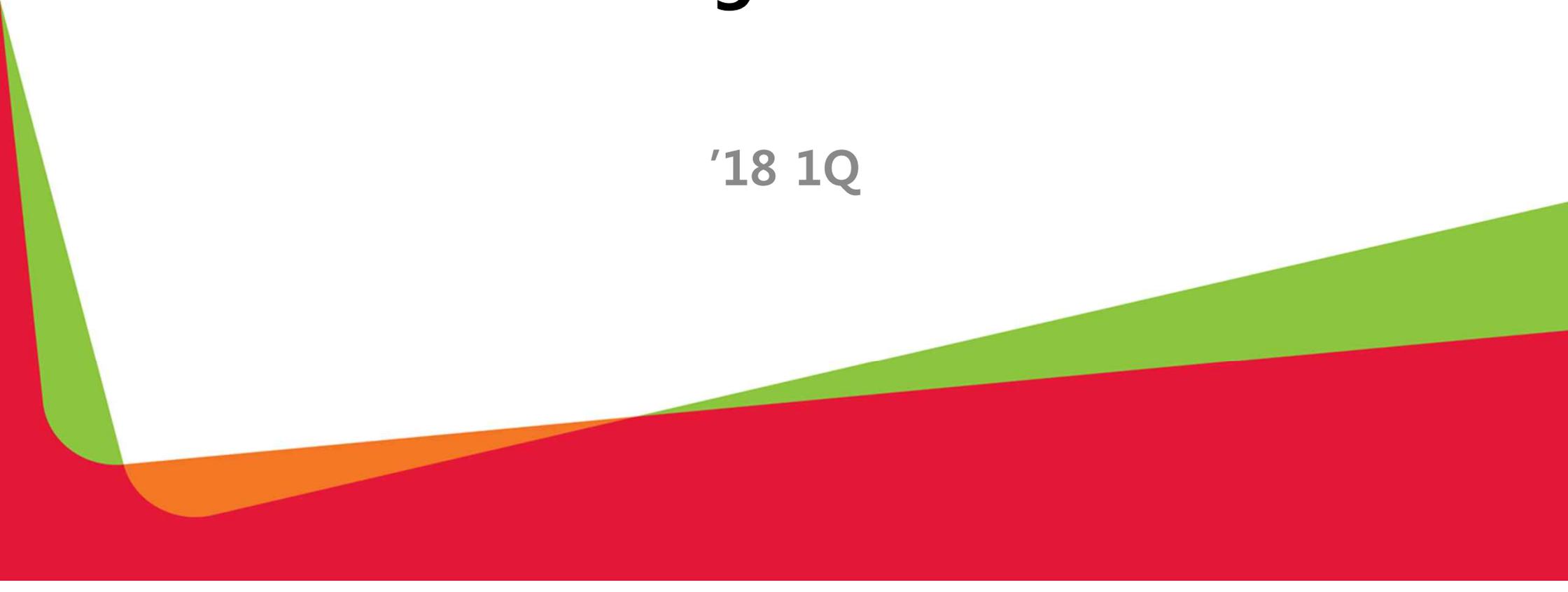


SK Chemicals Earnings Release

'18 1Q



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.

Contents

I. Business divisions

II. Subsidiaries

I. Business Divisions

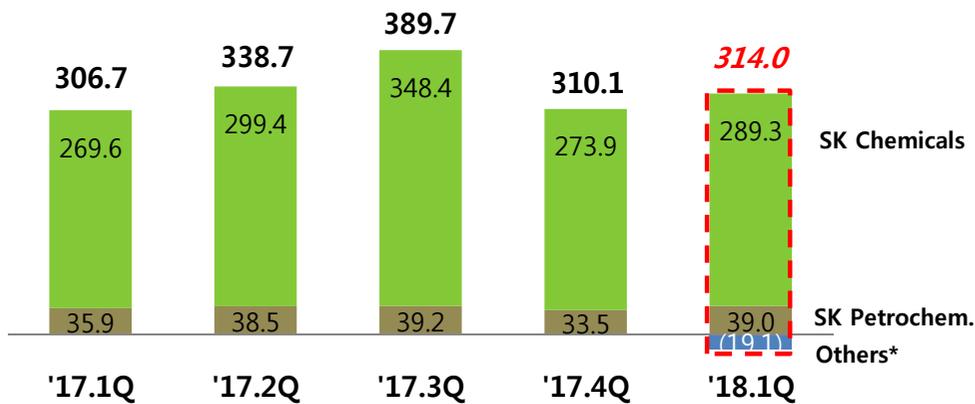


I. Business Divisions

1) Performance Review (Consolidated)

