



2023.2Q

SK Inc. Advanced Materials Business
Earnings Briefing

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 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.

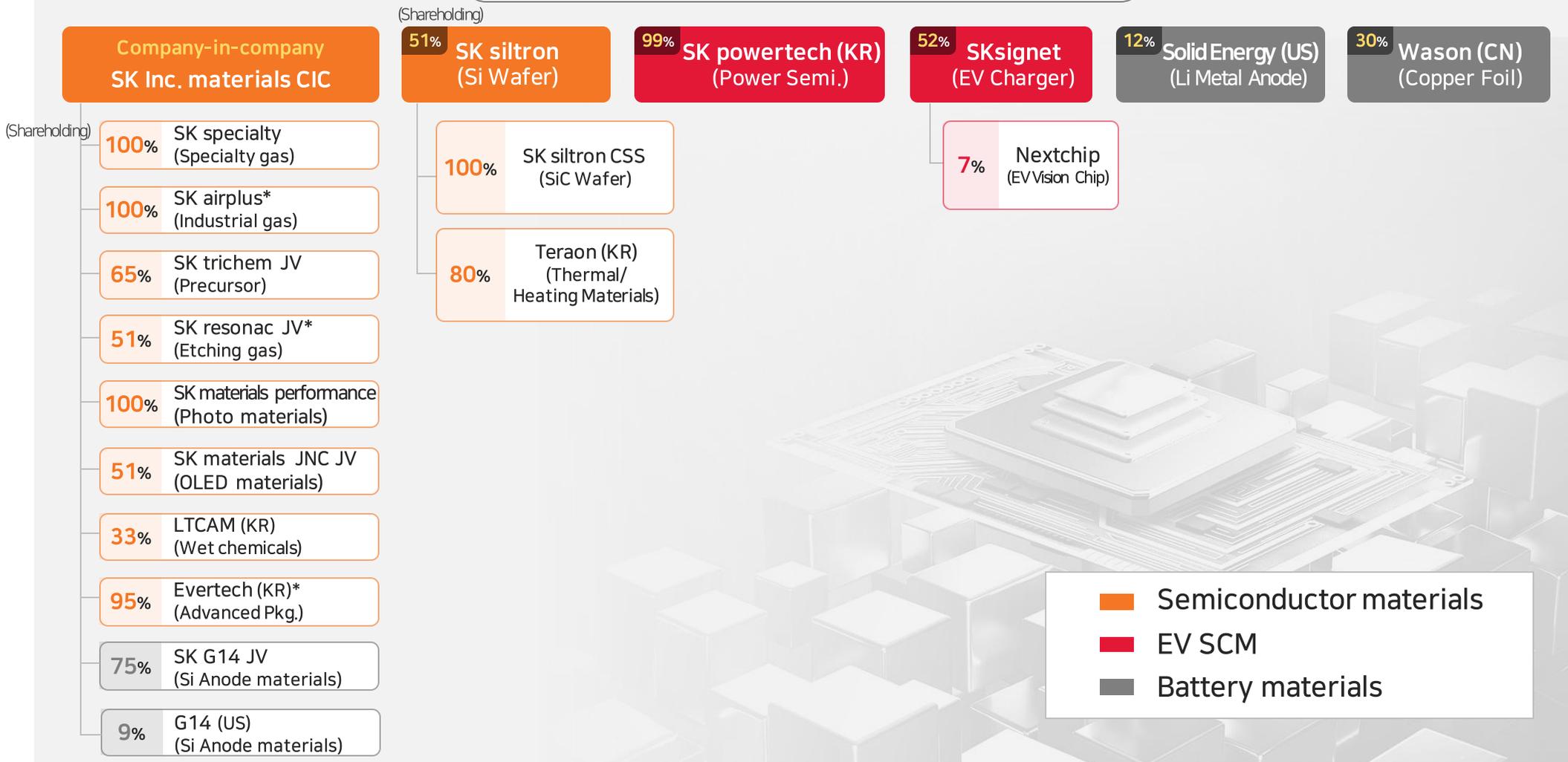
Materials CIC-linked earnings are calculated according to internal standards, and consolidated with SK Siltron earnings to derive the earnings of SK Inc.’s advanced materials business. Please note that this data has been prepared for investors’ understanding and is not audited.

