

SK chemicals
2024 1Q Earnings Release



We care for the future.
Healthcare, Earthcare

Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS. (Korea International Financial Reporting Standards)

Forecasts and projections contained herein are based on current business environment and management strategies.

Please note it may differ from actual results, due to uncertainties including changes in the future business environment and unaccounted variables.

1

Earnings Release



1Q24 Highlight



Performance

Revenue 381bn KRW
(+4.5% YoY, Δ 11.7% QoQ)

OP Δ 13bn KRW
(Turned to loss YoY, QoQ)



Green Chemical Business

Strengthening Recycle Biz. Model

- Scaling up commercialization of recycle products and stabilizing SK Shantou process



Pharma Business

Continuing efforts on selling products



Vaccine (SK bioscience)

Strong SKYZoster & Flu vaccine sales

1Q24 Performance Review

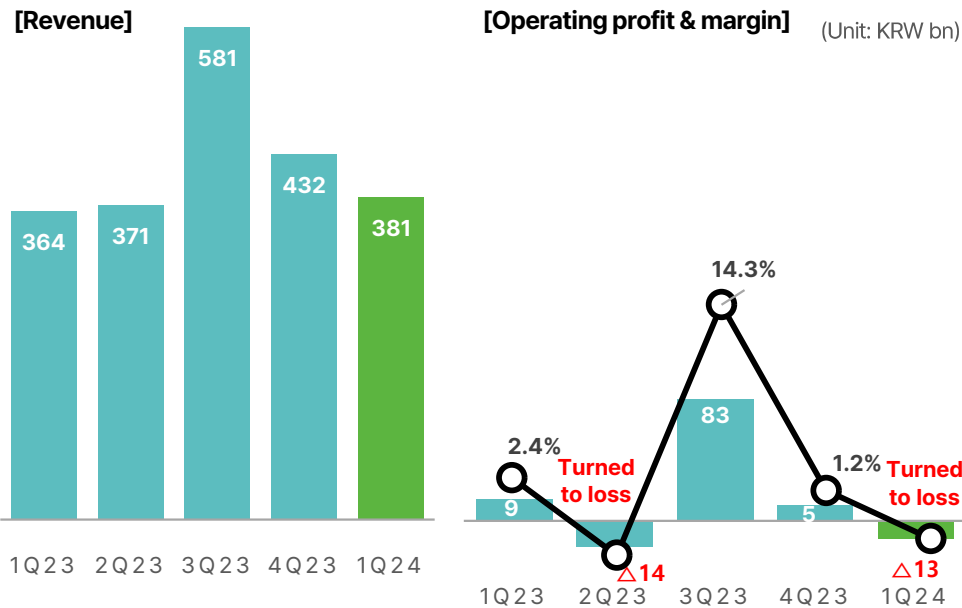
Consolidated

Revenue 381bn KRW (+4.5% YoY, Δ 11.7% QoQ)

Revenue increased due to the impact of revenue hike from own business and consolidated subsidiaries

Operating profit Δ 13bn KRW (Turned to loss YoY, QoQ)

Profit of own business declined and consolidated subsidiary's profit loss persisted



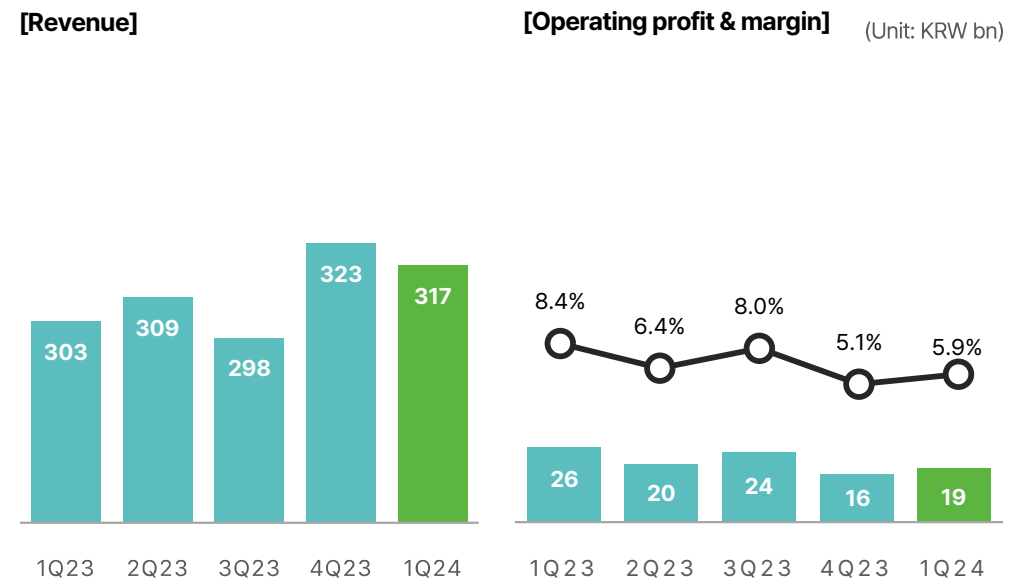
Seperate

Revenue 317bn KRW (+4.8% YoY, Δ 1.8% QoQ)

Revenue increased due to strong performance of Copolyester business, the main business

Operating profit 19bn KRW (Δ 27.0% YoY, +13.5% QoQ)

Profit declined due to cost increase in Copolyester and Pharma business



Performance Review by Division (1)

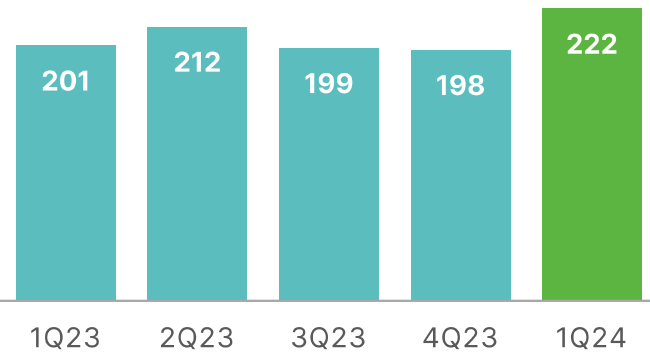
Green Chemicals – Copolyester & Petrochem

Performance and Outlook

'24.1Q Performance		'24.2Q Outlook	
Revenue	222bn KRW (+10.8% YoY, +12.3% QoQ) Revenue increased due to sales growth followed by clients' eased inventory destocking	Improvement of high-value portfolio	vs. Uncertainty (geopolitical risk) continues
Operating profit	20bn KRW (Δ37.7% YoY, +14.1% QoQ) Profit and profitability decreased due to ocean freight and raw materials price hike		

Revenue

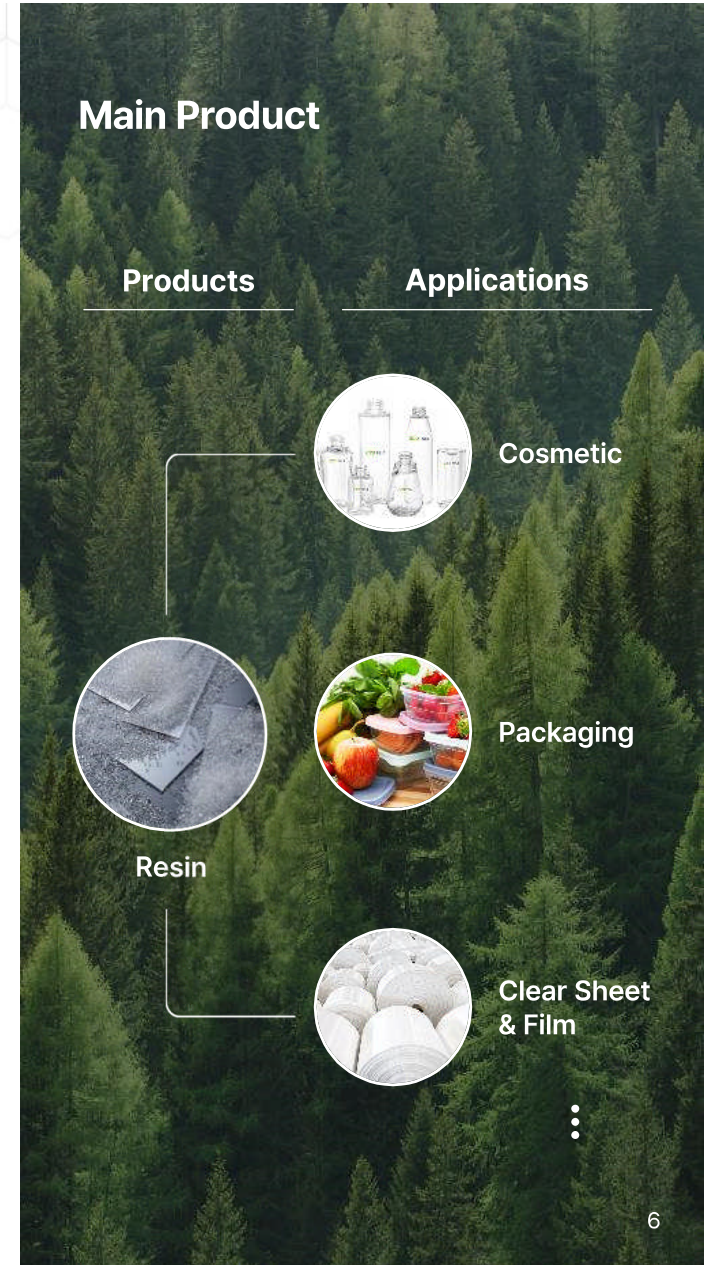
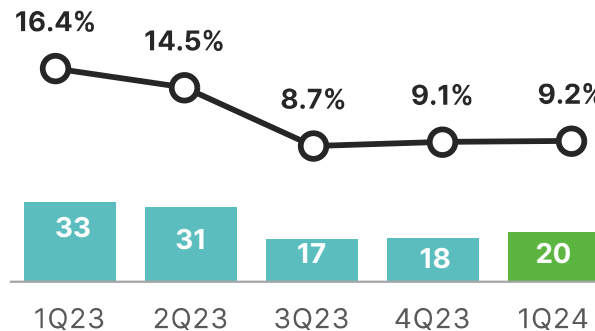
(Unit: bn KRW)



※ Including performance of America/Europe sales subsidiaries

OP & OPM

(Unit: bn KRW)



Performance Review by Division (2)

Life Science - Pharma

Performance and Outlook

'24.1Q Performance

Revenue **86bn KRW** (+0.2% YoY, Δ 18.3% QoQ)

Sales of products continued similar levels to the prior year

Operating profit **4bn KRW** (Δ 40.3% YoY, Δ 48.2% QoQ)

Profit decreased due to the SG&A costs hike and product price reduction

'24.2Q Outlook

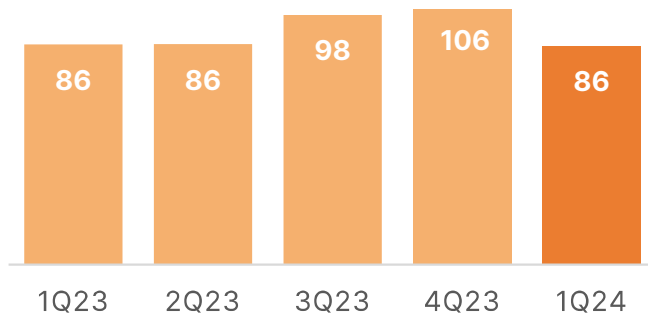
Robust sales
Continues

vs.