Sales

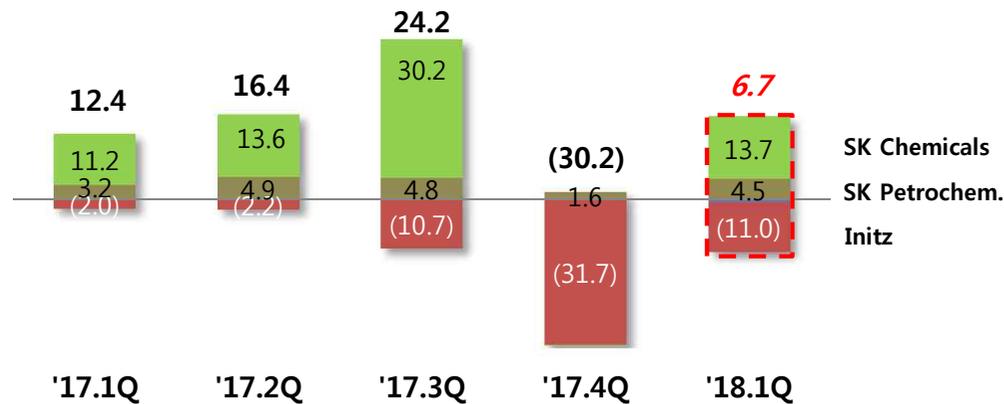
(Unit: KRW bn)



* Intercompany transactions

Operating profit

(Unit: KRW bn)



□ Sales

- Co-polyester and LS biz. recorded solid performances
- Sales growth +2.4% YoY, growth limited by fall in exchange rate, decrease in bio heavy oil sales

□ Operating profit

- SK Chemicals: Increased by +22% YoY, supported by growth in Co-polyester sales and successful launch of SKYZOSTER
- SK Petrochem/Initz: Petrochem profit growth from increased captive sales(Chemical), Initz loss widened due to selling of low-margin inventories

