

**SK Advanced Co., Ltd.**  
**Statements of financial position**  
**as at December 31, 2017 and 2016**

(Korean won)

	Notes	2017	2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	3	₩ 56,256,440,687	₩ 73,829,517,937
Short-term financial instruments		45,000,000,000	-
Trade and other receivables	3, 4, 13	50,981,340,610	80,795,262,845
Current tax assets	17	-	-
Lease deposits	3	5,000,000	5,000,000
Inventories	5	13,609,627,353	9,580,044,610
Other current assets	6	4,348,701,015	3,169,731,110
Total current assets		170,201,109,665	167,379,556,502
<b>Non-current assets:</b>			
Long-term financial instruments	3	4,000,000	4,500,000
Property, plant and equipment, net	7, 13	844,003,668,028	882,958,673,732
Intangible assets	8	262,811,800	301,485,800
Deferred income tax assets	17	-	-
Lease deposits	3	165,958,320	179,662,670
Total non-current assets		844,436,438,148	883,444,322,202
<b>Total assets</b>		<b>₩ 1,014,637,547,813</b>	<b>₩ 1,050,823,878,704</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Trade and other payables	3, 9, 13	₩ 90,446,397,598	₩ 98,755,236,020
Current tax liabilities	17	3,238,258,816	5,220,103,787
Withholdings		135,858,301	110,075,094
Total current liabilities		93,820,514,715	104,085,414,901
<b>Non-current liabilities:</b>			
Bonds payable	3, 10	299,496,078,254	299,262,373,536
Long-term borrowings	3, 10	134,375,000,000	215,000,000,000
Defined benefit liability	11	300,201,395	24,604,579
Deferred income tax liabilities	17	8,520,652,220	1,607,236,718
Other non-current liabilities	3	50,000,000	50,000,000
Total non-current liabilities		442,741,931,869	515,944,214,833
<b>Total liabilities</b>		<b>536,562,446,584</b>	<b>620,029,629,734</b>
<b>Equity:</b>			
Issued capital	14	34,006,600,000	34,006,600,000
Capital surplus	14	353,695,008,542	353,695,008,542
Retained earnings	14	90,373,492,687	43,092,640,428
<b>Total equity</b>		<b>478,075,101,229</b>	<b>430,794,248,970</b>
<b>Total liabilities and equity</b>		<b>₩ 1,014,637,547,813</b>	<b>₩ 1,050,823,878,704</b>

The accompanying notes are an integral part of the financial statements.

**SK Advanced Co., Ltd.**  
**Statements of comprehensive income**  
**for the years ended December 31, 2017 and 2016**  
(Korean won)

	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Sales	13, 15	₩ 709,869,423,787	₩ 461,795,959,032
Cost of sales	13, 15	(616,501,731,149)	(380,505,576,460)
<b>Gross profit</b>		<b>93,367,692,638</b>	<b>81,290,382,572</b>
Selling and administrative expenses	13, 15	(19,404,858,133)	(14,681,404,878)
<b>Operating income</b>		<b>73,962,834,505</b>	<b>66,608,977,694</b>
Finance income	16	9,061,015,684	3,371,172,520
Finance costs	16	(17,798,859,956)	(17,783,186,388)
Other non-operating income	16	3,856,652,316	6,136,486,130
Other non-operating expenses	16	(8,732,882,979)	(3,042,280,059)
<b>Profit before income tax</b>		<b>60,348,759,570</b>	<b>55,291,169,897</b>
Income tax expense	17	(12,878,528,521)	(9,516,835,755)
<b>Profit for the year</b>		<b>₩ 47,470,231,049</b>	<b>₩ 45,774,334,142</b>
Other comprehensive loss	11	(189,378,790)	(119,417,357)
<b>Total comprehensive income</b>		<b>₩ 47,280,852,259</b>	<b>₩ 45,654,916,785</b>
Earnings per share			
Basic and diluted	18	₩ 13,959	₩ 13,485

The accompanying notes are an integral part of the financial statements.

**SK Advanced Co., Ltd.**  
**Statements of changes in equity**  
**for the years ended December 31, 2017 and 2016**

(Korean won)

