

SK chemicals
2023 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



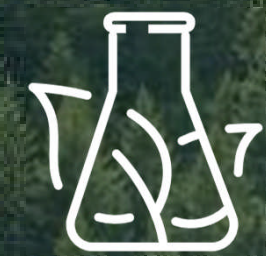
3Q22 Highlight



Performance

Revenue 365 bn KRW
(Δ 12.8% YoY, Δ 23.6% QoQ)

OP 9 bn KRW
(Δ 82.2% YoY, Δ 80.7% QoQ)



Copolyester

Securing future growth engine

by internalization of core recycle raw material



Pharma

Open innovation expansion and AI based

Open R&D platform establishment



SK bioscience

Obtained overseas approval for SKYCellflu & SKYZoster
No.1 for 4 consecutive quarters (M/S)

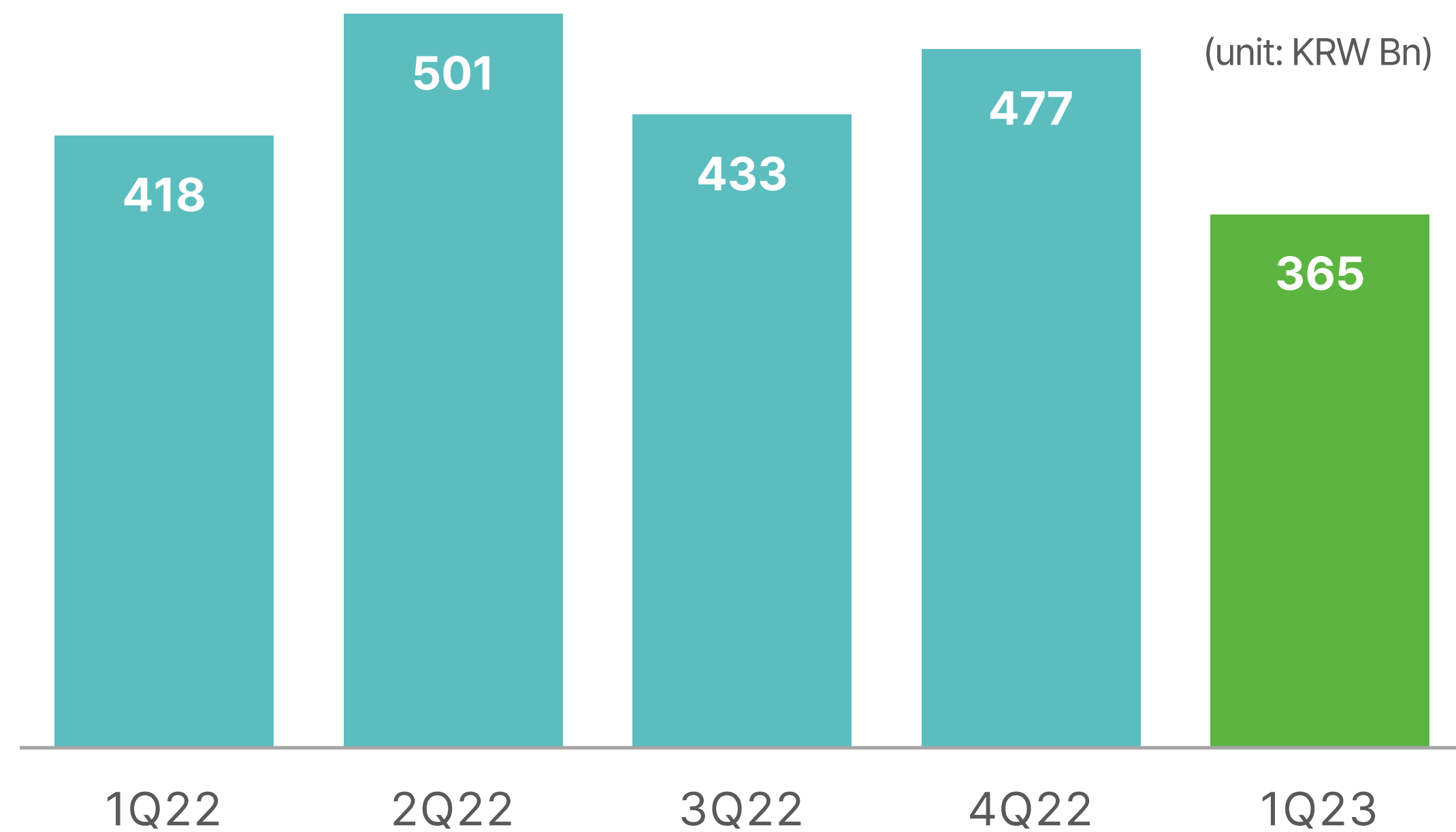
1Q23 Performance Review

Revenue

365 Bn KRW

($\Delta 12.8\%$ YoY, $\Delta 23.6\%$ QoQ)

The revenue declined due to the impact of Copolyester business and consolidated subsidiary's performance

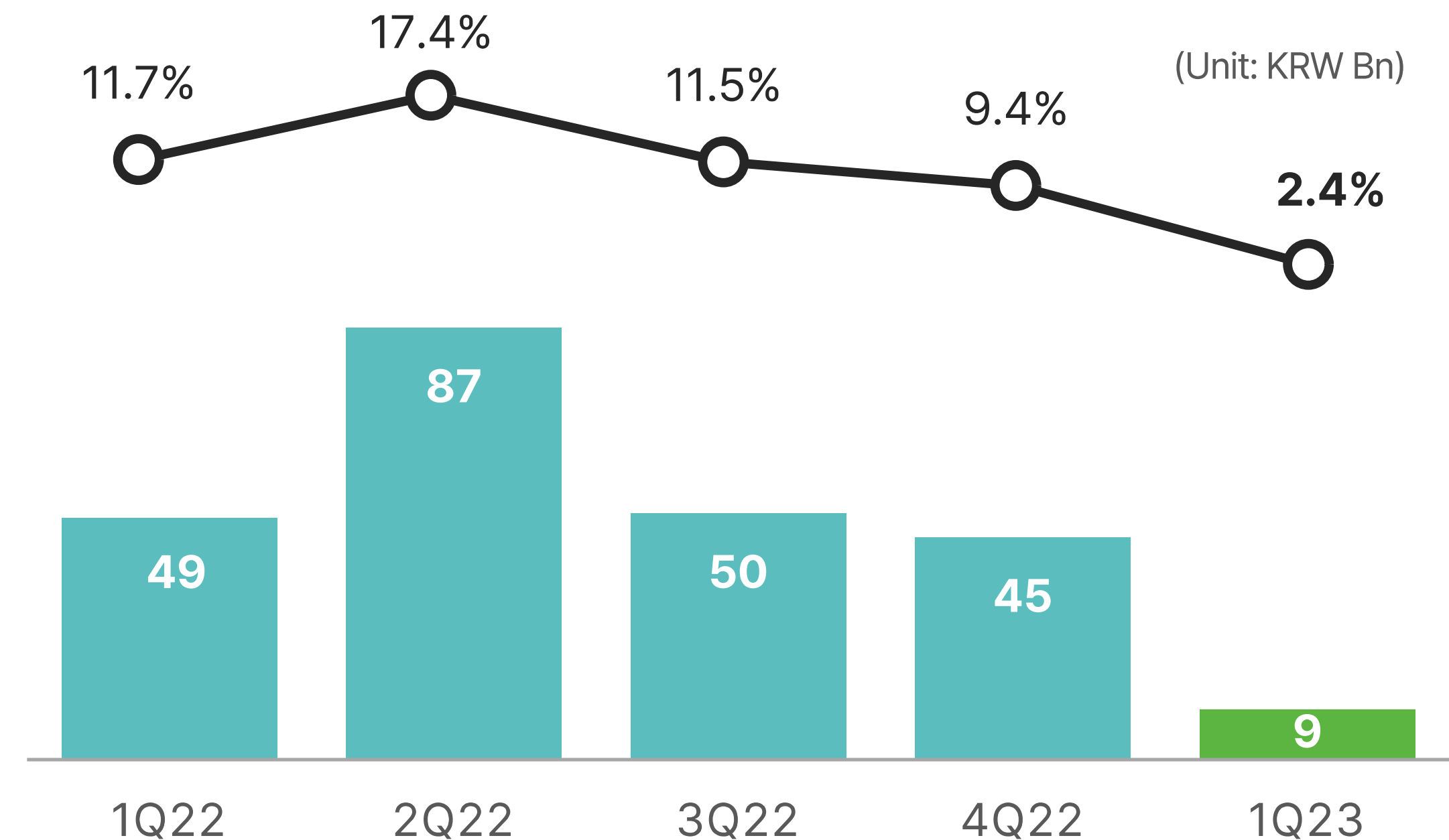


Operating profit & margin

9 Bn KRW

($\Delta 82.2\%$ YoY, $\Delta 80.7\%$ QoQ)

Despite the improvement in profitability of Copolyester business, profit decreased due to impact of consolidated subsidiary's performance



Performance Review by Division

Green Materials – Copolyester & Petrochem

Performance and Outlook

'23.1Q Performance

Revenue **201 Bn KRW** ($\Delta 0.6\%$ YoY, $\Delta 3.4\%$ QoQ)

Sales declined due to lower demands for consumer goods followed by global economic downturn

Operating profit **33 Bn KRW** ($+41.0\%$ YoY, $\Delta 1.6\%$ QoQ)

Profitability improved by strengthening high-value portfolio

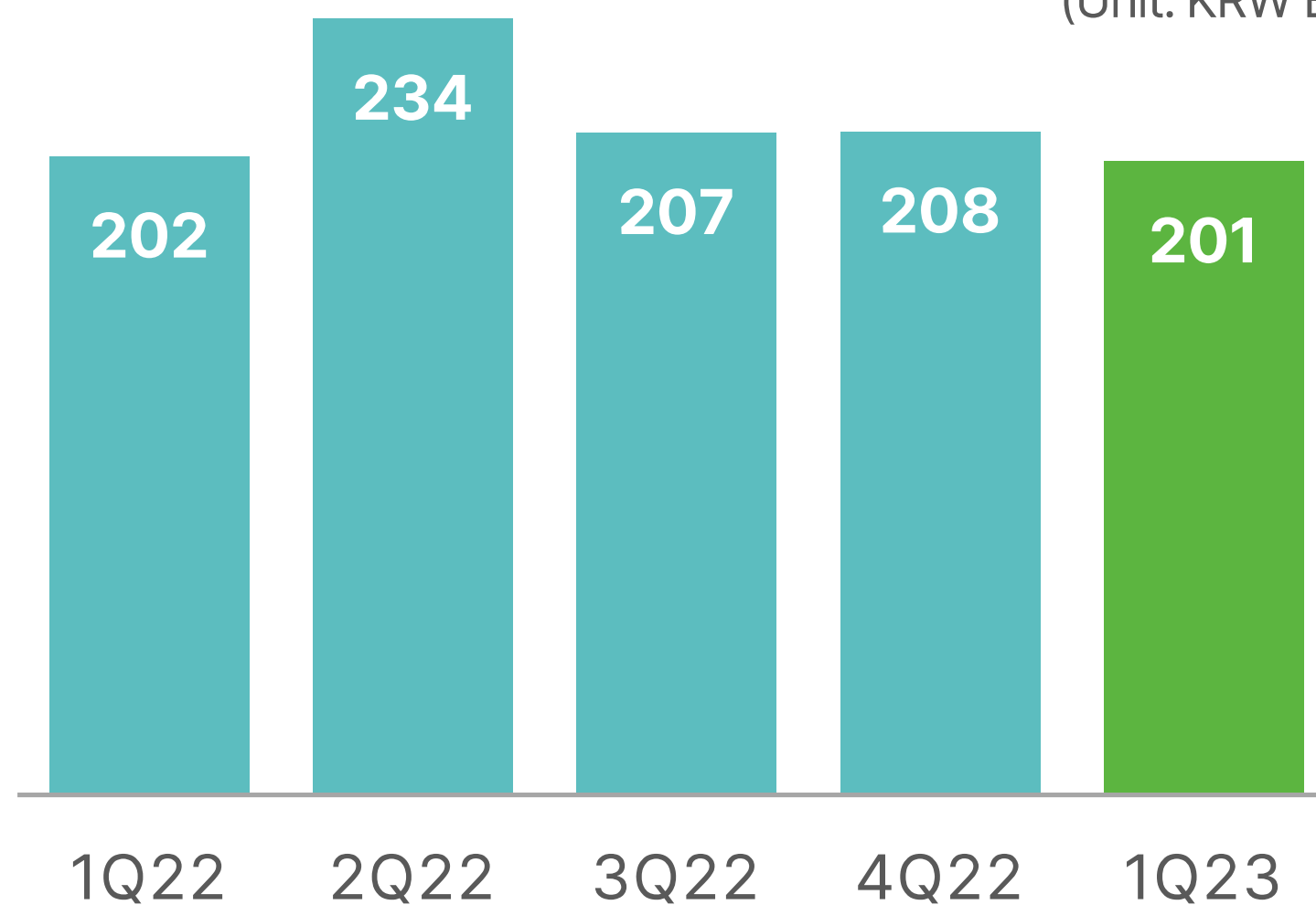
'23.2Q Outlook

Gradual recovery of global demand, maintaining strong profitability through expansion of high-value products

vs. Cost increase

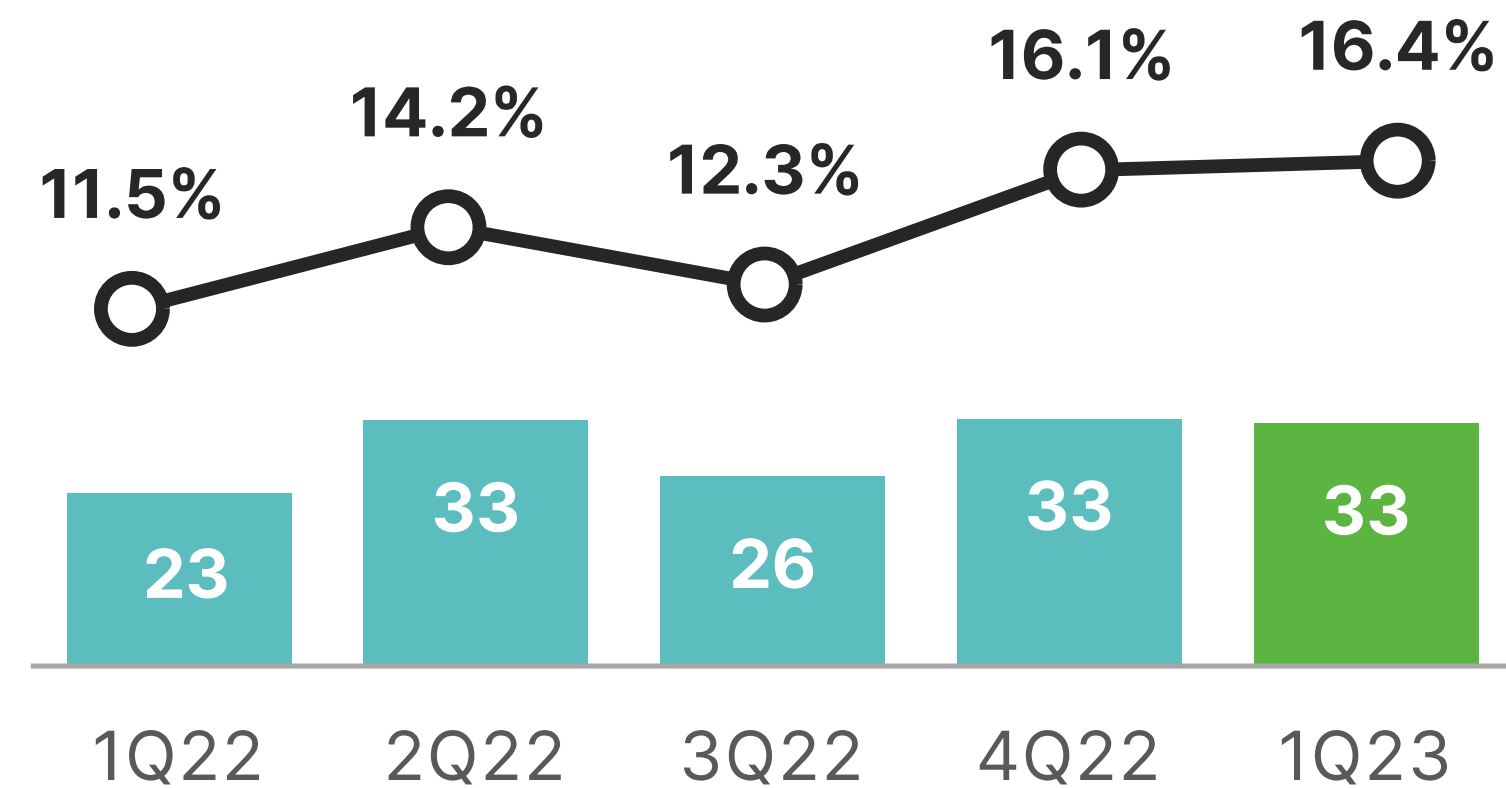
Revenue

(Unit: KRW Bn)



