



4Q 2016 Earnings Release

February 2017

DISCLAIMER

Financial results for full year and 4Q 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.

4Q 2016 Performance

4Q 2016 Financial Result	4
Financial Status	5
Capital Expenditure	6
Operation	7

Performance by Business Segment

Financial Result by Business Segment	8
Market Environment in 4Q 2016	9

Industry Outlook

2017 Outlook – Refining	10
2017 Outlook – Petrochemical & Lube Base Oil	11

Progress of RUC/ODC Project

Progress of RUC/ODC Project	12
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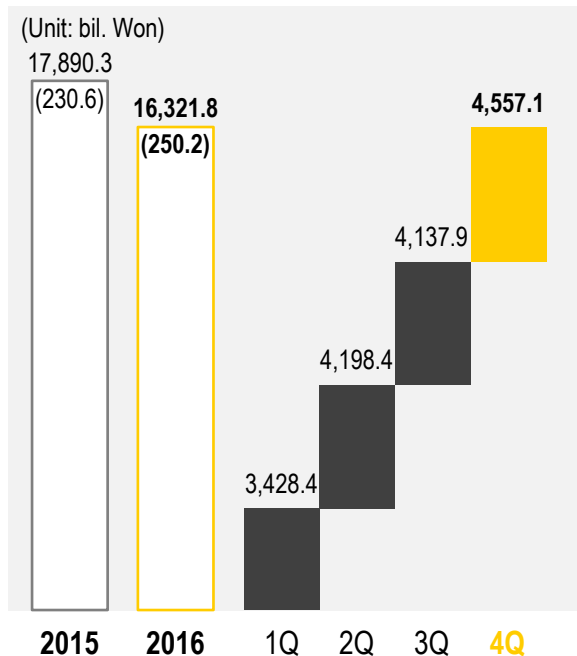
Appendices

Summarized Income Statement	13
Sales Breakdown	14
RUC/ODC Project Overview	15
PP&PO Demand/Capacity Outlook	16
Long-term Margin Trend	17

4Q 2016 Financial Result



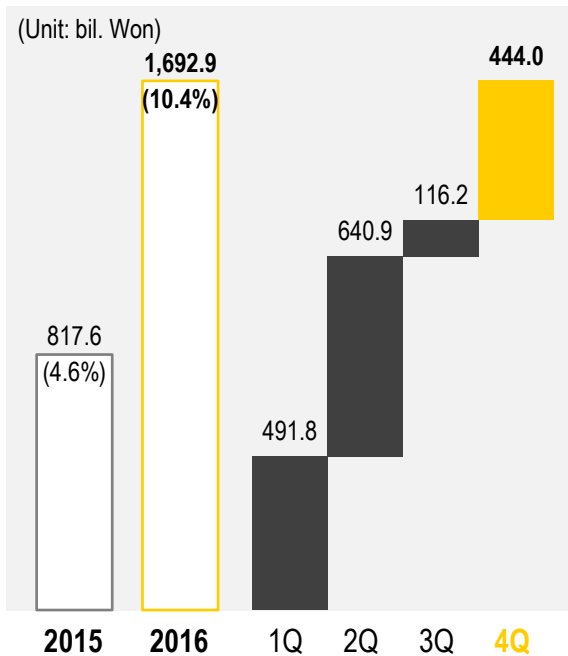
Revenue



**Increased 10.1% QoQ
on the rise in oil prices**

- Quarterly average selling price: 11.2% ↑, QoQ
- Sales volume: 1.0% ↓, QoQ

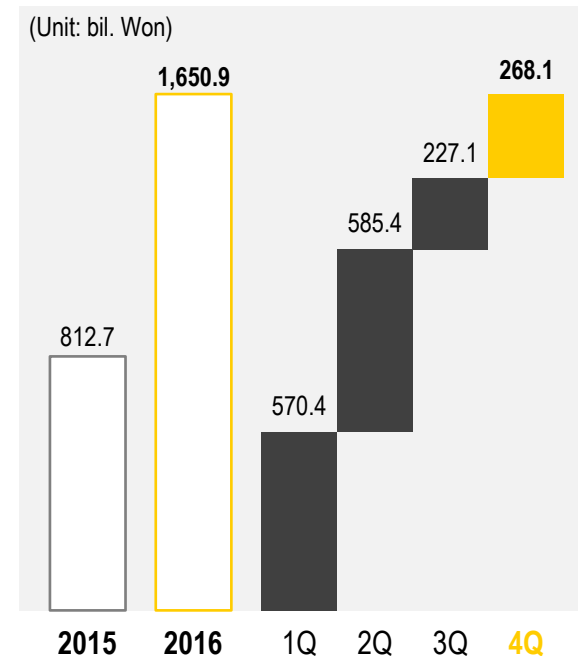
Operating Income



**Greatly expanded mainly due to
the recovery of refining margin
and inventory related gain**

- Inventory related gain(E): 90 bil. Won
- Singapore complex margin (\$/bbl): 4Q 4.2 (1.2 ↑, QoQ)