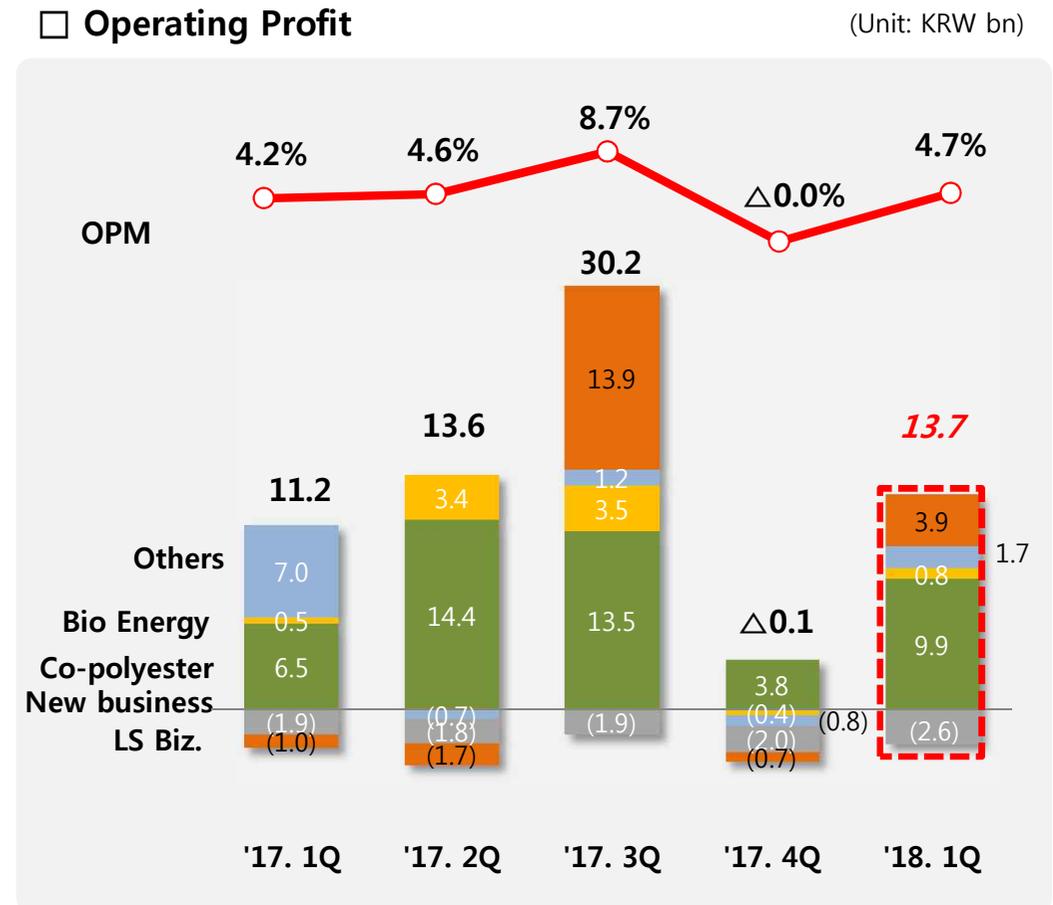
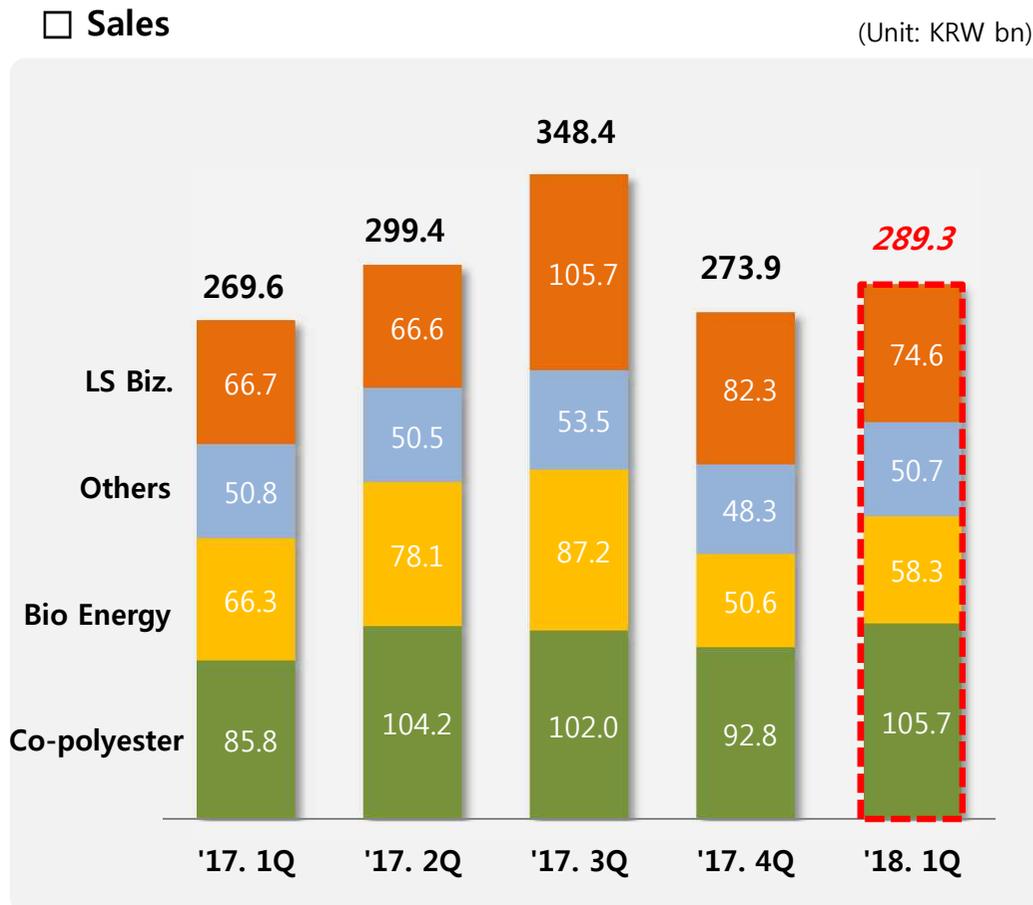
(Unit: KRW bn, %)	SK Chemicals	SK Petrochem.	Initz	Others	Total
Sales	289.3	39.0	4.8	△19.1	314.0
OP	13.7	4.5	△11.0	△0.5	6.7
OPM	4.7%	11.5%	△230.8%	-	2.1%
Earnings before taxes	11.4	1.4	△12.6	0.9	1.1
Net profit	9.8	1.4	△9.6	1.2	2.8

