



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

Interim condensed consolidated financial statements  
for the nine months ended September 30, 2016 and 2015  
with the independent auditors' review report

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## Report on review of interim condensed consolidated financial statements

### The Board of Directors and Shareholders 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 September 30, 2016, and the interim condensed consolidated statements of comprehensive income for the three months and nine months ended September 30, 2016 and 2015, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine months ended September 30, 2016 and 2015, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the interim condensed 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 the 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 standards 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 auditor's 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 reflected the results of the reviewing procedures performed on the key audit matters as described below in forming the conclusion.

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

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 current interim period, unbilled construction amounted to ₩950,039 million and if such amount is uncollected, the Group is exposed to risks in relation to asset measurement.

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

- Inquiry into accounting policies on revenue recognition and any changes to the policies.
- Inquiry 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 in measure 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 a construction contract and calculation of percentage-of-completion

As explained in Note 3 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. The construction estimated costs and contract revenue are affected by uncertainties associated with the outcomes of future events.

We performed following review procedures for key audit matters, selected on the basis of auditor's professional judgment, in relation to uncertainties in estimating the total contract costs and 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, 2015, and the related consolidated statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea (not presented herein), and our report dated March 10, 2016 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2015, presented for comparative purpose are not different, in all material respects, from the above audited consolidated statement of financial position.

*Ernst & Young Han Young*

November 11, 2016

This review report is effective as at November 11, 2016, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's 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 nine months ended September 30, 2016 and 2015

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

Chey, Tae-won Chey, Cho, Daesik and Park, Jung Ho  
Chief Executive Officers  
SK Holdings Co., Ltd.

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of financial position**  
**as at September 30, 2016 and December 31, 2015**

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

Notes	Korean won		Translation into U.S. dollar (Note 2)		
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	5	₩ 7,884,922	₩ 6,995,224	\$ 7,192,303	\$ 6,380,757
Trade accounts receivable	5, 6, 26, 31, 33	9,295,255	10,177,906	8,478,751	9,283,869
Other accounts receivable	5, 26, 30	1,995,855	1,654,688	1,820,537	1,509,339
Inventories	7, 31, 33	5,602,199	5,643,327	5,110,097	5,147,612
Available-for-sale financial assets	5, 8, 31, 33	255,652	153,340	233,195	139,870
Other current assets	5, 17, 18, 31, 33	6,023,493	5,090,707	5,494,384	4,643,535
Assets held for sale	28	22,074	49,939	20,135	45,552
Total current assets		<u>31,079,450</u>	<u>29,765,131</u>	<u>28,349,402</u>	<u>27,150,534</u>
Non-current assets:					
Long-term trade accounts receivable	5, 6, 33	23,421	45,251	21,364	41,276
Long-term other accounts receivable	5, 30, 33	295,667	117,161	269,695	106,869
Available-for-sale financial assets	5, 8, 31, 33	1,756,389	1,906,664	1,602,106	1,739,181
Investments in associates and joint ventures	9, 31	11,143,200	11,157,775	10,164,371	10,177,666
Property, plant and equipment	10, 31, 34	39,606,205	39,445,286	36,127,160	35,980,376
Investment properties	11, 31	743,276	797,808	677,986	727,728
Goodwill	12, 34	307,318	27,078	280,323	24,699
Intangible assets	13, 34	10,506,181	9,722,351	9,583,308	8,868,331
Deferred income tax assets		659,472	629,235	601,543	573,962
Other non-current assets	5, 17, 18, 26, 33	2,797,221	3,020,069	2,551,511	2,754,783
Total non-current assets		<u>67,838,350</u>	<u>66,868,678</u>	<u>61,879,367</u>	<u>60,994,871</u>
<b>Total assets</b>		<b><u>₩ 98,917,800</u></b>	<b><u>₩ 96,633,809</u></b>	<b><u>\$ 90,228,769</u></b>	<b><u>\$ 88,145,405</u></b>
<b>Liabilities</b>					
Current liabilities:					
Short-term borrowings	5, 14, 33	₩ 2,200,535	₩ 2,726,701	\$ 2,007,238	\$ 2,487,185
Trade accounts payable	5, 26, 33	7,042,590	7,430,851	6,423,962	6,778,118
Other accounts payable	5, 26	2,403,780	2,392,058	2,192,630	2,181,937
Provisions	15	252,858	305,020	230,647	278,227
Current portion of long-term debt	5, 14, 33	5,608,615	5,493,380	5,115,949	5,010,836
Other current liabilities	5, 17, 18, 33	7,556,728	7,569,563	6,892,938	6,904,646
Liabilities held for sale	28	633	1,749	577	1,595
Total current liabilities		<u>25,065,739</u>	<u>25,919,322</u>	<u>22,863,941</u>	<u>23,642,544</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 33	24,061,271	23,496,303	21,947,707	21,432,366
Long-term other accounts payable	5, 33	3,823,939	3,034,627	3,488,041	2,768,063
Retirement benefit obligation	16	480,233	265,703	438,049	242,363
Provisions	15	156,699	135,480	142,934	123,579
Deferred income tax liabilities		2,962,478	2,960,464	2,702,251	2,700,414
Other non-current liabilities	5, 17, 18, 26, 33	892,612	744,660	814,204	679,248
Total non-current liabilities		<u>32,377,232</u>	<u>30,637,237</u>	<u>29,533,186</u>	<u>27,946,033</u>
Total liabilities		<u>57,442,971</u>	<u>56,556,559</u>	<u>52,397,127</u>	<u>51,588,577</u>
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	14,034	14,034
Other paid-in capital	19	4,757,770	4,773,965	4,339,843	4,354,616
Retained earnings	19	8,464,547	7,801,713	7,721,013	7,116,403
Other capital components	19	(320,352)	(24,545)	(292,212)	(22,389)
Total equity attributable to owner of the parent		<u>12,917,350</u>	<u>12,566,518</u>	<u>11,782,678</u>	<u>11,462,664</u>
Non-controlling interests		<u>28,557,479</u>	<u>27,510,732</u>	<u>26,048,964</u>	<u>25,094,164</u>
Total equity		<u>41,474,829</u>	<u>40,077,250</u>	<u>37,831,642</u>	<u>36,556,828</u>
<b>Total liabilities and equity</b>		<b><u>₩ 98,917,800</u></b>	<b><u>₩ 96,633,809</u></b>	<b><u>\$ 90,228,769</u></b>	<b><u>\$ 88,145,405</u></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 comprehensive income**  
**for the three months and nine months ended September 30, 2016 and 2015**

(Korean won in millions except for earnings per share)

	Notes	Korean Won			
		September 30, 2016		September 30, 2015	
		Three months	Nine months	Three months	Nine months
<b>Sales</b>	4, 26	₩ 20,064,831	₩ 61,868,098	₩ 15,354,539	₩ 16,674,063
<b>Cost of sales</b>	23, 26	<u>17,872,668</u>	<u>54,207,757</u>	<u>13,891,356</u>	<u>15,049,514</u>
<b>Gross profit</b>		<b>2,192,163</b>	<b>7,660,341</b>	<b>1,463,183</b>	<b>1,624,549</b>
Selling and administrative expenses	20, 23, 26	1,274,502	3,544,909	979,354	985,481
<b>Operating income</b>	4	<b>917,661</b>	<b>4,115,432</b>	<b>483,829</b>	<b>639,068</b>
Financial income	21	794,840	2,158,803	920,422	924,191
Financial costs	21	945,517	2,601,960	1,079,533	1,111,882
Gain related to investments in associates and joint ventures, net	9	163,771	275,524	159,101	484,988
Other non-operating income	22	113,594	403,692	5,432,045	5,452,466
Other non-operating expenses	22	<u>124,370</u>	<u>636,481</u>	<u>656,346</u>	<u>663,314</u>
<b>Income from continuing operations before income tax expense</b>	4	<b>919,979</b>	<b>3,715,010</b>	<b>5,259,518</b>	<b>5,725,517</b>
<b>Income tax expense from continuing operations</b>	24	<u>213,450</u>	<u>1,009,553</u>	<u>231,948</u>	<u>343,689</u>
<b>Net income from continuing operations</b>	4	<b>706,529</b>	<b>2,705,457</b>	<b>5,027,570</b>	<b>5,381,828</b>
<b>Loss from discontinued operation</b>	27	<u>(49,434)</u>	<u>(49,434)</u>	<u>(7,043)</u>	<u>(7,043)</u>
<b>Net income</b>		<u><b>657,095</b></u>	<u><b>2,656,023</b></u>	<u><b>5,020,527</b></u>	<u><b>5,374,785</b></u>
Attributable to:					
Owners of the parent		210,250	884,915	4,909,676	5,261,846
Non-controlling interests		446,845	1,771,108	110,851	112,939
<b>Other comprehensive income:</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans		17,268	(47,514)	18,438	10,106
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		35,045	53,718	(104,171)	(91,256)
Equity adjustments of investments in associates and joint ventures		(126,454)	(178,431)	70,505	88,174
Net change in valuation of cash flow hedges		(24,891)	(39,987)	(19,095)	(19,095)
Net gain (loss) on translation of foreign operations		(400,221)	(460,911)	149,821	151,472
Net gain (loss) on translation to the presentation currency		<u>(19,686)</u>	<u>(25,173)</u>	<u>3,772</u>	<u>3,772</u>
		<u>(518,939)</u>	<u>(698,298)</u>	<u>119,270</u>	<u>143,173</u>
<b>Total comprehensive income</b>		<u><b>₩ 138,156</b></u>	<u><b>₩ 1,957,725</b></u>	<u><b>₩ 5,139,797</b></u>	<u><b>₩ 5,517,958</b></u>
Attributable to:					
Owners of the parent		842	558,222	4,981,293	5,357,381
Non-controlling interests		137,314	1,399,503	158,504	160,577
<b>Earnings per share (Korean won):</b>	25				
Basic earnings per share		₩ 3,758	₩ 15,826	₩ 90,914	₩ 111,330
Basic earning per share from continuing operations		3,913	15,981	90,946	111,367

(Continued)

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of comprehensive income**  
**for the three months and nine months ended September 30, 2016 and 2015**

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

	Notes	Translation into U.S. dollar (Note 2)			
		September 30, 2016		September 30, 2015	
		Three months	Nine months	Three months	Nine months
<b>Sales</b>	4, 26	\$ 18,302,318	\$ 56,433,547	\$ 14,005,782	\$ 15,209,398
<b>Cost of sales</b>	23, 26	<u>16,302,716</u>	<u>49,446,098</u>	<u>12,671,127</u>	<u>13,727,551</u>
<b>Gross profit</b>		<b>1,999,602</b>	<b>6,987,449</b>	<b>1,334,655</b>	<b>1,481,847</b>
Selling and administrative expenses	20, 23, 26	1,162,549	3,233,521	893,327	898,915
<b>Operating income</b>	4	<b>837,053</b>	<b>3,753,928</b>	<b>441,328</b>	<b>582,932</b>
Financial income	21	725,021	1,969,172	839,571	843,009
Financial costs	21	862,462	2,373,401	984,706	1,014,213
Gain related to investments in associates and joint ventures, net	9	149,385	251,322	145,125	442,386
Other non-operating income	22	103,616	368,231	4,954,889	4,973,516
Other non-operating expenses	22	113,445	580,572	598,692	605,048
<b>Income from continuing operations before income tax expense</b>	4	<b>839,168</b>	<b>3,388,680</b>	<b>4,797,515</b>	<b>5,222,582</b>
<b>Income tax expense from continuing operations</b>	24	<b>194,700</b>	<b>920,873</b>	<b>211,573</b>	<b>313,499</b>
<b>Net income from continuing operations</b>	4	<b>644,468</b>	<b>2,467,807</b>	<b>4,585,942</b>	<b>4,909,083</b>
<b>Loss from discontinued operation</b>	27	<b>(45,092)</b>	<b>(45,092)</b>	<b>(6,424)</b>	<b>(6,424)</b>
<b>Net income</b>		<b>599,376</b>	<b>2,422,715</b>	<b>4,579,518</b>	<b>4,902,659</b>
Attributable to:					
Owners of the parent		191,781	807,183	4,478,406	4,799,641
Non-controlling interests		407,595	1,615,532	101,112	103,018
<b>Other comprehensive income:</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans		15,751	(43,340)	16,818	9,218
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		31,967	48,999	(95,021)	(83,241)
Equity adjustments of investments in associates and joint ventures		(115,346)	(162,758)	64,312	80,428
Net change in valuation of cash flow hedges		(22,705)	(36,475)	(17,418)	(17,417)
Net gain (loss) on translation of foreign operations		(365,065)	(420,424)	136,661	138,166
Net gain (loss) on translation to the presentation currency		(17,957)	(22,961)	3,441	3,441
		<u>(473,355)</u>	<u>(636,959)</u>	<u>108,793</u>	<u>130,595</u>
<b>Total comprehensive income</b>		<b>\$ 126,021</b>	<b>\$ 1,785,756</b>	<b>\$ 4,688,311</b>	<b>\$ 5,033,254</b>
Attributable to:					
Owners of the parent		768	509,187	4,543,732	4,886,783
Non-controlling interests		125,253	1,276,569	144,579	146,471
<b>Earnings per share (U.S. dollar):</b>	25				
Basic earnings per share		\$ 3.43	\$ 14.44	\$ 82.93	\$ 101.55
Basic earning per share from continuing operations		3.57	14.58	82.96	101.58

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 nine months ended September 30, 2016 and 2015**

(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, 2015</b>	₩ 10,000	₩ (555,097)	₩ 3,178,899	₩ (48,369)	₩ 2,585,433	₩ 16,935	₩ 2,602,368
Total comprehensive income:							
Net income	-	-	5,261,846	-	5,261,846	112,939	5,374,785
Remeasurement loss on defined benefit plans	-	-	1,038	-	1,038	9,068	10,106
Net gain on available-for-sale financial assets	-	-	-	(38,999)	(38,999)	(52,257)	(91,256)
Equity adjustments of investment in associates and joint ventures	-	-	-	75,565	75,565	12,609	88,174
Net loss on valuation of derivative financial instruments	-	-	-	(11,666)	(11,666)	(7,429)	(19,095)
Net gain on translation of foreign operations	-	-	-	66,604	66,604	84,868	151,472
Net loss on translation to the presentation currency	-	-	-	2,993	2,993	779	3,772
Transaction with shareholders:							
Dividends	-	-	(88,000)	-	(88,000)	(7,375)	(95,375)
Issuance of new shares from business combination	5,385	5,605,831	-	-	5,611,216	-	5,611,216
Retirement of treasury stock	-	636,010	(636,010)	-	-	-	-
Acquisition of treasury shares	-	(486,418)	-	-	(486,418)	-	(486,418)
Equity transactions in consolidated entities	-	-	-	10,549	10,549	32,804	43,353
Increase in non-controlling interests from business combination	-	-	-	-	-	27,641,923	27,641,923
Others	-	-	1,070	583	1,653	(4,072)	(2,419)
<b>As at September 30, 2015</b>	₩ 15,385	₩ 5,200,326	₩ 7,718,843	₩ 57,260	₩ 12,991,814	₩ 27,840,792	₩ 40,832,606
<b>As at January 1, 2016</b>	₩ 15,385	₩ 4,773,965	₩ 7,801,713	₩ (24,545)	₩ 12,566,518	₩ 27,510,732	₩ 40,077,250
Total comprehensive income:							
Net income	-	-	884,915	-	884,915	1,771,108	2,656,023
Remeasurement loss on defined benefit plans	-	-	(30,886)	-	(30,886)	(16,628)	(47,514)
Net gain on available-for-sale financial assets	-	-	-	24,044	24,044	29,674	53,718
Equity adjustments of investment in associates and joint ventures	-	-	-	(74,329)	(74,329)	(104,102)	(178,431)
Net loss on valuation of derivative financial instruments	-	-	-	(18,083)	(18,083)	(21,904)	(39,987)
Net loss on translation of foreign operations	-	-	-	(209,482)	(209,482)	(251,429)	(460,911)
Net loss on translation to the presentation currency	-	-	-	(17,957)	(17,957)	(7,216)	(25,173)
Transaction with shareholders:							
Dividends	-	-	(191,750)	-	(191,750)	(913,795)	(1,105,545)
Equity transactions in consolidated entities	-	(14,488)	-	-	(14,488)	181,474	166,986
Increase in non-controlling interests from business combination	-	-	-	-	-	366,063	366,063
Other changes in the scope of consolidation	-	-	-	-	-	10,565	10,565
Others	-	(1,707)	555	-	(1,152)	2,937	1,785
<b>As at September 30, 2016</b>	₩ 15,385	₩ 4,757,770	₩ 8,464,547	₩ (320,352)	₩ 12,917,350	₩ 28,557,479	₩ 41,474,829

(Continued)

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in shareholders' equity**  
**for the nine months ended September 30, 2016 and 2015**

(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, 2015</b>	\$ 9,122	\$ (506,337)	\$ 2,899,662	\$ (44,120)	\$ 2,358,327	\$ 15,447	\$ 2,373,774
Total comprehensive income:							
Net income	-	-	4,799,641	-	4,799,641	103,018	4,902,659
Remeasurement loss on defined benefit plans	-	-	947	-	947	8,271	9,218
Net gain on available-for-sale financial assets	-	-	-	(35,574)	(35,574)	(47,667)	(83,241)
Equity adjustments of investment in associates and joint ventures	-	-	-	68,927	68,927	11,501	80,428
Net loss on valuation of derivative financial instruments	-	-	-	(10,641)	(10,641)	(6,776)	(17,417)
Net gain on translation of foreign operations	-	-	-	60,753	60,753	77,413	138,166
Net loss on translation to the presentation currency	-	-	-	2,730	2,730	711	3,441
Transaction with shareholders:							
Dividends	-	-	(80,270)	-	(80,270)	(6,727)	(86,997)
Issuance of new shares from business combination	4,912	5,113,410	-	-	5,118,322	-	5,118,322
Retirement of treasury stock	-	580,142	(580,142)	-	-	-	-
Acquisition of treasury shares	-	(443,691)	-	-	(443,691)	-	(443,691)
Equity transactions in consolidated entities	-	-	-	9,622	9,622	29,922	39,544
Increase in non-controlling interests from business combination	-	-	-	-	-	25,213,831	25,213,831
Others	-	-	976	532	1,508	(3,714)	(2,206)
<b>As at September 30, 2015</b>	<b>\$ 14,034</b>	<b>\$ 4,743,524</b>	<b>\$ 7,039,838</b>	<b>\$ 51,697</b>	<b>\$ 11,849,093</b>	<b>\$ 185,113</b>	<b>\$ 12,034,206</b>
<b>As at January 1, 2016</b>	<b>\$ 14,034</b>	<b>\$ 4,354,616</b>	<b>\$ 7,116,403</b>	<b>\$ (22,389)</b>	<b>\$ 11,462,664</b>	<b>\$ 25,094,164</b>	<b>\$ 36,556,828</b>
Total comprehensive income:							
Net income	-	-	807,183	-	807,183	1,615,532	2,422,715
Remeasurement loss on defined benefit plans	-	-	(28,173)	-	(28,173)	(15,167)	(43,340)
Net gain on available-for-sale financial assets	-	-	-	21,932	21,932	27,067	48,999
Equity adjustments of investment in associates and joint ventures	-	-	-	(67,800)	(67,800)	(94,958)	(162,758)
Net loss on valuation of derivative financial instruments	-	-	-	(16,495)	(16,495)	(19,980)	(36,475)
Net loss on translation of foreign operations	-	-	-	(191,081)	(191,081)	(229,343)	(420,424)
Net loss on translation to the presentation currency	-	-	-	(16,379)	(16,379)	(6,582)	(22,961)
Transaction with shareholders:							
Dividends	-	-	(174,907)	-	(174,907)	(833,526)	(1,008,433)
Equity transactions in consolidated entities	-	(13,215)	-	-	(13,215)	165,533	152,318
Increase in non-controlling interests from business combination	-	-	-	-	-	333,908	333,908
Other changes in the scope of consolidation	-	-	-	-	-	9,637	9,637
Others	-	(1,558)	507	-	(1,051)	2,679	1,628
<b>As at September 30, 2016</b>	<b>\$ 14,034</b>	<b>\$ 4,339,843</b>	<b>\$ 7,721,013</b>	<b>\$ (292,212)</b>	<b>\$ 11,782,678</b>	<b>\$ 26,048,964</b>	<b>\$ 37,831,642</b>