Income before Tax

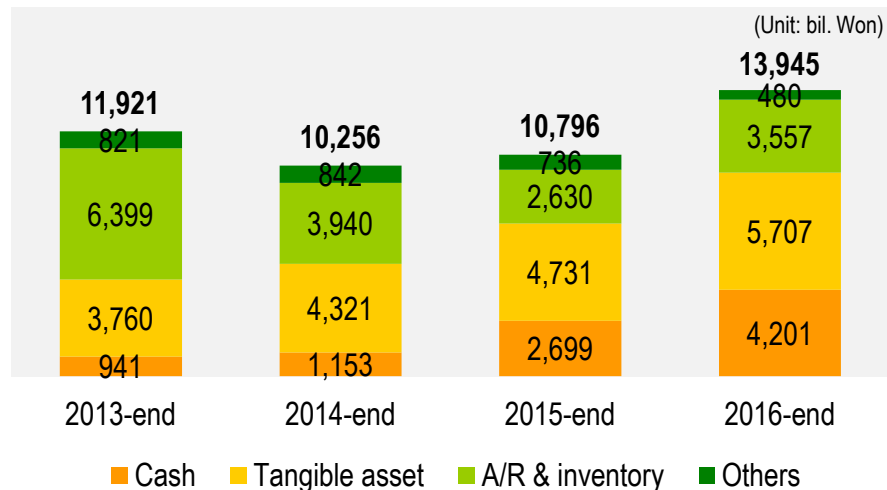


**Outperformed on strong
operating income despite
₩/\$ rate surge**

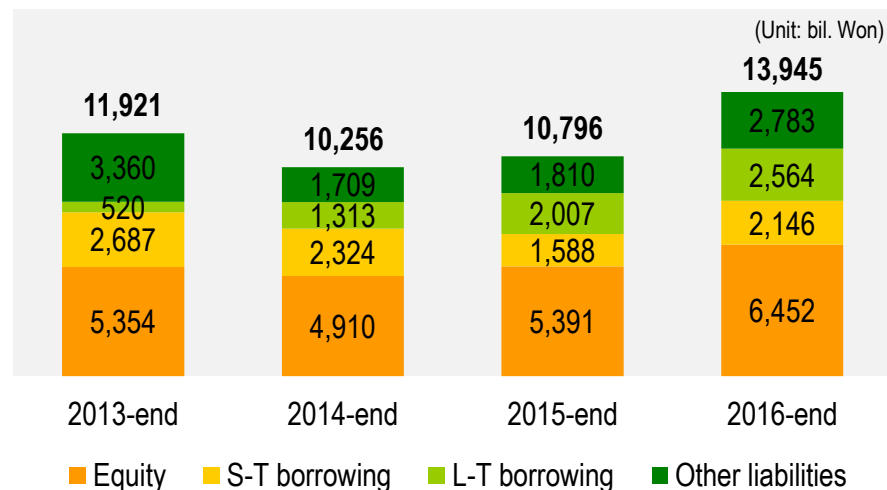
- F/X loss: 199.4 bil. Won
- ₩/\$ rate: 4Q-end 1,208.5 (112.2 ↑, QoQ)

Financial Status

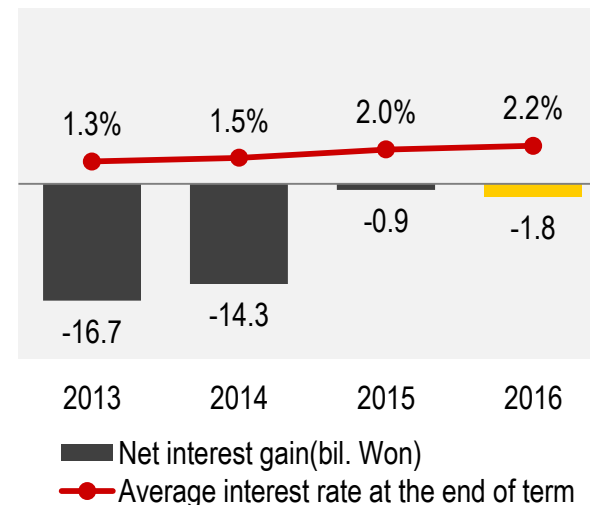
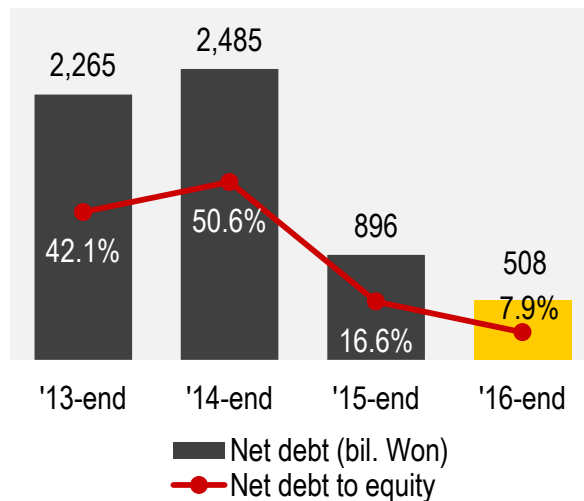
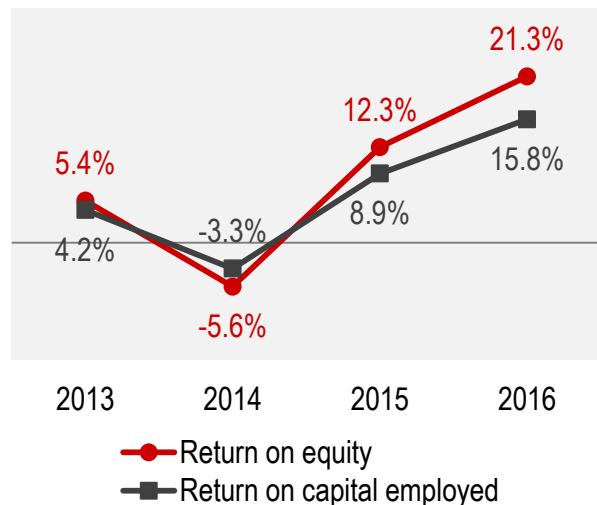
Assets



