



2018. 3Q Earning Briefing

November 2018

DISCLAIMER

This presentation includes 3Q18 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.

Q3 2018 Business Results : Overall



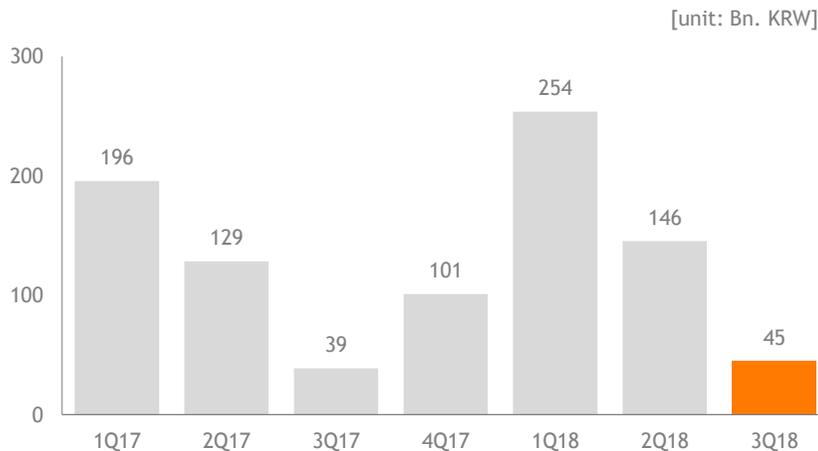
Net profit attributable to shareholders remained stable in Q3 on back of strong operating results from major subsidiaries

Unit : Tn. KRW	Revenue				Operating Profit				Pre-Tax Income				NP for Shareholders			
Category	17FY	18.1Q	18.2Q	18.3Q	17FY	18.1Q	18.2Q	18.3Q	17FY	18.1Q	18.2Q	18.3Q	17FY	18.1Q	18.2Q	18.3Q
SK Innovation	46.26	12.17	13.44	14.96	3.23	0.71	0.85	0.84	3.23	0.68	0.74	0.68	2.10	0.46	0.50	0.44
SK Telecom	17.52	4.18	4.15	4.19	1.53	0.32	0.35	0.30	3.40	0.91	1.16	1.30	2.60	0.70	0.92	1.03
SK Networks	15.20	3.48	3.43	3.53	0.14	0.02	0.02	0.04	0.06	0.00	0.00	0.02	0.03	0.00	0.00	△0.01
SKC	2.65	0.64	0.73	0.69	0.18	0.04	0.05	0.05	0.18	0.06	0.05	0.06	0.11	0.04	0.04	0.04
SK E&C	7.32	1.64	1.93	1.90	0.18	0.10	0.11	0.06	0.26	0.10	0.08	0.13	0.13	0.07	0.01	0.03
SK Shipping	1.53	0.40	0.41	0.41	0.08	0.03	0.02	0.02	△0.02	0.00	△0.02	△0.02	△0.03	0.00	△0.02	△0.02
SK E&S	5.54	2.13	1.30	1.16	0.36	0.26	0.10	0.03	0.46	0.25	0.15	0.04	0.35	0.19	0.11	0.03
SK Materials	0.51	0.14	0.16	0.19	0.15	0.03	0.04	0.05	0.13	0.03	0.04	0.04	0.10	0.02	0.02	0.03
SK Siltron	0.33	0.30	0.32	0.35	0.06	0.09	0.09	0.10	0.06	0.09	0.09	0.10	0.05	0.07	0.07	0.08
Others	5.14	1.87	1.24	1.34	1.06	0.84	0.10	0.13	0.91	1.12	0.06	0.12	0.82	0.99	0.08	0.09
SUM	102.00	26.95	27.11	28.72	6.97	2.44	1.73	1.62	8.67	3.24	2.35	2.47	6.26	2.54	1.73	1.74
Consol. Adj.	△8.70	△2.33	△1.88	△1.94	△1.11	△0.86	△0.10	△0.15	△1.23	△1.22	△0.17	△0.23	△4.58	△1.88	△1.20	△1.24
Consolidated	93.30	24.62	25.23	26.78	5.86	1.58	1.63	1.47	7.44	2.02	2.18	2.24	1.68	0.66	0.53	0.50

