

# Financial Results for 2Q2017

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Investor Relations | July 27, 2017



## Disclaimer

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The following earnings statement and the financial, business and other information contained herein are current only of the date hereof and readers are advised that changes in general macroeconomic, business, financial and other conditions may have occurred since such a date and our financial state and results of operations may have been substantially impacted as a result of such occurrences. Certain information contained herein may be considered forward-looking in nature, which are based on certain conjectures and expectations of future events that are subject to risks and uncertainties, including comments on trends in the global economy and the duration of such trends, future development and investment plans including market strategies and business plans. We disclaim any responsibility or obligation to update or disseminate any revisions to any forward-looking statements contained in this document to reflect any changes in conjectures or circumstances.

The actual future results and trends and statements regarding plans or expectations may change due to various factors which the management has not anticipated, including as a result of a further slowdown in global economic growth, further weakening of customer demand for our products and the loss of major customers, pricing pressures, inability to finance certain projects and capital expenditures on appealing terms, or at all, among others.

The financial information contained herein has not been audited. Readers are advised that the actual results may differ as a result of the audit of our financial results for the quarter ended June 30<sup>th</sup>, 2017.

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## **I. Business Overview**

## **II. 2017 Second-Quarter Results**



# 1. Company Profile

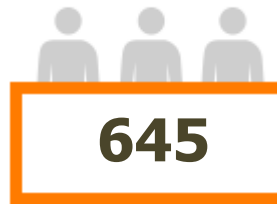
(As of June 2017)



