



**4Q 2013**

**Earnings**

**Release**

**S-OIL IR Team**

# Disclaimer

Financial results for 4Q 2013 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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Performance  
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# 4Q 2013 Financial Result

## Revenue

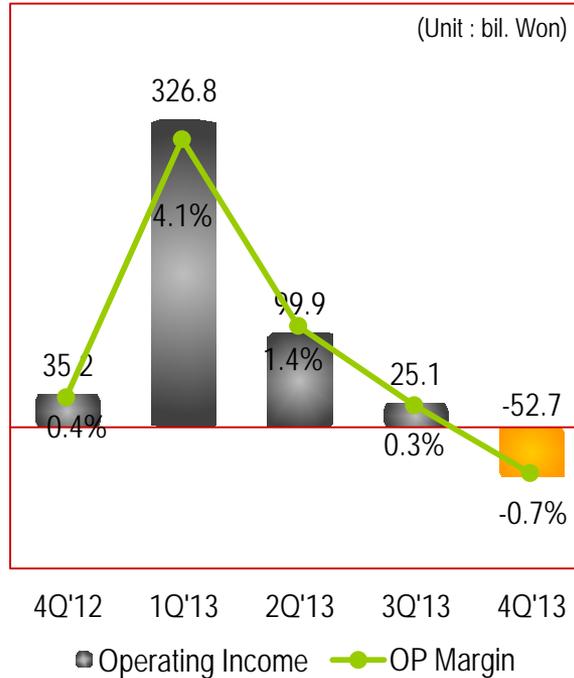


*Slightly decreased with Won appreciation*

Highest sales volume in 2013 offsetting negative impact from lowered ASP due to strong Won

- ASP: 2.1% ↓, QoQ
- Sales volume: 1.2% ↑, QoQ

## Operating Income

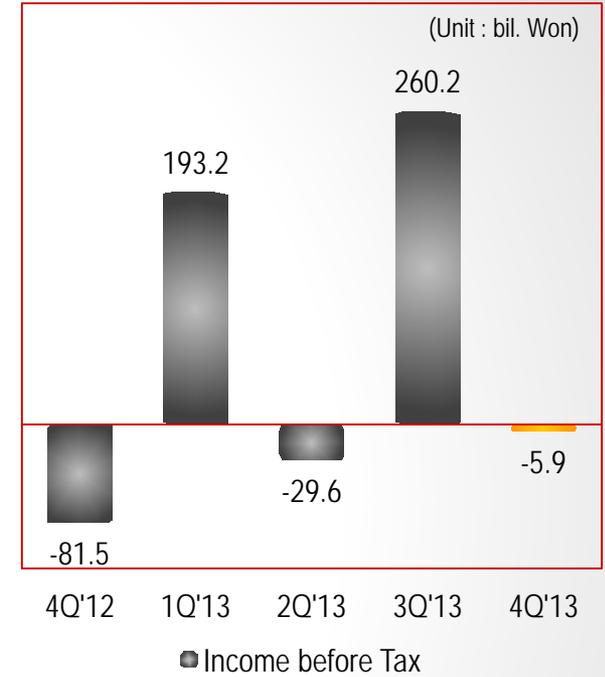


*Recorded loss on continuously weak refining margin*

Weak refining margin combined with lowered ₩/\$ rate

- Singapore complex margin (\$/bbl): 4Q 1.4 (0.2 ↓, QoQ)
- ₩/\$ rate: 4Q-avg 1,062.5 (48.1 ↓, QoQ)

