

SK Innovation

2014 Presentation to Investors



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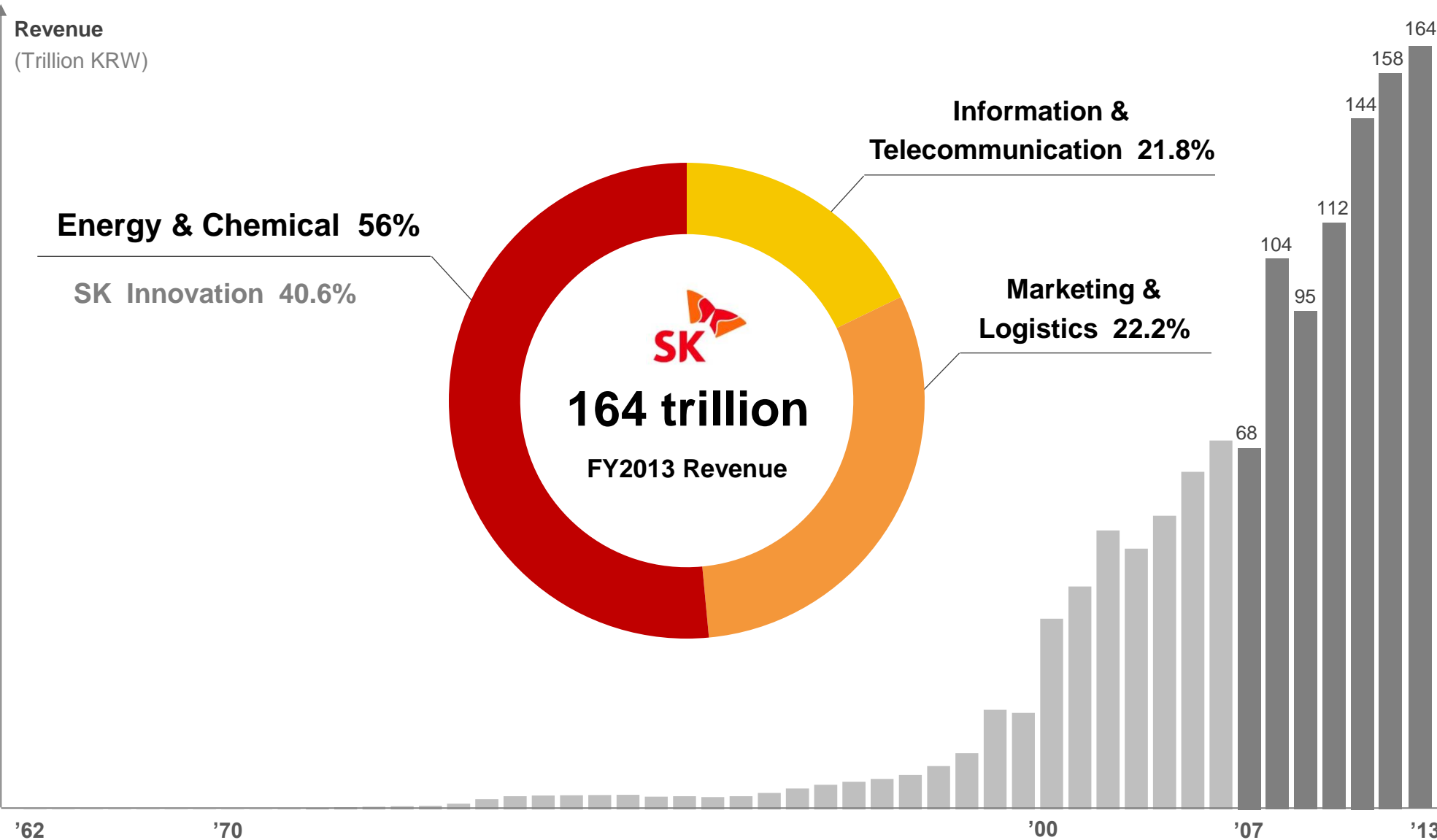
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Introduction of SK Innovation

