



1Q 2014 Earnings Release

April 2014

DISCLAIMER

Financial results for 1Q 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.

1Q 2014 Performance

1Q 2014 Financial Result	4
Financial Status	5
Capital Expenditure	6
Major Business Index	7

Performance by Business Segment

Financial Result by Business Segment	8
Market Trend and the Company's Action	9

Industry Outlook

2Q 2014 Outlook – Refining	10
2Q 2014 Outlook – Petrochemical & Lube Base Oil	11
2H 2014 Outlook – Refining	12
2H 2014 Outlook – Petrochemical & Lube Base Oil	13

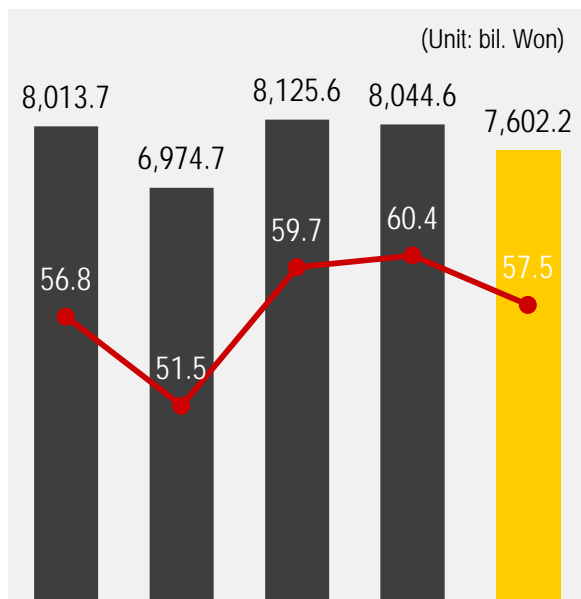
Appendices

Roadmap for Future Growth	14
Summarized Income Statement	15
Margin Trend	16

1Q 2014 Financial Result



Revenue



1Q '13 2Q '13 3Q '13 4Q '13 1Q '14

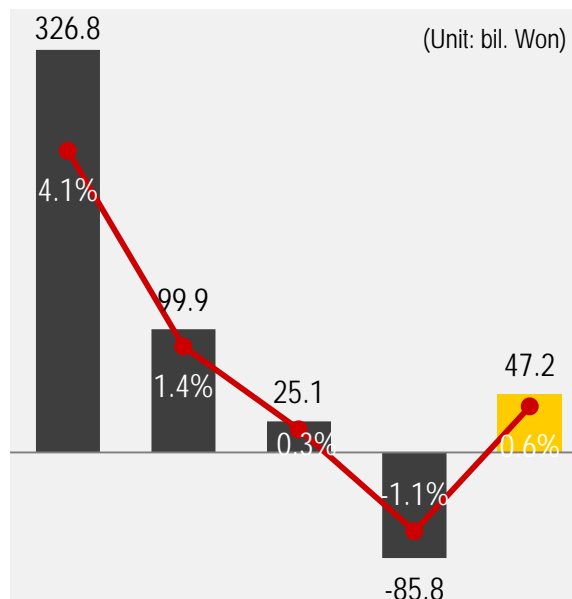
■ Revenue ● Sales Volume (mil. bbl)

Declined by 5.5% mainly due to lower sales volume

Softened sales volume after 2-year-high sales volume in the previous quarter

- ASP: 0.7% ↓, QoQ
- Sales volume: 4.8% ↓, QoQ

Operating Income



1Q '13 2Q '13 3Q '13 4Q '13 1Q '14

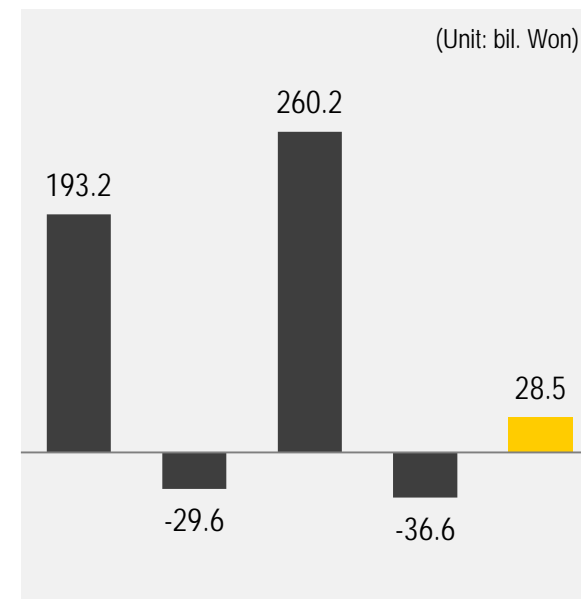
■ Operating Income ● OP Margin

Turned around by refining margin improvement

Improvement of refining margins more than offset a sharp decline in PX margins

- Singapore complex margin (\$/bbl): 1Q 2.7 (1.3 ↑, QoQ)