※ Intercompany transactions have not been eliminated in consolidation before spin-off (2017)

I. Business Divisions

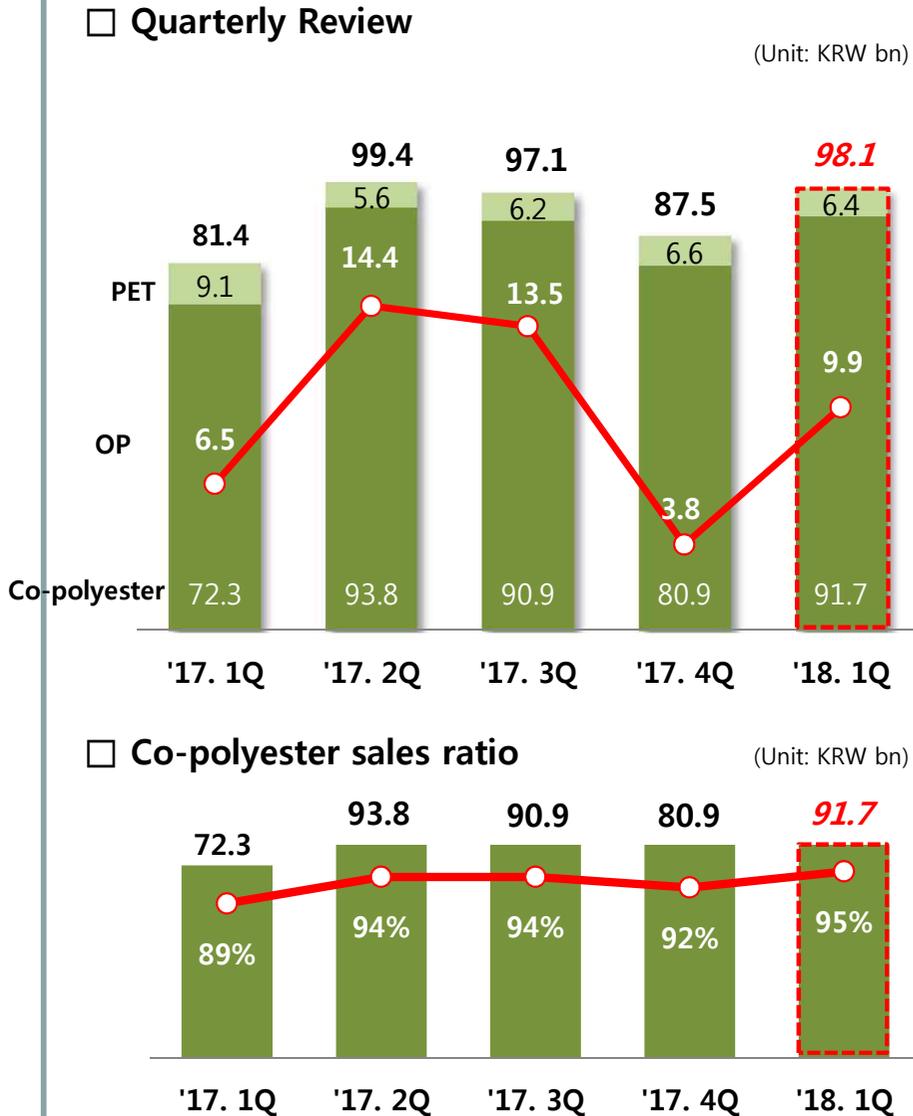
2) Performance Review (Non-consolidated)

- Sales totaled 289.3 bil. KRW an increase of 7% YoY, operating profit totaled 13.7 bil. KRW an increase of 22% YoY (+47% YoY without one-off gains¹)
- Despite fall in Bio Energy and Others sales, recorded a solid performance helped by growth of co-polyester and LS Biz.



