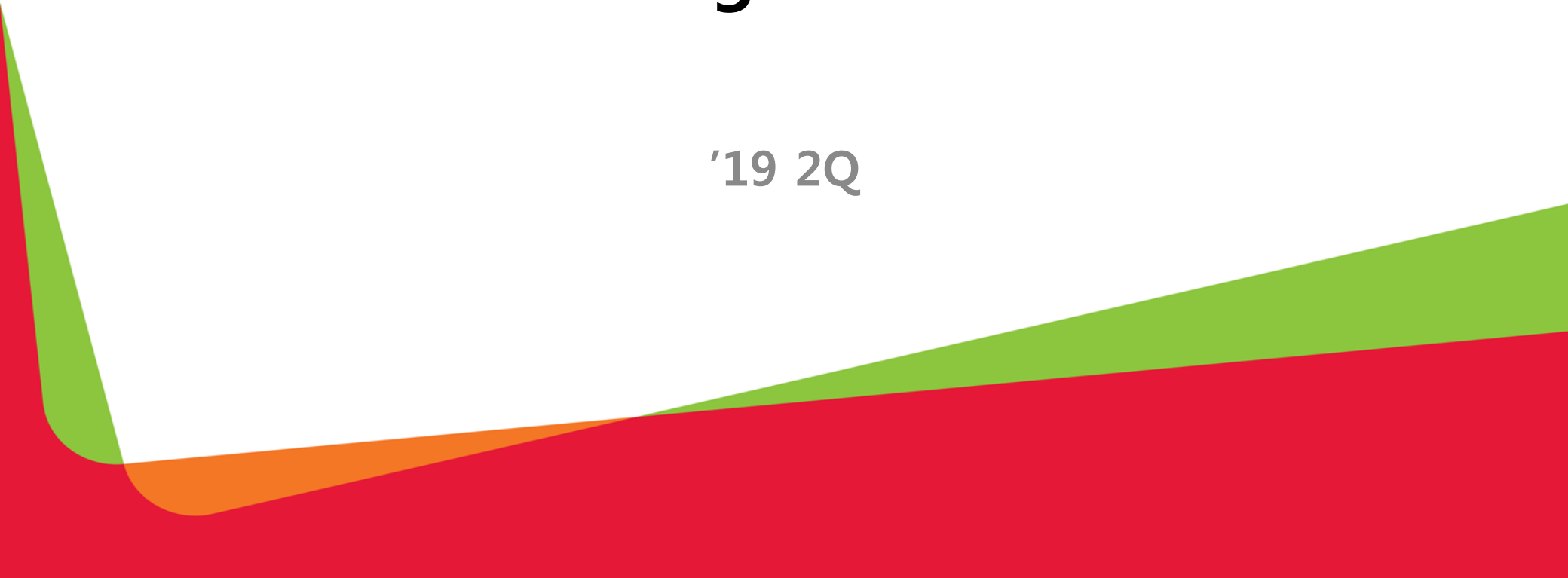


SK Chemicals Earnings Release


'19 2Q



Disclaimer:

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

The forecasts contained herein are based on the Company's current business environment and strategy; and the actual results may differ from those in the forecasts as a result of certain uncertainties, such as changes in the Company's business environment and strategy in the future.

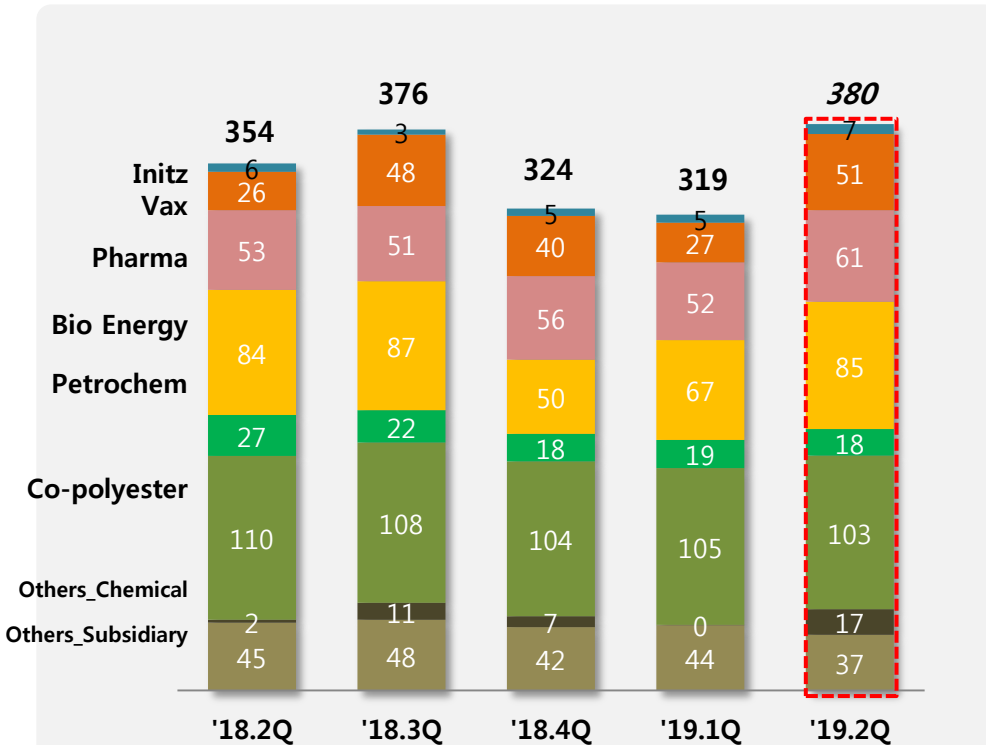


I. Performance Review (Consolidated)

- Sales totaled 380 bil KRW(7.5% YoY), and operating profit recorded 30.4 bil KRW(190.0% YoY).
- Despite of slow performance from Copolyester biz., outstanding performance from Bio Energy biz and SK Bioscience led to big increase in operating profit.

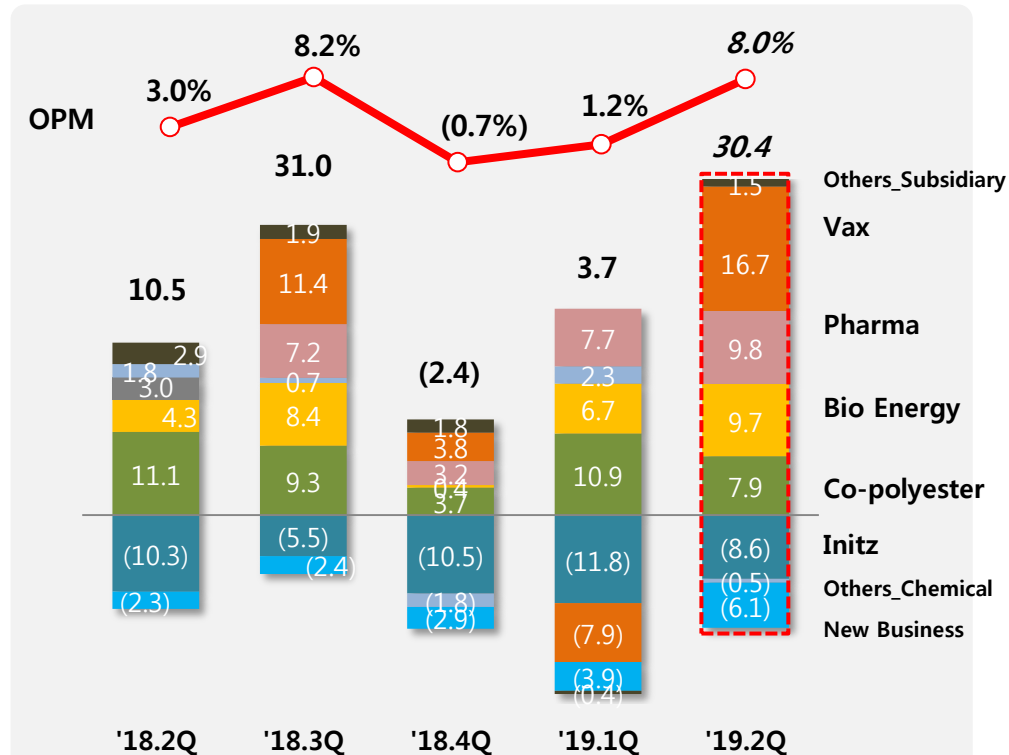
□ Sales

(Unit: KRW bn)



