



# 4Q 2012 Corporate Performance

January 2013



# Disclaimer

Financial results for 4Q '12 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.



# Contents

**4Q 2012 Performance**

**Performance by Business Segment**

**2013 Industry Outlook**

**1Q 2013 Industry Outlook**



# 4Q 2012 Performance

**4Q 2012 Financial Result**

**Financial Status**

**Capital Expenditure**

**Major Business Index**



# 4Q 2012 Financial Result

## Revenue

Slightly decreased due to lowered ASP

- ASP: 2.2% ↓ / Sales volume: 0.8% ↑, QoQ

## Operating Income

Dropped 86% QoQ due to weakened refining margin and decrease of crude oil price coupled with lowered ₩/\$ rate

- Singapore complex margin: 3Q \$4.6/bbl → 4Q \$3.3/bbl, \$1.3/bbl ↓
- Dubai crude oil price: Sep. \$111.2/bbl → Dec. \$106.3/bbl, \$4.9/bbl ↓
- Avg. ₩/\$ rate: 3Q 1,133.4 → 4Q 1,090.8, 42.6 ↓

## Income before Tax

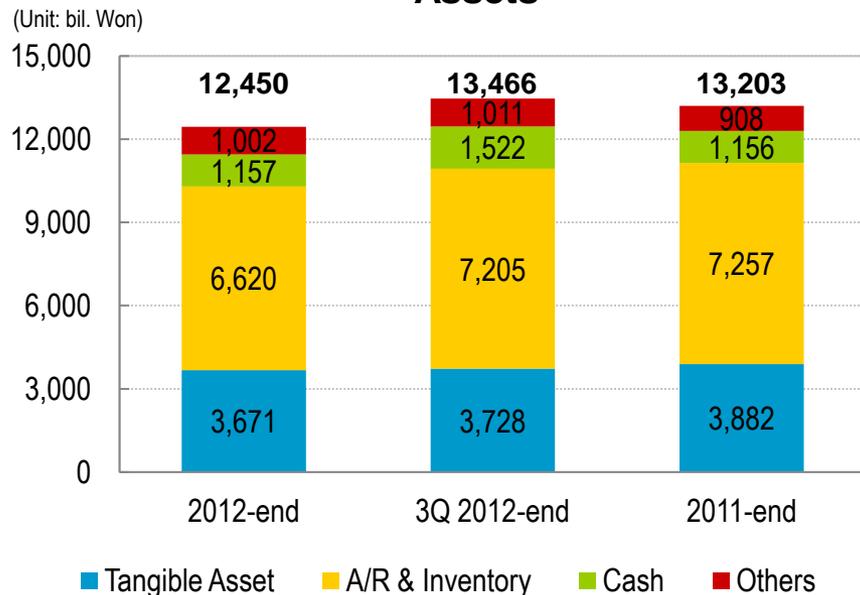
Recorded loss due to valuation loss on HK Silicon investment despite F/X related gain

(Unit: bil. Won)	4Q '12	QoQ	3Q '12	4Q '11	FY '12	YoY
▪ Revenue	8,387.0	1.4% ↓	8,502.8	9,264.0	34,723.5	8.8% ↑
▪ Operating Income	71.7	86.2% ↓	519.7	402.7	818.3	51.8% ↓
(Margin)	(0.9%)	-	(6.1%)	(4.3%)	(2.4%)	-
▪ Finance & Other income	-113.3	-	85.9	54.5	-49.1	-
– Net Interest Gain	-6.4	-	-11.4	-8.7	-40.4	-
– Net F/X Gain*	137.5	38.2% ↑	99.5	98.0	225.4	-
– Others	-244.4	-	-2.2	-34.8	-234.1	-
▪ Equity Method Gain	-3.7	-	-3.5	0.9	-14.1	-
▪ Income before Tax	-45.3	-	602.1	458.1	755.2	52.3% ↓