Income before Tax



1Q '13 2Q '13 3Q '13 4Q '13 1Q '14

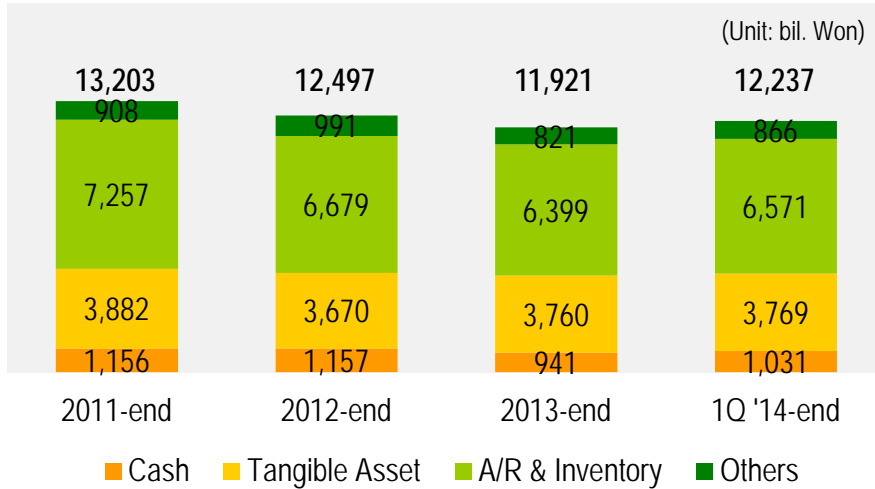
■ Income before Tax

Turned to black despite FX loss

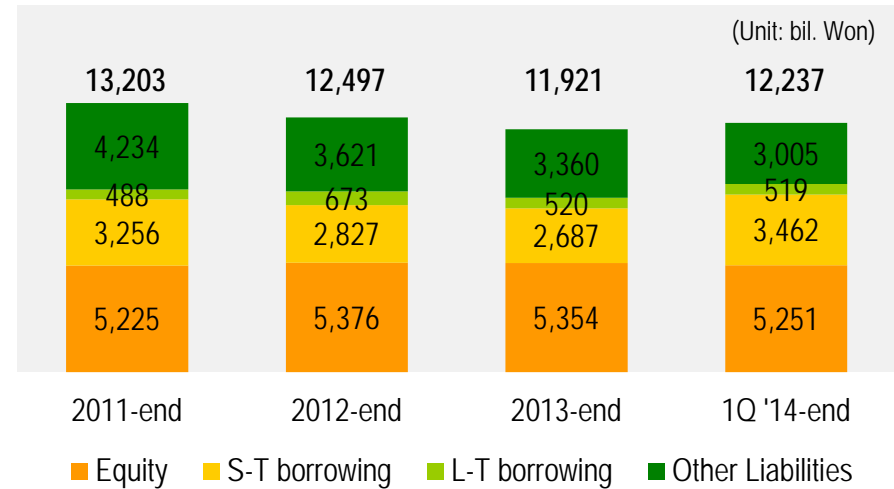
- F/X loss: 47.5 bil. Won
- ₩/\$ rate: 1Q-end 1,068.8 (13.5 ↑, QoQ)

