Global Expansion

The separation and launch of SK trading international and SK incheon petrochemical as independent entities totaled the number of SK innovation' s subsidiaries to five. Additionally, the company has three CICs (Company in Company) as part of its realignment of its business system. As a result, the increased independence and competitiveness of each subsidiary organically collaborated to enhance efficiency in the overall business operations under the "Independent but interdependent" governance structure.

3 Company in Company and 5 Subsidiaries

Strategic Spin-off Towards a Greater Future

In July 2013, SK innovation launched SK incheon petrochemical and SK trading international as new subsidiaries. As a result, the company now has five subsidiaries—SK energy (petroleum business), SK global chemical (chemical business) and SK lubricants (lubricants business) along with the two new subsidiaries—under its umbrella.

SK incheon petrochemical is now working to induce foreign investments to expand its production line of the highly profitable condensate-based petrochemical products, specifically paraxylene (PX). The company will pursue global markets, especially in China, as soon as it completes the facility expansion worth a total of KRW 1.6 trillion in investments by the third quarter of 2014.

SK trading international will continue with the trading business, mainly with SK energy, while gradually expanding its customer base, markets and product line-up so as to grow into a specialized international trader. The spin-off was in line with the company's 'quantitative growth and globalization strategy for achieving KRW 290 trillion in sales and KRW 14 trillion in operating income by 2020.

As such, SK innovation and its subsidiaries will independently reinforce their respective competitiveness, while collaborating in areas that can maximize efficiency to generate synergies.

1


2


1 Joint launching ceremony of SK incheon petrochemical and SK trading international
2 Bird view of the SK incheon petrochemical plant

Reorganization for Competitive New Growth Engines

SK innovation carried out a reorganization to fortify the BOD-oriented autonomous and responsible management practices under the Group's governance strategy of "Independent but United 3.0" and to expedite its 2020 vision of globalization.

The company also created a new CIC that will take care of the strategic business in the I/E materials, batteries and separators by integrating the existing Battery & I/E materials Business division to the New Business Development Division.

The addition of this new CIC added up to the number of CICs under the umbrella of SK innovation from two—GT (Global Technology) and E&P (Exploration & Production)—to three. The launch of the new CIC will pave the way for the company to secure technology-oriented new growth momentum, which will expedite business results and reinforce its technological expertise.

Additionally, SK innovation plans on expanding its production volume of EV batteries up to 20,000 units by 2017 in pursuit of greater market share in the Chinese EV battery market. Furthermore, the I/E materials business will sustain growth with the completion of the LiBS production lines # 8 and #9 and the scheduled completion of the FCCL production line in 2015.

Change in the CIC Organization

1 SK global chemical and SABIC signed an agreement for a joint venture
2 Nexlene

Commercialization of Core Technologies

Commercialization of Nexlene Original Technology

In May 2014, SK global chemical concluded an agreement with Saudi Arabia's state-run petrochemical company, SABIC, to set up a joint venture for the production and global marketing of its high-performance polyethylene brand Nexlene.

Nexlene is SK global chemical's original technology that encompasses the catalyst, processing and production, catering to high value-added films, auto parts, footwear interior materials and cable insulation. High performance polyethylene boasts a stronger performance than its conventional counterparts in shock-resistance, transparency, hygiene, and processability. Only a handful of global chemical companies have this production know-how.

With its original technology for integrated production of Nexlene, SK global chemical expects market expansion and better cost competitiveness from this partnership, while SABIC is poised to advance into the high-performance polyethylene market.

The two companies agreed to set up a joint venture in Singapore by the end of 2014, with plans to further expand production lines around the world, including the second plant in Saudi Arabia after the first Nexlene plant was completed in Ulsan in 2013.

Blocks in Holding as of 2013

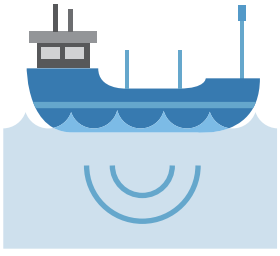
as of Dec. 31, 2013

- **Production**

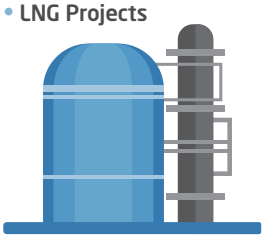
4 Countries
7 Blocks

- **Exploration**

11 Countries
15 Blocks



- **LNG Projects**



4 Countries
4 Projects

Advantages in the Green Market through the Commercialization of GreenPol Technology

SK innovation has been creating new value by producing environmentally friendly plastics from CO_2 under the name GreenPol.

In fact, the company has successfully developed this carbon-derived plastic technology and recently completed the pilot plant for prototypes. It is now increasing efforts for mass production of this technology. By replacing conventional materials which are made of 40 percent carbon dioxide, this is a breakthrough technology because it does not generate toxic gas, specifically carbon monoxide from combustion, and boasts a higher performance than conventional plastics in transparency and oxygen/hydro insulation.

