

..... ***Our Strategy*** .....

***Structural Innovation Spurring Deep Change***

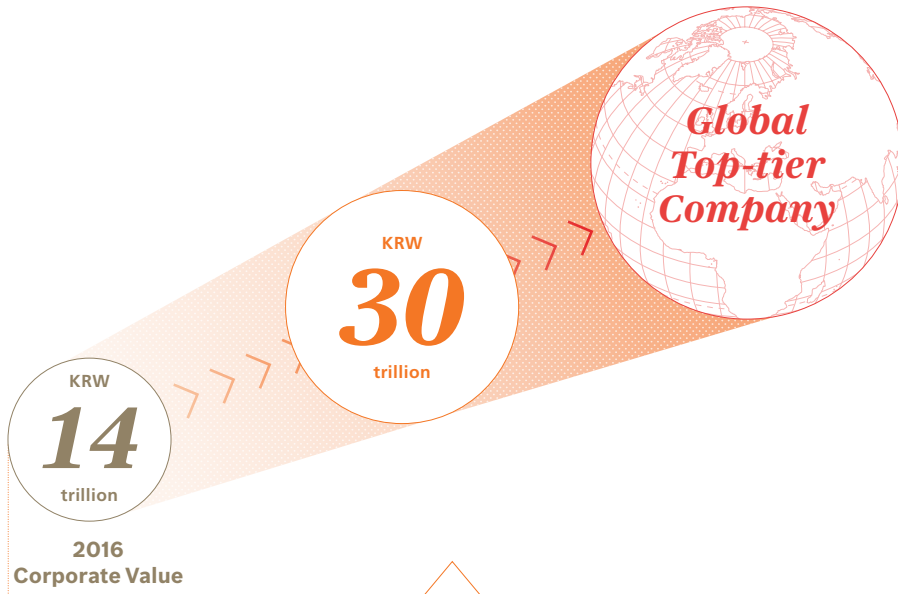
As the global business environment gets more unstable, it is imperative not only to secure the stability in business, but also to set the strategic direction by choice and focus and to find and implement a new growth option. Thus, SK innovation continues to pursue structural innovation and strategic investments via global partnerships and M&A to ultimately strengthen the mid-to long-term value of the company.

**Our Strategy**

**Vision**

**“Global Top-Tier Energy & Chemical Company”**

Through bold business model innovation, SK innovation aims to achieve corporate value of KRW 30 trillion in the short run to ultimately become a global top-tier energy and chemical company.



**Deep Change**

**Deep Change:** In order to respond to changes in management environment, breaking and changing the framework of existing customs in terms of business, organizational, and culture. It is included not only business structure but also corporate culture(upgrade of management system, change of working method, etc.), asset efficiency.

# “ Fully engage in structural innovation to grow into a global top-tier company ”



- **Business Structure Innovation: Realizing global growth through bold investments**
  - Identify and develop new growth drivers by leveraging partnerships and M&A
  - Strengthening competitiveness in a different way for each business
- **Profit Structure Innovation: Building a sustainable profit basis**
  - Minimize profit/loss volatility and develop additional profit sources by quickly and flexibly adapting strategic responses

## Corporate Value Innovation Based on Global Growth and New Businesses

### Increasing investments to secure sustainable future growth engines

SK innovation is accelerating the pace of structure innovation across the company based on profitability and growth potential to secure new growth options. In 2017, the company is expecting CAPEX to reach a maximum KRW 3 trillion. The investment would include M&As and equity investments in the petrochemical and E&P sectors in Korea and abroad, and continuous investment in new business areas, such as expanding the capacity of battery production and expanding the LIBS business. As part of these activities, SK global chemical announced the acquisition of Dow Chemical's high value-added EAA<sup>1)</sup> business in early 2017. In addition, the B&I(Battery and I/E material) business built its No. 4-6 production lines in 2016-17.

