> | <b>604.3</b> | <b>144.6</b> |

\* For future project

(Unit: bil. Won)



## Maintenances

|                      | 2018   | 2019                | 1Q '20 | 2~3Q '20 |
|----------------------|--------|---------------------|--------|----------|
| <b>Refining</b>      | #2 CDU | #3 CDU<br>CFU       | -      | #1 CDU   |
|                      | HYC FH | #1,2 RFCC<br>HYC FH | -      | #2 RFCC  |
| <b>Petrochemical</b> | #1 PX  | #2 PX               | -      | PP/PO    |
| <b>Lube Base Oil</b> | -      | HYC SH              | -      | #1 HDT   |

## Utilization Rate

|                     | 2018  | 2019  | 4Q'19 | 1Q'20 |
|---------------------|-------|-------|-------|-------|
| <b>CDU</b>          | 99.1% | 95.4% | 97.8% | 93.4% |
| <b>RFCC/HYC</b>     | 94.2% | 86.8% | 89.7% | 96.2% |
| <b>PX Plants</b>    | 81.2% | 75.6% | 97.3% | 98.5% |
| <b>PP/PO Plants</b> | 65.6% | 75.4% | 86.9% | 94.1% |
| <b>Lube Plants</b>  | 92.3% | 88.7% | 93.0% | 93.5% |

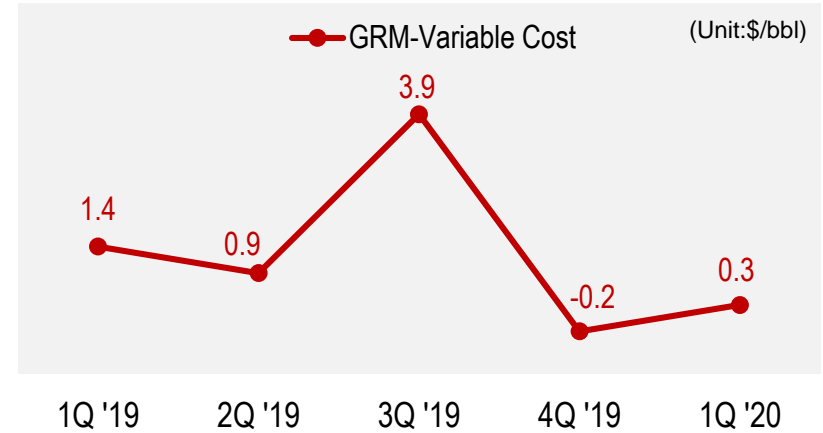
## 1Q '20 Market Environment

- **Refining margin** remained pressured due to outbreak of COVID-19 pandemic resulting in nosedive of global demand of refined product, especially transport fuels such as jet and gasoline.

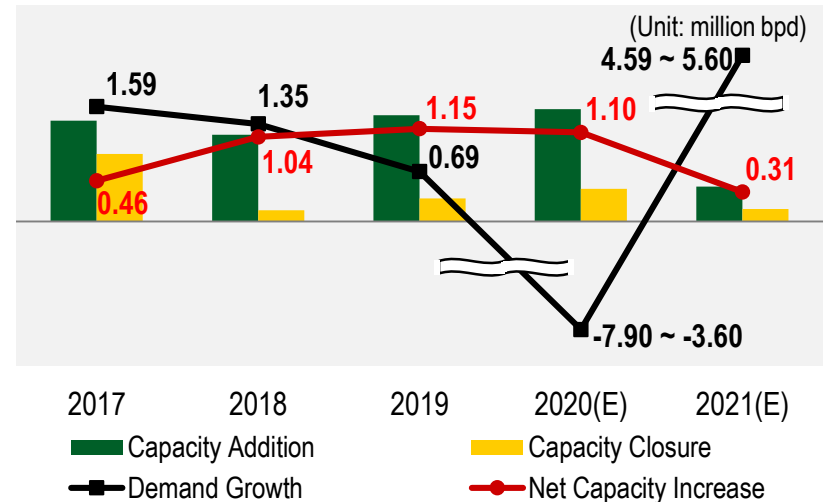
## 2Q '20 Outlook

- **Refining margin** would gradually bottom out as re-opening of businesses by countries is expected amid sizable run cuts and spring maintenance shutdowns of refiners in the region.

