



# 4Q 2015 Earnings Release

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January 2016

# DISCLAIMER

Financial results for 4Q 2015 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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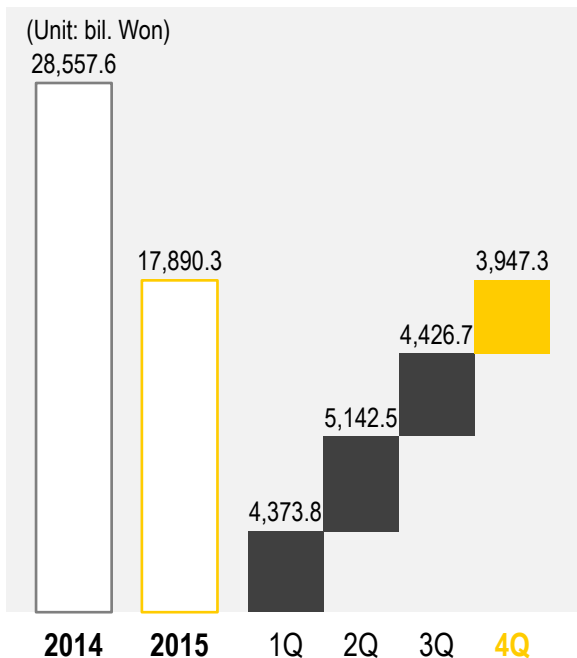
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# 4Q 2015 Financial Result



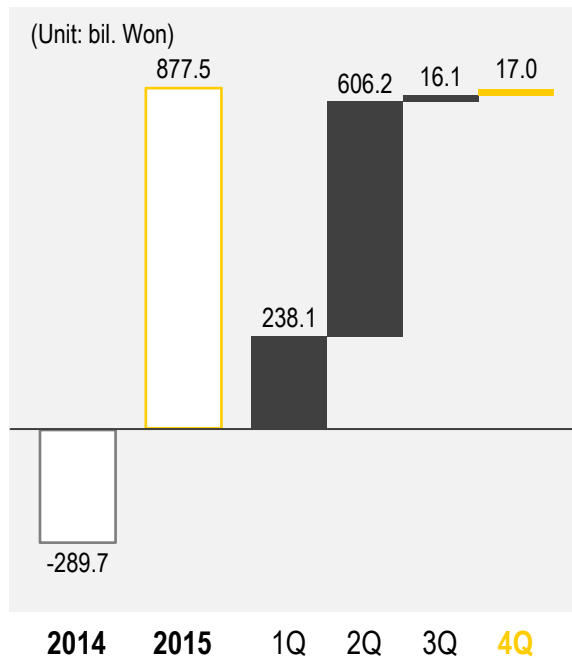
## Revenue



**Declined 10.8% QoQ due to continuously slipped oil prices**

- Quarterly average selling price: 10.6% ↓, QoQ
- Sales volume: 0.2% ↓, QoQ

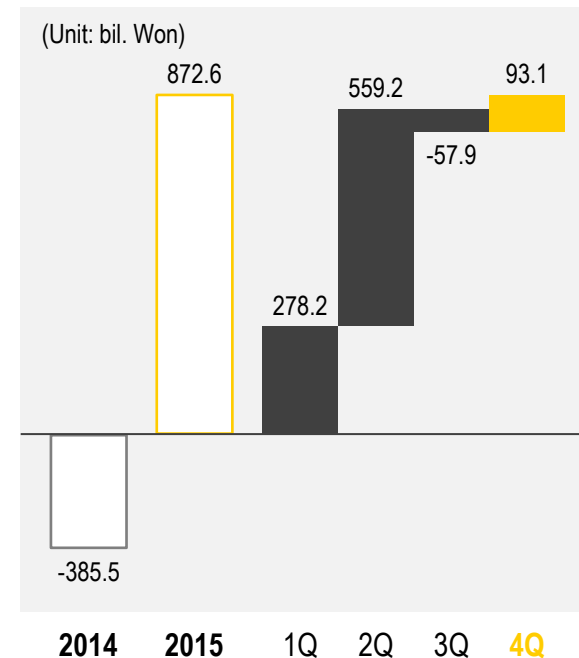
## Operating Income



**Remained flat on strong refining margins despite inventory related loss**

- Inventory related loss(E): 250 bil. Won
- Singapore complex margin (\$/bbl): 4Q 6.4 (2.5 ↑, QoQ)

