

S-OIL Corporation Q2 2024 Results

July 2024



Highlights



160.6 billion Won

Operating income in Q2

Operating income in Q2 recorded 160.6 billion Won, decreasing QoQ due to pull-back of refining margin.

Improvement in chemical and steadiness in lube segments offered support to overall results



**Seasonal
Gasoline Demand**

After hitting a bottom in Q2, Asian gasoline market is regaining upward momentum going into Q3 as healthy summer demand is projected



Safety Management

To realize a zero-accident workplace, S-OIL is making utmost efforts to foster a safety-first culture and continuously enhance our safety management system

DISCLAIMER

Financial results for Q2 2024 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.



Q2 2024 Performance & Outlook

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Supplementary Information

Q2 2024 Performance & Outlook

- Q2 2024 Financial Result
- Financial Status
- Refining
- Petrochemical
- Lube

Q2 2024 Financial Result

(Unit: bil. Won)	2Q 24	1Q 24	QoQ	2Q 23	1H 24	1H 23
Revenue	9,570.8	9,308.5	2.8%↑	7,819.6	18,879.3	16,897.2
Operating Income	160.6	454.1	64.6%↓	36.4	614.8	552.1
(Margin)	1.7%	4.9%	-	0.5%	3.3%	3.3%
Refining	-95.0	250.4	Turn to loss↓	-292.1	155.4	-1.4
Petrochemical	109.9	48.0	128.8%↑	82.0	157.9	111.3
Lube	145.8	155.7	6.4%↓	246.5	301.4	442.2
Finance & Other Income	-201.5	-226.9	-	-70.2	-428.4	-231.0
- Net Interest gain	-57.2	-58.4	-	-44.2	-115.7	-80.6
- Net F/X gain*	-152.2	-175.5	-	-50.8	-327.8	-174.1
- Others	7.9	7.0	-	24.8	15.0	23.7
Income before tax	-40.9	227.2	Turn to loss↓	-33.8	186.3	321.1
Net Income	-21.3	166.2	Turn to loss↓	-22.4	144.9	242.9

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

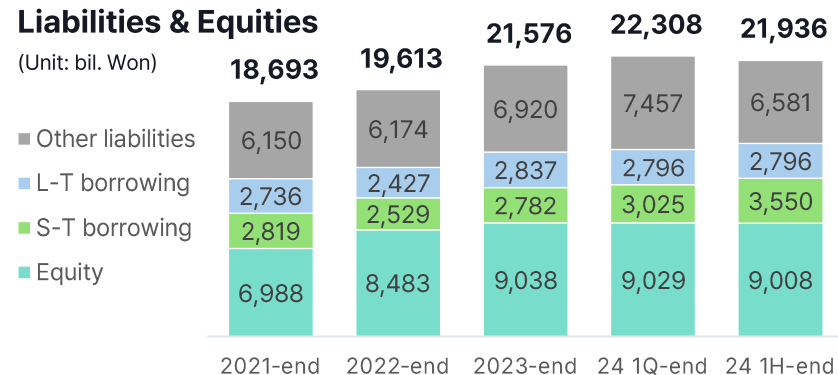
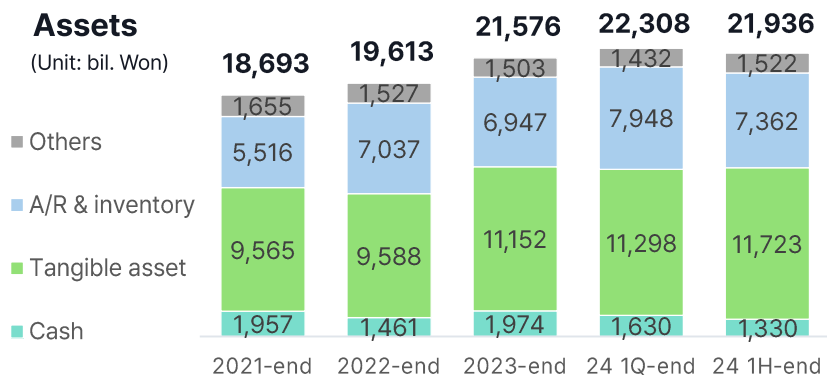
Operating Income

- 160.6 bil. Won in operating income
 - Refining segment reports a loss caused by refining margin decline
 - Petrochemical segment profit increased by 129% QoQ, while lube segment saw a modest decrease
- * Inventory-related impact : +81.1 bil. Won

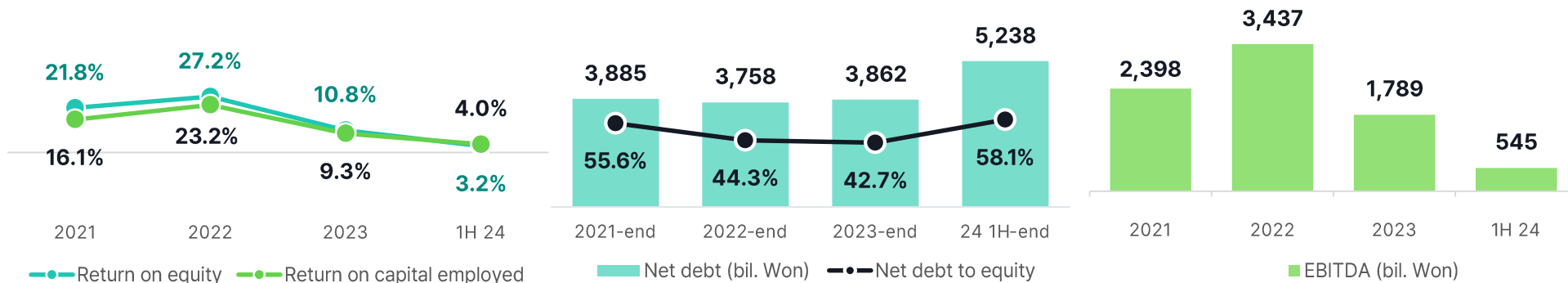
Income before Tax

- -40.9 bil. Won of income before tax
 - F/X rate change
 - Q2 24: +42.4 ₩/\$
 - Q1 24: +57.4 ₩/\$