OP & OPM

(Unit: KRW Bn)



Main Product

Products

Applications



※ Including performance of America/Europe sales corporations

Performance Review by Division

Life Science - Pharma

Performance and Outlook

'23.1Q Performance

Revenue **86 Bn KRW** (+12.0% YoY, +7.9% QoQ)

Satisfactory sales in top-selling products and M/A products continued

Operating Profit **7 Bn KRW** (Δ23.8% YoY, +6.8% QoQ)

Profit decreased due to impact of higher SG&A and price reduction of some products

'23.2Q Outlook

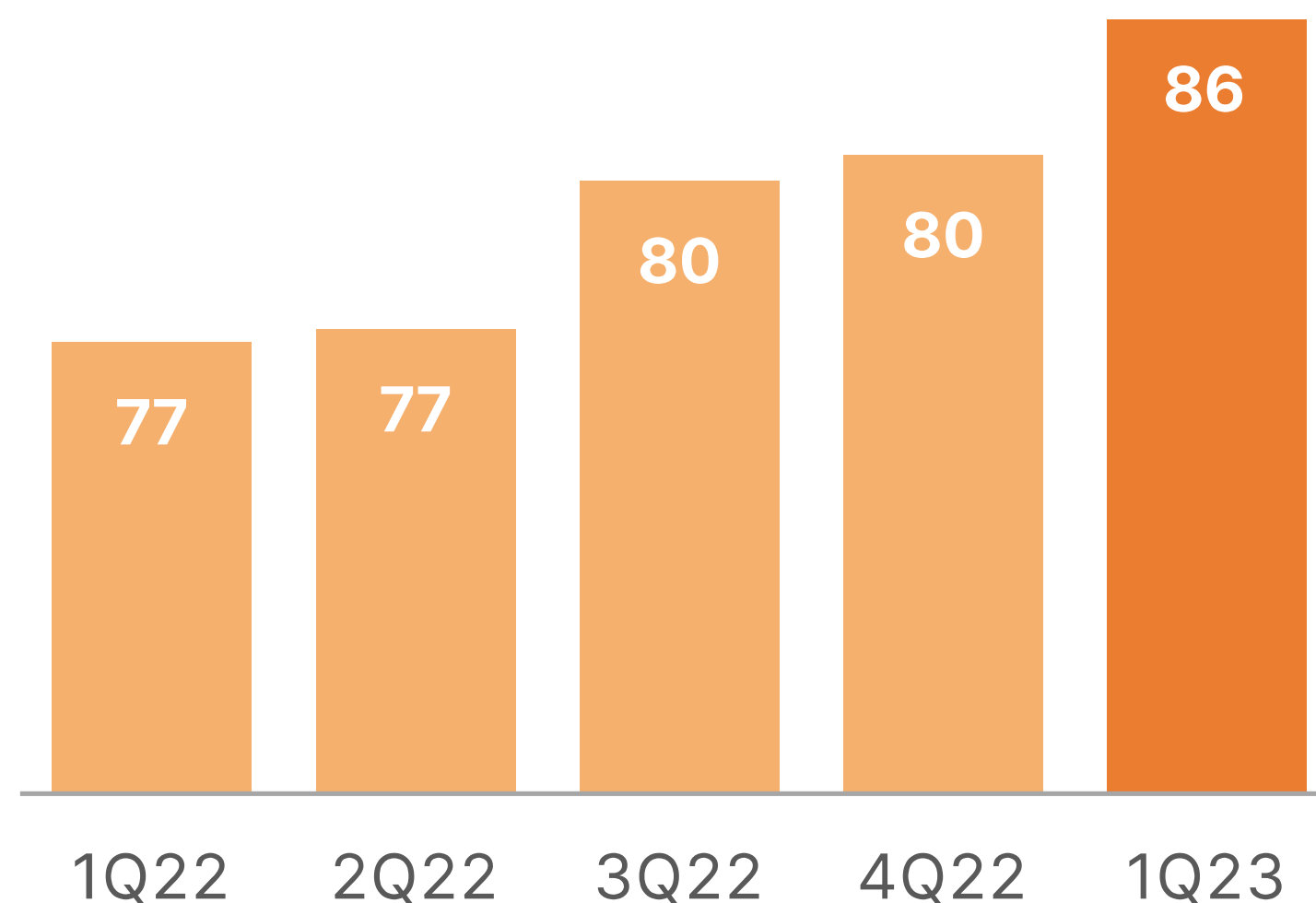
Continuous robust sales of top-selling products

vs.

Cost increase

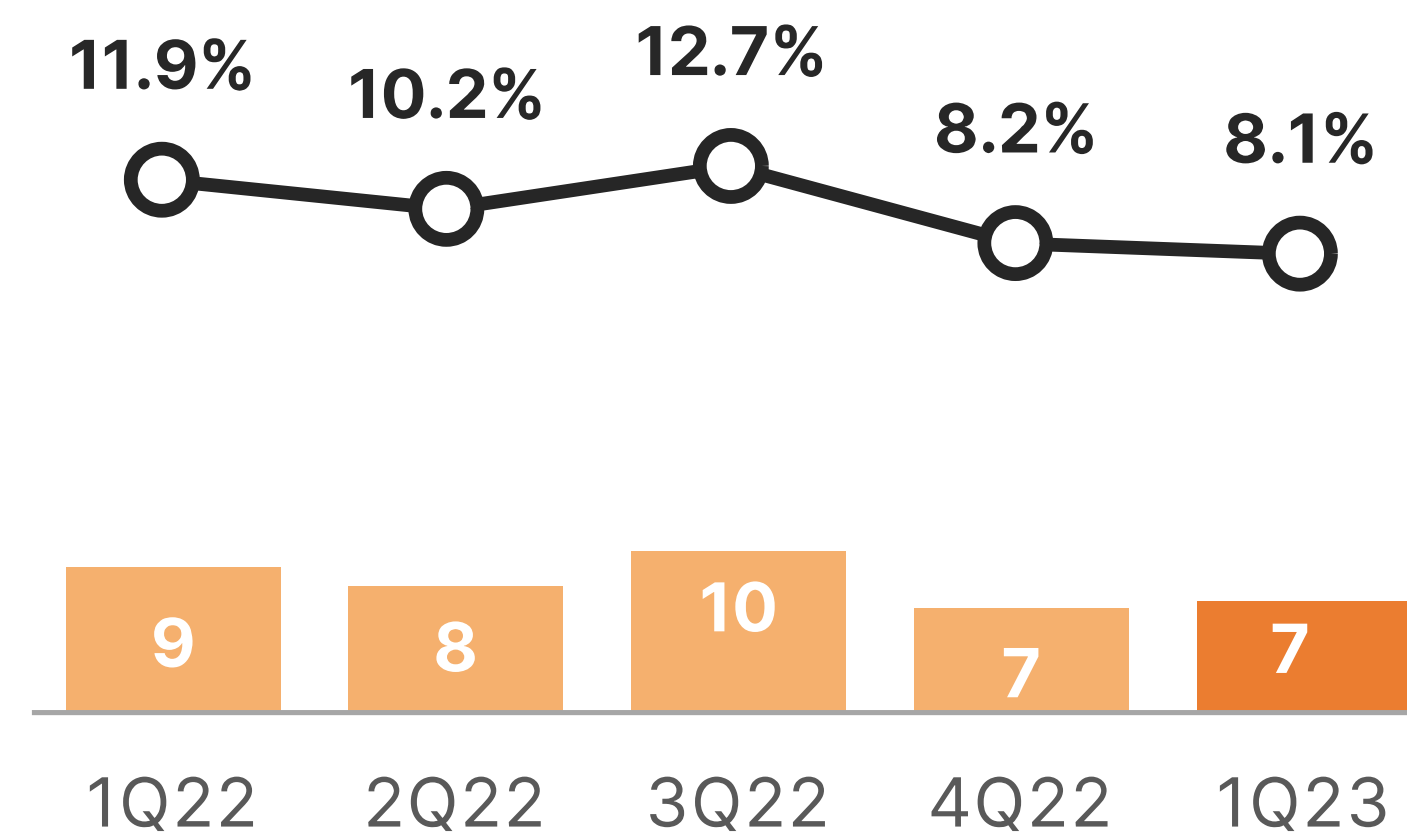
Revenue

(Unit: KRW Bn)

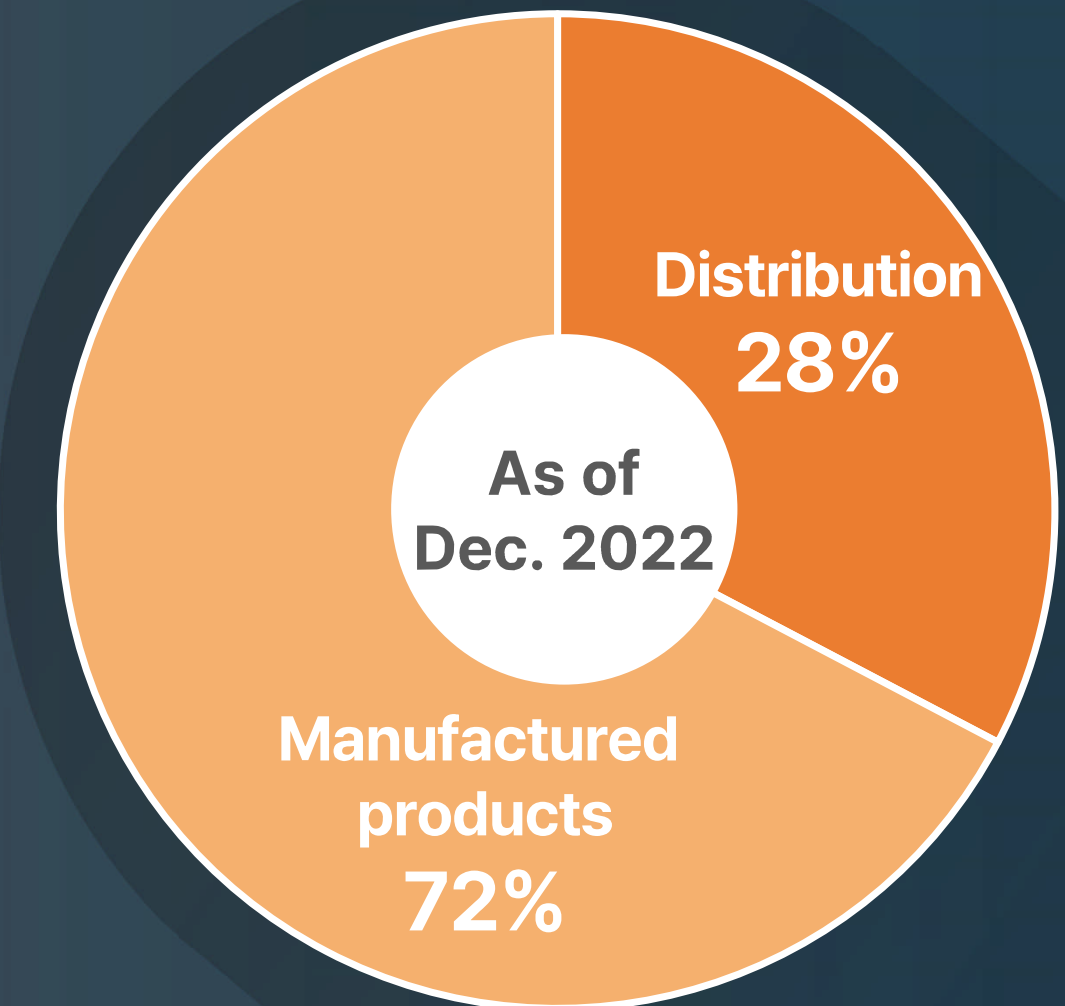


OP & OPM

(Unit: KRW Bn)



Sales Composition



Main Products



Joins

Natural product based anti-arthritic treatment



Ginexin

blood circulation disorder treatment



Rivastigmine patch

Anti-dementia treatment patch



Performance Review by Division

Life Science - SK bioscience

Performance and Outlook

'23.1Q Performance

Revenue **21 Bn KRW** ($\Delta 76.4\%$ YoY, $\Delta 85.3\%$ QoQ)

Revenue decreased due to absence of Novavax CMO revenue

Operating profit **$\Delta 30$ Bn KRW** (Turned to loss)

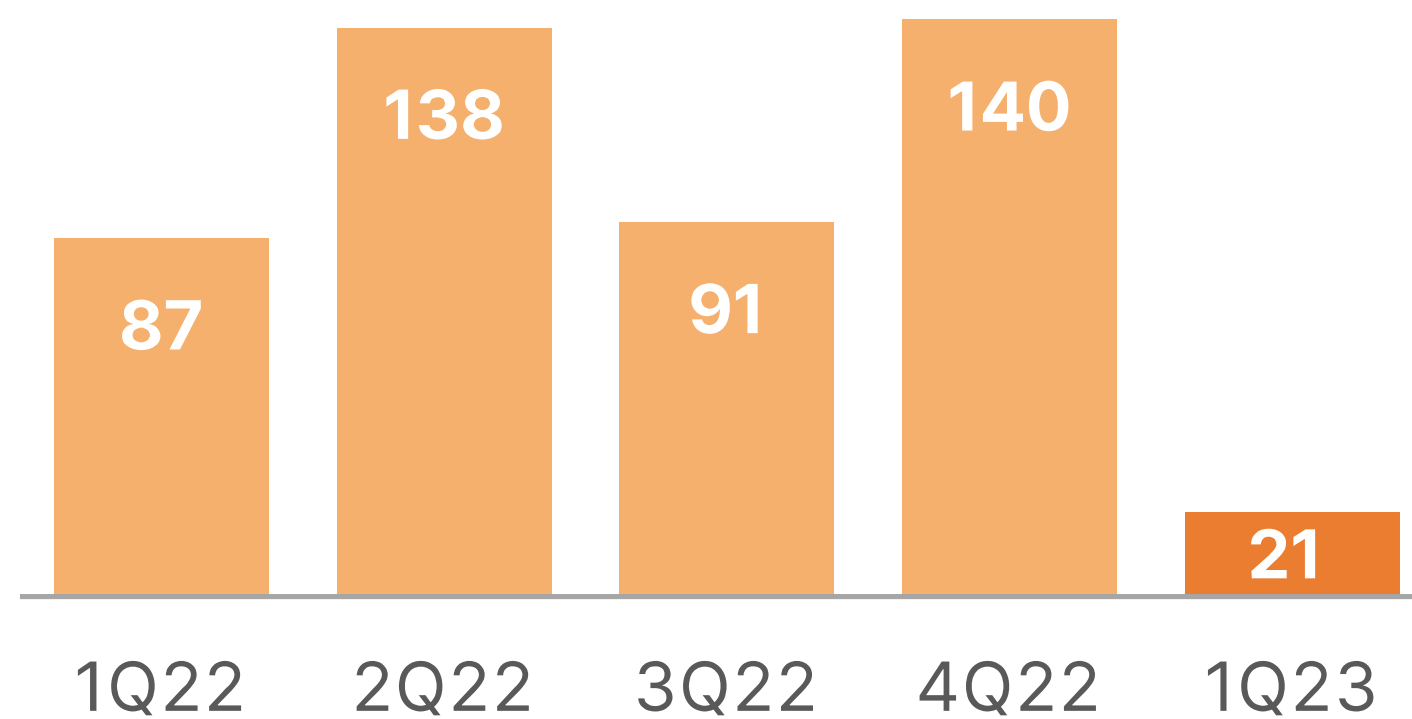
Profit decreased due to reduced revenue and R&D cost hike

