



# 2Q 2015 Earnings Release

---

July 2015

# DISCLAIMER

Financial results for 2Q 2015 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.

## 2Q 2015 Performance

2Q 2015 Financial Result	4
Financial Status	5
Capital Expenditure	6
Operation	7

## Performance by Business Segment

Financial Result by Business Segment	9
Market Environment in 2Q 2015	10

## Industry Outlook

2H 2015 Outlook – Refining	11
2H 2015 Outlook – Petrochemical & Lube Base Oil	12

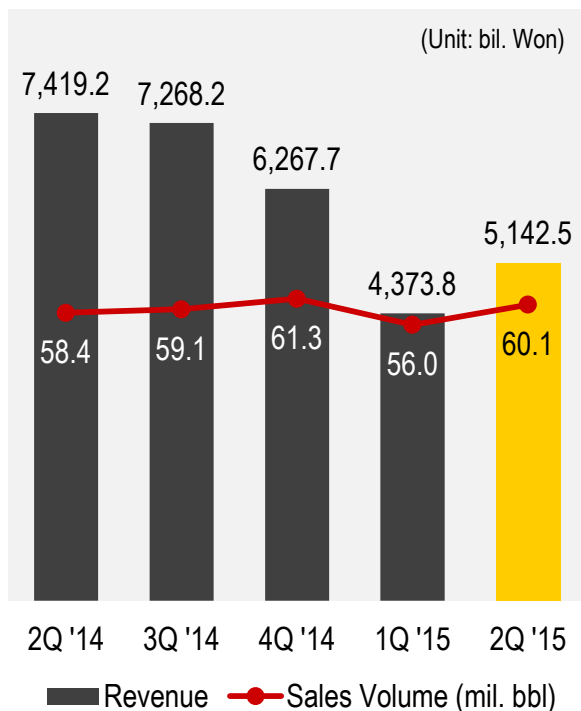
## Appendix

Summarized Income Statement	13
Sales Breakdown	14

# 2Q 2015 Financial Result



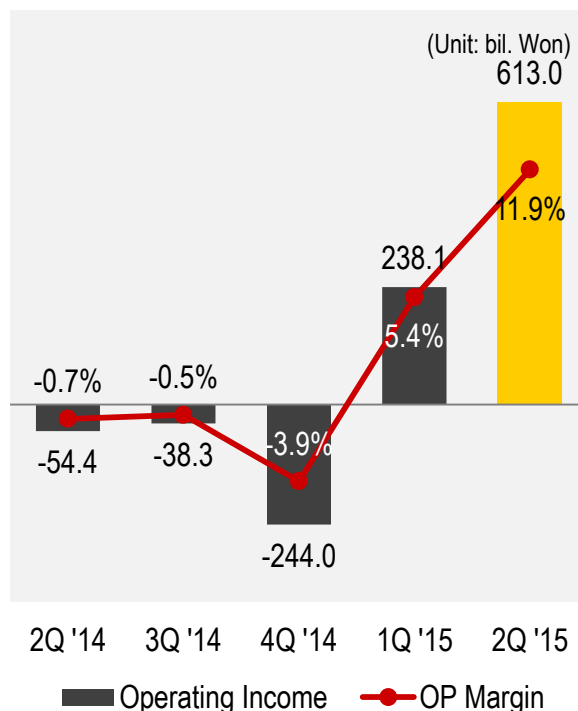
