



Financial Results for '16.1Q

Investor Relations

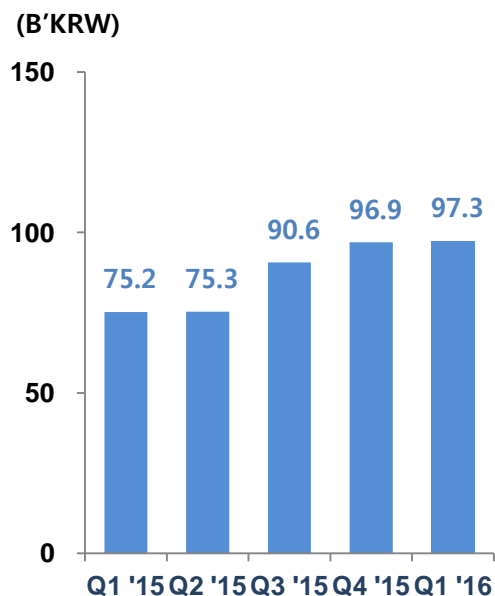
I . Financial Results for '16.1Q



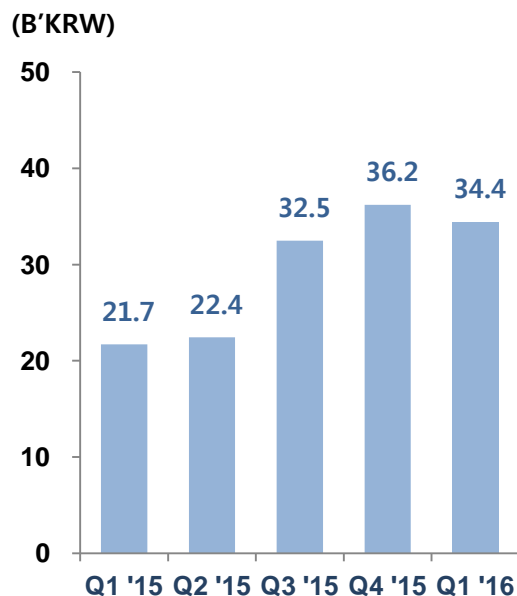
Sales & Operating Income

- Similar sales compared to previous quarter primarily due to Taiwan earthquake in Feb and traditional low season in semiconductor industry
- Minor decrease in operating income due to temporary expenses for SK Airgas acquisition and becoming major shareholder

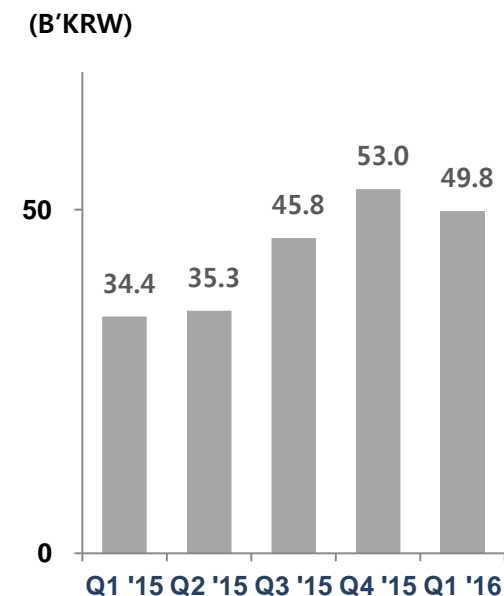
● Sales Revenue



● Operating Income



● EBITDA



Income Statement

(Unit: B'KRW)	Q1'16	Q4'15	QoQ	Q1'15	YoY
Sales	97.3	96.9	0.4%	75.2	29.5%
Gross Profit	42.8	41.0	4.5%	28.8	49.0%
Operating Income	34.4	36.2	-4.9%	21.7	58.6%
EBITDA *	49.8	53.0	-6.0%	34.4	44.6%
Income before Tax	32.9	18.1	81.6%	20.1	63.8%
Net Profit	24.5	12.1	102.3%	15.7	56.3%
Gross Margin	44%	42%	2%P	38%	6%P
OP Margin	35%	37%	-2%P	29%	6%P
EBITDA Margin	51%	55%	-4%P	46%	5%P
Net Margin	25%	12%	13%P	21%	4%P

