



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

Interim condensed consolidated financial statements  
for the three months ended March 31, 2018 and 2017  
with the independent auditors' review report

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

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at March 31, 2018, and the interim condensed consolidated statements of comprehensive income for the three-month periods ended March 31, 2018 and 2017, interim condensed consolidated statements of changes in shareholders’ equity and interim condensed consolidated statements of cash flows for the three-month periods then ended, presented 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 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 presented in Korean won are not presented fairly, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

### Other matter

We have audited the consolidated statement of financial position of the Group as at December 31, 2017, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea (not presented herein), and our report dated March 9, 2018 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2017, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

*Ernst & Young Han Young*

May 15, 2018

This review report is effective as at May 15, 2018, the independent auditors' review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditors' review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

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

Interim condensed consolidated financial statements  
for the three months ended March 31, 2018 and 2017

“The accompanying interim condensed consolidated financial statements, including all footnote disclosures, have been prepared by, and are the responsibility of the Company”

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of financial position**  
**as at March 31, 2018 and December 31, 2017**

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		2018	2017	2018	2017
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	5	₩ 8,021,321	₩ 7,145,842	\$ 7,521,164	\$ 6,700,274
Short-term financial instruments	5, 31	3,089,959	3,540,673	2,897,289	3,319,900
Trade accounts receivable	5, 6, 26, 31	10,222,792	11,538,468	9,585,365	10,819,004
Other accounts receivable	5, 26, 30	2,389,523	1,991,725	2,240,528	1,867,534
Inventories	7, 31	8,390,425	8,177,933	7,867,253	7,668,010
Short-term investment securities	5, 8, 31	157,089	-	147,294	-
Available-for-sale financial assets	5, 8	-	188,603	-	176,843
Other current assets	5, 17, 18, 31	4,009,871	2,091,550	3,759,842	1,961,135
Assets held for sale	28	538,777	524,117	505,182	491,436
<b>Total current assets</b>		<b>36,819,757</b>	<b>35,198,911</b>	<b>34,523,917</b>	<b>33,004,136</b>
Non-current assets:					
Long-term financial instruments	5, 31	113,184	200,853	106,127	188,329
Long-term trade accounts receivable	5, 6	12,600	12,908	11,814	12,103
Long-term other accounts receivable	5, 30	156,051	321,154	146,321	301,129
Long-term investment securities	5, 8, 31	2,064,268	-	1,935,554	-
Available-for-sale financial assets	5, 8	-	1,596,033	-	1,496,515
Investments in associates and joint ventures	9, 31	15,179,900	14,629,502	14,233,380	13,717,301
Property, plant and equipment	10, 31	40,715,485	41,286,418	38,176,732	38,712,066
Investment property	11, 31	633,106	622,846	593,630	584,009
Goodwill	12	875,485	899,213	820,895	843,144
Intangible assets	13	11,286,415	11,451,616	10,582,668	10,737,568
Deferred income tax assets		722,413	734,524	677,368	688,724
Other non-current assets	5, 17, 18, 26	3,750,689	2,822,942	3,516,820	2,646,922
<b>Total non-current assets</b>		<b>75,509,596</b>	<b>74,578,009</b>	<b>70,801,309</b>	<b>69,927,810</b>
<b>Total assets</b>		<b>₩ 112,329,353</b>	<b>₩ 109,776,920</b>	<b>\$ 105,325,226</b>	<b>\$ 102,931,946</b>
<b>Liabilities and equity</b>					
Current liabilities:					
Short-term borrowings	5, 14, 33	₩ 3,197,080	₩ 2,999,032	\$ 2,997,731	\$ 2,812,032
Trade accounts payable	5, 26, 33	8,547,348	9,588,642	8,014,391	8,990,757
Other accounts payable	5, 26, 33	2,967,554	3,610,562	2,782,517	3,385,431
Provisions	15, 30	218,978	246,800	205,324	231,411
Current portion of long-term debt	5, 14, 33	5,832,490	6,548,146	5,468,814	6,139,846
Other current liabilities	5, 17, 18, 33	9,222,427	8,230,998	8,647,376	7,717,767
Liabilities held for sale	28	124,457	143,869	116,697	134,898
<b>Total current liabilities</b>		<b>30,110,334</b>	<b>31,368,049</b>	<b>28,232,850</b>	<b>29,412,142</b>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 33	24,206,412	23,359,518	22,697,058	21,902,970
Long-term other accounts payable	5, 33	3,522,171	3,740,381	3,302,551	3,507,155
Retirement benefit obligation	16	350,155	257,783	328,322	241,709
Provisions	15	169,668	167,002	159,089	156,589
Deferred income tax liabilities		4,776,015	3,988,276	4,478,214	3,739,593
Other non-current liabilities	5, 17, 18, 26, 33	1,227,985	1,139,491	1,151,416	1,068,440
<b>Total non-current liabilities</b>		<b>34,252,406</b>	<b>32,652,451</b>	<b>32,116,650</b>	<b>30,616,456</b>
<b>Total liabilities</b>		<b>64,362,740</b>	<b>64,020,500</b>	<b>60,349,500</b>	<b>60,028,598</b>
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	14,426	14,426
Other paid-in capital	19	4,113,574	4,112,475	3,857,078	3,856,048
Retained earnings	19	10,770,775	9,837,619	10,099,180	9,224,209
Other capital components	19	(321,881)	(305,397)	(301,811)	(286,354)
<b>Total equity attributable to owners of the parent</b>		<b>14,577,853</b>	<b>13,660,082</b>	<b>13,668,873</b>	<b>12,808,329</b>
Non-controlling interests		33,388,760	32,096,338	31,306,853	30,095,019
<b>Total equity</b>		<b>47,966,613</b>	<b>45,756,420</b>	<b>44,975,726</b>	<b>42,903,348</b>
<b>Total liabilities and equity</b>		<b>₩ 112,329,353</b>	<b>₩ 109,776,920</b>	<b>\$ 105,325,226</b>	<b>\$ 102,931,946</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 ended March 31, 2018 and 2017**

(Korean won in millions and U.S. dollar in thousands, except for earnings per share)

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		2018	2017	2018	2017
<b>Sales</b>	4, 26	₩ 24,615,108	₩ 22,802,722	\$ 23,080,270	\$ 21,380,893
<b>Cost of sales</b>	23, 26	<u>21,899,941</u>	<u>20,073,366</u>	<u>20,534,403</u>	<u>18,821,722</u>
<b>Gross profit</b>		<b>2,715,167</b>	<b>2,729,356</b>	<b>2,545,867</b>	<b>2,559,171</b>
Selling and administrative expenses	20, 23, 26	1,133,743	1,029,713	1,063,050	965,507
<b>Operating income</b>	4	<b>1,581,424</b>	<b>1,699,643</b>	<b>1,482,817</b>	<b>1,593,664</b>
Financial income	21	550,510	1,356,078	516,184	1,271,522
Financial costs	21	(773,552)	(1,372,845)	(725,318)	(1,287,243)
Gain related to investments in associates and joint ventures, net	9	668,262	415,941	626,594	390,006
Other non-operating income	22	152,214	181,882	142,723	170,541
Other non-operating expenses	22	(162,096)	(117,215)	(151,989)	(109,906)
<b>Income from continuing operations before income tax expense</b>	4	<b>2,016,762</b>	<b>2,163,484</b>	<b>1,891,011</b>	<b>2,028,584</b>
<b>Income tax expense from continuing operations</b>	24	<b>(594,375)</b>	<b>(547,838)</b>	<b>(557,315)</b>	<b>(513,678)</b>
<b>Net income from continuing operations</b>	4	<b>1,422,387</b>	<b>1,615,646</b>	<b>1,333,696</b>	<b>1,514,906</b>
<b>Gain (loss) from discontinued operations</b>	27	<b>132,955</b>	<b>(278)</b>	<b>124,665</b>	<b>(261)</b>
<b>Net income</b>		<b>1,555,342</b>	<b>1,615,368</b>	<b>1,458,361</b>	<b>1,514,645</b>
Attributable to:					
Owners of the parent		661,139	593,542	619,915	556,533
Non-controlling interests		894,203	1,021,826	838,446	958,112
<b>Other comprehensive income:</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(39,132)	(28,039)	(36,692)	(26,291)
Net loss on valuation of financial instruments measured at FVOCI		(45,281)	-	(42,458)	
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain on available-for-sale financial assets		-	56,491	-	52,969
Equity adjustments of investments in associates and joint ventures		66,709	(87,880)	62,549	(82,400)
Net change in valuation of cash flow hedges		(3,748)	1,035	(3,514)	970
Net gain (loss) on translation of foreign operations		65,891	(450,629)	61,782	(422,531)
Net loss on translation to the presentation currency		(11,537)	(1,053)	(10,818)	(987)
		<u>32,902</u>	<u>(510,075)</u>	<u>109,999</u>	<u>(451,979)</u>
<b>Total comprehensive income</b>		<b>₩ 1,588,244</b>	<b>₩ 1,105,293</b>	<b>\$ 1,489,210</b>	<b>\$ 1,036,375</b>
Attributable to:					
Owners of the parent		667,049	366,924	625,456	344,045
Non-controlling interests		921,195	738,369	863,754	692,330
<b>Earnings per share (Korean won and U.S. dollar):</b>	25				
Basic earnings per share		₩ 11,833	₩ 10,623	\$ 11.10	\$ 9.96
Basic earnings per share from continuing operations		9,429	10,583	8.84	9.92

