



# 3Q 2016 Earnings Release

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October 2016

# DISCLAIMER

Financial results for 3Q 2016 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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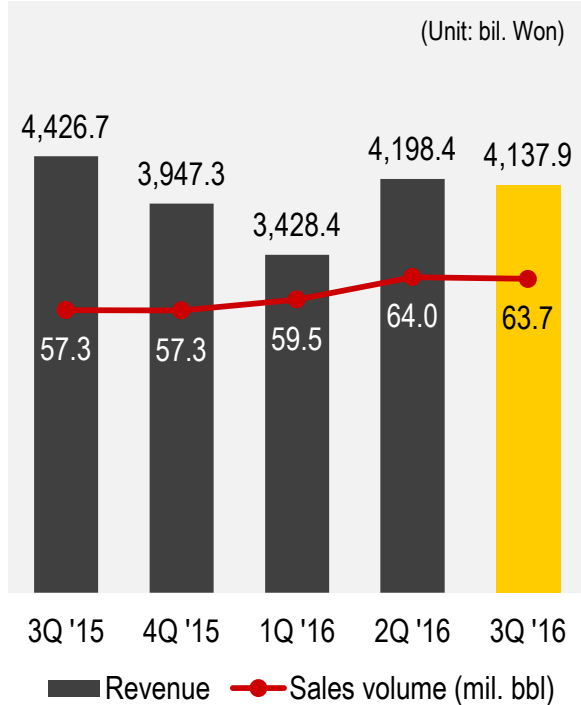
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# 3Q 2016 Financial Result



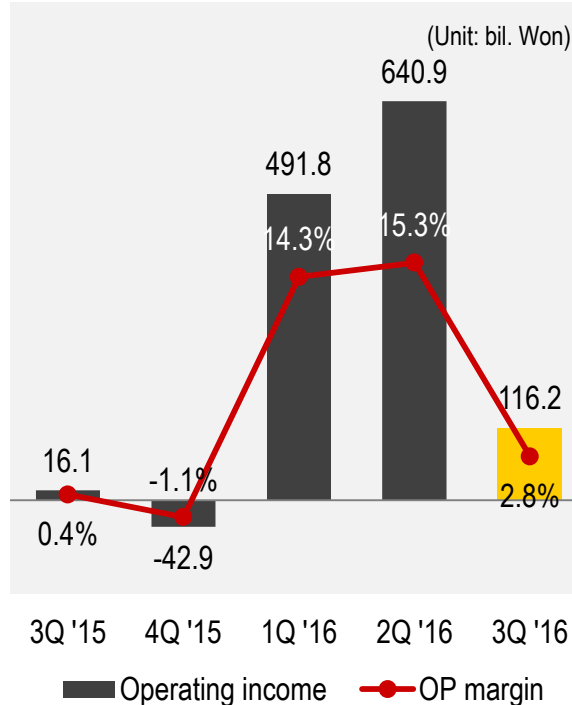
## Revenue



**Remained steady on stable oil prices and sales volume**

- Quarterly average selling price: 1.5% ↑, QoQ
- Sales volume: 2.9% ↓, QoQ

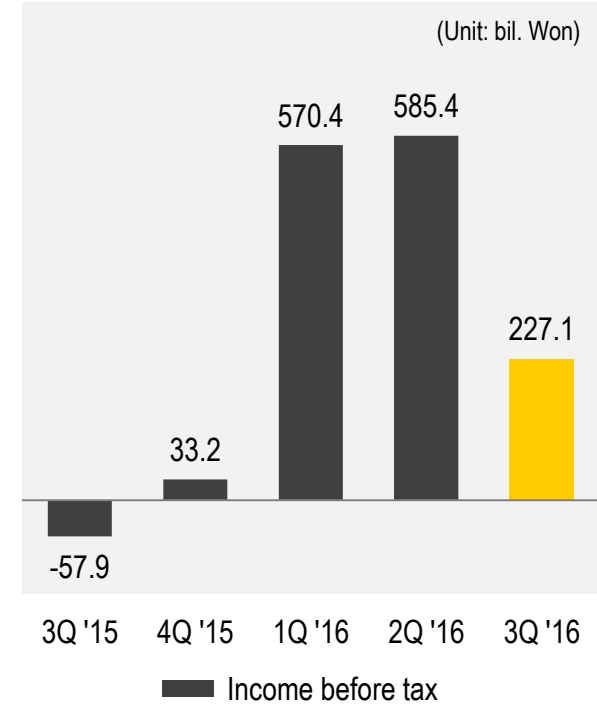
## Operating Income



**Declined due to the absence of inventory related gain coupled with negative F/X impact**

- Inventory related gain (E): Nil (2Q: 145 bil. Won)
- F/X impact (E): -80 bil. Won (2Q: -10 bil. Won)