* EBITDA = Operating Profit+ Depreciation & Amortization

Note. 1) Consolidated results based on K-IFRS

2) Not reviewed by external audit

Balance Sheet

- Increase in Assets due to investment for NF3 expansion, etc.
 - In process of appropriating unpaid dividend, debt ratio worsened temporarily.
- Overall, cash & cash equivalents increased and debts decreased

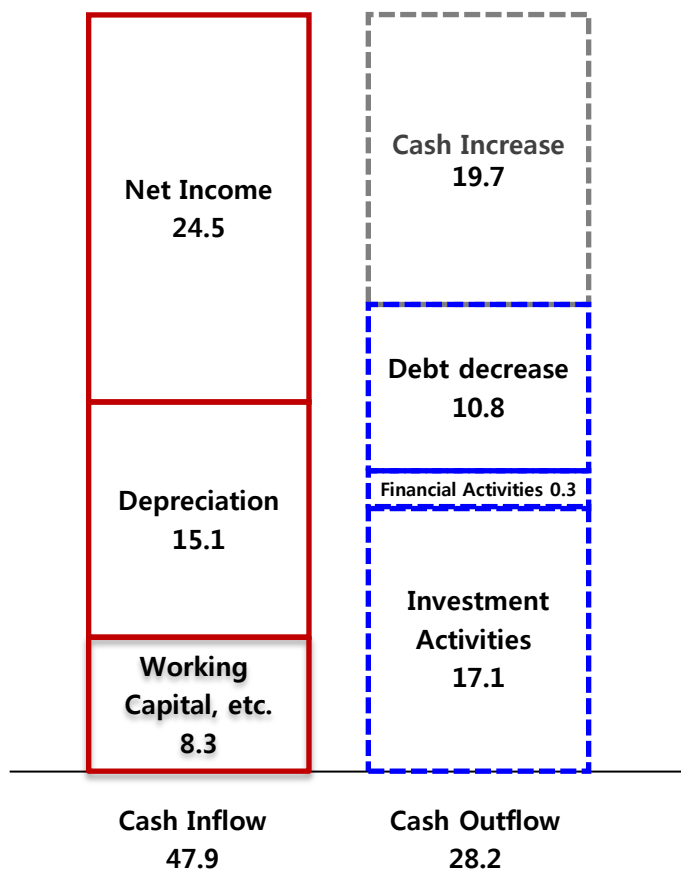
(Unit: B'KRW)	Mar. 31, 2016		Dec. 31, 2015		Change
		%		%	
Current Assets	189.8	27%	165.2	25%	24.6
Cash & Cash equivalents	61.2	9%	41.6	6%	19.6
Account Receivables	64.4	9%	64.2	10%	0.2
Inventories	63.0	9%	58.3	9%	4.7
Non-current Assets	504.0	73%	499.9	75%	4.1
Tangible Assets	483.5	70%	480.2	72%	3.3
Total Assets	693.8	100%	665.1	100%	28.7
Liabilities	320.1	46%	288.8	43%	31.3
Debts*	182.2	26%	193.0	29%	-10.8
Shareholders' Equity	373.7	54%	376.4	57%	-2.6
Capital	5.3	1%	5.3	1%	
Liability to Equity Ratio	85.7%		76.7%		8.9%

* Debt= Short-term Borrowings+ Current portion of Long-term Borrowings+ Debentures+ Long-Term Borrowings

Note. 1) Consolidated results based on K-IFRS

2) Not reviewed by external audit

- Financial structure improved through cash from operating activities
- Investment Activities: NF3 Expansion(P3/1,000MT) and cylinder(container), etc.