'23.2Q Outlook

Performance improvement is expected thanks to sales generation of SKY Covione™

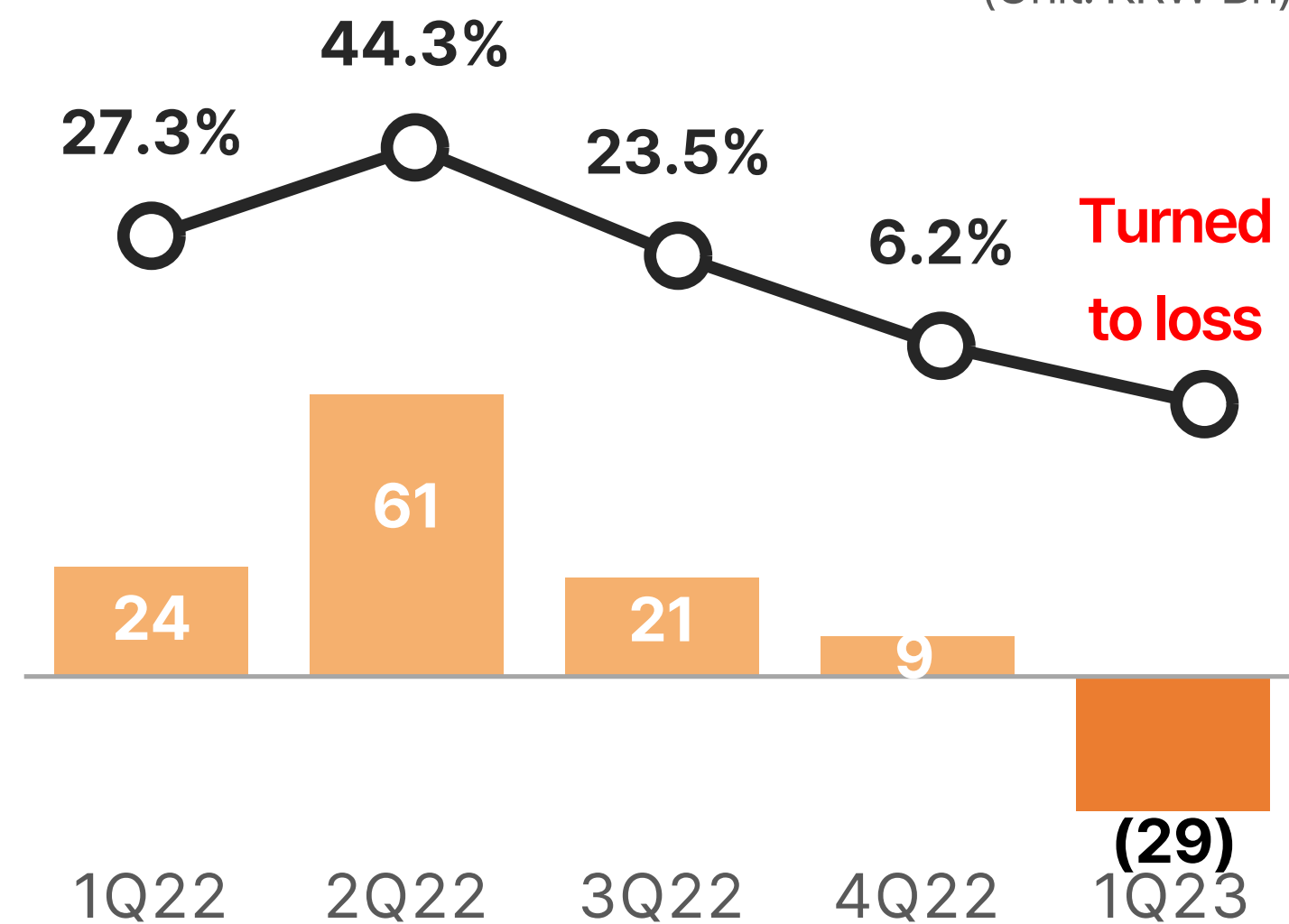
Revenue

(Unit: KRW Bn)



OP & OPM

(Unit: KRW Bn)

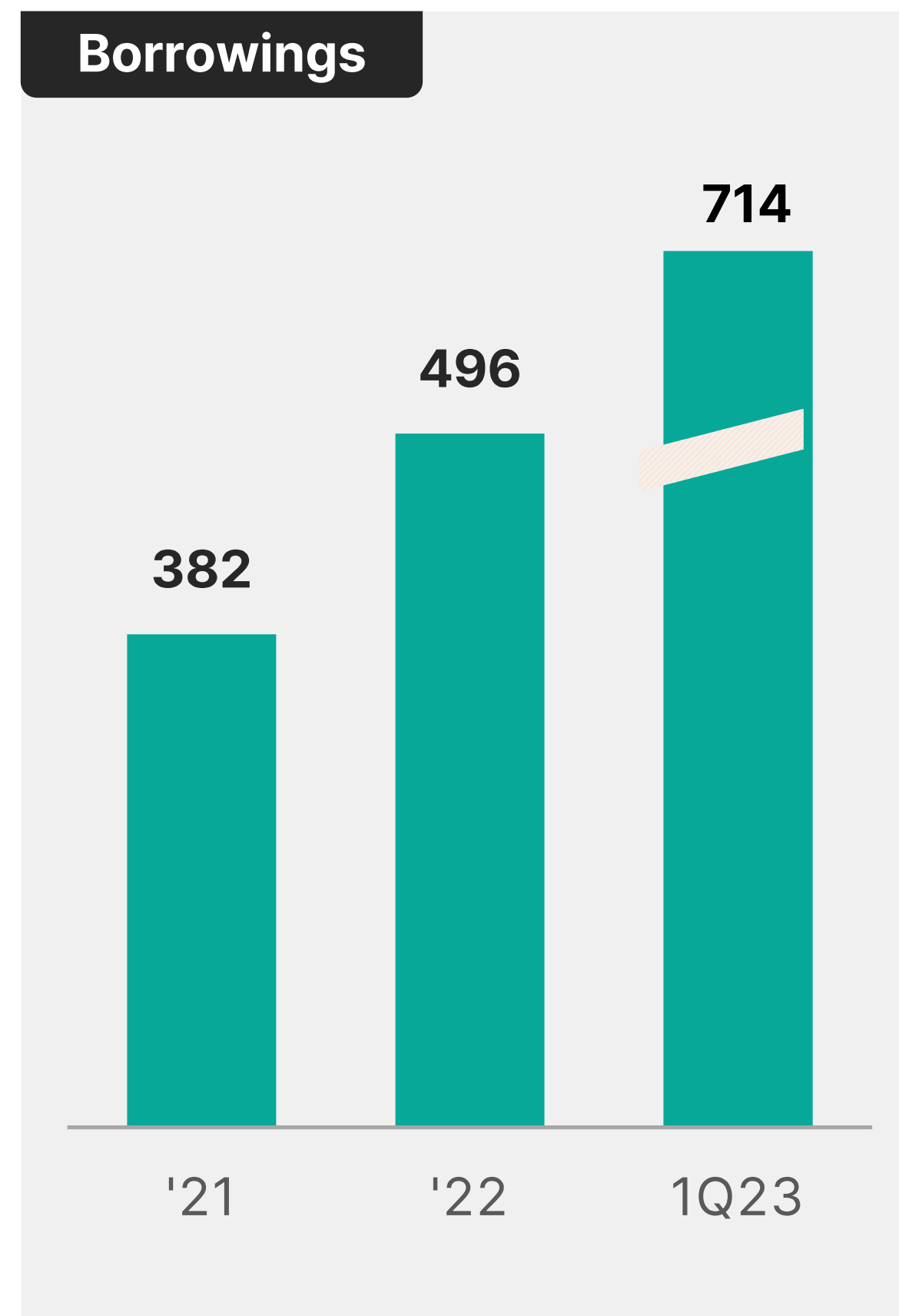
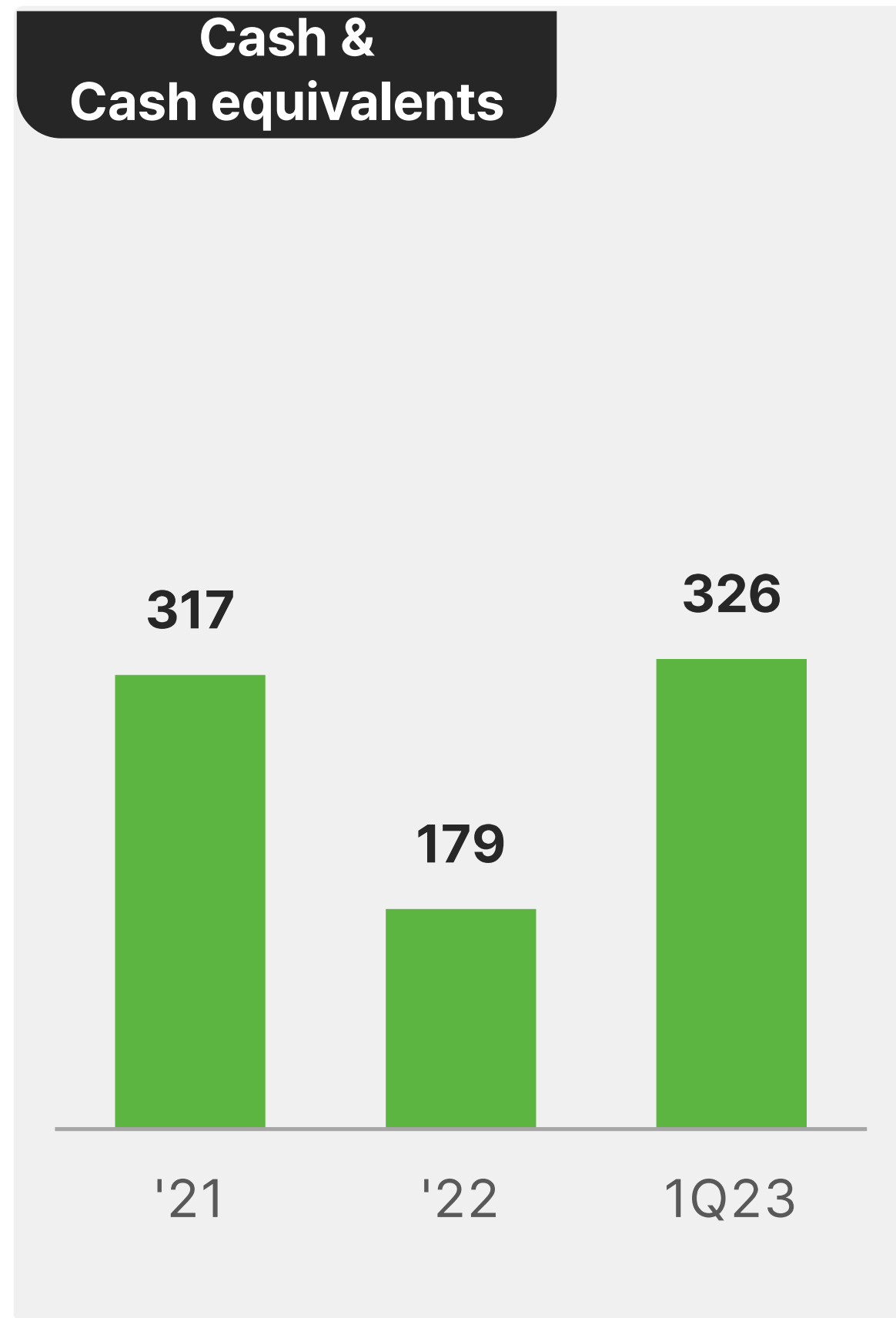


