

2023 4Q Earnings Release

Green Energy & Materials Company

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Financial results for 4Q23 are subject to change according to the outside independent auditors' audit.

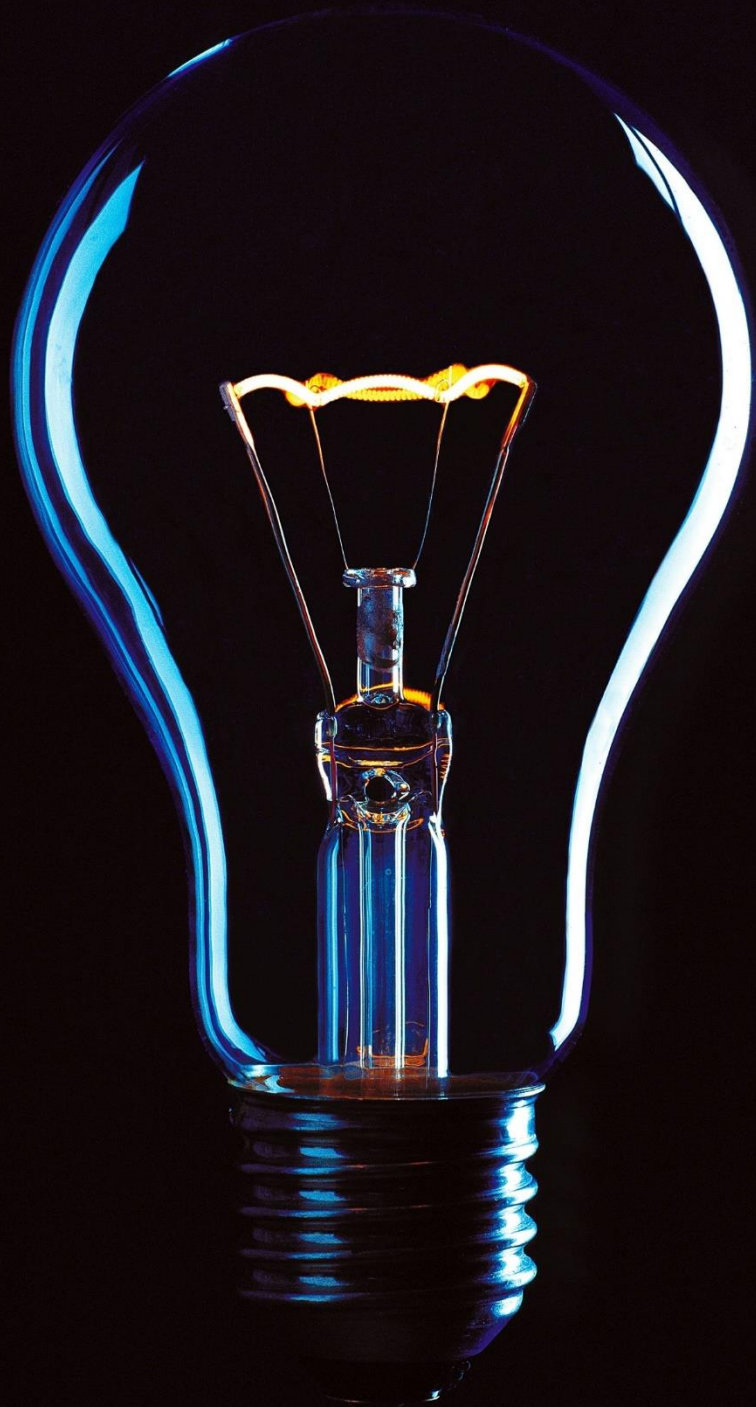


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Highlights



SK On posts record high revenue in 2023
Quarterly profitability uptrend persists
Mid to long-term run rates expected to rise
backed by heavy order backlog

- Quarterly profitability continues to improve backed by increased productivity in North America and expanded AMPC effects (OPM +2.0%p QoQ)
- Mid to long-term utilization rates and profitability expected to rise buoyed by large orders



