



# SK chemicals Earnings Release

'21. 2Q

## Disclaimer

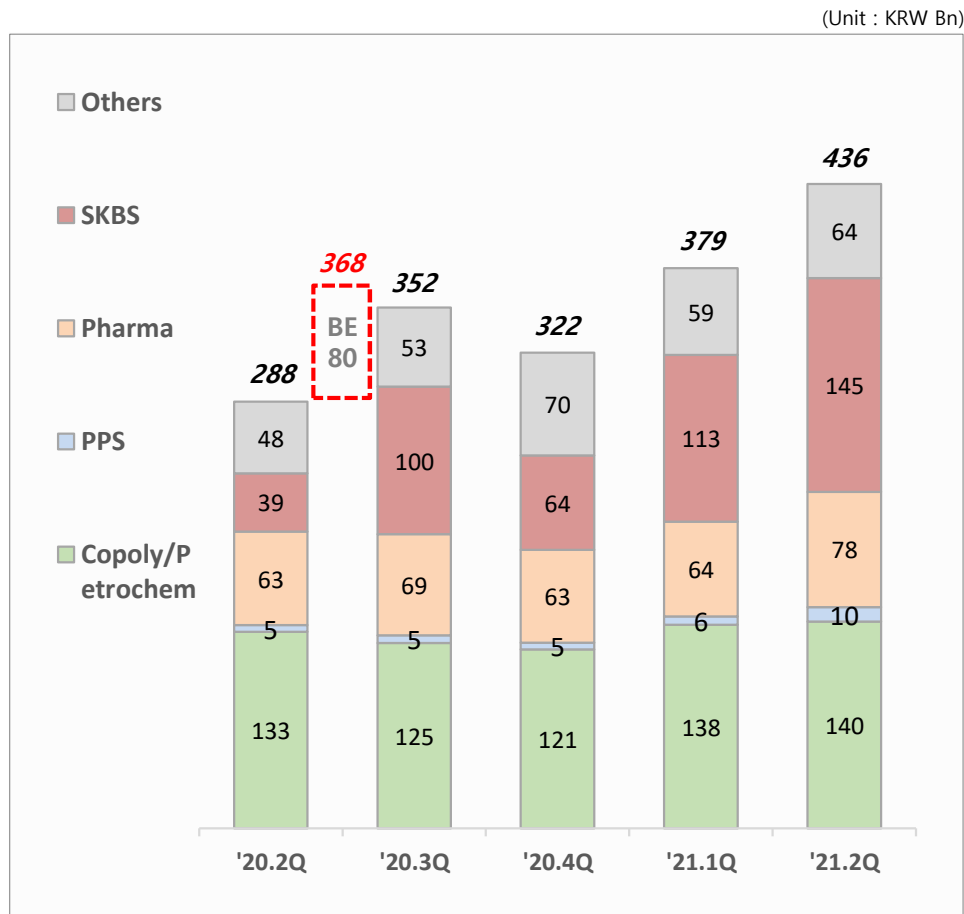
**The business results are subject to the K-IFRS(Korea International Financial Reporting Standards) and reported on a consolidated basis.**

**Forecasts and projections contained herein are based on current business environment and management's strategies. Please note it may differ from actual results, due to uncertainties including changes in the future business environment and recalibration of strategies.**

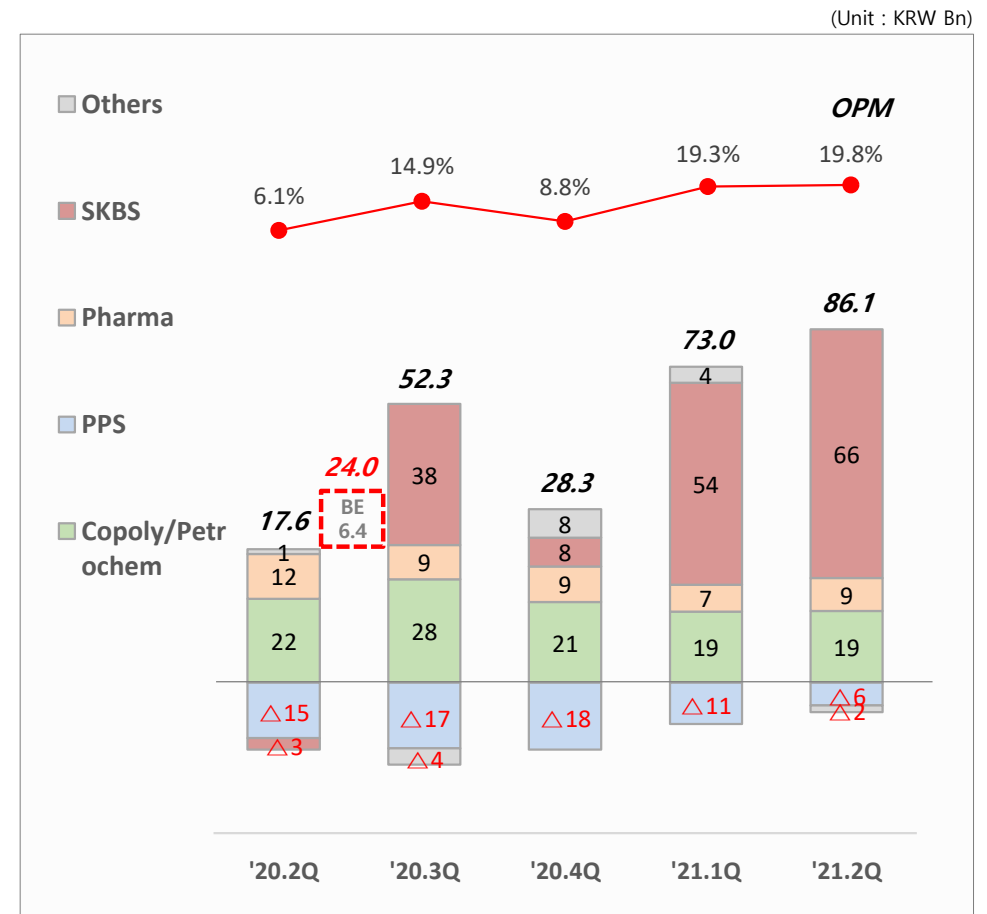
# I. Performance Review (Consolidated)

- Total sales increased by about +51 % YoY, and operating profit increased by about +388% YoY.
- Achieved record-high earnings on a quarterly basis owing to even growth in all business divisions and good performance of SK Bioscience.

