



# 2Q 2016 Earnings Release

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July 2016

# DISCLAIMER

Financial results for 2Q 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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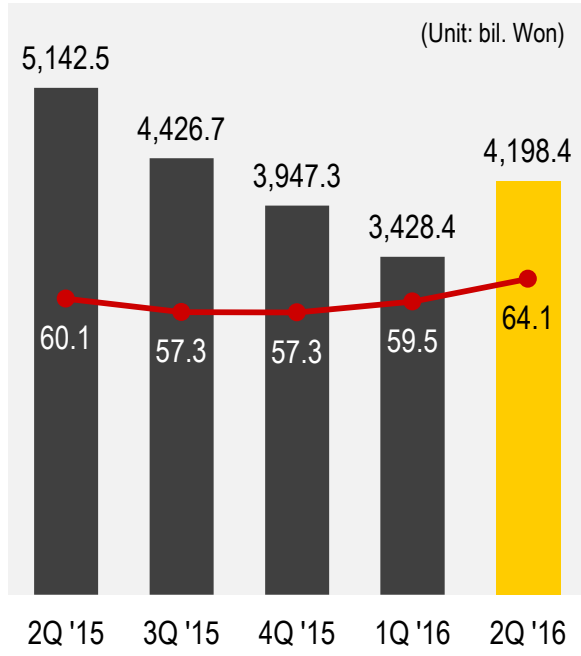
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# 2Q 2016 Financial Result



## Revenue

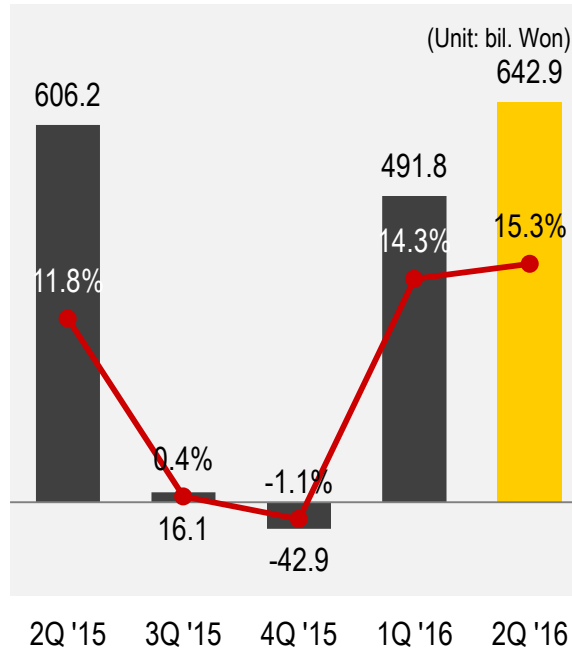


■ Revenue ● Sales Volume (mil. bbl)

**Jumped by 22.5% thanks to higher oil prices coupled with increase in sales volume**

- Quarterly average selling price: 13.7% ↑, QoQ
- Sales volume: 7.7% ↑, QoQ

## Operating Income

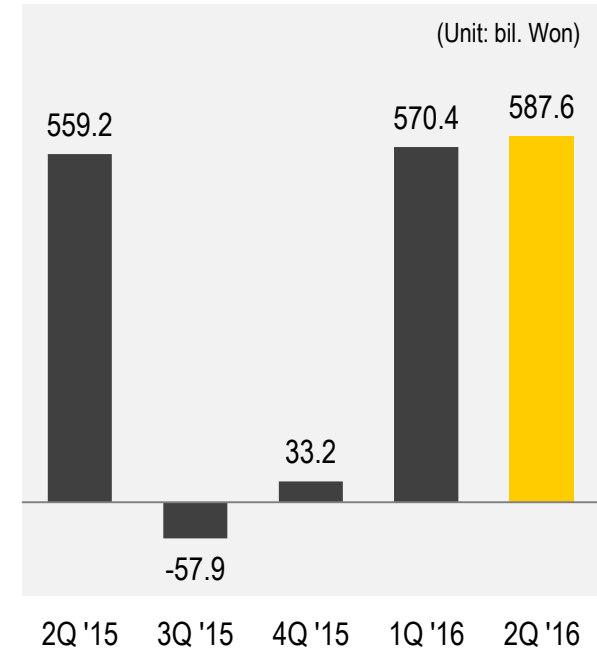


■ Operating Income ● OP Margin

**Increased 151.1 bil. Won supported by profit improvement activities and oil price rise**

- Profit improvement performance: 58.9 bil. Won (1H: 109.0 bil. Won)
- Inventory related gain (E): 145 bil. Won (190 bil. Won ↑, QoQ)

