



3Q 2014 Earnings Release

October 2014

DISCLAIMER

Financial results for 3Q 2014 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.

3Q 2014 Performance

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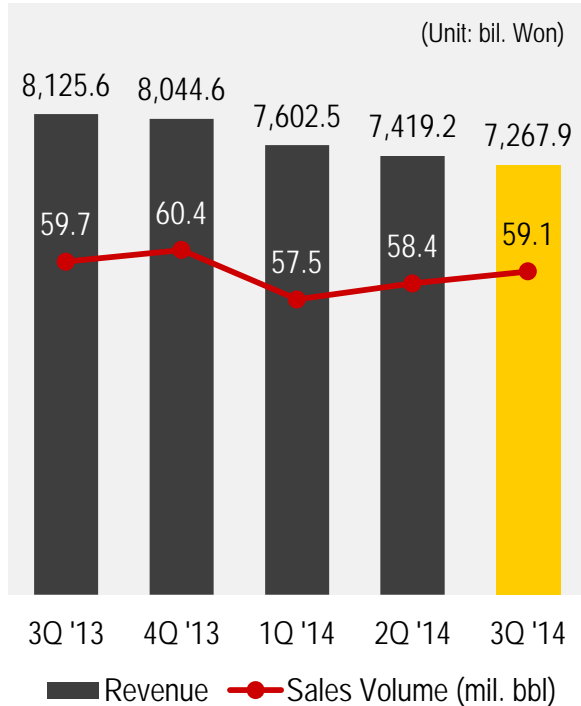
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3Q 2014 Financial Result