Cancel treasury
stocks in entirety



Fulfill
shareholder
commitments



Strengthen
shareholder
communication



Decision to retire all treasury shares within
distributable income limits

- Decided to retire treasury stocks (4,919,974) acquired within the distributable profit limits as per the board resolution (Disclosed on Feb. 5, '24)
- Aligned with the government's policy to alleviate Korea Discount and the company's commitment to fulfill pledges made to shareholders through shareholder dialogue



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Key Business Results

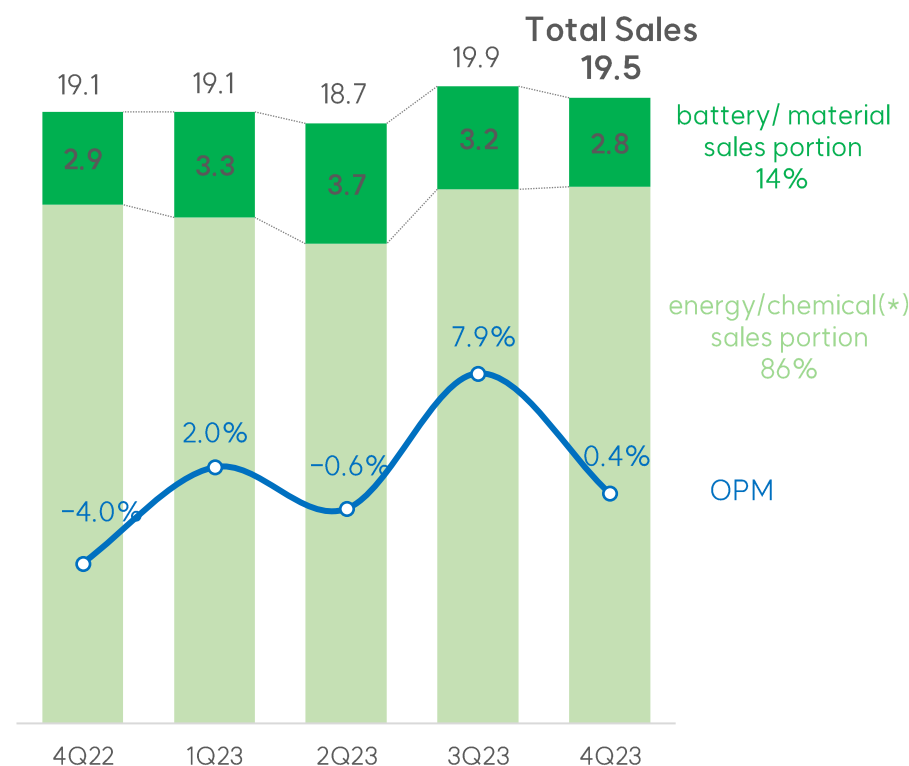
Sales and Operating Profit

(Unit: KRW in Billion)

Type	3Q23	4Q23	QoQ	2022	2023	YoY
Sales	19,889.1	19,529.3	△359.8	78,056.9	77,288.5	△768.4
Operating Profit	1,563.1	72.6	△1,490.5	3,917.3	1,903.9	△2,013.4
EBITDA	2,122.6	656.4	△1,466.2	5,818.8	4,135.5	△1,683.3
Non-Operating Profit	△476.8	△133.7	+343.1	△1,057.1	△980.3	+76.8
Pre-Tax Income	1,086.3	△61.1	△1,147.4	2,860.2	923.6	△1,936.6

Financial Highlights

(Unit: KRW in Trillion)



