

SK Advanced Co., Ltd.
Statements of financial position
as at December 31, 2016 and 2015

(Korean won)

	Notes	2016	2015
Assets			
Current assets:			
Cash and cash equivalents	3	₩ 73,829,517,937	₩ 10,705,919,486
Trade and other receivables	3, 4, 13	80,795,262,845	2,411,924,271
Current tax assets	17	-	138,780,610
Lease deposits	3	5,000,000	320,000,000
Inventories	5	9,580,044,610	-
Other current assets	6	3,169,731,110	1,864,847,271
Total current assets		167,379,556,502	15,441,471,638
Non-current assets:			
Long-term financial instruments	3	4,500,000	4,500,000
Property, plant and equipment, net	7, 13	882,958,673,732	847,513,016,669
Intangible assets	8	301,485,800	301,485,800
Deferred income tax assets	17	-	1,926,791,762
Lease deposits	3	179,662,670	179,011,100
Total non-current assets		883,444,322,202	849,924,805,331
Total assets		₩ 1,050,823,878,704	₩ 865,366,276,969
Liabilities and equity			
Current liabilities:			
Trade and other payables	3, 9, 13	₩ 98,755,236,020	₩ 7,163,801,968
Current tax liabilities	17	5,220,103,787	-
Withholdings		110,075,094	135,771,548
Total current liabilities		104,085,414,901	7,299,573,516
Non-current liabilities:			
Bonds payable	3, 10	299,262,373,536	299,036,284,564
Long-term borrowings	3, 10	215,000,000,000	215,000,000,000
Defined benefit liability	11	24,604,579	13,890,454
Deferred income tax liabilities	17	1,607,236,718	-
Other non-current liabilities	3	50,000,000	-
Total non-current liabilities		515,944,214,833	514,050,175,018
Total liabilities		620,029,629,734	521,349,748,534
Equity:			
Issued capital	14	34,006,600,000	31,949,880,000
Capital surplus	14	353,695,008,542	314,628,924,792
Retained earnings	14	43,092,640,428	(2,562,276,357)
Total equity		430,794,248,970	344,016,528,435
Total liabilities and equity		₩ 1,050,823,878,704	₩ 865,366,276,969

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, 2016 and 2015
(Korean won)

	Notes	2016	2015
Sales	13, 15	₩ 461,795,959,032	₩ -
Cost of sales	13, 15	(380,505,576,460)	-
Gross profit		81,290,382,572	-
Selling and administrative expenses	13, 15	(14,681,404,878)	(6,055,697,947)
Operating income (loss)		66,608,977,694	(6,055,697,947)
Finance income	16	3,371,172,520	3,100,640,811
Finance costs	16	(17,783,186,388)	(1,284,251,404)
Other non-operating income	16	6,136,486,130	795,101,426
Other non-operating expenses	16	(3,042,280,059)	(104,946,230)
Profit (loss) before income tax		55,291,169,897	(3,549,153,344)
Income tax revenue (expense)	17	(9,516,835,755)	1,087,281,959
Profit (loss) for the year		₩ 45,774,334,142	₩ (2,461,871,385)
Other comprehensive loss	11	(119,417,357)	(167,545,850)
Total comprehensive income (loss)		₩ 45,654,916,785	₩ (2,629,417,235)
Earnings (losses) per share			
Basic and diluted	18	₩ 13,485	₩ (840)

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, 2016 and 2015

(Korean won)

	Issued capital	Capital surplus	Retained earnings	Total equity
As at January 1, 2015	₩ 23,490,130,000	₩ 153,939,908,382	₩ 67,140,878	₩ 177,497,179,260
Loss for the year	-	-	(2,461,871,385)	(2,461,871,385)
Other comprehensive income:				
Re-measurement loss on defined benefit liability	-	-	(167,545,850)	(167,545,850)
Total comprehensive loss	-	-	(2,629,417,235)	(2,629,417,235)
Paid-in capital increase	8,459,750,000	160,689,016,410	-	169,148,766,410
As at December 31, 2015	₩ 31,949,880,000	₩ 314,628,924,792	₩ (2,562,276,357)	₩ 344,016,528,435
As at January 1, 2016	₩ 31,949,880,000	₩ 314,628,924,792	₩ (2,562,276,357)	₩ 344,016,528,435
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)
Total comprehensive income	-	-	45,654,916,785	45,654,916,785
Paid-in capital increase	2,056,720,000	39,066,083,750	-	41,122,803,750
As at December 31, 2016	₩ 34,006,600,000	₩ 353,695,008,542	₩ 43,092,640,428	₩ 430,794,248,970

