

Financial Results for 3Q2017

Investor Relations | October 26, 2017

Disclaimer

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 September 30th, 2017.

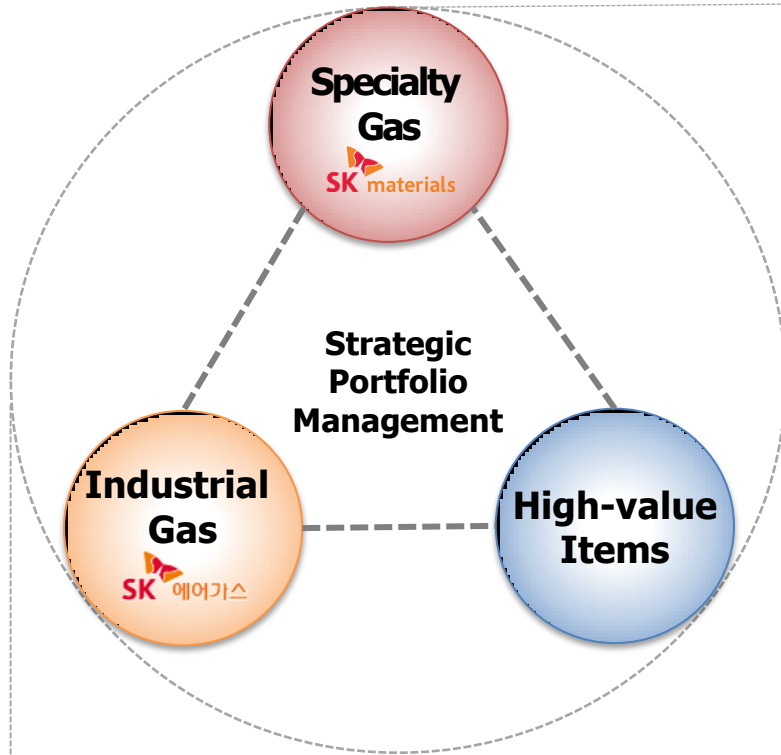
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1. SK materials at present



Specialty Gas

- **NF3/WF6** : securing global presence for no.1 in the market by quickly grasping major clients' demand through proactive capacity increase in Korea & China
- **Si系** : increasing M/S in large clients & introducing more high-value downstream products* by taking advantage of Korea's only production facility

* Si₂H₆, DCS, MCS and more

Industrial Gas

- **Building on-site capability for semiconductor & display**
- **Advancing into the global market including China**

High-value Items

- **Developing new biz. w/ high added-value through JV**
- Precursor, CF-type etching gas
- **Product Portfolio Upgrade by Entering New High-Value Biz**

※ Production capacity

(unit : MT/Yr)

| | 2015末 | 2016末 | 2017 9末 |
|------|-------|-------|---------|
| NF3 | 7,600 | 8,600 | 9,100 |
| WF6 | 300 | 600 | 1,200 |
| SiH4 | 2,000 | 2,000 | 2,000 |
| DCS | 150 | 150 | 300 |

2. Key Customers

Out of headquarters in Yeong ju, Korea, company has 4 overseas corporations in China, Taiwan, and Japan and 3 domestic subsidiaries (SK Airgas-SK Trichem-SK Showa Denko)



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1. 3Q2017 Financial Results

Even if the market is difficult as the rise of the raw material price and the intensive competition, the quarterly profit continuously grows that the favorable turn of upstream industries leads to increase the sales volume and to expand the profit of SK Airgas. (q-o-q operating profit +6%)

[Consolidated Income Statement]

(unit: KRW bn)

| | '17. 3Q (E) | | | | |
|--------------------------|-------------|--------|------|--------|------|
| | '17.3Q | '17.2Q | QOQ | '16.3Q | YOY |
| Sales | 131.5 | 124.2 | +7.3 | 123.7 | +7.8 |
| Operating Income | 40.2 | 37.8 | +2.4 | 40.6 | Δ0.4 |
| OP margin (%) | 31% | 30% | +1%p | 33% | Δ2%p |
| Income before Tax | 37.7 | 34.9 | +2.8 | 36.1 | +1.6 |
| EBITDA | 59.6 | 56.5 | +3.1 | 58.1 | +1.5 |
| EBITDA(%) | 45% | 45% | 0%p | 47% | Δ2%p |
| Net Income | 28.1 | 26.4 | +1.7 | 27.0 | +1.1 |

Note 1) Cons. results based on K-IFRS

2) Not externally audited yet

2. 3Q2017 Financial Performance

(unit: KRW bn)