Financial Status



Financial Highlights

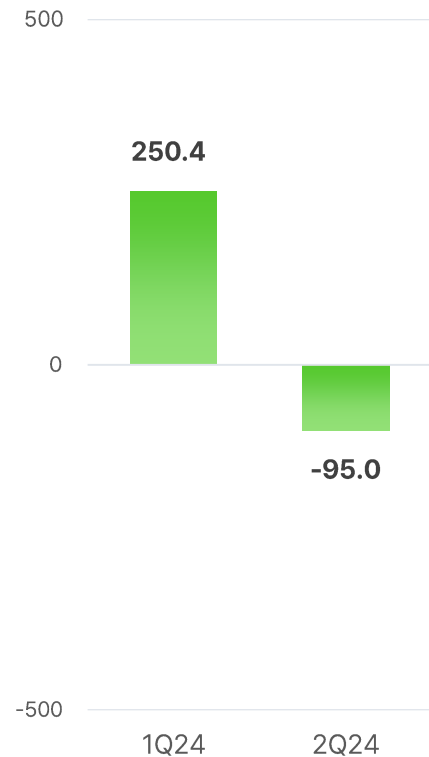


* Net debt: Short-term borrowing + Long-term borrowing + Lease obligation - Cash

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

Refining

Operating Income (Unit: bil. Won)



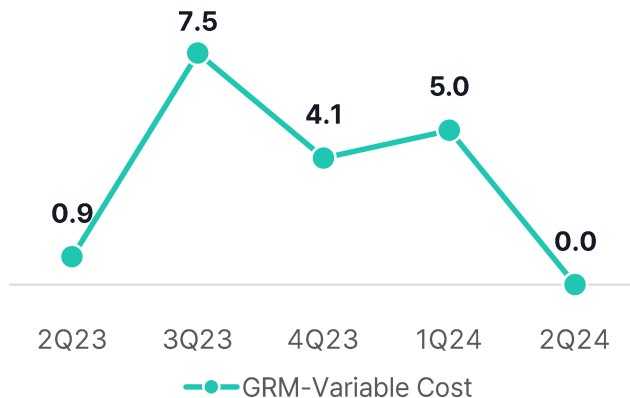
Q2 24 Market Environment

- **Regional refining margin** weakened due to lackluster gasoline demand, notably in the US, and restricted diesel arbitrage to Europe caused by heightened ocean freight rates
- **Dubai crude price** declined after reaching the annual high in April owing to sluggish economic indicators from major countries. Yet, on-going geopolitical unrest provided a floor

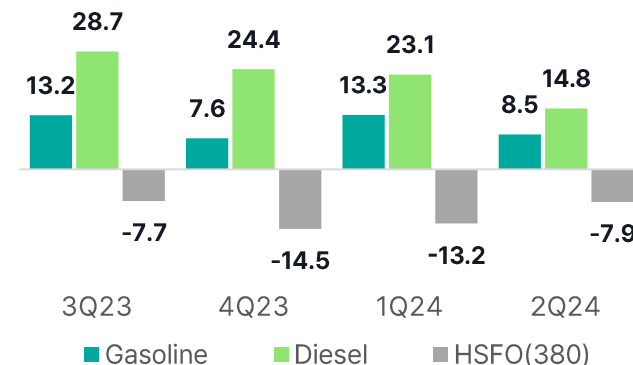
Q3 24 Outlook

- **Regional refining margin** is forecast to rebound spurred by transport fuel demand during the summer peak season
 - Gasoline market is expected to improve as the seasonal demand picks up in full swing during the Northern Hemisphere driving season
 - Jet fuel/diesel spread is anticipated to be supported by air travel demand surpassing pre-pandemic levels, coinciding with summer peak season

Singapore Margin (Unit:\$/bbl)

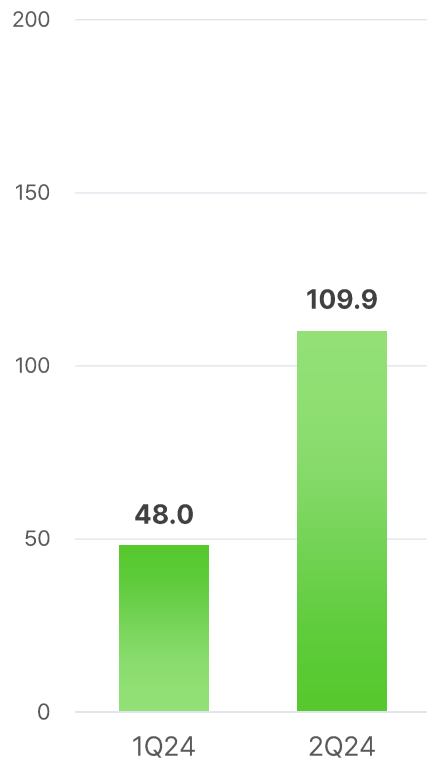


Products Spread over Dubai (Unit:\$/bbl)



Petrochemical

Operating Income (Unit: bil. Won)



Q2 24 Market Environment

Aromatics

- PX and BZ market improved backed by firm downstream demand and heavy maintenances
 - Start-up of new PTA facilities in China
 - Steady BZ import demand from the US

Olefin downstream

- PP market stayed supported by regular maintenances with improved demand for packaging in China
- PO spread adjusted due to supply increase from new facilities and stagnant downstream demand