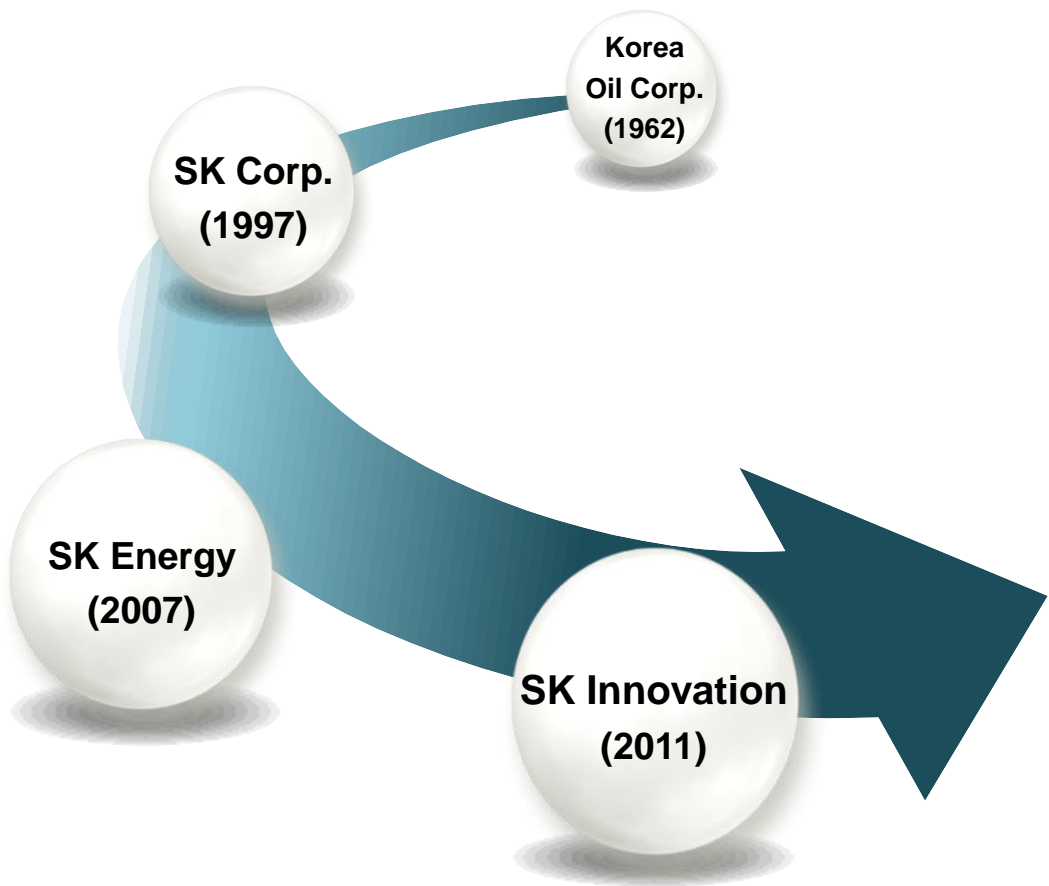
- Introducing SK Group
- Corporate Evolution
- Corporate Snapshot
- Financial Highlights