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



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

SK Inc. Advanced Materials Business



* Merged with SK renewtech on April '23

* Formerly 'SK showa denko JV'

* Acquired as of May '23

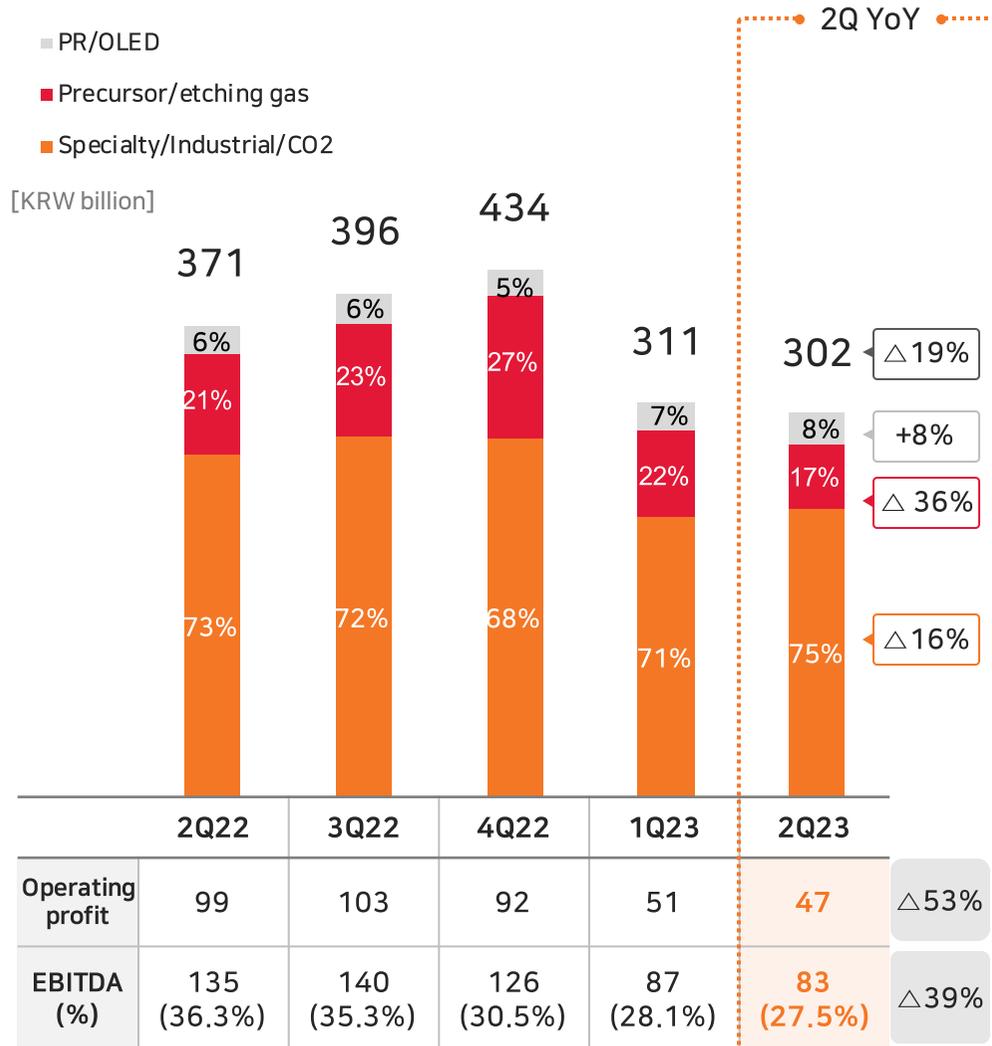
Revenue and EBITDA decreased by 18% and 38% YoY, respectively due to delayed recovery of semiconductor/display industry

(KRW billion)	2Q23	1Q23	QoQ	2Q22	YoY
Revenue	794	891	△11%	968	△18%
• SK materials CIC	302	311	△3%	371	△19%
• SK siltron	492	580	△15%	597	△18%
Operating Profit	117	165	△29%	258	△55%
• SK materials CIC	47	51	△9%	99	△53%
• SK siltron	70	114	△38%	159	△56%
EBITDA	241	306	△21%	388	△38%
• SK materials CIC	83	87	△5%	135	△39%
• SK siltron	158	219	△28%	253	△37%
Income Before Tax	83	143	△42%	243	△66%

※ The total revenue/operating profit/EBITDA/income before tax shown above are the sums of SK materials CIC and SK siltron results.

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 Earnings



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 △19% YoY (Specialty gas △16%, Precursor/Etching gas △36%, PR/OLED +8%)

- 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 / I-line PR for 3D NAND and Negative PR *