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 three months ended March 31, 2018 and 2017**  
(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, 2017</b>	₩ 15,385	₩ 4,741,139	₩ 8,368,122	₩ (12,289)	₩ 13,112,357	₩ 29,214,367	₩ 42,326,724
Total comprehensive income:							
Net income	-	-	593,542	-	593,542	1,021,826	1,615,368
Remeasurement loss on defined benefit plans	-	-	(12,760)	-	(12,760)	(15,279)	(28,039)
Net gain on available-for-sale financial assets	-	-	18,067	18,067	18,067	38,424	56,491
Equity adjustments of investment in associates and joint ventures	-	-	-	(24,575)	(24,575)	(63,305)	(87,880)
Gain (loss) on valuation of derivative financial instruments	-	-	-	6,318	6,318	(5,283)	1,035
Loss on translation of foreign operations	-	-	-	(215,834)	(215,834)	(234,795)	(450,629)
Net gain (loss) on translation to the presentation currency	-	-	-	2,166	2,166	(3,219)	(1,053)
Transaction with shareholders:							
Dividends	-	-	(208,666)	-	(208,666)	(927,618)	(1,136,284)
Equity transactions in consolidated entities	-	(38,614)	-	-	(38,614)	(103,760)	(142,374)
Changes in the scope of consolidation	-	-	-	-	-	69,906	69,906
Others	-	37	(5,640)	-	(5,603)	(1,243)	(6,846)
<b>As at March 31, 2017</b>	₩ 15,385	₩ 4,702,562	₩ 8,734,598	₩ (226,147)	₩ 13,226,398	₩ 29,990,021	₩ 42,216,419
<b>As at January 1, 2018</b>	₩ 15,385	₩ 4,112,475	₩ 9,837,619	₩ (305,397)	₩ 13,660,082	₩ 32,096,338	₩ 45,756,420
<b>Effect of changes in accounting policies</b>							
Beginning balance after amendment	₩ -	₩ -	₩ 502,255	₩ (40,771)	₩ 461,484	₩ 1,272,024	₩ 1,733,508
Total comprehensive income:							
Net income	-	-	661,139	-	661,139	894,203	1,555,342
Remeasurement loss on defined benefit plans	-	-	(18,376)	-	(18,376)	(20,756)	(39,132)
Net loss on available-for-sale financial assets	-	-	-	(8,802)	(8,802)	(36,479)	(45,281)
Equity adjustments of investment in associates and joint ventures	-	-	-	24,835	24,835	41,874	66,709
Gain (loss) on valuation of derivative financial instruments	-	-	-	332	332	(4,080)	(3,748)
Net gain on translation of foreign operations	-	-	-	18,736	18,736	47,155	65,891
Net loss on translation to the presentation currency	-	-	-	(10,814)	(10,814)	(722)	(11,536)
Transaction with shareholders:							
Dividends	-	-	(225,583)	-	(225,583)	(943,239)	(1,168,822)
Equity transactions in consolidated entities	-	4,460	-	-	4,460	50,882	55,342
Changes in the scope of consolidation	-	-	-	-	-	(13,234)	(13,234)
Others	-	(3,361)	13,721	-	10,360	4,794	15,154
<b>As at March 31, 2018</b>	₩ 15,385	₩ 4,113,574	₩ 10,770,775	₩ (321,881)	₩ 14,577,853	₩ 33,388,760	₩ 47,966,613

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in shareholders' equity**  
**for the three months ended March 31, 2018 and 2017**  
(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, 2017</b>	\$ 14,426	\$ 4,445,512	\$ 7,846,340	\$ (11,522)	\$ 12,294,756	\$ 27,392,749	\$ 39,687,505
Total comprehensive income:							
Net income	-	-	556,533	-	556,533	958,112	1,514,645
Remeasurement loss on defined benefit plans	-	-	(11,964)	-	(11,964)	(14,326)	(26,290)
Net gain on available-for-sale financial assets	-	-	16,939	16,939	16,939	36,028	52,967
Equity adjustments of investment in associates and joint ventures	-	-	-	(23,043)	(23,043)	(59,358)	(82,401)
Gain (loss) on valuation of derivative financial instruments	-	-	-	5,924	5,924	(4,954)	970
Loss on translation of foreign operations	-	-	-	(202,376)	(202,376)	(220,155)	(422,531)
Net gain (loss) on translation to the presentation currency	-	-	-	2,031	2,031	(3,018)	(987)
Transaction with shareholders:							
Dividends	-	-	(195,655)	-	(195,655)	(869,778)	(1,065,433)
Equity transactions in consolidated entities	-	(36,206)	-	-	(36,206)	(97,290)	(133,496)
Changes in the scope of consolidation	-	-	-	-	-	65,547	65,547
Others	-	35	(5,289)	-	(5,254)	(1,167)	(6,421)
<b>As at March 31, 2017</b>	\$ 14,426	\$ 4,409,341	\$ 8,189,965	\$ (212,047)	\$ 12,401,685	\$ 27,182,390	\$ 39,584,075
<b>As at January 1, 2018</b>	\$ 14,426	\$ 3,856,048	\$ 9,224,209	\$ (286,354)	\$ 12,808,329	\$ 30,095,019	\$ 42,903,348
<b>Effect of changes in accounting policies</b>							
Beginning balance after amendment	\$ -	\$ -	\$ 470,938	\$ (38,229)	\$ 432,709	\$ 1,192,709	\$ 1,625,418
Total comprehensive income:							
Net income	-	-	619,915	-	619,915	838,446	1,458,361
Remeasurement loss on defined benefit plans	-	-	(17,230)	-	(17,230)	(19,462)	(36,692)
Net loss on available-for-sale financial assets	-	-	-	(8,253)	(8,253)	(34,204)	(42,457)
Equity adjustments of investment in associates and joint ventures	-	-	-	23,286	23,286	39,263	62,549
Gain (loss) on valuation of derivative financial instruments	-	-	-	311	311	(3,826)	(3,515)
Net gain on translation of foreign operations	-	-	-	17,568	17,568	44,215	61,783
Net loss on translation to the presentation currency	-	-	-	(10,140)	(10,140)	(678)	(10,818)
Transaction with shareholders:							
Dividends	-	-	(211,517)	-	(211,517)	(884,425)	(1,095,942)
Equity transactions in consolidated entities	-	4,182	-	-	4,182	47,708	51,890
Changes in the scope of consolidation	-	-	-	-	-	(12,409)	(12,409)
Others	-	(3,152)	12,865	-	9,713	4,497	14,210
<b>As at March 31, 2018</b>	\$ 14,426	\$ 3,857,078	\$ 10,095,180	\$ (301,811)	\$ 13,668,873	\$ 31,306,853	\$ 44,975,726

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of cash flows**  
**for the three months ended March 31, 2018 and 2017**

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		2018	2017	2018	2017
<b>Cash flows from operating activities:</b>					
Net income		₩ 1,555,342	₩ 1,615,368	\$ 1,458,361	\$ 1,514,645
Non-cash adjustments	29	1,599,791	1,495,943	1,500,038	1,402,666
Working capital adjustments	29	(347,786)	(1,880,609)	(326,100)	(1,763,346)
Interest received		46,669	54,845	43,759	51,425
Interest paid		(299,094)	(259,982)	(280,444)	(243,771)
Dividends received		24,144	25,869	22,639	24,256
Income tax paid		(123,731)	(251,614)	(116,016)	(235,925)
<b>Net cash flows provided by operating activities</b>		<b>2,455,335</b>	<b>799,820</b>	<b>2,302,237</b>	<b>749,950</b>
<b>Cash flows from investing activities:</b>					
Decrease in short-term and long-term financial assets, net		537,468	220,543	503,955	206,791
Decrease (increase) in short-term and long-term loans, net		(25,995)	3,337	(24,374)	3,129
Proceeds from disposal of investment securities		56,141	-	52,640	-
Proceeds from disposal of available-for-sale financial assets		-	90,928	-	85,258
Proceeds from disposal of investments in associates and joint ventures		73	4,111	68	3,855
Proceeds from disposal of property, plant and equipment		31,863	45,254	29,876	42,432
Proceeds from disposal of intangible assets		9,399	4,272	8,813	4,006
Proceeds from disposal of assets held for sale		9,234	443,125	8,658	415,495
Acquisition of investment securities		(234,817)	-	(220,175)	-
Acquisition of available-for-sale financial assets		-	(61,612)	-	(57,770)
Acquisition of investments in associates and joint ventures		(64,455)	(46,692)	(60,436)	(43,781)
Acquisition of property, plant and equipment		(1,577,375)	(1,153,786)	(1,479,020)	(1,081,843)
Acquisition of intangible assets		(85,499)	(106,336)	(80,168)	(99,706)
Changes in cash from changes in the scope of consolidation		203,955	6,044	191,238	5,667
Business transfer		-	304,736	-	285,735
Others, net		(59,937)	(1,203)	(56,200)	(1,128)
<b>Net cash flows used in investing activities</b>		<b>(1,199,945)</b>	<b>(247,279)</b>	<b>(1,125,125)</b>	<b>(231,860)</b>
<b>Cash flows from financing activities:</b>					
Increase in short-term borrowings, net		225,174	330,697	211,134	310,077
Increase in bonds payable and borrowings		1,981,780	1,468,825	1,858,209	1,377,239
Increase in other accounts payable		24,569	-	23,037	-
Decrease in bonds payable and borrowings		(1,821,616)	(450,234)	(1,708,032)	(422,160)
Decrease in other accounts payable		(376,270)	(303,511)	(352,808)	(284,586)
Payment of dividends		(473,923)	(13,591)	(444,372)	(12,744)
Cash inflows (outflows) from transactions in equity of consolidated subsidiaries		50,493	(139,826)	47,345	(131,107)
Others, net		(3,632)	(25,170)	(3,406)	(23,601)
<b>Net cash flows provided by financing activities</b>		<b>(393,425)</b>	<b>867,190</b>	<b>(368,893)</b>	<b>813,118</b>
<b>Net increase in cash and cash equivalents</b>		<b>861,965</b>	<b>1,419,731</b>	<b>808,219</b>	<b>1,331,208</b>
<b>Net foreign exchange effects</b>		<b>13,514</b>	<b>(94,345)</b>	<b>12,671</b>	<b>(88,462)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7,145,842</b>	<b>7,086,957</b>	<b>6,700,274</b>	<b>6,645,060</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>₩ 8,021,321</b>	<b>₩ 8,412,343</b>	<b>\$ 7,521,164</b>	<b>\$ 7,887,806</b>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
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**1. Corporate information**

**1.1 Outline of the parent**

SK Holdings Co., Ltd. (the "Company"), in accordance with KIFRS 1110 *Consolidated Financial Statements*, 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 on August 1, 2015, the Company added the investment business to its existing operations for the purpose of holding the securities of its subsidiaries. Furthermore, the Company changed its name to its current form as at the acquisition date.