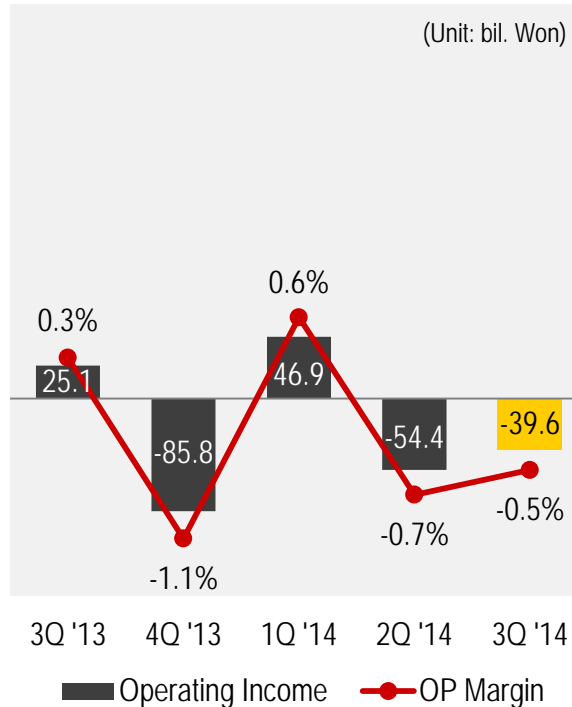
Revenue



*Declined 2.0% QoQ
due to tumbled crude price*

- Average Dubai crude price:
4.3% ↓, QoQ
- Sales volume: 1.2% ↑, QoQ

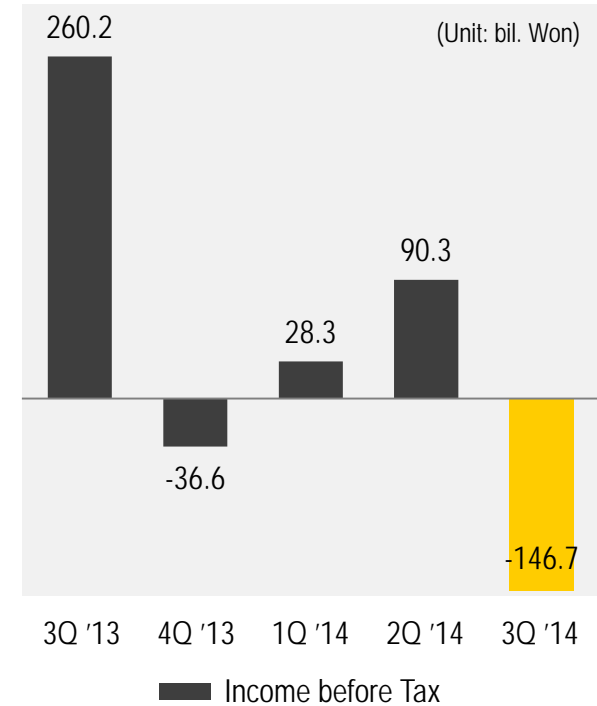
Operating Income



*Recorded loss on
negative inventory effect*

- Singapore complex margin (\$/bbl):
3Q 0.8 (0.3 ↓, QoQ)
- Inventory related loss: 71.0 bil. Won

Income before Tax

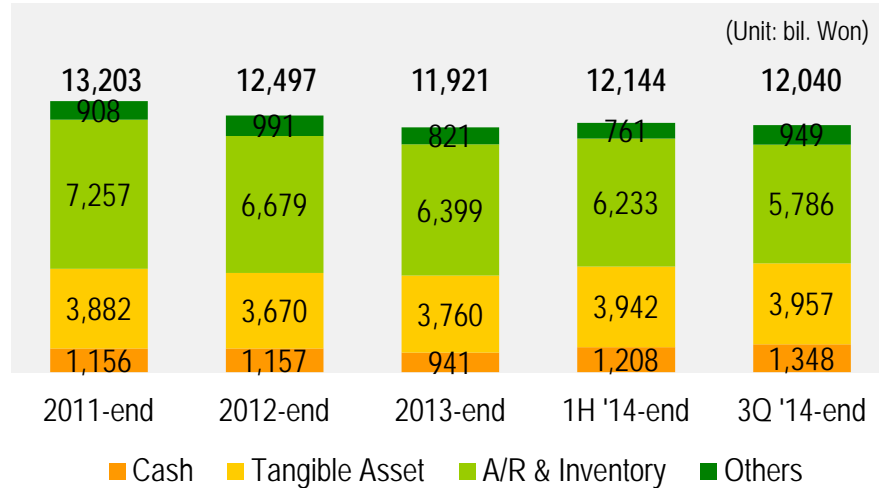


*Turned into loss
due to a hike of F/X rate
at 3Q-end*

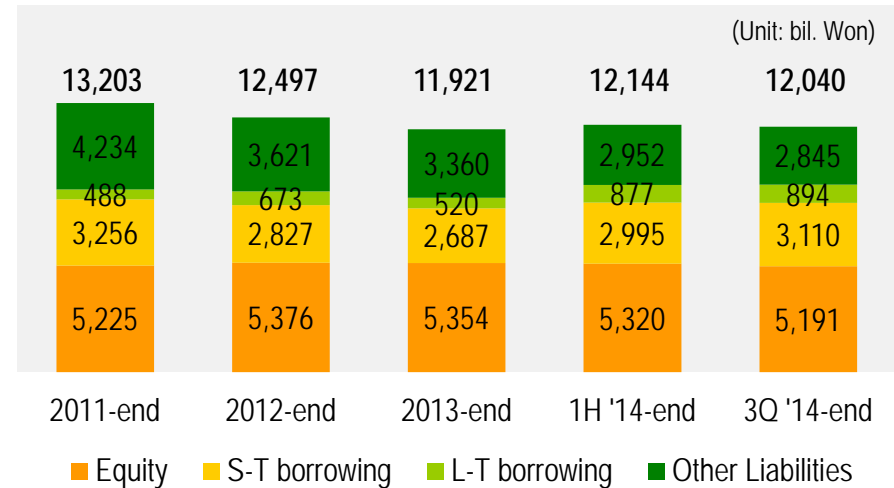
- F/X loss: 106.7 bil. Won
- ₩/\$ rate:
3Q-end 1,050.6 (36.2 ↑, QoQ)