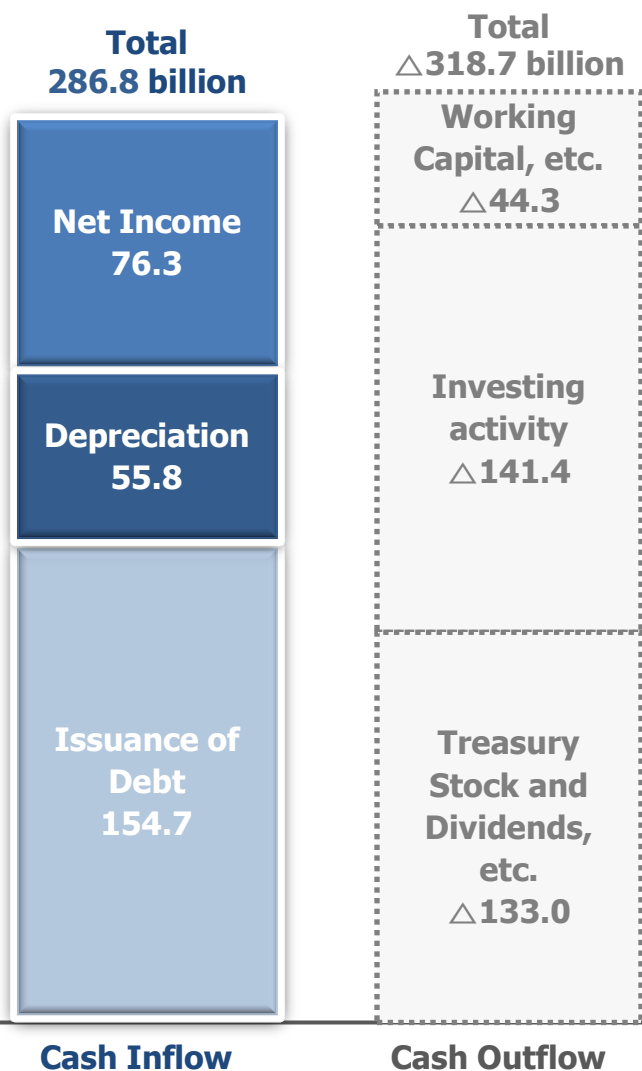
| | 2014末 | 2015末 | 2016末 | 2017 9末 |
|-----------------------------|--------------|--------------|--------------|---------------|
| Total Assets | 589.8 | 665.1 | 903.1 | 1063.9 |
| Cash/Current Assets | 18.0 | 41.5 | 61.4 | 28.6 |
| Account Receivables | 53.8 | 64.2 | 79.0 | 89.5 |
| Inventories | 45.7 | 58.3 | 74.3 | 87.4 |
| Tangible Assets | 449.8 | 480.2 | 661.5 | 819.1 |
| Liabilities | 266.9 | 288.8 | 466.0 | 678.5 |
| Debts | 220.0 | 192.9 | 317.4 | 464.9 |
| Interest Coverage Ratio | 2.8x | 15.7x | 15.4x | 11.2x |
| Shareholders' Equity | 322.9 | 376.4 | 437.1 | 385.4 |
| ROE | 4.0% | 22.0% | 22.0% | N/A |

Note 1) Cons. results based on K-IFRS

2) Not externally audited yet

3. 3Q2017 Cash Flow

(unit: KRW bn)



| '17. 1. 1 ~ '17. 9. 30 | Account | |
|---|---------------|---|
| Beginning Cash Balance | 60.3 | |
| Cash Flows from Operating Activity | 87.8 | |
| Half-year Net Income | 76.3 | |
| Depreciation, Depletion & Amortization | 55.8 | |
| Working Capital, etc. | △44.3 | Accounts Payable |
| Cash Flows from Investing Activity | △141.4 | |
| Capital Expenditures on Fixed Assets | △142.1 | |
| Others | 0.7 | |
| Cash Flows from Financing Activity | 217 | |
| Dividends Paid | △38.2 | KRW 3,550 per share |
| Repurchase of Common Stock | △94.8 | |
| Issuance of Debt | 149.2 | Proceeds from Corporate Bonds (KRW 150 billion) |
| Others | 5.5 | Issuance of Additional Stocks for Subsidiaries |
| Net Changes in Cash | △31.9 | |
| Ending Cash Balance | 28.4 | |

