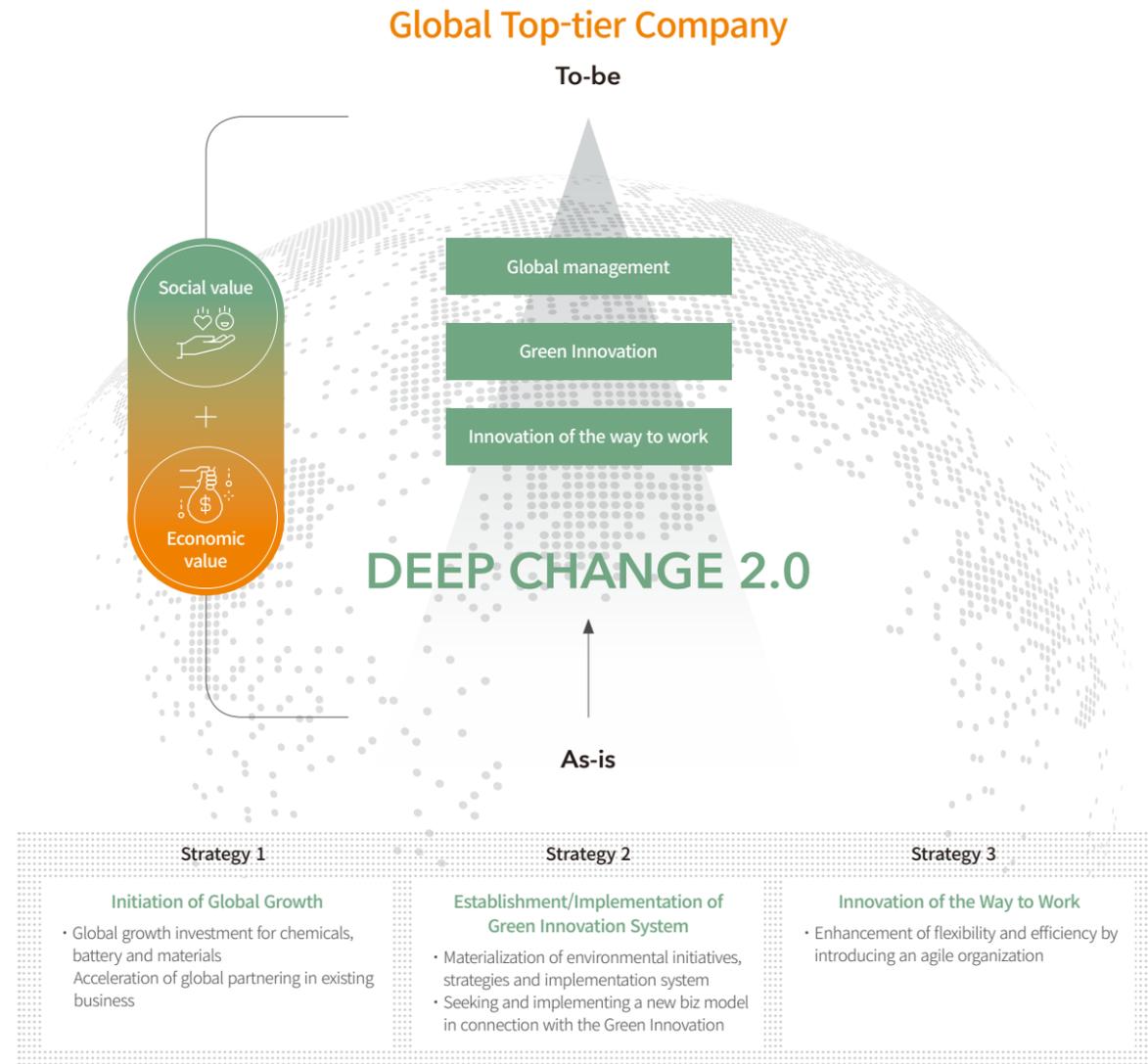


# OUR STRATEGY

## Deep Change 2.0

With unpredictable fluctuation in the traditional petrochemical industry and Fourth Industrial Revolution, the uncertainty of the business environment has increased. Under these circumstances, it is necessary to set a strategic direction based on selection and concentration and to seek a new growth option. Thus, SK innovation not only enhances the competitiveness of existing business, but also invests in emerging business such as EV battery, materials and chemical business and boosts social values through the Green Innovation. SK innovation ultimately aims to become a global prestigious company trusted by all stakeholders.

