

2024 3Q Earnings Release

# Total Energy & Solution Company

# Disclaimer

This presentation contains forward-looking statements with respect to financial conditions, results of operations and business of SK Innovation, and plans and objectives of the management of SK Innovation.

Statements that are not historical facts, including statements about SK Innovation's beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of SK Innovation to be materially different from any future results or performance expressed or implied by such forward-looking statements.

Financial results for 3Q24 are subject to change according to the audit by the external independent auditor.



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# Highlights



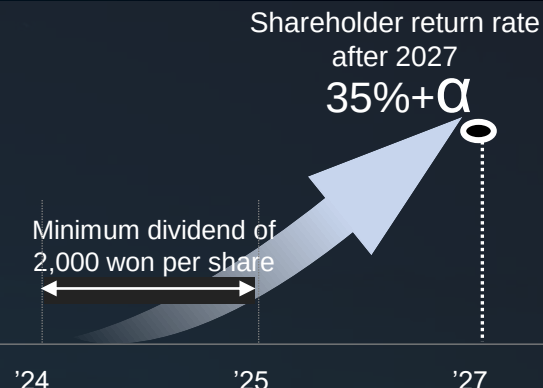
## Successful completion of merger, aiming to become a “Total Energy & Solution company”

- The merger between SK Innovation and SK E&S has been successfully completed and the merged entity has launched on November 1st.
- Aiming to become the largest private energy company in the Asia-Pacific region, encompassing the entire energy value chain



## SK On achieved breakeven in 3Q, with improved US utilization outlook for 4Q

- SK On achieved breakeven in quarterly operating profit, supported by efforts to improve profitability
- In 4Q, increased shipments are expected due to the start of a customer's new plant in North America and plans for new vehicle launches in 2025



## Announced Corporate Value-Up Plan, with a goal to continuously increase shareholder returns

- Aiming for an ROE of 10% and a shareholder return of over 35% by 2027
- Aiming to continuously increase shareholder returns through the establishment of a stable financial structure and acceleration of synergy creation via the merger



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# Key Business Results

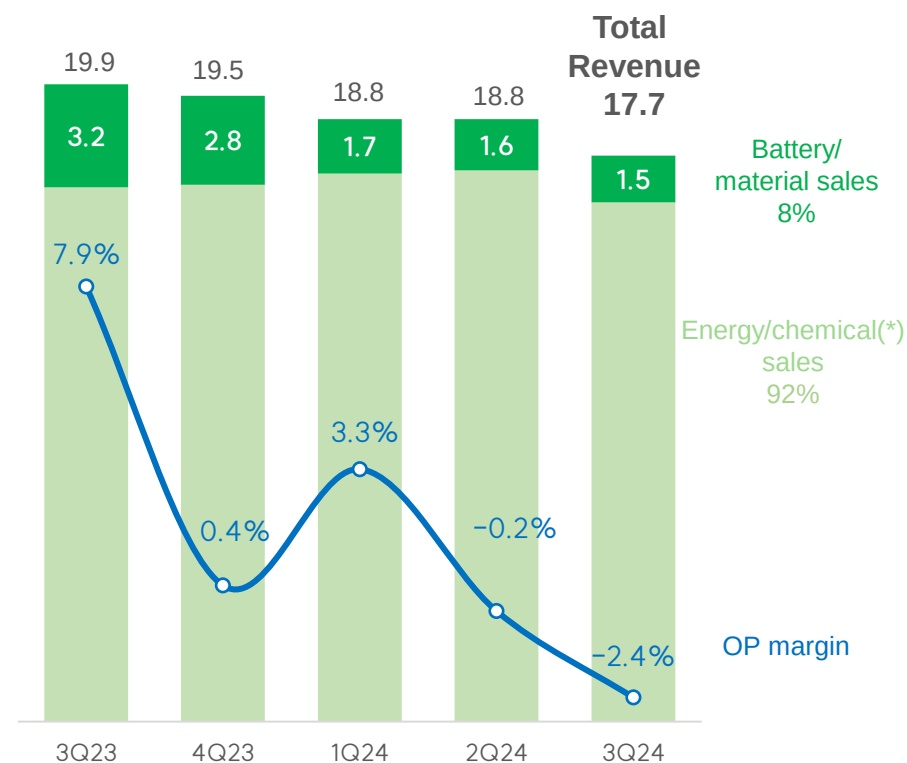
## Financial Result

(Unit: KRW in Billion)

