SK Chemicals
Investor Relations

’17 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.

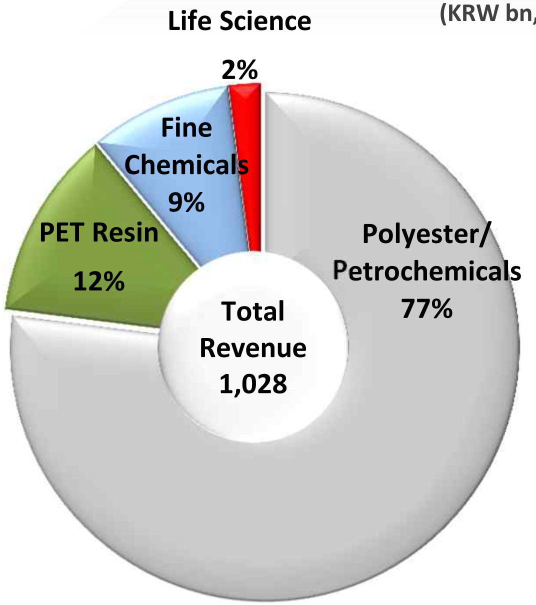
Contents

I. Overview

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

~ 1999	2000 ~ 2012	2013 ~
Polyester & Petrochemicals	*Portfolio Transformation*	**Life Science & Green Chemicals**

(KRW bn, %)



1999

Restructuring

- **Spin off polyester business**
  - JV with strategic partner

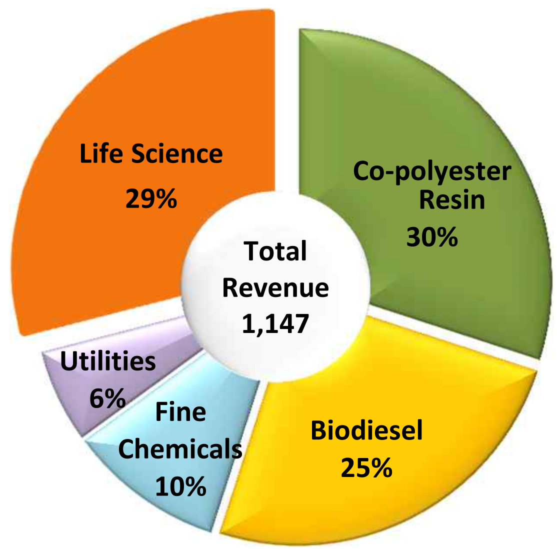
Disposal

- **Sold unprofitable PET business**
  - SK Keris / SK Eurochem

Investment

- **Into Vaccine / Plasma Business**
  - M&A SK/Dongshin Pharm
- **Initiating eco-friendly materials & high performance resin**
  - Co-polyester / PPS

(KRW bn, %)



2016

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

(Unit: KRW bn)

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

(Unit: KRW bn)

Biz.	Amount	Sales('16)
• Co-polyester - Expansion of Co-polyester	154 [1]	279
• Initiate Bio diesel business	31	289
• Accelerate Pharma Business - M&A SK / Dongshin Pharm. - In-house Vaccine development	400	332
• Initiate PPS business	69 [2]	-
Total Amount	**654**	**900**

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.

1969 | ~2007 | 2008 ~ 2012 | 2013 ~ 2014 | 2015~

1969
- ***Sunkyong Fibers Co.*** *was established*

1989
- Life Science Research Center was established

1999
- ***SUNPLA®***, a third-generation platinum anticancer drug was developed for the first time in the world (domestic new drug #1)

2002
- ***JOINS®***, anti-arthritis drug, developed (new natural drug #1)

2006
- ***Dongshin Pharm. Co., Ltd. was acquired*** (vaccine and blood products business)
- Biodiesel production technology was developed

2008
- UBCARE Co., Ltd., a healthcare company, was taken

2009
- ***ECOZEN®,*** Biomass-containing polyester resin, was released

2010
- ***ECOPRIME®***, a biodiesel brand, received a prize from the Minister at the Green Technology Award

2012
- ***NBP601(hemophilia treatment)*** was selected as one of Korea's ten best new technologies and received a prize from the Minister of Knowledge Economy.

2013
- ***Established Initz Co., Ltd.*** (a joint venture company with Teijin Limited with regard to Polyphenylene Sulfide(PPS))

2014
- Joint development for vaccines is carried out with Sanofi Pasteur SA
- ***Andong(L HOUSE) plant acquired KGMP*** (Korea Good Manufacturing Practice) approval for qualification
- Acquired approval for the commercial sale of a cell culture influenza vaccine for the first time in Korea

