



SK innovation

2Q 2021 Earnings Release

2021. 08. 04

Disclaimer

This presentation contains forward-looking statements with respect to financial conditions, results of operations and business of SK Innovation, and plans and objectives of the management of SK Innovation.

Statements that are not historical facts, including statements about SK Innovation's beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of SK Innovation to be materially different from any future results or performance expressed or implied by such forward-looking statements.

Financial results for 2Q2021 are subject to change according to the outside independent auditors' review.

Agenda

- **2Q 2021 Financial Results**
- **2Q 2021 Business Highlights**
- **Q&A**
- **Appendix**

Sales and Operating Profit

(Unit: KRW in Billion)	2Q21	1Q21	QoQ	2020
Sales	11,119.6	9,239.8	+1,879.8	34,164.5
Operating Profit	506.5	502.5	+4.0	△2,568.8
EBITDA	872.3	854.3	+18.0	△1,252.4
Non-operating Profit	141.6	△1,030.1	+1,171.7	△301.0
Pre-Tax Income	648.1	△527.6	+1,175.7	△2,869.8

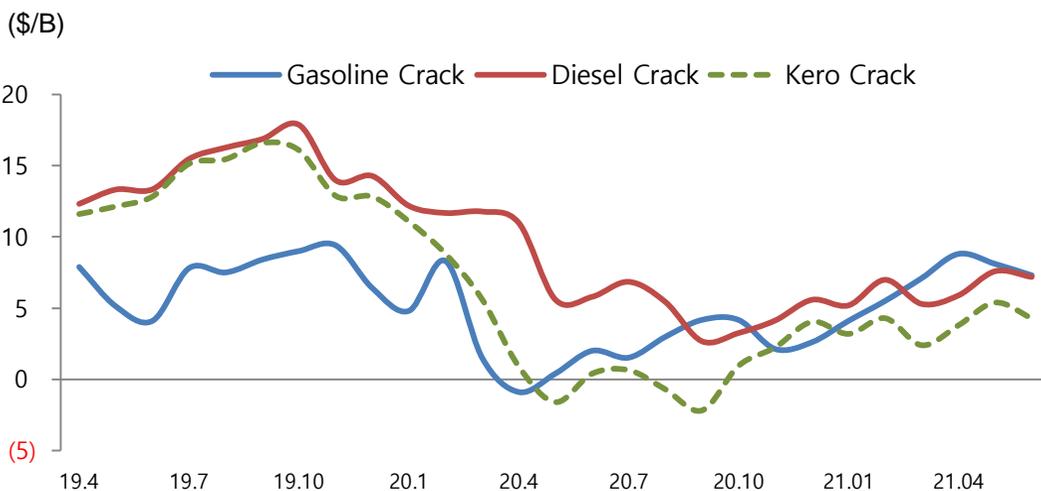
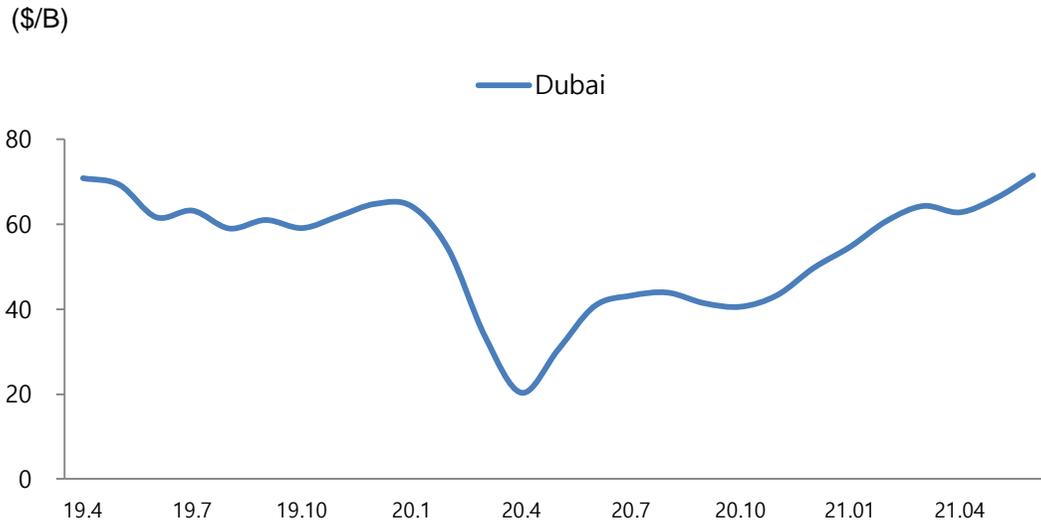
Balance Sheet

(Unit: KRW in Billion)	2021 2Q	2020	vs 2020
Assets	45,930.3	38,498.1	+7,432.2
- Cash, etc.	7,938.3	4,911.3	+3,027.0
Liabilities	28,254.1	23,039.6	+5,214.5
- Debt	15,961.1	13,636.7	+2,324.4
Shareholder's Equity	17,676.2	15,458.5	+2,217.7
- Retained earnings	9,915.9	9,891.3	+24.6
Debt/Equity	160%	149%	+11%p
Net Debt	8,022.8	8,725.4	△702.6

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Refining – Refining Margins



Crude price rose as oversupply concerns eased with delayed Iranian nuclear deal and expectations for demand recovery with continued vaccine rollout