## Singapore Margin



## Global Net Capacity Increase vs. Demand Growth



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



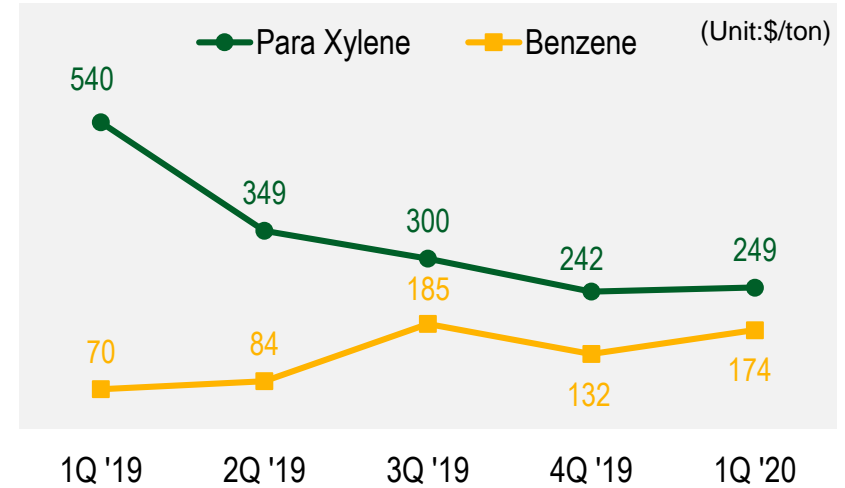
## 1Q '20 Market Environment

- **Para Xylene spread** was maintained due to the plunge in naphtha prices despite a worsening downstream demand caused by the spread of the COVID-19 pandemic.
- **Benzene spread** improved as feedstock prices fell and regional benzene supply-demand remained balanced in a worsening COVID-19 situation.

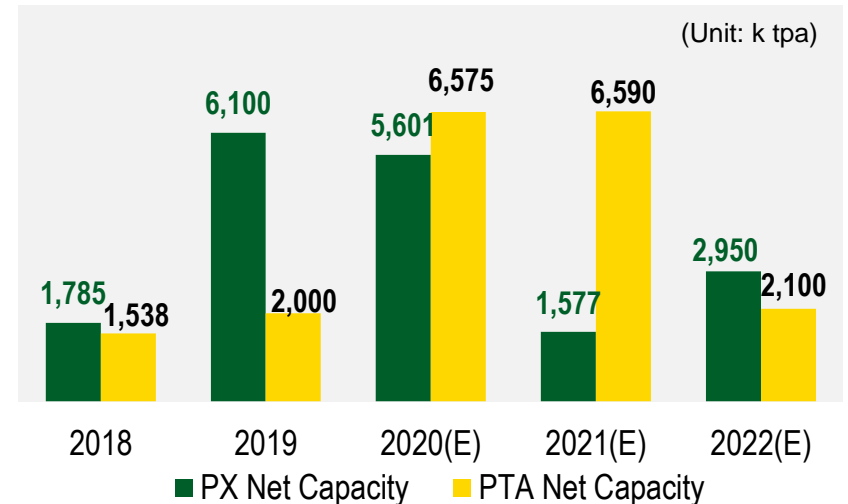
## 2Q '20 Outlook

- **Para Xylene spread** is expected to improve as feedstock prices would drop further and major producers in the region will shut down its facilities for maintenance.
- **Benzene spread** is expected to decline due to the weakening sentiment and high inventory in China.

