



# 2Q18 Earnings Briefing

August 2018

# DISCLAIMER

This presentation includes 2Q18 earnings results and business performance of SK holdings (the “Company”) and its major subsidiaries, and it has been prepared to serve shareholders and investors’ information purposes only.

The financial information presented herein is based on K-IFRS. As the forward-looking statements herein reflect current business environment and the Company’s business strategies, actual developments may differ from those in the statements due to changes in the business environment and Company’s strategies as well as other uncertainties.

## Q2 2018 Business Results : Overall

Net profit attributable to shareholders in Q2 recorded KRW 0.53 trillion, a QoQ decrease of KRW 0.13 trillion as non-recurring factors are no longer reflected

- KRW 182.9 billion of gains from disposal of SK encar was reflected in Q1

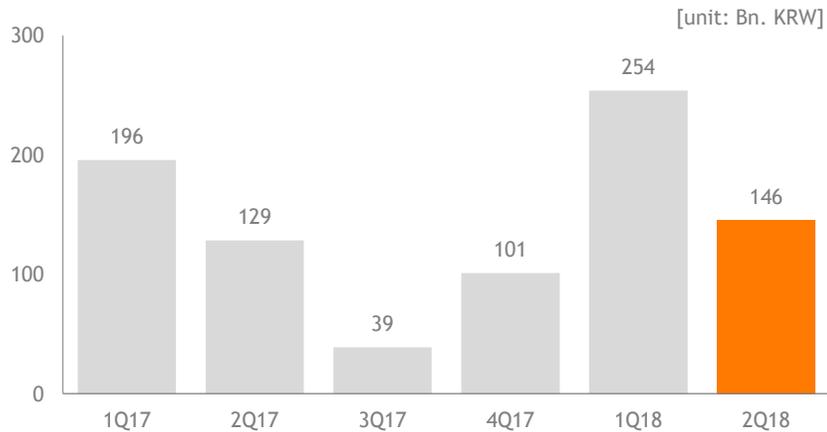
Unit : Tn. KRW	Sales			Operating Profit			Pre-Tax Income			NP for Shareholders		
Category	17	1Q18	2Q18	17	1Q18	2Q18	17	1Q18	2Q18	17	1Q18	2Q18
SK Innovation	46.26	12.17	13.44	3.23	0.71	0.85	3.23	0.68	0.74	2.10	0.46	0.50
SK Telecom	17.52	4.18	4.15	1.53	0.32	0.35	3.40	0.91	1.16	2.60	0.70	0.92
SK Networks	15.20	3.48	3.43	0.14	0.02	0.02	0.06	0.00	0.00	0.03	0.00	0.00
SKC	2.65	0.64	0.73	0.18	0.04	0.05	0.18	0.06	0.05	0.11	0.04	0.04
SK E&C	7.32	1.64	1.93	0.18	0.10	0.11	0.26	0.10	0.08	0.13	0.07	0.01
SK Shipping	1.53	0.40	0.41	0.08	0.03	0.02	Δ0.02	0.00	Δ0.02	Δ0.03	0.00	Δ0.02
SK E&S	5.54	2.13	1.30	0.36	0.26	0.10	0.46	0.25	0.15	0.35	0.19	0.11
SK Materials	0.51	0.14	0.16	0.15	0.03	0.04	0.13	0.03	0.04	0.10	0.02	0.02
SK Siltron	0.33	0.30	0.32	0.06	0.09	0.09	0.06	0.09	0.09	0.05	0.07	0.07
Others	5.14	1.87	1.24	1.06	0.84	0.10	0.91	1.12	0.06	0.82	0.99	0.08
<b>Sum</b>	<b>102.00</b>	<b>26.95</b>	<b>27.11</b>	<b>6.97</b>	<b>2.44</b>	<b>1.73</b>	<b>8.67</b>	<b>3.24</b>	<b>2.35</b>	<b>6.26</b>	<b>2.54</b>	<b>1.73</b>
<b>Consol. Adj.</b>	<b>Δ8.70</b>	<b>Δ2.33</b>	<b>Δ1.88</b>	<b>Δ1.11</b>	<b>Δ0.86</b>	<b>Δ0.10</b>	<b>Δ1.23</b>	<b>Δ1.22</b>	<b>Δ0.17</b>	<b>Δ4.58</b>	<b>Δ1.88</b>	<b>Δ1.20</b>
<b>Consolidated</b>	<b>93.30</b>	<b>24.62</b>	<b>25.23</b>	<b>5.86</b>	<b>1.58</b>	<b>1.63</b>	<b>7.44</b>	<b>2.02</b>	<b>2.18</b>	<b>1.68</b>	<b>0.66</b>	<b>0.53</b>