## Income before Tax



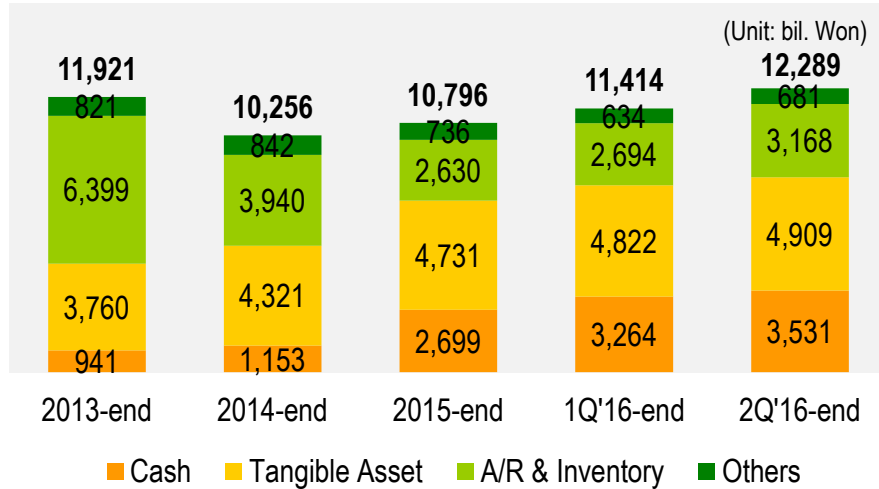
■ Income before Tax

**Rose by 17.1 bil. Won QoQ**

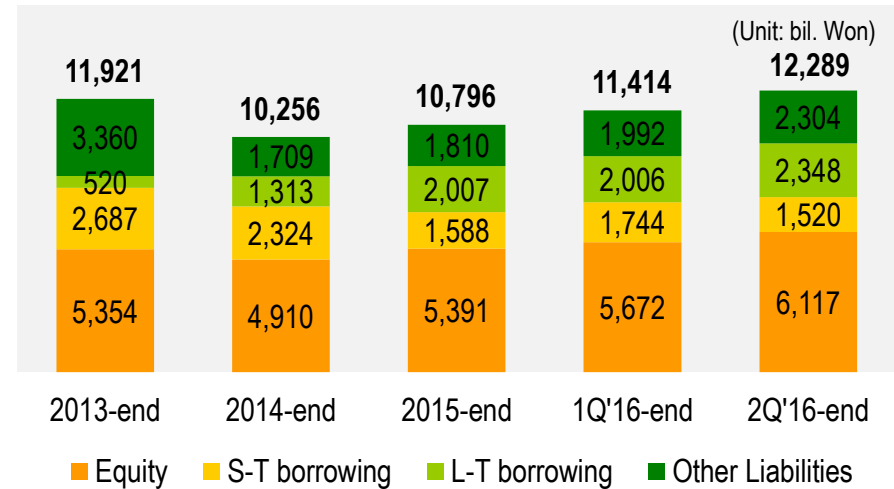
- F/X loss: 27.0 bil. Won (1Q F/X gain: 62.3 bil. Won)
- ₩/\$ rate: 2Q-end 1,164.7 (11.2 ↑, QoQ)

## Financial Status

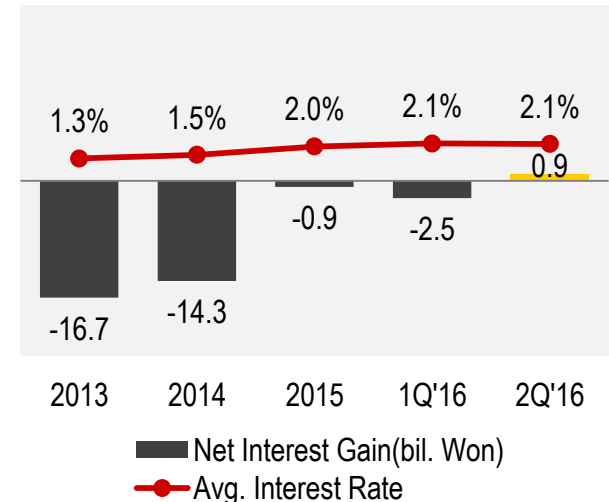
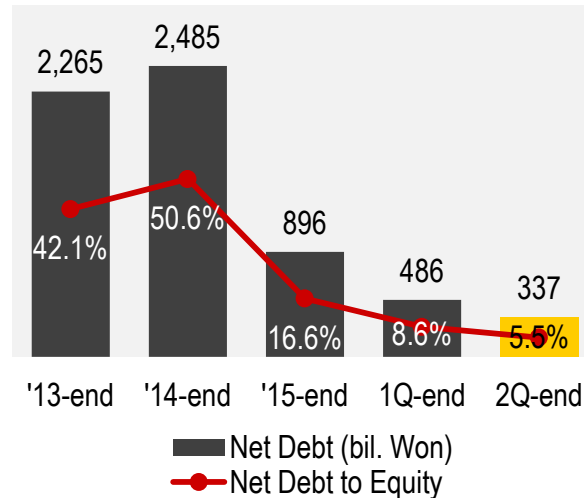
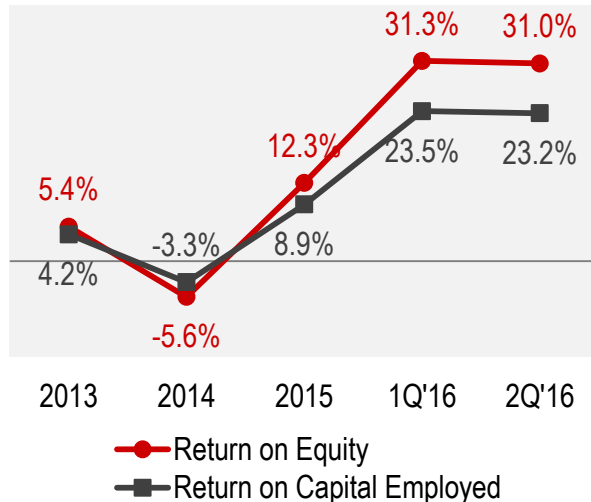
### Assets