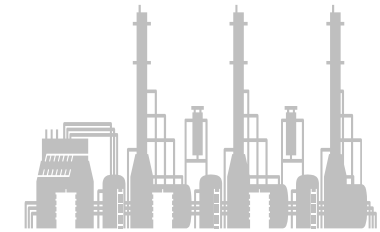
**Establishment**  
1982. 11. 10



**Headquarter**  
Yeong ju, Korea



**No. of employees**  
645 (SK materials, Korea),  
821 (including employees  
in 7 subsidiaries)



**Key Business**  
Specialty gas production  
for semiconductor/display  
(Global No.1 NF3 Company)

**990.3**  
billion



**Assets**  
990.3 billion won

**461.4**  
billion



**Sales**  
461.4 billion won  
(Year-End Report 2016)

**154.1**  
billion



**Operation Income**  
154.1 billion won  
(Year-End Report 2016)

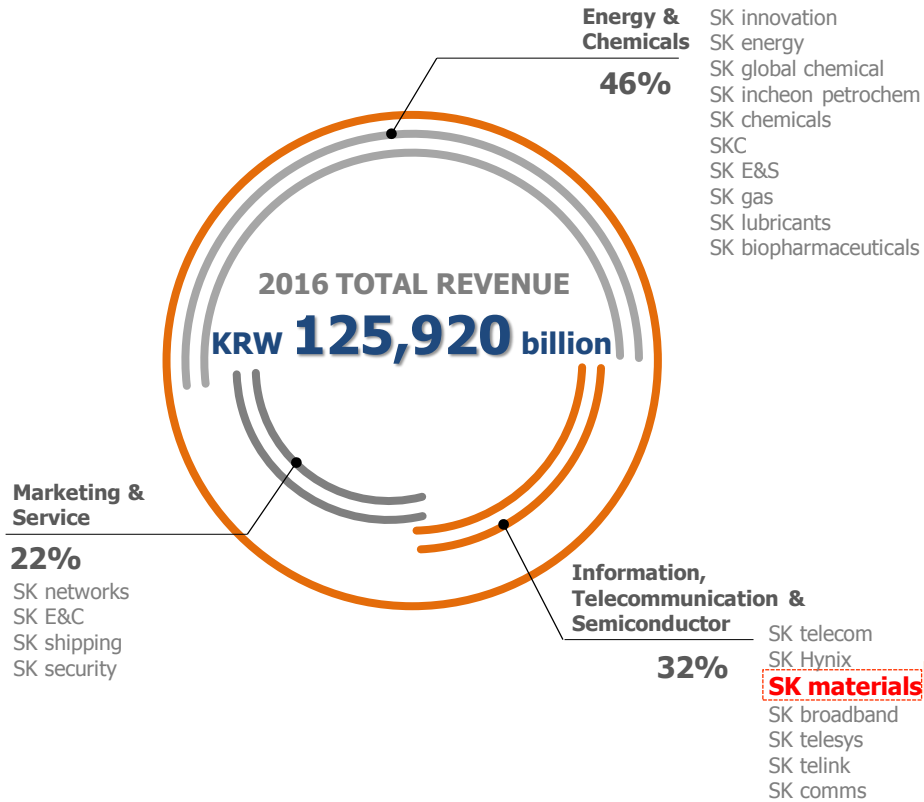
**7**



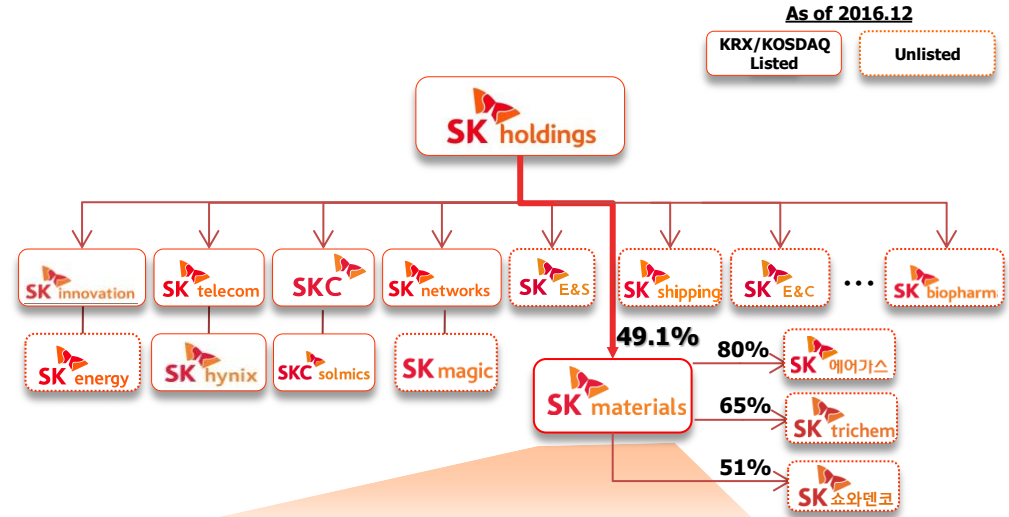
**Subsidiaries & Corporation**  
3 domestic subsidiaries/JV  
& 4 overseas corporations

# 2. Status of SK materials in SK

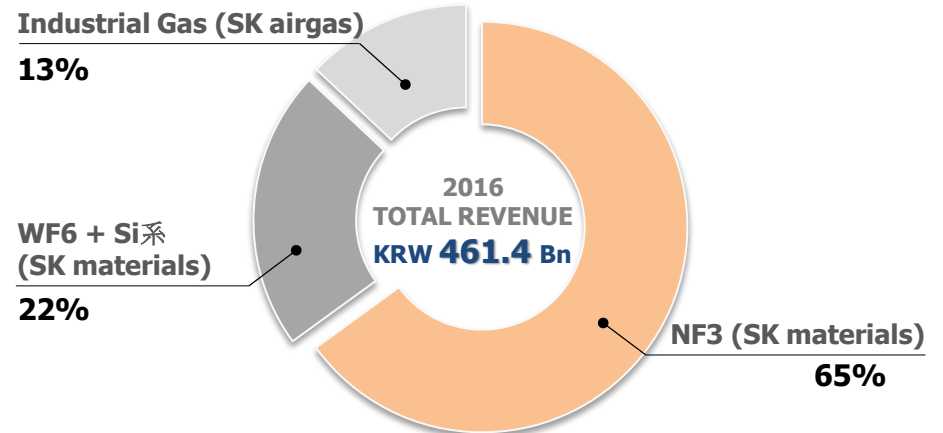
## SK Group Business Performance



## SK Group Governance Structure



## SK materials Business Portfolio & Performance



# Contents

I. Business Overview

**II. 2017 Second-Quarter Results**



# 1. 2Q2017 Financial Results

**Despite difficult market conditions including deferred sales from delayed client's new Fab Ramp-up and increased raw material prices, sales volume increased and achieved visible performance improvement compared to last quarter (Operating Profit +14%)**

## [ Consolidated Income Statement ]

(unit: KRW bn)

	'17. 2Q (E)				
	'17.2Q	'17.1Q	QOQ	'16.2Q	YOY
<b>Sales</b>	<b>124.2</b>	116.4	+7.8	116.5	+7.7
<b>Operating Income</b>	<b>37.8</b>	33.1	+4.7	38.8	Δ1.0
OP margin (%)	<b>30%</b>	28%	+2%p	33%	Δ3%p
<b>Income before Tax</b>	<b>35.0</b>	29.9	+5.1	35.1	Δ1.0
<b>EBITDA</b>	<b>56.5</b>	51.4	+5.1	54.8	+1.7
EBITDA(%)	<b>45%</b>	44%	+1%p	47%	Δ2%p
<b>Net Income</b>	<b>26.4</b>	21.8	+4.6	26.7	Δ3.0