Liabilities & Equities



Financial Ratios



Capital Expenditure



CAPEX

(Unit: bil. Won)	FY '13	FY '14	FY '15	FY '16	2017 Plan
Major Projects	79.1	675.2	465.1	859.2	2,832.0
- RUC/ODC Project ¹⁾	-	97.0	290.4	678.3	2,629.0
- KNOC land acquisition ²⁾	-	519.0	-	-	-
- SUPER Project ³⁾ and Profit Improvement Program	-	8.5	141.7	177.4	71.6
Upgrade & Maintenance	253.6	62.0	169.2	147.0	242.0
Marketing related expenditure	36.9	37.5	48.4	8.0	62.5
Others	22.6	108.8	43.3	61.2	53.6
Total	392.1	883.5	726.0	1,075.5	3,190.0

¹⁾ Residue Upgrading Complex and Olefin Downstream Complex project

²⁾ Excluding incidental costs

³⁾ Project to maximize the profitability through upgrading and revamping of existing facilities

Depreciation

(Unit: bil. Won)	FY '13	FY '14	FY '15	FY '16	2017 Plan
Depreciation (Including catalyst amortization cost)	368.2	339.7	273.2	286.7	330.5

Utilization Rate

(Unit: k bpd, %)	Capacity	2014	2015	2016	4Q '16
CDU	669.0	93.6%	90.7%	95.0%	89.2%
B-C Cracking	149.5	97.3%	93.4%	91.2%	68.6%
PX Plants	*37.5	93.4%	84.5%	100.9%	100.6%
Lube Plants	42.7	93.4%	85.4%	97.5%	84.2%

* From 2016, capacity was expanded to 37.5 from 34.7 k bpd, reflecting one-year stable operation at above 100% of previous capacity since Super Project in 3Q15

In 4Q, except for PX plants, the operation rate of most of major plants recorded below 90% due to regular maintenance.

Maintenances

	2014	2015	2016	2017(Plan)
CDU	-	CFU, #2&3 CDU	#1 CDU	CFU
Refining	-	HYC FH	RFCC	-
Petrochemical	-	#1&2 PX	-	#2 PX
Lube Base Oil	-	#1&2 HDT, HYC SH	#1&2 HDT	-

In 2017, maintenances are to be limited to CFU and #2 PX, which will be revamped for reliability enhancement and throughput increase.

Financial Result by Business Segment



Refining

(Unit: bil. Won)	4Q '15	3Q '16	QoQ	4Q '16	2015	2016
Revenue	3,044.7	3,187.4	12.8% ↑	3,594.5	14,054.2	12,464.2
Operating Income	-184.6	-123.4	-	287.7	227.9	757.5
(Margin)	(-6.1%)	(-3.9%)	-	(8.0%)	(1.6%)	(6.1%)

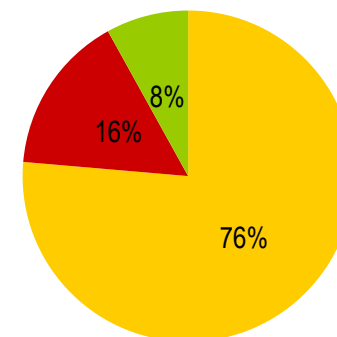
Petrochemical

(Unit: bil. Won)	4Q '15	3Q '16	QoQ	4Q '16	2015	2016
Revenue	643.8	628.6	2.1% ↑	642.1	2,496.3	2,544.0
Operating Income	78.7	142.2	36.2% ↓	90.8	278.6	516.9
(Margin)	(12.2%)	(22.6%)	-	(14.1%)	(11.2%)	(20.3%)

Lube Base Oil

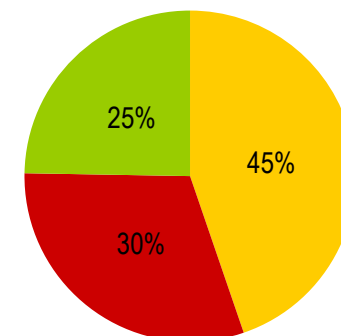
(Unit: bil. Won)	4Q '15	3Q '16	QoQ	4Q '16	2015	2016
Revenue	258.8	321.9	0.4% ↓	320.5	1,339.8	1,313.7
Operating Income	63.0	97.4	32.7% ↓	65.5	311.1	418.5
(Margin)	(24.4%)	(30.3%)	-	(20.4%)	(23.2%)	(31.9%)

2016 Revenue



■ Refining ■ Petrochemical ■ Lube

2016 Operating Income



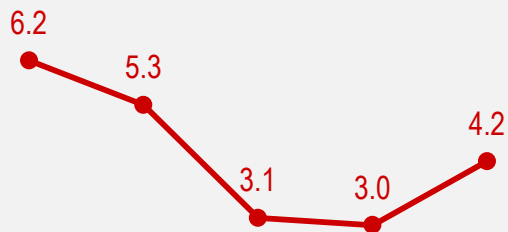
Market Environment in 4Q 2016



Refining

Singapore Margin [GRM – Variable Cost]

(Unit: \$/bbl)



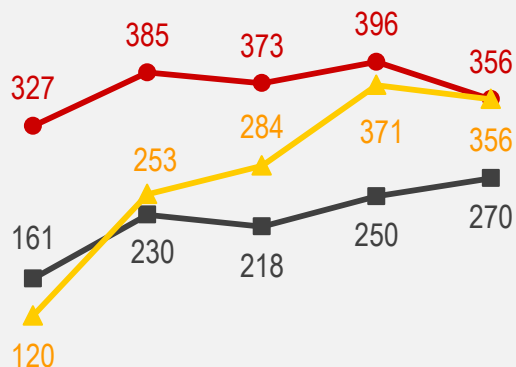
4Q '15 1Q '16 2Q '16 3Q '16 4Q '16
 ● Singapore Complex Refining Margin

Refining margins picked up driven by the stronger regional demand despite the higher utilization rate in Asia during the quarter.