As at March 31, 2018, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares) and major shareholders are Tae-won Chey, National Pension Service and Ki-won Choi holding equity ownership of 23.40%, 9.21%, and 7.46% respectively.

**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 March 31, 2018 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 Hong Kong Co., Ltd.	Hong Kong	Investment	SK Energy Co., Ltd.	100.00%
Shandong SK Hightech Oil Co., Ltd.	China	Gas station operation	SK Energy Hong Kong Co., Ltd.	51.00%
SK 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 Global Chemical Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Golden Tide Plastics (Yantai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Primacor Americas LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Primacor Europe, S.L.U.	Spain	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Saran Americas LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Synthetic rubber manufacturing	SK Global Chemical Investment Hong Kong Ltd.	80.00%
SK Incheon Petrochem Co., Ltd. (*3)	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Trading International Co., Ltd.	Korea	Trading business	SK Innovation Co., Ltd.	100.00%
SK Energy International Pte. Ltd.	Singapore	Trading business	SK Trading International Co., Ltd.	100.00%
SK Energy Europe, Ltd.	UK	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Energy Americas, Inc.	USA	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Terminal B.V.	Netherlands	Investment	SK Energy International Pte. Ltd.	100.00%
SK Lubricants Co., Ltd.	Korea	Lubricants oil manufacturing	SK Innovation Co., Ltd.	100.00%
Yubase Manufacturing Asia Corporation	Korea	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Energy Lubricants (Tianjin) Co., Ltd.	China	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	100.00%
PT. Patra SK	Indonesia	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	65.00%
SK Lubricants 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%
SK Lubricants & Oils India Pte. Ltd.	India	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 Battery Systems Co., Ltd.	Korea	Battery pack manufacturing	SK Innovation Co., Ltd.	100.00%
Blue Dragon Energy Co., Ltd. (formerly, SK Battery China Holdings Co., Ltd.)	China	Investment	SK Innovation Co., Ltd.	100.00%
SK Battery Hungary Kft.	Hungary	Battery manufacturing	SK Innovation Co., Ltd.	100.00%
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 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.	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
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**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
NSOK Co., Ltd.	Korea	Machine security and facilities security	SK Telink Co., Ltd.	100.00%
SK Broadband Co., Ltd.	Korea	Wire communications	SK Telecom Co., Ltd.	100.00%
Home&Service Co., Ltd.	Korea	Information and communication facilities management business	SK Broadband Co., Ltd.	100.00%
SK Store Co., Ltd.	Korea	Other resale communication business	SK Broadband 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%
Network O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
SK techx Co., Ltd.	Korea	System software development and supplying	SK Telecom Co., Ltd.	100.00%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK techx Co., Ltd.	59.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	65.54%
SK Communications Co., Ltd.	Korea	Internet portal service	SK Telecom Co., Ltd.	100.00%
FSK L&S Co., Ltd. (*4)	Korea	Convergence logistics business	SK Telecom Co., Ltd.	60.00%
FSK L&S (Shanghai) Co., Ltd.	China	Foreign freight forwarding	FSK L&S Co., Ltd.	100.00%
SK Planet Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	98.10%
SK M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
Hello Nature Co., Ltd.	Korea	Agriculture and livestock retailing	SK Planet Co., Ltd.	100.00%
11street (Thailand) Co., Ltd.	Thailand	E-commerce	SK Planet Co., Ltd.	100.00%
SK Planet Japan K.K.	Japan	Digital contents sourcing and presenting	SK Planet Co., Ltd.	79.45%
SK Planet Global Pte. Ltd.	Singapore	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SKP Global Holdings Pte. Ltd.	Singapore	Holding Company	SK Planet Co., Ltd.	100.00%
SKP America, LLC	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
shopkick Management Company, Inc.	USA	Investment	SKP America, LLC	100.00%
shopkick, Inc.	USA	Mileage based E-commerce App. development	shopkick Management Company, Inc.	100.00%
SK Telecom China Holding Co., Ltd.	China	Holding Company	SK Telecom Co., Ltd.	100.00%
SK Global Healthcare Business Group., Ltd.	Hong Kong	Investment	SK Telecom Co., Ltd.	100.00%
SKT Vietnam Pte. Ltd.	Singapore	Wireless communications	SK Telecom Co., Ltd.	73.32%
SKT Americas, Inc.	USA	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
YTK Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P.	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman	Investment	Atlas Investment, Ltd.	100.00%
iriver Co., Ltd. (*2)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	45.90%
iriver Inc.	USA	Marketing and sales in North America	iriver Co., Ltd.	100.00%
iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	iriver Co., Ltd.	100.00%
iriver China Co., Ltd.	China	MP3.4 production and sales	iriver Enterprise, Ltd.	100.00%
Dongguan iriver Electronics Co., Ltd.	China	Electronic book production and sales	iriver Enterprise, Ltd.	100.00%
Groovers Co., Ltd.	Korea	Domestic contents and MQS album sales	iriver Co., Ltd.	100.00%
Groovers Japan Co., Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
S.M.Life Design Company Japan, Inc.	Japan	Japan goods sales	iriver Co., Ltd.	100.00%
S.M.Mobile Communications Japan, Inc.	Japan	Digital contents service	iriver Co., Ltd.	100.00%
SK Telecom Japan Inc.	Japan	Information gathering and consulting	SK Telecom Co., Ltd.	100.00%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Holdings Co., Ltd.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Pinx Co., Ltd.	Korea	Golf club operating	SK Networks Co., Ltd.	100.00%
SK Rent-a-car Service Co., Ltd. (formerly, Car Life Service Co., Ltd.)	Korea	Business support services	SK Networks Co., Ltd.	100.00%
SK Magic Co., Ltd.	Korea	Household appliances manufacturing, sales and rent	SK Networks Co., Ltd.	100.00%
SK Magic Service Co., Ltd.	Korea	House appliances repair and others	SK Magic Co., Ltd.	100.00%
Mokgam Service	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
SK Networks (China) Holdings Co., Ltd.	China	Holding Company	SK Networks Co., Ltd.	100.00%
Liaoning SK Networks Real Estate Development Co., Ltd.	China	Real estate development	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SK Networks (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SK Networks (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*5)	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 Networks Middle East FZE	UAE	Trading business	SK Networks Co., Ltd.	100.00%
SK Brasil LTDA	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Trading Malaysia Sdn Bhd	Malaysia	Trading business	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
SE (Jiangsu) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SK Telesys Co., Ltd.	51.00%
Techdream Co., Ltd.	Hong Kong	Semiconductor component	SK Telesys Co., Ltd.	100.00%
SKC Infra Service Co., Ltd.	Korea	Electrical contractor	SK Telesys Co., Ltd.	100.00%
SKC Solmics Co., Ltd.	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	57.70%
Solmics Taiwan Co., Ltd.	Taiwan	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
Solmics Shanghai Co., Ltd.	China	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
SKW Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd. (*6)	China	Film manufacturing	SKC Co., Ltd.	91.38%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK Bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotec Co., Ltd.	China	Research and manufacturing	SK Bioland Co., Ltd.	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotec Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	China	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Taiwan Co., Ltd.	Taiwan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Japan Co., Ltd.	Japan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
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**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity Ownership (%)
SKC Hi-Tech&Marketing Polska SP.Z.O.O	Poland	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing USA LLC	USA	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC PU Specialty Co., Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	100.00%
SKC (Nantong) PU Specialty Co., Ltd.	China	Electronic materials manufacturing	SKC PU Specialty Co., Ltd.	100.00%
SKC-ENF Electronic Materials Co., Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	75.10%
SKC (Nantong) Semiconductor Materials Technology Co., Ltd.	China	Electronic materials manufacturing	SKC-ENF Electronic Materials Co., Ltd.	100.00%
SK Shipping Co., Ltd.	Korea	Shipping	SK Holdings Co., Ltd	57.22%
Blueseaocean 1st LLC	Korea	Securitization company	(*7)	-
Blueseaocean 2nd LLC	Korea	Securitization company	(*7)	-
Blueseaocean 3rd LLC	Korea	Securitization company	(*7)	-
With Ocean LLC	Korea	Securitization company	(*7)	-
Yukyungjiju 1st LLC	Korea	Securitization company	(*7)	-
Neptune Solution LLC	Korea	Securitization company	(*7)	-
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 58 other companies	Panama and others	Special purpose company for acquiring ship	(*7)	-
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.	90.00%
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.	74.10%
Jeonbuk Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chonnam City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chungcheong Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Paju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	100.00%
Wirye Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	95.17%
SK E&S Hong Kong Co., Ltd.	Hong Kong	City gas business	SK E&S Co., Ltd., Pusan City Gas Co., Ltd.	100.00%
SK E&S Australia Pty. Ltd.	Australia	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S Americas, Inc.	USA	Holding company	SK E&S Co., Ltd.	100.00%
SK E&S LNG, LLC	USA	Liquefied natural gas sales	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%
Prism Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Fajar Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	Prism Energy International Pte. Ltd.	100.00%
PT SK E&S Nusantara	Indonesia	Management consulting	SK E&S Co., Ltd.	100.00%
SK E&S Dominicana S.R.L	Dominican	LNG import	SK E&S Co., Ltd., Prism Energy International Pte. Ltd.	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*3)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu 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%
SKEC Consultores Ecuador, S.A	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C India Pvt. Ltd.	India	Engineering service	SK Engineering & Construction Co., Ltd.	99.94%
SK Holdco Pte. Ltd.	Singapore	Holding Company	SK Engineering & Construction Co., Ltd.	63.51%
SK Materials Co., Ltd. (*2)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd.	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd.	Korea	Industrial gas sales	SK Materials Co., Ltd.	80.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Showa Denko Co., Ltd. (*8)	Korea	Manufacturing, distribution and sales of semiconductor, electronic chemicals	SK Materials Co., Ltd.	51.00%
SK Siltron Co., Ltd.	Korea	Silicon wafer for electronic industry manufacturing and sales	SK Holdings Co., Ltd.	51.00%
SK Siltron America, Inc.	USA	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Siltron Japan, Inc.	Japan	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Holdings Co., Ltd.	100.00%
SK Biotek Ireland Limited	Ireland	Investment	SK Biotek Co., Ltd.	100.00%
SK Biotek USA Inc.	USA	Medicine and life science	SK Biotek Co., Ltd.	100.00%
SK Infosec Co., Ltd.	Korea	Information security service	SK Holdings Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd.	100.00%
Essencore Limited	Hong Kong	Manufacturing and distribution of semiconductor modules	SK S.E.Asia Pte. Ltd.	100.00%
ISD Technology (ShenZhen) Limited	China	Consulting for computer system integration	Essencore Limited	100.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	88.13%
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 China Company, Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding Company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Rent-A-Car (Qingdao) Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
Skyline Auto Financial Leasing Co., Ltd.	Hong Kong	Investment	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Financial Leasing Co., Ltd.	China	Financial lease	Skyline Auto Financial Leasing Co., Ltd.	100.00%
SK China (Beijing) Co., Ltd.	China	Consulting	SK China Company, Ltd.	100.00%
SK Beijing Investment Management Ltd.	China	Real estate fund management	SK China (Beijing) Co., Ltd.	100.00%