## Income before Tax

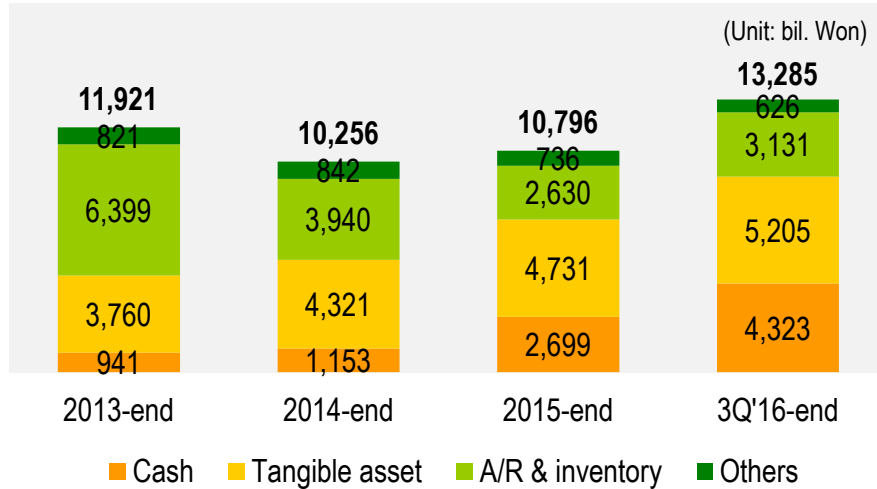


**Supported by F/X gain on Won appreciation**

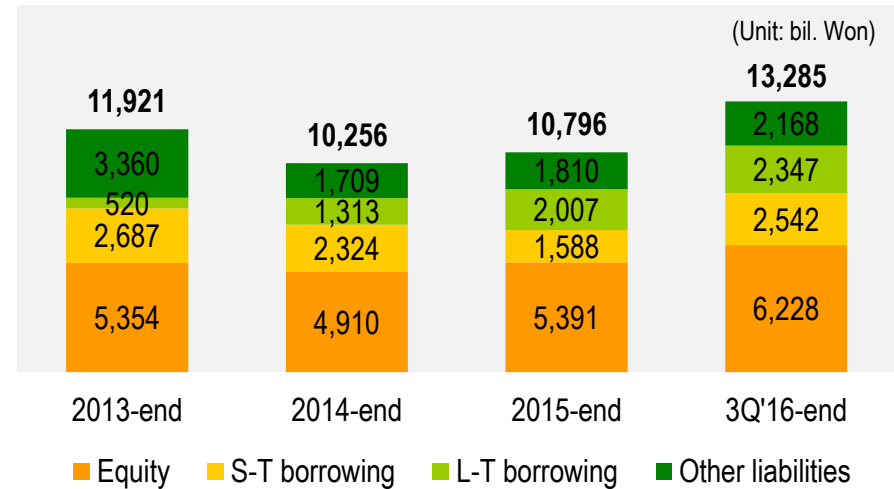
- F/X gain: 115.7 bil. Won (2Q F/X loss: 27.2 bil. Won)
- ₩/\$ rate: 3Q-end 1,096.3 (68.4 ↓, QoQ)

## Financial Status

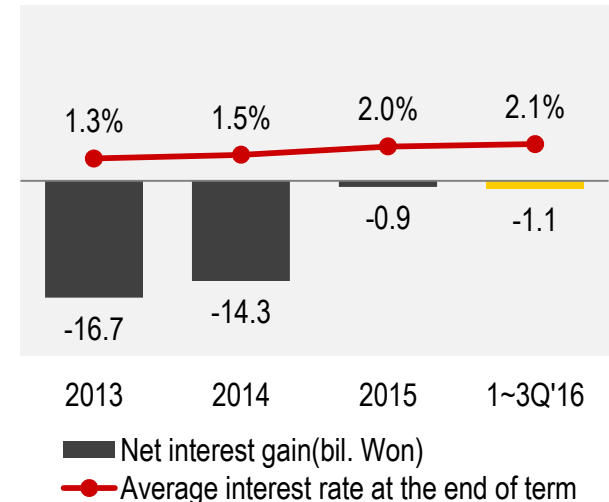
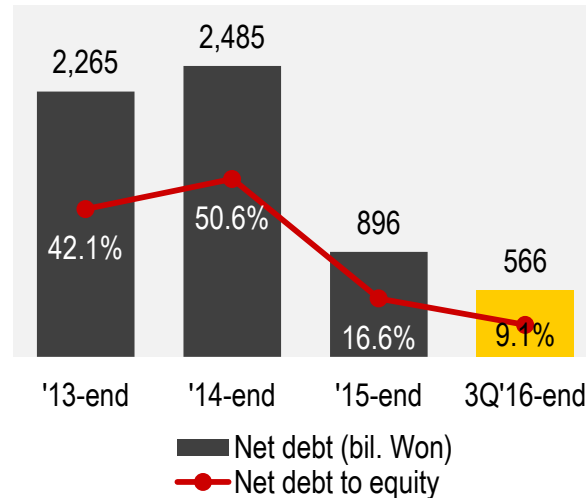
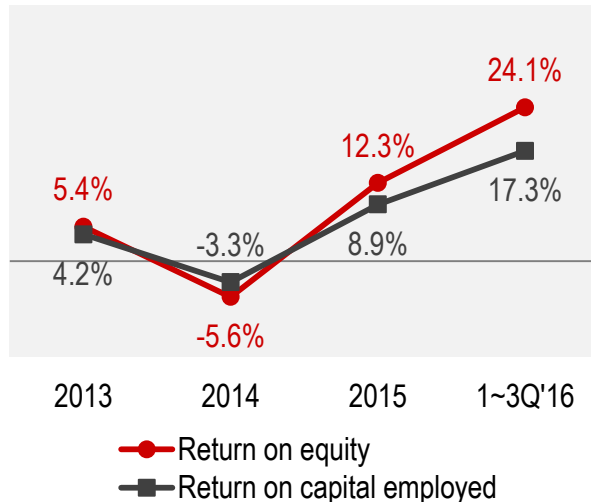
### Assets