1Q23 Business Review

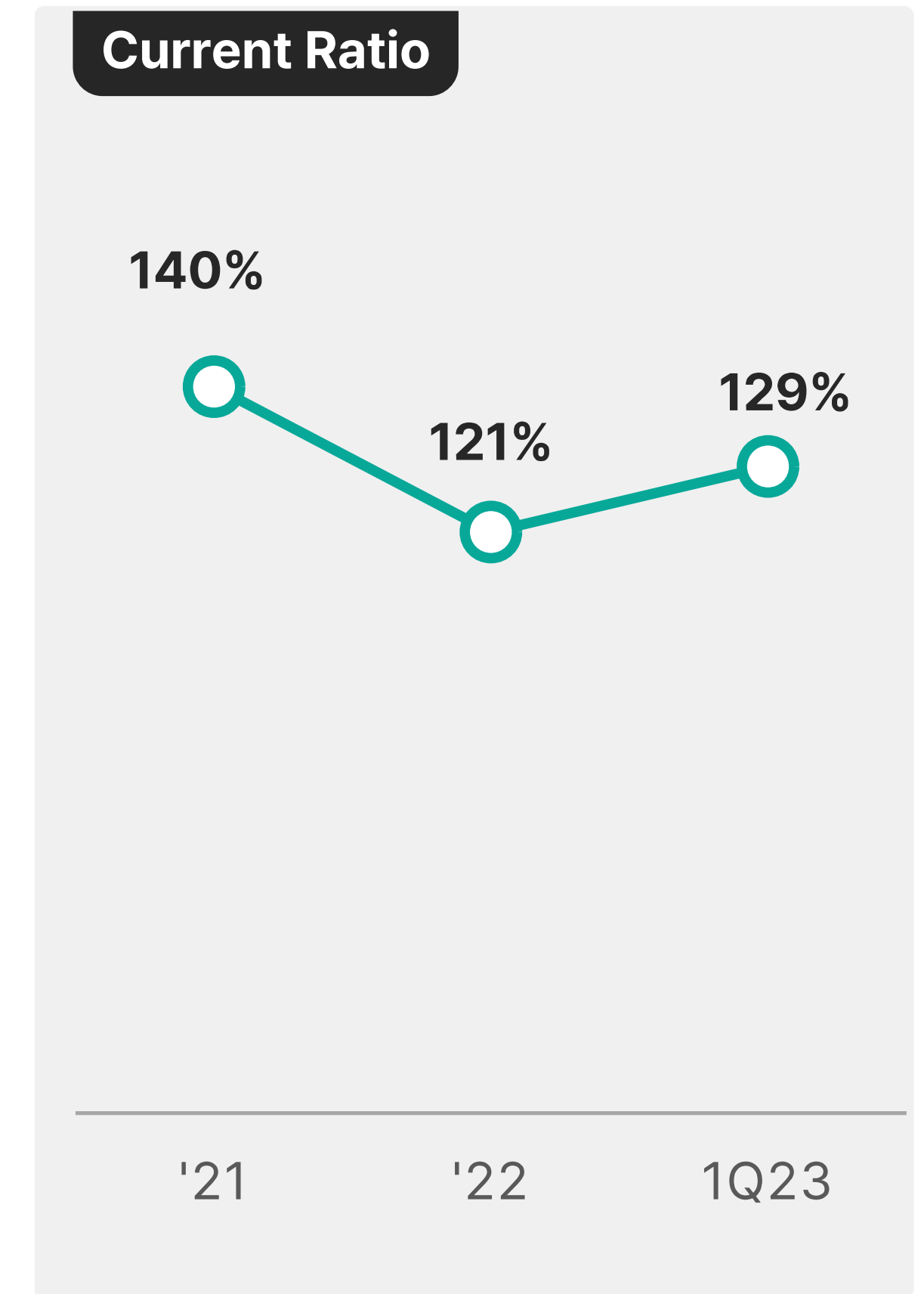
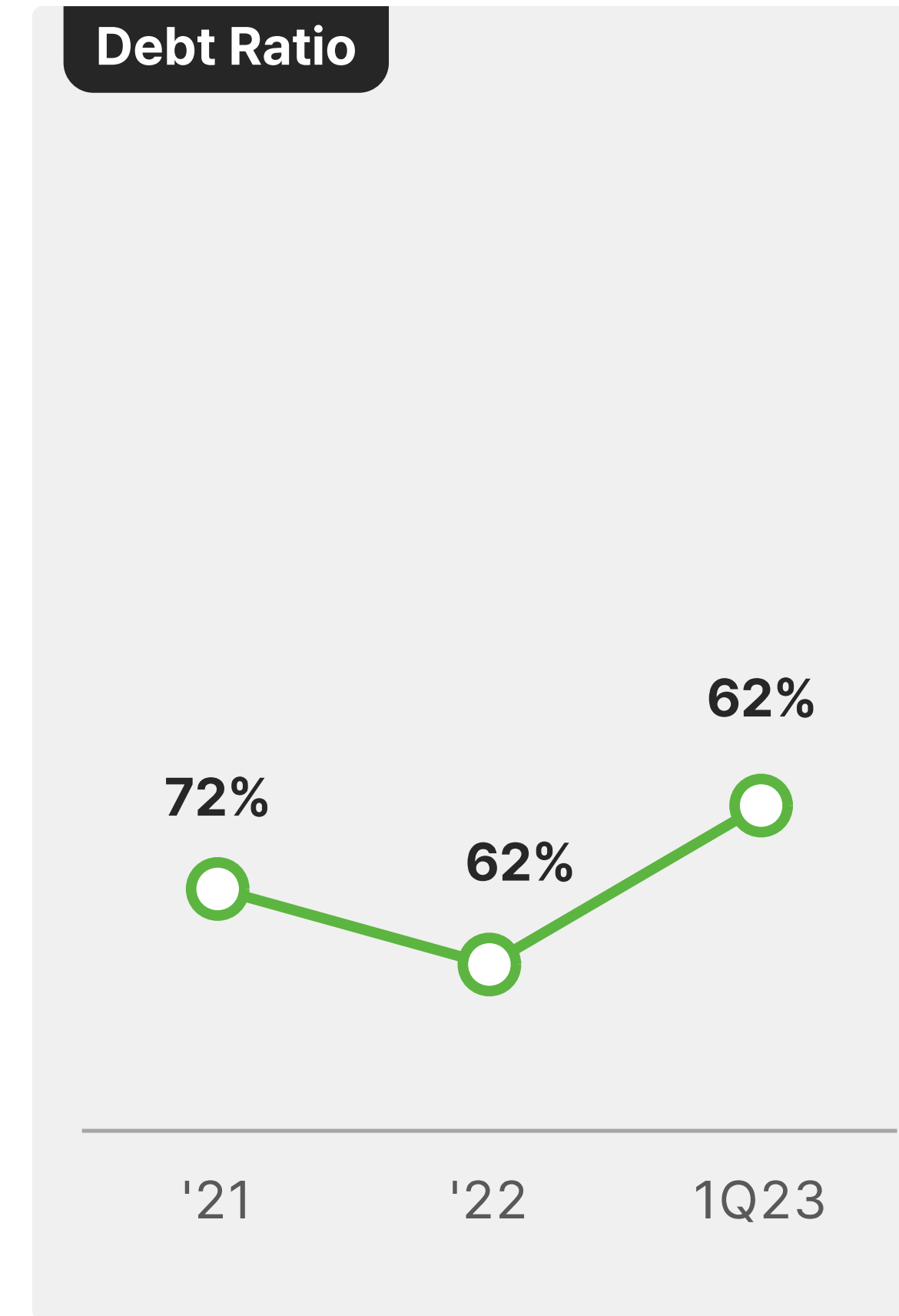
- **SKYCovione global approval**
 - Approval Target : UK & WHO 1H.'23/ EMA '24
 - Completed global homologous booster phase 3 clinical trial (heterologous underway)
- **Obtained overseas approval for SKYCellflu & SKYZoster**
 - SKYZoster : Malaysia ('23.01)
 - SKYCellflu : Chile ('23.02)
- **SKYZoster recorded No.1 M/S in Korea**
 - 4Q'22 domestic M/S 57% (No.1 for 4 consecutive quarters)

Financial Highlights

Financial status (Separate / Unit: KRW Bn)

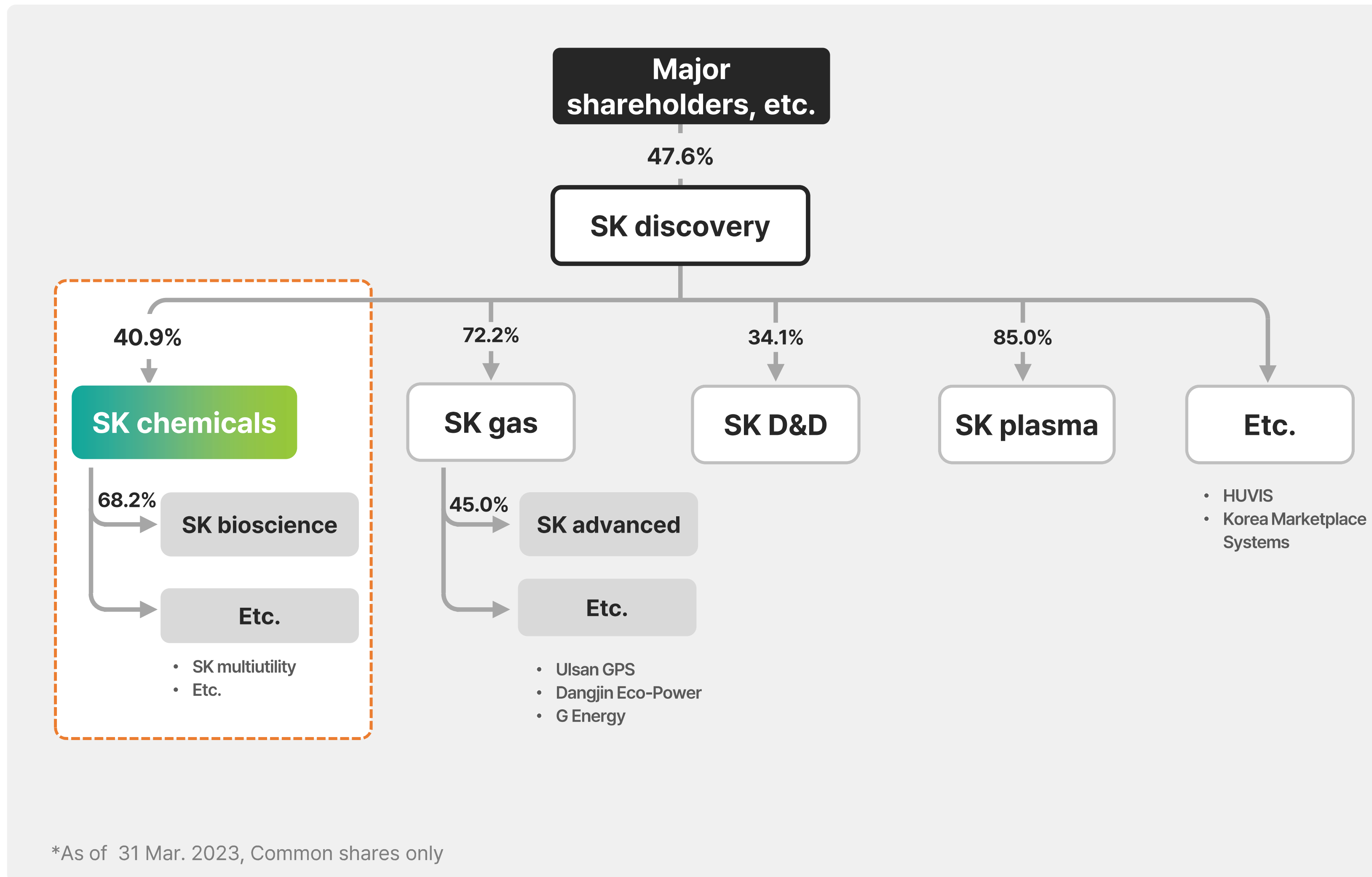


Financial Ratio (Separate)

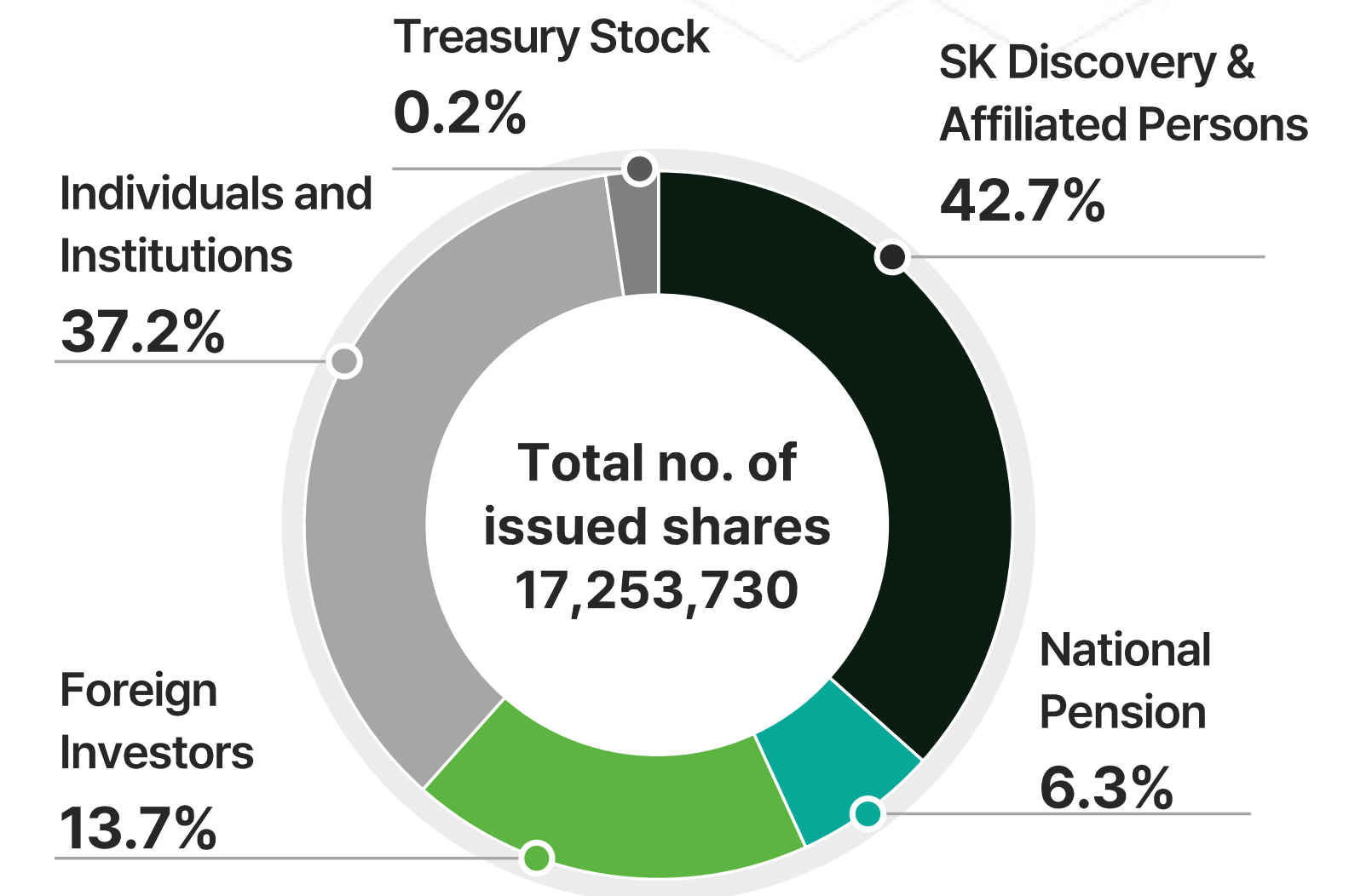


Governance and Shareholders

Corporate Governance



Shareholder Structure



Shareholders Category	No. Shares
SK Discovery & Affiliated Persons	7,361,072
National Pension	1,080,466
Foreign Investors	2,370,316
Individuals and Institutions	6,411,072
Treasury Stock	30,857
Total no. of issued shares (Ordinary shares)	17,253,783

*As of 31 Mar. 2023, Common shares only

Shareholder returns

Enhancing the predictability of shareholder returns through specifying shareholder related policies

2017. 06 Retirement of Stock

- 1,939,120 shares of common stock (7.9% of total common shares)

2021. 10 Announced dividend policy

- Determining the total amount of dividends at the 30% dividend payout level (Separate net income excluding non-recurring income)
- Executing interim dividend from 2022

2021. 11 50% capital increase without consideration

2022. 7 Interim dividend (8Bn KRW, DPS 400)

2022. 3 Buy-back and retirement of stock (50 Bn KRW)

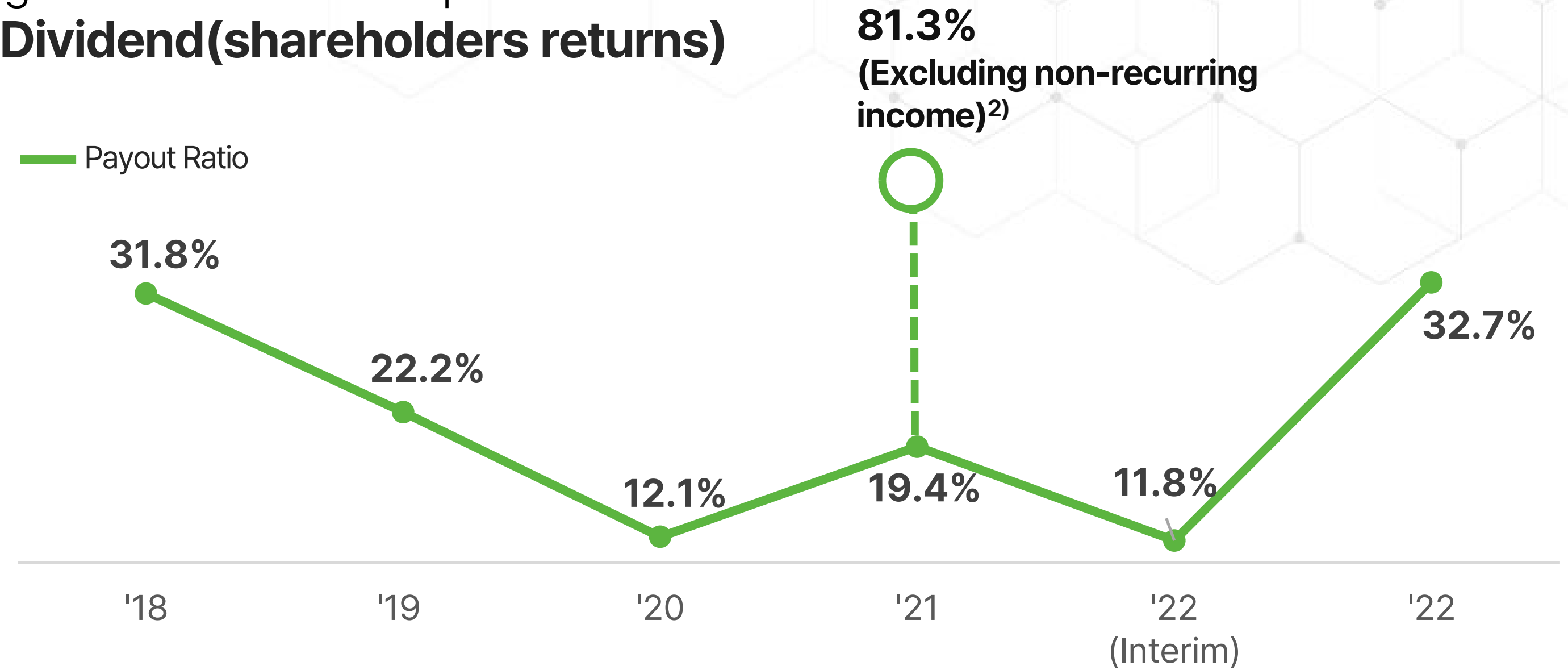
- Retired 389,489 common shares on Oct. 5