### Product Spread (Vs. Naphtha)



### PX & PTA Net Capacity Expansion



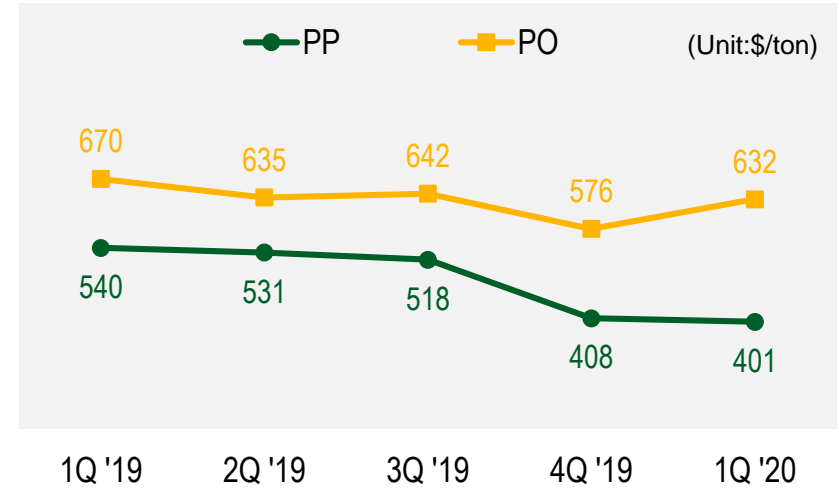
## 1Q '20 Market Environment

- **PP spread** remained similar to the previous quarter as feedstock naphtha price drop offset the impact of shrinking demand caused by COVID-19.
- **PO spread** against naphtha rebounded due to limited supply by major plant's maintenance as well as drop of feedstock price.

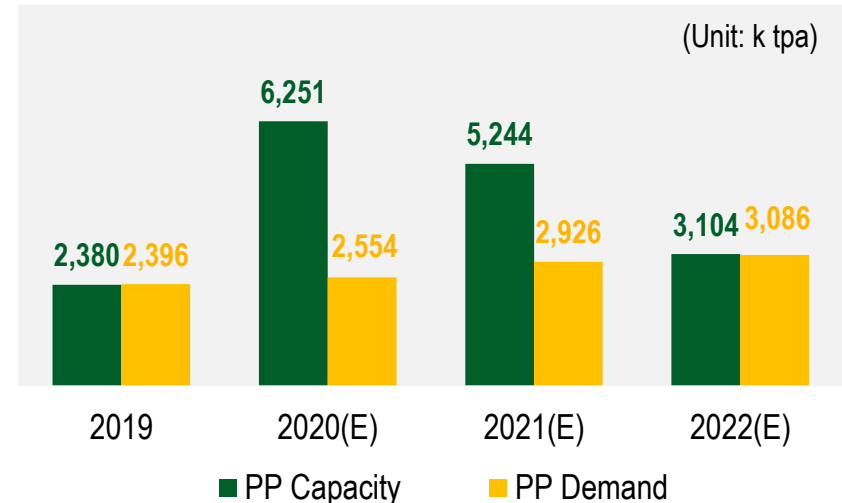
## 2Q '20 Outlook

- **PP spread** is expected to improve mainly driven by the rising demand for anti-coronavirus materials.
- **PO spread** would be narrowed slightly on downstream demand weakness affected by COVID-19.

### Product Spread (Vs. Naphtha)



### Increase of PP Capacity and Demand (Asia & ME)



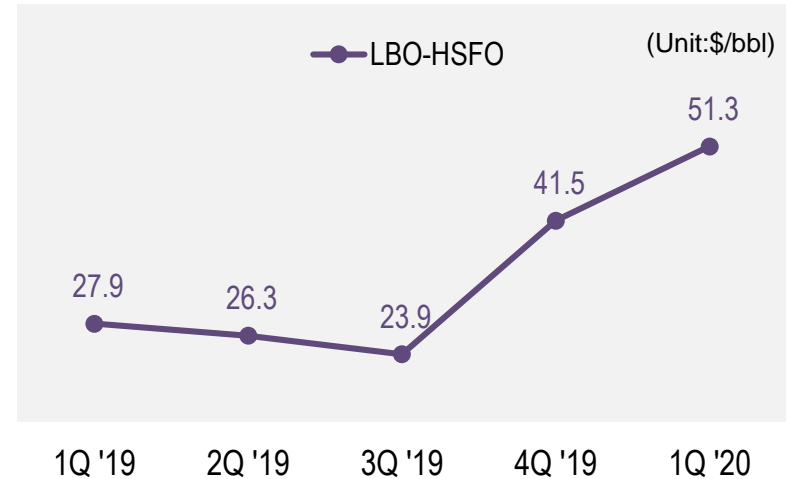
## 1Q '20 Market Environment

- Overall LBO spreads rose as the drop in raw material prices was larger than the drop in product prices amid a plunge in crude oil prices.