1) Ethylene Acrylic Acid(EAA): Functional adhesive resin which is primarily used in the adhesive layer with multi-layered film material such as aluminum foil packaging

### Strengthening organization and human resource management for global growth

SK innovation has relocated our major departments to various global sites in order to more aggressively and effectively take on the global market. For example, the business representative and senior managers of the E&P business were relocated to Houston, U.S, while the CEO and key senior team of SK global chemical moved to China. SK global chemical established a Global Marketing Division in China to concentrate on strengthening local marketing and develop a successful global joint venture business model in this region. In addition, to support the aggressive expansion of the new businesses, we plan to gradually expand the number of new hires across the next 5 years with a plan to recruit a total 1,200 employees, including college graduates and new technicians. The company will also contribute to vitalizing the Korean economy market.



Seosan Battery Plant



Block site in Oklahoma, U.S.

## ..... *Our Strategy* .....

### *Optimization*

As a leading company in the energy and chemical industry, SK innovation pursues value management, which maximizes the value of raw materials and products, leveraging our business knowledge, data and optimization capabilities. Moreover, the company uses a systematic approach to optimization by converging its capabilities with ICT technology with the aim of applying it to various business areas to create value. Under this initiative, the company is planning to innovate the profit structure of each of its businesses to continuously enhance our corporate value.

#### ..... Optimization-based Value Management .....

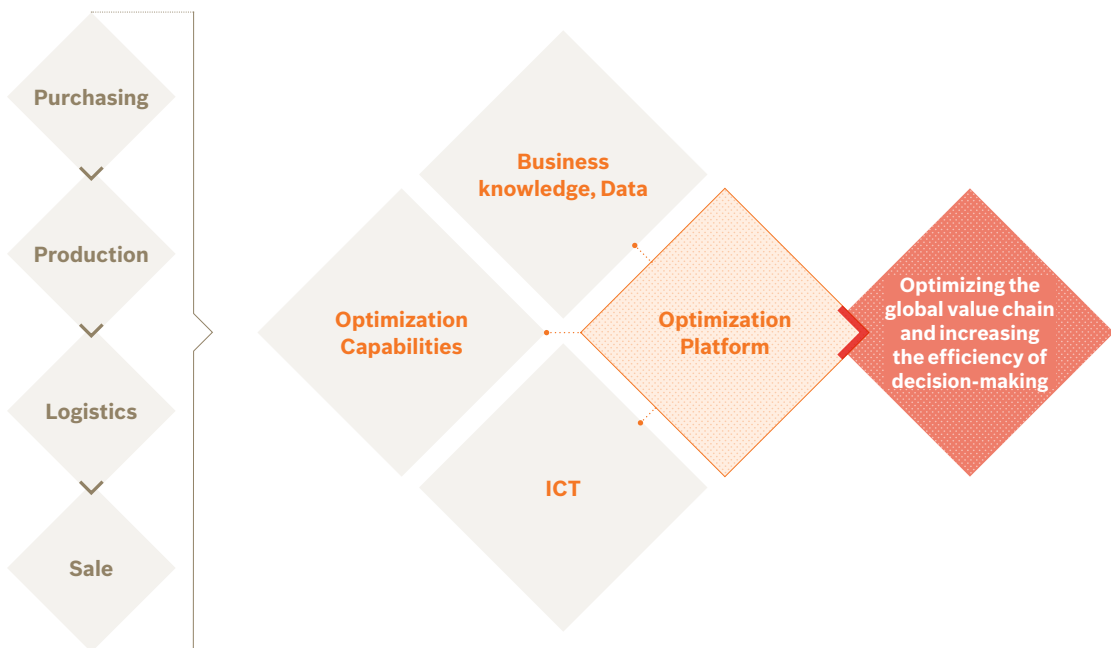
As a leader in the petroleum and energy sector over the past five decades, SK innovation has gathered significant data and extensive knowledge about topics including feedstock, energy refining, markets, and global business environments. Moreover, it created an exclusive organization responsible for optimization in 2012 to systematically manage and analyze data, develop mathematical al-

gorithms and engage in modeling to further evolve the company's optimization capability. By combining these capabilities, we are able to accurately assess the real value of our feedstock and products, and maximize the value of such, against the risk and opportunities in a changing external environment.