| Type                 | 2Q24     | 3Q24            | QoQ      | 2023     |
|----------------------|----------|-----------------|----------|----------|
| Revenue              | 18,799.2 | <b>17,657.0</b> | △1,142.2 | 77,288.5 |
| Operating Profit     | △45.8    | <b>△423.3</b>   | △377.5   | 1,903.9  |
| EBITDA               | 543.9    | <b>159.6</b>    | △384.3   | 3,933.8  |
| Non-Operating Profit | △481.8   | <b>△306.3</b>   | +175.5   | △971.7   |
| Profit Before Tax    | △527.6   | <b>△729.6</b>   | △202.0   | 932.2    |

## Financial Highlights

(Unit: KRW trillion)



(\*) SKE, SKET, SKTI, SKIPC, SKGC, SKEN, SKEO, SKI Staff

# Key Financial Results

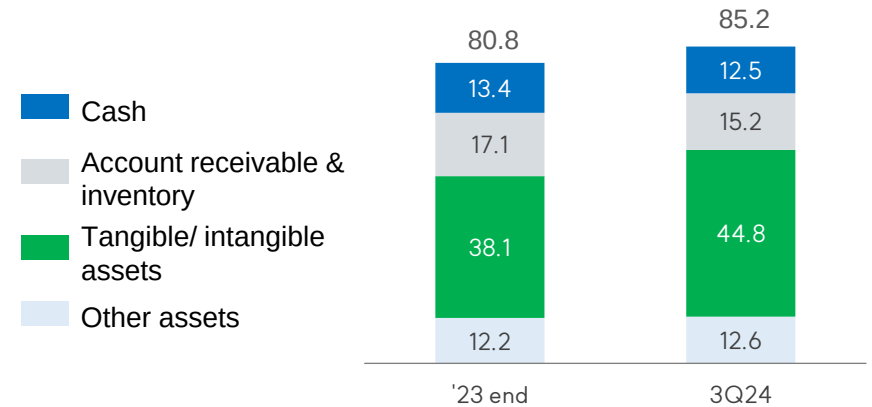
## Balance Sheet

(Unit: KRW in Billion)

| Type                             | '23 end         | 3Q24            | vs '23 end      |
|----------------------------------|-----------------|-----------------|-----------------|
| <b>Assets</b>                    | <b>80,835.5</b> | <b>85,173.9</b> | <b>+4,338.4</b> |
| - Cash, etc.                     | 13,392.3        | 12,545.4        | △846.9          |
| - Account receivable             | 5,929.4         | 4,994.2         | △935.2          |
| - Inventory                      | 11,122.7        | 10,226.6        | △896.1          |
| - Tangible and intangible assets | 38,145.5        | 44,846.7        | +6,701.2        |
| <b>Liabilities</b>               | <b>50,815.5</b> | <b>53,176.0</b> | <b>+2,360.5</b> |
| - Account payable                | 8,533.9         | 7,688.9         | △845            |
| - Debt                           | 28,958.8        | 32,249.5        | +3,290.7        |
| <b>Shareholder's equity</b>      | <b>30,020.0</b> | <b>31,997.9</b> | <b>+1,977.9</b> |
| Debt/Equity                      | 169%            | 166%            | △3%p            |
| <b>Net Debt</b>                  | <b>15,566.5</b> | <b>19,704.1</b> | <b>+4,137.6</b> |