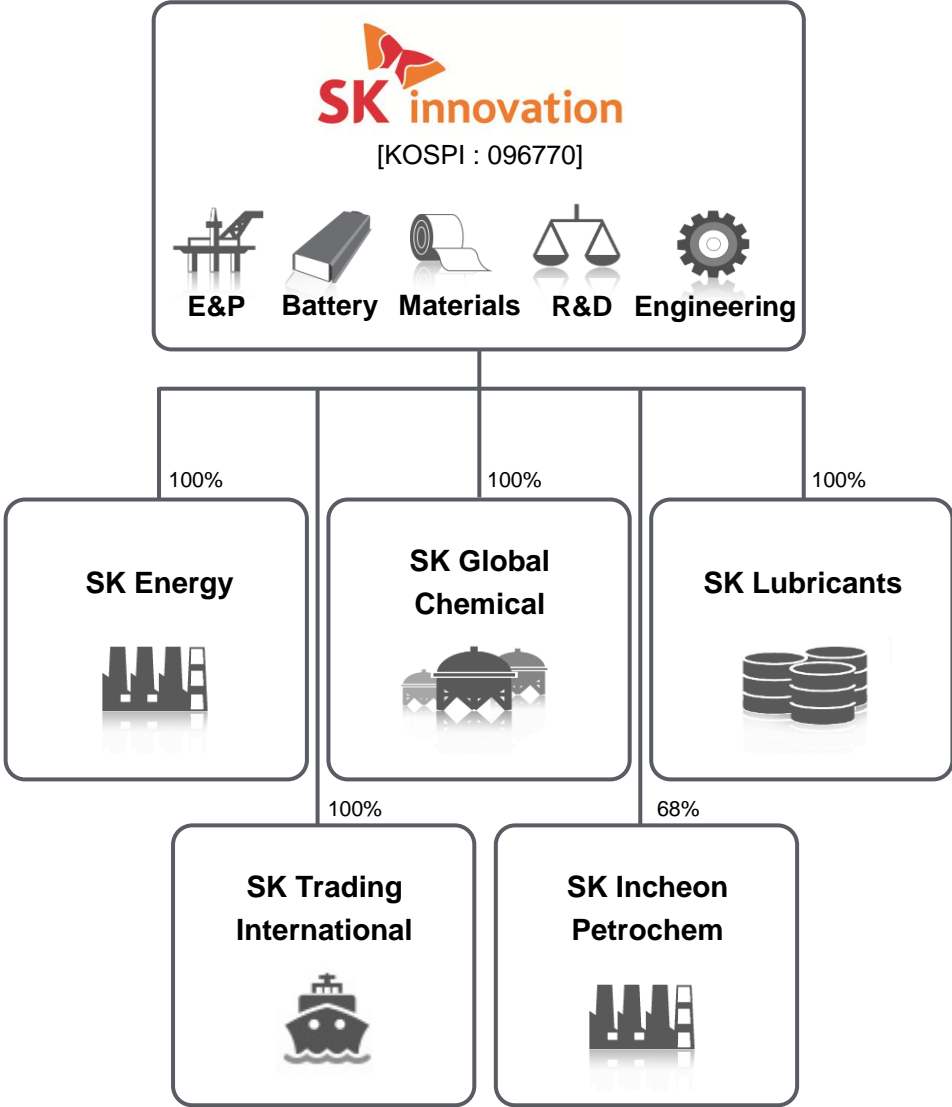
Introducing SK Group



SK Innovation's Corporate Evolution



Tech-based Global Energy Company



Corporate Snapshot

SK Energy



Korea's No.1 Refining & Marketing Co.

Refining capacity 1,115 MB/D

Upgrading facility 187 MB/D

SK Global Chemical



Well-balanced Petrochemical Portfolio

Ethylene 860 KTA / Propylene 960 KTA / Butadiene 130 KTA

BTX 3.8 Mil TA / PX 830 KTA

SK Lubricants



Global Leader in Group III Base Oil

Base oil capacity 57.0 K B/d

Group III base oil merchant market share : App. 50%

SK Innovation

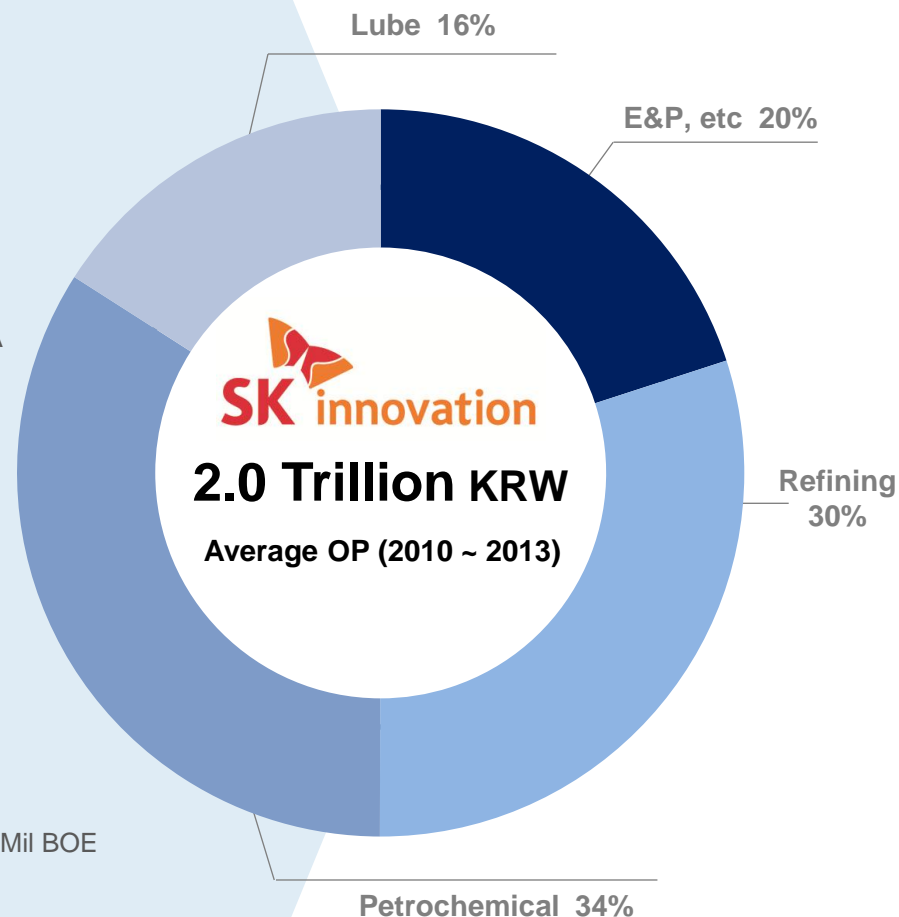


Pursuing Tech. Based New Growth

E&P daily production 70,000 b/d / Proven Reserve (P1) 646 Mil BOE

State of the art R&D center

LiBS, FCCL, TAC / xEV Battery / GreenCoal, GreenPol, etc.