Concerns in
cost increase

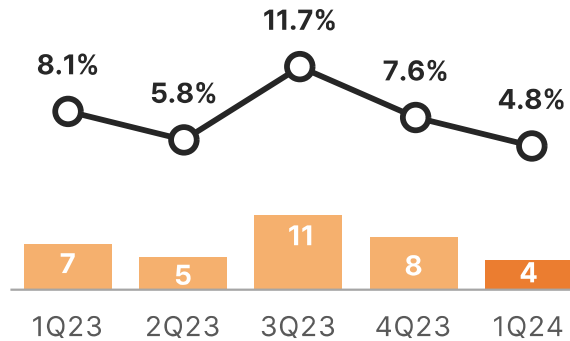
Revenue

(Unit: bn KRW)

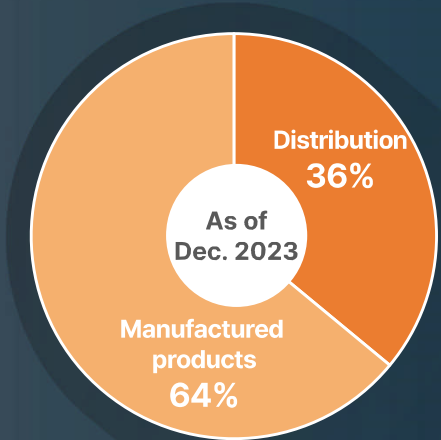


OP & OPM

(Unit: bn KRW)



Sales Composition



Main Products



Joins

Natural product based anti-arthritis treatment



Ginexin

blood circulation disorder treatment & Cognitive enhancer



Rivastigmine patch

Anti-dementia treatment patch



Performance Review by Division (3)

Life Science - SK bioscience

Performance and Outlook

'24.1Q Performance

Revenue **22 bn KRW** (+8.1% YoY, Δ 75.4% QoQ)

Revenue increased due to flu vaccine exports to Thailand and strong domestic sales of SKYZoster

Operating profit **Δ 28 bn KRW** (Loss continued YoY, QoQ)

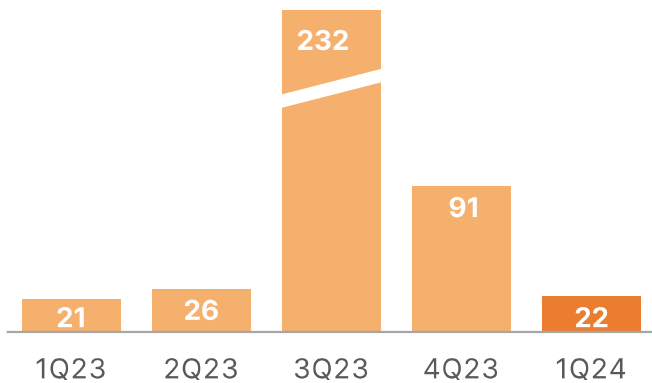
R&D expenses increased, but loss narrowed slightly due to revenue hike

'24.2Q Outlook

Expanding typhoid/varicella vaccine internationally and enlarging sales of flu vaccine

Revenue

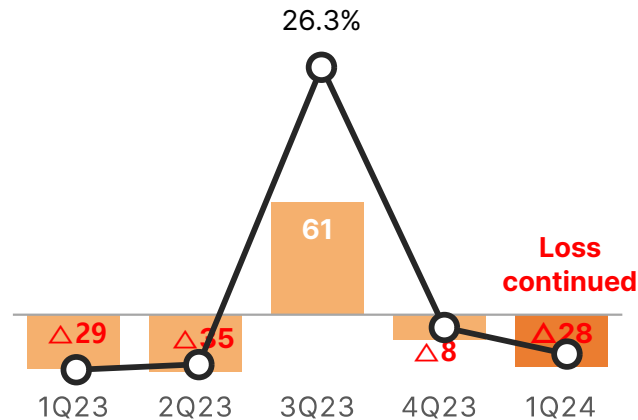
(Unit: bn KRW)



* Performance : Consolidated

OP & OPM

(Unit: bn KRW)

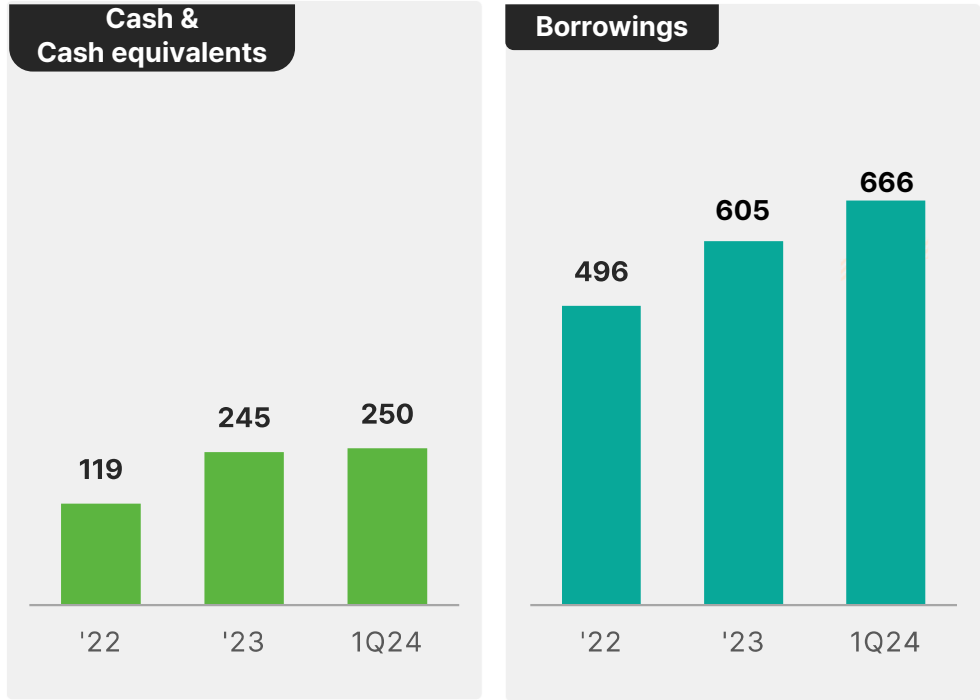


Overview

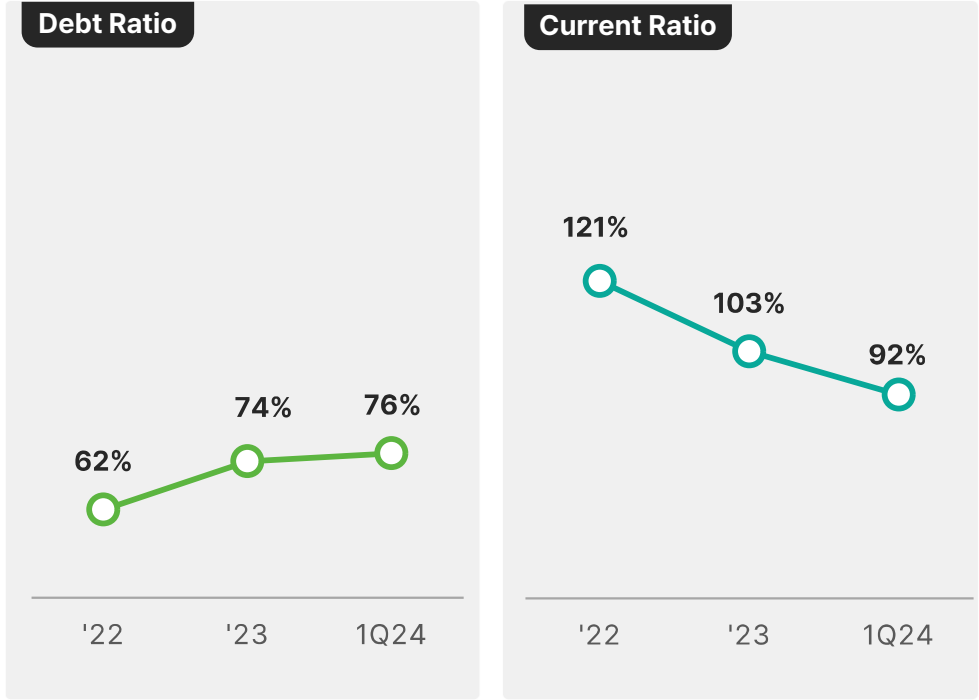
- Distribution Contract for 5 Sanofi Vaccines**
 - Domestic Market Size for 5 Vaccines : 25.9B KRW
 - Additional vaccine distribution by maintaining partnership with Sanofi
- Domestic supply of Novavax Covid-19 Vaccine continues**
 - Domestic distribution since 2023 and exclusive license effective until 2029
 - Scheduled to supply for government in the 2nd half of 2024
 - Offers option beyond mRNA vaccines as the only synthetic antigen vaccine among COVID-19 vaccines
- No. 1 Zoster vaccine in Korea, Flu vaccine entering the southern hemisphere, Typhoid vaccine WHO PQ**

Financial Highlights

Financial status (Separate / Unit: KRW Bn)

