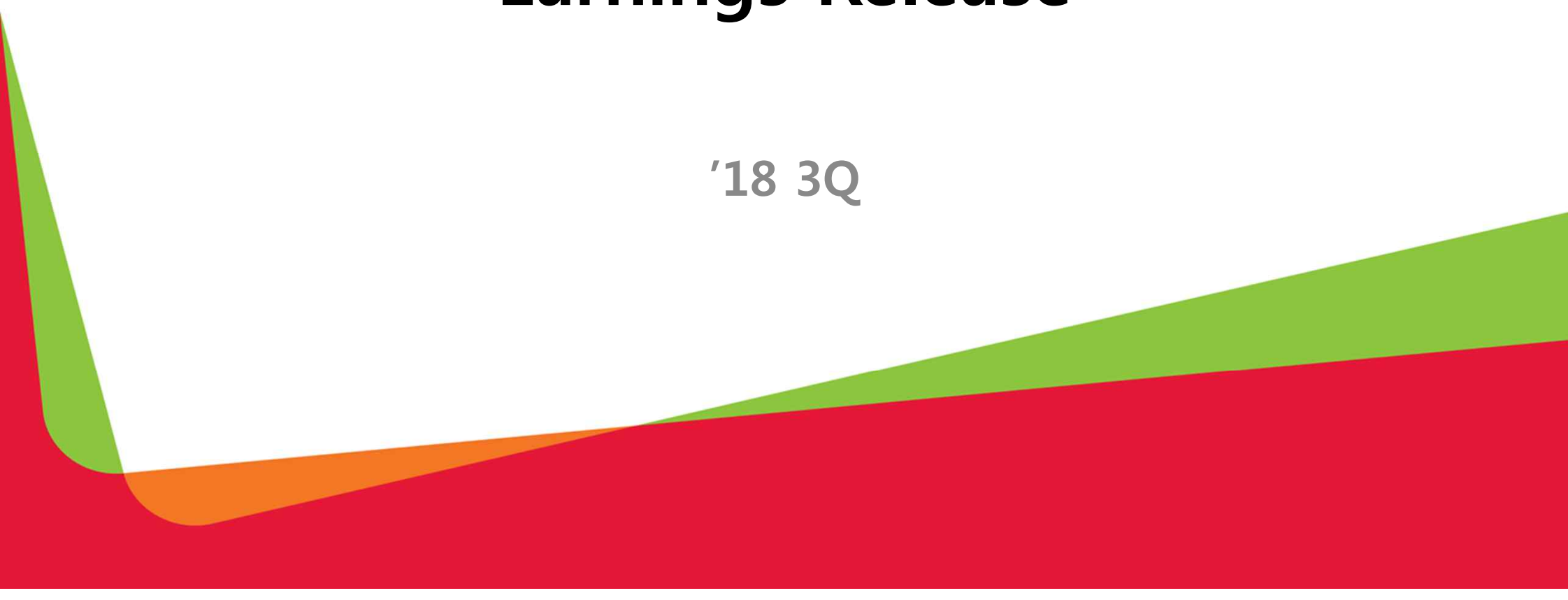


SK Chemicals Earnings Release

'18 3Q




Disclaimer:

The following 2018 third quarter financial results are unaudited data provided for your convenience only, and are subject to change should the audit results require.

