



# 2019. 1Q Earnings Briefing

May 2019

# DISCLAIMER

This presentation includes the recent 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.

# 1Q19 Business Results : Overall

- Profit decreased mainly due to weak refining margins and lower equity method income from SK Hynix

(Unit: Tn, KRW)	Revenue			Operating Profit			Pretax Income		
	1Q19	1Q18	YoY	1Q19	1Q18	YoY	1Q19	1Q18	YoY
<b>Consolidated</b>	<b>25.55</b>	24.01	+6%	<b>1.29</b>	1.54	△17%	<b>1.30</b>	2.01	△36%
SK Innovation	<b>12.85</b>	12.17	+6%	<b>0.33</b>	0.71	△53%	<b>0.30</b>	0.68	△55%
SK Telecom	<b>4.33</b>	4.18	+4%	<b>0.32</b>	0.32	△0%	<b>0.47</b>	0.91	△48%
SK Networks	<b>3.28</b>	3.48	△6%	<b>0.04</b>	0.02	+43%	<b>0.00</b>	0.00	△88%
SKC	<b>0.60</b>	0.64	△5%	<b>0.04</b>	0.04	△12%	<b>0.03</b>	0.06	△55%
SK E&C	<b>1.85</b>	1.64	+13%	<b>0.09</b>	0.10	△5%	<b>0.07</b>	0.10	△23%
SK E&S	<b>2.21</b>	2.13	+4%	<b>0.29</b>	0.26	+11%	<b>0.32</b>	0.25	+25%
SK Materials	<b>0.18</b>	0.14	+29%	<b>0.05</b>	0.03	+61%	<b>0.05</b>	0.03	+51%
SK Siltron	<b>0.38</b>	0.30	+28%	<b>0.10</b>	0.09	+17%	<b>0.10</b>	0.09	+14%

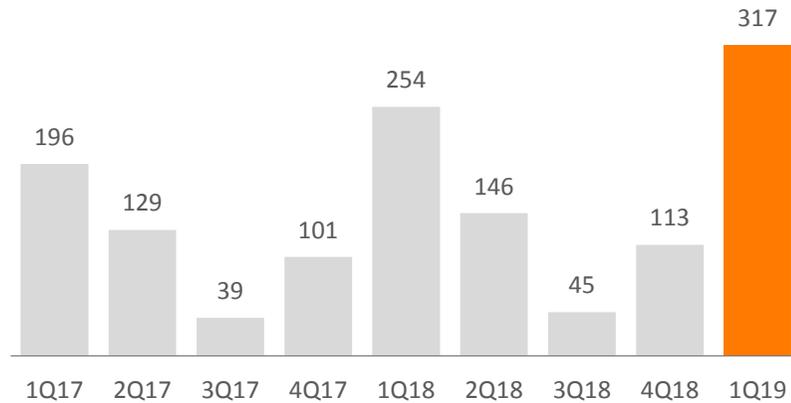
# 1Q19 Business Results : SK E&S



Despite a decrease in sales volume YoY, higher SMP drove growth in profit

## SK E&S Pretax Income

[unit: Bn, KRW]



	1Q19	1Q18	YoY	4Q18	QoQ
Revenue	2,212	2,131	+81	1,876	+336
Operating Profit	290	261	+30	65	+226
Pretax Income	317	254	+63	113	+204
- Power Gen.	231	175	+56	76	+155
- City Gas	97	111	△14	14	+83

## Highlights

- Power gen. profit increased YoY, mainly attributable to SMP<sup>1)</sup> rise by 16%**
  - Volume of power gen. and city gas sales fell on higher average temperature in winter
- Profits from both power gen. and city gas increased on strong seasonality**
  - Volume of power gen. and city gas sales rose by 2% and 22% QoQ, respectively
  - SMP went up by 4%
- Environment-friendly policies to boost the demand for LNG**

1) System Marginal Price

# 1Q19 Business Results : SK Biopharm

- Solriamfetol acquired FDA approval for sales
- Cenobamate plans to launch in 2020, currently organizing sales force