2023. 2 Decision on Cash dividend (Payout ratio 45%¹⁾)

- Dividend policy + additional dividend to be determined to meet the '22 dividend rate (Common shares 1,500 KRW, Preferred shares 1,550KRW)¹⁾

1) Dividend payout ratio : based on separate net income, the figure includes interim dividends(400KRW each for common/preferred shares)

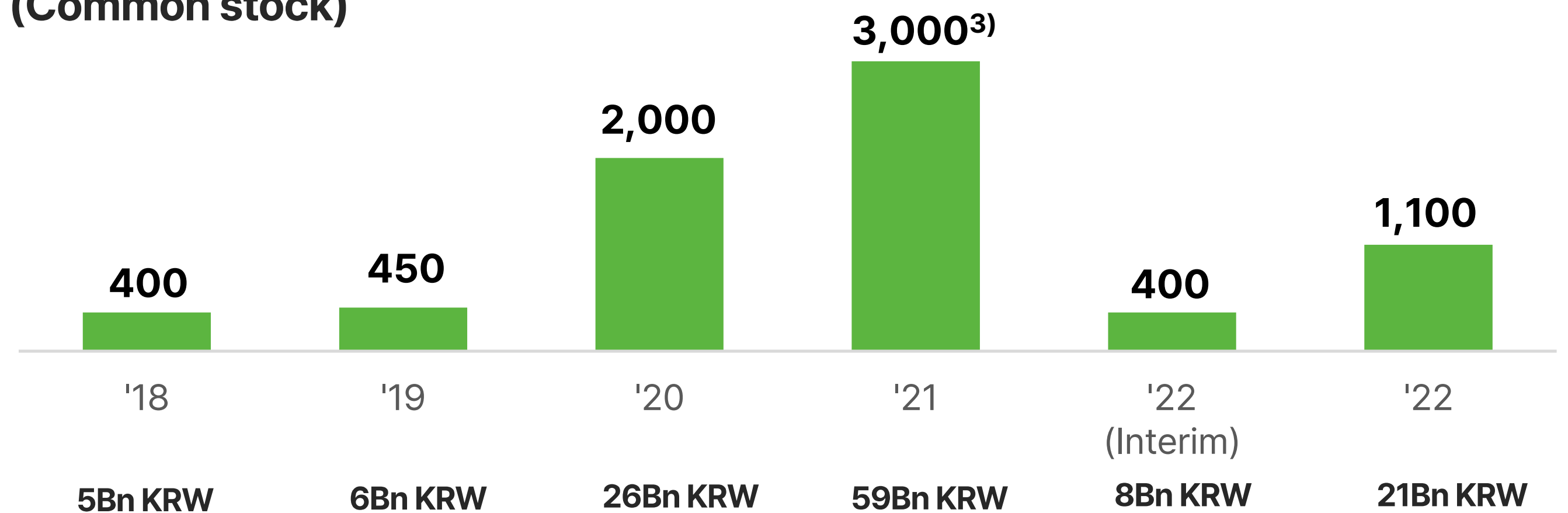
Dividend (shareholders returns)



2) Dividend payout in 2021 was calculated based on separate net income for the current term excluding non-recurring income (72 Bn KRW)

Dividend per share (Common stock)

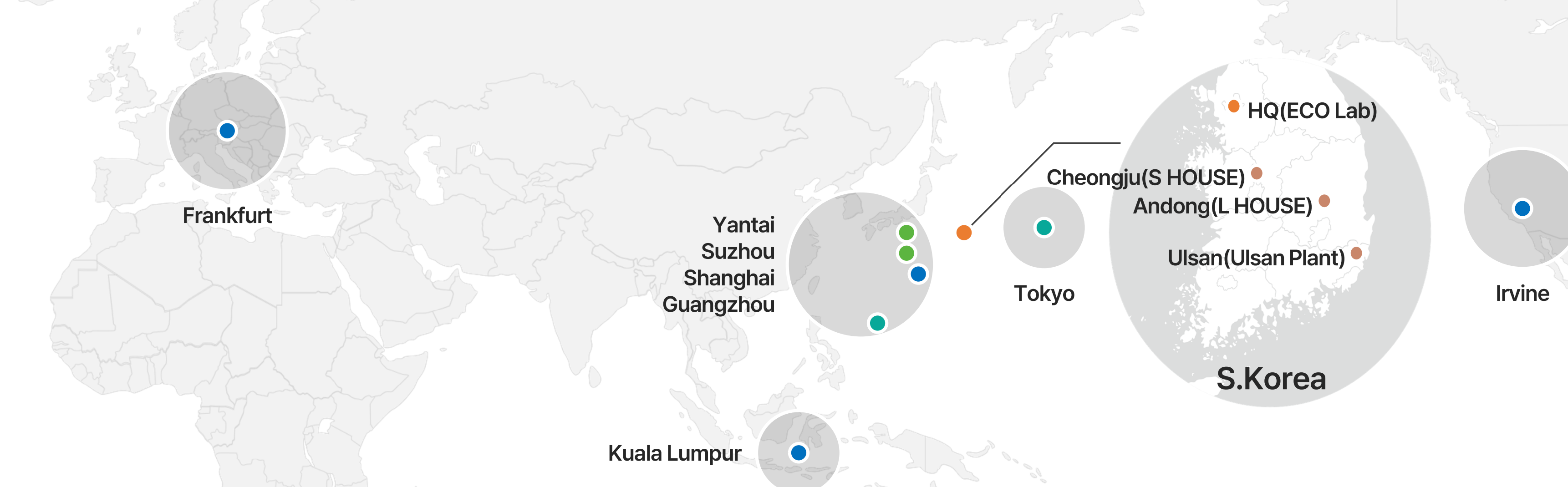
(Unit: KRW)



3) 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

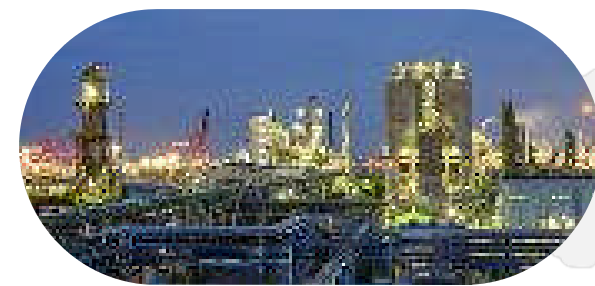


Construction Status '19 r-BHET , CR-PET Plant takeover (Shuye)
 '23 Mar. Acquisition of Tangible Assets (Shuye)

Production Items r-BHET , CR-PET etc.

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

Ulsan Plant



Cheongju Plant (S HOUSE)



Andong Plant (L HOUSE)



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

Construction Status
 '89 SEP. PTA / DMT Plant completion
 '01 JAN. CHDM#1 / PETG#1 Plant completion
 '12 FEB. CHDM#2 / PETG#2 Plant completion
 '17 FEB. CHDM#3 / PETG#3 Plant completion
 '20 DEC. CHDM#4 Plant completion
 '21 JUL. PETG#4 Plant completion
 '22 Feb. PO3G Plant completion

Production Items Copolyester resin, DMT etc.

Production Capacity 450,000 tons annually ¹⁾

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

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	'22	'23. 1Q
Current assets	2,519	2,596
- Current account	2,036	2,079
- Inventory	483	517
Non-current assets	1,427	1,614
- Investment in affiliated companies and joint ventures	13	13
- Tangible property	1,193	1,357
- Intangible property	52	52
- Other Non-current assets	169	193
Total assets	3,946	4,210
Current liabilities	1,059	1,120
Non-current liabilities	178	389
Total liabilities	1,237	1,509
Equity attributable to the parent company	2,147	2,701
- Capital stock	99	99
- Consolidated capital surplus	1,199	1,199
- Consolidated other components of equity	△22	△22
- Accumulated other comprehensive income	2	5
- Consolidated earned surplus	869	863
Non-controlling interest	562	557
Total equity	2,709	2,701
Total liabilities and equity	3,946	4,210

Income Statement

(Unit : KRW Bn)

Items	'22.1Q	'22.2Q	'22.3Q	'22.4Q	'23.1Q
Revenue*	418	501	433	477	365
- Cost of Revenue	282	321	279	331	267
- Gross profit from Revenue	136	180	153	146	98
- Revenue and administrative expenses	87	93	104	101	89
Operating profits*	49	87	50	45	9
- Other non-operating income	2	2	1	4	5
- Other non-operating expense	3	5	3	14	8
- Financial income	30	52	71	21	59
- Financial expense	19	58	67	7	54
- Share of profits	0	△0.1	0.1	△0.8	△0.5
Earnings before interest and taxes*	59	79	52	48	10
- Income tax expense	13	18	10	△36	△1
Consolidated net income	46	60	42	84	11
- Equity attributable to the parent company	37	45	35	74	16
- Non-controlling interest	9	15	7	9	△4

Financial Statements (Seperate)

Balance sheet

(Unit: KRW Bn)

Items	'22	'23. 1Q
Current assets	645	811
- Current account	401	544
- Inventory	244	267
Non-current assets	1,165	1,229
- Investment in affiliated companies and joint ventures	384	450
- Tangible property	662	663
- Intangible property	32	31
- Other Non-current assets	87	84
Total assets	1,811	2,040
Current liabilities	535	629
Non-current liabilities	156	296
Total liabilities	691	925
Capital	99	99
Capital surplus	158	158
Other components of equity	△13	△13
Earned surplus	876	871
Total equity	1,120	1,115
Total liabilities and equity	1,811	2,040

Income Statement

(Unit: KRW Bn)

Items	'22.1Q	'22.2Q	'22.3Q	'22.4Q	'23.1Q
Revenue*	316	326	327	288	303
- Cost of Revenue	245	255	245	212	228
- Gross profit from Revenue	71	71	81	76	75
- Revenue and administrative expenses	44	51	47	51	49
Operating profits*	27	21	35	25	26
- Other non-operating income	2	1	1	4	3
- Other non-operating expense	2	2	3	12	3
- Financial income	13	16	24	5	16
- Financial expense	11	18	23	15	15
- Share of profits	-	0	0	0	0
Earnings before interest and taxes*	30	18	34	7	26
- Income tax expense	6	4	8	1	10
Net income	23	14	26	6	17

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

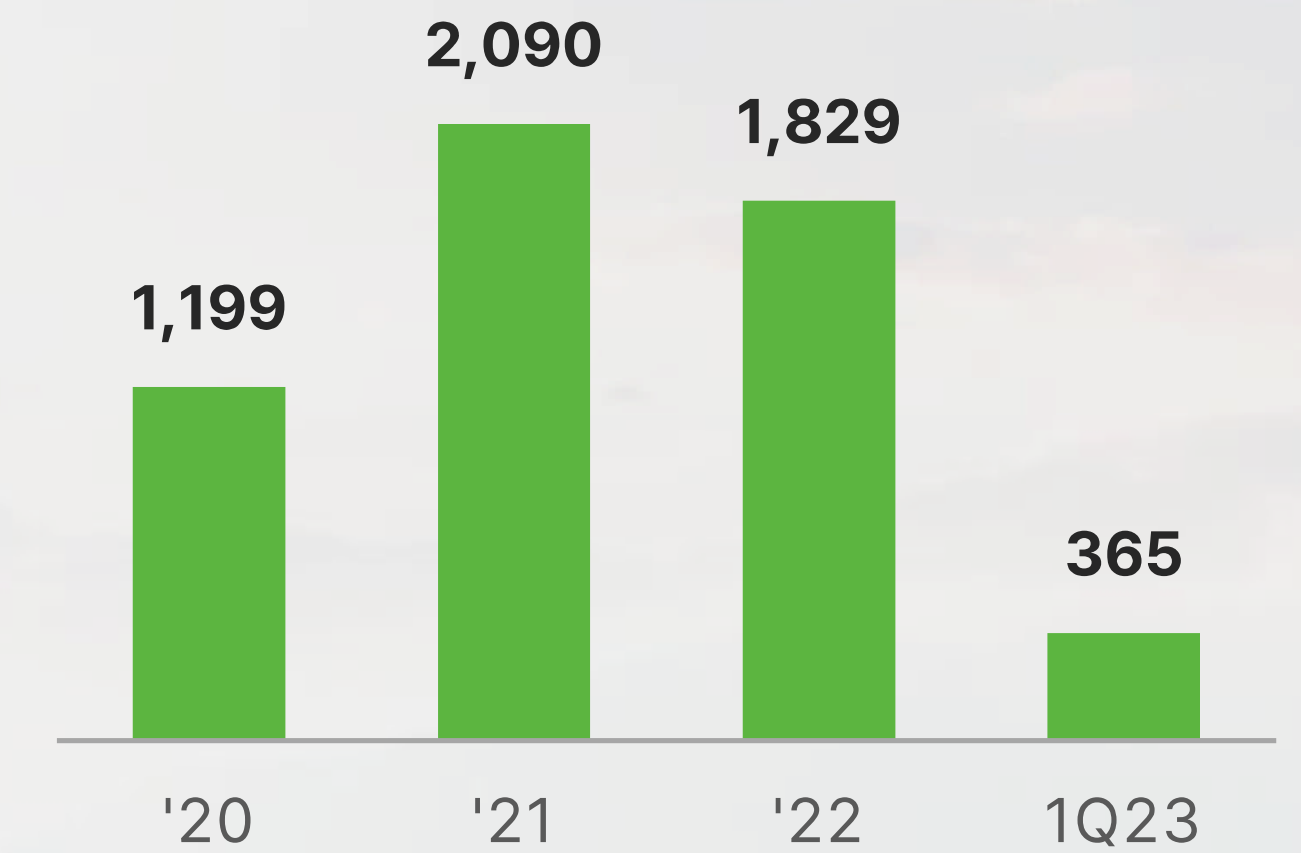
- 2020**
 - Bio energy business sold
 - Drive green portfolio centered growth
- 2021**
 - Initiate commercialization of world's 1st chemical recycling technology-based r-Copolyester (Jul 2021) : securing stable raw material, and inhouse production infrastructure and technical skill
 - New copolyester plant (#4) commercial production started
 - Limited business (PPS business) sold
 - Spin-off Multi Utility business
- 2022~**
 - Regularize chemical recycle business
 - Complete bio-materials technology development and start operating commercialized plant (Mar 2022)
 - Develop highly flexible PLA technology and develop commercialization
 - SK-Shantou establishment Mar.'23

Life Science

- 2020**
 - Covid-19 vaccine CMO/CDMO contracts
- 2021**
 - SK bioscience listing on KOSPI
 - Covid-19 vaccine phase 3 trial commenced
- 2022~**
 - Expanding new pipelines utilizing AI/DI technologies
 - Fortifying existing portfolio and procuring new technologies
 - Completed Covid-19 GBP 510 Phase 3 trial

