

2023.1Q

**SK Inc. Advanced Materials Business**  
Earnings Briefing

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May 2023



# DISCLAIMER

This presentation includes the recent earnings results and business performance of SK Inc. (the “Company”) and its major subsidiaries. It has been prepared for shareholders and investors for information only.

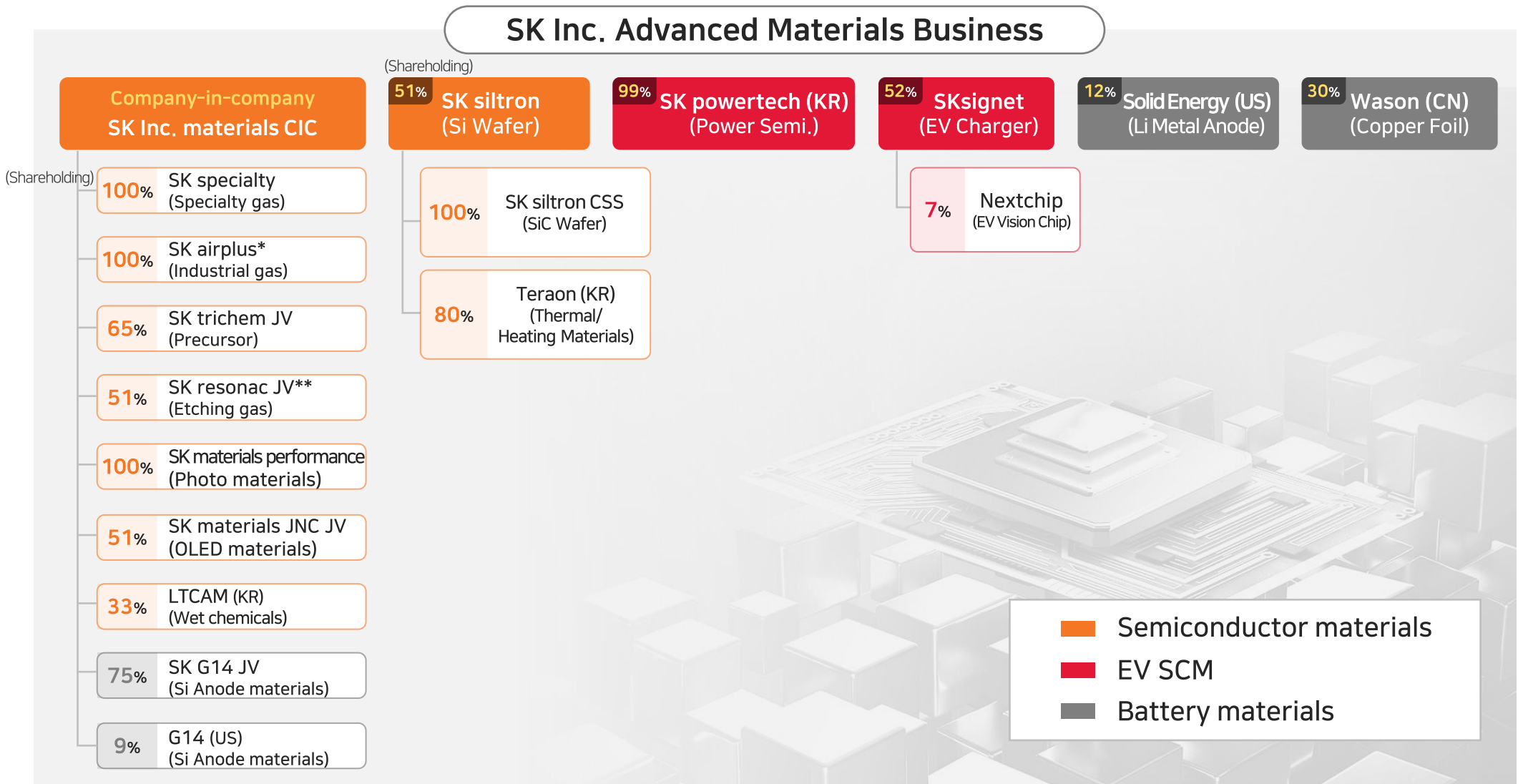
The financial information presented herein is based on K-IFRS. As the forward-looking statements herein reflect the current business environment and the Company’s business strategies, actual developments may differ from those in the statements due to changes in the business environment and Company’s strategies as well as other uncertainties.