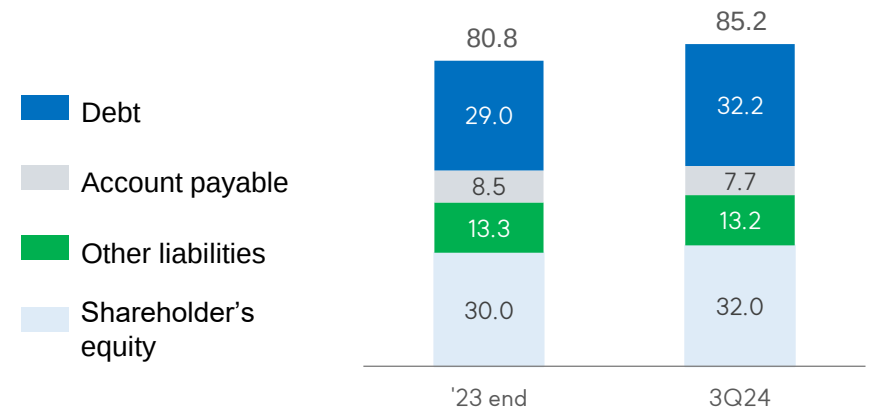
## Asset Composition

(Unit: KRW trillion)



## Liabilities & Equity Composition

(Unit: KRW trillion)





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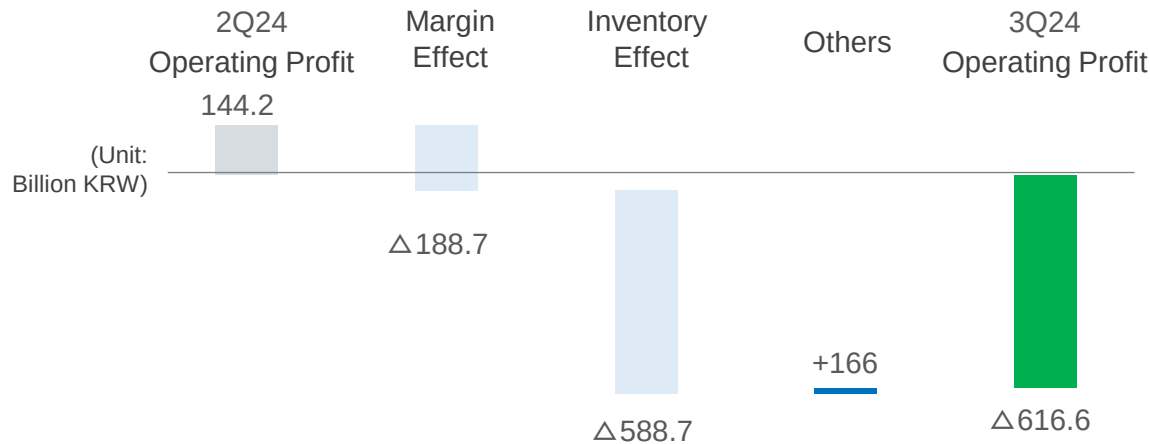
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# Refining

“Operating profit decreased by KRW 760.8 bn due to decline in oil prices and weak refining margins”



\* Includes SKE, SKTI , SKIPC, and SKET's petroleum business

## Oil Price

| Oil price(\$/B)               | 2Q24 | 3Q24 | QoQ  |
|-------------------------------|------|------|------|
| Quarter Average               | 85.3 | 78.3 | Δ7.0 |
| Last Month of Quarter Average | 82.5 | 73.5 | Δ9.0 |

## Product Crack

| Crack(\$/B) | 2Q24 | 3Q24 | QoQ  |
|-------------|------|------|------|
| Gasoline    | 8.5  | 6.8  | Δ1.7 |
| Diesel      | 14.8 | 13.6 | Δ1.2 |
| Kerosene    | 13.2 | 13.1 | Δ0.1 |

## Financial Highlights & Outlook



### 3Q Financial Highlights

Operating profit **decreased due to significant inventory-related losses and weak refining margins**, due to declining oil prices amid concerns over slowing demand in China and a potential recession in the U.S