# Q2 2018 Business Results : SK E&S



- Although E&S pre-tax income decreased QoQ due to weak seasonality, E&S recorded 13% YoY increase of pre-tax income driven by strong SMP

## SK E&S Pre-Tax Income



Unit : Bn. KRW	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Pre-Tax Income	196	129	39	101	254	146
- Power Gen.	91	60	56	43	175	75
- City gas	95	23	5	37	111	30
Utilization						
- Gwangyang	67%	64%	68%	81%	87%	86%
- Paju	74%	73%	71%	72%	82%	82%

## Highlights

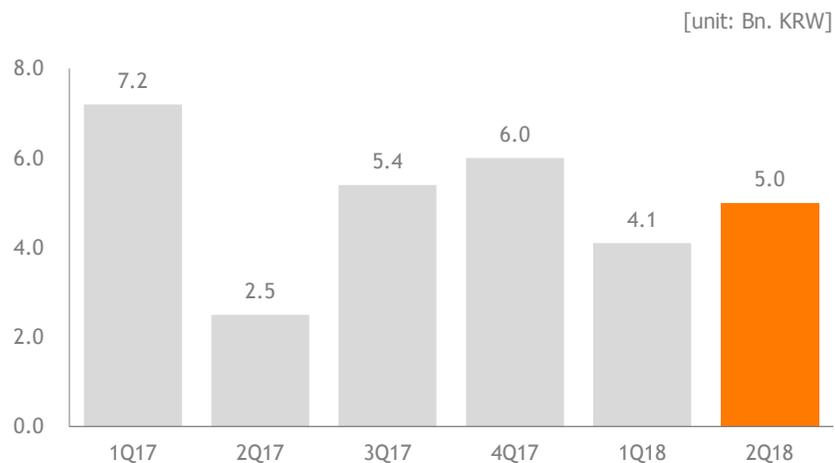
- Profit dropped QoQ as entering off-peak season
  - Decreases in sales volume of heating city gas and SMP
    - \* Avg. SMP 94 won (1Q) → 89 won/kWh (2Q)
- Increased LNG power generation and higher SMP resulted in a YoY increase in profit
  - Environment-friendly policy change continued to support LNG power generators
- Prolonged heat wave during Q3 drove up the demand for electricity, thus steadily supporting a high-level of SMP
  - SMP: 91.9 won/kWh (as of August 11)

# Q2 2018 Business Results : SK Biotek



- Orders increased especially for blockbuster products, thus both sales and profitability improved QoQ

## SKBT Pre-Tax Income



Unit : Bn. KRW	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Revenue	29.2	16.2	23.6	36.7	54.3	58.0
Operating Profit	7.9	2.3	4.8	7.9	4.3	5.2
Pre-Tax Income	7.2	2.5	5.4	6.0	4.1	5.0

## Highlights

- Orders for blockbuster products increased
  - Demands for diabetes and rheumatism medication increased during Q2
- Post-acquisition integration of BT Ireland is on track
- AMPAC acquisition to be completed by the end of August
  - P&L recognition to be made as a direct subsidiary of HC, starting Sep., 2018
  - Seeking synergies among production facilities, located worldwide

# Q2 2018 Business Results : SK Biopharmaceuticals

- NDA application to US FDA for Cenobamate to be submitted in 2H 2018 as scheduled, and SKL-N05 is expected to receive NDA approval by end of the year

## Major Pipeline

	Name	Description	Ph1	Ph2	Ph3	NDA
Epilepsy	Cenobamate	Partial seizures	●—————●			
	Carisbamate	Lenox Gastaut	●————●			
Next CNS	Relenopride	Orphan Neurology	●————●			
	SKL13865	ADHD	●————●			
Sleep	SKL-N05	Sleep disorder	●—————●			
Others	Many other pipelines including Parkinson's disease (YKP10461) and schizophrenia(SK20540)					