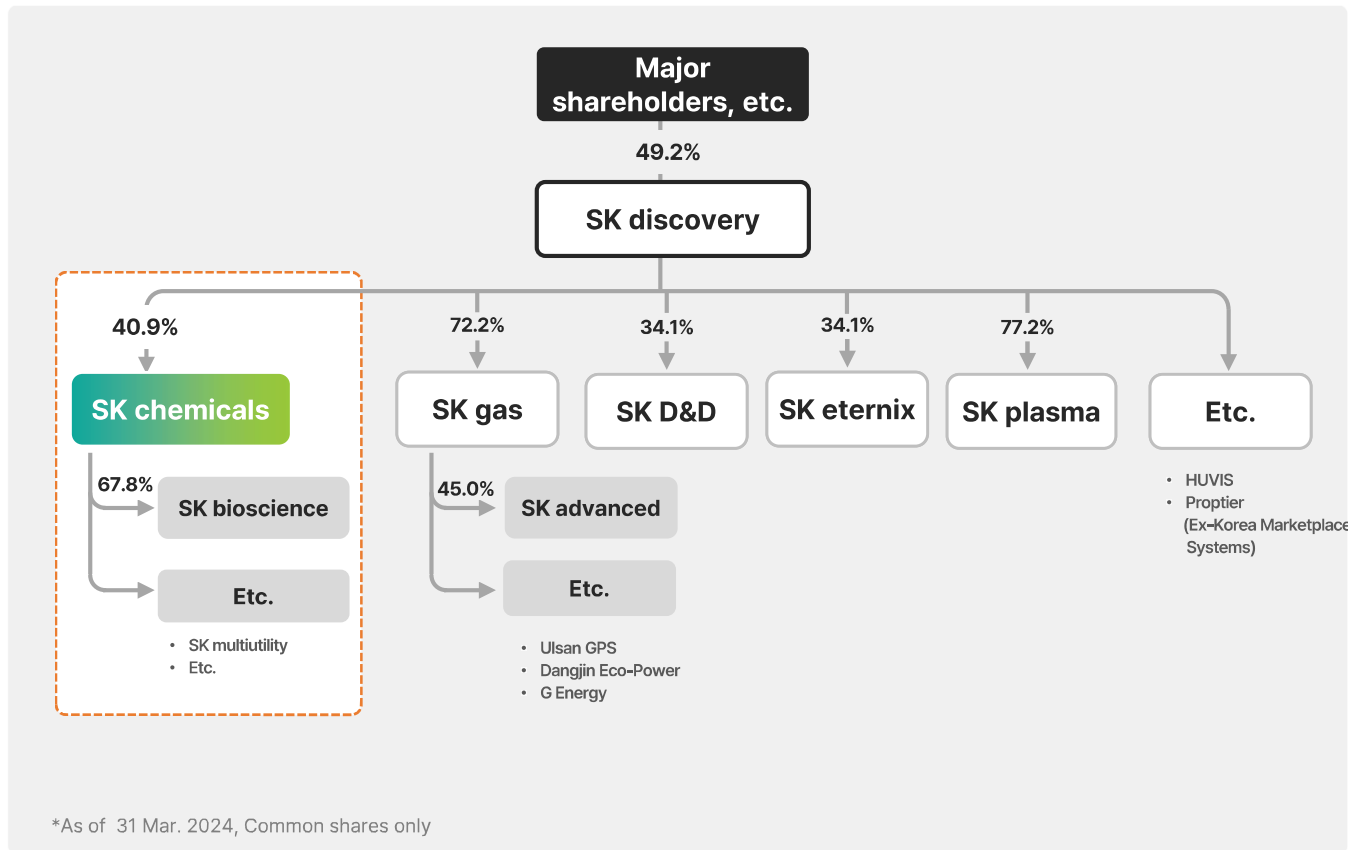


Financial Ratio (Separate)

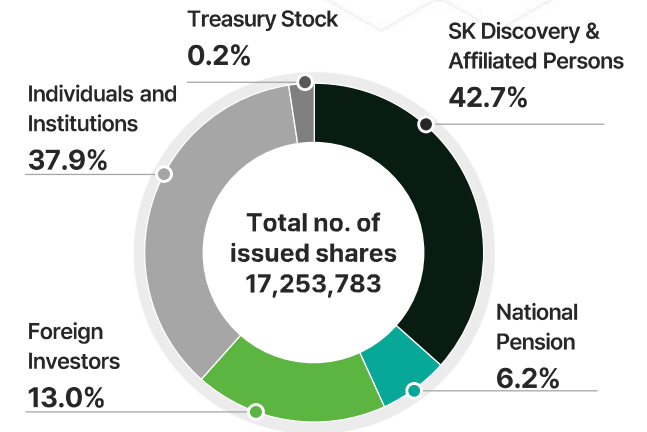


Governance and Shareholders

Corporate Governance



Shareholder Structure

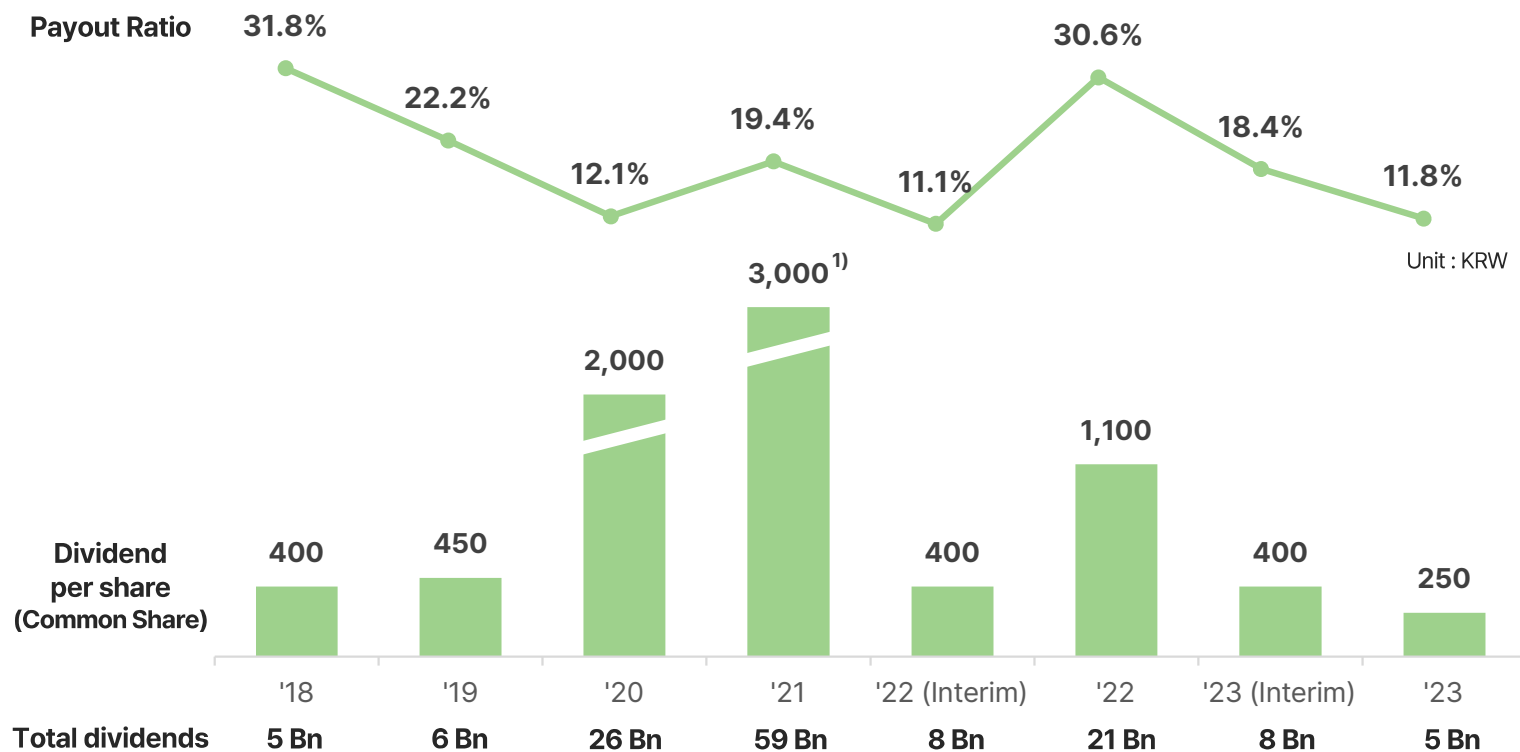


Shareholders Category	No. Shares
SK Discovery & Affiliated Persons	7,361,072
National Pension	1,061,677
Foreign Investors	2,241,210
Individuals and Institutions	6,558,967
Treasury Stock	30,857
Total no. of issued shares	17,253,783

**As of 31 Mar. 2024, Common shares only*

Shareholder returns

Dividend



Others

'17. 6 Retirement of Stock¹⁾

'21. 10 Announced dividend policy²⁾

'21. 11 50% capital increase without consideration

'22. 3 Announced Buy-back of Stock (50 Bn KRW)

'22. 10 Retirement of Stock (50 Bn KRW)³⁾

1) 1,939,120 shares of common stock
 2) Determining the total amount of dividends at the 30% dividend payout level (Separate net income excluding non-recurring income)
 3) Retired 389,489 common shares

1) Considering the capital increase without compensation, the dividend per share was 4,500 KRW (including extra dividend) in 2021

Global Network

● HQ(1) ● Domestic Plants(3) ● Overseas Offices (2) ● Overseas Plants (3) ● Overseas Corporations(4)



SK Shantou



Construction Status '19 r-BHET , CR-PET Plant takeover (Shuye)
'23 Mar. Acquisition of Tangible Assets (Shuye)

Production Items r-BHET , CR-PET etc.

Production Capacity r-BHET : 70,000 tons / CR-PET 50,000 tons annually

Ulsan Plant



Certifications ISO 14001(Environment) / ISO 45001 (Safety and Health) / ISO 9001(Quality)

Construction Status '89 SEP. PTA / DMT Plant completion
'01 JAN. CHDM / PETG Plant completion
'22 Feb. PO3G Plant completion

Production Items Copolyester resin, DMT etc.

