



# **SK Holdings Co., Ltd. and its subsidiaries**

Interim condensed consolidated financial statements  
for the six months ended June 30, 2017 and 2016  
with the independent auditors' review report

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## **Report on review of interim condensed consolidated financial statements**

### **The Shareholders and Board of Directors SK Holdings Co., Ltd.**

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at June 30, 2017, and the interim condensed consolidated statements of comprehensive income for the three months and six months ended June 30, 2017 and 2016, interim condensed consolidated statements of changes in shareholders’ equity and interim condensed consolidated statements of cash flows for the six months ended June 30, 2017 and 2016, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

### **Management’s responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards (KIFRS)1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors’ responsibility**

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the review standard for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with KIFRS 1034.

### **Emphasis of matter**

Without modifying our conclusion, we draw attention to the following matters:

Emphasis of matter in regard to key audit matters in engineer-to-order manufacturing sectors (ETO)

In accordance with Accounting Audit Practice Guidelines 2016-1, key audit matters in ETO are selected on the basis of auditors' professional judgment and communication with those charged with governance. Such procedures are based on the financial statements as a whole, and we do not express an opinion in regard to such matter.

We have performed below reviewing procedures performed on the key audit matters in forming the conclusion.

(1) Revenue recognition based on the percentage-of-completion, the appropriateness of the percentage-of-completion and the recoverability of unbilled construction contract

As explained in Note 2 to the accompanying financial statements, when the outcome of construction contract can be reliably measured, construction revenue and construction costs are recognized based on the percentage-of-completion method. The percentage-of-completion is calculated by dividing total construction costs to date by the total estimated costs of the construction, and if such method does not reliably measure the construction contract, there exists risk in relation to measurement of construction revenue and construction costs.

Further, the Group recognized accounts receivable (unbilled contract revenue) for construction cost to date, net of recognized loss, exceeding billed amounts. As at June 30, 2017, unbilled construction contract amounted to ₩557,610 million and if such amount is uncollected, the Group is exposed to risks in relation to asset measurement.

We performed the following review procedures for the key audit matters associated with revenue recognition based on the percentage-of-completion, the appropriateness of the percentage-of-completion and the recoverability of unbilled construction contract:

- Inquiry about accounting policies on revenue recognition and any changes to the policies
- Review as to whether it meets the criteria for reliably estimating the outcome of construction contracts
- Inquiry and analytic review as to construction contracts with a significant change of the percentage-of-completion
- Review as to reasons for the significant change and recoverability of unbilled construction contract

(2) Uncertainty in estimating the total estimated costs of the construction contract and the appropriateness of accounting treatment for changes in construction

As explained in Note 2 to the accompanying financial statements, the total estimated costs of the contract are based on the future estimates, and the total construction revenue is based on the agreed amount in the contract. However, the total revenue may change due to alterations in the original contract work and delays caused by the contractor in the completion of the contract. As a result, measurement of construction costs and contract revenue is affected by uncertainties associated with the outcomes of future events.

We performed the following review procedures for the key audit matters, selected on the basis of auditors' professional judgment, in relation to uncertainties in estimating the total contract costs and the appropriateness of accounting treatment for changes in construction:

- Inquiry about the appropriateness of accounting treatments for the change of the total estimated costs and the change of construction contracts
- Inquiry about the reason of significant changes of total construction revenue or the total estimated costs

**Other matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2016, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea and our report dated March 9, 2017 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2016, presented for comparative purposes are not different, in all material respects, from the above audited consolidated statement of financial position.

We have reviewed the translation of the interim condensed consolidated financial statements mentioned above into United States dollar amounts on the basis described in Note 2 to the accompanying interim condensed consolidated financial statements. In our opinion, such statements have been properly translated on such basis.

August 14, 2017

*Ernst & Young Han Young*

This review report is effective as at August 14, 2017, the independent auditors' review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

## **SK Holdings Co., Ltd. and its subsidiaries**

Interim condensed consolidated financial statements  
for the six months ended June 30, 2017 and 2016

“The accompanying interim condensed consolidated financial statements, including all footnote disclosures, have been prepared by, and are the responsibility of SK Holdings Co., Ltd.”

Chey, Tae-won and Jang, Dong-Hyun  
Chief Executive Officers  
SK Holdings Co., Ltd.

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of financial position**  
**as at June 30, 2017 and December 31, 2016**

(Korean won in millions and U.S. dollar in thousands)

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	5	₩ 6,860,062	₩ 7,086,957	\$ 6,019,710	\$ 6,218,811
Trade accounts receivable	5, 6, 26, 31	9,576,101	10,398,471	8,403,037	9,124,667
Other accounts receivable	5, 26, 30	1,749,878	1,828,941	1,535,519	1,604,897
Inventories	7, 31	6,631,752	6,018,855	5,819,368	5,281,551
Available-for-sale financial assets	5, 8, 31	121,036	179,448	106,209	157,466
Other current assets	5, 17, 18, 31	5,881,213	6,301,260	5,160,770	5,529,361
Assets held for sale	28	56,193	636,110	49,309	558,187
Total current assets		<u>30,876,235</u>	<u>32,450,042</u>	<u>27,093,922</u>	<u>28,474,940</u>
Non-current assets:					
Long-term trade accounts receivable	5, 6	19,476	24,188	17,090	21,225
Long-term other accounts receivable	5, 30	157,141	205,584	137,891	180,400
Available-for-sale financial assets	5, 8, 31	1,547,196	1,527,092	1,357,666	1,340,025
Investments in associates and joint ventures	9, 31	12,366,251	11,559,899	10,851,396	10,143,822
Property, plant and equipment	10, 31	40,054,074	41,032,505	35,147,485	36,006,059
Investment property	11, 31	659,825	727,783	578,997	638,630
Goodwill	12	631,756	575,233	554,366	504,767
Intangible assets	13	11,072,071	11,197,157	9,715,752	9,825,515
Deferred income tax assets		710,786	711,591	623,715	624,422
Other non-current assets	5, 17, 18, 26	2,844,883	3,036,263	2,496,388	2,664,323
Total non-current assets		<u>70,063,459</u>	<u>70,597,295</u>	<u>61,480,746</u>	<u>61,949,188</u>
<b>Total assets</b>		<u><b>₩ 100,939,694</b></u>	<u><b>₩ 103,047,337</b></u>	<u><b>\$ 88,574,668</b></u>	<u><b>\$ 90,424,128</b></u>
<b>Liabilities</b>					
Current liabilities:					
Short-term borrowings	5, 14, 33	₩ 1,819,302	₩ 2,614,117	\$ 1,596,439	\$ 2,293,890
Trade accounts payable	5, 26, 33	7,368,057	8,897,260	6,465,476	7,807,353
Other accounts payable	5, 26, 33	2,137,337	3,241,765	1,875,515	2,844,652
Provisions	15	288,006	420,803	252,726	369,255
Current portion of long-term debt	5, 14, 33	6,365,812	5,629,577	5,586,006	4,939,959
Other current liabilities	5, 17, 18, 33	8,080,039	7,850,072	7,090,241	6,888,445
Liabilities held for sale	28	1,375	63,016	1,207	55,297
Total current liabilities		<u>26,059,928</u>	<u>28,716,610</u>	<u>22,867,610</u>	<u>25,198,851</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 33	22,734,355	23,133,506	19,949,416	20,299,672
Long-term other accounts payable	5, 33	4,004,243	4,601,776	3,513,727	4,038,062
Retirement benefit obligation	16	351,512	229,378	308,452	201,279
Provisions	15	100,190	104,331	87,917	91,551
Deferred income tax liabilities		3,330,009	3,098,508	2,922,086	2,718,943
Other non-current liabilities	5, 17, 18, 26, 33	803,349	836,504	704,939	734,033
Total non-current liabilities		<u>31,323,658</u>	<u>32,004,003</u>	<u>27,486,537</u>	<u>28,083,540</u>
<b>Total liabilities</b>		<u><b>57,383,586</b></u>	<u><b>60,720,613</b></u>	<u><b>50,354,147</b></u>	<u><b>53,282,391</b></u>
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	13,500	13,500
Other paid-in capital	19	4,636,652	4,741,139	4,068,666	4,160,354
Retained earnings	19	9,138,777	8,368,122	8,019,285	7,343,034
Other capital components	19	(124,113)	(12,289)	(108,911)	(10,784)
Total equity attributable to owner of the parent		<u>13,666,701</u>	<u>13,112,357</u>	<u>11,992,540</u>	<u>11,506,104</u>
Non-controlling interests		<u>29,889,407</u>	<u>29,214,367</u>	<u>26,227,981</u>	<u>25,635,633</u>
Total equity		<u><b>43,556,108</b></u>	<u><b>42,326,724</b></u>	<u><b>38,220,521</b></u>	<u><b>37,141,737</b></u>
<b>Total liabilities and equity</b>		<u><b>₩ 100,939,694</b></u>	<u><b>₩ 103,047,337</b></u>	<u><b>\$ 88,574,668</b></u>	<u><b>\$ 90,424,128</b></u>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of comprehensive income**  
**for the three months and six months ended June 30, 2017 and 2016**

(Korean won in millions except for earnings per share)

	Notes	Korean Won			
		June 30, 2017		June 30, 2016	
		Three months	Six months	Three months	Six months
<b>Sales</b>	4, 26	₩ 21,967,793	₩ 45,030,312	₩ 20,981,094	₩ 41,479,154
<b>Cost of sales</b>	23, 26	<u>19,668,736</u>	<u>39,966,802</u>	<u>18,211,196</u>	<u>36,184,118</u>
<b>Gross profit</b>		<b>2,299,057</b>	<b>5,063,510</b>	<b>2,769,898</b>	<b>5,295,036</b>
Selling and administrative expenses	20, 23, 26	1,197,113	2,254,533	1,078,727	2,078,283
<b>Operating income</b>	4	<b>1,101,944</b>	<b>2,808,977</b>	<b>1,691,171</b>	<b>3,216,753</b>
Financial income	21	320,981	1,689,633	431,078	1,362,182
Financial costs	21	(419,758)	(1,807,978)	(606,212)	(1,651,379)
Gain related to investments in associates and joint ventures, net	9	581,412	997,041	77,141	111,753
Other non-operating income	22	93,775	275,859	86,321	292,875
Other non-operating expenses	22	(195,235)	(315,652)	(301,518)	(507,190)
<b>Income from continuing operations before income tax expense</b>	4	<b>1,483,119</b>	<b>3,647,880</b>	<b>1,377,981</b>	<b>2,824,994</b>
<b>Income tax expense from continuing operations</b>	24	<u>(346,273)</u>	<u>(894,826)</u>	<u>(431,450)</u>	<u>(801,484)</u>
<b>Net income from continuing operations</b>	4	1,136,846	2,753,054	946,531	2,023,510
<b>Loss from discontinued operation</b>	27	<u>(14,855)</u>	<u>(15,695)</u>	<u>(10,278)</u>	<u>(24,581)</u>
<b>Net income</b>		<b><u>1,121,991</u></b>	<b><u>2,737,359</u></b>	<b><u>936,253</u></b>	<b><u>1,998,929</u></b>
Attributable to:					
Owners of the parent		407,141	1,000,683	287,615	674,666
Non-controlling interests		714,850	1,736,676	648,638	1,324,263
<b>Other comprehensive income:</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(2,031)	(30,069)	(33,931)	(64,782)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		106,102	162,592	(42,694)	18,673
Equity adjustments of investments in associates and joint ventures		6,403	(81,477)	(62,644)	(51,976)
Net change in valuation of cash flow hedges		(27,074)	(26,038)	(2,037)	(15,096)
Net gain (loss) on translation of foreign operations		158,091	(292,539)	33,766	(60,690)
Net gain (loss) on translation to the presentation currency		(1,101)	(2,153)	4,144	(5,489)
		<u>240,390</u>	<u>(269,684)</u>	<u>(103,396)</u>	<u>(179,360)</u>
<b>Total comprehensive income</b>		<b><u>₩ 1,362,381</u></b>	<b><u>₩ 2,467,675</u></b>	<b><u>₩ 832,857</u></b>	<b><u>₩ 1,819,569</u></b>
Attributable to:					
Owners of the parent		507,791	874,716	228,979	557,379
Non-controlling interests		854,590	1,592,959	603,878	1,262,190
<b>Earnings per share (Korean won):</b>	25				
Basic earnings per share		₩ 7,284	₩ 17,907	₩ 5,143	₩ 12,068
Basic earning per share from continuing operations		7,303	17,935	5,176	12,186

(Continued)

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of comprehensive income**  
**for the three months and six months ended June 30, 2017 and 2016 (cont'd)**

(U.S. dollar in thousands, except for earnings per share)

	Notes	Translation into U.S. dollars (Note 2)			
		June 30, 2017		June 30, 2016	
		Three months	Six months	Three months	Six months
<b>Sales</b>	4, 26	\$ 19,276,758	\$ 39,514,138	\$ 18,410,928	\$ 36,397,994
<b>Cost of sales</b>	23, 26	17,259,333	35,070,904	15,980,340	31,751,595
<b>Gross profit</b>		<b>2,017,425</b>	<b>4,443,234</b>	<b>2,430,588</b>	<b>4,646,399</b>
Selling and administrative expenses	20, 23, 26	1,050,468	1,978,355	946,584	1,823,695
<b>Operating income</b>	4	<b>966,957</b>	<b>2,464,879</b>	<b>1,484,004</b>	<b>2,822,704</b>
Financial income	21	281,661	1,482,654	378,271	1,195,316
Financial costs	21	(368,338)	(1,586,502)	(531,952)	(1,449,087)
Gain related to investments in associates and joint ventures, net	9	510,190	874,904	67,691	98,063
Other non-operating income	22	82,288	242,067	75,747	256,998
Other non-operating expenses	22	(171,319)	(276,985)	(264,582)	(445,060)
<b>Income from continuing operations before income tax expense</b>	4	<b>1,301,439</b>	<b>3,201,017</b>	<b>1,209,179</b>	<b>2,478,934</b>
<b>Income tax expense from continuing operations</b>	24	<b>(303,855)</b>	<b>(785,211)</b>	<b>(378,598)</b>	<b>(703,303)</b>
<b>Net income from continuing operations</b>	4	<b>997,584</b>	<b>2,415,806</b>	<b>830,581</b>	<b>1,775,631</b>
<b>Loss from discontinued operation</b>	27	<b>(13,035)</b>	<b>(13,772)</b>	<b>(9,019)</b>	<b>(21,570)</b>
<b>Net income</b>		<b>984,549</b>	<b>2,402,034</b>	<b>821,562</b>	<b>1,754,061</b>
Attributable to:					
Owners of the parent		357,267	878,100	252,382	592,020
Non-controlling interests		627,282	1,523,934	569,180	1,162,041
<b>Other comprehensive income:</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(1,782)	(26,386)	(29,774)	(56,846)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		93,105	142,675	(37,464)	16,385
Equity adjustments of investments in associates and joint ventures		5,619	(71,496)	(54,970)	(45,609)
Net change in valuation of cash flow hedges		(23,757)	(22,848)	(1,787)	(13,247)
Net gain (loss) on translation of foreign operations		138,725	(256,703)	29,630	(53,256)
Net gain (loss) on translation to the presentation currency		(966)	(1,889)	3,636	(4,817)
		210,944	(236,647)	(90,729)	(157,390)
<b>Total comprehensive income</b>		<b>1,195,493</b>	<b>2,165,387</b>	<b>730,833</b>	<b>1,596,671</b>
Attributable to:					
Owners of the parent		445,587	767,564	200,929	489,101
Non-controlling interests		749,906	1,397,823	529,904	1,107,570
<b>Earnings per share (U.S. dollar):</b>	25				
Basic earnings per share		\$ 6.39	\$ 15.71	\$ 4.51	\$ 10.59
Basic earning per share from continuing operations		6.41	15.74	4.54	10.69

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in shareholders' equity**  
**for the six months ended June 30, 2017 and 2016**

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
	₩	₩	₩	₩	₩	₩	₩
<b>As at January 1, 2016</b>	<b>15,385</b>	<b>4,773,965</b>	<b>7,801,713</b>	<b>(24,545)</b>	<b>12,566,518</b>	<b>27,510,732</b>	<b>40,077,250</b>
Total comprehensive income:							
Net income	-	-	674,666	-	674,666	1,324,263	1,998,929
Remeasurement loss on defined benefit plans	-	-	(35,745)	-	(35,745)	(29,037)	(64,782)
Net gain on available-for-sale financial assets	-	-	-	3,923	3,923	14,750	18,673
Equity adjustments of investment in associates and joint ventures	-	-	-	(35,061)	(35,061)	(16,915)	(51,976)
Net loss on valuation of derivative financial instruments	-	-	-	(12,205)	(12,205)	(2,891)	(15,096)
Net loss on translation of foreign operations	-	-	-	(34,037)	(34,037)	(26,653)	(60,690)
Net loss on translation to the presentation currency	-	-	-	(4,162)	(4,162)	(1,327)	(5,489)
Transaction with shareholders:							
Dividends	-	-	(191,750)	-	(191,750)	(855,206)	(1,046,956)
Equity transactions in consolidated entities	-	(11,399)	-	-	(11,399)	133,334	121,935
Changes in the scope of consolidation	-	-	-	-	-	348,920	348,920
Others	-	(1,962)	1,498	-	(464)	(48)	(512)
<b>As at June 30, 2016</b>	<b>15,385</b>	<b>4,760,604</b>	<b>8,250,382</b>	<b>(106,087)</b>	<b>12,920,284</b>	<b>28,399,922</b>	<b>41,320,206</b>
<b>As at January 1, 2017</b>	<b>15,385</b>	<b>4,741,139</b>	<b>8,368,122</b>	<b>(12,289)</b>	<b>13,112,357</b>	<b>29,214,367</b>	<b>42,326,724</b>
Total comprehensive income:							
Net income	-	-	1,000,683	-	1,000,683	1,736,676	2,737,359
Remeasurement loss on defined benefit plans	-	-	(14,141)	-	(14,141)	(15,928)	(30,069)
Net gain on available-for-sale financial assets	-	-	-	60,546	60,546	102,046	162,592
Equity adjustments of investment in associates and joint ventures	-	-	-	(31,010)	(31,010)	(50,467)	(81,477)
Net loss on valuation of derivative financial instruments	-	-	-	(2,574)	(2,574)	(23,465)	(26,039)
Net loss on translation of foreign operations	-	-	-	(146,780)	(146,780)	(145,759)	(292,539)
Net gain (loss) on translation to the presentation currency	-	-	-	7,994	7,994	(10,144)	(2,150)
Transaction with shareholders:							
Dividends	-	-	(208,666)	-	(208,666)	(952,735)	(1,161,401)
Equity transactions in consolidated entities	-	(104,586)	-	-	(104,586)	(29,370)	(133,956)
Changes in the scope of consolidation	-	-	-	-	-	69,906	69,906
Others	-	99	(7,221)	-	(7,122)	(5,720)	(12,842)
<b>As at June 30, 2017</b>	<b>15,385</b>	<b>4,636,652</b>	<b>9,138,777</b>	<b>(124,113)</b>	<b>13,566,701</b>	<b>29,889,407</b>	<b>43,556,108</b>

(Continued)

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in shareholders' equity**  
**for the six months ended June 30, 2017 and 2016 (cont'd)**  
**(U.S. dollar in thousands)**

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
<b>As at January 1, 2016</b>	<b>\$ 13,500</b>	<b>\$ 4,189,158</b>	<b>\$ 6,846,010</b>	<b>\$ (21,538)</b>	<b>\$ 11,027,130</b>	<b>\$ 24,140,691</b>	<b>\$ 35,167,821</b>
Total comprehensive income:							
Net income	-	-	592,020	-	592,020	1,162,041	1,754,061
Remeasurement loss on defined benefit plans	-	-	(31,366)	-	(31,366)	(25,480)	(56,846)
Net gain on available-for-sale financial assets	-	-	-	3,442	3,442	12,943	16,385
Equity adjustments of investment in associates and joint ventures	-	-	-	(30,766)	(30,766)	(14,843)	(45,609)
Net loss on valuation of derivative financial instruments	-	-	-	(10,710)	(10,710)	(2,537)	(13,247)
Net loss on translation of foreign operations	-	-	-	(29,867)	(29,867)	(23,389)	(53,256)
Net loss on translation to the presentation currency	-	-	-	(3,652)	(3,652)	(1,165)	(4,817)
Transaction with shareholders:							
Dividends	-	-	(168,261)	-	(168,261)	(750,444)	(918,705)
Equity transactions in consolidated entities	-	(10,003)	-	-	(10,003)	117,001	106,998
Changes in the scope of consolidation	-	-	-	-	-	306,178	306,178
Others	-	(1,722)	1,314	-	(408)	(42)	(450)
<b>As at June 30, 2016</b>	<b>\$ 13,500</b>	<b>\$ 4,177,433</b>	<b>\$ 7,239,717</b>	<b>\$ (93,091)</b>	<b>\$ 11,337,559</b>	<b>\$ 24,920,954</b>	<b>\$ 36,258,513</b>
<b>As at January 1, 2017</b>	<b>\$ 13,500</b>	<b>\$ 4,160,354</b>	<b>\$ 7,343,034</b>	<b>\$ (10,784)</b>	<b>\$ 11,506,104</b>	<b>\$ 25,635,633</b>	<b>\$ 37,141,737</b>
Total comprehensive income:							
Net income	-	-	878,100	-	878,100	1,523,934	2,402,034
Remeasurement loss on defined benefit plans	-	-	(12,409)	-	(12,409)	(13,977)	(26,386)
Net gain on available-for-sale financial assets	-	-	-	53,129	53,129	89,546	142,675
Equity adjustments of investment in associates and joint ventures	-	-	-	(27,211)	(27,211)	(44,285)	(71,496)
Net loss on valuation of derivative financial instruments	-	-	-	(2,260)	(2,260)	(20,588)	(22,848)
Net loss on translation of foreign operations	-	-	-	(128,800)	(128,800)	(127,903)	(256,703)
Net gain (loss) on translation to the presentation currency	-	-	-	7,015	7,015	(8,904)	(1,889)
Transaction with shareholders:							
Dividends	-	-	(183,105)	-	(183,105)	(836,026)	(1,019,131)
Equity transactions in consolidated entities	-	(91,774)	-	-	(91,774)	(25,772)	(117,546)
Changes in the scope of consolidation	-	-	-	-	-	61,343	61,343
Others	-	86	(6,335)	-	(6,249)	(5,020)	(11,269)
<b>As at June 30, 2017</b>	<b>\$ 13,500</b>	<b>\$ 4,068,666</b>	<b>\$ 8,019,285</b>	<b>\$ (108,911)</b>	<b>\$ 11,992,540</b>	<b>\$ 26,227,981</b>	<b>\$ 38,220,521</b>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of cash flows**  
**for the six months ended June 30, 2017 and 2016**