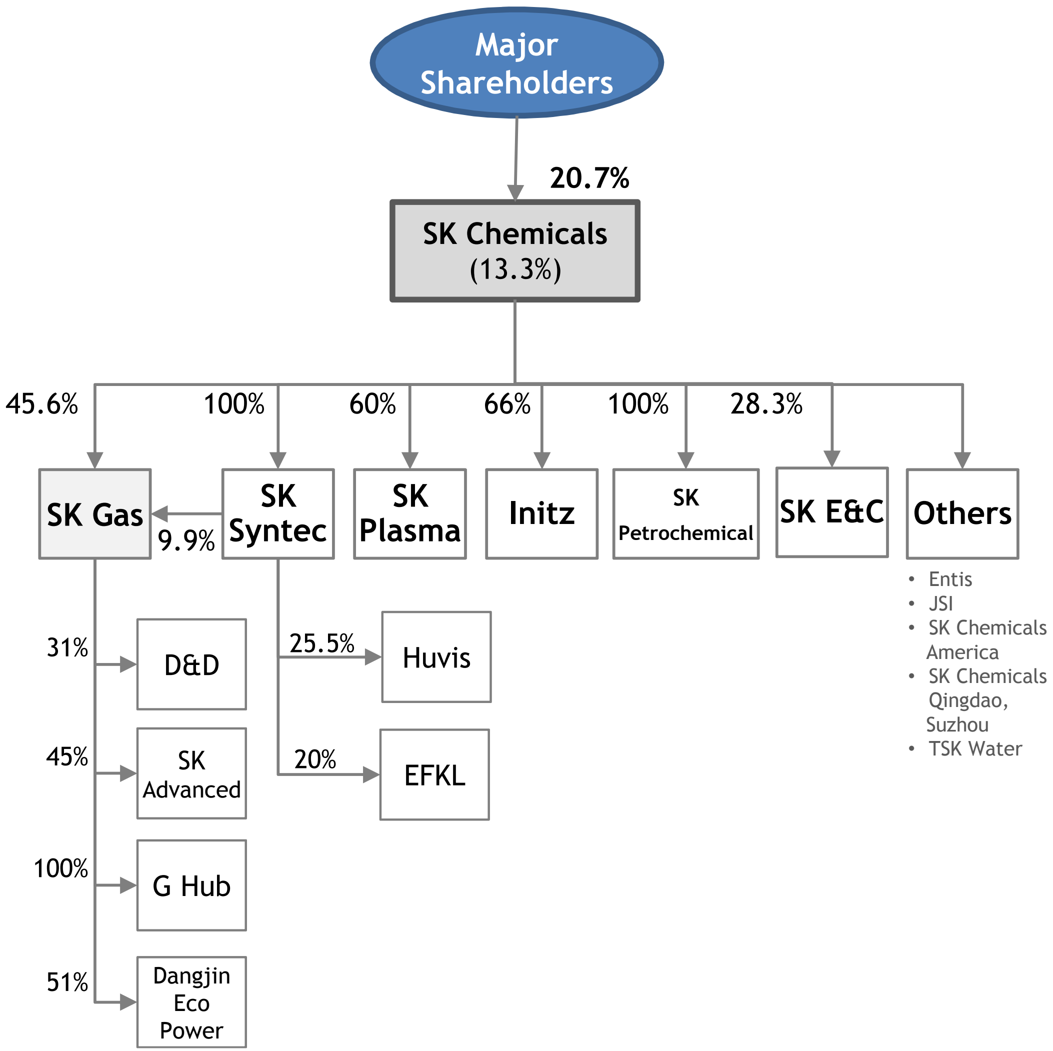
2015
- ***Rolled out SKYCELLFLU®***, Korea's first cell-culture influenza vaccine
- Acquired approval for the commercial sale of the world's ***first cell-culture quadrivalent influenza vaccine***
- ***SK Plasma Co., Ltd.*** Blood products business spun off into subsidiary

