



2019. 2Q Earnings Briefing

August 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.

2Q19 Business Results : Overall

- Q2 earnings weakened as profits from SKI and Hynix declined on softer refining margin and memory chip price

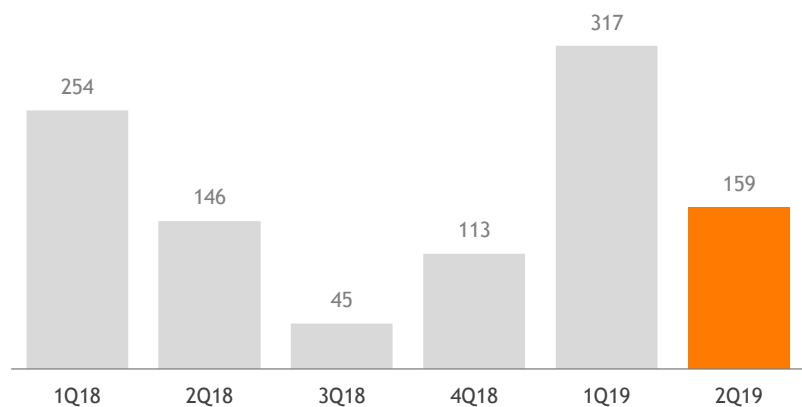
(Unit: Tn, KRW)	Revenue			Operating Profit			Pretax Income		
	2Q19	2Q18	YoY	2Q19	2Q18	YoY	2Q19	2Q18	YoY
Consolidated	25.15	24.57	+2.4%	1.16	1.61	△27.8%	0.87	2.20	△60.2%
SK Innovation	13.10	13.44	△2.5%	0.50	0.85	△41.6%	0.26	0.74	△65.1%
SK Telecom	4.44	4.15	+6.8%	0.32	0.35	△7.0%	0.35	1.16	△69.6%
SK Networks	3.36	3.43	△2.0%	0.05	0.02	+142.5%	0.01	0.00	+184.4%
SKC	0.64	0.73	△12.0%	0.05	0.05	△9.0%	0.02	0.05	△55.7%
SK E&C	2.14	1.93	+11.1%	0.09	0.11	△16.7%	0.08	0.08	+0.5%
SK E&S	1.32	1.30	+1.4%	0.08	0.10	△18.2%	0.16	0.15	+9.1%
SK Materials	0.18	0.16	+16.1%	0.06	0.04	+35.0%	0.05	0.04	+34.9%
SK Siltron	0.39	0.32	+20.0%	0.09	0.09	△2.2%	0.08	0.09	△3.9%

2Q19 Business Results : SK E&S

- E&S pretax income grew by 19% YoY on stronger SMP and higher equity method income from CGH

SK E&S Pretax Income

[unit: Bn, KRW]



	2Q19	2Q18	YoY	1Q19	QoQ
Revenue	1,320	1,301	+19	2,212	△892
Operating Profit	79	97	△18	290	△211
Pretax Income	159	146	+13	317	△158






Highlights

- YoY : Pretax income improved on strong equity method income from CGH**
 - CGH continues to grow on Chinese policy support
 - OP weakened on lower power gen. volume and SMP
- QoQ : Profits from both power gen. and city gas declined on weaker seasonality**
 - Volume of power gen. and city gas sales declined by 2% and 45%, respectively
 - SMP declined on lagging effect from crude price drop ('19.1Q 109.2 → '19.2Q 85.0 KRW/kWh)
- IPPs with direct sourcing capability to maintain its competitiveness**

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

Cenobamate plans to launch in 2020, currently organizing sales force

Current Pipeline

Name	Description	Ph1	Ph2	Ph3	NDA	
Cenobamate	Partial Generalized					
Carisbamate	Lennox Gastaut Syndrome					
Relenopride	Rare Neurological Disease					
SKL13865	ADHD					
Solriamfetol	Sleep Disorder					Launch ('19.Jul)
<p>Schizophrenia(SK20540), Bipolar Disorder(SKL-PSY), Epilepsy(SK24741)</p>						