Financial Status

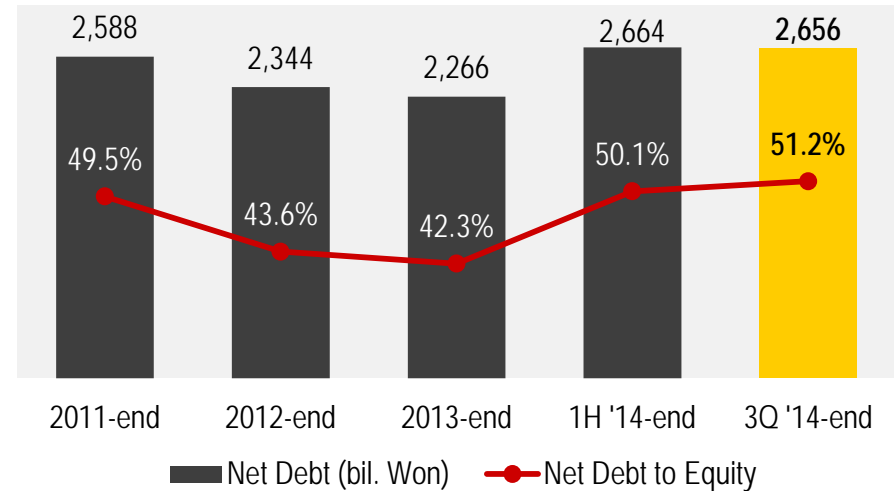
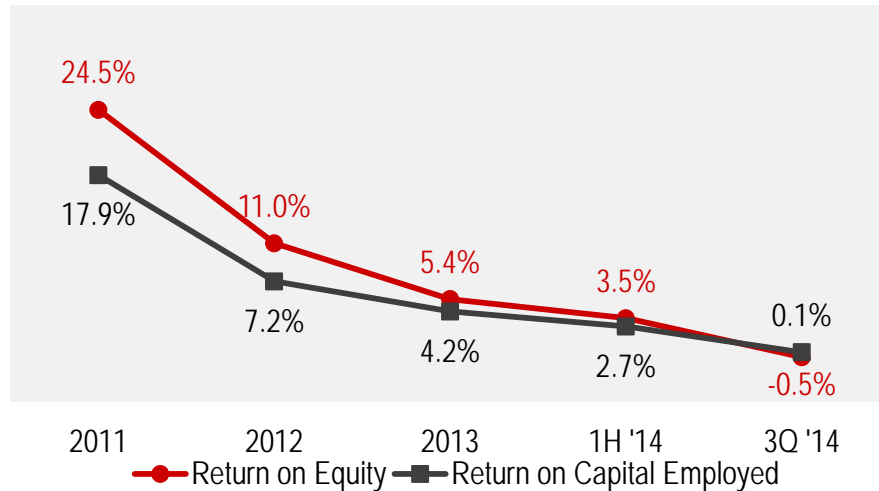
Assets



Liabilities & Equities



Financial Ratios



Capital Expenditure



CAPEX

2014 CAPEX would increase upon preparation for a new major project and acquisition of the KNOC land.

- 'Basic engineering for new project' is the preceding process for a final decision-making.

(Unit: bil. Won)	FY '11	FY '12	FY '13	FY '14 (Plan)	2014 YTD
Major Projects	172.0	23.8	79.1	701.3	314.2
- Basic engineering ¹⁾ for new project ²⁾	-	-	-	86.4	37.1
- KNOC land acquisition ³⁾	-	-	-	519.0	262.2
Upgrade & Maintenance	107.3	50.9	253.6	148.5	46.8
Marketing related expenditure	47.7	34.9	36.9	63.3	23.0
Others	400.3	16.0	22.6	99.4	47.6
- Land acquisition for TS&D Center ⁴⁾	-	-	-	65.8	37.8
Total	727.3	125.7	392.1	1,012.5	431.6

¹⁾ Including basic design, close feasibility study and calculation of total investment amount

²⁾ Residue Upgrading Complex and Olefin Downstream Complex project

³⁾ Excluding incidental costs

⁴⁾ Technical Service & Development Center

Depreciation

(Unit: bil. Won)	FY '11	FY '12	FY '13	FY'14(E)	2014 YTD
Depreciation (Including catalyst amortization cost)	375.8	391.2	367.8	331.8	257.8

