

Financial Results for 3Q2019

Investor Relations | Oct 30, 2019

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, 2019.

Contents

I. Business Overview

II. 2019 Third-Quarter Results



1. Company Profile

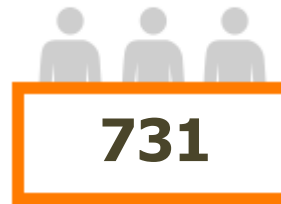
(As of September 2019)



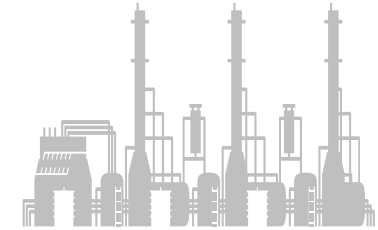
Establishment
1982. 11. 10



Headquarter
Yeong ju, Korea



No. of employees
731 (SK materials, Korea),
1,063 (including employees
in 9 subsidiaries)



Key Business
Specialty gas production
for semiconductor/display
(Global No.1 NF3/WF6
Global No.2 SiH4 Company)

1,398.4
billion won



Assets
1,398.4 billion won
(Year-End Report 2018)

687.3
billion



Sales
687.3 billion won
(Year-End Report 2018)

182.9
billion



Operation Income
182.9 billion won
(Year-End Report 2018)

9



Subsidiaries & Corporation
4 domestic subsidiaries/JV
& 5 overseas corporations

2. Status of SK materials in SK

Expanded the business range as well as the successful establishment of the semiconductor material platform after incorporating it into SK Group in 2016

'16

- **Incorporated into SK Group**
(Change of the Company Name : SK materials)
 - Specialty Gases of NF₃, WF₆, SiH₄, Si₂H₆, etc.
- **Acquired SK Airgas (80%)**
 - Industry gas supply to industry complex in Ulsan and semi-conductor fab on site
- **Established SK trichem JV (Japan's Tri-Chemical)**
 - Precursor: Zr·Si·Ti·Hf type products

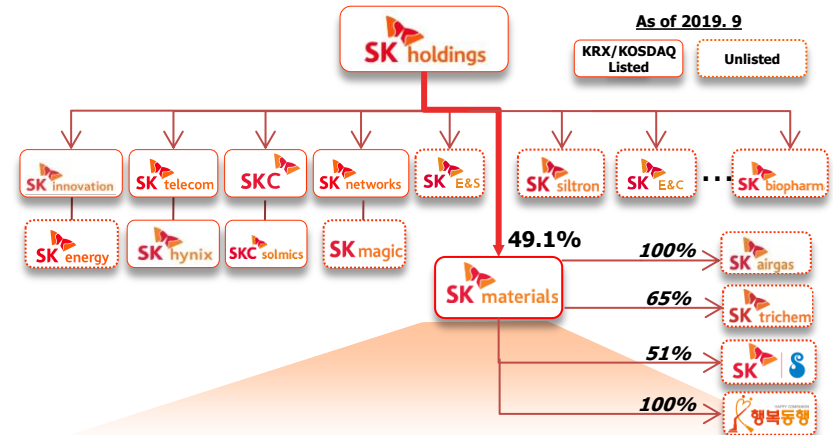
'17

- **Established the SK Showa Denko JV (Japan's Showadenko)**
 - CF-type Etching Gases of CH₃F, C₄F₆, etc.
- **Established business offices in China(Suzhou) and Japan(Osaka)**

'18

- **Acquired the remaining stocks (20%) of SK Airgas**
- **Entered into the high-performance Wet Chemical business**
 - Jointly developed HSP (High Selectivity Phosphoric Acid) with LTCAM