## Highlights

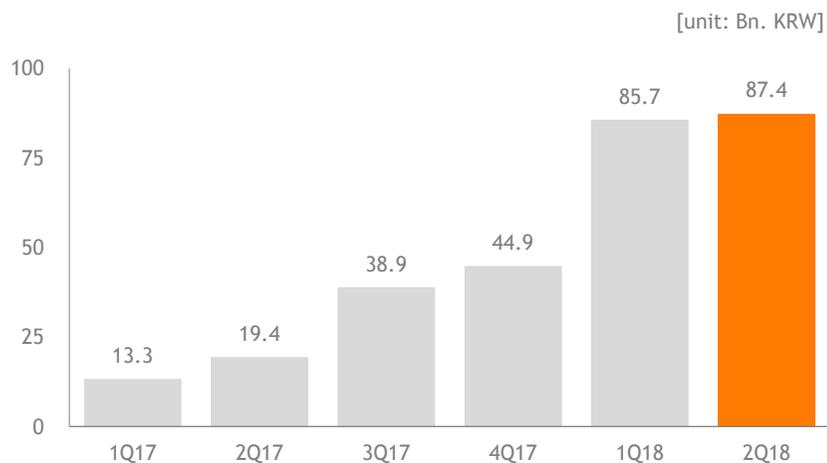
- NDA application for Cenobamate to be submitted in 2H18**
  - Pre-NDA meeting with US FDA completed
- Strategies tailored to each local markets for global expansion**
  - Established local marketing team for successful entry to the US market
  - Differentiated strategies for each region/country (i.e. EU, Asia)
- Pipeline expansion**
  - Carisbamate: Phase II clinical trial is underway
  - New medicine development (i.e. brain cancer, schizophrenia)

# Q2 2018 Business Results : SK Siltron



- Pre-tax income increased QoQ on steadily rising wafer ASP supported by robust demands for semiconductors

## SK Siltron Pre-Tax Income



Unit : Bn. KRW	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Revenue	212.8	227.7	242.7	249.9	297.6	324.7
Operating Profit	18.4	24.3	43.3	46.7	87.1	90.7
Pre-Tax Income	13.3	19.4	38.9	44.9	85.7	87.4

## Highlights

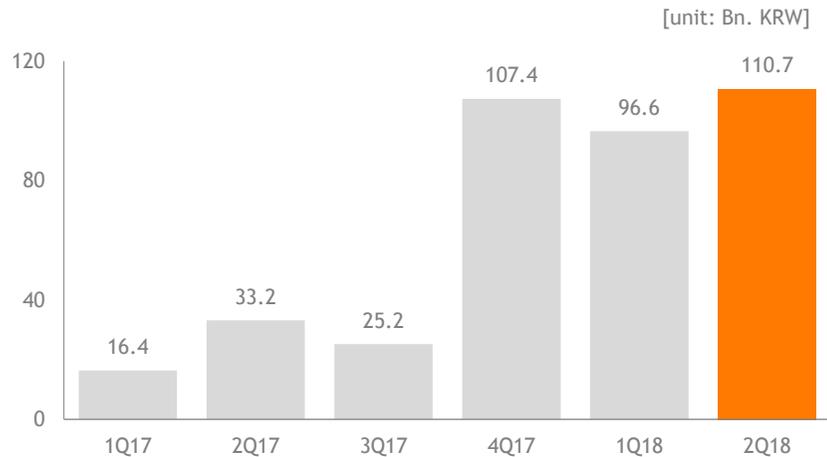
- A steady rise in demands for wafer and ASP**
  - Wafer demand increased on clients' capacity expansion
  - ASP is on the rise (across all product lines)
- Plan to increase volume through productivity improvement**
  - De-bottlenecking and expansion of automation equipment
  - Profitability improvement through expanding value-added product proportions
- Tight supply and demand to continue on limited global capacity additions**

# Q2 2018 Business Results : SK E&C



## A stable income stream, supported by order increases of domestic large projects

### SK E&C Operating Profit



Unit : Bn. KRW	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Revenue	1,562	1,691	1,854	2,209	1,641	1,926
Operating Profit	16.4	33.2	25.2	107.4	96.6	110.7
Pre-Tax Income	43.4	57.1	34.7	121.0	96.2	75.6