## Income before Tax

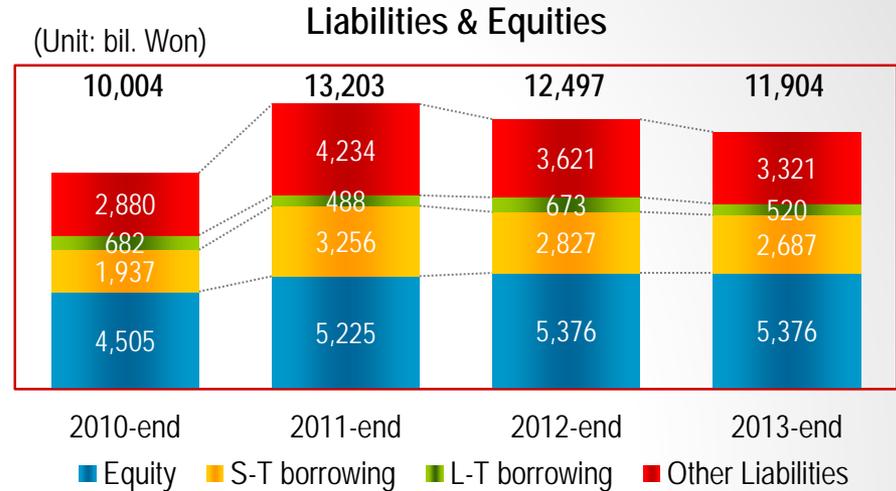
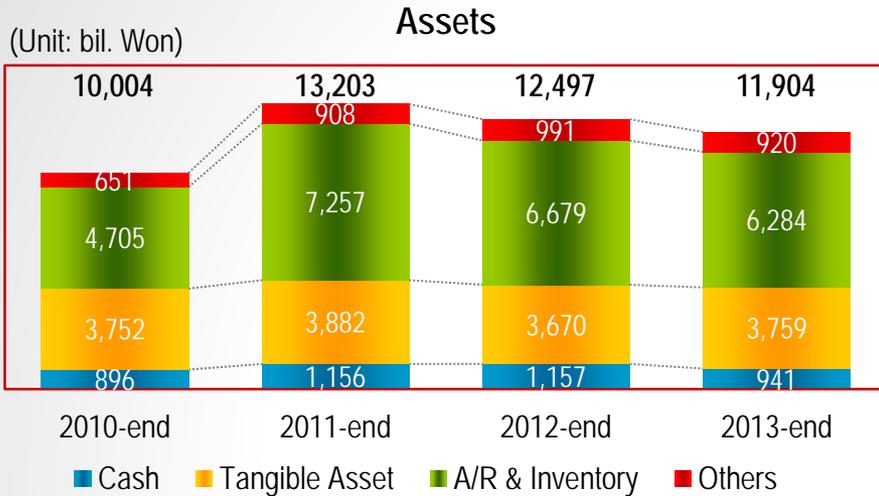


*Redeemed most part of operating loss thanks to F/X gain*

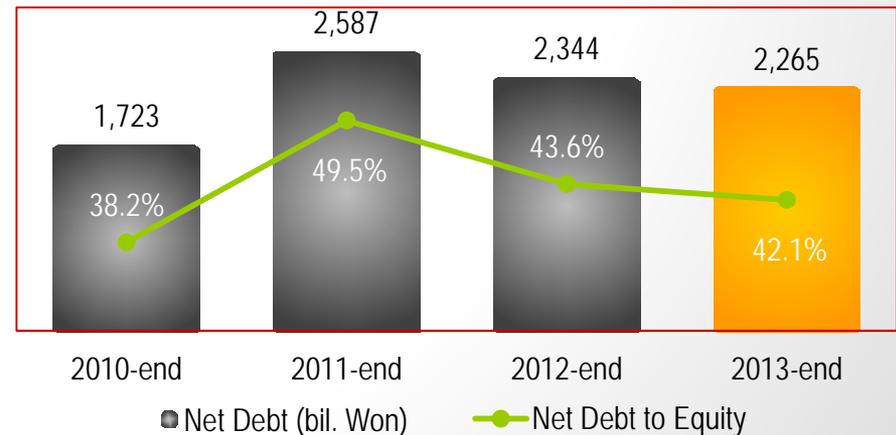
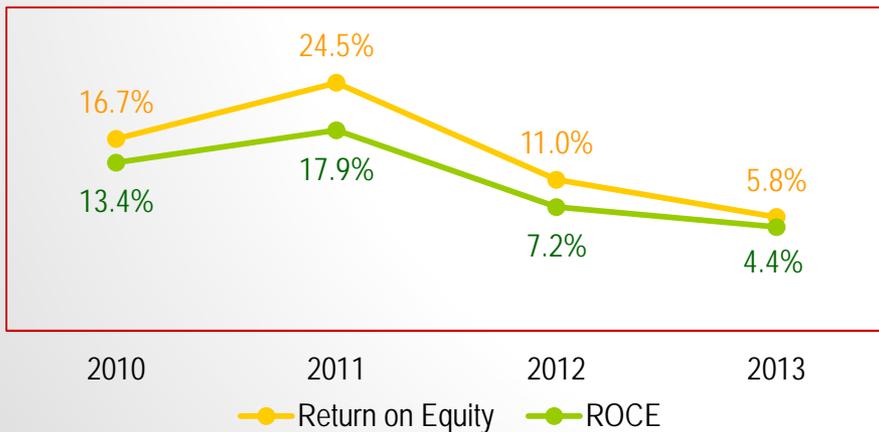
- F/X gain: 63.3 bil. Won
- ₩/\$ rate: 4Q-end 1,055.3 (20.3 ↓, QoQ)

# Financial Status

## Financial Status



## Financial Ratios



# Capital Expenditure

## CAPEX

2014 CAPEX would increase upon the preparation for new major project.

- 'Basic Engineering for Residue Upgrading Expansion' is the preceding process for a final decision-making.