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

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SKY Property Management Ltd.	Virgin Islands	Investment	SK China Company, Ltd.	100.00%
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%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration and others	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration and others	SK Holdings Co., Ltd.	51.00%
Saturn Agriculture Investment Co., Limited	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Investment Management Co., Ltd.	Hong Kong	Investment management	SK Holdings Co., Ltd.	100.00%
SK Computer and Communication LLC (*9)	UAE	Consulting for computer system integration and others	SK Holdings Co., Ltd.	49.00%
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 America Investment S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
Plutus Capital NY, Inc.	USA	Investment	SK Holdings Co., Ltd.	100.00%
Hudson Energy NY, LLC	USA	Investment	Plutus Capital NY, Inc.	50.13%
Plutus Fashion NY, Inc.	USA	Investment	SK Holdings Co., Ltd.	100.00%
Wonderland NY, Inc.	USA	Investment	Plutus Fashion NY, Inc.	100.00%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
Happyarae Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd., SK Innovation Co., Ltd.	90.00%
Suzhou Happyarae Co., Ltd.	China	Electrical and machine equipment and others	Happyarae Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%

- (\*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (\*2) SK Innovation Co., Ltd. and 8 other companies are included in the consolidated financial statements as the Company is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and 8 other companies are widely dispersed, so it is determined that the Company has voting rights to exercise de facto control.
- (\*3) The Group owns 100% of the ordinary shares of SK Incheon Petrochem Co., Ltd. and SK TNS Co., Ltd., but holds 68.0% and 59.5% of equity ownership respectively, due to the issuance of its preferred shares having voting rights.
- (\*4) The largest shareholder has been changed by transferring 60% of the controlling interest to SK Telecom Co., Ltd., a subsidiary, during the current period.
- (\*5) The assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI are classified as assets and liabilities held for sale (see Note 28 Non-current assets and non-current liabilities classified as held for sale).
- (\*6) The equity ownership of SKC (Jiangsu) High Tech Plastics Co., Ltd. is 100% based on the shareholders' agreement, which gives preemptive rights to the non-controlling ownership.
- (\*7) The Group's 65 consolidated structured entities are classified as subsidiaries in the consolidated financial statements. In accordance with the terms of the agreement on establishment of these entities, the Group substantially receives all of the returns related to their operations and net assets, and has the ability to direct these entities' activities in a way that most significantly affects these returns.
- (\*8) In the current period, the Group acquired control of the investee by acquiring a majority of the voting rights of the Board of Directors. (see Note 34 'Business Combinations').
- (\*9) The Group has classified the investee as a subsidiary as it acquired voting rights for 51% of the remaining equity interest by the shareholders' agreement.

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**1.3 Changes in consolidated subsidiaries**

Changes in the consolidated subsidiaries for the three months ended March 31, 2018 are as follows:

December 31, 2017	Inclusion	Exclusion	March 31, 2018
309	7	(5)	311

For the three months ended March 31, 2018, subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
SK Biotek USA Inc. SK E&S Dominicana S.R.L Dsic Vloc1 Shipholding S.A Dsic Vloc2 Shipholding S.A SK Telecom Japan Inc.	Establishment (5 companies)
SK Showa Denko Co., Ltd. groovers Co., Ltd.	Acquisition (2 companies)

For the three months ended March 31, 2018, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
Bergaya International Pte. Ltd.	Liquidation (1 company)
Ningde Sky Beverage Co., Ltd. SK International Supply Chain Management Co., Ltd. SK Encarsales.com Ltd	Disposal (3 companies)
SK Maritime Co., Ltd.	Merge (1 company)

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

Details of condensed financial information of the significant subsidiaries as at and for the three months ended March 31, 2018 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩ 16,059,682	₩ 2,012,540	₩ 1,891,201	₩ 1,568,293
SK Energy Co., Ltd.	12,986,834	7,699,075	7,893,332	217,950
SK Global Chemical Co., Ltd.	5,779,281	2,063,268	2,665,657	119,024
SK Incheon Petrochem Co., Ltd.	5,582,458	2,836,957	2,026,143	24,143
SK Trading International Co., Ltd.	1,961,482	1,230,518	3,075,888	32,309
SK Lubricants Co., Ltd.	2,144,720	822,369	714,231	73,201
SK Global Chemical Americas, Inc.	534,803	204,684	1,334	75
SK Global Chemical International Trading (Shanghai) Co., Ltd.	227,590	126,929	300,722	753
SK Global Chemical Singapore Pte. Ltd.	88,427	78,731	189,896	(1,532)
SK Energy International Pte. Ltd.	2,182,643	1,647,242	6,074,614	18,875
SK Energy Europe, Ltd.	608,632	511,828	1,142,539	(1,360)
SK Lubricants Americas, Inc.	293,886	243,281	162,106	3,592
SK Lubricants Europe B.V.	195,318	188,228	156,852	(349)
Iberian Lube Base Oils S.A.	449,467	175,409	130,359	4,039
SK E&P America, Inc.	597,373	74,804	-	(606)
SK Telecom Co., Ltd.	27,787,334	11,371,884	2,988,538	364,427
SK Telink Co., Ltd.	481,473	106,048	91,523	8,100
SK Broadband Co., Ltd.	3,906,514	2,470,395	737,102	13,235
PS&Marketing Corp.	425,671	210,420	409,879	(2,697)
SK Planet Co., Ltd.	1,418,817	844,262	205,028	(37,655)
SK Networks Co., Ltd.	6,625,124	4,415,339	3,123,750	(2,320)
SK Magic Co., Ltd.	525,119	336,496	144,578	2,394
SK Networks (Shanghai) Co., Ltd.	69,797	45,233	113,887	(203)
SK Networks Hong Kong Ltd.	86,235	28,883	78,473	43
SKC Co., Ltd.	2,728,680	1,194,387	345,602	28,144
SK Telesys Co., Ltd.	115,629	165,777	47,512	4,104
SKC, Inc.	340,084	298,535	73,559	(5,628)
SK Shipping Co., Ltd.	4,180,561	3,810,195	247,622	(1,151)
SK B&T Pte. Ltd.	170,381	67,763	199,146	3,154
SK E&S Co., Ltd.	4,194,474	1,596,689	224,620	120,820
Yeongnam Energy Service Co., Ltd.	403,178	201,306	217,248	15,471
Ko-one Energy Service Co., Ltd.	792,842	406,763	448,009	22,117
Narae Energy Service Co., Ltd.	704,090	523,841	90,459	3,256
Pusan City Gas Co., Ltd.	951,182	352,170	362,908	23,320
Chungcheong Energy Service Co., Ltd.	297,340	177,215	166,209	12,759
Paju Energy Service Co., Ltd.	1,863,291	961,701	362,289	67,065
Wirye Energy Service Co., Ltd.	857,218	609,943	107,226	23,523
Prism Energy International Pte. Ltd.	67,082	36,219	276,870	(11,689)
SK E&S Australia Pty. Ltd.	411,896	148,893	-	(1,252)
SK E&S Americas, Inc.	755,007	170,974	-	(2,698)
DewBlaine Energy, LLC	694,800	2,235	21,359	3,393
SK Engineering & Construction Co., Ltd.	4,438,095	3,751,191	1,512,218	53,602
SK TNS Co., Ltd.	103,045	74,458	84,506	4,511
SK Materials Co., Ltd. (*1)	1,232,546	800,225	142,296	22,840
SK Siltron Co., Ltd. (*1)	1,921,332	1,410,926	297,553	66,732
Essencore Limited (*1)	279,371	132,386	336,544	48,607
SK China Company, Ltd.	2,151,672	2,942	-	2,482
SKY Property Management Ltd. (*1)	621,141	37,400	14,791	5,581
SK Industrial Development China Co., Ltd.	402,622	64,723	-	(1,488)
Plutus Capital NY, Inc. (*1)	439,192	217,315	-	305
Happynarae Co., Ltd.	101,355	69,666	209,273	1,777

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

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

Information about significant non-controlling interests in subsidiaries as at and for the three months ended March 31, 2018 is as follows (Korean won in millions):