2016
- ***Commercial sale of AFSTYLA (NBP601)***

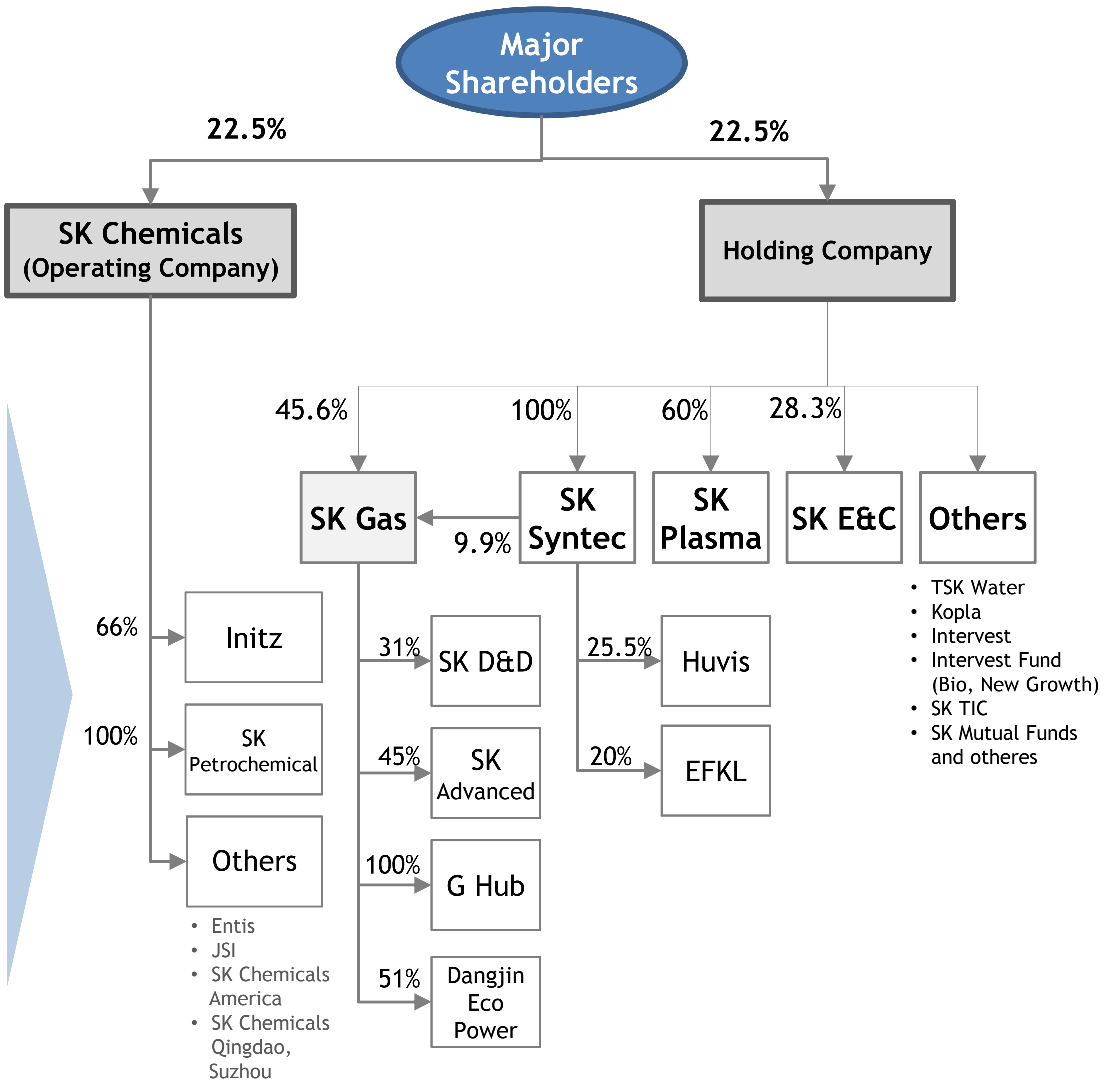
I. Overview

4) Corporate Governance

Before spin-off



After spin-off

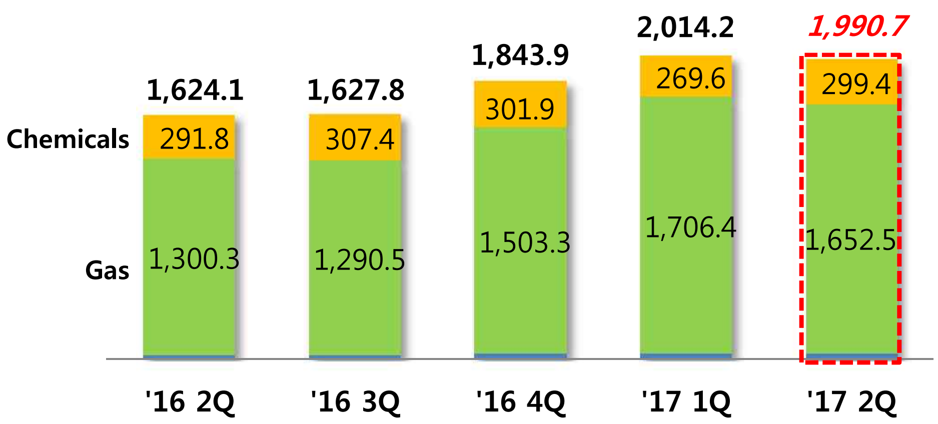


※ Based on financial results for '17. 1Q

Ⅱ. Business Divisions

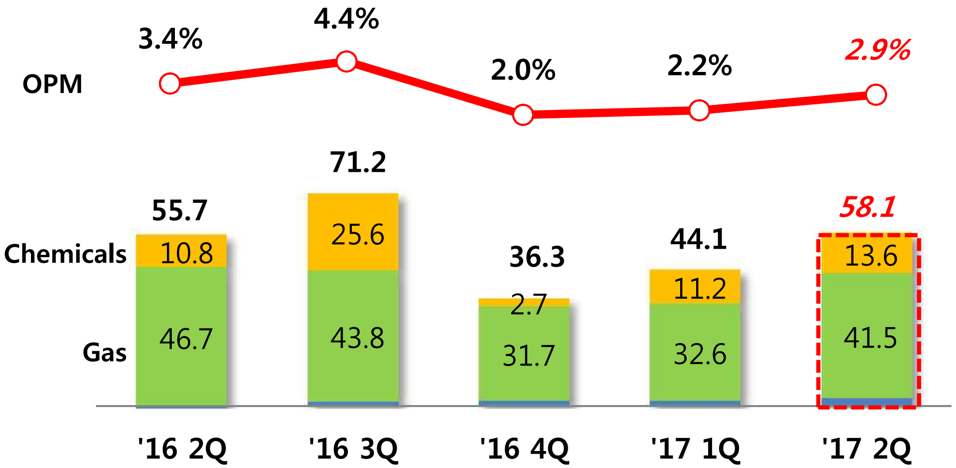
Sales

(Unit: KRW bn)



Operating Profit

(Unit: KRW bn)



☐ Sales

- SK Chemical : Sales growth YoY, led by strong demand & operation of new co-polyester line
- SK Gas : Sales growth YoY, from increase in LPG sales volume and contract prices (CP)

  → ***Consolidated sales increased by 23% YoY***

☐ Operating Profit

- SK Chemical : Operating profit increased by 26% YoY, driven by solid sales of co-polyester, cost saving efforts in LS Biz.
- SK Gas : Operating Profit decreased YoY, due to sluggish LPG trading earnings