(Unit: bil. Won)	FY '11	FY '12	FY '13	FY '14 (Plan)
<b>Major Projects</b>	172.0	23.8	79.1	149.9
- New SPM Construction	-	23.8	79.1	10.2
- Basic Engineering for Residue Upgrading Expansion*	-	-	-	102.6
<b>Upgrade &amp; Maintenance</b>	107.3	50.9	253.6	174.8
<b>Marketing related expenditure</b>	47.7	34.9	36.9	69.9
<b>Others</b>	400.3	16.0	22.6	120.4
- Land Acquisition for TS&D Center**	-	-	-	65.8
<b>Total</b>	727.3	125.7	392.1	515.0

\* Including detail design, close feasibility study and calculation of total investment amount

\*\* Technical Service & Development Center

## Depreciation

(Unit: bil. Won)	FY '11	FY '12	FY '13	FY'14(E)
<b>Depreciation</b> (Including catalyst amortization cost)	375.8	391.2	367.8	331.8

# Major Business Index

## Utilization Rate

(Unit: k bpd, %)	Capacity	3Q '13	4Q '13
CDU	669.0	90.3%	93.9%
HYC FH	76.5	98.4%	95.0%
RFCC	73.0	38.6%	97.1%
Lube Plants	38.0	90.4%	98.1%
PX Center	34.7	106.0%	102.2%

## 2013 & 2014 T/A

	2013	2014
CDU	#1 & 3 CDU CFU	-
Refining	RFCC, HYC FH #1 & 2 RHDS	#1 & 2 RHDS
Petrochemical	#2 Aromatics	-
Lube Base Oil	HYC SH # 1 & 2 HDT	-

## Sales Breakdown

(Unit: k bpd, %)	4Q '12	3Q '13	4Q '13
Sales Total	652	649	657
Domestic	260	250	284
Export	392	399	373
(% in Total)	(60.2)	(61.6)	(56.7)

(% in Export)	4Q '12	3Q '13	4Q '13
Japan	28.3	24.8	26.8
China	22.7	15.5	17.8
South East Asia	5.8	6.2	9.2
Australia	7.8	7.1	8.2
Singapore	12.1	7.0	6.5
USA	5.6	8.1	6.4
Europe	0.7	8.6	4.3

Financial Result by Business Segment  
Market Trend and the Company's Action



# Financial Result by Business Segment

## Refining

(Unit: bil. Won)	4Q '12	YoY	3Q '13	OoQ	4Q '13	2013
Revenue	6,840.7	3.8% ↓	6,693.2	1.7% ↓	6,579.4	25,508.6
Operating Income	-235.9	-	-168.7	-	-225.1	-321.9
(Margin)	(-3.4%)	-	(-2.5%)	-	(-3.4%)	(-1.3%)

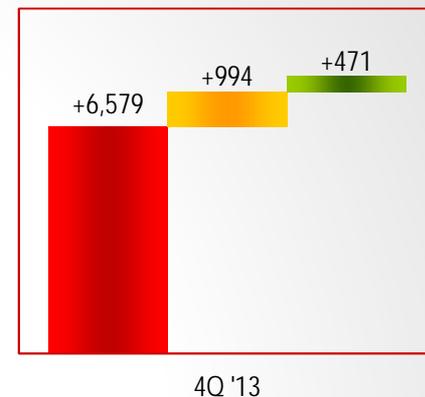
## Petrochemical

(Unit: bil. Won)	4Q '12	YoY	3Q '13	OoQ	4Q '13	2013
Revenue	1,067.8	6.9% ↓	985.7	0.8% ↑	994.0	3,898.3
Operating Income	244.6	50.6% ↓	153.6	21.4% ↓	120.7	565.4
(Margin)	(22.9%)	-	(15.6%)	-	(12.1%)	(14.5%)