【SK materials Biz As-Is】

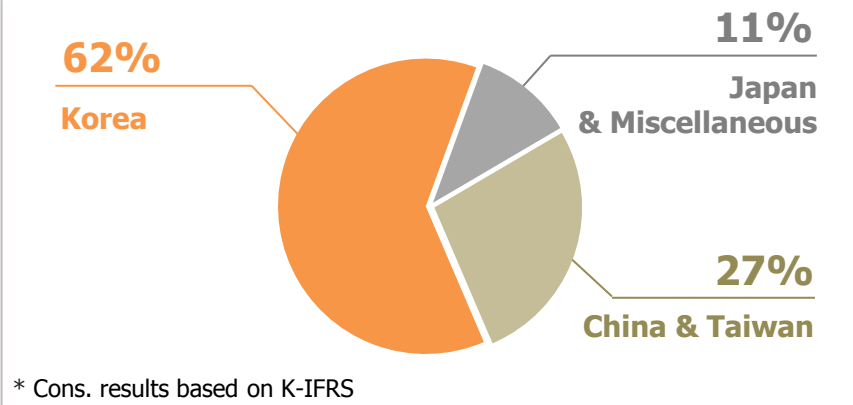


| | 2015 | 2018 |
|---------------------------------|-------------------|-------------------|
| Sales (consolidated) | 338 billion won | 687.3 billion won |
| EBITDA (consolidated) | 168.4 billion won | 277.4 billion won |
| Customers | 30 | 148 |
| Products | 6 | 36 |
| (Global M/S) | | |
| - NF ₃ | 40% | 43% |
| - WF ₆ | 20% | 33% |