### Liabilities & Equities



## Financial Ratios



# Capital Expenditure



## CAPEX

(Unit: bil. Won)	FY '13	FY '14	FY '15	FY '16 Plan	1H '16
<b>Major Projects</b>	<b>79.1</b>	<b>675.2</b>	<b>465.1</b>	<b>1,203.4</b>	<b>178.3</b>
- RUC/ODC Project <sup>1)</sup>	-	97.0	290.4	978.6	91.8
- KNOC land acquisition <sup>2)</sup>	-	519.0	-	-	-
- SUPER Project <sup>3)</sup> and Profit Improvement Program	-	8.5	141.7	221.3	84.9
<b>Upgrade &amp; Maintenance</b>	<b>253.6</b>	<b>62.0</b>	<b>169.2</b>	<b>209.2</b>	<b>24.7</b>
<b>Marketing related expenditure</b>	<b>36.9</b>	<b>37.5</b>	<b>48.4</b>	<b>41.2</b>	<b>1.3</b>
<b>Others</b>	<b>22.6</b>	<b>108.8</b>	<b>43.3</b>	<b>118.1</b>	<b>31.5</b>
<b>Total</b>	<b>392.1</b>	<b>883.5</b>	<b>726.0</b>	<b>1,571.9</b>	<b>235.8</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	1H '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>147.8</b>

## Utilization Rate

(Unit: k bpd, %)	Capacity	2014	2015	1Q '16	2Q '16
<b>CDU</b>	<b>669.0</b>	93.6%	90.7%	96.3%	99.2%
<b>B-C Cracking</b>	<b>149.5</b>	97.3%	93.4%	101.9%	96.7%
<b>PX Plants*</b>	<b>34.7</b>	93.4%	84.5%	110.2%	109.6%
<b>Lube Plants</b>	<b>42.7</b>	93.4%	85.4%	101.4%	101.8%

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

## Maintenances

	2014	2015	1H '16	2H '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

# Financial Result by Business Segment



## Refining

(Unit: bil. Won)	2Q '15	YoY	1Q '16	QoQ	2Q '16
<b>Revenue</b>	4,058.3	20.8% ↓	2,467.0	30.3% ↑	3,215.3
<b>Operating Income</b>	460.9	18.7% ↓	220.3	70.2% ↑	374.8
(Margin)	(11.4%)	-	(8.9%)	-	(11.7%)

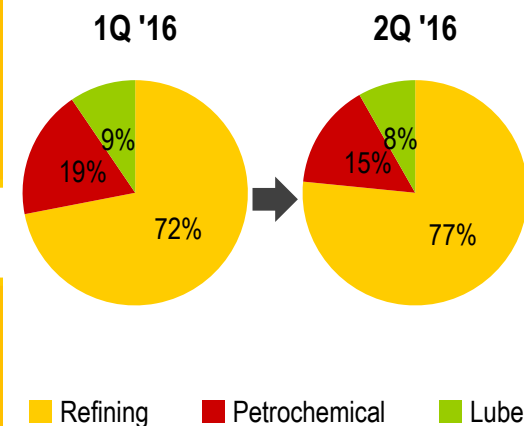
## Petrochemical

(Unit: bil. Won)	2Q '15	YoY	1Q '16	QoQ	2Q '16
<b>Revenue</b>	710.7	10.3% ↓	636.0	0.2% ↑	637.3
<b>Operating Income</b>	65.8	112.9% ↑	144.1	2.8% ↓	140.0
(Margin)	(9.3%)	-	(22.7%)	-	(22.0%)