(Korean won in millions and U.S. dollar in thousands)

	Notes	For the six months ended June 30,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2017	2016	2017	2016
<b>Cash flows from operating activities:</b>					
Net income		₩ 2,737,359	₩ 1,998,929	\$ 2,402,034	\$ 1,754,061
Non-cash adjustments	29	3,024,659	3,903,883	2,654,141	3,425,661
Working capital adjustments	29	(1,595,185)	(17,787)	(1,399,776)	(15,608)
Interest received		103,443	90,240	90,771	79,186
Interest paid		(539,986)	(594,761)	(473,838)	(521,903)
Dividends received		158,466	131,886	139,054	115,730
Income tax paid		(880,371)	(859,436)	(772,526)	(754,156)
<b>Net cash provided by operating activities</b>		<b>3,008,385</b>	<b>4,652,954</b>	<b>2,639,860</b>	<b>4,082,971</b>
<b>Cash flows from investing activities:</b>					
Decrease (increase) in short-term financial assets, net		422,938	(1,403,489)	371,128	(1,231,563)
Decrease in short-term loans, net		(33,028)	(22,593)	(28,982)	(19,825)
Proceeds from disposal of available-for-sale financial assets		200,473	230,252	175,915	202,046
Proceeds from disposal of investments in associates and joint ventures		4,111	31,898	3,607	27,991
Proceeds from disposal of property, plant and equipment		85,415	113,052	74,952	99,203
Proceeds from disposal of investment properties		1,467	224,094	1,287	196,643
Proceeds from disposal of intangible assets		11,970	20,719	10,504	18,181
Proceeds from disposal of assets held for sale		473,077	55,300	415,125	48,526
Acquisition of available-for-sale financial assets		(50,427)	(270,347)	(44,250)	(237,230)
Acquisition of investments in associates and joint ventures		(118,442)	(78,099)	(103,933)	(68,532)
Acquisition of property, plant and equipment		(2,051,944)	(1,754,349)	(1,800,583)	(1,539,443)
Acquisition of investment properties		(7,707)	(975)	(6,763)	(856)
Acquisition of intangible assets		(228,041)	(197,795)	(200,106)	(173,565)
Changes in cash from changes in the scope of consolidation		(59,305)	(407,812)	(52,040)	(357,855)
Transfer of Business		302,651	-	265,577	-
Others, net		(48,413)	(69,118)	(42,482)	(60,651)
<b>Net cash used in investing activities</b>		<b>(1,095,205)</b>	<b>(3,529,262)</b>	<b>(961,044)</b>	<b>(3,096,930)</b>
<b>Cash flows from financing activities:</b>					
Decrease in short-term borrowings, net		(834,252)	(1,821)	(732,057)	(1,598)
Repayment of current portion of long-term debt		(2,631,677)	(2,208,073)	(2,309,299)	(1,937,586)
Increase in bonds payable and borrowings		3,152,350	2,981,486	2,766,190	2,616,257
Increase in other accounts payable		1,500	165,870	1,316	145,551
Cash inflows from transactions in equity of consolidated subsidiaries		96,392	118,521	84,584	104,002
Decrease in bonds payable and borrowings		(343,126)	(178,580)	(301,093)	(156,704)
Decrease in other accounts payable		(307,947)	(140,921)	(270,224)	(123,658)
Payment of dividends		(1,161,401)	(1,046,956)	(1,019,130)	(918,705)
Others, net		(54,253)	(3,622)	(47,607)	(3,178)
<b>Net cash used in financing activities</b>		<b>(2,082,414)</b>	<b>(314,096)</b>	<b>(1,827,320)</b>	<b>(275,619)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(169,234)</b>	<b>809,596</b>	<b>(148,504)</b>	<b>710,422</b>
<b>Net foreign exchange effects</b>		<b>(57,661)</b>	<b>(25,228)</b>	<b>(50,597)</b>	<b>(22,138)</b>
<b>Cash and cash equivalents included in assets held for sale</b>		<b>-</b>	<b>(3,197)</b>	<b>-</b>	<b>(2,805)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7,086,957</b>	<b>6,995,224</b>	<b>6,218,811</b>	<b>6,138,315</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>₩ 6,860,062</b>	<b>₩ 7,776,395</b>	<b>\$ 6,019,710</b>	<b>\$ 1,395,903</b>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the six months ended June 30, 2017 and 2016**

**1. Corporate information**

**1.1 Outline of the parent**

SK Holdings Co., Ltd. (the “Company”) was established on April 13, 1991 and is engaged in providing systems integration, software design and development, information processing, consulting services and sales of pre-owned automobiles, and is headquartered at 26, Jong-ro, Jongno-gu, Seoul. The Company’s ordinary shares have been listed on the Korea Exchange since November 11, 2009.

Resulting from the acquisition of SK Holdings Co., Ltd. by SK C&C Co., Ltd. on August 1, 2015, the Company added the investment business to its existing operations for the purpose of holding the securities of its subsidiaries. Furthermore, the Company changed its name to its current form as at the acquisition date.

As at June 30, 2017, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares) and major shareholders consist of Tae-won Chey (23.40%), National Pension Service (8.40%) and Ki-won Choi (7.46%).

**1.2 Consolidated subsidiaries**

The Company and its subsidiaries (collectively, the “Group”) are engaged in petroleum refining, telecommunications, wholesale and retail, chemicals, construction businesses. Subsidiaries whose accounts are included in the consolidated financial statements as at June 30, 2017 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
SK Innovation Co., Ltd. (*2)	Korea	Resource development	SK Holdings Co., Ltd.	33.40%
SK Energy Co., Ltd.	Korea	Crude oil refining and sales	SK Innovation Co., Ltd.	100.00%
Netruck Co., Ltd.	Korea	Transportation and oil sales	SK Energy Co., Ltd.	100.00%
Jeju United FC Corporation	Korea	Sports association sponsoring	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment Co., Ltd.	Cayman Islands	Investment	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment (HK) Co., Ltd.	Hong Kong	Investment and trade	SK Energy Road Investment Co., Ltd.	100.00%
Ningbo SK Baoying Asphalt Storage Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Hefei SK Baoying Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Chongqing SK Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
SK Shanghai Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	100.00%
SK Energy Hong Kong Co., Ltd.	Hong Kong	Investment	SK Energy Co., Ltd.	100.00%
Shandong SK Hightech Oil Co., Ltd.	China	Gas station operation	SK Energy Hong Kong Co., Ltd.	51.00%
SK Global Chemical Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Golden Tide Plastics (Yantai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Primacor Americas LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Primacor Europe, S.L.U.	Spain	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Synthetic rubber manufacturing	SK Global Chemical Investment Hong Kong Ltd.	80.00%
SK Incheon Petrochem Co., Ltd. (*3)	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Trading International Co., Ltd.	Korea	Trading business	SK Innovation Co., Ltd.	100.00%
SK Energy International Pte. Ltd.	Singapore	Trading business	SK Trading International Co., Ltd.	100.00%
SK Energy Europe, Ltd.	UK	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Energy Americas, Inc.	USA	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Terminal B.V.	The Netherlands	Investment	SK Energy International Pte. Ltd.	100.00%
Bergaya International Pte. Ltd.	Singapore	Management and consulting	SK Energy International Pte. Ltd.	100.00%
SK Lubricants Co., Ltd.	Korea	Lubricants oil manufacturing	SK Innovation Co., Ltd.	100.00%
Yubase Manufacturing Asia Corporation	Korea	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Energy Lubricants (Tianjin) Co., Ltd.	China	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	100.00%
PT. Patra SK	Indonesia	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	65.00%
SK Lubricants & Oils India Pte. Ltd.	India	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Americas, Inc.	USA	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Europe B.V.	The Netherlands	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Japan Co., Ltd.	Japan	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
Iberian Lube Base Oils, S.A.	Spain	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Lubricants Russia L.L.C	Russia	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Mobile Energy Co., Ltd.	Korea	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Innovation Insurance (Bermuda), Ltd.	Bermuda	Insurance	SK Innovation Co., Ltd.	100.00%
SK USA, Inc.	USA	Management consulting services	SK Innovation Co., Ltd.	100.00%
Moche Energy Company, L.L.C	Peru	Resource development	SK Innovation Co., Ltd.	99.90%
SK E&P Company	USA	Crude oil development	SK Innovation Co., Ltd.	100.00%
SK E&P America, Inc.	USA	Investment	SK Innovation Co., Ltd.	100.00%
SK Plymouth, L.L.C	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, L.L.C	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Battery Systems Co., Ltd.	Korea	Battery pack manufacturing	SK Innovation Co., Ltd.	100.00%
SK Telecom Co., Ltd. (*2)	Korea	Mobile telecommunications	SK Holdings Co., Ltd.	25.22%
SK Telink Co., Ltd.	Korea	International call and MVNO business	SK Telecom Co., Ltd.	85.86%
NSOK Co., Ltd. (formerly, Neos Networks Co., Ltd.)	Korea	Machine security and facilities security	SK Telink Co., Ltd.	100.00%
SK Broadband Co., Ltd.	Korea	Wire communications	SK Telecom Co., Ltd.	100.00%
Home&Service Co., Ltd.	Korea	Information and communication facilities Management business	SK Broadband Co., Ltd.	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the six months ended June 30, 2017 and 2016**

**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
PS&Marketing Corp.	Korea	Resale communication business	SK Telecom Co., Ltd.	100.00%
Serviceace Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Service Top Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Network O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
SK techx Co., Ltd.	Korea	System software development and supplying	SK Telecom Co., Ltd.	100.00%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK techx Co., Ltd.	59.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	65.54%
SK Communications Co., Ltd. (*4)	Korea	Internet portal service	SK Telecom Co., Ltd.	100.00%
SK Planet Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	98.10%
SK M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
Stonebridge Cinema Fund	Korea	Investment fund	SK Planet Co., Ltd.	60.00%
Hello Nature Co., Ltd.	Korea	Agriculture and livestock retailing	SK Planet Co., Ltd.	100.00%
Planet11 E-commerce Solutions India Pvt. Ltd.	India	E-commerce platform providing	SK Planet Co., Ltd.	99.00%
11street (Thailand) Co., Ltd.	Thailand	E-commerce	SK Planet Co., Ltd.	100.00%
SK Planet Japan, K.K.	Japan	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SK Planet Global Pte. Ltd.	Singapore	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SKP Global Holdings Pte. Ltd.	Singapore	Holding Company	SK Planet Co., Ltd.	100.00%
SKP America, L.L.C	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
shopkick Management Company, Inc.	USA	Investment	SKP America, L.L.C	100.00%
shopkick, Inc.	USA	E-commerce App. development	shopkick Management Company, Inc.	100.00%
SK Telecom China Holding Co., Ltd.	China	Holding Company	SK Telecom Co., Ltd.	100.00%
SK Global Healthcare Business Group, Ltd.	Hong Kong	Investment	SK Telecom Co., Ltd.	100.00%
SKT Vietnam Pte. Ltd.	Singapore	Wireless communications	SK Telecom Co., Ltd.	73.32%
SKT Americas Inc.	USA	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
YTK Investment Ltd.	Cayman Islands	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment Ltd.	Cayman Islands	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P.	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman Islands	Investment	Atlas Investment, Ltd.	100.00%
iriver Co., Ltd. (*2)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	48.89%
iriver Inc.	USA	Marketing and sales in North America	iriver Co., Ltd.	100.00%
iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	iriver Co., Ltd.	100.00%
iriver China Co., Ltd.	China	MP3,4 production and sales	iriver Enterprise, Ltd.	100.00%
Dongguan iriver Electronics Co., Ltd.	China	Electronic book production and sales	iriver Enterprise, Ltd.	100.00%
groovers Japan Co., Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
ENTRIX Co., Ltd.	Korea	Cloud streaming operations	SK Telecom Co., Ltd.	100.00%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Holdings Co., Ltd.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Pinx Co., Ltd.	Korea	Golf club operating	SK Networks Co., Ltd.	100.00%
Car Life Service Co., Ltd.	Korea	Car dealer	SK Networks Co., Ltd.	100.00%
SK Magic Co., Ltd.	Korea	Household appliances manufacturing, sales and rent	SK Networks Co., Ltd.	100.00%
SK Magic Service Co., Ltd.	Korea	House appliances repair and others	SK Magic Co. Ltd.	100.00%
MOKGAM SERVICE (*5)	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
SKN (China) Holdings Co., Ltd.	China	Holding Company	SK Networks Co., Ltd.	100.00%
Liaoning SK Networks Real Estate Development Co., Ltd.	China	Real estate development	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SKN (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SKN (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*6)	Turkey	Steel processing and sales	SK Networks Co., Ltd.	51.22%
SK Networks Resources Australia Pty. Ltd.	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
SE (JIANGSU) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SK Telesys Co., Ltd.	51.00%
Techdream Co., Ltd.	Hong Kong	Semiconductor component	SK Telesys Co., Ltd.	100.00%
SKC INFRA SERVICE Co., Ltd.	Korea	Electrical contractor, telecommunications contractor	SK Telesys Co., Ltd.	100.00%
SKC Solmics Co., Ltd.	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	57.70%
Solmics Taiwan Co., Ltd.	Taiwan	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
Solmics Shanghai Co., Ltd.	China	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
SKW Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd. (*7)	China	Film manufacturing	SKC Co., Ltd.	91.38%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotec Co., Ltd.	China	Research and manufacturing	SK bioland Co., Ltd	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotec Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.) (*8)	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC Hi-Tech&Marketing (Suzhou) Co., Ltd. (*8)	China	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SKC Hi-Tech&Marketing Taiwan Co., Ltd. (*8)	Taiwan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SKC Hi-Tech&Marketing Japan K.K. (*8)	Japan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SKC Hi-Tech&Marketing Polska SP.Z.O.O (*8)	Poland	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the six months ended June 30, 2017 and 2016**

**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SKC Hi-Tech&Marketing USA LLC (*8)	USA	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd) (*9)	Korea	Shipping	SK Holdings Co., Ltd.	99.99%
SK Shipping Co., Ltd. (*9)	Korea	Shipping	SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd)	57.22%
Blueseaoccean 1st L.L.C	Korea	Securitization company	(*10)	-
Blueseaoccean 2nd L.L.C	Korea	Securitization company	(*10)	-
With Ocean L.L.C	Korea	Securitization company	(*10)	-
YUKYUNGJUU 1ST L.L.C	Korea	Securitization company	(*10)	-
NEPTUNE SOLUTION L.L.C	Korea	Securitization company	(*10)	-
SK Shipping Hong Kong Ltd.	Hong Kong	Shipping	SK Shipping Co., Ltd.	100.00%
SK Shipping Singapore Pte. Ltd.	Singapore	Shipping	SK Shipping Co., Ltd.	100.00%
SK B&T Pte. Ltd.	Singapore	Petroleum sales	SK Shipping Co., Ltd.	55.00%
Promise Shipholding S.A. and 63 other companies	Panama and others	Special purpose company for acquiring ship	(*10)	-
SK Shipping Europe Plc.	UK	Shipping	SK Shipping Co., Ltd.	100.00%
SK E&S Co., Ltd.	Korea	City gas business and power generation	SK Holdings Co., Ltd.	100.00%
Kangwon City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Yeongnam Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Ko-one Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Narae Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	100.00%
Pusan City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	67.32%
Jeonbuk Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chonnam City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chungcheong Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Paju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	100.00%
Wirye Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	95.17%
SK E&S Hong Kong Co., Ltd.	Hong Kong	City gas business	SK E&S Co., Ltd., Pusan City Gas Co., Ltd.	100.00%
SK E&S Australia Pty. Ltd.	Australia	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S Americas, Inc.	USA	Investment	SK E&S Co., Ltd.	100.00%
SK E&S LNG, L.L.C	USA	Liquefied natural gas sales	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, L.L.C	USA	Resource development	SK E&S Americas, Inc.	100.00%
CALLIP Gas Marketing, L.L.C	USA	Resource development	SK E&S Americas, Inc.	100.00%
Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Fajar Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	100.00%
PT SK E&S Nusantara	Indonesia	Management consulting	SK E&S Co., Ltd.	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*3)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu, L.L.C	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%
Mesa Verde RE Ventures, L.L.C	USA	Real estate development	SK E&C Betek Corporation	100.00%
N-Compass Development, L.L.C	USA	EPC Marketing	SK E&C Betek Corporation	100.00%
SKEC Consultores Ecuador, S.A.	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C India Pvt. Ltd.	India	Engineering service	SK Engineering & Construction Co., Ltd.	99.94%
SK HOLDCO PTE. LTD.	Singapore	Holding Company	SK Engineering & Construction Co., Ltd.	63.51%
SK Materials Co., Ltd. (*2)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd.	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd.	Korea	Manufacturing	SK Materials Co., Ltd.	80.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Infosec Co., Ltd.	Korea	Information security service	SK Holdings Co., Ltd.	100.00%
SK ENCARSALLES.COM Ltd.	Korea	On-line used car sales and others	SK Holdings Co., Ltd.	50.01%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration	SK Holdings Co., Ltd.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration	SK Holdings Co., Ltd.	100.00%
SK MENA B.V.	The Netherlands	Investment	SK Holdings Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd.	100.00%
ESSENCORE Limited	Hong Kong	Manufacturing and distribution of semiconductor modules	SK S.E.Asia Pte. Ltd.	100.00%
ISD Technology (ShenZhen) Limited	China	Consulting for computer system integration	ESSENCORE Limited	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration	SK Holdings Co., Ltd.	51.00%
FSK L&S Co., Ltd.	Korea	Convergence logistics business	SK Holdings Co., Ltd.	60.00%
FSK L&S (Shanghai) Co., Ltd. (*11) (formerly, Shanghai Huayou International Freight. Forwarding Co., Ltd.)	China	Foreign freight forwarding	FSK L&S Co., Ltd.	100.00%
Saturn Agriculture Investment Co., Limited	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Holdings Co., Ltd.	100.00%
SM Core. Inc. (*2, 12)	Korea	Manufacture of equipment that handles other goods	SK Holdings Co., Ltd.	26.65%
Point Code Inc. (*12)	Korea	Software development and supply	SMCore. Inc.	68.87%
SMC US, Inc. (*12)	USA	Logistics automation facilities	SMCore. Inc.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK Investment Management Co., Ltd.	Hong Kong	Investment management	SK Holdings Co., Ltd.	100.00%
SK computer and communication L.L.C. (*2)	UAE	Consulting for computer system integration	SK Holdings Co., Ltd.	49.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	100.00%
SK China (Beijing) Co., Ltd.	China	Consulting	SK China Company, Ltd.	100.00%
SK Beijing Investment Management Ltd.	China	Real estate fund management	SK China (Beijing) Co., Ltd.	100.00%
SKY Property Mgmt (Beijing) Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%

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**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd.	Hong Kong	Investment	SK Property Investment Management Co., Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK International Supply Chain Management Co., Ltd.	Hong Kong	Distribution	SK China Company, Ltd.	100.00%
Ningde Sky Beverage Co., Ltd.	China	Mineral water development	SK International Supply Chain Management	80.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding Company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Rent-A-Car (Qingdao) Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
Skyline Auto Financial Leasing Co., Ltd.	Hong Kong	Investment	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Financial Leasing Co., Ltd.	China	Financial lease	Skyline Auto Financial Leasing Co., Ltd.	100.00%
SKY Property Management Ltd.	Virgin Islands	Investment	SK Telecom Co., Ltd.	85.00%
SKY Investment Co., Ltd.	China	Real estate management	SKY Property Management Ltd.	100.00%
SK China Real Estate Co., Ltd.	Hong Kong	Real estate investment	SKY Property Management Ltd.	100.00%
SK China Creative Industry Development Co., Ltd.	China	Service	SKY Property Management Ltd.	100.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Holdings Co., Ltd., SK Innovation Co., Ltd., SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Beijing SK Magellan Capital Advisors Co., Ltd.	China	Investment consulting	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman Islands	Investment	SK Holdings Co., Ltd.	100.00%
SK MENA Investment B.V.	The Netherlands	Investment	SK Telecom Co., Ltd.	100.00%
SK Latin America Investment S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
SK Technology Innovation Company	Cayman Islands	Research and development	SK Telecom Co., Ltd.	96.88%
HAPPYNARAE Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd., SK Innovation Co., Ltd.	90.00%
Suzhou HAPPYNARAE Co., Ltd.	China	Electrical and machine equipment and others	HAPPYNARAE Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%

- (\*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (\*2) SK Innovation Co., Ltd. and ten other companies are included in the consolidated financial statements as the Company is able to exercise de facto control. The reason why the Company is considered to have de facto control is that the remaining voting rights of SK Innovation Co., Ltd. and eight other companies are widely dispersed.
- (\*3) The Group wholly owns the ordinary shares of SK Incheon Petrochem Co., Ltd. and SK TNS Co., Ltd., but holds 68.0% and 52.2% of equity ownership respectively, as their preferred shares have voting rights.
- (\*4) On November 24, 2016, SK Telecom Co., Ltd. acquired all of the shares of SK Communications Co., Ltd. held by the other shareholders of SK Communications Co., Ltd. on February 7, 2017 at ₩ 2,814 per share in cash. As at June 30, 2017, SK Telecom Co., Ltd. wholly owns the ordinary shares of SK Communications Co., Ltd.
- (\*5) During the current reporting period, SK Energy Co., Ltd. transferred the entire equity ownership to SK Networks Co., Ltd., resulting in a change of the largest shareholder.
- (\*6) Assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI are classified as assets and liabilities held for sale (see Note 28 Non-current assets and non-current liabilities classified as held for sale).
- (\*7) The equity ownership of SKC (Jiangsu) High Tech Plastics Co., Ltd. is 100% based on the shareholders' agreement, which gives contractual rights to the non-controlling ownership.
- (\*8) During the current reporting period, SKC Co., Ltd. acquired additional 51% equity ownership of SKC Hi-Tech&Marketing Co., Ltd.(formerly, SKC Haas Display Film Co., Ltd.) and classified it as the Group's subsidiaries (see Note 34 Business combination).
- (\*9) In accordance with the resolution of the Board of Directors on February 27, 2017, SK Shipping Co., Ltd., a subsidiary, split its shipping business division on April 1, 2017. The name of the surviving company after the split is SK Maritime Co., Ltd., and the name of the spin-off company is SK Shipping Co., Ltd. SK Maritime Co., Ltd. reduced its capital of ₩162,696 million and the Group's equity ownership has increased from 83.08% to 99.99%. SK Shipping Co., Ltd., the spin-off company, issued shares amounting to ₩222 billion under the third-party allocation method on April 13, 2017, and SK Maritime Co., Ltd. sold 18.11% of equity ownership in SK Shipping Co., Ltd. at ₩163 billion. Subsequently, SK Maritime's equity ownership in SK Shipping Co., Ltd. decreased from 100% to 57.22%.
- (\*10) The 69 consolidated restructuring entities were included in the consolidated financial statements. Considering the terms of agreement establishment of these entities, the Group substantially receives all of the returns related to their operations and net assets, and has the ability to direct these entities' activities in a way that most significantly affects these returns.
- (\*11) During the current reporting period, SK Global Chemical (China) Holding Co., Ltd. has transferred 66% of the equity ownership to FSK L&S Co., Ltd., resulting in a change of the largest shareholder.
- (\*12) During the current reporting period, the Group acquired 26.65% of SM Core, Inc. and voting rights of shares (25.57%) owned by the CEO have been delegated to the Group. Consequently, the Group classified SM Core, Inc. and its two subsidiaries as the Group's subsidiaries (see Note 34 Business combination).