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. Business Divisions

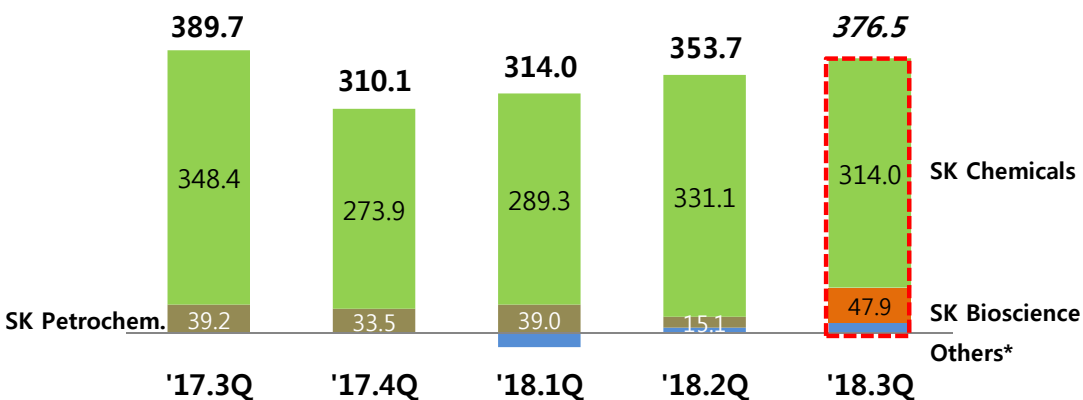


I. Business Divisions

1) Performance Review (Consolidated)

Sales

(Unit: KRW bn)



* Intercompany transactions

Operating profit

(Unit: KRW bn)



Sales

- Sales recorded 376.5 billion KRW

Operating profit

- SK Chemicals: decreased YoY due to SK Bioscience spin-off effect
- SK Bioscience: recorded 23.8% OPM thanks to peak season sales
- Initiz: off-grade products sale decreased resulting in lower sales and OP results

(Unit: KRW bn, %)	SK Chemicals	SK Bioscience	Initiz	Others	Total
Sales	314.0	47.9	3.3	11.3	376.5
OP	23.2	11.4	△5.5	1.9	31.0
OPM	<u>7.4%</u>	<u>23.8%</u>	<u>△166.4%</u>	<u>16.7%</u>	<u>8.2%</u>
Earnings before taxes	18.5	10.6	△7.3	1.3	23.1
Net profit	10.3	7.9	△5.5	4.0	16.7