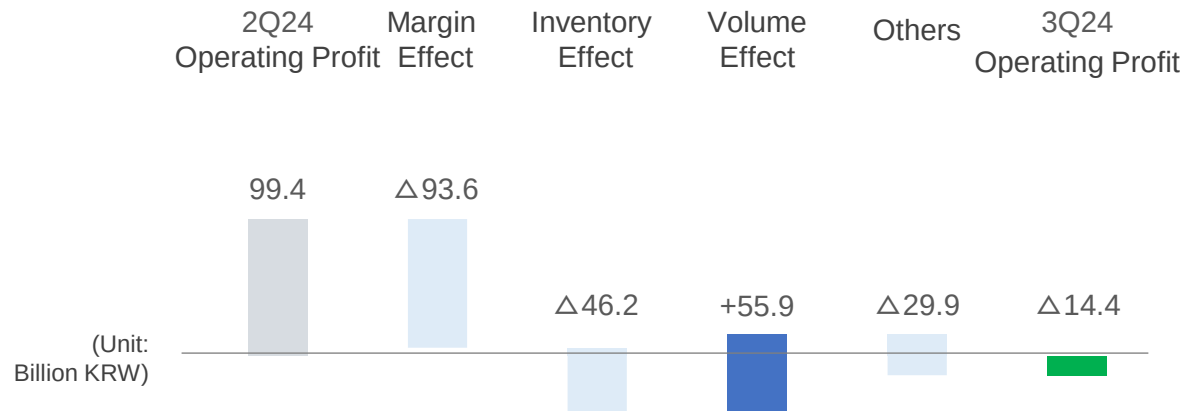


### 4Q Market Outlook

With **improved heating demand, solid U.S. economic growth, and China's proactive economic stimulus policies, a favorable supply-demand environment is expected** to persist, supporting a floor for oil prices and robust refining margins

# Petrochemical

**"Operating profit shed KRW 113.8 bn due to decreased product spread"**



\* Includes SKGC and SK IPC's petrochemical business performance

## Polymer

| Spread (\$/MT) | 2Q24 | 3Q24 | QoQ |
|----------------|------|------|-----|
| PE             | 277  | 263  | Δ14 |
| PP             | 255  | 240  | Δ15 |

## Aromatic

| Spread (\$/MT) | 2Q24 | 3Q24 | QoQ |
|----------------|------|------|-----|
| PX             | 351  | 271  | Δ80 |
| BZ             | 362  | 315  | Δ47 |

## Financial Highlights & Outlook



### 3Q Financial Highlights

Despite increased volume after scheduled turnaround, **operating profit fell and turned to a loss compared to the previous quarter**, due to declined product spread and naphtha prices.