## Income before Tax

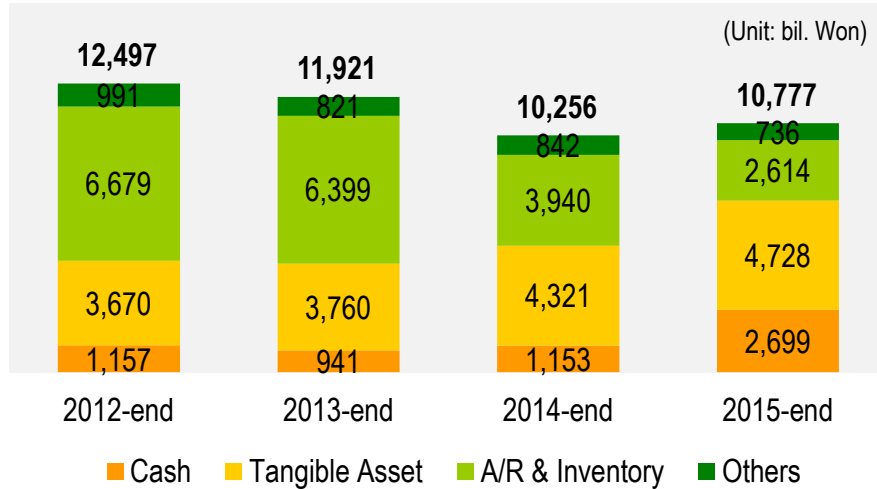


**Increased 151.0 bil. Won with KRW appreciation**

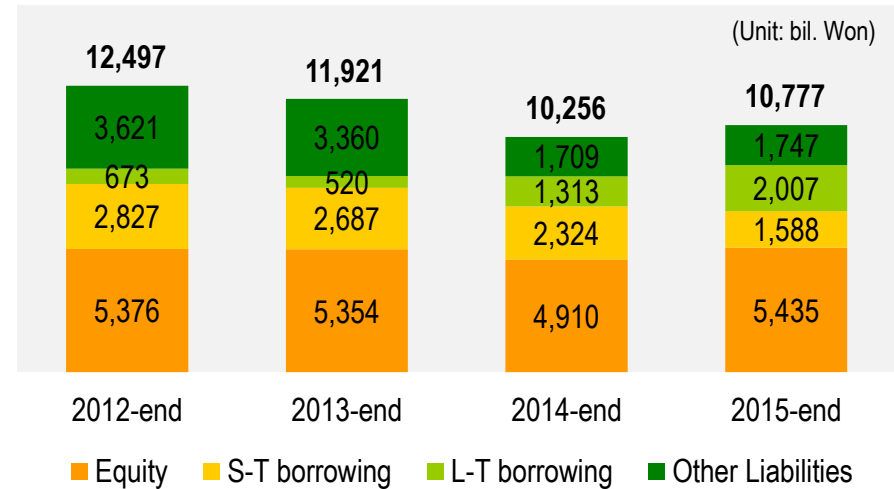
- F/X gain: 28.7 bil. Won
- ₩/\$ rate: 4Q-end 1,172.0 (22.5 ↓, QoQ)