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of cash flows**  
**for the nine months ended September 30, 2016 and 2015**

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

	Notes	For the nine months ended September 30,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2016	2015	2016	2015
<b>Cash flows from operating activities:</b>					
Net income		₩ 2,656,023	₩ 5,374,785	\$ 2,422,715	\$ 4,902,659
Non-cash adjustments	29	5,639,433	(3,908,835)	5,144,060	(3,565,479)
Working capital adjustments	29	(338,820)	1,585,646	(309,058)	1,446,361
Interest received		155,490	42,445	141,832	38,717
Interest paid		(869,275)	(225,870)	(792,917)	(206,029)
Dividends received		147,535	81,064	134,575	73,943
Income tax paid		(1,149,141)	(468,581)	(1,048,199)	(427,420)
<b>Net cash provided by operating activities</b>		<b>6,241,245</b>	<b>2,480,654</b>	<b>5,693,008</b>	<b>2,262,752</b>
<b>Cash flows from investing activities:</b>					
Net change of short-term financial assets		(1,134,644)	48,772	(1,034,976)	44,488
Net change of short-term loans		(34,949)	74,509	(31,879)	67,964
Proceeds from disposal of available-for-sale financial assets		389,594	5,113	355,372	4,664
Proceeds from disposal of investments in associates and joint ventures		96,819	7,959	88,314	7,260
Proceeds from disposal of property, plant and equipment		143,060	64,678	130,493	58,997
Proceeds from disposal of investment properties		229,315	-	209,172	-
Proceeds from disposal of intangible assets		24,505	10,082	22,352	9,196
Proceeds from disposal of assets held for sale		78,304	23,185	71,426	21,148
Acquisition of available-for-sale financial assets		(290,402)	(13,826)	(264,893)	(12,612)
Acquisition of investments in associates and joint ventures		(162,200)	(51,036)	(147,952)	(46,553)
Acquisition of property, plant and equipment		(3,134,983)	(702,335)	(2,859,603)	(640,641)
Acquisition of investment properties		(1,384)	(1,311)	(1,262)	(1,196)
Acquisition of intangible assets		(616,934)	(117,049)	(562,742)	(106,767)
Changes in cash from changes in the scope of consolidation		(401,561)	8,322,681	(366,288)	7,591,609
Others, net		(97,689)	40,451	(89,108)	36,898
<b>Net cash provided by (used in) investing activities</b>		<b>(4,913,149)</b>	<b>7,711,873</b>	<b>(4,481,574)</b>	<b>7,034,455</b>
<b>Cash flows from financing activities:</b>					
Net change of short-term borrowings		(460,246)	(871,599)	(419,818)	(795,037)
Repayment of current portion of long-term debt		(3,449,761)	(819,663)	(3,146,731)	(747,663)
Increase in bonds payable and borrowings		4,416,576	776,056	4,028,620	707,887
Increase in other accounts payable		522,358	95,323	476,474	86,950
Cash inflows from transactions in equity of consolidated subsidiaries		147,859	1,587	134,871	1,448
Repayment of bonds payable and borrowings		(185,873)	(372,132)	(169,546)	(339,444)
Repayment of other accounts payable		(146,319)	(277)	(133,466)	(253)
Acquisition of treasury share		-	(431,177)	-	(393,302)
Payment of dividends		(1,105,545)	(155,652)	(1,008,433)	(141,979)
Others, net		14,116	9,677	12,877	8,827
<b>Net cash used in financing activities</b>		<b>(246,835)</b>	<b>(1,767,857)</b>	<b>(225,152)</b>	<b>(1,612,566)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,081,261</b>	<b>8,424,670</b>	<b>986,282</b>	<b>7,684,641</b>
<b>Net foreign exchange effects</b>		<b>(191,563)</b>	<b>(18,053)</b>	<b>(174,736)</b>	<b>(16,467)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>6,995,224</b>	<b>246,017</b>	<b>6,380,757</b>	<b>224,407</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>₩ 7,884,922</b>	<b>₩ 8,652,634</b>	<b>\$ 7,192,303</b>	<b>\$ 7,892,581</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 nine months ended September 30, 2016 and 2015**

**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. effective 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 September 30, 2016, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred share), and major shareholders and their equity ownership are Tae-won Chey (23.40%), Ki-won Chey (7.46%) and National Pension Service (7.39%).

**1.2 Consolidated subsidiaries**

The Company and its subsidiaries (collectively, the “Group”) are engaged in petroleum refining, telecommunications, wholesale and retail, chemicals, construction and other industries. Subsidiaries whose accounts are included in the consolidated financial statements as at September 30, 2016 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
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	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.	58.84%
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 International Trading (Shanghai) Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
Shanghai Huayou International Freight. Forwarding Co., Ltd.	China	Foreign freight forwarding	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 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	Manufacturing	SK Global Chemical Investment HongKong 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.	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 Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the nine months ended September 30, 2016 and 2015**

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

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
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 Private Limited	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.	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 LLC	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%
SK Energy Australia (Togara) Pty. Ltd.	Australia	Resource development	SK Innovation Co., Ltd.	100.00%
Moche Energy Company, LLC	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, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, LLC	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.	83.46%
SK Broadband Co., Ltd.	Korea	Wire communications	SK Telecom Co., Ltd.	100.00%
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%
Networkons Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
Neos Networks Co., Ltd. (*4)	Korea	Machine security and facilities security	SK Telecom Co., Ltd.	83.93%
SK techx Co., Ltd.	Korea	System software development and supplying	SK Telecom Co., Ltd.	100.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	65.50%
SK Planet Co., Ltd. (*5)	Korea	IT service	SK Telecom Co., Ltd.	98.10%
M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
SK Communications Co., Ltd.	Korea	Internet portal service	SK Telecom Co., Ltd.	64.54%
Stonebridge Cinema Fund	Korea	Investment fund	SK Planet Co., Ltd.	55.23%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK Planet Co., Ltd.	59.00%
Fitech Focus Limited Partnership II	Korea	Investment fund	SK Planet Co., Ltd.	99.00%
Open Innovation Fund	Korea	Investment fund	SK Planet Co., Ltd.	98.90%
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 America, LLC	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
shopkick Management Company, Inc. (*6)	USA	Investment	SKP America, LLC	100.00%
shopkick, Inc.	USA	E-commerce App. development	Shopkick Management Company, Inc.	100.00%
SKP Global Holdings Pte. Ltd.	Singapore	Holding Company	SK Planet Co., Ltd.	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 investment	SK Telecom Co., Ltd.	100.00%
YTK Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the nine months ended September 30, 2016 and 2015**

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

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
Atlas Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P. (formerly, Technology Innovation Partners L.P.)	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman	Investment	Atlas Investment, Ltd.	100.00%
iriver Co., Ltd. (*2)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	48.89%
iriver America Inc.	USA	Marketing and Sales in North America	iriver Co., Ltd.	100.00%
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%
Groover JP Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
ENTRIX Co., Ltd.	Korea	Cloud streaming operations	SK Planet Co., Ltd.	100.00%
Planet11 E-commerce Solutions India Pvt. Ltd.	India	E-commerce platform providing	SK Planet Co., Ltd.	100.00%
11street (Thailand) Co., Ltd.	Thailand	E-commerce	SK Planet 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. (formerly, Speed Motors Co., Ltd.)	Korea	Car dealer	SK Networks Co., Ltd.	100.00%
SKN (China) Holdings Co., Ltd.	China	Holding Company	SK Networks Co., Ltd.	100.00%
SK Networks (China) Fashion Co., Ltd.	China	Fashion	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%
Liaoning SK Networks Logistics Co., Ltd.	China	Distribution and logistics	SKN (China) Holdings Co., Ltd.	100.00%
Dandong SK Networks 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 Liaoning Construction Co., Ltd. (*7)	China	Ascon manufacturing and sales	Shenyang SK Networks Energy Co., Ltd.	50.00%
SK (GZ Free Zone) 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%
Obzee N. Y. Inc.	USA	Fashion	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 (*8)	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%
SK Steel Australia Pty. Ltd.	Australia	Steel processing and sales	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%
SKC Solmics Co., Ltd. (*2)	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	42.67%
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. (*6)	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd. (*4)	China	Film manufacturing	SKC Co., Ltd.	89.67%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK bioland Co., Ltd. (formerly, Bioland Co., Ltd.) (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotech Co., Ltd.	China	Research and manufacturing	Bioland Co., Ltd.	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotech Co., Ltd.	100.00%
SE (JIANGSU) Electronic Materials Co., Ltd.	China	Sales of raw chemical material and chemical products related to semiconductor	SK Telesys Co., Ltd.	51.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the nine months ended September 30, 2016 and 2015**

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

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
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%
SK Shipping Co., Ltd.	Korea	Shipping	SK Holdings Co., Ltd.	83.08%
GaSan 2nd LLC	Korea	Securitization company	(*9)	-
Blueseaocean 1st L.L.C	Korea	Securitization company	(*9)	-
Blueseaocean 2nd L.L.C	Korea	Securitization company	(*9)	-
With Ocean L.L.C	Korea	Securitization company	(*9)	-
YUKYUNGJIJU FIRST L.L.C	Korea	Securitization company	(*9)	-
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 61 other companies	Panama and others	Special purpose company for acquiring ship	(*9)	-
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. (formerly, PMP 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 Ameriacas, Inc.	USA	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S LNG, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
CAILIP Gas Marketing, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
SK LNG Trading Pte. Ltd.	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
PT SK E&S Nusantara	Indonesia	Resource development	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	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 EC, LLC	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, LLC	USA	Real estate development	SK E&C Betek Corporation	100.00%
N-Compass Development, LLC	USA	EPC Marketing	SK E&C Betek Corporation	100.00%
SKEC Consultores Equador, S.A.	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	EPC Marketing	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	Investment	SK Engineering & Construction Co., Ltd.	68.11%
SK Materials Co., Ltd. (*2, 10)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd. (*10)	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd. (*10)	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd. (*10)	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd. (*10)	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd. (formerly, SKC Airgas Co., Ltd.)	Korea	Manufacturing	SK Materials Co., Ltd.	80.00%

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

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Infosec Co., Ltd. (*6)	Korea	Information security service	SK Holdings Co., Ltd.	100.00%
SK ENCARSALES.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 C&C Beijing Co., Ltd.	100.00%
SK MENA B.V.	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 semiconductors modules	SK S.E. Asia Pte. Ltd.	100.00%
ISD Technology (Shen Zhen) 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%
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%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
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 Limited	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%
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 Co., Ltd.	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%
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	Investment	SK Holdings Co., Ltd.	100.00%
SK MENA Investment B.V.	Netherlands	Investment	SK Telecom Co., Ltd.	100.00%
SK Latin Americas S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
Fitech Sector Limited Partnership IV	Korea	Investment fund	SK Planet Co., Ltd.	98.90%
The Contents Company Co., Ltd.	Korea	Software development and supply	Fitech Focus Limited Partnership IV	100.00%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
Happynarae Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd.	90.00%
Suzhou Happynarae Co., Ltd.	China	Electrical and machine equipment	Happynarae Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%



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**1.3 Changes in consolidated subsidiaries (cont'd)**

For the nine months ended September 30, 2016, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
SK Continental E-motion Pte. Ltd.	Liquidation (4 companies)
Wine Networks, Ltd.	
Ecomax Co., Ltd.	
SK E&P Asia, Ltd.	
Commerce Planet Co., Ltd.	Merger (2 companies)
SKC Lighting Co., Ltd.	
Candle Media Co., Ltd.	Disposal (2 companies)
Shanxi SK Guolin Asphalt Co., Ltd.	

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

Details of condensed financial information of significant subsidiaries as at and for the nine months ended September 30, 2016 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩13,802,798	₩ 1,368,083	₩ 943,052	₩ (105,034)
SK Energy Co., Ltd.	12,436,082	6,753,623	17,195,778	745,995
SK Global Chemical Co., Ltd.	5,676,891	1,974,195	6,510,514	524,232
SK Global Chemical International Trading (Shanghai) Co., Ltd.	158,675	71,057	612,910	7,280
SK Incheon Petrochem Co., Ltd.	5,192,882	2,753,802	3,869,461	199,896
SK Trading International Co., Ltd.	1,417,597	631,025	2,068,500	97,597
SK Shanghai Asphalt Co., Ltd.	15,539	7,970	16,395	72
Ningbo SK Performance Rubber Co., Ltd.	221,998	176,769	38,872	(31,274)
SK Global Chemical Japan Co., Ltd.	28,414	21,534	185,868	125
SK Energy International Pte. Ltd.	1,744,007	1,175,671	12,051,936	2,850
SK Global Chemical Investment Hong Kong Ltd.	256,368	7	-	366
SK Innovation Insurance (Bermuda), Ltd.	65,100	5,240	3,163	2,229
SK E&P America, Inc.	519,735	49,448	-	(537)
SK Permian, LLC	17,191	1,714	3,112	(146)
SK Energy Europe, Ltd.	280,779	173,257	3,057,157	(19,384)
SK Energy Americas, Inc.	85,297	18,838	721,809	2,444
SK Lubricants Co., Ltd.	2,042,812	729,683	1,648,914	246,403
SK Lubricants Americas, Inc.	180,111	128,292	315,678	11,058
SK Lubricants Europe B.V.	123,869	122,568	338,924	(3,698)
Iberian Lube Base Oils S.A.	414,087	175,654	262,104	7,438
SK Telecom Co., Ltd.	24,247,622	10,149,590	9,292,034	990,933
SK Telink Co., Ltd.	350,913	103,939	309,427	54,596
SK Broadband Co., Ltd.	3,314,417	2,173,306	2,173,052	17,216
PS&Marketing Corp.	542,002	329,037	1,187,840	3,757
SK Planet Co., Ltd. (*1)	1,978,957	753,330	886,138	94,457
SK Networks Co., Ltd.	7,648,780	5,201,927	12,903,797	34,289
SK Networks (Shanghai) Co., Ltd.	51,746	28,018	370,132	284
SKC Co., Ltd.	2,639,916	1,061,965	1,066,124	84,995
SK Telesys Corporation	137,623	216,353	215,985	(1,426)
SKC, Inc.	402,217	283,096	220,399	(6,340)
SK Shipping Co., Ltd.	4,020,734	3,506,607	846,514	(84,781)

**SK Holdings Co., Ltd. and its subsidiaries**  
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**1.4 Condensed financial information of significant consolidated subsidiaries (cont'd)**

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK B&T Pte. Ltd.	₩ 166,829	₩ 50,890	₩ 457,696	₩ (11,033)
SK E&S Co., Ltd.	3,685,755	1,516,157	360,969	55,429
Yeongnam energy service Co., Ltd.	301,389	115,820	426,470	19,949
Ko-one energy service Co., Ltd.	557,435	192,467	718,210	7,980
Pusan City Gas Co., Ltd.	711,464	169,242	646,384	49,628
Chungcheong Energy Service Co., Ltd.	209,103	100,606	301,241	11,639
Paju Energy Service Co., Ltd. (formerly, PMP Co., Ltd.)	1,345,497	561,340	21	(2,303)
Wirye energy service Co., Ltd.	656,939	432,230	5,347	(5,590)
Narae energy service Co., Ltd.	746,443	580,285	216,478	(10,170)
SK E&S Americas, Inc.	538,795	110,024	-	(4,465)
SK Engineering & Construction Co., Ltd.	5,533,193	4,586,913	5,232,289	35,805
Sunlake Co., Ltd.	111,040	82,730	834,723	13,341
SK China Company, Ltd.	470,693	6,973	5,227	13,149
SKY Property Management Ltd. (*2)	602,176	58,179	50,396	51,341
ESSENCORE Limited (*2)	149,683	68,605	471,148	35,589
SK Materials Co., Ltd. (*2, 3)	831,378	427,980	274,474	55,826

(\*1) During the current reporting period, SK Planet Co., Ltd. merged Commerce Planet Co., Ltd., and condensed financial information of SK Planet Co., Ltd. includes profit or loss of Commerce Planet Co., Ltd. prior to the merger.

(\*2) The condensed financial information is consolidated financial information.

(\*3) Sales and net income are the amounts occurring after business combination.

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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 nine months ended September 30, 2016 is as follows (Korean won in millions):

Segment	As at and for the nine months ended September 30, 2016						
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.
Percentage of the non-controlling interests	66.86%	71.16%	60.88%	58.68%	16.92%	-	53.79%
Current assets	₩14,061,122	₩ 5,777,657	₩ 3,632,648	₩ 745,886	₩ 723,395	₩ 693,040	₩ 3,934,073
Non-current assets	17,718,519	23,778,048	4,348,621	2,684,313	4,172,414	6,260,438	1,836,490
Current liabilities	7,750,576	5,393,208	3,701,552	771,617	1,514,218	972,775	3,888,924
Non-current liabilities	6,111,280	8,618,310	1,819,957	1,092,576	2,998,105	3,056,967	1,129,372
Net assets	17,917,785	15,544,187	2,459,760	1,566,006	383,486	2,923,736	752,267
Book value of the non-controlling interests	12,540,460	10,845,808	1,702,646	973,978	163,162	1,199,753	571,587
Sales	29,441,413	12,739,556	13,654,594	1,737,168	1,203,232	2,911,650	6,063,329
Net income	1,563,921	1,185,401	9,357	36,931	(105,577)	155,587	42,221
Total comprehensive income (loss)	1,321,817	831,728	(24,935)	31,755	(130,291)	67,123	(76,135)
Net income (loss) of the non-controlling interests	1,074,019	613,957	1,244	11,486	(17,061)	42,883	7,898
Total comprehensive income (loss) of the non-controlling interests	929,908	549,459	(19,397)	13,839	(22,439)	51,173	(58,617)
Net cash flows from operating activities	3,232,469	2,710,279	(6,460)	115,207	35,122	(5,688)	(75,301)
Net cash flows from investing activities	(1,438,274)	(1,622,906)	33,072	15,777	(539,499)	(516,643)	(269,389)
Net cash flows from financing activities before dividends paid to the non-controlling interests	(964,379)	(479,887)	120,207	(81,586)	577,236	471,137	268,829
Dividends paid to the non-controlling interests	(299,123)	(511,177)	(15,118)	(19,216)	(9,134)	(29,014)	-
Net increase (decrease) in cash and cash equivalents	530,693	96,309	131,701	30,182	63,725	(80,208)	(75,861)

The above-mentioned condensed financial information is consolidated financial information of each subsidiary, and non-controlling interests include hybrid bond.

## **2. Summary of significant accounting policies**

### **2.1 Basis of preparation**

The Group prepares statutory interim condensed consolidated financial statements in the Korean language in accordance with 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 used for regulatory reporting purposes, shall prevail.

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 2015.

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Group 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 ₩1,096.30 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 nine months ended September 30, 2016. Such translations into U.S. dollar amounts should not be construed as representations that the Korean won amounts could be converted into U.S. dollar amounts at that or any other rate.

### **2.2 Significant accounting policies**

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 nine month ended September 30, 2016, are the same as the accounting policies adopted for the preparation of consolidated financial statements as at and for the three month ended December 31, 2015, except for adoption of new and revised KIFRSs 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:

#### **2.2.1 New and revised KIFRSs adopted in the current period**

The Group has applied amendment to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 2016.

### **2.2.1 New and revised KIFRSs adopted in the current period (cont'd)**

#### **Amendments to KIFRS 1001 – *Presentation of Financial Statements***

The amendments clarify materiality and aggregation, and the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss, the order presenting the notes to financial statements, and the presentation of other comprehensive income of associates and joint ventures accounted for using the equity method.

#### **Amendments to KIFRS 1016 – *Property, Plant and Equipment***

The amendments clarify the principle in KIFRS 1016 that revenue-based depreciation method cannot be used to depreciate property, plant and equipment.

#### **Amendments to KIFRS 1038 – *Intangible Assets***

The amendments clarify the principle in KIFRS 1038 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method may only be used in very limited circumstances to amortize intangible assets.