## Sales

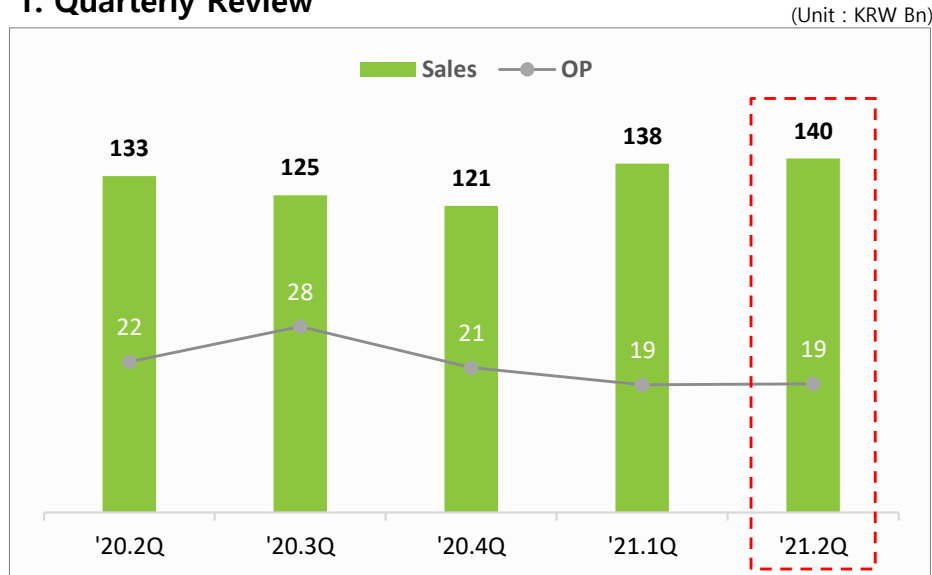


## Operating Profit

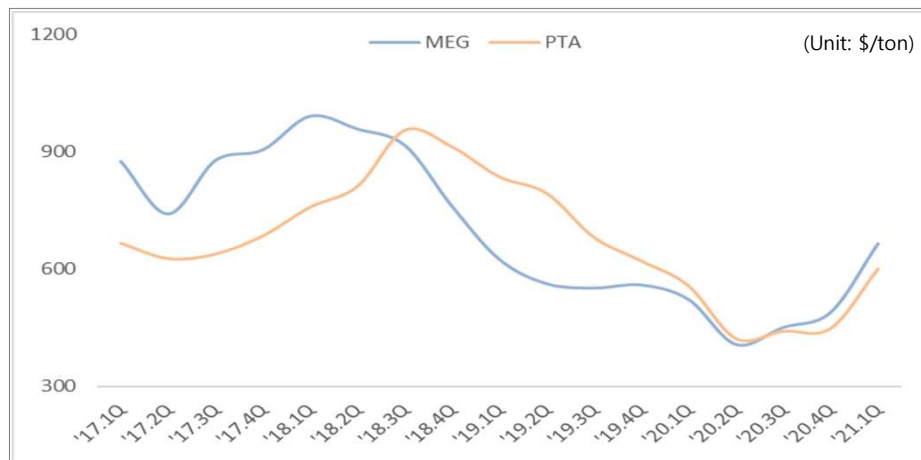


#### Performance

##### 1. Quarterly Review



##### 2. PTA/MEG Price Trend



#### Review / Guidance

##### • '21.2Q Performance Review

- Sales : + 5% YoY

- ① Despite decreased COVID-related demands, sales rose through continuous development of new applications and expansion of customer base.

- OP :  $\Delta$ 15% YoY

- ① Reduced profits from increase in prices of raw materials and freight charges.

##### • '21.3Q Outlook

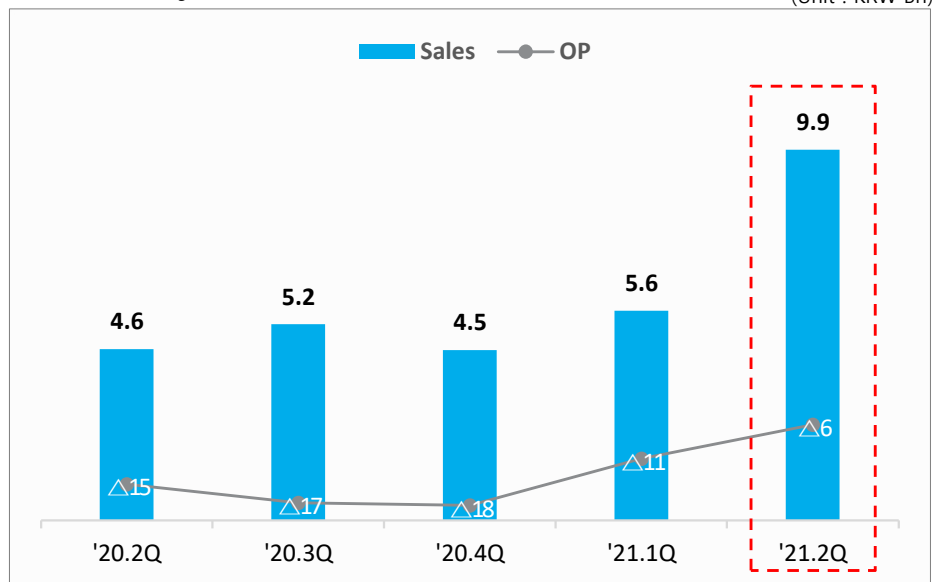
- Solid growth in demands
- Increase in sales through the full-scale operation of new manufacturing line
- Increase in prices of raw materials and freight charges. may affect the profitability

##### ※ Main applications

- Clear Sheet & Film, Food & Cosmetic Container, Electronic Devices, etc.

### Performance

#### 1. Quarterly Review



#### 2. PPS : physical properties & main applications

- Excellent in thermal and chemical resistance
- Good electrical insulating properties
- Applications: Electricity, Automotive, Film etc.