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

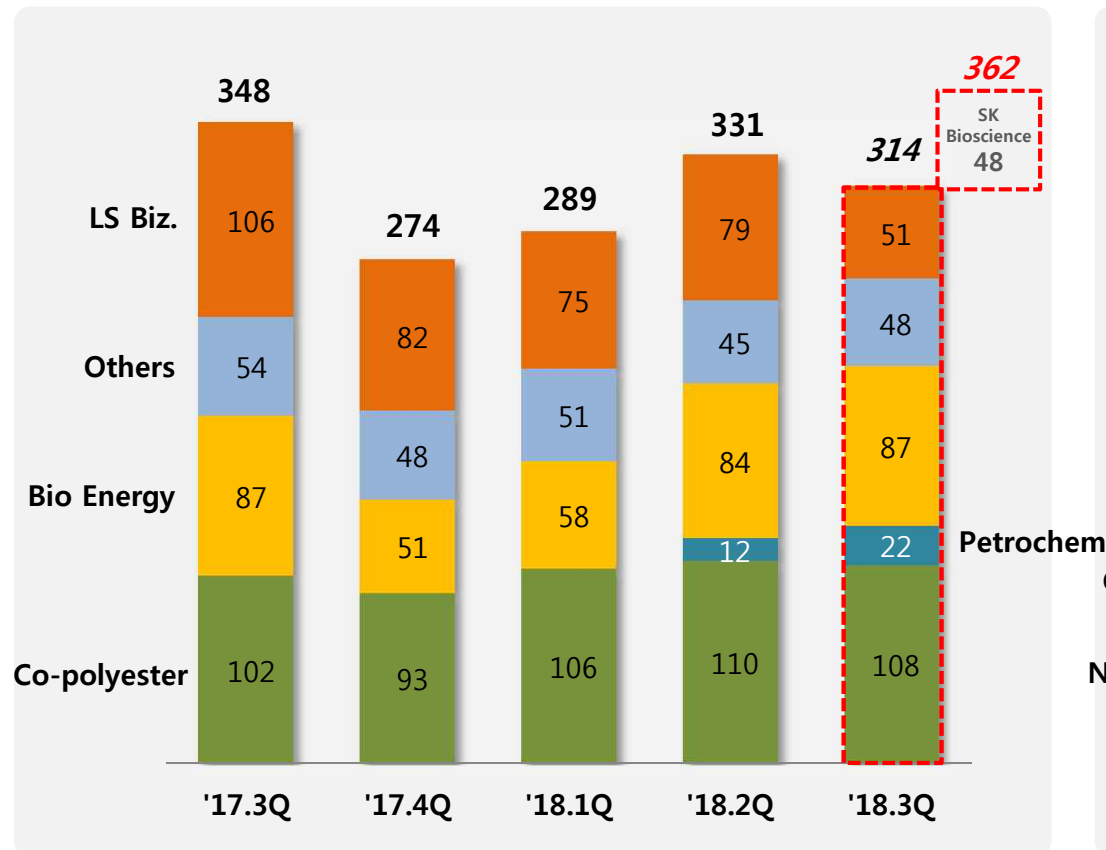
I. Business Divisions

2) Performance Review (Non-consolidated)

- SK Bioscience("SKBS") was spun off on July 1st, hence excluded from 3Q18 parent level figures.
- Including SKBS's performance(to make YoY comparison), 3Q recorded 362 bil. KRW in sales and 34.6 bil. KRW in OP, an increase of 3.8% YoY and 14.6% YoY, respectively.
- Despite of decrease in co-polyester profit due to unfavorable market condition (raw material, F/X), non-consolidated OPM improved by 0.9% pt. YoY (incl. SKBS's performance)

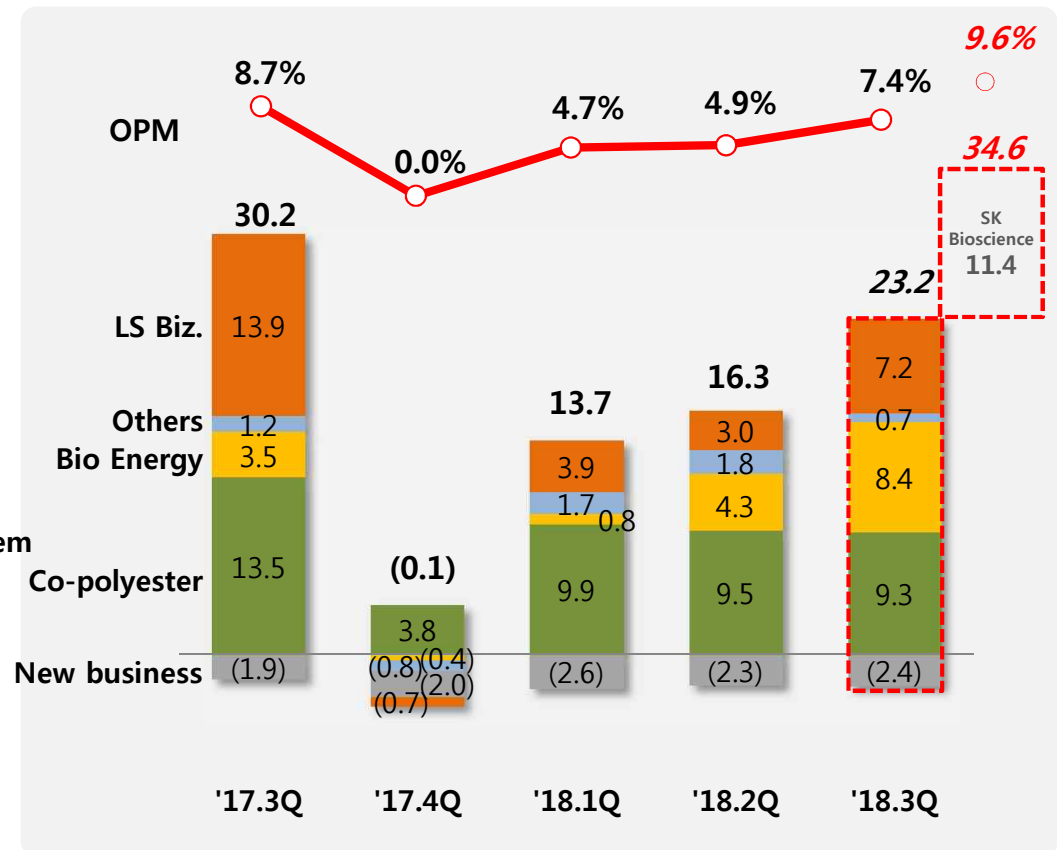
□ Sales

(Unit: KRW bn)