#### **Amendments to KIFRS 1110, KIFRS 1112 and KIFRS 1028 – *Investment Entities***

The amendments allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries. The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

#### **Amendments to KIFRS 1111 – *Accounting for Acquisitions of Interests in Joint Operations***

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business, as defined in KIFRS 1103 *Business Combinations*. A joint operator is also required to disclose the relevant information required by KIFRS 1103 and other standards for business combinations.

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

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

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

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

KIFRS 1109 introduces classification and measurement based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, the expected credit loss model. Furthermore, KIFRS 1109 expands qualified hedged items and hedging instruments for hedge accounting and changes manners of effectiveness assessment. KIFRS 1109 replaces KIFRS 1039 *Financial Instruments: Recognition and Measurement*, which is effective for annual periods beginning on or after January 1, 2018.

## **2.2.2 New and revised KIFRS issued, but not yet effective (cont'd)**

### **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 is required for annual periods beginning on or after January 1, 2018.

### **2.2.3 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 and others 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).

## **3. Significant accounting judgements, 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 nine months ended September 30, 2016, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2015.

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**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. Details of each segment operations as at September 30, 2016 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 Shipping Co., Ltd.	Sea transportation, ocean bunkering and others
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 nine months ended September 30, 2016 and 2015 are as follows (Korean won in billions):

As at and for the nine months ended September 30, 2016										
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 29,441	₩ 12,740	₩ 13,655	₩ 1,737	₩ 1,203	₩ 2,912	₩ 6,063	₩ 3,881	₩ (9,764)	₩61,868
Internal sales	(3,397)	(53)	(3,845)	(254)	(241)	(37)	(344)	(1,593)	9,764	-
Net sales	26,044	12,686	9,809	1,483	962	2,875	5,720	2,289	-	61,868
Income from continuing operations before income taxes	2,072	1,532	24	92	(86)	189	62	970	(1,140)	3,715
Net income (loss) from continuing operations	1,564	1,185	9	86	(106)	156	42	842	(1,073)	2,705
Total assets	31,780	29,556	7,981	3,430	4,896	6,953	5,771	22,168	(13,617)	98,918
Total liabilities	13,862	14,012	5,522	1,864	4,512	4,030	5,018	7,285	1,338	57,443
Depreciation	603	1,774	118	92	110	148	34	67	28	2,974
Amortization	77	492	8	4	2	6	4	12	253	858

As at and for the nine months ended September 30, 2015										
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 7,743	₩ 2,856	₩ 3,475	₩ 414	₩ 330	₩ 451	₩ 1,619	₩ 2,181	₩ (2,395)	₩16,674
Internal sales	(866)	(18)	(871)	(74)	(61)	(5)	(264)	(236)	2,395	-
Net sales	6,877	2,838	2,604	340	269	446	1,355	1,945	-	16,674
Income (loss) from continuing operations before income taxes	(82)	425	69	44	1	17	146	6,394	(1,288)	5,726
Net income (loss) from continuing operations	(230)	281	51	38	-	11	106	5,854	(729)	5,382
Total assets	32,565	28,559	8,438	3,815	4,844	6,319	6,202	20,776	(13,864)	97,654
Total liabilities	15,204	12,925	5,910	2,216	4,384	3,505	5,362	6,367	948	56,821
Depreciation	139	398	24	22	24	25	10	38	59	739
Amortization	24	105	3	1	1	1	1	10	17	163

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

(\*1) Consolidation adjustments of the parent company.

(3) Details of financial information by geographical location as at and for the nine months ended September 30, 2016 and 2015 (Korean won in billions):

	As at and for the nine months ended September 30, 2016							
	Korea	Asia	Europe	North	South	Others	Consolidation	Total
				America	America		adjustments	
Total sales	₩ 74,136	₩ 15,691	₩ 3,852	₩ 2,341	₩ -	₩ 73	₩ (34,225)	₩ 61,868
Operation income (loss)	5,072	62	(60)	15	-	34	(1,008)	4,115
Income (loss) from continuing operations before income taxes	4,664	110	(64)	4	-	63	(1,062)	3,715
Net income (loss) from Continuing operations	3,720	59	(63)	(10)	-	57	(1,058)	2,705
Total assets	121,689	6,076	1,299	2,986	669	1,205	(35,006)	98,918
Total liabilities	54,561	2,439	897	821	632	258	(2,165)	57,443

  

	As at and for the nine months ended September 30, 2015							
	Korea	Asia	Europe	North	South	Others	Consolidation	Total
				America	America		adjustments	
Total sales	₩ 20,397	₩ 4,967	₩ 693	₩ 594	₩ -	₩ 31	₩ (10,008)	₩ 16,674
Operation income	1,332	54	7	8	-	11	(773)	639
Income from continuing operations before income taxes	7,537	45	7	2	-	4	(1,869)	5,726
Net income (loss) from Continuing operations	6,571	36	5	(3)	-	2	(1,229)	5,382
Total assets	120,596	6,690	1,428	2,821	172	1,508	(35,561)	97,654
Total liabilities	54,506	3,168	900	830	135	516	(3,234)	56,821

**SK Holdings Co., Ltd. and its subsidiaries**  
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**5. Financial instruments**

**5.1 Financial assets**

Details of financial assets as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016					
	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	Total
Current assets:						
Cash and cash equivalents	₩ -	₩ -	₩ 7,884,922	₩ -	₩ -	₩ 7,884,922
Short-term financial instruments	-	-	3,937,973	-	-	3,937,973
Trade accounts receivable (*1)	-	-	8,345,216	-	-	8,345,216
Other accounts receivable	-	-	1,995,855	-	-	1,995,855
Short-term loans	-	-	241,614	-	-	241,614
Accrued income	-	-	42,702	-	-	42,702
Available-for-sale financial assets	-	-	-	255,652	-	255,652
Held-to-maturity investments	-	22	-	-	-	22
Guarantee deposits	-	-	173,104	-	-	173,104
Derivative financial assets	61,439	-	-	-	76,411	137,850
Finance lease receivables	-	-	72,309	-	-	72,309
	<u>61,439</u>	<u>22</u>	<u>22,693,695</u>	<u>255,652</u>	<u>76,411</u>	<u>23,087,219</u>
Non-current assets:						
Long-term financial instruments	-	-	249,484	-	-	249,484
Long-term trade accounts receivable	-	-	23,421	-	-	23,421
Long-term other accounts receivable	-	-	295,667	-	-	295,667
Long-term loans	-	-	312,358	-	-	312,358
Available-for-sale financial assets	-	-	-	1,756,389	-	1,756,389
Held-to-maturity investments	-	915	-	-	-	915
Guarantee deposits	-	-	706,706	-	-	706,706
Derivative financial assets	15,391	-	-	-	50,947	66,338
Finance lease receivables	-	-	268,449	-	-	268,449
	<u>15,391</u>	<u>915</u>	<u>1,856,085</u>	<u>1,756,389</u>	<u>50,947</u>	<u>3,679,727</u>
	<u>₩ 76,830</u>	<u>₩ 937</u>	<u>₩ 24,549,780</u>	<u>₩ 2,012,041</u>	<u>₩ 127,358</u>	<u>₩ 26,766,946</u>

**SK Holdings Co., Ltd. and its subsidiaries**  
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**5.1 Financial assets (cont'd)**

	December 31, 2015					
	Financial assets at fair value through profit or loss	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	₩ -	₩ -	₩ 6,995,224	₩ -	₩ -	₩ 6,995,224
Short-term financial instruments	-	-	2,741,181	-	-	2,741,181
Trade accounts receivable (*1)	-	-	9,133,437	-	-	9,133,437
Other accounts receivable	-	-	1,654,688	-	-	1,654,688
Short-term loans	-	-	252,541	-	-	252,541
Accrued income	-	-	51,198	-	-	51,198
Available-for-sale financial assets	-	-	-	153,340	-	153,340
Held-to-maturity investments	-	45	-	-	-	45
Guarantee deposits	-	-	187,958	-	-	187,958
Derivative financial assets	84,897	-	-	-	187,319	272,216
Finance lease receivables	-	-	74,107	-	-	74,107
	<u>84,897</u>	<u>45</u>	<u>21,090,334</u>	<u>153,340</u>	<u>187,319</u>	<u>21,515,935</u>
<b>Non-current assets:</b>						
Long-term financial instruments	₩ -	₩ -	₩ 212,987	₩ -	₩ -	₩ 212,987
Long-term trade accounts receivable	-	-	45,251	-	-	45,251
Long-term other accounts receivable	-	-	117,161	-	-	117,161
Long-term loans	-	-	239,397	-	-	239,397
Available-for-sale financial assets	-	-	-	1,906,664	-	1,906,664
Held-to-maturity investments	-	915	-	-	-	915
Guarantee deposits	-	-	624,592	-	-	624,592
Derivative financial assets	30,817	-	-	-	166,748	197,565
Finance lease receivables	-	-	345,545	-	-	345,545
	<u>30,817</u>	<u>915</u>	<u>1,584,933</u>	<u>1,906,664</u>	<u>166,748</u>	<u>3,690,077</u>
	<u>₩ 115,714</u>	<u>₩ 960</u>	<u>₩ 22,675,267</u>	<u>₩ 2,060,004</u>	<u>₩ 354,067</u>	<u>₩ 25,206,012</u>

(\*1) Unbilled receivables amounting to ₩950,039 million and ₩1,044,469 million as at September 30, 2016 and December 31, 2015, respectively, are not included in the financial instruments.

**SK Holdings Co., Ltd. and its subsidiaries**  
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**5.2 Financial liabilities**

Details of financial liabilities as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016			
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 2,200,535	₩ -	₩ 2,200,535
Trade accounts payable	-	7,042,590	-	7,042,590
Other accounts payable	-	2,403,780	-	2,403,780
Current portion of long-term debt	-	5,608,615	-	5,608,615
Accrued expenses	-	2,590,478	-	2,590,478
Dividends payable	-	574	-	574
Leasehold deposits received	-	115,354	-	115,354
Derivative financial liabilities	66,203	-	58,414	124,617
Finance lease liabilities	-	1,651	-	1,651
Financial guarantee liabilities	-	7,509	-	7,509
	<u>66,203</u>	<u>19,971,086</u>	<u>58,414</u>	<u>20,095,703</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	104,479	23,956,792	-	24,061,271
Long-term other accounts payable	-	3,823,939	-	3,823,939
Leasehold deposits received	-	343,831	-	343,831
Derivative financial liabilities	20,508	-	124,533	145,041
Finance lease liabilities	-	2,131	-	2,131
Financial guarantee liabilities	-	12,037	-	12,037
	<u>124,987</u>	<u>28,138,730</u>	<u>124,533</u>	<u>28,388,250</u>
	<u>₩ 191,190</u>	<u>₩ 48,109,816</u>	<u>₩ 182,947</u>	<u>₩ 48,483,953</u>
<b>December 31, 2015</b>				
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 2,726,701	₩ -	₩ 2,726,701
Trade accounts payable	-	7,430,851	-	7,430,851
Other accounts payable	-	2,392,058	-	2,392,058
Current portion of long-term debt	-	5,493,380	-	5,493,380
Accrued expenses	-	2,563,103	-	2,563,103
Dividends payable	-	2,369	-	2,369
Leasehold deposits received	-	135,830	-	135,830
Derivative financial liabilities	19,116	-	83,255	102,371
Finance lease liabilities	-	1,756	-	1,756
	<u>19,116</u>	<u>20,746,048</u>	<u>83,255</u>	<u>20,848,419</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	155,704	23,340,599	-	23,496,303
Long-term other accounts payable	-	3,034,627	-	3,034,627
Leasehold deposits received	-	247,265	-	247,265
Derivative financial liabilities	17,381	-	120,322	137,703
Finance lease liabilities	-	3,603	-	3,603
Financial guarantee liabilities	-	12,076	-	12,076
	<u>173,085</u>	<u>26,638,170</u>	<u>120,322</u>	<u>26,931,577</u>
	<u>₩ 192,201</u>	<u>₩ 47,384,218</u>	<u>₩ 203,577</u>	<u>₩ 47,779,996</u>

**SK Holdings Co., Ltd. and its subsidiaries**  
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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 September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 24,858,313	₩ 25,547,378	₩ 24,739,685	₩ 24,353,528
Borrowings	7,012,108	7,014,485	6,976,699	6,879,976

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 (1.55%~3.67%) regarding residual market risks. As the book value 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 September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial assets at fair value through profit or loss	₩ -	₩ 76,830	₩ -	₩ 76,830
Available-for-sale financial assets (*1)	983,752	104,945	120,109	1,208,806
Financial assets designated as hedging instruments	-	127,358	-	127,358
	<u>₩ 983,752</u>	<u>₩ 309,133</u>	<u>₩ 120,109</u>	<u>₩ 1,412,994</u>
<b>Financial liabilities:</b>				
Financial liabilities at fair value through profit or loss	₩ -	₩ 191,190	₩ -	₩ 191,190
Financial liabilities designated as hedging instruments	-	182,947	-	182,947
	<u>₩ -</u>	<u>₩ 374,137</u>	<u>₩ -</u>	<u>₩ 374,137</u>

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**5.3 Fair values of financial instruments by hierarchy level (cont'd)**

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 115,714	₩ -	₩ 115,714
Available-for-sale financial assets (*1)	1,120,710	99,449	143,245	1,363,404
Financial assets designated as hedging instruments	-	354,067	-	354,067
	<u>₩ 1,120,710</u>	<u>₩ 569,230</u>	<u>₩ 143,245</u>	<u>₩ 1,833,185</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 192,201	₩ -	₩ 192,201
Financial liabilities designated as hedging instruments	-	203,577	-	203,577
	<u>₩ -</u>	<u>₩ 395,778</u>	<u>₩ -</u>	<u>₩ 395,778</u>

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

**6. Trade accounts receivable**

1) Details of trade accounts receivable as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 8,929,887	₩ 32,267	₩ 9,518,973	₩ 45,604
Unbilled receivables	950,039	-	1,044,469	-
Allowance for doubtful accounts:				
Trade accounts receivable	(584,671)	(8,846)	(385,536)	(353)
	<u>₩ 9,295,255</u>	<u>₩ 23,421</u>	<u>₩ 10,177,906</u>	<u>₩ 45,251</u>

2) Details of accumulated cost, accumulated profit, unbilled receivables, overbilled receivables related to construction contracts in progress as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016			
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables
Group of SK Engineering & Construction Co., Ltd.	₩ 35,427,754	₩ 35,421,068	₩ 902,861	₩ 896,175
Others	222,980	188,640	47,178	12,838
	<u>₩ 35,650,734</u>	<u>₩ 35,609,708</u>	<u>₩ 950,039</u>	<u>₩ 909,013</u>
	December 31, 2015			
	Accumulated Cost and profit	Progress billings	Unbilled receivables	Overbilled receivables
Group of SK Engineering & Construction Co., Ltd.	₩ 31,643,557	₩ 31,618,345	₩ 1,019,057	₩ 993,845
Others	202,422	192,101	25,412	15,091
	<u>₩ 31,845,979</u>	<u>₩ 31,810,446</u>	<u>₩ 1,044,469</u>	<u>₩ 1,008,936</u>

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

3) Details of construction profit variation by changes of accounting estimates related to construction contracts as at September 30, 2016 are as follows (Korean won in millions):

	September 30, 2016			
	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit (loss)	Impact on future period profit (loss)
Group of SK Engineering & Construction Co., Ltd.	₩ 807,999	₩ 1,021,592	₩ (123,659)	₩ (89,934)
Others	13,173	11,685	1,289	199
	<u>₩ 821,172</u>	<u>₩ 1,033,277</u>	<u>₩ (122,370)</u>	<u>₩ (89,735)</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 contract to current reporting period and the estimated construction revenue as at current reporting period. Estimated construction cost and revenue can be changed in the future period.

4) Details of construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as at September 30, 2016 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	2009.12	2014.02	99.9	₩ 20,198	₩ -	₩ 133,962	₩ -
	Go-sung Green Power Project	2014.07	2021.04	3.3	48,178	-	-	-

(\*1) Refers to amounts of billed receivables

**7. Inventories**

Details of inventories as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016			December 31, 2015		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 1,033,724	₩ (19,941)	₩ 1,013,783	₩ 1,451,636	₩ (28,436)	₩ 1,423,200
Finished goods	1,545,278	(39,178)	1,506,100	1,524,102	(44,177)	1,479,925
Semi-finished goods and Work-in-progress	519,881	(21,412)	498,469	534,334	(13,652)	520,682
Raw materials and sub materials	1,089,626	(14,914)	1,074,712	952,933	(42,417)	910,516
Materials-in-transit	1,283,813	-	1,283,813	1,091,947	-	1,091,947
Supplies	205,678	(221)	205,457	196,780	(366)	196,414
Uncompleted contracts	6,504	-	6,504	7,434	-	7,434
Others	13,361	-	13,361	13,209	-	13,209
	<u>₩ 5,697,865</u>	<u>₩ (95,666)</u>	<u>₩ 5,602,199</u>	<u>₩ 5,772,375</u>	<u>₩ (129,048)</u>	<u>₩ 5,643,327</u>

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

Details of available-for-sale financial assets as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016	December 31, 2015
Marketable equity instruments	₩ 983,752	1,120,710
Non-marketable equity instruments	539,766	781,194
Corporate and government bonds	55,258	51,736
Others (*1)	433,265	106,364
	<u>₩ 2,012,041</u>	<u>₩ 2,060,004</u>
Current available-for-sale financial assets	₩ 255,652	₩ 153,340
Non-current available-for-sale financial assets	1,756,389	1,906,664

(\*1) Include beneficiary certificates

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

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	September 30, 2016		December 31, 2015	
			Acquisition cost	Book value	Book value	Book value
Associates:						
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 5,673,808	₩ 5,602,620	
China Gas Holdings Ltd. (*2, 6)	Hong Kong	15.9%	1,595,611	1,608,544	1,647,330	
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	321,271	313,694	
Peru LNG Company, LLC (*6)	Peru	20.0%	331,144	288,702	297,965	
Korea IT Fund (*3)	Korea	63.3%	242,170	260,159	260,456	
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	263,245	254,177	
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	204,835	235,216	
SK TNS Co., Ltd. (*7)	Korea	-	-	-	165,376	
Springvale SK Kores Pty. Ltd.	Australia	50.0%	115,599	102,296	105,916	
Eurasia Tunnel (*6)	Turkey	50.0%	120,287	128,772	81,153	
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	80,839	77,416	
NanoEnTek, Inc.	Korea	28.5%	68,996	64,456	68,150	
SOCAR, Inc. (*4)	Korea	20.0%	58,860	56,160	-	
SKC Haas Display film Pty. Ltd.	Korea	49.0%	48,196	58,406	56,278	
TSK Water Co., Ltd.	Korea	25.0%	45,811	54,110	48,881	
Korea LNG Limited (*2)	Bermuda	16.0%	64,071	46,994	41,556	
Xe-Pian Xe-Namnoy Power Company (*6)	Laos	26.0%	45,558	33,713	36,094	
SKC Evonik Peroxide Korea Co., Ltd.	Korea	45.0%	27,548	28,033	27,538	
Xian Tianlong Science and Technology Co., Ltd.	China	49.0%	24,620	25,754	25,767	
Horizon Singapore Terminals Private Limited (*2)	Singapore	15.0%	28,153	24,620	25,170	
Shaw SKE&C Middle East Ltd.	UAE	41.0%	22,091	27,083	24,950	
Beijing BESK Technology Co., Ltd.	China	40.0%	23,290	19,163	23,004	
FSK Holdings Co., Ltd.	Hong Kong	30.0%	11,937	12,116	22,578	
SSV contents fund (*8)	Korea	-	-	-	17,619	
Oilhub Korea Yeosu Co., Ltd. (*2)	Korea	11.0%	16,836	19,374	17,272	

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

Company	Domicile	Equity ownership (*1)	September 30, 2016		December 31, 2015	
			Acquisition cost	Book value	Book value	Book value
Daehan 4 New Stay REIT Co., Ltd. (*4)	Korea	38.7%	₩ 16,250	₩ 16,242	₩ -	
Busan Green Energy Co., Ltd.	Korea	28.5%	14,279	13,588	14,262	
Zhejiang Shenxin SK Packaging Co., Ltd.	China	50.0%	13,654	13,064	14,049	
UNISK (Beijing) Information Technology Co., Ltd.	China	49.0%	11,002	11,871	11,675	
SBS Golf Co., Ltd.	Korea	21.4%	3,300	9,502	9,862	
Inter Vest New Growth Fund	Korea	30.0%	7,100	2,124	5,302	
Troika Resources Investment Fund (*2)	Korea	10.1%	18,430	4,037	4,271	
Others				131,135	142,341	
				<u>9,604,016</u>	<u>9,677,938</u>	
Joint ventures (*5):						
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	₩ 488,809	₩ 502,519	₩ 508,826	
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	376,344	354,340	
Hana land chip PEF 33 (*3)	Korea	65.2%	196,001	192,969	197,123	
Boryeong LNG Terminal Co., Ltd. (*6)	Korea	50.0%	108,323	98,524	92,697	
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	93,598	86,242	
SKC-KOLON PI Co., Ltd.	Korea	27.0%	83,753	88,202	84,505	
S&Y Shipping S.A.	Panama	50.0%	42,195	37,911	42,520	
HANASK FINTECH Co., Ltd. (*4)	Korea	49.0%	24,500	24,496	-	
Ocean Maritime HongKong Ltd.	Hong Kong	50.0%	35,788	23,016	24,960	
PT XL Planet Digital (*6)	Indonesia	50.0%	55,954	32,293	23,108	
Dogus Planet, Inc. (*6)	Turkey	50.0%	39,874	22,443	15,118	
Shanghai-GaoQiao SK Solvent Co., Ltd.	China	50.0%	11,724	10,881	11,709	
Tengzhou ShengYuanHongDa Chemical Co., Ltd.	China	50.0%	5,795	1,135	3,806	
Celcom Planet (*3,6)	Malaysia	51.0%	28,710	4,228	3,405	
Others				30,525	31,478	
				<u>1,539,184</u>	<u>1,479,837</u>	
				<u>₩ 11,143,200</u>	<u>₩ 11,157,775</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 is unable to exercise its majority voting rights resulting from contractual arrangements.