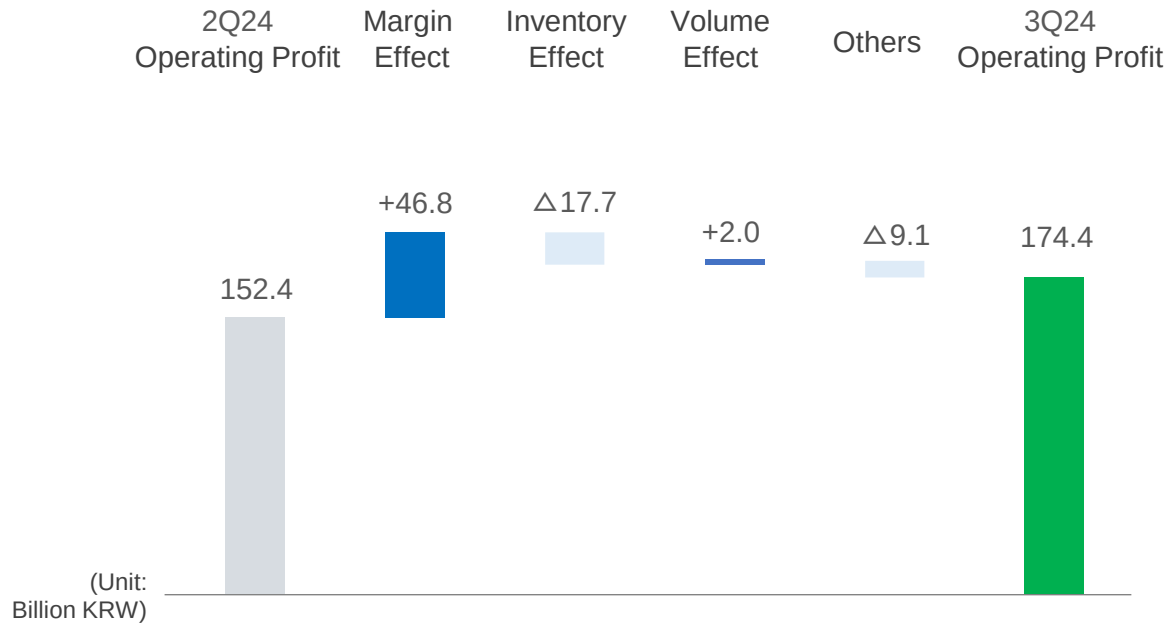
### 4Q Market Outlook

[Polymer] **Improved product spread outlook** due to the Chinese government's pump-priming measures becoming more apparent.

[Aromatic] **Improved product spread outlook** due to increased demand for winter clothing and the startup of new PTA facilities, enhancing the supply and demand in the polyester chain.

# Lubricants

**"Operating profit increased by KRW 22 bn due to increased product spread."**



## Financial Highlights & Outlook



### 3Q Financial Highlights

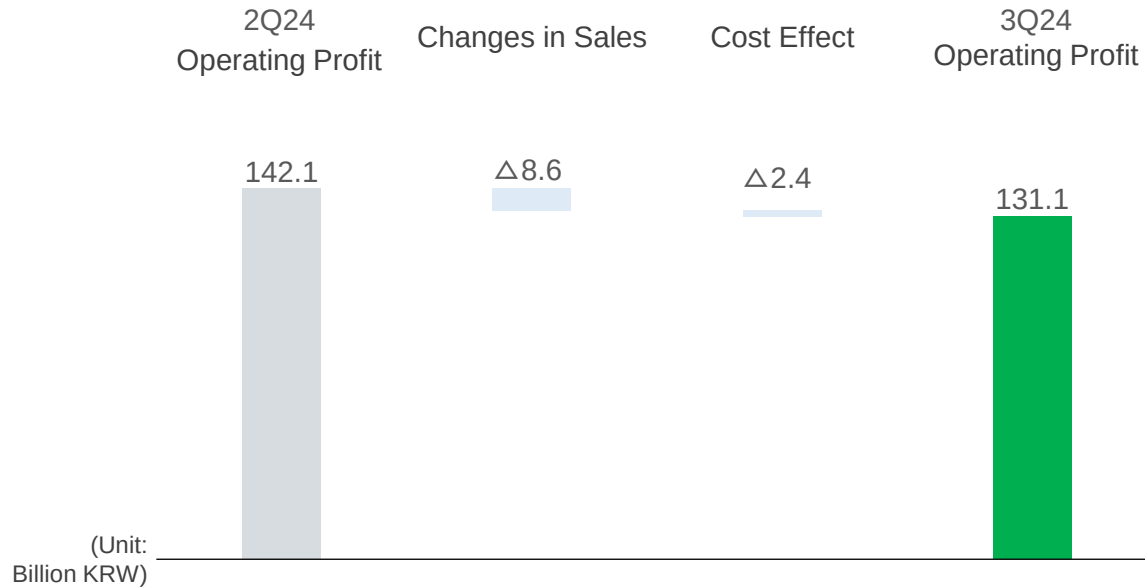
Despite negative inventory effects from falling raw material prices, **operating profit increased QoQ** due to improved margins from higher sales volume.



### 4Q Market Outlook

**Improved profitability outlook** due to the gradual resolution of temporary demand weakness factors.`

**"Operating profit declined by KRW 11bn QoQ due to decline in sales volume and oil prices"**



## Benchmark

| Category      | 2Q24 | 3Q24 | QoQ  |
|---------------|------|------|------|
| Brent (\$/B)  | 84.9 | 80.2 | Δ4.8 |
| WTI (\$/B)    | 80.7 | 75.2 | Δ5.5 |
| NBP(\$/mmbtu) | 9.7  | 11.1 | +1.4 |

