



2018. 4Q Earning Briefing

March 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.

4Q18 Business Results : Overall

- Consolidated profit dropped as a result of weak refining margin from SKI and one-off expense from SK E&C

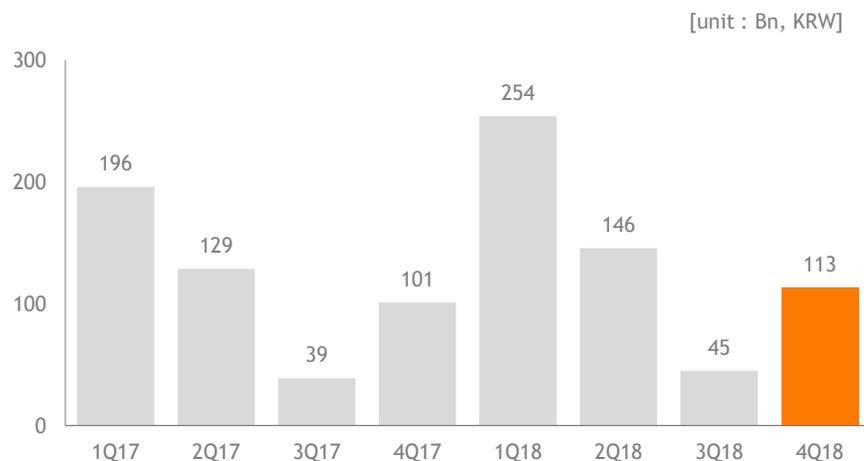
(Unit: Tn, KRW)	Revenue						Operating Profit						Pretax Income					
	17FY	1Q18	2Q18	3Q18	4Q18	18FY	17FY	1Q18	2Q18	3Q18	4Q18	18FY	17FY	1Q18	2Q18	3Q18	4Q18	18FY
Consolidated	90.61	24.62	25.23	26.78	24.88	101.51	5.75	1.58	1.63	1.47	0.01	4.69	7.44	2.02	2.18	2.24	1.09	7.53
SK Innovation	46.16	12.17	13.44	14.96	13.95	54.52	3.22	0.71	0.85	0.84	△0.28	2.12	3.22	0.68	0.74	0.68	0.28	2.38
SK Telecom	17.52	4.18	4.15	4.19	4.35	16.87	1.53	0.32	0.35	0.30	0.22	1.19	3.40	0.91	1.16	1.30	0.60	3.97
SK Networks	15.20	3.48	3.43	3.53	3.55	13.99	0.14	0.02	0.02	0.04	0.05	0.13	0.06	0.00	0.00	0.02	0.04	0.06
SKC	2.65	0.64	0.73	0.69	0.71	2.77	0.18	0.04	0.05	0.05	0.05	0.19	0.18	0.06	0.05	0.06	0.01	0.18
SK E&C	7.32	1.64	1.93	1.90	2.04	7.51	0.18	0.10	0.11	0.06	△0.09	0.18	0.26	0.10	0.08	0.13	△0.14	0.17
SK E&S	5.54	2.13	1.30	1.16	1.88	6.47	0.36	0.26	0.10	0.03	0.06	0.45	0.46	0.25	0.15	0.04	0.11	0.55
SK Materials	0.51	0.14	0.16	0.19	0.20	0.69	0.15	0.03	0.04	0.05	0.06	0.18	0.14	0.03	0.04	0.04	0.05	0.16
SK Siltron	0.93	0.30	0.32	0.35	0.37	1.34	0.13	0.09	0.09	0.10	0.10	0.38	0.12	0.09	0.09	0.10	0.09	0.37

4Q18 Business Results : SK E&S



Seasonal demand for power supported both strong volume and price in Q4

SK E&S Pretax Income



	17FY	18FY	YoY	3Q18	4Q18	QoQ
Revenue	5,535	6,468	+932	1,160	1,876	+716
Operating Profit	356	448	+92	26	65	+39
Pretax Income	464	558	+94	45	113	+68
- Power Gen.	249	373	+124	47	76	+29
- City Gas	160	164	+4	9	14	+5

Highlights

- Profit from both power gen. and city gas businesses improved QoQ on seasonality**
 - Power Gen. : Sales Volume +12%, SMP +17%
 - City Gas : Sales Volume +91%
- Strong SMP and full year earnings from new power generators contributed to YoY increase in profit**
 - Commercial start-up of Paju plant in Feb., 2017 and Wirye plant in Mar., 2017
 - SMP rose +17% YoY on higher crude price
- Environmental-friendly policies to continue to favor LNG power generation**