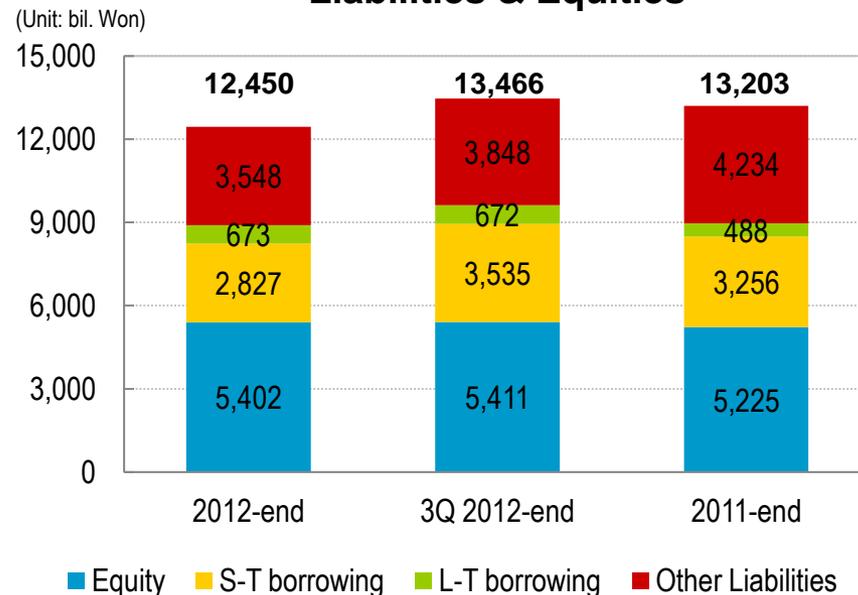
\* Including gain/loss from F/X derivatives for hedging

# Financial Status

## Assets



## Liabilities & Equities



## Financial Ratios

(Unit: %)	4Q '12	FY '12	FY '11
Return on Equity	0.3	11.5	24.5
ROCE	-1.2	7.6	17.9
Net debt to equity	43.4	43.4	49.5
Net debt (bil. Won)	2,343.5	2,343.5	2,587.2

# Capital Expenditure

## CAPEX

2013 CAPEX is planned to increase mainly due to huge maintenances

(Unit: bil. Won)	FY '13 (Budget)	FY '12	FY '11
1. Major projects	90.7	23.8	172.0
New SPM Construction	81.3	23.8	-
2. Upgrade & Maintenance	296.2	50.9	107.3
Lube Base Oil (Group III) Increase (+3 k bpd)	12.1	1.5	-
Asphalt Production Increase (+3 k bpd)	5.4	0.1	-
3. Marketing Investment	48.5	34.7	47.7
4. Others	31.3	16.0	400.3
<b>Total</b>	<b>466.7</b>	<b>125.5</b>	<b>727.3</b>

※ The Company is actively exploring new opportunities in core business as well.

## Depreciation

(Unit: bil. Won)	FY '13 (E)	FY '12	FY '11
<b>Depreciation*</b>	<b>386.2</b>	<b>391.2</b>	<b>375.8</b>

\* Including catalyst amortization cost

# Major Business Index

## Utilization Rate

(Unit: k bpd, %)	Capacity	4Q '12	3Q '12	2012
CDU	669.0	96.2	95.0	95.8
HYC FH	76.5	100.2	100.1	99.5
RFCC	73.0	100.6	100.5	100.6
Lube Plants	38.0	102.3	102.1	102.4
PX Center	34.7	104.0	104.6	104.6

- 4Q CDU util. rate - Asia: 84.4% (China 81.5%, Japan 74.3%)  
(Source: FACTS)

## 2013 T/A Schedule

	2Q '13	3Q '13
CDU	#3 CDU CFU	#1 CDU
Refining	#1 RHDS HYC FH	#2 RHDS RFCC
Petrochem	#2 Aromatics	-
Lube	HYC SH	#1 & 2 HDT

## Sales Breakdown

Expanded the domestic retail market for more stability as well as North East Asia market to capture seasonal heating demand

(Unit: bpd, %)	4Q '12	3Q '12	4Q '11
<b>Sales Total</b>	<b>649,689</b>	<b>644,308</b>	<b>691,044</b>
<b>Domestic</b>	<b>259,627</b>	<b>245,741</b>	<b>254,196</b>
<b>Export</b>	<b>390,062</b>	<b>398,567</b>	<b>436,848</b>
(% in total)	(60.0%)	(61.9%)	(63.2%)

Major export countries (% in export)