(\*4) During the nine months ended September 30, 2016, the Group newly acquired SOCAR, Inc., Daehan 4 New Stay REIT Co., Ltd. and HANASK FINTECH Co. Ltd.

(\*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 agreement 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.

(\*6) During the nine months ended September 30, 2016, the Group contributed shares additionally.

(\*7) During the nine months ended September 30, 2016, SK TNS Co., Ltd. has been excluded from investments in associates as it has been classified as consolidated subsidiaries (see Note 34).

(\*8) During the nine months ended September 30, 2016, SSV Contents fund has been sold.

**(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 nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	For the nine months ended September 30, 2016							
	Beginning balance	Acquisitions	Disposals	Equity profit or loss on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩ 9,677,938	₩ 159,864	₩ (214,193)	₩ 261,901	₩ (157,608)	₩ (111,851)	₩ (12,035)	₩ 9,604,016
Joint ventures	<u>1,479,837</u>	<u>98,406</u>	<u>-</u>	<u>14,113</u>	<u>(29,017)</u>	<u>(17,089)</u>	<u>(7,066)</u>	<u>1,539,184</u>
	<u>₩ 11,157,775</u>	<u>₩ 258,270</u>	<u>₩ (214,193)</u>	<u>₩ 276,014</u>	<u>₩ (186,625)</u>	<u>₩ (128,940)</u>	<u>₩ (19,101)</u>	<u>₩ 11,143,200</u>

(\*1) As losses on investments in associates exceeded their carrying amounts, the Group reduced their loans receivable by ₩490 million of unrecognized losses.

(\*2) Others include effects of changes in scope of consolidated subsidiaries, net foreign currency differences and others.

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

For the nine months ended September 30, 2016									
	Beginning balance	Business combination	Acquisitions	Disposals (*2)	Equity profit or loss on investments (*1)	Other capital movements	Dividends received	Others (*3)	Ending balance
Associates	₩ 3,314,585	₩ 9,308,149	₩ 209,072	₩ (3,686,673)	₩ 482,509	₩ 10,750	₩ (23,866)	₩ (38,863)	₩ 9,575,563
Joint ventures	-	1,511,776	2,042	(6,712)	1,530	980	(2,567)	3,115	1,510,164
	<u>₩ 3,314,585</u>	<u>₩ 10,819,925</u>	<u>₩ 211,114</u>	<u>₩ (3,693,385)</u>	<u>₩ 484,039</u>	<u>₩ 11,730</u>	<u>₩ (26,433)</u>		
	<u>₩ (35,748)</u>	<u>₩ 11,085,827</u>							

(\*1) As losses on investments in associates exceeded their carrying amounts, the Group reduced their loans receivable by ₩949 million of unrecognized losses.

(\*2) Includes ₩3,660,228 million for new and exchanged shares in SK Holdings Co., Ltd. resulting from the business combination.

(\*3) Others include effects of changes in scope of consolidated subsidiaries, net foreign currency differences and others.

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method

Details of unrecognized changes in the equity method caused by discontinuing the application of equity method for investments for the nine months ended September 30, 2016 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
SK Telesys Corporation	₩ 3,960	₩ -	₩ 3,960
U - land Co., Ltd.	1,762	-	1,762
Wave City Development Co., Ltd.	4,538	(1,440)	3,098
SK Wyverns Baseball Club Co., Ltd.	1,193	-	1,193
Pentaport Development Co., Ltd.	41,479	382	41,861
Morning Bridge Co., Ltd.	7,733	-	7,733
Liaoning East Shine Chemical Technology Co., Ltd.	-	1,402	1,402

(4) Condensed financial information of significant investments in associates and jointly controlled entities for the nine months ended September 30, 2016 and as at September 30, 2016 is as follows (Korean won in millions):

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Associates:							
SK Hynix Inc.	₩ 8,228,379	₩ 20,938,615	₩ 2,974,255	₩ 4,188,158	₩ 11,840,289	₩ 1,331,909	₩ 976,408
China Gas Holdings Ltd.	2,030,197	5,933,891	2,946,074	1,899,182	2,276,274	180,659	89,161
Daehan Oil Pipeline Corporation	90,004	914,242	44,923	231,535	121,466	27,301	27,301
Peru LNG Company, LLC	414,880	2,962,840	214,390	1,719,820	188,092	(63,509)	(63,509)
Korea IT Fund	160,312	250,465	-	-	21,629	17,641	9,135
Hana Card Co., Ltd.	6,619,270	231,834	1,182,840	4,272,913	1,046,372	59,303	58,779
Yemen LNG Company Ltd.	175,661	4,804,687	201,944	1,809,776	-	(235,430)	(235,430)
Springvale SK Kores Pty. Ltd.	12,030	377,569	22,376	162,631	75,644	(3,360)	(3,360)
Eurasia Tunnel	39,197	1,163,776	88,043	870,364	219,817	18,761	17,706
Korea Ras Laffan LNG Limited	46,191	1,006,460	22,698	19,462	43,684	42,782	42,782
NanoEnTek, inc.	18,536	31,739	7,233	6,319	14,251	(6,793)	(6,794)
SOCAR, Inc.	61,356	81,881	15,844	65,752	55,805	(13,485)	(13,485)
SKC Haas Display film Pty. Ltd.	114,758	118,515	103,258	10,195	209,537	7,011	4,484
TSK Water Co., Ltd.	94,409	325,113	82,712	187,423	278,088	21,003	21,003
Korea LNG Limited	36,008	275,565	17,824	39	24,721	23,918	23,918
Xe-Pian Xe-Namnoy Power Company	22,142	614,554	27,241	438,574	-	(13,858)	(13,078)
SKC Evonik Peroxide Korea Co., Ltd.	22,227	15,939	4,635	483	23,725	1,736	1,736
Horizon Singapore Terminals Private Limited	18,352	244,917	42,547	56,587	61,909	27,574	27,574
Shaw SKE&C Middle East Ltd.	11	66,552	506	-	-	9,679	9,135
Beijing BESK Technology Co., Ltd.	119,571	9,313	80,977	-	80,066	(4,960)	(4,960)
Oilhub Korea Yeosu Co., Ltd.	53,705	482,879	287,860	95,077	57,759	17,731	17,731
Daehan 4 New Stay REIT Co., Ltd.	5,387	36,615	23	-	-	(6)	(6)
Busan Green Energy Co., Ltd.	3,501	91,535	39	47,319	-	(2,363)	(2,363)
Zhejiang Shenxin SK Packaging Co., Ltd.	18,836	19,707	12,815	-	35,172	601	601
UNISK (Beijing) Information Technology Co., Ltd.	16,368	24,187	15,663	9	25,854	2,378	2,378
SBS Golf Co., Ltd.	34,844	19,344	9,571	172	36,960	(1,685)	(1,685)
Inter Vest New Growth Fund	7,082	-	2	-	2,497	2,208	2,208
Troika Resources Investment Fund	40,234	5,153	5,363	-	3,252	(919)	(919)

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

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Joint ventures:							
Sinopec-SK (Wuhan)	₩ 193,526	₩ 2,480,259	₩ 1,348,591	₩ 8,252	₩ 1,356,668	₩ 129,096	₩ 129,096
Petrochemical Co., Ltd							
Mitsui Chemicals & SKC	438,321	724,807	328,075	41,089	829,922	22,042	46,066
Hana land chip PEF 33	14,938	576,307	13,327	281,727	26,140	18,536	18,536
Boryeong LNG Terminal Co., Ltd.	224,692	1,034,833	15,944	1,089,891	-	(3,531)	(3,531)
SABIC SK Nexlene Company Pte. Ltd.	152,823	615,373	148,268	329,200	200,636	(8,637)	(8,637)
SKC-KOLON PI Co., Ltd.	86,903	214,459	24,368	52,877	114,728	16,755	16,755
S&Y Shipping S.A.	13,383	114,138	5,874	45,825	11,862	(3,947)	(3,947)
HANASK FINTECH Co. Ltd.	48,849	424	1	-	-	(8)	(8)
Ocean Maritime HongKong Ltd.	1,525	70,894	13,552	12,836	8,701	(704)	(665)
PT XL Planet Digital	28,530	47,300	10,102	1,141	7,058	(36,771)	(36,771)
Dogus Planet, Inc.	55,571	15,496	26,098	83	34,492	(17,662)	(15,803)
Shanghai-GaoQiao SK Solvent Co., Ltd.	15,522	8,312	2,073	-	35,880	532	532
Tengzhou ShengYuanHongDa Chemical Co., Ltd.	21,049	38,659	55,967	-	100,806	(4,064)	(4,064)
Comcom Planet	20,803	2,583	15,096	-	4,080	(32,677)	(32,677)

**10. Property, plant and equipment**

(1) Details of property, plant and equipment as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016	December 31, 2015
Acquisition cost	₩ 42,112,039	₩ 40,734,261
Accumulated depreciation and accumulated impairment loss	(2,505,834)	(1,288,975)
	<u>₩ 39,606,205</u>	<u>₩ 39,445,286</u>

(2) Changes in property, plant and equipment for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	For the nine months ended September 30, 2016						
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 9,900,793	₩ 61,280	₩ 6,382	₩ (50,627)	₩ -	₩ 1,506	₩ 9,919,334
Buildings	3,292,931	87,996	5,652	(28,262)	(106,119)	77,503	3,229,701
Structures	1,227,202	39,986	45,236	(2,908)	(74,398)	51,782	1,286,900
Ships and vessels	2,805,736	-	1,625	(4,506)	(59,253)	(179,878)	2,563,724
Machinery and equipment	16,189,361	267,031	380,813	(32,968)	(2,215,088)	672,017	15,261,166
Vehicles	485,429	1,184	286,241	(40,066)	(81,392)	10,150	661,546
Others	2,770,338	26,505	530,984	(15,730)	(429,370)	(79,385)	2,803,342
Construction-in-progress	2,773,496	26,121	2,090,979	(39,938)	-	(1,070,166)	3,780,492
	<u>₩ 39,445,286</u>	<u>₩ 510,103</u>	<u>₩ 3,347,912</u>	<u>₩ (215,005)</u>	<u>₩ (2,965,620)</u>	<u>₩ (516,471)</u>	<u>₩ 39,606,205</u>
	For the nine months ended September 30, 2015						
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 147,205	₩ 9,872,406	₩ 4,037	₩ (53,603)	₩ -	₩ 17,992	₩ 9,988,037
Buildings	336,133	2,961,414	2,769	(3,761)	(33,406)	(18,844)	3,244,305
Structures	-	1,199,062	2,346	(216)	(30,750)	5,176	1,175,618
Ships and vessels	-	2,763,923	47	-	(20,767)	125,008	2,868,211
Machinery and equipment	62	15,883,223	119,309	(13,335)	(487,422)	272,047	15,773,884
Vehicles	773	411,459	41,264	2,537	(15,663)	(10,792)	429,578
Others	90,010	2,696,784	185,024	(2,344)	(145,781)	(64,378)	2,759,315
Construction-in-progress	-	2,712,280	429,714	(2,561)	-	(194,973)	2,944,460
	<u>₩ 574,183</u>	<u>₩ 38,500,551</u>	<u>₩ 784,510</u>	<u>₩ (73,283)</u>	<u>₩ (733,789)</u>	<u>₩ 131,236</u>	<u>₩ 39,183,408</u>

(\*1) This includes net translation differences, transferred amounts to property, plant and equipment and investment properties from construction-in-progress and others.

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**11. Investment property**

(1) Details of investment properties as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Acquisition cost	₩ 753,995	₩ 811,593
Accumulated depreciation and accumulated impairment loss	<u>(10,719)</u>	<u>(13,785)</u>
	<u>₩ 743,276</u>	<u>₩ 797,808</u>

(2) Changes in investment properties for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the nine months ended September 30, 2016</u>					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Others (*1)</u>	<u>Ending balance</u>
Land	₩ 384,932	₩ -	₩ -	₩ -	₩ 15,909	₩ 400,841
Buildings	411,120	1,384	(59,458)	(8,073)	(4,184)	340,789
Structures	1,756	-	-	(110)	-	1,646
	<u>₩ 797,808</u>	<u>₩ 1,384</u>	<u>₩ (59,458)</u>	<u>₩ (8,183)</u>	<u>₩ 11,725</u>	<u>₩ 743,276</u>

  

	<u>For the nine months ended September 30, 2015</u>					
	<u>Beginning balance</u>	<u>Business combination</u>	<u>Acquisition</u>	<u>Depreciation</u>	<u>Others (*1)</u>	<u>Ending balance</u>
Land	₩ -	₩ 393,805	₩ 370	₩ -	₩ -	₩ 394,175
Buildings	-	426,419	956	(5,171)	955	423,159
Structures	-	1,817	-	(24)	-	1,793
	<u>₩ -</u>	<u>₩ 822,041</u>	<u>₩ 1,326</u>	<u>₩ (5,195)</u>	<u>₩ 955</u>	<u>₩ 819,127</u>

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

**12. Goodwill**

Changes in goodwill for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the nine months ended</u>	
	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Beginning balance	₩ 27,078	₩ 22,468
Business combination (see Note 34)	275,344	-
Others	4,896	1,282
Ending balance	<u>₩ 307,318</u>	<u>₩ 23,750</u>

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**13. Intangible assets**

Changes in intangible assets for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	For the nine months ended September 30, 2016						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	Ending balance
Development costs	₩ 79,158	₩ -	₩ 18,413	₩ (7)	₩ (21,423)	₩ 4,789	₩ 80,930
Facility usage rights	61,386	-	1,094	(4)	(6,699)	(1,111)	54,666
Industrial property rights	120,701	-	3,901	(318)	(5,485)	133	118,932
Frequency usage rights	1,103,517	-	1,254,664	-	(220,514)	-	2,137,667
Customer-related assets	1,263,503	244,984	503	-	(97,130)	-	1,411,860
Membership (*1)	241,874	1,449	25,998	(19,292)	(68)	(1,854)	248,107
Development costs for petroleum resource	1,862,146	-	59,768	-	(72,684)	(42,351)	1,806,879
Brand contract-related assets (*1)	1,975,000	-	-	-	-	-	1,975,000
Developed technology	1,045,951	106,420	-	-	(88,307)	(1)	1,064,063
Others (*3)	1,969,115	2,684	170,440	(12,502)	(345,988)	(175,672)	1,608,077
	<u>₩ 9,722,351</u>	<u>₩ 355,537</u>	<u>₩ 1,534,781</u>	<u>₩ (32,123)</u>	<u>₩ (858,298)</u>	<u>₩ (216,067)</u>	<u>₩ 10,506,181</u>

	For the nine months ended September 30, 2015						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	Ending balance
Development costs	₩ 45,839	₩ 44,960	₩ 9,336	₩ (6,898)	₩ (11,411)	₩ (4,391)	₩ 77,435
Facility usage rights	-	62,788	383	(8)	(1,551)	39	61,651
Industrial property rights	3,270	117,986	122	(331)	(1,192)	1,332	121,187
Frequency usage rights	-	1,220,403	-	-	(46,755)	-	1,173,648
Customer-related assets	251	1,308,749	-	-	(14,846)	1,364	1,295,518
Membership (*1)	17,173	231,650	3,703	(2,643)	-	559	250,442
Development costs for petroleum resource	-	1,998,271	64,068	-	(22,605)	(12,170)	2,027,564
Brand contract-related assets (*1)	-	1,975,000	-	-	-	-	1,975,000
Developed technology	-	1,091,503	-	-	(18,221)	-	1,073,282
Others (*3)	12,736	1,783,591	37,760	(2,043)	(46,683)	8,655	1,794,016
	<u>₩ 79,269</u>	<u>₩ 9,834,901</u>	<u>₩ 115,372</u>	<u>₩ (11,923)</u>	<u>₩ (163,264)</u>	<u>₩ (4,612)</u>	<u>₩ 9,849,743</u>

(\*1) Membership and brand contract-related assets are classified as intangible assets with infinite useful lives and are not amortized.

(\*2) This includes impairment loss, net translation differences, transferred amounts and others.

(\*3) This comprises intangible assets recognized through business combination, software and contribution property of use earnings.