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**1.3 Changes in consolidated subsidiaries**

Changes in the consolidated subsidiaries for the six months ended June 30, 2017 are as follows:

<u>December 31, 2016</u>	<u>Inclusion</u>	<u>Exclusion</u>	<u>June 30, 2017</u>
290	17	(4)	303

During the six months ended June 30, 2017, subsidiaries newly included in consolidation are as follows:

<u>Subsidiary</u>	<u>Reasons for changes</u>
SK Investment Management Co., Ltd. Skyline Auto Financial Leasing Co., Ltd. SK Financial Leasing Co., Ltd. SK Computer and Communication L.L.C. SK Primacor Americas LLC SK Primacor Europe, S.L.U. Home&Service Co., Ltd. SM Core. Inc. Point Code Inc. SMC US, Inc.	Establishment (7 companies)
SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.) SKC Hi-Tech&Marketing(Suzhou) Co., Ltd. SKC Hi-Tech&Marketing Taiwan Co., Ltd. SKC Hi-Tech&Marketing Japan K.K SKC Hi-Tech&Marketing Polska SP.Z.O.O SKC Hi-Tech&Marketing USA LLC	Acquisition (9 companies)
SK Shipping Co., Ltd.	Spin-off (1 company)

During the six months ended June 30, 2017, subsidiaries excluded from consolidation are as follows:

<u>Subsidiary</u>	<u>Reasons for changes</u>
SK Energy Australia (Togara) Pty. Ltd. GaSan 2nd L.L.C.	Liquidation (2 companies)
SK Networks (China) Fashion Co., Ltd. Obzee N.Y. Inc.	Disposal (2 companies)

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**1.4 Condensed financial information of significant consolidated subsidiaries**

Details of condensed financial information of the significant subsidiaries as at and for the six months ended June 30, 2017 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩13,431,183	₩ 1,340,528	₩ 1,175,674	₩ 481,525
SK Energy Co., Ltd.	12,751,174	6,766,854	13,736,118	348,063
SK Global Chemical Co., Ltd.	5,817,373	1,578,788	5,082,355	403,884
SK Incheon Petrochem Co., Ltd.	5,295,761	2,726,728	3,511,522	111,717
SK Trading International Co., Ltd.	1,521,631	699,186	5,082,960	72,750
SK Lubricants Co., Ltd.	1,949,780	550,076	1,370,635	161,292
SK Global Chemical International Trading (Shanghai) Co., Ltd.	137,821	45,743	377,209	2,731
SK Global Chemical Japan Co., Ltd.	25,956	18,919	161,068	138
SK Global Chemical Singapore Pte. Ltd.	73,124	63,483	274,081	(748)
SK Energy International Pte. Ltd.	1,658,544	1,035,839	9,639,316	68,131
SK Energy Europe, Ltd.	548,477	437,212	1,480,014	(2,160)
SK Energy Americas, Inc.	73,429	1,255	160,810	2,159
SK Lubricants Americas, Inc.	194,142	140,897	257,661	4,967
SK Lubricants Europe B.V.	180,115	164,356	272,416	9,452
Iberian Lube Base Oils S.A.	386,233	124,409	208,060	6,239
SK E&P America, Inc.	542,326	51,414	-	(660)
SK Telecom Co., Ltd.	24,405,446	9,991,214	6,197,586	702,256
SK Telink Co., Ltd.	447,322	113,300	196,995	16,586
SK Broadband Co., Ltd.	3,541,502	2,403,833	1,452,965	(8,740)
PS&Marketing Corp.	430,930	211,028	812,782	1,984
SK Planet Co., Ltd.	1,877,268	892,416	528,624	(148,438)
SK Networks Co., Ltd.	7,125,151	4,801,855	9,302,594	(1,504)
SK Magic Co. Ltd.	447,092	271,050	240,047	7,684
SK Networks (Shanghai) Co., Ltd.	70,218	47,738	308,171	(2,357)
SK Networks Hong Kong Ltd.	115,275	56,447	256,571	605
SKC Co., Ltd.	2,775,115	1,229,348	709,187	48,823
SK Telesys Co., Ltd.	137,242	205,846	148,862	4,926
SKC, Inc.	419,155	318,974	153,551	(17,205)
SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.)	25,867	815	258,572	128,476
SK Shipping Co., Ltd.	3,664,898	3,309,550	233,995	3,726
SK B&T Pte. Ltd.	160,477	55,266	382,297	(2,350)
SK E&S Co., Ltd.	3,774,862	1,695,521	296,882	96,360
Yeongnam Energy Service Co., Ltd.	340,263	148,686	348,988	20,726
Ko-one Energy Service Co., Ltd.	604,121	229,060	591,792	15,913
Narae Energy Service Co., Ltd.	753,770	572,329	154,119	4,888
Pusan City Gas Co., Ltd.	785,198	218,112	527,814	31,407
Chungcheong Energy Service Co., Ltd.	238,909	121,804	244,193	15,523
Paju Energy Service Co., Ltd.	1,798,754	978,748	369,679	48,652
Wirye Energy Service Co., Ltd.	809,149	588,948	73,763	(2,629)
Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	66,733	21,713	349,614	20,019
SK E&S Australia Pty. Ltd.	404,540	159,648	-	(1,737)
SK E&S Americas, Inc.	643,427	182,821	-	(4,873)
DewBlaine Energy, L.L.C	626,255	4,220	39,912	10,787
SK Engineering & Construction Co., Ltd.	5,201,267	4,200,123	2,943,262	65,408
Sunlake Co., Ltd.	63,902	29,972	144,483	(4,325)
SK Materials Co., Ltd. (*1)	979,994	624,559	240,598	47,289
ESSENCORE Limited (*1)	248,541	90,928	459,433	76,871
SK China Company, Ltd.	469,574	7,197	-	540
SKY Property Management Ltd. (*1)	615,247	43,217	29,722	10,252
HAPPYNARAE Co., Ltd.	111,692	92,600	417,486	(1,526)

(\*1) The condensed financial information is consolidated financial information.

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**1.5 Disclosure of significant non-controlling interests in subsidiaries**

Information about significant non-controlling interests in subsidiaries as at and for the six months ended June 30, 2017 is as follows (Korean won in millions):

Segment	June 30, 2017						
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Maritime Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.
Percentage of the non-controlling ownership	66.86%	71.16%	60.88%	56.62%	0.01%	-	53.79%
Current assets	14,512,977	5,792,614	2,865,838	906,738	593,559	1,221,460	3,467,513
Non-current assets	17,456,793	24,985,165	4,927,967	2,768,511	4,053,488	6,844,970	1,916,011
Current liabilities	7,782,049	6,088,438	3,746,298	1,168,394	1,590,119	1,570,174	3,673,734
Non-current liabilities	5,443,043	8,014,130	1,684,959	966,883	2,860,277	3,458,898	818,046
Net assets	18,744,678	16,675,211	2,362,548	1,539,972	196,651	3,037,358	891,744
Book value of the non-controlling interests	13,086,877	11,563,914	1,624,272	941,281	168,024	1,207,133	664,520
Sales	21,948,125	8,579,958	10,109,195	1,202,165	777,825	2,819,199	3,253,224
Net income (loss)	1,152,059	1,203,992	(2,694)	82,338	(24,257)	257,815	68,188
Total comprehensive income (loss)	1,057,439	1,180,553	(26,006)	62,889	(17,581)	177,230	28,053
Net income (loss) of the non-controlling interests	775,688	824,758	(7,039)	46,761	(1,105)	31,854	49,015
Total comprehensive income (loss) of the non-controlling interests	714,760	837,289	(15,873)	38,105	(10,205)	30,625	16,498
Net cash flows from operating activities	903,190	1,812,703	(115,218)	31,353	7,288	210,353	79,430
Net cash flows from (used in) investing activities	136,947	(1,194,384)	573,189	(115,922)	140,735	(394,200)	108,876
Net cash flows from (used in) financing activities before dividends paid to the non-controlling interests	(834,279)	(421,837)	(603,611)	86,242	(97,046)	310,934	(204,833)
Dividends paid to the non-controlling interests	(405,860)	(460,912)	(15,118)	(18,007)	(3,034)	(23,322)	-
Net increase (decrease) in cash and cash equivalents	(200,002)	(264,430)	(160,758)	(16,334)	47,943	103,765	(16,527)

The aforementioned condensed financial information is consolidated financial information of each subsidiary and non-controlling interests include hybrid bonds.

**2. Summary of significant accounting policies**

The Group prepares statutory interim condensed consolidated financial statements in the Korean language in accordance with Korean International Financial Reporting Standard (KIFRS) 1034 *Interim Financial Reporting* enacted by the *Act on External Audit of Stock Companies*. The accompanying interim condensed consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors' review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

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**2. Summary of significant accounting policies (cont'd)**

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed consolidated financial statements and has been made at the rate of ₩1,139.60 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the six months ended June 30, 2017. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

**2.1 Basis of preparation**

The Group has prepared the consolidated financial statements in accordance with KIFRS.

The significant accounting policies used for the preparation of the accompanying consolidated financial statements as at and for the six months ended June 30, 2017, are the same as the accounting policies adopted for the preparation of consolidated financial statements as at and for the year ended December 31, 2016, except for adoption of new and revised standards applied in the current period, which are summarized below.

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for certain non-current assets and financial instruments that are measured at fair value. Historical cost is based on the fair values of the consideration given.

The principal accounting policies are set out below:

**2.1.1 New and revised KIFRSs adopted in the current period**

The Group has applied amendments to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 2017.

**Amendments to KIFRS 1007 – *Statement of Cash Flows***

The amendments to KIFRS 1007 are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Additional disclosure to the current interim condensed consolidated financial statements is not mandatory. The Group will provide additional disclosures in the consolidated financial statements as at December 31, 2017 and for the year then ended.

**Amendments to KIFRS 1012 – *Income Taxes***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The adoption of the above amendments does not have a material impact on the Group's financial position and financial performance.

### **2.1.2 New and revised KIFRS issued, but not yet effective**

The Group has not applied the following new and revised standards that have been issued, but are not yet effective:

#### **KIFRS 1109 – *Financial Instruments***

The main features of KIFRS 1109 include: a business model for the managing financial assets; classification and measurement of financial assets based on contractual cash flow characteristics of financial assets; an impairment model for financial instruments based on expected credit losses; the hedged item that meet the requirements of hedge accounting, increases in hedging instruments, or changes in the evaluation method for hedge effectiveness. KIFRS 1109 replaces KIFRS 1039 *Financial Instruments: Recognition and Measurement*, which is effective for annual periods beginning on or after January 1, 2018.

#### **KIFRS 1115 – *Revenue from Contracts with Customers***

Under KIFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application of the standard is required for annual periods beginning on or after January 1, 2018. The Group plans to adopt KIFRS 1115 on January 1, 2018. In accordance with the requirements under KIFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* and the transition guidance of KIFRS 1115, the Group is considering to adopt KIFRS 1115 using the retrospective approach.

#### **Amendments to KIFRS 1102 – *Share-based Payment***

The IASB issued amendments to KIFRS 1102 *Share-based Payment* that addresses three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

### **2.1.3 Construction contracts**

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by reference to the contract costs incurred, except for contract costs which are not able to apply the percentage of completion, up to the end of the reporting period as a percentage of total estimated costs for each contract. Variations in construction are included in revenue when the amount can be estimated reliably and it is likely to be recoverable.

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognized only to the extent of contract costs incurred that it is likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately.

A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work), and a contract represents a liability where the opposite is the case (due to customers for contract work).

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**3. Significant accounting judgments, estimates and assumptions**

When preparing the interim condensed consolidated financial statements, management is required to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Actual results may be different from those estimates.

Those accounting judgments made by management in the preparation of the interim condensed consolidated financial statements for the six months ended June 30, 2017, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2016.

**4. Operating segments**

(1) Overview of operating segments

The Group makes decisions on resources to be allocated to business segments and divides the business segments based on the internal reports which the chief operating decision maker periodically reviews to evaluate the performances of the sales segments. As SK Holdings Co., Ltd. was acquired during the current reporting period, details of changes to segment operations of each segment are as follows:

Operating segments	Business
SK Innovation Co., Ltd.	Refining, chemical, and resources development
SK Telecom Co., Ltd.	Telecommunication
SK Networks Co., Ltd.	Network, information communication, trade, and energy marketing
SKC Co., Ltd.	Chemical, film, and information communication
SK Maritime Co., Ltd.	Sea transportation
SK E&S Co., Ltd.	Gas and energy
SK Engineering & Construction Co., Ltd.	Civil engineering, housing, plant and others
Others	IT services, security service, special gas manufacturing and sale, medicine and life science and others

(2) Details of financial information for each operating segment as at and for the six months ended June 30, 2017 and 2016 are as follows (Korean won in billions):

As at and for the six month ended June 30, 2017										
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Maritime Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 21,948	₩ 8,580	₩ 10,109	₩ 1,202	₩ 778	₩ 2,819	₩ 3,253	₩ 3,400	₩ (7,059)	₩45,030
Internal sales	(2,554)	(41)	(2,417)	(211)	(126)	(31)	(234)	(1,445)	7,059	-
Net sales	19,394	8,539	7,692	991	652	2,788	3,019	1,955	-	45,030
Net income	1,596	1,473	5	104	(22)	324	100	853	(785)	3,648
(loss) before income taxes										
Net income (loss)	1,164	1,204	1	82	(24)	258	68	768	(768)	2,753
Total assets	31,970	30,778	7,794	3,675	4,647	8,066	5,384	23,189	(14,563)	100,940
Total liabilities	13,225	14,103	5,431	2,135	4,450	5,029	4,492	7,687	832	57,384
Depreciation	352	1,213	112	56	68	143	16	100	29	2,089
Amortization	50	386	8	2	-	3	4	456	(275)	634

As at and for the six month ended June 30, 2016										
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Maritime Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 19,738	₩ 8,496	₩ 8,899	₩ 1,150	₩ 859	₩ 2,309	₩ 4,019	₩ 2,652	₩ (6,643)	₩41,479
Internal sales	(2,237)	(33)	(2,540)	(162)	(199)	(30)	(237)	(1,205)	6,643	-
Net sales	17,501	8,463	6,359	988	660	2,279	3,782	1,447	-	41,479
Net income	1,641	1,101	41	82	(17)	155	44	815	(1,037)	2,825
(loss) before income taxes										
Net income (loss)	1,192	863	28	82	(38)	120	33	741	(997)	2,024
Total assets	32,587	28,529	7,979	3,579	4,727	6,897	5,840	22,388	(13,738)	98,788
Total liabilities	14,844	13,162	5,495	1,959	4,257	3,973	5,042	7,459	1,277	57,468
Depreciation	402	1,180	77	62	75	97	29	56	29	2,007
Amortization	60	321	5	3	2	4	3	8	151	557

(\*1) Consolidation adjustments of the parent company, excluding consolidation adjustments of each subsidiary

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**4. Operating segments (cont'd)**

(3) Details of financial information by geographical location as at and for the six months ended June 30, 2017 and 2016 are as follows (Korean won in billions):

	As at and for the six months ended June 30, 2017							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	₩ 60,018	₩ 13,123	₩ 2,097	₩ 866	₩ -	₩ 44	₩ (31,118)	₩ 45,030
Operation income	3,963	174	18	(2)	-	14	(1,358)	2,809
Income (loss) before income taxes	4,012	244	13	(20)	-	14	(615)	3,648
Net income (loss)	3,300	223	12	(23)	-	9	(768)	2,753
Total assets	123,560	6,443	1,603	3,136	835	1,245	(35,882)	100,940
Total liabilities	54,834	2,461	1,131	857	799	245	(2,943)	57,384

  

	As at and for the six months ended June 30, 2016							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	₩ 49,726	₩ 10,337	₩ 2,874	₩ 1,513	₩ -	₩ 49	₩ (23,020)	₩ 41,479
Operation income	4,102	37	(44)	14	-	25	(917)	3,217
Income (loss) before income taxes	3,869	55	(44)	8	-	51	(1,114)	2,825
Net income (loss)	3,062	33	(43)	(1)	-	48	(1,075)	2,024
Total assets	121,199	6,507	1,414	3,016	359	1,361	(35,068)	98,788
Total liabilities	54,524	2,963	971	815	323	350	(2,478)	57,468

**5. Financial instruments**

**5.1 Financial assets**

Details of financial assets as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017					
	Financial assets at FVTPL	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	Total
<b>Current assets:</b>						
Cash and cash equivalents	₩ -	₩ -	₩ 6,860,062	₩ -	₩ -	₩ 6,860,062
Short-term financial instruments	-	-	3,832,268	-	-	3,832,268
Trade accounts receivable (*1)	-	-	9,018,491	-	-	9,018,491
Other accounts receivable	-	-	1,749,878	-	-	1,749,878
Short-term loans	-	-	145,474	-	-	145,474
Accrued income	-	-	36,271	-	-	36,271
Available-for-sale financial assets	-	-	-	121,036	-	121,036
Held-to-maturity investments	-	45	-	-	-	45
Guarantee deposits	-	-	188,826	-	-	188,826
Derivative financial assets	42,760	-	-	-	69,551	112,311
Finance lease receivables	-	-	72,323	-	-	72,323
	<u>42,760</u>	<u>45</u>	<u>21,903,593</u>	<u>121,036</u>	<u>69,551</u>	<u>22,136,985</u>
<b>Non-current assets:</b>						
Long-term financial instruments	-	-	185,761	-	-	185,761
Long-term trade accounts receivable	-	-	19,476	-	-	19,476
Long-term other accounts receivable	-	-	157,141	-	-	157,141
Long-term loans	-	-	366,682	-	-	366,682
Available-for-sale financial assets	-	-	-	1,547,196	-	1,547,196
Held-to-maturity investments	-	855	-	-	-	855
Guarantee deposits	-	-	744,877	-	-	744,877
Derivative financial assets	16,010	-	-	-	79,009	95,019
Finance lease receivables	-	-	220,079	-	-	220,079
	<u>16,010</u>	<u>855</u>	<u>1,694,016</u>	<u>1,547,196</u>	<u>79,009</u>	<u>3,337,086</u>
	<u>₩ 58,770</u>	<u>₩ 900</u>	<u>₩ 23,597,609</u>	<u>₩ 1,668,232</u>	<u>₩ 148,560</u>	<u>₩ 25,474,071</u>

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**5.1 Financial assets (cont'd)**

	December 31, 2016					
	Financial assets at FVTPL	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	Total
<b>Current assets:</b>						
Cash and cash equivalents	₩ -	₩ -	₩ 7,086,957	₩ -	₩ -	₩ 7,086,957
Short-term financial instruments	-	-	4,265,992	-	-	4,265,992
Trade accounts receivable (*1)	-	-	9,611,793	-	-	9,611,793
Other accounts receivable	-	-	1,828,941	-	-	1,828,941
Short-term loans	-	-	239,915	-	-	239,915
Accrued income	-	-	23,782	-	-	23,782
Available-for-sale financial assets	-	-	-	179,448	-	179,448
Held-to-maturity investments	-	67	-	-	-	67
Guarantee deposits	-	-	192,214	-	-	192,214
Derivative financial assets	59,673	-	-	-	91,490	151,163
Finance lease receivables	-	-	79,896	-	-	79,896
	<u>59,673</u>	<u>67</u>	<u>23,329,490</u>	<u>179,448</u>	<u>91,490</u>	<u>23,660,168</u>
<b>Non-current assets:</b>						
Long-term financial instruments	-	-	131,033	-	-	131,033
Long-term trade accounts receivable	-	-	24,188	-	-	24,188
Long-term other accounts receivable	-	-	205,584	-	-	205,584
Long-term loans	-	-	314,455	-	-	314,455
Available-for-sale financial assets	-	-	-	1,527,092	-	1,527,092
Held-to-maturity investments	-	870	-	-	-	870
Guarantee deposits	-	-	732,770	-	-	732,770
Derivative financial assets	44,345	-	-	-	207,683	252,028
Finance lease receivables	-	-	275,288	-	-	275,288
	<u>44,345</u>	<u>870</u>	<u>1,683,318</u>	<u>1,527,092</u>	<u>207,683</u>	<u>3,463,308</u>
	<u>₩ 104,018</u>	<u>₩ 937</u>	<u>₩ 25,012,808</u>	<u>₩ 1,706,540</u>	<u>₩ 299,173</u>	<u>₩ 27,123,476</u>

(\*1) Unbilled receivables amounting to ₩ 557,610 million and ₩ 786,678 million as at June 30, 2017 and December 31, 2016, respectively, are not included in the financial instruments.