Q3 2018 Business Results : SK E&S

- Despite stable SMP movements, SK E&S pre-tax income decreased on lower sales volume due to weak seasonality

SK E&S Pre-Tax Income



Unit : Bn. KRW	17FY	3Q17	2Q18	3Q18	QoQ	YoY
Pre-Tax Income	464	39	146	45	△101	+6
- Power Gen.	249	56	75	47	△28	△9
- City Gas	160	5	30	9	△21	+4
SMP(KRW/kWh)	81.1	75.0	89.0	89.7	+0.7	+14.7

Highlights

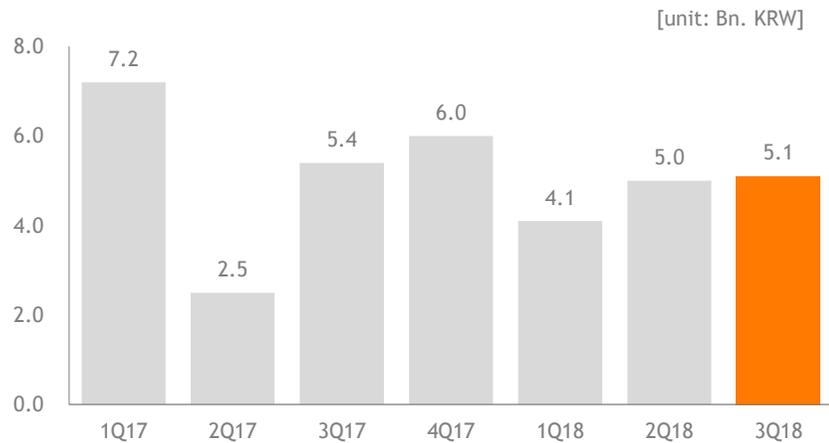
- Profits from both power generation and city gas businesses dropped on weak seasonality
 - Power generation volume dropped 15% QoQ
 - City gas sales volume dropped 16% QoQ
- Base effect from equity method income shown in Q3 result
 - KRW 58 billion of equity method income from China Gas Holdings recognized in Q2
- Strong SMP and sales volume growth expected in Q4 as winter season approaches

Q3 2018 Business Results : CDMO Biz.



- New plant is successfully ramping up and CDMO Biz. is enhancing efficiency through regional optimization

SKBT Pre-Tax Income



Unit : Bn. KRW	17FY	3Q17	2Q18	3Q18	QoQ	YoY
Revenue	105.7	23.6	58.0	63.8	+5.8	+40.2
Operating Profit	22.9	4.8	5.2	5.9	+0.7	+1.1
Pre-Tax Income	21.1	5.4	5.0	5.1	+0.1	△0.3

Highlights

- **Sejong plant is successfully ramping up**
 - Rapid sales volume growth expected after completion of regulatory inspection
- **BT Ireland expanded its product portfolio by successfully winning new contracts**
- **AMPAC acquisition is completed at the end of August**
 - Full quarter P&L to be reflected in Q4, 2018

Q3 2018 Business Results : SK Biopharm



NDA application to US FDA for Cenobamate to be submitted as scheduled, and commercialization plan is on track

Major Pipeline

	Name	Description	Ph1	Ph2	Ph3	NDA
Epilepsy	Cenobamate	Partial seizures	●—————●			
	Carisbamate	Lenox Gastaut	●————●			
Next CNS	Relenopride	Orphan Neurology	●————●			
	SKL13865	ADHD	●————●			
Sleep	Solriamfetol	Sleep Disorder	●—————●			
Others	<i>Many other pipelines including Parkinson's disease (YKP10461) and schizophrenia(SK20540)</i>					

