

2023.2Q

# EARNINGS BRIEFING

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August 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 informational purposes 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 the Company's strategies as well as other uncertainties.

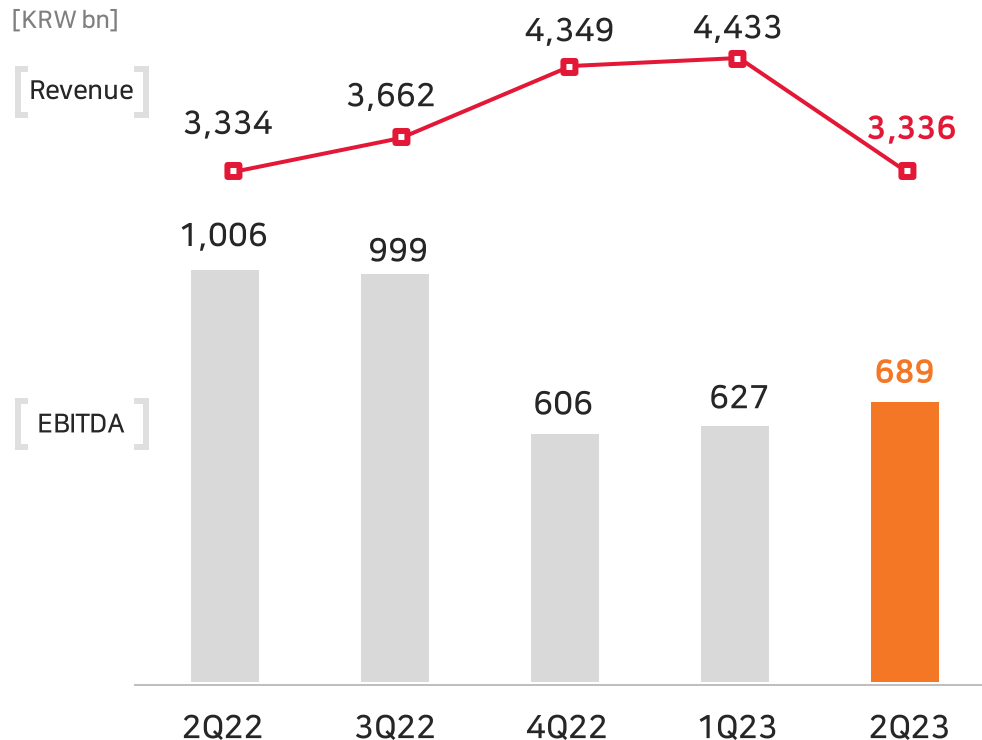
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## Full recovery of cost competitiveness at SK E&S led quarterly EBITDA growth, and efforts to strengthen cash flow and businesses continued throughout 1H

### Total Earnings of Major Unlisted Subsidiaries

- Revenue  $\Delta 24.7\%$  QoQ,  $+0.1\%$  YoY, EBITDA  $+9.9\%$  QoQ,  $\Delta 31.5\%$  YoY
- EBITDA continued to increase QoQ, but weakened YoY due to industry downturn



### Focus on Fundamentals

- Improved cash flow via divestments**
  - Sale of non-operating asset at E&S (KRW 0.61tn)
  - Sale of stake in US car-sharing platform company Turo (KRW 0.09tn)
  - Proceeds to help maintain a healthy balance sheet or to be redistributed as dividends
- Strong separate operating profits for 1H**
  - 1H23 separate operating profits KRW1.2tn (+83.6% YoY)
  - Increase due to higher dividends from subsidiaries
- Reinforcing growth by expanding capa. & value chain**
  - [LNG] Yeosu power plant commercial operations**
    - COD July, '23 / Total investment KRW 1tn / 1,000MW
    - By adding more than 28% in capacity, both LNG value-chain competitiveness & earnings to grow
  - [SiC] SiC power semiconductor value-chain expansion via wafer/ chip biz competitiveness**
  - [CGT] Yposkesi doubled GMP production capacity by completing second manufacturing facility**