Financial Highlights

Unit (Billion Korean Won)	2012	2013	2014. 1H
Sales	73,330.0	66,669.5	33,371.7
Operating Profit	1,699.4	1,382.9	175.4
- SK Innovation	355.4	324.4	74.6
- SK Energy*	279.1	59.7	-179.9
- SK Global Chemical	751.7	843.4	135.5
- SK Lubricants	313.2	155.4	145.2
Non-Operating Profit	-10.7	-265.5	19.7
Pre-Tax Income	1,688.7	1,117.4	195.1
EBITDA	2,323.1	2,052.2	525.9

*) SK Energy (SKTI and SKIPC earnings included)

Financial Highlights

Unit (Billion Korean Won)	2012	2013	2014. 1H
Assets	33,831.1	35,288.9	35,559.6
- Cash & Cash Equivalents	3,720.1	2,956.4	2,315.4
Liabilities	17,483.1	18,373.6	19,035.6
- Debt	7,909.5	8,882.5	9,976.9
(Net Debt)	(4,189.4)	(5,926.1)	(7,661.4)
Shareholders' Equity	16,348.0	16,915.3	16,524.0
- Paid-in Capital	468.6	468.6	468.6
Liabilities/Equity (%)	107%	109%	115.2%
Net Debt/EBITDA (x)	1.8	2.9	n/a

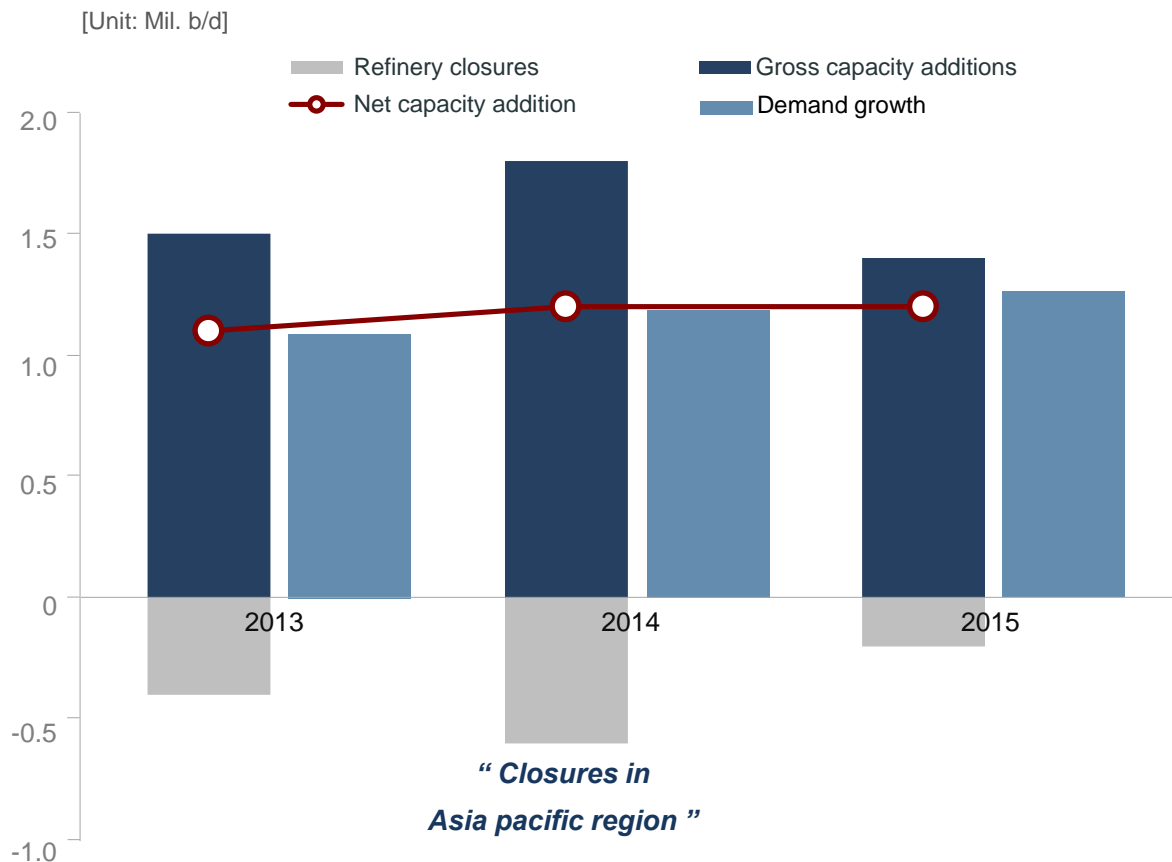
Industry Dynamics

- **Petroleum Business**
- **Petrochemicals - Olefin Business**
- **Petrochemicals - Aromatic Business**
- **E&P Business**
- **Lubricants Business**



Petroleum Business

Capacity additions vs. Oil demand growth



[Source: IEA, Bloomberg, Company estimates]

