

Business Performance

Financial stability is integral for sustainable business practice and growth. In 2017, SK innovation achieved the best business performance in our history by aggressively improving our profit structure and corporate value. We will continue to strengthen our competitive advantages and develop new growth engines for the future to ensure that we become a trusted energy and petrochemical company for all stakeholders, including shareholders and investors.

— Creating Economic Values

At SK innovation, we reached KRW 46.2609 trillion in consolidated sales through innovation in distribution channels, investment in VRDS, our strengthened leadership position in the premium base oil and lubricant market, and improved operational efficiency of Ulsan CLX and SK incheon petrochem. In addition, we built a foundation for global growth by acquiring EAA and PVDC business units from Dow.

— Key Performance by Business

Petroleum Business

Our petroleum business recorded an operating profit of KRW 1,502 billion based on global economic recovery, increased demand, and OPEC's continued efforts to improve supply and demand. We are committed to taking our business to the next level through improved cost efficiency by developing strong flexibility in our purchase system, optimizing production operations, increasing the domestic market share, and strengthening trade performance and strategic partnerships.

Chemical Business

Despite the concerns over the new operation of the ECC business in the U.S.A., our chemical business recorded an operating profit of KRW 1.3772 trillion, thanks to heavy demand in chemical products mainly in olefins. Through the acquisition of Dow's EAA and PVDC divisions, we secured key materials for a next-generation packaging business, which serves as another option for sustainable growth in the global market.

● Sales (Unit: KRW 100 million)

Classification	2015	2016	2017
Total	483,563	395,205	462,609
Petroleum Business	352,997	283,699	327,712
Chemical Business	92,880	76,865	93,392
Lubricant Business	26,188	25,358	30,475
E&P and Other Businesses	11,499	9,283	11,030

We also expanded our battery business and LiBS facilities to ensure sustainable growth and take proactive measures in response to changing market conditions. Because of these efforts, our corporate value has increased by 40% from early 2017.

Lubricant Business

Raw materials prices rose due to steady increase in oil prices, but our lubricant business reached an operating profit of KRW 504.9 billion, thanks to increased demand for our Group III high quality base oil products, and our continued efforts to improve the premium and optimized production process.

E&P Business

Our E&P business recorded an operating profit of KRW 188.4 billion, up from the previous year, as oil prices kept rising from the 2nd quarter. We are strengthening our position as a global E&P company through direct operation of the U.S.A. production blocks and continuous exploration in 13 countries worldwide.

● Operating Profit (Unit: KRW 100 million)

Classification	2015	2016	2017
Total	19,796	32,283	32,344
Petroleum Business	11,261	16,256	15,020
Chemical Business	6,039	12,322	13,772
Lubricant Business	2,947	4,683	5,049
E&P and Other Businesses	-451	-978	-1,498

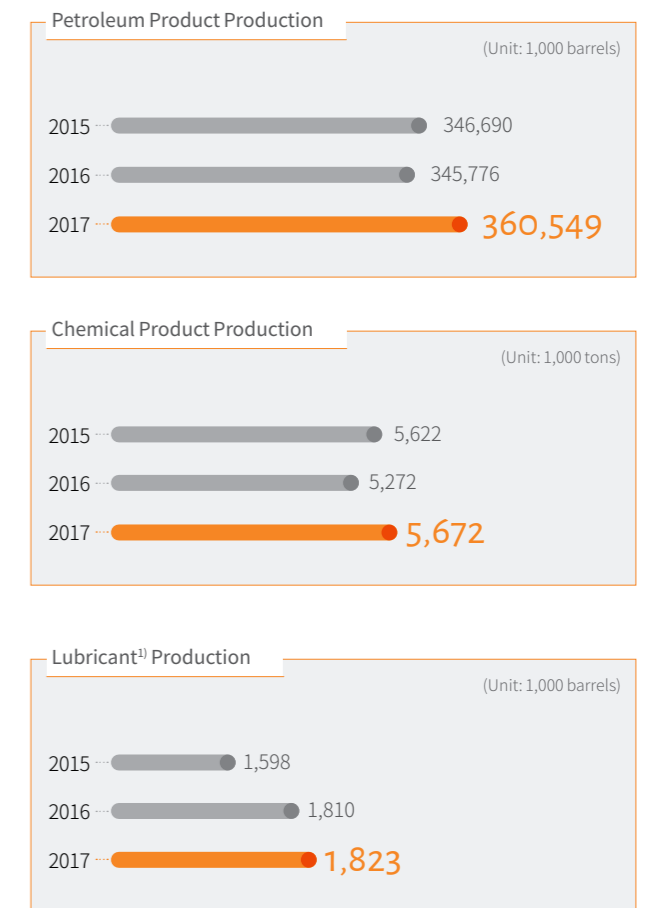
— Production Capacity & Volume

At SK innovation, we are strengthening our global market leadership by optimizing our production processes and operation of production facilities.

● Production Capacity

Amount Confirmed Amount of Crude Oil Secured 530 million barrels	Battery Supply for Electric Vehicles 40,000 units per year
Annual Petroleum Product Production Capacity (Ulsan Complex) 290 million barrels	Annual Petroleum Product Production Capacity (SK incheon petrochem) 137 million barrels
Annual Chemical Product Production Capacity (Ulsan Complex) 7.693 million tons	Annual Chemical Product Production Capacity (SK incheon petrochem) 1.467 million tons
Annual Lubricant Production Capacity 2.15 million barrels	Annual Lube Base Oil Production Capacity 25.84 million barrels

● Production Volume



Note 1) SK lubricants' own production capacity, excluding the toll processing volume

— Credit Rating

Through diversification of our business models in petrochemical, lubricant, E&P and EV battery businesses, we innovated our profit and financial structure.

As a result of implementing a healthy financial policy and maintaining a stable cash flow, S&P rated our financial position as stable (BBB+) in 2017, which is the highest credit rating we have earned so far.

Domestic Credit Rating AA+	Rated by Korea Investors Service
Overseas Credit Rating BBB+ (stable)	Rated by S&P