Financial Status

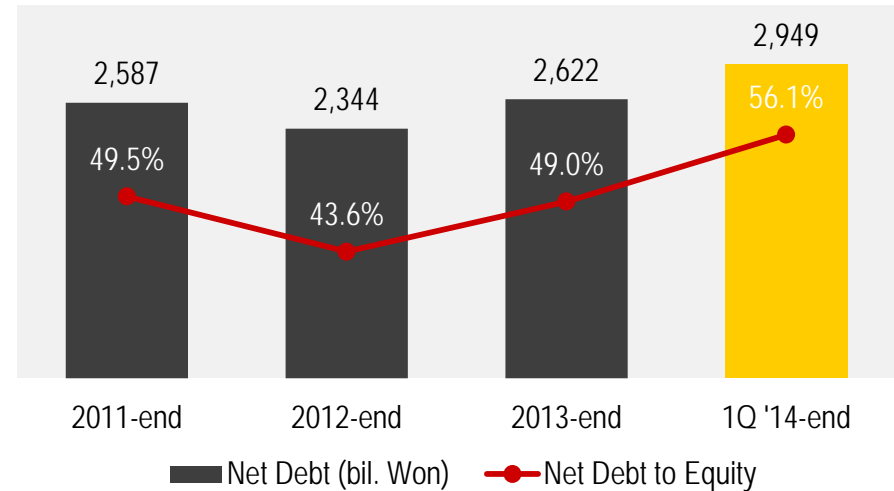
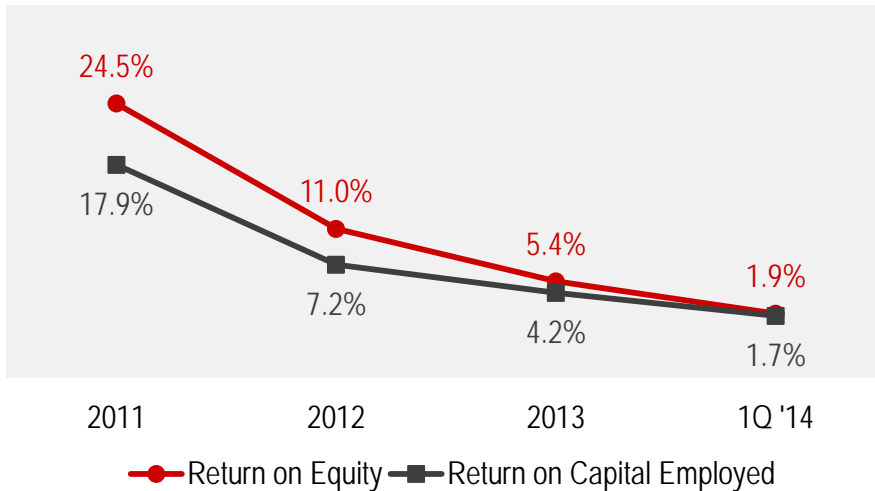
Assets



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

(Unit: bil. Won)	FY '11	FY '12	FY '13	FY '14 (Plan)	1Q '14
Major Projects	172.0	23.8	79.1	743.4	57.1
- New SPM Construction	-	23.8	79.1	10.2	2.8
- Basic Engineering for Residue Upgrading Expansion ¹⁾	-	-	-	102.6	1.8
- KNOC Land Acquisition ²⁾	-	-	-	519.0	52.4
Upgrade & Maintenance	107.3	50.9	253.6	174.8	11.1
Marketing related expenditure	47.7	34.9	36.9	69.9	6.1
Others	400.3	16.0	22.6	120.3	23.6
- Land Acquisition for TS&D Center ³⁾	-	-	-	65.8	18.8
Total	727.3	125.7	392.1	1,108.4	97.8

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

2) Excluding incidental costs / 3) Technical Service & Development Center

Depreciation

(Unit: bil. Won)	FY '11	FY '12	FY '13	FY'14(E)	1Q '14
Depreciation (Including catalyst amortization cost)	375.8	391.2	367.8	331.8	91.7

Major Business Index



Utilization Rate

(Unit: k bpd, %)	Capacity	4Q '13	1Q '14
CDU	669.0	93.9%	95.7%
HYC FH	76.5	95.0%	100.2%
RFCC	73.0	97.1%	98.5%
Lube Plants	41.0	98.1%	100.8%
PX Center	34.7	102.2%	100.8%

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, %)	1Q '13	4Q '13	1Q '14
Sales Total	630	657	639
Domestic	254	284	262
Export	376	373	377
(% in Total)	(59.6)	(56.7)	(59.0)

(% in Export)	1Q '13	4Q '13	1Q '14
Japan	25.6	26.8	21.0
China	21.4	17.8	20.8
South East Asia	8.6	9.2	8.7
Australia	9.1	8.2	8.3
USA	7.4	6.4	6.3
Taiwan	1.8	3.7	6.3
Europe	0.6	4.3	6.1
Singapore	8.9	6.5	2.5