* SKE, SKTI, SKIPC, SKGC, SKEN, SKEO, SKI Staff

Key Financial Results

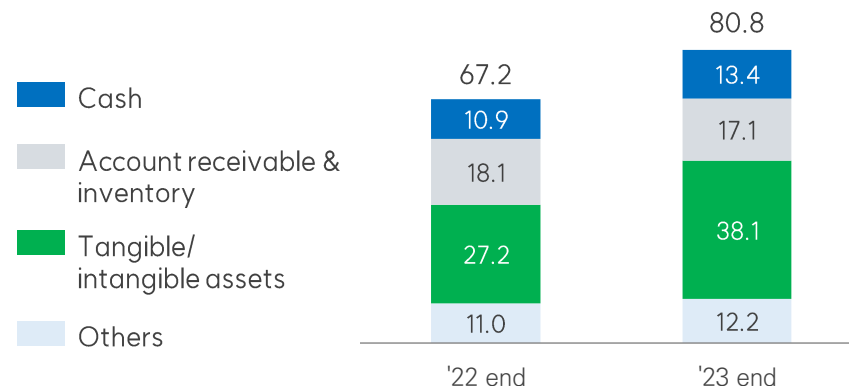
Balance Sheet

(Unit: KRW in Billion)

Type	'22 end	'23 end	YoY
Assets	67,218.9	80,770.7	+13,551.8
– Cash, etc	10,939.4	13,392.3	+2,452.9
– Account receivable	6,278.8	5,929.4	△349.4
– Inventory	11,857.7	11,122.7	△735.0
– Tangible/ intangible assets	27,188.2	38,080.7	+10,892.5
Liabilities	43,976.6	50,759.2	+6,782.6
– Account payable	9,146.4	8,533.9	△612.5
– Debt	25,454.2	28,958.8	+3,504.6
Shareholder's equity	23,242.3	30,011.5	+6,769.2
Debt/Equity	189%	169%	△20%p
Net Debt	14,514.8	15,566.5	+1,051.7

Asset Makeup

(Unit: KRW in Trillion)



Liabilities & Equity Makeup (Unit: KRW in Trillion)

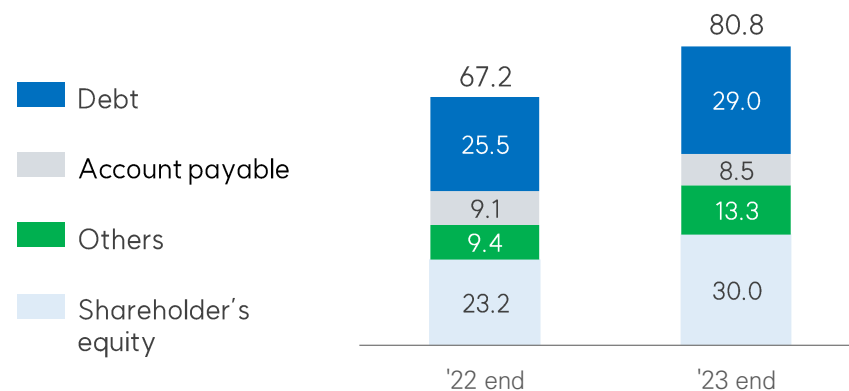




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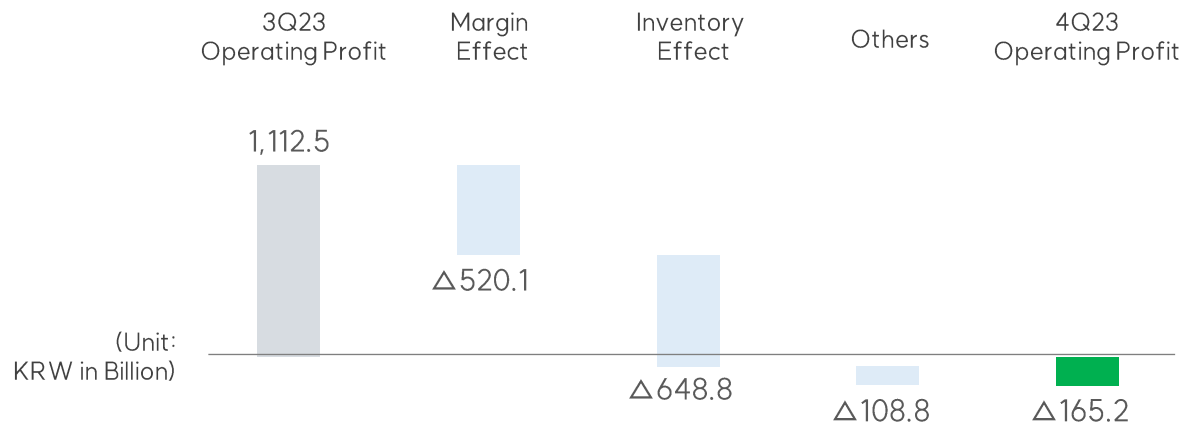
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Refining