## Current Pipeline

	Name	Description	Ph1	Ph2	Ph3	NDA
Epilepsy	Cenobamate	Partial Generalized	●—————●			
	Carisbamate	Lennox Gastaut Syndrome	●—————●			
Next CNS	Relenopride	Rare Neurological Disease	●—————●			
	SKL13865	ADHD	●—————●			
Sleep	Solriamfetol	Sleep Disorder	●—————● L/O to Jazz Pharmaceuticals			
Others	Parkinson's Disease(YKP10461), Schizophrenia(SK20540)					

## Highlights

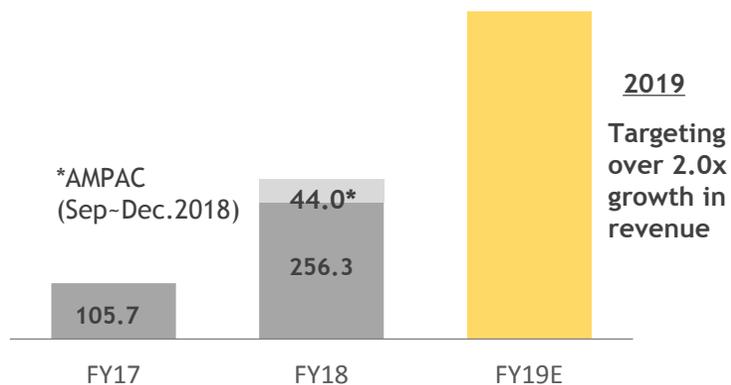
- Solriamfetol received FDA approval for sleep disorder in March 2019
  - Jazz Pharmaceuticals expected to launch Sunosi™\* in the US 2H19 *\*brand name of Solriamfetol*
- Commercialization plan for Cenobamate is on track
  - Targeting NDA approval in 2019 and launch in 2020
  - Direct sales in the US market through a qualified in-house sales team
- Other pipelines including Carisbamate are under clinical development

# 1Q19 Business Results : CMO

- Revenue growth expected to continue backed by AMPAC, although profit in 1Q decreased temporarily

## Revenue in CMO biz.

[unit: Bn, KRW]



## SK Biotek (Korea/Ireland)

	1Q19	1Q18	YoY	FY18	YoY
Revenue	74	54	+20	256	151
Operating Profit	△3	4	△7	△4	△20
Pretax Income	△4	4	△8	△6	△49

## Highlights

- Profit decreased mainly from delay of product delivery schedule
  - BT Ireland's profit fell due to increase in expenses relating to efficienating factory facilities and IT system
- Synergy among 3 entities and addition of new contracts to drive growth
  - New product line-up including oncology drugs

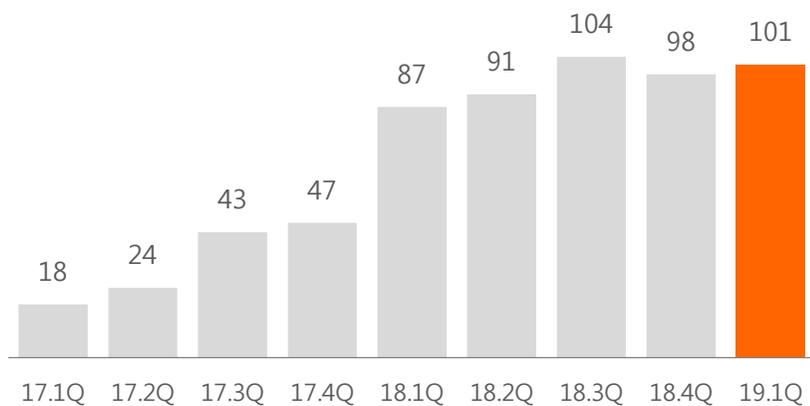
# 1Q19 Business Results : SK Siltron



- SK Siltron showed a stable earnings result based on wafer sales increase despite a unfavorable market condition

## SK Siltron Operating Profit

[unit: Bn, KRW]



	1Q19	1Q18	YoY	4Q18	QoQ
Revenue	382	298	+84	371	+10
Operating Profit	101	87	+15	98	+3
Pretax Income	97	86	+12	95	+2