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**14. Borrowings and bonds payable**

(1) Details of borrowings and bonds payable as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 2,200,535	₩ -	₩ 2,726,701	₩ -
Bonds and long-term borrowings:				
Bonds payable	4,327,054	20,531,259	4,231,569	20,508,116
Long-term borrowings	1,281,561	3,530,012	1,261,811	2,988,187
	<u>5,608,615</u>	<u>24,061,271</u>	<u>5,493,380</u>	<u>23,496,303</u>
	₩ 7,809,150	₩ 24,061,271	₩ 8,220,081	₩ 23,496,303

(2) Details of bonds payable as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016	December 31, 2015
SK Holdings Co., Ltd.	₩ 5,730,000	₩ 5,120,000
SK Innovation Co., Ltd.	643,705	670,202
SK Lubricants Co., Ltd.	450,000	740,640
SK Energy Co., Ltd.	2,300,000	2,410,000
SK Global Chemical Co., Ltd.	1,169,260	1,184,400
SK Incheon Petrochem Co., Ltd.	1,750,000	1,850,000
SK Global Chemical Investment Hong Kong Ltd.	-	171,521
SK Telecom Co., Ltd.	5,600,941	5,638,051
SK Broadband Co., Ltd.	1,448,890	1,471,600
PS&Marketing Corp.	20,000	30,000
SK Networks Co., Ltd.	1,390,000	1,190,000
SKC Co., Ltd.	650,000	680,000
SKC Solmics Co., Ltd.	69,000	60,000
SK Telesys Co., Ltd.	40,000	40,000
SK Shipping Co., Ltd.	547,000	547,200
SK Shipping Europe Plc.	21,926	35,160
SK E&S Co., Ltd.	1,200,000	860,000
Paju energy service Co., Ltd. (formerly, PMP 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.	430,000	600,000
SK Materials Co., Ltd.	90,000	-
	<u>24,380,722</u>	<u>24,128,774</u>
Addition: premium on bonds payable	477,591	610,911
Less: current portion	<u>(4,327,054)</u>	<u>(4,231,569)</u>
	₩ 20,531,259	₩ 20,508,116

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

(3) Details of long-term borrowings as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

Financial institution	Description	Interest rate	September 30, 2016	December 31, 2015
Korea Development Bank and others	General	0.75% ~ 5.60%	₩ 1,092,350	₩ 959,254
Korea Development Bank and others (*1)	Fund for facility	1.75% ~ 4.75%	1,876,174	1,377,913
Export Kreditnamnden and others	Foreign long-term borrowings	1.62% ~ 5.54%	532,083	658,624
Korea National Oil Corporation and others (*2)	Fund for mine exploration	0.00% ~ 0.75%	57,874	157,906
Econg 1st Co., Ltd. and others	Callable preferred share	5.00% ~ 6.40%	575,000	543,727
Korea Development Bank and others	Fund for operation	2.39% ~ 5.90%	488,353	328,868
Kookmin Bank and others	Fund for supply pipeline	1.75%	13,772	11,584
Kookmin Bank	Fund for catalyzing information	1.54%	5,299	10,573
Kookmin Bank and others	Fund for reasonable energy consumption	1.50% ~ 1.75%	3,867	30,706
E1 Corporation	Versatile fund for peer construction	-	-	198
KEB Hana Bank and others	Fund for safety management	1.75%	1,680	467
D&D Growth Strategy Limited and others	Others	-	<u>156,006</u>	<u>149,588</u>
			<u>4,802,458</u>	<u>4,229,408</u>
Addition: premium on borrowings			9,115	20,590
Less: current portion			<u>(1,281,561)</u>	<u>(1,261,811)</u>
			<u>₩ 3,530,012</u>	<u>₩ 2,988,187</u>

(\*1) The borrowings from Korea Development Bank amounting to ₩199,811 million of SK Global Chemical Co., Ltd., a subsidiary of the Group, are related to the facility borrowings of Ulsan Aromatics Co., Ltd., which is accounted 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 September 30, 2016.

(\*2) As at September 30, 2016, 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 ₩43,024 million based on the successful effort method, and interest expense will be recognized upon successful commercial production.

Long-term borrowings presented above are to be repaid either in installments or all at once at maturity. Financial instruments and other assets of the Group are pledged as collaterals (see Note 31).

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**15. Provisions**

Changes in the provisions for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	For the nine months ended September 30, 2016						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 9,607	₩ -	₩ 3,674	₩ (368)	₩ 12,913	₩ 783	₩ 12,130
Provision for handset subsidy	5,671	-	-	(1,019)	4,652	1,214	3,438
Provision for restoration	93,920	-	23,784	(9,064)	108,640	29,526	79,114
Provision for point program	3,045	-	3,567	(1,420)	5,192	4,783	409
Provision for service / construction warranties	49,491	5	12,204	(13,512)	48,188	48,121	67
Provision for sales returns	27	-	61	(12)	76	76	-
Provision for losses on contracts	178,370	-	76,527	(140,101)	114,796	114,796	-
Other provisions	100,369	576	25,997	(11,842)	115,100	53,559	61,541
	<u>₩ 440,500</u>	<u>₩ 581</u>	<u>₩ 145,814</u>	<u>₩ (177,338)</u>	<u>₩ 409,557</u>	<u>₩ 252,858</u>	<u>₩ 156,699</u>

	For the nine months ended September 30, 2015						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 334	₩ 3,731	₩ 304	₩ -	₩ 4,369	₩ 701	₩ 3,668
Provision for handset subsidy	-	5,582	-	(653)	4,929	2,951	1,978
Provision for restoration	-	88,027	10,861	(4,236)	94,652	33,701	60,951
Provision for point program	-	2,079	2,777	(2,284)	2,572	1,909	663
Provision for service / construction warranties	4,539	44,151	5,751	(7,432)	47,009	47,009	-
Provision for sales returns	-	254	-	(199)	55	55	-
Provision for losses on contracts	-	32,633	129,824	(2,276)	160,181	159,780	401
Other provisions	-	82,045	160	(561)	81,644	4,304	77,340
	<u>₩ 4,873</u>	<u>₩ 258,502</u>	<u>₩ 149,677</u>	<u>₩ (17,641)</u>	<u>₩ 395,411</u>	<u>₩ 250,410</u>	<u>₩ 145,001</u>

**16. Retirement benefit obligation**

(1) Details of retirement benefit obligation as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016	December 31, 2015
Present value of defined benefit obligation	₩ 1,954,475	₩ 1,736,303
Fair value of plan assets	(1,474,242)	(1,470,600)
	<u>₩ 480,233</u>	<u>₩ 265,703</u>

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

(2) Changes in retirement benefit obligation for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the nine months ended September 30, 2016</u>		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 1,736,303	₩ (1,470,600)	₩ 265,703
Business combination	22,814	(14,056)	8,758
Provision for pension benefits:			
Current service cost	234,598	-	234,598
Net interest expense (income)	31,589	(26,431)	5,158
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	6,542	6,542
Actuarial changes arising from changes in financial assumptions	61,276	-	61,276
Contributions by employer directly to plan assets	-	(76,138)	(76,138)
Benefit paid	(152,654)	113,079	(39,575)
Others	20,549	(6,638)	13,911
Ending balance	<u>₩ 1,954,475</u>	<u>₩ (1,474,242)</u>	<u>₩ 480,233</u>

	<u>For the nine months ended September 30, 2015</u>		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 185,259	₩ (167,288)	₩ 17,971
Business combination	1,448,710	(1,111,067)	337,643
Provision for pension benefits:			
Current service cost	77,825	-	77,825
Past service cost	59	-	59
Net interest expense (income)	13,713	(9,389)	4,324
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	(2,907)	(2,907)
Actuarial changes arising from changes in financial assumptions	(8,214)	-	(8,214)
Contributions by employer directly to plan assets	-	(2,157)	(2,157)
Benefit paid	(33,464)	27,733	(5,731)
Others	6,839	(8,025)	(1,186)
Ending balance	<u>₩ 1,690,727</u>	<u>₩ (1,273,100)</u>	<u>₩ 417,627</u>

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**17. Other assets and liabilities**

(1) Details of other assets as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Current assets:		
Short-term financial instruments	₩ 3,937,973	₩ 2,741,181
Short-term loans	241,614	252,541
Accrued income	42,702	51,198
Advance payments	768,937	895,724
Prepaid expenses	638,332	605,783
Held-to-maturity investments	22	45
Guarantee deposits	173,104	187,958
Derivative financial assets	137,850	272,216
Finance lease receivables	72,309	74,107
Others	10,650	9,954
	<u>₩ 6,023,493</u>	<u>₩ 5,090,707</u>
Non-current assets:		
Long-term financial instruments	₩ 249,484	₩ 212,987
Long-term prepaid expenses	1,090,579	1,282,744
Long-term loans	312,358	239,397
Held-to-maturity investments	915	915
Guarantee deposits	706,706	624,592
Derivative financial assets	66,338	197,565
Finance lease receivables	268,449	345,545
Others	102,392	116,324
	<u>₩ 2,797,221</u>	<u>₩ 3,020,069</u>

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

(2) Details of other liabilities as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016		December 31, 2015	
Current liabilities:				
Accrued expenses	₩	2,590,478	₩	2,563,103
Dividends payable		574		2,369
Advance received		1,789,247		2,039,180
Unearned revenue		276,815		292,986
Withholdings		1,977,930		1,646,467
Leasehold deposits received		115,354		135,830
Income tax payable		672,374		780,377
Derivative financial liabilities		124,617		102,371
Finance lease liabilities		1,651		1,756
Financial guarantee liabilities		7,509		-
Others		179		5,124
	₩	7,556,728	₩	7,569,563
Non-current liabilities:				
Unearned revenue	₩	340,998	₩	290,150
Leasehold deposits received		343,831		247,265
Derivative financial liabilities		145,041		137,703
Finance lease liabilities		2,131		3,603
Financial guarantee liabilities		12,037		12,076
Others		48,574		53,863
	₩	892,612	₩	744,660

**18. Derivative financial assets and liabilities**

Details of derivative financial assets and liabilities as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Firm contracts	₩ (8,859)	₩ -	₩ 125,694	₩ (510)
Swap contracts	(6,338)	(67,691)	42,075	57,612
Forward contracts	21,530	(4,054)	(3,336)	(351)
Futures contracts	6,900	-	5,412	-
Options contracts	-	-	-	3,111
Others	-	(6,958)	-	-
	₩ 13,233	₩ (78,703)	₩ 169,845	₩ 59,862
Assets	₩ 137,850	₩ 66,338	₩ 272,216	₩ 197,565
Liabilities	(124,617)	(145,041)	(102,371)	(137,703)

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**19. Equity**

**19.1 Issued capital**

Details of issued capital as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>September 30, 2016</u>		<u>December 31, 2015</u>
Number of shares authorized for issue	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 Group retired 6,000,000 shares of its treasury share (par value: ₩1,200 million) 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 September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>September 30, 2016</u>		<u>December 31, 2015</u>
Paid-in surplus (*1)	₩ 5,605,831	₩	5,605,831
Treasury share (*2)	(904,490)		(904,490)
Others	56,429		72,624
	<u>₩ 4,757,770</u>	<u>₩</u>	<u>4,773,965</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 account of additional paid-in capital.

(\*2) As at September 30, the Company holds treasury shares acquired in order to enhance corporate value and stabilize stock price, and shares acquired from dissenting shareholders and arising from odd lot shares on business combination. There were no disposal or acquisition of treasury shares for the nine months ended September 30, 2016.

**19.3 Retained earnings**

Details of retained earnings as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>September 30, 2016</u>		<u>December 31, 2015</u>
Legal reserve (*1)	₩ 7,693	₩	5,100
Voluntary reserve	80,896		102,563
Unappropriated retained earnings	8,375,958		7,694,050
	<u>₩ 8,464,547</u>	<u>₩</u>	<u>7,801,713</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 shareholder.

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**19.4 Other capital components**

Details of other capital components as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016		December 31, 2015	
Net gain (loss) on available-for-sale financial assets	₩	11,285	₩	(12,759)
Changes in equity in equity method		(84,864)		(10,535)
Net gain (loss) on valuation of cash flow hedges		(16,102)		1,981
Net loss on translation of foreign operation		(213,414)		(3,932)
Net gain (loss) on foreign currency translation		(17,257)		700
	₩	(320,352)	₩	(24,545)

**20. Selling and administrative expenses**

Details of selling and administrative expenses for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 252,913	₩ 748,282	₩ 204,711	₩ 204,711
Provision for pension benefits	23,807	73,941	20,975	20,975
Employee welfare benefits	42,229	125,877	34,143	34,143
Travel	12,945	38,881	10,658	10,658
Bad debt expenses	159,854	202,884	104,208	104,214
Communications	2,417	7,569	558	558
Utilities	10,574	31,697	7,741	7,741
Taxes and dues	20,358	63,157	17,460	17,460
Supplies	4,918	17,590	5,483	5,483
Rents	45,718	130,832	33,972	33,972
Depreciation	57,827	170,591	46,108	46,108
Amortization	36,745	108,163	25,025	25,025
Repairs	5,883	16,585	4,787	4,787
Insurance	5,972	18,370	4,197	4,197
Advertising	143,173	419,116	101,362	106,141
Research and development	59,208	165,516	37,772	37,772
Education and examination	9,107	34,876	1,481	1,481
Outsourcing technology services	191,240	580,519	167,628	167,628
Commissions	4,993	13,836	6,415	6,415
Transport	151,805	473,819	124,432	124,432
Others	32,816	102,808	20,238	21,580
	₩ 1,274,502	₩ 3,544,909	₩ 979,354	₩ 985,481

**21. Financial income and costs**

(1) Details of financial income for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Interest income	₩ 51,130	₩ 149,242	₩ 34,252	₩ 36,657
Gain on foreign currency transactions	324,073	1,017,874	303,370	304,548
Gain on foreign currency translation	258,952	446,058	364,430	363,966
Gain on transactions of derivatives	116,435	354,985	136,872	137,128
Gain on valuation of derivatives	43,203	189,420	81,498	81,892
Others	1,047	1,224	-	-
	₩ 794,840	₩ 2,158,803	₩ 920,422	₩ 924,191

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**21. Financial income and costs (cont'd)**

(2) Details of financial costs for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Interest expenses	₩ 213,976	₩ 609,714	₩ 156,351	₩ 187,002
Loss on foreign currency transactions	303,133	1,002,094	418,186	420,338
Loss on foreign currency translation	227,005	399,262	304,184	303,337
Loss on transactions of derivatives	87,404	372,217	199,361	199,754
Loss on valuation of derivatives	113,999	218,651	-	-
Others	-	22	1,451	1,451
	<u>₩ 945,517</u>	<u>₩ 2,601,960</u>	<u>₩ 1,079,533</u>	<u>₩ 1,111,882</u>

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

(1) Details of other non-operating income for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Dividend income	₩ 6,534	₩ 33,445	₩ 2,867	₩ 22,675
Rental income	83	203	64	64
Gain on disposal of trade accounts receivable	4,853	12,708	-	-
Gain on disposal of available-for-sale financial assets	3,583	33,016	1,317	1,431
Gain on disposal of investments in associates and joint ventures	37,716	51,146	145,697	145,697
Gain on disposal of investments in subsidiary	-	10,843	209,658	209,658
Gain on disposal of property, plant and equipment	1,046	14,486	3,917	4,027
Gain on disposal of intangible assets	1,121	3,616	31	31
Gain on disposal of investment properties	8,612	61,530	42,089	42,089
Gain on bargain purchase	-	-	4,992,585	4,992,585
Others	50,046	182,699	33,820	34,209
	<u>₩ 113,594</u>	<u>₩ 403,692</u>	<u>₩ 5,432,045</u>	<u>₩ 5,452,466</u>

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**22. Other non-operating income and expenses (cont'd)**

(2) Details of other non-operating expenses for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Loss on disposal of trade accounts receivable	₩ 2,961	₩ 7,751	₩ 2,439	₩ 2,439
Loss on disposal of available-for-sale financial assets	1,049	2,459	92,005	92,005
Loss on impairment of available-for-sale financial assets	16,881	17,532	3,307	3,307
Loss on disposal of investments in associates and joint ventures	835	2,003	360,938	360,938
Loss on disposal of property, plant and equipment	26,883	55,574	12,943	13,085
Loss on impairment of property, plant and equipment	3,884	3,945	-	-
Loss on disposal of intangible assets	1,010	8,987	2,119	2,369
Loss on impairment of intangible assets	1,816	172,186	2,416	7,030
Loss on impairment of investment properties	5,279	17,259	14,653	14,653
Donations	39,051	137,271	6,073	6,339
Others	24,721	211,514	159,453	161,149
	<u>₩ 124,370</u>	<u>₩ 636,481</u>	<u>₩ 656,346</u>	<u>₩ 663,314</u>

**23. Expense classified based on nature of expense**

Details of classification based on nature of expenses for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Employee benefits	₩ 1,128,259	₩ 3,691,059	₩ 782,277	₩ 963,410
Depreciation and amortization	1,205,999	3,832,101	876,204	902,206
Network connection expenses	265,282	786,767	154,018	154,018
Transport	184,407	563,585	136,257	137,463
Advertising	141,587	421,375	102,631	107,410
Operating lease payments and rents	358,836	989,785	210,999	219,081
Other expenses	4,187,706	11,806,673	3,756,341	4,065,930
Use of raw materials and purchase of finished goods and merchandise	11,674,754	35,551,702	8,600,962	9,234,455
Changes in finished goods and Semi-finished goods	340	109,619	251,022	251,022
	<u>₩ 19,147,170</u>	<u>₩ 57,752,666</u>	<u>₩ 14,870,711</u>	<u>₩ 16,034,995</u>

**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 nine months ended September 30, 2016 and 2015 were 27.1% and 6.0%, respectively.

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**25. Earnings per share**

(1) Basic earnings per share for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions, except per shares and weighted-average number of ordinary shares outstanding):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Net income attributable to owners of the parent	₩ 210,249	₩ 884,915	₩ 4,909,676	₩ 5,261,846
Less: preferred share dividends	(487)	(1,460)	-	-
Net income attributable to ordinary share owners of the parent	₩ 209,762	₩ 883,455	₩ 4,909,676	₩ 5,261,846
Weighted-average number of issued ordinary share outstanding (*1)	55,824,357	55,824,357	54,003,456	47,263,643
Basic earnings per share (in Korean won) (*2)	₩ 3,758	₩ 15,826	₩ 90,914	₩ 111,330

(\*1) The weighted-average number of common share outstanding is issued share divided by period of circulation. The treasury share held until the disposal date, after the date of acquisition, is excluded from the number of common share outstanding.

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

The basis of calculating weighted-average number of ordinary issued shares outstanding for the three months and the nine months ended September 30, 2016 and 2015 is as follows.

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Weighted-average number of shares outstanding	70,360,297	70,360,297	61,510,447	52,364,900
Weighted-average number of treasury shares	(14,535,940)	(14,535,940)	(7,506,991)	(5,101,257)
Weighted-average number of issued ordinary shares outstanding	55,824,357	55,824,357	54,003,456	47,263,643

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions, except basic earnings per shares and weighted-average number of ordinary share outstanding):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Net income attributable to owners of the parent	₩ 209,762	₩ 883,455	₩ 4,909,676	₩ 5,261,846
Addition: loss from discontinued operations	(8,690)	(8,690)	(1,742)	(1,742)
Income from continuing operations attributable to owners of the parent	₩ 218,452	₩ 892,145	₩ 4,911,418	₩ 5,263,588
Weighted-average number of issued ordinary share outstanding	55,824,357	55,824,357	54,003,456	47,263,643
Basic earnings per share from continuing operations (in Korean won)	₩ 3,913	₩ 15,981	₩ 90,946	₩ 111,367

(3) Basic losses per share from discontinued operations

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Losses from discontinued operations attributable to owners of the parent	₩ (8,690)	₩ (8,690)	₩ (1,742)	₩ (1,742)
Weighted-average number of issued ordinary share outstanding	55,824,357	55,824,357	54,003,456	47,263,643
Basic earnings per share from discontinued operations (in Korean won)	₩ (156)	₩ (156)	₩ (32)	₩ (37)

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**26. Transactions with related parties**

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the consolidated financial statements. Details of significant transactions with related-party for the nine months ended September 30, 2016 and 2015, and significant outstanding balances of receivables and payables with related parties as at September 30, 2016 and December 31, 2015 are as follows:

(1) Details of significant transactions with related-party for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