\* NBP: National Balancing Point

## Financial Highlights & Outlook



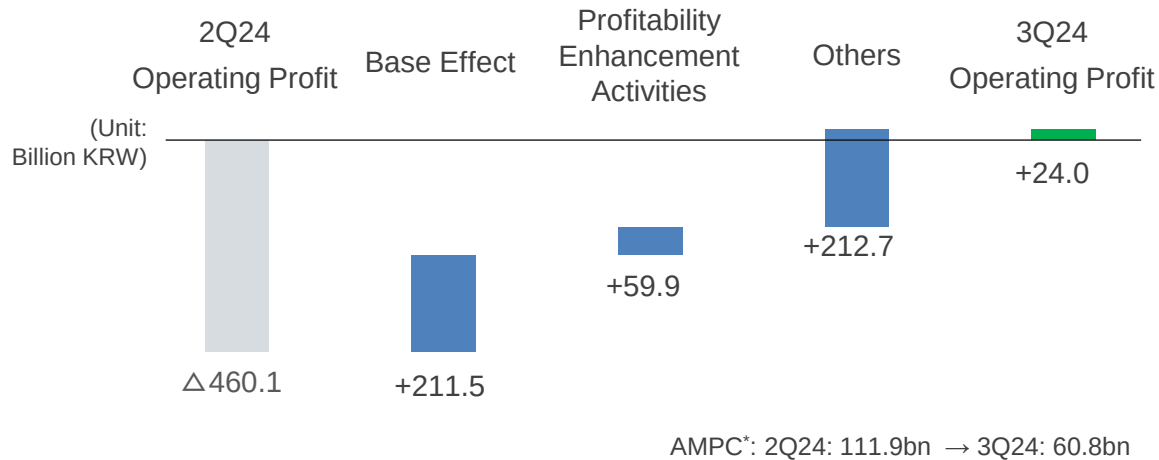
### 3Q Financial Highlights

Due to the decline in sales volume and oil prices, **operating profit decreased compared to the previous quarter**

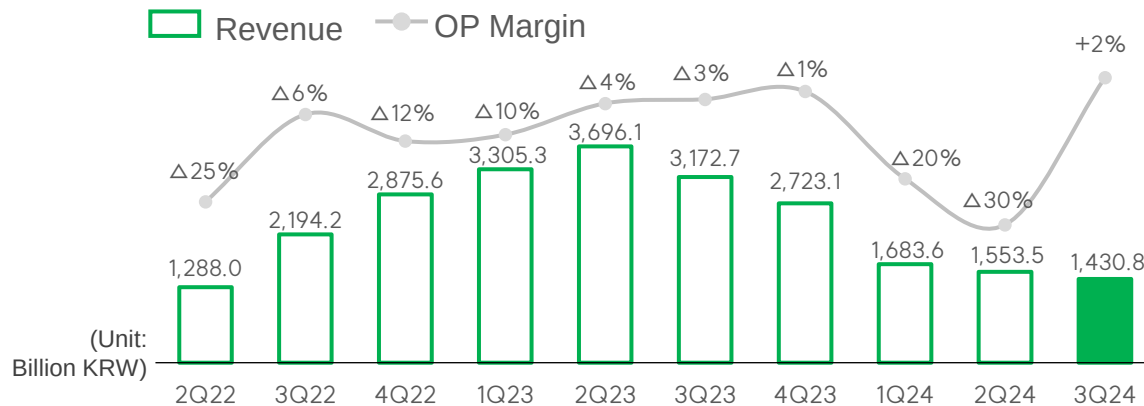
| (Unit: Bn KRW, 1K bbl) | 2Q24  | 3Q24  |
|------------------------|-------|-------|
| Sales                  | 371.9 | 355.5 |
| Sales volume           | 6,494 | 6,343 |
| % of Oil               | 44%   | 40%   |

# Battery

**“Operating profit improved on the back of profitability enhancement activities and base effect”**



## Performance Trend



## Financial Highlights & Outlook



### 3Q Financial Highlights

**Achieved a quarterly operating profit surplus** due to the depletion of high-cost inventory, the base effect of initial costs at the Hungarian plant in 2Q, and profitability improvements through cost reduction activities