Production Capacity 450,000 tons annually ¹⁾

Cheongju Plant (S HOUSE)



Certifications K GMP/ EU GMP(solid tablets, patches)

Construction Status '09 JUL Cheongju plant takeover
'12 JUL Production building completion
'14 MAR Patch building reconstruction

Production Items Solid tablets and patches

Production Capacity 760m solid tablets, 66m patch pouches annually

Andong Plant (L HOUSE)



Certifications MFDS & EU GMP Certifications

Construction Status '12 DEC Completion

Production Items Flu vaccine, varicella/herpes zoster vaccine, COVID vaccine (CMO/CDMO)

Production Capacity Approximately 500m dozes annually based on finished products

1) Reflecting operation of new production facility*(#4) from 15th Jun 2021

Financial Statements (Consolidated)

Balance Sheet

(Unit : KRW Bn)

Items	'23	'24.1Q
Current assets	2,204	2,267
- Current account	1,828	1,886
- Inventory	377	381
Non-current assets	1,954	2,110
- Investment in affiliated companies and joint ventures	10.4	104
- Tangible property	1,602	1,755
- Intangible property	54.2	537
- Other Non-current assets	288	292
Total assets	4,159	4,377
Current liabilities	830	970
Non-current liabilities	653	741
Total liabilities	1,483	1,711
Equity attributable to the parent company	2,119	2,114
- Capital stock	988	988
- Consolidated capital surplus	1,212	1,212
- Consolidated other components of equity	△22	△22
- Accumulated other comprehensive income	△37	△33
- Consolidated earned surplus	867	858
Non-controlling interest	557	553
Total equity	2,676	2,667
Total liabilities and equity	4,159	4,377

Income Statement

(Unit : KRW Bn)

Items	'23.1Q	'23.2Q	'23.3Q	'23.4Q	'24.1Q
Revenue	365	371	581	432	381
- Cost of Revenue	267	282	396	332	288
- Gross profit from Revenue	98	90	185	100	94
- Revenue and administrative expenses	89	104	102	95	106
Operating profits	9	△14	83	5.1	△13
- Other non-operating income	5	2	3	2	5
- Other non-operating expense	8	13	0.8	23	8
- Financial income	59	28	22	21	21
- Financial expense	54	28	30	14.2	16
- Share of profits	△0.5	△0.4	△0.4	△1.5	0
Earnings before interest and taxes	10	△25	77	△11	△11
- Income tax expense	△1	△9	15	0.1	△3
Consolidated net income	11	△16	63	△11	△8
- Equity attributable to the parent company	16	△11	47	△12	△4
- Non-controlling interest	△4	△5	16	1	△4

Financial Statements (Seperate)

Balance sheet

(Unit: KRW Bn)

Items	'23	'24. 1Q
Current assets	673	707
- Current account	441	489
- Inventory	232	218
Non-current assets	1,283	1,284
- Investment in affiliated companies and joint ventures	444	444
- Tangible property	693	700
- Intangible property	30	31
- Other Non-current assets	115	109
Total assets	1,956	1,990
Current liabilities	653	772
Non-current liabilities	179	90
Total liabilities	832	862
Capital	99	99
Capital surplus	158	158
Other components of equity	△13	△13
Earned surplus	880	884
Total equity	1,124	1,129
Total liabilities and equity	1,956	1,990

Income Statement

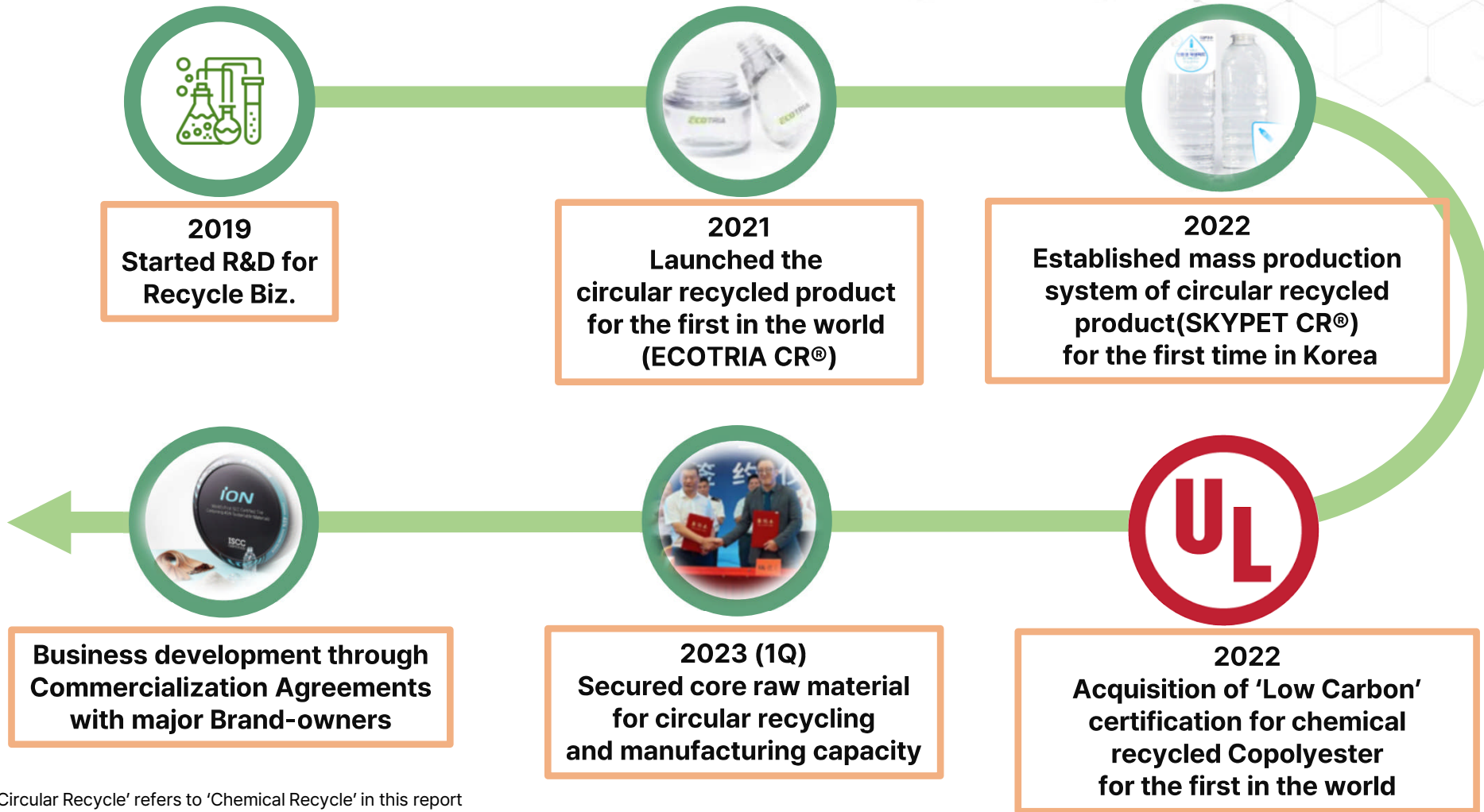
(Unit: KRW Bn)

Items	'23.1Q	'23.2Q	'23.3Q	'23.4Q	'24.1Q
Revenue*	303	309	298	323	317
- Cost of Revenue	228	239	226	254	246
- Gross profit from Revenue	75	71	72	69	71
- Revenue and administrative expenses	49	51	48	52	53
Operating profits*	26	20	24	16	19
- Other non-operating income	3	2	2	17	2
- Other non-operating expense	3	10	4	25	7
- Financial income	16	7	7	10	11
- Financial expense	15	13	11	12	12
Earnings before interest and taxes*	26	5	18	7	13
- Income tax expense	10	1	4	△0.1	3
Net income	17	5	14	7	9

Circular Recycle Biz.