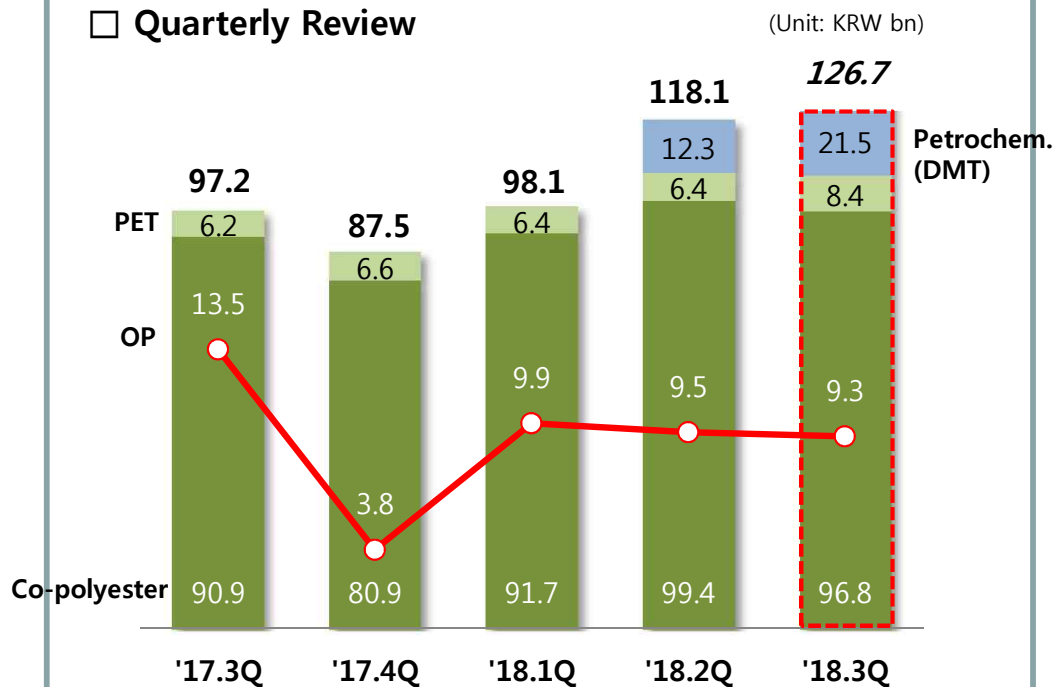


□ Operating Profit

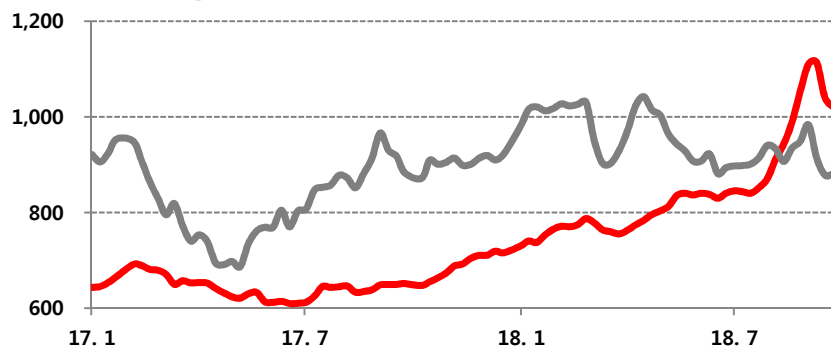
(Unit: KRW bn)



Performance



□ PTA/MEG price trend (US\$)



Review/Guidance

• '18 3Q Performance Review

- Co-polyester sales increased by +6% YoY
- Unfavorable market condition (F/X, raw material) continues as well as high base effect from last year, OP decreased by $\Delta 31\%$ YoY