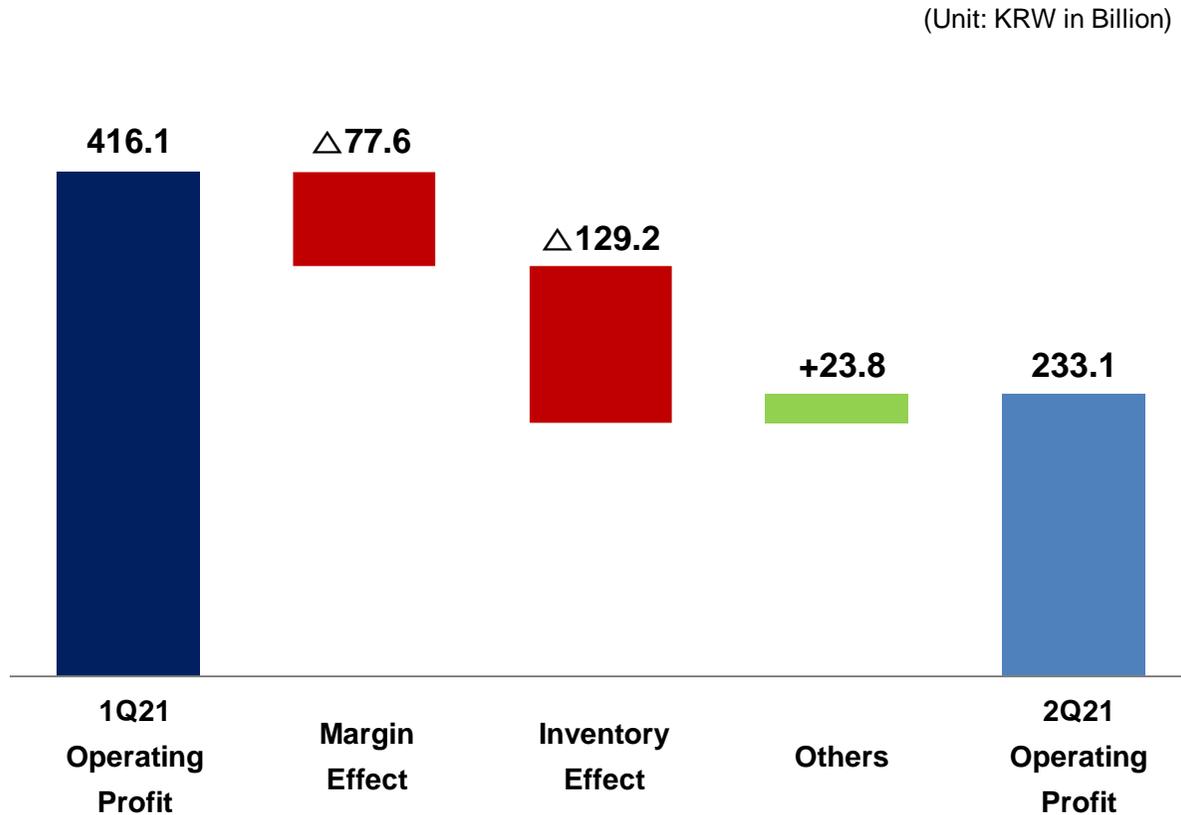
▪ Dubai Oil Trends

Price(\$/B)	1Q21	2Q21	QoQ
Quarter Average	60.0	66.9	+6.9
Last Month of Quarter Average	64.4	71.6	+7.2

Product crack strong backed by demand recovery expectations with expanded COVID-19 vaccinations in the US and Europe despite increased refinery output

Crack(\$/B)	1Q21	2Q21	QoQ
Gasoline	5.6	8.1	+2.5
Diesel	5.8	6.9	+1.1
Kerosene	3.3	4.5	+1.2

Refining – Performance Analysis

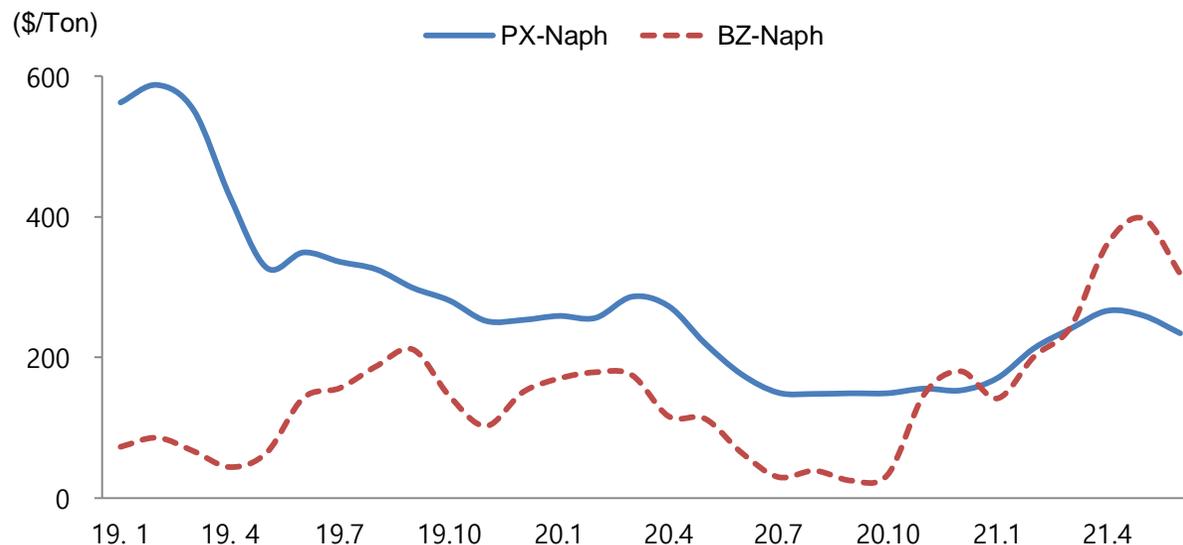
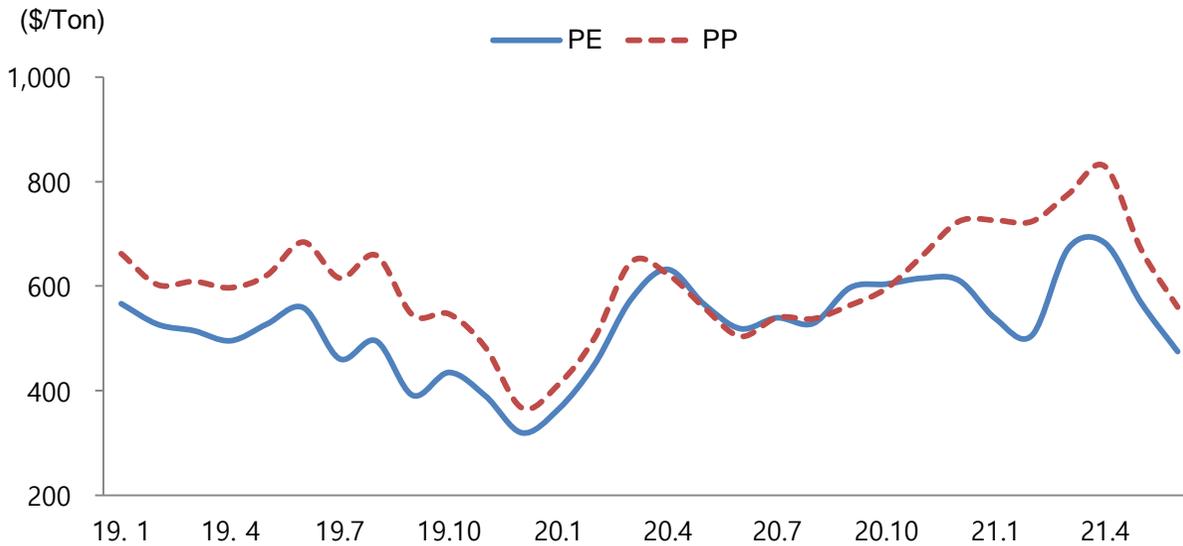


2Q operating profit fell despite strong crack displayed by key products due to reduced inventory related gains as crude's rally lost steam and margin decline from weak FO crack and dollar

2H refining margin projected to gradually improve as COVID-19 retreats and demand rebounds

* Includes SKE, SKTI and SKIPC's refinery business

Petrochemical – Product Spreads



Polymer

- PE : Spread corrected as the region finished TAs and added new capacity
- PP : Spread weakened with new plant start-ups in the region and D/S demand slowdown