## Revenue



**Sharply increased due to a rebound in oil prices coupled with an uplift of the sales volume**

- Quarterly average selling price: 9.6% ↑, QoQ
- Sales volume: 7.3% ↑, QoQ

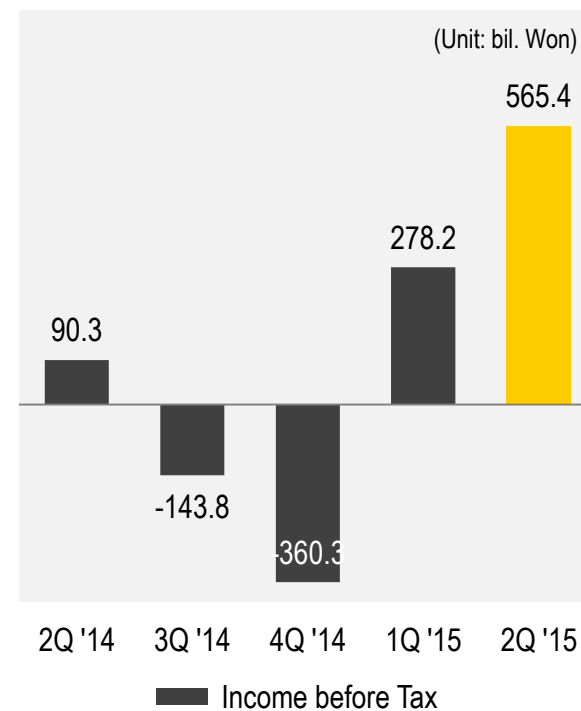
## Operating Income



**Jumped by 374.9 bil. Won thanks to stabilized oil prices and healthy refining margin**

- Inventory related gain: 107.6 bil. Won
- Singapore complex margin (\$/bbl): 2Q 4.8 (1.9 ↓, QoQ)

## Income before Tax

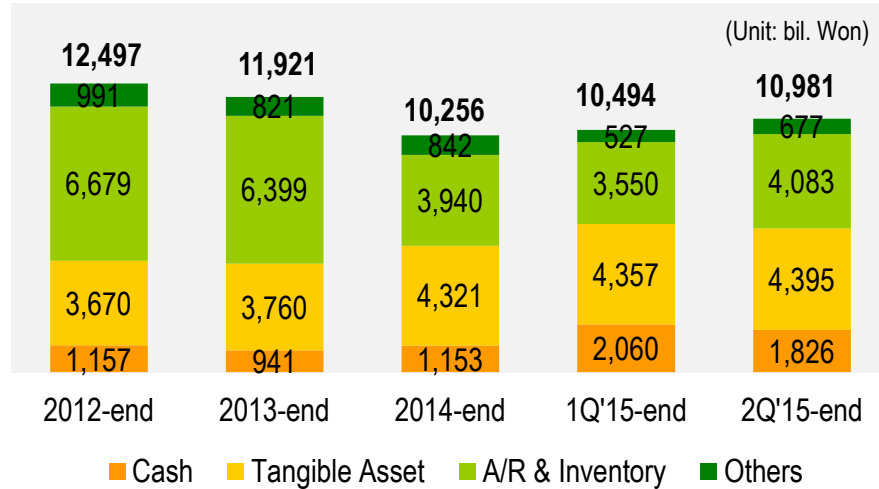


**Rose by 287.1 bil. Won QoQ despite continuous KRW depreciation**

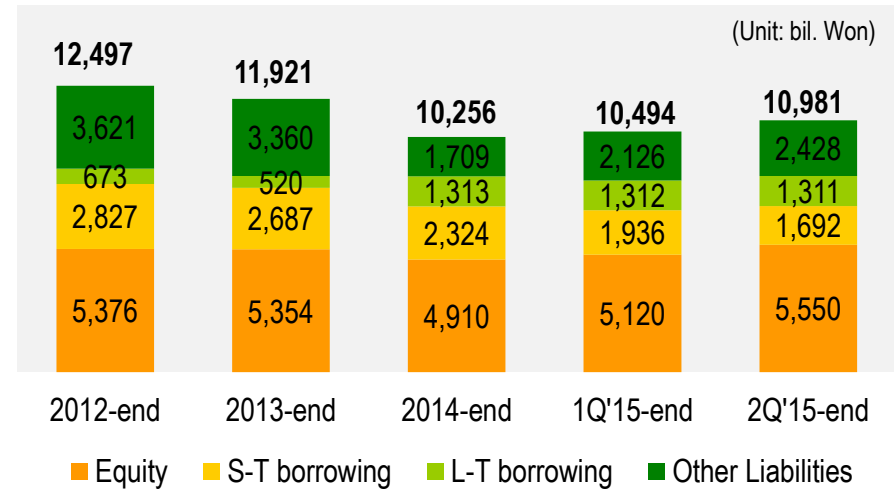
- F/X loss: 41.9 bil. Won
- ₩/\$ rate: 2Q-end 1,124.1 (19.1 ↑, QoQ)