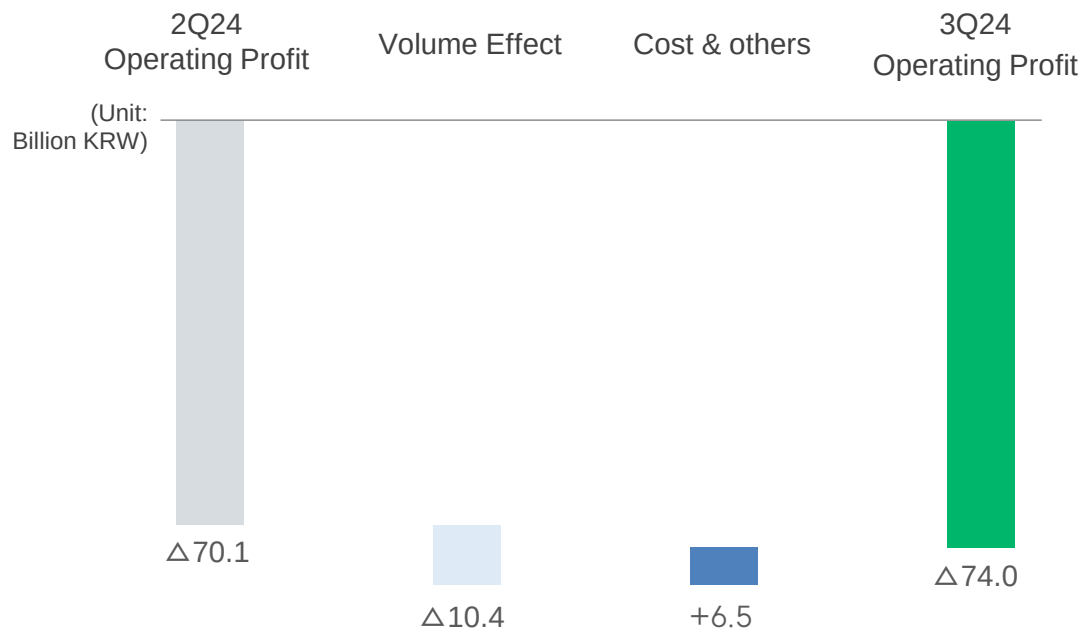
### 4Q Market Outlook

Sales volume is expected to slightly increase due to **the operation of a new North American plant by the customer and planned launch of new vehicles in 2025**

\*AMPC: Advanced Manufacturing Production Credit

# Material

“Operating profit slightly decreased due to weak demand from major clients”



## Financial Highlights & Outlook



### 3Q Financial Highlights

Operating profit slightly decreased **due to weak demand from major clients**



### 4Q Market Outlook

**Gradual increase in sales volume to new customers expected**



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# Business Performance (Excluding intercompany transactions)

(Unit: KRW Billion)

| Type                    | Revenue         |                 |                  | Operating Profit |                |                |
|-------------------------|-----------------|-----------------|------------------|------------------|----------------|----------------|
|                         | 2Q24            | 3Q24            | QoQ              | 2Q24             | 3Q24           | QoQ            |
| Refining <sup>1)</sup>  | 13,164.0        | 12,134.3        | $\Delta 1,029.7$ | 144.2            | $\Delta 616.6$ | $\Delta 760.8$ |
| Petrochem <sup>2)</sup> | 2,594.0         | 2,625.3         | $+31.3$          | 99.4             | $\Delta 14.4$  | $\Delta 113.8$ |
| Lubricants              | 1,062.5         | 1,064.9         | $+2.4$           | 152.4            | 174.4          | $+22.0$        |
| E&P                     | 371.9           | 355.5           | $\Delta 16.4$    | 142.1            | 131.1          | $\Delta 11.0$  |
| Battery                 | 1,553.5         | 1,430.8         | $\Delta 122.7$   | $\Delta 460.1$   | 24.0           | $+484.1$       |
| Materials <sup>3)</sup> | 43.6            | 26.9            | $\Delta 16.7$    | $\Delta 70.1$    | $\Delta 74.0$  | $\Delta 3.9$   |
| Others <sup>4)</sup>    | 9.7             | 19.3            | $+9.6$           | $\Delta 53.7$    | $\Delta 47.8$  | $+5.9$         |
| <b>Total</b>            | <b>18,799.2</b> | <b>17,657.0</b> | $\Delta 1,142.2$ | $\Delta 45.8$    | $\Delta 423.3$ | $\Delta 377.5$ |