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

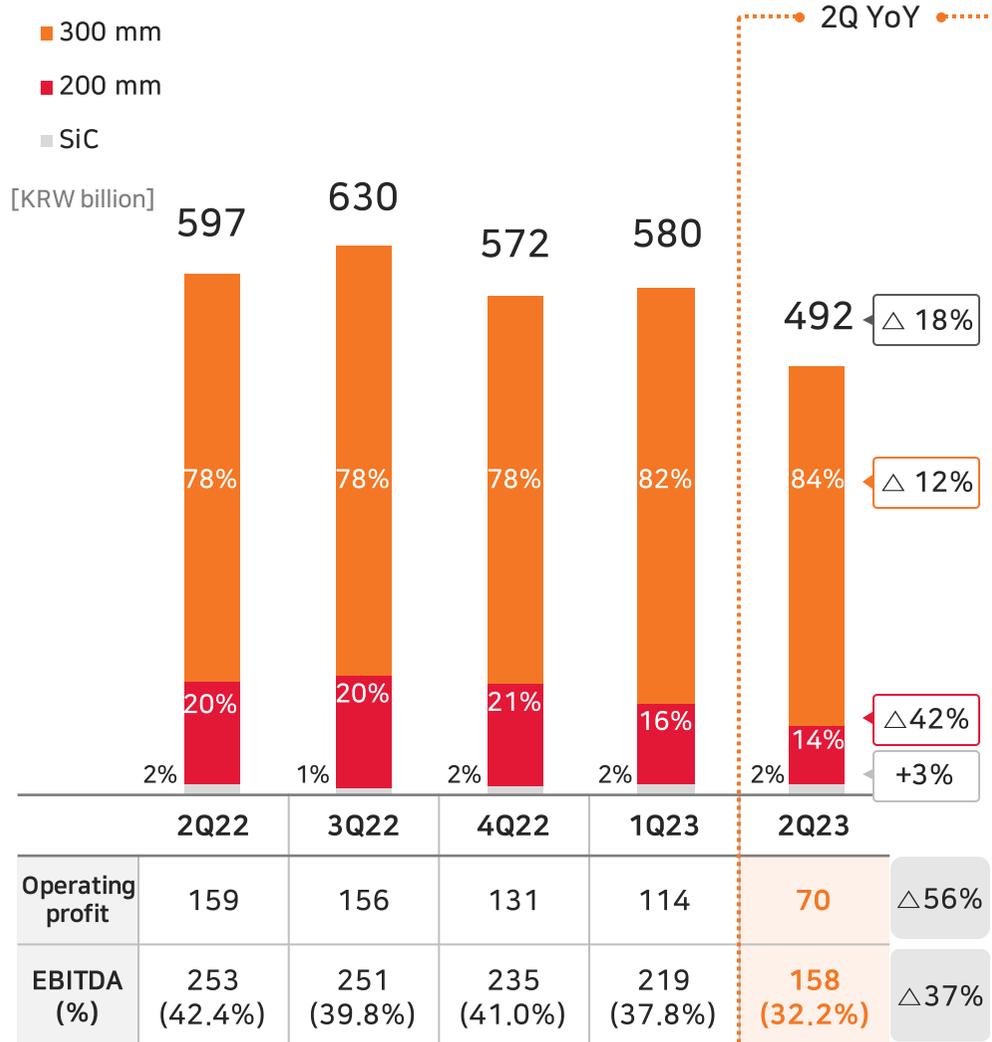
- Industrial gas: Revenue/profits to improve from early start of M15 Ph2 industrial gas facility and price increase reflecting electricity cost
- Precursor: Patent for next-gen High-K material (CpHf*) to generate stable growth and earnings

* Negative PR: Increased use in microprocessing compared to positive PR

* CpHf: used for the most advanced DRAM Capacitor

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

SK siltron Earnings



Highlights

2Q23 revenue and profits fell due to production cuts at chipmakers and rise in electricity prices, despite ASP increase in LTAs

Revenue Δ18% YoY, EBITDA Δ37% 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 major clients, expansion of grower facility and improvement in manufacturing process

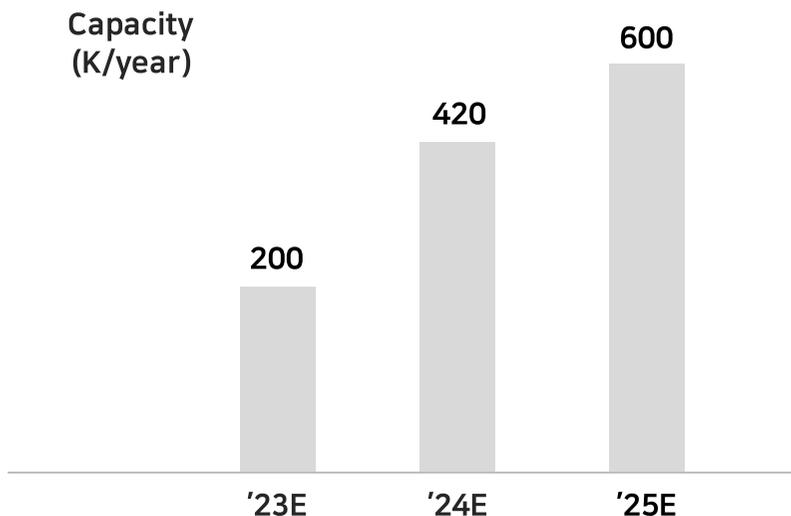
- Production capacity: 1H23 100 K/year → 23YE 200 K/year
- 2H sales expected to grow by more than 100% compared to 1H

