

Financial Results for 4Q2019

Investor Relations | Feb 7, 2020



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 December 31st, 2019.

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I. Business Overview

II. 2019 Fourth-Quarter Results



1. Company Profile

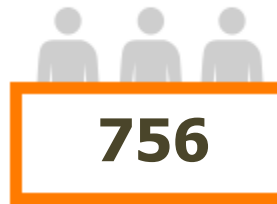
(As of December 2019)



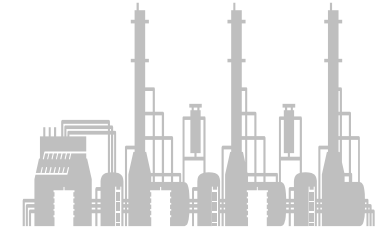
Establishment
1982. 11. 10



Headquarter
Yeong ju, Korea



No. of employees
756 (SK materials, Korea),
1,046 (including employees
in 10 subsidiaries)



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

1,602.5
billion won



Assets
1,602.5 billion won
(Year-End Report 2019)

772.2
billion won



Sales
772.2 billion won
(Year-End Report 2019)

215.7
billion won



Operation Income
215.7 billion won
(Year-End Report 2019)

10



Subsidiaries & Corporation
5 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

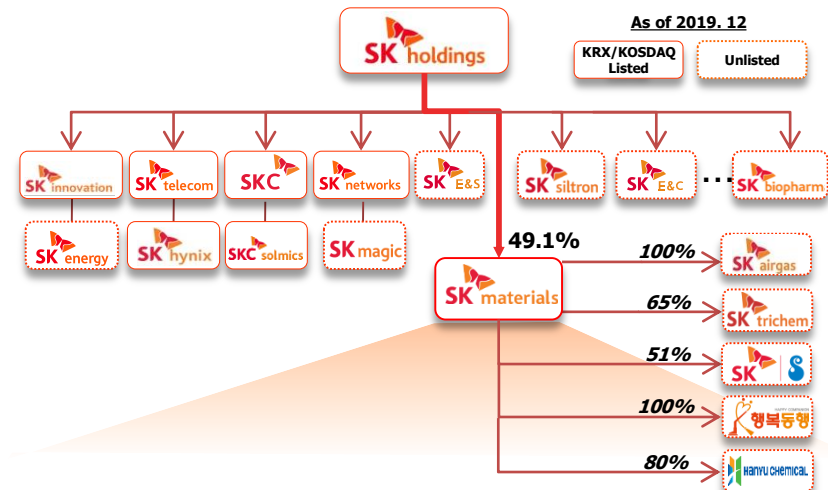
- '16**
- **Incorporated into SK Group (Change of the Company Name : SK materials)**
 - Specialty Gases of NF₃, WF₆, SiH₄, Si₂H₆, etc.
 - **Acquired SK Airgas (80%)**
 - Industry gas supply to industry complex in Ulsan and semiconductor fab on site
 - **Established SK trichem JV (Japan's Tri-Chemical)**
 - 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

- '19**
- **Acquired Hanyu Chemical (80%)**
 - Supply of High-purity CO₂ for Semiconductor

【SK materials Biz As-Is】



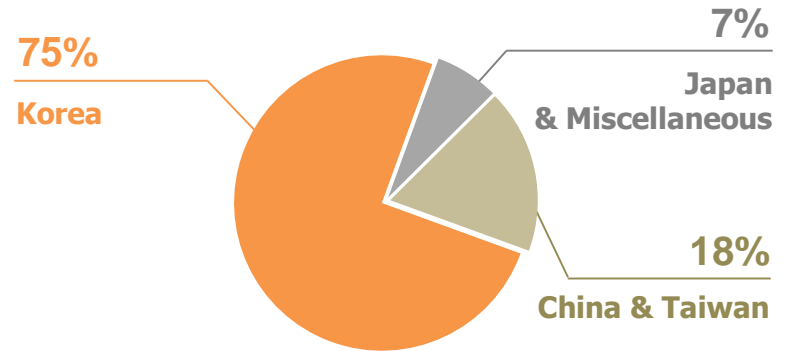
	2015	2019
Sales (consolidated)	338.0 billion won	772.2 billion won
EBITDA (consolidated)	168.4 billion won	328.2 billion won
Customers	30	141
Products	6	39