□ Operating Profit

(Unit: KRW bn)

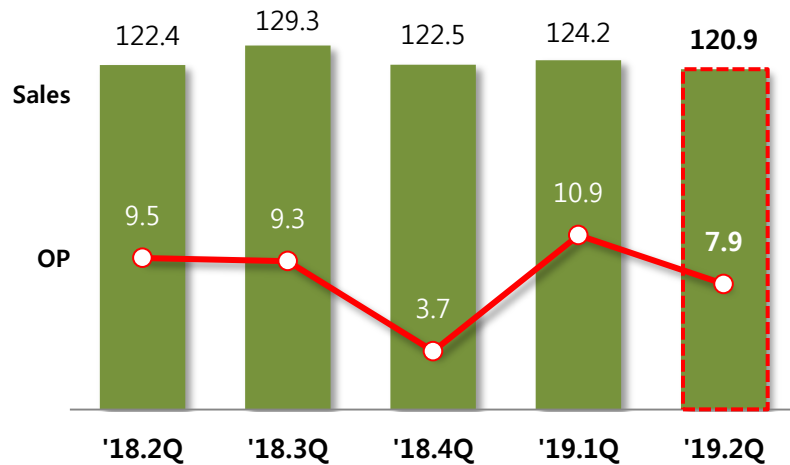


※ Due to the spin-off, 18.2Q LS Biz. OP shown contains Pharma and Vax. OP combined.

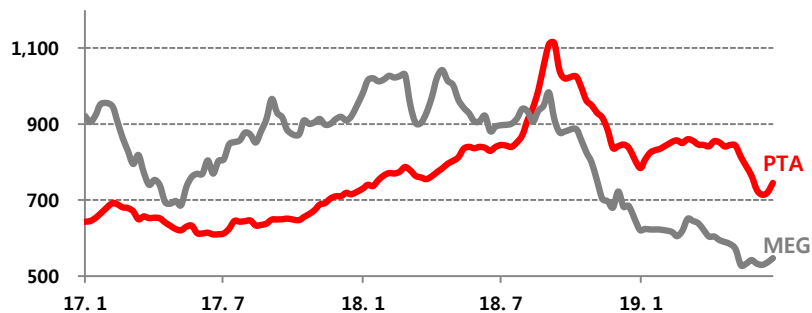
Performance

Quarterly Review

(Unit: KRW bn)



PTA/MEG price trend (US\$)



Review/Guidance

• '19.2Q Performance Review

- Sales:

- Slow global economy causing reduced demand which led to sales decrease YoY

- OP:

- Favorable exchange rate and raw material price trend were mostly offset by scheduled maintenance expense and volume decrease.
- OP recorded 17.1% decrease YoY

• '19.3Q Outlook

- Challenging global economic conditions to continue

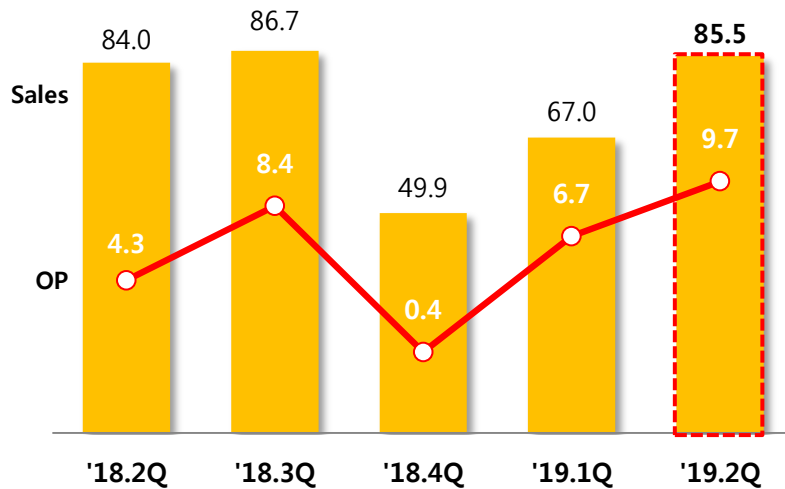
※ Application

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

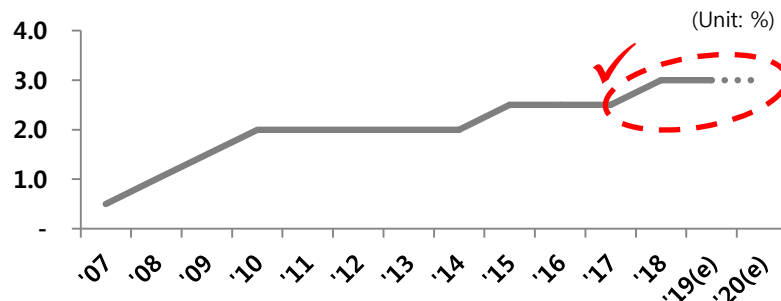
Performance

Quarterly Review

(Unit: KRW bn)



Mixing Ratio Trend



Review/Guidance

• '19.2Q Performance Review

- Sales:

- Sales rose 1.8% YoY, thanks to biodiesel export and Bio Heavy Oil demand increase

- OP:

- Favorable spread continues
- OP rose more than two folds from last year, thanks to overall volume increase, biodiesel export sale's high profit margin and the turnaround of Bio Heavy Oil business

• '19.3Q Outlook

- Favorable spread margin + export sale + improved Bio Heavy Oil sales expected to continue

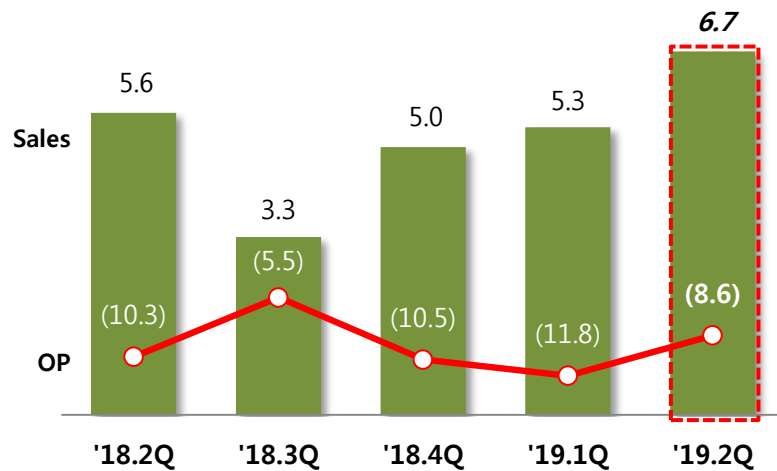
※ The mix ratio increase in 2018

- Before 2.5% → Current 3.0%

Performance

Quarterly Review

(Unit: KRW bn)