## Quarterly earnings fell due to weaker global energy prices and slow semiconductor industry

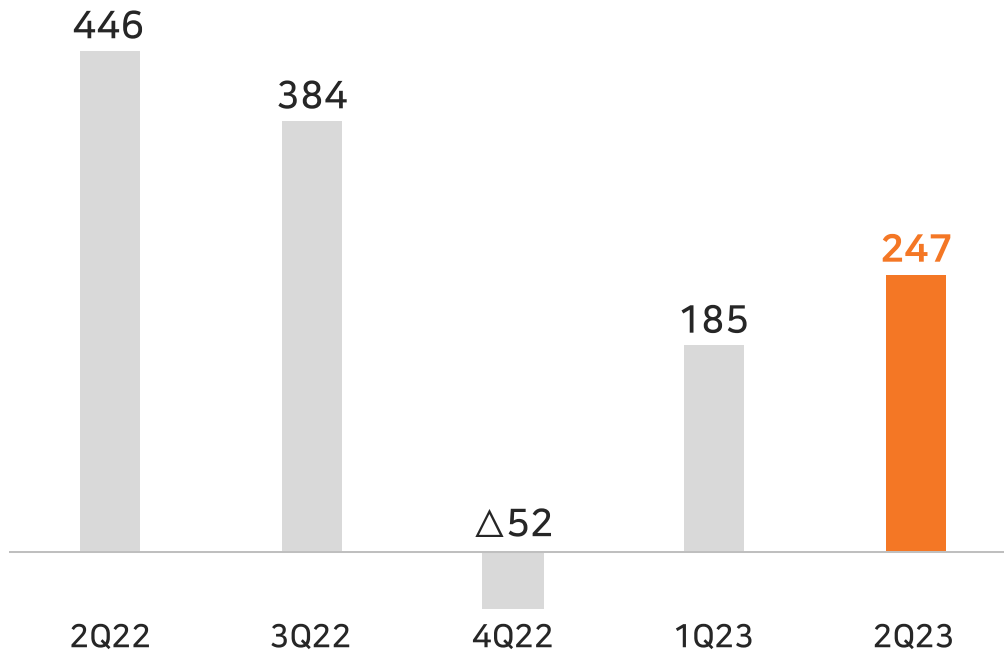
[KRW tn]	Revenue			Operating Profit			Income before Tax		
	2Q23	1Q23	QoQ	2Q23	1Q23	QoQ	2Q23	1Q23	QoQ
<b>Consolidated</b>	<b>31.92</b>	<b>32.70</b>	<b>△2.4%</b>	<b>0.70</b>	<b>1.13</b>	<b>△38.5%</b>	<b>△0.22</b>	<b>0.01</b>	<b>N/A</b>
Separate	0.79	1.64	△51.8%	0.11	1.12	△90.2%	△0.23	0.99	N/A
SK innovation	18.73	19.14	△2.2%	△0.11	0.38	N/A	△0.26	0.16	N/A
SK square	△0.13	0.01	N/A	△0.73	△0.64	N/A	△0.74	△0.62	N/A
SK telecom	4.31	4.37	△1.5%	0.46	0.49	△6.0%	0.45	0.42	6.9%
SK networks	2.18	2.45	△11.1%	0.06	0.05	21.7%	0.02	0.01	95.8%
SKC	0.63	0.67	△5.7%	△0.04	△0.02	N/A	△0.08	△0.07	N/A
SK ecoplant	2.45	1.48	66.2%	0.13	0.05	169.4%	0.13	0.06	125.9%
SK E&S	2.33	3.34	△30.4%	0.25	0.18	33.4%	0.77	0.22	257.2%
Materials CIC*	0.30	0.31	△2.8%	0.05	0.05	△9.4%	0.02	0.04	△32.6%
SK siltron	0.49	0.58	△15.2%	0.07	0.11	△38.5%	0.06	0.11	△45.2%

\* Materials CIC results shown here were prepared internally for the purpose of providing comparability and have not been audited.

## Lower costs led to increase in generation, resulting in higher quarterly profits

### SK E&S Operating Profit

[KRW bn]



	2Q23	2Q22	YoY	1Q23	QoQ
Revenue	2,327	2,151	+8.2%	3,345	Δ30.4%
Operating Profit	247	446	Δ44.7%	185	+33.4%
EBITDA	438	591	Δ25.9%	312	+40.3%

### Highlights

#### OP increased QoQ with higher generation volume, benefiting from lower costs with resumption of US LNG import

- 2Q23 generation increased (+53.0% QoQ, +52.7% YoY)
- 2Q23 income before tax recorded KRW 770bn (+257.2%QoQ, +72.6% YoY) - includes KRW 528bn in gains from sale of assets