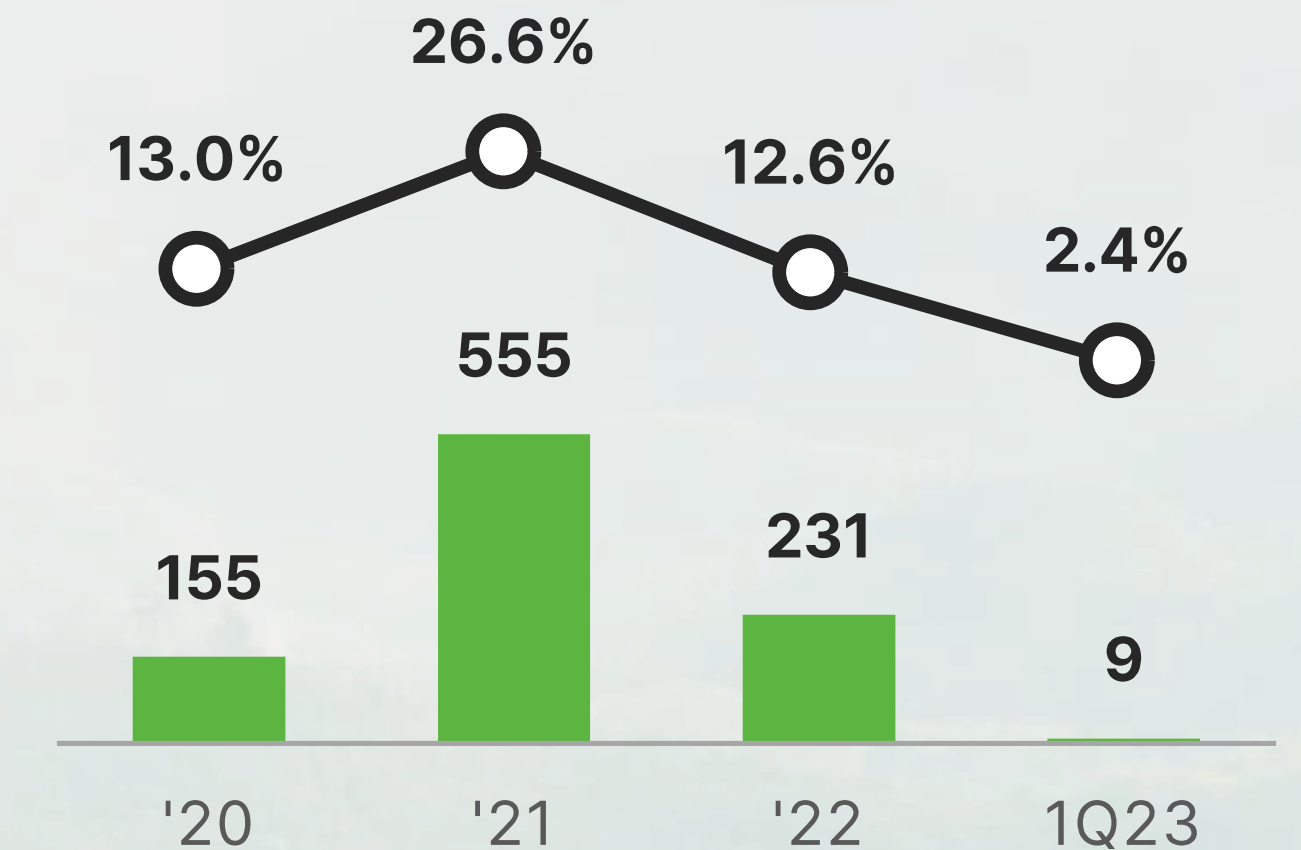
Revenue

(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.
- Recycle portfolio **50% by 2026**
Recycle portfolio **100% by 2030**

2 Expand into new Bio-material business

- Development and commercialization of corn based PO3G technology
- Development of highly flexible PLA technology overcoming shortcoming of existing PLA

3 Drive 'Net Zero' with green energy usages

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

1 Expansion of promising future green material business

- Expand into promising future green material business

Organic Growth

Inorganic Growth

Life Science

1 Formation of R&D platform utilizing open innovation and AI

- Development of new drug through open innovation
- Formation of new drug search platform utilizing AI/DI
- Introduction of external projects and venture investments

2 Expansion into the vaccine business and related fields

- Global Top-tier level vaccine platform
- Possession of world-class vaccine production facilities
- Fortification of international cooperation for global vaccine distribution expansion

1 Search for business opportunities in new bio fields

- Search for new business opportunities such as genetic editing/genetic therapy, Proteolysis targeting chimera, cell therapeutics, etc.

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 and pipes. A prominent green graphic, consisting of several thick, curved lines, is overlaid on the right side of the image. The overall scene is dark, with the lights providing the primary illumination.

2

Business Status and Strategies

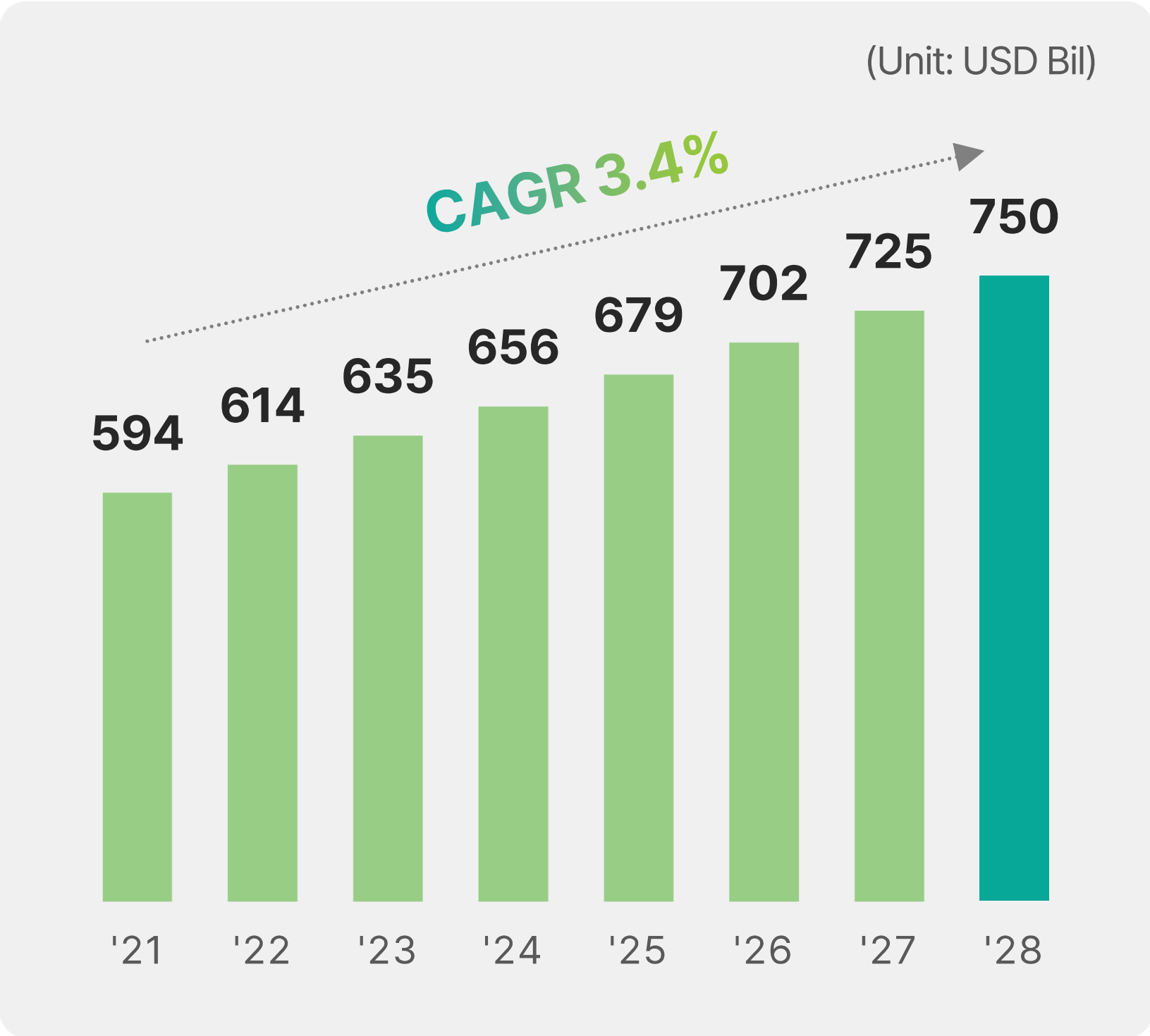
2-2. Green Materials

Global Market

The continued growth of the global plastic and cosmetics container market

Global Plastic Market

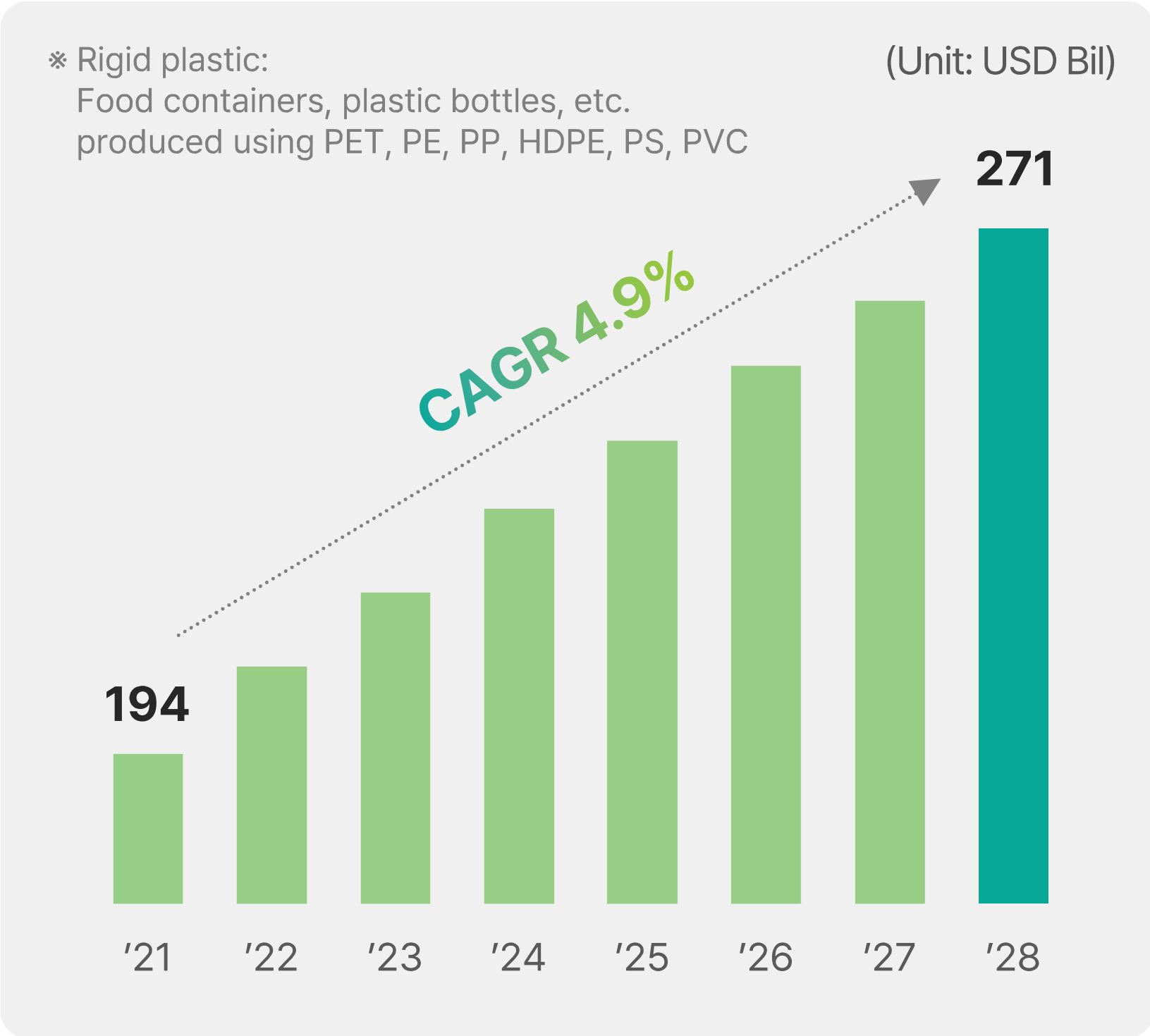
Market size in 2028
Forecasted to USD 750 Billion



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

Rigid Packaging Plastic Market

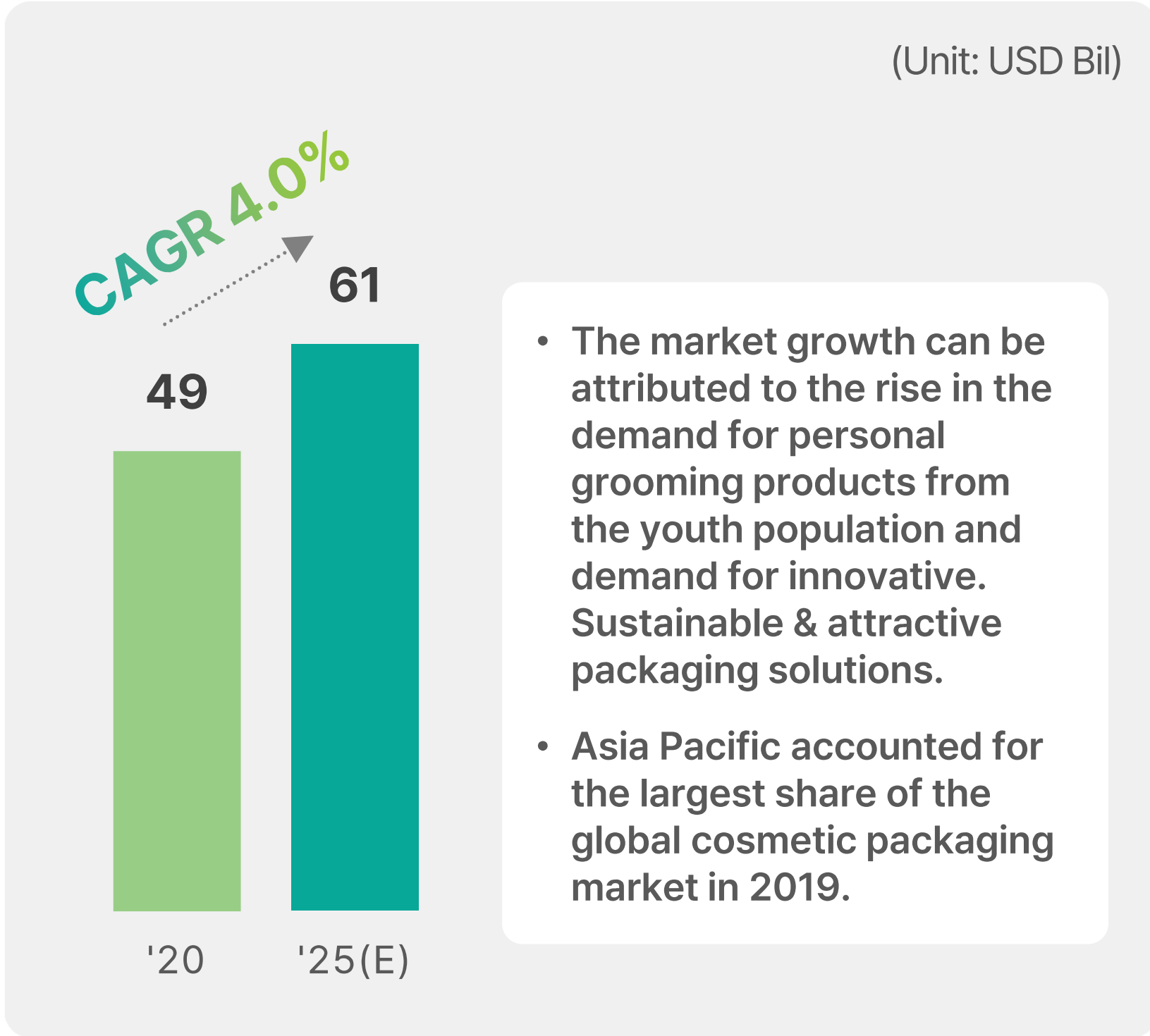
Market size in 2028
Forecasted to USD 271 Billion



(Sources: Rigid Plastic Packaging Market 2021-2028 Published by Priyanka Khandelwal 2021)

Global Cosmetics Container Market

Market size in 2025
Forecasted to USD 61 Billion



(Sources: Secondary Research, Expert Interviews, and Markets and Markets Analysis)

