



2019. 4Q Earning Briefing

March 2020

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.

4Q19 Business Results : Overall



4Q income came down on lower refining margins and impacts from one-off expenses

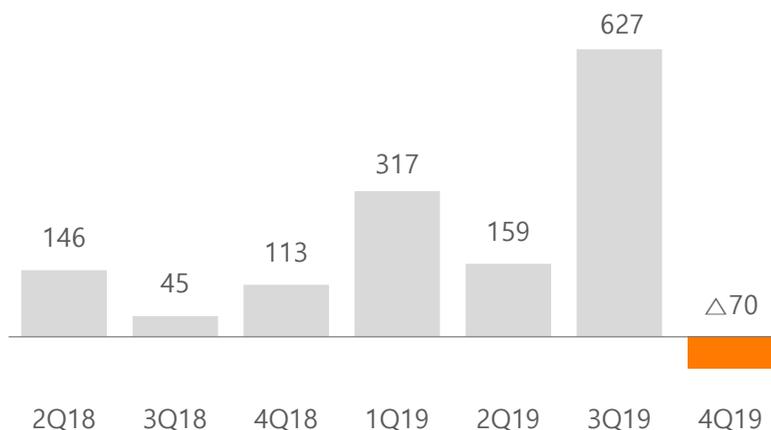
(Unit : Tn. KRW)	Revenue						Operating Profit						Pretax					
구 분	18FY	19.1Q	19.2Q	19.3Q	19.4Q	19FY	18FY	19.1Q	19.2Q	19.3Q	19.4Q	19FY	18FY	19.1Q	19.2Q	19.3Q	19.4Q	19FY
Consolidated	100.16	25.55	25.15	24.96	23.61	99.27	4.68	1.29	1.16	1.00	0.49	3.94	7.56	1.30	0.87	1.15	△0.54	2.78
SK innovation	54.22	12.85	13.10	12.37	11.55	49.87	2.10	0.33	0.50	0.33	0.11	1.27	2.39	0.30	0.26	0.25	△0.44	0.37
SK telecom	16.87	4.33	4.44	4.56	4.41	17.74	1.20	0.32	0.32	0.30	0.16	1.10	3.98	0.47	0.35	0.35	△0.01	1.16
SK networks	13.99	3.28	3.36	3.87	2.54	13.05	0.14	0.04	0.05	0.08	△0.06	0.11	0.06	0.00	0.01	0.05	△0.06	0.00
SKC	2.77	0.60	0.64	0.64	0.66	2.54	0.20	0.04	0.05	0.04	0.03	0.16	0.18	0.03	0.02	0.03	△0.01	0.07
SK E&C	7.50	1.85	2.14	2.18	2.79	8.96	0.18	0.09	0.09	0.06	0.18	0.42	0.16	0.07	0.08	0.02	0.08	0.25
SK E&S	6.47	2.21	1.32	1.22	1.81	6.56	0.45	0.29	0.08	0.09	0.07	0.53	0.56	0.32	0.16	0.63	△0.07	1.04
SK materials	0.69	0.18	0.18	0.20	0.20	0.76	0.18	0.05	0.06	0.06	0.05	0.22	0.16	0.05	0.05	0.05	0.04	0.19
SK siltron	1.35	0.38	0.39	0.41	0.36	1.54	0.38	0.10	0.09	0.09	0.05	0.33	0.37	0.10	0.08	0.08	0.01	0.27

4Q19 Business Results : SK E&S

Decrease in 4Q pretax income mainly on the back of impairment loss from the US assets

SK E&S Pretax Income

(Unit : Bn, KRW)



	18FY	19FY	YoY	19.3Q	19.4Q	QoQ
Revenue	6,468	6,562	+94	1,225	1,805	+580
Operating Profit	448	526	+78	91	65	Δ26
Pretax income	558	1,033	+475	627	Δ70	Δ697

Highlights

- 4Q income decreased due to impairment loss despite higher sales volume**
 - Sales volume of Power and City gas business increased by +2% and +79% respectively on QoQ
 - Impairment loss from US assets (Δ132.3bn. KRW)
- Annual pretax income grew by 85% YoY, on lower costs and gain from stake sales**
 - Lower tax imposed on LNG imports (since Apr. '19)
 - Gain on disposition of CGH stake (560.6 bn KRW)
- Profits to remain stable by enhancement of cost advantage in power business and low-cost feed sourcing from LNG spot markets**

■ Cenobamate(Xcopri) to launch in the US market in 2Q while being designated Schedule V by DEA

Current Pipeline

Name	Description	Pre-Clinical	Ph1	Ph2	Ph3	NDA
Cenobamate ¹⁾	Partial Onset Seizures	●—————●				
	PGTC Seizures	●—————●				
Solriamfetol ²⁾	Sleep Disorder	●—————●				
Carisbamate	Lennox-Gastaut Syndromes	●—————●				
Relenopride	Rare Neurological Disease	●—————●				
SKL13865	ADHD	●—————●				
SKL20540	Schizophrenia	●—————●				
SKL-PSY	Bipolar Disorder	●—————●				
SKL24741	Epilepsy	●—————●				

1) Xcopri is the brand name of Cenobamate (to be launched in 2Q)

2) Sunosi is the brand name of Solriamfetol (commercialized in Jul.19)

Highlights

- The final step of regulatory approval on Cenobamate(Xcopri) completed with the DEA's designation in the US.