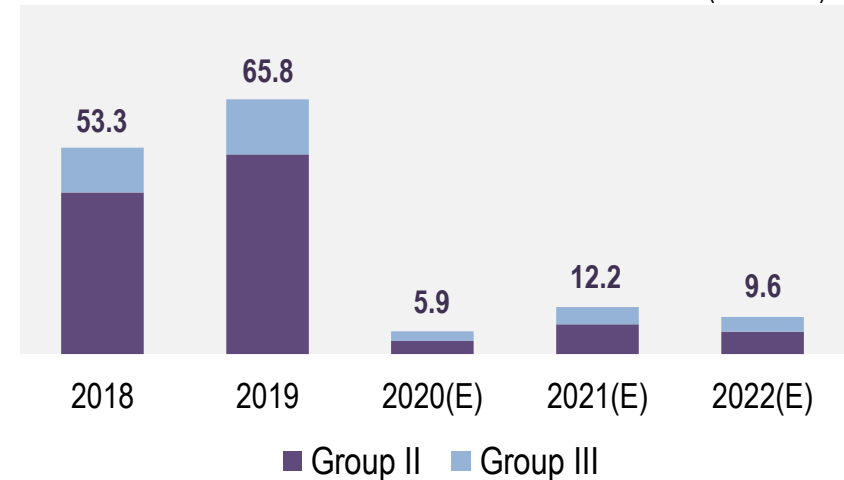
## 2Q '20 Outlook

- LBO spreads are expected to decline as product price will move down to reflect the lowered feedstock price amid weak demand.

### Product Spread (Asia)



### LBO Capacity Addition










Source: ICIS, Argus, The Company

## Summarized Income Statement

| (Unit: bil. Won)                    | 1Q '20                      | 4Q '19               | QoQ           | 1Q '19                 | YoY          |
|-------------------------------------|-----------------------------|----------------------|---------------|------------------------|--------------|
| <b>Revenue</b>                      | <b>5,198.4</b>              | <b>6,476.2</b>       | <b>19.7%↓</b> | <b>5,426.2</b>         | <b>4.2%↓</b> |
| <b>Operating Income</b><br>(Margin) | <b>-1,007.3</b><br>(-19.4%) | <b>9.5</b><br>(0.1%) | -             | <b>270.4</b><br>(5.0%) | -            |
| <b>Finance &amp; Other Income</b>   | <b>-202.2</b>               | <b>65.0</b>          | -             | <b>-113.9</b>          | -            |
| - Net Interest Gain                 | -42.9                       | -39.5                | -             | -41.3                  | -            |
| - Net F/X Gain*                     | -141.5                      | 101.7                | -             | -48.0                  | -            |
| - Others                            | -17.8                       | 2.8                  | -             | -24.6                  | -            |
| <b>Equity Method Gain</b>           | <b>0.2</b>                  | <b>0.3</b>           | -             | <b>0.7</b>             | -            |
| <b>Income before Tax</b>            | <b>-1,209.3</b>             | <b>74.8</b>          | -             | <b>157.2</b>           | -            |
| <b>Net Income</b>                   | <b>-880.6</b>               | <b>47.7</b>          | -             | <b>113.6</b>           | -            |

