

2019 Letter to Shareholders

Dear Shareholders,

On behalf of SK Holdings' board of directors, I would first like to express my sincere appreciation for your strong support and trust.

As a holding company, we manage and govern our investment portfolio, but we are driven by a more ambitious goal. SK Holdings strives to maximize our portfolio value through active portfolio rebalancing.

Although each subsidiary can work towards driving up its enterprise value, this approach is not adequate to fully capture opportunities arising from changes in the business landscape such as data revolution, digitalization and convergence.

When identifying target areas, we see whether they can generate synergy or bring complementary competitiveness to our portfolio. Such a strategy has enabled us to stay ahead of the game: over the last three years our ROI climbed by 39% annually, resulting in NAV to grow by 20% every year.

We identified three sectors – biopharmaceutical, semiconductor materials and new energy – as our areas of focus, and have made investment and pursued 'value-up' effort: examples include AMPAC Fine Chemicals (AFC), SK Siltron, and Kinestral Technologies. They, in and of themselves, generate great value, but the investment has also brought synergy to our existing business, thus adding value to the portfolio.

The secret tools behind the successful investments are our know-how and talent in telecommunications, petrochemical and semiconductor – areas where we already have a strong global footprint. We took advantage of our strong position and utilized such resources and capabilities in identifying target companies and carrying out post 'value-up' work. In the years to come, we will continue to invest in the three core areas to grow them as our next-generation

businesses.

We also invest in promising, seed-stage enterprises that have a potential to bring synergetic benefits to our portfolio and grow to become one of the core businesses. The current area of focus is mobility. As of now, SK Holdings and our affiliates work on mobility projects independently, but once we identify concrete business opportunities, we will closely work together to generate synergy with the goal of becoming a leading player in the sector.

We also gauge the best time to realize returns on our investment. Once the investment reaches its full growth potential, we collect the profit so that fund can be secured for reinvestment. Last year, we divested the secondhand car business SK Encar and the stock brokerage firm SK Securities; and shared some of the returns with shareholders and secured the rest for future investment. Such effort to build a virtuous cycle of investment will continue in the years to come.

2018 Achievement

Last year, we actively engaged in investment and divestiture activities to improve the fundamentals of our portfolio. In particular, our investments achieved encouraging earnings growth and meaningful progress.

Biopharmaceuticals

SK Biopharmaceuticals filed a new drug application (NDA) to the FDA for Cenobamate, an anti-epileptic drug independently developed by the company, getting one step closer to commercialization.

In CDMO, we successfully entered the US market – the largest pharmaceutical market, by acquiring 100% shares of the US-based AFC in Q3 last year. Together with SK Biotek Daedeok and Sejong, and the Irish facility acquired in 2017, we are now well on our way to become a global top CDMO player.

Semiconductor Materials

Last year, SK Siltron, a semiconductor wafer manufacturer, saw an impressive YOY growth in revenue and operating profit of 45% and 183% respectively. Since the acquisition in 2017, debottlenecking has always been high on the agenda, and by making a long-awaited investment to address the issue, SK Siltron is now equipped with a greater competitiveness. Another growth enabler includes close cooperation among the affiliates in semiconductor value chain such as SK Hynix, SK Materials and SKC; they closely worked together in sharing insights on the industry trend to develop an effective and timely strategy.

New Energy

With the investment in Brazos Midstream Holdings in Permian Basin – the largest oil basin in the US in 2018 and Eureka in 2017, we successfully expanded our G&P portfolio. Brazos is on its way to reach its earnings target and expected to deliver a double-digit growth for the foreseeable future.

2019 Outlook & Plan

Even with increased macroeconomic volatility expected this year, we are still confident that we are able to achieve growth and improve profitability as our growth portfolio start to generate tangible outcomes.

To be more specific, Solriamfetol is on the cusp of commercialization following the NDA approval from FDA, and royalty income is expected from the L/O agreement with Jazz Pharmaceuticals. Also, with the PDUFA date set on November 21, 2019, we have high expectation for upcoming developments of Cenobamate in the US market.

The CDMO business is on the rise as well. With SK Biotek and AFC receiving new orders, a double digit growth in revenue and profit is expected.

Against a bleak outlook for the semiconductor industry among some investors, SK Siltron will

deliver a robust top-line and bottom-line growth this year as it will increase production volume and maintain ASP at the current level. A large share of sales is under long-term agreement, with the share growing. All these factors put SK Siltron in a solid position.

The new energy portfolio looks promising. As the global energy mix is changing fast, companies under the portfolio will enjoy steady growth, even exceeding our original expectation.

In addition, SK Holdings will accelerate the 'value-up' and business model innovation effort by applying digital transformation such as cloud, big data and AI.

Our effort to drive up the portfolio value through rebalancing will continue this year. At the same time, when making decisions, we will take into account increased macroeconomic volatility to ensure financial stability.

Social Value

Creating social value through business activities is embraced as our vision, and this also serves as an important factor in shaping the business model. To be more specific, when evaluating investment, divestiture and 'value-up' projects, we measure both economic and social value by adopting the Double-Bottom Line (DBL) principle. In pursuit of social value creation, more practical-level works will be carried out this year such as improving relevant management system and adopting social value into the KPI.

Corporate Governance

We have worked to improve our governance structure over the last few years.

In 2016, we formed the Governance Committee, comprised only of outside directors whose expertise and experience are highly valued. We are proud to say that every agenda goes through a rigorous review and decision making process. In order to make sure that outside directors have enough time to thoroughly review agendas and make an informed decision, we require every agenda to be reported to the Governance Committee prior to the meeting.

Our effort does not stop here. To protect shareholder rights and have a strong communication channel with shareholders, we adopted the Corporate Governance Charter and appointed an outside director as a shareholder communication officer. At the general shareholders' meeting, we passed an agenda on separating the role of the board chair and CEO. This will give greater independency to outside directors and improve the transparency of the board management.

Shareholder Return

Shaping a dividend policy in a way to reflect SK Holdings' vision of pursuing growth through active portfolio rebalancing has always been my prior task. After careful consideration, we have made changes to the dividend policy. Our dividend policy will no longer be simply linked to the dividend payout ratio. The new dividend policy includes the two components: i) dividends received from our subsidiaries, ii) some of the returns on investment in the event when we realize profits from our investments (e.g. IPO or divestiture).

In 2018, following the adoption of the new policy, we paid an interim dividend for the first time and saw a 25% increase of yearly dividend. Going forward, we will commit ourselves to increasing the enterprise value and shareholder return on a sustainable and stable manner.

As the CEO of SK Holdings, I am proud of remarkable outcomes that we have achieved over the last years. But, the sky is the limit. With highly talented SK people, our success story will continue.

I invite your support and trust as we move forward on this journey.

Thank you.

**CEO and President
SK Holdings Co., Ltd.**

Dong-Hyun Jang