Petrochemical

Product Spread

(Unit: \$/ton)



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

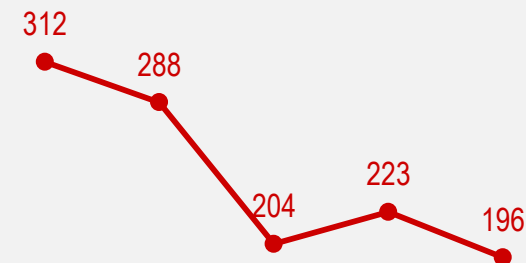
Despite the strength in demand, PX spread softened due to supply increase after the maintenance of aromatic plants.

BZ spread was boosted by robust demand from downstream sectors.

Lube Base Oil

Product Spread

(Unit: \$/ton)



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

LBO spreads including Group III shrank due to low seasonality amid increase in feedstock price.

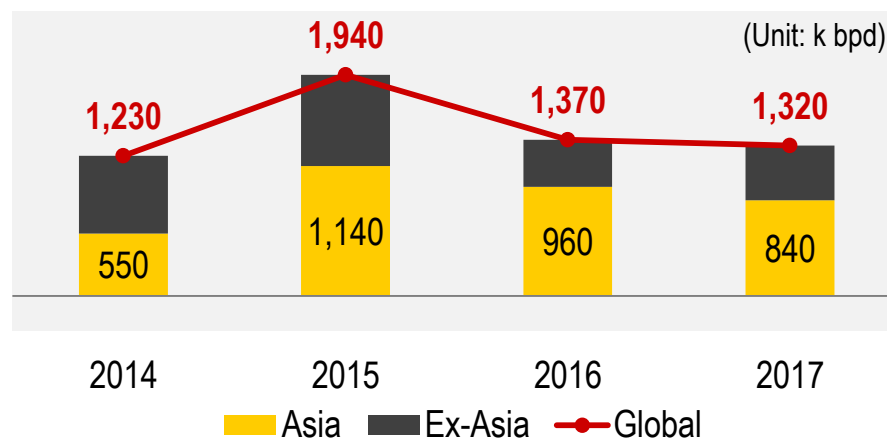
2017 Outlook – Refining

Healthy margins are expected as 1,320 k bpd of oil demand growth will outstrip the incremental supply on 574 k bpd of net capacity increase.

Global oil demand will continue sound growth.

- Oil demand growth in 2017 is likely to slightly moderate compared to that of 2016, but decent level of growth will be maintained.
- In Asia, China and South East Asia will mainly drive the demand growth. Gasoline will continuously contribute the most to the regional demand growth among the products.

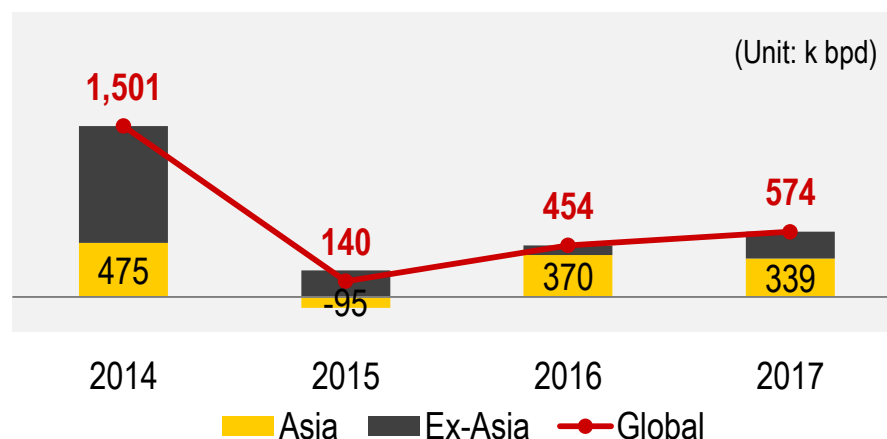
Demand growth



Capacity closures will limit the supply increase.

- 1,370 k bpd of new capacities are scheduled to begin the operation in 2017.
- However, net capacity additions will be mere 574 k bpd as 796 k bpd of capacities are planned to permanently cease the operation. 596 k bpd of Asian refineries are expected to close including 386 k bpd of Japanese refineries.