Segment	March 31, 2018						
	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 ownership	66.86%	71.16%	59.64%	56.55%	42.78%	10.00%	53.79%
Current assets	₩15,524,798	₩ 8,471,298	₩ 2,876,902	₩ 870,453	₩ 696,601	₩2,131,377	₩ 3,015,109
Non-current assets	18,152,618	27,663,090	4,566,372	2,795,302	3,967,035	6,850,868	1,865,480
Current liabilities	9,347,918	6,883,712	3,570,159	1,104,454	1,565,396	1,738,143	3,300,546
Non-current liabilities	5,057,704	9,262,853	1,556,194	956,359	2,882,646	3,570,088	773,240
Net assets	19,271,794	19,987,823	2,316,921	1,604,942	215,594	3,674,014	806,803
Book value of the non-controlling interests	13,666,423	13,795,602	1,460,592	993,174	216,348	1,589,166	638,390
Sales	12,166,106	4,181,537	3,477,283	638,741	396,520	2,130,927	1,640,858
Net income	472,726	693,372	202	45,510	1,272	198,528	76,481
Total comprehensive income (loss)	537,027	691,284	45	45,899	(347)	189,761	60,578
Net income (loss) of the non-controlling interests	320,367	461,463	(1,950)	26,342	2,686	28,629	25,789
Total comprehensive income (loss) of the non-controlling interests	388,661	447,680	(1,916)	24,350	514	27,378	29,189
Net cash flows from operating activities	713,737	987,254	(224,071)	(14,006)	37,796	136,493	157,469
Net cash flows from (used in) investing activities	8,072	(543,837)	(46,824)	(35,518)	(79,780)	(175,627)	(6,988)
Net cash flows from (used in) financing activities before dividends paid to the non-controlling interests	(384,705)	(15,839)	243,492	10,842	52,674	(246,198)	(70,979)
Dividends paid to the non-controlling interests	(13)	-	-	-	(2,206)	(33,168)	-
Net increase (decrease) in cash and cash equivalents	337,091	427,578	(27,403)	(38,682)	8,484	(318,500)	79,502

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

## **2. Basis of preparation and 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 December 31, 2017.

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed consolidated financial statements and has been made at the rate of ₩1,066.5 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 three months ended March 31, 2018. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

### **2.2 Significant accounting policies**

The significant accounting policies used for the preparation of the accompanying consolidated financial statements as at and for the three months ended March 31, 2018, are the same as the accounting policies adopted for the preparation of consolidated financial statements as at and for the year ended December 31, 2017, except for adoption of new and revised KIFRSs applied in the current period, which are summarized below.

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

The Group has applied amendments to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 2018.

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

The KASB issued amendments to KIFRS 1102 – *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments do not have a material impact on the financial position or management performance of the Group.

##### **Amendments to KIFRS 1109 – *Financial Instruments***

The Group applied the amendments to KIFRS 1109 and other standards for the first time for the year beginning on January 1, 2018. The Standard replaces KIFRS 1039 *Financial Instruments: Recognition and Measurement*. KIFRS 1109 introduces new rules for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting.

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

The Group has recognized the cumulative effect of the initial application of this standard in the opening balances in accordance with the transitional provisions, and the comparative financial statements have not been restated. Accordingly, the comparative financial statements are presented in accordance with the previous accounting policies.

The major impact of the adoption of the standard on the Group's financial statements is as follows:

#### **① Classification and measurement of financial assets**

Classification of financial assets under KIFRS 1109 is driven by the entity's business model for managing financial assets and their contractual cash flows. This contains three principal classification categories: financial assets measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

To eliminate or significantly reduce the accounting mismatch, the Group may irrevocably designate a financial asset as measured at FVTPL using the fair value option at initial recognition. On the other hand, equity instruments that are not held for trading may be irrevocably designated as FVOCI using the fair value option.

The Group measures its financial assets at fair value with the exception of specific trade receivables at the initial recognition date. Transaction costs directly attributable to the acquisition of financial assets or issuance of financial liabilities, unless they are financial assets measured at FVTPL, are added to fair value. Transaction costs of financial assets measured at FVTPL are accounted as expense under current profit or loss.

The Group classifies and measures debt instruments in the following three categories:

- Financial assets measured at amortized cost: Assets that hold financial assets under a business model that is intended to hold to receive contractual cash flows and whose contractual cash flows consist solely of principal are measured at amortized cost. The gain or loss on a financial asset measured at amortized cost, which is not subject to hedge accounting, is recognized in profit or loss when the financial asset is derecognized or impaired. Interest income on financial assets recognized under the effective interest rate method is included in finance income.

- Financial assets measured at FVOCI: Financial assets held under a business model that achieves the objective through both receipt of contractual cash flows and sale of financial assets and whose contractual cash flows consist of only principal payments are measured at FVOCI. Gain or loss on financial assets measured at FVOCI except for impairment loss (reversal), interest income, and foreign exchange gain or loss are recognized as other comprehensive income. Interest income and foreign exchange gains and losses on financial assets and impairment recognized in accordance with the effective interest rate method, are recognized as current profit or loss.

- Financial assets measured at FVTPL: Debt instruments not measured at amortized cost or FVOCI, are measured at FVTPL. Profit or loss on debt instruments measured at FVTPL not subject to the application of hedge accounting, are recognized as current profit or loss.

The Group subsequently measures investment in all equity instruments at fair value. For equity instruments for which changes in fair value are elected to be presented in other comprehensive income, amounts recognized in other comprehensive income are not reclassified to profit or loss even when equity instruments are eliminated. Dividend income on these equity instruments is recognized in profit or loss when the right to receive dividends is established.

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

### **② Classification and measurement of financial liabilities**

The Group classifies the financial liabilities as financial liabilities measured at FVTPL and other financial liabilities based on the substance of terms and conditions of a contract and definition of financial liabilities and recognizes them in the statement of financial position when the Group becomes a party in the contract.

#### **1) Financial liabilities measured at FVTPL**

Financial liabilities measured at FVTPL include held-for-trading financial liabilities or financial liabilities designated as measured at FVTPL at initial recognition. Financial liabilities measured at FVTPL are measured at fair value after initial recognition, and changes in fair value are generally presented as follows:

- Changes in fair value due to changes in the credit risk of debt: Other comprehensive income
- Remaining fair value changes: Profit or loss

Transaction costs incurred at the time of initial recognition are recognized immediately in profit or loss as incurred.

#### **2) Other financial liabilities**

Non-derivative financial liabilities that are not classified as financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities are measured initially at fair value, net of transaction costs directly attributable to the issue. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method. Interest expense is recognized using the effective interest rate method.

#### **3) Elimination of financial liabilities**

A financial liability is derecognized only when the obligation has been fulfilled, canceled, or expired.

### **③ Impairment**

KIFRS 1109 sets out a new 'expected credit loss' (ECL) impairment model which replaces the 'incurred loss' model under KIFRS 1039 for recognizing and measuring impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI, but not to investments in equity instruments.

Expected credit losses are measured by discounting the difference between the contractual cash flows and all cash flows expected to be received by the Group at the initial effective interest rate of the asset.

At the end of each reporting period, the Group assesses the carrying amount of financial assets measured at amortized cost and debt securities measured at FVOCI for credit in impairment. If there is more than one event that adversely affects the estimated future cash flows of the financial asset, the financial asset is impaired.

The allowance for losses on financial assets measured at amortized cost is deducted from the carrying amount of the asset. On the other hand, for debt instruments measured at FVOCI, instead of reducing the carrying amount of the asset, the loss allowance is recognized in other comprehensive income.

The Group measures the allowance for losses on trade and other receivables, contracts and lease receivables at amounts equivalent to the life time expected credit losses and applies a practical expedient by considering low credit risk at the reporting date as no significant increase in credit risk.

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

#### **④ Hedge accounting**

Derivatives are initially recognized at fair value at the inception of the derivative contract and subsequently remeasured to fair value at the end of each reporting period. Changes in the fair value of a derivative that is not a hedging instrument are recognized in profit or loss and derivatives that are a hedging instrument are accounted for based on the nature of the hedged item and the type of hedging relationship designated.

In accordance with the transitional provisions of KIFRS 1109 on hedge accounting, the Group has adopted the hedge accounting provisions of KIFRS 1109 prospectively from January 1, 2018. As at the date of initial application, the Group has considered that the hedging relationship in accordance with KIFRS 1039 is also eligible for hedge accounting under KIFRS 1109. The hedging relationship between the hedging instrument and the hedged item is consistent, therefore, all hedging relationships are consistent with the effectiveness assessment requirements of KIFRS 1109. The Group has not designated a hedging relationship in accordance with KIFRS 1109 that would not have met the requirements for hedge accounting under KIFRS 1039.

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

Changes in the basic capital of the Group as a result of the first application of KIFRS 1109 are as follows (Korean won in millions):

Amendments	Retained earnings	Other capital components	Non-controlling interests
Classification and measurement	₩ 31,447	₩ (40,771)	₩ 13,446
Impairment of financial assets	(7,549)	-	(12,507)
	₩ 23,898	₩ (40,771)	₩ 939

Reclassification of financial assets of the Group as at the first application of KIFRS 1109 is as follows (Korean won in millions):

