

2024.1Q

# EARNINGS BRIEFING

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May 2024



# 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.

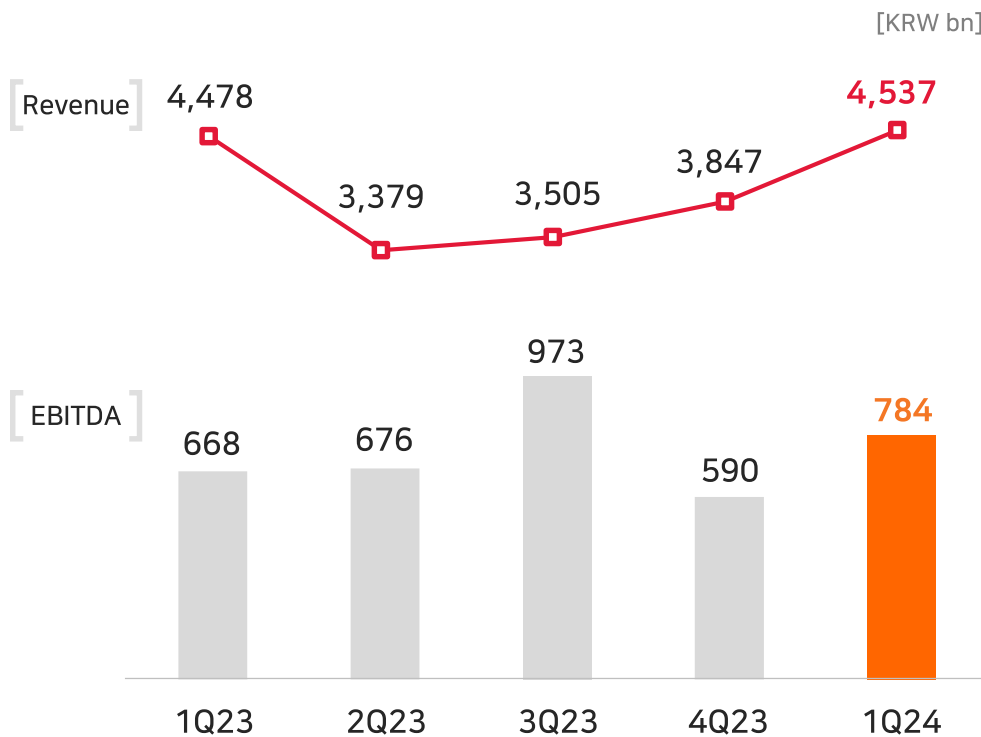
Under no circumstances should this material be considered as evidence of legal responsibility for investors' investment results.



## Consolidated Performance Improvement, Financial Soundness, and Shareholder Return are underway

### Total Earnings of Major Unlisted Subsidiaries

- Revenue QoQ +17.9%, YoY +1.3%
- EBITDA QoQ +33.0%, YoY +17.4%



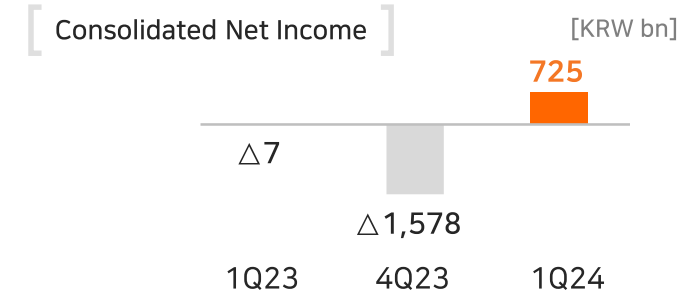
### Earnings & Shareholder return

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#### Consolidated Performance

- SK hynix drove 1Q24 consolidated net income to turnaround

- Net Income : KRW 725 bn
- Equity gains rose post SK hynix turnaround
- Higher power generation of SK E&S improved consolidated earnings



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#### Share Buyback

- Completed share buyback via trust amounting to 1% of market cap.
  - Quantity : 696K shares
  - Buyback period : Nov '23 ~ May '24
- Acquired shares to be canceled after board approval

1) SK E&S, SK pharmteco, SK siltron, SK materials CIC combined

2) SK E&S's FY23 results restated to reflect change in accounting treatment of COFF (Constrained-off energy payment, compensation for reducing planned output)