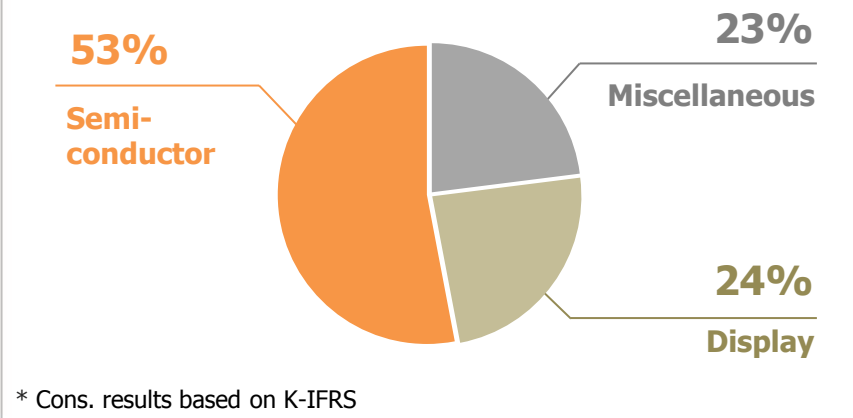
3. Global Network & Sales Summary



1 Each region's share of revenue (2018)

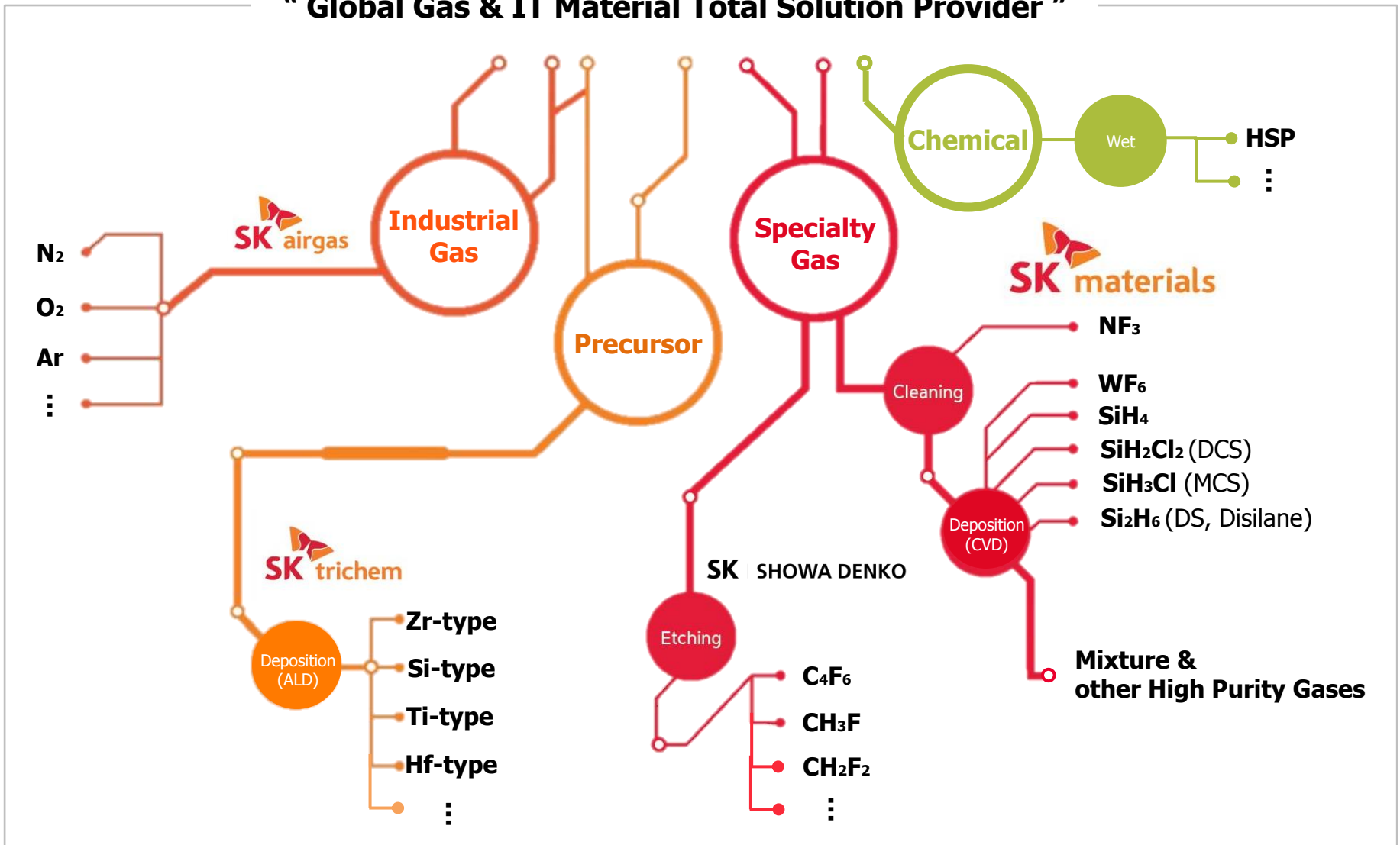


2 Each business category's share of revenue (2018)



4. Product Portfolio

“ Global Gas & IT Material Total Solution Provider ”



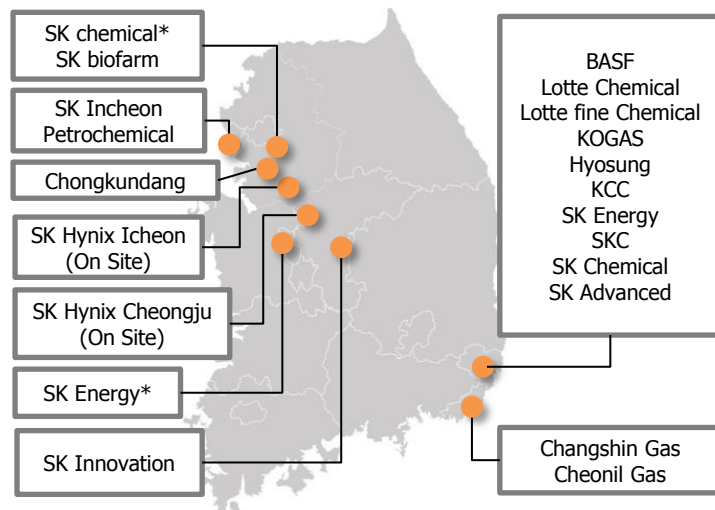
5. Major Subsidiaries



[Company Status]

| | |
|---------------------------|---|
| Key Business | <ul style="list-style-type: none"> Industrial gas production (Oxygen/Nitrogen/Argon, etc.) |
| Address | <ul style="list-style-type: none"> 255 Yongjam-ro, Nam-gu, Ulsan, Korea |
| Employees | <ul style="list-style-type: none"> 108 (As of September, 2019) |
| Shareholders | <ul style="list-style-type: none"> SK materials 100% |
| Equipment Capacity | <ul style="list-style-type: none"> Nitrogen 202K Nm3/hr, Oxygen, Argon, etc. |

[Key Customers]