3. Global Network & Sales Summary



1

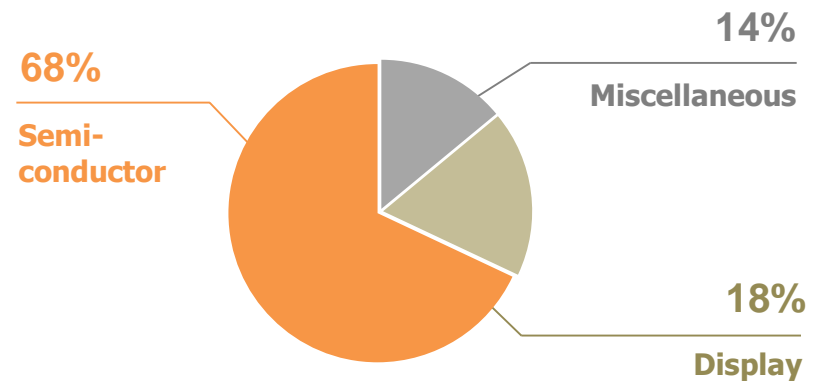
Each region's share of revenue (2019)



* Cons. results based on K-IFRS

2

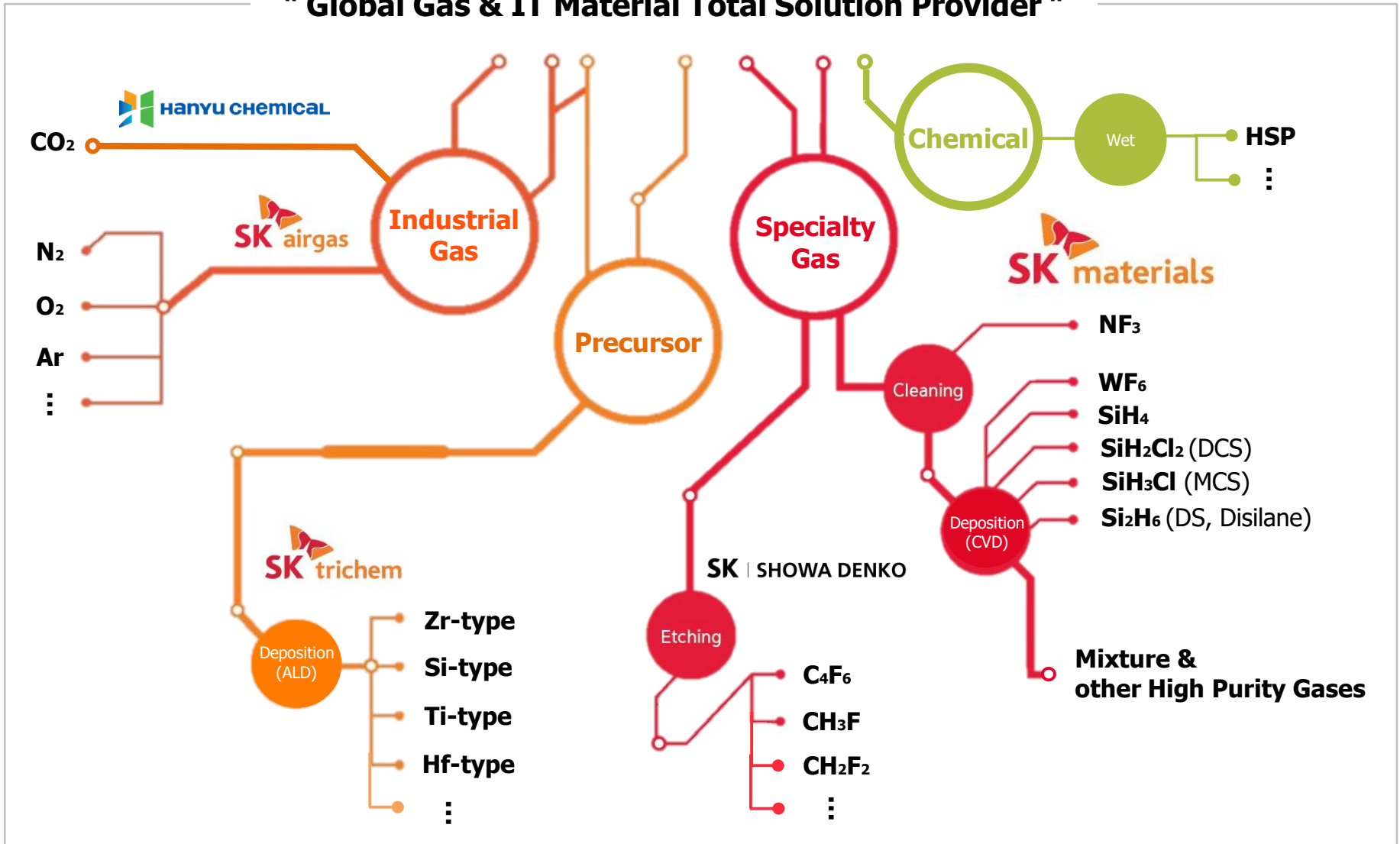
Each business category's share of revenue (2019)