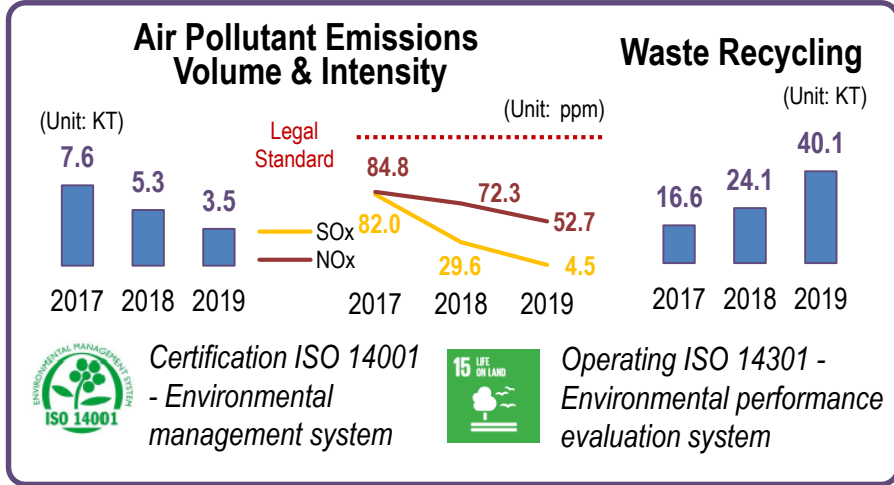
\* Including gain/loss from F/X derivatives for hedging

## Quarterly Trend of Sales by Region

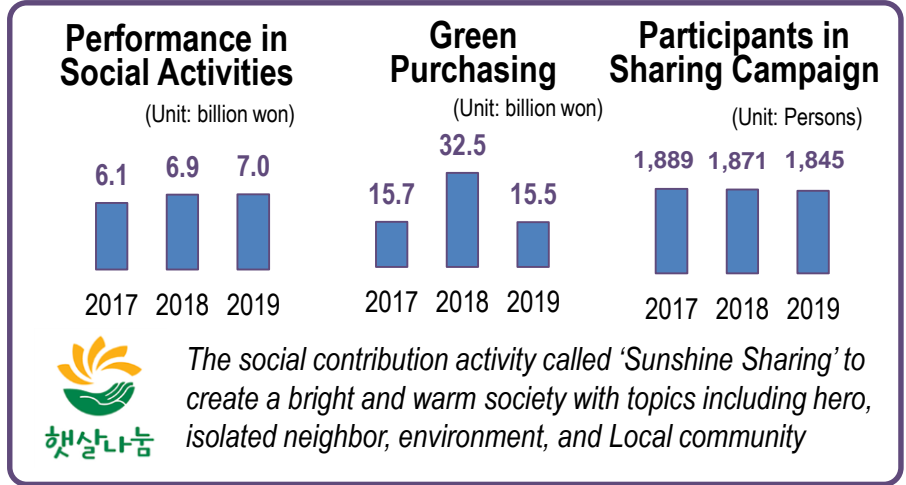
| (Unit: k bpd, %)  | 1Q '19  | 2Q '19  | 3Q '19  | 4Q '19  | 1Q '20  |
|---|---------|---------|---------|---------|---------|
| <b>Sales Total</b>  | 676     | 731     | 728     | 762     | 714     |
| <b>Domestic</b>   | 355     | 338     | 349     | 371     | 340     |
| <b>Export</b>   | 321     | 393     | 379     | 391     | 374     |
| (% in Total)  | (47.4%) | (53.8%) | (52.0%) | (51.2%) | (52.3%) |
|  Japan             | 16.5%   | 18.9%   | 18.0%   | 17.2%   | 22.9%   |
|  China             | 22.2%   | 22.5%   | 16.4%   | 16.9%   | 15.3%   |
|  Singapore         | 14.8%   | 10.6%   | 11.3%   | 2.9%    | 14.5%   |
|  USA             | 4.2%    | 5.8%    | 7.8%    | 7.8%    | 10.8%   |
|  South East Asia | 12.3%   | 12.9%   | 16.1%   | 19.1%   | 10.5%   |
|  Australia       | 7.1%    | 8.3%    | 10.7%   | 8.2%    | 8.8%    |
|  Taiwan          | 5.7%    | 2.2%    | 1.9%    | 8.0%    | 0.6%    |

## Efforts & Activities in ESG

### Environment Management



### Social Contribution



### Governance

- Establish transparent and sound corporate governance through organizing BOD and sub-committees with Diversity, Independence, and rich Expertise and ensuring Checks and Cooperation
  - Well organized Compliance system & Ethics management
- Acquired A + grade of governance for 4 consecutive years since 2016