(Unit: B'KRW)	Amounts	Remarks
Cash from Operating Activities	47.9	
Net Income	24.5	
Depreciation	15.1	
Working Capitals & etc.	8.3	
Cash from Investment Activities	(17.1)	
CapEx	(17.2)	
Others	0.1	
Cash from financial Activities	(0.3)	
Others	(0.3)	
Free Cash Flow	30.5	
Debt	(10.8)	
Cash increase	19.7	
Beginning Cash	41.4	
Ending Cash	61.1	

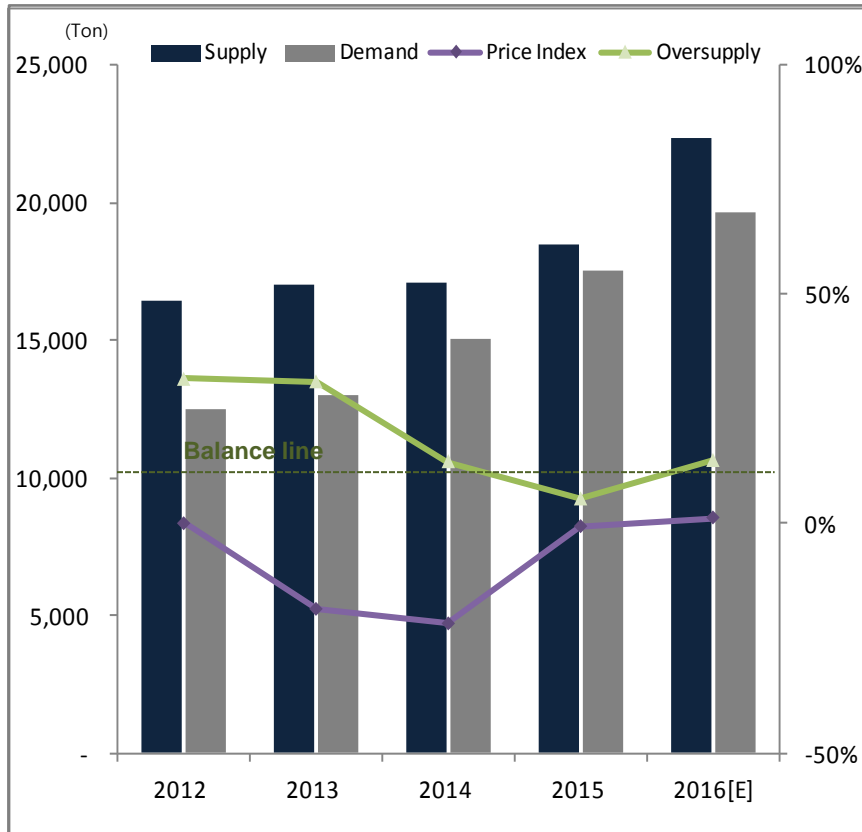
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II. Industry and Business



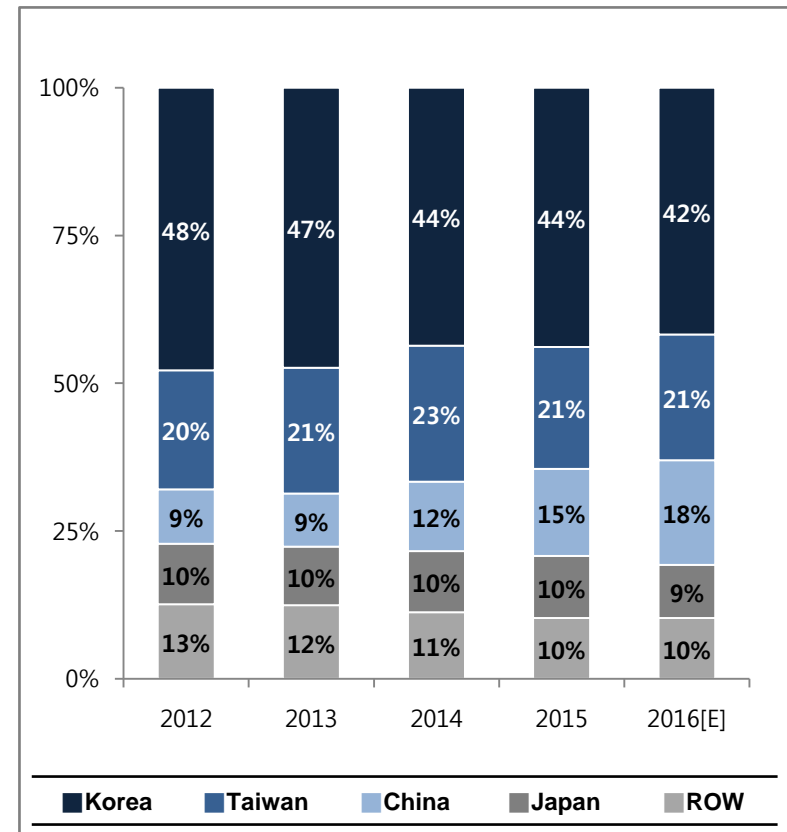
- Continuous increase in demand due to 3D NAND, miniaturization, expansion in OLED investment and Chinese panel industry
- Despite the expansion in NF3 factories, balanced Supply and Demand is projected

