



# 2019. 3Q Earnings Briefing

November 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.

# 3Q19 Business Results : Overall

3Q earnings remained weak due to oil price correction and delayed memory cycle recovery

(Unit : Tn, KRW)	Revenue			Operating Profit			Pretax Income		
	3Q19	3Q18	YoY	3Q19	3Q18	YoY	3Q19	3Q18	YoY
<b>Consolidated</b>	<b>24.96</b>	26.11	△4.4%	<b>1.00</b>	1.44	△30.4%	<b>1.15</b>	2.26	△49.2%
SK Innovation	12.37	14.96	△17.3%	0.33	0.84	△60.5%	0.25	0.68	△63.4%
SK Telecom	4.56	4.19	+9.0%	0.30	0.30	△0.8%	0.35	1.30	△73.2%
SK Networks	3.87	3.53	+9.7%	0.08	0.04	+101.8%	0.05	0.02	+211.8%
SKC	0.64	0.69	△7.7%	0.04	0.05	△25.0%	0.03	0.06	△45.3%
SK E&C	2.18	1.90	+14.8%	0.06	0.06	△9.7%	0.02	0.13	△86.2%
SK E&S	1.22	1.16	+5.6%	0.09	0.03	+256.3%	0.63	0.04	+1,299.4%
SK Materials	0.20	0.19	+8.6%	0.06	0.05	+9.5%	0.05	0.04	+13.3%
SK Siltron	0.41	0.35	+15.4%	0.09	0.10	△12.9%	0.08	0.10	△15.3%

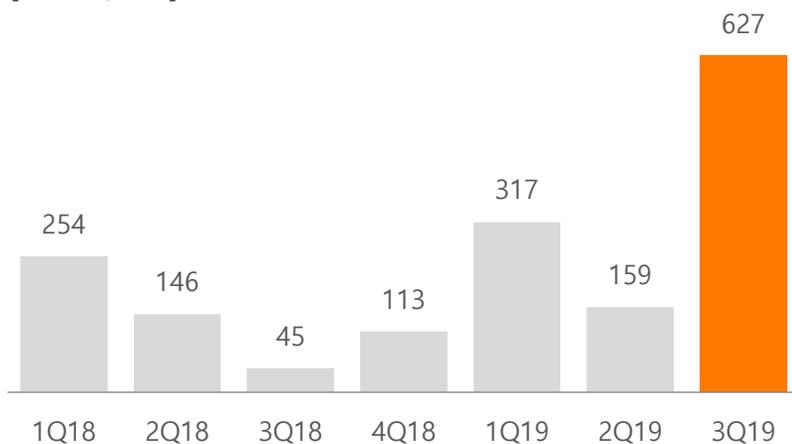
# 3Q19 Business Results : SK E&S



- Pretax income grew YoY and QoQ based on higher sales volume with lower cost in power generation and profit from selling stakes in CGH

## SK E&S Pretax Income

[unit: Bn, KRW]



	3Q19	3Q18	YoY	2Q19	QoQ
Revenue	1,225	1,160	+65	1,320	△95
Operating Profit	91	26	+66	79	+12
Pretax Income	627 <sup>1)</sup>	45	+582	159	+468

1) Includes KRW 547.5 Bn, profit from selling stakes in CGH (stakes in CGH decreased by 3.2%p)

## Highlights

- Revenue increased by 5.6% YoY on bigger sales volume in power generation**
  - SMP declined 9.4 KRW on lagging effect from crude oil price drop (3Q18 89.0 → 3Q19 79.5 KRW/kWh)
  - Revenue weakened QoQ on seasonality of city gas sales
- Operating profit increased by 255% YoY due to lower LNG cost**
  - Import surcharge imposed on LNG lowered since Apr.1st
- Pretax income increased substantially on selling stakes in CGH**

\* SMP : System Marginal Price, CGH : China Gas Holdings

# 3Q19 Business Results : SK Biopharm



**Cenobamate to launch in the US market in 2020, currently organizing sales force**

## Current Pipeline

Name	Description	Ph1	Ph2	Ph3	NDA
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Cenobamate	Partial Generalized					
Carisbamate	Lennox Gastaut Syndrome					

Relenopride	Rare Neurological Disease				
SKL13865	ADHD				

Solriamfetol	Sleep Disorder	Commercialized in the US ('19.Jul)			
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Schizophrenia(SK20540), Bipolar Disorder(SKL-PSY), Epilepsy(SK24741)

## Highlights

- Commercialization plan for Cenobamate is on track**
  - Expecting NDA approval in '19.Nov
  - Organizing sales force, preparing marketing and pricing strategy, etc.
- R&D capability proven with recent accomplishments**
  - 3Q cumulative revenue, KRW 123.6 billion
    - ▲ Upfront fee from L/O of Cenobamate in Europe
    - ▲ Milestones from commercialization of Solriamfetol in the US

\* Licensed-out to Jazz Pharmaceuticals (US/Europe)