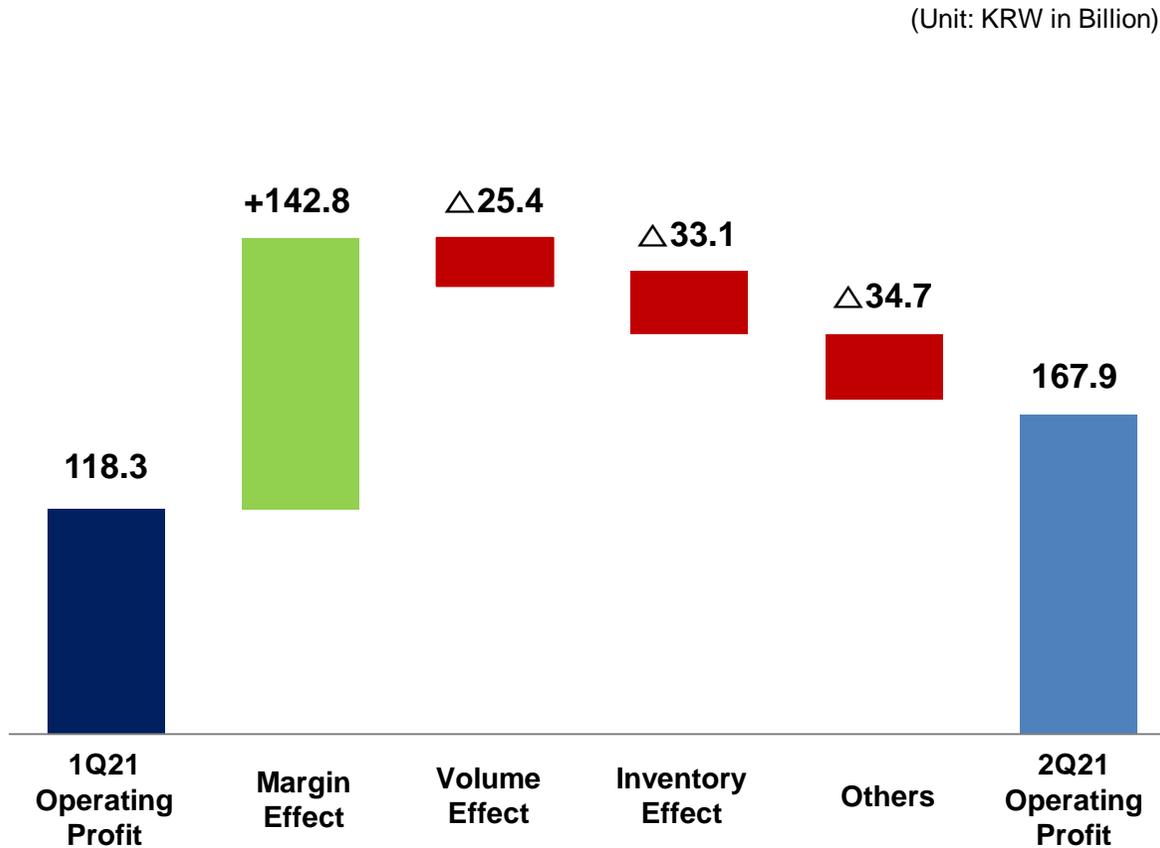
Spread (\$/MT)	1Q21	2Q21	QoQ
PE	573	579	+6
PP	742	686	△56

Aromatic

- PX : Spread improved with global polyester demand recovery, new PTA plant operation, and facility troubles in different regions
- BZ : Strong spread with steady D/S demand and tight supply due to new SM plant operation

Spread (\$/MT)	1Q21	2Q21	QoQ
PX	208	253	+45
BZ	195	359	+164

Petrochemical – Performance Analysis



2Q operating profit increased backed by improved product margin despite a fall in sales volume

2H Outlook

Polymer,

Spread projected to soften despite solid D/S demand as additional capacities in the region hold back market upswing

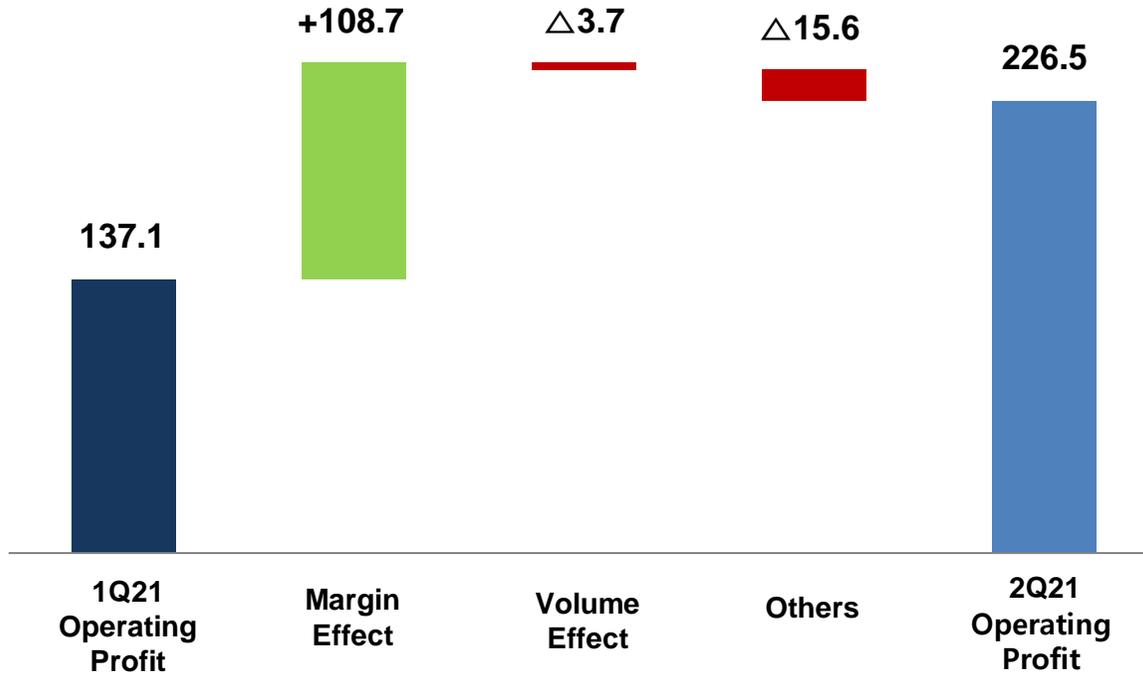
Aromatic,

Spread forecasted to be flat despite new PTA capacities as new PX facilities in the region will balance out supply and demand

* Includes SKGC and SKIPC's petrochemical business

Lubricants – Performance Analysis

(Unit: KRW in Billion)



Operating profit increased as higher selling prices due to continued tight supply sent margins soaring