DC- Converter Motor



Inverter



Capacitor



### Review / Guidance

#### • '21.2Q Performance Review

- Sales : + 117% YoY

- ① Growth in sales with increased demands for high heat-resistant plastics

- OP : deficit YoY

- ① Reduced the range of deficit with increase in sales

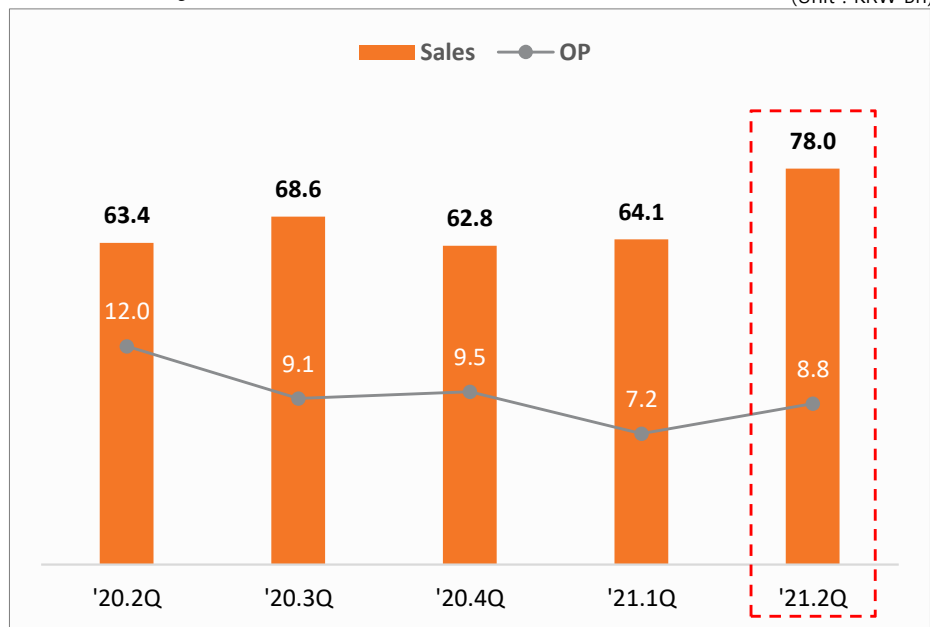
#### • '21.3Q Outlook

- Steady demands to be continued

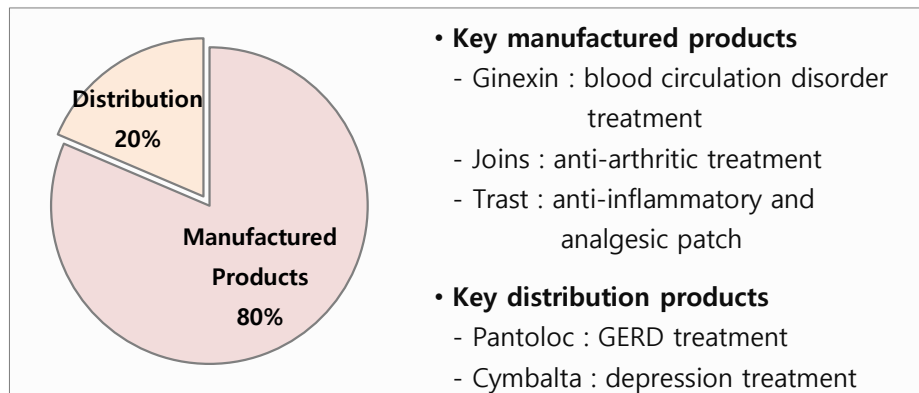
Sales and profitability to be improved year-on-year

### Performance

#### 1. Quarterly Review



#### 2. Sales Composition (2020)



### Review / Guidance

#### • '21.2Q Performance Review

- Sales : + 23% YoY

- ① Steady sales of existing product lines and increase in the number of M/A(Marketing Alliance) products

- OP :  $\Delta$  26% YoY

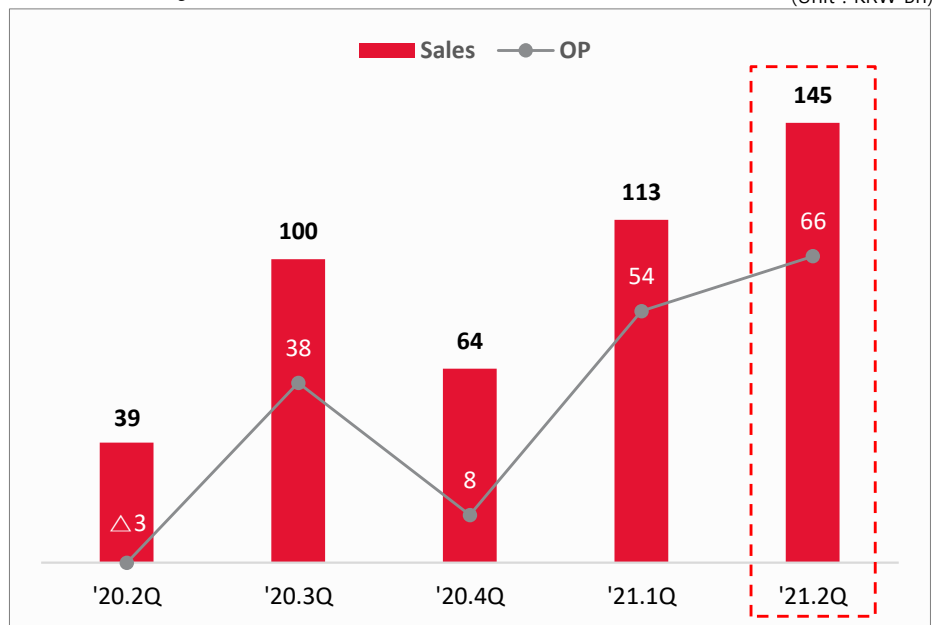
- ① Reduced profits from increase in marketing costs and SG&A

#### • '21.3Q Outlook

- Expect sales growth with strong demand for existing products and increase in the number of M/A products
- Reduced marketing costs and SG&A due to resurgence of COVID-19

### Performance

#### 1. Quarterly Review



#### 2. Major Business Status Updates

- Ongoing production of 40 million dose of vaccine under license-in contract with Novavax for domestic supply (started in April 2021)
- Korea's 1<sup>st</sup> clinical trial application for the 3<sup>rd</sup> phase of the COVID-19 vaccine (6/28, Ministry of Food and Drug Safety)
- Ongoing clinical trials for the 2<sup>nd</sup> phase of next-generation pneumococcal vaccine
- Signed MOU for the enlargement of Andong Plant (w/ Gyeongbuk-do, Andong-si)

### Review / Guidance

#### • '21.2Q Performance Review

- Sales : + 267% YoY
  - OP : Turnaround
    - ① Continuous growth following 1<sup>st</sup> quarter through increase in sales associated with COVID-19.
- A record-high performance on a quarterly basis

#### • '21.3Q Outlook

- Increase in sales associated with COVID-19, and Full-fledged numbers to be realized.

# **SK chemicals**

## **Company Introduction**

**'21. 1Q**

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# **I. Overview**

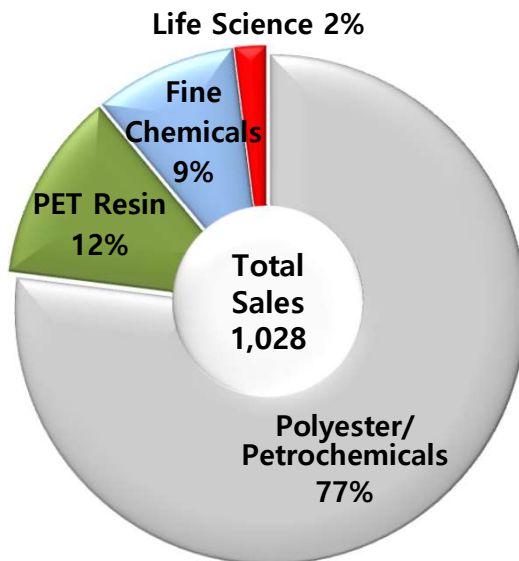


SK Chemicals has grown into a Life Science & Green Chemicals company over the past 10 years through continuous business restructuring and new business discovery.