“Incurred operating loss due to weakened refining margins and inventory losses resulting from flagging oil prices”



* Includes SKE, SKTI and SKIPC's refinery business

Oil Price

Dubai oil Price(\$/B)	3Q23	4Q23	QoQ
Quarter Average	86.7	83.6	Δ3.1
Last Month of Quarter Average	93.3	77.3	Δ16.0

Product Crack

Crack(\$/B)	3Q23	4Q23	QoQ
Gasoline	13.1	7.6	Δ5.5
Diesel	28.8	24.4	Δ4.4
Kerosene	26.1	23.6	Δ2.5

Financial Highlights & Outlook



4Q Financial Highlights

Oil prices slid as OPEC+ failed to agree on oil output cuts and concerns over economic slowdown mounted. Resulting substantial inventory losses and squeezed refining margins **stifled operating profits QoQ**.

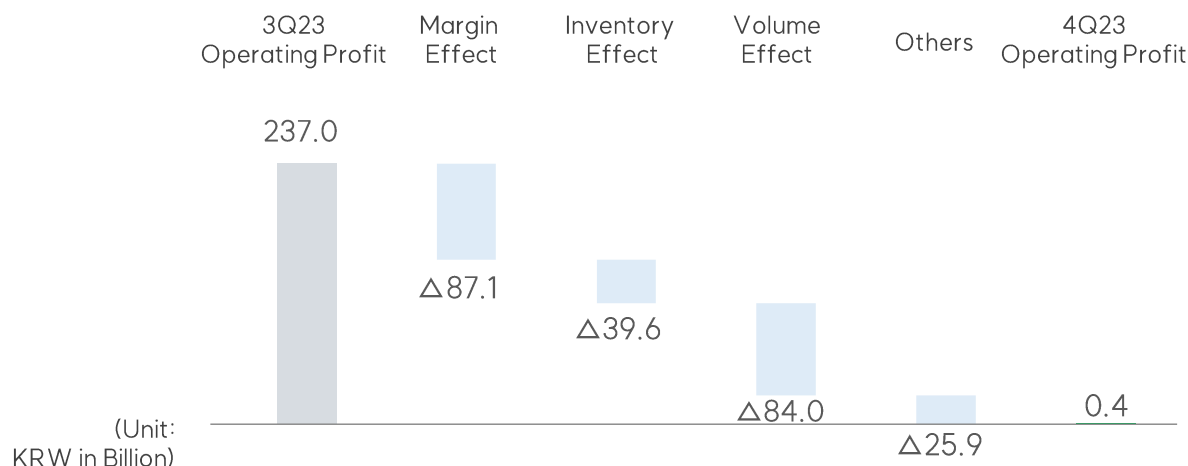


2024 Market Outlook

Concerns over the Fed's high interest rate stance and demand contraction persist. Amid geopolitical unrest in the Middle East, however, OPEC+ is expected to make deeper output cuts and create a favorable supply/demand balance. Economic stimulus measures coupled with firmer travel demand with the arrival of Lunar New Year holiday in China are anticipated to **push up refining margins**.

Petrochemical

“Operating profit fell KRW 236.6bn due to margin effect, etc.”