## Lube Base Oil

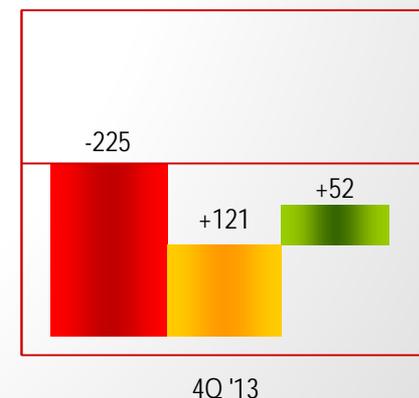
(Unit: bil. Won)	4Q '12	YoY	3Q '13	OoQ	4Q '13	2013
Revenue	478.2	1.5% ↓	446.7	5.5% ↑	471.1	1,751.6
Operating Income	26.5	95.0% ↑	40.2	28.7% ↑	51.7	155.6
(Margin)	(5.5%)	-	(9.0%)	-	(11.0%)	(8.9%)

## Revenue



■ Refining ■ Petrochem ■ Lube

## Operating Income



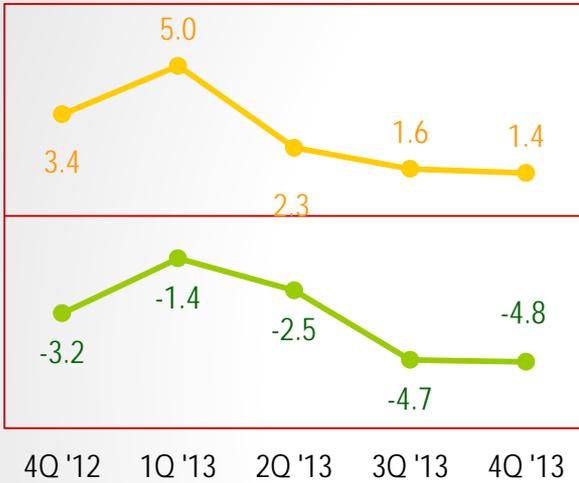
# Market Trend and the Company's Action

## Refining

Singapore Refining Margin (\$/bbl)

[ GRM-Variable Cost ]

Hydroskimming Complex



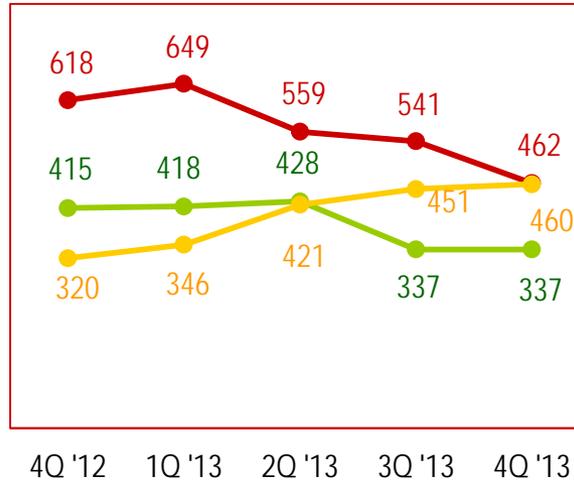
Maximized kerosene and diesel sales to capture the robust spreads (\$17.3/b, \$17.7/b respectively)

(QoQ)	Sales Volume
Kerosene	48.5% ↑
Diesel	18.8% ↑

## Petrochemical

Product Spread (\$/ton)

Benzene P-Xylene Propylene



Expanded export by 11.9% mainly by focusing on propylene sales after ramp-up of RFCC

(QoQ)	Export Volume
Para Xylene	1.7% ↑
Benzene	15.2% ↑
Propylene	350.1% ↑

## Lube Base Oil

Product Spread (\$/ton)

ICIS150N-HSFO380



Increased sale volumes after group III capacity(+3k bpd) addition and turnaround to capture healthy margin

(QoQ)	Sales Volume
Lube Base Oil	7.9% ↑

4Q 2013  
Performance

Performance  
by  
Business Segment

**1Q '14 & 2014  
Industry  
Outlook**

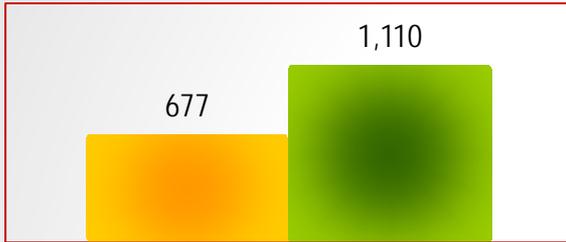
1Q '14 Industry Outlook – Refining /  
Petrochemical & Lube Business

2014 Industry Outlook – Refining /  
Petrochemical & Lube Business

# 1Q '14 Industry Outlook – Refining

Asian refining industry for 1Q 2014 is likely to show a considerable improvement as the demand growth would outpace the supply growth.