* Cons. results based on K-IFRS

4. Product Portfolio

“ Global Gas & IT Material Total Solution Provider ”



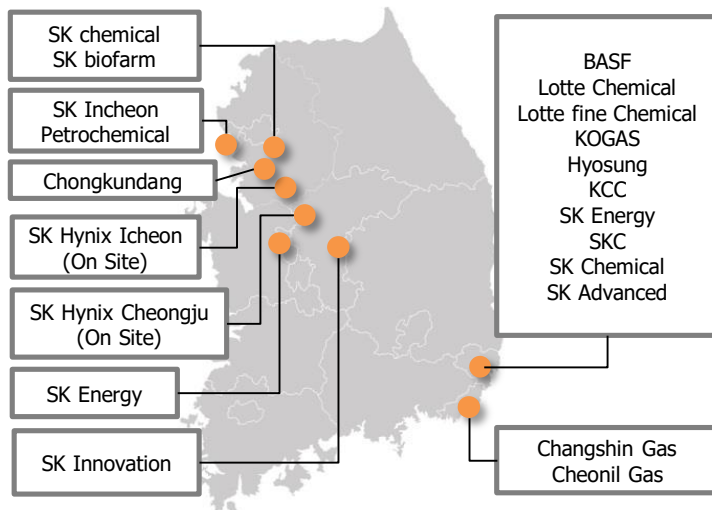
5. Major Subsidiaries



[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"> 112 (As of December, 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]

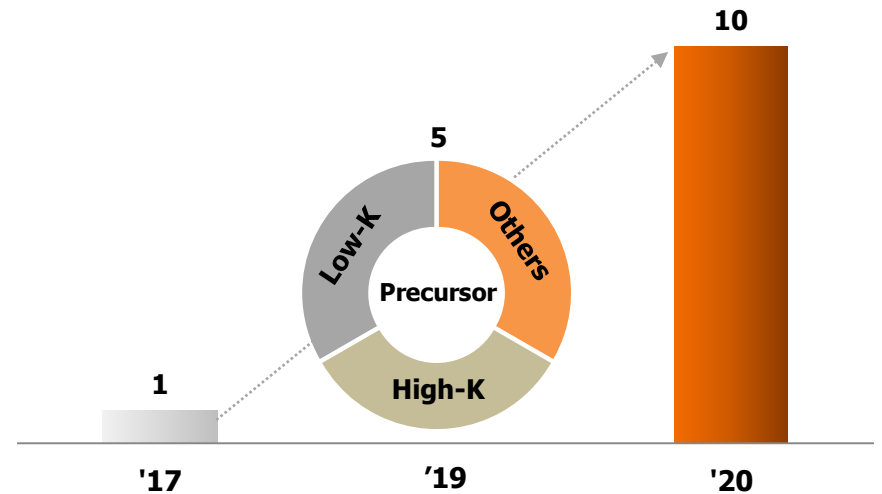


[Company Status]

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"> 116 (As of December, 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]

(Unit : No. of products)



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I. Business Overview

II. 2019 Fourth-Quarter Results

A photograph of an industrial facility, likely a cement plant, with a large black sign in the foreground that reads "SK materials". The sign features a stylized yellow and green logo above the text. In the background, there is a large grey building with a tall metal structure on top, a tall green tree, and a white truck parked on the right. The sky is blue with some clouds. A red curved graphic element is on the left side of the image.