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**5.2 Financial liabilities**

Details of financial liabilities as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017			
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 1,819,302	₩ -	₩ 1,819,302
Trade accounts payable	-	7,368,057	-	7,368,057
Other accounts payable	-	2,137,337	-	2,137,337
Current portion of long-term debt	-	6,365,812	-	6,365,812
Accrued expenses	-	2,786,991	-	2,786,991
Dividends payable	-	787	-	787
Leasehold deposits received	-	124,699	-	124,699
Derivative financial liabilities	56,214	-	93,889	150,103
Finance lease liabilities	-	1,742	-	1,742
	<u>56,214</u>	<u>20,604,727</u>	<u>93,889</u>	<u>20,754,830</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	60,129	22,674,226	-	22,734,355
Long-term other accounts payable	-	4,004,243	-	4,004,243
Leasehold deposits received	-	327,428	-	327,428
Derivative financial liabilities	12,249	-	9,848	22,097
Finance lease liabilities	-	887	-	887
Financial guarantee liabilities	-	10,203	-	10,203
	<u>72,378</u>	<u>27,016,987</u>	<u>9,848</u>	<u>27,099,213</u>
	<u>₩ 128,592</u>	<u>₩ 47,621,714</u>	<u>₩ 103,737</u>	<u>₩ 47,854,043</u>
<b>December 31, 2016</b>				
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 2,614,117	₩ -	₩ 2,614,117
Trade accounts payable	-	8,897,260	-	8,897,260
Other accounts payable	-	3,241,765	-	3,241,765
Current portion of long-term debt	-	5,629,577	-	5,629,577
Accrued expenses	-	2,480,547	-	2,480,547
Dividends payable	-	614	-	614
Leasehold deposits received	-	125,157	-	125,157
Derivative financial liabilities	112,950	-	143,123	256,073
Finance lease liabilities	-	1,747	-	1,747
	<u>112,950</u>	<u>22,990,784</u>	<u>143,123</u>	<u>23,246,857</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	59,600	23,073,906	-	23,133,506
Long-term other accounts payable	-	4,601,776	-	4,601,776
Leasehold deposits received	-	357,384	-	357,384
Derivative financial liabilities	12,281	-	39,397	51,678
Finance lease liabilities	-	1,864	-	1,864
Financial guarantee liabilities	-	9,120	-	9,120
	<u>71,881</u>	<u>28,044,050</u>	<u>39,397</u>	<u>28,155,328</u>
	<u>₩ 184,831</u>	<u>₩ 51,034,834</u>	<u>₩ 182,520</u>	<u>₩ 51,402,185</u>

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**5.3 Fair values of financial instruments by hierarchy level**

1) Fair values and book values of financial instruments as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 23,904,007	₩ 24,414,201	₩ 23,755,427	₩ 23,795,522
Borrowings	7,015,462	6,954,593	7,621,773	7,603,575

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (1.44%~4.79%) regarding residual market risks. As the book values of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

2) The Group categorized financial instruments measured at fair value based on the inputs to measure the fair value. The level of hierarchy of fair value is as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

3) Details of fair values of financial instruments by hierarchy level as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 2,593	₩ 56,177	₩ -	₩ 58,770
Available-for-sale financial assets (*1)	816,106	125,855	116,984	1,058,945
Financial assets designated as hedging instruments	-	148,560	-	148,560
	<u>₩ 818,699</u>	<u>₩ 330,592</u>	<u>₩ 116,984</u>	<u>₩ 1,266,275</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ 776	₩ 127,816	₩ -	₩ 128,592
Financial liabilities designated as hedging instruments	-	103,737	-	103,737
	<u>₩ 776</u>	<u>₩ 231,553</u>	<u>₩ -</u>	<u>₩ 232,329</u>
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩ 104,018	₩ -	₩ 104,018
Available-for-sale financial assets (*1)	754,983	178,766	121,669	1,055,418
Financial assets designated as hedging instruments	-	299,173	-	299,173
	<u>₩ 754,983</u>	<u>₩ 581,957</u>	<u>₩ 121,669</u>	<u>₩ 1,458,609</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 184,831	₩ -	₩ 184,831
Financial liabilities designated as hedging instruments	-	182,520	-	182,520
	<u>₩ -</u>	<u>₩ 367,351</u>	<u>₩ -</u>	<u>₩ 367,351</u>

(\*1) This does not include available-for-sale financial assets, which are measured at cost because their fair values could not be reliably measured.

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**6. Trade accounts receivable**

(1) Details of trade accounts receivable as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 9,495,874	₩ 24,720	₩ 10,158,904	₩ 24,469
Unbilled receivables	557,610	-	786,678	-
Allowance for doubtful accounts:				
Trade accounts receivable	(477,383)	(5,244)	(547,111)	(281)
	<u>₩ 9,576,101</u>	<u>₩ 19,476</u>	<u>₩ 10,398,471</u>	<u>₩ 24,188</u>

(2) Details of accumulated cost, accumulated profit, unbilled receivables and overbilled receivables related to construction contracts in progress as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 30,728,252	₩ 31,421,602	₩ 523,264	₩ 1,216,614	₩ 61,160
Others	197,135	181,882	34,346	19,093	-
	<u>₩ 30,925,387</u>	<u>₩ 31,603,484</u>	<u>₩ 557,610</u>	<u>₩ 1,235,707</u>	<u>₩ 61,160</u>
	December 31, 2016				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 34,657,316	₩ 35,123,840	₩ 750,205	₩ 1,216,729	₩ 71,101
Others	247,622	220,739	36,473	9,590	-
	<u>₩ 34,904,938</u>	<u>₩ 35,344,579</u>	<u>₩ 786,678</u>	<u>₩ 1,226,319</u>	<u>₩ 71,101</u>

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as at June 30, 2017 are as follows (Korean won in millions):

	June 30, 2017				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period loss	Impact on future period loss	Change in overbilled receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ (350,161)	₩ (189,755)	₩ (103,779)	₩ (56,627)	₩ (103,779)
Others	259	1,237	(716)	(262)	(716)
	<u>₩ (349,902)</u>	<u>₩ (188,518)</u>	<u>₩ (104,495)</u>	<u>₩ (56,889)</u>	<u>₩ (104,495)</u>

Impact on profit of current and future period has been calculated by the estimated construction costs based on the situations which occurred from the inception of construction contracts to the current reporting period and the estimated construction revenue as at the current reporting period. Estimated construction costs and revenue can be changed in the future period.

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**6. Trade accounts receivable (cont'd)**

(4) Details of the construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as at June 30, 2017 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Unbilled receivables		Trade accounts receivable (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project Goseong Green Power Project	2009.12 2014.07	2016.05 2021.07	99.8 8.3	₩ 8,994	₩ -	₩ 152,399	₩ -
					-	-	59,857	-

(\*1) It refers to amounts of billed receivables.

**7. Inventories**

Details of inventories as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017			December 31, 2016		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 1,059,023	₩ (12,645)	₩ 1,046,378	₩ 894,567	₩ (17,029)	₩ 877,538
Finished goods	1,815,614	(38,064)	1,777,550	1,505,234	(39,850)	1,465,384
Semifinished goods and work in progress	643,163	(36,278)	606,885	620,820	(16,090)	604,730
Raw materials and sub-materials	1,369,274	(45,530)	1,323,744	1,334,776	(8,196)	1,326,580
Materials in transit	1,660,282	-	1,660,282	1,512,078	-	1,512,078
Supplies	197,683	(1,178)	196,505	212,776	(948)	211,828
Uncompleted contracts	7,189	-	7,189	6,995	-	6,995
Others	13,931	(712)	13,219	14,625	(903)	13,722
	<u>₩ 6,766,159</u>	<u>₩ (134,407)</u>	<u>₩ 6,631,752</u>	<u>₩ 6,101,871</u>	<u>₩ (83,016)</u>	<u>₩ 6,018,855</u>

**8. Available-for-sale financial assets**

Details of available-for-sale financial assets as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017	December 31, 2016
Marketable equity instruments	₩ 816,106	₩ 754,983
Non-marketable equity instruments	622,000	442,111
Corporate and government bonds	79,897	65,010
Others (*1)	150,229	444,436
	<u>₩ 1,668,232</u>	<u>₩ 1,706,540</u>
Current available-for-sale financial assets	₩ 121,036	₩ 179,448
Non-current available-for-sale financial assets	1,547,196	1,527,092

(\*1) They include beneficiary certificates.

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**9. Investments in associates and joint ventures**

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	June 30, 2017		December 31,
			Acquisition cost	Book value	2016
					Book value
<b>Associates:</b>					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 6,789,921	₩ 6,088,485
China Gas Holdings Ltd. (*2)	Hong Kong	15.7%	1,597,222	1,647,422	1,621,030
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	328,425	327,066
Peru LNG Company, LLC	Peru	20.0%	331,144	310,297	314,425
Korea IT Fund (*3)	Korea	63.3%	242,170	257,051	263,850
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	276,886	265,798
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	-	12,936
Springvale SK Kores Pty. Ltd.	Australia	50.0%	115,599	104,586	107,093
Eurasia Tunnel	Turkey	50.0%	112,898	195,733	173,273
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	73,781	77,284
NanoEnTek, Inc.	Korea	28.5%	68,996	61,878	62,657
SOCAR, Inc.	Korea	28.2%	91,798	85,338	54,680
SKC Hi-Tech&Marketing LLC (formerly,SKC Haas Display Film LLC) (*4)	Korea	100.0%	-	-	63,171
TSK Water Co., Ltd.	Korea	25.0%	45,811	57,909	54,392
Others				492,119	474,262
				<u>10,681,346</u>	<u>9,960,402</u>
<b>Joint ventures (*5):</b>					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	₩ 488,809	₩ 628,694	₩ 565,226
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	392,889	378,870
Hana land chip PEF 33 (*3)	Korea	65.2%	196,001	196,944	196,897
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	108,323	103,199	97,703
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	83,625	76,946
SKC-KOLON PI Co., Ltd.	Korea	27.0%	83,753	90,868	90,079
Others				188,686	193,776
				<u>1,684,905</u>	<u>1,599,497</u>
				<u>₩ 12,366,251</u>	<u>₩ 11,559,899</u>

(\*1) Equity ownership includes indirect investments held by consolidated subsidiaries.

(\*2) The Group retains significant influence on the associate despite having less than 20% equity interests.

(\*3) These companies were not included as consolidated subsidiaries as the Group does not have the power over more than half of the voting rights by agreements.

(\*4) During the current reporting period, SKC Co., Ltd. acquired additional 51% equity ownership of SKC Hi-Tech&Marketing Co., Ltd.(formerly, SKC Haas Display Film Co., Ltd.) and classified it as the Group's subsidiaries (see Note 34 Business combination).

(\*5) All joint arrangements that the Group has joint control over are structured by a consolidated entity. The parties that have joint control with respect to the joint agreements hold the rights to the net assets of the agreements and accordingly, they are classified as joint ventures and accounted for using the equity method of accounting.

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**9. Investments in associates and joint ventures (cont'd)**

(2) Changes in carrying amount of investments in associates and joint ventures

Changes in investments in associates and joint ventures accounted for using the equity method for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

		For the six months ended June 30, 2017							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩	9,960,402	₩ 102,381	₩ (3,941)	₩ 892,925	₩ (69,765)	₩(127,786)	₩ (72,870)	₩ 10,681,346
Joint ventures		<u>1,599,497</u>	<u>17,741</u>	<u>-</u>	<u>105,443</u>	<u>(17,659)</u>	<u>(14,538)</u>	<u>(5,579)</u>	<u>1,684,905</u>
		<u>₩11,559,899</u>	<u>₩ 120,122</u>	<u>₩ (3,941)</u>	<u>₩ 998,368</u>	<u>₩ (87,424)</u>	<u>₩(142,324)</u>	<u>₩ (78,449)</u>	<u>₩ 12,366,251</u>

  

		For the six months ended June 30, 2016							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩	9,677,938	₩ 121,028	₩ (20,422)	₩ 135,104	₩ (56,671)	₩ (95,754)	₩ 6,522	₩ 9,767,745
Joint ventures		<u>1,479,837</u>	<u>58,539</u>	<u>-</u>	<u>(22,973)</u>	<u>(1,646)</u>	<u>(9,285)</u>	<u>(932)</u>	<u>1,503,540</u>
		<u>₩11,157,775</u>	<u>₩ 179,567</u>	<u>₩ (20,422)</u>	<u>₩ 112,131</u>	<u>₩ (58,317)</u>	<u>₩(105,039)</u>	<u>₩ 5,590</u>	<u>₩ 11,271,285</u>

(\*1) The Group recognized additional loans receivable by ₩1,327 million and ₩378 million of unrecognized losses, which were incurred as losses on investments in associates exceeded their carrying amounts for the six months ended June 30, 2017 and 2016, respectively.

(\*2) Others include the impairment of investments in associates and joint ventures, effects of changes in scope of consolidation, net foreign currency differences, and others.

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as at June 30, 2017 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 45,888	₩ (435)	₩ 45,453
SK Telesys Corporation	3,960	-	3,960
Wave City Development Co., Ltd.	3,290	3,552	6,842
Celcom Planet and others	10,791	8,681	19,472

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**9. Investments in associates and joint ventures (cont'd)**

(4) Condensed financial information of significant investments in associates and jointly controlled entities as at June 30, 2017 are as follows (Korean won in millions):

As at and for the six months ended June 30, 2017								
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)	
<b>Associates:</b>								
SK Hynix Inc.	₩ 12,290,962	₩ 25,210,615	₩ 5,483,352	₩ 4,254,440	₩ 12,981,796	₩ 4,366,516	₩ 4,163,497	
China Gas Holdings Ltd.	4,413,139	12,818,675	6,486,149	3,872,221	5,604,981	815,949	560,694	
Daehan Oil Pipeline Corporation	124,321	880,713	30,406	229,392	77,096	16,633	16,633	
Peru LNG Company, LLC	443,122	3,123,861	214,718	1,800,779	351,780	5,046	5,046	
Korea IT Fund	126,876	278,994	-	-	12,600	1,991	6,099	
Hana Card Co., Ltd.	6,594,028	227,258	789,783	4,544,981	744,353	75,053	75,272	
Yemen LNG Company Ltd.	151,635	4,954,466	285,323	1,847,969	-	(118,123)	(118,123)	
Springvale SK Kores Pty. Ltd.	19,521	405,006	28,487	186,867	44,866	(5,778)	(5,778)	
Eurasia Tunnel	174,135	1,328,552	75,442	1,052,049	22,091	28,658	9,098	
Korea Ras Laffan LNG Limited	3,098	940,248	55	21,024	55,775	55,812	55,812	
NanoEnTek, Inc.	23,127	22,215	6,380	11,313	9,696	(44)	(43)	
SOCAR, Inc.	60,650	106,142	39,161	86,529	54,223	(11,831)	(11,831)	
TSK Water Co., Ltd.	128,814	332,035	109,968	187,673	197,804	14,066	14,069	
<b>Joint ventures:</b>								
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	261,207	2,373,749	946,382	3,494	1,340,267	239,677	239,677	
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	489,851	751,084	306,074	106,598	554,234	43,109	32,455	
Hana land chip PEF 33	8,454	576,307	986	281,727	16,500	12,074	12,074	
Boryeong LNG Terminal Co., Ltd.	246,231	1,119,917	86,135	1,114,908	77,062	12,566	12,566	
SABIC SK Nexlene Company Pte. Ltd.	153,509	604,343	149,133	342,269	151,297	(7,192)	25,484	
SKC-KOLON PI Co., Ltd.	108,182	209,957	41,411	42,835	92,487	18,557	18,557	

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**10. Property, plant and equipment**

(1) Details of property, plant and equipment as at June 30, 2017, and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017	December 31, 2016
Acquisition cost	₩ 44,608,011	₩ 44,164,521
Accumulated depreciation and accumulated impairment loss	(4,553,937)	(3,132,016)
	<u>₩ 40,054,074</u>	<u>₩ 41,032,505</u>

(2) Changes in property, plant and equipment for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

For the six months ended June 30, 2017							
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 9,994,777	₩ 10,197	₩ 6,509	₩ (320,634)	₩ -	₩ 68,000	₩ 9,758,849
Buildings	3,365,986	43,091	1,058	(13,025)	(72,571)	276,684	3,601,223
Structures	1,313,084	206	5,786	(14,539)	(51,287)	284,959	1,538,209
Ships and vessels	2,671,277	-	-	-	(63,894)	(150,134)	2,457,249
Machinery and equipment	15,680,963	26,860	207,802	(24,188)	(1,530,589)	2,486,688	16,847,536
Vehicles	825,012	380	122,500	(2,355)	(68,657)	(38,640)	838,240
Others	3,029,187	993	377,374	(20,157)	(297,094)	(71,515)	3,018,788
Construction-in-progress	4,152,219	89	1,210,021	(2,100)	-	(3,366,249)	1,993,980
	<u>₩ 41,032,505</u>	<u>₩ 81,816</u>	<u>₩ 1,931,050</u>	<u>₩ (396,998)</u>	<u>₩ (2,084,092)</u>	<u>₩ (510,207)</u>	<u>₩ 40,054,074</u>

  

For the six months ended June 30, 2016							
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 9,900,793	₩ 61,280	₩ 5,845	₩ (22,281)	₩ -	₩ (4,305)	₩ 9,941,332
Buildings	3,292,931	87,996	3,540	(27,343)	(71,564)	94,189	3,379,749
Structures	1,227,202	39,986	2,457	(1,502)	(49,711)	76,334	1,294,766
Ships and vessels	2,805,736	-	1,406	(4,412)	(61,396)	14,017	2,755,351
Machinery and equipment	16,189,361	267,031	225,516	(15,555)	(1,475,828)	505,906	15,696,431
Vehicles	485,429	1,184	204,009	(29,892)	(52,477)	12,314	620,567
Others	2,770,338	26,498	237,202	(12,266)	(290,341)	12,709	2,744,140
Construction-in-progress	2,773,496	26,121	1,031,401	(39,363)	-	(796,733)	2,994,922
	<u>₩ 39,445,286</u>	<u>₩ 510,096</u>	<u>₩ 1,711,376</u>	<u>₩ (152,614)</u>	<u>₩ (2,001,317)</u>	<u>₩ (85,569)</u>	<u>₩ 39,427,258</u>

(\*1) This includes transfer to intangible assets and investment property, impairment losses, net translation differences.

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**11. Investment property**

(1) Details of investment property as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Acquisition cost	₩ 673,946	₩ 740,264
Accumulated depreciation and accumulated impairment loss	<u>(14,121)</u>	<u>(12,481)</u>
	<u>₩ 659,825</u>	<u>₩ 727,783</u>

(2) Changes in investment property for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	<u>For the six months ended June 30, 2017</u>					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Depreciation</u>	<u>Others (*1)</u>	<u>Ending balance</u>
Land	₩ 384,725	₩ 6,378	₩ -	₩ -	₩ (44,887)	₩ 346,216
Buildings	341,449	1,609	(808)	(5,054)	(24,256)	312,940
Structures	1,609	-	-	(73)	(867)	669
	<u>₩ 727,783</u>	<u>₩ 7,987</u>	<u>₩ (808)</u>	<u>₩ (5,127)</u>	<u>₩ (70,010)</u>	<u>₩ 659,825</u>

  

	<u>For the six months ended June 30, 2016</u>					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Depreciation</u>	<u>Others (*1)</u>	<u>Ending balance</u>
Land	₩ 384,932	₩ -	₩ -	₩ -	₩ 24,068	₩ 409,000
Buildings	411,120	975	(58,064)	(5,783)	3,774	352,022
Structures	1,756	-	-	(73)	-	1,683
	<u>₩ 797,808</u>	<u>₩ 975</u>	<u>₩ (58,064)</u>	<u>₩ (5,856)</u>	<u>₩ 27,842</u>	<u>₩ 762,705</u>

(\*1) This includes net translation differences, transferred amounts to property, plant and equipment.

**12. Goodwill**

(1) Changes in goodwill for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	₩ 575,233	₩ 27,078
Business combination (See Note 34)	56,523	134,131
Others	-	4,896
Ending balance	<u>₩ 631,756</u>	<u>₩ 166,105</u>

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**13. Intangible assets**

(1) Details of intangible assets for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended June 30, 2017						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*1)	Ending balance
Development costs	₩ 77,867	₩ 518	₩ 19,061	₩ (1,117)	₩ (11,210)	₩ 5,779	₩ 90,898
Facility usage rights	54,435	-	651	(1,095)	(4,398)	(307)	49,286
Industrial property rights	126,524	-	2,435	(19)	(4,135)	(2,235)	122,570
Frequency usage rights	2,580,828	-	-	-	(201,944)	-	2,378,884
Customer-related assets	1,439,745	-	295	-	(70,346)	-	1,369,694
Membership (*2)	222,513	1,291	16,484	(11,522)	-	3,476	232,242
Development costs for petroleum resource	1,775,135	-	130,245	-	(47,489)	(44,617)	1,813,274
Brand contract-related assets (*2)	12,185,119	-	-	-	-	-	2,185,119
Developed technology	1,039,213	20,723	-	-	(62,808)	-	997,128
Others (*3)	1,695,778	131	50,862	(5,003)	(232,048)	323,256	1,832,976
	<u>₩ 11,197,157</u>	<u>₩ 22,663</u>	<u>₩ 220,033</u>	<u>₩ (18,756)</u>	<u>₩ (634,378)</u>	<u>₩ 285,352</u>	<u>₩ 11,072,071</u>

  

	For the six months ended June 30, 2016						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*1)	Ending balance
Development costs	₩ 79,158	₩ -	₩ 13,611	₩ -	₩ (14,635)	₩ 1,129	₩ 79,263
Facility usage rights	61,386	-	479	(4)	(4,467)	(329)	57,065
Industrial property rights	120,701	-	2,246	(16)	(3,339)	191	119,783
Frequency usage rights	1,103,517	-	-	-	(140,264)	-	963,253
Customer-related assets	1,263,503	244,984	513	-	(58,649)	-	1,450,351
Membership (*2)	241,874	777	20,291	(15,278)	-	(3,244)	244,420
Development costs for petroleum resource	1,862,146	-	38,374	-	(49,729)	(227,672)	1,623,119
Brand contract-related assets (*2)	1,975,000	-	-	-	-	-	1,975,000
Developed technology	1,045,951	106,420	-	-	(58,270)	(1)	1,094,100
Others (*3)	1,969,115	2,365	120,254	(9,651)	(227,302)	33,923	1,888,704
	<u>₩ 9,722,351</u>	<u>₩ 354,546</u>	<u>₩ 195,768</u>	<u>₩ (24,949)</u>	<u>₩ (556,655)</u>	<u>₩ (196,003)</u>	<u>₩ 9,495,058</u>

(\*1) This includes impairment loss and net translation differences.