NF3 Supply & Demand



Note 1) market price index: 2012=100

Regional Demand



Key Issues in Semiconductor Market

- ✓ Steep rise in SSD demand lead the 3D NAND manufacturers to expand investment
- ✓ China's Long term investment plan in domestic semiconductor industry
- ✓ Despite the stagnant market in PC, miniaturization process expansion and increase in DRAM s for servers projects positive impact on SK materials' sales

Key Issues in Display Market

- ✓ 2016 average TV screen size: 40 inches
(2015: 38 inches)
- ✓ Flattened and partial rebound of declined panel price, and nearing sports events, etc projects increase in demand
- ✓ Domestic display industry increases OLED investment

Long Term Development Strategy

1 Expand existing products sales and diversify in higher value products

- Expand sales in existing main products(NF3, WF6)
- NF3 Capa : '15 7,600 tons → 17.1Q 9,100 tons
- Affiliate with leading manufacturers in advanced materials to expand higher value products
- Maximize synergy by entering industry gas business

2 Groundbreaking price model /Greater enhancement in Quality

- Improve cost management, quality management SHE system, utilizing Group's chemical engineering capacity

3 Develop and enter into next generation items business

- e.g. Next generation semiconductor materials/
OLED etc.

“Reinforce competitiveness in existing business and upgrade higher value portfolio to leap forward into global top-tier comprehensive materials supplier”

Leap for global top-tier comprehensive materials supplier through the expansion of the Industry gas

□ Acquisition Overview

- Seller : SKC
- Cost of undertaking : 75,001M'KRW(80%)
- Date of acquisition : 2016. 4. 4

□ Forecast of domestic industrial gas market

- **Domestic industrial gas market**
 - Market scale: 1.6 T'KRW('15)
 - CAGR over the past decade: 12%
- **Domestic IT industrial gas market**
 - Market scale: 0.7 T'KRW('15)
 - CAGR over the past decade: 14%

Expected Effect

- 1. Synergy through 'Specialty Gas' of SK Materials & 'Industrial Gas' of SK Airgas**
 - Sharing Safety management / Products analysis / Logistics infra / Sales channels etc.
- 2. Capture opportunity to expand industrial gas sales**
 - High demand growth based on semiconductor miniaturization
- 3. Stable revenue materialized through the portfolio restructure**
 - Specialty Gas 'Growth' + Industrial Gas 'Stability'
 - ※ Low variable cost (basic material being air), Long term supply structure

□ Overview

- Company Name : SK Airgas Co., Ltd.
- Products : Industrial Gas (O₂, N₂, Ar etc.)
- Employees : 34 persons(As of Feb, 2016)
- Location : Ulsan
- Sales 79B'KRW, Operating Income 18B'KRW(22.1%)
(As of 2015)

□ History

- '07.06 ○ SKC Airgas Founded
(SKC 80%, TNSC 20% JV)
- '08.10 ○ Completed #1/2 ASU (Air Separation Unit)
- '09.01 ○ Started Production
- '13.06 ○ Completed #3 ASU
- '16.04 ○ The Largest Shareholder Changed
(SKC → SK Materials)
↓

□ Shareholder (April, 2016)

Shareholder	Share ratio
SK Materials	80%
Taiyo Nippon Sanso	20%
Total	100%

□ Financial State

(B'KRW)	'11	'12	'13	'14	'15
Sales	29	33	45	64	79
Operating Income (%)	5 (16%)	6 (19%)	11 (23%)	14 (22%)	18 (22%)
EBITDA	8 (30%)	11 (32%)	15 (34%)	21 (33%)	25 (32%)

Planning to push ahead high value/ next generation precursor business, the core material of semiconductor miniaturization