Review/Guidance

• '19.2Q Performance Review

- Sales:

- On-spec product sales increase led to increase YoY

- OP:

- Deficit decrease due to on-spec product sales increase

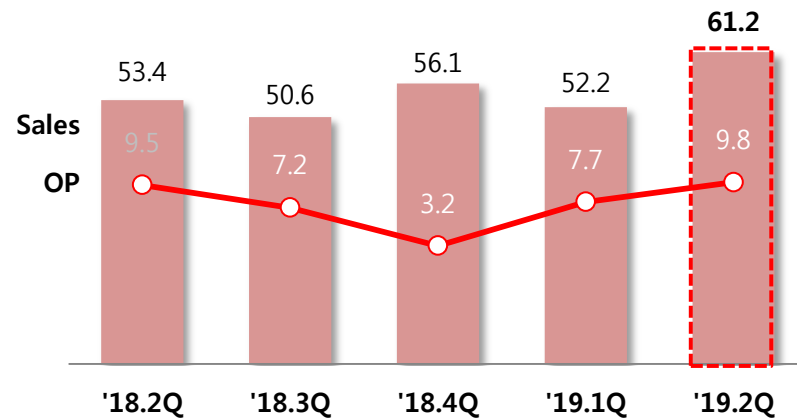
• '19.3Q Outlook

- Due to unfavorable macroeconomic situation, similar performance to past quarters expected

Performance

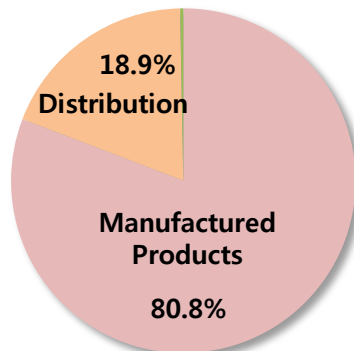
Quarterly Review

(Unit: KRW bn)



※ Due to spin-off, 18.2Q Pharma OP is an approximate ballpark figure provided for your convenience only.

Sales composition (as of 2018)



- **Key manufactured products**
 - Ginexin : blood circulation disorder treatment
 - Joins : anti-arthritic treatment
 - Trast : anti-inflammatory and analgesic patch
- **Key distributing products**
 - Pantoloc : GERD treatment
 - Cymbalta : depression treatment

Review/Guidance

• '19.2Q Performance Review

- Sales:

- Steady sales from existing line of products + new licensed product sale increase led to +14.7% increase YoY

- OP:

- Despite of COGS increase due to change in accounting policy, new licensed product sales led OP increase

• '19.3Q Outlook

- Steady performance expected

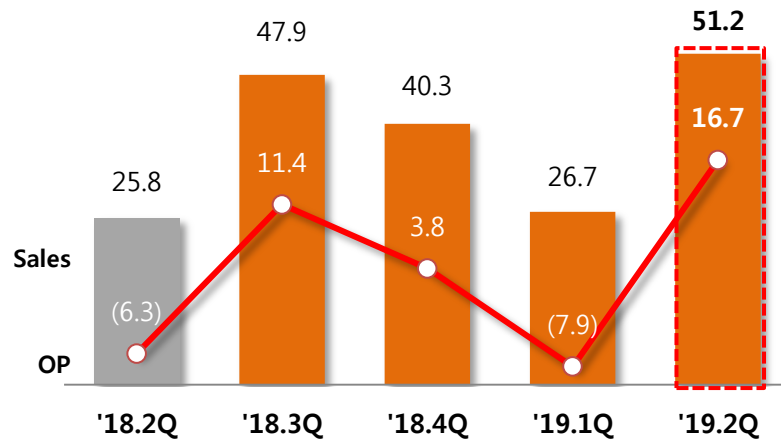
※ Spin-off vaccine business on July, 1st 2018

→ 'SK Bioscience Co.,Ltd.' (reported on consolidated basis from 3Q18 onwards)

Performance

Quarterly Review

(Unit: KRW bn)



※ Due to spin-off, '18.2Q Vaccine OP is an approximate ballpark figure provided for your convenience only.

Key product release

- 2015 : cell culture trivalent flu vaccine (Korea's 1st)
- 2016 : cell culture quadrivalent flu vaccine (World's 1st)
- 2017 : shingles vaccine (World's 2nd)
- 2018 : chickenpox vaccine

Review/Guidance

• '19.2Q Performance Review

- Sales:

- Milestone payment upon completion of transfer of cell culture technology to Sanofi Pasteur led to huge increase in sales YoY

- OP:

- Thanks to milestone payment from Sanofi Pasteur, OP recorded 16.7 bil. KRW, turning black QoQ/YoY