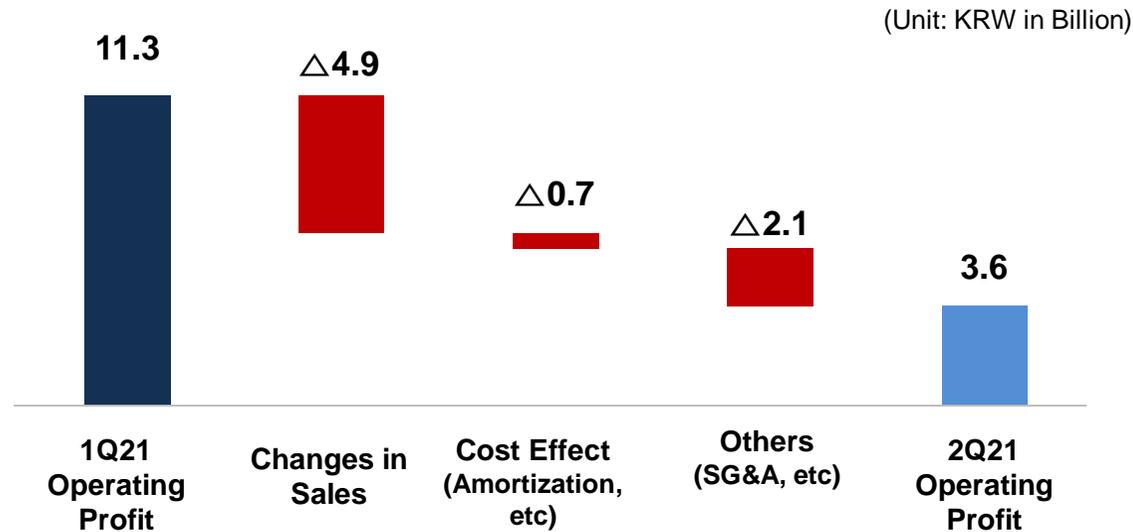
2H Base oil Market,
Spread expected to remain robust despite base oil supply expansion due to growing restocking needs and demand uptick

E&P Business

(Unit: KRW in Billion, MBOE/D)

	1Q21	2Q21
Sales	24.7	19.8
Average Daily Production	3.7	3.6
% of Oil	84%	84%

* Production from Vietnam block 15-1 and Libya block NC 174



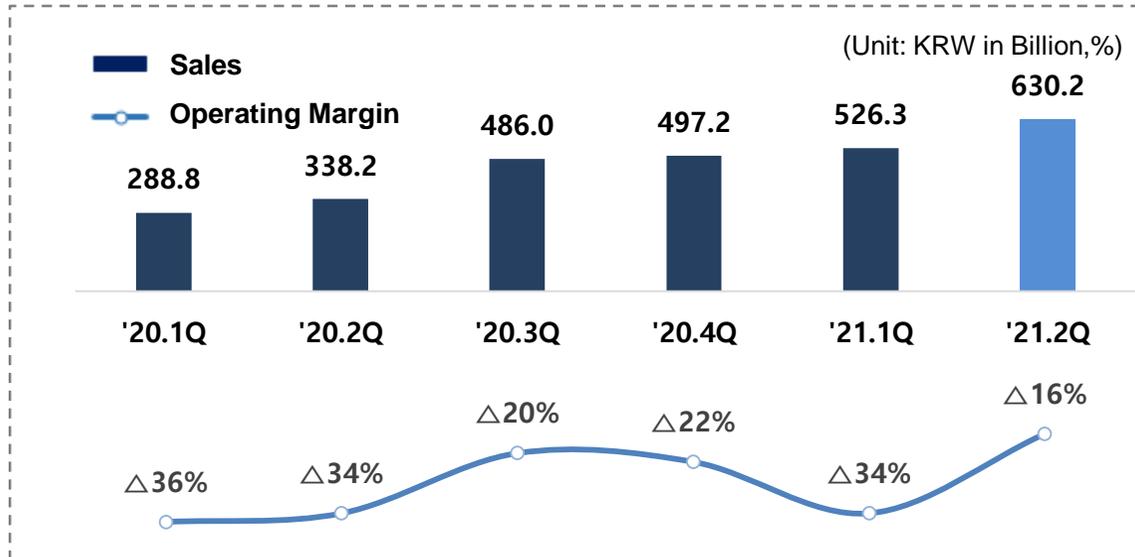
Sales and operating profit slid despite oil/gas price rise due to reduced sales volume and increased SG&A

Benchmark	1Q21	2Q21	QoQ
Brent (\$/B)	61.1	69.0	+7.9
WTI (\$/B)	58.1	66.2	+8.1
HH (\$/mmbtu)	3.6	2.9	Δ0.7

Batteries



[Note] Performance Trend



Profitability improved as sales volume climbed by filling orders for HMC's IONIC 5 and early stabilization of new plants

[Global Capacity Additions]

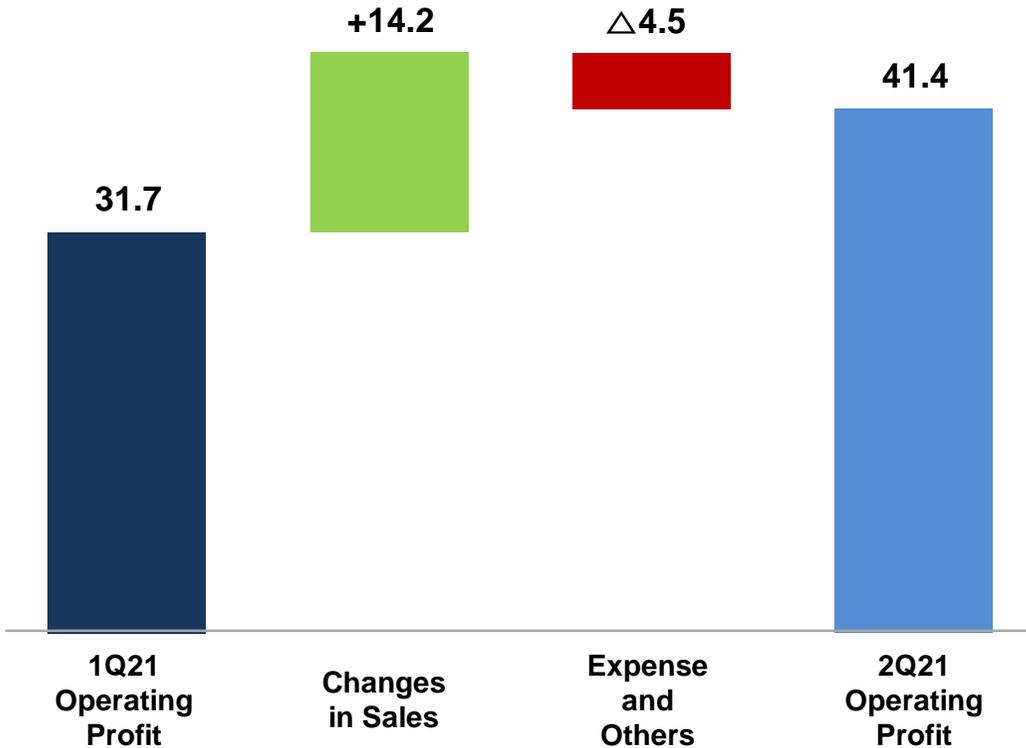
- Hungary
 - No.1: '19.4Q completed construction, '20.1Q commenced commercial production
 - No.2: '19.1Q commenced construction, '22.1Q commercial production planned
 - No.3: '21.3Q commence construction, '24.1Q commercial production planned