Financial Result by Business Segment



Refining

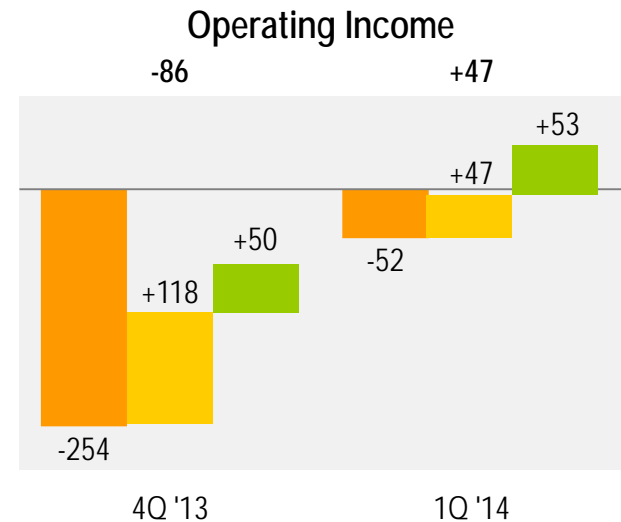
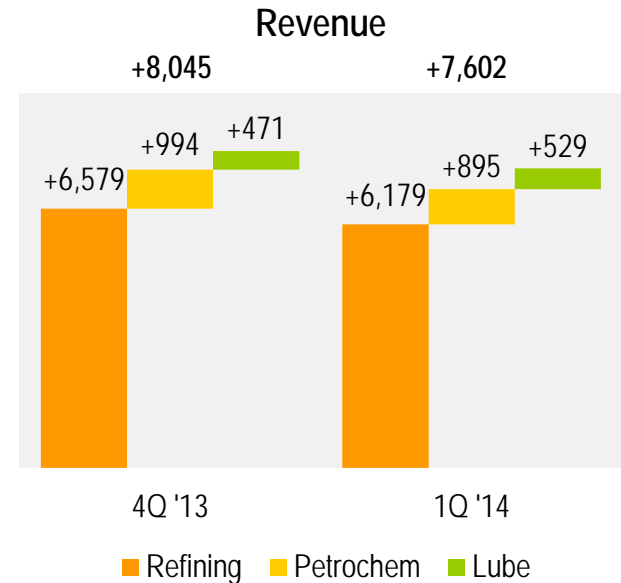
(Unit: bil. Won)	1Q '13	YoY	4Q '13	QoQ	1Q '14
Revenue	6,532.3	5.4% ↓	6,579.4	6.1% ↓	6,178.6
Operating Income	131.0	-	-253.8	-	-52.2
(Margin)	(2.0%)	-	(-3.9%)	-	(-0.8%)

Petrochemical

(Unit: bil. Won)	1Q '13	YoY	4Q '13	QoQ	1Q '14
Revenue	1,048.6	14.7% ↓	994.1	10.0% ↓	895.0
Operating Income	181.7	74.2% ↓	118.0	60.3% ↓	46.8
(Margin)	(17.3%)	-	(11.9%)	-	(5.2%)

Lube Base Oil

(Unit: bil. Won)	1Q '13	YoY	4Q '13	QoQ	1Q '14
Revenue	432.8	22.2% ↑	471.1	12.2% ↑	528.7
Operating Income	14.2	270.1% ↑	50.0	5.2% ↑	52.6
(Margin)	(3.3%)	-	(10.6%)	-	(10.0%)

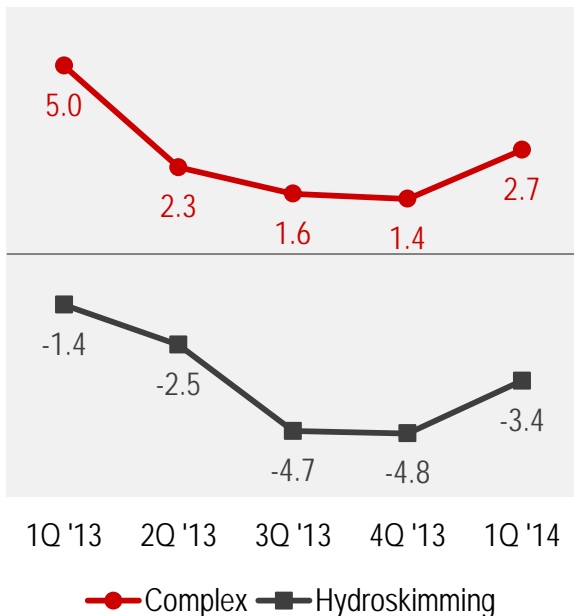


Market Trend and the Company's Action



Refining

Singapore market margin (\$/bbl)
[GRM – Variable Cost]

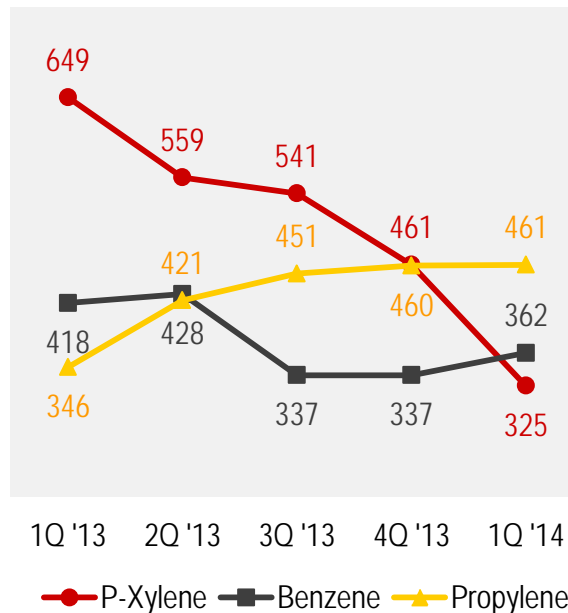


Maximized jet fuel sales to overcome the weakness of kerosene demand from mild weather