• '19.3Q Outlook

- Entering peak season for flu + zoster vaccine sales recovery expected

SK Chemicals Company Introduction

'19 2Q



Contents

I. Overview

II. Business Divisions

- Green Chemicals Biz.**
- Life Science Biz.**

III. Summary

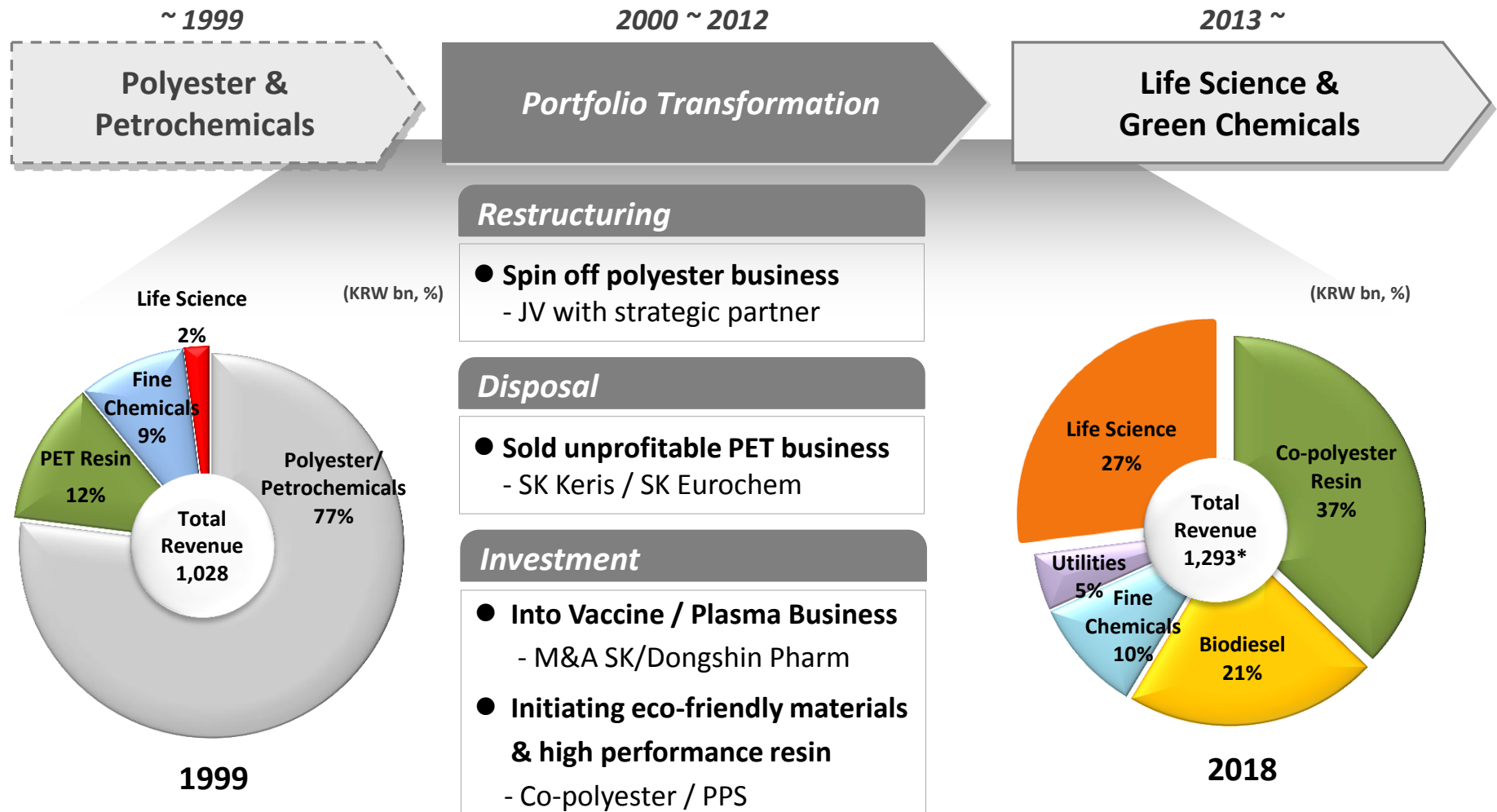
IV. Appendix

I. Overview

I. Overview

1) Portfolio Transformation

Through continuous change and innovation, SK Chemicals has grown into a Life Science and Green Chemicals company with higher and stable profitability.



*Non-consolidated financial results with SK Bioscience

I. Overview

2) Restructuring and Investment

Since 2000, SK Chemicals has restructured its business portfolio by selling/spinning off businesses with total sales of 1.7 trillion KRW, and developing new ones with higher growth potential.

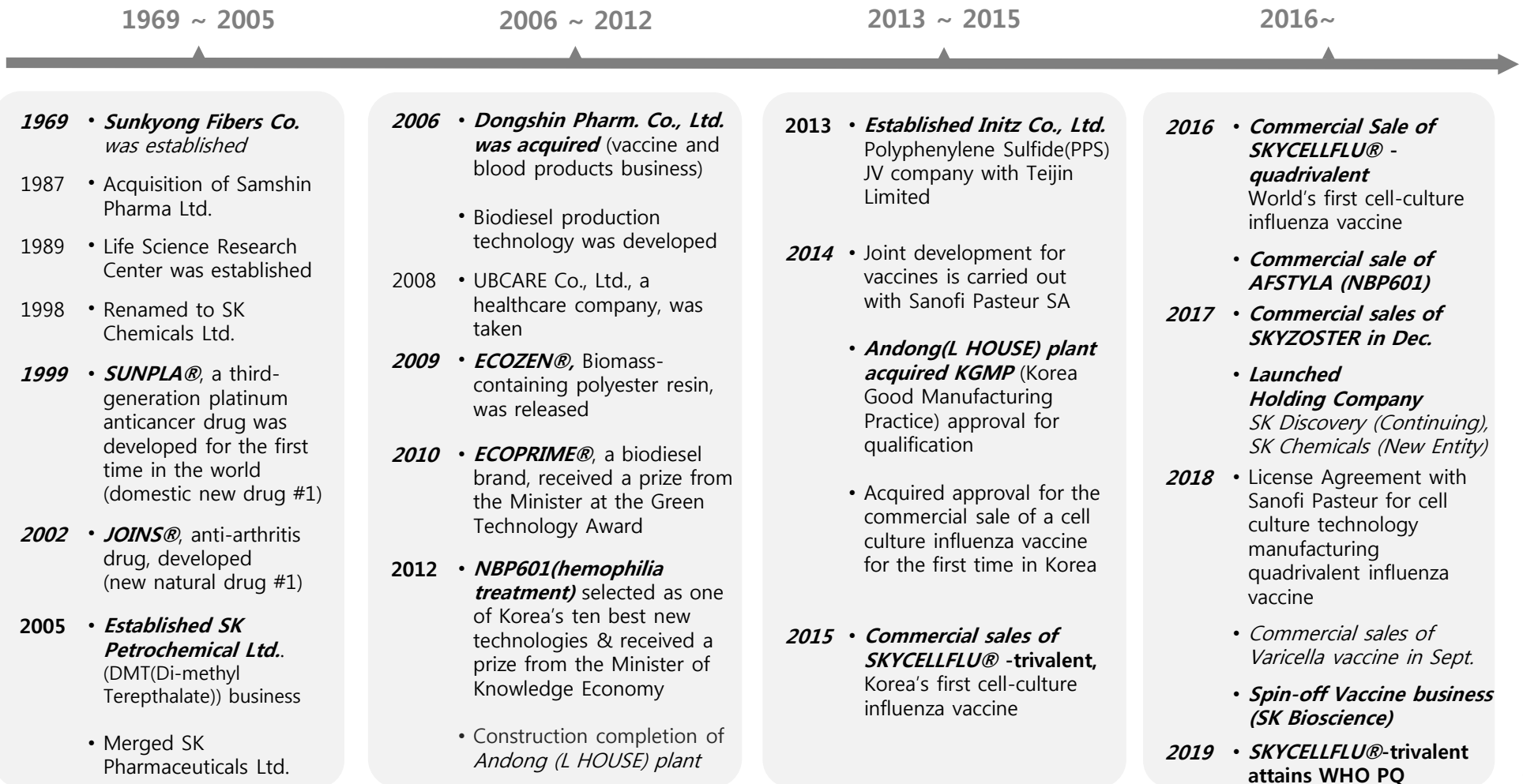
Restructuring <small>(Unit: KRW bn)</small>		
Biz.	Product	Sales
• Yarn/Cotton('00)	-	337
• Textile('03)	-	62
• Fiber('07)	IDY	16
• Petrochemicals('08)	PTA/DMT	528
• Acetate ('09)	Tow, PU	164
• Keris / Eurochem('10)	PET chip	601
• Utis('10)	Polyurethane	15
Total Sales		1,722

Investment <small>(Unit: KRW bn)</small>		
Biz.	Amount	Sales('18)
• Co-polyester	154 ¹⁾	378
- Expansion of Co-polyester		
• Initiate Bio diesel business	31	279
• Accelerate Pharma Business	400	349
- M&A SK / Dongshin Pharm.		
- In-house Vaccine development		
• Initiate PPS business	142 ²⁾	19
Total Amount	727	1,024

1) Total amount including latest expansion

2) SK Chemicals' share (Total investment ; KRW 230 bn)

Since the establishment of Sunkyung Textiles in 1969, SK Chemicals has grown through continuous change and innovation into a chemical and life sciences enterprise representing South Korea.