Overall fundamentals for refining margin seems challenging this year

Larger new capacity addition in 2014

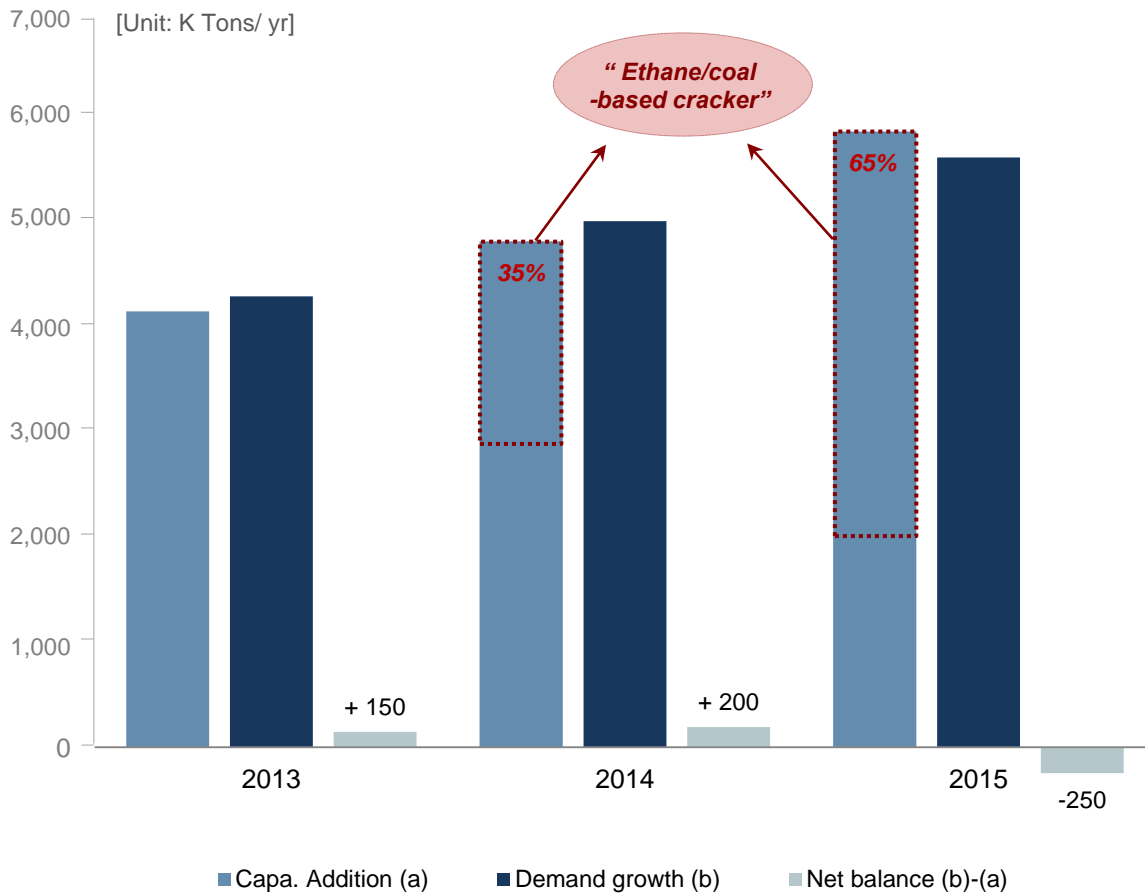
- 2014 new capacity additions
: 1.7~8 mil. b/d per yr (2013 : 1.4~5 mil. b/d)

App. 85% of capacity addition concentrated in Asia and the M.E

Refinery closures and expansions delays will offset the impact of capacity addition
(i.e. Japan, Australia, China)

Petrochemicals - Olefin Business

Ethylene Capacity Additions vs. Demand Growth



[Source: IHS, Company estimates]