	2Q22	3Q22	4Q22	1Q23	2Q23
SMP (KRW/kWh)	156.5	193.7	254.1	236.3	151.1
Dubai Oil Prices (\$/B)	107.9	97.0	84.9	84.9	79.0

\* SMP: System Marginal Price

\*\* SMP cap price: 4Q22 217.6 KRW/kWh, 1Q23 179.8 KRW/kWh

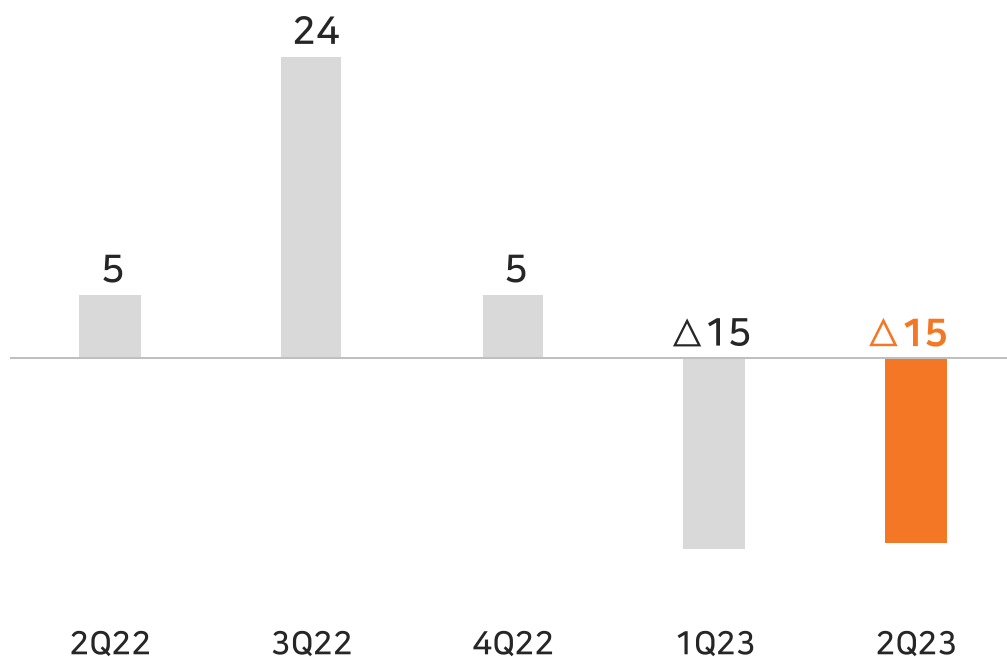
#### In 2H, commercial operations at new power plant and liquid hydrogen plant to boost competitiveness

- Yeosu LNG plant commercial operations began in July (1,000MW) - domestic generation capacity increased by 28%
- Incheon hydrogen plant COD target 4Q23 (30k tons/yr)

## One-off costs from facility ramp-up kept earnings weak, doubled GMP\* level CGT production capacity

### SK pharmteco Operating Profit

[KRW bn]



	2Q23	2Q22	YoY	1Q23	QoQ
Revenue	214	215	Δ0.5%	197	+8.8%
Operating Profit	Δ15	5	N/A	Δ15	N/A
EBITDA margin	4.9%	12.9%	Δ8.0%p	4.6%	+0.3%p

\* SK pharmteco results shown here were prepared internally and have not been audited