Highlights

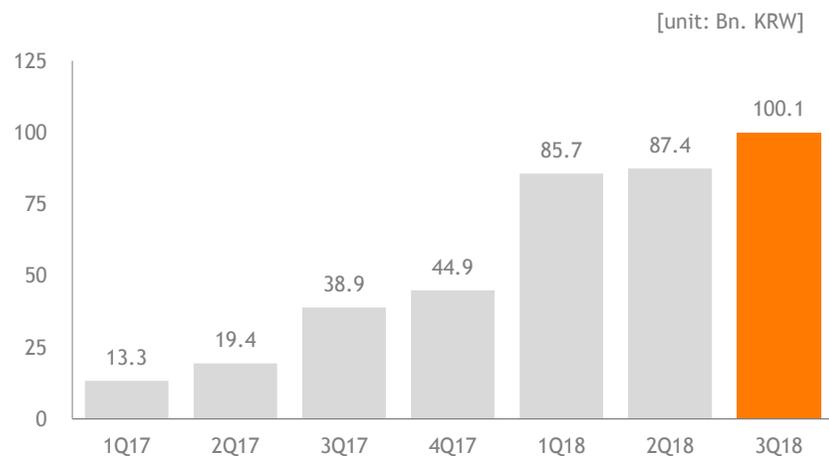
- NDA application for Cenobamate to be submitted to US FDA within the year
- US FDA’s review on NDA for Solriamfetol, licensed out to Jazz Pharmaceuticals, is coming close to a decision
 - NDA application submitted to US FDA in Dec., 2017
 - Jazz filed for EMA(European Medicines Agency) approval in Nov., 2018

Q3 2018 Business Results : SK Siltron



SK Siltron's quarterly profit exceeded KRW 100 billion for the first time in history

SK Siltron Pre-Tax Income



Unit : Bn. KRW	17FY	3Q17	2Q18	3Q18	QoQ	YoY
Revenue	933.1	242.7	324.7	352.7	+28.0	+110.0
Operating Profit	132.7	43.3	90.7	104.0	+13.3	+60.7
Pre-Tax Income	116.5	38.9	87.4	100.1	+12.7	+61.2

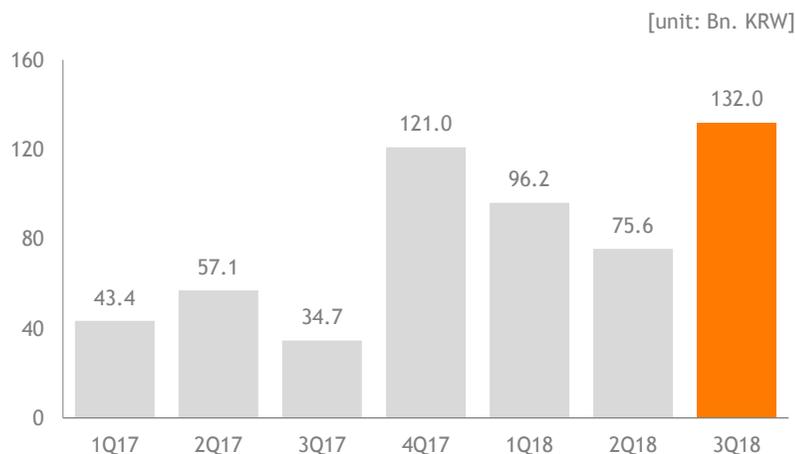
Highlights

- Sales volume continued to increase on productivity improvements**
 - De-bottlenecking and expansion of automation equipment
 - Profitability improvement by changing product mix
- Strong wafer demands expected to continue on growth from both memory and non-memory semiconductors**
 - Capacity expansion plans of global wafer manufacturers are still limited

Q3 2018 Business Results : SK E&C

Pre-tax income increased by 75% QoQ on gains from disposal of investments

SK E&C Pre-Tax Income



Unit : Bn. KRW	17FY	3Q17	2Q18	3Q18	QoQ	YoY
Revenue	7,316	1,853	1,926	1,900	△26	+47
Operating Profit	182.2	25.2	110.7	62.0	△48.7	+36.8
Pre-Tax Income	256.2	34.7	75.6	132.0	+56.4	+97.3

Highlights

- Operating profit decreased QoQ as E&C set up bad debt allowance from domestic housing construction project in Q3
- Non-operating profit occurred on disposal gains from investments
- Official result on the cause of the dam collapse to be announced by the Laotian government in early 2019