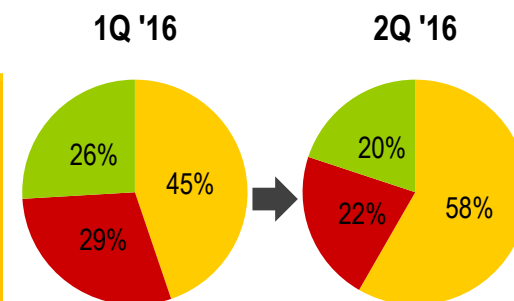
## Lube Base Oil

(Unit: bil. Won)	2Q '15	YoY	1Q '16	QoQ	2Q '16
<b>Revenue</b>	373.5	7.4% ↓	325.4	6.3% ↑	345.8
<b>Operating Income</b>	79.6	60.9% ↑	127.5	0.4% ↑	128.0
(Margin)	(21.3%)	-	(39.2%)	-	(37.0%)

## Revenue



## Operating Income





# Market Environment in 2Q 2016

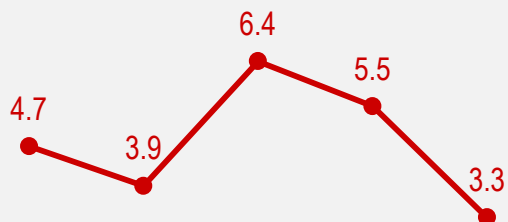


## Refining

### Singapore Margin

[ GRM – Variable Cost ]

(Unit: \$/bbl)



2Q '15 3Q '15 4Q '15 1Q '16 2Q '16

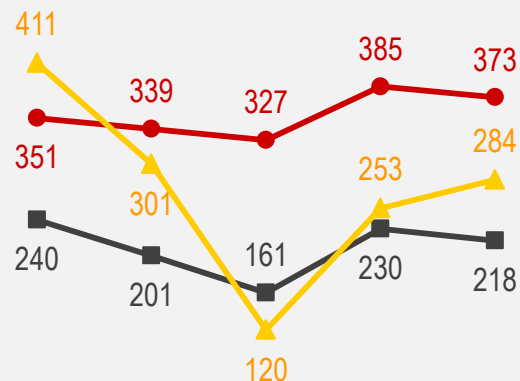
—●— Singapore Complex Refining Margin

Refining margins went down as Asian demand declined QoQ due to seasonality while regional utilization rate held at the elevated level.

## Petrochemical

### Product Spread

(Unit: \$/ton)



2Q '15 3Q '15 4Q '15 1Q '16 2Q '16

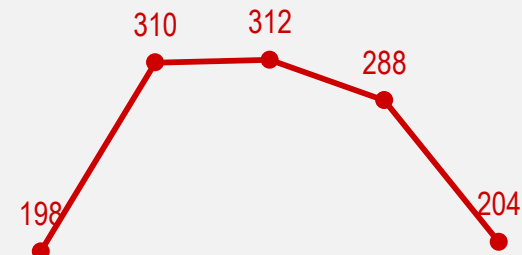
—●— P-Xylene —■— Benzene —▲— Propylene

PX spread was supported at a decent level thanks to the higher-than-expected operation rate of Chinese PTA/polyester plants.

## Lube Base Oil

### Product Spread

(Unit: \$/ton)



2Q '15 3Q '15 4Q '15 1Q '16 2Q '16

—●— Group I (150N)-HSFO380

- Group I LBO margin dropped as product prices reflected crude oil price fall in 1Q with time lag.
- However, Group III spread remained solid due to robust demand for high-quality product.

# 2H 2016 Outlook – Refining

Refining margins are expected to bottom out and show gradual improvement heading towards winter.

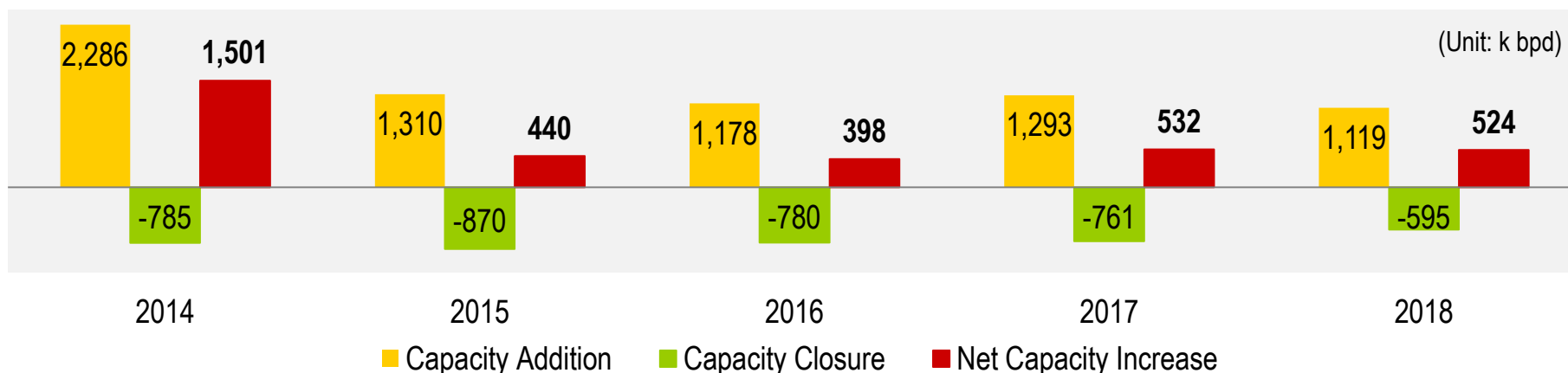
Asian demand will show significant growth in the latter part of the second half, mainly driven by middle distillate. Incremental supply will be limited as most of new capacities are expected to start the operation at the end of the year.