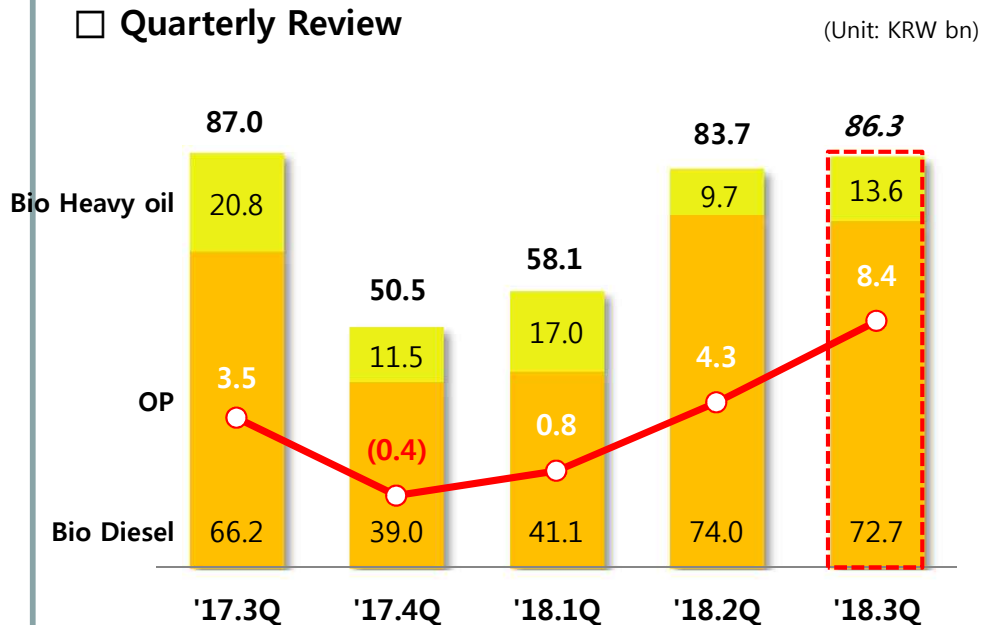
• '18 4Q Outlook

- High raw material cost trend continues as a burden
- Low base effect from last year expected

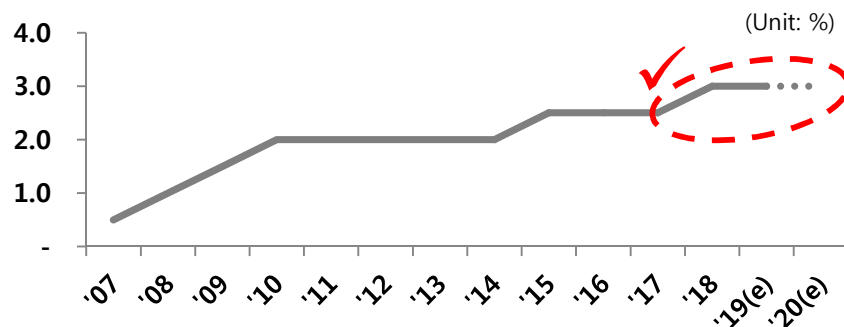
※ Application

- Food / Cosmetic Container, Electronic devices, etc.

Performance



□ Mixing Ratio Trend



Review/Guidance

• '18 3Q Performance Review

- Sales increased +10% YoY, due to increase in mix ratio (Q: +19% ↑)
- Operating profit increased +140% YoY, primarily as a result of improved spread margin and increased sales volume