Note 1) Cons. results based on K-IFRS

2) Not externally audited yet

## 2. 2Q2017 Financial Performance

(unit: KRW bn)

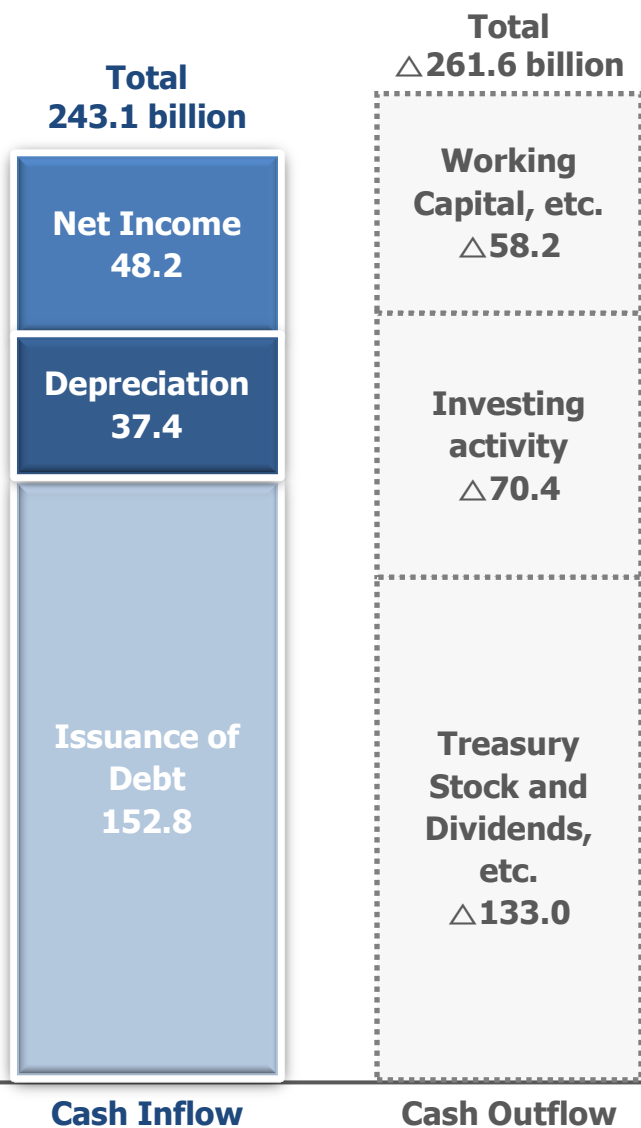
	2014末	2015末	2016末	2017 6末
<b>Total Assets</b>	<b>589.8</b>	<b>665.1</b>	<b>903.1</b>	<b>990.3</b>
Cash/Current Assets	18.0	41.5	61.4	63.0
Account Receivables	53.8	64.2	79.0	75.9
Inventories	45.7	58.3	74.3	84.1
Tangible Assets	449.8	480.2	661.5	728.5
<b>Liabilities</b>	<b>266.9</b>	<b>288.8</b>	<b>466.0</b>	<b>624.6</b>
Debts	220.0	192.9	317.4	467.0
Interest Coverage Ratio	2.8x	15.7x	15.4x	11.4x
<b>Shareholders' Equity</b>	<b>322.9</b>	<b>376.4</b>	<b>437.1</b>	<b>365.7</b>
ROE	4.0%	22.0%	22.0%	-

Note 1) Cons. results based on K-IFRS

2) Not externally audited yet

### 3. 2Q2017 Cash Flow

(unit: KRW bn)



'17. 1. 1 ~ '17. 6. 30	Account	
Beginning Cash Balance	60.3	
<b>Cash Flows from Operating Activity</b>	<b>27.4</b>	
Half-year Net Income	48.2	
Depreciation, Depletion & Amortization	37.4	
Working Capital, etc.	△58.2	Accounts Payable
<b>Cash Flows from Investing Activity</b>	<b>△70.4</b>	
Capital Expenditures on Fixed Assets	△71.0	
Others	0.6	
<b>Cash Flows from Financing Activity</b>	<b>24.5</b>	
Dividends Paid	△38.2	KRW 3,550 per share
Repurchase of Common Stock	△94.8	
Issuance of Debt	152.8	Proceeds from Corporate Bonds (KRW 150 billion)
Others	4.7	Issuance of Additional Stocks for Subsidiaries
Net Changes in Cash	△18.5	
<b>Ending Cash Balance</b>	<b>41.8</b>	