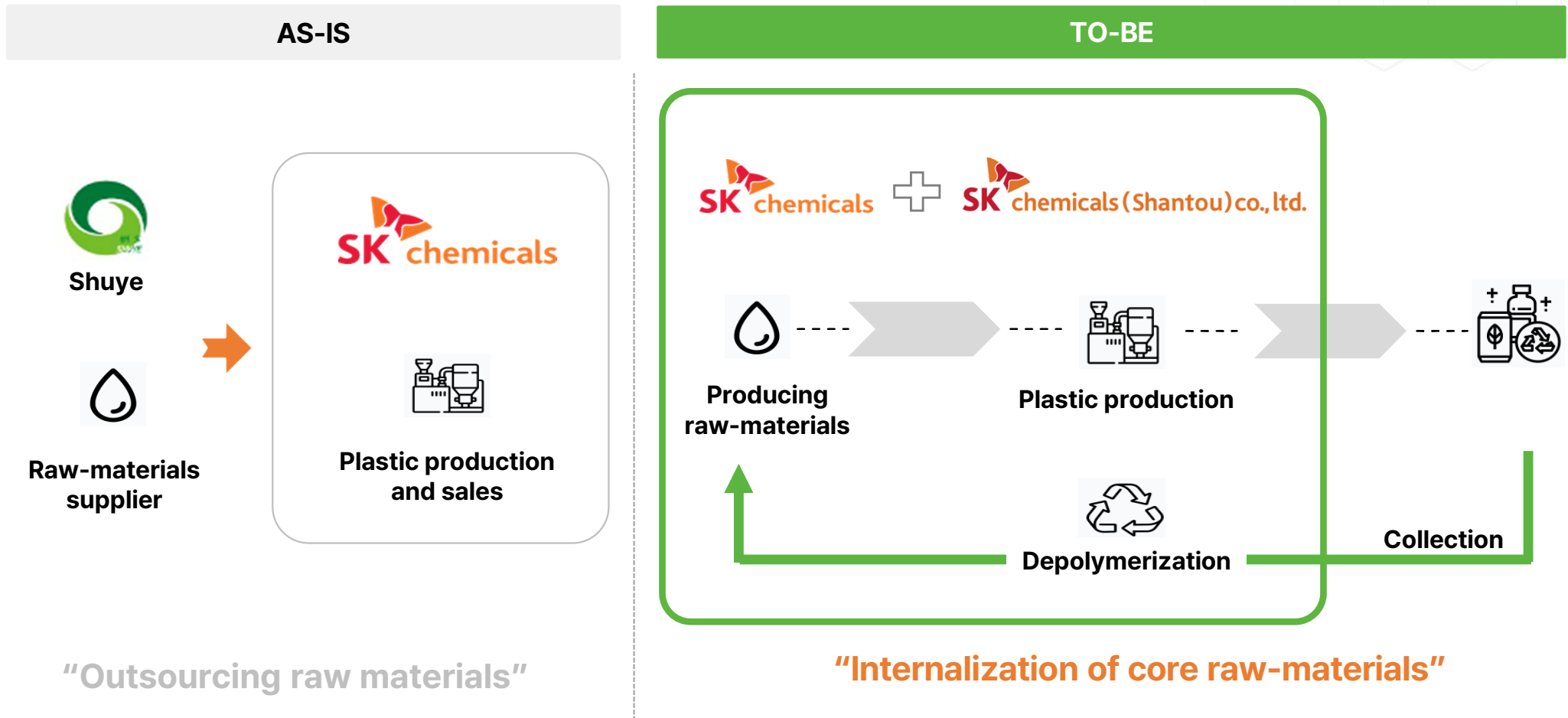
Recycle Biz. History



* 'Circular Recycle' refers to 'Chemical Recycle' in this report

Competency (1) : Internalization of core raw materials

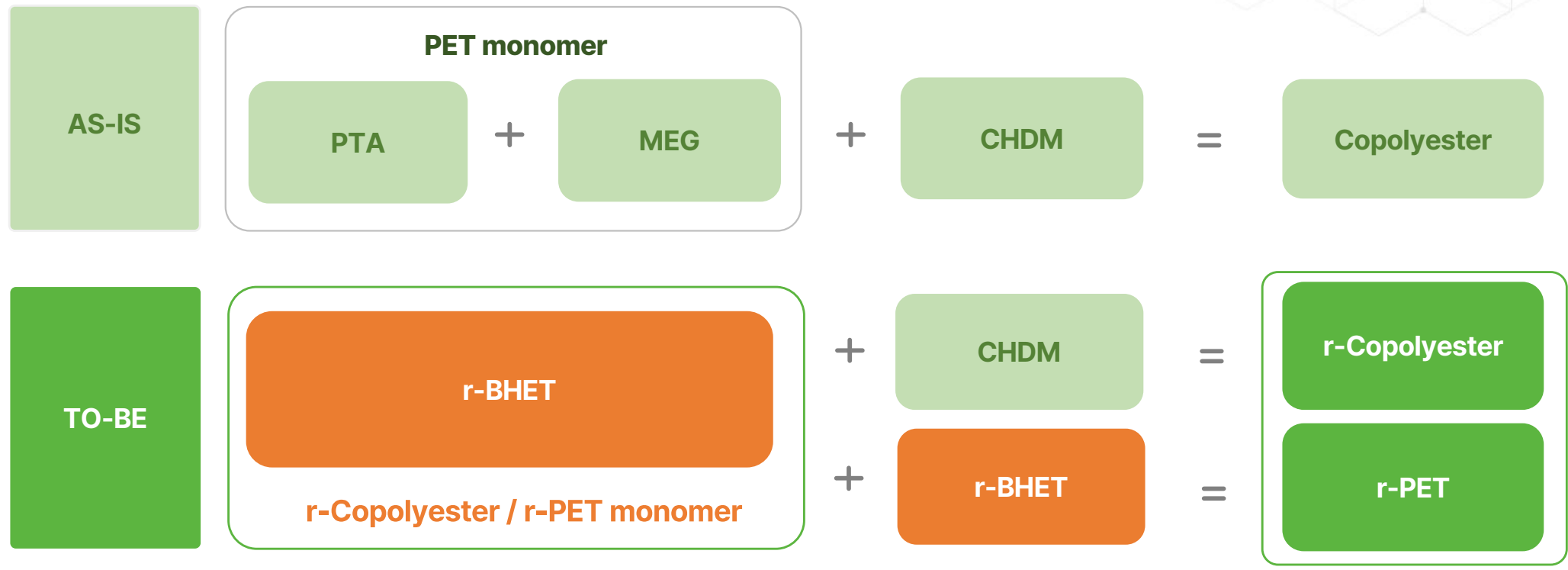
Internalized core raw materials(r-BHET) by acquisition of Shuye's technology and facilities





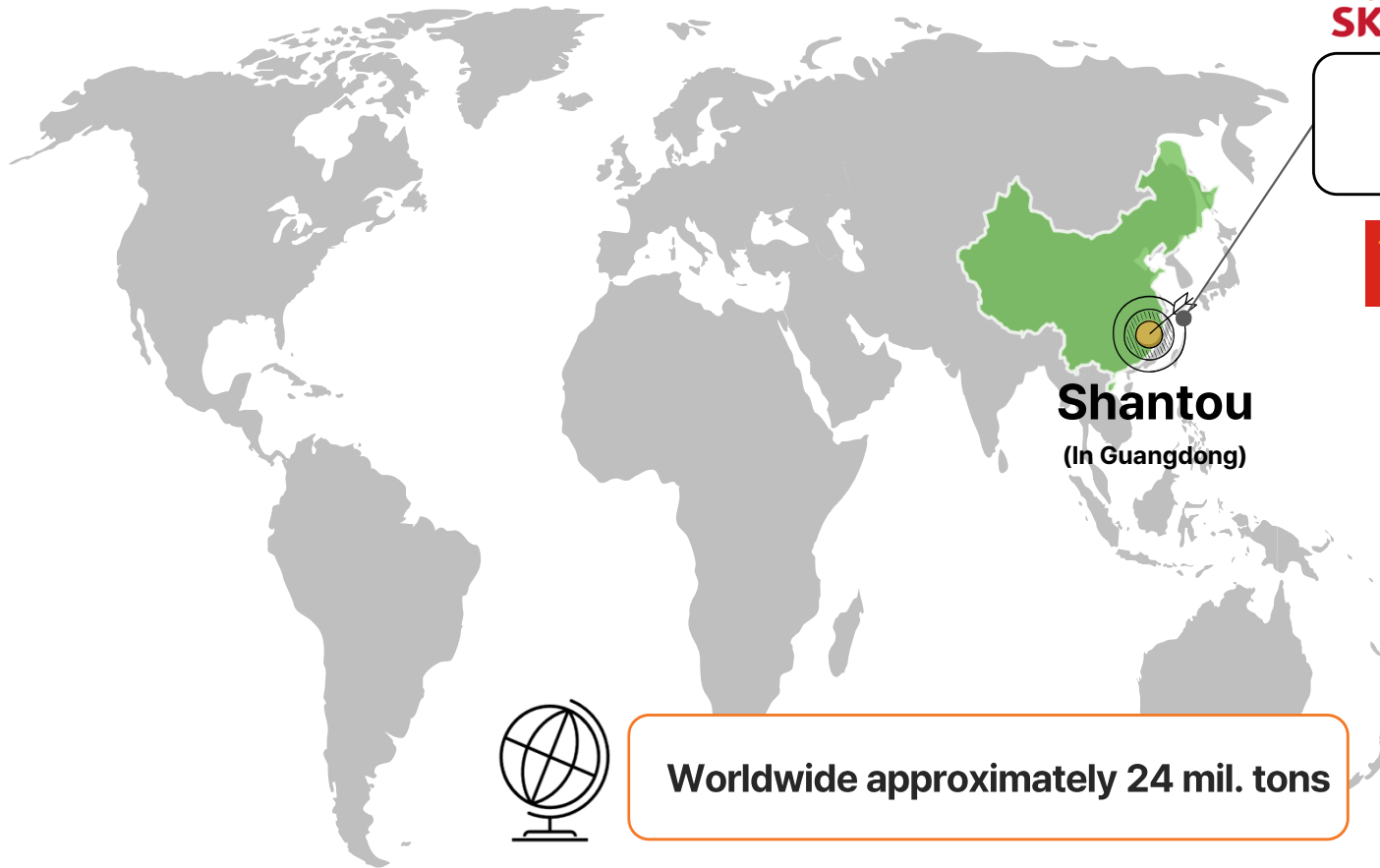
Competency (2) : Expansion of biz. criteria

Secured potentially high-growth recycling value chain in which consisted of
①Specialty(r-Copolyester) and ②Mass market product(r-PET)



Competency (3) : Securing Feedstock in advance

Securing sustainability of recycle business by stable w-PET supply

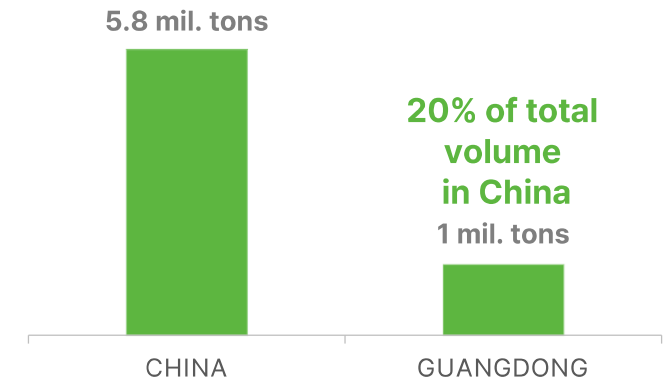


SK chemicals (Shantou) co., ltd.

Securing feedstock preemptively by taking advantage of location



"Waste PET volume in China"



Worldwide approximately 24 mil. tons

* Source : W.M. MEG Supply/Demand_2020, W.M. Global Bale Flake RPET Capacity_2023 May

Strengthening recycle biz. competency (1)

Working on the 'Basic but Important Tasks' to strengthen biz. sustainability

Key Activities

Expectations

	Key Activities	Expectations
Certification / Regulation	<ul style="list-style-type: none"> Acquisition of ISCC Plus certification Conducting tasks to respond regulations by major regions 	<ul style="list-style-type: none"> Securing a core-marketing competitiveness Removing barriers to entry into the recycling market
SK Shantou	<ul style="list-style-type: none"> Processing PMI by adapting SK process after acquisition of Shuye's facilities & technology ('23.3) Securing Waste PET value chain (on-progress) Improved EG refinery process (2Q24) 	<ul style="list-style-type: none"> Manufacturing stabilization and optimizing processes Stable supply of Feedstock and gaining Economic Value Stabilization of process and achieve cost competitiveness
Customers	<ul style="list-style-type: none"> Validation with major brand-owners on the progress 	<ul style="list-style-type: none"> Lock-in customers through proactive MOU

Strengthening key factors through analysis & advancement

Raw-materials

Cost-leadership

Advanced strategy

Financial outcome



"Sustainability & Competitiveness"

Strengthening recycle biz. competency (2)