• '18 4Q Outlook

- Entering into off season

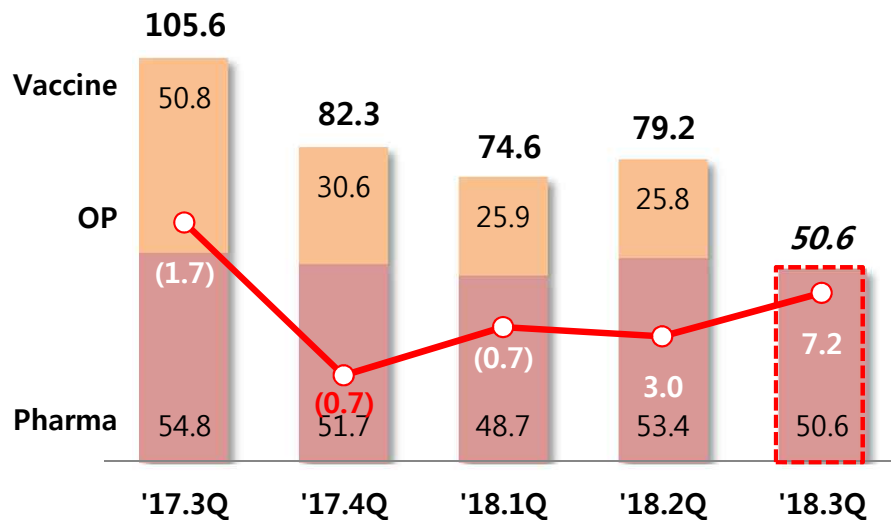
※ The mix ratio increase in 2018

- Before 2.5% → Current 3.0%

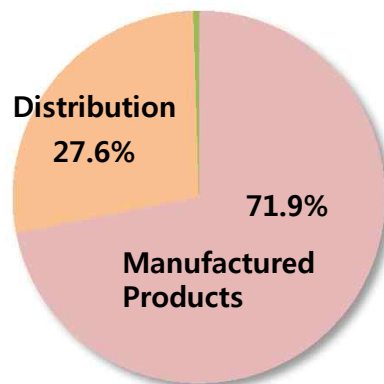
Performance

Quarterly Review

(Unit: KRW bn)



Sales composition (as of 2017)



• 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

• '18 3Q Performance Review

- Sales decreased $\Delta 7.6\%$ YoY due to fewer business days in 3Q and deferred sales to 4Q
- OPM recorded 14%

• '18 4Q Outlook

- Sales increase expected from last year.
- Year-end expenses expected

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

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

II. Subsidiaries



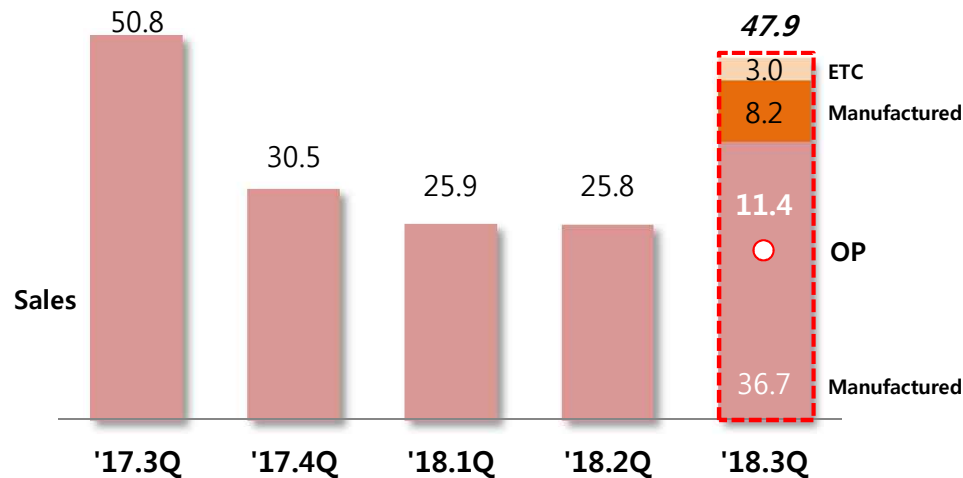
II. Subsidiaries

1) SK Bioscience (Vaccine)

Performance

Quarterly Review

(Unit: KRW bn)



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

• '18 3Q Performance Review

- Sales decreased $\triangle 5.7\%$ YoY mainly due to flu vaccine sales decrease
- OPM recorded 23.8% supported by Upfront fee from Sanofi Pasteur, SKYZoster, and flu vaccine sales
→ removing the upfront fee effect, OPM recorded 16.7%