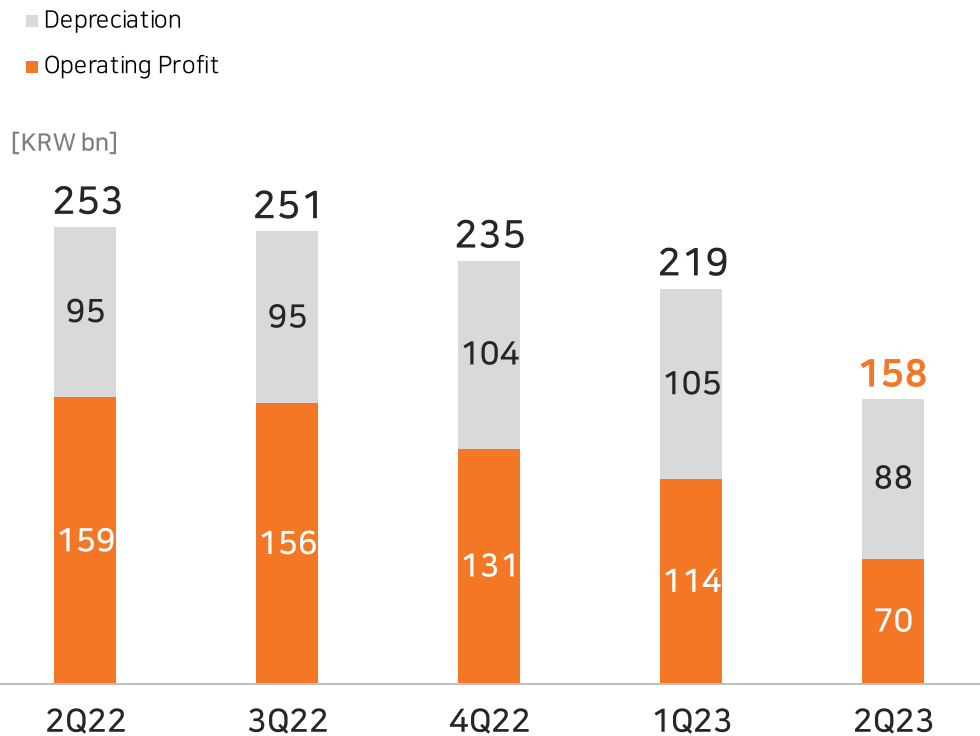
\* GMP: Good manufacturing practice, system for ensuring that products are consistently produced and controlled according to quality standards

### Highlights

- ▣ **Facility ramp-up costs and customer order schedule delays led to operating losses**
  - Ramp-up costs for VA facility booked in 2Q
  - Profitability to recover in 2H as deliveries catch up
- ▣ **Portfolio diversification via ADC<sup>1)</sup> and Oligonucleotide<sup>2)</sup>**
  - Seeking partnerships with antibody manufacturers by leveraging linker and payload technologies
  - Developing oligonucleotide manufacturing R&D and production services
    - 1) ADC (Antibody-Drug Conjugate): Targeted biopharmaceutical drugs that combine monoclonal antibodies with highly potent payloads linked via a chemical linker
    - 2) Oligonucleotide: Short single strands of synthetic DNA or RNA. Mostly known for treating rare diseases, oligo drugs are expanding to chronic diseases
- ▣ **Expectations grow for CDMOs as FDA encourages CGT development, and Yposkesi doubles commercial capacity with completion of its second facility**
  - 4 new CGT drugs have received FDA approval in '23, and 4+ more approvals to come before year-end
  - New facility at Yposkesi to undergo inspections, trial runs and begin commercial manufacturing in '24

## Decrease in wafer input volume at chipmakers continued, however, 2H profitability to recover via growth of LTA sales and SiC wafer business

### SK siltron EBITDA



	2Q23	2Q22	YoY	1Q23	QoQ
Revenue	492	597	△17.6%	580	△15.1%
Operating Profit	70	159	△55.8%	114	△38.5%
EBITDA margin	32.2%	42.4%	△10.2%p	37.7%	△5.6%p

### Highlights

#### 2Q23 Revenue and profits fell due to production cuts at chipmakers and rise in electricity prices

| Revenue △17.6%, EBITDA △37.4% YoY

- 300mm shipment fell approx. 10% YoY from weak memory demand
- 200mm shipment fell significantly YoY due to lower demand of chips for appliances · mobile devices
- Upgrading 200mm product portfolio : expanding high-value added products for auto/industrial power and analog applications

#### Cost-cutting efforts and LTAs to mitigate impact of slow demand from customers

- As industry recovers, limited industry supply growth and higher wafer demand for HBM could lead to tighter supply