Net capacity increase

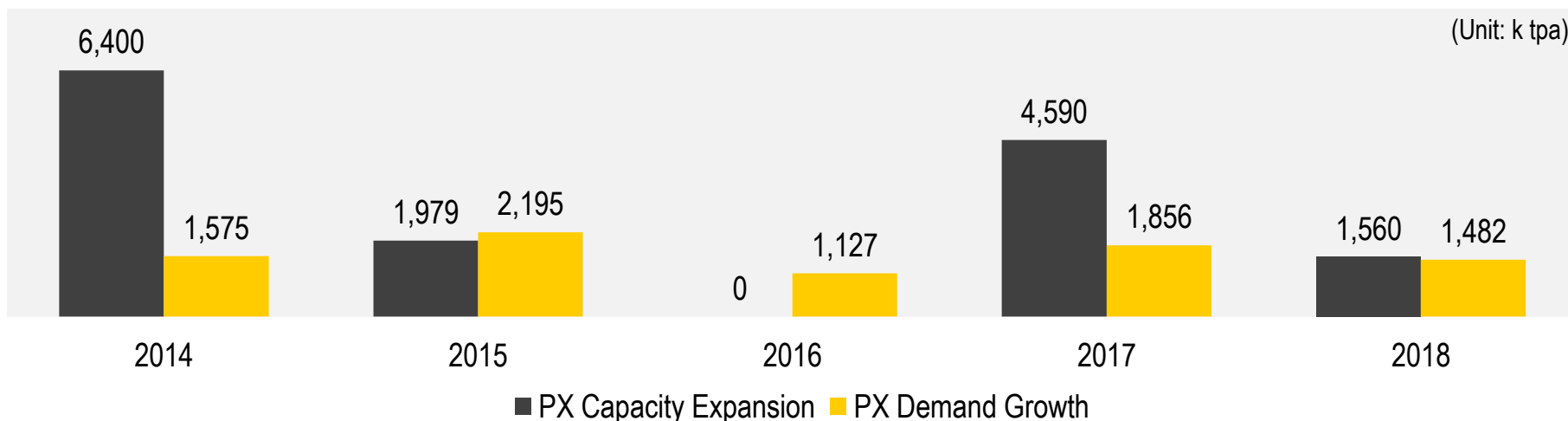


Petrochemical

Para-xylene : decent spread to be supported

Despite the start-up of new PX facilities of India and Saudi Arabia, PX spread will be supported at a decent level as the entering points of capacity additions are spread out throughout the year. Also, the capacity from new PX facilities will be covered by demand growth from PTA facilities of Reliance & JBF and the ramp-up of Asian PTA plants.

PX capacity expansion and demand growth (Asia & ME)



Lube Base Oil

2016's spread level to be sustained

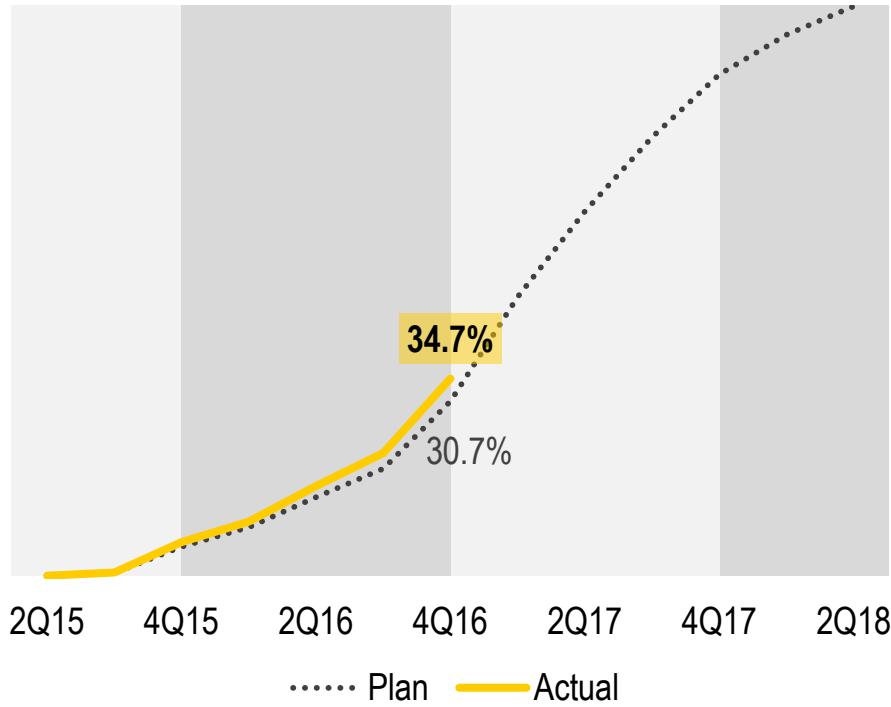
The depressed LBO margin in 4Q'16 is likely to restore back to previous year's level and be sustained thanks to limited capacity addition in 2017 and steady demand growth for high-quality products in the U.S. & Europe.