1) 1Q17: one-off gain from the carbon reduction credits(3.7 bil. KRW) vs 1Q18: Technology transfer upfront fee from Sanofi (2.7 bil. KRW, partial recognition)

Performance



Review/Guidance

• '18 1Q Performance Review

- Co-polyester sales increased by +27% YoY, operating profit increased by +52% YoY
- Despite unfavorable F/X rate and rise in raw material prices, OP increased by +1.8%p YoY
- Solid demand from China (Cosmetic containers) and Europe (Special film)

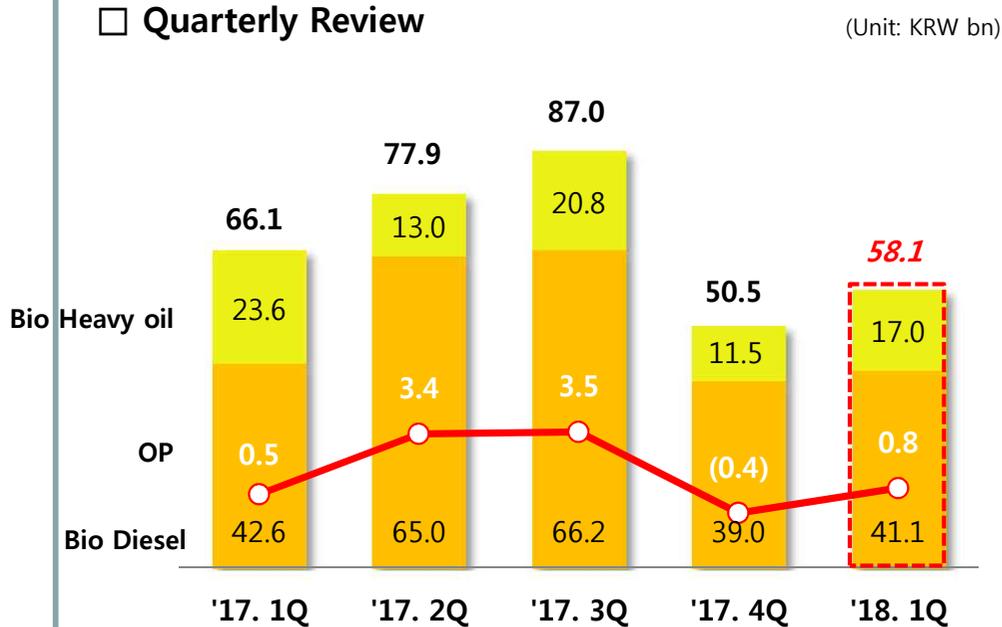
• '18 2Q Outlook

- Solid demand will continue
- Unfavorable F/X rate and raw material prices continue
- Raising product prices in process (1Q 2018)

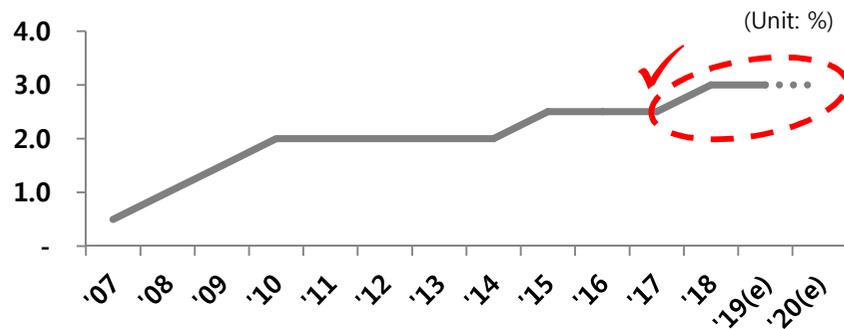
※ Application

- Food / Cosmetic Container, Electronic devices, etc.