  → ***Mid single digit increase in consolidated operating profit YoY***

☐ Earnings Before Taxes

- EBT increased by 172% YoY, boosted by strong gains of equity method

☐ Net Profit

- Net profit increased by 31% YoY, due to one off tax items*

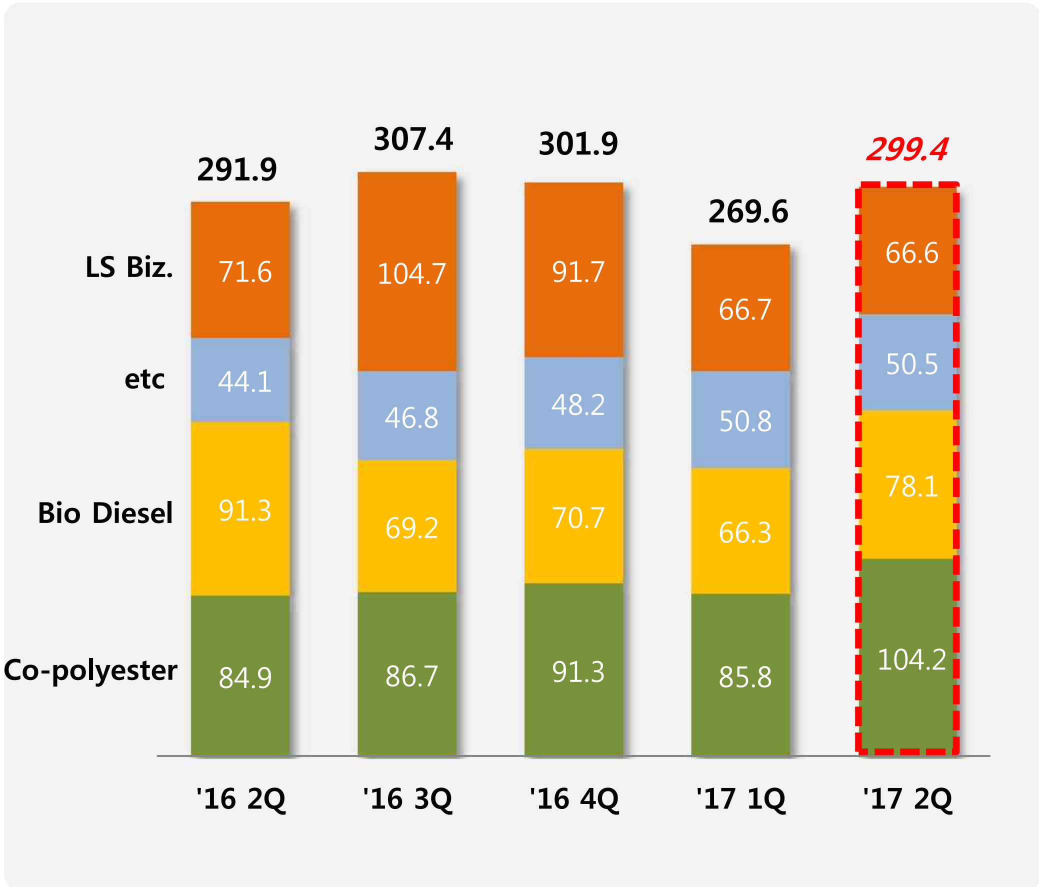
(Unit: KRW bn, %)	'16 2Q	'17 1Q	'17 2Q	YoY	QoQ
Sales	1,624.2	2,014.2	***1,990.7***	+22.6%	△1.2%
OP	55.7	44.1	***58.2***	+4.5%	+32.0%
OPM	*3.4%*	*2.2%*	***2.9%***	*△0.5%p*	*+0.7%p*
EBT	52.4	50.8	***142.3***	+171.6%	180.1%
NP	58.8	41.3	***76.9***	+30.8%	+86.2%

* 1) Corporation tax on the sale of treasury shares (KRW 13.3 billion) 2) deferred income tax on the SK E&C shares(KRW 20.1 billion)

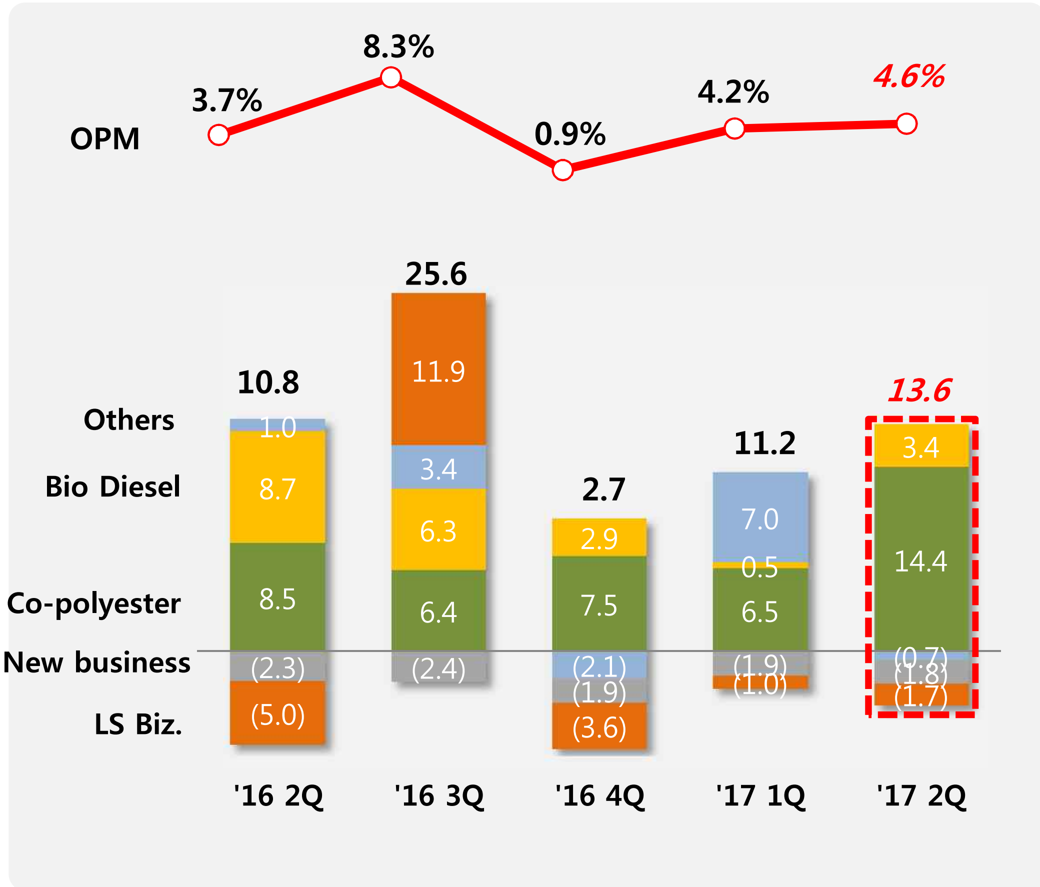
II. Business Divisions

- Sales totaled KRW 299.4 billion, an increase of 3% YoY, driven by the sales growth from commercial operation of the new co-polyester production line(commenced in April 2017)
- Operating profit totaled KRW 13.6 billion, an increase of 26% YoY, driven by higher sales of co-polyester products and cost saving efforts in LS Biz.