## Financial Status

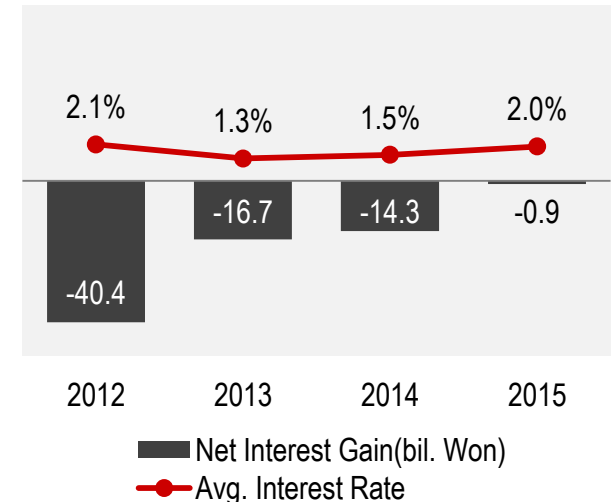
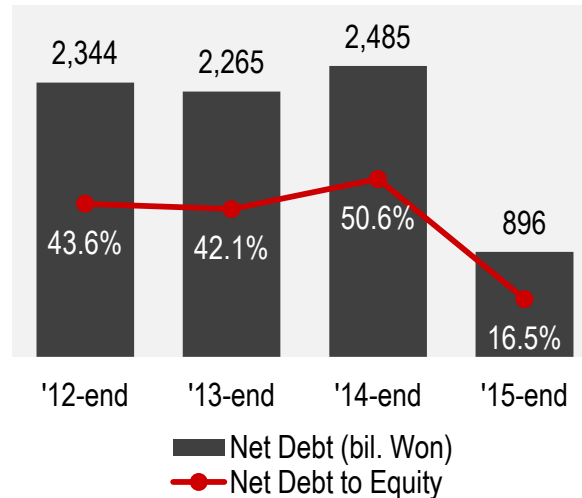
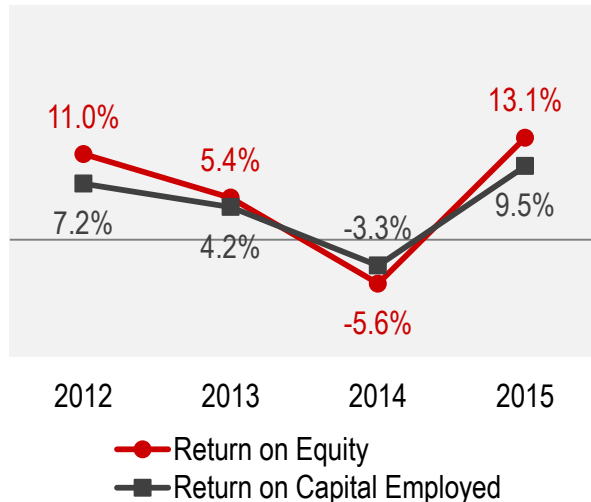
### Assets



### Liabilities & Equities



## Financial Ratios



# Capital Expenditure



## CAPEX

(Unit: bil. Won)	FY '12	FY '13	FY '14	FY '15	2016 Plan
<b>Major Projects</b>	<b>23.8</b>	<b>79.1</b>	<b>675.2</b>	<b>462.5</b>	<b>1,203.4</b>
- RUC & ODC <sup>1)</sup>	-	-	97.0	287.8	978.6
- KNOC land acquisition <sup>2)</sup>	-	-	519.0	-	-
- SUPER Project <sup>3)</sup> and Profit Improvement Program	-	-	8.5	141.7	221.3
<b>Upgrade &amp; Maintenance</b>	<b>50.9</b>	<b>253.6</b>	<b>62.0</b>	<b>169.2</b>	<b>209.2</b>
<b>Marketing related expenditure</b>	<b>34.9</b>	<b>36.9</b>	<b>37.5</b>	<b>48.4</b>	<b>41.2</b>
<b>Others</b>	<b>16.0</b>	<b>22.6</b>	<b>108.8</b>	<b>43.3</b>	<b>118.1</b>
<b>Total</b>	<b>125.7</b>	<b>392.1</b>	<b>883.5</b>	<b>723.4</b>	<b>1,571.9</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 '12	FY '13	FY '14	FY '15	2016 Plan
<b>Depreciation</b> (Including catalyst amortization cost)	<b>391.3</b>	<b>368.2</b>	<b>339.7</b>	<b>273.3</b>	<b>311.4</b>