~ 1999

Polyester & Petrochemicals

(Unit: Bn. KRW)



1999

Portfolio Transformation

Restructuring

- Polyester business spin-off
- Blood products/vaccine business spin-off
  - SK Plasma / SK Bioscience (IPO)
- Reagent business Spin-off

Disposals

- Sold off low-profitable PET business
- Sold off Biodiesel business

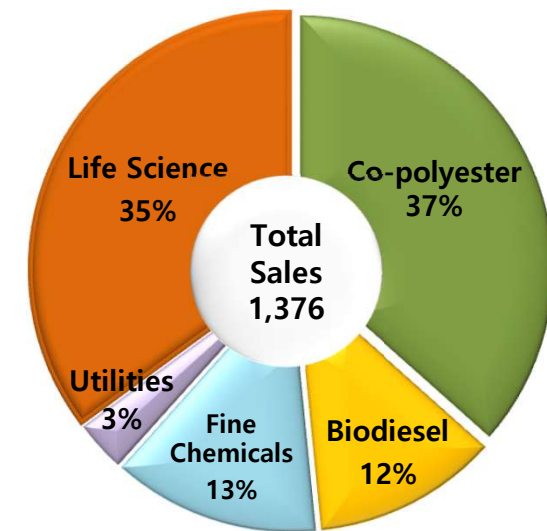
Investments

- Eco-friendly & High-performance
  - Co-polyester / PPS
- First mover to enter the PO3G market in Korea

2013 ~

Green Chemicals & Life Science

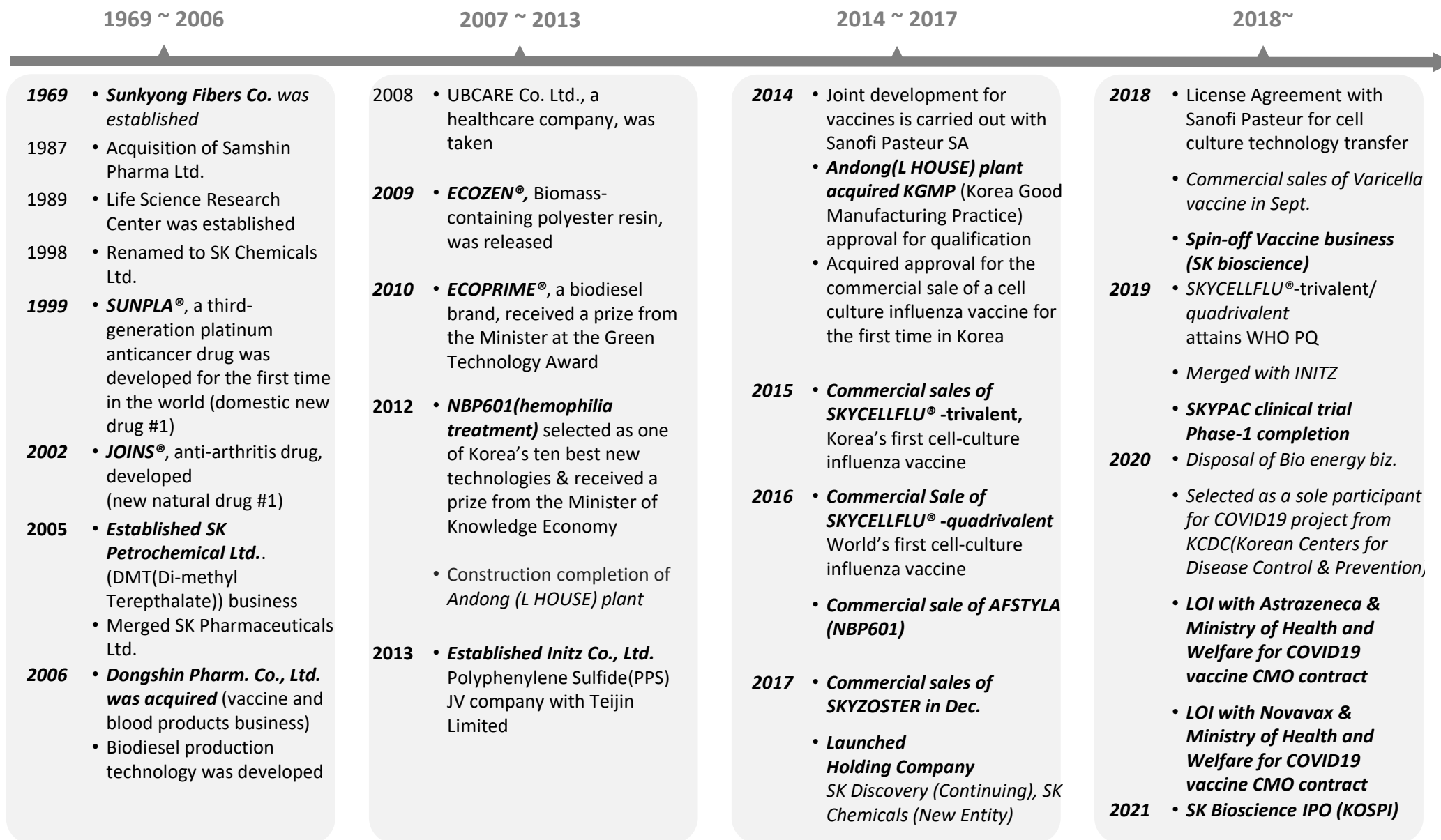
(Unit: Bn. KRW)