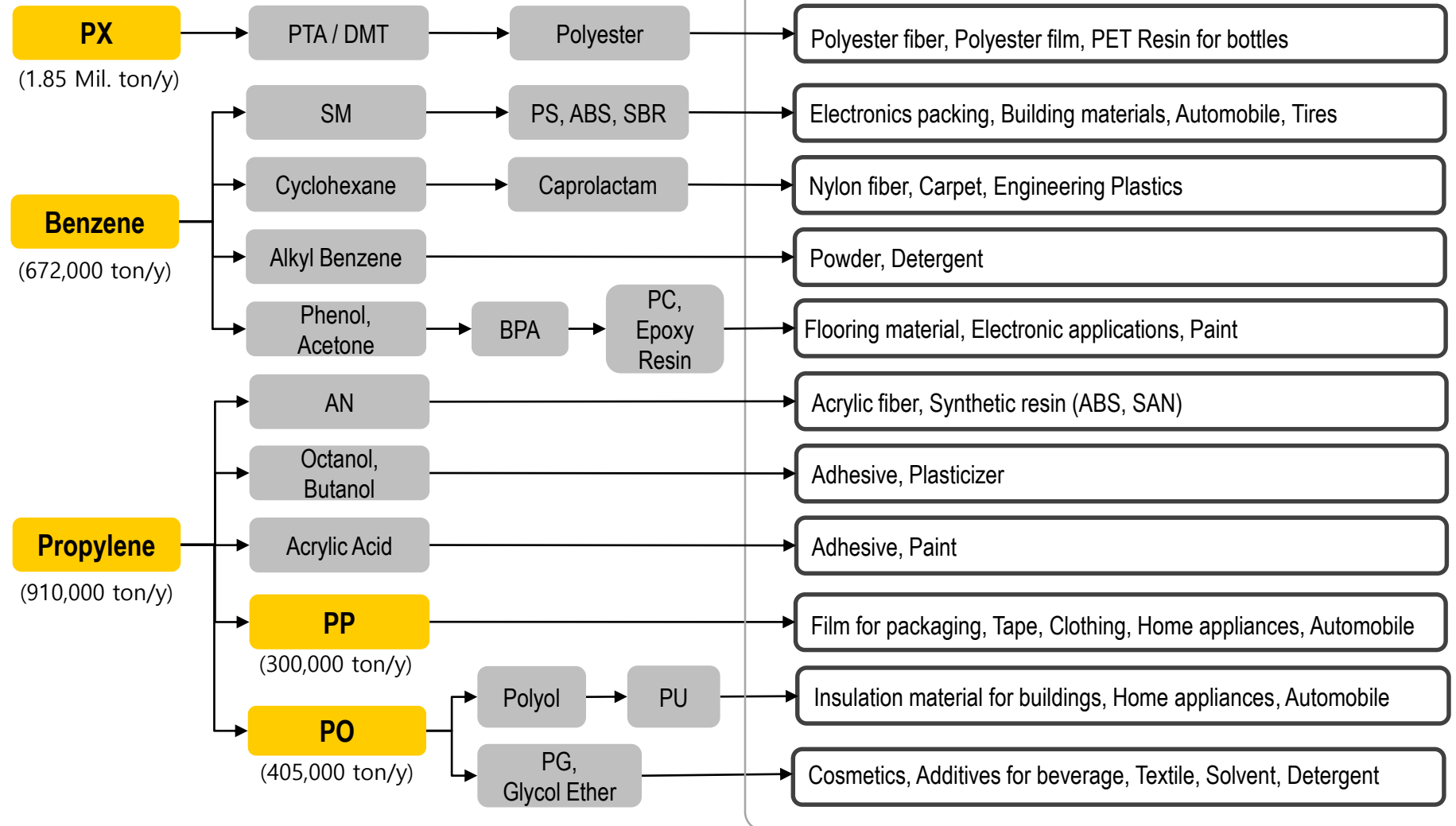
The first local manufacturing Company to acquire ISO 19600 – Compliance management system