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, 2016 and 2015
(Korean won)

	2016		2015	
Operating activities				
Profit (loss) for the year	W	45,774,334,142	W	(2,461,871,385)
Adjustments to reconcile profit for the year to net cash flows:				
Provision for pension benefits		418,602,776		36,713,132
Depreciation		36,178,423,707		868,535,761
Interest income		(510,221,437)		(667,926,571)
Interest expense		12,149,559,236		-
Income tax expense (revenue)		9,516,835,755		(1,087,281,959)
Gain on valuation of derivative instruments		-		(181,073,271)
Loss on valuation of derivative instruments		1,895,627,901		-
Gain on foreign currency translation		(1,810,415,420)		(4,313,986)
Loss on foreign currency translation		3,866,593		11,179,137
Gain on disposal of property, plant and equipment		-		(39,465,493)
Loss on disposal of accounts receivable		21,127,047		-
		<u>57,863,406,158</u>		<u>(1,063,633,250)</u>
Working capital adjustments:				
Accounts receivable		(74,298,725,008)		-
Other receivables		(7,318,436,852)		(2,249,846,479)
Inventories		(7,891,011,013)		-
Other current assets		(2,777,562,481)		28,495,699
Accounts payable		75,022,145,653		-
Other payables		19,486,061,921		(205,976,697)
Other current liabilities		(25,696,454)		82,430,187
Other non-current liabilities		50,000,000		-
Transfer to affiliate		(47,457,462)		-
Contribution to plan assets		(560,000,000)		(640,000,000)
Pension benefits paid		(83,544,924)		(100,784,633)
Proceeds from disposal of derivative instruments		(867,878,350)		-
		<u>687,895,030</u>		<u>(3,085,681,923)</u>
Interest received		441,582,013		896,025,200
Income tax paid		(585,797,548)		(98,766,770)
Net cash flows provided by (used in) operating activities		<u>104,181,419,795</u>		<u>(5,813,928,128)</u>
Investing activities				
Decrease in short-term financial instruments		-		20,000,000,000
Increase in short-term deposits		-		(10,000,000)
Decrease in short-term deposits		315,000,000		50,727,780
Decrease in other current assets		1,675,478,642		6,434,914,304
Decrease in long-term financial instruments		-		1,000,000
Increase in long-term deposits		(651,570)		(179,011,100)
Acquisition of property, plant and equipment		(70,304,831,997)		(446,605,007,126)
Proceeds from disposal of property, plant and equipment		2,028,000,000		-
Acquisition of intangible assets		-		(301,485,800)
Proceeds from disposal of derivative instruments		11,957,229		967,389,565
Net cash flows used in investing activities		<u>(66,275,047,696)</u>		<u>(419,641,472,377)</u>
Financing activities				
Paid-in capital increase		41,122,803,750		169,148,766,410
Drawdown of long-term borrowings		-		195,000,000,000
Interest paid		(15,905,577,398)		(12,199,897,246)
Net cash flows from financing activities		<u>25,217,226,352</u>		<u>351,948,869,164</u>
Net increase (decrease) in cash and cash equivalents		63,123,598,451		(73,506,531,341)
Cash and cash equivalents at the beginning of the year		10,705,919,486		84,219,284,746
Net decrease in cash and cash equivalents denominated in foreign currencies arising from foreign exchange differences		-		(6,833,919)
Cash and cash equivalents at the end of the year	W	<u>73,829,517,937</u>	W	<u>10,705,919,486</u>

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