Major Business Index



Utilization Rate

(Unit: k bpd, %)	Capacity	2Q '14	3Q '14
CDU	669.0	93.4%	92.6%
HYC FH	76.5	100.3%	95.9%
RFCC	73.0	97.1%	94.7%
Lube Plants	42.7	96.2%	94.2%
PX Center	34.7	94.1%	92.3%

2013 & 2014 T/A

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

Sales Breakdown

(Unit: k bpd, %)	3Q '13	2Q '14	3Q '14
Sales Total	649	642	643
Domestic	250	266	254
Export (% in Total)	399 (61.6)	376 (58.6)	389 (60.5)

(% in Export)	3Q '13	2Q '14	3Q '14
Japan	24.8	17.4	21.6
China	15.5	19.0	18.0
Australia	7.1	15.2	11.7
Singapore	7.0	7.0	10.4
USA	8.1	9.5	7.9
South East Asia	6.2	8.0	5.3

Financial Result by Business Segment



Refining

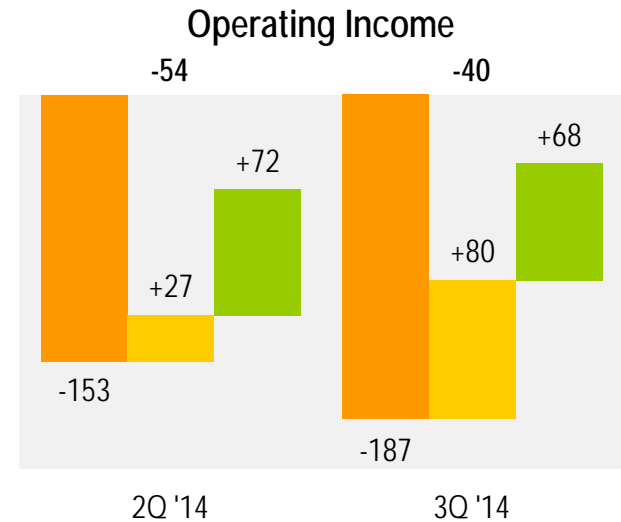
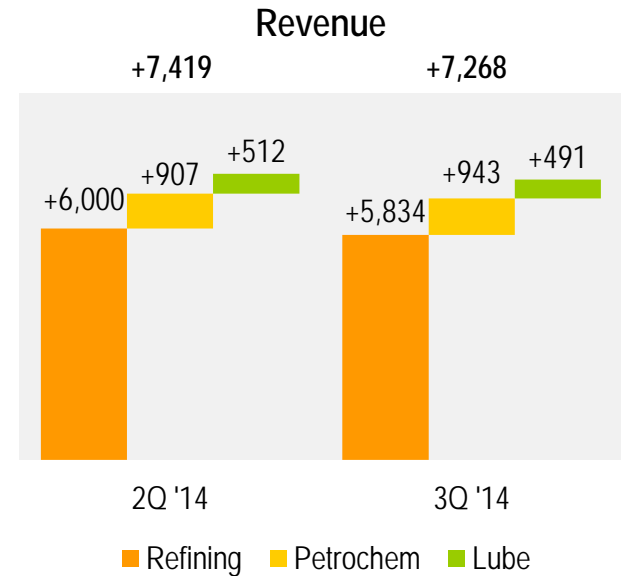
(Unit: bil. Won)	3Q '13	YoY	2Q '14	QoQ	3Q '14
Revenue	6,693.2	12.8%↓	6,000.0	2.8%↓	5,834.2
Operating Income	-168.7	-	-153.4	-	-186.7
(Margin)	(-2.5%)	-	(-2.6%)	-	(-3.2%)

Petrochemical

(Unit: bil. Won)	3Q '13	YoY	2Q '14	QoQ	3Q '14
Revenue	985.7	4.3%↓	907.2	4.0%↑	943.1
Operating Income	153.6	48.2%↓	26.6	198.9%↑	79.6
(Margin)	(15.6%)	-	(2.9%)	-	(8.4%)