### Liabilities & Equities



## Financial Ratios



# Capital Expenditure



## CAPEX

(Unit: bil. Won)	FY '13	FY '14	FY '15	FY '16 (E)	1~3Q '16
<b>Major Projects</b>	<b>79.1</b>	<b>675.2</b>	<b>465.1</b>	<b>898.7</b>	<b>462.3</b>
- RUC/ODC Project <sup>1)</sup>	-	97.0	290.4	691.7	329.8
- KNOC land acquisition <sup>2)</sup>	-	519.0	-	-	-
- SUPER Project <sup>3)</sup> and Profit Improvement Program	-	8.5	141.7	200.8	128.9
<b>Upgrade &amp; Maintenance</b>	<b>253.6</b>	<b>62.0</b>	<b>169.2</b>	<b>184.1</b>	<b>40.7</b>
<b>Marketing related expenditure</b>	<b>36.9</b>	<b>37.5</b>	<b>48.4</b>	<b>19.6</b>	<b>0.7</b>
<b>Others</b>	<b>22.6</b>	<b>108.8</b>	<b>43.3</b>	<b>71.0</b>	<b>38.2</b>
<b>Total</b>	<b>392.1</b>	<b>883.5</b>	<b>726.0</b>	<b>1,173.5</b>	<b>541.8</b>

<sup>1)</sup> Residue Upgrading Complex and Olefin Downstream Complex project

<sup>2)</sup> Excluding incidental costs

<sup>3)</sup> Project to maximize the profitability through upgrading and revamping of existing facilities

## Depreciation

(Unit: bil. Won)	FY '13	FY '14	FY '15	FY '16 Plan	1~3Q '16
<b>Depreciation</b> (Including catalyst amortization cost)	<b>368.2</b>	<b>339.7</b>	<b>273.2</b>	<b>311.4</b>	<b>219.8</b>

## Utilization Rate

(Unit: k bpd, %)	Capacity	2014	2015	1H '16	3Q '16
<b>CDU</b>	<b>669.0</b>	93.6%	90.7%	97.8%	95.6%
<b>B-C Cracking</b>	<b>149.5</b>	97.3%	93.4%	99.3%	97.7%
<b>PX Plants*</b>	<b>34.7</b>	93.4%	84.5%	109.9%	107.7%
<b>Lube Plants</b>	<b>42.7</b>	93.4%	85.4%	101.6%	102.5%

\* PX utilization rate has been increased above 100% through upgrading and revamping of existing facilities in 3Q '15.

## Maintenances

	2014	2015	1~3Q '16	4Q '16
<b>CDU</b>	-	CFU, #2&3 CDU	-	#1 CDU
<b>Refining</b>	-	HYC FH	-	RFCC
<b>Petrochemical</b>	-	#1&2 PX	-	-
<b>Lube Base Oil</b>	-	#1&2 HDT, HYC SH	-	#1&2 HDT

SUPER project will be carried out in 4Q during the maintenance of RFCC and HDT.

After the upgrading works on RFCC and HDT, the yield for gasoline & propylene of RFCC and Group II lube base oil of HDT will increase by 3.0% and 13.5%, respectively.

# Financial Result by Business Segment



## Refining

(Unit: bil. Won)	3Q '15	YoY	2Q '16	QoQ	3Q '16
<b>Revenue</b>	<b>3,487.2</b>	<b>8.6% ↓</b>	<b>3,215.3</b>	<b>0.9% ↓</b>	<b>3,187.4</b>
<b>Operating Income</b>	<b>-167.4</b>	<b>-</b>	<b>372.9</b>	<b>-</b>	<b>-123.4</b>
(Margin)	(-4.8%)	-	(11.6%)	-	(-3.9%)