• '18 4Q Outlook

- SKYCellflu sale continues
- Commercial sale of SKY Varicella rolls out
- SKYZoster vaccine sales and Upfront fee from Sanofi Pasteur (transfer of cell culture technology) continues
→ **4Q OP expected to stay in the black**

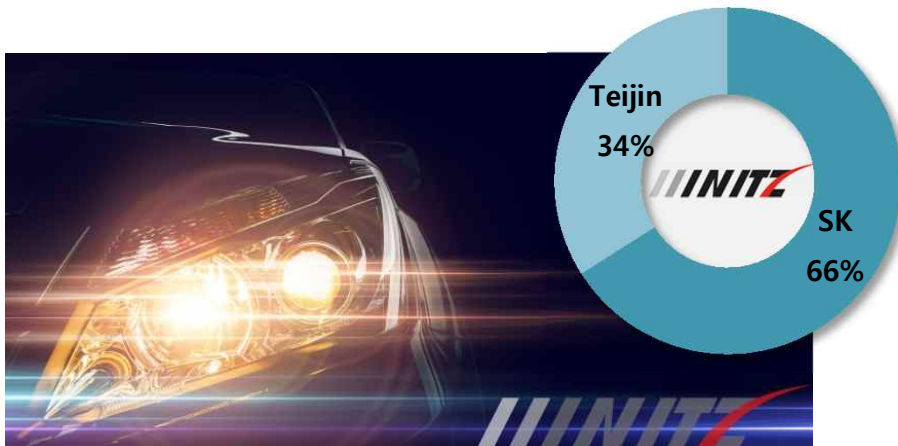
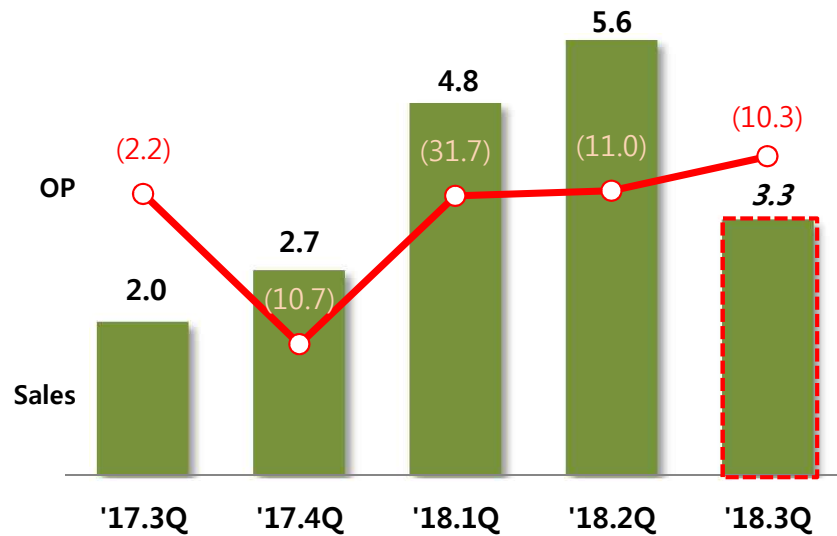
II. Subsidiaries

2) Initiz (PPS)

Performance

Quarterly Review

(Unit: KRW bn)