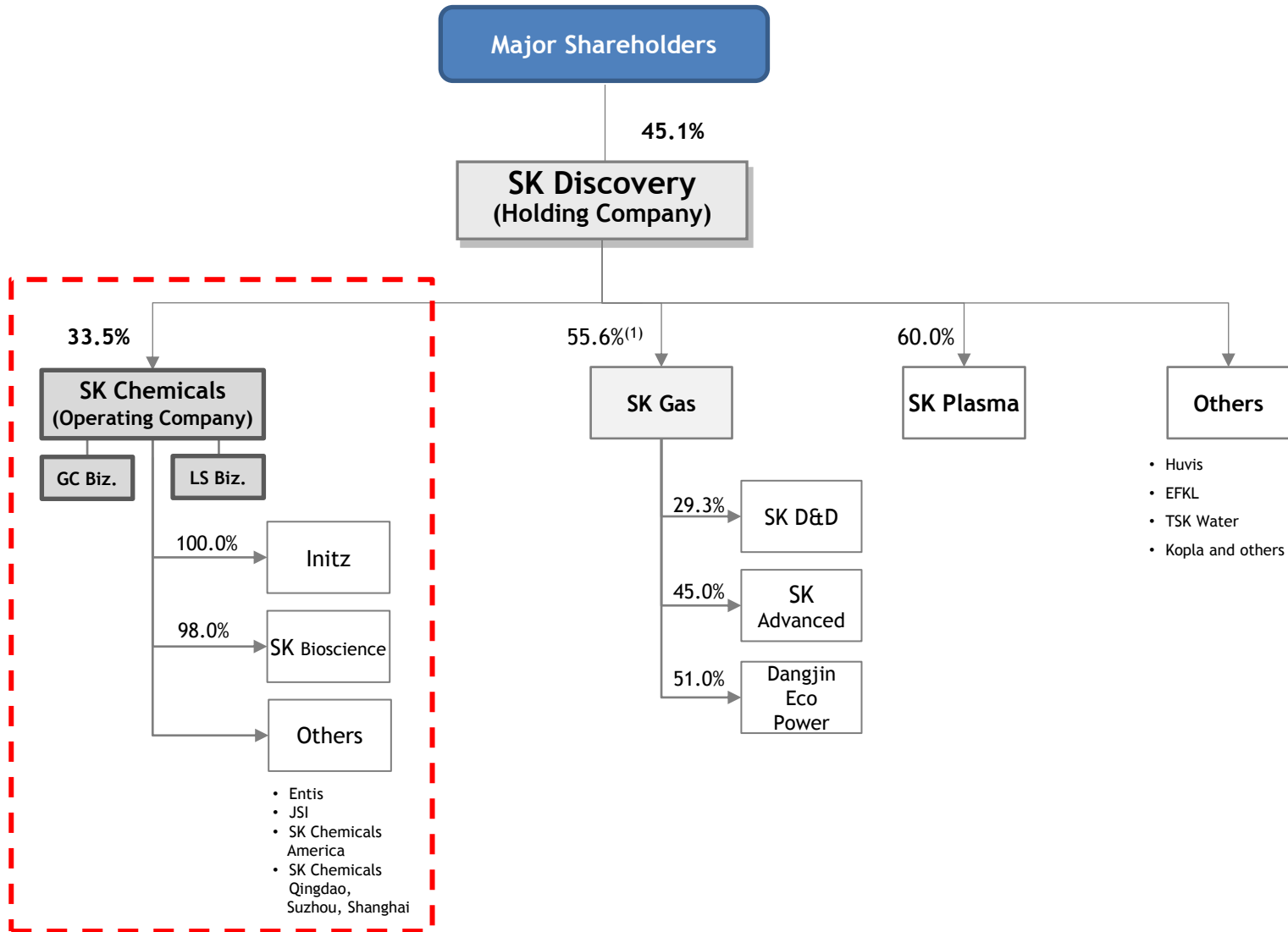


I. Overview

4) Global Network

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





Note: % of holdings for common stocks (As of August 6, 2019)

(1) Share of SK Gas is as of SK Syntec merger date(TBD)

II. Business Divisions

II. Business Divisions_Green Chemical(GC) Biz.

□ Co-polyester

- High-performance eco-friendly material that competes with PC, PVC (petroleum-based materials)
- Only two global co-polyester manufacturers

□ Features

- Eco-friendly material (BPA free)
- High chemical & heat resistance
- Transparent, a glass-like appearance

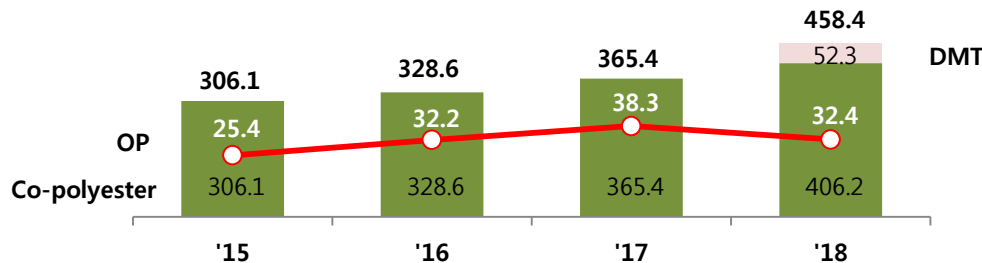
□ Applications

- Food / Cosmetic container, Special / Shrink film, Electronics & Home Appliance, Building & Construction and others



□ Performance Review

(Unit: KRW bn)



□ Bio Diesel

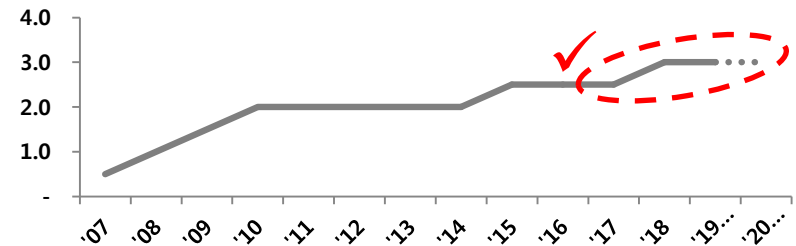
- Alternative energy manufactured by animal and vegetable oils(fats)
- Government policies(mixing ratio) to blend biodiesel with diesel fuel
- No.1 M/S in Domestic Market

□ Strength of our Bio Diesel

- **Cost competitiveness**
 - Derived from palm oil sources
 - Splitting plant
- **Stable supply**
 - SK Innovation, S-Oil (Domestic refiners)

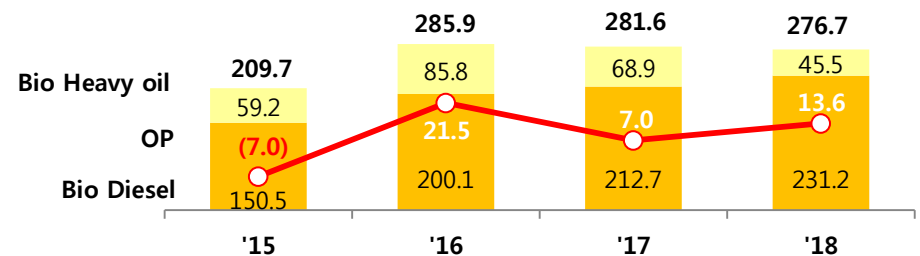
□ Mixing Ratio Trend

(Unit: %)



□ Performance Review

(Unit: KRW bn)



II. Business Divisions_Green Chemical(GC) Biz.

□ Initiz (Polyphenylene Sulfide, PPS)

- World's first chlorine-free eco-friendly PPS manufacturer
- Eco friendly continuous polymerization process without using polar solvent
- 100% owned subsidiary

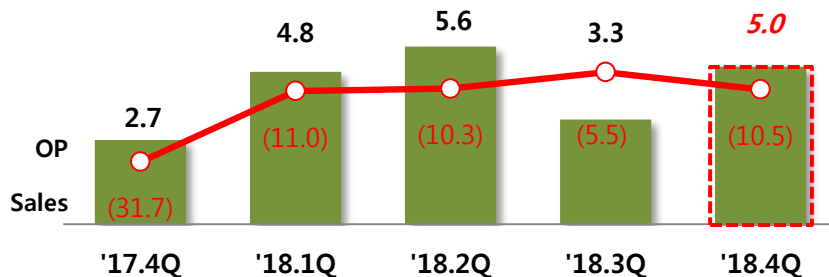
□ Key features and application

- Excellent in thermal and chemical resistance
- Good electrical insulating properties