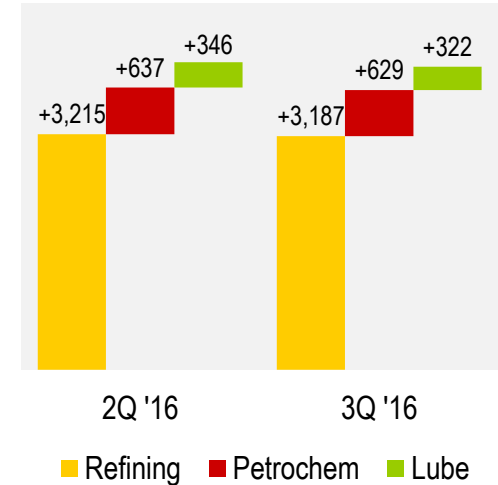
## Petrochemical

(Unit: bil. Won)	3Q '15	YoY	2Q '16	QoQ	3Q '16
<b>Revenue</b>	<b>610.2</b>	<b>3.0% ↑</b>	<b>637.3</b>	<b>1.4% ↓</b>	<b>628.6</b>
<b>Operating Income</b>	<b>88.0</b>	<b>61.6% ↑</b>	<b>139.9</b>	<b>1.6% ↑</b>	<b>142.2</b>
(Margin)	(14.4%)	-	(22.0%)	-	(22.6%)

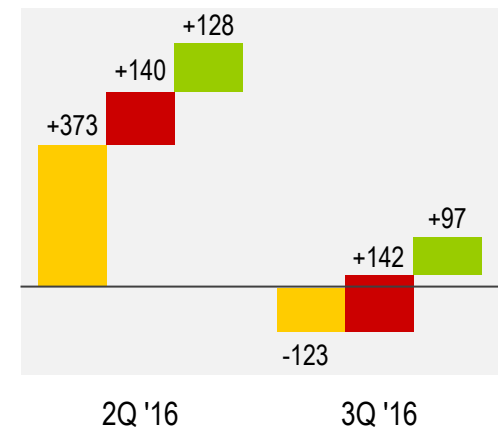
## Lube Base Oil

(Unit: bil. Won)	3Q '15	YoY	2Q '16	QoQ	3Q '16
<b>Revenue</b>	<b>329.3</b>	<b>2.2% ↓</b>	<b>345.8</b>	<b>6.9% ↓</b>	<b>321.9</b>
<b>Operating Income</b>	<b>95.6</b>	<b>1.9% ↑</b>	<b>128.1</b>	<b>23.9% ↓</b>	<b>97.4</b>
(Margin)	(29.0%)	-	(37.0%)	-	(30.3%)

## Revenue



## Operating Income





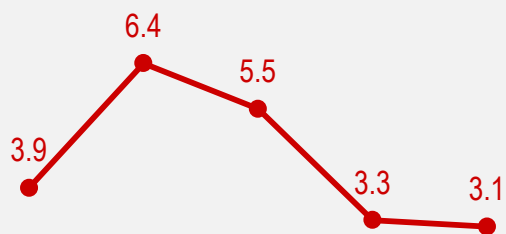
# Market Environment in 3Q 2016



## Refining

### Singapore Margin [ GRM – Variable Cost ]

(Unit: \$/bbl)



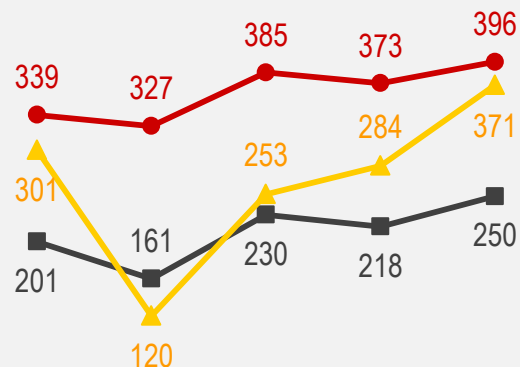
3Q '15 4Q '15 1Q '16 2Q '16 3Q '16  
 ● Singapore Complex Refining Margin

Refining margins slipped a bit further due to regional utilization rate maintained at high level amid seasonal weakness in demand.

## Petrochemical

### Product Spread

(Unit: \$/ton)



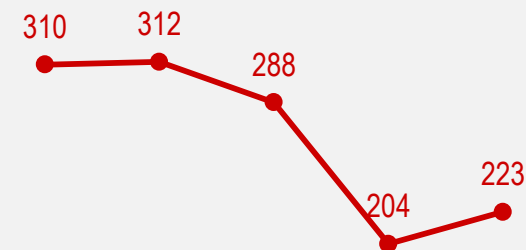
3Q '15 4Q '15 1Q '16 2Q '16 3Q '16  
 ● P-Xylene ■ Benzene ▲ Propylene

Aromatic spreads widened thanks to solid demand from downstream sectors amid absence of new capacity additions.

## Lube Base Oil

### Product Spread

(Unit: \$/ton)



3Q '15 4Q '15 1Q '16 2Q '16 3Q '16  
 ● Group I (150N)-HSFO380

- Group I LBO margin recovered as product prices reflected crude oil price increase in 2Q with time lag.
- However, Group III spreads slightly decreased due to new supply in the region.

# 4Q 2016 Outlook – Refining

Seasonal pickup in demand will support the regional refining margin.

- Asian demand is estimated to grow by 1.1~1.3 million bpd QoQ and 0.7~1.0 million bpd YoY.