	<u>Issued capital</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>As at January 1, 2016</b>	<b>₩ 31,949,880,000</b>	<b>₩ 314,628,924,792</b>	<b>₩ (2,562,276,357)</b>	<b>₩ 344,016,528,435</b>
Profit for the year	-	-	45,774,334,142	45,774,334,142
Other comprehensive income:				
Re-measurement loss on defined benefit liability	-	-	(119,417,357)	(119,417,357)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>45,654,916,785</b>	<b>45,654,916,785</b>
Paid-in capital increase	2,056,720,000	39,066,083,750	-	41,122,803,750
<b>As at December 31, 2016</b>	<b>₩ 34,006,600,000</b>	<b>₩ 353,695,008,542</b>	<b>₩ 43,092,640,428</b>	<b>₩ 430,794,248,970</b>
<b>As at January 1, 2017</b>	<b>₩ 34,006,600,000</b>	<b>₩ 353,695,008,542</b>	<b>₩ 43,092,640,428</b>	<b>₩ 430,794,248,970</b>
Profit for the year	-	-	47,470,231,049	47,470,231,049
Other comprehensive income:				
Re-measurement loss on defined benefit liability	-	-	(189,378,790)	(189,378,790)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>47,280,852,259</b>	<b>47,280,852,259</b>
Paid-in capital increase	-	-	-	-
<b>As at December 31, 2017</b>	<b>₩ 34,006,600,000</b>	<b>₩ 353,695,008,542</b>	<b>₩ 90,373,492,687</b>	<b>₩ 478,075,101,229</b>

The accompanying notes are an integral part of the financial statements.

**SK Advanced Co., Ltd.**  
**Statements of cash flows**  
**for the years ended December 31, 2017 and 2016**  
(Korean won)

	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Profit for the year	₩ 47,470,231,049	₩ 45,774,334,142
Adjustments to reconcile profit for the year to net cash flows:		
Provision for pension benefits	571,792,301	418,602,776
Depreciation	47,956,104,940	36,178,423,707
Interest income	(1,607,453,897)	(510,221,437)
Interest expense	14,833,623,684	12,149,559,236
Income tax expense	12,878,528,521	9,516,835,755
Gain on valuation of derivative instruments	(210,730,949)	-
Loss on valuation of derivative instruments	1,307,773	1,895,627,901
Gain on foreign currency translation	(2,802,492)	(1,810,415,420)
Loss on foreign currency translation	210,132,420	3,866,593
Loss on disposal of intangible assets	20,516,000	-
	<u>74,651,018,301</u>	<u>57,842,279,111</u>
Working capital adjustments:		
Accounts receivable	31,977,456,926	(74,277,597,961)
Other receivables	(9,044,173,555)	(7,318,436,852)
Inventories	(4,029,582,743)	(7,891,011,013)
Other current assets	(969,004,354)	(2,777,562,481)
Accounts payable	(3,373,450,432)	75,022,145,653
Other payables	(473,599,549)	19,486,061,921
Other current liabilities	25,783,207	(25,696,454)
Other non-current liabilities	-	50,000,000
Transfer to affiliate	17,885,361	(47,457,462)
Contribution to plan assets	(551,000,000)	(560,000,000)
Pension benefits paid	(39,253,424)	(83,544,924)
Proceeds from disposal of derivative instruments	4,686,693,022	(867,878,350)
	<u>18,227,754,459</u>	<u>709,022,077</u>
Interest received	1,245,860,452	441,582,013
Income tax paid	(7,886,496,687)	(585,797,548)
<b>Net cash flows provided by operating activities</b>	<u><b>133,708,367,574</b></u>	<u><b>104,181,419,795</b></u>
<b>Investing activities</b>		
Increase in short-term financial instruments	(45,000,000,000)	-
Decrease in short-term deposits	-	315,000,000
Decrease in other current assets	(209,965,551)	1,675,478,642
Decrease in long-term financial instruments	500,000	-
Increase in long-term deposits	(914,220)	(651,570)
Decrease in long-term deposits	14,618,570	-
Acquisition of property, plant and equipment	(10,485,691,971)	(70,304,831,997)
Proceeds from disposal of property, plant and equipment	79,718,200	2,028,000,000
Acquisition of intangible assets	(77,842,000)	-
Proceeds from intangible assets	96,000,000	-
Proceeds from disposal of derivative instruments	-	11,957,229
<b>Net cash flows used in investing activities</b>	<u><b>(55,583,576,972)</b></u>	<u><b>(66,275,047,696)</b></u>
<b>Financing activities</b>		
Paid-in capital increase	-	41,122,803,750
Drawdown of long-term borrowings	-	-
Repayment of current portion of long-term borrowings	(13,437,500,000)	-
Repayment of long-term borrowings	(67,187,500,000)	-
Interest paid	(15,072,867,852)	(15,905,577,398)
<b>Net cash flows provided by (used in) financing activities</b>	<u><b>(95,697,867,852)</b></u>	<u><b>25,217,226,352</b></u>
Net increase (decrease) in cash and cash equivalents	(17,573,077,250)	63,123,598,451
Cash and cash equivalents at the beginning of the year	73,829,517,937	10,705,919,486
<b>Cash and cash equivalents at the end of the year</b>	<u><b>₩ 56,256,440,687</b></u>	<u><b>₩ 73,829,517,937</b></u>

The accompanying notes are an integral part of the financial statements.