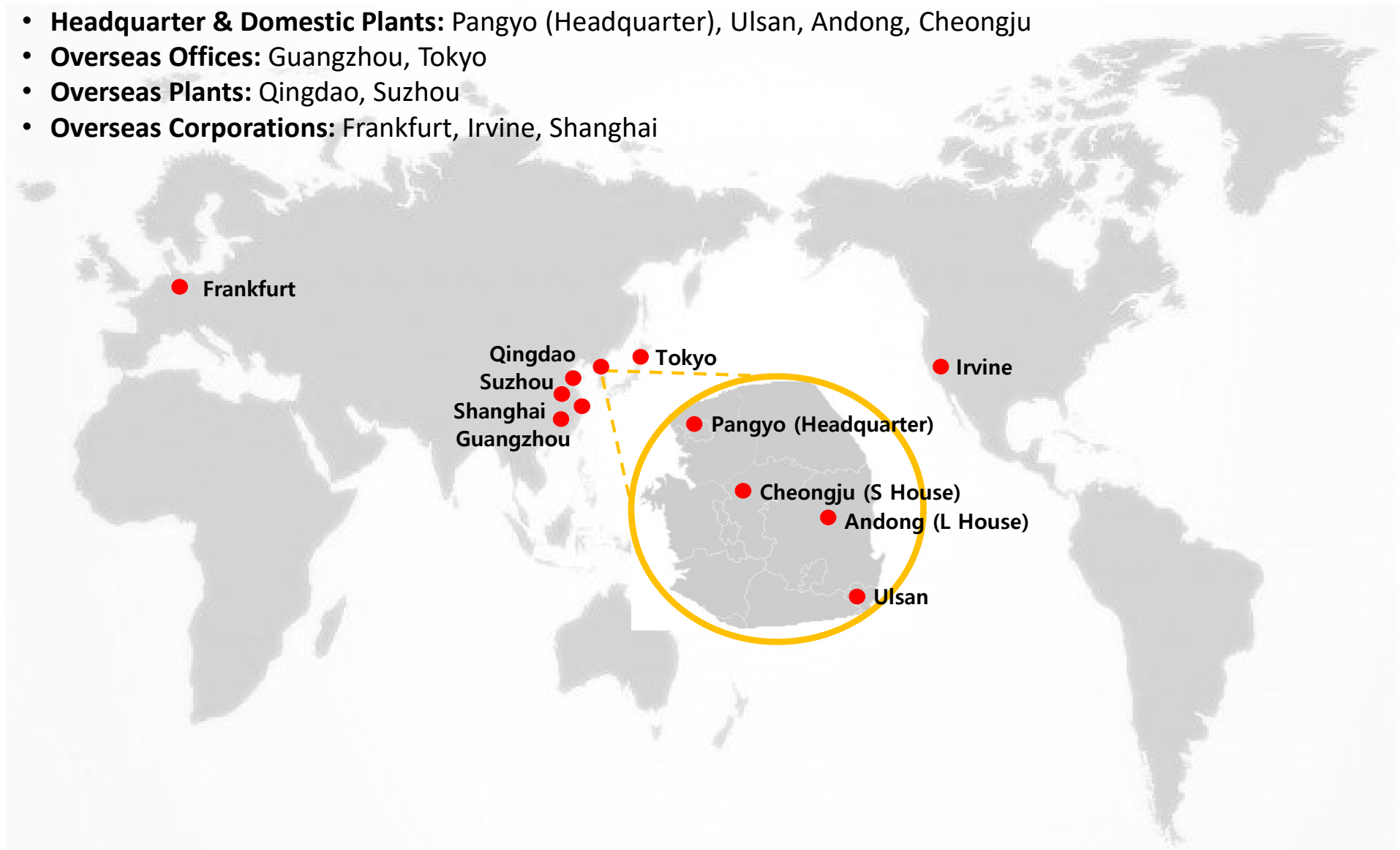
2020

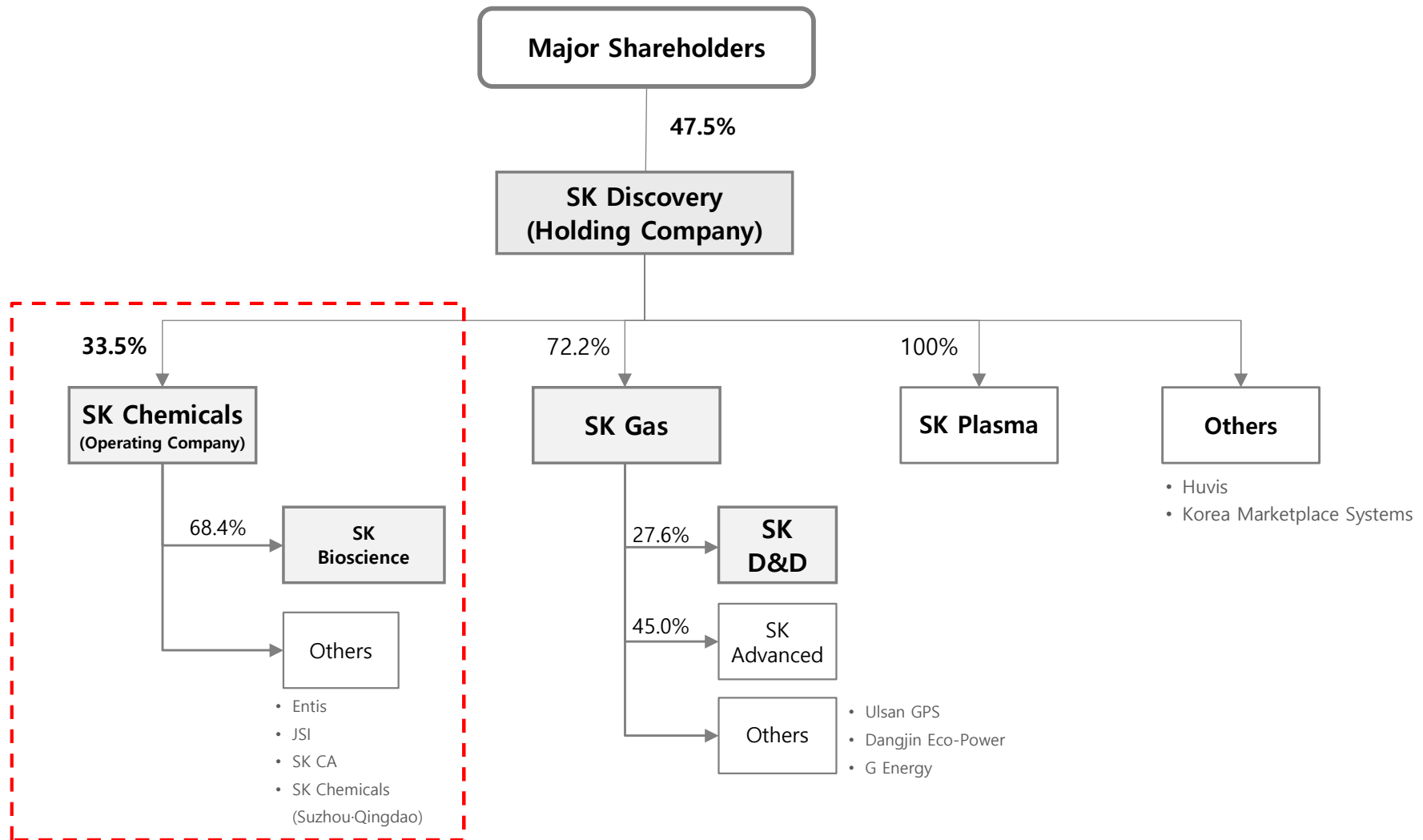
\* Consolidated

Since the establishment of Sunkyung Textiles in 1969, SK Chemicals has reorganized its business structure into two major areas : Green Chemicals & Life Science, leading to changes and innovations in the domestic chemical and bioscience sectors.