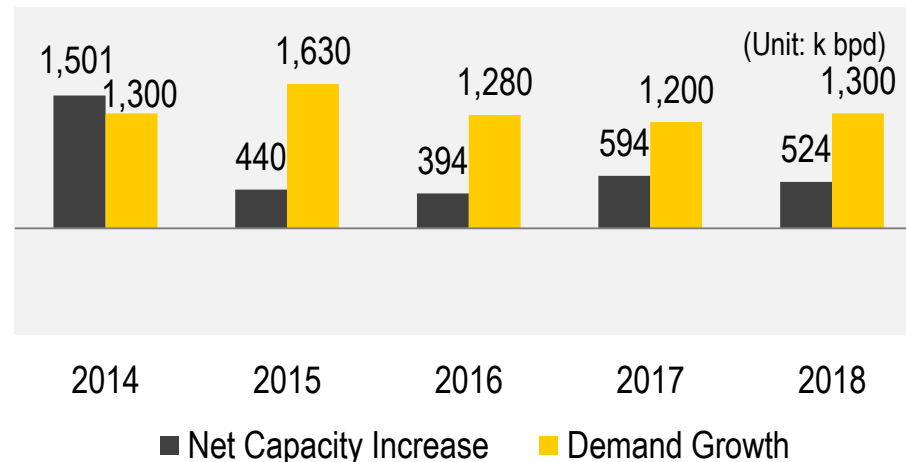
## Asian Demand Forecast

(Unit: million bpd)	1Q '16	2Q '16	3Q '16	4Q '16	QoQ	YoY
IEA	33.09	32.34	32.02	33.31	<b>1.29</b>	<b>0.79</b>
OPEC	31.82	31.71	31.13	32.35	<b>1.22</b>	<b>N/A</b>
EIA	32.37	32.29	31.54	32.59	<b>1.05</b>	<b>0.96</b>
Wood Mackenzie	32.53	31.89	31.61	32.80	<b>1.19</b>	<b>0.71</b>

In the longer-term, demand growth is expected to outstrip incremental supply on slow capacity expansions amid limited room for further increase in the utilization rate of existing capacities.

## Global Capacity Increase and Demand Growth

(Unit: k bpd)	Addition	Closure
<b>2014</b>	2,286	785
<b>2015</b>	1,310	870
<b>2016</b>	1,174	780
<b>2017</b>	1,365	771
<b>2018</b>	1,064	540



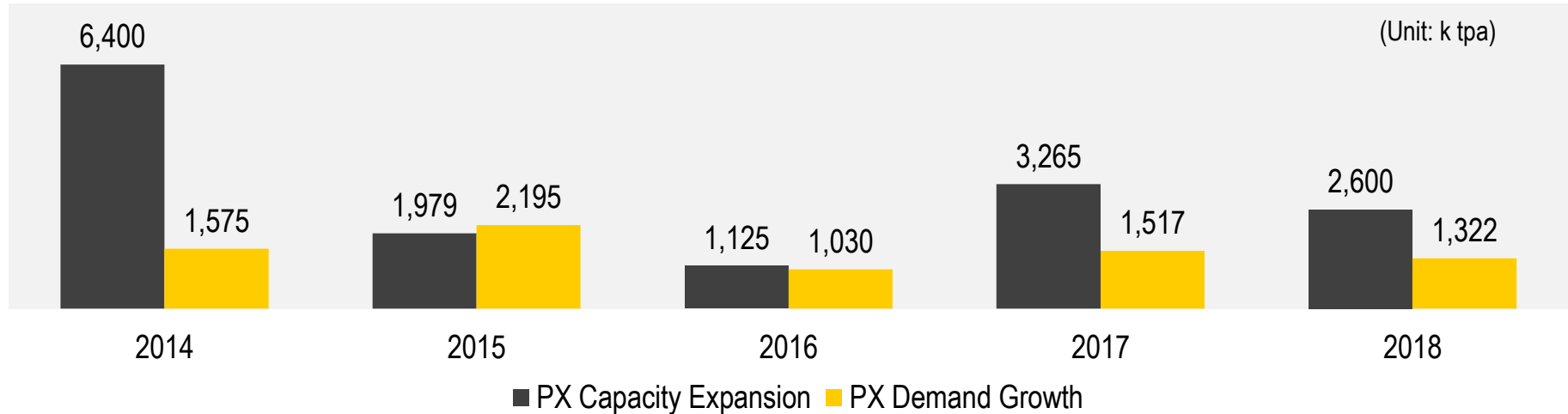
Source: IEA, OPEC, EIA, FACTS Global Energy, Wood Mackenzie, The Company

## Petrochemical

### Para-xylene : solid spread to be sustained

PX spread will be sustained at a solid level by ramp-up of PTA facilities and seasonal demand despite partial start-up of Reliance's new PX facility in 4Q.