### Assessment by external bodies in 2019

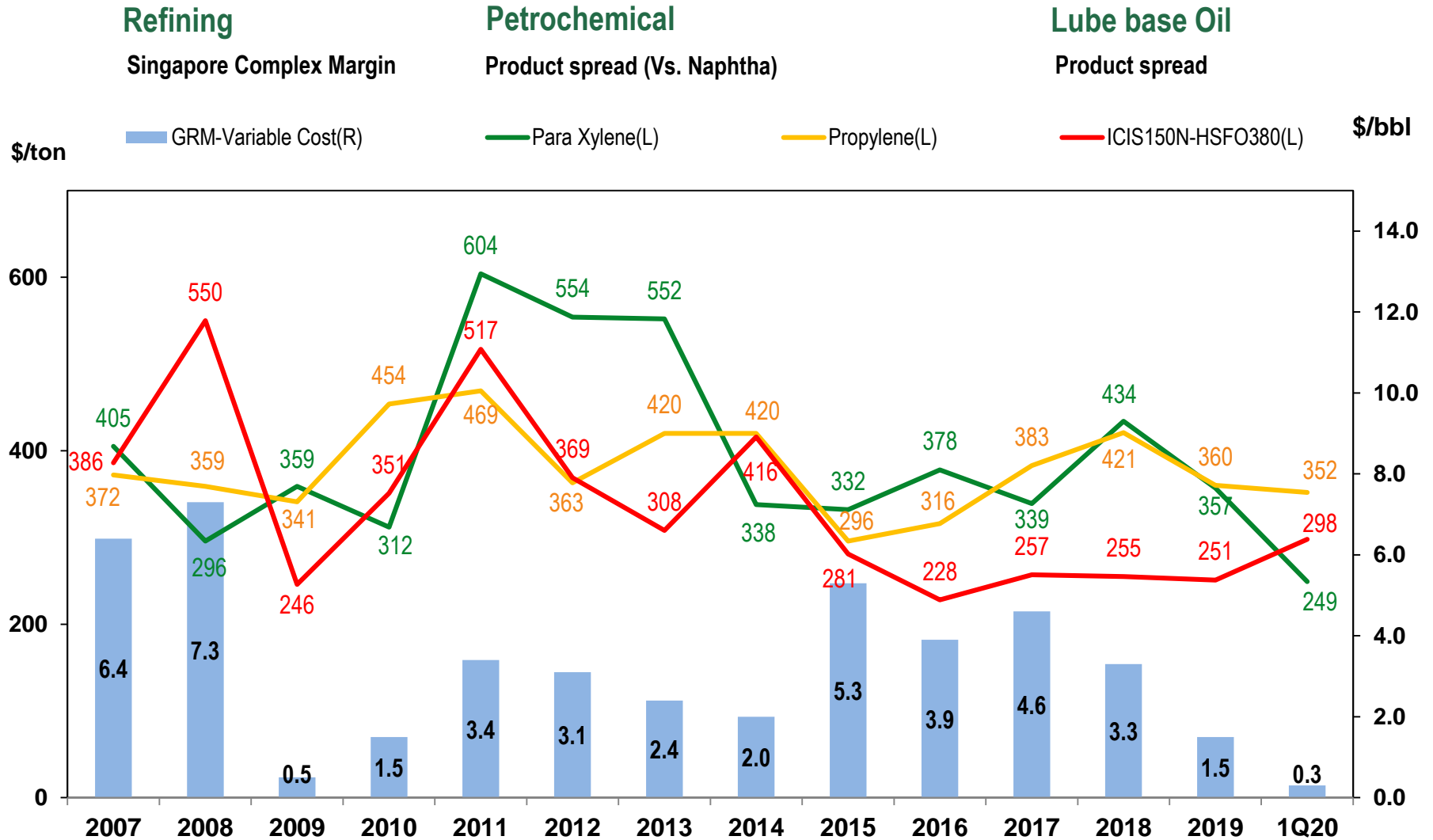


## S-OIL's Petrochemical Product & Value Chain

The Company's end product



## Long-term Margin Trend





# Thank You

## S-OIL IR Team

Contact : [IRteam@s-oil.com](mailto: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 10<sup>th</sup> consecutive year among Asia Pacific refiners and won 2019 Best Governance Companies from KCGS.