Establish the foundation of Closed Loop system

Meaning of Waste PET Internalization

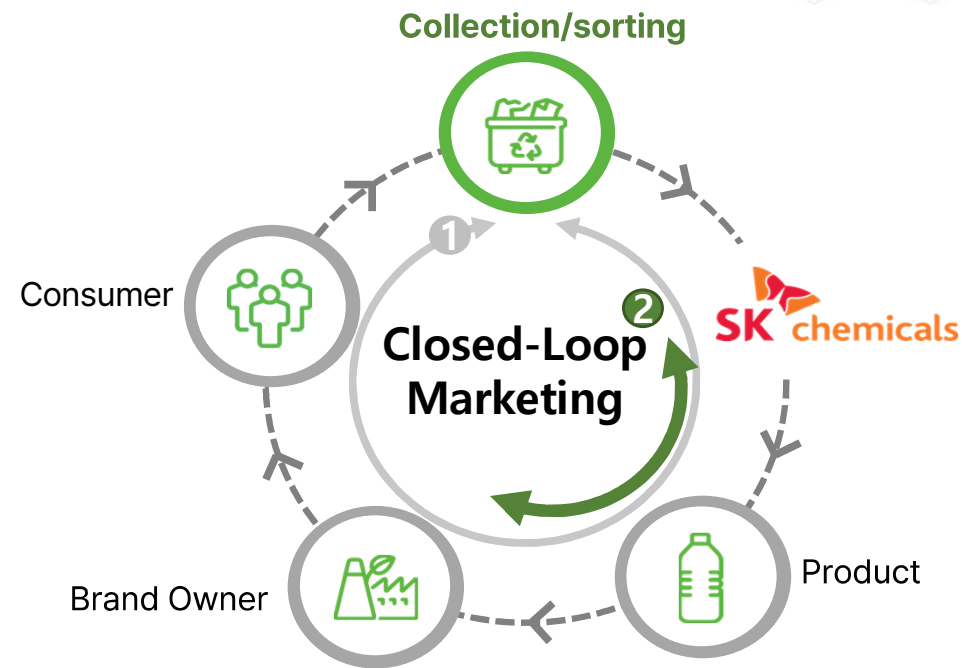
Completion of integrated BM, 'Feedstock – Monomer – Polymer' through Value Chain preemption

- ✓ Preemptive and Stable Supply of Feedstock
- ✓ Strengthen marketing capabilities for global brand owners
- ✓ Securing global expansion capabilities for Chemical Recycle business

Forwarding Plan

- ✓ Consider multiple options to build Waste PET Value Chain
- ✓ Sourcing low-cost raw materials within China
- ✓ Sourcing low-cost raw materials in SouthEast Asian countries (Malaysia, Vietnam, etc.)

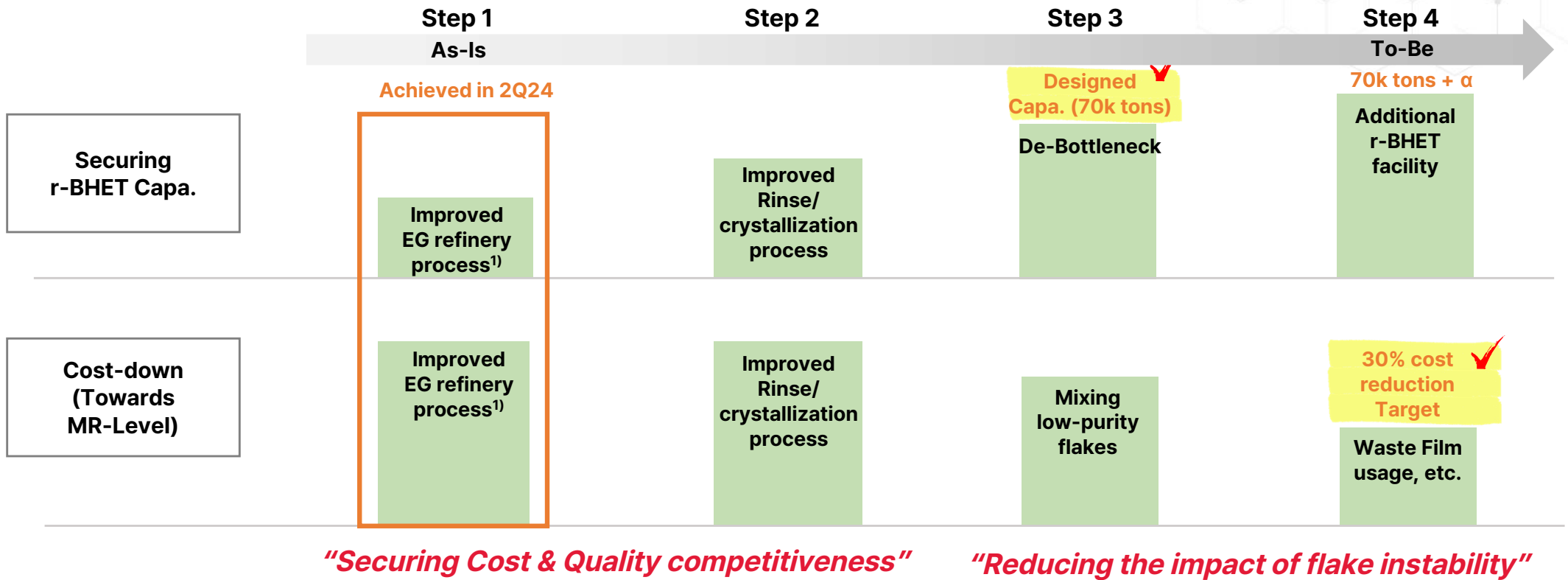
Expectations



"Establishment of SK Chemicals' own closed-loop recycling system, laying the foundation for future customized circular model business for various brand-owners"

Strengthening recycle biz. competency (3)

Securing biz. competitiveness(HTR Technology, etc.)by SK Shantou stabilization progress



1) Reducing costs and increasing transparency with better EG recovery rates

2) Securing greater transparency by minimizing impurities

Strengthening recycle biz. Achievement

Gradually expanding market range by developing usage and clients

	Client	Usage	Discussion/ Commercialization
CR-Copolyester (ECOTRIA CR)	Woosung Platech	Cosmetic package	'21.6
	YONWOO ¹⁾	Cosmetic package	'23.3
	COSMAX ¹⁾	Cosmetic package	'23.4
	KNK	Toothbrush	'23.4
	ESTEELAUDER ¹⁾	Cosmetic package	'23.10
	Pacur	Medical packaging	'24.2
CR-PET (SKYPET CR)	SAMDASOO	Water bottle	'22.1
	ART IMPACT-PROJECT 1907	Fiber	'23.3
	OTTUGI	Source bottle	'23.6
	SONOPRESS	LP	'23.10
	HYOSUNG ADVANCED MATERIALS / HANKOOKTIRE	Tirecord	'24.3

* validation with various brand-owners is underway

* '1)' clients has signed an MOU

- ✓ **With?** : Successful joint development with Hyosung Advanced Materials and Hankook Tire & Technology after two years of collaboration
- ✓ **What?** : SK chemicals' recycled PET(SKYPET CR) is supplied to Hyosung Advanced Materials, the world's No.1 tire cord manufacturer, to be used in Hankook Tire's electric vehicle tire
- ✓ **Why?** : Noting that it can be recycled indefinitely and still maintain its high quality and safety, and that it can realize the same physical properties as petrochemical-based materials



2

Business Status and Strategies

2-1. Overview



Vision



Providing eco-friendly materials and total healthcare solution

Global Leading Company



**The Green Chemical
Company**

Leading resource recycling
ecosystem



**Total Life Science
Company**

Innovating human lives with
technologies

History

Secured business identity through restructuring chemical business and SK bioscience IPO



Green Materials

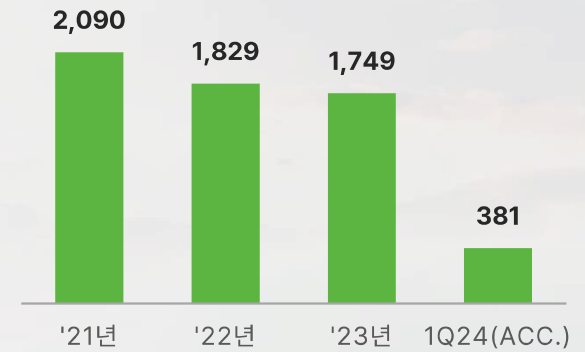
- Bio energy business sold
- Drive green portfolio centered growth
- Initiate commercialization of world's 1st chemical recycling technology-based r-Copolyester (Jul 2021) : securing stable raw material, and inhouse production infrastructure and technical skill
- New copolyester plant (#4) commercial production started
- Limited business (PPS business) sold
- Spin-off Multi Utility business
- Regularize chemical recycle business
- Complete bio-materials technology development and start operating commercialized plant (Mar 2022)
- SK-Shantou establishment Mar.'23
- Continuing stabilizing SK-Shantou
- Expanding MOUs and developing usage of recycled materials

Life Science

- Covid-19 vaccine CMO/CDMO contracts
- SK bioscience listing on KOSPI
- Covid-19 vaccine phase 3 trial commenced
- Expanding new pipelines utilizing AI/DI technologies
- Fortifying existing portfolio and procuring new technologies
- Acquired SKY Covione approval (domestic/global)
- Supplying updated Novavax COVID vaccine

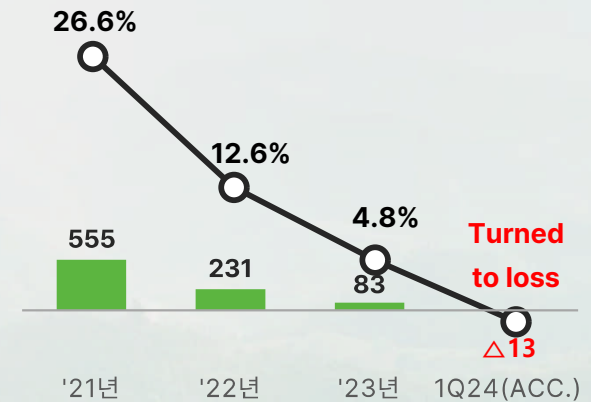
Revenue

(Unit : KRW Bn)



OP & OPM

(Unit : KRW Bn)



* Consolidated, excluding discontinued businesses

* Reflecting re-written financial statements for the past 2 years from the completion of the sale of business
 - PPS business sale completion: 31st Dec 2021
 - Bioenergy business sale completion: 29th May 2020

Strategies

Jump-up through each unit's organic/inorganic growth strategies

Green Materials(Eco-transition)

1 Transition to Recycled Copolyester

- Focusing on globalization through securing production bases, strengthening network etc.
- Strengthening Recycle portfolio

2 Expand into new Bio-material business

- Development and commercialization of corn based PO3G technology

3 Drive 'Net Zero' with green energy usages

- Value creation with LNG fuel transition
- Drive carbon reduction in future by establishing hydrogen economy

Life Science

1 Drive an execution strategy for the growth momentum

- Strengthening marketing alliance competitiveness
- Securing core-product competitiveness
- Securing R&D growth engine
- Building partnership with major pharmaceuticals

2 Expansion into the vaccine business and related fields

- Advancing strategy to increase portfolio attractiveness
- Securing global infrastructure, including construction of Songdo R&D center and expansion of Andong L-House
- Advancing Next-Pandemic project

A photograph of a large industrial facility, possibly a refinery or chemical plant, at night. The structure is illuminated by numerous bright lights, creating a complex network of steel beams, pipes, and towers. The sky is dark blue. In the upper right corner, there is a large, stylized green graphic element consisting of several overlapping, curved lines that resemble a stylized 'L' or a similar abstract shape.