## Asia demand growth forecast

(Unit: mil. bpd)	3Q '16		4Q '16	
	QoQ	YoY	QoQ	YoY
IEA	+0.04	+1.00	+1.06	+1.00
OPEC	-0.47	+0.57	+1.36	+0.57
EIA	-0.58	+0.88	+1.00	+1.11

In the longer-term, lackluster investments in new capacity will consistently provide solid foundation for sound business environment.

## Global Capacity Addition/Closure

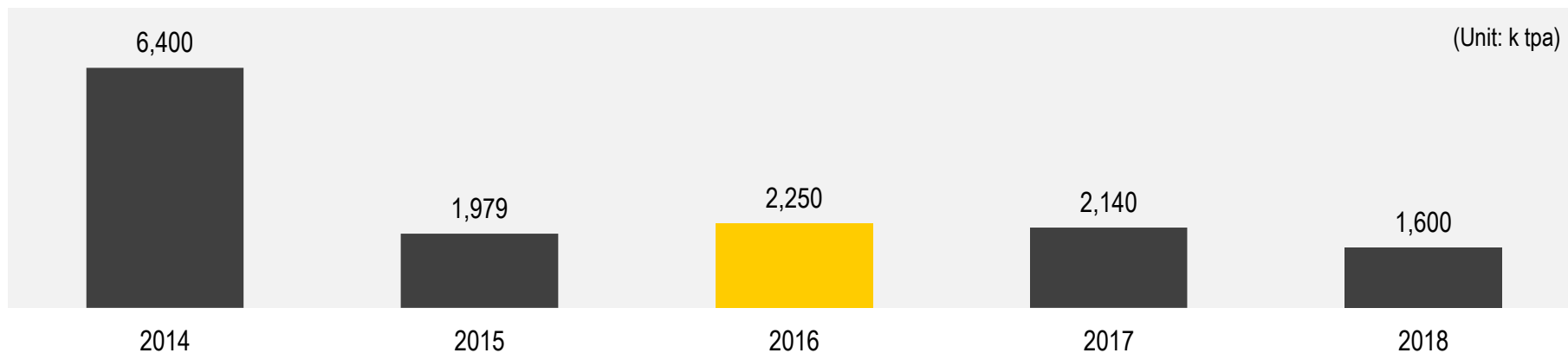


## Petrochemical

### Para-xylene : spread to be maintained

There would be a pressure on the spread due to start-up/restart of PX plants, but the spread is likely to be moved in a decent range by ramp-up of PTA facilities and seasonal demand.