* Includes SKGC and SK IPC's petrochemical business performance

Polymer

Spread (\$/MT)	3Q23	4Q23	QoQ
PE	300	277	Δ23
PP	239	233	Δ6

Aromatic

Spread (\$/MT)	3Q23	4Q23	QoQ
PX	425	356	Δ69
BZ	250	230	Δ20

Financial Highlights & Outlook



4Q Financial Highlights

Margin declines from reduced product spreads, inventory losses from naphtha price falls in late Q3, and volume drops due to TA **dampened operating profit compared to the previous quarter**



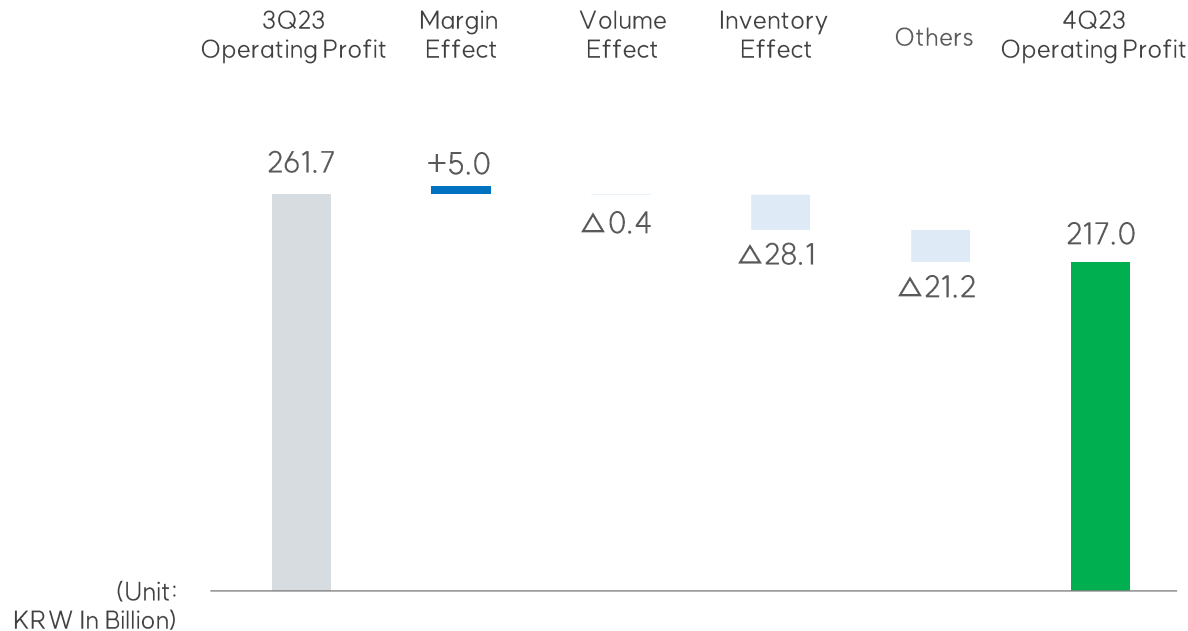
2024 Market Outlook

[Polymer] Improved demand induced by the Chinese government's policy to ramp up domestic demand projected to help **keep spreads unchanged**

[Aromatic] Strong downstream demand backed by high run rates in the Chinese Polyester Chain and PTA expansion as well as the anticipated recovery in gasoline blending demand suggest a **gradual spread uptick**

Lubricants

“Operating profit declined KRW 44.7bn QoQ due to inventory effects, etc.”