- China
 - Changzhou: '19.4Q completed construction, '20.2Q commenced commercial production
 - Yancheng: '19.3Q commenced construction, '21.1Q commenced commercial production
 - Huizhou: '19.2Q commenced construction, '21.1Q commenced commercial production

- US
 - No.1: '19.1Q commenced construction, '22.1Q commercial production planned
 - No.2: '20.3Q commenced construction, '23.1Q commercial production planned
 - BlueOvalSK: Details yet to be decided

SKIET (SKI Consolidated)

(Unit: KRW in Billion)



Operating profit increased as LiBS plant in China started Phase 2 operation and achieved Phase 1 stabilization in April '21 resulting in robust sales

[LiBS Capacity Additions]

- Korea (520 MM m²)
- China (670 MM m²)
 - Phase 1 (340 MM m²): Nov. '20 commenced production
 - Phase 2 (170 MM m²): Apr. '21 commenced production
 - Phase 3 (170 MM m²): 1Q22 production planned
- Poland (1,540MM m²)
 - Phase 1 (340 MM m²): 3Q21 production planned
 - Phase 2 (340 MMm²): 1Q23 production planned
 - Phase 3 (430 MMm²): 4Q23 production planned
 - Phase 4 (430 MMm²): 2Q24 production planned

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1. Business Performance (excluding intercompany transactions)

(Unit: KRW in Billion)	Refining¹⁾	Petrochem²⁾	Lubricants	I/E Materials³⁾	Others⁴⁾	2Q21
Sales	7,246.6	2,344.0	762.8	95.9	670.3	11,119.6
Operating Profit	233.1	167.9	226.5	41.4	△162.4	506.5
Non-Operating Profit	△119.9	76.0	△0.4	17.0	168.9	141.6
Pre-tax Income	113.2	243.9	226.1	58.4	6.5	648.1

1) Refining : SKE, SKTI, and SKIPC's refining businesses

2) Petrochem : SKGC, SKIPC's petrochemical businesses

3) I/E Materials : Reflects SKI's financial data excluding internal transactions and thus differs from SKIET's performance

4) Others : Battery business, E&P business, and staff

2. Utilization – Refining/Petrochemical Plants

➤ Refineries

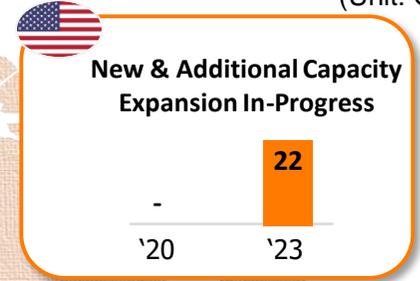
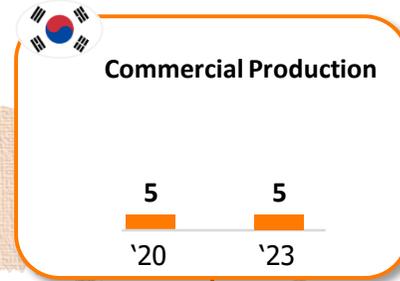
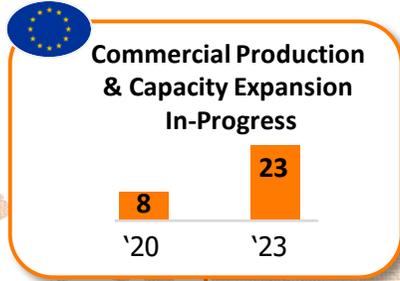
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
CDU	88%	88%	92%	92%	95%	88%	90%	79%	89%	77%	72%	61%	63%	66%
ULSAN	89%	88%	94%	91%	95%	90%	94%	89%	92%	77%	76%	65%	67%	64%
INCHEON	86%	87%	88%	90%	87%	84%	78%	50%	80%	76%	60%	47%	53%	69%
HOU	81%	85%	100%	100%	93%	96%	101%	101%	90%	84%	84%	86%	70%	69%
#1 RFCC	100%	100%	100%	100%	100%	83%	100%	100%	91%	42%	67%	76%	76%	79%
#2 RFCC	100%	100%	100%	100%	100%	101%	100%	56%	95%	96%	86%	64%	84%	102%

➤ Petrochemical Plants

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
NCC	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	100%	57%	97%	100%
PE	95%	97%	97%	100%	100%	97%	97%	100%	99%	97%	99%	69%	98%	97%
PP	99%	100%	100%	100%	100%	99%	100%	100%	99%	100%	99%	72%	100%	99%
PX(ULSAN)	103%	86%	101%	103%	102%	102%	101%	97%	92%	98%	91%	93%	89%	78%
PX(INCHEON)	110%	110%	110%	110%	106%	109%	104%	99%	108%	99%	95%	75%	82%	93%

3. SKI Battery Capacity

(Unit: GWh)