SK materials

1. 4Q2019 Earning Results

The biggest sales from all quarters as well as the steady performance from all departments are shown although containing the uncertain front industry

[Consolidated Income Statement]

(unit: KRW bn)

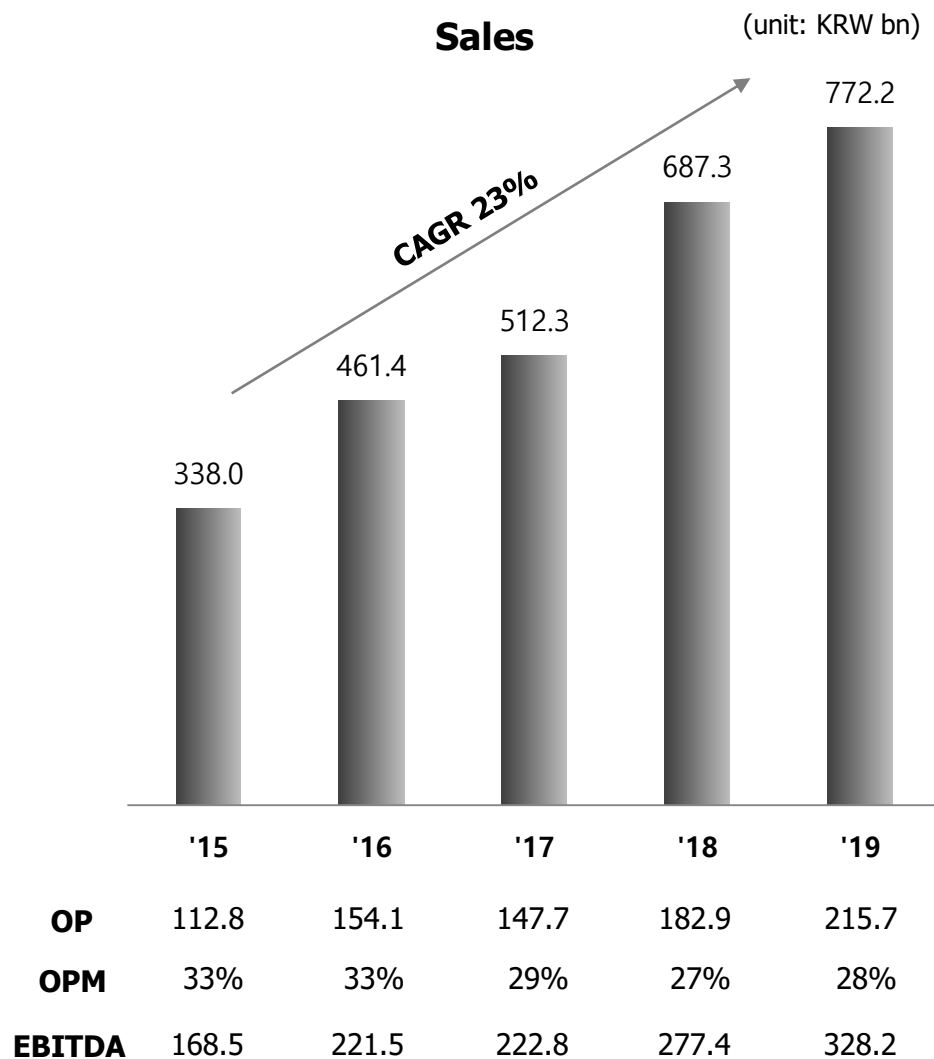
구분	'19. 4Q (E)				
	'19. 4Q	'19.3Q	QOQ	'18.4Q	YOY
Sales	203.0	202.0	+1.0	201.5	+1.5
Operating Income	50.0	56.1	△6.1	57.1	△7.1
OP margin(%)	25%	28%	△3%p	28%	△3%p
Income before Tax	39.2	49.8	△10.6	48.3	△9.1
EBITDA	79.7	84.0	△4.3	83.6	△3.9
EBITDA(%)	39%	42%	△3%p	41%	△2%p
Net Income	27.1	39.6	△12.5	35.8	△8.7