Moderate recovery with improved fundamentals

Global demand growth outpaces capacity addition in 2014

- Demand increase led by global economic recovery

U.S and China may be a positive trigger

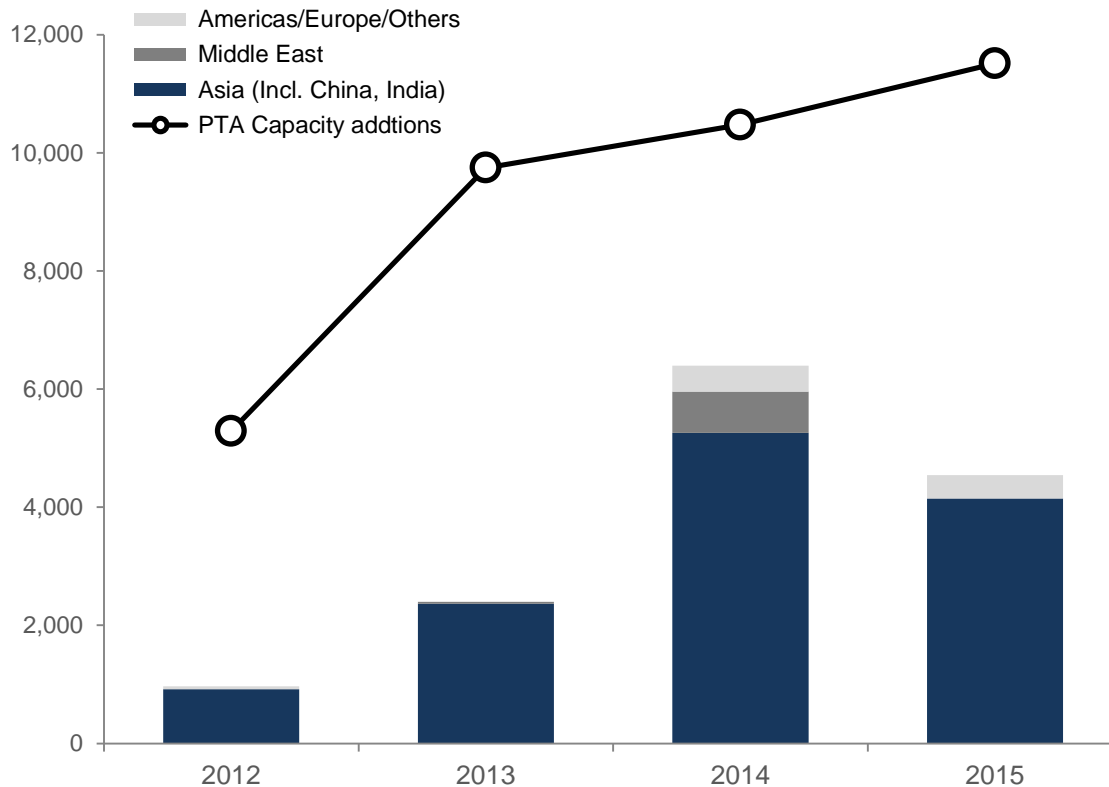
- Possible delays, cancellations of ethane/coal based capacity

Supply-driven structural strength for propylene and butadiene expected

Petrochemicals - Aromatic Business

PX vs. PTA Capacity Additions

[Unit: K Tons/ yr]



Softer margin due to large new PX capacity additions

PX capacity additions in 2014 highly outweigh previous expansions

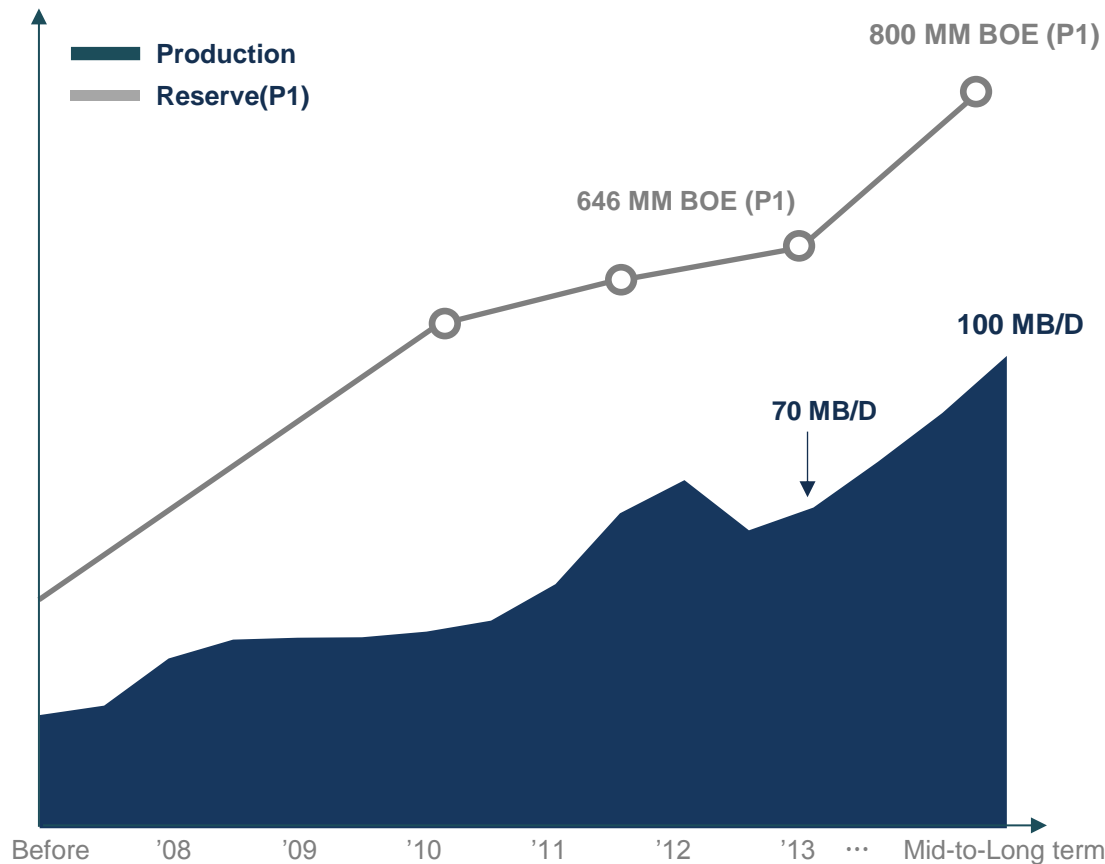
- 2014 PX capa. additions: app. 6.4 mil tpa