- **Headquarter & Domestic Plants:** Pangyo (Headquarter), Ulsan, Andong, Cheongju
- **Overseas Offices:** Guangzhou, Tokyo
- **Overseas Plants:** Qingdao, Suzhou
- **Overseas Corporations:** Frankfurt, Irvine, Shanghai





\* Based on common shares in 2Q

## **II. Business Division**



## II. Business Divisions – Green Chemicals(GC) Biz.

### Co-polyester

#### [Summary]

- High-functional resin that competes with PC, PVC, etc.
- Only two global co-polyester manufacturers

#### [Features]

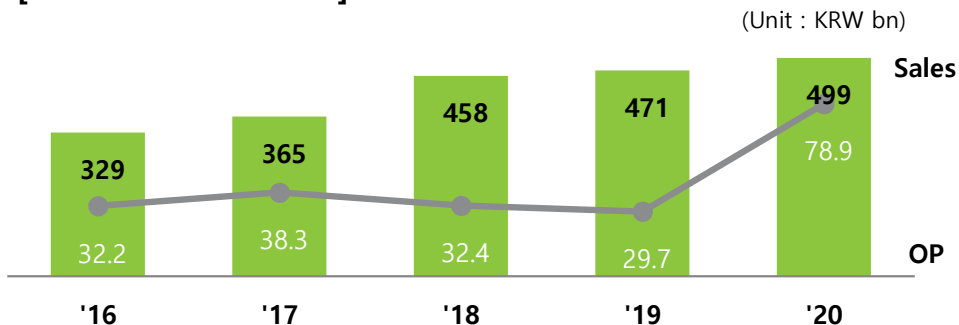
- Bio-based materials without BPA
- High printability, chemical resistance, and fire retardant
- High transparency and glossiness

#### [Applications]

- Food/Cosmetic Containers
- Special/Shrink Films
- Electronics & Home appliances, and others



#### [Performance Review]



### Bio-Recycle Solution

#### [Summary]

- Entering new businesses of eco-friendly & bio materials
- Investments focused on Green-Portfolio

#### [Recycle Solution]

- 'Ecotria CR' with Chemical Recycle Technology to be released within 2021
- Expansion of SPS line-up through application of Recycle Solution to 50% of Copolyester sales by 2025

#### [Biopolymer]

- Commercialization of PO3G for the first time in Korea
- Various applications such as spandex, 3D printing, TPU/PU, etc. with high elasticity and wear resistance
- 40% reduction effect of greenhouse gas generation compared to that of polyols



#### [Status]

- Facility reinforcement and commercialization preparations are afoot to launch 'Ecotria CR' by the 3<sup>rd</sup> quarter of 2021
- Completion of PO3G production facilities by 2021. Target to start commercial productions by the 1<sup>st</sup> quarter of 2022

## II. Business Divisions – Green Chemicals(GC) Biz.

### PPS

#### [Summary]

- ☐ Development and commercialization of the world's first chlorine-free PPS production method
- ☐ Minimize outgas and impurities with the production method which does not generate by-products (NaCl)

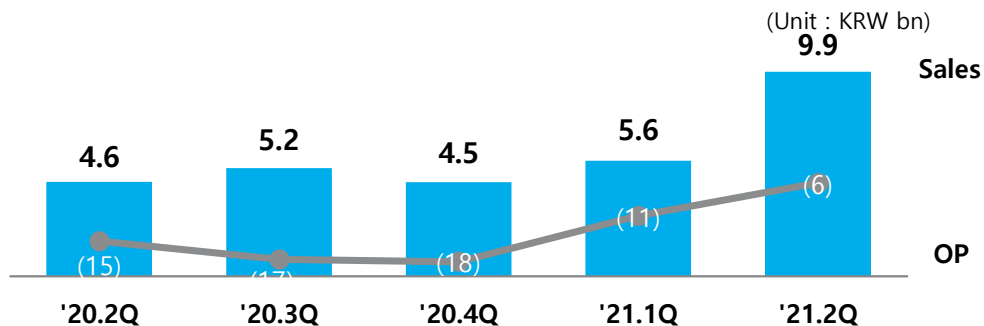
#### [Features]

- ☐ Super engineering plastics for replacing metals
- ☐ High heat/chemical resistance and fire retardant + excellent electrical insulating properties

#### [Applications]

- ☐ Electrical/electronic components for automobiles
- ☐ High growth in the lightweight vehicle market

#### [Performance Review]



### Other Businesses

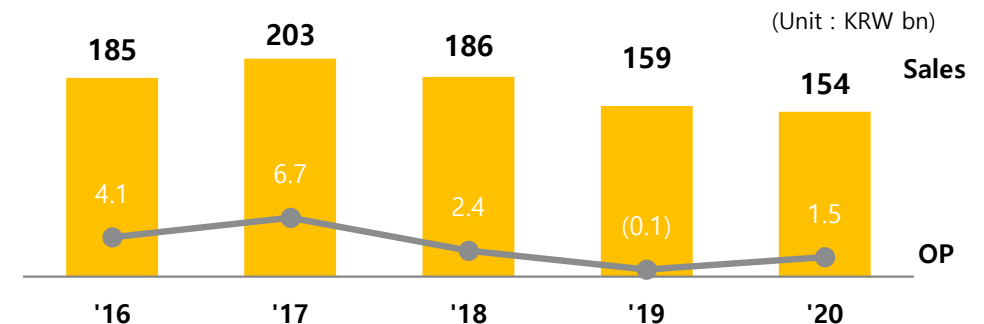
#### [Other Businesses]

- ☐ SKYBON : Thermal resin used as a binder and adhesive
- ☐ Prepreg : Sheet-type intermediate materials made by adding epoxy resin to carbon fibers
- ☐ EP : Engineering plastics for various purposes
- ☐ Utility : Supply steam, electricity, etc. to companies in Ulsan

#### [Overseas Production/Sales Corporation]

- ☐ SK Chemicals Suzhou : Manufactures SKYBON products
- ☐ SK Chemicals Qingdao : Manufactures Prepreg products
- ☐ SK Chemicals Shanghai : Co-polyester sales office
- ☐ SK Chemicals America : Co-polyester sales office

#### [Performance Review]



## II. Business Divisions – Life Science(LS) Biz.

### Pharmaceuticals

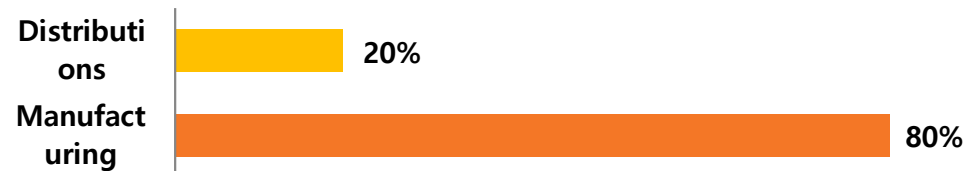
#### [Summary]

- Manufactures & distributes chemicals drugs
- Focus areas : cardio-vascular system, musculoskeletal system, urinary system, nervous system