### PX capacity expansion and demand growth (Asia & ME)



## Lube Base Oil

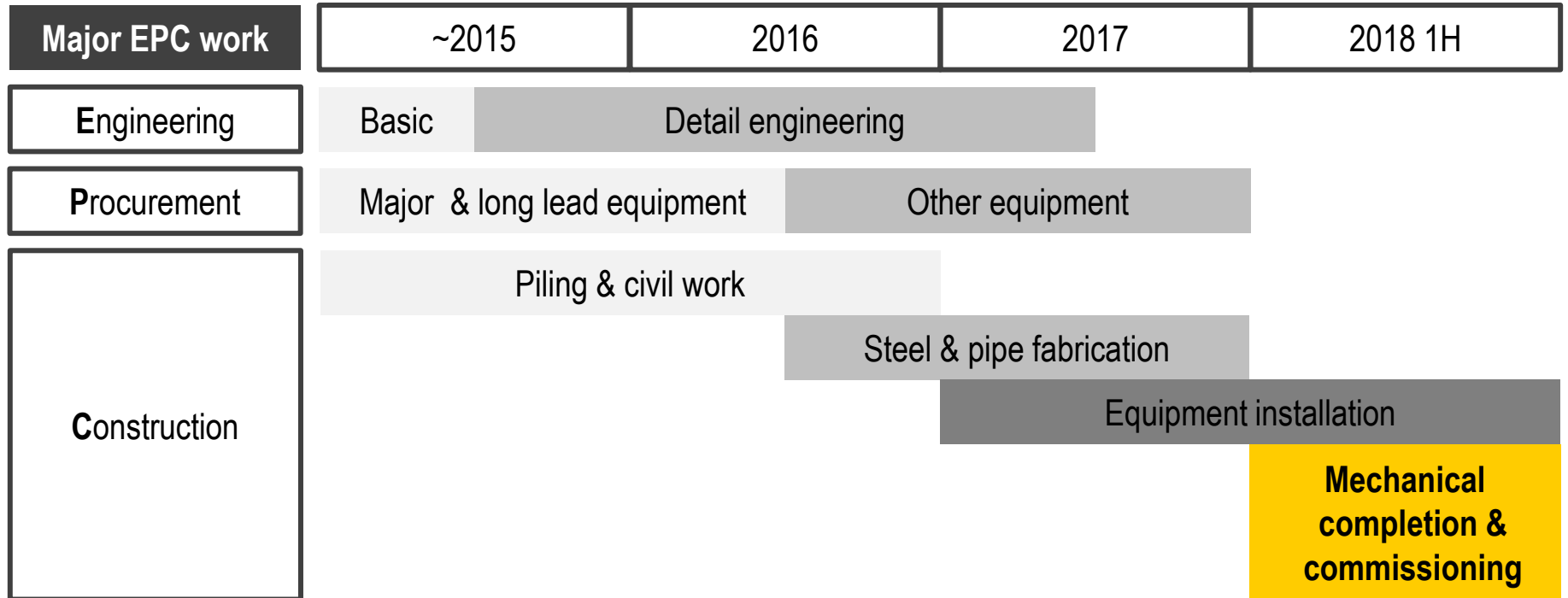
### Spread to be narrowed

There will be a downward pressure on the LBO margin due to lagging effect of product prices and increased capacity in Middle East and Asia in spite of steady demand growth for high-quality products in the U.S. and Europe.

# Progress of RUC/ODC Project



## Milestone



## Up to today

**EPC**

Procurement contract for major equipment was completed at prices lower than planned. Piling & main civil works are under way and steel structure erection & piping works have started in 3Q '16. RHDS reactors were successfully installed.

**Financing**

Issuance of Won corporate bonds : 1,100 billion Won  
 Financing commitment from banks : 2,700 billion Won

## Summarized Income Statement

(Unit: bil. Won)	3Q '15	YoY	2Q '16	QoQ	3Q '16	1~3Q '16
<b>Revenue</b>	<b>4,426.7</b>	<b>6.5% ↓</b>	<b>4,198.4</b>	<b>1.4% ↓</b>	<b>4,137.9</b>	<b>11,764.7</b>
<b>Operating Income</b>	<b>16.1</b>	<b>620.1% ↑</b>	<b>640.9</b>	<b>81.9% ↓</b>	<b>116.2</b>	<b>1,248.9</b>
(Margin)	(0.4%)	-	(15.3%)	-	(2.8%)	(10.6%)
<b>Finance &amp; Other Income</b>	<b>-76.0</b>	<b>-</b>	<b>-56.8</b>	<b>-</b>	<b>110.1</b>	<b>129.8</b>
- Net Interest Gain	-2.2	-	0.9	58.2% ↓	0.4	-1.1
- Net F/X Gain*	-120.6	-	-27.2	-	115.7	150.8
- Others	46.8	-	-30.5	-	-6.0	-19.9
<b>Equity Method Gain</b>	<b>1.9</b>	<b>61.1% ↓</b>	<b>1.3</b>	<b>42.2% ↓</b>	<b>0.7</b>	<b>4.2</b>
<b>Income before Tax</b>	<b>-57.9</b>	<b>-</b>	<b>585.4</b>	<b>61.2% ↓</b>	<b>227.1</b>	<b>1,382.9</b>
<b>Net Income</b>	<b>-44.0</b>	<b>-</b>	<b>443.6</b>	<b>61.3% ↓</b>	<b>171.8</b>	<b>1,048.7</b>