Q3 24 Outlook

Aromatics

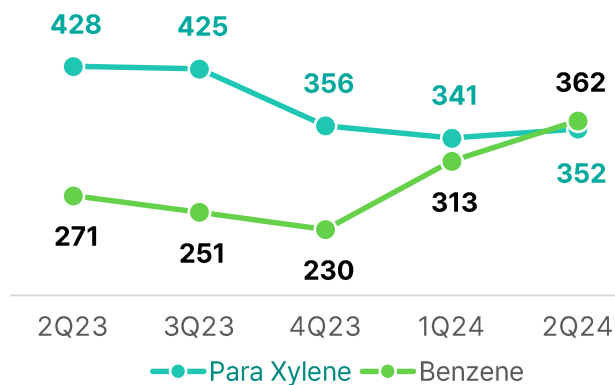
- PX and BZ markets are projected to be upheld by steady downstream demand, which can help offset returning supply from maintenance and slowing demand for gasoline blending

Olefin downstream

- PP and PO markets are anticipated to slightly improve as Chinese economic measures such as trade-in program is expected to generate momentum amid continued capacity addition

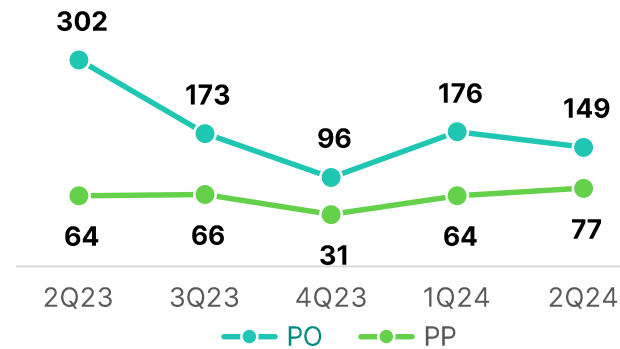
Aromatics Spread over Naphtha

(Unit : \$/ton)



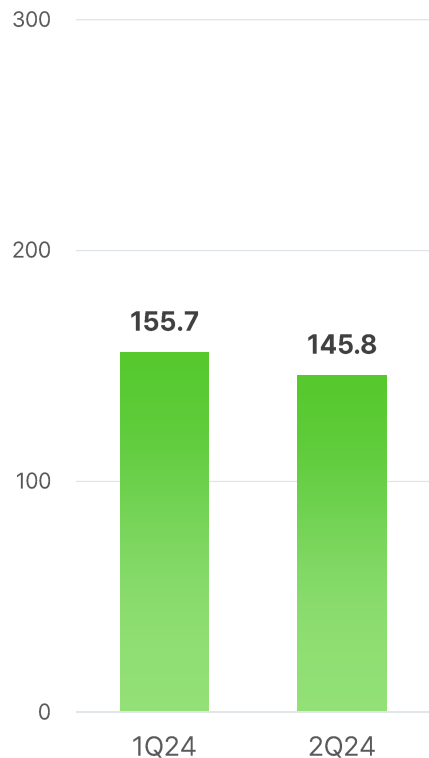
Olefin downstream Spread over Propylene

(Unit : \$/ton)



Lube

Operating Income (Unit: bil. Won)



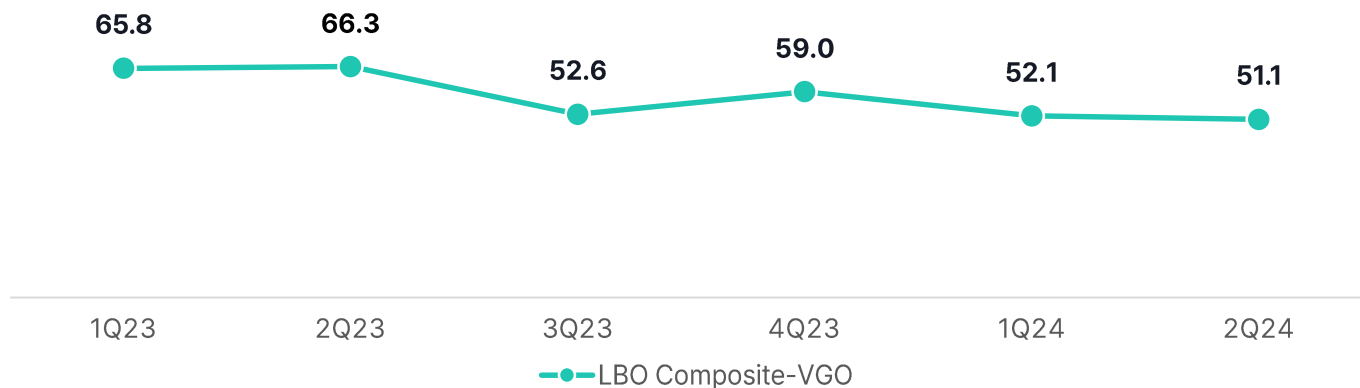
Q2 24 Market Environment

- **LBO fundamental** remained steady due to scheduled maintenances of global major suppliers and firm demand for Group II product
 - LBO spread was squeezed by feedstock price increase in April but rebounded for the remaining period

Q3 24 Outlook

- **LBO fundamental** is likely to see a modest correction due to seasonal demand lull, but to be sustained at sound level under limited capacity addition

Products Spread (Unit : \$/bbl)