Having completed this development, this technology is currently undergoing the commercialization process. When released on the market, it will be a breakthrough in how to recover and store CO_2 as it turns the main culprit to global warming into an eco-friendly new material that will save on the use of naphtha and even earn users carbon credits.

Moving forward, SK innovation will continue to turn its innovative ideas into business strategies so as to take an advantageous position in the green market and secure its future source of revenue.

Developing Knowledge and Competencies in the Pre-production Stage

SK innovation recently acquired equities of production blocks in Grant/Garfield County, Oklahoma and Crane County, Texas. These two new production assets will add up to the company's daily crude oil production volume to 74,250 barrels, from the previous 71,000 barrels. This also solidified the company's domestic position as the largest E&P operator in Korea that is involved in four LNG projects and E&P projects at 22 blocks (7 production blocks and 15 exploration blocks) in 15 countries around the world.

Furthermore, its recent acquisition of the operating rights at the Grant-Garfield County block is expected to help the company strengthen its expertise in E&P operations. SK innovation is determined to take this opportunity to strengthen its business competencies and knowledge in all E&P procedures, from exploration and development to production, and to lay the foundation for unconventional resource projects in China, Australia and Latin America. In addition, it will continue to add new E&P blocks in prospective areas, completing a comprehensive portfolio that ranges the full E&P value chain.

Ceaseless Innovation in Pursuit of Global Market

A Global Leader in the EV Batteries Market by 2020

With world-leading battery R&D infrastructure, SK innovation has completed the technological development and mass production of medium- and large-sized batteries, especially lithium ion batteries, with a large-scale mass production line in Seosan now going into operation. Banking on its original technologies of high energy density and high output, the company is providing its products with competitive functionality, price and stability to the Hyundai-Kia Automotive Group and the Daimler Automotive Group, while also maintaining joint development or business alliances with several more automakers. In addition, the company has installed the nation's largest energy storage systems in the Smart Grid Test Bed on Jeju Island.

Furthermore, SK innovation set up a joint venture with Beijing Automotive Industry Holding (BAIH) and Beijing Electronics Holding Co. (BEHC) in January 2014. Named Beijing BESK Technology, this joint venture went into full operation as of April 2014. BEHC is the largest LCD panel manufacturer in China, ranking fifth globally. BAIH, one of China's four largest automakers, manufactured 1.7million complete cars in 2013. Tapping into the advanced technologies and business know-how of these three major companies from different business areas, Beijing BESK Technology plans on completing a battery package production line of an annual production capacity sufficient to supply 10,000 EVs by the end of 2014. While expanding its production volume by 2017, the company is aggressively investing in and exploring markets in order to grow into a leading EV battery supplier in China.

SK innovation aims to enhance its global competitiveness in all the core parts and components of EVs, including separators and batteries.

1

1 Signing ceremony of an agreement with Beijing Electronics Holding Co. on a joint venture for EV batteries

Gaining a Stronger Foothold in the Chinese High Value-added Chemicals Market

SK global chemical's Wuhan Project, which the company has been pushing forward with in partnership with China's largest state-run oil company, Sinopec, has fully taken root. Involving the largest investment made by SK in China to construct a naphtha cracking center (NCC) in Wuhan City with a gross production capacity of 2.5 million tons of petrochemicals—including 800,000 tons of ethylene, 600,000 tons of polyethylene and 400,000 tons of polypropylene—this project will lay the groundwork for the company to fully enter the Chinese petrochemical market, producing and distributing petrochemical products in China with our own brand name.

As of January 2014, the NCC initiated full commercial production, churning out 100,000 tons of polyethylene and 300,000 tons of polypropylene under the name of SK global chemical in China. In addition, the joint venture Sinopec-SK (Wuhan) Petrochemical projects its annual sales for 2014 at KRW 3 trillion.

Buoyed by its successful advance into the world's largest energy & chemical market in China, SK global chemical will reinforce its technology R&D for the successful establishment and sustainable growth of its global operations.

Strengthening Global Competencies in the Premium Base Oil Market

Under an alliance with Spain's largest oil refiner, Repsol, SK lubricants is constructing a lube base oil plant with the goal of starting full operations by the end of 2014. The new plant will serve as the strategic point for the company to pursue European markets with premium brands that meet strict European environmental regulations, emerging as a leading global producer of Group III lube base oil products.

In particular, the company was named as a supplier of engine oil and automatic transmission fluid to General Motors in December 2013, clear evidence of the competitive quality of its finished lubricant products—it has been supplying automatic transmission fluid to the automaker since 2009. While continuously raising its market power in strategic markets such as China, Russia and Pakistan, SK lubricants is adopting a localization strategy in India—an emerging market for lube base oil—with the aim to accelerate its global expansion plans.