Materials CIC-linked earnings are calculated according to internal standards, and consolidated with SK Siltron earnings to derive the earnings of SK Inc.’s advanced materials business. Please note that this data has been prepared for investors' understanding and is not audited.

Under no circumstances should this material be considered as evidence of legal responsibility to investors’ investment results.



Focusing on industries with strong mid- to long-term growth potentials  
as demand from high performance computing chips and the EV megatrend increase  
- semiconductor materials, battery materials, and EV SCM



\* Merged with SK renewtech on April '23

\*\* Formerly 'SK showa denko JV'

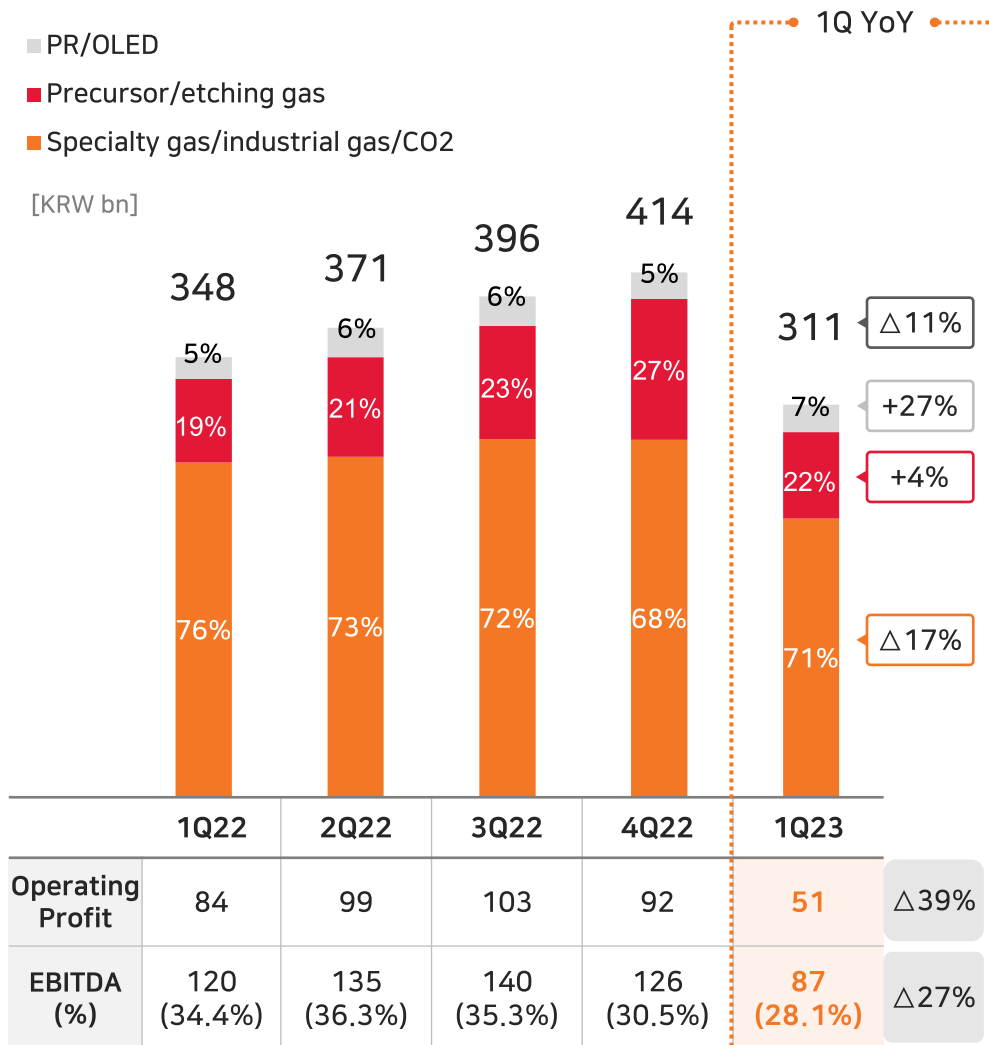
**Revenue and EBITDA decreased  $\Delta 1\%$  and  $\Delta 10\%$  YoY respectively,  
due to sluggish semiconductor/display industry**