Lube Base Oil

(Unit: bil. Won)	3Q '13	YoY	2Q '14	QoQ	3Q '14
Revenue	446.7	9.8%↑	512.0	4.2%↓	490.6
Operating Income	40.2	68.0%↑	72.4	6.8%↓	67.5
(Margin)	(9.0%)	-	(14.1%)	-	(13.8%)



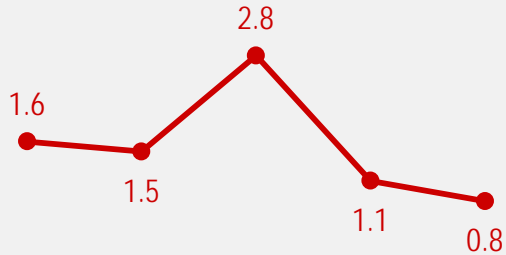
Market Environment in 3Q 2014



Refining

Singapore Margin
[GRM – Variable Cost]

(Unit: \$/bb)



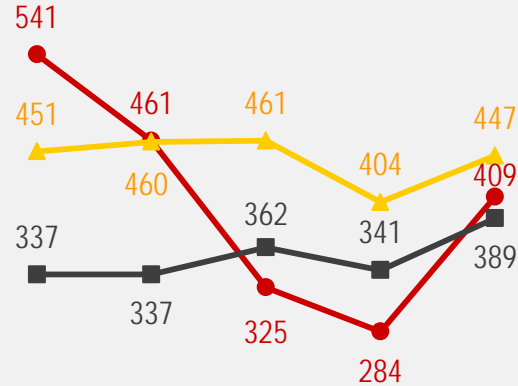
3Q '13 4Q '13 1Q '14 2Q '14 3Q '14
● Singapore Complex Refining Margin

- Asia demand contracted due to sluggish demand in China and South East Asian countries.
- Utilization rate in the region rose as refiners restarted the plants after heavy maintenance in 2Q, adding burden to regional supply.

Petrochemical

Product Spread

(Unit: \$/ton)



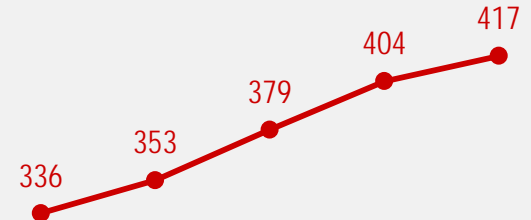
3Q '13 4Q '13 1Q '14 2Q '14 3Q '14
● P-Xylene ■ Benzene ▲ Propylene

- PX margins showed a strong rebound thanks to adjustment of PX operation rates and restart of PTA plants after maintenance shutdown.
- Benzene margins remained strong due to demand increase in major downstream sectors.

Lube Base Oil

Product Spread

(Unit: \$/ton)



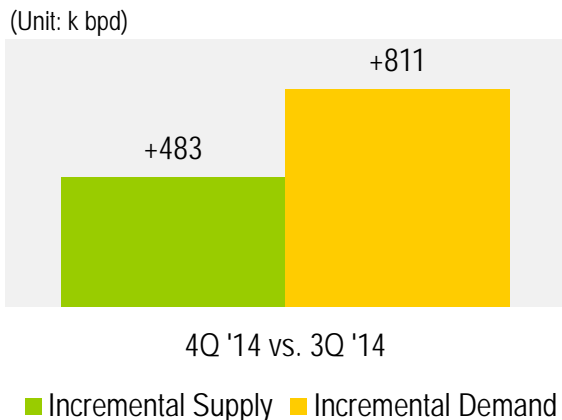
3Q '13 4Q '13 1Q '14 2Q '14 3Q '14
● ICIS150N-HSFO380

- LBO margins continued an upward trend due to increased automobile sales in major lube markets and weakened feedstock prices.
- However, supply from new capacity additions limited the increase

4Q 2014 Outlook – Refining



Regional refining business will face heavy capacity expansion from Middle East, but strong seasonal demand in Asia is expected to absorb the increased supply.