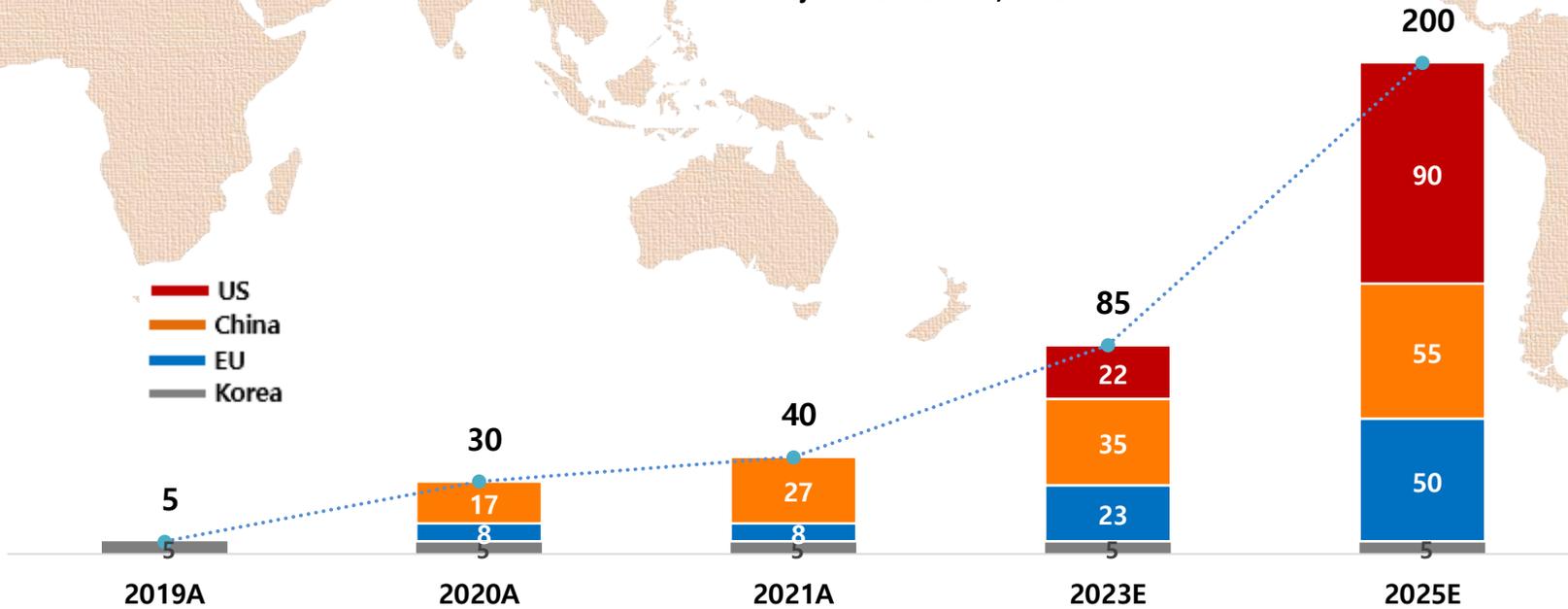
Komarom Plant, Hungary
Ivanca Plant, Hungary

Changzhou Plant, China
Huizhou Plant, China
Yancheng Plant, China

Seoul Head Quarter, Korea
Seosan Plant, Korea
Daejeon R&D Center, Korea

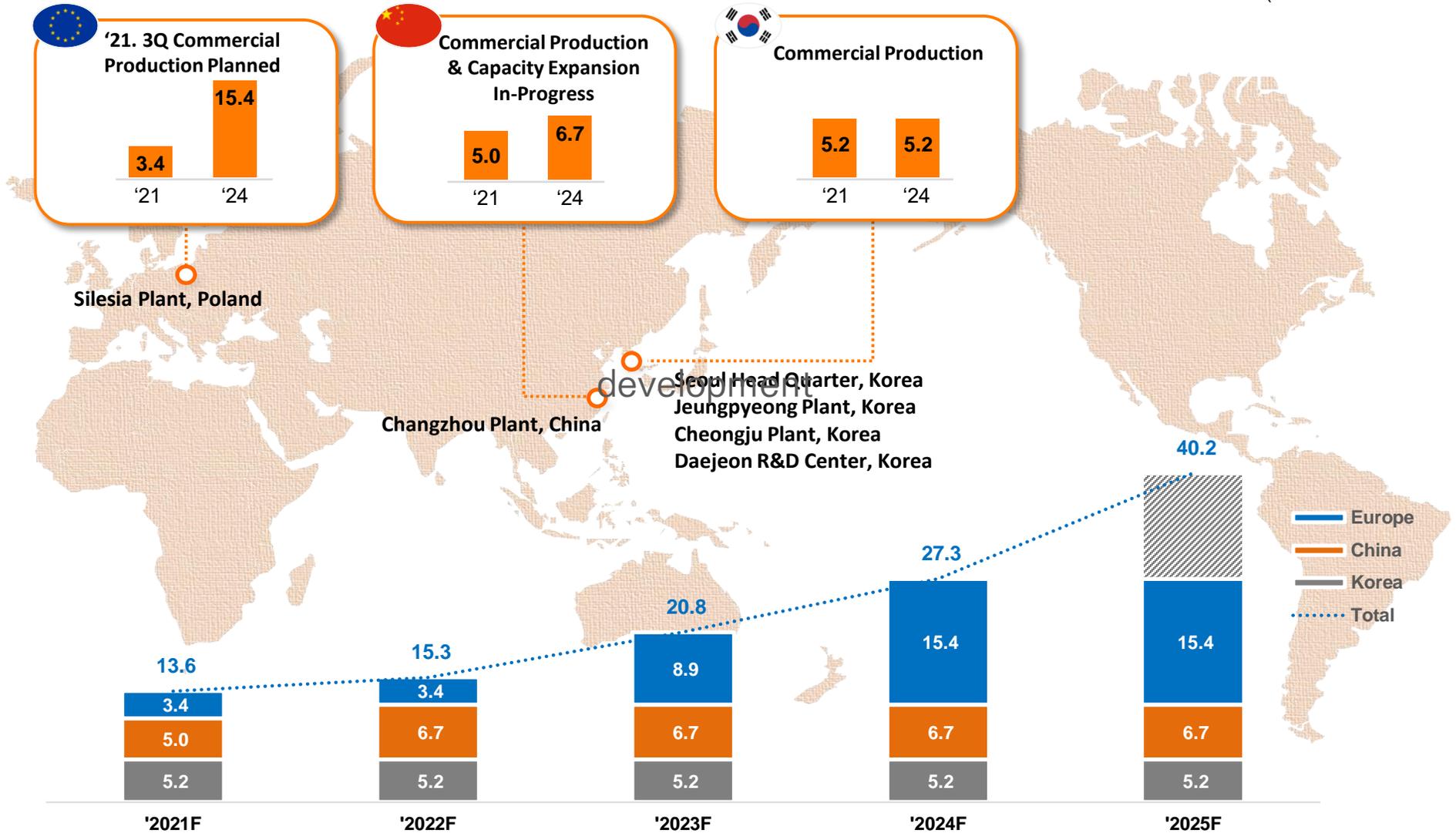
Georgia Plant, USA

US
China
EU
Korea



4. SKIET LiBS Capacity

(Unit: 100 Million m²)





Think **Green,**
Innovate the World

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Rationale

Split off Battery and E&P Division as independent entities to promote management efficiency and to secure timely investment funds



Rapid Changes in SKI Biz. Environment including Accelerated Energy Transition

- Key OEMs phase out ICEs
- Major countries including the US, China, Europe reinforce green policies
- Need for swift decision making and independent management system befitting changing business and market landscapes



Need for Timely Financing for Large Scale Battery Investment

- Need KRW 17 trillion for investment for 5 years
- Need to explore and prepare financing options for financial soundness other than OCF, JV/Incentive