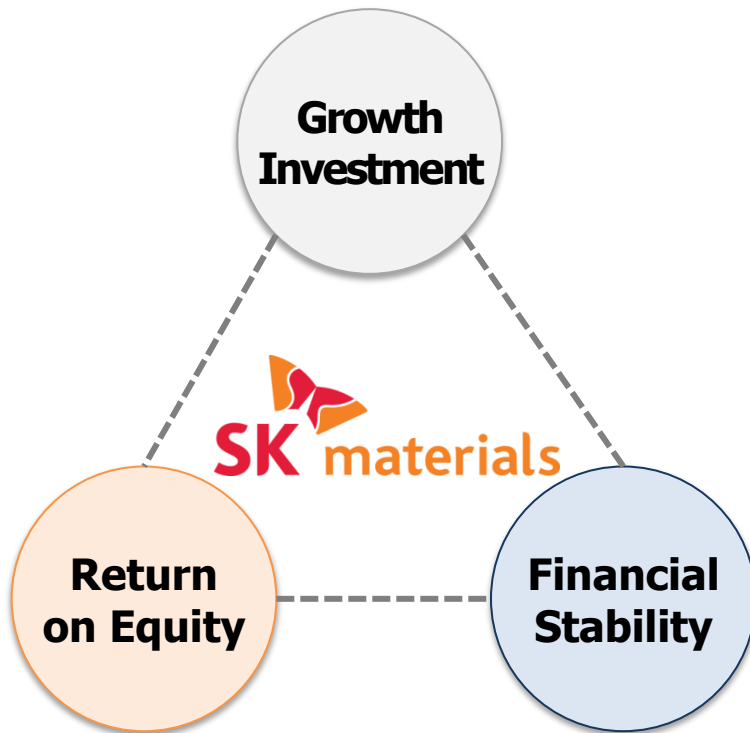
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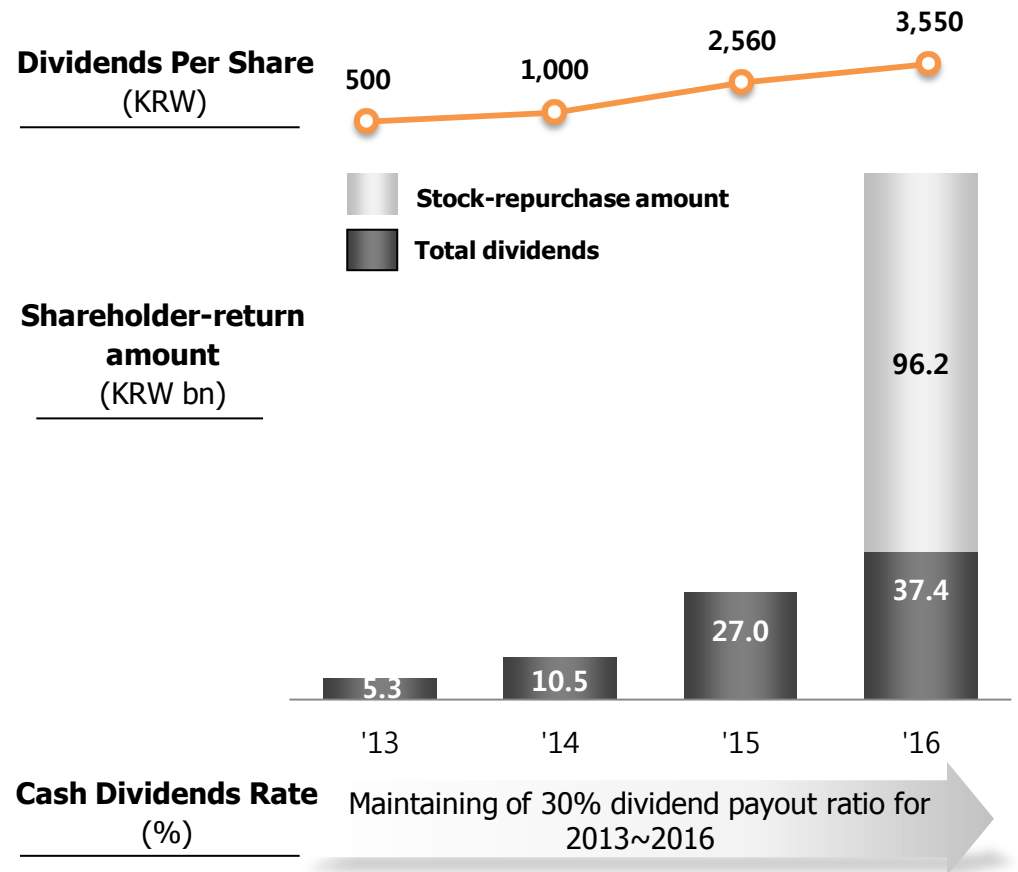
[Ref.] Increase in Shareholder Value

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

Fundamental Principles



Yearly shareholder return volume



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