1) Refining : SKE, SKTI, SKET, SKIPC

2) Petrochem : SKGC, SKIPC's petrochemical businesses

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

4) Others : Staff, etc.

# Utilization- Refining/Petrochem Plants

## Plant Utilization Trend

| Refineries | Type      | 2022 | 2023 | 2Q24 | 3Q24 |
|------------|-----------|------|------|------|------|
|            | CDU       | 77%  | 82%  | 81%  | 81%  |
|            | - Ulsan   | 83%  | 82%  | 78%  | 79%  |
|            | - Incheon | 59%  | 82%  | 89%  | 86%  |
|            | HOU       | 85%  | 83%  | 67%  | 84%  |
|            | #1 RFCC   | 90%  | 87%  | 105% | 104% |
|            | #2 RFCC   | 89%  | 102% | 105% | 101% |

| Petrochem | Type         | 2023 | 2023 | 2Q24 | 3Q24 |
|-----------|--------------|------|------|------|------|
|           | NCC          | 84%  | 44%  | 87%  | 91%  |
|           | PE           | 70%  | 35%  | 88%  | 66%  |
|           | PP           | 82%  | 67%  | 95%  | 97%  |
|           | PX(Ulsan)    | 75%  | 70%  | 53%  | 71%  |
|           | PX (Incheon) | 93%  | 96%  | 91%  | 99%  |

## Plant Regular Maintenance Plans

| Plant                | Process | 3Q24    | 4Q24 |
|----------------------|---------|---------|------|
| Refineries (Ulsan)   | CDU     |         | -    |
|                      | HOU     | #2 RHDS | -    |
|                      | FCC     | -       | -    |
| Refineries (Incheon) | CDU     | -       | -    |

| Plant               | Process | 3Q24 | 4Q24 |
|---------------------|---------|------|------|
| Petrochem (Ulsan)   | NCC     | -    | -    |
|                     | PX      | -    | -    |
| Petrochem (Incheon) | PX      | -    | -    |

# Battery Production Capacity

Existing sites

| Region | Plant                                     | Max. Capa. (GWh) | Commercial Production |
|--------|-------------------------------------------|------------------|-----------------------|
| Korea  | <b>Korea Plant</b><br>(Seosan Bld1&2)     | 7.0              | 3Q18                  |
|        | <b>Korea Plant</b><br>(Seosan Bld 3)      | 14.0             | 2025                  |
| Europe | <b>Hungary Plant No. 1</b><br>(Komarom)   | 7.5              | 1Q20                  |
|        | <b>Hungary Plant No. 2</b><br>(Komarom)   | 10.0             | 1Q22                  |
|        | <b>Hungary Plant No. 3</b><br>(Ivancsa)   | 30.0             | 2Q24                  |
| US     | <b>US Plant No.1</b><br>(Georgia)         | 10.0             | 1Q22                  |
|        | <b>US Plant No.2</b><br>(Georgia)         | 12.0             | 4Q22                  |
|        | <b>BlueOvalSK</b><br>(Kentucky/Tennessee) | 127.0            | 2025                  |
|        | <b>HMG North America JV</b><br>(Georgia)  | 35.0             | 2025                  |
| China  | <b>BEST JV</b><br>(Changzhou)             | 7.5              | 2Q20                  |
|        | <b>EUE JV</b><br>(Huizhou)                | 10.0             | 1Q21                  |
|        | <b>SKOJ JV Building 1+2</b><br>(Yancheng) | 27.0             | 1Q21                  |
|        | <b>SKOY</b><br>(Yancheng)                 | 33.0             | 1H25                  |