Performance



Mixing Ratio Trend



Review/Guidance

'18 1Q Performance Review

- Sales decreased YoY, due to fall in the exchange rate & raw material costs and decrease in heavy oil sales
- Operating profit increased slightly YoY, primarily as a result of improved spread margin between product and raw materials

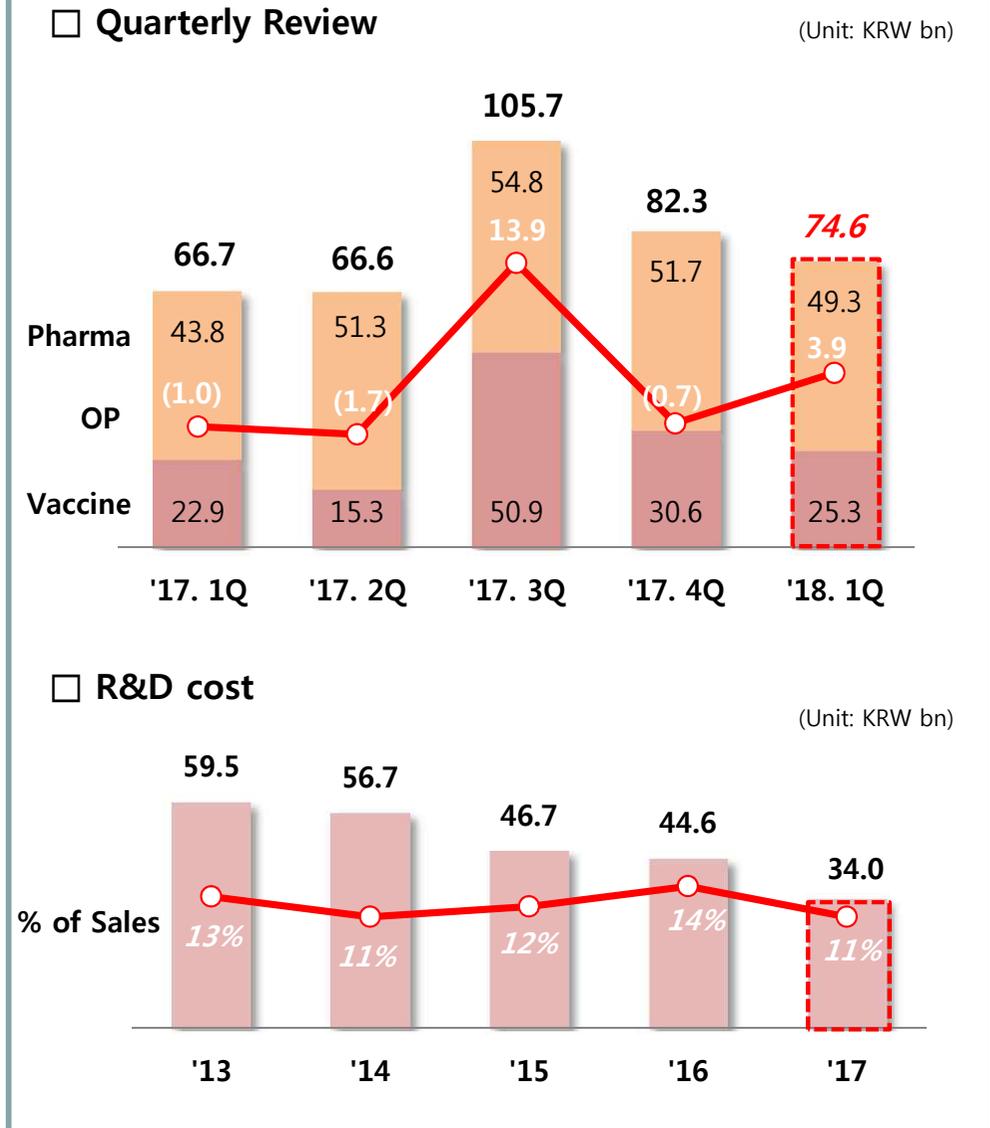
'18 2Q Outlook

- Expect full effects of increased mix ratio will take place
- Expect solid earnings, driven by improved spread margin
- Continuous efforts to improve cost competitiveness by developing low cost raw materials

※ The mix ratio is set to increase from 2018

- Current 2.5% → **3.0%**

Performance



Review/Guidance

- '18 1Q Performance Review

- Sales increased YoY, due to increased sales of Pharma and successful launch of 'SKYZOSTER'
- Turned into profit YoY, supported by increased profit from Pharma and contribution of 'SKYZOSTER' sales

- '18 2Q Outlook

- 'SKYZOSTER' is expected to contribute largely to performance of LS biz. (Co-marketing)
- Upfront fee from Sanofi (technology transfer of cell culture technology)
- An increase in running royalty payments from CSL for the sales of AFSTYLA(NBP601)
- Expecting approval of Varicella vaccine in 2Q 2018

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

→ New Company 'SK bioscience Co.,Ltd.' (tentative name)

II. Subsidiaries



II. Subsidiaries

1) SK Petrochem.(DMT) / Initz(PPS)

SK Petrochem.