- SK biopharm received Schedule V¹⁾ designation from DEA

1) Schedule V drugs represents the least potential for abuse among five steps of I-V

- European Medicines Agency accepted MAA²⁾ for Cenobamate

2)Marketing authorization application

- Revenue in FY19 recorded KRW123.9 bn.

▲ Upfront fee from L/O of Cenobamate in Europe

▲ Milestones and Royalties from Sunosi in the US

※ Milestones expected from EU MAA approval of Sunosi

4Q19 Business Results : SK pharmteco



SK pharmteco aims to become a global top-tier company with easier access to the US, the biggest pharmaceutical market

Global Presence (factories)



SK pharmteco

(KRW billions)	FY19	FY18 ¹⁾
Revenue	520.4	257.4
Operating Profit	△ 17.9	21.3

1) SK biotek (Korea/Ireland)

Highlights

- Approached to top-tier CMO group by adding AMPAC's operation in terms of revenue
 - Negative operating profit mainly due to depreciation from PPA¹⁾ of AMPAC 1) Purchase Price Allocation
- Solid growth expected in '20, seeking synergy through streamlined management
 - Integrated management of core functions including marketing, R&D, etc
 - Pursuing improved top-line growth and profitability by diversified products and clients, advanced technology, and normalized operation of the new plants

4Q19 Business Results : SK siltron

- Delay in demand recovery and continued customer inventory adjustment led to weaker revenue and operating profit in 4Q19

SK siltron OP and Dep. Cost

(Unit : Bn, KRW)



	18FY	19FY	YoY	19.3Q	19.4Q	QoQ
Revenue	1,346	1,543	+197	407	365	△42
Operating Profit	380	332	△49	91	51	△40
Pretax Income	368	278	△90	85	12	△73
EBITDA	528	571	+43	152	121	△31

Highlights

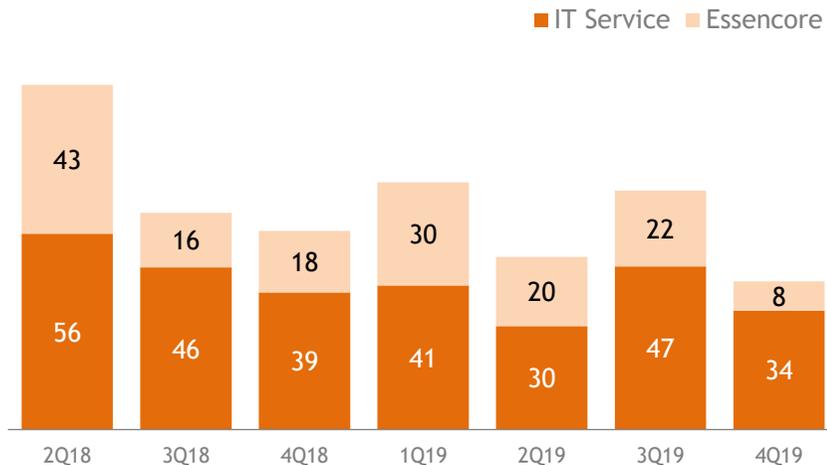
- 4Q ASP remained stable, but shipments were negatively affected by the delayed demand recovery and etc.
- Posted record-high revenue and EBITDA in 2019 even under slow demand condition
- 2020 earnings expected to show stable trend based on demand recovery and sustained LTA basis
 - Strengthening financial stability based on stable profitability and conservative Capex policy

4Q19 Business Results : IT Service (C&C)

- Revenue from IT Service Biz. increased due to expansion of customer base and earnings seasonality, but Essencore suffered from the delayed memory industry recovery

IT Service Operating Profit (incl. Essencore)

(Unit : Bn, KRW)



	18FY	19FY	YoY	19.3Q	19.4Q	QoQ
Revenue	1,571	1,721	+151	430	497	+67
Operating Profit	169	152	△18	47	34	△13
Pretax Income	745	126	△619	43	16	△27
Essencore Operating Profit	134	79	△54	22	8	△14

Highlights

- IT Service showed top-line increase on both QoQ and YoY basis
 - Revenue rose due to the seasonal increase of IT project completion and expansion of customer base
 - OP maintained at 4Q18 level due to the initial cost from customers' cloud transition projects
- 2020 earnings to strengthen as customers' cloud transition projects ramp up
 - Secure sustainable growth driver based on the increased demand for cloud transition and through expansion of customer base
 - Essencore expected to show improved earnings as memory cycles bottom out