## Operating profit & income before tax increased due to semiconductor industry turnaround and robust power generation business

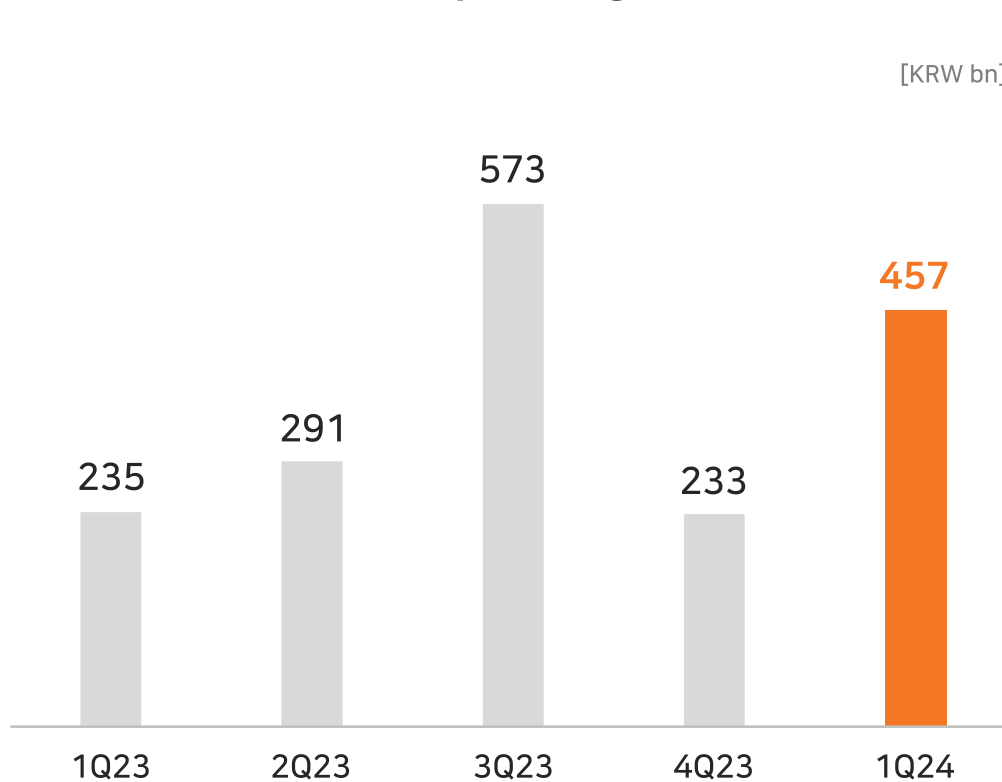
[KRW tn]	Revenue			Operating Profit			Income before Tax		
	1Q24	1Q23	YoY	1Q24	1Q23	YoY	1Q24	1Q23	YoY
<b>Consolidated</b>	<b>33.03</b>	<b>32.50</b>	<b>+1.6%</b>	<b>1.54</b>	<b>1.18</b>	<b>+30.5%</b>	<b>1.13</b>	<b>0.02</b>	<b>+7,052.8%</b>
Separate	1.24	1.64	△24.4%	0.61	1.12	△45.5%	0.47	0.99	△52.5%
SK innovation	18.86	19.14	△1.5%	0.62	0.38	+63.2%	0.02	0.16	△87.5%
SK square	0.91	0.01	+9,000.0%	0.32	△0.64	Turn to profit	0.35	△0.62	Turn to profit
SK telecom	4.47	4.37	+2.3%	0.50	0.49	+2.0%	0.44	0.42	+4.8%
SK networks	2.48	2.39	+3.8%	0.06	0.06	-	0.02	0.02	-
SKC	0.42	0.48	△12.5%	△0.08	△0.03	N/A	△0.13	△0.08	N/A
SK ecoplant	2.06	1.48	+39.2%	0.06	0.05	+20.0%	0.07	0.06	+16.7%
SK E&S	3.57	3.39	+5.3%	0.46	0.23	+100.0%	0.41	0.22	+86.4%
Materials CIC <sup>1)</sup>	0.32	0.31	+3.2%	0.05	0.05	-	0.04	0.04	-
SK siltron	0.48	0.58	△17.2%	0.04	0.11	△63.6%	0.04	0.11	△63.6%