Company name	September 30, 2016			
	Revenue		Expenses	
	Three months	Nine months	Three months	Nine months
Daehan Oil Pipeline Corporation	₩ 196	₩ 4,320	₩ 12,161	₩ 36,475
Hana land chip PEF 33	3,360	3,360	9,194	26,049
Oilhub Korea Yeosu Co., Ltd.	-	-	3,127	9,870
Korea Consortium Kazakh B.V.	-	-	83	413
Netruck Franz Co., Ltd.	-	117	-	-
Ecopluscity. Co., Ltd.	-	1,521	-	-
Eurasia Tunnel	30,256	75,964	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	56,931	160,826	-	-
SKC Haas Display Film Co., Ltd.	13,624	35,825	263	586
SKC HAAS FILM Co., Ltd. (Suzhou)	5,287	11,260	-	-
SKC-KOLON PI Co., Ltd.	1,001	1,889	4	10
SKC Evonik Peroxide Korea Co., Ltd.	-	287	9,574	29,379
SKC MNT Co., Ltd.	831	2,997	6,203	18,074
TSF Co., Ltd.	511	1,994	57	100
AnTs.co.,LTD.	92	101	13,620	33,480
SK Securities Co., Ltd.	8,125	20,944	70	179
SK Gas Co., Ltd.	93,759	245,015	181,966	369,988
SK Advanced Co., Ltd.	1,028	37,402	2,277	6,182
Boryeong LNG Terminal Co., Ltd.	19,452	72,378	-	-
G. Hub Co., Ltd.	301	822	11,736	34,584
SK Chemicals Co., Ltd.	31,463	82,688	28,231	83,318
SK D&D Co., Ltd.	1,377	1,794	455	5,323
SK Petrochemical Co., Ltd.	16,576	40,008	873	2,492
Huvis Corporation	8,583	24,194	-	-
Ocean Maritime HongKong Ltd.	1,205	1,619	1,697	4,712
SK Wyverns Baseball Club Co., Ltd.	401	1,211	13	15,676
Mobile TCS Co., Ltd.	126	374	2,160	6,257
F&U Credit Information Co., Ltd.	1,226	2,309	12,305	36,250
Hana Card Co., Ltd.	4,960	15,050	10,188	30,704
Health Connect Co., Ltd.	3	6	639	1,236
SK Hyeng Inc.	5,702	14,255	868	2,807
Daejeon Clean Water Co., Ltd.	602	2,010	-	-
Gwangju Clean Water Co., Ltd.	134	394	-	-
SK Gas International Pte. Ltd.	6,672	14,351	-	1,192
Mitsui Chemicals & SKC Polyurethanes Inc.	46,987	155,806	4,392	26,935
SK Hynix Inc	214,763	664,359	500	1,487
SK Hystec Inc.	8,697	14,344	290	603
SK Hynix Semiconductor HK Ltd.	-	-	151,852	390,303
SK TNS Co., Ltd.	2,327	4,728	116,491	226,494
Others	99,922	213,434	42,684	141,177
	₩ 686,480	₩ 1,929,956	₩ 623,973	₩ 1,542,335

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

Company name	September 30, 2015			
	Revenue		Expenses	
	Three months	Nine months	Three months	Nine months
SK Innovation Co., Ltd.	₩ 2,761	₩ 19,416	₩ 35	₩ 175
Daehan Oil Pipeline Corporation	161	161	7,637	7,637
SK Biopharmaceuticals Co., Ltd.	85	1,850	-	-
SK Lubricants Co., Ltd.	334	2,403	-	58
SK Energy Co., Ltd.	2,642	19,478	-	-
SK Global Chemical Co., Ltd.	900	6,688	-	-
Hana land chip PEF 33	3,723	3,723	6,282	6,282
SK Holdings Co., Ltd.	5,129	45,073	-	2,071
SK Incheon Petrochem Co., Ltd.	354	2,977	-	-
SK Trading International Co., Ltd.	207	1,367	-	-
Oilhub Korea Yeosu Co., Ltd.	-	-	1,517	1,517
Hiplex Co., Ltd.	299	299	6	6
Korea Nexlene Company	19,072	19,072	338	338
SK BIOTEK Co., Ltd.	361	408	-	-
SK Bio-Pharma Tech (Shanghai) Co., Ltd.	-	-	125	125
SK CHINA (Beijing) Co., Ltd.	190	190	-	-
Netruck Franz Co., Limited	178	178	-	-
SK Engineering & Construction Co., Ltd.	1,546	11,328	-	1
Ecopluscity Co., Ltd.	9,619	9,619	34	34
Eurasia Tunnel	113	113	-	-
XE-PIAN XE-NAMNOY Power Company	29,104	29,104	-	-
SKC Co., Ltd.	1,116	5,202	-	-
SK Telesys Co., Ltd.	101	576	-	-
SK Mobile Energy Co., Ltd.	24	201	-	-
SKC Haas Display Film Co., Ltd.	11,688	11,688	99	99
SKC HAAS FILM Co., Ltd. (Suzhou)	2,335	2,335	-	-
SKC-KOLON PI Co., Ltd.	181	181	1	1
SKC Evonik Peroxide Korea Co., Ltd.	-	-	8,256	8,256
SKC MNT CO., Ltd.	417	417	3,456	3,456
SKC ACME Specialty Film (Huizhou) Co., Ltd.	158	158	331	331
TSF Co., Ltd.	333	336	76	76
AnTS	6	6	5,083	5,083
SK Securities Co., Ltd.	3,856	3,856	20	20
SK E&S Co., Ltd.	1,352	30,347	-	-
Kangwon City Gas Co., Ltd.	13	118	-	-
Yeongnam energy service Co., Ltd.	31	284	-	7
Pusan City Gas Co., Ltd.	73	300	-	-
SK Gas Co., Ltd.	39,502	39,502	102,630	102,630
Chungcheong energy service Co., Ltd.	23	193	-	-
SK Advanced Co., Ltd.	38,271	38,271	-	-
Boryeong LNG Terminal Co., Ltd.	40,268	40,268	-	-
G. Hub Co., Ltd.	139	139	7,959	7,959
SK Chemicals Co., Ltd.	18,240	18,240	20,666	20,666
SK D&D Co., Ltd.	69	69	2,731	2,731
SK Petrochemical Co., Ltd.	9,513	9,513	1,544	1,544
Huvis Corporation Co., Ltd.	4,616	4,616	-	-
UBcare Co., Ltd.	10	10	1,476	1,476
Ocean Maritime HongKong Ltd.	178	178	1,013	1,013
SK Wyverns Baseball Club Co., Ltd.	331	331	2,006	2,006
Mobile TCS Co., Ltd.	42	148	-	-
SK Networks Co., Ltd.	3,316	26,062	904	6,515
HAPPYNARAE Co., Ltd.	35	35	652	652
SK Networks Service Co., Ltd.	57	398	26	677

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

Company name	September 30, 2015			
	Revenue		Expenses	
	Three months	Nine months	Three months	Nine months
SK Pinx Co., Ltd.	₩ -	₩ 3	₩ 158	₩ 158
SK Shipping Co., Ltd.	320	1,697	-	-
SK Telecom Co., Ltd.	32,448	246,755	1,036	5,229
F&U Credit Information Co., Ltd.	571	571	7,870	7,870
SK Telink Co., Ltd.	287	2,418	50	354
SK Communications Co., Ltd.	31	216	-	-
Commerce Planet Co., Ltd.	23	143	-	-
SK Broadband Co., Ltd.	12,640	64,549	885	6,047
PS&Marketing Corp.	264	1,710	41	157
Hana Card Co., Ltd.	58	58	7,698	7,698
Networks Co., Ltd.	2	280	-	-
Television Media Korea Inc.	788	788	621	621
Health Connect Co., Ltd.	17	17	239	239
SK Hyeng Inc.	2,473	2,473	1,391	1,391
Daejeon Clean Water Co., Ltd.	597	597	-	-
Gwangju Clean Water Co., Ltd.	133	133	-	-
SK Gas International Pte. Ltd.	4,190	4,190	-	-
Mitsui Chemicals & SKC Polyurethanes Inc.	62,012	62,012	6,689	6,689
SK Hynix Co., Ltd.	256,511	256,511	231	231
SK Hystec Inc.	4,015	4,015	117	117
SK Hynix Semiconductor HK Ltd.	-	-	88,035	88,035
Others	1,657	41,324	1,215	4,108
	<u>₩ 632,109</u>	<u>₩ 1,097,885</u>	<u>₩ 291,179</u>	<u>₩ 312,386</u>

(2) Details of significant outstanding balances of receivables and payables with related parties as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

Company name	September 30, 2016		December 31, 2015	
	Receivables	Payables	Receivables	Payables
Daehan Oil Pipeline Corporation	₩ 22	₩ 505	₩ 18	₩ 1,262
Oilhub Korea Yeosu Co., Ltd.	-	1,132	-	825
Korea Consortium Kazakh B.V.	-	-	35,237	-
Pentaport Development Co., Ltd.	89,830	-	95,536	-
Daejeon Clean Water Co., Ltd.	987	-	893	-
Gwangju Clean Water Co., Ltd.	269	-	239	-
Ecopluscity. Co., Ltd.	-	-	4,183	-
Eurasia Tunnel	22,398	6,479	10,898	19,328
SK E&C JURONG Investment Singapore Pte. Ltd.	74,469	-	67,256	-
XE-PIAN XE-NAMNOY Power Company	22,552	36,670	12,911	56,070
SK E&C USA, Inc.	3,725	-	1,494	-
SBC General Trading & Contracting Co. WLL	4,092	533	3,109	545
SK TNS Co., Ltd.	-	-	687	44,378
SKC Haas Display Film Co., Ltd.	10,427	37,956	6,227	37,706
SKC HAAS FILM Co., Ltd. (Suzhou)	4,534	-	2,454	-
SKC Evonik Peroxide Korea Co., Ltd.	-	3,794	-	4,449
TSF Co., Ltd.	506	56	281	81
SKC MNT Co., Ltd.	228	1,736	221	1,287
Mitsui Chemicals & SKC Polyurethanes Inc.	31,830	2,056	42,468	1,456
AnTS	11	12,729	-	11,643
SK Gas Co., Ltd.	18,108	108,860	24,796	92,602
Boryeong LNG Terminal Co., Ltd.	140	-	182	2,248

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

Company name	September 30, 2016		December 31, 2015	
	Receivables	Payables	Receivables	Payables
G. Hub Co., Ltd.	₩ 120	₩ 4,057	₩ 87	₩ 4,204
SK Advanced Co., Ltd.	250	744	177	-
SK Gas International Pte. Ltd.	1,965	-	-	187
SK Chemicals Co., Ltd.	20,511	10,612	21,645	12,730
SK D&D Co., Ltd.	1	143	24	2,288
SK Petrochemical Co., Ltd.	10,659	82	7,881	1,016
Huvis Corporation	4,315	-	6,086	-
Ocean Maritime HongKong Ltd.	-	-	10	9
F&U Credit Information Co., Ltd.	14	1,137	77	1,024
SK Wyverns Baseball Club Co., Ltd.	1,170	11	5,519	-
Wave City Development Co., Ltd.	88,796	-	63,307	-
Hana Card Co., Ltd.	1,923	5,105	5,199	9,051
Health Connect Co., Ltd.	9	89	10	837
SK Hynix Inc.	128,880	6,799	285,472	6,520
SK Hystec Inc.	6,535	119	3,416	476
SK Hyeng Inc.	2,465	303	1,865	1,429
SK Hynix Semiconductor HK Ltd.	-	46,272	-	21,415
SK Securities Co., Ltd.	1,825	10	3,180	85
Others	151,616	30,581	44,951	61,865
	<u>₩ 705,182</u>	<u>₩ 318,570</u>	<u>₩ 757,996</u>	<u>₩ 397,016</u>

(3) Financing transactions with related parties for the nine months ended September 30, 2016 are as follows (Korean won in millions):

Company name	Loans	Collection
SK Networks Resources Australia Pty. Ltd.	₩ -	₩ 1,029
SK E&C USA, Inc.	1,354	135
Jurong Aromatics Corporation Pte. Ltd.	22,514	-

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

Details of compensation for them for the three months and the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 965	₩ 2,469	₩ 436	₩ 1,043
Provision for pension benefits	48	301	71	137
	<u>₩ 1,013</u>	<u>₩ 2,770</u>	<u>₩ 507</u>	<u>₩ 1,180</u>

Benefits for key management consist of registered executives who are responsible for the planning, operation and control of the Company's business activities.

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the nine months ended September 30, 2016 and 2015**

**27. Discontinued operations**

(1) Details of discontinued operations

SK Innovation Co., Ltd., a subsidiary of the Group, elected to close down non-core business and discontinue Triacetyl-cellulose ("TAC") optical materials business to focus on its core business related to oil development and battery. SK Innovation Co., Ltd. is actively looking for a potential buyer of equipment and expects to complete the sale in the current reporting period. SK Innovation Co., Ltd. classified assets of TAC optical material business expected to be sold as assets held for sale and recognized impairment loss for other assets.

As at August 22, 2016, SKC Co., Ltd., a subsidiary, entered into an agreement for the disposal of Solar business and recognized the assets as assets held for sale.

(2) Income and expenses from discontinued operations

Income and expenses from the discontinued operation for the nine months ended September 30, 2016 and 2015 are as follows (in millions of Korean won):

	September 30, 2016			
	TAC business		Solar business	
	in SK Innovation Co., Ltd.		in SKC Solmics Co., Ltd.	
Revenue	₩	-	₩	21,701
Expenses		-		71,135
Losses before income tax expense		-		(49,434)
Income tax expense		-		-
Losses from discontinued operations attributable to		-		(49,434)
Owners of the Company		-		(8,690)
Non-controlling interests		-		(40,744)

  

	September 30, 2015			
	TAC business		Solar business	
	in SK Innovation Co., Ltd.		in SKC Solmics Co., Ltd.	
Revenue	₩	107	₩	3,502
Expenses		4,058		7,550
Losses before income tax expense		(3,951)		(4,048)
Income tax expense		(956)		-
Losses from discontinued operations attributable to		(2,995)		(4,048)
Owners of the Company		(1,000)		(742)
Non-controlling interests		(1,995)		(3,306)

(3) Cash flows provided by discontinued operation

Details of cash flows relating to discontinued operation for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	September 30, 2016		September 30, 2015	
	TAC business	Solar business	TAC business	Solar business
	in SK Innovation Co., Ltd.	in SKC Solmics Co., Ltd.	in SK Innovation Co., Ltd.	in SKC Solmics Co., Ltd.
Cash flows from operating activities	₩	-	₩	1,429
Cash flows from investing activities		(3)		(383)
Cash flows from financing activities		(25,525)		(2,447)

**SK Holdings Co., Ltd. and its subsidiaries**  
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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 September 30, 2016 are as follows (Korean won in millions):

		<u>Assets</u>	<u>Liabilities</u>
Subsidiaries	Daiyang SK Networks SAN. VE TIC. Ltd. STI	₩ 815	₩ 633
Associates	Shanxi SK Guolin Hi-Tech Road Material Co., Ltd.	411	-
Property, plant and equipment	Property, plant and equipment related to TAC business and others	17,848	-
	Solar business of SKC Solmics Co., Ltd.	<u>3,000</u>	<u>-</u>
		<u>₩ 22,074</u>	<u>₩ 633</u>

**29. Cash flow information**

(1) Details of non-cash adjustments for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the nine months ended</u>	
	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Provision for pension benefits	₩ 239,756	₩ 82,208
Depreciation	2,973,803	738,984
Amortization	858,298	163,264
Bad debt expenses	202,884	104,215
Reversal of loss on valuation of inventories	(33,382)	123,962
Interest expenses	609,714	188,156
Loss on foreign currency translation	399,262	303,338
Loss on transactions of derivatives	372,217	200,346
Loss on valuation of derivatives	218,651	-
Loss on disposal of trade accounts receivable	7,751	2,439
Loss on disposal of available-for-sale financial assets	2,459	92,005
Loss on impairment of available-for-sale financial assets	17,532	3,307
Loss on disposal of investments in associates and joint ventures	2,003	360,938
Loss on disposal of property, plant and equipment	55,574	13,085
Loss on impairment of property, plant and equipment	3,945	-
Loss on disposal of intangible assets	8,987	2,369
Loss on impairment of intangible assets	172,186	7,030
Loss on impairment of investment properties	17,259	-
Income tax expense	1,009,553	342,733
Gain on investments in associates and joint ventures, net	(275,524)	(484,988)
Interest income	(149,242)	(36,657)
Dividends income	(33,445)	(22,675)
Gain on foreign currency translation	(446,058)	(363,966)
Gain on transactions of derivatives	(354,985)	(137,128)
Gain on valuation of derivatives	(189,420)	(81,892)
Gain on disposal of trade accounts receivable	(12,708)	-
Gain on disposal of available-for-sale financial assets	(33,016)	(1,431)
Gain on disposal of investments in associates and joint ventures	(51,146)	(145,697)
Gain on disposal of investment in subsidiary	(10,843)	(209,658)
Gain on disposal of property, plant and equipment	(14,486)	(4,027)
Gain on disposal of intangible assets	(3,616)	(31)
Gain on disposal of investment properties	(61,530)	-
Gain on bargain purchase	-	(4,992,585)
Others	<u>137,000</u>	<u>(156,479)</u>
	<u>₩ 5,639,433</u>	<u>₩ (3,908,835)</u>

**SK Holdings Co., Ltd. and its subsidiaries**  
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**29. Cash flow information (cont'd)**

(2) Details of working capital adjustments for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the nine months ended</u>	
	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Inventories	₩ 74,510	₩ 771,859
Trade accounts receivable	647,725	1,072,157
Other accounts receivable	(242,387)	66,922
Long-term trade accounts receivable	25,698	-
Trade accounts payable	(412,308)	(345,318)
Other accounts payable	(76,470)	(85,784)
Advance received	(260,527)	-
Defined benefit obligation	(132,463)	(33,464)
Plan assets	2,087	25,576
Others	35,315	113,698
	<u>₩ (338,820)</u>	<u>₩ 1,585,646</u>

(3) Significant non-cash transactions for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the nine months ended</u>	
	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Acquisitions of investments in associates and joint ventures	₩ 96,070	₩ -
Increase in other accounts payable related to acquisition of property, plant and equipment and intangible assets	806,593	40,400
Transfer of construction-in-progress to depreciable assets	867,548	261,374
Disposal of investments in associates and joint ventures	167,449	-

**SK Holdings Co., Ltd. and its subsidiaries**  
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**30. Commitments and contingencies**

(1) Guarantees provided for the Group as at September 30, 2016 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	
	The Export-Import Bank of Korea	VND	90,113,661	Guarantee of payment	
	Korea Software Financial Cooperative	USD	2,690	Performance guarantees for contract and others	
	Seoul Guarantee Insurance	KRW	355,374	Performance guarantees for contract and others	
SK Engineering & Construction Co., Ltd.	HSBC and others	KRW	1,111	Performance guarantees for contract and others	
		USD	1,211,063	Performance guarantees for overseas construction	
	KEB Hana Bank	EUR	7,506	Performance guarantees for overseas construction	
		SGD	77,648	Performance guarantees for overseas construction	
		INR	468,853	Performance guarantees for overseas construction	
		AED	171,418	Performance guarantees for overseas construction	
		KWD	169,043	Performance guarantees for overseas construction	
		QAR	342,732	Performance guarantees for overseas construction	
		TRY	17,734	Performance guarantees for overseas construction	
		SAR	776,613	Performance guarantees for overseas construction	
		THB	701,721	Performance guarantees for overseas construction	
		CAD	50,000	Performance guarantees for overseas construction	
		KZT	92,508	Performance guarantees for overseas construction	
		USD	443,537	Performance guarantees for overseas construction	
		VND	253,962,932	Performance guarantees for overseas construction	
		IDR	11,670,440	Performance guarantees for overseas construction	
		SAR	59,983	Performance guarantees for overseas construction	
		THB	120,000	Performance guarantees for overseas construction	
		Shinhan Bank	USD	93,920	Performance guarantees for overseas construction
			EUR	104,640	Performance guarantees for overseas construction
The Export-Import Bank of Korea	USD	806,999	Performance guarantees for overseas construction		
	SAR	649,869	Performance guarantees for overseas construction		
	USD	4,000	Performance guarantees for overseas construction		
	Korea Housing Guarantee Co., Ltd.	KRW	1,493,048	Performance guarantees for domestic construction	
	Seoul Guarantee Insurance	KRW	364,822	Performance guarantees for domestic construction	
	Engineering Financial Cooperative Construction Guarantee Cooperative	KRW	710,987	Performance guarantees for domestic construction	
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	2,184,658	Performance guarantees for domestic construction	
		KRW	19,554	Performance guarantees for contract and others	
		KRW	8,411	Performance guarantees for contract and others	
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	30,000	Performance guarantees for facility agreement	
		EUR	744	Performance guarantees for license fee	
		EUR	12,000	Guarantee of debt	
SK Shipping Co., Ltd.	Seoul Guarantee Insurance Bank of America	KRW	31,276	Performance guarantees for contract and others	
		USD	817	Stand by L/C	
KSF 34 International S.A.	The Export-Import Bank of Korea	USD	23,355	Performance guarantees for shipbuilding	
SHIKC 1 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	156,075	Performance guarantees for shipbuilding	
SHIKC 2 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	72,835	Performance guarantees for shipbuilding	
VLGC 4 Shipholding S.A.	The Export-Import Bank of Korea	USD	30,594	Performance guarantees for shipbuilding	
VLGC 5 Shipholding S.A.	The Export-Import Bank of Korea	USD	30,594	Performance guarantees for shipbuilding	
SK B&T PTE. LTD.	KEB Hana Bank	USD	1,000	Guarantee of liabilities	
HHIENS 1 SHIPHOLDING S.A.	KEB Hana Bank	USD	142,958	Performance guarantees for shipbuilding	
HHIENS 2 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	142,958	Performance guarantees for shipbuilding	
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	966	Guarantee of warranties and approval	
Chonnam city gas Co., Ltd.	Seoul Guarantee Insurance	KRW	3,832	Guarantee of warranties and others	
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,107	Community energy service facility management, consignment operating agreement and others	
Jeonbuk Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	34	Performance guarantees and guarantee of warranties	
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	973	Performance guarantees for construction and others	
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	365	Performance guarantees for contract	
Paju energy service (formerly, PMP Co., Ltd.)	Seoul Guarantee Insurance	KRW	558	Guarantee of approval	

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

Guarantee	Guarantor	Currency	Amount	Description of guarantee
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	97	Guarantees for contrac
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,073	Deposits for safety management and others
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	866	Guarantee of warranties and contract
SKC Infra Service Co., Ltd.	Seoul Guarantee Insurance	KRW	8,689	Guarantee of warranties and contract
SK Airgas Co., Ltd.	Tiayo Nippon			
	Sanso Corporation	KRW	7,500	Guarantee of debt
SK Networks Co., Ltd.	KEB Hana Bank	USD	1,000	Payment guarantee of overseas procurement and others
		USD	9,177	Guarantees for standby letter of credit
	KEB Hana Bank and Woori Bank	KRW	9,789	Guarantee for tariff
SK Networks Service Co., Ltd. and others	Seoul Guarantee Insurance	KRW	7,226	Guarantee of warranties and others
SK Networks Resources Australia Pty. Ltd.	KEB Hana Bank	USD	1,403	Guarantee of debt
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	4,145	Performance guarantees for contract
	Seoul Guarantee Insurance and others	KRW	13,749	Performance guarantees for contract
SK Communications Co., Ltd.	PDCC and others	KRW	1,008	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	19,512	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	2,802	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Seoul Guarantee Insurance	KRW	16,067	Guarantee of payment
	Kookmin Bank	KRW	100	Guarantee for specific debt
M & SERVICE Co., Ltd.	Seoul Guarantee Insurance	KRW	2,491	Guarantee of payment and others
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	31,140	Guarantee of bid payment

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, has been provided performance guarantees for domestic construction by other construction companies amounting to ₩779,366 million as at September 30, 2016.