Highlights

- **Solriamfetol* launched in the US on July**

*Licensed-out to Jazz Pharmaceuticals (US/Europe). SK Biopharm holds Asia commercial right

- **Commercialization plan for Cenobamate is on track**

- Targeting NDA approval in 2019 and launch in 2Q20

- **R&D capability proven with recent accomplishments**

- Revenue for 1H19, KRW 118.6billion

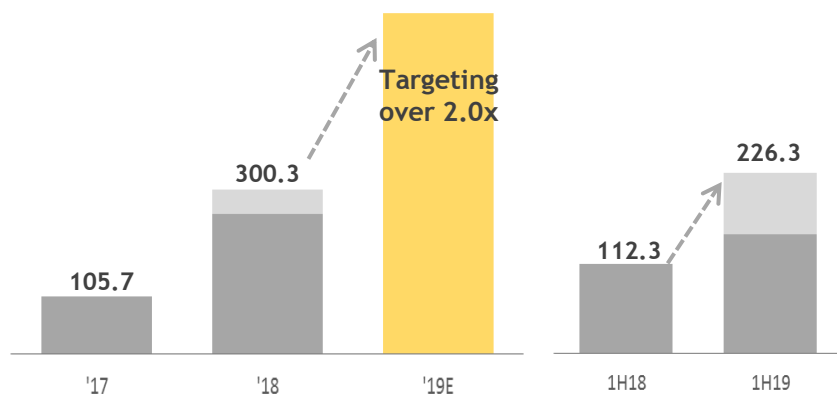
- ▲ Upfront fee from L/O of Cenobamate in Europe,
- ▲ Milestones from commercialization of Solriamfetol in the US

2Q19 Business Results : CMO

- Revenue growth path is on track, while seeking synergy created by consolidating CMO entities

Revenue in CMO biz.

[unit: Bn, KRW]



SK Biotek (Korea/Ireland)

	2Q19	2Q18	YoY	1Q19	QoQ
Revenue	75.5	58.0	+17.5	74.1	+1.4
Operating Profit	6.1	5.2	+0.9	△3.1	+9.2
Pretax Income	5.5	5.2	+0.3	△3.7	+9.2

Highlights

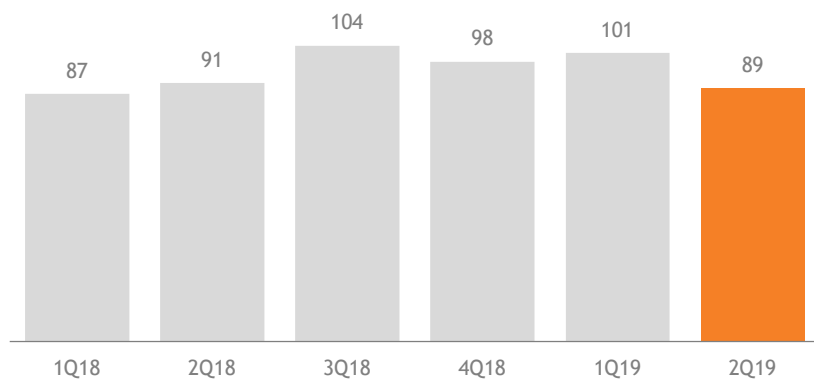
- Revenue growth continued and profit improved in 2Q
 - Targeting over 2 times growth in revenue in 2019 by adding new contracts
- Operation synergy based on consolidation of CMO entities
 - Consolidated management of core functions such as marketing, R&D, etc.