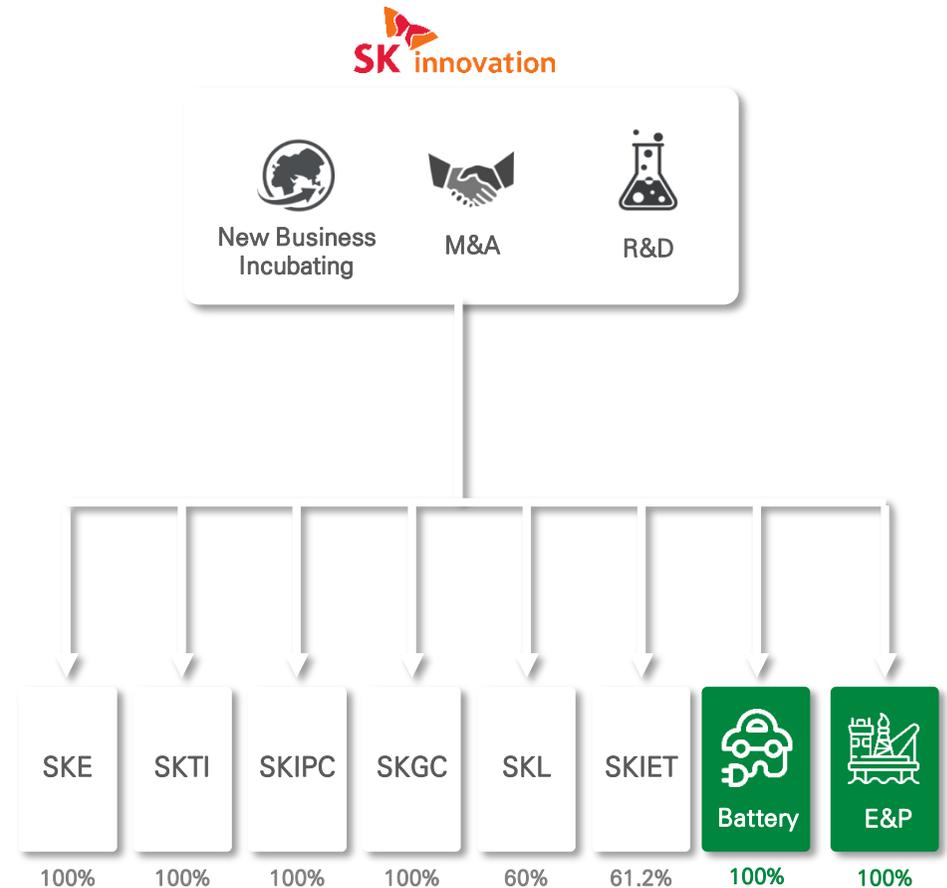
E&P Business Sustainability & Portfolio Transition

- Crude recovery continues despite COVID-19
- Need an independent management system to sharpen upstream business competitiveness and to build green business portfolio

Split-off Structure

New Battery and E&P entities will stay as SKI's wholly-owned subsidiaries and have consolidated sales and profit/loss with zero economic fallout

SK innovation will continue R&D initiatives for new projects including BMR (Battery Metal Recycle)



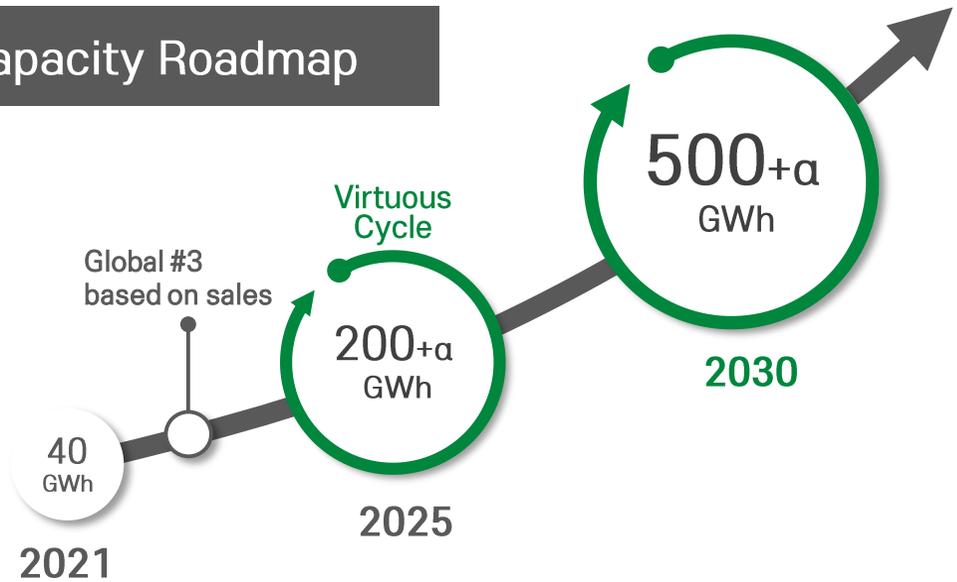
New Battery Subsidiary Growth Strategies



Accelerate the growth with global capacity expansion and leapfrog into a Top-Tier Battery Company by expanding battery applications and strengthening technology leadership



Capacity Roadmap



- 1 Leading Edge Product** Safer, Faster & Longer
 → Safety, Convenience, Affordability (End-user's view)
- 2 Customer Trust** Sign sizable contracts with global OEMs leveraging reliable performance and quality
- 3 Fastest Growth** Double sales every year from 2017 till 2022
 → Accelerate mid to long-term growth via partnerships
- 4 Strong Market Position**
 - Orders Grow by 10 folds in the last 4 yrs. (60→600GWh)
 - Approximately 1,000 GWh on the back of JV with Ford
- 5 Solid Financial Figures** Reach operating profit BEP by 2022
 → From 2025 onwards, high single digit OPM
- 6 Technology Leadership**
 - Leadership in High Nickel battery technology & development of next generation batteries
 - Upgrade production and processing technologies

New E&P Subsidiary Growth Strategies



As an operator with presence in the SEA region, secure upstream sustainability and green transition to leap forward as carbon neutral E&P company



Upstream Biz.

Green / CO₂ Free Operator

- Apply carbon mitigation technologies and green facilities to E&P blocks

Utilize Latest Technologies & Raise Exploration Success Rate

- Use latest technologies and methods such as digital transformation
- Apply to key regions and new sites of interest

Maximize Portfolio Value Creation

- Build business model aimed at minimizing locked-in capital & shortening recovery cycle
- Maintain volume for business sustainability (Avoid quantitative only growth)



Green Biz.