## Financial Status

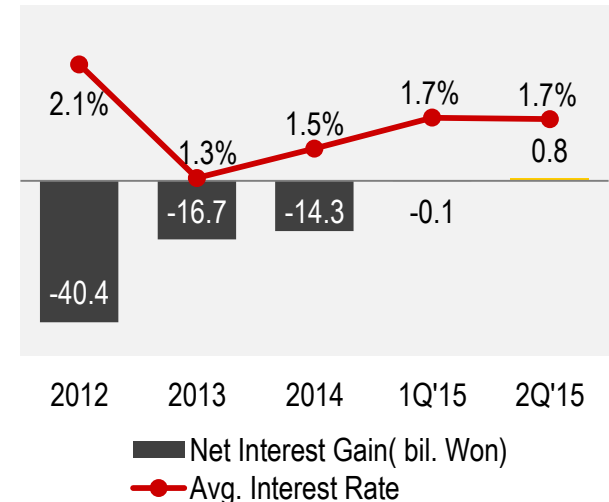
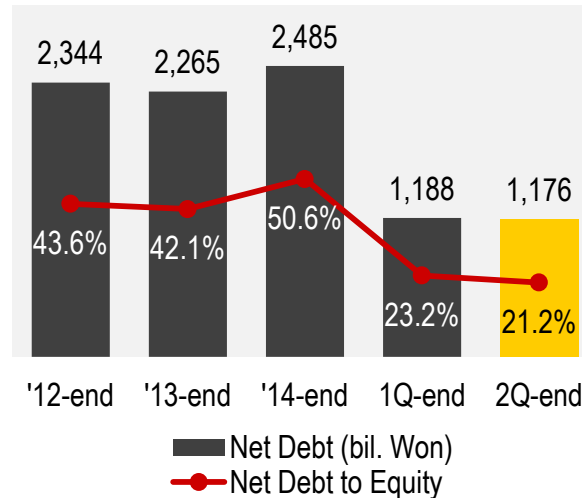
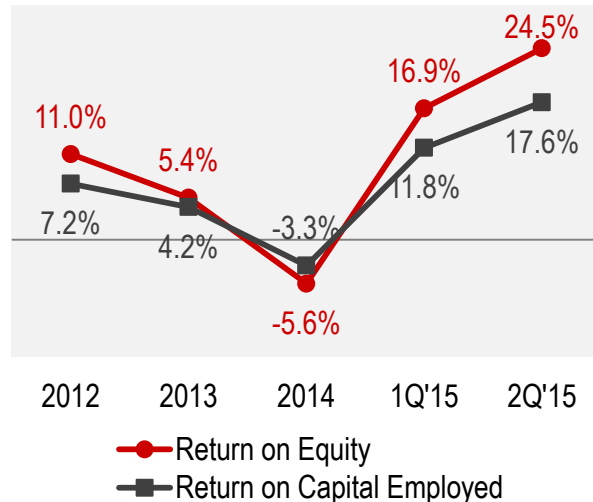
### Assets



### Liabilities & Equities



## Financial Ratios



# Capital Expenditure



## CAPEX

(Unit: bil. Won)	FY '12	FY '13	FY '14	FY '15 (Plan)	1H '15
<b>Major Projects</b>	<b>23.8</b>	<b>79.1</b>	<b>675.2</b>	<b>307.3</b>	<b>74.7</b>
- Engineering works <sup>1)</sup> for new project <sup>2)</sup>	-	-	68.7	134.9	3.5
- KNOC land acquisition <sup>3)</sup>	-	-	519.0	-	-
- SUPER Project <sup>4)</sup> and Profit Improvement Program	-	-	8.5	136.4	64.2
<b>Upgrade &amp; Maintenance</b>	<b>50.9</b>	<b>253.6</b>	<b>62.0</b>	<b>178.5</b>	<b>30.9</b>
<b>Marketing related expenditure</b>	<b>34.9</b>	<b>36.9</b>	<b>37.5</b>	<b>66.8</b>	<b>17.6</b>
<b>Others</b>	<b>16.0</b>	<b>22.6</b>	<b>108.8</b>	<b>72.2</b>	<b>17.1</b>
- Land acquisition for TS&D Center <sup>5)</sup>	-	-	94.4	5.5	-
<b>Total</b>	<b>125.7</b>	<b>392.1</b>	<b>883.5</b>	<b>624.8</b>	<b>140.3</b>

<sup>1)</sup> Proceeding process for a final decision-making, which include basic engineering, detail engineering, etc.