2Q19 Business Results : SK Siltron

SK Siltron recorded another strong quarter based on the stable demand from LTAs

SK Siltron Operating Profit

(Unit : Bn, KRW)



	2Q19	2Q18	YoY	1Q19	QoQ
Revenue	390	325	+65	382	+8
Operating Profit	89	91	△2	101	△12
Pretax Income	84	87	△3	97	△13

Highlights

- Memory cycle recovery delayed, but sales amount maintained QoQ based on stable demand from memory customers**
 - Sales volume and ASP of major products sustained compared to previous quarter
 - OPM negatively impacted due to increased dep. cost
- 2nd half earnings expected to show YoY growth as memory cycle bottoms out**
 - Growth in Sales and EBITDA expected, and favorable FX condition will have an additional positive impact

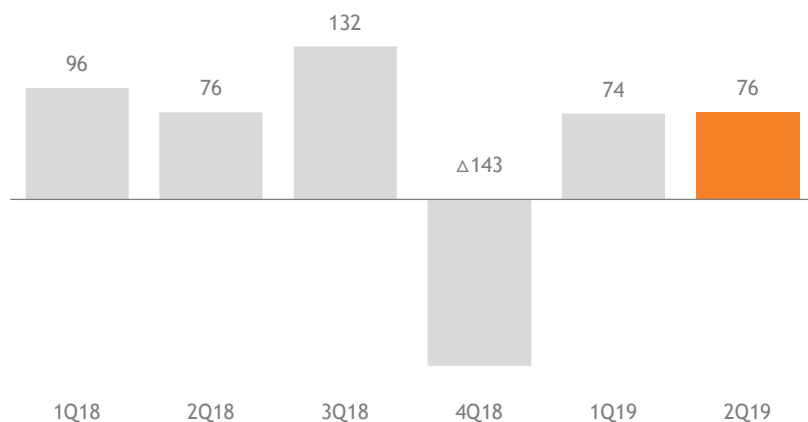
2Q19 Business Results : SK E&C



Revenue showed QoQ growth, but profit level sustained due to one-off cost recognition

SK E&C Pretax Income

(Unit : Bn, KRW)



	2Q19	2Q18	YoY	1Q19	QoQ
Revenue	2,139	1,926	+213	1,847	+292
Operating Profit	92	111	Δ19	92	+1
Pretax Income	76	76	-	74	+2

Highlights

- YoY basis, earnings decreased upon completion of Hynix M15 Fab construction in 4Q18
- QoQ basis, residential segment recorded strong quarter, but plant segment suffered from one-off cost recognition
 - Domestic re-development projects contributed to strong results from residential segment
 - Plant construction profit decreased due to one-off cost recognition in one of overseas projects.

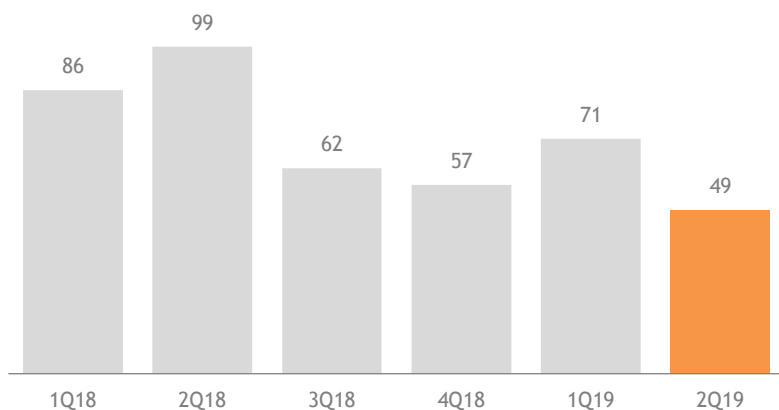
※ The figures are based on K-IFRS (which is adopted by SK's consolidated financial statements), thus different from figures in SK E&C's K-GAAP based quarterly filings

2Q19 Business Results : IT Service (C&C)

- IT Service delivered stable earnings results, but Essencore suffered from delayed memory cycle recovery

IT Service Operating Profit (incl. Essencore)

(Unit : Bn, KRW)



	2Q19	2Q18	YoY	1Q19	QoQ
Revenue	406	375	+31	389	+17
Operating Profit	30	56	△26	41	△12
Pretax Income	27	50	△23	40	△14
Essencore Operating Profit	20	43	△23	30	△10

Highlights

- IT Service maintained stable profitability
 - Strong revenue, but OP came down due to rent and HR cost increase
- Essencore earnings slowed due to on-going memory market downturn
 - Distribution of low margin products increased, but demand recovery for higher margin products are yet to come

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