

BUSINESS PERFORMANCE

SK innovation aims to improve the company's value continuously by enhancing profit structure and maintaining revenue growth. We intend to become a company all stakeholders have faith in by securing unique competitiveness and discovering new growth drivers.

Major performance by sector

Petroleum production business

Our revenue and operating profit have increased by 19% and 36% respectively in 2018 thanks to the rise in oil price. In 2019, we anticipate a higher production volume as we plan to expand the scale of development in SK Nemaha. We also plan to make preparations for the development of the projects that we have successfully discovered in China and Vietnam.

Battery business

Since commercializing the lithium-ion battery in 2005, we established a battery research infrastructure in our Daejeon R&D Center and began operating our mass production facility in Seosan, located in the Chungcheongnam-do Province to complete our system of technology development and mass production. We provide high-output and high-density batteries based on safety. We are also building battery plants in Hungary and the US to meet the needs of global automobile manufacturers.

Materials business

Since developing a unique LiBS production technology in 2004, we have been producing the best quality LiBS in the world through continued improvement in the production process and the product. We run 11 production lines in Jeungpyeong and Cheongju located in the Chungcheongbuk-do Province. We are building 2 additional product lines targeting mass production by late 2019. In addition, we are driving investment in Changzhou, China and Silesia Province, Poland to respond to the demand of China and Europe, the largest growing market for the electric car battery industry.

Petroleum business

In our petroleum sector, we recorded 709.3 billion won in operating profits due to the stability in both refinery margin and profit structure. We are improving our viability through continued innovation in profit structure and increase in

market share. Our efforts are going into building a long-term growth base such as discovering new business models to help us become an improved energy company.

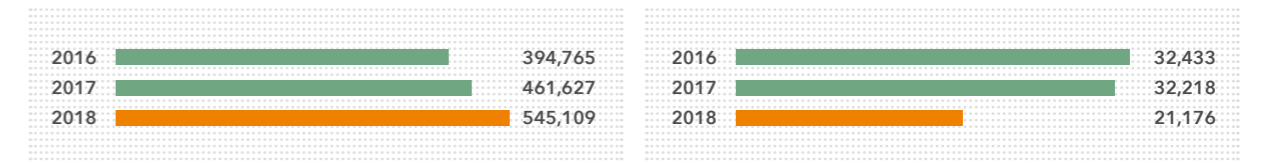
Chemicals business

Despite deteriorating market conditions due to easing trade onshore/offshore and peaking paraxylene market and our high-value added product portfolio, we achieved 1.1176 trillion won in operating profit. SK global chemical is accelerating its global growth centered on China by securing market competitiveness based on technology and is continuing to increase corporate value by discovering various growth options.

Lubricants business

We are focused on strengthening our status as a market leader in the domestic market. We continue to expand our top-tier and premium level products by improving the SK ZIC brand. We use an incentive policy to increase the number of stores that carry our products within our distribution network. In the global market, we are focused on expanding sales of premium products to markets with high-growth potential such as China and Russia.

Total revenue (Unit: 100 million won) **Total operating profit** (Unit: 100 million won)



Revenue (Unit: 100 million won)

Business type	2016	2017	2018
Petroleum	283,699	327,712	391,935
Chemicals	76,865	93,392	106,844
Lubricants	25,358	30,475	32,661
Battery	1,442	1,457	3,482
Oil development and other businesses	7,401	8,590	10,186
Total	394,765	461,627	545,109

Operating profit (Unit: 100 million won)

Business type	2016	2017	2018
Petroleum	16,256	15,020	7,093
Chemicals	12,322	13,772	11,176
Lubricants	4,683	5,049	4,607
Battery	(1,001)	(2,321)	(3,175)
Oil development and other businesses	172	697	1,476
Total	32,433	32,218	21,176

Credit rating

SK innovation has improved its financial structure through continuous business diversification. Thanks to healthy financial policies and stable operating cash flow, we earned a credit rating of BBB+ (stable).

<p>Domestic credit rating</p> <p>AA+</p> <p>(Korea Investors Service)</p>	<p>Global credit rating</p> <p>BBB+</p> <p>(S&P)</p> <p>Baa1</p> <p>(Moody's)</p>
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