(\*2) Membership and assets related to brand contracts are classified as intangible assets with infinite useful lives and are not amortized.

(\*3) This comprises intangible assets recognized through business combination, software, usable and profitable donation assets and others.

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**14. Borrowings and bonds payable**

(1) Details of borrowings and bonds payable as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 1,819,302	₩ -	₩ 2,614,117	₩ -
Bonds and long-term borrowings:				
Bonds payable	5,061,907	18,842,100	4,378,668	19,376,759
Long-term borrowings	1,303,905	3,892,255	1,250,909	3,756,747
	<u>6,365,812</u>	<u>22,734,355</u>	<u>5,629,577</u>	<u>23,133,506</u>
	<u>₩ 8,185,114</u>	<u>₩ 22,734,355</u>	<u>₩ 8,243,694</u>	<u>₩ 23,133,506</u>

(2) Details of bonds payable as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017		December 31, 2016	
SK Holdings Co., Ltd.	₩	5,910,000	₩	5,410,000
SK Innovation Co., Ltd.		658,860		682,975
SK Lubricants Co., Ltd.		300,000		450,000
SK Energy Co., Ltd.		1,950,000		2,070,000
SK Global Chemical Co., Ltd.		740,000		840,000
SK Incheon Petrochem Co., Ltd.		1,430,000		1,630,000
SK Telecom Co., Ltd.		5,538,105		5,627,514
SK Broadband Co., Ltd.		1,601,880		1,572,550
PS&Marketing Corp.		-		20,000
SK Networks Co., Ltd.		1,290,000		1,290,000
SKC Co., Ltd.		780,000		630,000
SKC Solmics Co., Ltd.		59,000		69,000
SK Telesys Co., Ltd.		40,000		40,000
SK Shipping Co., Ltd.		378,000		417,000
SK Shipping Europe Plc.		22,792		24,170
SK E&S Co., Ltd.		1,100,000		1,050,000
Paju Energy Service Co., Ltd.		500,000		500,000
Wirye Energy Service Co., Ltd.		250,000		250,000
Narae Energy Service Co., Ltd.		80,000		80,000
SK Engineering & Construction Co., Ltd.		665,000		595,000
SK Materials Co., Ltd.		250,000		100,000
		<u>23,543,637</u>		<u>23,348,209</u>
Addition: premium on bonds payable		360,370		407,218
Less: current portion		<u>(5,061,907)</u>		<u>(4,378,668)</u>
	₩	<u>18,842,100</u>	₩	<u>19,376,759</u>

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**14. Borrowings and bonds payable (cont'd)**

(3) Details of long-term borrowings as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

Financial institution	Description	Interstrate (%)	June 30, 2017	December 31, 2016
Korea Development Bank and others	General	0.75 ~ 5.32	₩ 1,645,134	₩ 1,515,098
Korea Development Bank and others (*1)	Fund for facility	1.75 ~ 4.50	1,903,747	1,932,951
Export Kreditnamnden and others	Foreign long-term borrowings	1.70 ~ 6.00	249,152	218,041
Korea National Oil Corporation and others (*2)	Fund for mine exploration	0.00 ~ 7.00	53,973	61,681
Econg 1st Co., Ltd. and others	Callable preferred share	4.28 ~ 6.40	450,000	525,000
Korea Development Bank and others	Fund for operation	2.20 ~ 5.25	475,849	563,298
Kookmin Bank and others	Fund for supply pipeline	1.75	16,539	16,539
Kookmin Bank	Fund for catalyzing information	1.86	2,150	4,083
Kookmin Bank and others	Fund for reasonable energy consumption	1.75	6,877	3,829
NongHyup Bank and others	Fund for safety management	1.75	1,339	1,564
Special situation 1st LLC and others	Others	3.14	<u>385,000</u>	<u>158,563</u>
			5,189,760	5,000,647
Addition: Premium			6,400	7,009
Less: Current portion			<u>(1,303,905)</u>	<u>(1,250,909)</u>
			<u>₩ 3,892,255</u>	<u>₩ 3,756,747</u>

(\*1) The borrowings from Korea Development Bank amounting to ₩169,840 million of SK Global Chemical Co., Ltd., a subsidiary of the Company, are related to the facility borrowings of Ulsan Aromatics Co., Ltd., which is accounted for as joint operation, and the amount that the Group has obligation of redemption according to cash deficiency support agreement is recorded as borrowings as at June 30, 2017.

(\*2) As at June 30, 2017, the Group holds loans from Korea National Oil Corporation (KNOC) for the purpose of oil exploration and development in which there is no repayment obligation on ₩41,836 million based on the successful effort method, and interest expense will be recognized upon successful commercial production.

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**15. Provisions**

Changes in the provisions for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended June 30, 2017						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 16,036	₩ -	₩ 2,885	₩ (1,452)	₩ 17,469	₩ 2,561	₩ 14,908
Provision for handset subsidy	24,711	-	2	(4,903)	19,810	19,810	-
Provision for service / construction warranties	57,561	-	8,686	(8,443)	57,804	57,804	-
Provision for restoration	116,019	-	6,662	(8,964)	113,717	40,232	73,485
Provision for losses on contracts	155,154	418	50,146	(119,877)	85,841	85,841	-
Other provisions	155,653	-	10,609	(72,707)	93,555	81,758	11,797
	<u>₩ 525,134</u>	<u>₩ 418</u>	<u>₩ 78,552</u>	<u>₩ (215,908)</u>	<u>₩ 388,196</u>	<u>₩ 288,006</u>	<u>₩ 100,190</u>

  

	For the six months ended June 30, 2016						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 9,607	₩ -	₩ 3,734	₩ (307)	₩ 13,034	₩ 843	₩ 12,191
Provision for handset subsidy	5,671	-	-	(1,019)	4,652	1,214	3,438
Provision for service / construction warranties	49,491	-	11,742	(9,194)	52,039	52,039	-
Provision for restoration	93,920	-	5,791	(1,485)	98,226	29,023	69,203
Provision for losses on contracts	178,370	-	73,010	(5,218)	246,162	245,101	1,061
Other provisions	103,441	576	7,237	(11,947)	99,307	36,520	62,787
	<u>₩ 440,500</u>	<u>₩ 576</u>	<u>₩ 101,514</u>	<u>₩ (29,170)</u>	<u>₩ 513,420</u>	<u>₩ 364,740</u>	<u>₩ 148,680</u>

**16. Retirement benefit obligation**

(1) Details of retirement benefit obligation as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017	December 31, 2016
Present value of defined benefit obligation	₩ 2,140,388	₩ 1,961,251
Fair value of plan assets (*1)	(1,789,040)	(1,770,247)
Total	<u>₩ 351,348</u>	<u>₩ 191,004</u>

(\*1) The Group has recognized ₩164 million and ₩38,374 as defined benefit assets as at June 30, 2017 and December 31, 2016, respectively.

(2) Changes in the retirement benefit obligation for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended June 30, 2017		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 1,961,251	₩ (1,770,247)	₩ 191,004
Business combination	4,597	(2,325)	2,272
Provision for pension benefits:			
Current service cost	163,722	-	163,722
Net interest expense (income)	24,697	(22,340)	2,357
Remeasurement:			
Return on plan assets	-	5,360	5,360
Actuarial changes arising from changes in financial assumptions and others	36,981	-	36,981
Contributions by employer directly to plan assets	-	(69,395)	(69,395)
Benefit paid	(109,530)	108,021	(1,509)
Others	58,670	(38,114)	20,556
Ending balance	<u>₩ 2,140,388</u>	<u>₩ (1,789,040)</u>	<u>₩ 351,348</u>

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**16. Retirement benefit obligation (cont'd)**

	For the six months ended June 30, 2016		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 1,736,303	₩ (1,470,600)	₩ 265,703
Business combination	15,545	(10,110)	5,435
Provision for pension benefits:			
Current service cost	159,184	-	159,184
Net interest expense (income)	17,826	(18,086)	(260)
Remeasurement:			
Return on plan assets	-	7,083	7,083
Actuarial changes arising from changes in financial assumptions and others	75,874	-	75,874
Contributions by employer directly to plan assets	-	(47,335)	(47,335)
Benefit paid	(109,254)	80,868	(28,386)
Others	14,085	(10,038)	4,047
Ending balance	<u>₩ 1,909,563</u>	<u>₩ (1,468,218)</u>	<u>₩ 441,345</u>

**17. Other assets and liabilities**

(1) Details of other assets as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017	December 31, 2016
Current assets:		
Short-term financial instruments	₩ 3,832,268	₩ 4,265,992
Short-term loans	145,474	239,915
Accrued income	36,271	23,782
Advance payments	766,435	676,453
Prepaid expenses	718,178	665,088
Held-to-maturity investments	45	67
Guarantee deposits	188,826	192,214
Derivative financial assets	112,311	151,163
Finance lease receivables	72,323	79,896
Others	9,082	6,690
	<u>₩ 5,881,213</u>	<u>₩ 6,301,260</u>
Non-current assets:		
Long-term financial instruments	₩ 185,761	₩ 131,033
Long-term prepaid expenses	1,145,974	1,203,876
Long-term loans	366,682	314,455
Held-to-maturity investments	855	870
Guarantee deposits	744,877	732,770
Derivative financial assets	95,019	252,028
Finance lease receivables	220,079	275,288
Defined benefit assets (*1)	164	38,374
Others	85,472	87,569
	<u>₩ 2,844,883</u>	<u>₩ 3,036,263</u>

(\*1) The excess amount of certain plans of the Group has not been offset because the Group does not have rights and intention of settling the defined benefit obligation of other plans (see Note 16).

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**17. Other assets and liabilities (cont'd)**

(2) Details of other liabilities as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017		December 31, 2016	
Current liabilities:				
Accrued expenses	₩	2,786,991	₩	2,480,547
Dividends payable		787		614
Advance received		1,976,661		1,828,650
Unearned revenue		272,945		267,063
Withholdings		2,047,047		1,934,365
Leasehold deposits received		124,699		125,157
Income tax payable		718,217		955,295
Derivative financial liabilities		150,103		256,073
Finance lease liabilities		1,742		1,747
Others		847		561
		₩ 8,080,039		₩ 7,850,072
Non-current liabilities:				
Long-term unearned revenue	₩	391,594	₩	365,904
Leasehold deposits received		327,428		357,384
Derivative financial liabilities		22,097		51,678
Finance lease liabilities		887		1,864
Financial guarantee liabilities		10,203		9,120
Others		51,140		50,554
		₩ 803,349		₩ 836,504

**18. Derivative financial assets and liabilities**

(1) Details of derivative financial assets and liabilities as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Firm contracts	₩ 30,319	₩ -	₩ 84,296	₩ -
Swap contracts	(70,780)	74,000	(169,632)	197,183
Forward contracts	(6,165)	(1,078)	(20,206)	3,167
Futures contracts	581	-	1,051	-
Options contracts	8,253	-	(419)	-
	₩ (37,792)	₩ 72,922	₩ (104,910)	₩ 200,350
Derivative financial assets	₩ 112,311	₩ 95,019	₩ 151,163	₩ 252,028
Derivative financial liabilities	(150,103)	(22,097)	(256,073)	(51,678)

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**19. Equity**

**19.1 Issued capital**

Details of issued capital as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>June 30, 2017</u>		<u>December 31, 2016</u>
Number of shares authorized for issued	400,000,000		400,000,000
Per share (Korean won)	₩ 200	₩	200
Number of shares issued:			
Ordinary share	70,360,297		70,360,297
Preferred share	566,135		566,135
Issued capital:			
Ordinary share	₩ 15,272	₩	15,272
Preferred share	113		113
	<u>₩ 15,385</u>	<u>₩</u>	<u>15,385</u>

The Company retired 6,000,000 shares of its treasury stock (par value: ₩1,200 million) in 2015 by reducing retained earnings, which resulted in a difference between total par value of ordinary shares and issued capital.

**19.2 Other paid-in capital**

Details of other paid-in capital as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>June 30, 2017</u>		<u>December 31, 2016</u>
Paid-in surplus (*1)	₩ 5,605,831	₩	5,605,831
Treasury shares (*2)	(904,490)		(904,490)
Others	(64,689)		39,798
	<u>₩ 4,636,652</u>	<u>₩</u>	<u>4,741,139</u>

(\*1) During the year ended December 31, 2015, the Company repurchased treasury shares of ₩3,369,310 million from the merger with SK Holdings Co., Ltd. which was recognized as a contra-equity account on additional paid-in capital.

(\*2) As at June 30, 2017, treasury stock consists of those acquired to increase the enterprise value and to stabilize share price (3,514,276 ordinary shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and odd lot shares (11,021,664 ordinary shares and 1,818 preferred shares) during the merger in 2015. There is no additional acquisition or disposal during the current period.

**19.3 Retained earnings**

Details of retained earnings as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>June 30, 2017</u>		<u>December 31, 2016</u>
Legal reserve (*1)	₩ 7,693	₩	7,693
Voluntary reserve	71,563		80,896
Unappropriated retained earnings	9,059,521		8,279,533
	<u>₩ 9,138,777</u>	<u>₩</u>	<u>8,368,122</u>

(\*1) In accordance with *the Korean Commercial Code*, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to issued capital through approval at the general meeting of the shareholders.

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**19.4 Other capital components**

Details of other capital components as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	June 30, 2017	December 31, 2016
Net gain (loss) on valuation of available-for-sale financial assets	₩ 58,492	₩ (2,054)
Changes in equity in equity method	(79,200)	(48,190)
Net loss on valuation of cash flow hedges	(19,381)	(16,807)
Net gain (loss) on translation of foreign operation	(96,235)	50,545
Net gain on foreign currency translation	12,211	4,217
	<u>₩ (124,113)</u>	<u>₩ (12,289)</u>

**19.5 Stock option**

Upon resolution by the shareholders and the Board of Directors, the Group established a stock option program that entitles key management personnel an option to purchase ordinary shares. The terms and conditions related to the grants of the stock options granted under the share option program are as follows:

1) SK Holdings

	1-1	1-2	1-3
Grant date	2017-03-24		
Types of shares to be issued	Ordinary shares		
Grant method	Reissue of treasury shares, but if the stock option's exercise price is lower than the stock's real price (evaluated based on exercise date), the Group may settle the difference in cash or with treasury stock equivalent to the difference amount.		
Number of shares (shares)	41,429	41,430	41,431
Exercise price (Korean won)	226,290	224,400	263,950
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24
Vesting conditions	2 year service from the grant date	3 year service from the grant date	4 year service from the grant date

Share compensation expense recognized during the current reporting period is ₩427 million and the remaining share compensation expense to be recognized in later periods is ₩3,860 million.

The Group used the binomial option pricing model, and the inputs used in the measurement of the fair values at the grant date of the share-based payment plans are as follows (Korean won):

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Option life	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding)	236,000	236,000	236,000
Expected volatility	16.78%	16.78%	16.78%
Rate of returns	1.60%	1.60%	1.60%
Exercise price	226,290	224,400	263,950
Fair value per share	38,317	34,200	30,962

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**19.5 Stock Option (cont'd)**

2) SK Telecom

	1-1	1-2	1-3
Grant date	2017-03-24		
Types of shares to be issued	Ordinary shares		
Grant method	Reissue of treasury shares, but if the stock option's exercise price is lower than the stock's real price (evaluated based on the exercise date), the Group may settle the difference in cash or with treasury stock equivalent to the difference amount.		
Number of shares (shares)	22,168	22,168	22,168
Exercise price (Korean won)	246,750	255,490	287,810
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24
Vesting conditions	2 year service from the grant date	3 year service from the grant date	4 year service from the grant date

Share compensation expense recognized during the current reporting period ended June 30, 2017 is ₩145 million and the remaining share compensation expense to be recognized in later periods is ₩1,246 million.

The Group used the binomial option pricing model and the inputs used in the measurement of the fair values at the grant date of the share-based payment plans are as follows (Korean won):

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Option life	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding day)	262,500	262,500	262,500
Expected volatility	13.38%	13.38%	13.38%
Rate of returns	3.80%	3.80%	3.80%
Exercise price	246,750	266,490	287,810
Fair value per share	27,015	20,240	15,480

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**20. Selling and administrative expenses**

Details of selling and administrative expenses for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Salaries	₩ 271,041	₩ 544,649	₩ 232,376	₩ 480,167
Provision for pension benefits	39,140	70,204	22,743	48,857
Employee welfare benefits	50,026	95,892	40,094	80,603
Travel	15,072	28,724	12,901	25,130
Bad debt expenses	10,130	7,721	42,956	42,366
Communications	2,636	4,854	2,224	4,600
Utilities	9,906	21,378	8,778	20,419
Taxes and dues	18,511	34,400	22,077	42,344
Supplies	5,262	9,889	5,183	11,236
Rents	43,854	86,793	38,946	78,491
Depreciation	51,566	99,962	52,424	103,422
Amortization	37,518	78,096	36,284	70,770
Repairs	6,831	11,285	5,720	9,488
Insurance	8,790	16,106	6,192	12,094
Advertising	187,827	300,741	161,246	268,640
Research and development	70,039	137,217	54,576	106,261
Education and examination	12,643	23,997	12,823	25,639
Outsourcing technology services	147,179	282,197	128,762	253,059
Commissions	4,699	9,391	2,698	8,818
Transport	169,160	326,371	154,071	316,224
Others	35,283	64,666	35,653	69,655
Total	₩ 1,197,113	₩ 2,254,533	₩ 1,078,727	₩ 2,078,283

**21. Financial income and costs**

Details of financial income and costs for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Interest income	₩ 50,982	₩ 111,557	₩ 52,155	₩ 98,054
Gain on foreign currency transactions	280,193	729,440	334,072	692,925
Gain (loss) on foreign currency translation	(183,755)	320,519	(65,448)	186,799
Gain on transactions of derivatives	224,739	374,466	103,992	238,249
Gain (loss) on valuation of derivatives	(51,178)	153,651	6,130	145,978
Others	-	-	177	177
Total	₩ 320,981	₩ 1,689,633	₩ 431,078	₩ 1,362,182

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Interest expenses	₩ 230,912	₩ 443,460	₩ 184,003	₩ 392,317
Loss on foreign currency transactions	220,316	696,204	310,938	697,722
Loss (gain) on foreign currency translation	(120,135)	289,885	(23,121)	172,054
Loss on transactions of derivatives	116,930	240,031	131,443	284,649
Loss (gain) on valuation of derivatives	(28,462)	134,446	3,175	104,637
Others	197	3,952	(226)	-
Total	₩ 419,758	₩ 1,807,978	₩ 606,212	₩ 1,651,379

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**22. Other non-operating income and expenses**

Details of other non-operating income (expenses) for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Dividend income	₩ 8,088	₩ 21,044	₩ 5,785	₩ 26,911
Rental income	46	98	59	120
Gain (loss) on disposal of trade accounts receivable	(890)	4,135	5,192	7,855
Gain on disposal of available-for-sale financial assets	746	11,065	1,546	29,432
Gain on disposal of investments in associates and joint ventures	15,727	32,780	6,387	13,430
Gain on disposal of investments in subsidiary	-	-	10,843	10,843
Gain on disposal of property, plant and equipment	7,309	16,046	11,011	13,379
Gain on disposal of intangible assets	1,040	1,310	507	2,012
Gain on disposal of investment properties	63	111	110	52,918
Others	61,646	189,270	44,881	135,975
Total	<u>₩ 93,775</u>	<u>₩ 275,859</u>	<u>₩ 86,321</u>	<u>₩ 292,875</u>

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Loss on disposal of trade accounts receivable	₩ 2,421	₩ 7,901	₩ 2,660	₩ 4,790
Loss on disposal of available-for-sale financial assets	36,011	36,092	1,276	1,409
Loss on impairment of available-for-sale financial assets	19,882	19,882	428	651
Loss on disposal of investments in associates and joint ventures	-	49	1,168	1,168
Loss on impairment of investments in associates and joint ventures	8,700	8,700	-	20
Loss on disposal of property, plant and equipment	13,053	31,422	18,347	27,971
Loss on impairment of property, plant and equipment	800	3,584	61	61
Loss on disposal of intangible assets	647	2,873	7,058	7,978
Loss on impairment of intangible assets	207	633	98,375	170,370
Loss on impairment of investment properties	4,051	6,498	5,531	11,980
Donations	39,548	64,040	55,133	97,789
Others	69,915	133,978	111,481	183,003
Total	<u>₩ 195,235</u>	<u>₩ 315,652</u>	<u>₩ 301,518</u>	<u>₩ 507,190</u>

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**23. Expense classified by nature**

Details of expense classified by nature for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Employee benefits	₩ 1,312,035	₩ 2,619,193	₩ 1,268,535	₩ 2,540,413
Depreciation and amortization	1,369,789	2,723,597	1,300,216	2,563,828
Network connection expenses	213,360	436,379	256,932	522,055
Transport	194,677	387,256	183,783	379,178
Advertising	184,482	299,046	166,974	279,788
Operating lease payments and rents	292,767	550,979	311,835	630,949
Other expenses	4,523,018	8,411,006	3,952,391	7,927,092
Use of raw materials and purchase of finished goods and merchandise	12,631,000	26,833,240	11,960,178	23,309,819
Changes in finished goods and Semi-finished goods	144,721	(39,361)	(110,921)	109,279
Total	<u>₩ 20,865,849</u>	<u>₩ 42,221,335</u>	<u>₩ 19,289,923</u>	<u>₩ 38,262,401</u>

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**24. Income taxes**

The Company calculated income tax expense by adding the current period adjustments to the accumulated interim tax expense, reflecting deferred tax expense (income) due to changes in temporary differences and considering adjustments not related to the interim profit or loss.