Source: PCI, IHS, Argus, The Company

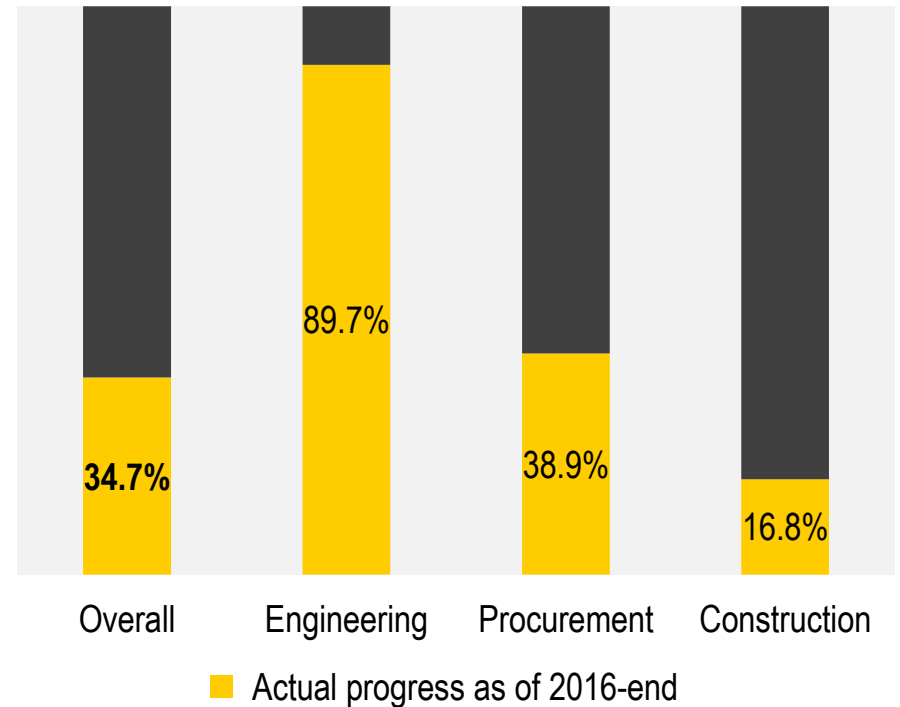
Progress of RUC/ODC Project



Overall Progress S-Curve



EPC Progress



***34.7% of project progress as of 2016 year-end
(4.0%p ahead of the plan)***

Summarized Income Statement

(Unit: bil. Won)	4Q '15	YoY	3Q '16	QoQ	4Q '16	2016
Revenue	3,947.3	15.4% ↑	4,137.9	10.1% ↑	4,557.1	16,321.8
Operating Income	-42.9	-	116.2	282.1% ↑	444.0	1,692.9
(Margin)	(-1.1%)	-	(2.8%)	-	(9.7%)	(10.4%)
Finance & Other Income	73.9	-	110.1	-	-178.4	-48.6
- Net Interest Gain	0.7	-	0.4	-	-0.7	-1.8
- Net F/X Gain*	28.7	-	115.8	-	-199.4	-48.4
- Others	44.5	51.5% ↓	-6.0	458.0% ↓	21.6	1.6
Equity Method Gain	2.2	13.4% ↑	0.7	228.7% ↑	2.5	6.6
Income before Tax	33.2	707.2% ↑	227.1	18.1% ↑	268.1	1,650.9
Net Income	35.3	505.1% ↑	171.8	24.3% ↑	213.5	1,262.2

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

Appendix 2

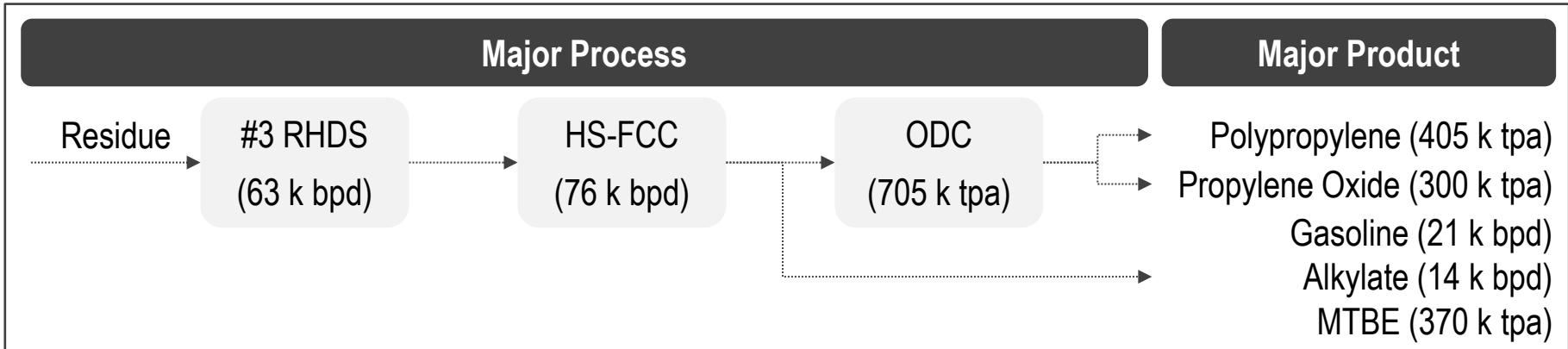


Sales Breakdown

(Unit: k bpd, %)	4Q '15	1Q '16	2Q '16	3Q '16	4Q '16
Sales Total	622	654	704	692	685
Domestic	287	315	316	323	330
Export	335	339	388	369	355
(% in Total)	(53.9%)	(51.9%)	(55.1%)	(53.3%)	(51.8%)
China	16.0%	22.5%	25.2%	18.8%	20.7%
Japan	25.5%	12.9%	13.3%	13.7%	19.6%
Australia	13.8%	10.8%	11.7%	7.9%	11.3%
USA	11.3%	10.0%	15.3%	12.7%	9.4%
Singapore	6.8%	6.6%	6.6%	14.7%	9.2%
South East Asia	6.2%	4.4%	5.1%	6.2%	6.7%
Taiwan	5.3%	5.6%	3.4%	2.4%	5.6%