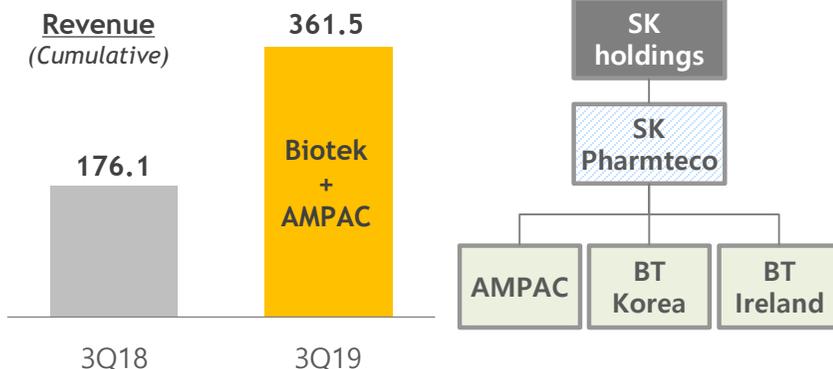
# 3Q19 Business Results : CMO



## SK CMO achieving competitive scale and seeking to create synergy through streamlining governance structure

### SK CMO biz.

[unit: Bn, KRW]



### SK Biotek (Korea/Ireland)

	3Q19	3Q18	YoY	2Q19	QoQ
Revenue	82.8	63.8	+19.0	75.5	+7.3
Operating Profit	14.1	5.9	+8.2	6.1	+8.0
Pretax Income	12.1	5.1	+7.0	5.5	+6.6

\* Above figures are based on managerial accounting standards

### Highlights

- Revenue growth and profit increase continued in 3Q**
  - Based on efforts to strengthen competitiveness while diversifying products and clients
  - Expecting further improvement in operating results through stabilizing production of new products
- Operation synergy based on consolidation of CMO entities**
  - Integrated management of core functions including marketing, R&D, etc.

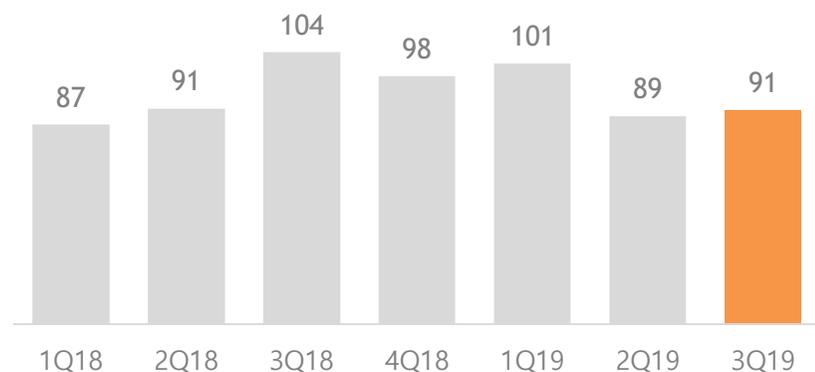
# 3Q19 Business Results : SK Siltron



Revenue and EBITDA rose both YoY and QoQ based on sales volume increase

## SK Siltron Operating Profit

(Unit : Bn, KRW)



	3Q19	3Q18	YoY	2Q19	QoQ
Revenue	407	353	+54	390	+17
Operating Profit	91	104	△13	89	+2
Pretax income	85	100	△15	84	+1
EBITDA	152	145	+7	146	+6

## Highlights

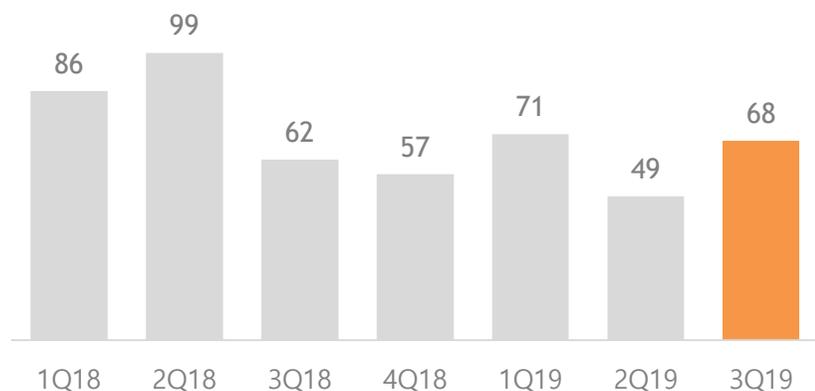
- Record high revenue achieved due to volume increase and favorable FX condition despite slight decrease in ASP
  - Solid 300mm sales for both memory and logic products, demand for 200mm products softening QoQ basis
  - OP remained flat due to increased depreciation cost, but EBITDA rose to record high level
- 4Q earnings expected to be stable as solid LTA demand continues

# 3Q19 Business Results : IT Service (C&C)

- IT Service's OPM increased QoQ due to expansion of external business, Essencore earnings remained slow due to delayed memory cycle recovery

## IT Service Operating Profit (incl. Essencore)

(Unit : Bn, KRW)



	3Q19	3Q18	YoY	2Q19	QoQ
Revenue	430	404	+26	406	+24
Operating Profit	47	46	+1	30	+17
Pretax Income	43	56	△13	27	+16
Essencore Operating Profit	22	16	+6	20	+2

## Highlights

- IT Service recorded increased earnings based on strengthening external business
  - Despite cost increase including labor and rent, IT Service sustained OP level YoY basis
- Essencore OP remained flat QoQ basis as soft demand condition continues
- Strong 4Q performance expected as IT project completion to increase.

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