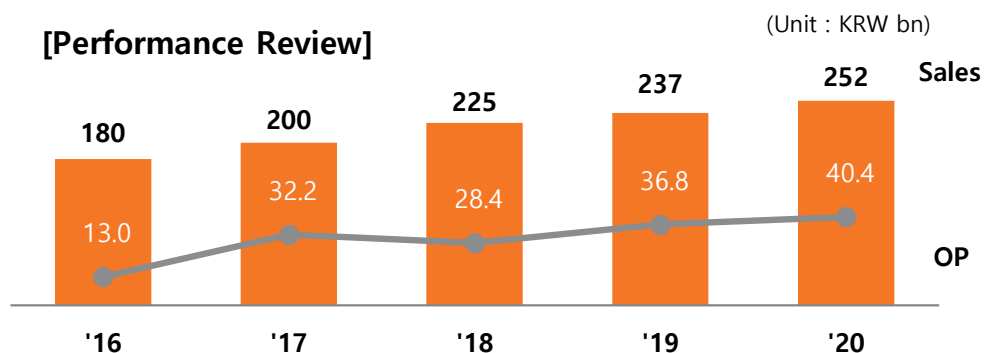
#### [Key Products]

- Ginexin : No.1 drug in domestic market for improving blood circulations
- Joins : Korea's 1<sup>st</sup> herbal medicinal products for arthritis
- Trast : Word's 1<sup>st</sup> patch formulation for arthritis

#### [Manufacturing & Distributions] (2020)



#### [Performance Review]



### SK Bioscience

#### [Summary]

- In-house R&D from 2006, leading premium vaccine market
- Enhancing corporate value to advance to the global leader  
- Spin-off vaccine business in July 2018 ► SK Bioscience

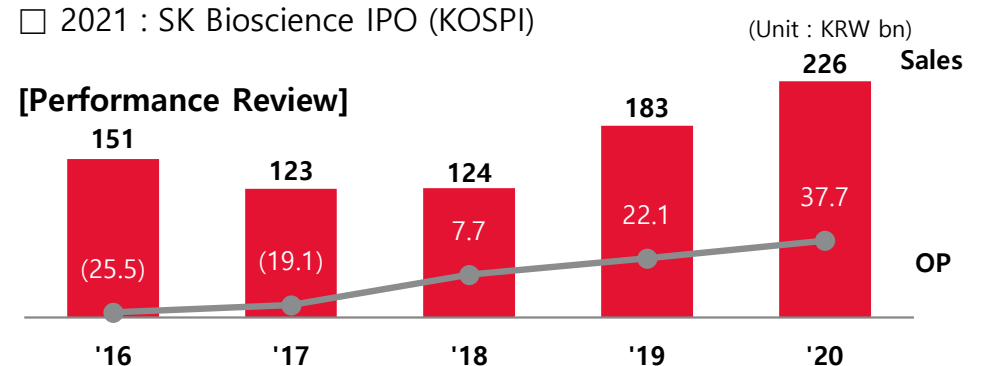
#### [Key Products]

- SKY CELLFLU(tri, quadri), SKY ZOSTER, SKY VARICELLA

#### [Key Achievements]

- 2014 : Joint development of a next-gen pneumococcal vaccine(SKYPAC) with Sanofi Pasteur
- 2015 : Korea 1<sup>st</sup> cell-cultured trivalent influenza vaccine
- 2016 : World 1<sup>st</sup> cell-cultured quadrivalent influenza vaccine
- 2020 : Initiated development of COVID-19 vaccine, CMO/CDMO contracts
- 2021 : SK Bioscience IPO (KOSPI)

#### [Performance Review]



### III. Summary

### 1) Past Years

2000 ~

#### Restructuring & Investments

- '00 : Established HUVIS (Polyester Fiber)
- '02 : Released Korea's 1<sup>st</sup> herbal medicinal drug 'Joins'
- '05 : M&A SK Pharm / Spin-off SK Petrochemicals
- '06 : M&A Dongshin Pharm
- '08 : Initiated development of Pneumococcal vaccine (SKYPAC)

2009~

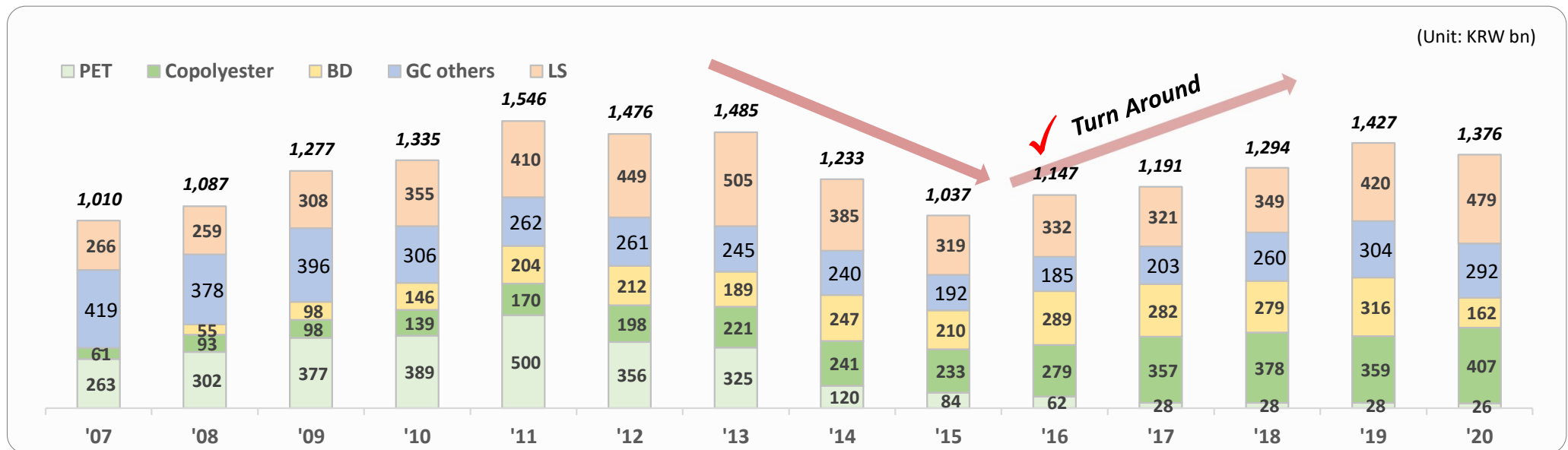
#### Accelerating Investments

- '09 : Developed Copolyester 'ECOZEN' NBP601 L/O (to CLS)
- '11 : Released the world's 1<sup>st</sup> film-typed erectile dysfunction drug 'MVIXX-S'
- '12 : Co-polyester extension Completion of L-House (vaccine factory)
- '13 : Established Initiz (joint venture w/ Teijin)
- '14 : L-House KGMP acquisition Joint development of next-gen Pneumococcal vaccine (w/ Sanofi)

2015~

#### Realization of Investments

- '15 : Released Korea's 1<sup>st</sup> cell-cultured influenza vaccine Spin-off blood products biz. (SK Plasma)
- '16 : Released world's 1<sup>st</sup> cell-cultured quadrivalent influenza vaccine
- '17 : Released Shingles vaccine (SKYZOSTER)
- '18 : Spin-off vaccine biz. (SK Bioscience) M&A SK Petrochemicals
- '20 : Initiated investments in PO3G biz. COVID-19 vaccine, CMO/CDMO contracts
- '21 : SK Bioscience IPO (KOSPI) COVID-19 vaccine technology transfer Domestic supply contracts



## IV. Dividend Policy

SK chemicals has been gradually expanding dividends since its split-up in 2017 and will endeavor to return profits from corporate growth to shareholders based on its improved profitability in a long term.