Japan	28.3	19.5	20.7
China	22.7	19.3	32.6
Singapore	12.1	7.8	5.1
Australia	7.8	11.3	6.8
USA	5.6	7.9	2.0
Europe	0.7	8.0	4.7

# Performance by Business Segment

**Financial Result by Business Segment**

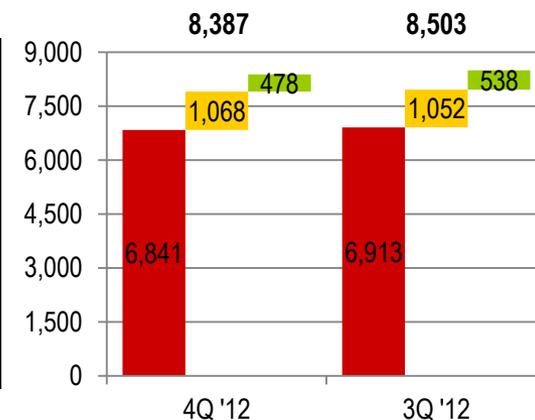
**Refining Business**

**Petrochemical & Lube Business**

# Financial Result by Business Segment

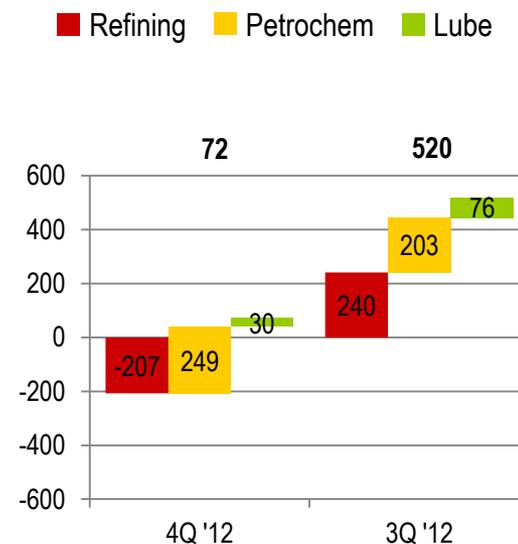
## Revenue

(Unit: bil. Won)	4Q '12	QoQ	3Q '12	4Q '11	YoY	FY '12
Refining	6,840.7	1.0% ↓	6,912.6	7,519.6	9.0% ↓	28,172.0
Petrochem	1,067.8	1.5% ↑	1,052.2	1,085.4	1.6% ↓	4,297.0
Lube	478.5	11.1% ↓	538.0	659.0	27.4% ↓	2,254.5
<b>Total</b>	<b>8,387.0</b>	<b>1.4% ↓</b>	<b>8,502.8</b>	<b>9,264.0</b>	<b>9.5% ↓</b>	<b>34,723.5</b>



## Operating Income

(Unit: bil. Won)	4Q '12	QoQ	3Q '12	4Q '11	YoY	FY '12
Refining	-207.2	-	240.3	70.1	-	-347.3
(Margin)	(-3.0%)		(3.5%)	(0.9%)		(-1.2%)
Petrochem	249.1	22.6% ↑	203.1	144.5	72.4% ↑	831.9
(Margin)	(23.3%)		(19.3%)	(13.3%)		(19.4%)
Lube	29.8	60.9% ↓	76.3	188.1	84.2% ↓	333.7
(Margin)	(6.2%)		(14.2%)	(28.5%)		(14.8%)
<b>Total</b>	<b>71.7</b>	<b>86.2% ↓</b>	<b>519.7</b>	<b>402.7</b>	<b>82.2% ↓</b>	<b>818.3</b>
<b>(Margin)</b>	<b>(0.9%)</b>		<b>(6.1%)</b>	<b>(4.3%)</b>		<b>(2.4%)</b>