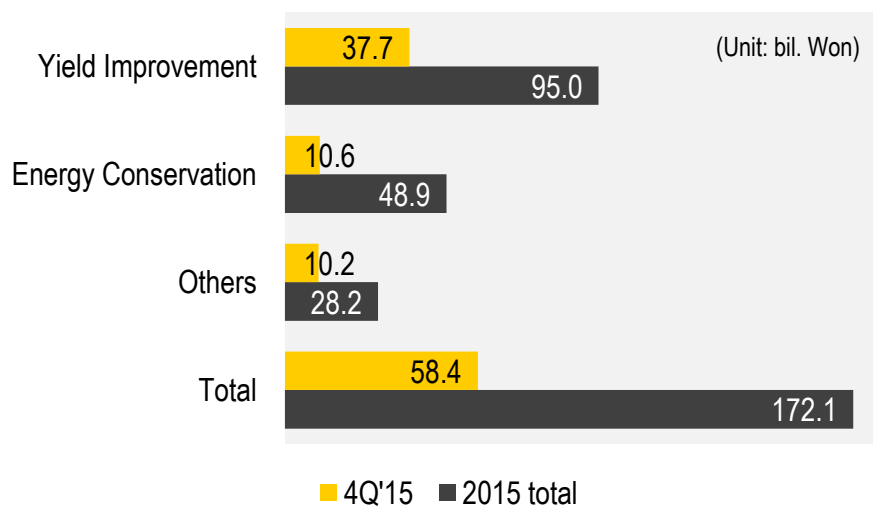
## Utilization Rate

(Unit: k bpd, %)	Capacity	3Q '15	4Q '15
<b>CDU</b>	<b>669.0</b>	84.4%	83.4%
<b>HYC FH</b>	<b>76.5</b>	100.3%	63.6%
<b>RFCC</b>	<b>73.0</b>	97.0%	100.5%
<b>Lube Plants</b>	<b>42.7</b>	88.6%	66.1%
<b>PX Center</b>	<b>34.7</b>	87.2%	110.1%

## 2015 & 2016 Maintenances

	2015	2016 (Plan)
<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

## Refinery Profit Improvement



- The production will be expanded in 2016 with far less maintenance shutdowns compared to those of 2015.
- The Company will make continuous effort to optimize operation through upgrading and revamping of facilities.

# Financial Result by Business Segment



## Refining

(Unit: bil. Won)	4Q '14	YoY	3Q '15	QoQ	4Q '15	2013	2014	2015
<b>Revenue</b>	5,067.0	39.9% ↓	3,487.2	12.7% ↓	3,044.7	25,508.6	23,080.1	14,054.2
<b>Operating Income</b>	-337.6	-	-167.4	-	-137.9	-350.5	-729.5	274.6
(Margin)	(-6.7%)	-	(-4.8%)	-	(-4.5%)	(-1.4%)	(-3.2%)	(2.0%)

## Petrochemical

(Unit: bil. Won)	4Q '14	YoY	3Q '15	QoQ	4Q '15	2013	2014	2015
<b>Revenue</b>	760.5	15.3% ↓	610.2	5.5% ↑	643.8	3,898.3	3,505.9	2,496.3
<b>Operating Income</b>	28.3	207.1% ↑	88.0	1.1% ↓	87.1	562.7	182.0	286.9
(Margin)	(3.7%)	-	(14.4%)	-	(13.5%)	(14.4%)	(5.2%)	(11.5%)

## Lube Base Oil

(Unit: bil. Won)	4Q '14	YoY	3Q '15	QoQ	4Q '15	2013	2014	2015
<b>Revenue</b>	440.3	41.2% ↓	329.3	21.4% ↓	258.8	1,751.6	1,971.6	1,339.8
<b>Operating Income</b>	65.2	4.0% ↑	95.6	29.0% ↓	67.9	153.9	257.8	316.0
(Margin)	(14.8%)	-	(29.0%)	-	(26.2%)	(8.8%)	(13.1%)	(23.6%)



# Market Environment in 4Q 2015

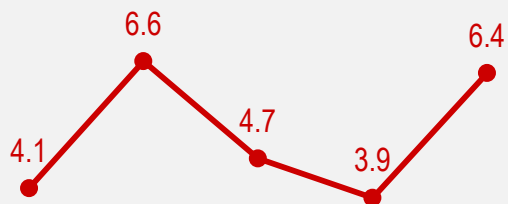


## Refining

### Singapore Margin

[ GRM – Variable Cost ]

(Unit: \$/bbl)



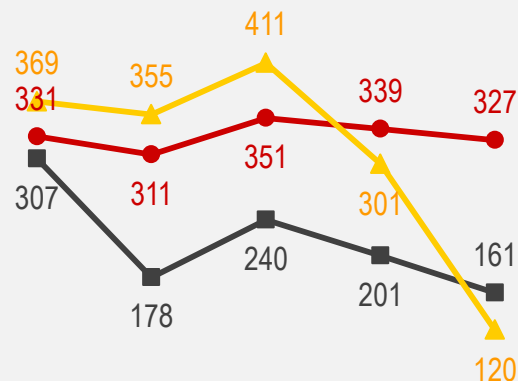
4Q '14 1Q '15 2Q '15 3Q '15 4Q '15  
 ● Singapore Complex Refining Margin

Refining margins surged along with increase in spreads of all petroleum products on the back of strong demand in Asia amid further decline in crude oil prices.