❑ Precursor Overview

- Semiconductor film deposition gas for high integration and miniaturization
- Market Forecast
 - . Global Precursor Market Cap. 0.7T'KRW (As of 2016)
 - . Growth is expected as a core material for semiconductor miniaturization and 3D NAND

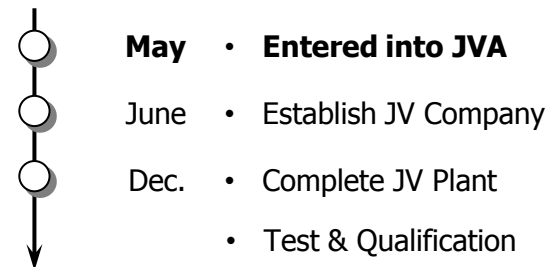
❑ JV Overview

- Company Name : SK Tri Chem Co., Ltd.
- Shareholder : SK Materials 65%, Tri Chem 35%
- Capital : 20B'KRW
- Biz Scope : R&D, Production and Sales in Next-generation Precursors
- Location : Sejong City

❑ Partner Overview

- Company Name : Tri Chemical Laboratories Inc.
- Shareholder : Founding family 20%
(Market Cap US\$120M, JASDAQ Listed)
- Customer: Micron/Toshiba, TSMC etc.
- Top-tier technology of Precursor sector
- Sales 55B'KRW / EBITDA 11B'KRW

❑ Schedule



Appendix. SK Materials Introduction



Overview

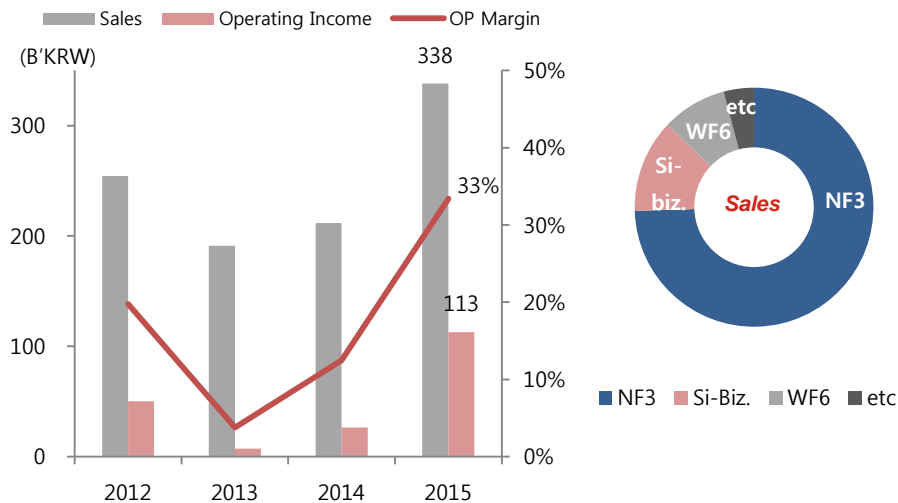
■ Established in 1982, Global leader in specialty gas industry

- NF3 : Global Market share 40%
- WF6
- SiH4

■ Locations

- Plant: Yeongju Korea, Jiangsu China
- Warehouse : Xian China, Yokkaichi Japan, Taichung Taiwan

Financial Results for 2015 (Consolidated)



History

- 1982. 11 Established
- 1999. 12 Listed on KOSDAQ
- 2001. 3 Start Specialty gas business
Completion of 1st NF3 plant (N1)
- 2010. 4 Established Foreign Corporation in Japan and Taiwan (Warehouse)
- 2011. 6 Established Foreign Corporation in China
- 2012. 11 Completed NF3 Plant in China
Completed Si2H6 Plant
- 2013. 6 Established Foreign Corporation in Xian China (Warehouse)
- 2016. 2 Largest Shareholder Changed (OCI → SK, 49.1%)
Changed Corporate Name to SK Materials Co., Ltd.
- 2016. 4 Acquired 80% shares of SK Airgas

Major Products

구분	Capacity	Use
NF3	7,600 ton (Including China)	- For Plasma CVD/Chamber Cleaning
WF6	300 ton	- Forms Metal Contact by injecting WF6 into the CVD manufacturing process
SiH4	2,000 ton	- For Si-centered film deposition for semiconductor and a-Si deposition upon glass plate for TFT-LCD

Plant & Warehouse