Key Business Update

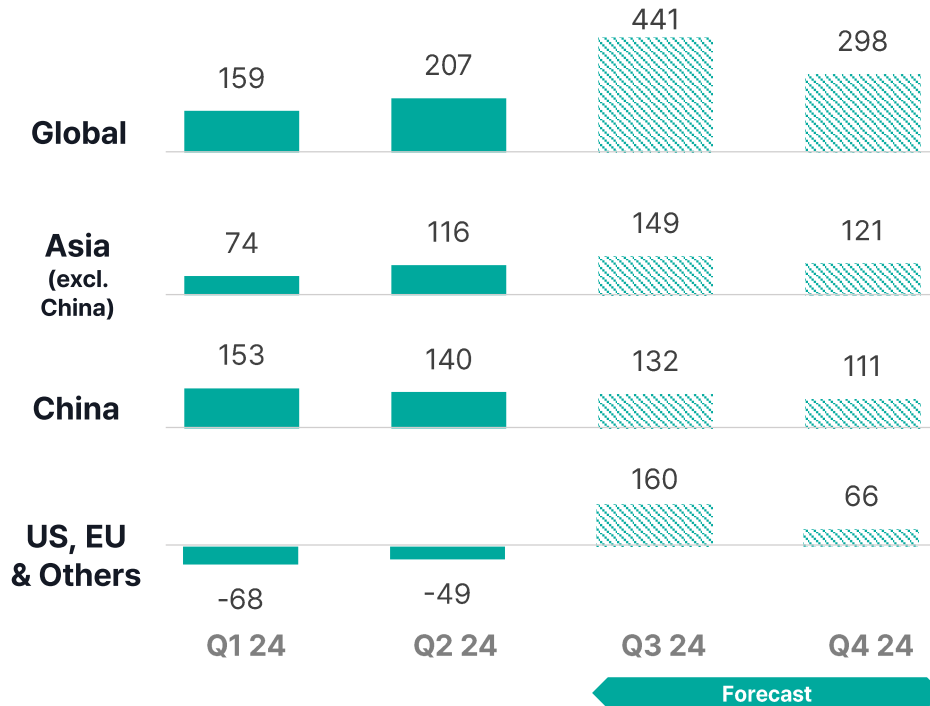
- Seasonal Gasoline Demand
- Safety Management

Seasonal Gasoline Demand

- Asian gasoline market is regaining upward momentum as healthy summer demand is projected in Q3 in the US, the world's largest gasoline market, despite the weakness experienced in Q2

Gasoline Demand Growth by region (YoY)

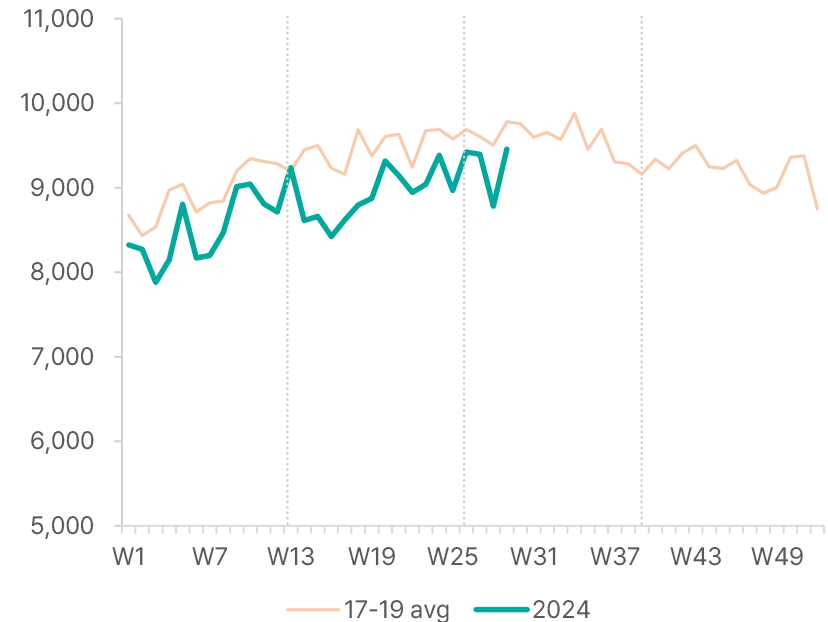
(Unit : MBD)



(Source: IHS, EIA)

U.S. Weekly Gasoline Supplied

(Unit : MBD)



Safety Management

➤ To realize a zero-accident workplace, S-OIL is making utmost efforts to foster a safety-first culture and continuously enhance our safety management practices