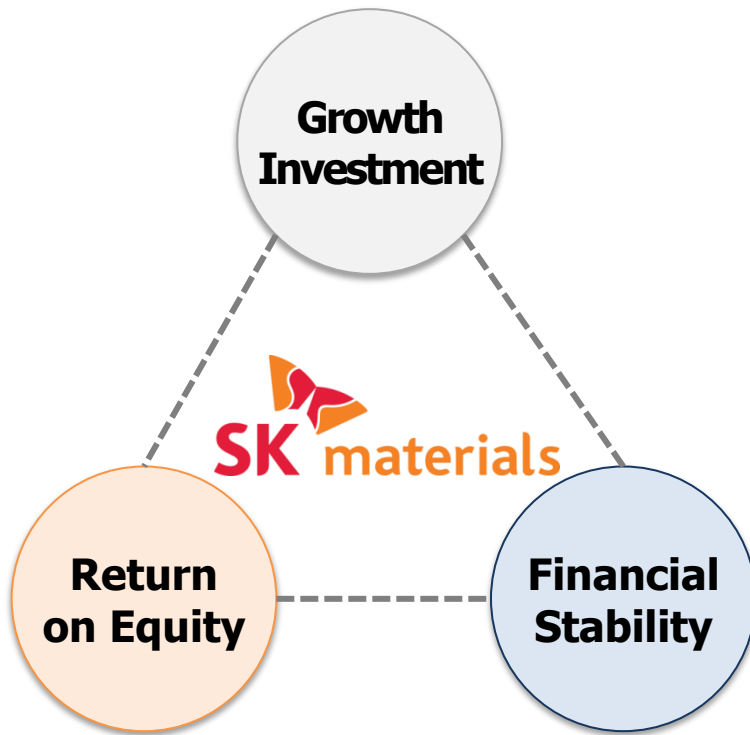
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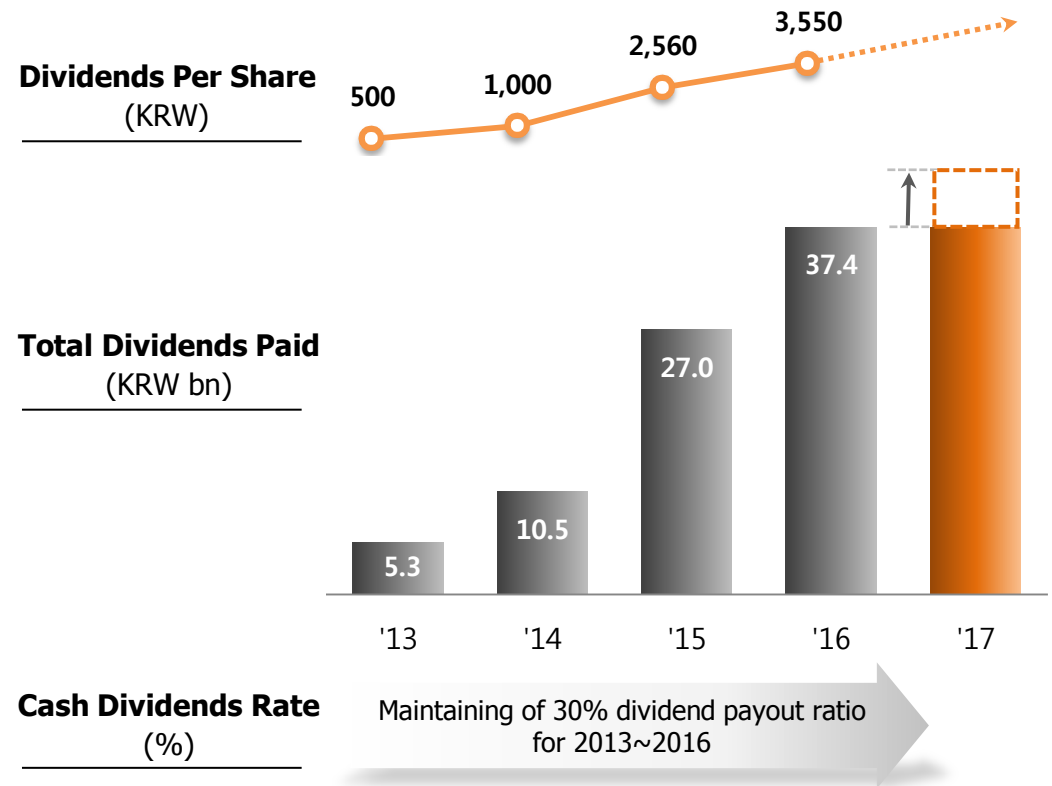
# 4. Increase in Shareholder Value

Considering shareholder value as top priority, efficient enforcement of investment and national highest level return policy on shareholders will be continued.