(QoQ)	Sales Volume
Jet Fuel	7,168 b/d ↑
Kerosene	13,584 b/d ↓

Petrochemical

Product Spread (\$/ton)



Maintained sales volume through maximization of domestic sales to cope with sluggish overseas demand

(QoQ)	Sales Volume
Export	6.0% ↓
Domestic	3.1% ↑
Total	2.3% ↓

Lube Base Oil

Product Spread (\$/ton)



Increased sales volume to capture improved margins, after a successful ramp-up of capacity expansion in 4Q

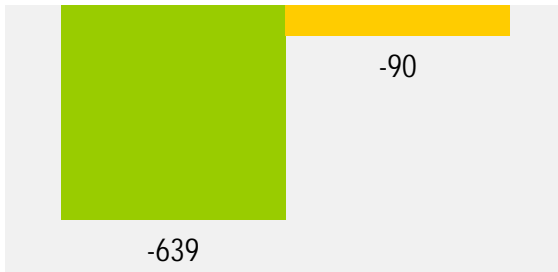
(QoQ)	Sales Volume
Lube Base Oil	16.3% ↑

2Q 2014 Outlook – Refining



Asian refining business in 2Q is expected to continue a recovery upon lower supply and stable demand.

(Unit: k bpd)



2Q '14 vs. 1Q '14

■ Incremental Supply ■ Incremental Demand

2Q Outlook : Positive

Oil supply in Asia/Middle East would decrease significantly upon capacity closures and heavy maintenance shutdowns of Asian refiners.

(Asia CDU Maintenance: 2Q 1,651 k bpd vs. 1Q 468 k bpd)

The regional oil demand is likely to remain stable as a decrease in demand for heating would be offset by demand growth in the Middle East.

Capacity Addition/Closure

(Asia / Middle East)

(Unit: k bpd)	2Q '14		1Q '14	
	Addition	Closure	Addition	Closure
China	230	70	360	-
Japan	-	-	-	377
Australia	-	125	-	-
Others	30	-	-	-
Total	260	195	360	377

Demand Change

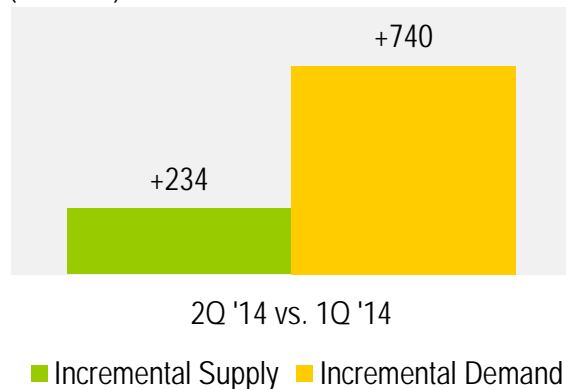
(Asia / Middle East)

(Unit: k bpd)	2Q '14	QoQ
Asia	30,230	-590
Middle East	8,190	500
Total	38,420	-90

Source: IEA, FACTS, The Company

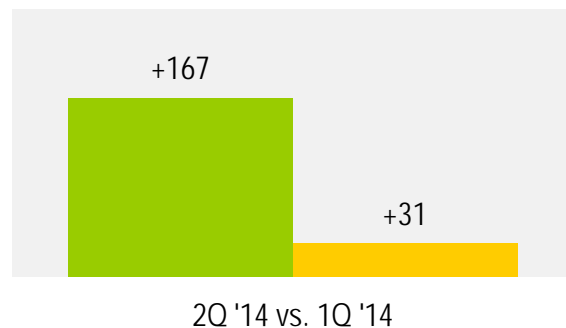
Petrochemical

(Unit: k ton)



Para-Xylene 2Q Outlook : Positive

Market conditions are expected to improve from the severe margin collapse in March, driven by higher utilization rates of PTA manufacturers, seasonal demand for PET bottles, and a potential utilization rate adjustment of marginal PX players.



Benzene 2Q Outlook : Negative

Increased supply from capacity addition will cause a downward correction of spreads amid a slow demand growth due to a sluggish demand from downstream styrene monomer manufacturers.