## Petrochemical

### Product Spread

(Unit: \$/ton)



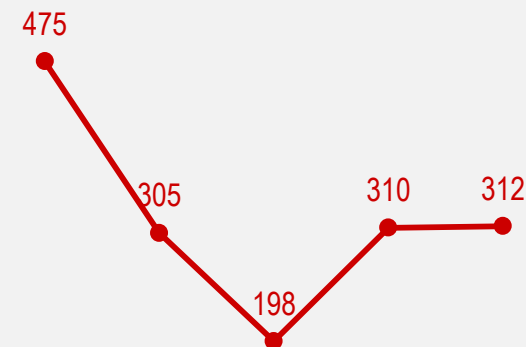
4Q '14 1Q '15 2Q '15 3Q '15 4Q '15  
 ● P-Xylene ■ Benzene ▲ Propylene

PX spread was supported by limited supply growth from shutdowns and disciplined supply of marginal cost producers despite weak downstream demand.

## Lube Base Oil

### Product Spread

(Unit: \$/ton)



4Q '14 1Q '15 2Q '15 3Q '15 4Q '15  
 ● ICIS150N-HSFO380

LBO margin remained at a decent level thanks to decrease in feedstock price and solid demand in spite of low seasonality.

Refining margins will remain healthy on the back of tight supply-demand balance as the global oil demand growth will continuously outpace the incremental supply. Asia refiners will benefit the most.

## Decent demand growth supported by Asia

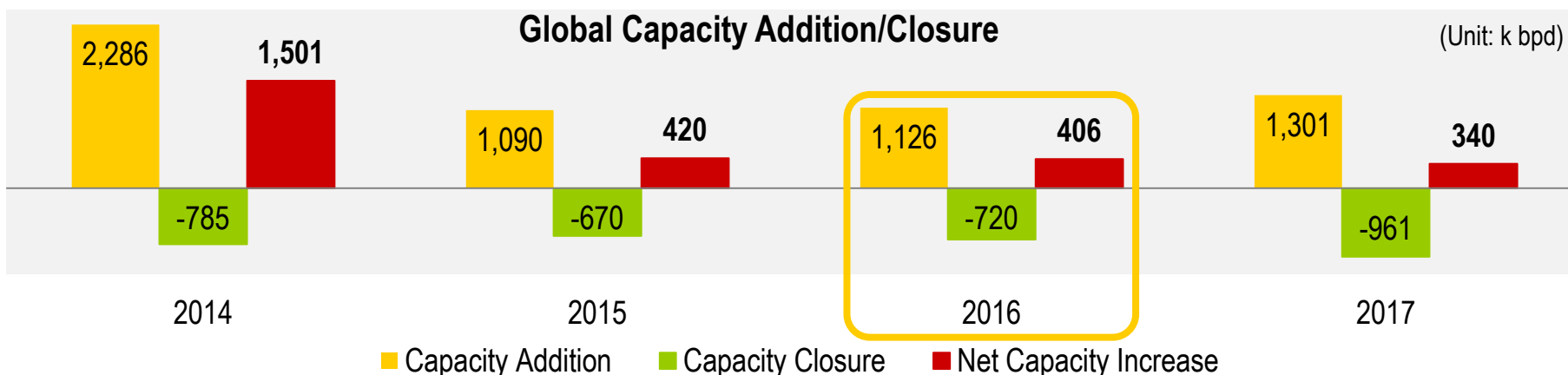
Demand growth in 2016 will be moderated compared to the significant increase seen in 2015. Asia will drive decent growth of global oil demand.