☐ **Sales** (Unit: KRW bn)



☐ **Operating Profit** (Unit: KRW bn)

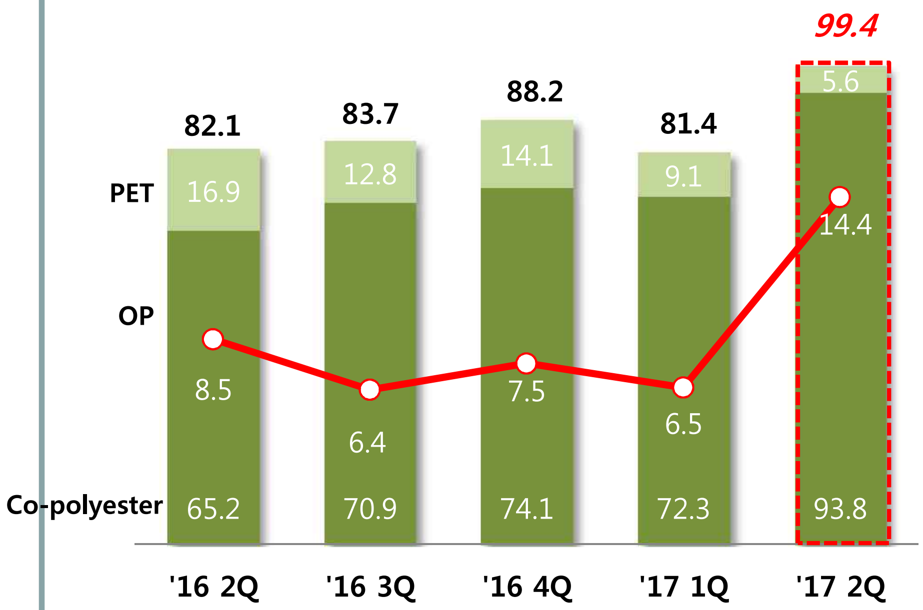


II. Business Divisions_GC Biz.

Performance

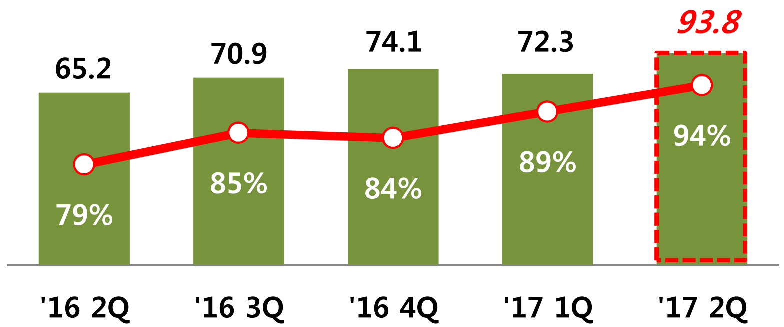
□ Quarterly Review

(Unit: KRW bn)



□ Co-polyester sales ratio

(Unit: KRW bn)



Review/Guidance

- **'17 2Q**
  - Co-polyester sales increased by 44% YoY, mainly driven by volume increase
    : Better-than-expected utilization rate of the new production line and initial shipments
  - Solid demand from China (Cosmetic containers) and Europe (Special film)

  → ***Record high operating margin on 2Q17 largely contributed by operating leverage effect***

- **'17 3Q Outlook**
  - Increases in the utilization rate of the new co-polyester production line
  - Strong YoY growth vs. mild QoQ decrease in sales due to scheduled maintenance and summer holidays in 3Q17
  - Continued restructuring on PET business
    (annual sales: KRW 20~30 bil.)

※ Application

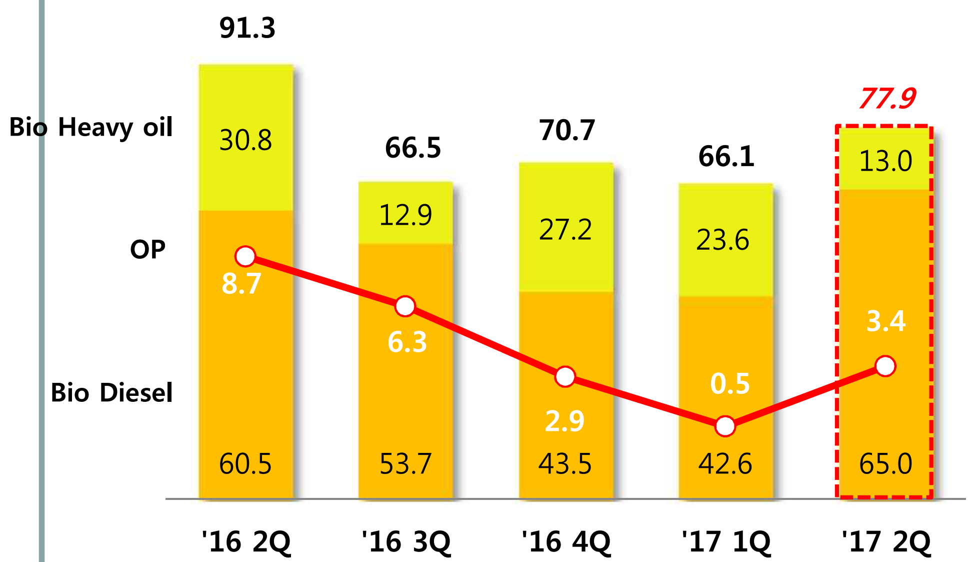
- Food / Cosmetic Container, Electronic devices, etc.