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

Growing SiC wafer and chip business with focus on technology & manufacturing competitiveness

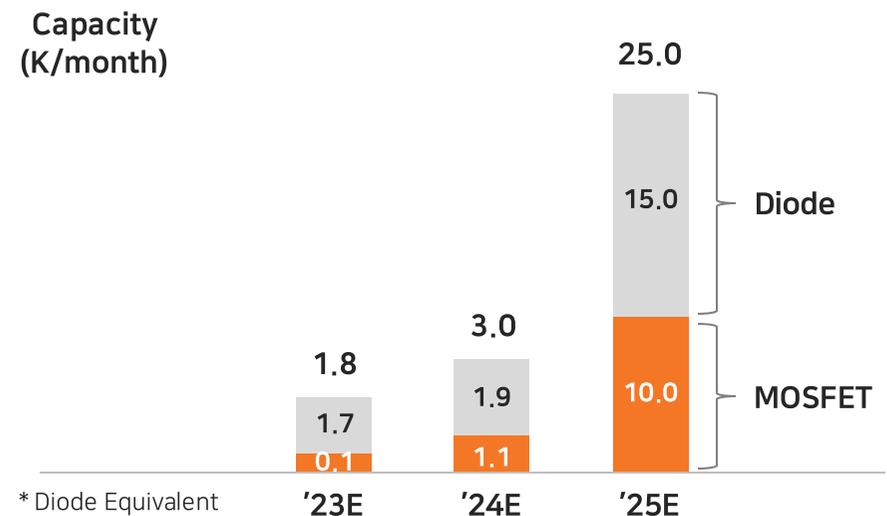
SK siltron CSS

- ▣ **Market share growth via proactive capacity expansion**
 - Expand to 3x current capacity by 2025 year-end (Global M/S 25%)
- ▣ **Enhancing productivity and improving mass production**
 - Next-gen growing process to enhance productivity
 - Leveraging the expertise of SK siltron, improve mass production by standardizing equipment/process management systems and upgrading MES
- ▣ **New LTAs and strategic partnerships with major clients**



SK powertech

- ▣ **In March, started commercial manufacturing of 150mm products at new and improved Busan Fab**
 - Production capacity: 4Q22 100mm 0.8 K/month → 1Q24 150mm 3.0 K/month (Diode Equiv.)
- ▣ **Developing next-gen products to achieve greater cost competitiveness**
 - 3rd gen MOSFET and 4th gen Diode launching in 2H
- ▣ **Cooperation with external partners for greater quality competitiveness**
 - Material wafer quality cooperation with SK siltron CSS (US)
 - Chip design, assessment, and analysis with Korea Electrotechnology Research Institute



Become a global leading power semiconductor provider by strengthening SiC wafer/chip competitiveness and entering module business

Market Opportunities (Customers' Needs)

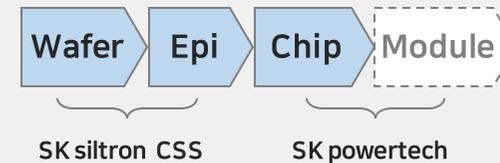
- ▣ **Strong demand for stable supply of high-quality wafers and chips**
 - Mid- to long-term global SiC wafer shortages expected to continue
 - Auto OEMs' needs for chip supplier diversification
- ▣ **Increasing SiC adoption in EV chargers/solar power to improve power efficiency**
- ▣ **Demand for modules increase as EV converters and inverters advance**
 - Improvement of Performance stability via one-packaging of multiple chips

SK's Strengths

- ▣ **Stable supply of 『SiC wafer + chip』**
- ▣ **Structured partnerships with customers for timely response**
- ▣ **Continuous improvement of manufacturing/quality competitiveness leveraging group synergy**

Value Chain Growth Strategies

“To expand the SiC value chain via internalizing module business, leveraging competitiveness of wafer/chip business”



- 1 **Proactive capa. expansion to secure high-growth opportunities**
 - CSS: Expand to 3x current capacity by 2025 year-end;
 - SK powertech: Expansion of Busan fab and building of new fab
- 2 **Secure product competitiveness and leading position in the 200mm market via R&D investments**
 - 200mm wafer mass production to start in 2024
 - MOSFET: 3Q23 3rd gen → 2Q24 4th gen (Trench structure)
- 3 **Entering the EV market and stabilizing business via Cooperation with core customers**
 - Joint development and supply of EV power semiconductors with large global OEMs and Tier-1 companies
- 4 **Entering high added-value module business for renewable energy solutions and EVs**
 - Build production sites in Korea through cooperation with global module companies



THANK YOU

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