

SK Advanced Co., Ltd.
Statements of financial position
as of December 31, 2018 and 2017
(Korean won)

	Notes	2018	2017
Assets			
Current assets:			
Cash and cash equivalents	3, 23	₩ 7,872,169,693	₩ 56,256,440,687
Short-term financial instruments	3, 23	213,000,000,000	45,000,000,000
Trade and other receivables	3, 4, 13, 23	61,549,877,241	50,981,340,610
Lease deposits	3, 23	5,000,000	5,000,000
Inventories	5	12,326,347,793	13,609,627,353
Other current assets	6	3,568,541,257	4,348,701,015
Total current assets		298,321,935,984	170,201,109,665
Non-current assets:			
Long-term financial instruments	3, 23	4,000,000	4,000,000
Investment in a joint venture	7	21,692,618,910	-
Property, plant and equipment, net	8	822,956,648,095	844,003,668,028
Intangible assets	9	262,811,800	262,811,800
Lease deposits	3, 23	169,276,000	165,958,320
Other non-current assets		129,240,516	-
Total non-current assets		845,214,595,321	844,436,438,148
Total assets		₩ 1,143,536,531,305	₩ 1,014,637,547,813
Liabilities and equity			
Current liabilities:			
Trade and other payables	3, 10, 14, 22, 23	₩ 138,682,591,624	₩ 90,446,397,598
Current portion of long-term liabilities	3, 11, 22, 23	226,779,653,764	-
Current tax liabilities	19	10,377,794,078	3,238,258,816
Withholdings		113,582,338	135,858,301
Total current liabilities		375,953,621,804	93,820,514,715
Non-current liabilities:			
Bonds payable	3, 11, 22, 23	99,833,001,784	299,496,078,254
Long-term borrowings	3, 11, 22, 23	107,500,000,000	134,375,000,000
Defined benefit liability	12	85,853,650	300,201,395
Deferred tax liabilities	19	11,545,673,577	8,520,652,220
Other non-current liabilities	3, 22, 23	50,000,000	50,000,000
Total non-current liabilities		219,014,529,011	442,741,931,869
Total liabilities		594,968,150,815	536,562,446,584
Equity:			
Issued capital	15	34,006,600,000	34,006,600,000
Capital surplus	15	353,695,008,542	353,695,008,542
Retained earnings	15	160,866,771,948	90,373,492,687
Total equity		548,568,380,490	478,075,101,229
Total liabilities and equity		₩ 1,143,536,531,305	₩ 1,014,637,547,813

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, 2018 and 2017
(Korean won)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Sales	16, 17	₩ 860,458,486,705	₩ 709,869,423,787
Cost of sales	17	(751,025,204,947)	(616,501,731,149)
Gross profit		109,433,281,758	93,367,692,638
Selling and administrative expenses	17	(10,338,526,287)	(19,404,858,133)
Operating income		99,094,755,471	73,962,834,505
Finance income	18	5,113,836,931	9,061,015,684
Finance costs	18	(18,581,119,437)	(17,798,859,956)
Other non-operating income	18	5,859,014,020	3,856,652,316
Other non-operating expenses	18	(3,665,151,378)	(8,732,882,979)
Share of profit of an associate and a joint venture		(57,181,090)	-
Profit before income tax		87,764,154,517	60,348,759,570
Income tax expense	19	(17,065,371,657)	(12,878,528,521)
Net profit for the year		₩ 70,698,782,860	₩ 47,470,231,049
Other comprehensive loss		(205,503,599)	(189,378,790)
Total comprehensive income		₩ 70,493,279,261	₩ 47,280,852,259
earnings per share			
Basic and diluted	20	₩ 20,790	₩ 13,959

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, 2018 and 2017
(Korean won)

	<u>Issued capital</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total equity</u>
As of January 1, 2017	₩ 34,006,600,000	₩ 353,695,008,542	₩ 43,092,640,428	₩ 430,794,248,970
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)
Total comprehensive income	-	-	47,280,852,259	47,280,852,259
As of December 31, 2017	₩ 34,006,600,000	₩ 353,695,008,542	₩ 90,373,492,687	₩ 478,075,101,229
As of January 1, 2018	₩ 34,006,600,000	₩ 353,695,008,542	₩ 90,373,492,687	₩ 478,075,101,229
Profit for the year	-	-	70,698,782,860	70,698,782,860
Other comprehensive income:				
Re-measurement loss on defined benefit liability	-	-	(205,503,599)	(205,503,599)
Total comprehensive income	-	-	70,493,279,261	70,493,279,261
As of December 31, 2018	₩ 34,006,600,000	₩ 353,695,008,542	₩ 160,866,771,948	₩ 548,568,380,490