<sup>2)</sup> Residue Upgrading Complex and Olefin Downstream Complex project

<sup>3)</sup> Excluding incidental costs

<sup>4)</sup> Project to maximize the profitability through upgrading and revamping of existing facilities

<sup>5)</sup> Technical Service & Development Center

## Depreciation

(Unit: bil. Won)	FY '12	FY '13	FY '14	FY '15(Plan)	1H '15
<b>Depreciation</b> (Including catalyst amortization cost)	<b>391.3</b>	<b>368.2</b>	<b>339.7</b>	<b>304.2</b>	<b>142.7</b>

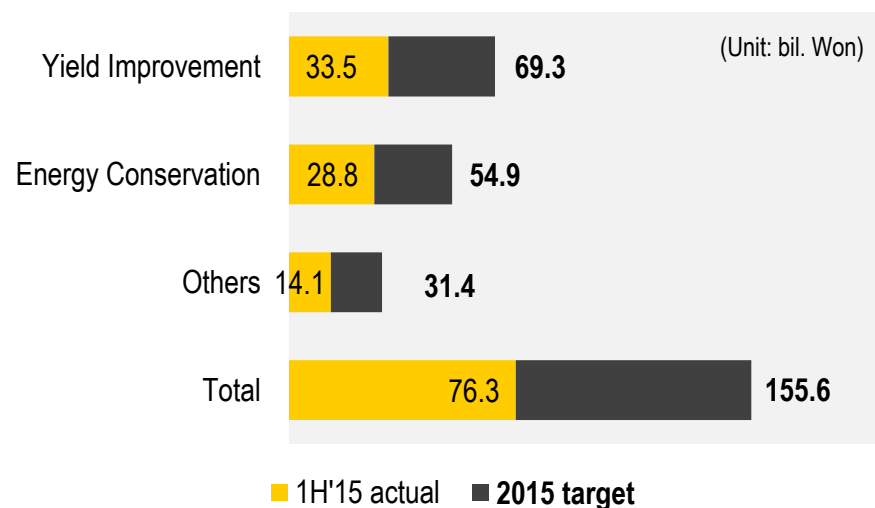
## Utilization Rate

(Unit: k bpd, %)	Capacity	1Q '15	2Q '15
<b>CDU</b>	<b>669.0</b>	94.9%	100.4%
<b>HYC FH</b>	<b>76.5</b>	99.7%	95.5%
<b>RFCC</b>	<b>73.0</b>	95.1%	96.7%
<b>Lube Plants</b>	<b>42.7</b>	94.8%	92.3%
<b>PX Center</b>	<b>34.7</b>	72.0%	68.1%

## 2015 Maintenances

(Unit: day)	1H	3Q	4Q
<b>CDU</b>	CFU (20)	#2 CDU (28)	#3 CDU (26)
<b>Refining</b>	#1 RHDS (26)	#2 RHDS (26)	HYC FH (33)
<b>Petrochemical</b>	#2 PX (85)	#1 PX (28)	
<b>Lube Base Oil</b>		#1&2 HDT (28)	HYC SH (37)

## Refinery Profit Improvement



## Counter activities against maintenances in 2H

- Built up product/intermediate raw material inventories with proper price hedging ahead of maintenance shutdowns in 2H. Impact of the shutdowns in 2H will be minimal.

# Financial Result by Business Segment



## Refining

(Unit: bil. Won)	2Q '14	YoY	1Q '15	QoQ	2Q '15
<b>Revenue</b>	6,000.0	32.4% ↓	3,464.1	17.2% ↑	4,058.3
<b>Operating Income</b>	-153.4	-	119.0	293.2% ↑	468.0
(Margin)	(-2.6%)	-	(3.4%)	-	(11.5%)