Electricity	• CD/DVD Pick up, Bobbin, Connectors
Automotive	• Pump impeller, Generator parts, etc
	• <u>Weight lightening trend in automotive industry</u>
Film	• Bag filter, High-performance fiber

□ Performance Review

(Unit: KRW bn)



□ Other businesses

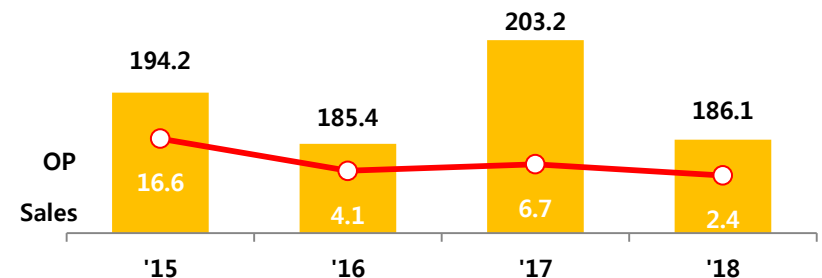
- SKYBON: thermal resin used in binders and adhesives
- Prepreg: intermediate material in sheet forms of specially formulated resin matrix with reinforcing fiber such as carbon fiber, glass fiber etc.
- EP: manufactures variety of Engineering Plastic
- Utility: provider of steam, electricity etc. to companies in the Ulsan plant

□ Overseas subsidiaries/sales posts

- SK Chemicals Suzhou: manufactures SKYBON products
- SK Chemicals Qingdao: manufactures prepreg products
- SK Chemicals Shanghai: Copolyester sales office
- SK Chemicals America: Copolyester sales office
- ST Green Energy: sourcing office for biodiesel raw materials

□ Performance Review(excl. oversea subsidiaries)

(Unit: KRW bn)



II. Business Divisions_Life Science(LS) Biz.

1) LS Overview

☐ Pharmaceuticals

- **Manufacturing & distributing chemical drugs**
- **Focus areas:** Cardio vascular system, Musculoskeletal system, Urinary system, Nervous system
- **Major products:** JOINS, GINEXIN, TRAST, Rivastigmine Patch and others

☐ Vaccines

- **In house R&D from 2006, leading premium vaccine market**
 - In house development: SKYCellflu trivalent & quadrivalent, SKYZOSTER
- **Spin-off to enhance business progress & corporate value**
 - Spin-off Vaccine business on July 1st → SK Bioscience
 - Attract SI and IPO → advance to global market & speed up the development

☐ R&D Achievements



'SUNPLA'
3rd generation
antitumor drug,
(domestic new
drug #1)

1999



'JOINS'
Anti-arthritis
drug,
(new natural drug
#1)

2001



CSL - NBP601
(hemophilia
treatment) L/O
first for new
biomedicine
developed in
Korea

2009



'SID710'
A dementia
treatment patch
(generic) world's
first approval in
the EU

2012



Joint
development
for vaccines
was carried out
with Sanofi
Pasteur SA

2014



Released
SKYCellflu, Korea's
first cell-culture
influenza vaccine
(trivalent)

Approval for the
commercial sale of
the world's first
quadrivalent cell-
culture influenza

2015



CSL - NBP601
(hemophilia
treatment)
acquired approval
for sale in the U.S.
and Canada
first for new
biomedicine
developed in Korea

2016



Commercial
sales of
'SKYZOSTER'
Developed the
world's second,
Korea's first
Zoster vaccine

2017

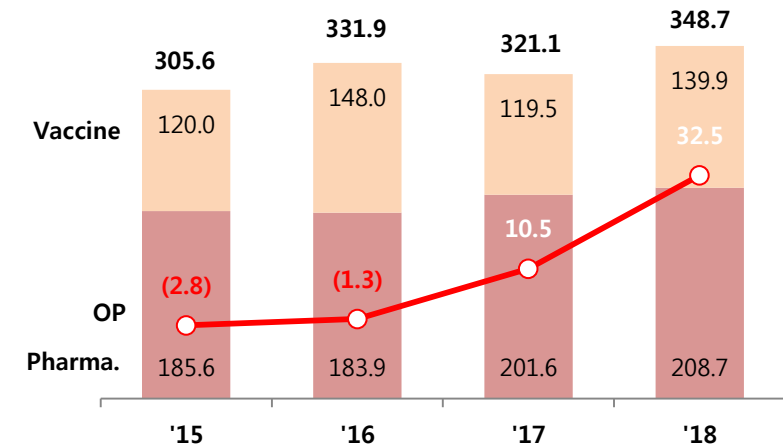


License
Agreement
with Sanofi
Pasteur for cell
culture
technology
manufacturing
quadrivalent
influenza
vaccine

2018

☐ Performance Review

(Unit: KRW bn)



Pharmaceuticals

Bio

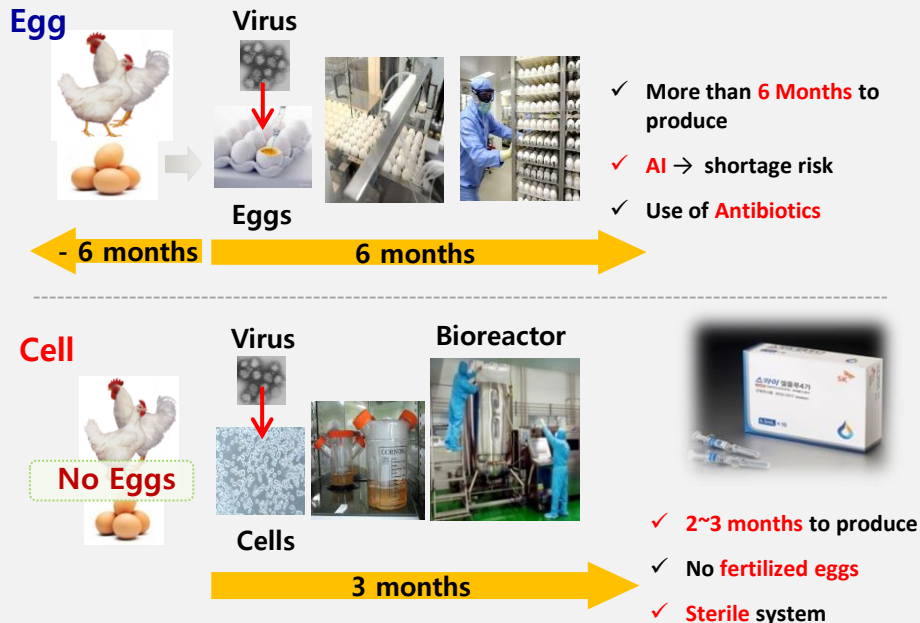
II. Business Divisions_LS Biz.