Governance



Strategy and Program



Performance

KOSHA-MS certificate

First among domestic refiners



8-mil. zero accident man-hours

Historic second in Jun. 2024



TRCF²⁾

0.088

0

LOPC³⁾

0

2023

0

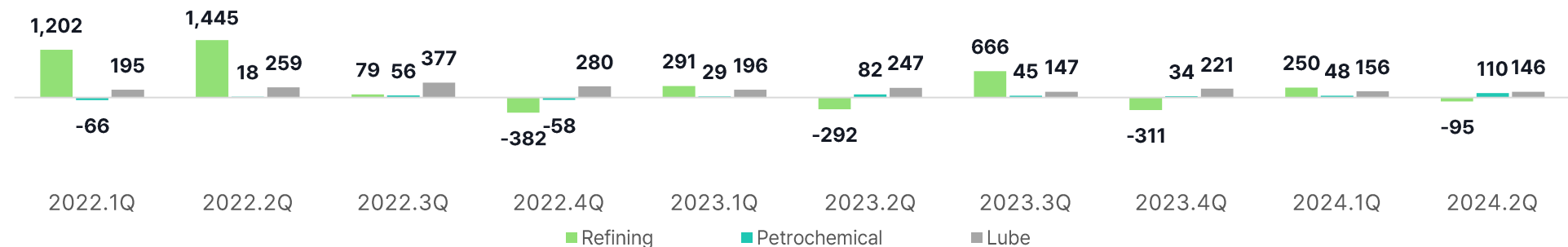
2024.1H

Supplementary Information

Performance by Business Segment

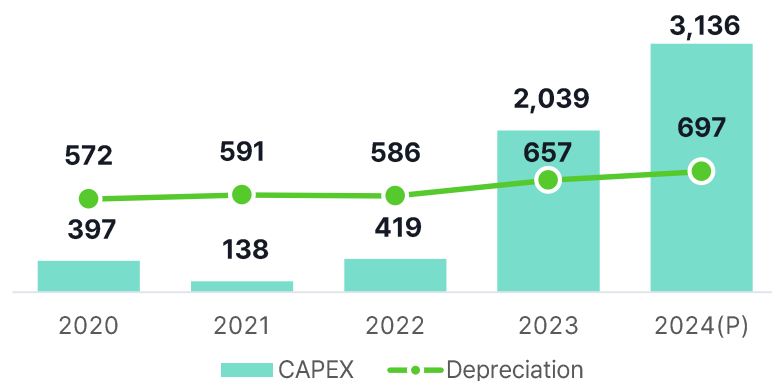
Segment	(Unit: bil. Won)	2Q 24	1Q 24	QoQ	2Q 23	1H 24	1H 23
Refining	Revenue	7,451.4	7,444.8	0.1%↑	6,000.0	14,896.2	13,276.6
	Operating Income	-95.0	250.4	Turn to loss↓	-292.1	155.4	-1.4
	(Margin)	-1.3%	3.4%		-4.9%	1.0%	-0.0%
Petrochemical	Revenue	1,308.5	1,096.8	19.3%↑	1,009.1	2,405.3	2,047.6
	Operating Income	109.9	48.0	128.8%↑	82.0	157.9	111.3
	(Margin)	8.4%	4.4%		8.1%	6.6%	5.4%
Lube	Revenue	810.9	766.9	5.7%↑	810.5	1,577.8	1,573.0
	Operating Income	145.8	155.7	6.4%↓	246.5	301.4	442.2
	(Margin)	18.0%	20.3%		30.4%	19.1%	28.1%
Total	Revenue	9,570.8	9,308.5	2.8%↑	7,819.6	18,879.3	16,897.2
	Operating Income	160.6	454.1	64.6%↓	36.4	614.8	552.1
	(Margin)	1.7%	4.9%		0.5%	3.3%	3.3%

Operating Income Trend (Unit: bil. Won)



CAPEX & Operation

CAPEX & Depreciation



(Unit: bil. Won)	2023	2024(P)	1H 24
Shaheen Project	1,463.6	2,716.0	714.7
Upgrade & Maintenance	437.4	298.0	78.1
Marketing related expenditure	45.9	58.0	16.7
Others	91.9	64.2	18.0
Total CAPEX	2,038.8	3,136.2	827.5
Depreciation	656.8	696.6	338.2

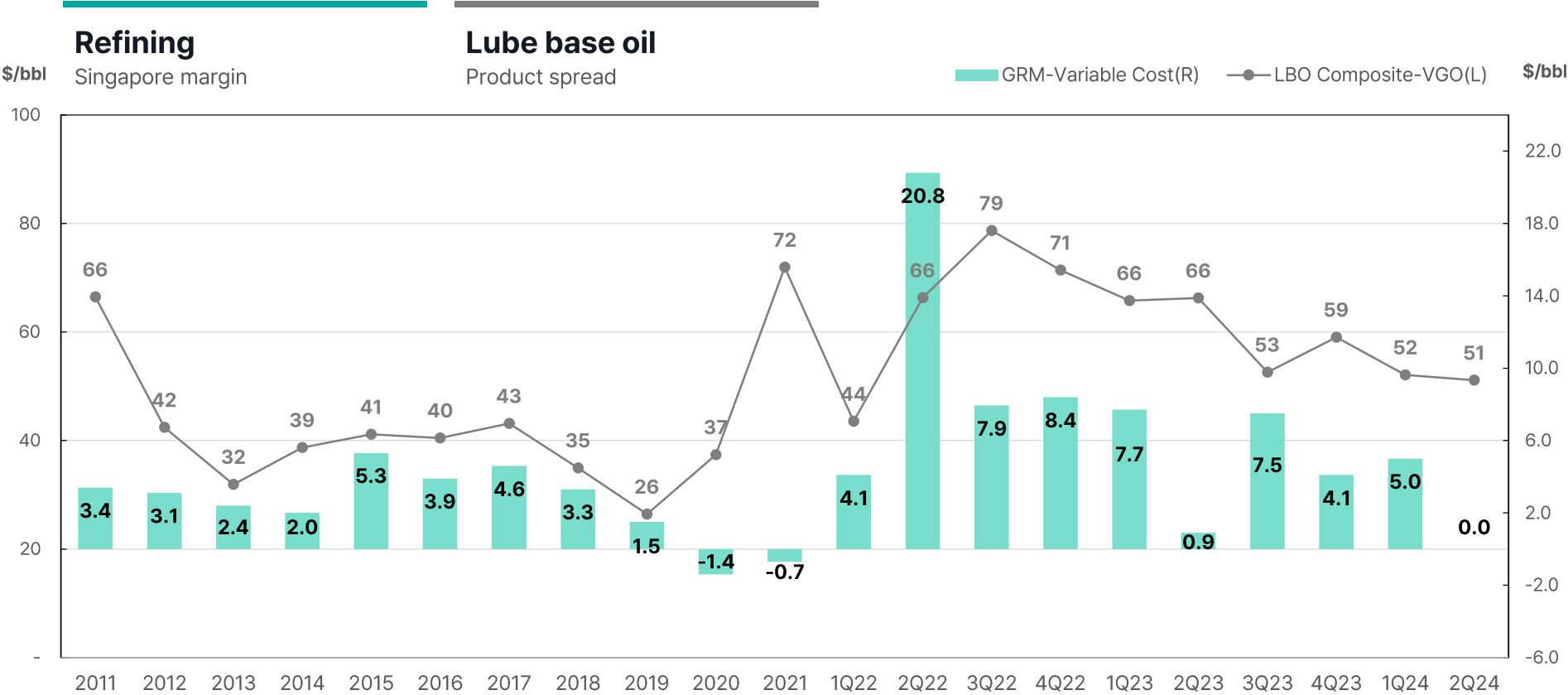
Maintenances

	2022	2023	1H 24	2H 24(P)
Refining	#2 CDU	#3 CDU/CFU	-	#1 CDU
	#1 RFCC	#2 RFCC/HYC	-	-
Petrochemical	#1 PX/PO	#2 PX/PP	-	-
Lube	-	-	-	#1 HDT