#### ..... Enhancing Corporate Value by Spreading Value Management .....

SK innovation has gradually expanded its business scope to include more countries across the world, which creates a clear need to engage in efficient decision-making at a global level. To this end, the company has accumulated business knowledge, data and optimization capabilities, which it has converged with ICT technology to strengthen the scalability of value management. Moving forward, the value management capabilities accumulated in the petroleum

and energy business will be displayed not only to traditional hydrocarbon businesses, such as resource development, petrochemical, lubricants and trading, but also to other areas, including EV battery and I/E business, to enhance the value of these businesses. SK innovation will continue to strengthen our corporate value by upgrading our optimization platform and achieving innovations in the profit structure utilizing the upgraded platform.



## ..... *Our Strategy* .....

### *Global Partnering*

SK innovation utilizes its global partnering with other leading companies to acquire advanced industry know-how and strengthen its competitiveness in the global market. Going forward, we will continue on the path to becoming a global top-tier energy and chemical company by forging win-win partnerships with advanced companies in each industry.

#### ..... Maximizing Value Generation via Global Partnering .....

In 2014, SK global chemical agreed on a partnership with SINOPEC, China's state-governed oil company, creating the largest petrochemical joint-venture production facility in the history of Korea-China relations. In 2015, the company signed a partnership with SABIC, the second largest petrochemical player in the world, to enhance the status of a global chemical company. In addition, SK

lubricants has emerged as one of the top 3 lube base oil providers by engaging in a wide range of global partnership, which started with a joint venture PatraSK in Indonesia in 2008. More recently, it established ILBOC, a joint venture with Repsol, Spain's largest oil refining company.



#### SK global chemical X China's state-owned oil company SINOPEC

- Name of Joint Venture: Sinopec-SK(Wuhan) Petrochemical Co., Ltd.
- Production Capacity: Approximately 2.5 million tons p.a.
- Highlight: Largest joint petrochemical production facility in the history of Korea-China relations



#### SK innovation X BEHC X BAIC

- Name of Joint Venture: Beijing BESK Technology
- Date Completed: Currently in commercial production after being completed in 2014
- Highlight: Strategic foothold to target the Chinese electric vehicle market

CHINA

#### SK global chemical X World No.2 Chemical Provider SABIC

- Name of Joint Venture: SABIC SK Nexlene Company Pte. Ltd.(SSNC)
- Production Capacity: Approximately 230 thousand tons p.a. of high-performance polyethylene products
- Highlight: The first global JV creating using SK's proprietary technology

SINGAPORE

\*The production is located in Ulsan.

#### SK global chemical X Japan's No. 1 Energy Corporation JX Nippon Oil & Energy

- Name of Joint Venture: Ulsan Aromatics Co., Ltd.(UAC)
- Production Capacity: Approximately 1.6 million tons p.a.
- Highlight: Strategic partnership with Japan's largest energy corporation

KOREA

#### SK lubricants X Japan's No. 1 Energy Corporation JX Nippon Oil & Energy

- Name of Joint Venture: YUBASE Manufacturing Asia Company(YMAC)
- Production Capacity: Approximately 26 thousand barrels per day
- Highlight: Strategic partnership with Japan's largest energy corporation

KOREA

#### SK lubricants X Repsol, Spain's No. 1 Energy Corporation

- Name of Joint Venture: Iberian Lube Base Oils Company(ILBOC)
- Production Capacity: 13.3 thousand barrels per day
- Highlight: Partnership extended as the No. 1 Group III base oil provider

SPAIN

#### SK lubricants X The world's No. 2 oil producer Pertamina

- Name of Joint Venture: PatraSK
- Production Capacity: Approximately 9 thousand barrels per day
- Highlight: SK lubricant's first Group III base oil plant overseas

INDONESIA