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

# Appendix 2

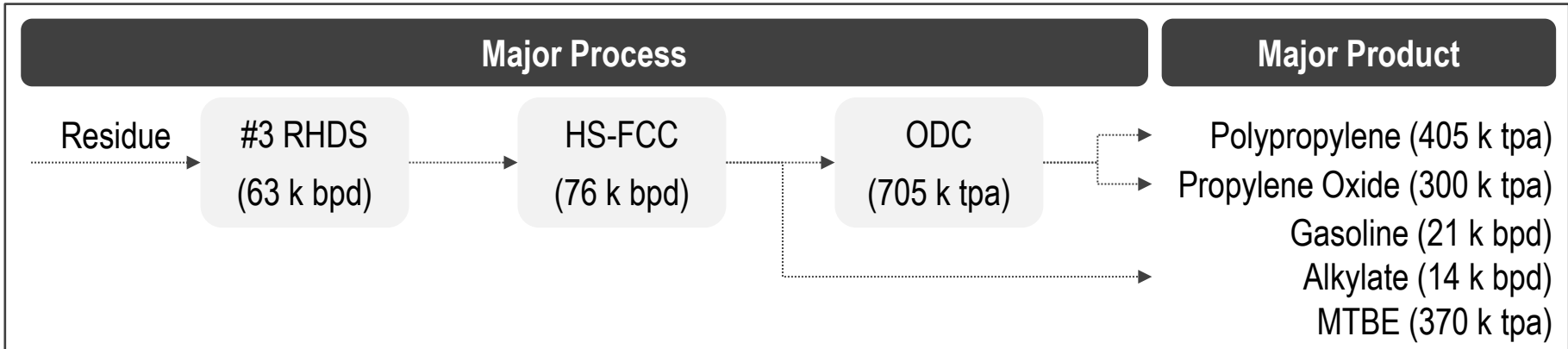


## Sales Breakdown

(Unit: k bpd, %)	3Q '15	4Q '15	1Q '16	2Q '16	3Q '16
<b>Sales Total</b>	623	622	654	704	692
<b>Domestic</b>	282	287	315	316	323
<b>Export</b>	341	335	339	388	369
(% in Total)	(54.7%)	(53.9%)	(51.9%)	(55.1%)	(53.3%)
China	16.4%	16.0%	22.5%	25.2%	18.8%
Singapore	6.0%	6.8%	6.6%	6.6%	14.7%
Japan	17.0%	25.5%	12.9%	13.3%	13.7%
USA	14.0%	11.3%	10.0%	15.3%	12.7%
Australia	13.6%	13.8%	10.8%	11.7%	7.9%
South East Asia	7.2%	6.2%	4.4%	5.1%	6.2%
Europe	5.3%	0.6%	7.4%	5.0%	3.1%

## RUC/ODC Project Overview

(Residue Upgrading Complex & Olefin Downstream Complex)



**Completion (E)**

Mechanical completion & commissioning in 1H 2018

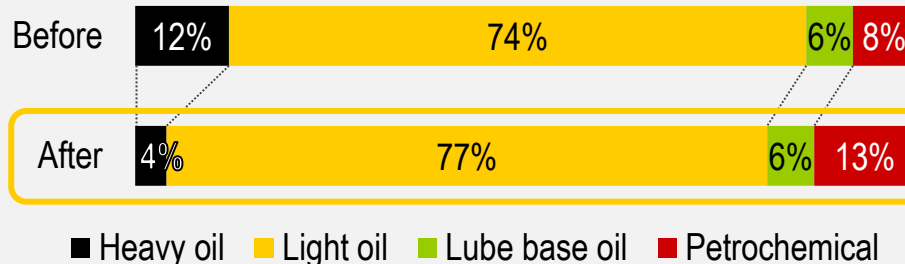
**Profitability (E)**

IRR:18.3%, Payback period: 6 years

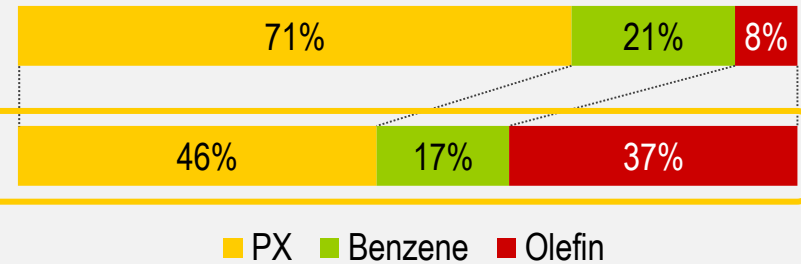
**CAPEX (E)**

Total	~2015	2016	2017	2018
4.8 tri. Won	0.4 tri. Won	0.7 tri. Won	2.6 tri. Won	1.1 tri. Won