Copolyester Business

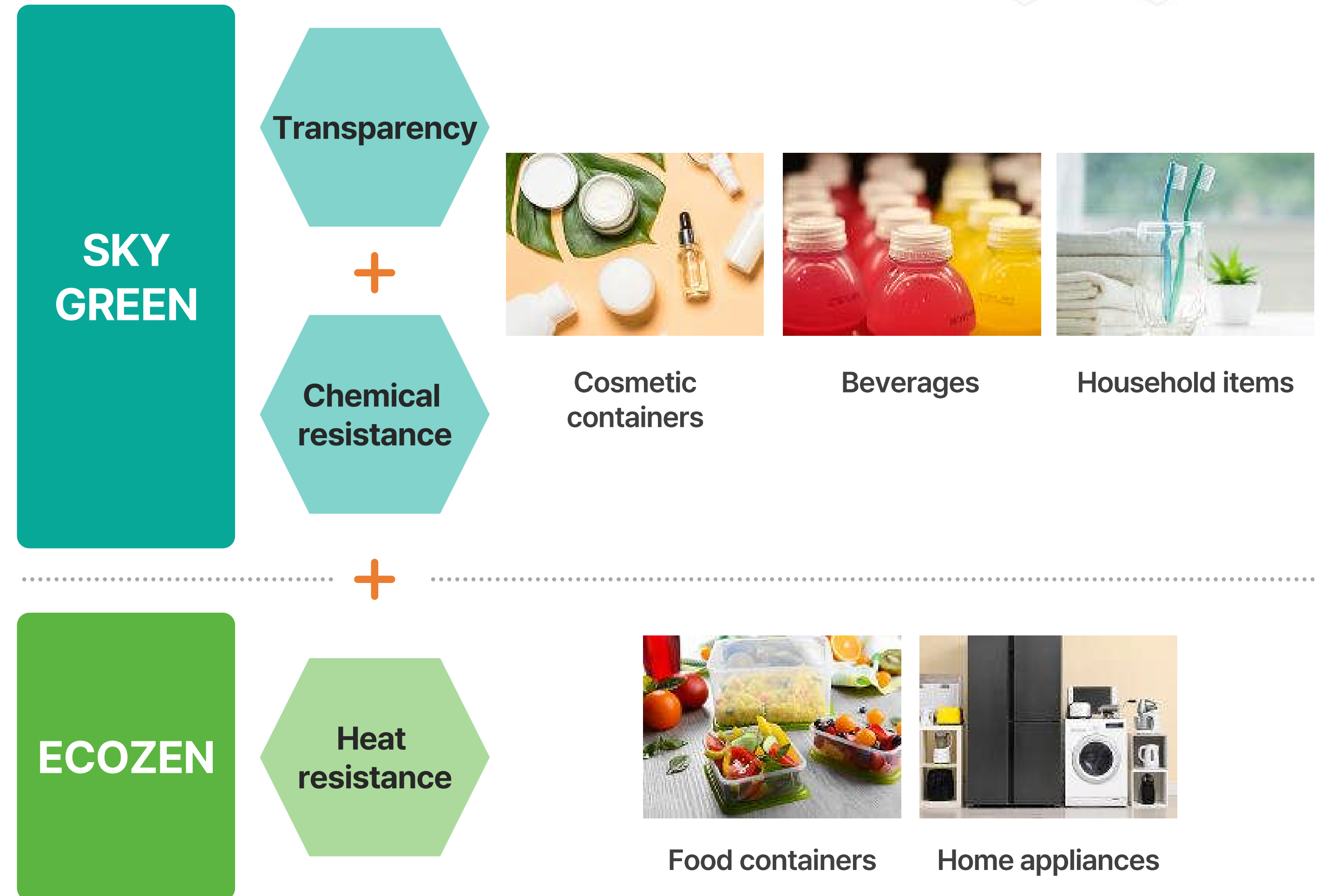
Expansion into the range of applications with Copolyester through continuous product development

Copolyester

Excellent transparency, chemical resistance,
and superior processibility

High performance PETG (BPA Free)

High functional resin
that can replace PC, PMMA, PVC

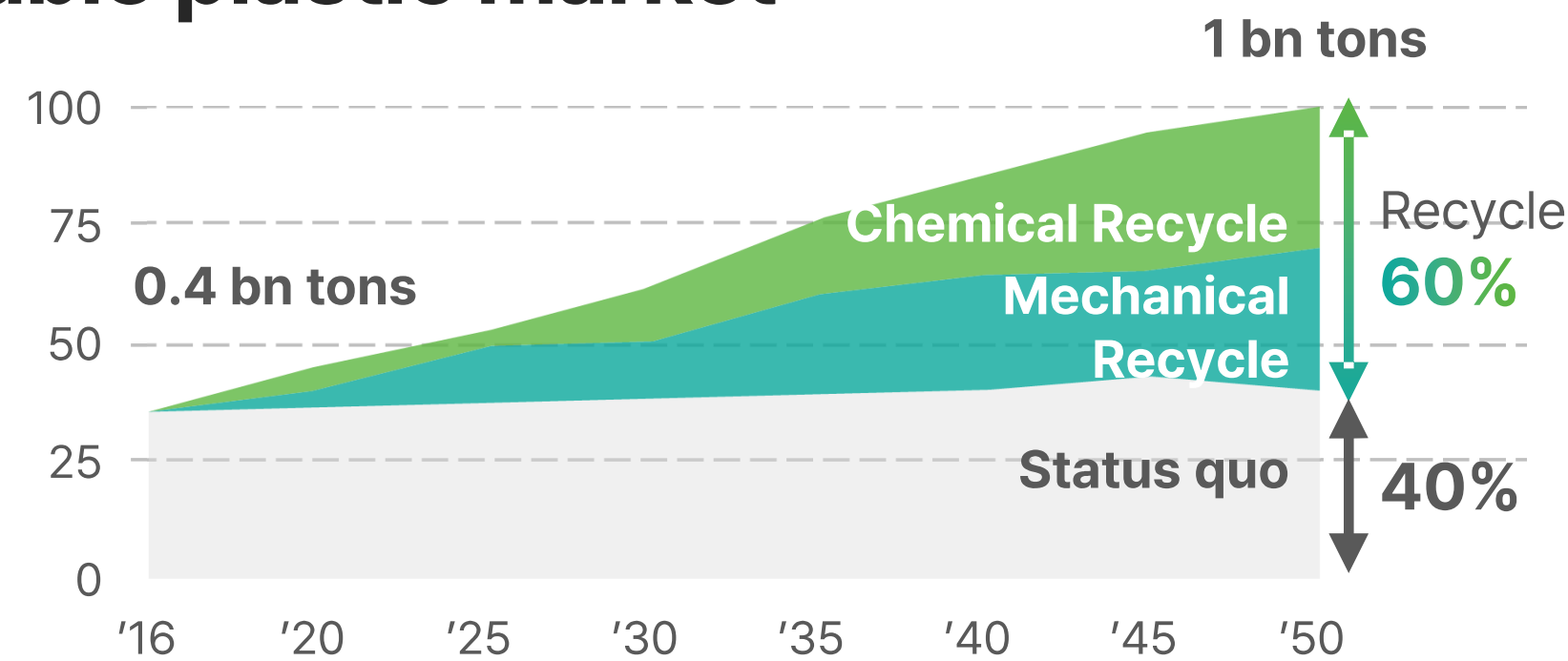


Recycle Plastic Market

Increasing demand for recyclable material usage following global regulation extension

Growth of recyclable plastic market

Grow into **KRW 600 trillion** by 2050 - 60% of the total plastic market

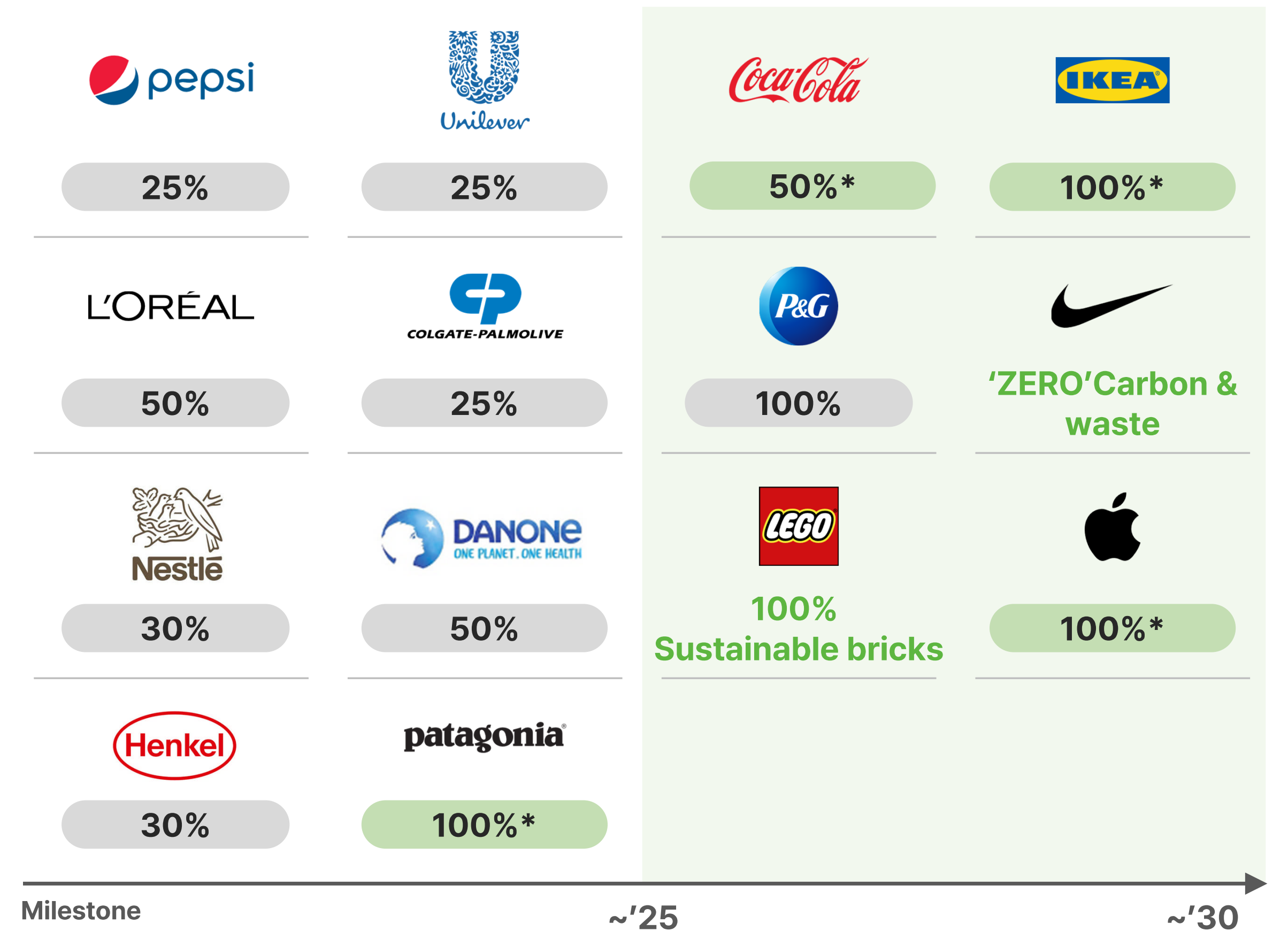


Increasing global brand owner demands

"Brand owners, announces transition to 50%~100% recyclable materials by 2030"

Increasing demand following global regulation extension

- Europe**
 - Mandated recyclable plastic usage in plastic packaging : 55% by 2022, 100% by 2030 (Sources: European Commission, COM(2018))
 - Mandated usage of Recycled PET (r-PET) for PET beverage bottles : 25% by 2025, 30% by 2030 (Sources: European Parliament, Single-Use Plastics Directive)
- US**
 - In process of introducing laws to reduce disposable items and expand the usage of recycled products (Sources: McKinsey Sustainability)
- Japan**
 - Establishing goals for recycled rates for plastic containers : 60% by 2030, 100% by 2035 (Sources: Ministry of Environment, utilize as chemical fuel if difficult to recycle or reuse)
- Korea**
 - Transition to non colored PET for all beverage bottles by 2020 (Sources: Ministry of Environment, Comprehensive Countermeasures for Waste Recycling 2018.05)



* Renewable & recycle content

(Sources: Homepages of each company)

Recycled Copolyester

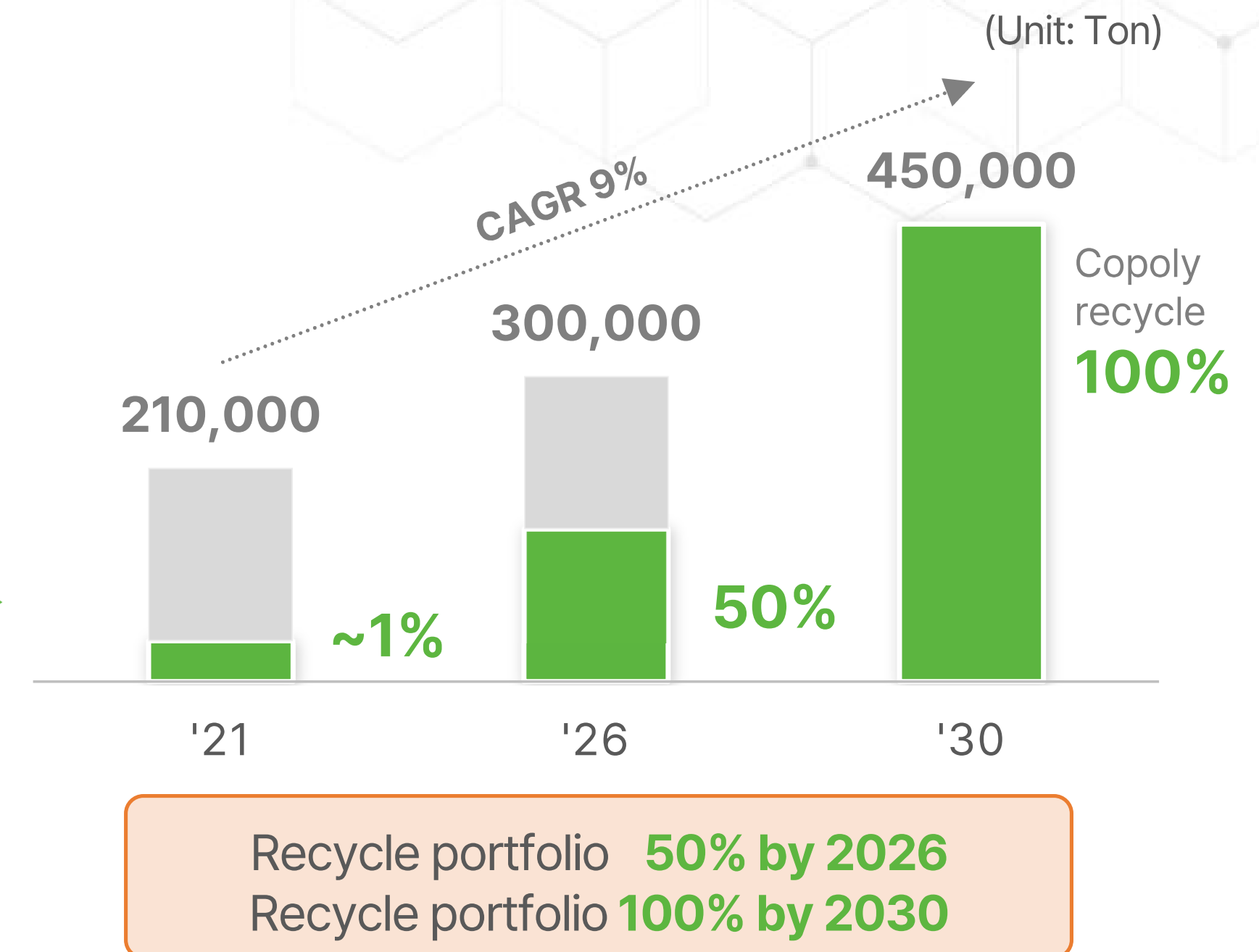
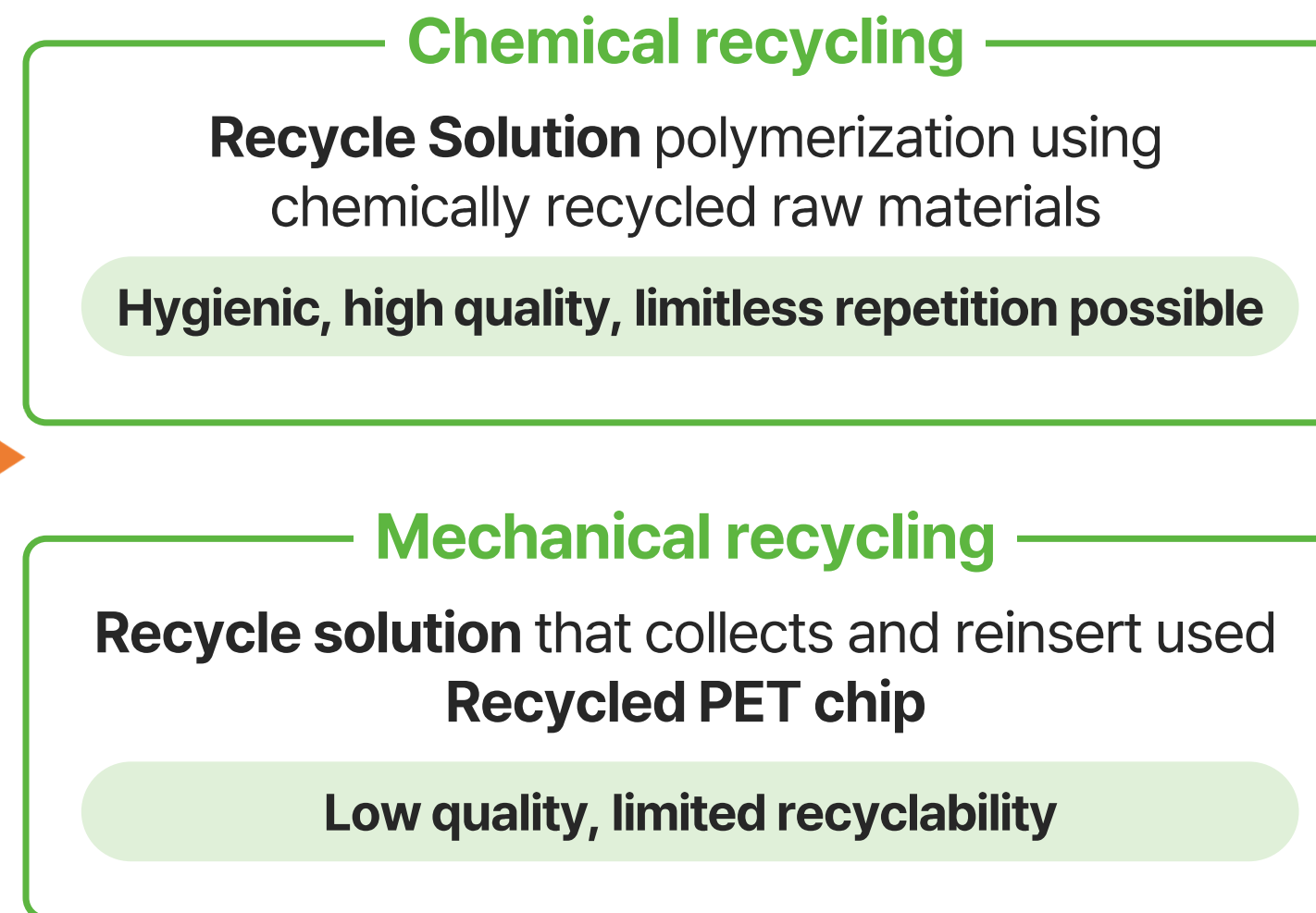
SK chemicals' sustainable packaging solutions