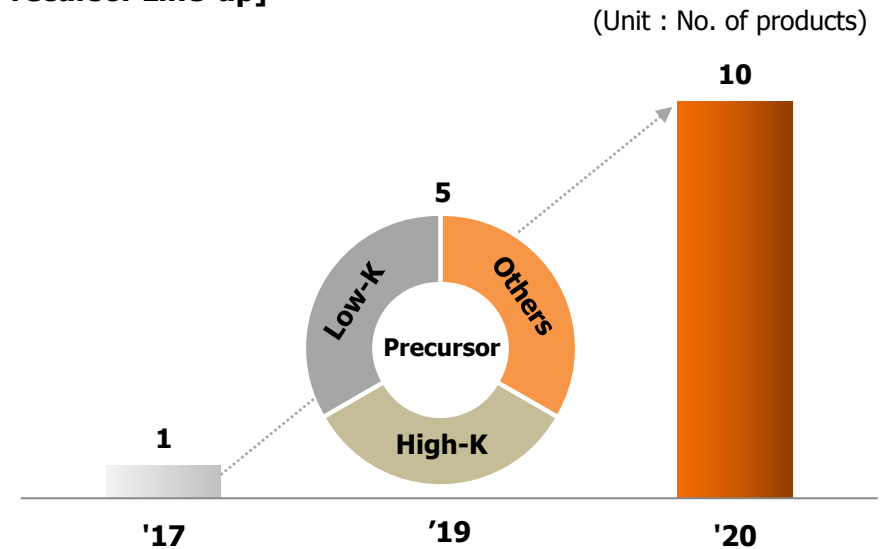
* Separated factory



[Company Status]

| | |
|---------------------|---|
| Key Business | <ul style="list-style-type: none"> Precursor production |
| Address | <ul style="list-style-type: none"> 110-5, Myeonghaksandan-ro, Yeondong-myeon, Sejong-si, Korea |
| Employees | <ul style="list-style-type: none"> 111 (As of September, 2019) |
| Shareholders | <ul style="list-style-type: none"> SK materials 65%, Tri-Chemical(Japan) 35% |
| Products | <ul style="list-style-type: none"> Zr·Si·Ti type Precursors (DRAM/NAND) |

[Precursor Line-up]



Contents

I. Business Overview

II. 2019 Third-Quarter Results



1. 3Q2019 Earning Results

In the face of lower demand caused by the adjusted upstream operating conditions in line with the continuous external uncertainty regarding Japan's export control and US-China trade dispute, etc., Quarterly sales have still achieved their biggest share due to an increase in specialty gas sales and SK Trichem's profit

[Consolidated Income Statement]

(unit: KRW bn)

| | '19. 3Q (E) | | | | |
|--------------------------|-------------|---------|-------|---------|-------|
| | '19. 3Q | '19. 2Q | QOQ | '18. 3Q | YOY |
| Sales | 202.0 | 183.0 | +19.0 | 186.0 | +16.0 |
| Operating Income | 56.1 | 55.1 | +1.0 | 51.2 | +4.9 |
| OP margin (%) | 28% | 30% | △ 2%p | 28% | - |
| Income before Tax | 49.8 | 48.6 | +1.2 | 43.9 | +5.9 |
| EBITDA | 84.0 | 81.5 | +2.5 | 75.5 | +8.5 |
| EBITDA(%) | 42% | 45% | △ 3%p | 41% | +1%p |
| Net Income | 39.6 | 39.5 | +0.1 | 38.6 | +1.0 |

Note 1) Cons. results based on K-IFRS
 2) Not externally audited yet

2. 3Q2019 Financial Performance

(unit: KRW bn)

| Title | 2016 | 2017 | 2018 | 2019 9末 |
|--------------------------------------|-------|-------|---------|---------|
| Total Assets | 903.1 | 1,118 | 1,398.4 | 1,516.8 |
| Cash/Short-term financial instrument | 61.3 | 18.7 | 16.1 | 23.4 |
| Accounts receivable | 72.1 | 82.6 | 123.4 | 110.0 |
| Inventories | 74.3 | 86.2 | 111.8 | 144.8 |
| Tangible Assets | 661.5 | 885.1 | 1,106.1 | 1,182.9 |
| Total liabilities | 466.0 | 709.9 | 995.1 | 1,028.3 |
| Loans payable | 317.4 | 531.3 | 846.4 | 885.0 |
| Interest Coverage Ratio | 15.4x | 11.4x | 8.6X | 8.0x |
| Total Shareholders' Equity | 437.1 | 408.1 | 403.3 | 488.5 |
| ROE | 25.3% | 25.5% | 30.6% | N/A |