1) Materials CIC results shown here were prepared internally for the purpose of providing comparability and have not been audited

2) SK E&S's FY23 results restated to reflect change in accounting treatment of COFF (Constrained-off energy payment, compensation for reducing planned output)

Revenue and operating profit grew in tandem,  
driven by expanded power generation and improved cost competitiveness

## SK E&S Operating Profit



	1Q24	1Q23	YoY	4Q23	QoQ
Revenue	3,569	3,394	+5.2%	2,835	+25.9%
Operating Profit	457	235	+94.9%	233	+96.1%
EBITDA	600	353	+69.8%	380	+57.7%

※ SK E&S's FY23 results restated to reflect change in accounting treatment of COFF (Constrained-off energy payment, compensation for reducing planned output)

## Highlights

□ Revenue (YoY +5.2%) increased due to higher power generation at new power plant

- SMP declined as global energy prices stabilized

	1Q23	2Q23	3Q23	4Q23	1Q24
SMP* (원/kWh)	236.3**	151.1	147.1	129.4	131.0
Dubai Oil (\$/B)	84.9	79.0	86.7	83.6	80.5

\* SMP : System Marginal Price

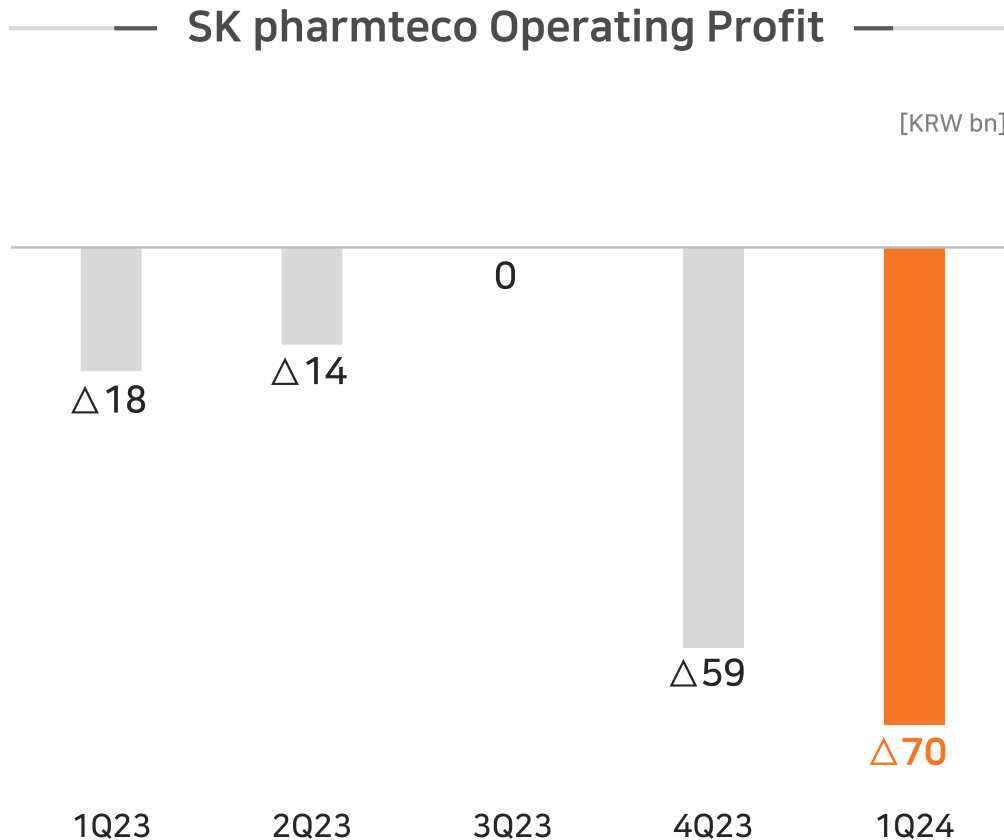
\*\* SMP where the cap is not applied during the cap period

□ Operating profit (YoY +94.9%) improved, from normalization of Freeport and strong city gas sales

- Fuel cost decreased thanks to resumed LNG imports from Freeport LNG terminal
- City gas profitability improved due to higher demand in cold weather

□ Despite lower SMP trend in 2024, profit to grow led by cost competitiveness and increase in LNG distribution