### Dividend history for past 3 years

(Unit: KRW bn)

		'18	'19	'20
Operating Profit		55.7	91.6	48.4
Net Profit		16.6	27.1	215.7
EPS (unit: KRW)	common stock	400	450	2,000
	preferred stock	450	500	2,050
No. of stocks for dividends (unit : 1,000 stocks)	common stock	11,568	11,730	11,729
	preferred stock	1,457	1,457	1,314
Total amount of cash dividends		5.3	6.01	26.2
Dividend propensity		31.83%	22.18%	12.13%
Dividend yield		0.56%	0.73%	0.53%

### Dividend policy for shareholders

- ❖ SK chemical has been expanding dividends following the increase of net profit in the last three years and aims to pay dividends above the market average rate of return in the long term.
- ❖ The basic policy of shareholder returns of SK chemicals is to expand dividends in line with the increase in corporate profits and share the progress of growth with shareholders.

## V. Appendix

## 1) Financial Statements (Consolidated)

### Balance Sheet

[Unit : KRW 100 Mil.]

	'20Y	'21Y
<b>Current assets</b>	<b>9,233</b>	<b>24,613</b>
Cash and cash equivalents	868	1,874
Short-term financial instruments	3,399	15,149
Trade and other receivables	2,332	3,853
Inventories	2,529	3,007
Other current assets	105	729
<b>Non-current assets</b>	<b>11,967</b>	<b>12,301</b>
Property, plant and equipment	10,700	10,782
Intangible assets	370	454
Investments in associates and joint ventures	91	79
Other non-current assets	806	986
<b>Total assets</b>	<b>21,200</b>	<b>36,914</b>
<b>Current liabilities</b>	<b>6,457</b>	<b>8,487</b>
Trade and other payables	2,320	3,286
Short-term borrowings	1,076	31
Current long term liabilities	969	909
Other current liabilities	2,091	4,260
<b>Non-current liabilities</b>	<b>5,154</b>	<b>4,179</b>
Bond	4,605	3,921
Long-term borrowings	311	-
Other non-current liabilities	237	258
<b>Total liabilities</b>	<b>11,610</b>	<b>12,666</b>
<b>Equity attributable to the parent company</b>	<b>9,529</b>	<b>19,936</b>
Capital stock	660	661
Capital surplus	2,643	12,263
Other components of equity	△181	△182
Accumulated other comprehensive Income(loss)	△26	3
Earned surplus	6,433	7,191
<b>Non-controlling interest</b>	<b>61</b>	<b>4,313</b>
<b>Total equity</b>	<b>9,589</b>	<b>24,249</b>
<b>Total liabilities and equity</b>	<b>21,200</b>	<b>36,914</b>

### Income Statement

[Unit : KRW 100 Mil.]

	'21.1Q	'21.2Q	'21Y
<b>Sales</b>	<b>3,788</b>	<b>4,357</b>	<b>8,145</b>
Cost of sales	2,336	2,771	5,107
Gross profit	1,452	1,586	3,038
Selling, general and administrative expenses	722	725	1,447
<b>Operating profit</b>	<b>730</b>	<b>861</b>	<b>1,591</b>
Other non-operating income	5	57	62
Other non-operating expense	49	25	74
Financial income	190	56	246
Financial expense	175	62	237
Share of profits	7	6	13
<b>Earnings before interest and taxes</b>	<b>708</b>	<b>893</b>	<b>1,601</b>
Income tax expense	203	200	403
<b>Consolidated quarterly net income</b>	<b>505</b>	<b>693</b>	<b>1,198</b>
Equity attributable to the parent company	497	523	1,020
Non-controlling interest	8	170	179

## V. Appendix

## 2) Financial Statements

### Balance Sheet

[Unit : KRW 100 Mil.]

	'20Y	'21Y
<b>Current assets</b>	<b>5,424</b>	<b>8,841</b>
Cash and cash equivalents	367	1,071
Short-term financial instruments	1,452	2,852
Trade and other receivables	2,016	2,764
Inventories	1,520	1,647
Other current assets	69	506
<b>Non-current assets</b>	<b>12,022</b>	<b>11,643</b>
Property, plant and equipment	8,784	8,754
Intangible assets	188	262
Investments in associates and joint ventures	2,533	2,053
Other non-current assets	517	574
<b>Total assets</b>	<b>17,446</b>	<b>20,483</b>
<b>Current liabilities</b>	<b>4,614</b>	<b>4,865</b>
Trade and other payables	1,908	2,538
Short-term borrowings	1,066	29
Current long term liabilities	860	799
Other current liabilities	780	1,498
<b>Non-current liabilities</b>	<b>3,981</b>	<b>3,278</b>
Bond	3,800	3,103
Long-term borrowings	94	-
Other non-current liabilities	87	175
<b>Total liabilities</b>	<b>8,595</b>	<b>8,143</b>
Capital stock	660	661
Capital surplus	1,883	1,892
Other components of equity	△91	△92
Earned surplus	6,398	9,880
<b>Total equity</b>	<b>8,851</b>	<b>12,340</b>
<b>Total liabilities and equity</b>	<b>17,446</b>	<b>20,483</b>

### Income Statement

[Unit : KRW 100 Mil.]

	'21.1Q	'21.2Q	'21Y
<b>Sales</b>	<b>2,513</b>	<b>2,729</b>	<b>5,242</b>
Cost of sales	1,922	2,094	4,016
Gross profit	591	635	1,226
Selling, general and administrative expenses	445	470	915
<b>Operating profit</b>	<b>146</b>	<b>164</b>	<b>310</b>
Other non-operating income	4,690	17	4,706
Other non-operating expense	41	24	65
Financial income	199	37	236
Financial expense	121	44	165
<b>Earnings before interest and taxes</b>	<b>4,872</b>	<b>150</b>	<b>5,022</b>
Income tax expense	1,223	56	1,280
<b>Quarterly net income</b>	<b>3,649</b>	<b>94</b>	<b>3,743</b>

***End of Documents***