Independent Exploration of Carbon Storage

- Build value chain linking local deep saline aquifers (East Sea) and carbon sinks

Explore Storage via State Projects

- Explore West Sea deep saline aquifers
- Undertake BM in partnership with coastal power plants

Additional Storage

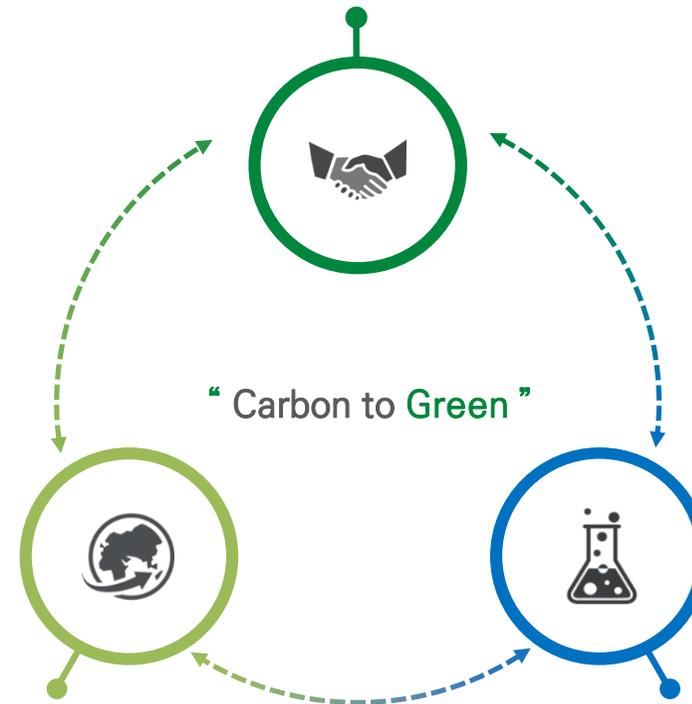
- Explore storage in local continental shelves
- Seek overseas business opportunities

SKI Growth Strategies

Green Portfolio Designer
& Developer

M&A / Business Development

- Explore and Undertake New Green Biz
- Develop Battery Metal Recycling Business



Portfolio Management

- Subsidiary JV, Partnering, etc.
- Resource Reallocation

R&D / Tech

- Pivot R&D to green & Future Business
- Leverage External Competencies via Open Innovation and CVC¹⁾

1) CVC (corporate venture capital)

SKI Growth Strategies

Battery Metal Recycle

“World’s first lithium hydroxide recovery technology”



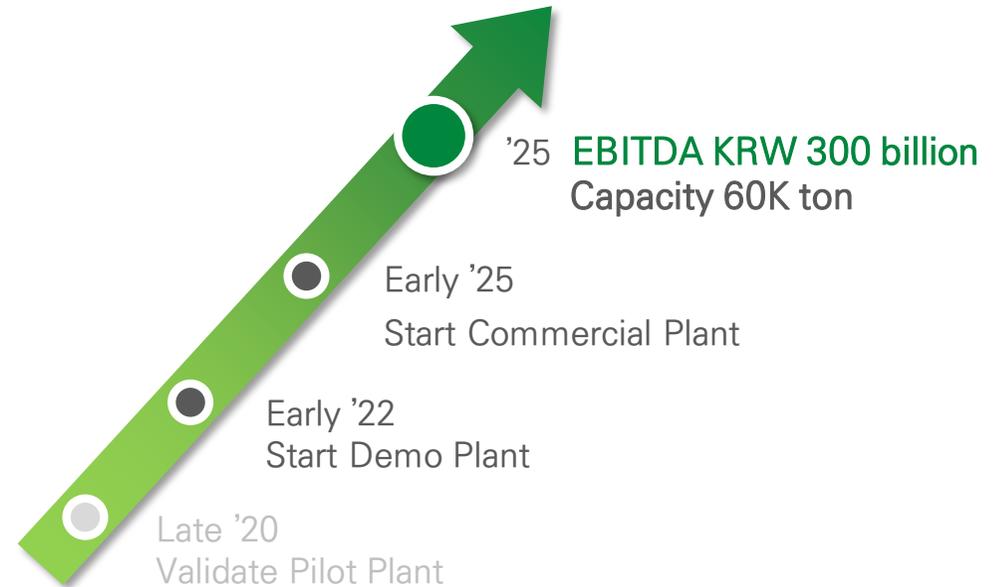
Higher Cost Competitiveness
vs Mined or Salt Lake Lithium Production



Reduce CO₂ Emission by 40~70% vs Mining



54 Related Patents Filed



Existing Businesses' Value-up

Under the vision 'Carbon to Green', other existing businesses will build green business models to cement their top-tier positions and contribute to raising SKI's corporate value



Lower Carbon

- Green Operation
 - Carbon Mgmt. System
- Petchem-balanced Refinery
 - Transportation fuel ↓, Petchem ↑

Green Growth

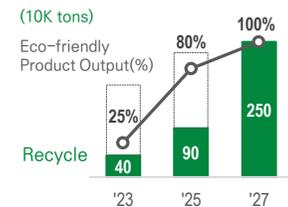
- CCUS¹⁾
- Bio-renewables

Retail Business

- Energy Solution
 - Use gas station network as distributed power generation and H₂ sales hub
- Total Transportation Service
 - Membership service (Car care, Battery lease, financing, etc.)

Plastic Recycle & Green Products

"100% Recycle Self-Produced Plastic" (10K tons)



Financial Target

"Expand Green Products → Improve Results"

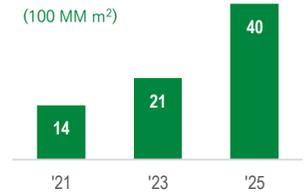


Strategies

- Strengthen Global No. 1 Position in Group III Base Oil Market
 - Continue high profit generation
- Develop and Expand Supply of Green Lubricants for EVs and green power plants
- Secure and commercialize lubricant upcycling technologies

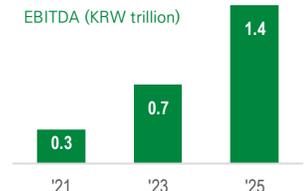
Target Capa.

"High Growth via Capacity Expansion" (100 MM m²)



Financial Target

"High Growth via Differentiated Competitiveness"



1) CCUS (carbon capture, utilization & storage)

Timeline

Aug. 3 BOD to resolve on split-off agenda

Sept. 16 EGM(Extraordinary General Meeting) to deliberate for special resolution

Aug. 3 rd	BOD Meeting	Approve split-off agenda, resolve to convene EGM, and set record date
Aug. 18 th	EGM Record Date	Fix shareholders' list for EGM
Sept. 6 th	Open e-Vote	9:00AM ~ 5:00PM on Sept. 15 th
Sept. 16th	EGM	10:00AM @ SUPEX Hall, SKI HQ
Oct. 1 st	Split-off Date	New entity inaugural assembly

* All mentioned schedule in KST (Korean Standard Time)



Split-Off Financial Structure

Based on SKI's separate financial statements as of March 2021

Pre Split-Off

(Unit: KRW in Billion)	SK innovation
Cash, etc.	516.5
Tangible/Intangible Assets	1,526.3
Investment in Associates	13,959.2
Other Assets	2,478.9
Total Assets	18,480.9
Debt	2,563.5
Other Liabilities	2,091.0
Total Liabilities	4,654.5
Total Equity	13,826.4

Post Split-Off

SK innovation (Surviving)	E&P	Battery
87.8	51.7	377.0
358.9	323.4	844.0
13,932.3	336.4	2,491.4
1,501.7	59.6	918.5
15,880.7	771.1	4,630.9
1,657.8	58.1	847.6
396.5	38.6	1,656.8
2,054.3	96.7	2,504.4
13,826.4	674.4	2,126.5