II. Business Divisions_GC Biz.

Performance

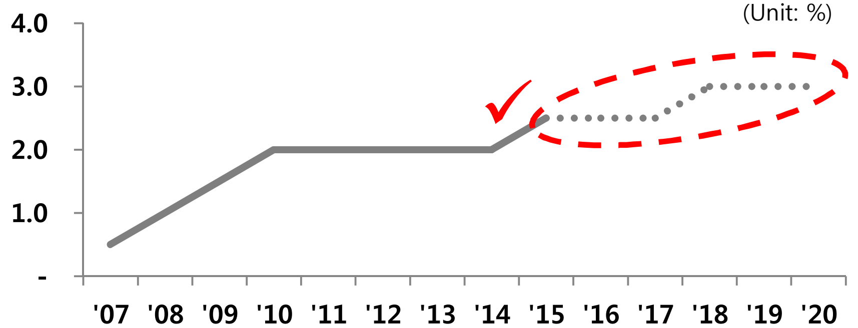
☐ Quarterly Review

(Unit: KRW bn)



☐ Mixing Ratio Trend

(Unit: %)



Review/Guidance

- **’17 2Q**
  - Biodiesel sales increased by 7% YoY
  - Bio heavy oil sales decreased YoY, due to annual maintenance of power plants in Korea
  - Operating profit decreased YoY, primarily as a result of poor spread margin between product and raw materials

- **’17 3Q Outlook**
  - Spread margin may improve slightly
  - Continuous efforts to improve cost competitiveness by developing low cost raw materials

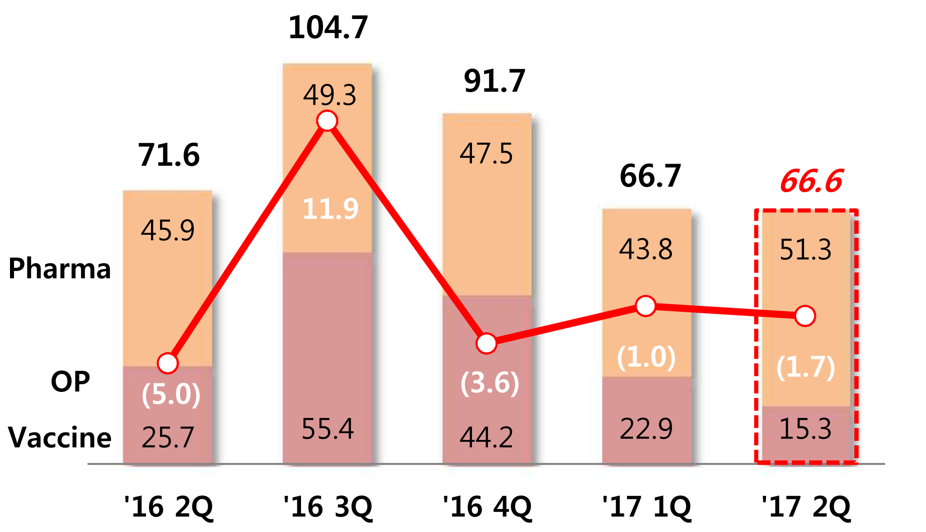
※ The mix ratio is set to increase from 2018

－ Current 2.5% → 3.0%

Performance

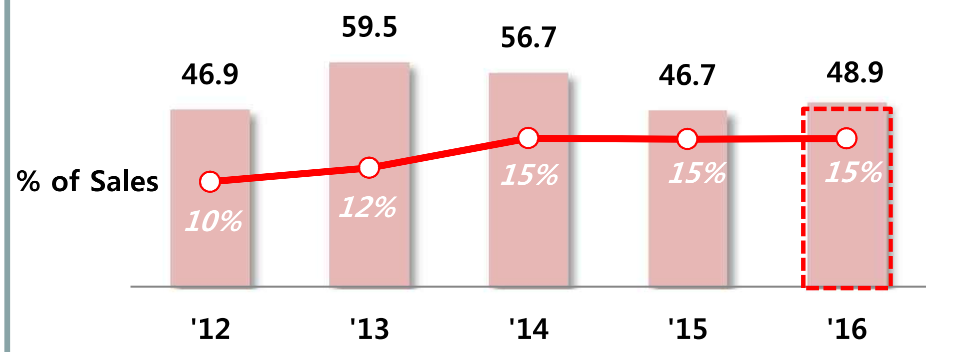
☐ Quarterly Review

(Unit: KRW bn)



☐ R&D cost

(Unit: KRW bn)



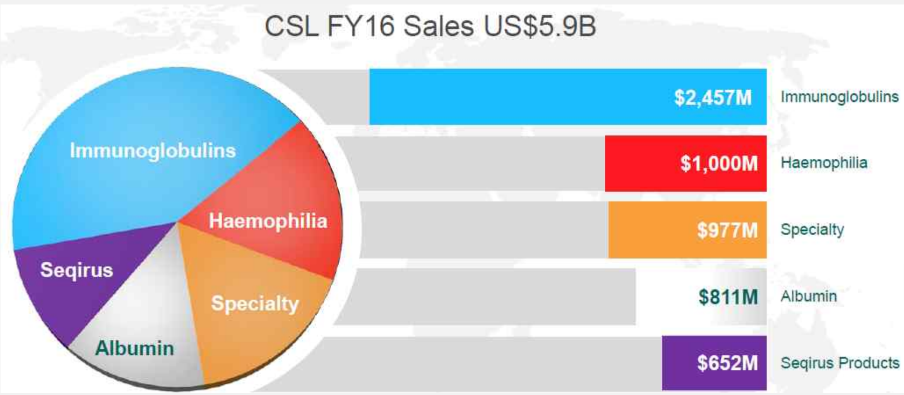
Review/Guidance

- **'17 2Q**
  - Sales decreased by 7% YoY, due to the sales decline from vaccine products(the termination of the Gardasil distribution contract in 1Q17)
  - Vaccine sales decline was partially offset by sales increase from pharma products
  - Despite of sales decrease, operating loss narrowed YoY, supported by reduction in flu vaccine disposal and cost saving efforts

- **'17 3Q Outlook**
  - Entering into high season in 3rd quarter (flu vaccines)
  - Approval of Zoster vaccine is currently in process, expected to be commercialized in 4Q17
  - A gradual increase in running royalty payments from CSL for the sales of AFSTYLA(NBP601)
  - Reduce cost through continuous cost saving efforts
  - R&D expenses will remain around our target level (15% of sales)