Financial Highlights & Outlook



4Q Financial Highlights

Demand stayed firm despite the off season. But slumping oil prices and its impact on inventory **weakened operating profit vs Q3**



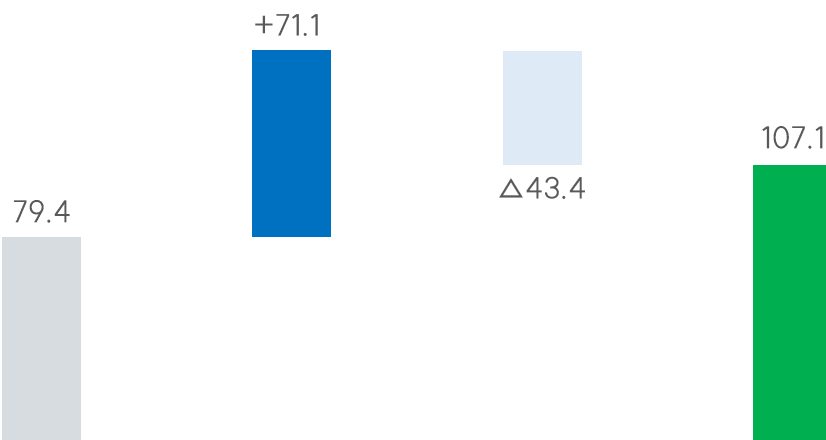
2024 Market Outlook

Stricter global environmental regulations are expected to drive up premium lube base oil demand. Also positive market outlook is anticipated to persist, boding well for **gradual spread improvements coinciding with the end of off season**

E&P Business

“Operating profit rose KRW 27.7bn QoQ bolstered by increased sales volume”

3Q23 Operating Profit Changes in Sales Cost Effect (COGS, etc.) 4Q23 Operating Profit



(Unit: KRW In Billion)

Benchmark

Type	3Q23	4Q23	QoQ
Brent (\$/B)	86.8	84.0	Δ2.8
WTI (\$/B)	82.5	78.4	Δ4.1
NBP(\$/mmbtu)	10.7	13.4	+2.7

* NBP: National Balancing Point (European trading hub)

Financial Highlights & Outlook



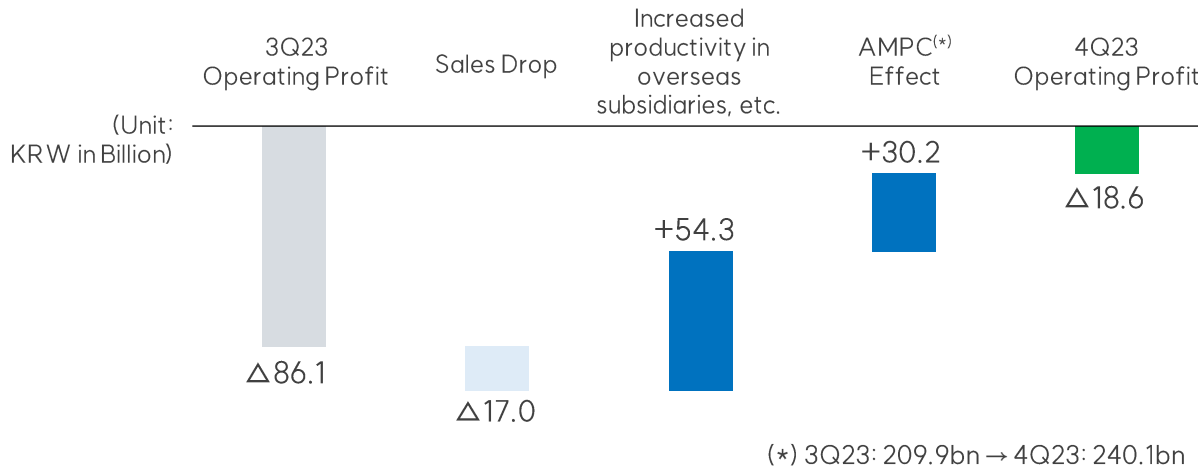
4Q Financial Highlights

Increased sale volume following the commencement of operations in the new Chinese block and higher composite selling prices resulting from greater proportion of oil **boosted sales and operating profit vs Q3**