## Fundamental Principles



## Yearly Dividend scale



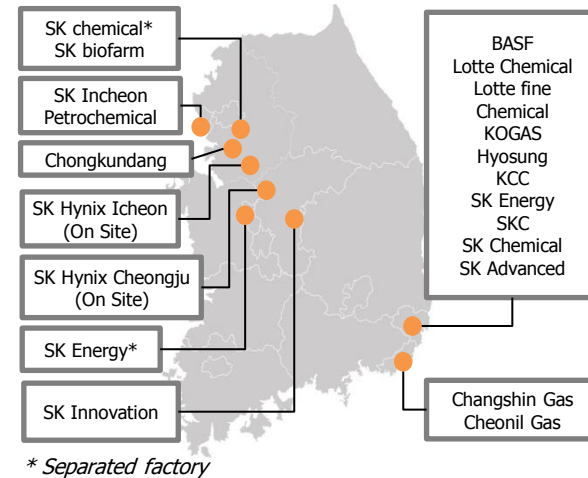
# [Ref.] SK airgas Business Status

**Under existing stable profit-earning base, sustainable growth through new market development and positive promotion of new projects**

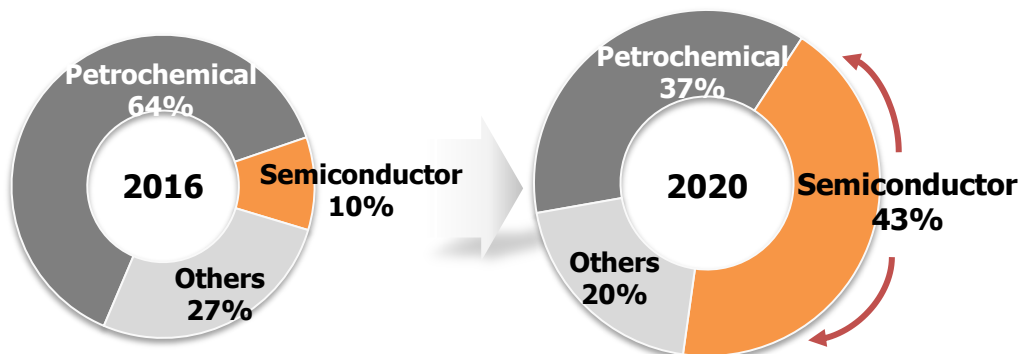
## [ Company Status ]

<b>Company Name</b>	▪ SK airgas
<b>Key Business</b>	▪ Industrial gas production (Oxygen/Nitrogen/Argon, etc.)
<b>Address</b>	▪ 619 Yongjam-ro, Nam-gu, Ulsan, Korea
<b>Employees</b>	▪ 57 (As of June 30, 2017)
<b>Shareholders</b>	▪ SK Materials 80%, TNSC(日) 20%
<b>Equipment Capacity</b>	▪ Nitrogen 64K Nm3/hr 外 Oxygen, Argon, etc.

## [ Customers ]

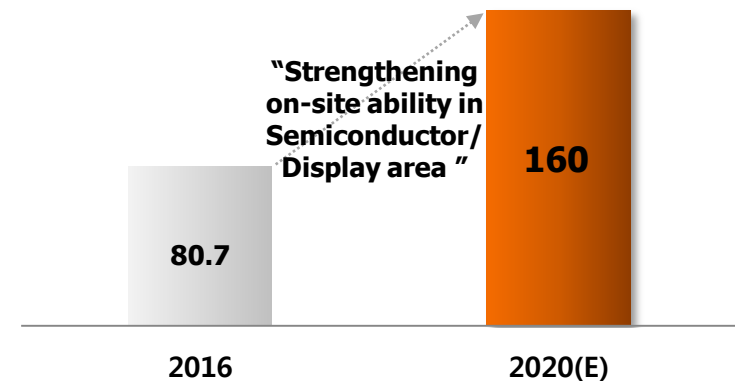


## [ Business sector ]



## [ Sales Target ]

(unit: KRW bn)



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