(Unit: k bpd)



1Q'14 vs. 4Q'13

- Incremental Supply
- Incremental Demand

## 1Q Outlook : Positive

Oil demand in Asia & Middle East would increase significantly due to seasonal demand and a low base in 4Q 2013 when it was warmer than expected. (Jet/Kero +189 k bpd, Fuel Oil +116 k bpd, Naphtha +146 k bpd)

Asian supply would rise upon a large scale of the recent capacity additions in China and Saudi Arabia, but the supply growth would be limited by the capacity closures in Japan.

### Demand Change (Asia / Middle East)

(Unit: k bpd)	1Q '14	QoQ
Asia	31,590	1,160
Middle East	8,390	-50
<b>Total</b>	<b>39,980</b>	<b>1,110</b>

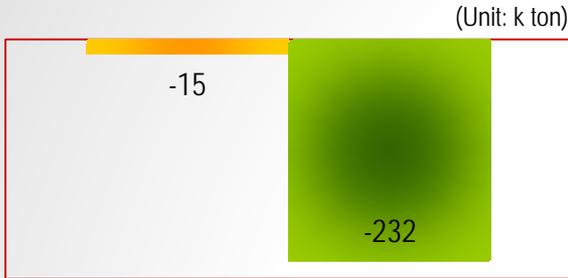
### Capacity Addition/Closure (Asia / Middle East)

(Unit: k bpd)	1Q '14		4Q '13	
	Addition	Closure	Addition	Closure
China	360	-	600	50
Japan	-	377	-	-
Saudi Arabia	-	-	400	-
<b>Total</b>	<b>360</b>	<b>377</b>	<b>1,000</b>	<b>50</b>

Source: PIRA, FACTS, ESAI, The Company

# 1Q '14 Industry Outlook – Petrochemical & Lube

## Petrochemical

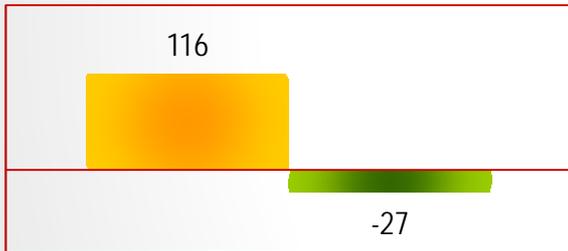


1Q'14 vs. 4Q'13

- Incremental Supply
- Incremental Demand

### Para-Xylene 1Q Outlook : Negative

The spread is likely to soften as demand will slow down due to shut-down of downstream capacities in the polyester chain around Chinese New Year while supply is expected to be steady.



1Q'14 vs. 4Q'13

### Benzene 1Q Outlook : Negative

The spread may decrease as demand would remain flat while supply is expected to increase along with restart of benzene plants from maintenance.

- Benzene maintenance: 4Q '13 444 k ton → 1Q '14 146 k ton

## Lube Base Oil

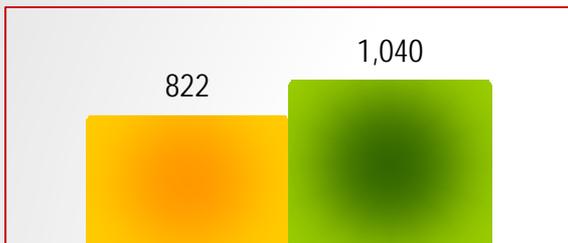
### Lube Base Oil 1Q Outlook : Neutral

Lube base oil spread will be supported by demand increase from gradual recovery of global economy despite new capacity additions ( Chevron, Group II + 25 k bpd )

# 2014 Industry Outlook – Refining

2014 refining business in Asia is expected to get better upon the normalized demand growth and sizable capacity closures.

(Unit: k bpd)



1Q'14 vs. 4Q'13

● Incremental Supply

● Incremental Demand

## 2014 Outlook : Positive

The regional petroleum demand is likely to increase from the stabilized economic growth, driven by gasoline(+265 k bpd) and diesel (+228 k bpd) demand growth.