Effective tax rates for the six months ended June 30, 2017 and 2016 were 24.53% and 28.37%, respectively.

**25. Earnings per share**

(1) Basic earnings per share for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Net income attributable to owners of the Company	₩ 407,141	₩ 1,000,683	₩ 287,615	₩ 674,666
Less: preferred share dividends	(529)	(1,058)	(487)	(973)
Net income attributable to ordinary share owners of the Company	₩ 406,612	₩ 999,625	₩ 287,128	₩ 673,693
Weighted-average number of ordinary share outstanding (*1)	55,824,357	55,824,357	55,824,357	55,824,357
Basic earnings per share (Korean won) (*2)	₩ 7,284	₩ 17,907	₩ 5,143	₩ 12,068

(\*1) The weighted-average number of common shares outstanding is calculated by multiplying the number of shares issued by the portion of the reporting period those shares were outstanding. The treasury shares held until the disposal date, after the date of acquisition, are excluded from the number of common shares outstanding.

(\*2) Basic earnings per share are net income attributable to share owners of the parent per ordinary share.

The basis of calculating weighted-average number of ordinary shares for the three months and the six months ended June 30, 2017 and 2016 is as follows:

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Weighted-average number of issued shares outstanding	70,360,297	70,360,297	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,940)	(14,535,940)	(14,535,940)	(14,535,940)
Weighted-average number of ordinary shares outstanding	55,824,357	55,824,357	55,824,357	55,824,357

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Net income attributable to owners of the Company	₩ 406,612	₩ 999,625	₩ 287,128	₩ 673,693
Addition: loss from discontinued operations	1,060	1,586	1,810	6,594
Income from continuing operations attributable to owners of the Company	₩ 407,672	₩ 1,001,211	₩ 288,938	₩ 680,287
Weighted-average number of ordinary share outstanding	55,824,357	55,824,357	55,824,357	55,824,357
Basic earnings per share from continuing operations (Korean won)	₩ 7,303	₩ 17,935	₩ 5,176	₩ 12,186

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**25. Earnings per share (cont'd)**

(3) Basic losses per share from discontinued operations

Basic losses per share from discontinued operations for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Losses from discontinued operations	₩ (1,060)	₩ (1,586)	₩ (1,810)	₩ (6,594)
Weighted-average number of ordinary share outstanding	55,824,357	55,824,357	55,824,357	55,824,357
Basic losses per share from discontinued operations (Korean won)	₩ (19)	₩ (28)	₩ (32)	₩ (118)

**26. Transactions with related parties**

Balances on transactions arising from intercompany transactions within the Group were eliminated in the consolidated financial statements as at and for the six months ended June 30, 2017 and 2016.

(1) Details of significant transactions with the related parties for the three months and six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

Company name	June 30, 2017			
	Revenue		Expenses	
	Three months	Six months	Three months	Six months
Daehan Oil Pipeline Corporation	₩ 239	₩ 5,970	₩ 11,959	₩ 24,544
F&U Credit Information Co., Ltd.	728	1,435	13,349	27,843
SK Wyverns Baseball Club Co., Ltd.	408	1,693	1,064	20,373
Hana Card Co., Ltd.	4,648	9,245	3,767	7,464
SK Hynix Inc.	456,482	1,024,952	128,982	129,558
SK Hystec Inc.	7,464	11,480	414	1,031
SK Hyeng Inc.	6,591	11,859	2,061	10,134
SK Hynix Semiconductor HK Ltd.	-	-	162,905	352,744
SKC Hi-Tech&Marketing Co., Ltd. (Formerly, SKC Haas Display Film Co., Ltd.)	14,823	28,359	172	370
SKC Hi-Tech&Marketing(Suzhou) Co., Ltd. (Formerly, SKC HAAS FILM Co., Ltd. (Suzhou))	2,978	5,810	-	-
SKC Evonik Peroxide Korea Co., Ltd.	-	1,111	11,720	24,602
SKC MNT Co., Ltd.	519	1,133	4,210	9,242
Mitsui Chemicals & SKC Polyurethanes, Inc.	54,392	112,298	4,428	9,519
AnTS	48	134	24,743	28,186
Boryeong LNG Terminal Co., Ltd.	12,673	23,050	6,523	58,552
Eurasia Tunnel	11,183	37,156	-	-
XE-PIAN XE-NAMNOY Power Company	37,323	99,144	-	-
Hana land chip PEF 33	-	7,861	8,226	16,452
SK Gas Co., Ltd.	149,344	254,522	96,820	224,035
SK Advanced Co., Ltd.	2,184	5,959	2,314	5,517
G. Hub Co., Ltd.	410	848	11,910	23,138
SK Gas International Pte. Ltd.	4,364	11,198	-	-
SK Chemicals Co., Ltd.	23,806	46,164	33,578	58,714
SK Petrochemical Co., Ltd.	19,226	40,107	3,141	4,541
SK Securities Co., Ltd.	7,148	14,053	98	118
Others	194,707	295,040	129,336	179,844
Total	₩ 1,011,688	₩ 2,050,581	₩ 661,720	₩ 1,216,521

**SK Holdings Co., Ltd. and its subsidiaries**  
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**26. Transactions with related parties (cont'd)**

Company name	June 30, 2016			
	Revenue		Expenses	
	Three months	Six months	Three months	Six months
Daehan Oil Pipeline Corporation	₩ 225	₩ 4,124	₩ 12,482	₩ 24,314
F&U Credit Information Co., Ltd.	551	1,083	10,239	23,945
SK Wyverns Baseball Club Co., Ltd.	445	810	731	15,663
Hana Card Co., Ltd.	5,045	10,090	11,139	20,516
SK Hynix Inc.	183,603	449,596	504	987
SK Hystec Inc.	2,776	5,647	219	313
SK Hyeng Inc.	4,534	8,553	1,089	1,939
SK Hynix Semiconductor HK Ltd.	-	-	131,558	238,451
SKC Hi-Tech&Marketing Co., Ltd. (Formerly, SKC Haas Display Film Co., Ltd.)	10,008	22,201	193	323
SKC Hi-Tech&Marketing(Suzhou) Co., Ltd. (Formerly, SKC HAAS FILM Co., Ltd. (Suzhou))	2,364	5,973	28	37
SKC Evonik Peroxide Korea Co., Ltd.	287	287	11,091	19,805
SKC MNT Co., Ltd.	1,195	2,166	6,844	11,871
Mitsui Chemicals & SKC Polyurethanes, Inc.	54,460	108,819	10,757	22,543
AnTS	9	9	5,279	19,860
Boryeong LNG Terminal Co., Ltd.	28,426	52,926	-	-
Eurasia Tunnel	26,630	45,708	-	-
XE-PIAN XE-NAMNOY Power Company	56,085	103,895	-	-
Hana land chip PEF 33	-	8,337	8,226	16,855
SK Gas Co., Ltd.	82,478	151,256	102,512	188,022
SK Advanced Co., Ltd.	5,624	36,374	3,905	3,905
G. Hub Co., Ltd.	286	521	11,523	22,848
SK Gas International Pte. Ltd.	2,615	7,679	-	1,192
SK Chemicals Co., Ltd.	21,283	51,225	26,288	55,087
SK Petrochemical Co., Ltd.	10,161	23,432	1,077	1,619
SK Securities Co., Ltd.	6,512	12,819	102	109
Others	66,260	123,980	147,714	229,007
Total	₩ 571,862	₩ 1,237,510	₩ 503,500	₩ 919,211

**SK Holdings Co., Ltd. and its subsidiaries**  
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**26. Transactions with related parties (cont'd)**

(2) Details of significant outstanding balances of receivables and payables with the related parties as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

Company name	June 30, 2017		December 31, 2016	
	Receivables (*1)	Payables	Receivables (*1)	Payables
Daehan Oil Pipeline Corporation	₩ 27	₩ 511	₩ 53	₩ 519
Korea Consortium Kazakh B.V.	146,170	-	146,170	-
F&U Credit Information Co., Ltd.	110	1,537	39	1,386
SK Wyverns Baseball Club Co., Ltd.	1,498	275	5,011	-
Wave City Development Co., Ltd.	64,804	-	64,804	-
Hana Card Co., Ltd.	1,493	7,186	1,812	7,684
SK Hynix Inc.	322,862	199,714	381,995	249,635
SK Hystec Inc.	6,657	6,391	2,374	170
SK Hyeng Inc.	3,087	3,285	2,782	2,283
SK Hynix Semiconductor HK Ltd.	-	58,003	-	72,507
SKC Evonik Peroxide Korea Co., Ltd.	-	3,600	-	4,831
SKC MNT Co., Ltd.	203	1,419	464	3,002
Mitsui Chemicals & SKC Polyurethanes, Inc.	19,625	2,747	27,814	2,086
AnTS	12	18,748	33	28,958
Boryeong LNG Terminal Co., Ltd.	17,594	23,952	1,025	28,779
Pentaport Development Co., Ltd.	105,367	-	105,367	-
Eurasia Tunnel	7,381	33,097	13,076	59,660
SK E&C JURONG Investment Singapore Pte. Ltd.	59,914	-	60,007	-
XE-PIAN XE-NAMNOY Power Company	22,222	18,531	54,528	-
SK Gas Co., Ltd.	37,441	72,452	33,833	103,956
SK Advanced Co., Ltd.	543	820	2,248	7,933
G. Hub Co., Ltd.	110	31,772	174	4,193
SK Gas International Pte. Ltd.	4,410	-	-	-
SK Chemicals Co., Ltd.	22,897	13,898	18,525	8,713
SK Petrochemical Co., Ltd.	13,397	890	12,707	201
SK Securities Co., Ltd.	3,564	244	2,737	160
Others	253,208	78,802	148,821	78,775
	<u>₩ 1,114,596</u>	<u>₩ 577,874</u>	<u>₩ 1,086,399</u>	<u>₩ 665,431</u>

(\*1) The Company recognized bad debt expense amounting to ₩ 5,172 million and ₩ 10,259 million for the six months ended June 30, 2017 and 2016, respectively. The Company recognized the allowance for doubtful accounts amounting to ₩ 280,576 million and ₩ 275,404 million as at June 30, 2017 and December 31, 2016, respectively.

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**26. Transactions with related parties (cont'd)**

(3) Details of significant treasury transactions with related parties for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	June 30, 2017		June 30, 2016	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	2,287	-	7,881	-
SK E&C USA, Inc.	KRW	-	2,420	1,219	-
Eurasia Tunnel	KRW	3,725	-	-	-
SKEC Jurong Investment	KRW	-	93	-	-
Wave City Development Co., Ltd.	KRW	-	-	1,100	1,700
SKC Hi-Tech&Marketing Co., Ltd. (Formerly, SKC Haas Display Film Co., Ltd.)	KRW	4,900	3,900	-	-

(4) During the current reporting period, there were additional investment transactions for subsidiaries, associates and joint ventures (see Note 9 'Investments in associates and joint ventures').

(5) Compensation for key management personnel of the Company.

Key management personnel consist of registered executives who are responsible for the planning, operation and control of the Company's business activities. Details of compensation for them for the three months and the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Salaries	₩ 1,404	₩ 2,573	₩ 964	₩ 1,504
Provision for pension benefits	259	1,361	48	254
Share compensation expense	396	427	-	-
Total	₩ 2,059	₩ 4,361	₩ 1,012	₩ 1,758

**27. Discontinued operations**

(1) Details of discontinued operations

SK Innovation Co., Ltd., a subsidiary of the Group, decided to cease its operation of tri-acetyl-cellulose (TAC) business in 2015 in order to focus on core business such as the exploration and development of oil and the production of batteries, and subsequently classified the assets of the TAC business that are expected to be sold as available-for-sale (AFS). Despite the Group's effort to search for the buyers, the assets classified as AFS have not been sold and the Group re-classified some of the assets classified as AFS that can be utilized in other business units to non-current assets, and impairment losses have been recognized for the remaining assets classified as AFS.

SKC Co., Ltd., a subsidiary of the Group, sold its solar business in October, 2016 with the aim of enhancing competitiveness of the fine ceramics business through enhancing its expertise and management efficiency and efficient allocation of company resources.

SK Networks, Co., Ltd., a subsidiary of the Group, elected to close down its fashion business and duty-free business to strengthen financial soundness and secure investment resources in the prior year. SK Networks Co., Ltd. completed the sale of its fashion business in February 2017 and will clear the assets and liabilities of duty-free business in 2017.

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**27. Discontinued operations (cont'd)**

(2) Income and expenses from the discontinued operation for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended June 30, 2017		
	TAC business in	Fashion and duty-free	Total
	SK Innovation Co., Ltd.	SK Networks Co., Ltd.	
Revenue	₩ -	₩ 97,176	₩ 97,176
Expenses	15,359	102,523	117,882
Loss before income tax expense	(15,359)	(5,347)	(20,706)
Income tax benefit	(3,717)	(1,294)	(5,011)
Losses from discontinued operations attributable to Owners of the Company	(11,642)	(4,053)	(15,695)
Non-controlling interests	(3,858)	(1,585)	(5,443)
	(7,784)	(2,468)	(10,252)

	For the six months ended June 30, 2016		
	Solar business in	Fashion and duty-free	Total
	SKC Solmics Co., Ltd.	SK Networks Co., Ltd.	
Revenue	₩ 17,101	₩ 311,093	₩ 328,194
Expenses	24,827	333,329	358,156
Loss before income tax expense	(7,726)	(22,236)	(29,962)
Income tax benefit	-	(5,381)	(5,381)
Losses from discontinued operations attributable to Owners of the Company	(7,726)	(16,855)	(24,581)
Non-controlling interests	(1,417)	(6,594)	(8,011)
	(6,309)	(10,261)	(16,570)

There is no profit arising from TAC business division of SK Innovation Co., Ltd. for the six months ended June 30, 2016.

(3) Details of cash flows relating to discontinued operation for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended June 30, 2017		
	TAC business in	Fashion and tax-free	Total
	SK Innovation Co., Ltd.	SK Networks Co., Ltd.	
Cash flows from operating activities	₩ -	₩ 38,565	₩ 38,565
Cash flows from investing activities	-	306,527	306,527
Cash flows from financing activities	-	(66,961)	(66,961)

	For the six months ended June 30, 2016		
	Solar business in	Fashion and tax-free	Total
	SKC Solmics Co., Ltd.	SK Networks Co., Ltd.	
Cash flows from operating activities	₩ 2,084	₩ (666)	₩ 1,418
Cash flows from investing activities	(610)	3,433	2,823
Cash flows from financing activities	(15,172)	5,237	(9,935)

There are no cash flows arising from TAC business division of SK Innovation Co., Ltd. for the six months ended June 30, 2016.

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**28. Non-current assets and non-current liabilities classified as held for sale**

Details of non-current assets and non-current liabilities held for sale as at June 30, 2017 are as follows (Korean won in millions):

		June 30, 2017	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks SAN. VE TIC. Ltd. STI	₩ 769	₩ 650
Associates	Shanxi SK Guolin Hi-Tech Road Material Co., Ltd.	411	-
Available-for-sale financial assets	SK Securities Co., Ltd. (*1)	51,859	-
Business segment	Fashion business segment (*2)	1,353	725
Intangible assets and property, plant and equipment	Property, plant and equipment related to TAC business (*3)	-	-
	Assets related to tax-free business (*4)	1,801	-
		<u>₩ 56,193</u>	<u>₩ 1,375</u>

(\*1) The Group decided to sell its interests in SK Securities Co., Ltd., classified as AFS securities in accordance with the Article 8-2 "Restrictions on activities by holding companies" of *Monopoly Regulation and Fair Trade Act of the Republic of Korea*, in the six months ended June 30, 2017. The entire stake of the equity ownership is publicly offered and the investment has been classified as AFS. The stock sale and purchase agreement with Cape Investment & Securities Co., Ltd. in regards to a sale of ordinary shares of SK Securities Co., Ltd. has been approved by the Board of Directors on August 11, 2017.

(\*2) As SK Networks, Co., Ltd., a subsidiary of the Group, decided to transfer the fashion business in 2016, assets and liabilities held-for-sale are classified as non-current assets and liabilities, and are measured at the lower of their carrying amount and fair value less costs to sell.

(\*3) SK Innovation Co., Ltd., a subsidiary of the Group, decided to cease its operation of TAC business in 2015 and some of the business unit's equipment is to be sold in 2017. The Group is currently negotiating the terms and conditions of the sale with potential buyers and the equipment to be sold has been classified as AFS.

(\*4) SK Networks Co., Ltd., a subsidiary of the Group, decided to discontinue the duty-free business in 2016. The Company classified related inventories and intangible assets including the system of duty-free shops as non-current assets held-for-sale, and are measured at the lower of their carrying amount and fair value less costs to sell.

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**29. Cash flow information**

(1) Details of non-cash adjustments for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2017	June 30, 2016
Provision for pension benefits	₩ 166,079	₩ 158,924
Depreciation	2,089,219	2,007,173
Amortization	634,378	556,655
Loss on impairment of property, plant and equipment, and intangible assets	4,217	170,431
Bad debt expenses	7,445	43,030
Valuation loss (gain) on inventories	60,172	(61,351)
Interest expenses	443,656	395,738
Loss on foreign currency translation	289,959	172,257
Loss on disposal of trade accounts receivable	7,901	4,790
Loss on transactions of derivatives	240,091	284,813
Loss on valuation of derivatives	134,449	104,652
Loss on disposal of available-for-sale financial assets	36,092	1,409
Loss on impairment of available-for-sale financial assets	19,882	651
Loss on disposal of investments in associates and joint ventures	49	1,168
Loss on impairment of investments in associates and joint ventures	8,700	-
Loss on disposal of property, plant and equipment	32,324	28,691
Loss on disposal of intangible assets	2,873	7,978
Loss on disposal of other investment property	23,784	-
Loss on impairment of other investment property	6,498	11,980
Income tax expense	889,815	796,102
Loss related to investments in associates and joint ventures	(997,041)	(111,753)
Interest income	(111,583)	(98,112)
Dividends income	(21,044)	(26,911)
Gain on foreign currency translation	(320,664)	(187,106)
Gain on trade accounts receivable	(4,135)	(7,855)
Gain on transactions of derivatives	(374,235)	(238,550)
Gain on valuation of derivatives	(153,628)	(146,217)
Gain on disposal of available-for-sale financial assets	(11,065)	(29,432)
Gain on disposal of investments in associates and joint ventures	(32,780)	(13,430)
Gain on disposal of investments in subsidiary	-	(10,843)
Gain on disposal of property, plant and equipment	(16,046)	(13,440)
Gain on disposal of intangible assets	(1,310)	(2,495)
Gain (loss) on disposal of other investment property	(7,062)	(52,918)
Others	(22,331)	157,854
	₩ 3,024,659	₩ 3,903,883

(2) Details of working capital adjustments for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2017	June 30, 2016
Inventories	₩ (664,288)	₩ (144,544)
Trade accounts receivable	856,435	452,810
Other accounts receivable	308,533	(329,758)
Long-term trade accounts receivable	3,196	24,453
Trade accounts payable	(1,466,348)	261,528
Other accounts payable	(614,752)	73,522
Advance received	180,687	(206,816)
Defined benefit obligation	(50,860)	(95,169)
Plan assets	512	23,495
Others	(148,300)	(77,308)
	₩ (1,595,185)	₩ (17,787)

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**29. Cash flow information (cont'd)**

(3) Significant non-cash transactions for the six months ended June 30, 2017 and 2016 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2017	June 30, 2016
Acquisitions of investments in associates	₩ 1,680	₩ 101,468
Decrease in other accounts payable due to acquisition of property, plant and equipment and others	(245,737)	(240,029)
Transfer of construction-in-progress to property, plant and equipment and intangible assets and others	2,446,126	594,116

**30. Commitments and contingencies**

(1) Guarantees provided for the Group as at June 30, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee	
SK Holdings Co., Ltd.	Korea Trade Insurance Corporation	USD	6,587	Guarantee of payment	
		VND	90,113,661	Guarantee of payment	
	Korea Eximbank	USD	2,659	Performance guarantees for contract and others	
	Korea Software Financial Cooperative	KRW	242,626	Performance guarantees for contract and others	
SK Engineering & Construction Co., Ltd.	Seoul Guarantee Insurance	KRW	1,996	Performance guarantees for contract and others	
		USD	754,923	Performance guarantees for overseas construction	
	HSBC and others	EUR	7,500	Performance guarantees for overseas construction	
		SGD	52,040	Performance guarantees for overseas construction	
		AED	23,725	Performance guarantees for overseas construction	
		KWD	116,071	Performance guarantees for overseas construction	
		QAR	545,369	Performance guarantees for overseas construction	
		TRY	30,847	Performance guarantees for overseas construction	
		SAR	387,851	Performance guarantees for overseas construction	
		THB	753,913	Performance guarantees for overseas construction	
		CAD	50,000	Performance guarantees for overseas construction	
		KZT	92,508	Performance guarantees for overseas construction	
		IQD	2,600,000	Performance guarantees for overseas construction	
		KEB Hana Bank	USD	165,805	Performance guarantees for overseas construction
			VND	253,962,932	Performance guarantees for overseas construction
		Shinhan Bank	KRW	9,833	Performance guarantees for domestic construction
			USD	16,779	Performance guarantees for overseas construction
		Korea Eximbank	USD	389,295	Performance guarantees for overseas construction
			SAR	343,744	Performance guarantees for overseas construction
		Korea Housing Guarantee Co., Ltd.	KRW	2,186,507	Housing guarantees and others
Seoul Guarantee Insurance	KRW		426,076	Performance guarantees for domestic construction	
Engineering Financial Cooperative	KRW	1,128,028	Performance guarantees for domestic construction		
	Construction Guarantee Cooperative	KRW	2,492,607	Performance guarantees for domestic construction	
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	20,253	Performance guarantees for contract and others	
		KRW	6,864	Performance guarantees for contract and others	
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	22,500	Guarantee of debt	
SK Shipping Co., Ltd.	Seoul Guarantee Insurance	KRW	34,956	Performance guarantees for contract	
KSF 34 International S.A.	Korea Eximbank	USD	46,243	Performance guarantees for shipbuilding	
SHIKC 1 SHIPHOLDING S.A.	Korea Eximbank	USD	156,075	Performance guarantees for shipbuilding	
SHIKC 2 SHIPHOLDING S.A.	Korea Eximbank	USD	156,075	Performance guarantees for shipbuilding	
VLGC 4 SHIPHOLDING S.A.	Korea Eximbank	USD	30,594	Performance guarantees for shipbuilding	
VLGC 5 SHIPHOLDING S.A.	Korea Eximbank	USD	30,594	Performance guarantees for shipbuilding	
SK B&T PTE. LTD.	KEB Hana Bank	USD	1,000	Guarantee for acquiring the license	
HHIENS 1 SHIPHOLDING S.A.	KEB Hana Bank	USD	142,958	Performance guarantees for shipbuilding	
HHIENS 2 SHIPHOLDING S.A.	Korea Eximbank	USD	142,958	Performance guarantees for shipbuilding	
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance and payment guarantees	
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,053	Guarantee of warranties and approval	