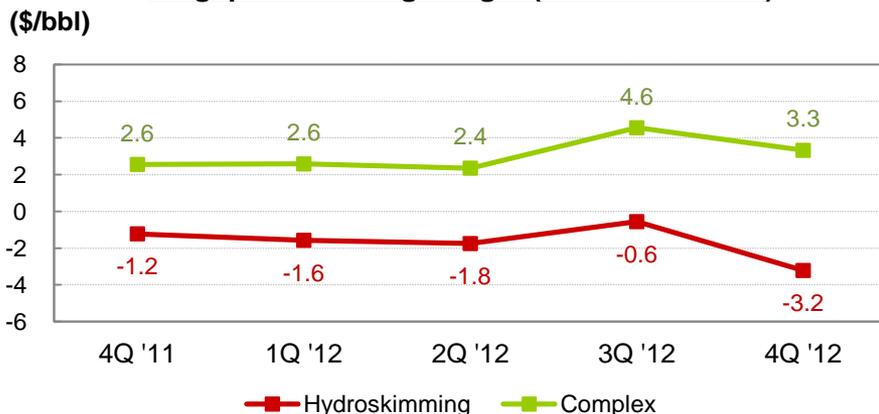


# Refining Business

## Market

Margin went down mainly due to deteriorated fuel oil spread despite healthy spread of other products.

Singapore Refining Margin (GRM - Var. Cost)



Product/Dubai Spread

(Unit: \$/bbl)	4Q '12	3Q '12	4Q '11
Dubai crude	107.5	106.1	106.5
Gasoline	10.1	12.4	7.6
Jet/Kero	19.3	20.2	18.2
Diesel	17.5	19.2	17.8
Naphtha	-4.0	-6.1	-9.1
HSFO 380	-12.0	-6.0	-3.8

Source: Platt's, IHS, The Company

## Company

Increased sales volume by focusing on high demand products (LSFO, Kero) despite declined Jet/Diesel demand

Sales Volume

(Unit: bpd)	4Q '12	3Q '12	QoQ
Gasoline	71,780	65,514	9.6% ↑
Jet/Kero	148,254	150,947	1.8% ↓
Diesel	161,761	170,597	5.2% ↓
Naphtha	59,642	57,893	3.0% ↑
Fuel Oil	80,892	69,109	17.1% ↑
Others	40,922	40,825	0.2% ↑
<b>Total</b>	<b>563,251</b>	<b>554,885</b>	<b>1.5% ↑</b>

Expanded gasoline sales in Asia-Pacific region to capture strong demand in tight supply situation

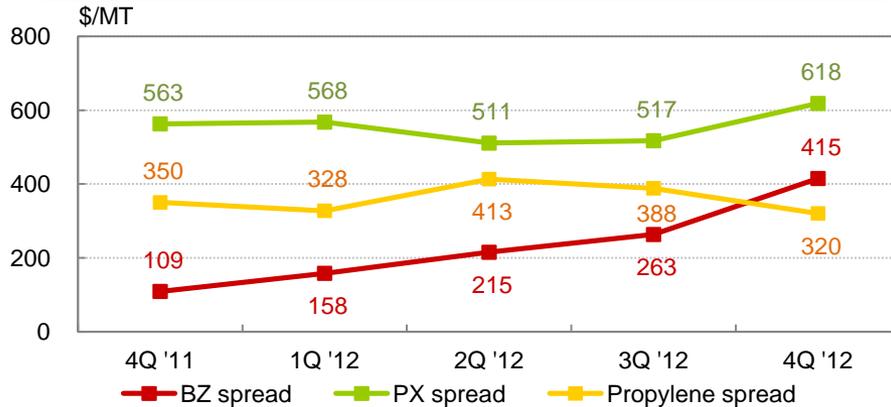
(Unit: bpd)	4Q '12	3Q '12	QoQ
Australia	10,488	8,541	22.8% ↑
Indonesia	3,260	2,934	11.1% ↑
Japan	8,530	7,112	19.9% ↑
Philippines	4,490	1,801	149.2% ↑

# Petrochemical & Lube Business

## Market

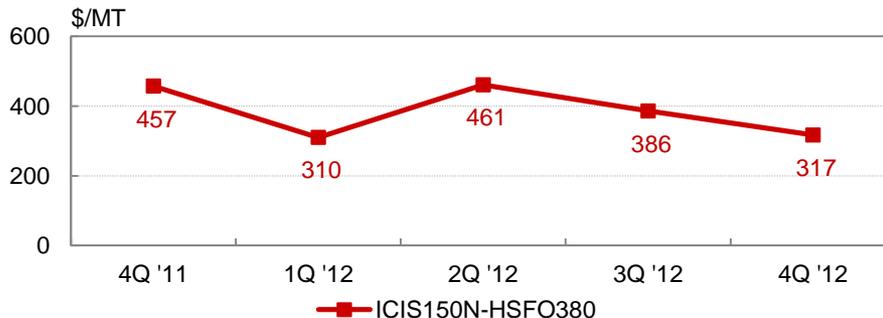
### Petrochemical

Remarkable increase of aromatic products' spreads on tight supply situation



### Lube

Spread showed downward trend following 3Q due to demand weakness amid increased supply