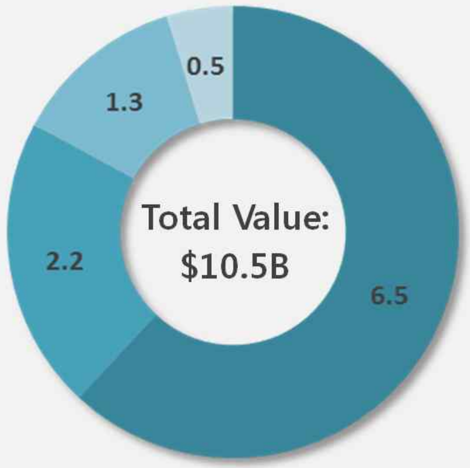
☐ NBP601

- **Overview**
  - The First and Only Recombinant Factor VIII Single Chain Therapy for Hemophilia A
  - Long-lasting protection (twice weekly prophylaxis)
- **License Out**
  - Licensed out to CSL in 2009 at preclinical stage and accomplished global clinical test
  - Adult and pediatric indications approved in the US in May 2016, approved by the EU EMA in Jan. 2017, being reviewed by regulatory agencies in other markets around the world, including Switzerland and Australia
  - Running Royalty expected in 2017
- **About CSL**



(Ref : CSL Annual Report)

☐ Hemophilia Global Market



※ Market shifting to 4th generation product

Product name	Stage	Maker
AFSTYLA(NBP601)	**Approved**	**CSL Behring**
Eloctate	Approved	Biogen Idec
N8-GP	Clinical II/III	Novo Nordisk
BAX 855	Approved	Baxter
BAY 94-9027	Clinical I	Bayer

II. Business Divisions_LS Biz.

☐ Collaboration with Sanofi Pasteur

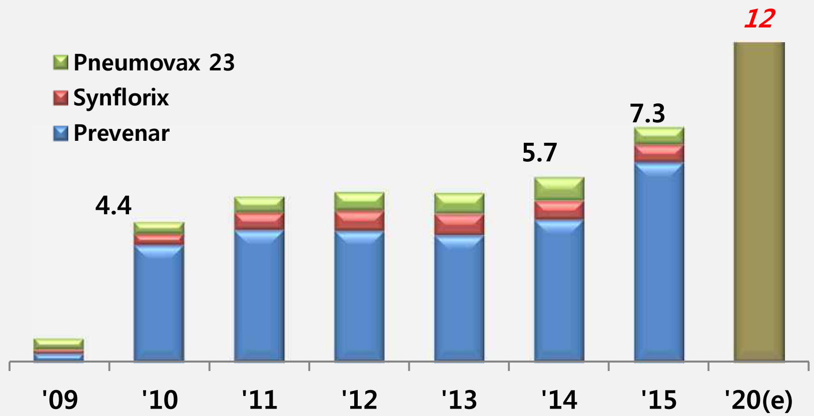
SK chemicals SANOFI PASTEUR

- **Strategic business alliance for co-development of next generation innovative pneumococcal vaccine**
- **Collaboration** on R&D, Clinical, Production, Commercialization
- **Production** in An-dong vaccine facility in Korea for global distribution

Monumental event which reflects the global competitiveness of the technology & Infrastructure of SK Chemicals

☐ PCV Market

(Unit: USD bn)



World pneumococcal vaccine market (bn USD), Source: Pfizer, Merck, GSK

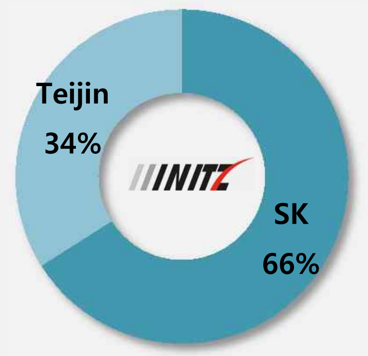
☐ A constantly growing market

- 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

A Quantum jump & Opportunity to become a global vaccine company

III. Subsidiaries

□ Governance Structure



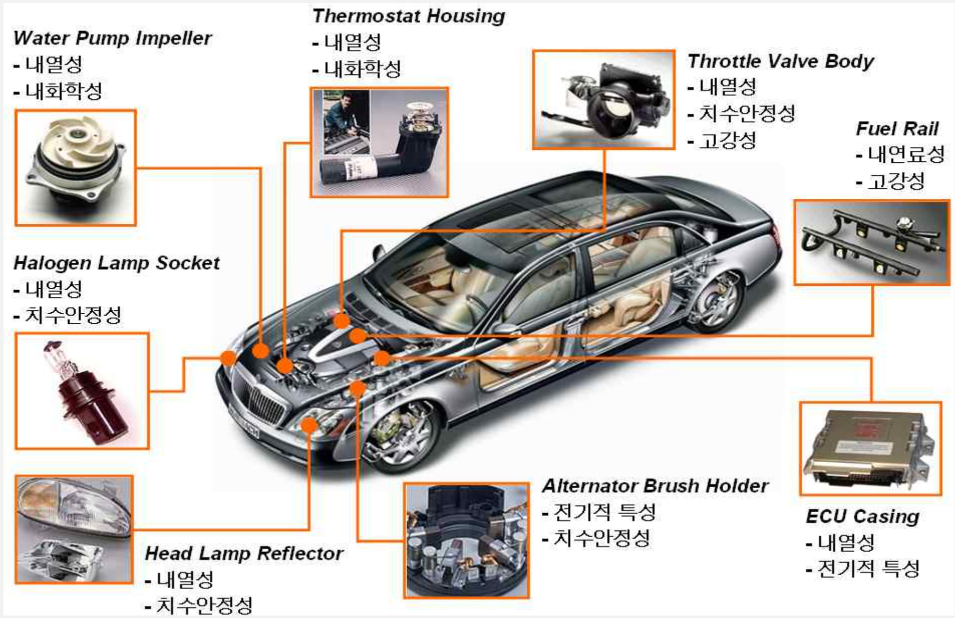
- JV for PPS production
- Capacity: 12,000 ton/year
- Stock Capitalization
  - SK : 62 bn KRW
  - Teijin : 45bn KRW
- Commercial production started in 1Q17.