2) Cell-culture influenza vaccine

❑ Cell-culture influenza vaccine

• Features

- High yield 3-Dimensional Suspension Cell-culture & high purity process
- No fertilized eggs → stable supply, reduce maintenance costs
- Shorter production period → Faster response to influenza pandemics



❑ SK Chemical's influenza vaccine

- ✓ '15 Released 'SKYCELLFLU® -trivalent', Korea's first cell-culture influenza vaccine
- ✓ '16 Released 'SKYCELLFLU® -quadrivalent', World's first cell-culture influenza vaccine
- ✓ '19 'SKYCELLFLU®-trivalent' attains WHO PQ

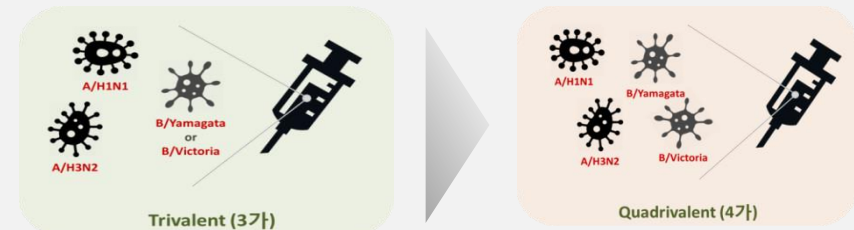
❑ Influenza vaccine market

• Domestic market

- Trivalent → quadrivalent market shift
- Increasing NIP influenza vaccination

• Potential global market

- Market shift to quadrivalent in developed countries
- Rise in demand for influenza vaccines in developing countries



Shifting to quadrivalent influenza vaccines → 'broader protection against circulating flu viruses'

❑ Domestic NIP market

	Current	Future(e)
Product	Trivalent	Quadrivalent
Age	'17: ~ 59 Months, '18: ~ Elementary	After '19: Middle/High school students(e)
Pregnant women	-	To be introduced(e)
Aging population (age 65↑)	7.08 mil. people	In '30: 1.296 mil. people

II. Business Divisions_LS Biz.

3) Herpes Zoster Vaccine (SKYZOSTER)

□ About Herpes Zoster (Shingles)

• What is Herpes Zoster (Shingles)?

- Herpes Zoster is a viral disease due to a reactivation of varicella zoster virus (VZV) within a person's body.^[1] Chickenpox is caused by the initial infection with the same varicella zoster virus, but once chickenpox has resolved, the virus may remain inactive in nerve cells.^[1]
- The number of new cases per year ranges from 1.2–3.4 per 1,000 person-years among healthy individuals to 3.9–11.8 per 1,000 person-years among those older than 65 years of age of the US population^[2]

[1] Hamborsky J (2015). *Epidemiology and Prevention of Vaccine-Preventable Diseases (13 ed.)*. Washington D.C. Public Health Foundation. pp. 353–74. Archived from the original on 2017-01-20.

[2] Dworkin RH, Johnson RW, Breuer J, et al. (2007). "Recommendations for the management of herpes zoster". *Clin. Infect. Dis.* 44 Suppl 1: S1–26.

• Global Market

- Global Sales \$685M in 2016¹⁾
- Zoster Vaccine: 'ZOSTAVAX' developed by Merck in 2006 is the only zoster vaccine currently approved for human use
- No. of domestic patients in 2016: 691,339 ²⁾

1) Datamonitor

2) Health Insurance Review & Assessment Service



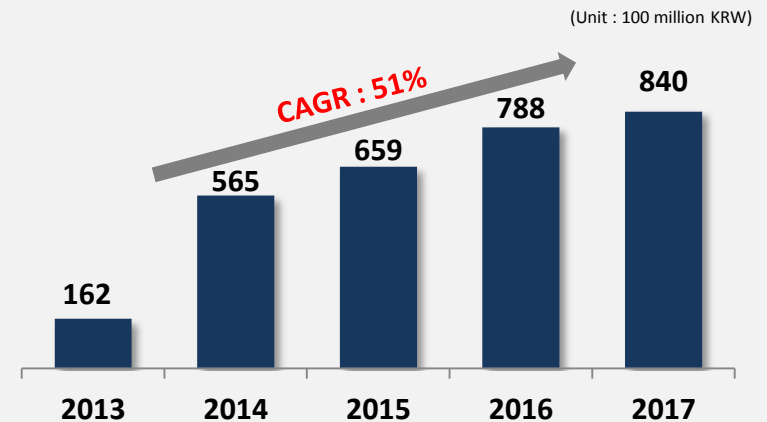
* Picture: The blistering Shingles rash on face, body

□ SK Chemicals' Zoster Vaccine

- Indications: Indicated for prevention of zoster (shingles) in individuals 50 years of age and older
- Dosage: Given as a single dose by injection under the skin
- Dosage Forms: Single dose vial (reconstituted to a suspension)

- ✓ Developed the world's second, Korea's first Zoster vaccine
- ✓ Successful commercialization of our premium vaccine in year 2018
- ✓ Act as a catalyst that can accelerate Vaccine business earnings turnaround

※ Domestic market size for Zoster Vaccine



ref. IMS Health Korea

II. Business Divisions_LS Biz.

4) Global Project w. Sanofi

The cell-culture based manufacturing technology for influenza vaccine

□ Background

- SK Chem. has developed world best cell culture technology
 - Commercially proven, the most advanced technology
- Sanofi adapts SK's cell culture technology to manufacture next generation influenza vaccine development

□ Main contents

- Upfront Fee: USD 15 mil (upon signing)
- Completion of tech. transfer: USD 20mil
- Milestone at each level: USD 120mil
- Contract Region: Global market (Exclusivity rights in US/Europe)
- Royalty : % of product sales
 - 15 years after commercialization or patent expiry (whichever is longer)

□ Implication & Significance

- Another monumental event following '14 SKYPAC contract
- Demonstration of global competitiveness of our cell-culture technology
- Royalty potential
(SP global influenza vaccine sales: about 2 trillion KRW)

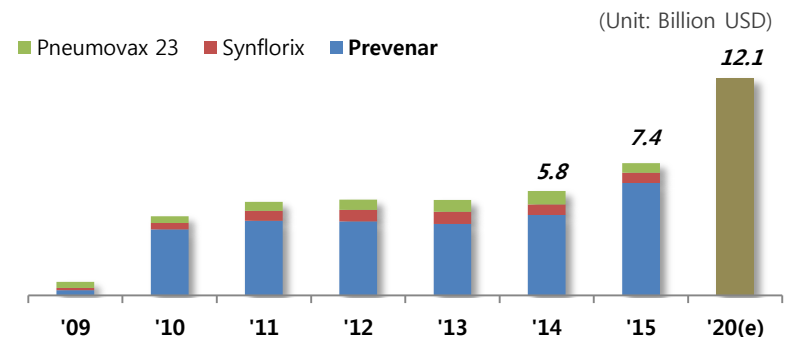
Co-development of PCV



- Strategic business alliance for co-development of "Best in Class" pneumococcal vaccine
- Collaboration on R&D, Clinical, Production, Commercialization
- Production in An-dong vaccine facility in Korea for global distribution

□ PCV Market

- Market demand is boosted by aging population and expected to grow to \$12.1B by 2020
- Considering the Prevenar case, we expect meaningful market share after launching SKYPAC



(Ref : Visiongain 2015, Pfizer, GSK, Merck)

Key Message

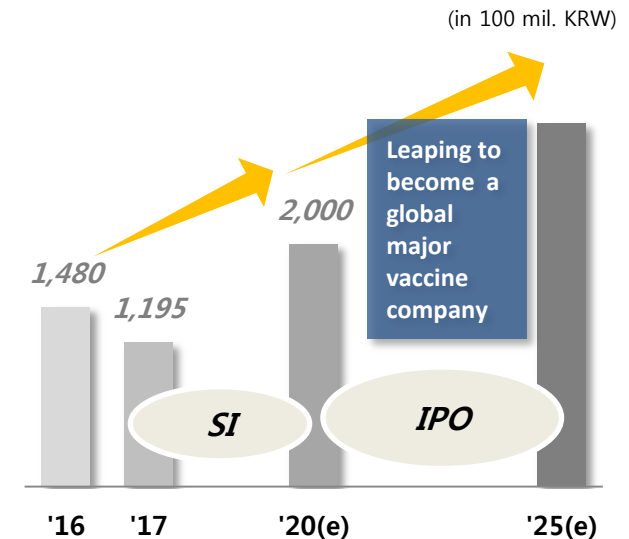
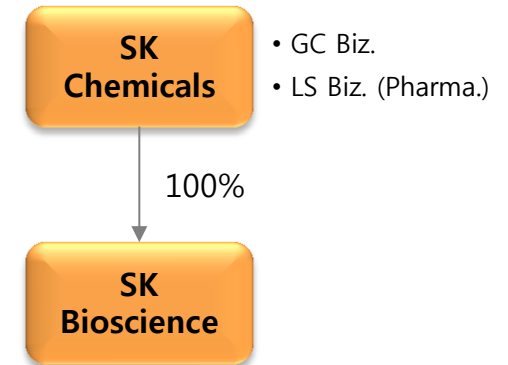
Background