Small/ inefficient PX facilities will face closures (i.e. Japan)

BTX will be structurally tight in the mid-term due to increasing trend of light feedstock production

[Source: IHS, Company estimates]

Production & Reserve Target



22 Blocks in 15 Countries and 4 LNG Projects

Current status

- 70 MB/D production, 646 MM BOE (P1)

Mid-to-Long term target

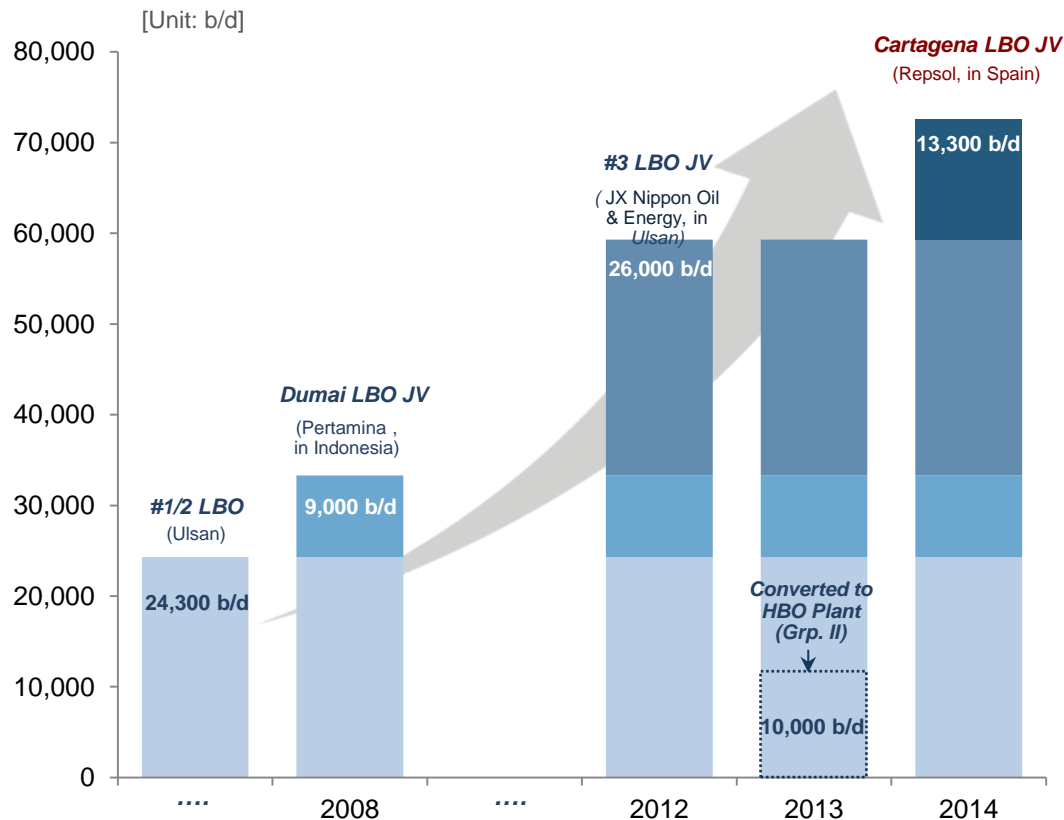
- 100 MB/D production, 1 Bil. BOE (P1)

Pursuing M&A opportunities in the North American regions

- Purchased 2 assets in Texas and Oklahoma (Apr., 2014)

Lubricants Business

Lubricants Base Oil Expansion



Pursuing global expansion and product diversification

JV with Repsol in Cartagena, Spain

- Grp. III LBO production from 4Q14 (13,300 b/d)

Selected as the global provider of lubricants for General Motors

Diversifying product portfolio

- Grp. II LBO production from 3Q13 (10,000 b/d)

Despite increased capacity addition, demand improvement and transition to Grp.III LBO will lead gradual margin recovery

SK Innovation's Growth Strategy

- Strategic direction
- Main Initiatives
- Key Investment Consideration



Strategic Direction



- E&P biz. model level-up with operatorship
- Accelerating breakthrough innovation



- Improving operational excellence
- Maximizing optimization level with proprietary tech.