Lube Base Oil

Lube Base Oil 2Q Outlook : Positive

Lube base oil spreads will remain at a solid level, supported by heavy maintenance shutdowns and stable demand from major markets.

※ Global maintenance: over 58 k bpd in 2Q (about 33 k bpd in 1Q)

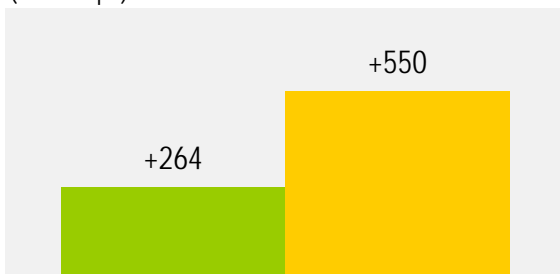
Source: PCI, IHS, ICIS, Argus, The Company

2H 2014 Outlook – Refining



Asian refining business would continue to improve in 2H 2014 on the back of a decent supply-demand balance supported by firm demand growth in the Middle East and the capacity closures in Asia.

(Unit: k bpd)



2H '14 vs. 1H '14

■ Incremental Supply ■ Incremental Demand

2H Outlook : Positive

Incremental supply would be limited as large-scale capacity additions are concentrated around the end of the year and continuous capacity closures are planned in 2H 2014.

The regional petroleum demand is likely to increase meaningfully thanks to the stabilizing economic growth and decent demand growth in the Middle East.

Capacity Addition/Closure

(Asia / Middle East)

(Unit: k bpd)	2H '14	
	Addition	Closure
Asia	848	190
- China	340	170
- India	300	-
- Japan	-	20
Total	848	190

Source: IEA, FACTS, The Company

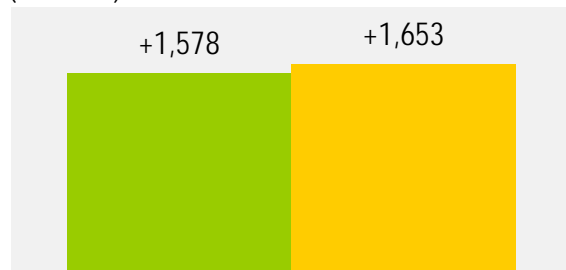
Demand Change

(Asia / Middle East)

(Unit: k bpd)	2H '14	HoH
	Asia	30,700
Middle East	8,310	370
Total	39,010	550

Petrochemical

(Unit: k ton)

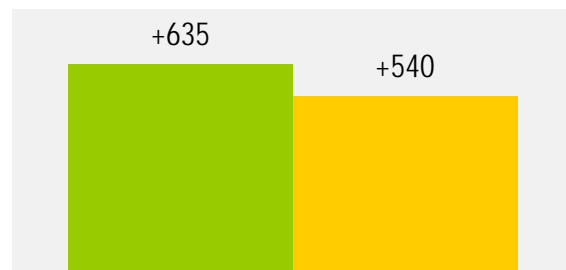


2H '14 vs. 1H '14

■ Incremental Supply ■ Incremental Demand

Para-Xylene 2H Outlook : Neutral

Market conditions are not likely to change much from the soft 1H '14 as a demand growth from PTA capacity expansions will be canceled out by start-up of new PX plants.