	Classification		Book value		
	KIFRS 1039	KIFRS 1109	KIFRS 1039	KIFRS 1109	Difference
<b>Current financial assets:</b>					
Cash and cash equivalents	Loans and receivables	Amortized cost	₩ 7,145,842	₩ 7,145,842	₩ -
Short-term financial instruments	Loans and receivables	Amortized cost	3,442,030	3,442,030	-
Short-term financial instruments	Financial assets at FVTPL	FVTPL	98,643	98,643	-
Short-term investment securities	Available-for-sale financial asset	FVTPL	48,476	48,476	-
Short-term investment securities	Available-for-sale financial asset	FVOCI	140,127	140,127	-
Short-term investment securities	Held-to-maturity investments	Amortized cost	45	45	-
Trade accounts receivable	Loans and receivables	Amortized cost	10,427,010	10,405,554	(21,456)
Trade accounts receivable	Loans and receivables	FVTPL	300,621	300,621	-
Other accounts receivable	Loans and receivables	Amortized cost	1,161,404	1,160,146	(1,258)
Other accounts receivable	Loans and receivables	FVTPL	830,321	830,321	-
Short-term loans	Loans and receivables	Amortized cost	123,130	122,694	(436)
Accrued income	Loans and receivables	Amortized cost	44,240	44,204	(36)
Guarantee deposits	Loans and receivables	Amortized cost	209,181	209,181	-
Derivative financial assets	Financial assets at FVTPL	FVTPL	35,319	35,319	-
Derivative financial assets	Financial assets designated as hedging instruments	Financial assets designated as hedging instruments	57,094	57,094	-
Finance lease receivables	Loans and receivables	Amortized cost	73,199	73,199	-
			24,136,682	24,113,496	(23,186)
<b>Non-current financial assets:</b>					
Long-term financial instruments	Loans and receivables	Amortized cost	200,853	200,853	-
Long-term investment securities	Available-for-sale financial asset	FVTPL	441,735	443,162	1,427
Long-term investment securities	Available-for-sale financial asset	FVOCI	1,154,298	1,162,900	8,602
Long-term investment securities	Held-to-maturity investments	Amortized cost	825	825	-
Long-term trade accounts receivables	Loans and receivables	Amortized cost	12,908	12,908	-
Long-term loans	Loans and receivables	Amortized cost	378,534	376,697	(1,837)
Long-term other accounts receivables	Loans and receivables	Amortized cost	77,412	77,412	-
Long-term other accounts receivables	Loans and receivables	FVTPL	243,742	243,742	-
Guarantee deposits	Loans and receivables	Amortized cost	740,326	738,891	(1,435)
Derivative financial assets	Financial assets at FVTPL	FVTPL	235,474	232,936	(2,538)
Derivative financial assets	Financial assets designated as hedging instruments	Financial assets designated as hedging instruments	46,755	46,755	-
Finance lease receivables	Loans and receivables	Amortized cost	168,490	168,490	-
			3,701,352	3,705,571	4,219
			₩ 27,838,034	₩ 27,819,067	₩ (18,967)

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

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

The amendments are effective for the current period. The new standard will supersede the following KIFRS: KIFRS 1018 Revenue, KIFRS 1011 Construction Contracts, KIFRS 2031 Revenue-Barter Transactions Involving Advertising Services, KIFRS 2113 Customer Loyalty Programmes, KIFRS 2115 Agreements for the Construction of Real Estate, and KIFRS 2118 Transfers of Assets from Customers. If the contracts are not subject to the scope of other standards, the new standard applies to all revenue from contracts with customer.

The Group adjusted cumulative effect of the initial application of KIFRS 1115 to the beginning balance of retained earnings, and retrospectively applied the standard only to the contracts not completed as at January 1, 2018. Accordingly, the comparative information is not restated and prepared in accordance with KIFRS 1018 and KIFRS 1011.

The major impact of the adoption of the standard on the Group's financial statements is as follows:

#### **① Identification of the separate performance of the contract**

The Group is engaged in providing petroleum, chemicals and resources development, telecommunications, constructions and others

Construction projects, etc., have identified a contract that meets the combined requirements of a contract among a plurality of contracts that have a single commercial purpose and concurrently or in the near term. In this case, the multiple contracts were combined and accounted for as a single contract.

#### **② Identification of the separate performance obligations in the contract**

KIFRS 1115 requires the Group to separately identify performance obligation for wireless telecommunications services and other sales of goods and services. The Group determines the timing of fulfilling each performance obligation so that revenue can be recognized thereafter. In the case that the Group provides the wireless telecommunications services and a handset to the same customer, transaction price allocated to the handset was recognized as revenue immediately while the transaction price allocated to wireless telecommunication service was recognized as revenue over a period of time specified in the contract. In the case of other businesses, more than one performance obligation can be identified in a single contract. In this case, the transaction price is allocated to each performance obligation and the revenue is recognized for each obligation performed.

The performance obligation for fulfilling transportation brokerage has been identified in some of the contracts of goods supply. In such case, the Group recognizes the net amounts of commission to which it is entitled when fulfilling the promise to provide brokerage services to the customer.

#### **③ Incremental costs to acquire a contract and accounting for fulfillment cost**

The Group pays a commission based on the results of recruitment and renewal of customers of the Group, such as mobile phone service, and it accounts for a significant portion of the commission for the operating expenses. Some of these fees are costs that would not have been spent if contracts were not signed with the customer. Under KIFRS 1115, contracted incremental costs recognized as past costs are recognized as assets and amortized over the expected term of the contract. As a result of this change, the Group recognized the amount of incremental cost of contracts as at January 1, 2018, as the prepaid expenses in the consolidated statement of financial position.

Contract costs are recognized as an expense when incurred since these costs are not clearly charged regardless of whether the contract is entered into or not. Accordingly, percentage-of-completion is recalculated for contracts that apply cost-based input method.

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

### ④ Allocation of the transaction price to the separate performance obligations

In accordance with KIFRS 1115, the Group should allocate the transaction price to each performance obligation in a contract in proportion to its stand-alone selling price. To estimate the transaction price to each performance obligation, the Group will use the adjusted market assessment approach. However, in some circumstances, the expected cost plus a margin approach will be used.

When the Group provides both handset and mobile phone services to the same customer, the Group has allocated transaction prices based on the relative individual selling prices. As a result of this change, the Group recognized transaction value of ₩142,596 million as at January 1, 2018 as the contract asset in the consolidated statements of financial position.

Upon first application of KIFRS 1115, retained earnings and non-controlling interests of the Group increased by ₩478,357 million and ₩1,271,085 million, respectively.

The effect of the adoption of KIFRS 1115 on the income statement on March 31, 2018 is as follows (Korean won in millions):

Past revenue	Current standard	Amendments	Past standard
Sales	₩ 24,615,108	₩ 92,660	₩ 24,707,768
Operating income	1,581,424	23,060	1,604,484
Net income	1,555,342	8,048	1,563,390

### **KIFRS 1028 Investments in Associates and Joint Ventures**

The amendments clarify that:

An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments do not have any impact on the Group's financial position or management performance.

### **KIFRS 1040 - Investment Property**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Group should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the Group first applies the amendments. The Group should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with KIFRS 1008 is only permitted if it is possible without the use of hindsight. The amendments do not have a material impact on the Group's financial position or management performance.

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

### **KIFRS 2122 – Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If advance consideration is taken at multiple times, it is necessary to determine the date of each transaction due to the advance consideration. The amendments do not have a material impact on the Group's financial position or management performance.

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

### **KIFRS 1116 Leases**

KIFRS 1116 Leases enacted in May 2017, is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies KIFRS 1115 *Revenue from Contracts with Customers*. This standard replaces KIFRS 1017 *Leases*, KIFRS 2104 *Determining whether an Arrangement contains a Lease*, KIFRS 2015 *Operating Leases-Incentives* and KIFRS 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group assesses whether a contract is, or contains, a lease at inception of a contract and also assesses whether a contract is, or contains, a lease at the initial adoption of KIFRS 1116. However, the Group may not reassess all arrangements entered into before the date of initial application of the standard by applying the simplified approach.

For a contract that is, or contains a lease, the Group will account for each lease component within the contract as a lease separately from non-lease components of the contract.

A lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a liability representing the right to make lease payments (i.e., the lease liability). However, in case of short-term leases (i.e., leases with a lease term of 12 months or less at the commencement date) and leases of 'low-value' assets, the Group may elect to apply the exception under KIFRS 1116. As a practical expedient, a lessee may elect, by class of the underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single component.

Lessor accounting under KIFRS 1116 is not significantly changed from current accounting under KIFRS 1017.

In relation to sale and leaseback transactions, the Group (the seller-lessee) will apply the requirements of KIFRS 1115 to determine whether the transfer of an asset is accounted for as a sale of the asset. However, the Group does not reassess sale and leaseback transactions entered into before the date of initial application.

#### ① Lease accounting for lessees

As a lessee, the Group can either apply the KIFRS 1116 using a full retrospective approach; or modified retrospective approach. The full retrospective approach requires the Group to retrospectively apply the new standard to each prior reporting period presented, while modified retrospective approach requires the lessee to recognize the cumulative effect of initial application at the date of initial application of the new leases standard.

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

### **② Lease accounting for lessors**

In case where the Group is lessor, the Group should reassess leases that were classified as operating leases applying KIFRS 1017 and are ongoing at the date of initial application, whether each sublease should be classified as an operating lease or a finance lease in the application of KIFRS 1116. As a result, if the leases are classified as finance lease, they are accounted as new finance lease contracted on the initial application date of KIFRS 1116.

The Group plans to change the accounting process and internal control and to assess the financial impact on its consolidated financial statements resulting from the adoption of KIFRS 1116 by December 31, 2018, and apply the amendments on the required effective date.

## **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 three months ended March 31, 2018, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2017.