Utilization Rate

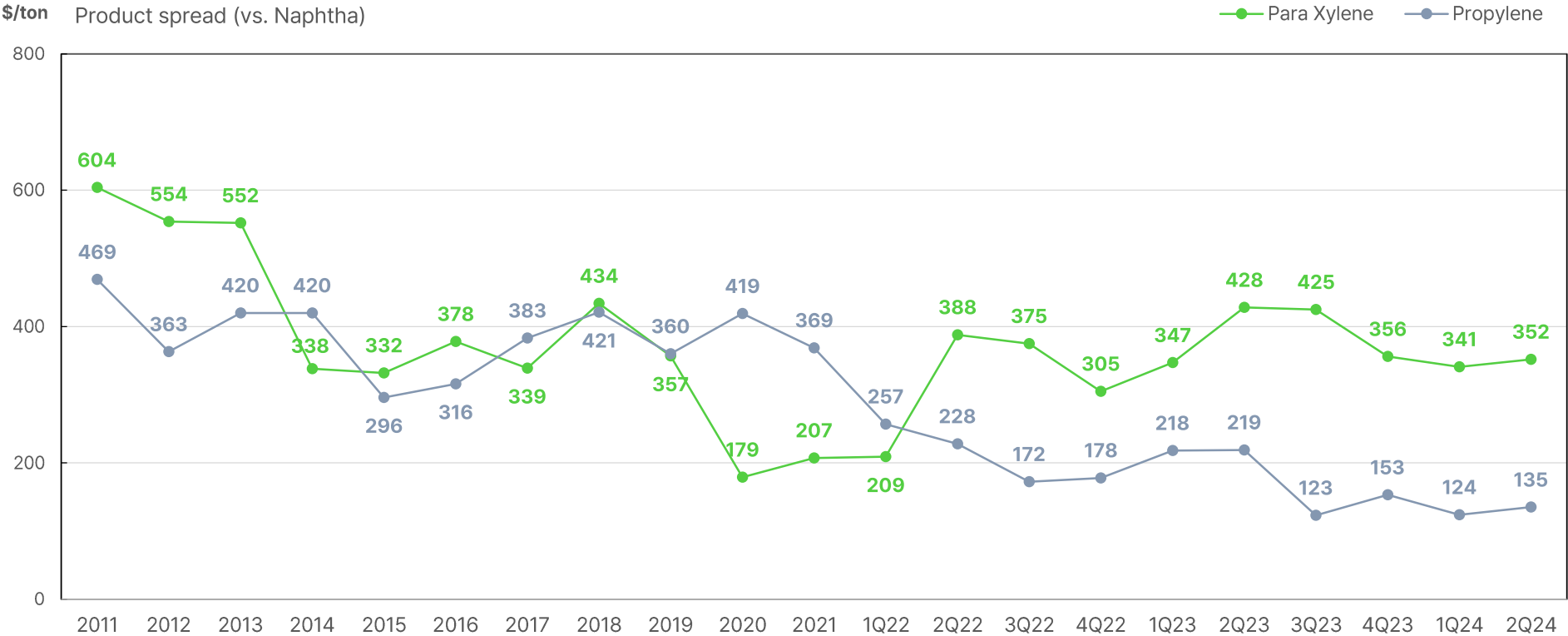
	2022	2023	Q1 24	Q2 24
CDU	92.6%	90.4%	91.9%	94.6%
RFCC/HYC	92.3%	90.7%	97.6%	96.1%
PX Plants	80.2%	75.1%	85.7%	76.7%
PP/PO Plants	78.7%	77.5%	89.0%	79.5%
Lube Plants	94.6%	88.0%	99.7%	95.5%