Significant developments with major pipelines in Q1, 2019

Major Pipeline

	Name	Description	Ph1	Ph2	Ph3	NDA
Epilepsy	Cenobamate	Partial Generalized	[Progress bar from Ph1 to NDA]			
	Carisbamate	Lennox Gastaut Syndrome	[Progress bar from Ph1 to Ph2]			
Next CNS	Relenopride	Rare Neurological Disease	[Progress bar from Ph1 to Ph2]			
	SKL13865	ADHD	[Progress bar from Ph1 to Ph2]			
Sleep	Solriamfetol	Sleep Disorder	[Progress bar from Ph1 to NDA]			
Others	Many other pipelines including Parkinson's Disease (YKP10461), Schizophrenia (SKL20540)					

Highlights

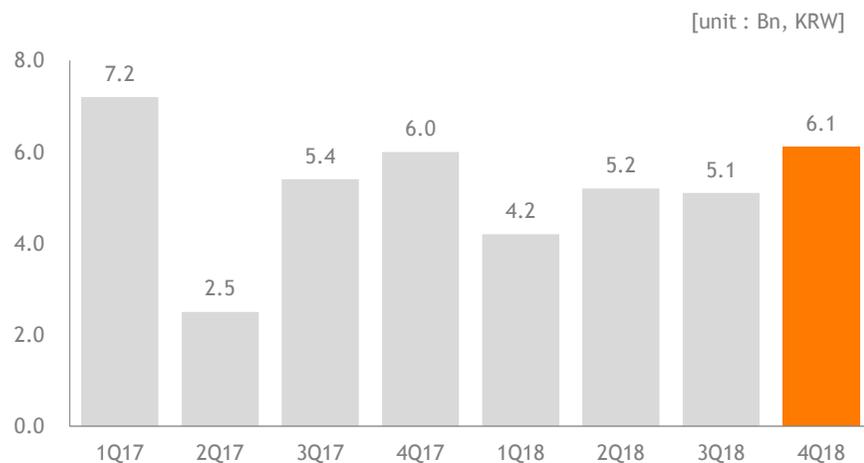
- FDA accepted NDA submission for Cenobamate in Feb., 2019**
 - PDUFA date set for November 21, 2019
 - Entered license-out agreement with Arvelle Therapeutics for development and commercialization in Europe (Feb., 2019)
- FDA approval for Solriamfetol expected in March**
 - Commercial launch(licensed-out to Jazz) scheduled in 2H19
- Making efforts for further pipeline development**
 - SKBP targets CNS and anti-cancer treatments where current therapies fall short and high unmet need still exists

4Q18 Business Results : CMO Business



- Despite increased revenue, SKBT's Q4 operating profit stayed in line with that of Q3 due to post-merger efforts on acquired assets

SKBT Pretax Income



	17FY	18FY	YoY	3Q18	4Q18	QoQ
Revenue	105.7	257.4	+151.7	63.8	81.3	+17.5
Operating Profit	22.9	21.3	$\Delta 1.6$	5.9	5.9	-
Pretax Income	21.1	20.6	$\Delta 0.5$	5.1	6.1	+1.0

Highlights

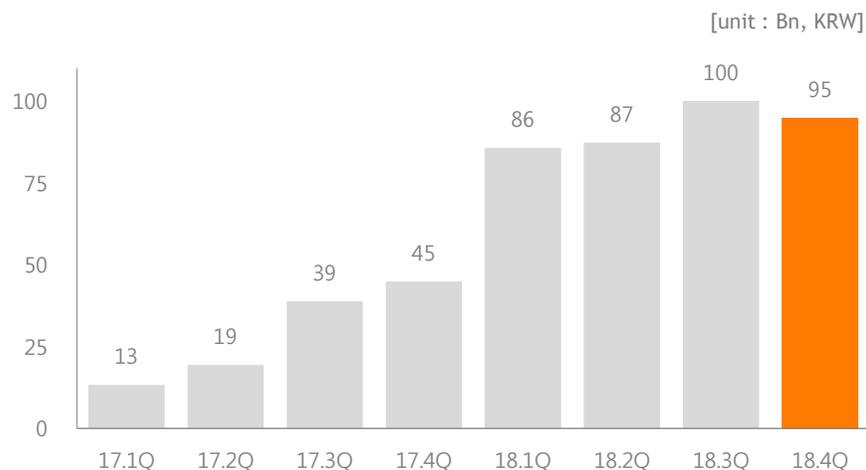
- Total revenue increased +144% YoY as newly acquired plant made contribution**
 - Former BMS facility acquired by SKBT in 2H17
- Profitability expected to improve gradually on newly signed orders**
 - Sejong plant to stabilize in operation and new orders are expected in Ireland
- Synergy expected on acquisition of AMPAC Fine Chemicals**
 - Successfully entered world's largest pharmaceutical market through acquisition

4Q18 Business Results : SK Siltron



- Despite revenue increase, operating profit softened on higher expenses including depreciation

SK Siltron Pretax Income



	17FY	18FY	YoY	3Q18	4Q18	QoQ
Revenue	933	1,346	+413	353	371	+18
Operating Profit	133	381	+248	104	99	△5
Pretax Income	117	368	+252	100	95	△5