## Operating losses from sluggish small molecule CDMO business and higher fixed costs post-CBM acquisition



	1Q24	1Q23	YoY	4Q23	QoQ
Revenue	172	193	Δ10.9%	218	Δ21.1%
Operating Profit	Δ70	Δ18	N/A	Δ59	N/A
EBITDA margin	Δ25.2%	4.6%	Δ29.7%p	Δ16.1%	Δ9.0%p

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

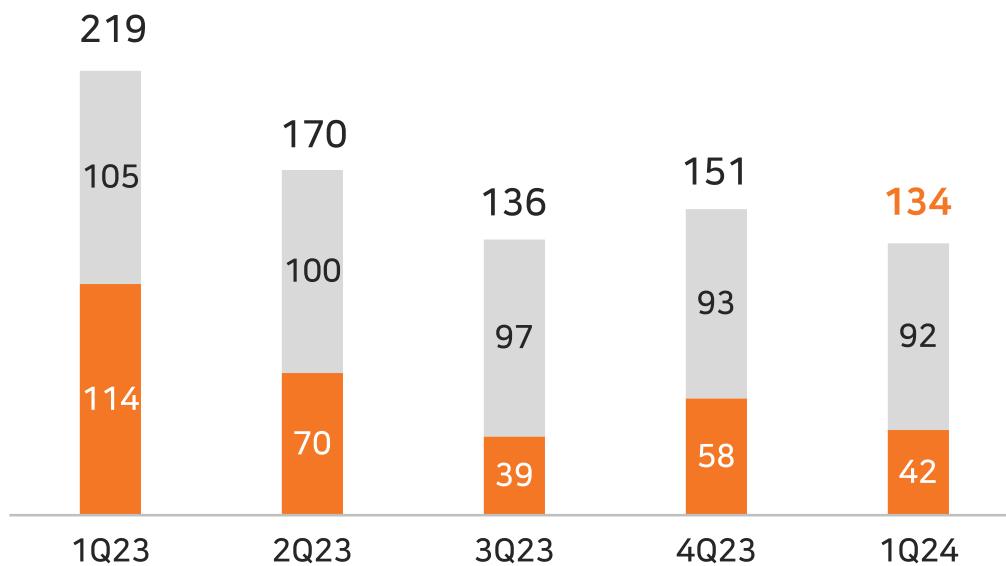
### Highlights

- ▣ **Revenue (YoY Δ10.9%) declined due to change in product portfolio and clients' production schedules**
  - Increased production for core products such as diabetes drugs, while production schedules were adjusted for certain oncology products
  - Gradual improvement in earnings expected from 2H onwards by strengthening marketing efforts to secure new orders
  
- ▣ **Operating losses continued due to increased fixed costs from CGT CDMO business after the acquisition of CBM ('23.4Q)**
  
- ▣ **Signed the first contract manufacturing agreement for commercial gene therapy drug**
  - Contract signed with Company F (Swiss) for the production of 'Adstiladrin' (Apr '24)
    - Adstiladrin: The first gene therapy using adenoviral vector technology (Approved by the U.S. FDA in Dec '22)
  - Technology transfer and U.S. FDA inspection to be carried out for commercial production

## Revenue and operating profit recovery delayed due to customer production cuts in the previous year

### SK siltron EBITDA

■ Depreciation [KRW bn]  
 ■ Operating Profit



	1Q24	1Q23	YoY	4Q23	QoQ
Revenue	476	580	△17.9%	485	△1.8%
Operating Profit	42	114	△63.3%	58	△27.5%
EBITDA margin	28.1%	37.8%	△9.7%p	31.1%	△3.0%p

### Highlights

□ Revenue (YoY △17.9%) and operating profit (YoY △63.3%) decreased as the impact of large-scale production cuts from the previous year continues

- Both 300/200mm shipments and ASP declined
- Despite revenue growth, SiC business profitability declined due to higher fixed costs following capacity expansion

□ Annual results to improve with shipments recovery in 2H and efforts in cost reduction

- Wafer industry expected to improve in 2H due to increased production by customers and growing demand of AI semiconductor
- To continue cost management efforts, such as cuts in raw materials cost and productivity improvement