RUC/ODC Project Overview

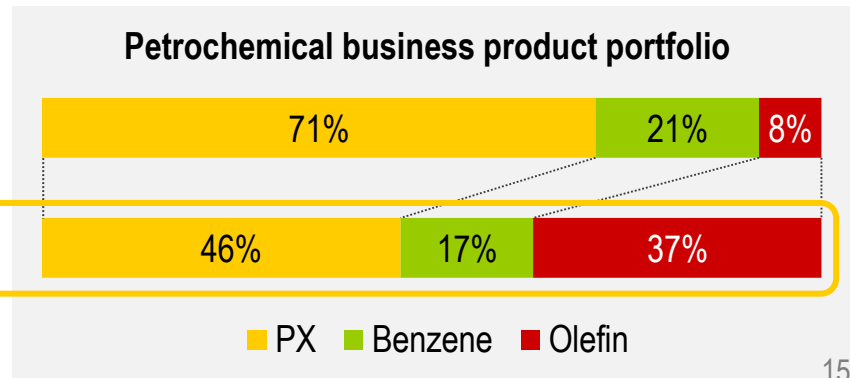
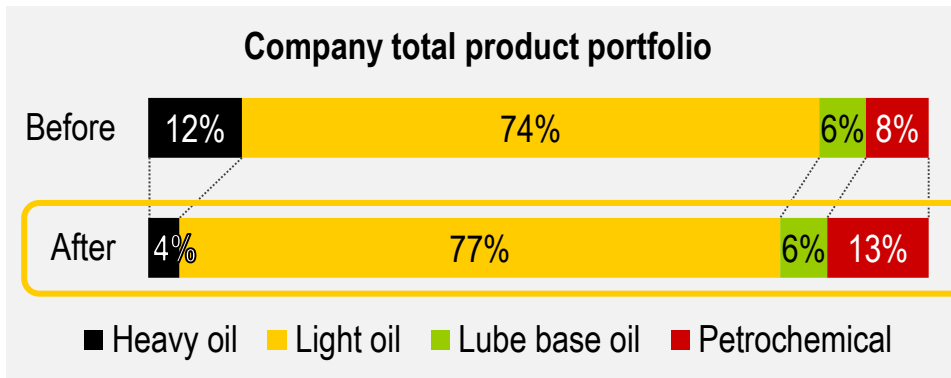
(Residue Upgrading Complex & Olefin Downstream Complex)



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

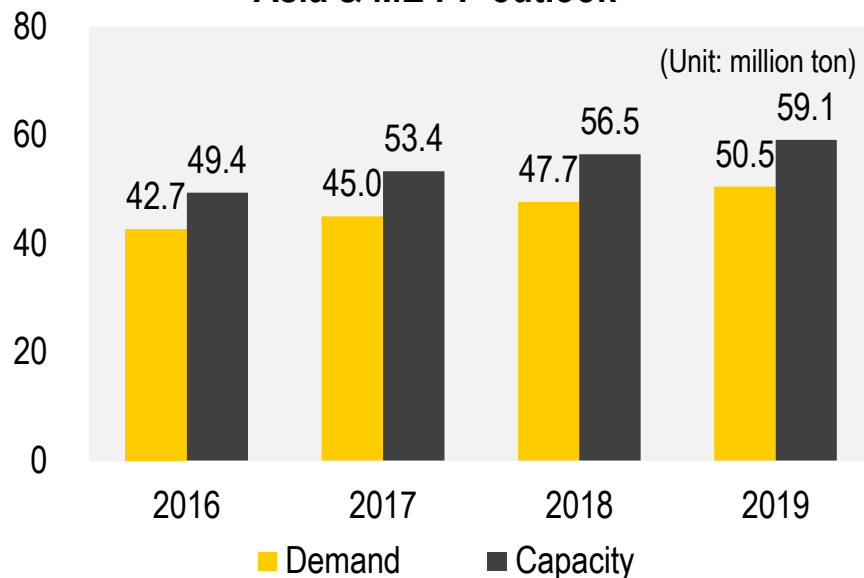
Profitability (E) IRR:18.3%, Payback period: 6 years

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



PP(Poly Propylene) / PO (Propylene Oxide) Demand & Capacity Outlook

Asia & ME PP outlook

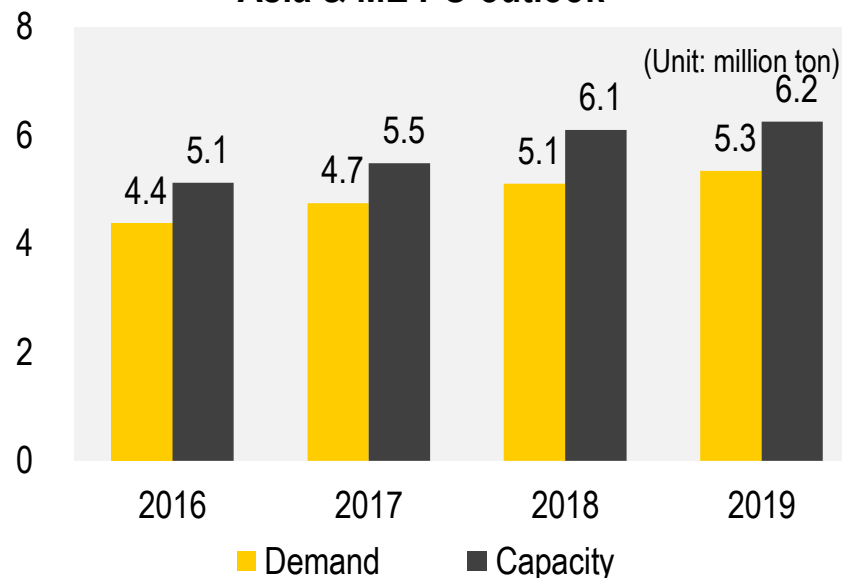


- 2017~2019 demand CAGR*: 5.9%
- 2017~2019 capacity CAGR: 5.3%

PP regional market would likely be tighter in the next 3 years as demand growth will outpace capacity growth.

In particular, demand growth will mainly be driven by China, India, and South East Asia.