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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. As SK Holdings Co., Ltd. was acquired during the current reporting period, details of changes to segment operations of each segment are as follows:

Operating segments	Business
SK Innovation Co., Ltd.	Refining, chemical and resources development
SK Telecom Co., Ltd.	Telecommunication
SK Networks Co., Ltd.	Information communication, trade and energy marketing
SKC Co., Ltd.	Chemical, film and information communication
SK Shipping Co., Ltd.	Sea transportation and 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 three months ended March 31, 2018 and 2017 are as follows (Korean won in billions):

	As at and for the three months ended March 31, 2018									
	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	₩ 12,166	₩ 4,182	₩ 3,477	₩ 639	₩ 397	₩ 2,131	₩ 1,641	₩ 2,307	₩ (2,325)	₩ 24,615
Internal sales	(483)	(13)	(516)	(70)	(82)	(24)	(56)	(1,081)	2,325	-
Net sales	11,683	4,169	2,961	569	315	2,107	1,585	1,226	-	24,615
Income (loss) from continuing operations before income tax expense	679	907	3	59	3	254	96	1,232	(1,216)	2,017
Net income (loss) from continuing operations	473	693	2	46	1	199	76	944	(1,012)	1,422
Total assets	33,677	36,134	7,443	3,666	4,664	8,982	4,881	29,449	(16,567)	112,329
Total liabilities	14,406	16,147	5,126	2,061	4,448	5,308	4,074	10,784	2,009	64,363
Depreciation	204	620	58	30	34	82	5	80	2	1,115
Amortization	19	203	3	2	1	1	1	12	82	324

	As at and for the three months ended March 31, 2017									
	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	₩ 11,370	₩ 4,234	₩ 5,050	₩ 587	₩ 408	₩ 1,665	₩ 1,562	₩ 1,689	₩ (3,762)	₩ 22,803
Internal sales	(1,338)	(18)	(1,169)	(92)	(56)	(18)	(93)	(978)	3,762	-
Net sales	10,032	4,216	3,881	495	352	1,647	1,469	711	-	22,803
Income (loss) from continuing operations before income tax expense	1,163	724	25	37	(26)	196	43	713	(712)	2,163
Net income (loss) from continuing operations	860	583	17	25	(26)	155	29	665	(692)	1,616
Total assets	33,235	30,518	8,625	3,460	4,579	8,395	5,839	23,016	(14,819)	102,848
Total liabilities	14,836	14,605	6,264	1,983	4,599	5,442	5,011	7,699	193	60,632
Depreciation	200	608	51	28	34	63	9	36	3	1,032
Amortization	25	186	5	1	-	2	2	4	97	322

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

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

(3) Details of financial information by geographical location as at and for the three months ended March 31, 2018 and 2017 (Korean won in billions):

	As at and for the three months ended March 31, 2018							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
	₩	₩	₩	₩	₩	₩	₩	₩
Total sales	₩ 33,027	₩ 8,121	₩ 1,563	₩ 346	₩ -	₩ 21	₩ (18,463)	₩ 24,615
Operating income	3,950	23	3	5	-	5	(2,405)	1,581
Income (loss) from continuing operations before income tax expense	4,168	88	(2)	(1)	-	9	(2,245)	2,017
Net income (loss)	3,735	70	(3)	(3)	-	(124)	(2,253)	1,422
Total assets	135,096	8,810	2,189	4,744	327	1,227	(40,064)	112,329
Total liabilities	61,928	3,278	1,478	1,489	289	212	(4,311)	64,363

	As at and for the three months ended March 31, 2017							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
	₩	₩	₩	₩	₩	₩	₩	₩
Total sales	₩ 31,383	₩ 6,846	₩ 941	₩ 397	₩ -	₩ 20	₩ (16,784)	₩ 22,803
Operating income	2,838	92	8	(4)	-	5	(1,239)	1,700
Income (loss) from continuing operations before income tax expense	3,026	142	3	(4)	-	9	(1,013)	2,163
Net income (loss)	2,546	124	2	(5)	-	8	(1,059)	1,616
Total assets	127,662	6,963	1,248	3,109	817	1,188	(38,139)	102,848
Total liabilities	60,106	3,202	838	919	781	242	(5,456)	60,632

(4) Details of financial information by revenue from contracts with customers for the three months ended March 31, 2018 are as follows (Korean won in billions):

	As at and for the three months ended March 31, 2018								
	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.	Consolidation adjustments	Total
	₩	₩	₩	₩	₩	₩	₩	₩	₩
1. Total sales	₩ 12,166	₩ 4,182	₩ 3,477	₩ 639	₩ 397	₩ 2,131	₩ 1,641	₩ 2,307	₩ 24,615
2. Revenue from contracts with customers									
Categories:									
Service sales	36	3,825	109	19	266	-	1,635	583	6,072
Finished goods sales	11,686	6	125	516	-	797	-	650	13,223
Merchandise sales	43	351	3,023	91	130	1,320	1	480	4,870
Other sales	393	-	1	13	1	12	-	(140)	254
	<u>12,158</u>	<u>4,182</u>	<u>3,258</u>	<u>639</u>	<u>397</u>	<u>2,129</u>	<u>1,636</u>	<u>1,573</u>	<u>24,419</u>
Timing of revenue recognition:									
Recognition at a point in time	12,122	357	3,149	620	130	2,129	1	4,766	22,108
Recognition over a period of time	36	3,825	109	19	267	-	1,635	(3,193)	2,311
	<u>12,158</u>	<u>4,182</u>	<u>3,258</u>	<u>639</u>	<u>397</u>	<u>2,129</u>	<u>1,636</u>	<u>1,573</u>	<u>24,419</u>
3. Revenue from other sources	8	-	219	-	-	2	5	734	196

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**5. Financial instruments**

**5.1 Financial assets**

Details of financial assets as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018				Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized	Financial assets designated as hedging instruments	
<b>Current assets</b>					
Cash and cash equivalents	₩ -	₩ -	₩ 8,021,321	₩ -	₩ 8,021,321
Short-term financial instruments	-	-	3,089,959	-	3,089,959
Trade accounts receivable (*1)	397,566	-	9,175,478	-	9,573,044
Other accounts receivable	920,865	-	1,468,658	-	2,389,523
Short-term loans	-	-	137,385	-	137,385
Accrued income	-	-	60,515	-	60,515
Short-term investment securities	77,669	79,375	45	-	157,089
Guarantee deposits	-	-	184,059	-	184,059
Derivative financial assets	24,449	-	-	59,156	83,605
Finance lease receivables	-	-	83,014	-	83,014
	<u>1,420,549</u>	<u>79,375</u>	<u>22,220,434</u>	<u>59,156</u>	<u>23,779,514</u>
<b>Non-current assets</b>					
Long-term financial instruments	-	-	113,184	-	113,184
Long-term trade accounts receivables	-	-	12,600	-	12,600
Long-term other accounts receivables	93,259	-	62,792	-	156,051
Long-term loans	-	-	390,719	-	390,719
Long-term investment securities	883,220	1,180,238	810	-	2,064,268
Guarantee deposits	-	-	766,911	-	766,911
Derivative financial assets	10,654	-	-	25,339	35,993
Finance lease receivables	-	-	612,805	-	612,805
	<u>987,133</u>	<u>1,180,238</u>	<u>1,959,821</u>	<u>25,339</u>	<u>4,152,531</u>
	<u>₩ 2,407,682</u>	<u>₩ 1,259,613</u>	<u>₩ 24,180,255</u>	<u>₩ 84,495</u>	<u>₩ 27,932,045</u>

(\*1) Contract assets (unbilled receivables) amounting to ₩649,748 million as at March 31, 2018 are not included in the financial instruments.

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

	December 31, 2017					Total
	Financial assets at FVTPL	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	
<b>Current assets:</b>						
Cash and cash equivalents	₩ -	₩ -	₩ 7,145,842	₩ -	₩ -	₩ 7,145,842
Short-term financial instruments	98,643	-	3,442,030	-	-	3,540,673
Trade accounts receivable (*1)	-	-	10,727,631	-	-	10,727,631
Other accounts receivable	-	-	1,991,725	-	-	1,991,725
Short-term loans	-	-	123,130	-	-	123,130
Accrued income	-	-	44,240	-	-	44,240
Available-for-sale financial assets	-	-	-	188,603	-	188,603
Held-to-maturity investments	-	45	-	-	-	45
Guarantee deposits	-	-	209,181	-	-	209,181
Derivative financial assets	35,319	-	-	-	57,094	92,413
Finance lease receivables	-	-	73,199	-	-	73,199
	<u>133,962</u>	<u>45</u>	<u>23,756,978</u>	<u>188,603</u>	<u>57,094</u>	<u>24,136,682</u>
<b>Non-current assets:</b>						
Long-term financial instruments	-	-	200,853	-	-	200,853
Long-term trade accounts receivable	-	-	12,908	-	-	12,908
Long-term other accounts receivable	-	-	321,154	-	-	321,154
Long-term loans	-	-	378,534	-	-	378,534
Available-for-sale financial assets	-	-	-	1,596,033	-	1,596,033
Held-to-maturity investments	-	825	-	-	-	825
Guarantee deposits	-	-	740,326	-	-	740,326
Derivative financial assets	235,474	-	-	-	46,755	282,229
Finance lease receivables	-	-	168,490	-	-	168,490
	<u>235,474</u>	<u>825</u>	<u>1,822,265</u>	<u>1,596,033</u>	<u>46,755</u>	<u>3,701,352</u>
	<u>₩ 369,436</u>	<u>₩ 870</u>	<u>₩ 25,579,243</u>	<u>₩ 1,784,636</u>	<u>₩ 103,849</u>	<u>₩ 27,838,034</u>

(\*1) Unbilled receivables amounting to ₩810,837 million as at December 31, 2017 are not included in the financial instruments.

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**5.2 Financial liabilities**

Details of financial liabilities as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018			
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 3,197,080	₩ -	₩ 3,197,080
Trade accounts payable	-	8,547,348	-	8,547,348
Other accounts payable	-	2,967,554	-	2,967,554
Current portion of long-term debt	-	5,832,490	-	5,832,490
Accrued expenses	-	2,297,152	-	2,297,152
Dividends payable	-	1,087,151	-	1,087,151
Leasehold deposits received	-	151,797	-	151,797
Derivative financial liabilities	87,038	-	46,300	133,338
Finance lease liabilities	-	2,044	-	2,044
Finance guarantee liabilities	-	37	-	37
	<u>87,038</u>	<u>24,082,653</u>	<u>46,300</u>	<u>24,215,991</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	60,566	24,145,846	-	24,206,412
Long-term other accounts payable	-	3,522,171	-	3,522,171
Leasehold deposits received	-	329,669	-	329,669
Derivative financial liabilities	25,268	-	12,755	38,023
Finance lease liabilities	-	3,975	-	3,975
Financial guarantee liabilities	-	14,185	-	14,185
	<u>85,834</u>	<u>28,015,846</u>	<u>12,755</u>	<u>28,114,435</u>
	<u>₩ 172,872</u>	<u>₩ 52,098,499</u>	<u>₩ 59,055</u>	<u>₩ 52,330,426</u>