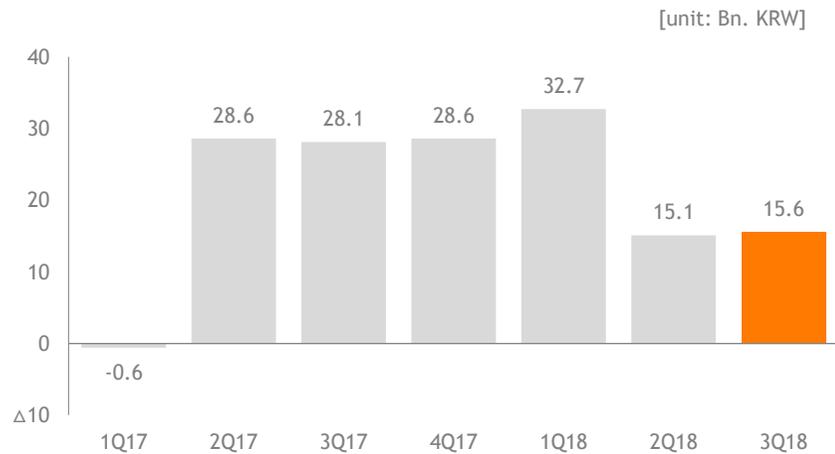
※ The figures are based on K-IFRS (which is adopted by SK's consolidated financial statements), thus different from figures in SK E&C's K-GAAP based quarterly filings.

Q3 2018 Business Results : SK Shipping



Q3 operating profit in line with Q2 results, and SK Shipping plans for financial restructuring

SK Shipping Operating Profit



Unit : Bn. KRW	17FY	3Q17	2Q18	3Q18	QoQ	YoY
Revenue	1,535	361	408	407	△1	+46
Operating Profit	85	28	15	16	+1	△12
Pre-Tax Income	△24	4	△20	△20	-	△24

Highlights

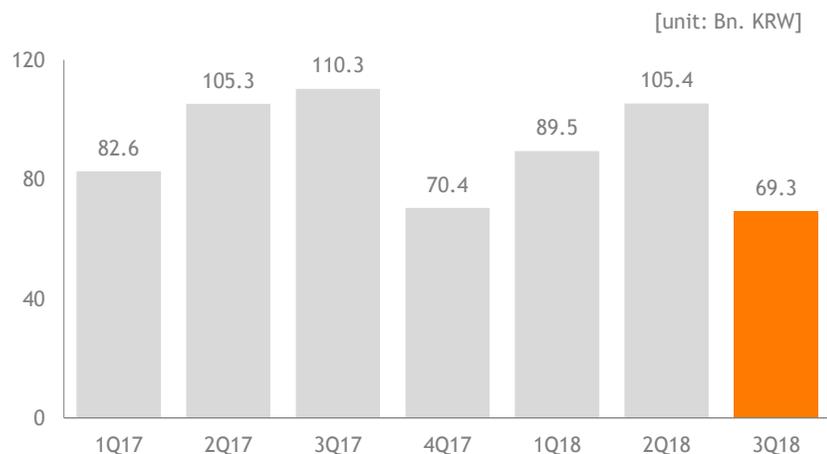
- **Bunkering margin recovering as supply competition softens**
 - 18FY bunkering margin avg. \$20.7/kℓ (YoY +217%)
- **New shares to be issued to third-party in efforts to improve financial structure**
 - SK Holdings' ownership to drop to 16% ('18.11.30)
 - * SK Shipping's P&L will no longer be consolidated since Q4, 2018

Q3 2018 Business Results : SK C&C



- Q3 operating profit decreased QoQ as Essencore profit softened on weakening margin

C&C Operating Profit



Unit : Bn. KRW	17FY	3Q17	2Q18	3Q18	QoQ	YoY
Operating Profit	368.6	110.3	105.4	69.3	△36.1	△41.0
- ITS & Others	174.8	51.3	62.8	53.6	△9.2	+2.3
- Essencore	193.8	59.0	42.6	15.7	△26.9	△43.3

Highlights

- Essencore profit softened on lower ASP of semiconductor modules
- Shares of SK Infosec to be sold to SKT, in efforts to concentrate security business expertise within the Group

- 100% of SK Infosec stake to be sold to SKT in exchange of 1.6% of treasury shares held by SKT (12/27)

* SK Holdings' stake in SKT to be increased to 26.8%

End of Document