2

Business Status and Strategies

2-2. Green Materials

Global Market Outlook

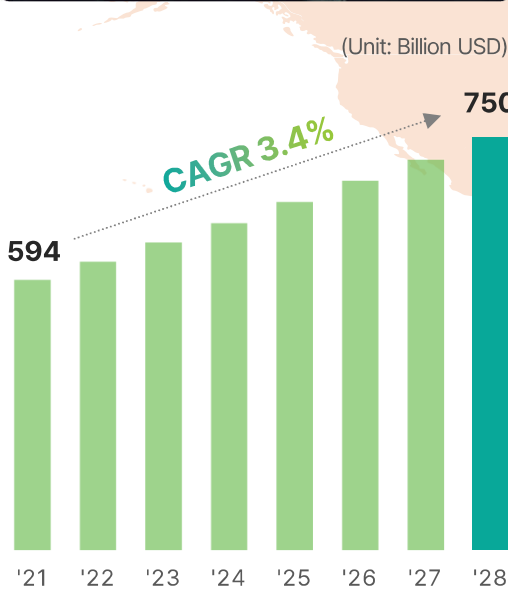
The circular recycling market is expected to show rapid growth, while traditional plastic market shows gradual growth

Global Plastic Market
 Market size in '28
 Forecasted to USD 750 Billion

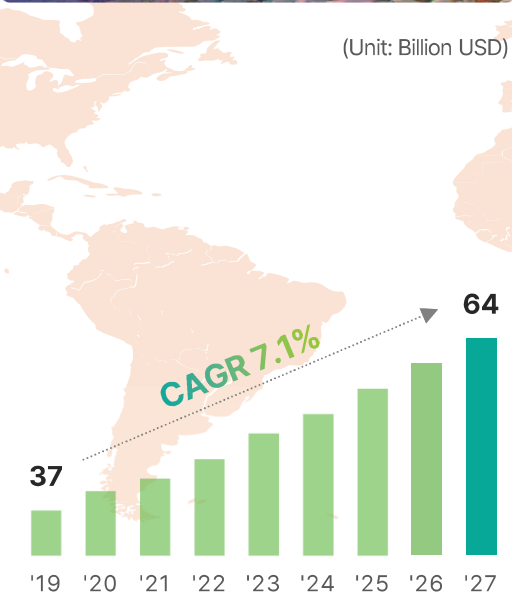
Global Plastic Recycle Market
 Market size in '27
 Forecasted to USD 64 Billion

Global CR-PET Market
 Market size in '30
 Forecasted to 5 mil. tons

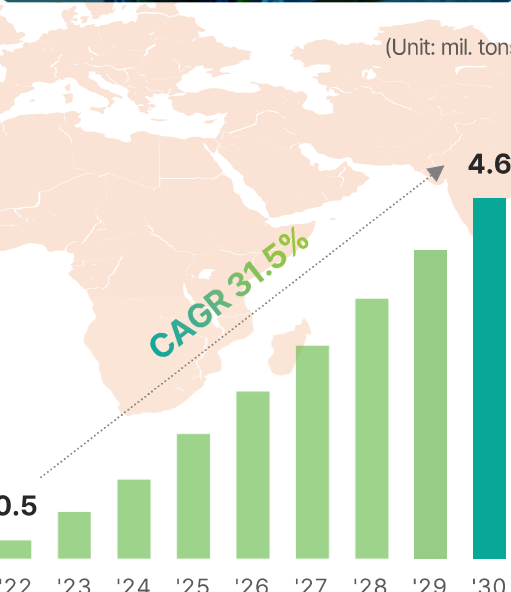
r-Copolyester Market
 Market size in '30
 Forecasted to 180k. tons



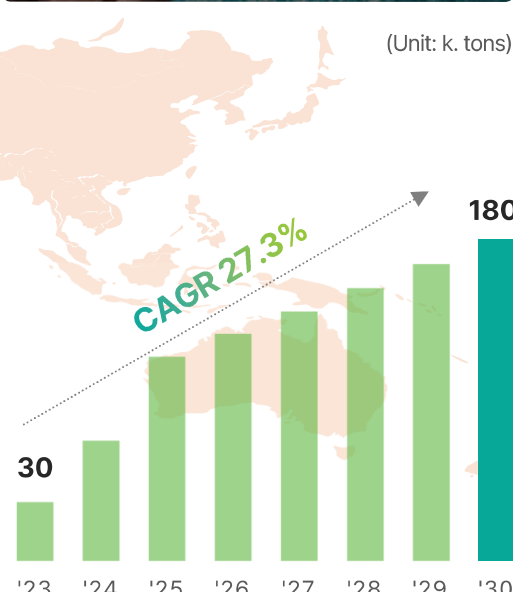
(Sources: Global plastic market size 2016-2028 Published by Ian Tiseo, 2021)



(Sources: "Transition to a Circular Economy and Response Strategy Published by PwC Korea, 2022)



(Sources: Wood Mackenzie, HIS Markit, Expert Interview)



(Sources: Wood Mackenzie, HIS Markit, Expert Interview)

Copolyester Business

Expansion into the range of applications with Copolyester through continuous product development

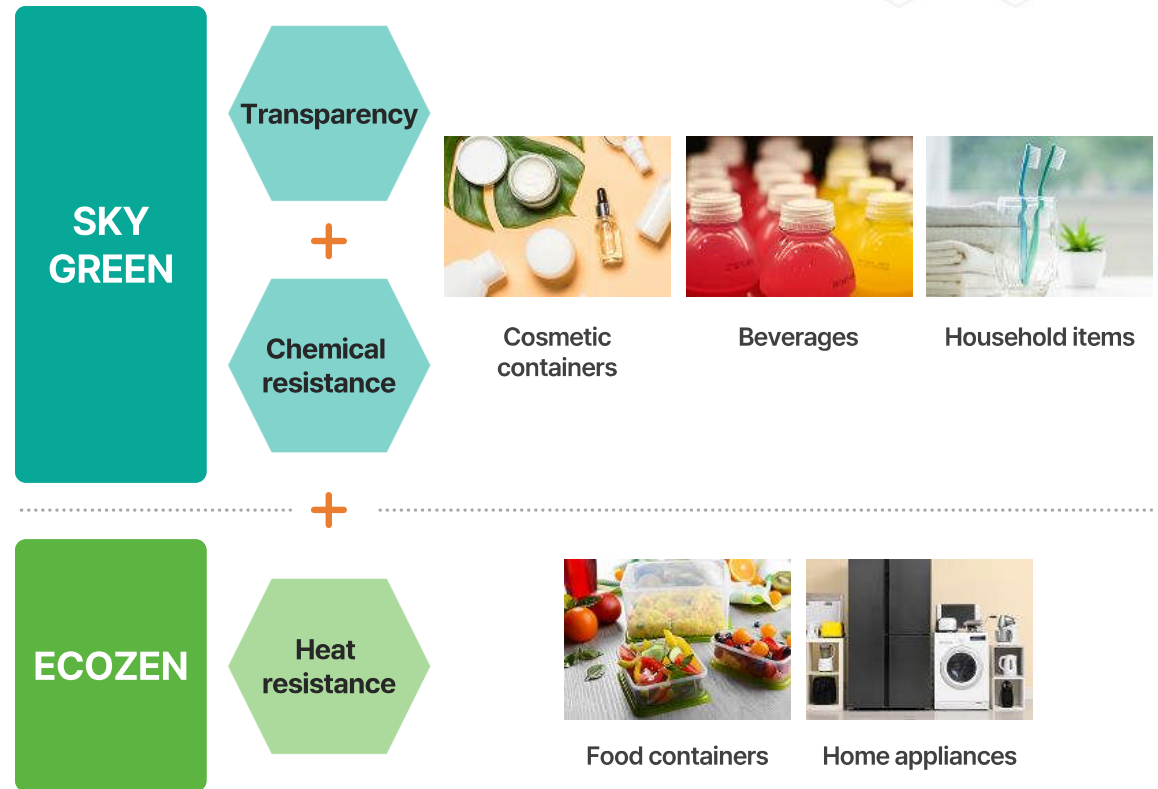
Copolyester

Excellent transparency, chemical resistance,
and superior processibility

High performance PETG (BPA Free)