Even though the large capacity addition, the sizable facility closures would limit the regional supply increase.

- Closure of 866(k bpd): Japan 396, Australia 230, China 240

### Demand Change (Asia / Middle East)

(Unit: k bpd)	2014	YoY
Asia	30,960	770
Middle East	8,800	270
<b>Total</b>	<b>39,760</b>	<b>1,040</b>

### Capacity Addition/Closure (Asia / Middle East)

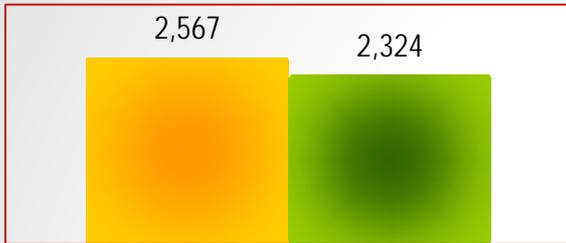
(Unit: k bpd)	2014	
	Addition	Closure
Asia	1,845	866
(China)	(1,130)	(240)
Middle East	23	-
<b>Total</b>	<b>1,868</b>	<b>866</b>

Source: PIRA, FACTS, ESAI, The Company

# 2014 Industry Outlook – Petrochemical & Lube

## Petrochemical

(Unit: k ton)



2014 vs. 2013

- Incremental Supply
- Incremental Demand

### Para-Xylene 2014 Outlook : Negative

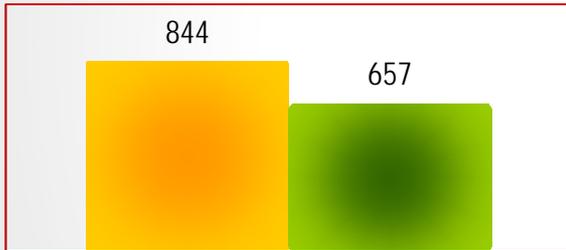
Downward correction of spread seems inevitable on the back of supply increase, but the degree of correction would not be much thanks to continuous capacity addition of PTA industry.

- 2014 PX capacity addition: 6.1 mil. tpa
- 2014 PTA capacity addition: 10.0 mil. tpa

### Benzene 2014 Outlook : Negative

The spread is likely to be narrowed down due to supply increase outpacing demand growth as benzene production from new aromatics plants will outstrip capacity expansions from benzene's downstream business.

- 2014 benzene capacity addition: 3.0 mil. tpa
- 2014 benzene downstream capacity addition: 2.4 mil. tpa



2014 vs. 2013

## Lube Base Oil

### Lube Base Oil 2014 Outlook : Neutral

Supply increase along with planned new capacity expansions will be absorbed by demand boost from growth in car population and industrial production amid global economic growth

\* Increase of global car demand growth : 3.5% in 2013(E) → 4.1% in 2014(E)

# Roadmap for Future Growth



	2012	Beyond 2018	Var.
<b>Upgrading Ratio*</b>	41%	46%	5%P ↑
<b>Business Portfolio</b>	- Heavy Oil	4%	8%P ↓
	- High Value-added Products**	96%	8%P ↑

\* (Naphtha reforming + Refining upgrading) / CDU

\*\* Including light oil, petrochemical & lube base oil

## Summarized Income Statement

(Unit: bil. Won)	4Q '12	YoY	3Q '13	QoQ	4Q '13	2013	2012
Revenue	8,386.7	4.1%↓	8,125.6	1.0%↓	8,044.6	31,158.5	34,723.3
Operating Income	35.2	-	25.1	-	-52.7	399.2	781.8
(Margin)	(0.4%)	-	(0.3%)	-	(-0.7%)	(1.3%)	(2.3%)
Finance & Other Income	-113.1	-	234.0	80.7%↓	45.1	11.6	-48.8
- Net Interest Gain	-6.4	-	-2.8	-	-5.3	-16.9	-40.4
- Net F/X Gain*	137.5	54.0%↓	220.0	-71.2%↓	63.3	23.1	225.4
- Others	-244.2	-	16.8	-	-12.9	5.4	-233.8
Equity Method Gain	-3.6	-	1.1	47.4%↑	1.6	7.1	-14.0
Income before Tax	-81.5	-	260.2	-	-5.9	417.9	718.9

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

A yellow graphic frame consisting of a horizontal line at the top, a horizontal line at the bottom, and two diagonal lines connecting them on the left and right sides, forming a trapezoidal shape.

**THANK YOU**