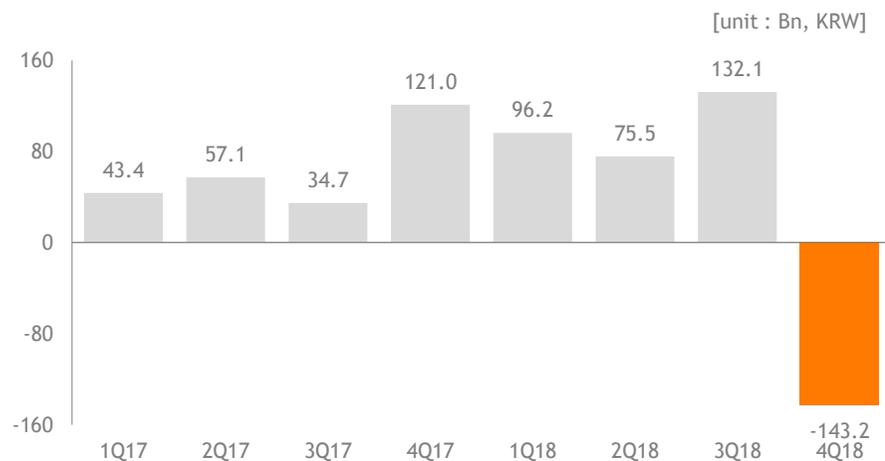
Highlights

- Wafer demand remained solid in Q4**
 - Despite the slow-down of ASP increase, wafer price continued to rise in Q4
- Wafer ASP improved throughout 2018 as favorable semiconductor market conditions continued**
 - Revenue increased +44%, Pretax Income +216% YoY
- Tight supply expected to continue as the existing players are reluctant to add extra capacity**

4Q18 Business Results : SK E&C

SK E&C recorded operating deficit in Q4 due to one-off expenses related to dam collapse in Laos

SK E&C Pretax Income



	17FY	18FY	YoY	3Q18	4Q18	QoQ
Revenue	7,316	7,503	+187	1,901	2,035	+134
Operating Profit	182	175	△7	62	△94	△156
Pretax Income	256	161	△95	132	△143	△275

Highlights

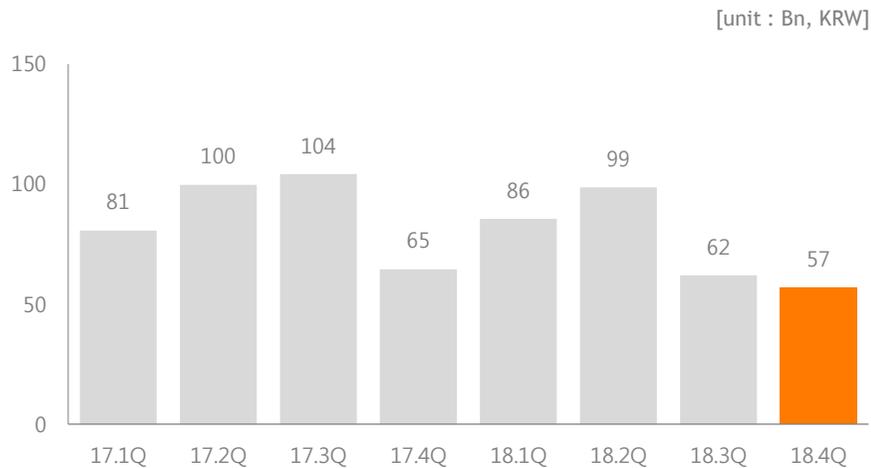
- Provisions for Laotian dam collapse were recorded in Q4
 - Allowances for the future expense related to the Laotian dam collapse were recorded in Q4 (final amount to be determined)
- Base effect from disposal gains in Q3
 - Unused land and invested securities were sold in Q3
- Profit from domestic housing business improved +35% YoY

※ 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

4Q18 Business Results : IT Service (C&C)

- Despite stable profit from IT service business, total operating profit dropped on weakened profitability of Essencore

ITS Operating Profit (including Essencore)



	17FY	18FY	YoY	3Q18	4Q18	QoQ
Revenue	1,567	1,571	+4	404	453	+49
Operating Profit	155	169	+14	46	39	△7
Pretax Income	9	745	+735	56	439	+383
Essencore (Operating Profit)	194	134	△60	16	18	+2

Highlights

- IT service maintained stable profitability
 - OP margin increased from 9.9%(2017) to 10.8%(2018)
 - Non-recurring gain from disposal of Infosec, Encar, and office building
- Essencore profit softened in 2H on lower ASP of semiconductor modules
 - Essencore profitability to show limited recovery in 1H 2019 as the bearish memory market environment continues
- Plans to expand the digital transformation business including cloud and AI services

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