(2) Guarantees provided to others as at September 30, 2016 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	KWD	3,300	Performance guarantees for contract and others
	Eurasia Tunnel	USD	7,700	Performance guarantees for contract
	SDM Co., Ltd.	KRW	300,300	Guarantees for project financing
	Customers of Centumriver SKView	KRW	666	Guarantee of payment
	Pohang Clean Water Co., Ltd. and others	KRW	47,700	Guarantee of payment
	Sound Road	KRW	45,000	Guarantees for project financing
	Songdo D&C L.L.C	KRW	19,500	Guarantees for project financing
	Wangsimni Area III housing redevelopment maintenance business association	KRW	191,539	Guarantees for project financing
	Daeyeon Area VII housing redevelopment maintenance business association	KRW	74,986	Guarantees for project financing
	Shingil Area V Reconstruction maintenance business association	KRW	268,720	Guarantees for project financing
	Ung-am Area X housing redevelopment maintenance business association	KRW	47,868	Guarantees for project financing
	ArabiEnertech	KWD	821	Deposits
	Ahyeon Area housing redevelopment maintenance business association	KRW	21,382	Guarantees for project financing
	Hwaseong Jeongnam Industrial Complex Co., Ltd.	KRW	10,400	Guarantees for project financing
	Customers of Moonjeong SKV1GL Metrocity	KRW	59,280	Guarantee of payment

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

Guarantee	Guarantor	Currency	Amount	Description of guarantee
	Howon elementary school Area reconstruction maintenance business association	KRW	7,405	Guarantees for project financing
	Ansan Gunja Jugong Area VI reconstruction maintenance business association	KRW	10,625	Guarantees for project financing
	Doryoung-dong Area I reconstruction maintenance business association	KRW	7,389	Guarantees for project financing
	Customers of Seongsoo station SKV1 TOWER	KRW	15,242	Guarantee of payment
SK Shipping Co., Ltd.	SS Triton A S.A (*1)	KRW	61,286	Guarantee of payment
	SS Triton B S.A (*1)	KRW	62,531	Guarantee of payment
	Great Shale LNG Transport S.A. and Milestone LNG Transport S.A.	KRW	205,229	Guarantee for shipbuilding and others
	S&Y Shipping S.A.	KRW	50,629	Guarantee of payment
SK Networks Co., Ltd.	PT. SK Networks Indonesia	USD	1,500	Standing surety for investee
SK Innovation Co., Ltd.	Peru LNG S.R.L	USD	178,800	Guarantee of supplies and others
	Perupetro and others	USD	1,062	Guarantee of performance and others
SK Global Chemical Co., Ltd.	SABIC SK Nexlene Company Pte. Ltd.	USD	208,200	Guarantee of payment
Iberian Lube Base Oils S.A.	Cartagena city	EUR	2,478	Guarantee related to the refund of license fee
	Puertos del Estado	EUR	355	Guarantees for construction
	Renfe and others	EUR	37	Guarantee for installing facilities and others
SK E&S Co., Ltd.	Huang Gang SINO Gas Co., Ltd.	CNY	47,000	Guarantee of payment
	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of payment
		KRW	-	Guarantees for project financing
SK Materials Co., Ltd.	Liaoning East Shine Chemical Technology Co., Ltd.	CNY	60,000	Guarantee for payment

(\*1) Commitments of payment guarantees for certain rate of return and investment of USD35,600,000 for the investing company, Shinhan Maritime 1st equity fund, an investor of SS Triton A S.A. and SS Triton B S.A.

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, provides other construction companies with performance guarantees for domestic construction in the amount of ₩2,933,017 million as at September 30, 2016.

(3) Pending litigations

The Group's significant pending litigations as at September 30, 2016, in which the Group is a plaintiff, are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim amount	Status
SK Holdings Co., Ltd.	Samsung Card Co., Ltd.	Claim for payment	KRW 2,603	First trial in progress
SK Forest Co., Ltd.	Seoul Special City and others	Claim for refund of payment		
		Construction and others	KRW 1,108	First trial in progress
SK Incheon Petrochem Co., Ltd.	Seogu-office of Incheon Metropolitan City	Lawsuit for cancellation of amount borne by causers	KRW 10,498	Second trial in progress
SK Trading International Co., Ltd.	OW Bunker Middle East DMCC	Claim for payment	USD 25,680	First trial in progress
SK Telesys Co., Ltd.	Iljin Electric Co., Ltd.	Claim for payment	KRW 4,559	Third trial in progress
	Alcatel-lucent Korea	Claim for payment	KRW 980	Second trial in progress
SK E&S Co., Ltd.	Jongno District Tax Office and others	Claim for annulment of assessments of corporate tax	KRW 2,472	Second trial in progress and others
Ko-one Energy Service Co., Ltd.	IBK	Claim for trust and others	KRW 10,000	Second trial in progress
Narae energy service Co., Ltd.	Jeonbuk co-generation	Claim for payment	KRW 246	First trial in progress
SK Networks Co., Ltd.	GCK Co., Ltd.	Claim for return of money collected	KRW 1,267	First trial in progress
	Individual and others	Claim for repayment and others	KRW 223	First trial in progress and others
SK Networks Service Co., Ltd.	Individual and others	Claim for payment and others	KRW 3,634	First trial in progress and others

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

Plaintiff	Defendant	Description	Claim amount	Status
SK Shipping Co., Ltd.	Emirate Trading Agency	Claim for termination of the contract	USD 8,000	Arbitration in progress
	MonjasaS.A and others	Litigation related to bunkering and others	USD 2,603	Second trial in progress and othersSK Shipping Co., Ltd.
SK Shipping (Singapore) Pte. Ltd.	ING Bank N.V. and others	Claim for non-payment for fuel oil	KRW 3,878	Second trial in progress and others
SK Shipping Europe Plc. PS&Marketing Corp.	STShipping and others	Claim for payment and others	USD 3,352	First trial in progress and others
	MOL	Lawsuit for employment	USD 175	Arbitration in progress
	Individual and others	Claim for provisional attachment and others	KRW 516	First trial in progress and others
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment	KRW 5,579	Second trial in progress
	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 2,358	Third trial in progress
	Fair Trade Committee	Claim for corrective order	KRW 8,512	Third trial in progress and others
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 61,212	First trial in progress
	Korea Specialty Contractor Financial Cooperative	Claim for payment	KRW 405	First trial in progress
	Dream Hub PFV	Claim for payment	KRW 11,087	First trial in progress
	Korea Land and Housing Corporation	Claim for debt absence	KRW 13,712	Second trial in progress
	Hanyang Co., Ltd.	Claim for payment	KRW 224	First trial in progress
	Myungsin Construction Co., Ltd. and others	Claim for payment	KRW 824	First trial in progress
	Busan Metropolitan City	Claim for payment of construction	KRW 402	First trial in progress
	Hyundai Construction Co., Ltd.	Claim for payment	KRW 25,708	First trial in progress
	Korea Housing & Urban Guarantee Corporation	Claim for transfer of ownership right	KRW 2,084	Second trial in progress
	Republic of Korea	Claim for surtax cancellation of Oryukdo SKVIEW	KRW 2,824	First trial in progress
	Individual and others	Claim for liquidated damages and others	KRW 15,013	Second trial in progress

The Group's significant pending litigations as at September 30, 2016, in which the Group is a defendant, are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim amount	Status
Defense Acquisition Program Administration	SK Holdings Co., Ltd.	Claim for damages	USD 19,673	Second trial in progress
Samsung Card Co., Ltd. Individuals and others		Claim for damages	KRW 2,831	First trial in progress
		Claim for suspension of goods usage and others	KRW 75	First trial in progress
Kim, yoon hee and 557 others	SK Incheon Petrochem Co., Ltd.	Claim for environmental damage	KRW 16,342	First trial in progress
Maxcom Co., Ltd. and others	SK Telesys Co., Ltd.	Claim for novation and others	KRW 244	First trial in progress
Alcatel lucent Korea Co., Ltd. and others		Claim for payment	KRW 2,575	Second trial in progress
Paju Foster agricultural company and others	Paju energy service Co., Ltd. (formerly, PMP Co., Ltd.)	Claim for compensation and others	KRW 490	First trial in progress and others
Korea Land & Housing Corporation and others	Ko-one Energy Service Co., Ltd.	Claim for pipeline removing expenses	KRW 337	First trial in progress
Korea Veterans Health Service	Pusan City Gas Co., Ltd.	Claim for compensation	KRW 3,248	First trial in progress
Kim, Jong-su	SK Networks Co., Ltd.	Claim for restitution of fraudulent gains	KRW 798	Second trial in progress
Smartro Co., Ltd. and others		Claim for patent infringement and others	KRW 664	First trial in progress and others
N Communcation Inc. and others	SK Networks Service Co., Ltd.	Claim for compensation	KRW 1,673	First trial in progress and others
Individual and others	SK Communications Co., Ltd.	Claim for compensation of personal data spill and others	KRW 764	Second trial in progress and others
Mac Telecom Co., Ltd. and others	SK Broadband Co., Ltd.	Claim for counterindemnity	KRW 3,560	First trial in progress
M Seven System Limited	iriver Ltd.	Claim for damages due to non-fulfillment of obligation and illegal act	KRW 1,000	Second trial in progress

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

Plaintiff	Defendant	Description	Claim amount		Status
Foxcom Individual and others	Neos Networks Co., Ltd. PS&Marketing Corp.	Claim for counterindemnity Litigation for affirmation of non-existence of debt and others	KRW	57	First trial in progress
Allianz Hyundai Merchant Marine Co., Ltd. and others	SK Shipping Co., Ltd.	Claim for cargo damage Claim for cargo damage and others	KRW CAD	653 966	First trial in progress and others Second trial in progress
Classic Maritime SK Gas International Pte. Ltd. and others	SK Shipping Europe Plc SK Shipping (Singapore) Pte. Ltd.	Claim for payment Claim for cargo damage and others	USD	2,800 5,000	Arbitration in progress Arbitration in progress
Suwon Gwonseon Housing reconstruction business association	SK Engineering & Construction Co., Ltd.	Claim for compensation	KRW	2,345	Second trial in progress
K-Water Resources Corporation		Claim for compensation and others	KRW	5,004	First trial in progress
Incheon Metropolitan City		Claim for compensation and others	KRW	37,746	First trial in progress and others
Son, Chang-woo and 49 others		Claim for payment of discrepancy	KRW	5,712	Second trial in progress
Shin, Dong-woo and 422 others		Claim for compensation	KRW	12,804	Second trial in progress
Kim, Keo-soo and 56 others		Claim for compensation	KRW	24,049	Second trial in progress
Inlux and others		Claim for compensation	KRW	1,718	Second trial in progress
Seo, Youn-jong and 333 others		Claim for apartment	KRW	64,024	Third trial in progress
Samjung Construction Co., Ltd. Korea credit Guarantee fund		Claim for payment Claim for payment and others	KRW	8,966 431	First trial in progress First trial in progress
Hyundai Engineering & Construction Co., Ltd. Suseong SK Leader's View Tower's resident		Claim for payment and others Claim for apartment	KRW	9,133 402	First trial in progress First trial in progress
Korea Rural Community Corporation Republic of Korea		Claim for counterindemnity Claim for compensation and others	KRW	1,861 25,063	First trial in progress First trial in progress
Korea Gas Corporation		Claim for compensation and others	KRW	108,288	First trial in progress
Korea Rail Network Authority		Claim for compensation and others	KRW	23,237	First trial in progress
Seil Engineering Co., Ltd. Individual and others		Claim for compensation Claim for apartment and others	KRW	2,382 56,062	First trial in progress First trial in progress and others

**(4) Commitments**

- 1) 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 any obligations of the Company arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on July 1, 2011.
- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Asset 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 the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance and development service entered into between the Company and SK Group companies and others.

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

- 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) HPEIK V SGPS LDA participated in new share issue of SK Shipping Co., Ltd. in the amount of 21,132,075 shares (issue price per share: ₩5,300) during 2010, under the condition that it can exercise a put option when certain defined events occur. The issued and outstanding shares of the entity were acquired by D&D Strategic Growth Ltd. (88.75%) and Daewoo Securities (Hong Kong) Ltd. (11.25%) in 2014. The Company and SK Shipping Co., Ltd. are obligated to buy the shares back if D&D Strategy Growth Ltd. or HPEIK V SGPS LDA exercises its put option.

Details of the put option that the Group entered into are as below:

Classification	Description
Exercise condition	SK Shipping Co., Ltd. is not listed on the share market within nine years after the paid-in capital increase, and others
Exercise price	Investment amount, plus compound annual interest of 6%
Obligator	Primary: SK Shipping Co., Ltd. Secondary: SK Holdings Co., Ltd.

As at September 30, 2016, the present value of this put option (₩156,006 million) is included in long-term borrowings (see Note 14).

- 6) SK Networks Co., Ltd., one of the subsidiaries, has entered into a long-term supply contract with MMX Mineracao e Metalicos S/A ("MMX"), an associate, at the time of acquiring its shares in 2010. The contract states the following: SK Networks Co., Ltd. receives the supply of iron ore in proportion to its initial percentage of ownership (14.59%); the contract is valid until SK Networks Co., Ltd. holds more than one-fourth of ownership and does not dispose of more than half the shares initially acquired; SK Networks Co., Ltd. can transfer its shares only to shareholders with more than one-fifth of ownership; and if EBX Group, the parent company of MMX, decides to dispose of its shares in MMX, SK Networks Co., Ltd. may also dispose in equal proportion, as long as the EBX Group remains the largest shareholder of MMX.
- 7) SK Networks Co., Ltd., one of the subsidiaries, has committed that if the manganese development in relation to the development of the complex mine in Boleo, Mexico fails, Korea Boleo Corporation, S.A. de C.V. ("KBC") receives USD10,000 thousand (USD1,667 thousand for SK Networks Co., Ltd.) for acquiring shares from Minera Metalurgica del Boleo, S.A. de C.V. ("MMB"), and if the manganese development is successful, KBC pays USD13,000 thousand (USD2,167 thousand for SK Networks Co., Ltd.) additionally for acquiring shares to MMB.
- 8) SK E&S LNG, LLC, 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, LLC, which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at September 30, 2016, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLC'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.

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

9) As at September 30, 2016, details of contracts about subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Contract opponent	Term of contract
Contract for the long-term 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 the owner's engineering service	Paju energy service Co., Ltd. (formerly, PMP Co., Ltd.)	Black&Veatch Corporation	2014.07~2017.05
Contract for the long-term maintenance program	Paju energy service Co., Ltd. (formerly, PMP Co., Ltd.)	Siemens Co., Ltd.	2014.06~2031.06 (estimated)
Contract for work on heat peak load boiler	Wirye energy service Co., Ltd.	Korea District Heating Corp.	Until the completion date of Peak Load Boiler construction
Contract for the long-term maintenance program	Wirye energy service Co., Ltd.	Siemens Co., Ltd.	2015.01~2032.01 (estimated)
Contract for the storage and vaporization service of natural gas	Wirye energy service Co., Ltd. and Paju energy service Co., Ltd. (formerly, PMP Co., Ltd.)	Boryeong LNG Terminal	from 2017, 20 years
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, LLC	FLNG Liquefaction 3, LLC	from 2019, 20 years
Contract for the use pipeline of natural gas	SK E&S LNG, LLC	Kinder Morgan, Inc.	from 2019, 20 years
Contract of supply for natural gas	SK LNG Trading Pte. Ltd.	Chevron Australia Pty Ltd. and others	2017.01~2022.03

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

10) As at September 30, 2016, 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
Contract for the supervisory service	Wirye energy service Co., Ltd.	OSUN Engineering Co., Ltd.	2014.12~2017.03	₩ 2,841
Contract for the heating, plumbing construction	Wirye energy service Co., Ltd.	Dkeyoung Enertech Co., Ltd. and others	2013.10~2016.12	16,925
Contract for the transmission access construction	Wirye energy service Co., Ltd.	Korea Electric Power Corporation	2015.02~2017.03	8,470
Contract for the construction Of LNG plumbing supplies	Wirye energy service Co., Ltd.	Hanyang ENG Co., Ltd.	2015.07~2016.12	21,186
Contract for the heating, plumbing construction	Narae energy service Co., Ltd.	Jungho E&C Co., Ltd and others	2015.03~2016.12	28,750
Contract for the construction management services	Paju energy service Co., Ltd. (formerly, PMP Co., Ltd.)	Humantech Korea Engineering Co., Ltd.	2014.10~2017.04	4,416
Contract for the transmission access construction	Paju energy service Co., Ltd. (formerly, PMP Co., Ltd.)	Korea Electric Power Corporation	2015.03~2016.06	52,350

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

- 11) As at September 30, 2016, 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	37.5%	USD 310,000	USD 280,000
Woodford, USA	Dew Blaine Energy, LLC	Continental Resources, Inc	49.9%	USD 360,000	USD 161,356

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

- 12) SK Shipping Co., Ltd., one of the subsidiaries, has contracted with CHAMPION SHIPHOLDING S.A. and others for Bare Boat Charter Hire Purchase ("BBCHP") of about 57 boats. Outstanding boat purchase amount as at September 30, 2016 is USD 2,618,337 thousand (Korean won equivalent: ₩2,870,483 million) and is included in long term other accounts payable.
- 13) SK Shipping Co., Ltd., one of the subsidiaries, has leased ships by Time Charter. Total payables of the ship charter amounts to ₩747,249 million as at September 30, 2016.
- 14) SK Shipping Co., Ltd., one of the subsidiaries, has entered into a long-term transportation contract to transport liquefied natural gas, liquefied petroleum gas and coal with SK Energy Co., Ltd., SK Gas Co., Ltd., Korea Gas Corporation, Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Western Power Co., Ltd. and Korea Midland Power Co., Ltd.
- 15) As at September 30, 2016, 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. as secured party.
- 16) On July 8, 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 ("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
- 17) SK Telecom Co., Ltd., a subsidiary, 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 ₩714,074 million which is recorded as other accounts receivable and long-term other accounts receivable.
- 18) In the current reporting period, SK Telecom Co., Ltd. secured a bandwidth bloc in the 2.6 GHz band at the spectrum auction held by Ministry of Science, ICT and Future Planning for an amount of ₩1,330,100 million. Upfront payments were paid during the current reporting period and the remaining will be paid annually over the period of 10 years from August 2016.