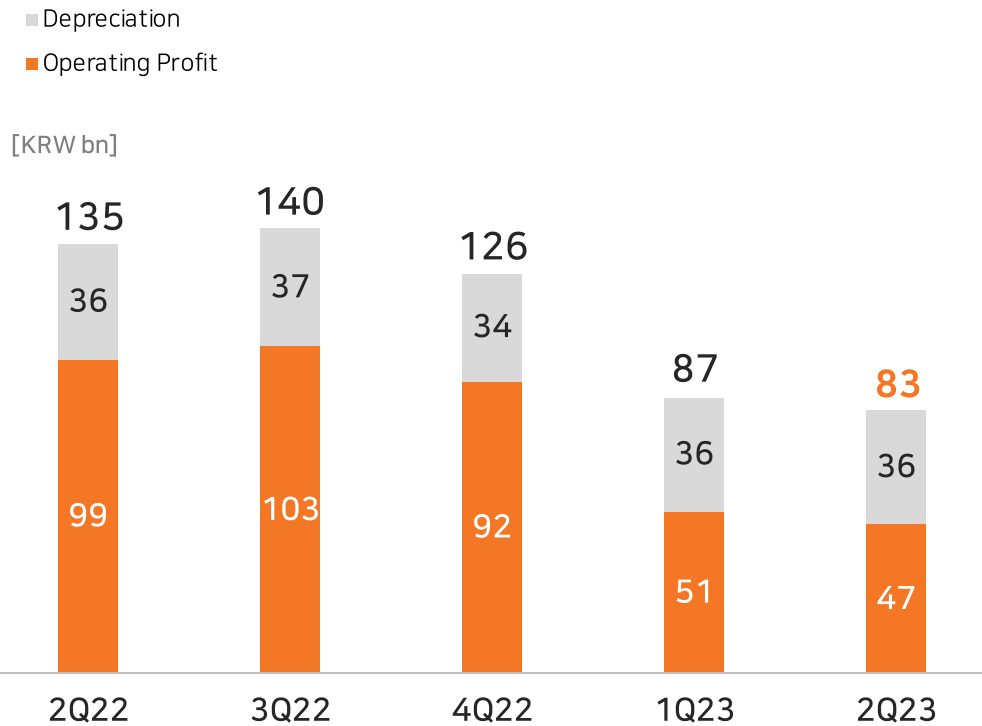
#### SiC wafer: To expect significant revenue growth in 2H via qualification with large clients and improvement in productivity

- 2H sales expected to grow by more than 100% compared to 1H

\* HBM (High Bandwidth Memory) : Memory that enables fast transfers of vast data, used for high performance computing (HPC) such as generative AI

Quarterly results decreased as weak demand continued, however, earnings to gradually rise as DRAM demand recovers and sales of next-gen products grow

## SK materials CIC EBITDA



	2Q23	2Q22	YoY	1Q23	QoQ
Revenue	302	371	Δ 18.7%	311	Δ 2.8%
Operating Profit	47	99	Δ 52.9%	51	Δ 9.4%
EBITDA margin	27.4%	36.3%	Δ 8.9%p	28.1%	Δ 0.7%p

### Highlights

- 2Q23 Specialty gas revenue fell due to decline in client utilization rates, whereas sales of PR and other high value-added products continued to grow

Revenue Δ 18.7%, EBITDA Δ 38.6% YoY

- Specialty/Industrial gas: Lower utilization rate at semi/display and asset sale of M16 led to decline in revenue
- PR: Profit increase continued for KrF Thick PR for 3D NAND and I-line PR

- Gradual demand recovery for specialty gas, new operations for industrial gas, and next-gen precursor sales to improve earnings going forward

- Industrial gas : Revenue/profits to improve from early start of M15 Ph2 industrial gas facility and price increase reflecting electricity cost
- PR: Revenue/profits to increase as launching of new products continue (i.e. KrF, I-line, PMA\*)
- Precursor: Patent for next-gen High-K material (CpHf\*) to generate stable growth and earnings