**Implementation strategy** “Creating a Bigger Social Value by Innovating our Business Model”



## Innovation of Portfolio with Investment for New Global Growth

### Expansion of Investment to Secure a New Global Growth Engine

SK innovation accelerates its company-wide portfolio innovation to ensure global growth and secure a new growth engine.

In terms of the battery business, we determined to make new investment in large-scale plants in Hungary, China and the U.S. based on our core technologies capabilities for EV battery. With such determination, the company has grown into a global leading company in the EV battery business, which is one of the future's new growth sectors. For the materials business, we solidify our status as an industrial leader by global facility investment for LiBS, which is a core battery material, and invest in FCW (Flexible Cover Window), which is expected to grow in the future. From April 2019, the division was segregated as a subsidiary of SK innovation to secure business expertise and establish an independent management system.

With the acquisition of EAA (Ethylene Acrylic Acid) and PVDC (Poly Vinylidene Chloride) divisions of DowDuPont, a global chemical industry in 2017, SK global chemical has accelerated global growth through M&A in the high-value-added chemical products sector, which is likely to grow further in the future.

### Reinforcement of Business Competitiveness and Enhancement of Value

With the aim of preparing for global environmental regulations and reinforcing business competitiveness, SK energy is making investment in Vacuum Residue Desulfurization (VRDS) facilities and enhancing business value by developing a new business model “Home Pick” utilizing gas station network. We also continuously improve the competitiveness of SK incheon petrochem and Ulsan Complex. SK lubricants is expanding global leadership by reinforcing global partnering and product competitiveness in the advanced premium base oils and lubricant market.



## Optimization

As a leading company in the energy and chemical industry, SK innovation maximizes the value of raw materials and products and creates a synergistic effect between business projects based on business knowledge and capability for data, optimization and analytics in core business and pursues differentiated competitiveness in growing business.

We also ensure more scientific and efficient decision-making methods in all value chain sectors by systemizing optimization and analytics in convergence with our capabilities and ICT. SK innovation will continue to enhance corporate value through the innovation of profit structure in all business sectors.

### Innovation of Optimization-Based Profit Structure

For the past five decades, SK innovation has accumulated an extensive range of knowledge and data in a variety of sectors such as crude oil, energy and chemical refinement, market and global business environment as an energy and chemical leading company. Since 2012, we have operated an organization in charge of optimization and continuously secured the capabilities to conduct advanced optimization such as mathematical algorithm modeling and analyze data inside and outside the company in a systemic and quantitative manner. By combining such capabilities, we have been able to evaluate the intrinsic value of raw materials and products more accurately and adopt raw materials suitable for the business structure. The company also has the ability to analyze any opportunities and risks based on the external environment, promptly deal with such changes and maximize the profit structure for business management.

### Securing Differentiated Competitiveness Based on Analytics

As business sectors of SK innovation became more diversified to EV battery, information and electronic materials and E&P, it is much more important to secure differentiated competitiveness in growing business sectors. Accordingly, we have reinforced the function of analytics in the optimization organization and focused on securing and supplementing big data and AI capabilities. By securing differentiated competitiveness based on data analytics, SK innovation enhances the efficiency of the battery business and maximizes the success rate of E&P project exploration and productivity. The company will continue to improve corporate value by securing differentiated competitiveness in the new emerging business sectors.