High functional resin



that can replace PC, PMMA, PVC



Global Regulations and Market Trends

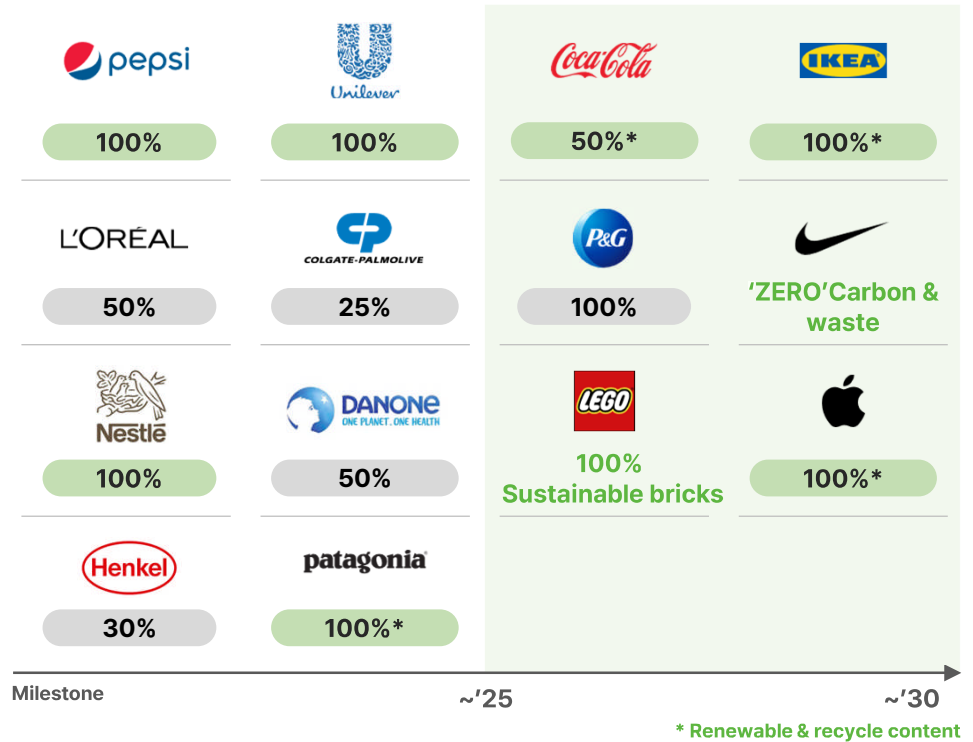
Demands for recycled plastic products are expected to hike explosively as global regulation gets stricter

Global Regulations

- | | | |
|--------|---|---|
| Europe |  | <ul style="list-style-type: none"> Mandated recyclable plastic usage in plastic packaging : 55% by 2022, 100% by 2030 Mandated usage of Recycled PET (r-PET) for PET beverage bottles : 25% by 2025, 30% by 2030 Setting targets for phased reductions in packaging waste (PPWR) : 5% by 2030, 10% by 2035, 15% by 2040 Transposed into a directive -> regulation, applying to all Member States without any changes to national law |
| US |  | <ul style="list-style-type: none"> California : Mandates recycled content in PET bottles - 15% by 2022, 50% by 2030 Washington State: Mandates recycled content for plastic containers across food and household product - 15% by 2022, 25% by 2025, 50% by 2030 |
| Japan |  | <ul style="list-style-type: none"> Establishing goals for recycling rates of plastic containers : 60% by 2030, 100% by 2035 |
| Korea |  | <ul style="list-style-type: none"> Enlarging 30% of the usage of recycled plastic materials by 2030 - Targeting to reduce 20% of waste plastic by '25 |

Brand owners' Commitments

Announces from Brand owners :
 "Transition to 50%~100% recyclable materials by 2030"

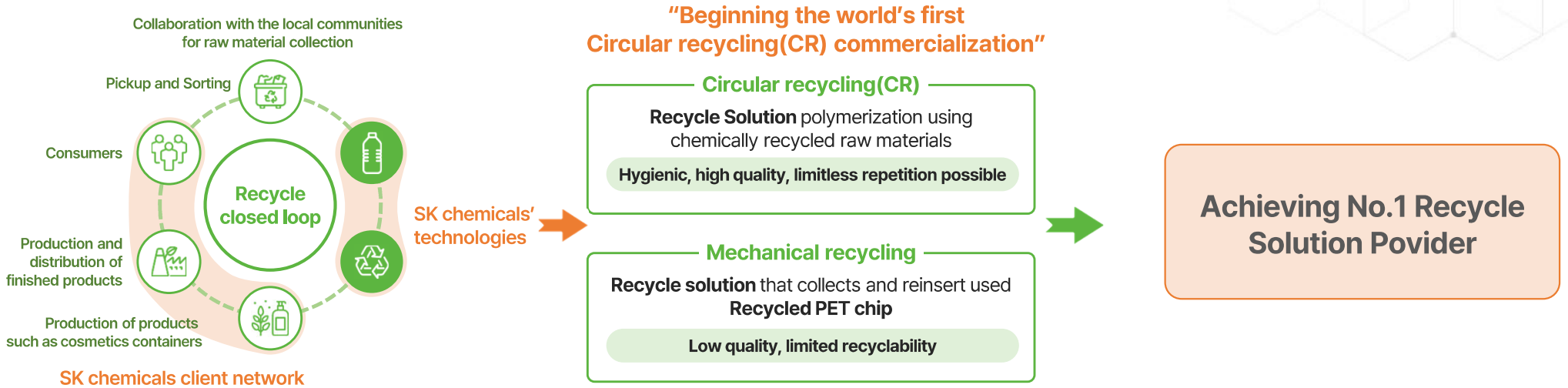


(Sources: Branded-audit report (2022)& Homepages of each company)

Recycled Copolyester

SK chemicals' sustainable packaging solutions

Establishment of circular economy through recycle closed loop



Recycled Copolyester production process

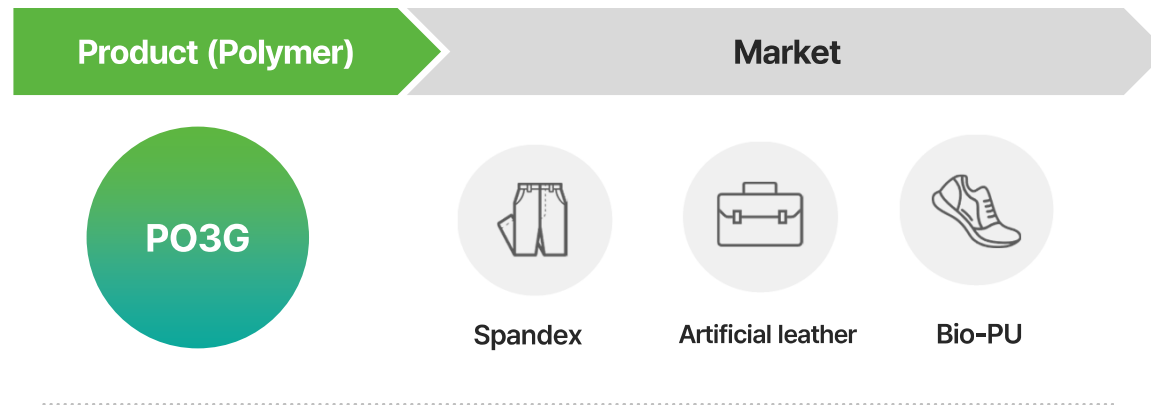


Strengths

- 1 Stable raw material secured through self production of r-BHET and CHDM
- 2 Demonstrate Recycle technology by being the world's 1st to commercialize r-Copolyester
- 3 Securing cost competitiveness and process optimization by stabilizing SK Shantou

Bio-materials Business

Expansion into bio-material business such as PO3G

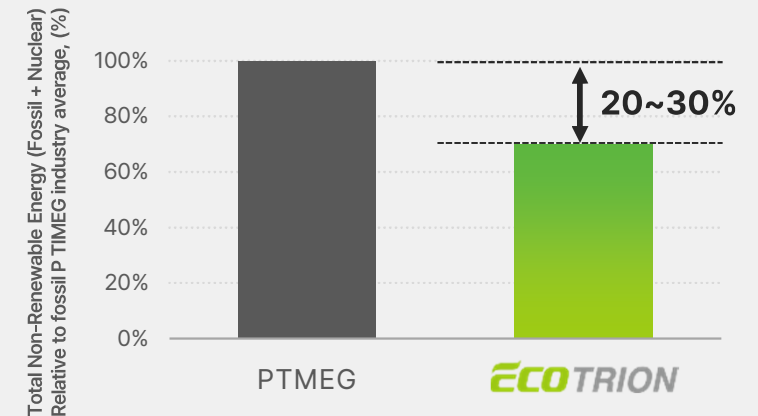


ECOTRION

- Investment term** Feb 2020 ~ Feb 2022
- Capacity** 5,000 tons annually
- Features** High elastic recovery, Abrasion resistance
- Applications** Elastomer, 3D Printing, Spandex, etc.
- Progress** Commercial plant started (Mar 2022)

PO3G eco friendly features

Up to 30% reduction of greenhouse emissions compared to existing Polytetramethylene Ether Glycol (PTMEG)



Reference : DuPont™ Cerenol® -A New Family of Sustainable and Environmentally Friendly Materials, 2008, Washington DC



2

Business Status and Strategies

2-3. Life Science

Life Science - Pharma

Main Products

Ginexin-F



No.1 Ginkgo extract circulatory enhancer

Joins



Korea's no.1 herbal medicinal products for arthritis

Trast



World no.1 patch formulation for arthritis

Mvix S



World's 1st film type impotency treatment

Rivastigmine Patch



Patch type Alzheimer treatment

Strengths and Growth Strategy

Top class marketing and partnerships in Korea



New drug development strategic cooperation

- Open Innovation
- CMO · CDMO



Establishment of a new drug search platform utilizing AI








- Expand new pipelines and minimization of failure costs
- Secure analysis capacity level on par with established AI companies



Introduction of external projects and venture investments

- Build high-prospect venture capital investment pipelines, and search for new business fields
- Generate investment profits and develop introduction pipelines

Life Science - SK bioscience

		Pre-clinical	Phase 1	Phase 2	Phase 3	Registration
● Premium						
● Routine						
● COVID/Pandemic						
PCV 21	sanofi	✓	✓	✓	✓ Global	
RSV		✓				
Recombinant Zoster		✓				
HPV 10	Sunflower	✓				
Value-Up Flu Vaccine		✓				
PCV 13						✓
SKYCellflu(Trivalent)						✓
SKYCellflu(Quadrivalent)						✓
SKYZoster						✓
SKYVaricella						✓
SKYTyphoid(TCV)	 International Vaccine Institute  BILL & MELINDA GATES foundation					✓ WHO PQ
HPV 4	Sunflower			✓ Phase 1/2		
Rotavirus Pentavalent			✓			
JEV mRNA	CEPI	✓				
Hep A, etc.		✓				
SKYCovione (COVID-19)	CEPI  BILL & MELINDA GATES foundation					✓ Domestic: BLA Approval Overseas: MHRA MA WHO EUL
Pan-Sarbeco (Sarbecovirus)	CEPI  INSTITUTE FOR PROTEIN DESIGN	✓				
Lassa Fever mRNA	CEPI	✓				
Nasal Spray	 INSTITUTE FOR PROTEIN DESIGN  BILL & MELINDA GATES foundation 	✓				