4Q Outlook: Recovery on seasonal demand

Startup of new refineries in Saudi Arabia (400 k bpd) and UAE (417 k bpd) will add supply pressure on the regional market. However, supply-demand balance is expected to get tighter as Asia's demand increase, especially in Japan and China, will outstrip the supply increase.

- QoQ demand increase (k bpd): Japan 670 / China 231

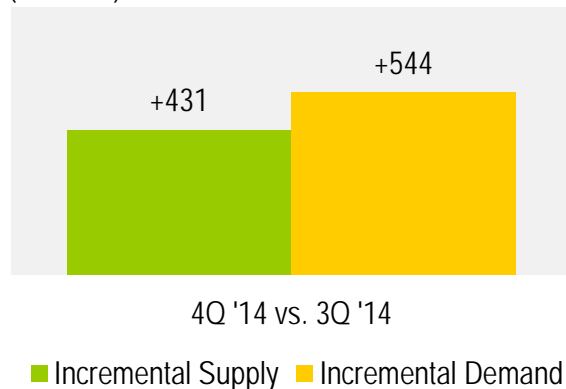
A high demand growth in the US (550 k bpd) will also contribute to potential recovery of the global refining industry. 6.5% of the total US refining capacity will be shut down for maintenance during the 4Q '14.

4Q '14 QoQ Supply-Demand Balance Outlook

(Unit: k bpd)	Demand Growth (A)	Capacity Additions	Closures	Supply Increase (B)	(A)-(B)
Asia Pacific	1,419	110	200	74	1,345
Middle East	-608	817	0	409	-1,017
Total	811	927	200	483	328

Petrochemical

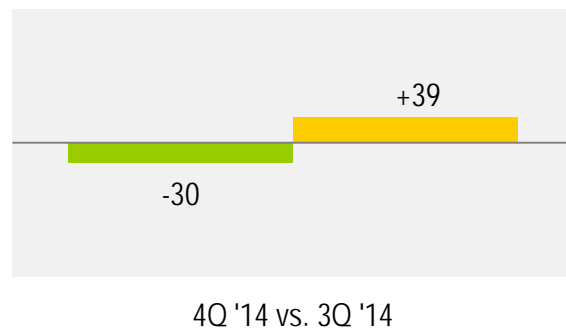
(Unit: k ton)



Paraxylene 4Q Outlook : Diminishing supply pressure

PX spread will remain at a solid level since incremental demand from new PTA capacity expansion will offset supply increase from new PX plants which started operation from the previous quarter.

- 4Q '14 capacity additions (k tpa): PX nil / PTA 3,400



Benzene 4Q Outlook : Stable market conditions

Healthy margin will continue as no meaningful change in supply is expected while demand growth is also projected to be limited on impact of phenol plants' maintenance despite capacity expansions of caprolactam and aniline.

- 4Q '14 capacity additions (k tpa): BZ nil / BZ downstream 675

Lube Base Oil

4Q Outlook : Decent market spreads to continue

Demand growth for high quality products in Asia and South America and weakened feedstock prices will support the margin at a decent level despite downward pressure from new capacity additions in 3Q14.

Summarized Income Statement

(Unit: bil. Won)	3Q '13	YoY	2Q '14	QoQ	3Q '14	2014 YTD
Revenue	8,125.6	10.6%↓	7,419.2	2.0%↓	7,267.9	22,289.6
Operating Income	25.1	-	-54.4	-	-39.6	-47.0
(Margin)	(0.3%)	-	(-0.7%)	-	(-0.5%)	(-0.2%)
Finance & Other Income	234.0	-	143.5	-	-108.8	14.8
- Net Interest Gain	-2.8	-	-3.5	-	-3.0	-11.5
- Net F/X Gain*	219.9	-	158.1	-	-106.7	3.8
- Others	16.9	-	-11.1	-	0.9	22.5
Equity Method Gain	1.1	51.8%↑	1.2	43.5%↑	1.7	4.0
Income before Tax	260.2	-	90.3	-	-146.7	-28.2
Net Income	192.2	-	68.2	-	-111.4	-17.8

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

Thank You

S-OIL IR Team