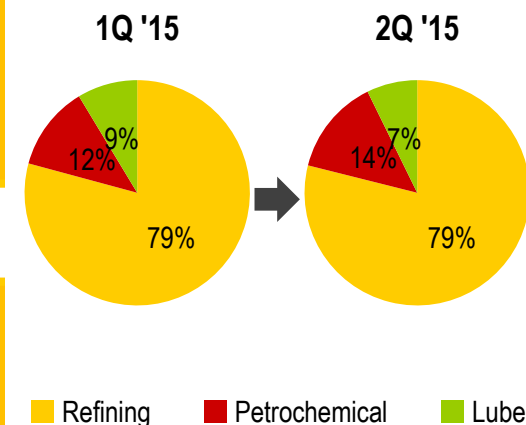
## Petrochemical

(Unit: bil. Won)	2Q '14	YoY	1Q '15	QoQ	2Q '15
<b>Revenue</b>	907.2	21.7% ↓	531.6	33.7% ↑	710.7
<b>Operating Income</b>	26.6	145.9% ↑	46.1	41.9% ↑	65.5
(Margin)	(2.9%)	-	(8.7%)	-	(9.2%)

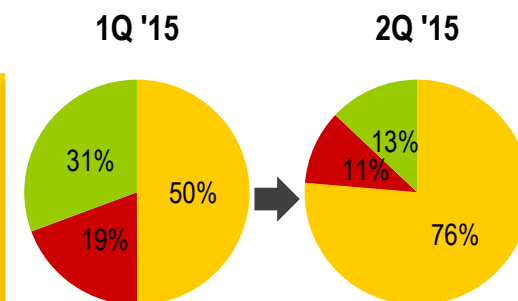
## Lube Base Oil

(Unit: bil. Won)	2Q '14	YoY	1Q '15	QoQ	2Q '15
<b>Revenue</b>	512.0	27.1% ↓	378.1	1.2% ↓	373.5
<b>Operating Income</b>	72.4	9.8% ↑	73.0	9.0% ↑	79.5
(Margin)	(14.1%)	-	(19.3%)	-	(21.3%)

## Revenue



## Operating Income



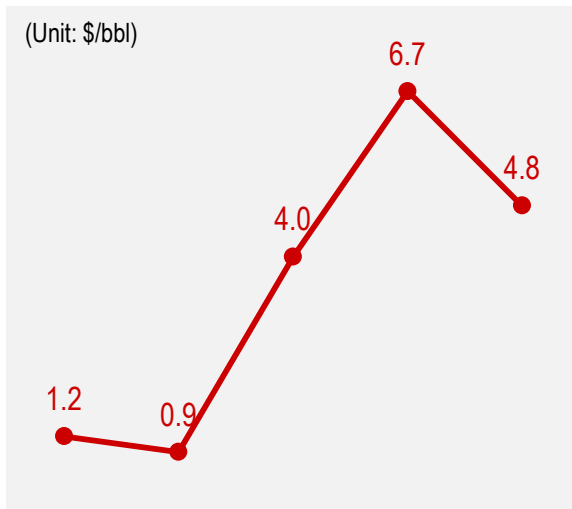


# Market Environment in 2Q 2015



## Refining

**Singapore Margin**  
[ GRM – Variable Cost ]

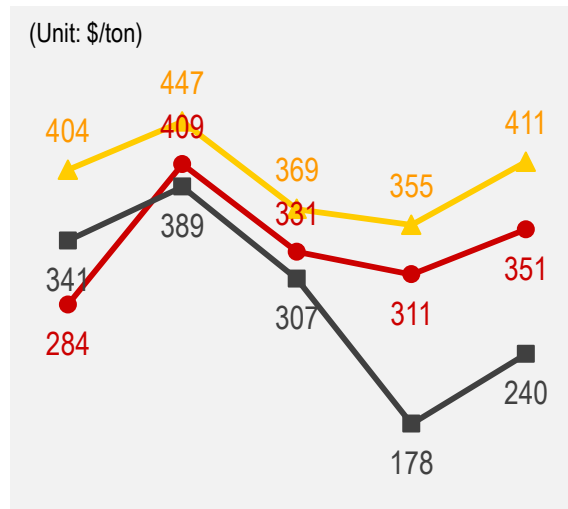


2Q '14 3Q '14 4Q '14 1Q '15 2Q '15  
● Singapore Complex Refining Margin

- Refining margin remained at a healthy level, supported by robust demand despite vigorous throughput of refineries.