(KRW bn)	1Q23	4Q22	QoQ	1Q22	YoY
Revenue	<b>891</b>	<b>987</b>	$\Delta 10\%$	<b>904</b>	$\Delta 1\%$
• Materials CIC	<b>311</b>	415	$\Delta 25\%$	348	$\Delta 11\%$
• SK siltron	<b>580</b>	572	+1%	555	+4%
Operating Profit	<b>165</b>	<b>223</b>	$\Delta 26\%$	<b>204</b>	$\Delta 19\%$
• Materials CIC	<b>51</b>	92	$\Delta 44\%$	84	$\Delta 39\%$
• SK siltron	<b>114</b>	131	$\Delta 13\%$	119	$\Delta 4\%$
EBITDA	<b>306</b>	<b>361</b>	$\Delta 15\%$	<b>339</b>	$\Delta 10\%$
• Materials CIC	<b>87</b>	126	$\Delta 31\%$	120	$\Delta 27\%$
• SK siltron	<b>219</b>	235	$\Delta 7\%$	219	-
Income Before Tax	<b>143</b>	<b>646</b>	$\Delta 78\%$	<b>188</b>	$\Delta 24\%$

※ Total revenue/operating profit/EBITDA/income before tax above are sums of Materials CIC and SK siltron results

Despite increase in sales of high value-added products, earnings decreased YoY due to slow demand in specialty gases

## SK materials CIC Earnings



### Highlights

1Q23 specialty gas revenues affected by decline in client utilization rates, but growth continues for sales of high value-added products

Revenue Δ11% YoY (Specialty gas Δ17%, PR +27%, Precursor/Etching gas +4%)

- Specialty/Industrial gas: Lower utilization rate at chipmakers/display and asset sale of M16 led to decline in revenue
- Precursor, etc.: Next-gen precursor(CpHf\*) sales hiked from tech migration and shipment of supercritical CO<sub>2</sub> increased for semi.
- PR: Sejong plant operations (2Q22) led to increase in sales of KrF Thick PR for 3D NAND

Slow demand to continue in 2Q23, focusing on growing M/S and launching of new high value-added products to maintain profitability

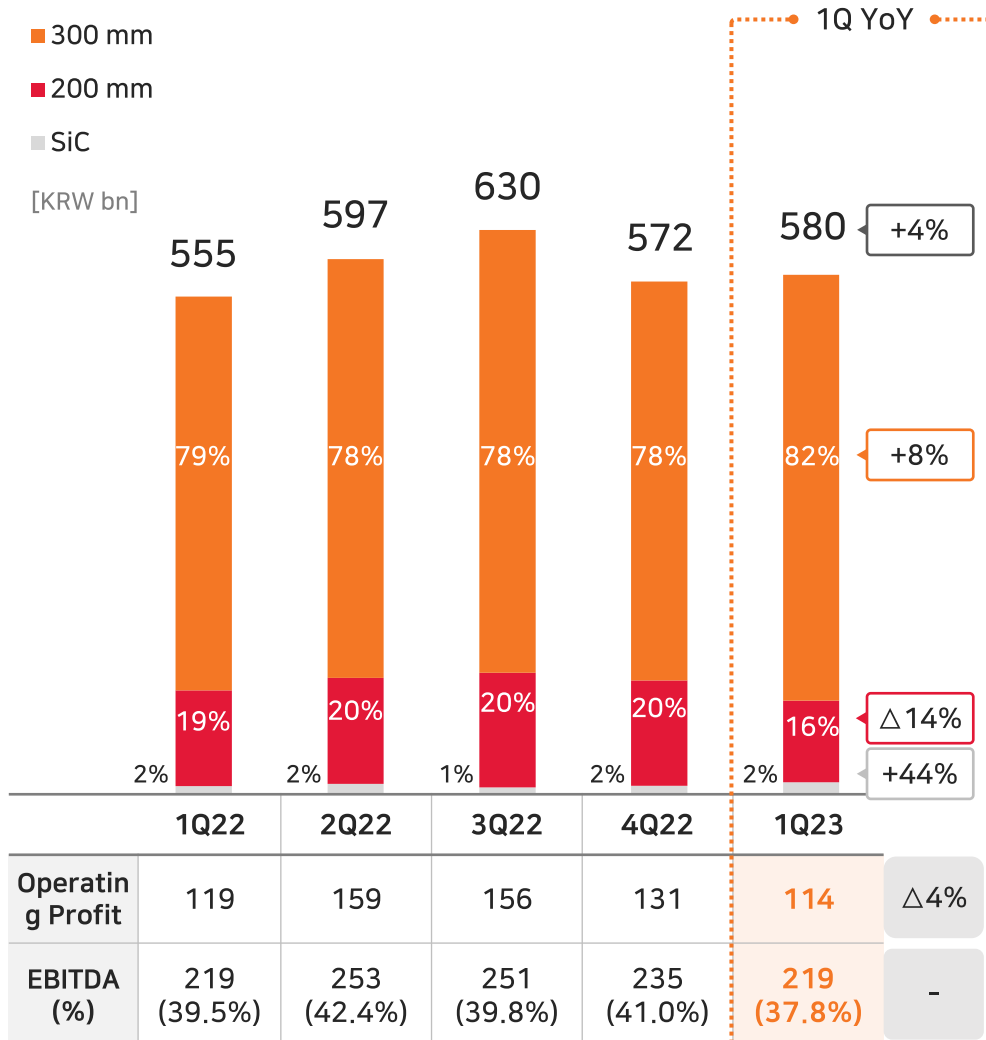
- Specialty/Industrial gas: M/S growth from LTAs and cost competitiveness
- Precursor: Growth led by increase in CpHf\* sales and customer base
- Etching gas: New products (HBr\*, 3Q22) to receive early qualification (3Q23), expecting significant revenue growth