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**30. Commitments and contingencies (cont'd)**

Guarantee	Guarantor	Currency	Amount	Description of guarantee
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	4,731	Guarantee of contract defect and price of gas
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,117	Community energy service facility management, consignment operating agreement and others
Jeonbuk Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	44	Performance guarantees and guarantee of warranties
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	875	Guarantee of warranties
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	535	Performance guarantees for contract
Paju energy service	Seoul Guarantee Insurance	KRW	14,154	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	67	Guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	4,380	Deposits for safety management and others
SK Telesys. Co., Ltd.	Seoul Guarantee Insurance	KRW	1,341	Guarantee of warranties and contract
SKC INFRA SERVICE Co., Ltd.	Seoul Guarantee Insurance	KRW	2,962	Guarantee of warranties and contract
SK bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	133	Guarantee of payment
SK Networks Co., Ltd.	Kookmin Bank	USD	67	Performance guarantees for sales
	Woori Bank	KRW	940	Performance guarantees for sales
SK Networks Service Co., Ltd. and others	Seoul Guarantee Insurance	KRW	9,301	Guarantee of warranties and others
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	7,330	Performance guarantees for contract
	Machinery Financial Cooperative	KRW	7,848	Performance guarantees for contract
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	624	Performance guarantees for contract
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	3,995	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	13,280	Performance guarantees for contract
SK Communications Co., Ltd.	Seoul Guarantee Insurance	KRW	828	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	14,927	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	4,632	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	19,338	Guarantee of warranties, contract and others
SK M & SERVICE Co., Ltd.	Seoul Guarantee Insurance and others	KRW	2,891	Guarantee of payment and others
PS&Marketing Corp.	Seould Guarantee Insurance	KRW	331	Performance guarantees
	Shinhan Bank	KRW	2,000	Performance guarantees for contract
SK techx Co., Ltd.	Seoul Guarantee Insurance	KRW	1,475	Performance guarantees for contract
NSOK Co., Ltd.	Seoul Guarantee Insurance	KRW	781	Performance guarantees insurance for contract
One store Co., Ltd.	KEB Hana Bank	KRW	100	Guarantee of Korean won payment method
SK Airgas Co., Ltd.	Tiayo Nippon Sanso Corporation	KRW	10,000	Guarantee of debt
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	32,487	Guarantee of bid payment
SK ENCARSALSALES.COM., Ltd.	Seoul Guarantee Insurance	KRW	174	Performance guarantees for contract
HAPPYNARAE Co., Ltd.	Seoul Guarantee Insurance	KRW	1,100	Performance guarantees insurance

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, has performance guarantees for domestic construction by other construction companies amounting to ₩419,254 million as at June 30, 2017.

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**30. Commitments and contingencies (cont'd)**

(2) Guarantees provided to others as at June 30, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee	
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL	KWD	3,583	Performance guarantees for contract and others	
	Pohang Clean Water Co., Ltd. and others	KRW	47,700	Guarantee of payment	
	Hwaseong Jeongnam Industrial Tower Planning Co., Ltd.	KRW	36,400	Guarantees for project financing	
	Howon elementary school Area redevelopment maintenance business association	KRW	12,350	Guarantees for project financing	
		KRW	64,702	Guarantees for reconstruction project financing	
	Gwacheon area II housing reconstruction maintenance business association	KRW	56,654	Guarantees for reconstruction project financing	
	Daeyeon area VIII housing redevelopment maintenance business association	KRW	77,447	Guarantees for reconstruction project financing	
	Ahyeon area II housing reconstruction maintenance business association	KRW	43,346	Guarantees for reconstruction project financing	
	Bomun area II housing redevelopment maintenance business association	KRW	11,910	Guarantees for reconstruction project financing	
	Mapo area VI urban environment development business association	KRW	112,143	Guarantees for reconstruction project financing	
	Susaek area IX housing redevelopment maintenance business association	KRW	22,477	Guarantees for reconstruction project financing	
	Customers of Seongsu station SKV1 TOWER	KRW	47,496	Guarantee of payment	
	Customers of Moonjeong SK V1 GL Metrocity	KRW	120,961	Guarantee of payment	
	Customers of Ga San SK V1	KRW	42,120	Guarantee of payment	
	Customers of Kwang Kyo SK view Lake	KRW	69,880	Guarantee of payment	
	Customers of Song Do SK view	KRW	69,534	Guarantee of payment	
	Doryong area I housing reconstruction development business association	KRW	5,796	Guarantee of payment	
	Customers of Anyang SK V1	KRW	9,600	Guarantee of payment	
	Customers of Dongtan SK V1	KRW	8,160	Guarantee of payment	
	Member of Employee stock ownership association	KRW	9,487	Guarantee of payment	
	SK Shipping Co., Ltd.	Dongtan SK view and others	KRW	-	Conditional performance guarantees for debt
		Milestone LNG Transport S.A. & Great Shale LNGTransport S.A.	USD	166,573	Guarantee for shipbuilding and others
	SK Networks Co., Ltd.	S&Y Shipping S.A.	JPY	4,342,752	Guarantee of payment
PT. SK Networks Indonesia		USD	1,500	Standing surety for investee	
SK Innovation Co., Ltd.	Peru LNG S.R.L	USD	175,200	Guarantee of supplies and others	
	Perupetro and others	USD	1,081	Guarantee of performance and others	
SK Global Chemical Co., Ltd.	SABIC SK Nexlene Company Pte. Ltd.	USD	200,500	Guarantee of payment	
	Iberian Lube Base Oils S.A.	EUR	355	Guarantees for construction	
SK E&S Co., Ltd.	Railway Administration and others	EUR	148	Guarantee for installing facilities and others	
	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of payment	
SKC Co., Ltd.		KRW	-	Guarantees for project financing	
	SK-KOLON PI Co., Ltd.	USD	8,100	Guarantee for litigation	
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	242	Performance guarantees for contract	
SK techx Co., Ltd.	Recording Industry Association of Korea	KRW	455	Guarantee of payment	
SK Planet Co., Ltd	Celcom Planet	USD	12,240	Guarantee of payment for debt	
SK Planet Co., Ltd	PT XL Planet Digital	USD	12,000	Guarantee of payment for debt	

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, provides other construction companies with performance guarantees for domestic construction, and the amount of the guarantees is ₩2,767,280 million as at June 30, 2017.

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**30. Commitments and contingencies (cont'd)**

(3) Pending litigations

The Group's significant pending litigations as at June 30, 2017, in which the Group is a plaintiff are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
SK Holdings Co., Ltd.	Samsung Card Co., Ltd.	Claim for payment	KRW 5,564	Second trial in progress
SK Forest Co., Ltd.	Seoul Special City and others	Claim for refund of payment construction and others	KRW 954	First trial in progress
SK ENCARSALES.COM., Ltd.	Individual and others	Claim for payment of trademark right infringement	KRW 150	First trial in progress
SK Telesys Co., Ltd.	Alcatel-lucent Korea and others	Claim for payment and others	KRW 1,017	Third trial in progress and others
SK E&S Co., Ltd.	Head of the customs office, Seoul	Claim for annulment of assessments of custom duties	KRW 2,252	First trial in progress
Ko-one Energy Service Co., Ltd.	IBK and others	Claim for trust and others	KRW 10,341	Second trial in progress and others
SK Networks Co., Ltd.	GCK Co., Ltd.	Claim for return of money collected	KRW 1,267	Second trial in progress
	Individual and others	Claim for payment and others	KRW 3,493	First trial in progress and others
SK Networks Service Co., Ltd.	Individual and others	Claim for payment and others	KRW 156	First trial in progress
SK Shipping Co., Ltd.	Asia Green Energy and others	Litigation related to bunkering and others	USD 1,588	Arbitration in progress
	Mcoil International S.A.	Claim for non-payment for fuel oil	KRW 704	First trial in progress
SK Shipping (Singapore) Pte. Ltd.	ST Shipping	Claim for payment	USD 260	First trial in progress
SK Shipping Europe Plc.	MOL	Lawsuit for employment	USD 175	Arbitration in progress
SK B&T Pte. Ltd.	Mumbai Singapore Pte. Ltd. and others	Off hire claim and others	USD 1,600	First trial in progress
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 747	First trial in progress
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction	KRW 5,653	Third trial in progress and others
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 4,140	Second trial in progress
	Korea Rail Network Authority	Claim for payment	KRW 3,358	Third trial in progress and others
	Fair Trade Committee	Claim for corrective order	KRW 31,333	Third trial in progress and others
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 61,212	Second trial in progress
	Korea Specialty Contractor Financial Cooperative	Claim for payment	KRW 918	First trial in progress
	Dream Hub PFV	Claim for payment	KRW 12,144	First trial in progress
	Business association and others	Litigation related to business loans	KRW 9,527	First trial in progress
	Busan Metropolitan City	Claim for payment of construction	KRW 8,934	First trial in progress
	Hyundai Construction Co., Ltd.	Claim for payment	KRW 88,554	First trial in progress and others
	Korea Housing & Urban Guarantee Corporation	Claim for transfer of ownership right	KRW 2,084	Third trial in progress
	Republic of Korea	Claim for surtax cancellation of Oryukdo SKVIEW and others	KRW 29,193	Second trial in progress and others
	Korea Highway Corporation	Claim for tool overhead	KRW 18,444	First trial in progress
	Individual and others	Claim for payment and others	KRW 4,604	Second trial in progress and others

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**30. Commitments and contingencies (cont'd)**

The Group's significant pending litigations as at June 30, 2017, in which the Group is a defendant are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Defense Acquisition Program Administration	SK Holdings Co., Ltd.	Claim for damages	USD 19,673	First trial in progress
Samsung Card Co., Ltd.		Claim for damages	KRW 2,831	Second trial in progress
Korea Minting, Security Printing & ID Card operating Corp.		Claim for damages	KRW 2,000	First trial in progress
YE EUN TECH Co., Ltd.	SK Telesys Co., Ltd.	Claim for damages	KRW 331	First trial in progress
Alcatel lucent Korea Co., Ltd. and others		Claim for damages and others	KRW 1,326	Third trial in progress and others
Home Plus Co., Ltd. and others	SKC Co., Ltd.	Claim for damages	KRW 380	First trial in progress
Individual and others	Ko-one Energy Service Co., Ltd.	Claim for damages	KRW 30	First trial in progress
Korea Veterans Health Service and others	Pusan City Gas Co., Ltd.	Claim for return of payment and others	KRW 3,290	First trial in progress and
others				
Smartro Co., Ltd. and others	SK Networks Co., Ltd	Claim for patent infringement and others	KRW 826	First trial in progress and others
Individual and others	SK Magic Service Co., Ltd. and others	Claim for workers' status and others	KRW 5,019	First trial in progress
Individual and others	SK Communications Co., Ltd.	Claim for compensation of personal data spill and others	KRW 1,064	Second trial in progress and others
M Seven System Limited	iriver Co., Ltd.	Claim for damages due to non-fulfillment of obligation and illegal act	KRW 1,000	Second trial in progress
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt and others	KRW 663	First trial in progress
Allianz	SK Shipping Co., Ltd.	Claim for cargo damage	CAD 966	Second trial in progress
Hyundai Merchant Marine Co., Ltd. and others		Claim for cargo damage and others	KRW 9,286	Arbitration in progress and others
Classic Maritime	SK Shipping Europe Plc	Claim for payment	USD 5,000	Arbitration in progress
SK Gas International Pte. Ltd. and others	SK Shipping (Singapore) Pte. Ltd.	Claim for cargo damage and others	USD 100	Arbitration in progress and others
Korea credit Guarantee fund and others	SK B&T Pte. Ltd.	Claim for cancellation of creditor	USD 12,749	Second trial in progress and others
Suwon Gwonseon Housing reconstruction business association	SK Engineering & Construction Co., Ltd.	Claim for compensation	KRW 201	First trial in progress and others
K-Water Resources Corporation		Claim for damages	KRW 4,033	First trial in progress and others
Incheon Metropolitan City		Claim for return and others	KRW 11,445	First trial in progress and others
Youn jong, Suh and 333 others		Claim for apartment	KRW 22,408	Third trial in progress
Samjung Construction Co., Ltd.		Claim for payment	KRW 5,980	First trial in progress
Hyundai Engineering & Construction Co., Ltd.		Claim for payment	KRW 5,760	First trial in progress
Suseong SK Leader's View Tower's resident		Claim for apartment	KRW 201	First trial in progress
Korea Rural Community Corporation		Claim for counterindemnity	KRW 1,861	First trial in progress
Republic of Korea		Claim for compensation and others	KRW 12,751	First trial in progress and others
Korea Gas Corporation		Claim for compensation and others	KRW 47,583	First trial in progress and others
Korea Rail Network Authority		Claim for compensation	KRW 24,802	First trial in progress and others
Seil Engineering Co., Ltd.		Claim for compensation and others	KRW 331	First trial in progress
Individual and others		Claim for apartment and others	KRW 44,331	First trial in progress and others

**30. Commitments and contingencies (cont'd)**

(4) Commitments

- 1) In accordance with the Commercial Code of the Republic of Korea, the Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd. and SK Trading International Co., Ltd. are collectively responsible for obligations of the Company arised before the spin-off.

The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for obligations of the Company that occurred before the spin-off on April 1, 2011.

- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Daol Fund Management. Under the terms of the lease, the lease period is until March 28, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose of the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements with subsidiaries of the Group to provide hardware and information systems maintenance and development service.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- 5) The Company has stock sale and purchase agreements in regards to SK Shipping Co., Ltd.'s issuance of ordinary shares and sale of existing shares, and details are as follows:

	Subscription of new shares	Sale of existing shares
Investor	Special Situation 1 <sup>st</sup> Fund	Corporate Turnaround 1 <sup>st</sup> Fund
Number of shares	6,548,672	4,808,259
Contract date	April 11, 2017	May 11, 2017
Expiry date	April 10, 2022	May 10, 2022
Settlement	The Company and the investors settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.	
Premium	The Company shall pay to the investors the amount equivalent to 3.14% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be paid to the Company.	
Call option	The Company has the right to purchase the shares held by the investors at the issued price of the ordinary shares with certain level of additional charges.	

As at the end of the six months ended June 30, 2017, the value of the agreements amounting to ₩385,000 million is recognized in long-term borrowings (refer to Note 14).

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**30. Commitments and contingencies (cont'd)**

6) SK E&S LNG, L.L.C., one of the subsidiaries, is scheduled to be provided with liquefaction service amounting to 115 million MMBtu per year for 20 years from FLNG Liquefaction 3, L.L.C., which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at March 31, 2017, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, L.L.C.'s inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.

7) As at June 30, 2017, details of contracts of subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Contract opponent	Term of contract
Contract for the supply of natural gas (*1)	Kangwon City Gas Co., Ltd. and seven others	Korea Gas Corporation	-
Contract of supply for natural gas	SK E&S Co., Ltd.	Tanggung PSC Contractor Parties	2006.01~2025.12
Contract for the repair and maintenance of gas turbine	SK E&S Co., Ltd.	GE International Inc.	2004.06~2026.12 (estimated)
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd.	POSCO Co., Ltd.	2005.06~2025.12
Rental contract of the plant and tower site	SK E&S Co., Ltd.	POSCO Co., Ltd.	2003.08~2028.12
Contract for work on heat peak load boiler	Wirye energy service Co., Ltd.	Korea District Heating Corp.	Until completion of supply and demand
Contract for the long term maintenance program	Paju energy service Co., Ltd.	Siemen AG and others	2014.06~2031.06 (estimated)
Contract for the long term maintenance program	Wirye energy service Co., Ltd.	Siemen AG and others	2015.01~2032.01 (estimated)
Contract for the long term maintenance program	Narae energy service Co., Ltd.	Doosan Heavy Industries & Construction Co., Ltd.	from 2012, 12 years
Contract for the liquefaction and storage of natural gas	SK E&S LNG, L.L.C	FLNG Liquefaction 3, L.L.C	from 2019, 20 years
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd., Wirye energy service Co., Ltd. and Paju energy service Co., Ltd.	Boryeong LNG Terminal	from 2017, 20 years
Contract for the use plumbing system	Wirye energy service Co., Ltd. and Paju energy service Co., Ltd.	Korea Gas Corporation	from 2017, 20 years
Contract for the use pipeline of natural gas	SK E&S LNG, L.L.C	Kinder Morgan, Inc.	from 2019, 20 years
Contract of supply for natural gas	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	Chevron Australia Pty Ltd. and others	2017.01~2022.03

(\*1) The supply quantity is determined annually, and the supply price is authorized by the Ministry of Trade, Industry and Energy.

8) As at June 30, 2017, details of construction contracts about subsidiaries of SK E&S Co., Ltd. are as follows (Korean won in millions):

Description of contract	Name of subsidiaries	Contract opponent	Term of contract	Contract amount
Contract for the transmission access construction	Wirye energy service Co., Ltd.	Korea Electric Power Corporation	2015.08~2018.04	8,472
Contract for the construction of LNG plumbing supplies	Wirye energy service Co., Ltd.	Hanyang ENG Co., Ltd.	2015.07~2017.11	20,760
Contract for the construction of Military units relocating gas plumbing	Wirye energy service Co., Ltd.	Hanyang ENG Co., Ltd.	2017.04~2017.11	1,800

9) As at June 30, 2017, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows (Foreign currencies in thousands):

Description of contract	Name of subsidiary	Contract opponent	Equity ownership	Contract amount	Executive amount
Barossa-Caldita, Australia	SK E&S Australia Pty. Ltd.	ConocoPhillips Company and others	37.50%	USD 310,000	USD 280,000
Woodford, USA	Dew Blaine Energy, L.L.C	Continental Resources, Inc.	49.90%	USD 360,000	USD 235,389

SK E&S Co., Ltd., a subsidiary, has an obligation to pay for the development costs based on the equity ownership

**30. Commitments and contingencies (cont'd)**

- 10) Subsidiaries of SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) have contracted with CHAMPION SHIPHOLDING S.A. and 53 others for Bare Boat Charter Hire Purchase ("BBCHP"). Outstanding boat purchase amount as at June 30, 2017 is USD 2,547,400 thousand (Korean won equivalent: ₩2,903,017 million) and is included in long term other accounts payable.
- 11) Subsidiaries of SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) have leased ships by Time Charter. Total payables of the ship charter amounts to ₩ 492,084 million as at June 30, 2017.
- 12) Subsidiaries of SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) have entered into a long-term transportation contract to transport liquefied natural gas, liquefied petroleum gas and coal with Korea Gas Corporation, Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd. and Korea Midland Power Co., Ltd.
- 13) As at June 30, 2017, SK Shipping Co., Ltd., one of the subsidiaries, has 44,000,000 shares (55%) of SK B&T Pte. Ltd. ("SK B&T") after disposal of 36,000,000 shares (45%) of SK B&T to Atlantic Starr Ltd. Out of 44,000,000 shares, 3,999,999 shares are provided as trust asset under the securities trust agreement (First Beneficiary: Atlantic Starr Ltd. / trustee: Korea Development Bank), and 40,000,001 shares are pledged as collaterals for Atlantic Starr Ltd.
- 14) On July 16, 2013, SK Incheon Petrochem Co., Ltd., one of the subsidiaries, issued new preferred shares by third-party allocation method to Shinhan Stonebridge Petro Private Equity Fund ("the Investor"). In regard to this new issuance of preferred shares, the agreement between SK Innovation and the Investor includes the following essential particulars:
  - Investors' drag-along right and tag-along right
  - SK Innovation's preemption right for the exercised investors' drag-along right
  - Restriction on disposal of shares under certain conditions

SK Incheon Perochemical Co., Ltd., one of subsidiaries, has an agreement that securitizes ₩292,000 million of SK Incheon Petrochemical Co., Ltd.'s trusts accounts receivable for SK Energy Co., Ltd., SK Global Chemical, other subsidiaries, to Industrial Bank of Korea and then IPC Limited Company 1, which underwrites the first right to benefit issued by Industrial Bank of Korea, issues securitized commercial paper.

- 15) SK Telecom Co., Ltd., a subsidiary of the Group, sells its mobile handsets to customers on an installment payment plan through agents. It enters into transfer agreements with the agents for the receivables of handset's installment payments, under which all the rights and obligations of receivables are transferred to SK Telecom Co., Ltd. Then, SK Telecom Co., Ltd. enters into an asset securitization contract with a special purpose company for the receivables, and accordingly, the balance of the receivables as at the end of the current reporting period is ₩671,434 million which is recorded as other accounts receivable and long-term other accounts receivable.

(5) Others

As at June 30, 2017, 98 notes (including 92 blank notes) and 51 blank checks are provided to financial institutions as collateral for borrowings.