## Petrochemical

**Product Spread**

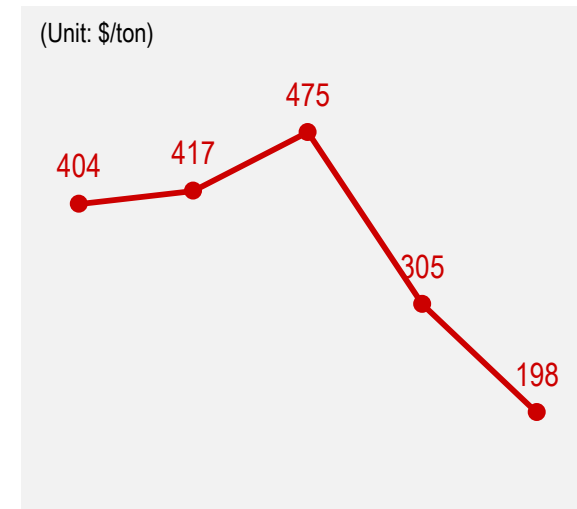


2Q '14 3Q '14 4Q '14 1Q '15 2Q '15  
● P-Xylene ■ Benzene ▲ Propylene

- Aromatic spread increased thanks to rebound of downstream demand, concentrated maintenance in aromatic plants, and trouble in a PX plant in China.

## Lube Base Oil

**Product Spread**



2Q '14 3Q '14 4Q '14 1Q '15 2Q '15  
● ICIS150N-HSFO380

- Benchmark LBO margin were squeezed due to oversupply.
- But decrease in the Company's high quality products spread was limited thanks to decent demand.

# 2H 2015 Outlook – Refining

Refining margins will recover to a solid level from recent correction. Firm demand growth and slow investments in new capacity after substantial expansions over the past few years will support the refining business.

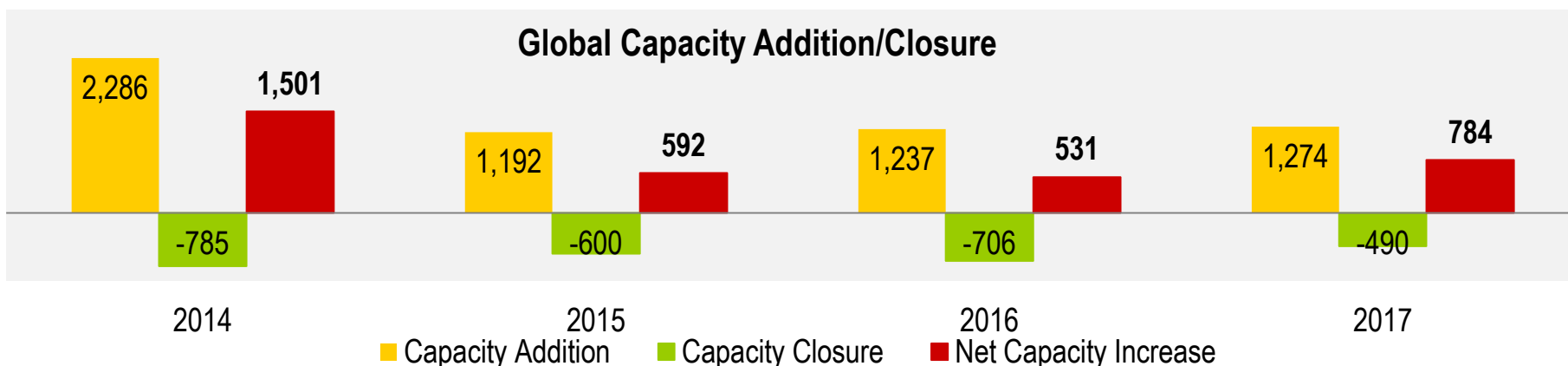
## Strong demand growth

(Unit: mil. bpd)	PIRA	IEA	OPEC	EIA
2H vs. 1H global oil demand	+2.55	+1.43	+1.89	+1.35

## Moderated supply pressure

Biggest new refineries have already affected the market with commercial operation and some refineries' start-up is likely to be delayed. Furthermore, 290 k bpd of capacity closures planned in 2H will support the supply-demand balance.

Ramp-up of new capacities will not put a big burden on refining business in 2H and beyond amid slowing capacity additions after peak in 2014.