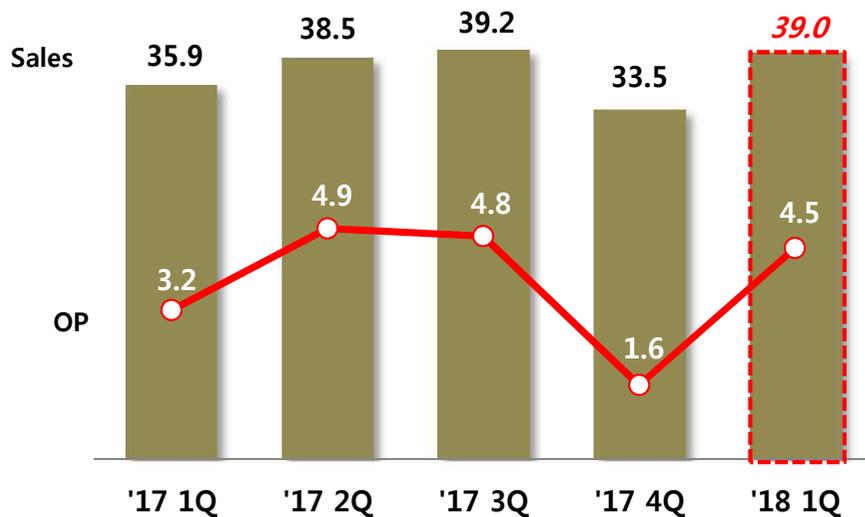
□ 1Q Performance Review

- Despite unfavorable external environmental factors (F/X rate and others), OP increased YoY helped by increased sales of both captive and spot in China
- Expect to report solid earnings

※ The merger with SK Chemicals was completed on May 1st, 2018

□ Quarterly Review

(Unit: KRW bn)



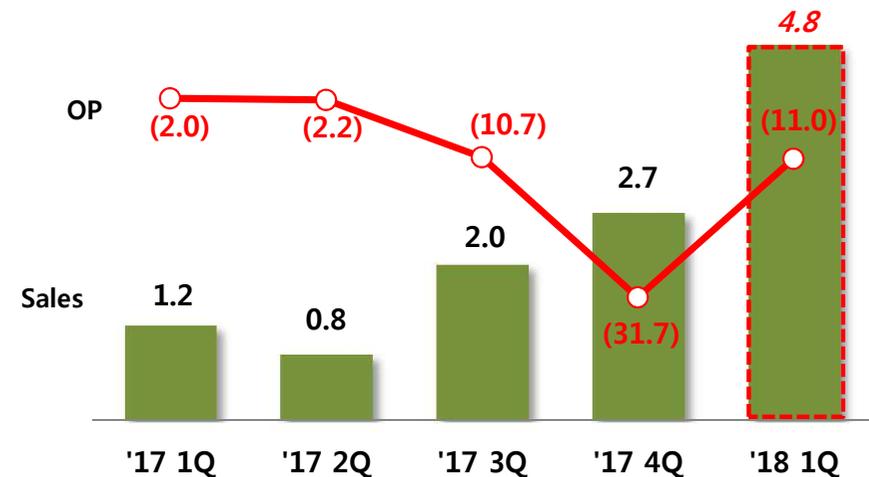
Initz

□ 1Q Performance Review

- A gradual increase in sales (volume)
- Loss widened, hurt by selling of low-margin inventories
- This year's main target is to improve OCF and physical product properties
- Operation of improved production facility in 2Q 2018 → significant cost reduction in 2H 2018
- Expect to report better earnings compared to last year's

□ Quarterly Review

(Unit: KRW bn)



End of Documents