Source: Platt's, ICIS, CMAI, The Company

## Company

Strategic PX inventory buildup to capitalize healthy demand ahead of lunar new year holidays

### Sales volume

(Unit: bpd)	4Q '12	3Q '12	QoQ
P-X	35,623	38,406	7.2% ↓
Benzene	11,434	11,642	1.8% ↓
Propylene	7,267	6,981	4.1% ↑
<b>Total</b>	<b>54,324</b>	<b>57,029</b>	<b>4.7% ↓</b>

Focused on Group III sales with higher profitability to maximize profit

### Sales volume

(Unit: bpd)	4Q '12	3Q '12	QoQ
Group II	9,598	9,997	4.0% ↓
Group III	22,515	22,396	0.5% ↑
<b>Total</b>	<b>32,113</b>	<b>32,393</b>	<b>0.9% ↓</b>

# 2013 Industry Outlook

**2013 Industry Outlook  
– Refining**

**2013 Industry Outlook  
– Petrochemical & Lube**

# 2013 Industry Outlook – Refining

Global refining industry is likely to get slightly better upon still fast-growing Asian economy.

## 2013 Petroleum Demand: 1.0 mm bpd ↑

- Mainly driven by the growth of Asia and M. East market

### Regional Demand Growth Breakdown

(Unit: mil. bpd)	'12	'13	Change	% of Total
Asia	29.36	29.94	0.58	58%
M. East	7.58	7.78	0.20	20%
Americas	30.25	30.44	0.19	19%
Europe	14.52	14.34	-0.18	-18%
Others	7.95	8.16	0.21	21%
<b>Total</b>	<b>89.66</b>	<b>90.66</b>	<b>1.00</b>	<b>100%</b>

: 3.3% of global GDP growth in '13 (vs. 3.1% in '12)

- Asia 5.8% (China 8.2%, India 6.5%)
- Developed 1.2% (USA 1.9%, Euro -0.2%)

## 2013 Petroleum Supply: 0.7 mm bpd ↑

- Capacity increase partly offset by continued closures of uneconomical facilities

### Global Supply Growth

(Unit: mil. bpd)	'12 Net Capacity *	'13		
		Net Capacity	Net Supply **	% of Total
Asia	1.01	0.54	0.46	65%
M. East	0.00	0.54	0.15	21%
Americas	-0.50	0.41	0.13	18%
Europe	-0.29	-0.15	-0.15	-21%
Others	0.34	0.06	0.12	17%
<b>Total</b>	<b>0.56</b>	<b>1.40</b>	<b>0.71</b>	<b>100%</b>

\* Net Capacity: Capacity Increase - Closures

\*\* Net Supply reflecting timing of new capacities or closure

### : New capacity increase/closure in '13 (mil. bpd)

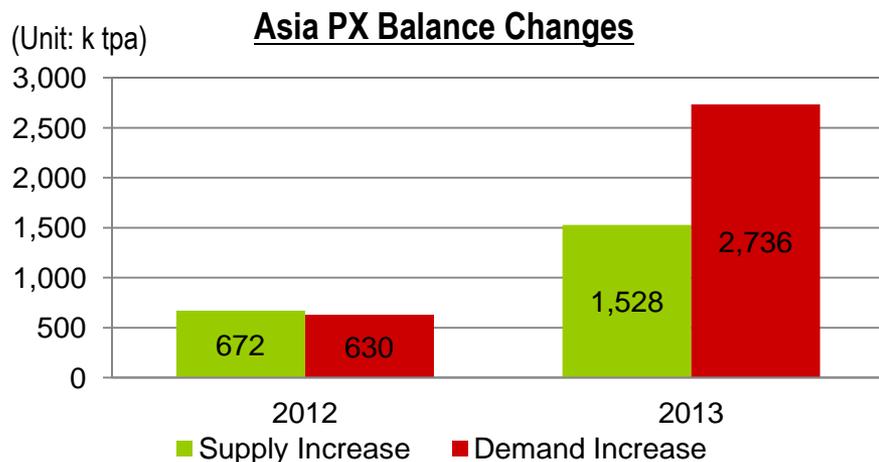
- Global: Capa. Increase 2.12 / Closure 0.72
- Asia: Capa. Increase 0.88 / Closure 0.34