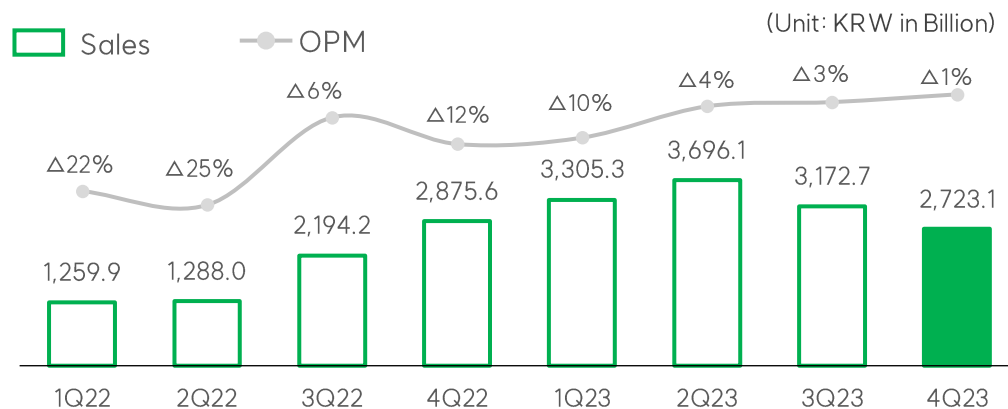
(Unit: KRW Bn, 1K bbl)	3Q23	4Q23
Sales	238.9	310.0
Sales volume	5,499	6,160
% of Oil	33%	36%

Battery Business

“OPM improved backed by productivity increase in North America despite a dip in sales”



Performance Trend



Financial Highlights & Outlook



4Q Financial Highlights

Q4 sales fell qoq due to a decline in sales prices caused by the drop in metal prices. Profitability, however, **displayed a sustained uptrend with enhanced productivity in North America and increased AMPC¹⁾**

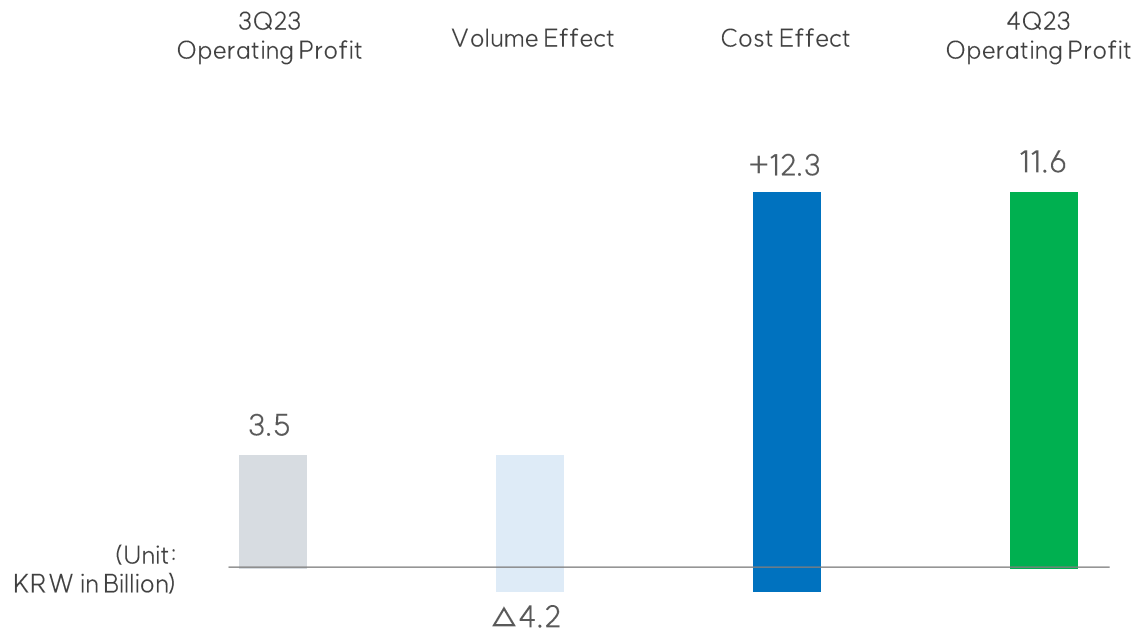


2024 Outlook

Shipment growth projected to continue defying unfavorable conditions. In 1H, a transient slowdown in profitability is on the horizon due to new plant operations and battery ASP downward adjustments but **is expected to improve in 2H buoyed by stabilized new plant yields and battery prices**