- **Acceleration of business development after holdings structure transition**
- 1) **Strengthen specialty in vaccine business**
 - Acceleration of vaccine business
 - Attract strategic investors
- 2) **Build an optimal infrastructure for vaccine business**
 - Build an organization/HR system, capable of reflecting characteristics of Bio biz.
- 3) **Enhance SK chemical's shareholder value**
 - Building a clear vaccine business corporate identity
(resolve discount factor and ensure appropriate evaluation of business)

Main Contents

- **'Spin-off vaccine business on July 1st → SK Bioscience**
- **Focus on vaccine business, strengthen specialties/advance & accelerate business development to maximize the value**
 - Manufacturing business (Green Chemicals Biz.) and Vaccine business have different business DNA/corporate cultures
 - Focusing on business / strengthening core competencies
 - Separated HR system and Organization to set out optimal operation and vision for a future
- **As a Vaccine specialist, we plan to make our best efforts to advance into global market and expand our portfolio**
- **IPO when shareholder value can be maximized**
- **Plan to expedite vaccine business with capital raised from IPO**

Corporate governance after spin-off



III. Summary

1) Past Five Years

2000 ~

Restructuring & Investment

- '00 : Established HUVIS(Spin off of polyester business)
- '05 : M&A SK/Dongshin Pharm
Spin off of SK Petrochemicals
- '08 : Sold off SK Petrochemicals

2008 ~

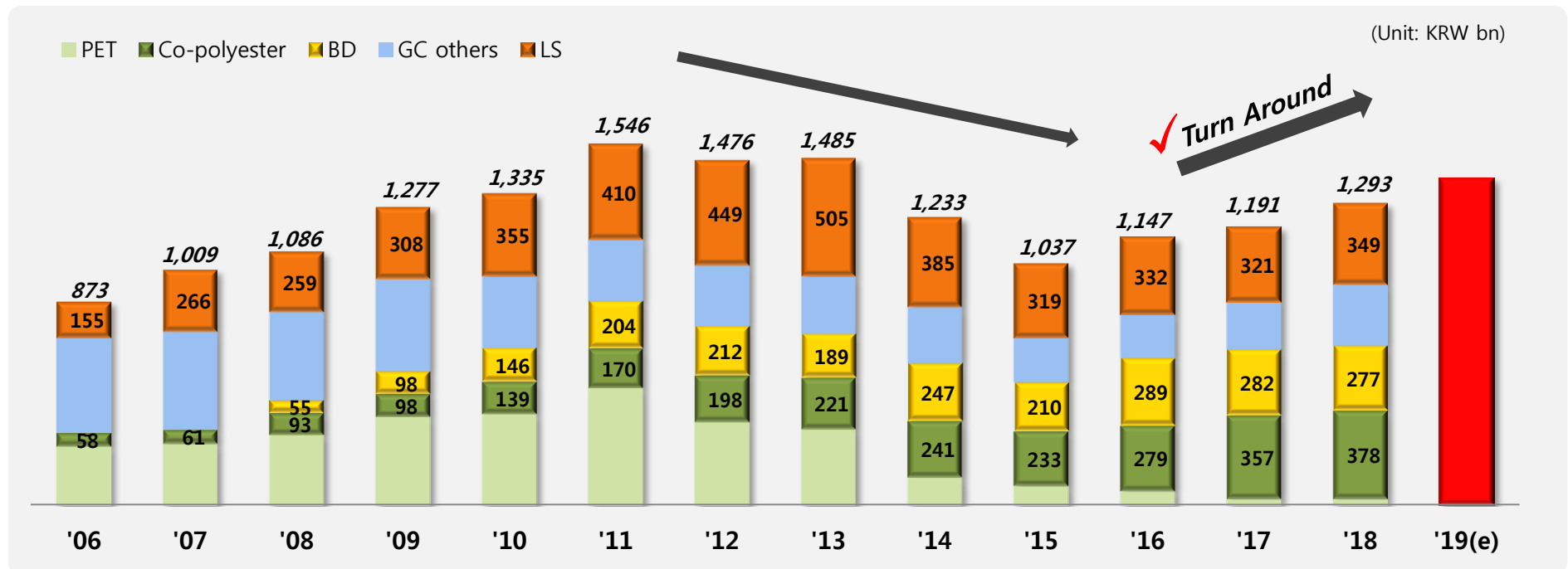
Accelerating Investment

- '08 : Initiating Vaccine development/
Bio diesel business
- '09 : NBP601 L/O (to CSL)
- '12 : Co-polyester capacity increasing
- '14 : L House acquired KGMP(Korea
Good Manufacturing Practice)

2015~

Realization of Investment

- '14 : Next PCV collaboration (w/ Sanofi)
- '15 : Cell flu trivalent (Korea 1st)
- '16 : Cell flu quadrivalent (World's 1st)
The US FDA approval of NBP601
- '17 : Zoster (World's 2nd)
- '18 : Varicella vaccine



IV. Appendix

1) Consolidated Financial Statements

Balance Sheet

(Unit: Mil. KRW)

	'19.2Q
Current assets	735,519
Cash and cash equivalents	104,473
Short-term financial instruments	87,251
Trade and other receivables	190,400
Inventories	335,085
Other current assets	18,310
Non-current assets	1,294,854
Investments in associates and joint ventures	7,593
Property, plant and equipment	1,160,586
Intangible assets	40,091
Other non-current assets	86,584
Total assets	2,030,373
Current liabilities	644,550
Trade and other payables	210,773
Short-term borrowings	214,937
Other current liabilities	15,680
Non-current liabilities	667,395
Total liabilities	1,311,945
Equity attributable to owners of the parent	715,544
Capital stock	65,193
Capital surplus	264,315
Other components of equity	-10,421
Accumulated other comprehensive Income(loss)	-2,492
Earned surplus	398,143
Non-controlling interest	33,729
Total equity	718,428
Total liabilities and equity	2,030,373

Income Statement

(Unit: Mil. KRW)

	'19.1Q	'19.2Q	'19.1H
Sales	319,408	380,195	699,603
Cost of sales	259,156	284,482	543,638
Gross profit	60,252	95,713	155,965
Selling, general and administrative expenses	56,595	65,275	121,870
Operating profit	3,657	30,438	34,095
Other non-operating income	1,834	2,191	4,025
Other non-operating expense	7,505	6,957	14,462
Financial income	6,249	9,248	15,497
Financial expense	12,550	17,008	29,558
Share of profit of associates and joint ventures	427	427	854
Earnings before interest and taxes	-7,888	18,339	10,451
Income tax expense	3,720	5,957	9,677
Earnings for the period	-11,608	12,382	774
Earnings attributable to owners of the parent	-7,033	13,447	6,414
Earnings attributable to non-controlling interests	-4,576	-1,065	-5,641

End of Documents