# 2013 Industry Outlook – Petrochemical & Lube

## Petrochemical

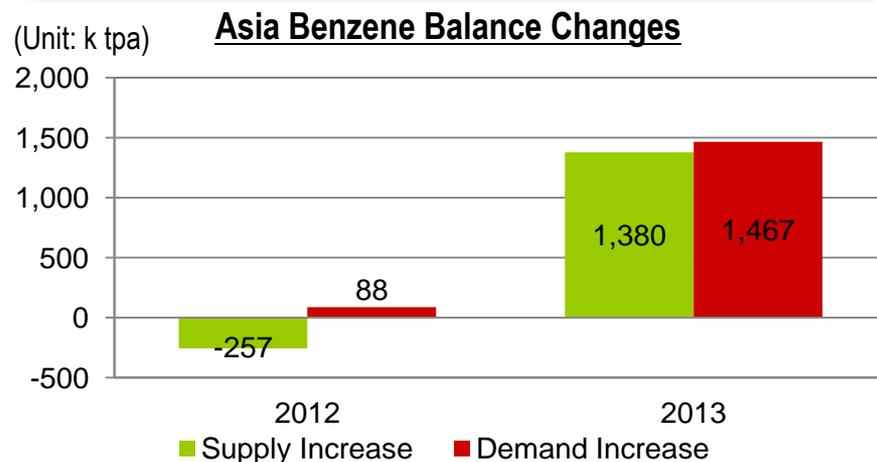
### PX

To be consistently robust propelled by further tightened demand-supply balance on continued sizable capacity addition and start-up of PTA plants



### Benzene

To be strong as increase of supply from naphtha cracker in China will be insufficient to meet demand growth from capacity addition in downstream sector (SM and phenol)



## Lube

Market is expected to rebound toward 2H with gradual recovery of demand growth due to improvement of automobiles sales in major lube market.

- Forecast for automobiles demand growth in 2013 : India 15.0% ↑, China 10.0 % ↑, US : 3.1% ↑ (YoY)

# 1Q 2013 Industry Outlook

**1Q 2013 Industry Outlook  
– Refining**

**1Q 2013 Industry Outlook  
– Crude Oil Price**

**1Q 2013 Industry Outlook  
– Petrochemical & Lube**

# 1Q 2013 Industry Outlook – Refining

Slight but meaningful margin improvement is expected thanks to seasonal demand pick-up and favorable demand-supply change.

## Demand Change (QoQ)

- 1Q: +520 k bpd / 1.7% ↑ (YoY 1.9% ↑)
  - Moderate improvement in the regional demand driven by kerosene and naphtha due to further heating consumption and feedstock demand from NCCs respectively

### Asia Demand Change

(Unit: k bpd)	1Q '13	QoQ	YoY
Gasoline	5,285	-51	126
Jet/Kero	2,554	180	-10
Diesel	8,327	-152	224
Naphtha	4,018	163	108
Fuel Oil	3,644	76	-150
Others	6,712	304	282
<b>Total</b>	<b>30,540</b>	<b>520</b>	<b>580</b>

## Supply Change (QoQ)

- 1Q: +152 k bpd
  - Capacity Add 360 & Closure 112: +302
  - Lower operation rate from heavy T/A: -150  
(4Q '12 84.4% → 1Q '13 83.9%)

### Asia Capacity Addition/Closure

(Unit: k bpd)	1Q '13		4Q '12	
	Addition	Closure	Addition	Closure
China	360	-	240	80
India	-	-	75	-
Pakistan	-	-	120	-
Philippine	-	112	-	-
<b>Total</b>	<b>360</b>	<b>112</b>	<b>435</b>	<b>80</b>