Expecting specialty gas industry to recover in 2H23 as customer inventory level and AI/server demand returns to favorable conditions

\*CpHf: used for the most advanced DRAM Capacitor  
\* HBr: Precise vertical etching gas for 3D NAND and logic

Revenue continued to grow even with weaker wafer demand,  
but profits declined due to higher costs

## SK siltron Earnings



### Highlights

- Despite industry downturn in 1Q23, revenue increased from LTA-based sales and higher ASP

| Revenue +4% YoY, EBITDA Flat YoY

- 300mm/200mm ASP increased slightly YoY
- Cost increase in electricity and materials led to lower margins

- Lower client utilization rates will lead to decline in demand in 2Q23; revenue from LTAs to help maintain profitability

- Due to the constraints in wafer industry's capacity expansion, tight supply of Si wafer is expected when demand recovers

- Michigan based new SiC wafer plant in full operation, expecting solid demand-based revenue growth

- 1Q23 revenue +44% YoY, expecting 2Q +200% YoY

## In commercial operation after relocation to Busan to grow into a leading global SiC company via proactive investments

### SK powertech Business Promotion Status

- 1**

Name Change

  - ▣ YPTX changed its name to SK powertech (April)
    - Raising awareness using the SK brand, to actively pursue global expansion
- 2**

Relocation & Expansion to Busan

  - ▣ Secured mass production competitiveness of 150 mm by relocating to a larger fab in Busan and starting commercial production (March)
    - Production capacity:  
4Q22 100 mm 10 K/year →  
4Q23 150 mm 29 K/year
- 3**

Strengthening Tech and Production Competitiveness

  - ▣ Strengthening cost competitiveness by developing next-generation products
    - 3<sup>rd</sup> gen MOSFET and 4<sup>th</sup> gen diode in development
  - ▣ Enhancing quality competitiveness via cooperation with external partners
    - Cooperation with SK siltron CSS (US) on raw material wafer quality
    - Cooperation with the Korea Electrotechnology Research Institute on chip design, assessment and analysis



### Mid- to long-term Growth Strategies of SiC Power Semi.

**“Targeting sales of KRW 500bn in 2026  
by accelerating R&D, cooperation with major clients  
and proactive capacity expansion”**

- ▣ To secure top-tier production competitiveness via R&D investments
    - Diode, 2Q23 4<sup>th</sup> gen → 4Q23 4.5<sup>th</sup> gen
    - MOSFET, 2Q23 3<sup>rd</sup> gen → 2Q24 4<sup>th</sup> gen (Trench structure)
  - ▣ To enter the high-growth EV market by cooperating with major clients
    - Joint development and supply of power semiconductors for EVs with global OEM/ Tier-1 clients
  - ▣ To improve business stability and secure early market presence by expanding the foundry business
    - Reinforce foundry biz for global SiC power semiconductor fabless companies in the US, Japan and China
  - ▣ To expand capacity proactively to secure high-growth opportunities
    - Plan to expand Busan fab and secure a new fabrication facility
- ※ SiC market size forecast : FY22 \$1.3bn → FY30e \$14.9bn (CAGR +35%)

# THANK YOU

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