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**31. Pledged assets**

The following assets were pledged as collateral for the Group's borrowings and others as at June 30, 2017 (Korean won in millions and foreign currencies in thousands):

Company	Asset	Currency	Collateralized amount(*1)	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	310,297	Peru LNG S.R.L. and others	Collateral for project financing
	Investments in associates	KRW	-	Yemen LNG Company and others	Collateral for project financing
	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
Netruck Co., Ltd.	Property, plant and equipment	KRW	8,760	Shinhan Bank and others	Collateral for borrowing
SK Incheon Petrochem Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
SK Holdings Co., Ltd.	Property, plant and equipment	KRW	1,700	RCI Financial Service Korea	Guarantee of implementation of the agreement
Seosuwon Development Company	Investment property	KRW	221,000	New West Village and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Available-for-sale financial assets and others	KRW	97,032	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	86,800	Kookmin Bank and others	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment and others	KRW	215,000	Korea Development Bank and others	Collateral for borrowing
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	133,100	Industrial Bank of Korea and others	Collateral for borrowing
SK Bioland Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	40,000	Korea Development Bank and others	Collateral for borrowing
	Property, plant and equipment	USD	50,000	SC Bank	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	369,586	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	123,500	NH Bank and others	Collateral for borrowing
Shenyang SK Bus Terminal Co., Ltd.	Property, plant and equipment	CNY	137,820	KEB Hana Bank	Collateral for borrowing
SK Networks Hong Kong Ltd.	Others	USD	2	60 West Suites Hotel Ltd.	Leasehold deposits
		USD	70	Cheung Kong Property Holdings Ltd.	Leasehold deposits
SK E&S Co., Ltd.	Investments in joint ventures	KRW	111,289	Woori Bank and others	Collateral for project financing
	Investments in associates	KRW	13,373	PF lenders	Collateral for project financing
	Investments in subsidiaries	KRW	181,441	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	1,029,571	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	6,383	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	3,933	Megamart and others	Leasehold deposits
Paju energy service Co., Ltd.	Property, plant and equipment and others	KRW	840,000	Korea Development Bank and others	Collateral for project financing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	220	Dongbu Insurance Co., Ltd. and others	Leasehold deposits
Wirye energy service Co., Ltd.	Property, plant and equipment and others	KRW	372,000	Korea Development Bank and others	Collateral for project financing
Narae energy service Co., Ltd.	Property, plant and equipment and others	KRW	480,000	Korea Development Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	1,808,225	KDB Asia Ltd. and others	Deposits for purchasing ship and others
	Investments in subsidiaries	KRW	57,866	Atlanticstar Ltd.	Disposal of shares of SK B&T
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	82,010	KDB Asia Ltd and others	Deposits for purchasing ship and others
SK B&T PTE. LTD.	Others	KRW	2,100	Shinhan Bank and others	Collateral for employees mortgage loans
KSF 34 International S.A.	Property, plant and equipment	USD	45,925	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	149,710	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	148,640	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	121,954	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	121,964	KDB Asia Ltd and others	Deposits for purchasing ship
VLGC 4 SHIPHOLDING S.A.	Property, plant and equipment	USD	28,287	KDB Asia Ltd and others	Deposits for purchasing ship
VLGC 5 SHIPHOLDING S.A.	Property, plant and equipment	USD	28,287	KDB Asia Ltd and others	Deposits for purchasing ship
SK Shipping Europe Plc.	Property, plant and equipment	USD	51,738	KDB Asia Ltd and others	Deposits for purchasing ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	5,791	Lessor	Restricted real rights for office lease
	Short-term financial instruments	KRW	673	KEB Hana bank and NH Bank	Collateral for loan
SKY Property Management Ltd.	Investment property	CNY	150,000	KEB Hana Bank and others	Collateral for borrowing
SK China Company, Ltd.	Others	USD	40,649	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China Communications	Collateral for borrowing
SM Core Inc.	Property, plant and equipment	KRW	8,400	IBK	Collateral for foreign currency

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**31. Pledged assets (cont'd)**

Company	Asset	Currency	Collateralized amount(*1)	Provided to	Description
SK Materials Co., Ltd.	Property, plant and equipment	KRW	27,170	LG Display Co., Ltd.	Collateral for advance received
		KRW	137,000	Korea Development Bank	Collateral for borrowing
		USD	3,500	Korea Development Bank	Collateral for borrowing
		JPY	3,690,000	Korea Development Bank	Collateral for borrowing
		JPY	315,000	Hyakugo Bank	Collateral for borrowing
		TWD	20,000	Mega Bank	Collateral for borrowing
SK Airgas Co., Ltd.	Property, plant and equipment	KRW	128,900	Yeongju city and Gyeongsang Buk-do Kyungnam Bank and others	Government subsidy
		KRW	1,075		
SK Tri Chem Co., Ltd.	Property, plant and equipment	KRW	3,343	Korea Development Bank	Collateral for borrowing

(\*1) It includes the book value of collateralized investments related to borrowings of project finance and facilities of the Group.

**32. Guarantees provided among the Group entities**

Guarantees provided among the Group entities as at June 30, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd. and SK Innovation Co., Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*1)
SK Innovation Co., Ltd.	SK E&P America, Inc.	USD	45,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,311	Guarantee of payment for license agreement
SK Lubricants Co., Ltd.	PT. Patra SK	USD	1,551	Guarantee of lease
SK Engineering & Construction Co., Ltd.	Iberian Lube Base Oils, S.A	EUR	52,500	Guarantee of debt
	Thai Woo Ree Engineering Company Ltd.	USD	586	Guarantee of financial obligation
	Seosuwon Development Company	THB	76,158	Performance guarantees for contract and others
	SKEC Anadolu L.L.C	KRW	221,000	Guarantees for project financing
	Sunlake Co., Ltd.	USD	39,000	Performance guarantees for contract and others
SKC Co., Ltd.	SKC, Inc.	CAD	33,000	Guarantee of financial obligation
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	140,000	Guarantee of payment
		USD	50,191	Guarantee of payment
		CNY	300,000	Guarantee of payment
		KRW	40,000	Guarantee of financial obligation
SK Networks Co., Ltd.	SK Telesys Co., Ltd.	KRW	60,000	Guarantee for operation fund
	SK Networks Deutschland GmbH	EUR	10,000	Standing surety for investee
	SK Networks Hong Kong Limited	USD	166,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	121,400	Standing surety for investee
		CNY	84,000	Standing surety for investee
SK Shipping Co., Ltd.	SK Networks Japan Co., Ltd.	JPY	2,000,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	65,000	Standing surety for investee
	SK (Guangzhou) Metal Co., Ltd.	CNY	60,000	Standing surety for investee
	SK Shipping Europe Plc	USD	81,000	Guarantee for operation fund
		USD	56,871	Guarantee for derivative hedge
		JPY	5,812,241	Guarantee of payment
	SK Shipping Singapore Pte. Ltd.	USD	89,618	Guarantee of payment
		USD	94,400	Guarantee for operation fund
	SK Shipping Hongkong Ltd.	USD	1,000	Guarantee for operation fund
	SK B&T Pte. Ltd.	USD	24,400	Guarantee for operation fund and others
	KSF 34 International S.A.	USD	467	Guarantee of payment
	SHIKC 2 SHIPHOLDING S.A.	USD	52,025	Guarantee of payment
	SHIKC 1 SHIPHOLDING S.A.	USD	52,025	Guarantee of payment
	Blueseaocean 1st L.L.C	USD	30,000	Guarantee for derivative hedge
	Blueseaocean 2nd L.L.C	USD	40,000	Guarantee for derivative hedge
With Ocean L.L.C	KRW	15,000	Securitization. Capital reserve commitments	
HHIENS1 Shipholding S.A.	USD	35,740	Performance guarantees for payment	
HHIENS2 Shipholding S.A.	USD	35,740	Performance guarantees for payment	
VLGC4 Shipholding S.A.	USD	45,891	Performance guarantees for payment	
VLGC5 Shipholding S.A.	USD	45,891	Performance guarantees for payment	
NEPTUNE SOLUTION L.L.C	KRW	80,000	Securitization. Capital reserve commitments	
HHIVLCC1SHIPHOLDINGS.A.	USD	29,693	Performance guarantees for payment	
HHIVLCC2SHIPHOLDINGS.A.	USD	29,693	Performance guarantees for payment	
SK B&T Pte. Ltd.	Chuangdong 1 Marine Holdings Co., Ltd.	USD	8,221	Guarantee related to BBCHP
	Chuangdong 2 Marine Holdings Co., Ltd.	USD	8,066	Guarantee related to BBCHP
SK E&S Co., Ltd.	Callip Gas Marketing, L.L.C	USD	201,000	Guarantee for derivative hedge
	SK E&S Australia Pty. Ltd.	USD	450,000	Payment guarantee for principal and interest of borrowings and others
	Paju energy service Co., Ltd.	KRW	530,000	Payment guarantee for principal and interest of bonds payable and others
	Wirye energy service Co., Ltd.	KRW	280,000	Payment guarantee for principal and interest of borrowings and others
	Narae energy service Co., Ltd.	KRW	20,000	Payment guarantee for principal and interest of borrowings
	Dew Blaine Energy, L.L.C	USD	360,000	Performance for contracts
	SK E&S Americas, Inc.	USD	160,000	Payment guarantee for principal and interest of borrowings
	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	USD	119,000	Guarantee for derivative hedge and others

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**32. Guarantees provided among the Group entities (cont'd)**

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK LNG Trading Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	SK Shipping Co., Ltd.	USD	-	Charterage
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	100,000	Guarantee for borrowings
		USD	30,000	Guarantee for borrowings
	SK Materials Taiwan Co., Ltd.	USD	4,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	JPY	298,000	Guarantee for borrowings
SK China Company, Ltd.	SK (Beijing) auto rental Co., Ltd.	USD	20,965	Guarantee for borrowings
	SK (Shenyang) auto rental Co., Ltd.	USD	10,482	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	9,202	Guarantee for borrowings
Point Code Inc.	SM Core Inc.	KRW	10,343	Guarantee for regarding buying Seoul Guarantee Insurance

(\*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩127,059 million.

**33. Financial risk management**

Regarding financial instruments, the Group is exposed to a variety of financial risks: credit, liquidity and market. This note presents information related to risk exposures of the Group and the main objective, strategy, evaluation of risk, management process and capital management. Additional quantitative information is stated throughout the interim condensed consolidated financial statements.

**33.1 Financial risk management**

**33.1.1 Risk management activities**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The risk management committee reports regularly to the board of directors on its activities. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group audit committee.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**33.1.2 Credit risk**

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In addition, the maximum exposure to credit risk as at June 30, 2017 and December 31, 2016 is as follows (Korean won in millions):

	June 30, 2017	December 31, 2016
Financial assets at FVTPL	₩ 58,770	₩ 104,018
Held-to-maturity investments	900	937
Loans and receivables	23,597,609	25,012,808
Available-for-sale financial assets	79,897	65,010
Derivatives designated as hedging instruments	148,560	299,173
	<u>₩ 23,885,736</u>	<u>₩ 25,481,946</u>

On the other hand, the Group has provided payment guarantees for others, including related parties, associates. The Group, due to its payment guarantees, is exposed to credit risk (See Note 30).

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**33.1.2.1 Trade and other accounts receivable**

The Group recognizes a provision for losses expected to be incurred for receivables and others. This provision consists of specific impairment losses for individually significant items, and impairment losses have not yet been identified the occurrence of a group of financial assets with similar characteristics. Provision of a group of financial assets has been determined based on historical data for similar collection of financial assets.

The Group enters into transactions only with customers that are credit worthy. Credit quality of a customer is assessed based on an extensive credit rating scored and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and credit quality may be adjusted to reflect the appropriate appetite of credit risk in accordance with the Group's risk management policies.

**33.1.2.2 Guarantee**

SK Engineering & Construction Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees amount to ₩ 8,768 million as at June 30, 2017. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as at June 30, 2017 and December 31, 2016.

	June 30, 2017		December 31, 2016	
SK Innovation Co., Ltd.	₩	1,435	₩	1,768
SK Engineering & Construction Co., Ltd.		<u>8,768</u>		<u>7,352</u>
	₩	<u>10,203</u>	₩	<u>9,120</u>

In addition, the Group has provided payment guarantees for others including subsidiaries. The Group, due to its payment guarantees, is exposed to credit risk (See Notes 30 and 32).

**33.1.2.3 Other financial assets**

Credit risk arising from other financial assets consists of long-term and short-term financial instruments and is due to the bankruptcy of the counterparties. In this case, the credit risk exposure of the Group will be the same as the book value of the maximum applicable financial instruments. On the other hand, the management of the Group's credit rating is judged to have limited impact on the credit risk of the financial institutions of the Group as the Group deals with financial institutions with sound credit ratings.

**33.1.3 Liquidity risk**

Liquidity risk is the risk that the Group encounters difficulty in meeting the obligations of the financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The contractual maturity of financial liabilities as at June 30, 2017 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3~12 months	1~5 years	More than 5 years
Loans and borrowings	₩ 7,015,462	₩ 7,407,916	₩ 1,751,116	₩ 1,895,991	₩ 2,909,778	₩ 851,031
Bonds	23,904,007	25,507,001	691,542	4,710,156	14,255,536	5,849,767
Derivative financial liabilities	172,200	172,200	58,124	91,979	21,435	662
Trade accounts payable	7,368,057	7,368,057	7,207,292	160,765	-	-
Other liabilities	9,394,317	9,840,771	4,002,303	1,103,175	2,633,069	2,102,224
	<u>₩ 47,854,043</u>	<u>₩ 50,295,945</u>	<u>₩ 13,710,377</u>	<u>₩ 7,962,066</u>	<u>₩ 19,819,818</u>	<u>₩ 8,803,684</u>

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**33.1.4 Market risk**

Market risk is the risk of fluctuations in fair value of the financial instruments or future cash flows caused by the changes in market price. Market risk consists of currency risk, interest rate risk, crude oil and petroleum product price risk, and others. The fundamental goal of market price management is the maximization of the profit and the limit of the exposure to market risk within an acceptable level. The Group sells and purchases financial derivatives and financial instruments or financial liabilities for the purpose of controlling the market risk. In general, the Group applies hedge accounting in order to minimize the volatility of profit.

**33.1.4.1 Currency risk**

The Group is exposed to foreign currency risk arising from sales and purchases denominated in currencies other than functional currency. Main currencies used for these transactions are USD, JPY, CNY and EUR.

Details of foreign currencies and liabilities as at June 30, 2017 and December 31, 2016 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	June 30, 2017		December 31, 2016	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	4,779,201	₩ 5,446,658	4,921,210	₩ 5,947,476
	JPY	25,162,884	255,871	17,681,164	183,325
	CNY	2,664,667	447,079	2,601,217	450,687
	EUR	108,238	141,066	68,757	87,154
	Others		73,704		35,791
			₩ 6,364,378		₩ 6,704,433
Liabilities	USD	8,311,010	₩ 9,470,428	8,162,297	₩ 9,863,939
	JPY	17,430,787	177,083	7,342,973	76,106
	CNY	1,675,093	280,638	1,306,566	226,378
	EUR	104,291	135,966	74,224	94,087
	Others		313,973		699,236
			₩ 10,378,088		₩ 10,959,746

Should the exchange rate of the aforementioned currencies fluctuate by 10%, the effects on equity would be as follows (Korean won in millions):

Currency	June 30, 2017		December 31, 2016	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (402,377)	₩ 402,377	₩ (391,646)	₩ 391,646
JPY	7,879	(7,879)	10,722	(10,722)
CNY	16,644	(16,644)	22,431	(22,431)
EUR	510	(510)	(693)	693

The Group is hedging currency risk by using derivative financial instruments such as currency swaps, currency forwards and others (See Note 18).

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**33.1.4.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's management has entered into the foreign currency swap and interest rate swap contracts to manage its interest rate risk (see Note 18).

**33.2 Capital risk management**

The fundamental goal of capital management is to keep a sound financial structure. The Group is using the debt ratio, calculated as total debt divided by total amount of capital, as an indicator of capital management. The Group maintains a debt ratio of 131.7% as at June 30, 2017. The maturity of the debt is dispersed in the long term, so, debt-repayments are not demanding.

The Group's debt ratio as at June 30, 2017 and December 31, 2016 is as follows: (Korean won in millions)

	June 30, 2017		December 31, 2016	
Total liabilities	₩	57,383,586	₩	60,720,613
Total equity		43,556,108		42,326,724
Debt ratio		131.7%		143.5%

**34. Business combination**

**34.1 General information**

On January 11, 2017, the Group acquired 26.65% of ordinary shares with voting rights of SM Core, Inc., which is engaged in production and sales of logistics automation system that includes goods handling equipment, automated conveyors, loading equipment, at ₩39,419 million. This acquisition is to grow smart factory and logistics business in ICT integrated field. In addition, this transaction was accounted for by using the acquisition method and the interim condensed consolidated financial statements comprise financial performance of SM Core Inc. for the period from the acquisition date to the end of reporting period.

As at June 30, 2017, SKC Co., Ltd., a subsidiary, acquired 51% equity ownership of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SK Haas Display Film, Ltd.) for a consideration of ₩81,187 million. The equity ownership of the Group increased from 49% to 100%, thereby giving the control to the Group, and such transaction was accounted for by using the acquisition method. The interim condensed consolidated financial statements comprise financial performance of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SK Haas Display Film, Ltd.) for the period from the acquisition date to the end of reporting period.

**34.2 Identifiable assets acquired and liabilities assumed**

1) Identifiable assets acquired and liabilities assumed from merger is as follows (Korean won in millions):

	SM Core Inc.		SKC Hi-Tech&Marketing Co., Ltd.	
<b>Current assets:</b>	₩	<b>74,987</b>	₩	<b>111,251</b>
Cash and cash equivalents		45,463		15,838
Trade accounts receivable and other accounts receivable		27,364		46,081
Inventories		342		45,336
Other current assets		1,818		3,996
<b>Non-current assets:</b>		<b>43,953</b>		<b>117,790</b>
Property, plant and equipment		20,249		61,567
Intangible assets		22,168		495
Other non-current assets		1,536		55,728

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**34.2 Identifiable assets acquired and liabilities assumed (cont'd)**

	SM Core Inc.	SKC Hi-Tech&Marketing Co., Ltd.
<b>Current liabilities:</b>	<b>16,448</b>	<b>99,541</b>
Trade accounts payable and other accounts payable	13,533	36,154
Borrowings	500	62,900
Other current liabilities	2,415	487
<b>Non-current liabilities:</b>	<b>7,357</b>	<b>12,644</b>
Retirement benefit obligation	2,272	12,644
Deferred income tax liabilities	5,085	-
<b>Fair value of identifiable net assets</b>	<b><u>₩ 95,135</u></b>	<b><u>₩ 116,856</u></b>

It is determined by provisional amounts as the valuation of identifiable assets acquired and liabilities assumed of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film, Ltd.) has not been completed as at the end of this reporting period.

2) Valuation techniques used for remeasurement at fair value of acquired significant assets and liabilities is as follow:

Acquired Assets	Measurement of fair value
<i>Property, plant and equipment</i>	Market approach or cost approach: The Company determines the fair value reflecting on the created price in the available market transactions of similar assets or on the replacement cost considering the appropriate functional and economic obsolescence as well as the physical deterioration degree.
<i>Intangible assets</i>	Relief from royalty method: The Company determines the fair value of intangible assets by using relief from royalty method considering the royalty discount that is expected to be avoided by the retention of the patents or trademarks directly.

**34.3 Goodwill**

Goodwill arising from business combination is as follows (Korean won in millions):

	SM Core Inc.	SKC Hi-Tech&Marketing Co., Ltd.
a. The total consideration transferred		
Consideration transferred	39,419	81,187
Fair value of share holding transferred	-	78,002
Sub-total	<u>39,419</u>	<u>159,189</u>
b. Fair value of proportionate share of acquired net assets		
Fair value of the net identifiable assets	95,135	116,856
Non-controlling interests(*1)	(69,906)	-
Sub-total	<u>25,229</u>	<u>116,856</u>
c. Goodwill (c=a-b)	<u>₩ 14,190</u>	<u>₩ 42,333</u>

(\*1) Non-controlling interests arised from the merger are measured in proportion to the non-controlling interests in net identifiable assets of the merged company.

4) The interim condensed consolidated financial statements as at and for the six months ended June 30, 2017 include the revenue of ₩30,425 million and the net loss of ₩1,400 million, which are related to businesses of subsidiaries acquired as stated in the above business combination. If the business combination had been made on January 1, 2017, the Group's revenue would have been ₩45,123,198 million and the net profit would have been ₩2,728,921 million for the six months ended June 30, 2017.

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**35. Subsequent events**

(1) Acquisition of ESR Cayman Limited

The Company is planning to acquire 11.77% equity ownership of ESR Cayman Limited with consideration of USD 333 million in 2017 to engage in logistics business in China in accordance with the resolution by the Board of Directors on July 25, 2017.

(2) Subscription of SK China Company Ltd.

The Group has participated in the subscription of SK China Company Ltd. as follows:

	<u>SK Holdings Co., Ltd.</u>	<u>SK Innovation Co., Ltd.</u>	<u>SK Telecom Co., Ltd.</u>
Date	July 25, 2017	July 26, 2017	July 28, 2017
Equity Consideration	Equity ownership of each party on SKY Property Management Ltd. and SK Industrial Development China Co., Ltd.		
Cash consideration	USD 100 million	USD 100 million	USD 100 million

(3) SK Innovation Co., Ltd., one of the subsidiaries, declared to pay interim dividend in accordance with the resolution of the Board of Directors on July 26, 2017 as follows:

	<u>Details</u>
Amount of interim dividend	₩ 1,600 per share (total amount of dividend : ₩ 149,108 million)
Ratio of dividend to market value	1.0%(ordinary shares), 1.4%(preferred shares)
Basic date for dividend	June 30, 2017
Date of dividend payment	Within August 25, 2017 by Commercial Act Article 464-2 (1)

(4) SK Telecom Co., Ltd., one of the subsidiaries, declared to pay interim dividend, in accordance with the resolution of the Board of Directors on July 28, 2017 as follows:

	<u>Details</u>
Amount of interim dividend	₩ 1,000 per share (total amount of dividend : ₩ 70,609 million)
Ratio of dividend to market value	0.40%
Basic date for dividend	June 30, 2017
Date of dividend payment	Within August 28, 2017 by Commercial Act Article 464-2 (1)