### Highlights

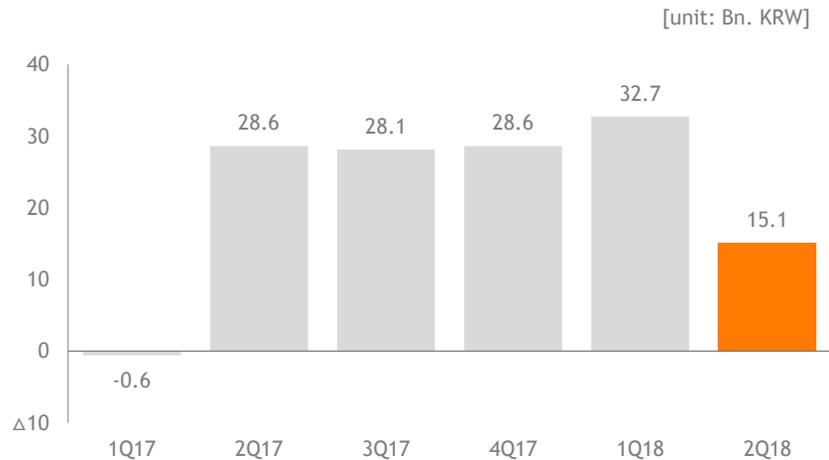
- A strong performance supported by order increases in the plant and housing construction business
- Pre-tax income decreased due to foreign currency translation losses on weak KRW
  - '18. 1Q : 1,066.5 won/\$ → '18. 2Q : 1,121.7 won/\$
- Place upmost priority to recovery and relief activities in Laos
  - Investigation on the causes of dam failure to be jointly conducted by Laos, Korean, and Thai gov't.

※ The figures are based on K-IFRS (which is adopted by SK's consolidated financial statements), thus different from figures in SK E&C's K-GAAP based quarterly filings.

# Q2 2018 Business Results : SK Shipping

- Despite improved profitability in the bulk business, OP recorded a QoQ decrease due to weak seasonality and one-time loss

## SK Shipping Operating Profit



Unit : Bn. KRW	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Revenue	408	370	361	396	397	408
Operating Profit	Δ0.6	28.6	28.1	28.6	32.7	15.1
Pre-Tax Income	Δ32.4	3.3	3.5	1.9	2.8	Δ20.0

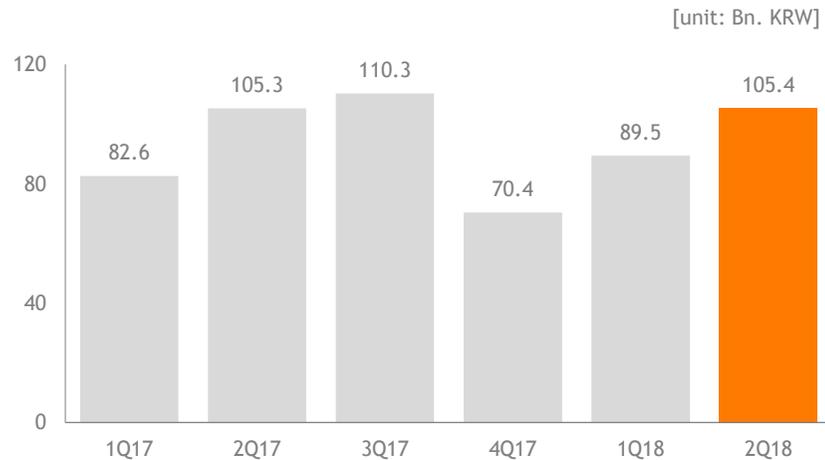
## Highlights

- Recovery of margin and volume in the bulk business**
  - Margin improvement supported by the optimization of less-profitable routes
  - Recovering from bulk volume reduction caused by last year's business restructuring
- One-time loss recorded in Q2 in the gas carrier business**
  - Due to defects in newly built carriers, a replacing carrier was mobilized instead.
- Bunkering margin expected to recover in Q3 with the off-peak season coming to an end**

# Q2 2018 Business Results : SK C&C

Q2 operating profit recorded a QoQ increase supported by improved profitability in IT service

## C&C Operating Profit



Unit : Bn. KRW	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Operating Profit	82.6	105.3	110.3	70.4	89.5	105.4
- ITS & Others	37.4	58.9	51.3	27.2	31.8	62.8
- Essencore	45.2	46.4	59.0	43.3	57.7	42.6

## Highlights

- **Profitability improved in the IT Service business**
  - Expansion of next-generation businesses (i.e. cloud, AI)
- **Essencore continued to deliver strong performance reflecting good semiconductor market conditions**
  - The share of sales of value-added products such as SSD, flash drive is on the rise
- **Growth expected in data security related SI business**

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