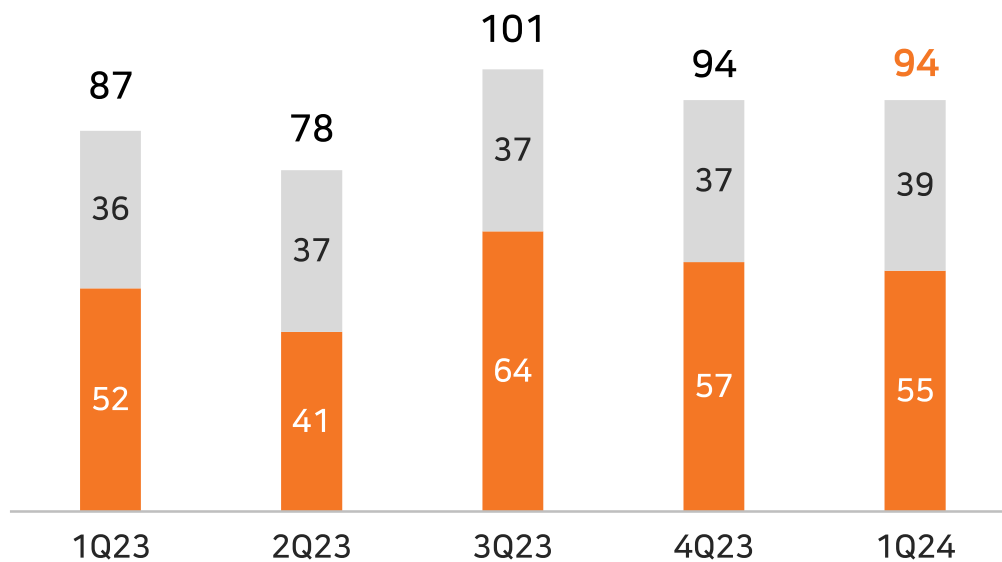
□ SiC Wafer (SK siltron CSS) business continues to strengthen growth momentum with LTA-based sales increase and advance in technology

- FY24 revenue is expected to double YoY (FY23 revenue USD 59mn)
- To target quarterly BEP in EBITDA by year-end

Under the recovery trend in downstream markets, profit improved YoY through expanded sales of industrial gases and new high value-added products

## SK materials CIC EBITDA

■ Depreciation [KRW bn]  
■ Operating Profit



	1Q24	1Q23	YoY	4Q23	QoQ
Revenue	320	311	+3.1%	309	+3.5%
Operating Profit	55	52	+5.7%	57	△3.9%
EBITDA margin	29.3%	28.0%	+1.3%p	30.4%	△1.1%p

### Highlights

□ Revenue (YoY +3.1%) and operating profit (YoY +5.7%) improved due to expanded sales from new industrial gas plants and PR

- Specialty/Industrial gas: Revenue grew from shipment hike in specialty gas and full operation of the M15 Ph2 industrial gas facility
- PR : Profitability growth from stronger sales of new products (PMA\*)

□ 2H profit to improve as customer utilization rates recover, and sales of high value-added products continue to rise

- Specialty/Industrial gas: In addition to benefiting from customers' higher utilization rates, will secure new customers and gain M/S at existing customers to improve profitability
- Etching gas: Mass production of next-generation etching gas (HBr\*\*) will boost profitability
- PR: Expanded product portfolio and greater volumes used at customer sites to lead to sales growth