Asia & ME PO outlook

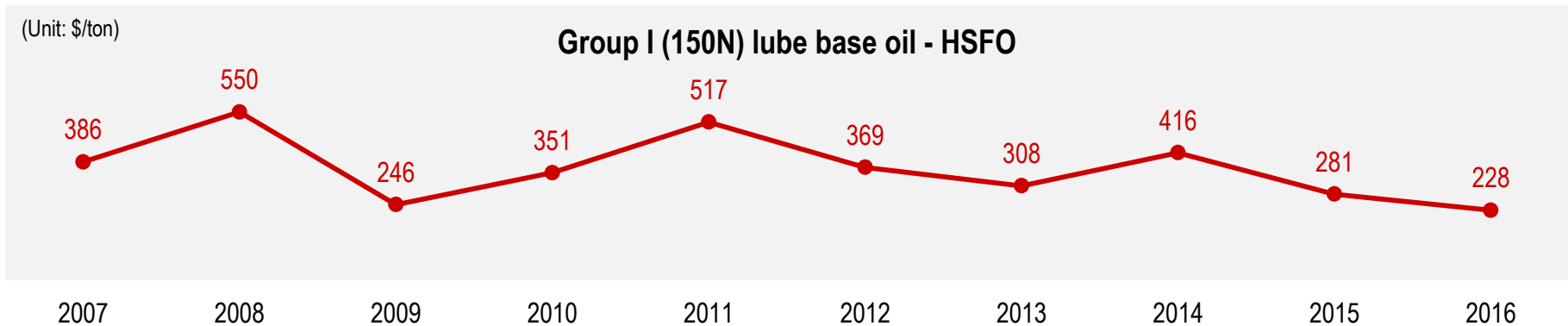
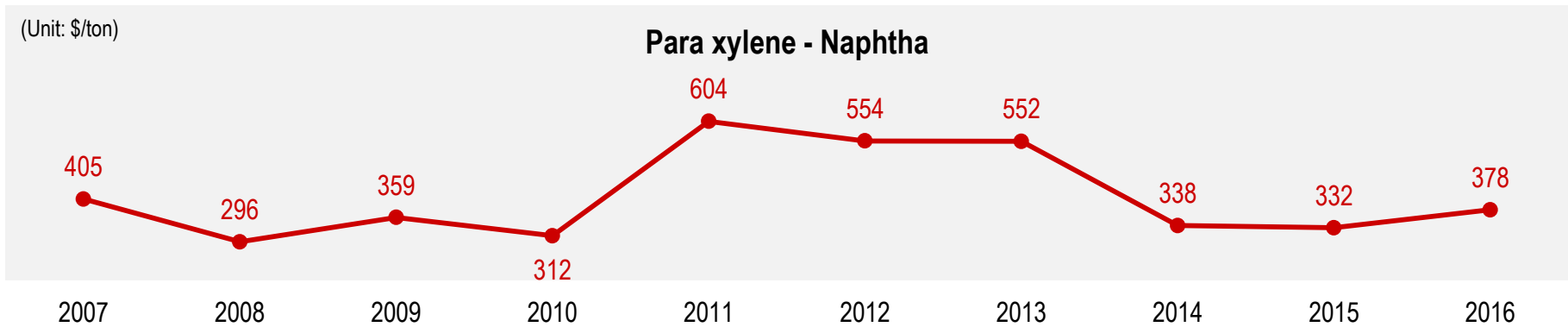
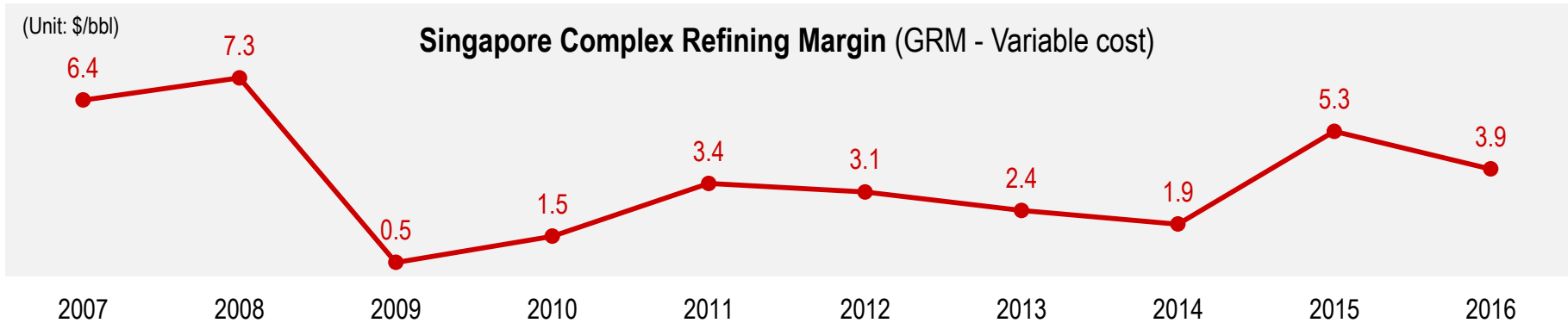


- 2017~2019 demand CAGR: 6.1%
- 2017~2019 capacity CAGR: 6.7%

Although capacity growth will be larger than demand growth, PO regional market tightness is expected to be maintained in the next 3 years given the last 3 years' average operation rate was 85%. Also, domestic market will remain in short supply after the Company's PO plant operation.

* CAGR: Compound Annual Growth Rate
Source: IHS, The Company

Long-term Margin Trend



Thank You

S-OIL IR Team

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM 

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