### PX capacity expansion (Asia & ME)



## Lube Base Oil

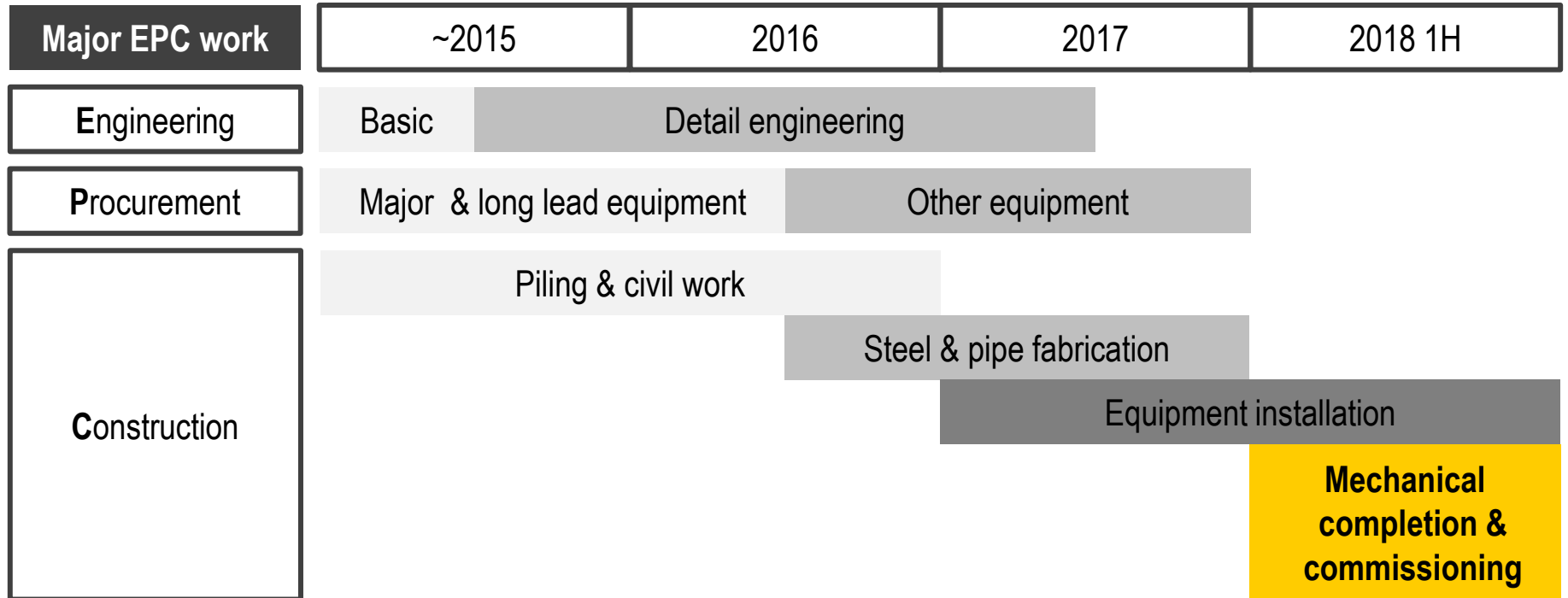
### Solid level of spread to continue for high-quality products

Considering demand growth for high-quality products in the U.S. and Europe, the decent margin is likely to continue in 2H.

# Progress of RUC/ODC Project



## Milestone



## Up to today

<b>EPC</b>	<p>Completion of orders for major equipment at prices lower than planned and selection of contractors for piping and mechanical work</p> <p>Piling/civil work is under way, and steel framing/piping work, etc. will be started in 3Q.</p>
<b>Financing</b>	<p>Issuance of Won corporate bonds : 750 billion Won</p> <p>Financing commitment from banks : 2,700 billion Won</p>

## Summarized Income Statement

(Unit: bil. Won)	2Q '15	YoY	1Q '16	QoQ	2Q '16
<b>Revenue</b>	<b>5,142.5</b>	<b>18.4% ↓</b>	<b>3,428.4</b>	<b>22.5% ↑</b>	<b>4,198.4</b>
<b>Operating Income</b>	<b>606.2</b>	<b>6.1% ↑</b>	<b>491.8</b>	<b>30.7% ↑</b>	<b>642.9</b>
(Margin)	(11.8%)	-	(14.3%)	-	(15.3%)
<b>Finance &amp; Other Income</b>	<b>-49.9</b>	<b>-</b>	<b>76.5</b>	<b>-</b>	<b>-56.9</b>
- Net Interest Gain	0.8	23.2% ↑	-2.5	-	0.9
- Net F/X Gain*	-41.3	-	62.3	-	-27.0
- Others	-9.4	-	16.7	-	-30.8
<b>Equity Method Gain</b>	<b>2.9</b>	<b>46.7% ↓</b>	<b>2.1</b>	<b>29.0% ↓</b>	<b>1.5</b>
<b>Income before Tax</b>	<b>559.2</b>	<b>5.1% ↑</b>	<b>570.4</b>	<b>3.0% ↑</b>	<b>587.6</b>
<b>Net Income</b>	<b>428.8</b>	<b>3.8% ↑</b>	<b>433.3</b>	<b>2.7% ↑</b>	<b>445.2</b>