Long-term Margin Trend



Long-term Margin Trend

Petrochemical

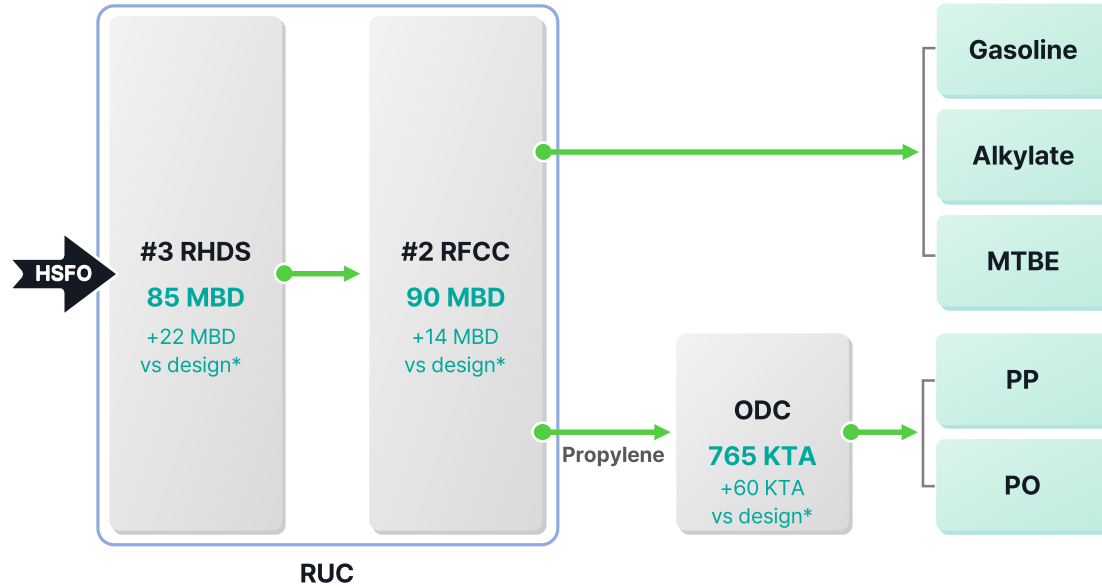


Enhanced Profitability by RUC/ODC

- 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

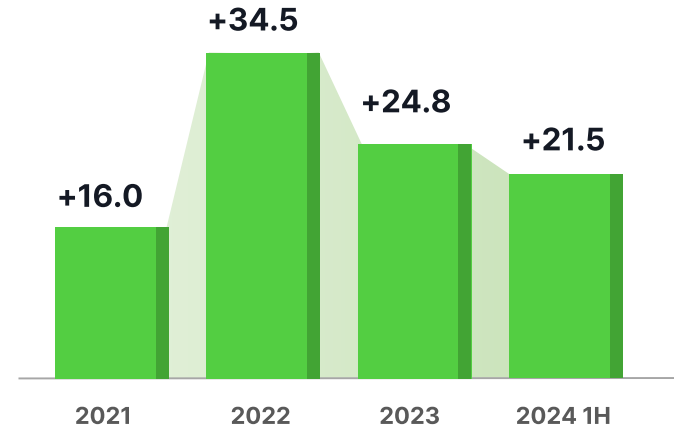
(Residue Upgrading Complex & Olefin Downstream Complex)



* Capacity increase through facility improvements

Gasoline Spread over HSFO

(Unit : \$/bbl)



S-OIL's Green Initiatives

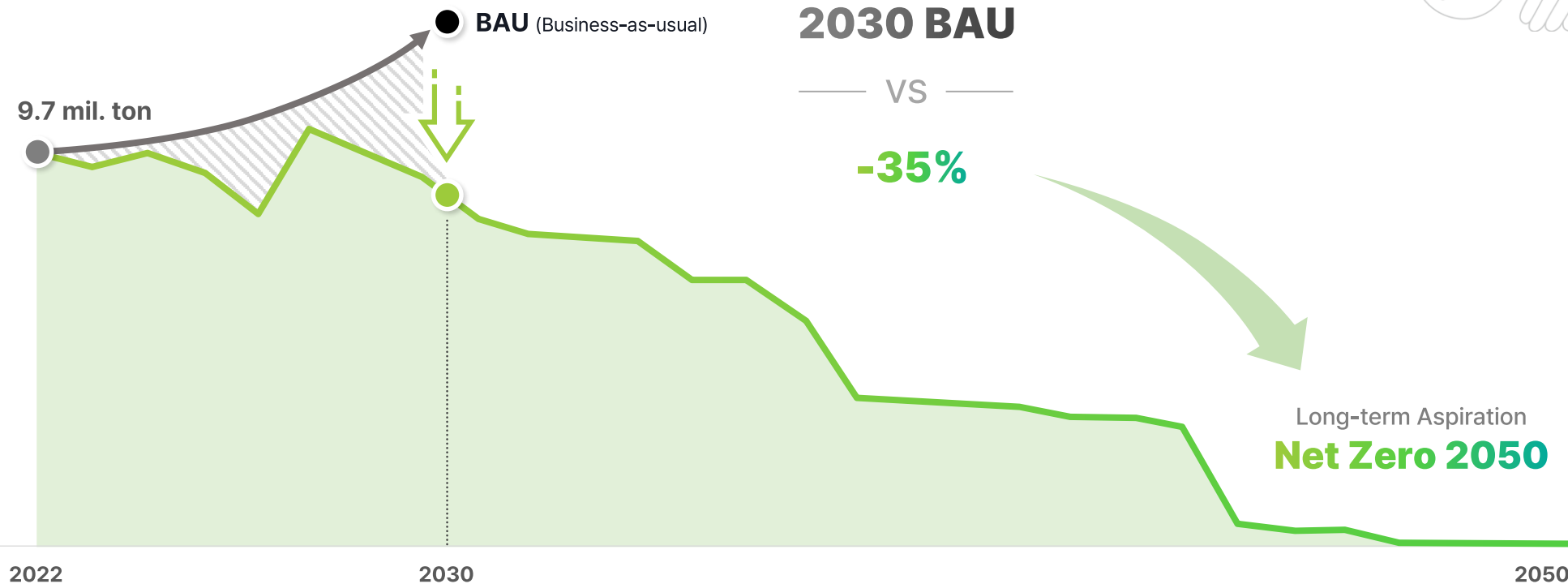
- Green Initiatives set forth strategic directions to deliver sustainable and competitive returns as we transition to a greener future maintaining focus on our unique capabilities



Decarbonization Roadmap

- Target for carbon emission reduction: -35% vs. BAU by 2030
- We have established and regularly updates the decarbonization roadmap featuring a detailed reduction pathway

S-OIL Carbon Reduction Target and Pathway



Decarbonization Initiatives

- Initiatives with feasibility and economics are implemented with higher priority
- Operational levers and low carbon utility will contribute to over 70% of planned reduction amount until 2030

Carbon Reduction Contribution by Initiatives (out of total planned reduction amount until 2030)

70%~



Operational Lever

- **Energy saving investment**
 - ✓ Heater efficiency improvement
 - ✓ Waste heat recovery
 - ✓ Process heat integration
- **MRV²⁾ enhancement**
- **Flare gas recovery**



Low Carbon Utility¹⁾

- **Gas turbine cogeneration**
 - ✓ FEED in progress (approx. 100MW)
- **Renewable energy through PPA³⁾**
- **Low carbon steam import**
- **Solar power generation**
 - ✓ Idle site in the refinery and terminal