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, 2018 and 2017
(Korean won)

	2018	2017
Operating activities		
Net profit for the year	₩ 70,698,782,860	₩ 47,470,231,049
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Provision for pension benefits	831,612,504	571,792,301
Incentive bonus	3,411,930,000	-
Depreciation	48,911,874,638	47,956,104,940
Interest income	(189,139,118)	(1,607,453,897)
Gain on valuation of financial assets at fair value through profit or loss	(549,326,018)	-
Gain on transaction of financial assets at fair value through profit or loss	(2,707,785,648)	-
Interest expense	13,883,639,751	14,833,623,684
Income tax expense	17,065,371,657	12,878,528,521
Loss on valuation of inventories	45,466,172	-
Gain derivatives transactions	(1,534,848,529)	-
Loss derivatives transactions	4,119,822,536	-
Gain on valuation of derivative instruments	(132,737,618)	(210,730,949)
Loss on valuation of derivative instruments	26,378,404	1,307,773
Gain on foreign currency translation	(13,495,563)	(2,802,492)
Loss on foreign currency translation	205,563,826	210,132,420
Share of loss of an associate and a joint venture	57,181,090	-
Gain on disposal of property, plant and equipment	(7,488,147)	-
Loss on disposal of property, plant and equipment	856,795,063	-
Loss on disposal of intangible assets	-	20,516,000
	<u>84,280,815,000</u>	<u>74,651,018,301</u>
Working capital adjustments:		
Accounts receivable	(8,603,216,148)	31,977,456,926
Other receivables	(1,766,459,986)	(9,044,173,555)
Inventories	1,237,813,388	(4,029,582,743)
Other current assets	403,131,430	(969,004,354)
Other non-current assets	(129,240,516)	-
Accounts payable	44,937,570,211	(3,373,450,432)
Other payables	(3,655,653,808)	(473,599,549)
Other current liabilities	(22,275,963)	25,783,207
Transfer to affiliate	(220,731,943)	17,885,361
Contribution to plan assets	(700,000,000)	(551,000,000)
Pension benefits paid	(266,341,232)	(39,253,424)
Proceeds from disposal of derivative instruments	-	4,686,693,022
	<u>31,214,595,433</u>	<u>18,227,754,459</u>
Interest received	3,186,883,663	1,245,860,452
Income tax paid	(6,835,205,711)	(7,886,496,687)
Net cash flows provided by operating activities	<u>182,545,871,245</u>	<u>133,708,367,574</u>
Investing activities		
Increase in short-term financial instruments	(203,000,000,000)	(45,000,000,000)
Decrease in short-term financial instruments	35,000,000,000	-
Decrease(Increase) in other current assets	377,028,328	(209,965,551)
Decrease in long-term financial instruments	-	500,000
Increase in long-term deposits	(4,231,900)	(914,220)
Decrease in long-term deposits	914,220	14,618,570
Acquisition of investment in joint ventures	(21,749,800,000)	-
Acquisition of property, plant and equipment	(26,533,640,421)	(10,485,691,971)
Proceeds from disposal of property, plant and equipment	1,206,624,000	79,718,200
Acquisition of intangible assets	-	(77,842,000)
Proceeds from intangible assets	-	96,000,000
Proceeds from disposal of derivative instruments	(2,584,974,007)	-
Net cash flows used in investing activities	<u>(217,288,079,780)</u>	<u>(55,583,576,972)</u>

(Continued)

SK Advanced Co., Ltd.
Statements of cash flows
for the years ended December 31, 2018 and 2017 (cont'd)
(Korean won)

	<u>2018</u>	<u>2017</u>
Financing activities		
Drawdown of long-term borrowings	-	(67,187,500,000)
Repayment of current portion of long-term borrowings	-	(13,437,500,000)
Interest paid	(13,642,062,459)	(15,072,867,852)
Net cash flows provided by (used in) financing activities	<u>(13,642,062,459)</u>	<u>(95,697,867,852)</u>
Net decrease in cash and cash equivalents	(48,384,270,994)	(17,573,077,250)
Cash and cash equivalents at the beginning of the year	56,256,440,687	73,829,517,937
Cash and cash equivalents at the end of the year	<u>₩ 7,872,169,693</u>	<u>₩ 56,256,440,687</u>

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