### 2016 demand growth

(Unit: mil. bpd)	PIRA	Wood Mackenzie	IEA	OPEC	EIA
Global	+1.78	+1.27	+1.23	+1.25	+1.42
Asia	+0.62	+0.70	+0.82	+0.46	+0.72

## Tighter supply from diminished capacity expansions

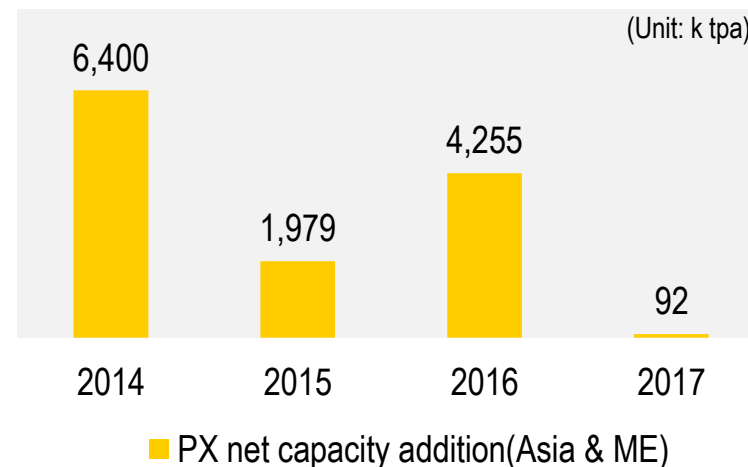
In 2016, supply of refined products will get tighter due to a mere 406 k bpd of global net capacity increase. Supply will get short especially in Asia, where 460 k bpd of closure will cancel out 520 k bpd of capacity addition.



## Petrochemical

### Para-xylene : current spread to be supported

In spite of capacity additions, PX spread is expected to be supported by disciplined supply of marginal cost producers and demand for aromatics used in gasoline blending.



### Benzene : weakened spread to be continued

The depressed spread is likely to be remained in 2016 amid ample supply from PX expansions and delay of derivative capacity expansion in China.

## Lube Base Oil

### Decent spread to be sustained

The demand growth for high-quality products in the US and Europe occurred by stricter regulations for environmental preservation will be a firm pillar of decent spread in spite of new capacity additions.

## Summarized Income Statement

(Unit: bil. Won)	4Q '14	YoY	3Q '15	QoQ	4Q '15	FY2015
<b>Revenue</b>	<b>6,267.7</b>	<b>37.0% ↓</b>	<b>4,426.7</b>	<b>10.8% ↓</b>	<b>3,947.3</b>	<b>17,890.3</b>
<b>Operating Income</b>	<b>-244.0</b>	<b>-</b>	<b>16.1</b>	<b>5.6% ↑</b>	<b>17.0</b>	<b>877.5</b>
(Margin)	(-3.9%)	-	(0.4%)	-	(0.4%)	(4.9%)
<b>Finance &amp; Other Income</b>	<b>-118.3</b>	<b>-</b>	<b>-76.0</b>	<b>-</b>	<b>73.9</b>	<b>-14.7</b>
- Net Interest Gain	-2.8	-	-2.2	-	0.7	-0.9
- Net F/X Gain*	-113.2	-	-120.6	-	28.7	-147.1
- Others	-2.3	-	46.8	<b>4.9% ↓</b>	44.5	133.3
<b>Equity Method Gain</b>	<b>2.0</b>	<b>7.9% ↑</b>	<b>1.9</b>	<b>12.7% ↑</b>	<b>2.2</b>	<b>9.8</b>
<b>Income before Tax</b>	<b>-360.3</b>	<b>-</b>	<b>-57.9</b>	<b>-</b>	<b>93.1</b>	<b>872.6</b>
<b>Net Income</b>	<b>-272.2</b>	<b>-</b>	<b>-44.0</b>	<b>-</b>	<b>80.6</b>	<b>676.6</b>