1) Advanced Manufacturing Production Credit

“Operating profit jumped KRW 8.1bn prompted by Chinese entity incentives”



Financial Highlights & Outlook



4Q Financial Highlights

Even though sales volume stayed unchanged vs Q3, cost reduction initiatives including **production costs and the incentives reflected in Chinese entity's OP** helped improve profit compared to the previous quarter



2024 Outlook

Despite downstream demand uncertainties, **efforts to strengthen mid to long-term competitiveness will persist by diversifying customer portfolio**



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Business Performance (Excluding intercompany transactions)

(Unit: KRW in Billion)

Type	Refining ¹⁾	Petrochem ²⁾	Lubricants	E&P	Battery	I/E Materials ³⁾	Others ⁴⁾	4Q23
Sales	12,878.0	2,452.0	1,094.2	310.0	2,723.1	50.0	22.0	19,529.3
Operating Profit	△165.2	0.4	217.0	107.1	△18.6	11.6	△79.7	72.6
Non-Operating Profit	131.8	△44.1	△10.1	10.7	△212.6	72.4	△81.8	△133.7
Pre-Tax Income	△33.4	△43.7	206.9	117.8	△231.2	84.0	△161.5	△61.1

1) Refining : SKE, SKTI, and SKIPC's refining businesses

2) Petrochem : SKGC, SKIPC's petrochemical businesses

3) I/E Materials : Reflects SKI's financial data excluding internal transactions and thus differs from SKIET's performance

4) Others : Staff

Utilization- Refining/Petrochem Plants

Plant Utilization Trend

Refineries	Type	2022	2023	3Q23	4Q23
	CDU	77%	82%	84%	85%
	- ULSAN	83%	82%	81%	85%
	- INCHEON	59%	82%	86%	84%
	HOU	85%	83%	86%	87%
	#1RFCC	90%	87%	87%	103%
	#2RFCC	89%	102%	102%	103%

Petrochem	Type	2022	2023	3Q23	4Q23
	NCC	89%	84%	93%	44%
	PE	66%	70%	89%	35%
	PP	85%	82%	96%	67%
	PX(ULSAN)	86%	75%	69%	70%
	PX(INCHEON)	70%	93%	89%	96%

Plant Regular TA Plans

Plant	Process	4Q23	1Q24
Refineries (Ulsan)	CDU	-	-
	HOU	-	#1 VRDS, #2 VRDS UC
	FCC	#2 RHDS	-
Refineries (Incheon)	CDU	-	-

Plant	Process	4Q23	1Q24
Petrochem (Ulsan)	NCC	NCC	-
	PX	-	-
Petrochem (Incheon)	PX	-	-

Battery Capacity

'24 Planned Site
 Existing site

Region	Plant	Max. Capa. (GWh)	Commercial Production
Korea	Korea Plant (Seosan)	5.0	3Q18
Europe	No. 1 Hungary Plant (Komarom)	7.5	1Q20
	No. 2 Hungary Plant (Komarom)	10.0	1Q22
	No. 3 Hungary Plant (Ivancsa)	30.0	1Q24
US	No.1 US Plant (Georgia)	10.0	1Q22
	No.2 US Plant (Georgia)	12.0	4Q22
	BlueOvalSK (Kentucky/Tennessee)	129.0	1Q25
	HMG NA JV (Georgia)	35.0	4Q25
China	BEST JV (Changzhou)	7.5	2Q20
	EUE JV (Huizhou)	10.0	1Q21
	SKOJ JV Phase 1+2 (Yancheng)	27.0	1Q21
	SKOY (Yancheng)	33.0	2Q24



(Unit: GWh)