(5) Others

As at September 30, 2016, 110 notes (including 104 blank notes) and 50 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 September 30, 2016 (Korean won in millions and foreign currencies in thousands):

Company	Asset	Currency	Collateralized amount	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	288,702	Peru LNG S.R.L. and others	Collateral for project financing
	Investments in associates	KRW	204,835	Yemen LNG Company and others	Collateral for project financing
Netruck Co., Ltd.	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
SK Incheon Petrochem Co., Ltd.	Property, plant and equipment	KRW	8,981	Shinhan Bank and others	Collateral for borrowing
SK Holdings Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
	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	88,362	Korea Housing Guarantee Co., Ltd. and others	Performance guarantees for contract 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	Collateral for borrowing
	Investment property	KRW	74,104	SKC Haas Display film Pty Ltd.	Leasehold deposits
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	117,500	Korea Development Bank and others	Collateral for borrowing
SK Bioland Co., Ltd. (formerly, Bioland Co., Ltd.)	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	52,000	Korea Development Bank and others	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	359,771	Korea Development Bank and others	Collateral for sales and others
	Property, plant and equipment	USD	8,700	Korea Development Bank	Collateral for sales and others
SK Pinx Co., Ltd	Property, plant and equipment and investment property	KRW	50,400	Kookmin 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	69	Cheung Kong Property Holdings Ltd.	Leasehold deposits
SK E&S Co., Ltd.	Investments in joint ventures	KRW	98,524	Woori Bank and others	Collateral for project financing
	Investments in subsidiaries	KRW	166,158	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	998,081	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	4,299	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	70,653	Megamart and others	Leasehold deposits
	Investments in associates	KRW	14,313	PF groups of financial institutions	Collateral for project financing
Paju energy service Co., Ltd. (formerly, PMP Co., Ltd.)	Property, plant and equipment and others	KRW	116,705	Korea Development Bank and others	Collateral for project financing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	220	Kwangju Bank and others	Leasehold deposits
Wirye energy service Co., Ltd.	Cash and cash equivalents	KRW	4,944	Korea Development Bank and others	Collateral for project financing and others
Narae energy service Co., Ltd.	Property, plant and equipment and others	KRW	409,660	Woori Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	1,956,277	KDB Asia Ltd. and others	Deposits for purchasing ship and others
	Investments in subsidiaries	USD	52,878	Atlanticstar Ltd.	Disposal of shares of SK B&T
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	98,316	KDB Asia Ltd and others	Deposits for purchasing ship and others
KSF 34 International S.A.	Property, plant and equipment	USD	22,396	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	147,939	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	64,871	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	118,566	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	118,576	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

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

Company	Asset	Currency	Collateralized amount	Provided to	Description
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	62,090	KDB Asia Ltd and others	Deposits for purchasing ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	7,035	KEB Hana Bank and others	Restricted real rights for office lease
SKY Property Management Ltd.	Short-term financial instruments	KRW	728	KEB Hana bank and NH Bank	Collateral for loan
	Investment property	CNY	150,000	KEB Hana Bank and others	Collateral for borrowing
SK China Company, Ltd.	Others	USD	40,649	Shinhan Bank	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China Communications	Collateral for borrowing
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	50,000	Mega Bank	Collateral for borrowing
SK Airgas Co., Ltd.	Property, plant and equipment	KRW	117,500	Kyungnam Bank and others	Collateral for borrowing

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

Guarantees provided among the Group entities as at September 30, 2016 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	USD	45,000	Guarantee of debt		
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,497	Guarantee of payment for license agreement		
SK Lubricants Co., Ltd.	PT.Patra SK Iberian Lube Base Oils, S.A	USD	2,494	Guarantee of lease		
		EUR	1,735	Guarantee of deposit		
		EUR	63,000	Guarantee of payment for facility agreement		
SK Global Chemical (China) Holding Co., Ltd.	SK Global Chemical International Trading (Shanghai) Co., Ltd.	CNY	170,000	Guarantee of payment for credit limit acquisition		
SK Engineering & Construction Co., Ltd.	Thai Woo Ree Engineering Company Ltd.	USD	5,586	Guarantee of debt and others		
		THB	76,958	Performance guarantees for contract and others		
	Seosuwon Development Company	KRW	221,000	Guarantees for project financing		
		USD	30,000	Performance guarantees for contract and others		
	SKC Co., Ltd.	SKAKE Anadolu EC Ltd.	KRW	45,000	Guarantee of financial obligation	
			CAD	33,000	Guarantee of financial obligation	
		Sunlake Co., Ltd.	USD	202	Performance guarantees for contract and others	
			SK HOLDCO PTE. LTD.	USD	202	Performance guarantees for contract and others
		SKC, Inc.	SKC, Inc.	USD	175,000	Guarantee of payment
			SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	113,400	Guarantee of payment
SK Networks Co., Ltd.	SK Telesys Co., Ltd.	CNY	204,000	Guarantee of payment		
		KRW	40,000	Guarantee of financial obligation		
	SKC Solmics Co., Ltd.	KRW	60,000	Guarantee for operation fund		
		EUR	10,000	Standing surety for investee		
	SK Networks Deutschland GmbH	SK Networks Hong Kong Limited	USD	169,600	Standing surety for investee	
		SK Networks (Shanghai) Co., Ltd.	USD	135,900	Standing surety for investee	
			CNY	118,000	Standing surety for investee	
		SK Networks Japan Co., Ltd.	JPY	2,000,000	Standing surety for investee	
		SK Networks (Xiamen) Steel Proc	CNY	65,000	Standing surety for investee	
		SK (Guangzhou) Metal Co., Ltd.	CNY	60,000	Standing surety for investee	
SK Shipping Co., Ltd.	SK Shipping Europe Plc	USD	89,000	Guarantee for operation fund		
		USD	61,538	Guarantee for derivative hedge		
	SK Shipping Singapore Pte. Ltd.	JPY	6,289,066	Guarantee of payment		
		USD	102,168	Guarantee of payment		
	SK Shipping Hongkong Ltd.	USD	113,000	Guarantee for operation fund		
		USD	2,000	Guarantee of payment		
		Amber Shipholding S.A.	USD	10,000	Guarantee of payment	
Coral Shipholding International S.A.	USD	10,000	Guarantee of payment			

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

Guarantor	Guarantee	Currency	Amount	Description of guarantee
	SK B&T Pte. Ltd.	USD	24,400	Guarantee for operation fund
	GaSan 2nd L.L.C.	KRW	26,674	Guarantee of payment
	KSF 34 International S.A.	USD	23,355	Guarantee of payment
	SHIKC 1 SHIPHOLDING S.A.	USD	52,025	Guarantee of payment
	SHIKC 2 SHIPHOLDING S.A.	USD	135,265	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	45,000	Guarantee of obligation of redemption according to cash deficiency support agreement
	HHIENS1 Shipholding S.A.	USD	35,740	Guarantee of payment
	HHIENS2 Shipholding S.A.	USD	35,740	Guarantee of payment
	VLGC4 Shipholding S.A.	USD	45,891	Guarantee of payment
	VLGC5 Shipholding S.A.	USD	45,891	Guarantee of payment
	ZH-Bshipholding Group S.A.	USD	8,585	Guarantee of payment
SK B&T Pte. Ltd.	Chuangdong 1 Marine Holdings Co., Ltd.	USD	8,599	Guarantee related to BBCHP
	Chuangdong 2 Marine Holdings Co., Ltd.	USD	8,689	Guarantee related to BBCHP
SK E&S Co., Ltd.	Callip Gas Marketing, LLC	USD	181,000	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. (formerly, PMP Co., Ltd.)	KRW	530,000	Payment guarantee for principal and interest of bonds payable and others
	Wirye energy service Co., Ltd.	KRW	520,000	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, LLC	USD	360,000	Performance for contracts
	SK E&S Americas, Inc.	USD	160,000	Payment guarantee for principal and interest of borrowings and others
	SK LNG Trading Pte. Ltd.	USD	69,000	Guarantee for derivative hedge and others
SK LNG Trading Pte. Ltd.	SK Shipping Co., Ltd.	USD	-	Service fee
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	105,000	Guarantee for borrowings
		USD	35,000	Guarantee for borrowings
	SK Materials Taiwan Co., Ltd.	USD	4,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	JPY	328,000	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

(\*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩149,671 million.

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### 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 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 September 30, 2016 and December 31, 2015 is as follows (Korean won in millions):

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Financial assets at fair value through profit or loss	₩ 76,830	₩ 115,714
Held-to-maturity investments	937	960
Loans and receivables	24,579,780	22,675,267
Available-for-sale financial assets	55,258	51,736
Derivatives designated as hedging instruments	<u>127,358</u>	<u>354,067</u>
	<u>₩ 24,840,163</u>	<u>₩ 23,197,744</u>

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

##### 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.

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**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 recognized amounts of ₩8,134 million as at September 30, 2016. 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 September 30, 2016 and December 31, 2015 is as follows (Korean won in millions):

	September 30, 2016	December 31, 2015
SK Innovation Co., Ltd.	₩ 1,715	₩ 2,199
SK Engineering & Construction Co., Ltd.	8,134	7,917
SK Shipping Co., Ltd.	2,345	1,960
SK Materials Co., Ltd.	7,352	-
	<u>₩ 19,546</u>	<u>₩ 12,076</u>

In addition, the Group has provided payment guarantees for others, including subsidiaries and others. 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, occurrence of trade opponent arising from the bankruptcy, etc. 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, because it is excellent to deal with financial institutions, is judged to have limited impact on the credit risk of the financial institutions of the Group.

**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 September 30, 2016 is as follows. Amounts include interests paid and recognized 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	₩ 7,012,108	₩ 7,203,434	₩ 1,374,866	₩ 2,144,076	₩ 3,207,368	₩ 477,124
Bonds	24,858,313	26,400,608	1,765,942	2,895,364	15,295,066	6,444,236
Derivative financial liabilities	269,658	269,658	59,541	67,165	138,890	4,062
Trade accounts payable	7,042,590	7,042,590	6,840,078	202,512	-	-
Other liabilities	9,106,266	9,692,931	3,417,177	1,416,648	2,134,584	2,724,522
	<u>₩ 48,288,935</u>	<u>₩ 50,609,221</u>	<u>₩ 13,457,604</u>	<u>₩ 6,725,765</u>	<u>₩ 20,775,908</u>	<u>₩ 9,649,944</u>

**33.1.4 Market risk**

Market risk is the fluctuating risk 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.

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**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 September 30, 2016 and December 31, 2015 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	September 30, 2016		December 31, 2015	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	4,456,931	₩ 4,875,275	3,605,232	₩ 4,213,984
	JPY	25,683,879	278,256	22,810,659	221,769
	CNY	2,564,040	421,122	3,630,869	655,981
	EUR	89,693	110,365	98,023	125,535
	Others		178,155		190,833
			₩ 5,863,173		₩ 5,408,102
Liabilities	USD	7,539,580	₩ 8,262,799	7,342,262	₩ 8,544,316
	JPY	14,218,970	153,956	13,395,700	130,183
	CNY	216,967	35,809	1,583,031	285,797
	EUR	76,550	94,108	80,395	98,549
	Others		646,798		634,214
			₩ 9,193,470		₩ 9,693,059

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

	September 30, 2016		December 31, 2015	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (338,752)	₩ 338,752	₩ (433,033)	₩ 433,033
JPY	12,430	(12,430)	9,159	(9,159)
CNY	38,531	(38,531)	37,018	(37,018)
EUR	1,626	(1,626)	2,699	(2,699)

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

**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 138.50% as at September 30, 2016. The maturity of the debt is dispersed in the long term. As such, debt repayments are not demanding.

The Group's debt ratio as at September 30, 2016 and December 31, 2015 is as follows (Korean won in millions):

	September 30, 2016	December 31, 2015
Total liabilities	₩ 57,442,971	₩ 56,556,559
Total equity	41,474,829	40,077,250
Debt ratio	138.50%	141.12%

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**34. Business combination**

**34.1 Current reporting period**

As at February 16, 2016, the Company acquired 49.1% of voting shares of SK Materials Co., Ltd (formerly, OCI Materials Co., Ltd.), which primarily engages in the manufacture and sale of special gas (NF<sub>3</sub>, SiH<sub>4</sub>, WF<sub>6</sub>), from OCI Company Ltd. for a consideration of ₩470,332 million. The transaction was carried out for the purpose of developing a new line of business in the special gas market for semiconductor production, and such transaction was accounted for using the acquisition method. The interim consolidated financial statements comprise financial performance of SK Materials Co., Ltd. for the period from the acquisition date to the end of reporting period.

On September 23, 2016, SK TNS Co., Ltd., which is engaged in information and communication technology, redeemed certain redeemable convertible preference shares with voting rights by which the equity interests of the shares increased from 50.0% to 52.2%.

**34.1.1 Identifiable assets acquired and liabilities assumed**

Identifiable assets acquired and liabilities assumed due to the merger are as follows (Korean won in millions):

	SK Materials Co., Ltd.	SK TNS Co., Ltd.
<b>Current assets:</b>	<b>₩ 197,414</b>	<b>₩ 132,697</b>
Cash and cash equivalents	73,056	27
Trade accounts receivable and other accounts receivable	61,189	49,602
Inventories	61,650	-
Other current assets	1,519	83,068
<b>Non-current assets:</b>	<b>865,528</b>	<b>3,751</b>
Investments	84	1,424
Property, plant and equipment	510,096	7
Intangible assets	354,546	991
Trade accounts receivable and other accounts receivable	783	22
Other non-current assets	19	1,307
<b>Current liabilities:</b>	<b>162,187</b>	<b>97,195</b>
Trade accounts payable and other accounts payable	50,906	90,497
Bonds payable and borrowings	88,461	-
Other current liabilities	22,820	6,698
<b>Non-current liabilities:</b>	<b>215,468</b>	<b>3,323</b>
Bonds payable and borrowings	114,104	-
Retirement benefit obligation	5,435	3,323
Deferred income tax liabilities	75,074	-
Other non-current liabilities	20,855	-
<b>Fair value of identifiable net assets</b>	<b>₩ 685,287</b>	<b>₩ 35,930</b>

**34.1.2 Measurement of fair value**

Used valuation techniques for measurement at fair value of acquired significant assets and liabilities is as follow:

Acquired Assets	Measurement of fair value
<i>Property, plant and equipment and investment property</i>	Market approach or cost approach: The Group 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 or multi-period excess earnings method: The Group 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. And the Group also determines the fair value of intangible by using multi-

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**34.1.2 Measurement of fair value (cont'd)**

<u>Acquired Assets</u>	<u>Measurement of fair value</u>
<i>Intangible assets</i>	period excess earnings method considering the present value of net cash flows that is expected to be generated from the customer relationship.
<i>Inventories</i>	The Group determines the fair value on the basis of a reasonable profit based on the effort required to complete or sell inventories and the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
<i>Bonds payable and borrowings</i>	The Group determines the fair value by discounting future cash flows at an effective interest rate that consider current credit rating at assessment date and spread applied to recently issued.

**34.1.3 Goodwill**

Goodwill for the business combination is as follows (Korean won in millions):

	<u>SK Materials Co., Ltd.</u>	<u>SK TNS Co., Ltd.</u>
a. The total consideration transferred	₩ 470,332	₩ 160,000
b. Fair value of proportionate share of acquired net assets		
Fair value of the net identifiable assets	685,287	
	35,930	
Non-controlling interests (*1)	(349,086)	(17,143)
	<u>336,201</u>	<u>18,787</u>
c. Goodwill (c=a-b)	<u>₩ 134,131</u>	<u>₩ 141,213</u>

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

**34.1.4 Others**

As at acquisition date of SK Materials Co., Ltd., and SK TNS Co., Ltd., sales from operations of the acquired entity amounting to ₩274,473 million were included in the Group's consolidated financial statements for the nine months ended September 30, 2016. If the business combination had taken place at the beginning of 2016, the Group's financial information for the nine months ended September 30, 2016 would have been as follows (Korean won in millions):

	<u>Amount</u>
Sales	₩ 62,202,987
Cost of sales and selling and administrative expenses	<u>58,047,193</u>
Operating income	4,155,794
Financial income (costs) and other non-operating income (expenses) and others	<u>(1,457,141)</u>
Profit for the period	<u>₩ 2,698,653</u>

**34.2 Past reporting period**

The Company has entered into business combination with SK Holdings Co., Ltd. effective August 1, 2015 through the approval at the board of directors on April 20, 2015 and the resolutions of the general meeting of shareholders on June 26, 2015.

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**34.2.1 General information:**

	Details
Existed company after acquisition	SK C&C Co., Ltd.
Name of existed company after acquisition	SK Holdings Co., Ltd.
Extinct company after acquisition	SK Holdings Co., Ltd.
Purpose	Finding a new growth engines and increasing the Company's competitiveness through improving financial structure.
Ratio of acquisition	(1) Ordinary share = 1:0.7367839 (SK C&C Co., Ltd. : SK Holdings Co., Ltd.) (2) Preferred share = 1:1.1102438 (SK C&C Co., Ltd. : SK Holdings Co., Ltd.)

**34.2.2 The consideration transferred**

The fair value of the consideration transferred for merger for the nine months ended September 30, 2015 is as follows (Korean won in millions):

	Amount
Fair value of ordinary shares for issued	₩ 4,696,941
Fair value of preferred shares for issued	99,838
The fair value of equity for merged company owned by the Company (*1)	3,369,310
	<u>₩ 8,166,089</u>

(\*1) ₩366,269 million was recorded as gain on disposal of investments in associates due to re-measurement of investment in associates at fair value, which was merged by the Company.

**34.2.3 Identifiable assets acquired and liabilities assumed**

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

	Amount
<b>Current assets:</b>	<b>₩ 31,321,899</b>
Cash and cash equivalents	7,982,345
Trade accounts receivable and other accounts receivable	12,655,057
Inventories	7,027,817
Other current assets	3,656,680
<b>Non-current assets:</b>	<b>65,695,152</b>
Investments in associates and joint ventures	12,612,743
Property, plant and equipment and investment property	39,322,592
Intangible assets	9,834,901
Trade accounts receivable and other accounts receivable	146,538
Deferred income tax assets	700,409
Other non-current assets	3,077,969
<b>Current liabilities:</b>	<b>24,945,749</b>
Trade accounts payable and other accounts payable	9,550,615
Bonds payable and short-term borrowings	7,650,108
Other current liabilities	7,745,026
<b>Non-current liabilities:</b>	<b>31,056,343</b>
Bonds payable and long-term borrowings	26,573,376
Retirement benefit obligation	337,643
Deferred income tax liabilities	3,318,574
Other non-current liabilities	826,750
<b>Fair value of identifiable net assets</b>	<b><u>₩ 41,014,959</u></b>

#### **34.2.4 Gain on bargain purchase**

Gain on bargain purchase for the business combination is as follows (Korean won in millions):

	<u>Amount</u>
The total consideration transferred	₩ 8,166,089
Deduction: fair value of identifiable net assets	(41,014,959)
Addition: non-controlling interests (*1)	<u>27,856,285</u>
Gain on bargain purchase	<u>₩ (4,992,585)</u>

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

#### **35. Subsequent events**

In accordance with a resolution of the board of directors on September 30, 2016, SK Networks Co., Ltd. decided to acquire 100% of shares of TONGYANG MAGIC Inc. and signed the contract on October 11, 2016. The acquisition cost amounted to ₩610,000 million and the expected completion date for the acquisition is November 28, 2016.