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

# Appendix 2

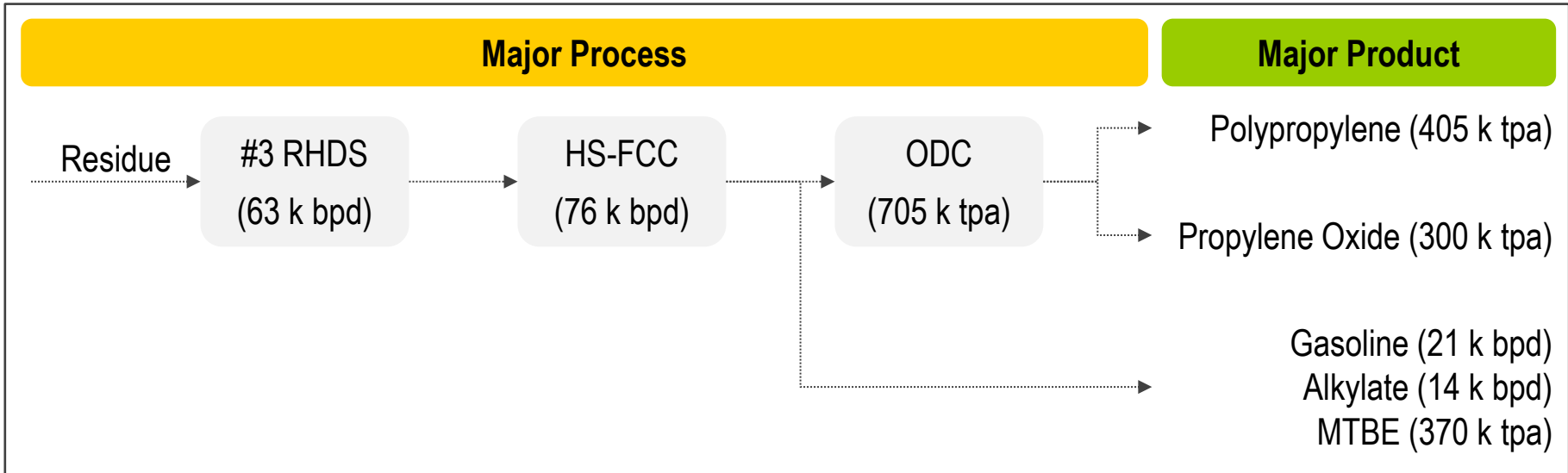


## Sales Breakdown

(Unit: k bpd, %)	4Q '14	1Q '15	2Q '15	3Q '15	4Q '15
<b>Sales Total</b>	666	622	660	623	622
<b>Domestic</b>	287	290	285	282	287
<b>Export</b>	379	332	375	341	335
(% in Total)	(56.9)	(53.4)	(56.8)	(54.7)	(53.9)
Japan	21.8	19.5	20.4	17.0	25.5
China	22.5	21.5	16.1	16.4	16.0
Australia	16.1	12.8	13.7	13.6	13.8
USA	9.9	16.6	11.4	14.0	11.4
Singapore	2.0	7.0	6.6	6.0	6.8
South East Asia	6.6	3.6	5.2	7.2	6.2
Europe	0.8	0.7	5.0	5.3	0.5

## RUC & ODC Project Overview

(Residue Upgrading Complex & Olefin Downstream Complex Project)