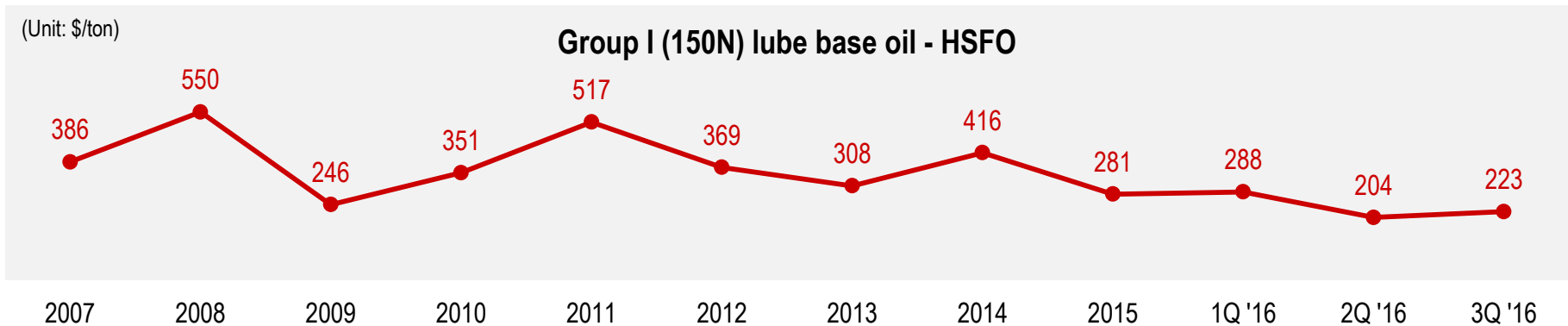
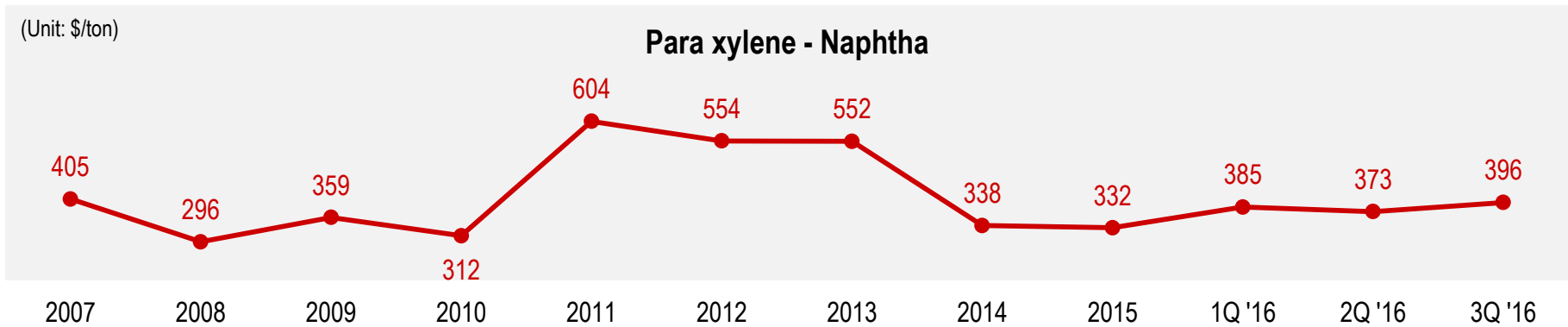
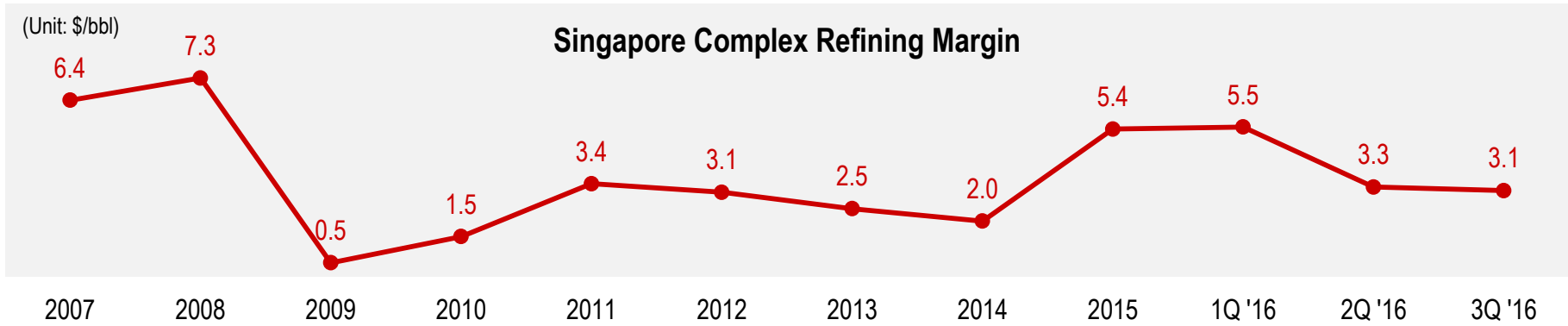
Company total product portfolio



Petrochemical business product portfolio



## Long-term Margin Trend





# Thank You

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S-OIL IR Team

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

S-OIL, the only company named to DJSI World for the 7<sup>th</sup> consecutive year among Asia Pacific refiners