□ Polyphenylene Sulfide (PPS)

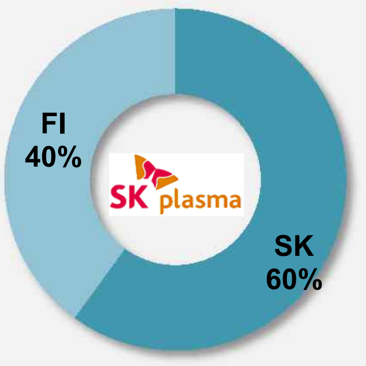
- Excellence in thermal and chemical resistance
- Good electrical insulating properties
- Dimensional stability to 260°C
- Automotive lightweight materials
- Competitiveness cost + Eco-friendly process
  → ***Cost 25%↓, Non-Chlorine process***
- Securing stable sales market through "Pre-marketing"

□ Applications

Electricity	• CD/DVD Pick up, Bobbin, Connectors
Automotive	• Pump impeller, Generator parts, etc
Film	• Bag filter, High-performance fiber



☐ Governance Structure



- Spin-off from SK Chemicals in '15 and attracted financial investment(KRW 100 bn)
- Plasma derived products
- SK 60% : FI 40%

☐ Business Outline

- New plant is under construction (600kl/year)
  - Value engineering applied to maximize cost efficiency and bio-safety
  - Located in Andong city, Korea
  - Commercial operation from third quarter of 2018
- Strict government regulation (KFDA, GMP) as a high barrier to entry
- Duopoly market in Korea
- Emerging market is continuously growing

☐ Guidance

- Expanding product line to construct solid product portfolio
- Focus and expand into overseas markets, especially emerging markets

☐ Product Portfolio

Product	Ingredient	Indication
Albumin	Albumin	▪ Neutralize of poison
AT-III	AT-III	▪ Anti thrombosis
Liv-Gamma	IVIG	▪ Immunoglobulin
Tetabulin	TIG	▪ Tetanus Therapy
Factor Ⅷ	Factor Ⅷ	▪ Hemophilia A Therapy
Hep.B IG	Hep.B IG (HBIG)	▪ Hepatitis B Therapy

IV. Mission & Vision

IV. Mission & Vision

☐ Mission

"We care for the future

Healthcare, Earthcare"

We enhance human health

and protect the environment

☐ Vision

"To become a global leader in the industry

of *eco-friendly materials*

and *total healthcare solutions*"

Life Science	*Green Chemicals*
"Global Total Healthcare Solution Provider"	**"Eco-friendly Material Solution Provider"**
• Premium Vaccines • Plasma Derivatives • Pharmaceuticals	• Co-polyester • Bio Fuel • PPS Resins

V. Summary

V. Summary

2000 ~	*2008 ~*	*2015~*
Restructuring & Investment	**Accelerating Investment**	**Realization of Investment**

2000 ~ Restructuring & Investment

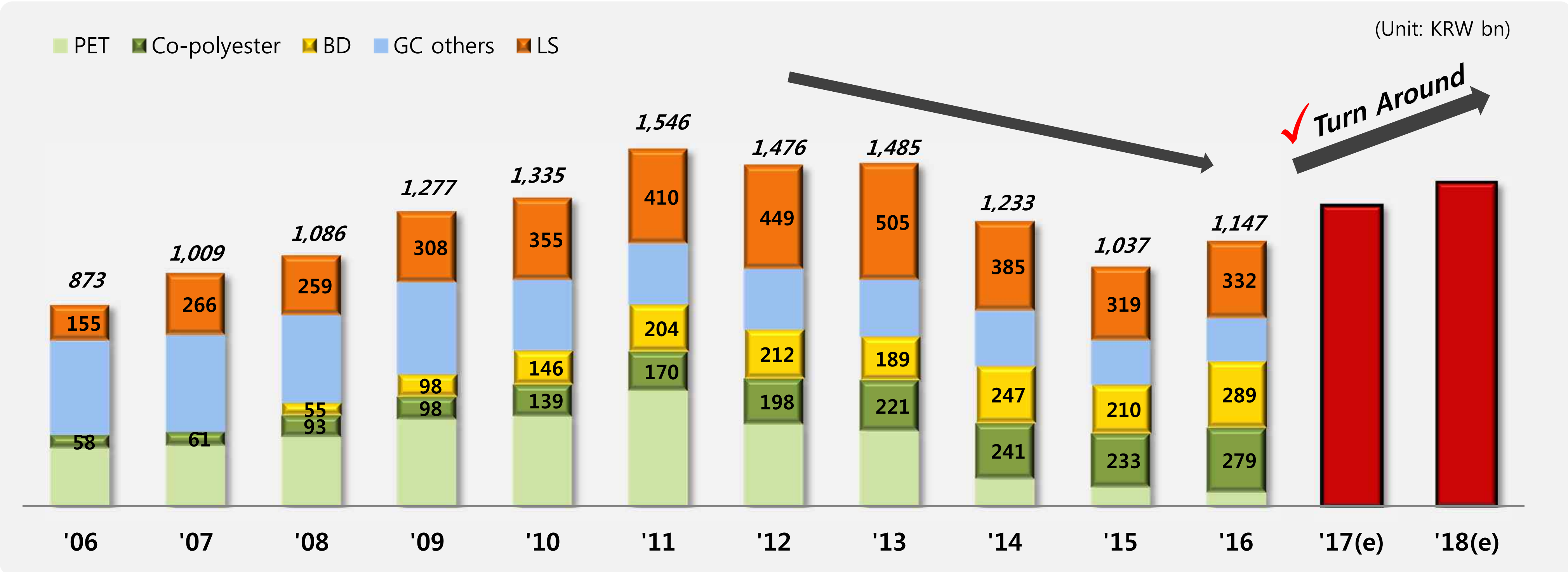
- '00 : Established HUVIS(Spin off of polyester business)
- '05 : M&A SK/Dongshin Pharm
Spin off of SK Petrochemicals
- '08 : Sold off SK Petrochemicals

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



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