2H '14 vs. 1H '14

Benzene 2H Outlook : Neutral

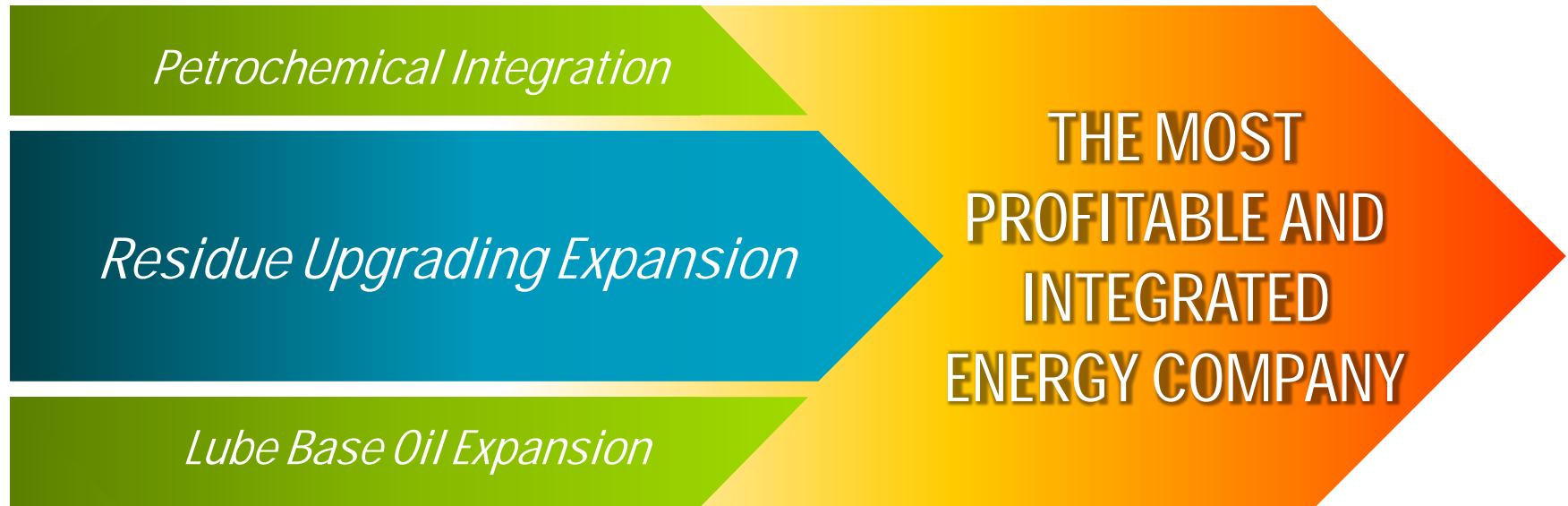
A supply increase due to a massive capacity expansion of aromatics plants will be offset by a solid demand growth, which will be driven by phenol and styrene monomer.

Lube Base Oil

Lube Base Oil 2H Outlook : Negative

The spread is likely to be negatively affected by competitors' capacity expansions, but the negative impact is expected to be limited by a high demand growth for high quality lubricant amid a global economic recovery

Roadmap for Future Growth



	2012	Beyond 2018	Var.	
Upgrading Ratio*	41%	46%	5%P ↑	
Business Portfolio	- Heavy Oil	12%	4%	8%P ↓
	- High Value-added Products**	88%	96%	8%P ↑

* (Naphtha reforming + Refining upgrading) / CDU

** Including light oil, petrochemical & lube base oil

Appendix 2



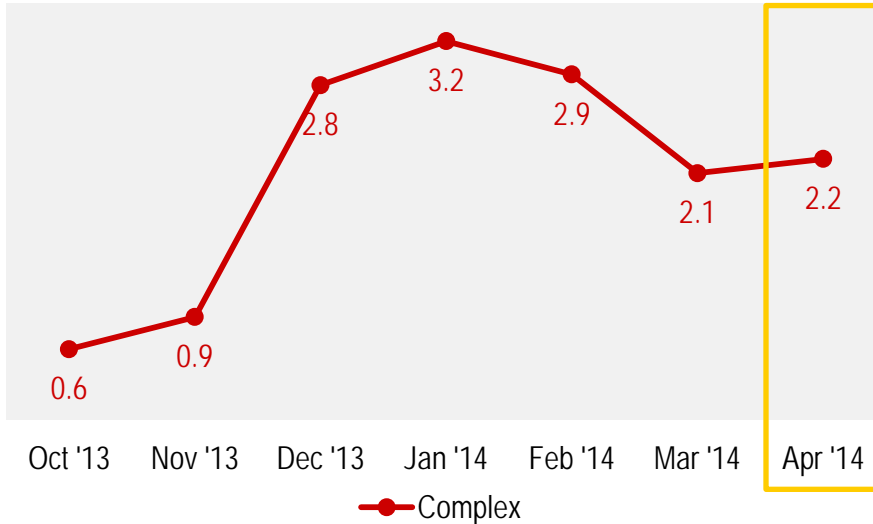
Summarized Income Statement

(Unit: bil. Won)	1Q '13	YoY	4Q '13	QoQ	1Q '14
Revenue	8,013.7	5.1%↓	8,044.6	5.5%↓	7,602.2
Operating Income	326.8	85.5%↓	-85.8	-	47.2
(Margin)	(4.1%)	-	(-1.1%)	-	(0.6%)
Finance & Other Income	-136.0	-	47.6	-	-19.9
- Net Interest Gain	-5.9	-	-5.1	-	-5.1
- Net F/X Gain*	-130.1	-	63.8	-	-47.5
- Others	-	-	-11.1	-	32.7
Equity Method Gain	2.3	47.2%↓	1.6	23.7%↓	1.2
Income before Tax	193.2	85.2%↓	-36.6	-	28.5