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

# Appendix 2

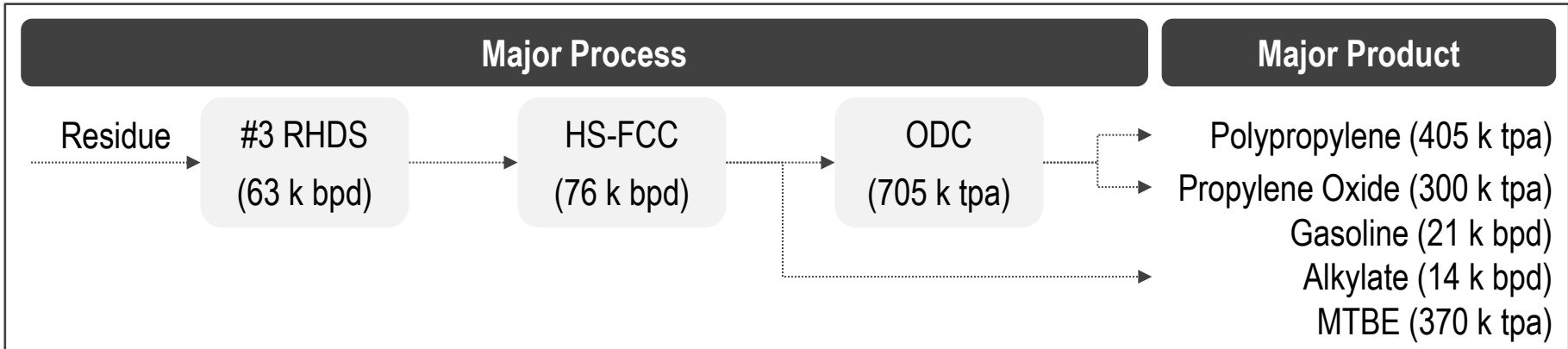


## Sales Breakdown

(Unit: k bpd, %)	2Q '15	3Q '15	4Q '15	1Q '16	2Q '16
<b>Sales Total</b>	660	623	622	654	704
<b>Domestic</b>	285	282	287	315	317
<b>Export</b>	375	341	335	339	387
(% in Total)	(56.8)	(54.7)	(53.9)	(51.9)	(55.0)
China	16.1	16.4	16.0	22.5	25.2
USA	11.4	14.0	11.3	10.0	15.3
Japan	20.4	17.0	25.5	12.9	13.3
Australia	13.7	13.6	13.8	10.8	11.7
Singapore	6.6	6.0	6.8	6.6	6.6
South East Asia	6.1	7.2	6.2	4.4	5.1
Europe	5.1	5.3	0.6	7.4	5.0

## RUC/ODC Project Overview

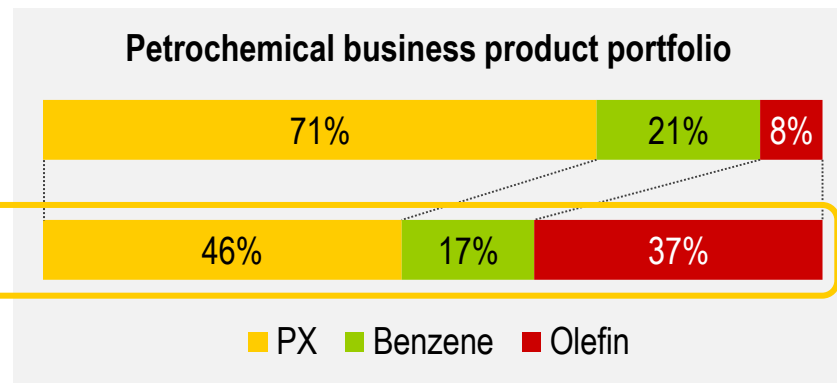
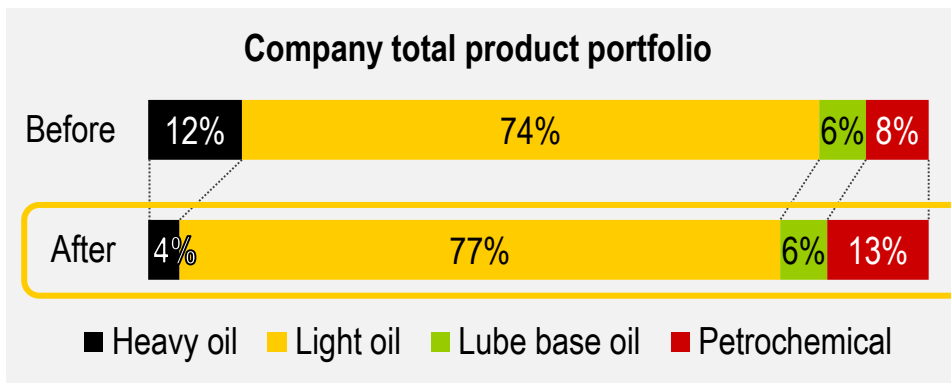
(Residue Upgrading Complex & Olefin Downstream Complex)