Note 1) Cons. results based on K-IFRS

2) Not externally audited yet

2. Financial Highlight

Income Status



Financial Performance

(unit: KRW bn)

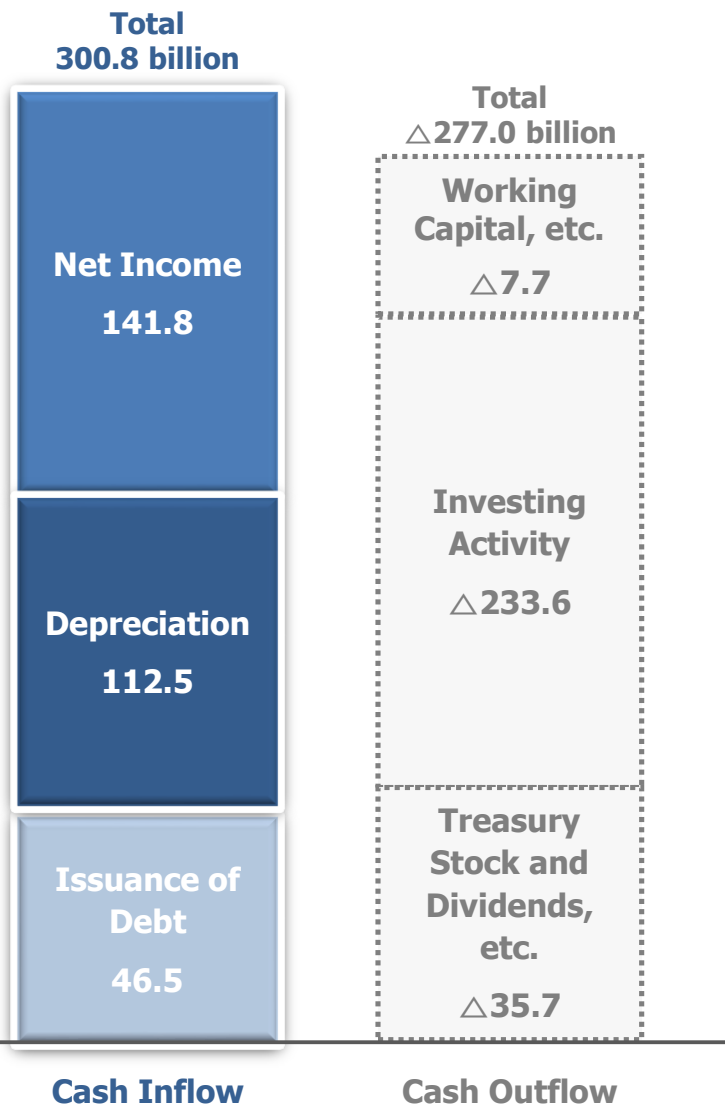
Title	2015	2016	2017	2018	2019
Total Assets	665.1	903.1	1,118.0	1,398.4	1,602.5
Accounts receivable	53.8	72.1	82.6	123.4	102.3
Inventories	58.3	74.3	86.2	111.8	151.1
Tangible Assets	480.2	661.5	885.1	1,106.1	1,235.2
Total Liabilities	288.8	466.0	709.9	995.1	1,084.0
Owner's Equity	376.3	437.1	408.1	403.3	518.5
Net Debt	151.5	257.1	512.6	830.3	856.1
Interest Coverage Ratio	15.7x	15.4x	11.4x	8.6x	7.6x

Note 1) Cons. results based on K-IFRS

2) Purchase of Treasury Stocks : KRW 1.4bn('16), 94.8bn('17), 93.8bn('18)

3. 4Q2019 Cash Flow

(unit: KRW bn)