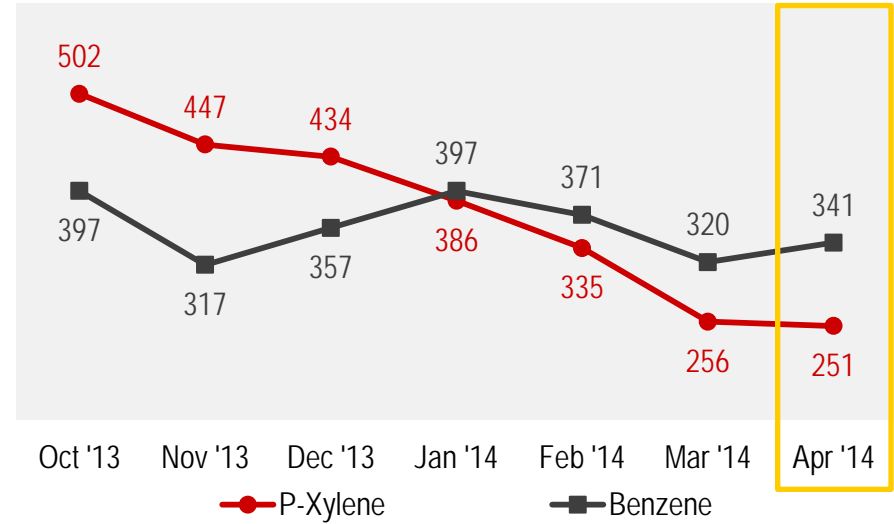
* Including gain/loss from F/X derivatives for hedging

Margin Trend

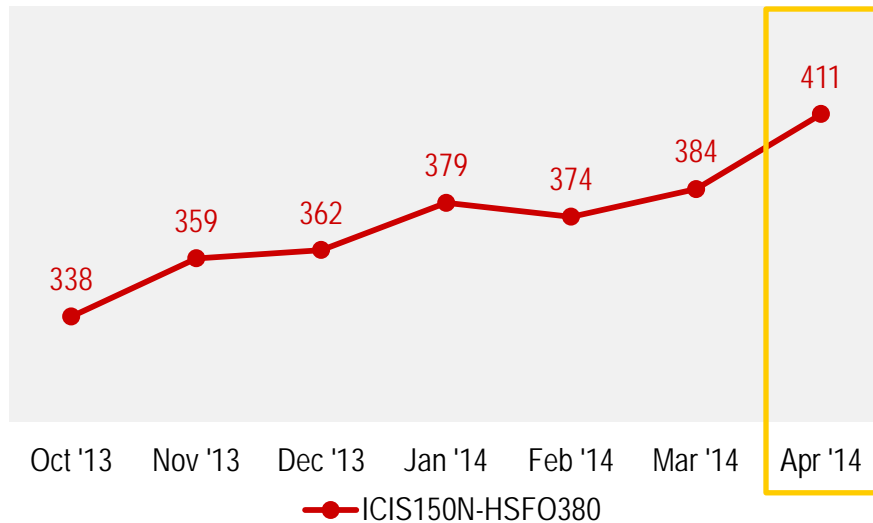
Singapore Refining Margin (\$/bbl) [GRM - Variable Cost]



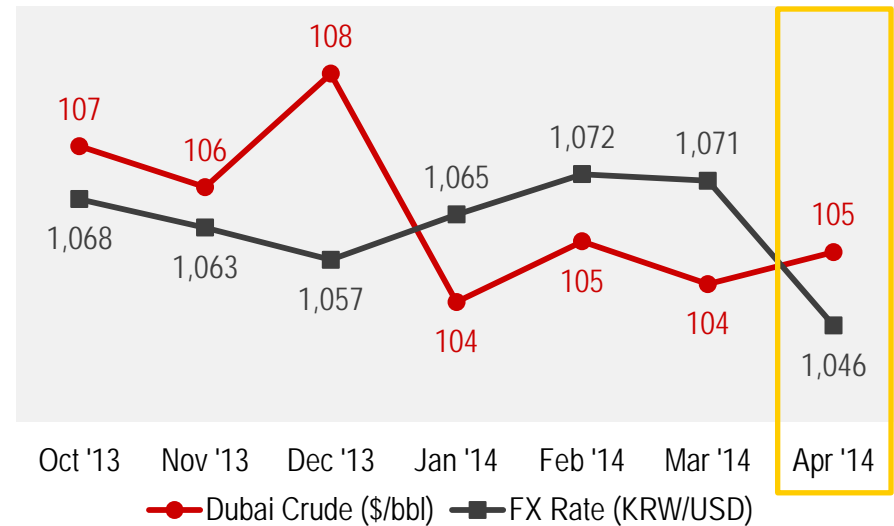
Petrochemical Product Spread (\$/ton)



Lube Base Oil Product Spread (\$/ton)



Market Indices



Thank You

S-OIL IR Team