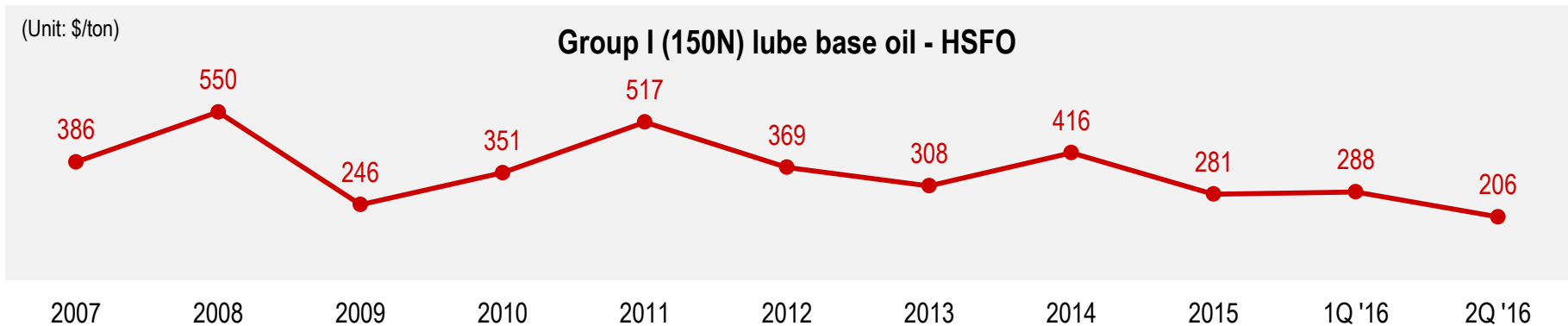
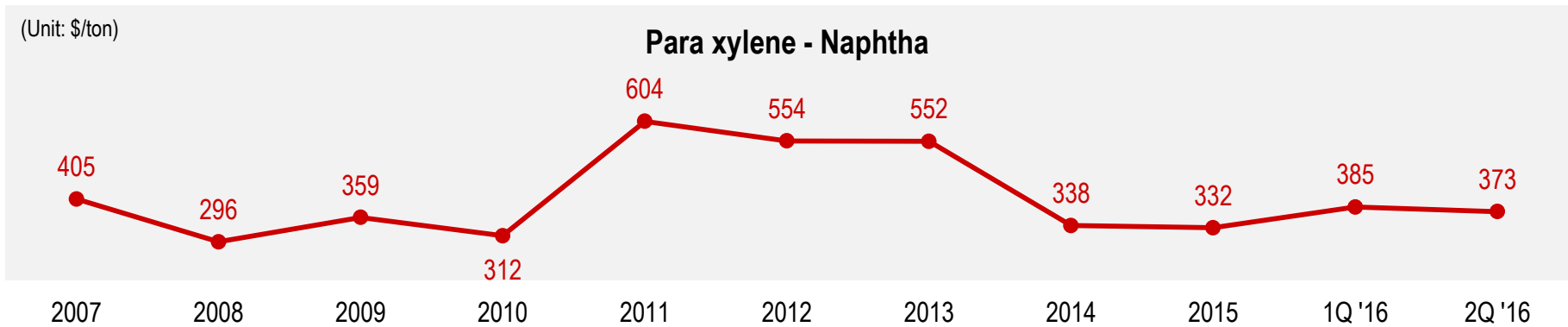
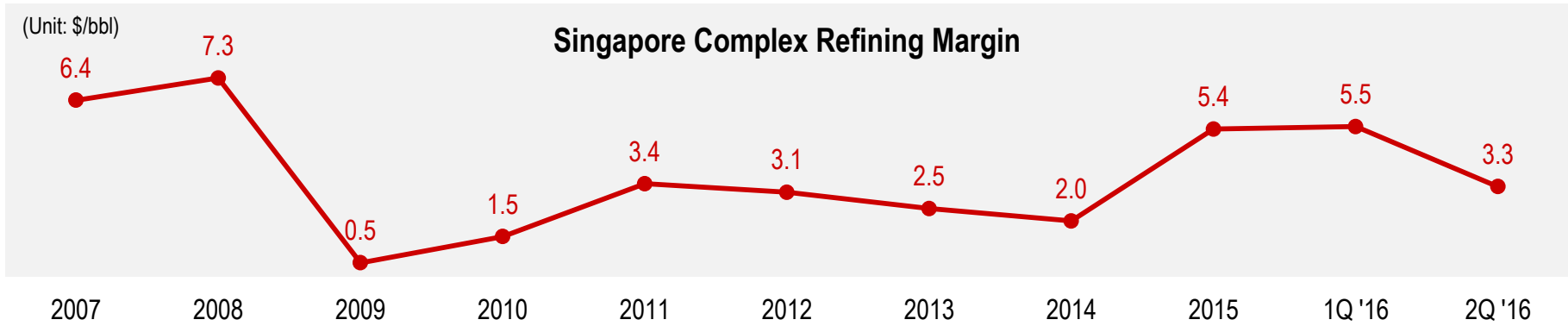
**Completion (E)** Mechanical completion & commissioning in 1H 2018

**Profitability (E)** IRR:18.3%, Payback period: 6 years

CAPEX (E)	Total	~2015	2016	2017	2018
	4.8 tri. Won	0.4 tri. Won	1.0 tri. Won	2.6 tri. Won	0.8 tri. Won



## Long-term Margin Trend





# Thank You

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S-OIL IR Team