### Completion (E)

Mechanical completion & commissioning in 1H 2018

### Profitability (E)

IRR:18.3%, Payback period: 6 years

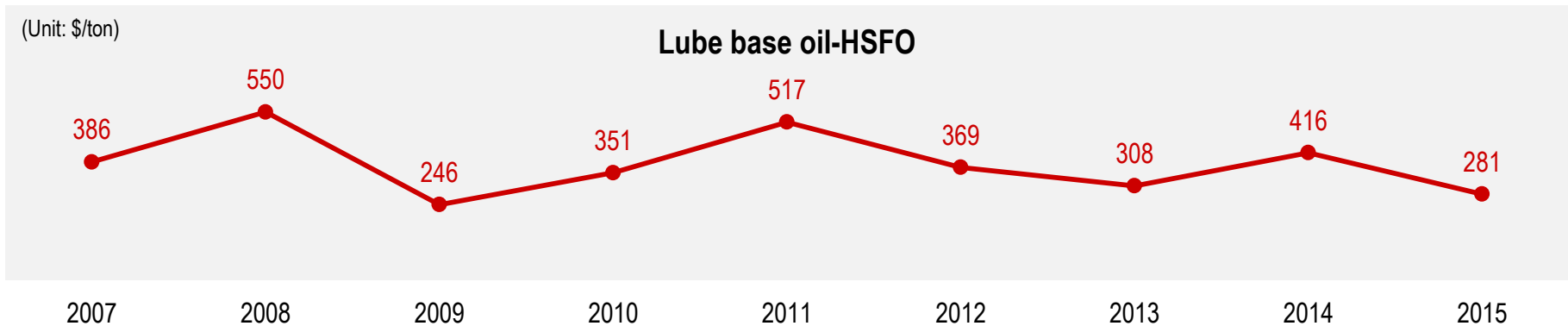
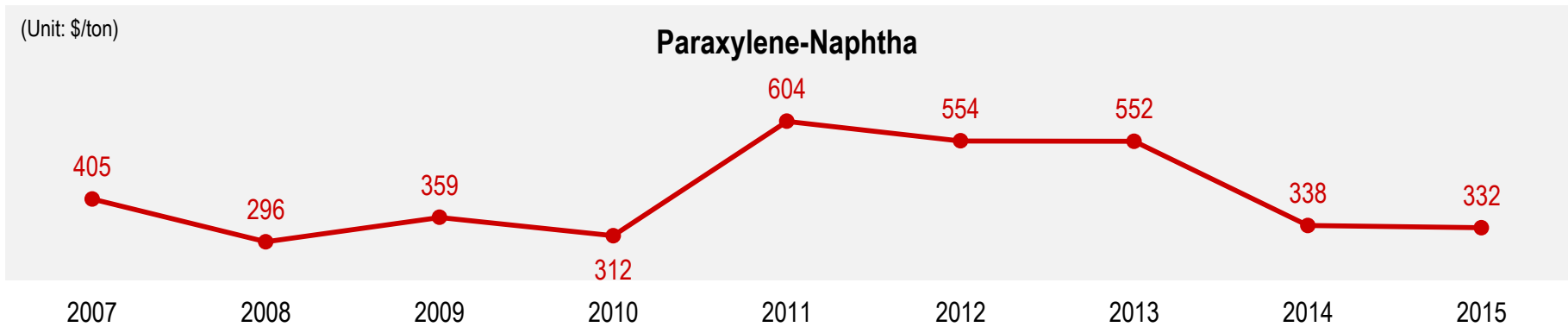
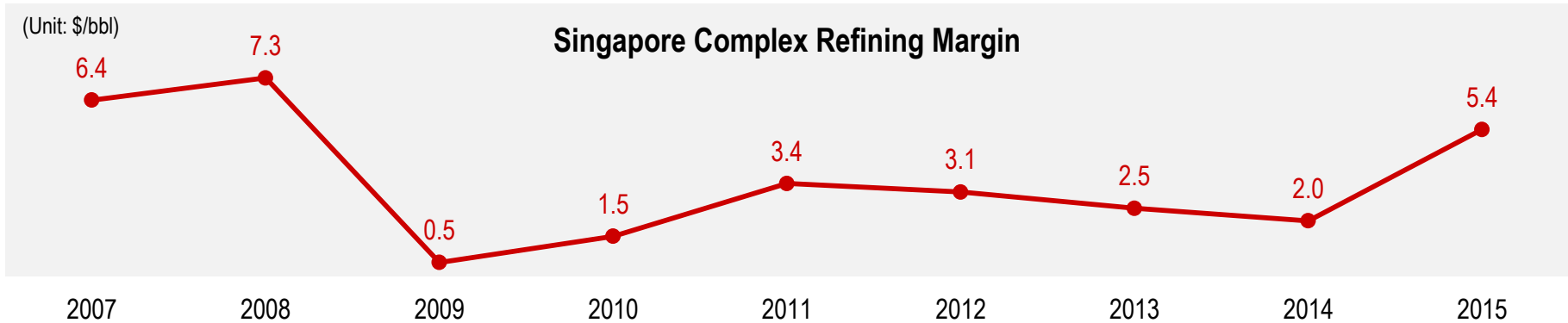
### CAPEX (E)

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

### Financing

In 4Q 2015, the Company issued corporate bond (400 billion Won) and secured sufficient financing commitment from banks (3.1 trillion Won).

## Long-term Margin Trend



# Thank You

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S-OIL IR Team