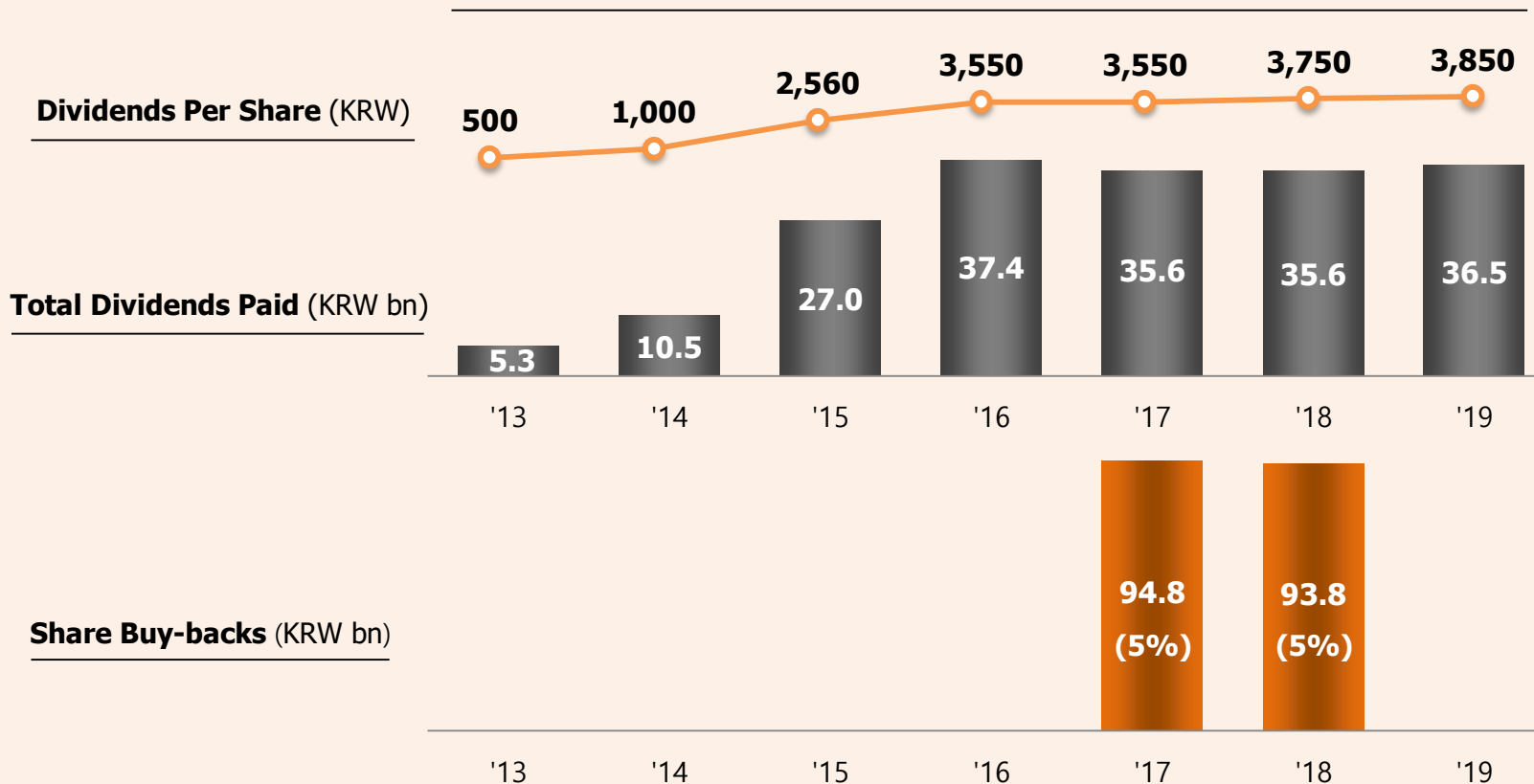
'19. 1. 1 ~ '19. 12. 31	Amount	Note
Beginning Cash Balance	16.1	
Cash Flows from Operating Activity	246.6	
Net Income	141.8	
Depreciation, Depletion & Amortization	112.5	
Working Capital	△7.7	Accounts Payable
Cash Flows from Investing Activity	△233.6	
Capital Expenditures on Fixed Assets	△197.9	
Others	△35.7	Acquisition of Hanyu Chemical
Cash Flows from Financing Activity	10.8	
Dividends Paid	△35.7	KRW 3,750 per share
Issuance of Debt	46.5	Proceeds from Corporate Bonds (KRW 150 billion)
Net Change in Cash	+23.7	Includes Foreign Currency Translation △0.1
Ending Cash Balance	39.8	

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



Cash Dividends Rate (%)
(Separated)

Maintaining of 40% dividend payout ratio for 2013~2019

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