# 1Q 2013 Industry Outlook – Crude Oil Price

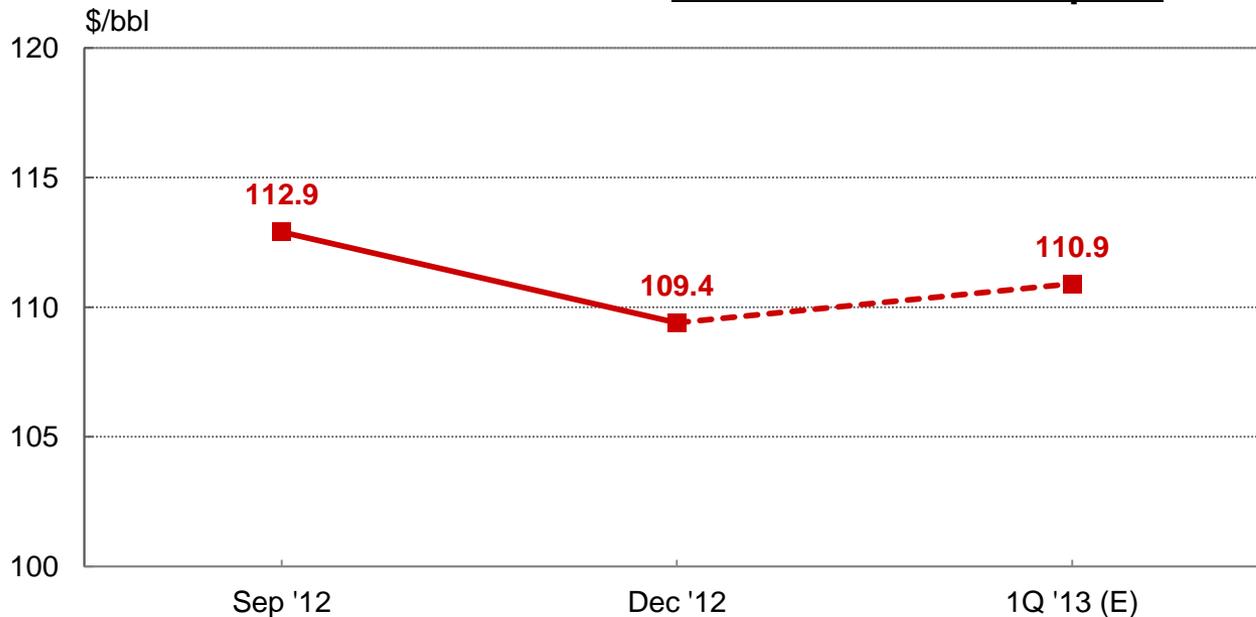
Crude price is forecast to be stable in 1Q upon the balanced demand-supply situation.

Increasing demand and flexible supply would be balanced.

- Asian demand's re-strengthening and continued global quantitative easing
- OPEC's flexibility to offset on non-OPEC supply increase

Accordingly, the negative effect from crude price movement on the Company's earnings will disappear in 1Q.

**Forecast of Brent oil price**



(Unit: \$/bbl)	1Q '13 (E)
Deutsche Bank (Jan '13)	110.0
Goldman Sachs (Dec '12)	115.0
PIRA (Dec '12)	107.7
<b>Average</b>	<b>110.9</b>

# 1Q 2013 Industry Outlook – Petrochemical & Lube

## Petrochemical

### PX

#### 1Q '13 vs. 4Q '12 regional outlook

Demand	261 k ton ↓	Seasonal demand contraction on utilization rate cut of PTA due to shut-down during lunar new year holidays – PTA utilization rate: 4Q '12 79% → 1Q '13 73%
Supply	11 k ton ↑	Slight increase due to start-up of new capacity despite lower utilization rate – PX utilization rate: 4Q '12 93% → 1Q '13 88%
Outlook	↘	

### Benzene

#### 1Q '13 vs. 4Q '12 regional outlook

Demand	250 k ton ↑	Demand growth mainly driven by start-up of new plants in downstream sector (SM, Phenol)
Supply	18 k ton ↓	Slight decrease due to lower utilization rate
Outlook	↗	

## Lube

Market spread is expected to move around the current level due to continued flat demand

**Thank You!**