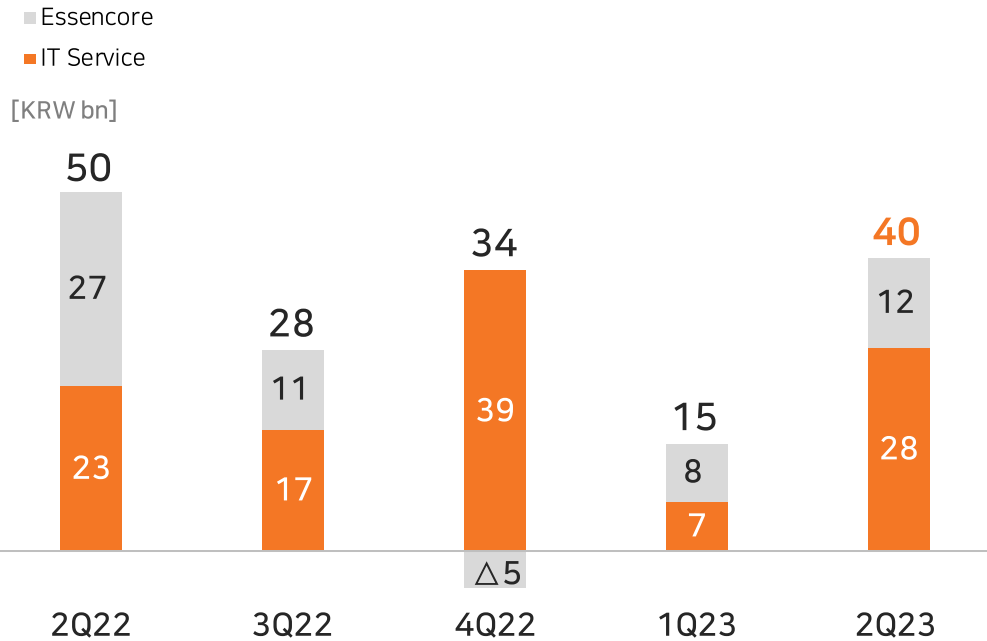
\* PMA: Semiconductor thinner material (for PR planarization)

CpHf: used for the most advanced DRAM Capacitor



## Smart Factory project boosted earnings as C&C continues to expand its new business portfolio

### IT Services Operating Profit | Incl. Essencore



	2Q23	2Q22	YoY	1Q23	QoQ
Revenue	631	500	+26.2%	462	+36.6%
Operating Profit	28	23	+21.7%	7	+300.0%
Income before Tax	8	21	△61.9%	13	△38.5%
Essencore Operating Profit	12	27	△55.6%	8	+50.0%

\* IT Services (C&C) results shown here were prepared internally and have not been audited

### Highlights

#### Smart factory and cloud earnings remain strong

| Revenue +26.2% YoY

- Revenue recognized for additional smart factory sites during 2Q
- Profits improve from completion of previous year's low-margin projects

#### Initiated projects including Korea's first ATS\* and a digital consulting subsidiary

- Developing multi-party trading system and disaster recovery system for Nextrade, the ATS preparatory corporation
- Leveraging C&C's expertise in industrial and digital IT services, founded Ackerton Partners, a one-stop provider of business strategy, operations and on-site applications

\* ATS (Alternative Trading System)

: A trading platform that matches buyers and sellers of securities but does not have authority over listing & market oversight

#### Essencore earnings improve QoQ as sales increase

- DRAM (△15.6% QoQ), NAND (△4.6% QoQ) ASP decrease continued

## Quarterly Results of SK materials CIC\*, SK siltron, SK E&S

[KRW bn, %]		2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23
SK materials CIC*	Revenue	227	247	268	955	262	280	307	340	1,189	348	371	396	414	1,530	311	302
	Operating Profit	57	62	62	234	62	68	83	78	291	84	99	103	92	379	51	47
	EBITDA	88	93	94	359	95	101	117	113	427	120	135	140	126	521	87	83
	<i>EBITDA Margin</i>	39%	38%	35%	38%	36%	36%	38%	33%	36%	34%	36%	35%	30%	34%	28%	27%
SK siltron	Revenue	426	439	428	1,701	422	440	476	512	1,850	555	597	630	572	2,355	580	492
	Operating Profit	87	76	33	249	51	69	77	85	282	119	159	156	131	565	114	70
	EBITDA	158	150	127	559	135	153	163	176	626	219	253	251	235	958	219	158
	<i>EBITDA Margin</i>	37%	34%	30%	33%	32%	35%	34%	34%	34%	39%	42%	40%	41%	41%	38%	32%
SK E&S	Revenue	1,137	1,027	1,566	5,750	2,112	1,499	1,668	2,575	7,855	3,564	2,151	2,419	3,114	11,249	3,345	2,327
	Operating Profit	3	△122	123	241	259	53	133	174	619	640	446	384	△52	1,419	185	247
	EBITDA	105	△25	265	691	367	172	300	399	1,238	860	591	556	218	2,224	312	438
	<i>EBITDA Margin</i>	9%	△3%	17%	12%	17%	12%	18%	15%	16%	24%	27%	23%	7%	20%	9%	19%

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**THANK YOU**

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