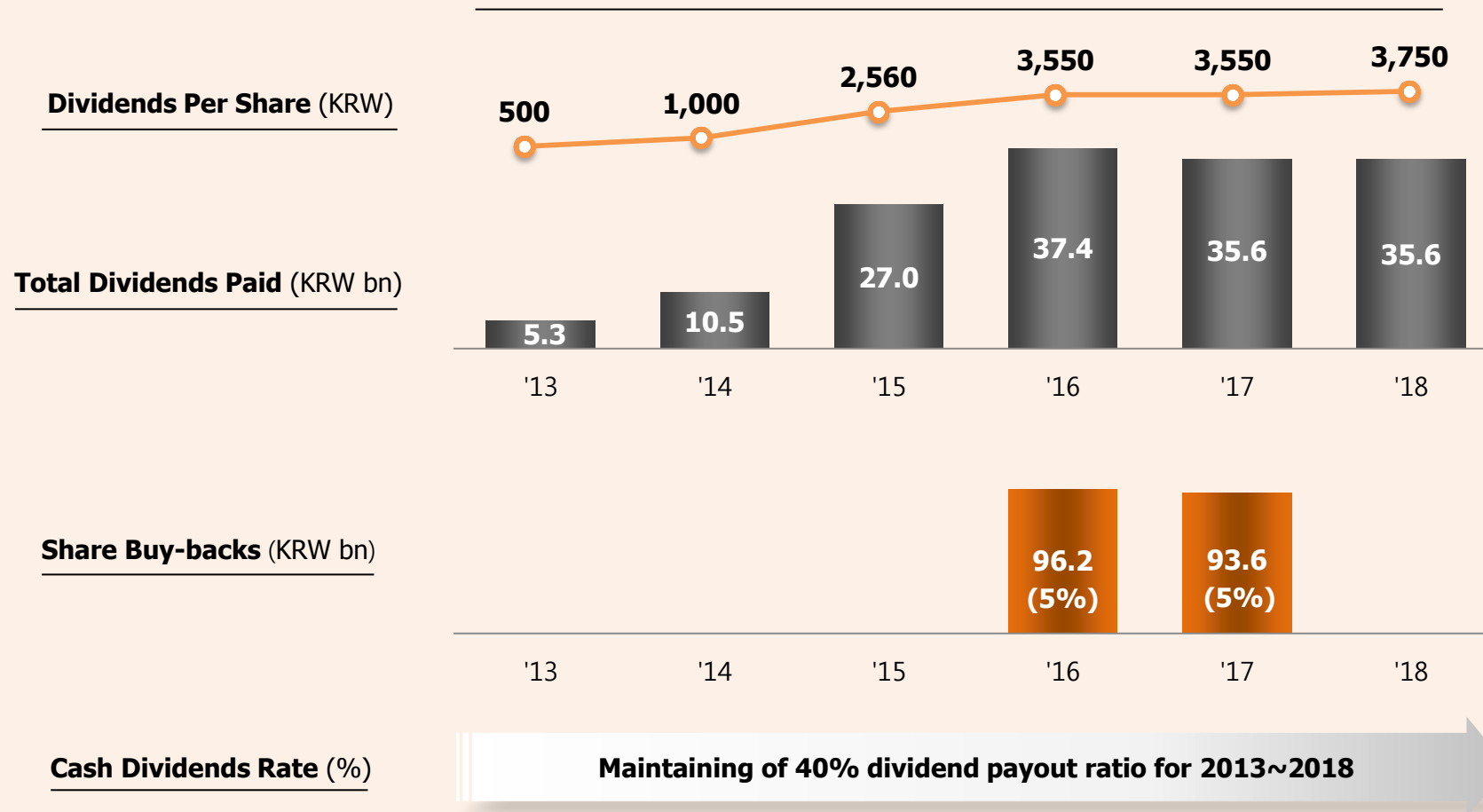
Note 1) Cons. results based on K-IFRS

2) Not externally audited yet

[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.

Yearly Dividend scale



End of Document