## Highlights

- Sales volume and ASP increases continued amid sluggish semicon market demand**
  - ASP rose upon the expansion of LTA based sales
- 2019 earnings expected to show a stable trend as semicon market condition to improve starting from 2H**
  - Focus on enhancing profitability through increasing premium product portion
  - Long-term upward trend to continue upon the proliferation of cutting-edge technology including 5G and AI

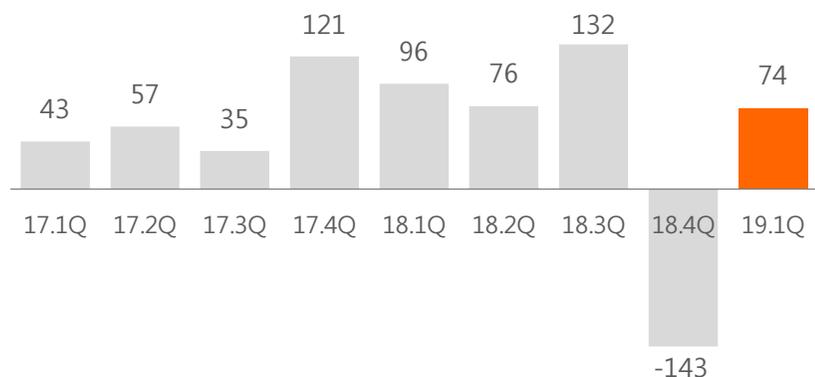
# 1Q19 Business Results : SK E&C



## Earnings improved QoQ on elimination of one-off cost related to the Laos Incident

### SK E&C Pretax Income

[unit: Bn, KRW]



	1Q19	1Q18	YoY	4Q18	QoQ
Revenue	1,847	1,641	+206	2,035	△188
Operating Profit	92	97	△5	△94	+186
Pretax Income	74	96	△22	△143	+217

※ 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

### Highlights

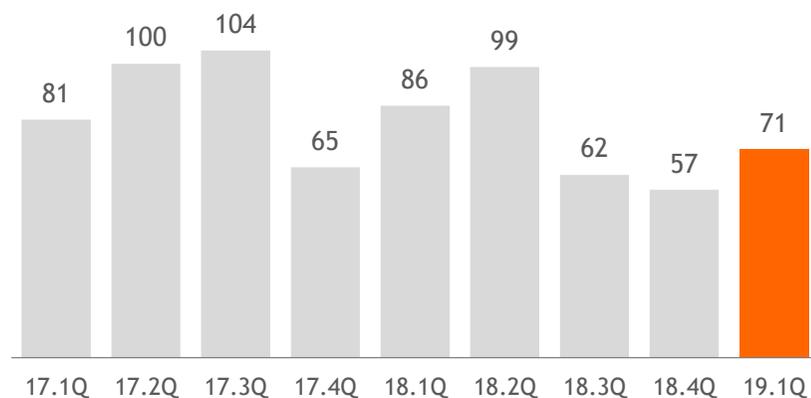
- Earnings decreased YoY upon completion of hynix M15 Fab construction in 4Q18
  - Housing division earnings improved based on reconstruction biz. expansion
- Earnings returned positive QoQ due to base effect related to the Laos costs
  - The official result of Laotian government's investigation to be announced in 1H 2019
- 2019 earning expected to grow on plant and infra biz. expansion

# 1Q19 Business Results : C&C

- IT service earnings improved YoY, whereas Essencore profit decreased due to weak demand

## C&C Operating Profit (incl. Essencore)

[unit: Bn, KRW]



	1Q19	1Q18	YoY	4Q18	QoQ
Revenue	389	340	+49	453	△64
Operating Profit	41	28	+13	39	+2
Pretax Income	40	200	△159	439	△399
Essencore Operating Profit	30	58	△28	18	+12

## Highlights

- IT Service results remained stable and robust
  - Pretax income decreased due to one-off effect from the sale of Infosec, Encar.com, and office buildings in 2018
- Essencore profits negatively affected by sluggish memory market demand
- DT<sup>1)</sup> solution business to focus on in efforts to grow
  - Expanding biz. area into AI, big data, and cloud based on accumulated know-hows in IT Service

1) Digital Transformation

End of Document