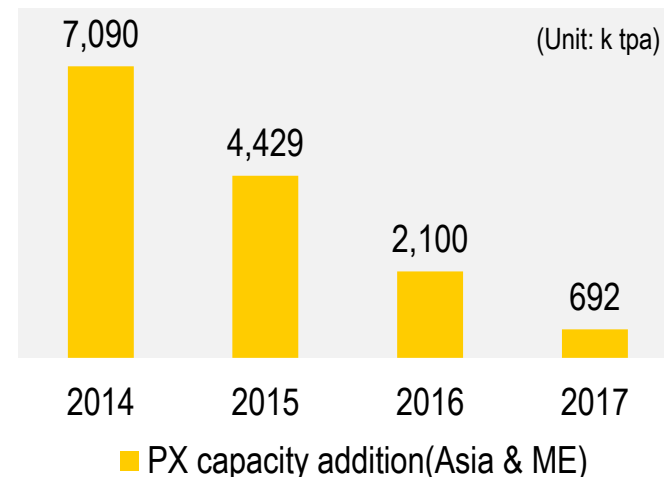


## Petrochemical

### Para-xylene : spread to be supported at mid-\$300/ton

In 2H, PX spread is likely to be supported around the current level by demand increase from new PTA capacity expansion and disciplined supply of marginal PX producers.

The spread will start meaningful improvement from 2016 along with declining capacity addition.



### Benzene : spread to be maintained around 2Q level

The spread will be sustained since demand growth from the downstream sectors (SM, Phenol, etc ) is expected to offset supply increase from benzene capacity addition.

- 2H '15 benzene capacity addition(Asia & ME) : 1.4 mil. tpa

- 2H '15 benzene downstream capacity addition(Asia & ME): 1.8 mil. tpa

## Lube Base Oil

### Healthy spread to be sustained for Group III

Considering solid demand growth for high quality products and heavy supply increase for Group II products, current market situation – oversupply of Group II and stability of Group III - will continue.

## Summarized Income Statement

(Unit: bil. Won)	2Q '14	YoY	1Q '15	QoQ	2Q '15
<b>Revenue</b>	<b>7,419.2</b>	<b>30.7% ↓</b>	<b>4,373.8</b>	<b>17.6% ↑</b>	<b>5,142.5</b>
<b>Operating Income</b>	<b>-54.4</b>	<b>-</b>	<b>238.1</b>	<b>157.4% ↑</b>	<b>613.0</b>
(Margin)	(-0.7%)	-	(5.4%)	-	(11.9%)
<b>Finance &amp; Other Income</b>	<b>143.5</b>	<b>-</b>	<b>37.3</b>	<b>-</b>	<b>-50.4</b>
- Net Interest Gain	-3.5	-	-0.1	-	0.8
- Net F/X Gain*	158.1	-	-13.9	-	-41.9
- Others	-11.1	-	51.3	-	-9.3
<b>Equity Method Gain</b>	<b>1.2</b>	<b>145.9% ↑</b>	<b>2.8</b>	<b>0.2% ↓</b>	<b>2.8</b>
<b>Income before Tax</b>	<b>90.3</b>	<b>526.2% ↑</b>	<b>278.2</b>	<b>103.2% ↑</b>	<b>565.4</b>
<b>Net Income</b>	<b>68.2</b>	<b>531.1% ↑</b>	<b>211.3</b>	<b>103.8% ↑</b>	<b>430.5</b>

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

## Sales Breakdown

(Unit: k bpd, %)	2Q '14	3Q '14	4Q '14	1Q '15	2Q '15
<b>Sales Total</b>	642	643	666	622	660
<b>Domestic</b>	266	254	287	290	285
<b>Export</b>	376	389	379	332	375
(% in Total)	(58.6)	(60.5)	(56.9)	(53.4)	(56.8)
Japan	17.4	21.6	21.8	19.5	20.4
China	23.1	21.4	22.5	21.5	16.1
Australia	15.2	11.7	16.1	12.8	13.7
USA	9.5	7.8	9.9	16.6	11.4
Singapore	7.0	10.4	2.0	7.0	6.6
South East Asia	8.0	5.3	6.6	3.6	5.2
Europe	0.6	0.7	0.8	0.7	5.0

# Thank You

---

S-OIL IR Team