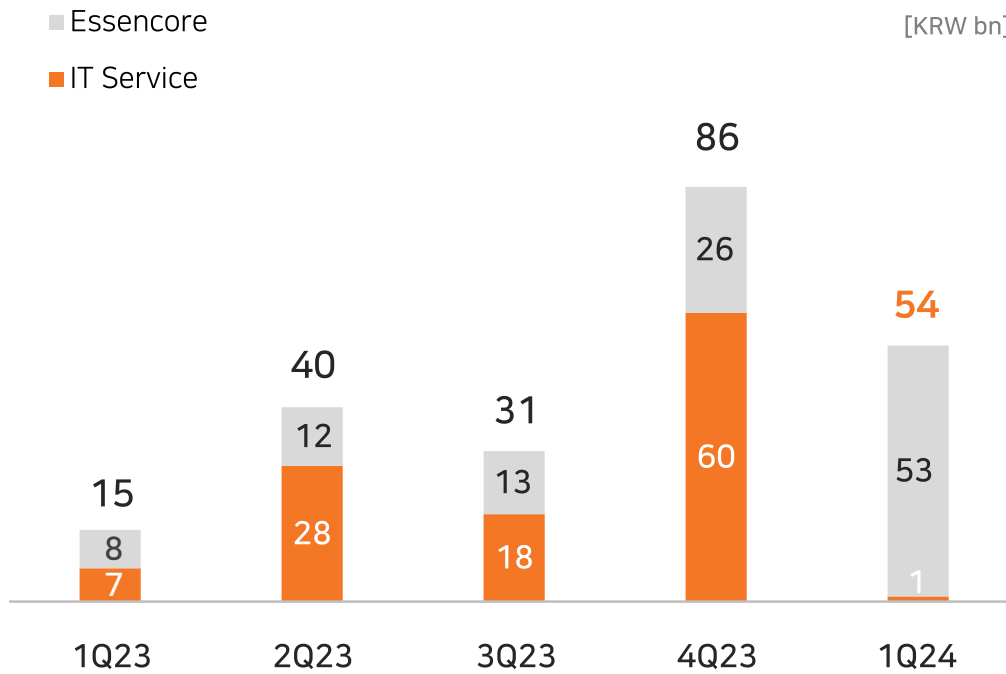
\* PMA : Semiconductor thinner material (for PR planarization)

\*\* HBr : Precise vertical etching gas for 3D NAND and logic



Revenue increased with new orders based on strong IT service competitiveness, and Essencore earnings hike as semiconductor industry turns around

## IT Services Operating Profit | Incl. Essencore



	1Q24	1Q23	YoY	4Q23	QoQ
Revenue	548	462	+18.6%	801	△31.6%
Operating Profit	1	7	△85.7%	60	△98.4%
Income before Tax	4	13	△66.5%	50	△91.6%
Essencore Operating Profit	53	8	+591.2%	26	+99.3%

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

### Highlights

□ ITS revenue (YoY +18.6%) growth continued from expansion of global business and financial projects

- Revenue increased due to expansion of overseas logistics automation and projects at major financial institutions

□ In FY24, aiming to achieve both quantitative & qualitative growth through improved profitability and increased per-capita productivity

- Nextrade's trading-matching system as it prepares to open the first alternative trading system (ATS) in Korea
- Heungkuk life's SFA\* and other systems in connection with preemptive establishment of a digital general insurance company  
\* SFA (Sales Force Automation) : One-stop digital insurance support service through sales automation

□ Essencore achieved its largest quarterly operating profit (YoY +591.2%) in the last 5 years

- Profitability improved due to ASP increases and sales growth (OPM 20.7%)

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

[KRW bn, %]		1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24
SK materials CIC	Revenue	262	280	307	340	1,189	348	371	396	414	1,530	311	303	287	309	1,210	320
	Operating Profit	62	68	83	78	291	84	99	103	92	379	52	41	64	57	213	55
	EBITDA	95	101	117	113	427	120	135	140	126	521	87	78	101	94	356	94
	<i>EBITDA Margin</i>	36%	36%	38%	33%	36%	34%	36%	35%	30%	34%	28%	26%	35%	30%	29%	29%
SK siltron	Revenue	422	440	476	512	1,850	555	597	630	572	2,355	580	492	469	485	2,026	476
	Operating Profit	51	69	77	85	282	119	159	156	131	565	114	70	39	58	281	42
	EBITDA	135	153	163	176	626	219	253	251	235	958	219	170	136	151	676	134
	<i>EBITDA Margin</i>	32%	35%	34%	34%	34%	39%	42%	40%	41%	41%	38%	35%	29%	31%	33%	28%
SK E&S	Revenue	2,134	1,518	1,688	2,619	7,960	3,683	2,200	2,485	3,173	11,541	3,394	2,372	2,566	2,835	11,167	3,569
	Operating Profit	281	72	154	217	724	759	495	450	7	1,711	235	291	573	233	1,331	457
	EBITDA	375	180	308	374	1,238	873	605	574	173	2,225	353	418	711	380	1,863	600
	<i>EBITDA Margin</i>	18%	12%	18%	14%	16%	24%	28%	23%	5%	19%	10%	18%	28%	13%	17%	17%

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\* Results of SK E&S restated to reflect change in accounting treatment of COFF (Constrained-off energy payment, compensation for reducing planned output)



**THANK YOU**

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