Review/Guidance

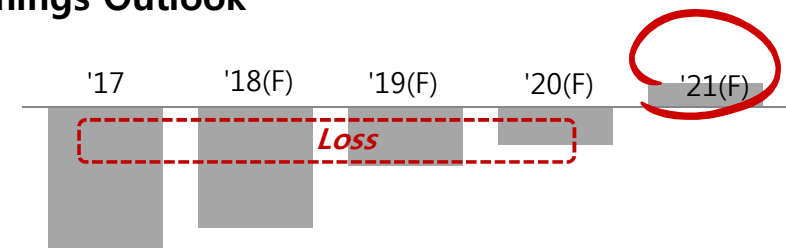
• '18 3Q Performance Review

- Sale of off-grade inventory decreased and loss scaled down

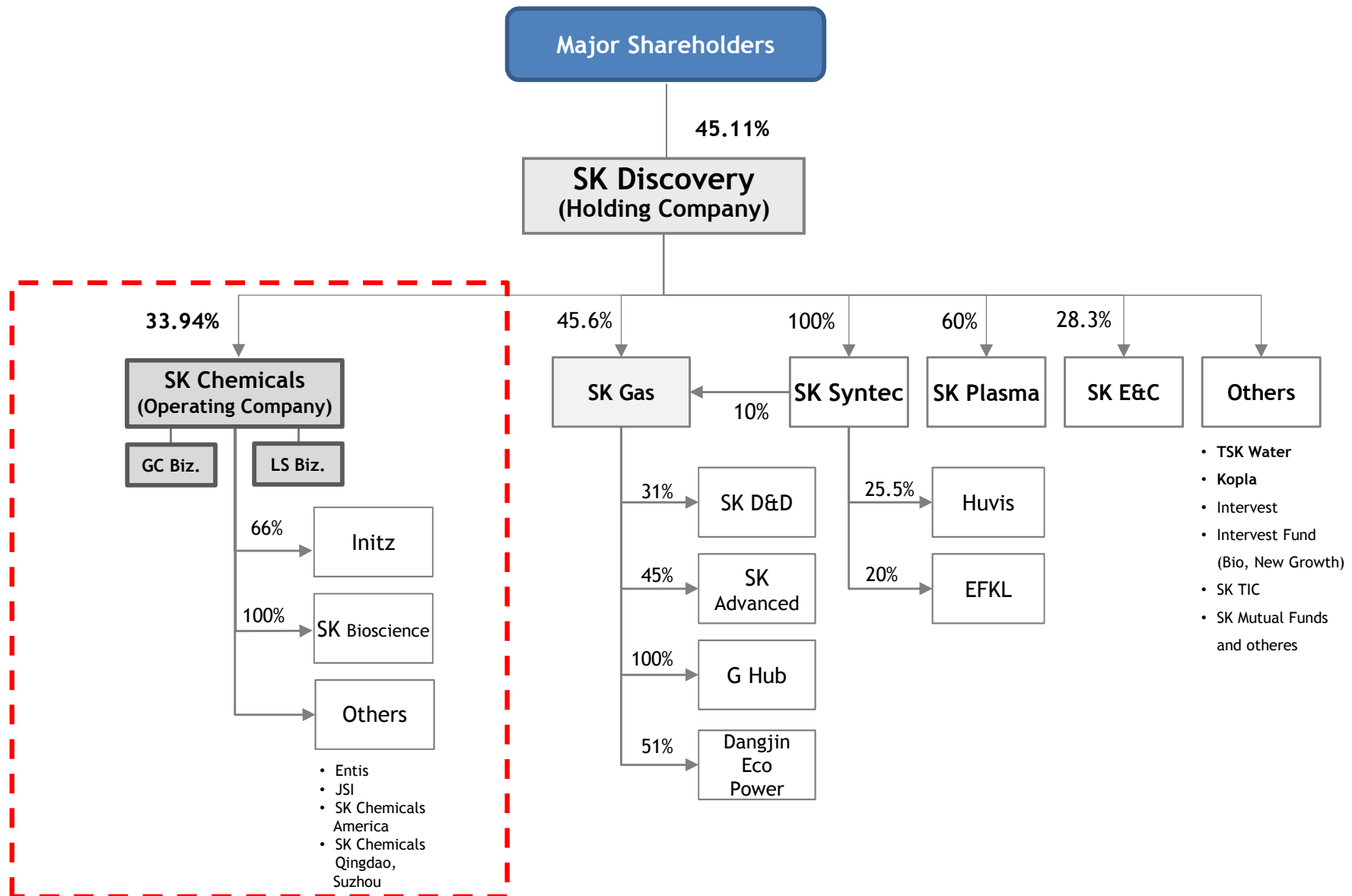
• '18 4Q Outlook

- Quality improvement expected after installation of mixer

• Earnings Outlook



- Financial turnaround after reaching the lowest point in year 2017 → BEP expected in year 2021



End of Documents