Establishment of circular economy through recycle closed loop

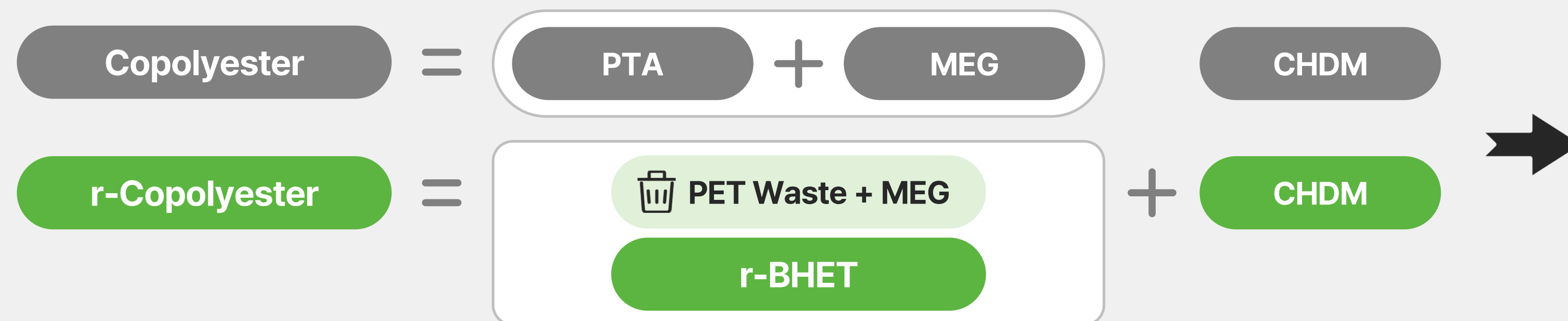


SK chemicals' technologies

"Beginning the world's first chemical recycle commercialization"



Recycled Copolyester production process



Strengths

- 1 Stable raw material secured through investment shares(r-BHET)* and self production(CHDM)
* Initiations for r-BHET raw material internalization in progress
- 2 Demonstrate Recycle technology by being the world's 1st to commercialize r-Copolyester

Bio-materials Business

Expansion into bio-material business such as PO3G and high flexibility PLA

Bio-material business

Development and commercialization of corn based PO3G technology
Development of highly flexible PLA technology
 overcoming shortcoming of existing PLA



Spandex



Artificial leather



Bio-PU



Packaging



Investment term

Feb 2020 ~ Feb 2022

Capacity

5,000 tons annually

Features

High elastic recovery, Abrasion resistance

Applications

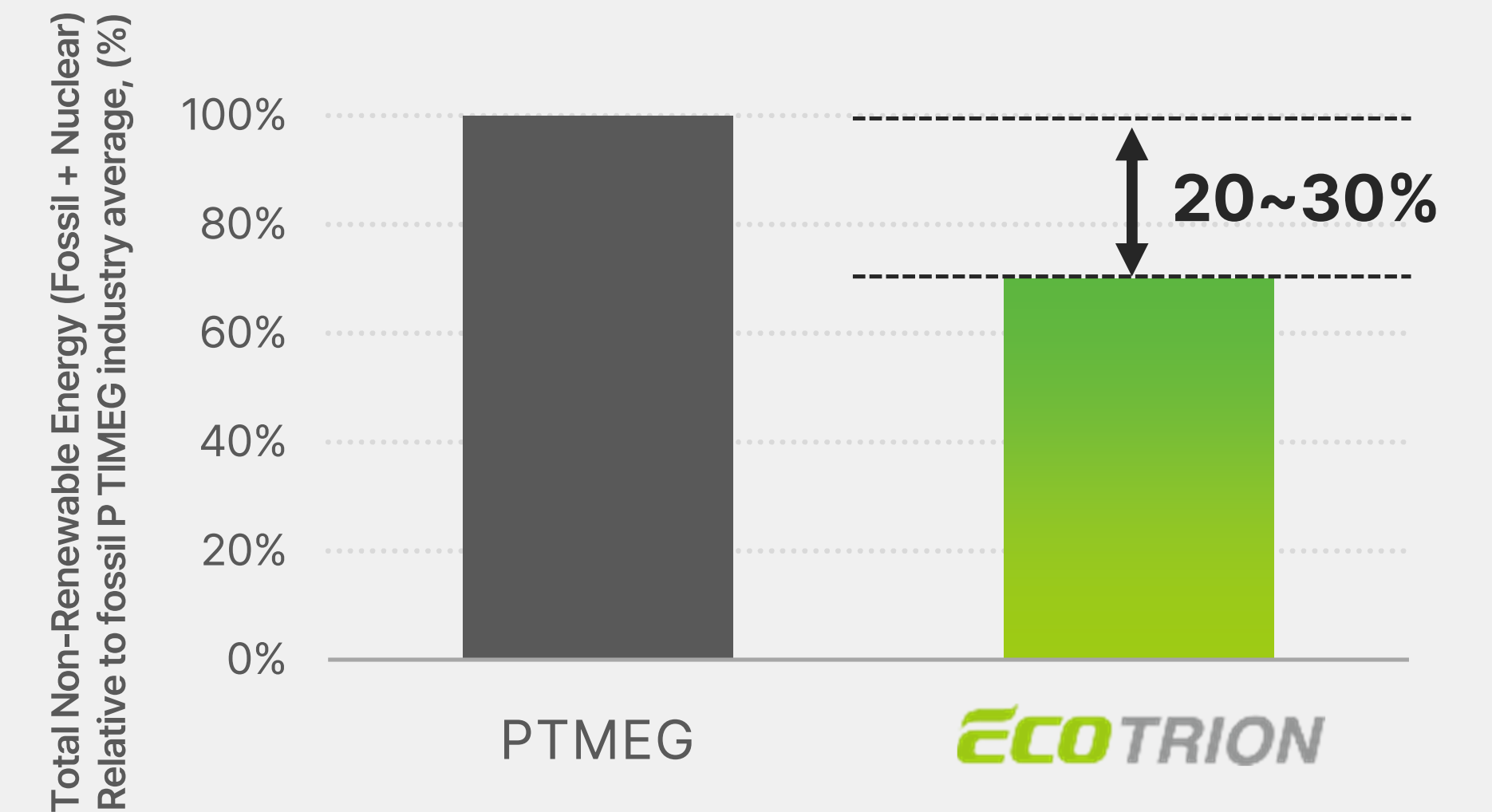
Elastomer, 3D Printing, Spandex, etc.

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

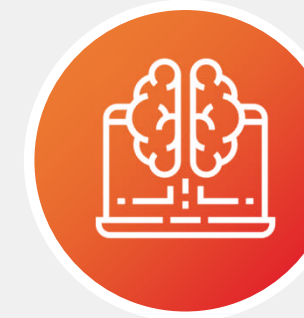
Strengths and Growth Strategy

Top class marketing and partnerships in Korea



New drug development through open innovation

- Reduce development costs · time and uncertainties



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

Business Status

The SKBS pipeline includes various projects based on continuous R&D investments, targeting the global market with promising blockbuster pipelines

		Pre-Clinical	Phase 1	Phase 2	Phase 3	Registration
<ul style="list-style-type: none"> ● COVID/Endemic ● Premium (potential) ● Routine Vaccines 						
SKYcovione(COVID-19)	CEPI BILL & MELINDA GATES foundation					✓ Korea: BLA Approval (MFDS) Global: EMA/MHRA-CMA & WHO EUL applied
COVID-19+Flu Combo		✓				
Pan-Sarbecovirus	CEPI INSTITUTE FOR Protein Design UNIVERSITY of WASHINGTON	✓				
Nasal Spray	INSTITUTE FOR Protein Design UNIVERSITY of WASHINGTON BILL & MELINDA GATES foundation iavi	✓				
Next-gen Pneumococcal	sanofi			✓ US		
RSV		✓				
Cancer/Obesity Vaccine, etc.		✓				
SKYCellflu(Quadrivalent)						✓
SKYZoster						✓
SKYVaricella						✓
TCV	International Vaccine Institute BILL & MELINDA GATES foundation					✓ BLA Approval (submitted for export)
HPV 4/10 valent	Sunflower THERAPEUTICS			✓ Phase 1/2		
Rotavirus Pentavalent			✓			
Hepatitis A/ Zoster(Recombinant)		✓				
Others		Securing new routine vaccines through partnership and inorganic investment				

Strategy

SKBS 3.0

MISSION

We Promote Human Health, from Prevention to Cure

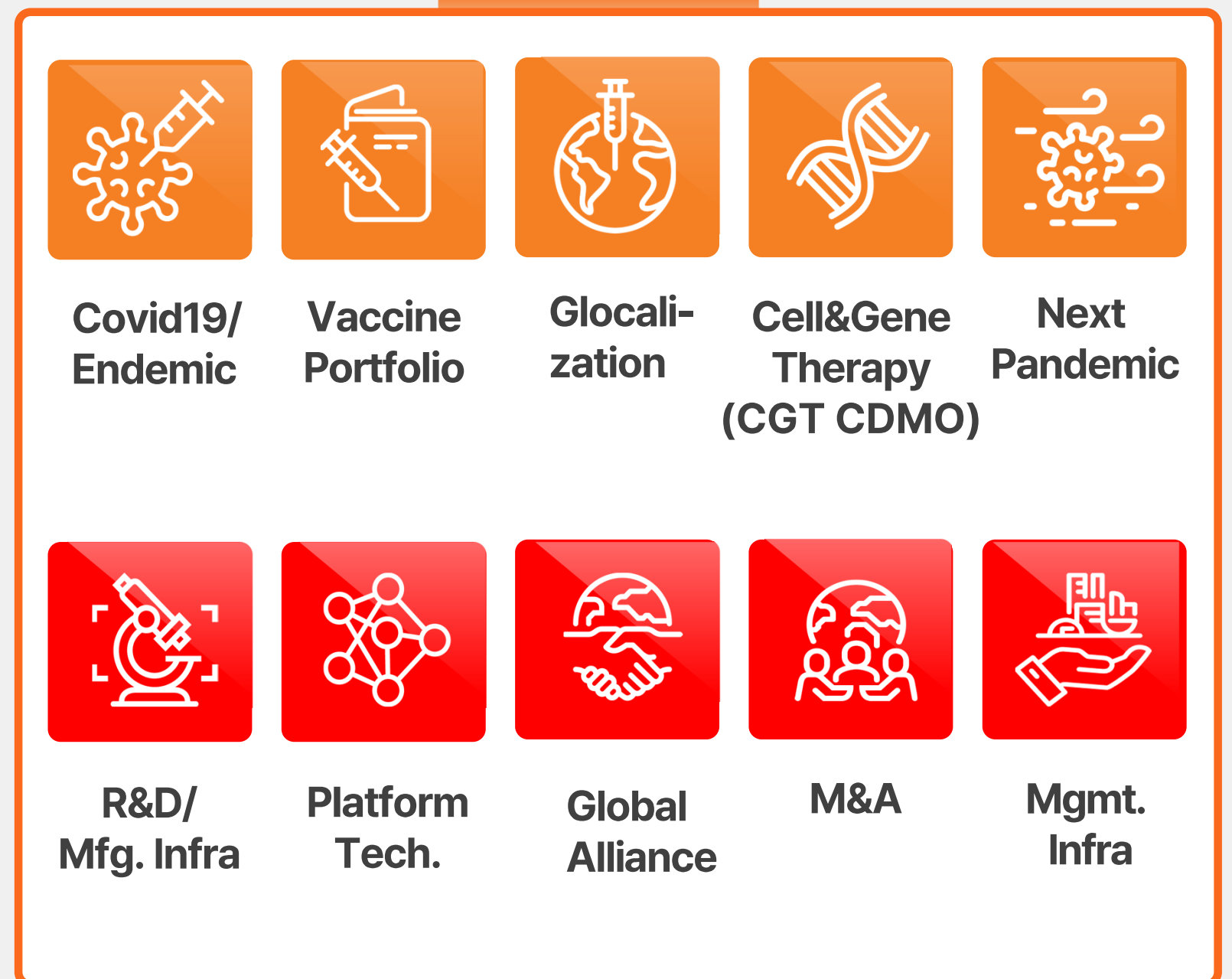
VISION

Global Innovative Partner of Vaccine and Biotech

WHAT

+

HOW



Partnership