- Strengthening fundamental competitiveness
- Expanding high-value derivatives business

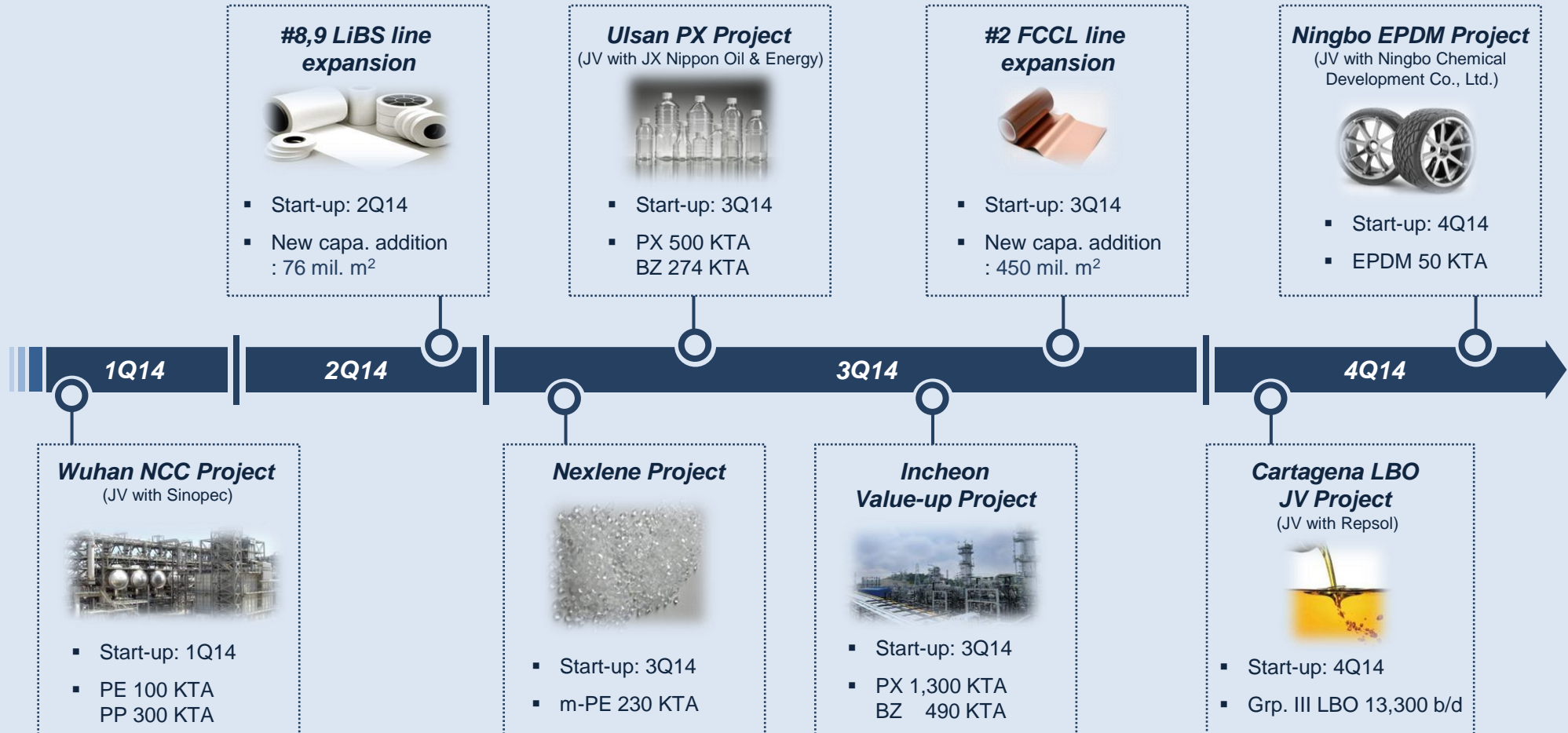


- Enhancing global market leadership through capa. expansion
- Diversifying product portfolio

***Sustainable
Growth
through
Innovation***

Main Initiatives

Major investment with app. 2.5 tril . KRW CAPEX will be finalized in 2014



Key Investment Consideration



Volume growth materializing from 2014

Approximately 2.5 trillion won CAPEX will be finalized in FY14

: Incheon Refinery Value-up Project, Ulsan PX Project, etc.



Well-diversified business portfolio

Mutually complementary business structure → Mitigating earnings volatility

Strengthening non-refining business segments (Petrochemical, E&P, etc.)



Continuous strive for future growth

I/E Materials, Battery business

New growth momentum (Green Pol, Green Coal, etc.)

Pursuing M&A opportunities in E&P business

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