#### Innovation of business value creation structure

#### Innovation of core business profit structure

#### Securing differentiated competitiveness in growing business

Business knowledge

Data

Capability for optimization

Capability for analytics

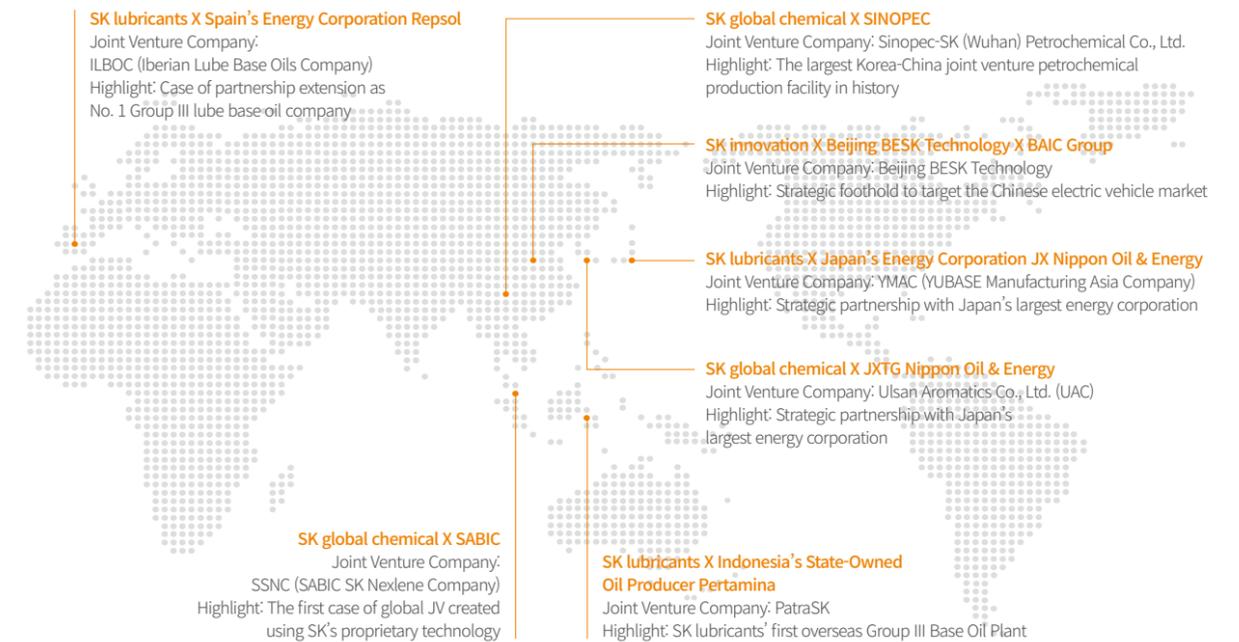
ICT



## Globalization

SK innovation acquires advanced business know-how and secures competitiveness in the global market through strategic partnering for win-win relationships with distinguished companies in each industry. We will proactively implement global partnering with overseas advanced companies and maximize our potential for growth.

### Current Status of Joint Venture Companies



#### Global Business Sites

##### SK innovation

**Crude oil production block:**

Peru, Vietnam, U.S., Libya

**Crude oil exploration block:**

China, Vietnam, Australia

LNG project: Yemen, Peru, Oman, Qatar

**Technology Innovation Center:**

Daejeon R&D Center

**Overseas subsidiary:** Poland, China

##### SK energy

**Overseas subsidiary:** China, Singapore, Vietn

##### SK global chemical

**Overseas subsidiary:**

China, Singapore, Japan, U.S., Spain

**Overseas branch:** Dubai, Germany

##### SK lubricants

**Overseas subsidiary:** U.S., China, India, Russia, Japan, Netherlands, Indonesia, Spain

**Overseas branch:** U.K., China

##### SK trading international

**Overseas subsidiary:** Singapore, U.K., U.S.

**Overseas branch:** Dubai

#### Global Production Business Sites

##### SK innovation, SK energy,

**SK global chemical, SK lubricants**

**Ulsan Complex:** Refinery plant, middle distillates cracking plant, petrochemical plant, polymer plant, lube base oil and lubricant plant

**Seosan, Hungary, U.S. Plants:** Lithium-ion battery production lines

**Jeungpyeong, Cheongju, China, Poland Plants:** LiBS/CCS production line, FCW production line

##### SK incheon petrochem

**Incheon Plant:** Refinery and petrochemical plant