~30%



Hydrogen

- **External hydrogen import**
- **Hydrogen firing for gas turbine**



CCUS

- **CO2 sales for industrial use**
 - ✓ Expansion of CO2 sales (100KTA→200KTA)
- **CCS for Scope-1 emission**



Offset / Others

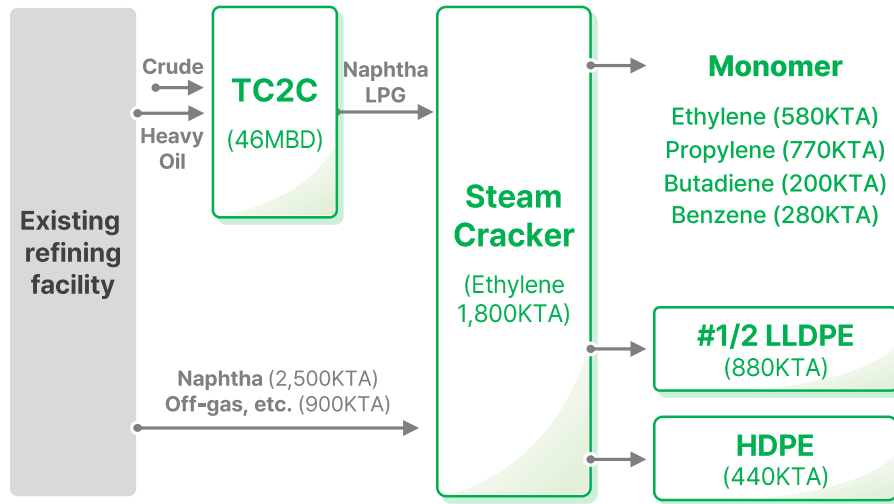
- **SDM / Green ODA**

1) Electricity, Steam 2) Measurement, Reporting, Verification 3) Power Purchase Agreement

Shaheen Project Progress

- The Company is consolidating all of its capabilities to successfully carry out Shaheen Project, which will enhance the enterprise value in response to the energy transition
- Site preparation and EPC work is under full-fledged execution with the actual progress going smoothly according to the plan

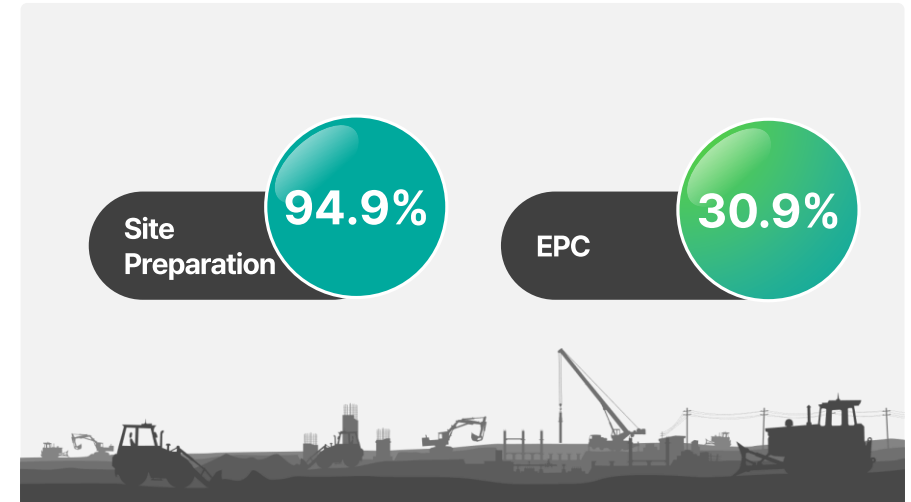
Configuration



Estimated EBITDA margin impact

▲ 4.5+α \$/B in 2027

Project Progress (as of July 10th, 2024)



Target Schedule

Mechanical Completion by 1H 2026

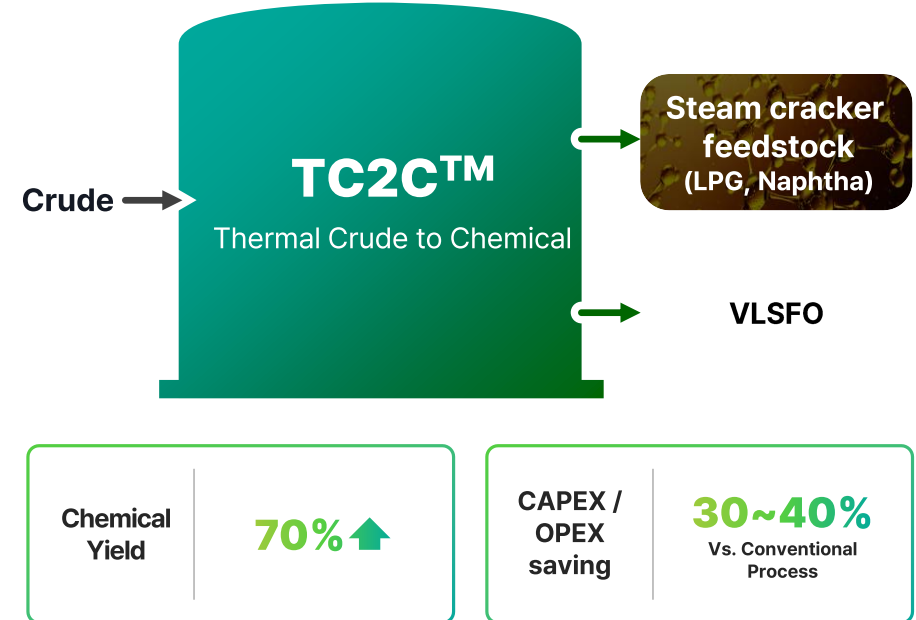
Shaheen Project Competitiveness

- Shaheen Project is a pivotal expansion into chemical business with industry-leading competitiveness, which will enable another leap forward in future profit generation capacity

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

New TC2C Technology



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 14th 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