	December 31, 2017			
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 2,999,032	₩ -	₩ 2,999,032
Trade accounts payable	-	9,588,642	-	9,588,642
Other accounts payable	-	3,610,562	-	3,610,562
Current portion of long-term debt	-	6,548,146	-	6,548,146
Accrued expenses	-	2,875,130	-	2,875,130
Dividends payable	-	1,423	-	1,423
Leasehold deposits received	-	162,965	-	162,965
Derivative financial liabilities	105,042	-	42,243	147,285
Finance lease liabilities	-	1,676	-	1,676
Finance guarantee liabilities	-	50	-	50
	<u>105,042</u>	<u>25,787,626</u>	<u>42,243</u>	<u>25,934,911</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	60,278	23,299,240	-	23,359,518
Long-term other accounts payable	-	3,740,381	-	3,740,381
Leasehold deposits received	-	310,050	-	310,050
Derivative financial liabilities	21,379	-	12,323	33,702
Finance lease liabilities	-	10	-	10
Financial guarantee liabilities	-	11,933	-	11,933
	<u>81,657</u>	<u>27,361,614</u>	<u>12,323</u>	<u>27,455,594</u>
	<u>₩ 186,699</u>	<u>₩ 53,149,240</u>	<u>₩ 54,566</u>	<u>₩ 53,390,505</u>

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

1) Fair values and book values of financial instruments as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018		December 31, 2017	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 23,915,307	₩ 23,677,040	₩ 23,484,876	₩ 23,588,353
Borrowings	9,320,675	8,964,112	9,421,820	9,028,223

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 (1.75%~5.75%) regarding residual market risks. As the book values of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

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

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

3) Details of fair values of financial instruments by hierarchy level as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 97,732	₩ 1,413,514	₩ 896,436	₩ 2,407,682
Financial assets measured at FVOCI	762,555	39,695	457,363	1,259,613
Financial assets designated as hedging instruments	-	84,495	-	84,495
	<u>₩ 860,287</u>	<u>₩ 1,537,704</u>	<u>₩ 1,353,799</u>	<u>₩ 3,751,790</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ 3,870	₩ 166,158	₩ 2,844	₩ 172,872
Financial liabilities designated as hedging instruments	-	59,055	-	59,055
	<u>₩ 3,870</u>	<u>₩ 225,213</u>	<u>₩ 2,844</u>	<u>₩ 231,927</u>
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 706	₩ 144,285	₩ 224,445	₩ 369,436
Available-for-sale financial assets (*1)	818,615	96,487	127,124	1,042,226
Financial assets designated as hedging instruments	-	103,849	-	103,849
	<u>₩ 819,321</u>	<u>₩ 344,621</u>	<u>₩ 351,569</u>	<u>₩ 1,515,511</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ 2,131	₩ 184,568	₩ -	₩ 186,699
Financial liabilities designated as hedging instruments	-	54,566	-	54,566
	<u>₩ 2,131</u>	<u>₩ 239,134</u>	<u>₩ -</u>	<u>₩ 241,265</u>

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

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**6. Trade accounts receivable**

(1) Details of trade accounts receivable as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 10,130,949	₩ 14,377	₩ 11,230,420	₩ 14,669
Contract assets (unbilled receivables) (*1)	649,748	-	810,837	-
Allowance for doubtful accounts:				
Trade accounts receivable	(557,905)	(1,777)	(502,789)	(1,761)
	<u>₩ 10,222,792</u>	<u>₩ 12,600</u>	<u>₩ 11,538,468</u>	<u>₩ 12,908</u>

(\*1) Unbilled receivables at the end of the previous reporting period are those applicable to KIFRS 1011.

(2) As at March 31, 2018, the contract assets and liabilities related with contracts with customers, and the aggregate costs and cumulative gains and losses related to construction contracts in progress as at December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018	
Contract assets: (*1)		
Construction business	₩	514,076
Telecommunication business		125,162
Shipping business		27,489
Others		108,183
	<u>₩</u>	<u>774,910</u>
Contract liabilities: (*2)		
Construction business	₩	1,274,798
Telecommunication business		136,333
Shipping business		14,854
Others		486,198
	<u>₩</u>	<u>1,912,183</u>

(\*1) Contract assets are included in trade receivables and other assets.

(\*2) Contract liabilities are included in trade payables, advances and other liabilities.

	December 31, 2017				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 38,385,591	₩ 38,373,380	₩ 757,326	₩ 745,115	₩ 37,714
Others	216,101	177,563	53,511	14,793	-
	<u>₩ 38,601,692</u>	<u>₩ 38,550,943</u>	<u>₩ 810,837</u>	<u>₩ 760,088</u>	<u>₩ 37,714</u>

**SK Holdings Co., Ltd. and its subsidiaries**  
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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 March 31, 2018 are as follows (Korean won in millions):

	March 31, 2018				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit (loss)	Impact on future period profit	Change in unbilled (overbilled) receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 144,109	₩ 25,551	₩ 34,592	₩ 83,966	₩ 34,592
Others	11,369	11,654	(886)	601	(886)
	<u>₩ 155,478</u>	<u>₩ 37,205</u>	<u>₩ 33,706</u>	<u>₩ 84,567</u>	<u>₩ 33,706</u>

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

(4) Details of the construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as at March 31, 2018 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Contract asset		Trade accounts receivable (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project	2009.12	2018.12	99.9	₩ 2,884	₩ -	₩ 13,484	₩ -
	Goseong Green Power Project	2014.07	2021.07	16.6	-	-	-	-

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

**7. Inventories**

Details of inventories as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018			December 31, 2017		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 1,190,000	₩ (22,800)	₩ 1,167,200	₩ 944,645	₩ (23,603)	₩ 921,042
Finished goods	2,179,482	(43,813)	2,135,669	2,066,616	(35,884)	2,030,732
Semifinished goods and work in progress	920,280	(37,951)	882,329	935,045	(28,893)	906,152
Raw materials and sub-materials	1,808,264	(17,552)	1,790,712	1,499,412	(13,864)	1,485,548
Materials in transit	2,133,711	-	2,133,711	2,562,226	-	2,562,226
Supplies	269,911	(3,210)	266,701	264,640	(5,383)	259,257
Uncompleted contracts	185	-	185	26	-	26
Others	13,918	-	13,918	13,627	(677)	12,950
	<u>₩ 8,515,751</u>	<u>₩ (125,326)</u>	<u>₩ 8,390,425</u>	<u>₩ 8,286,237</u>	<u>₩ (108,304)</u>	<u>₩ 8,177,933</u>

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**8. Investment securities and Available-for-sale financial assets**

Details of investment securities as at March 31, 2018 and available-for-sale financial assets as at December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018		
	Financial assets measured at FVTPL	Financial assets measured at amortized	Financial assets measured at FVOCI (*1)
Equity instruments:			
Marketable equity instruments	₩ 41,040	-	₩ 762,555
Non-marketable equity instruments	5,095	-	384,446
	<u>46,135</u>	-	<u>1,147,001</u>
Bond instruments:			
Beneficiary securities and others	890,390	-	82,805
Debt securities	24,364	855	29,807
	<u>914,754</u>	<u>855</u>	<u>112,612</u>
	<u>₩ 960,889</u>	<u>₩ 855</u>	<u>₩ 1,259,613</u>
Current investment securities	₩ 77,669	₩ 45	₩ 79,375
Non-current investment securities	883,220	810	1,180,238

(\*1) The Group has applied the irrevocable option to designate the equity instruments held for strategic investment, not for held-for-trading purpose, at the date of initial application, as items measured at FVOCI.

	December 31, 2017	
Marketable equity instruments	₩	818,615
Non-marketable equity instruments		759,063
Corporate and government bonds		69,248
Others (*1)		137,710
	<u>₩</u>	<u>1,784,636</u>
Current available-for-sale financial assets	₩	188,603
Non-current available-for-sale financial assets		1,596,033

(\*1) They include beneficiary certificates.

**SK Holdings Co., Ltd. and its subsidiaries**  
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**9. Investments in associates and joint ventures**

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	March 31, 2018		December 31,
			Acquisition cost	Book value	2017
					Book value
<b>Associates:</b>					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 8,468,011	₩ 7,976,784
China Gas Holdings Ltd. (*2)	Hong Kong	15.7%	1,597,222	1,678,891	1,687,587
Eureka Midstream Holdings	USA	40.0%	465,582	434,586	434,164
ESR Cayman Limited (*2)	Cayman Islands	11.0%	378,427	402,788	382,040
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	333,037	334,331
Peru LNG Company, LLC	Peru	20.0%	331,144	264,444	274,738
Korea IT Fund (*3)	Korea	63.3%	242,170	264,653	257,003
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	278,270	280,988
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	-	-
Eurasia Tunnel	Turkey	50.0%	112,726	205,191	198,645
Socar, Inc.	Korea	27.9%	91,800	81,076	82,720
SM Core, Inc.	Korea	26.7%	75,948	75,316	75,500
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	58,802	58,081
NanoEnTek, Inc.	Korea	27.1%	68,996	60,449	61,861
TSK Water Co., Ltd.	Korea	25.0%	45,811	65,332	61,926
SM Culture & contents	Korea	23.4%	65,341	63,929	64,965
Xe-Pian Xe-Namnoy Power Company	Laos	26.0%	74,980	53,564	53,159
Others				515,498	526,416
				<u>13,303,837</u>	<u>12,810,908</u>
<b>Joint ventures (*4):</b>					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	488,809	735,305	681,901
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	449,832	430,170
Hana Land Chip PEF 33 (*3)	Korea	65.2%	196,001	217,052	221,081
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	108,323	107,744	105,117
SKC-Kolon PI Co., Ltd.	Korea	27.0%	83,753	91,304	94,730
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	87,881	91,907
Others				186,945	193,688
				<u>1,876,063</u>	<u>1,818,594</u>
				<u>₩ 15,179,900</u>	<u>₩ 14,629,502</u>

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

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

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

(\*4) All joint arrangements that the Group has joint control over are structured by a consolidated entity. The parties that have joint control with respect to the joint agreements hold the rights to the net assets of the agreements and accordingly, they are classified as joint ventures and accounted for using the equity method of accounting.

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

For the three months ended March 31, 2018								
	Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩12,810,908	₩ 31,643	₩ (73)	₩ 624,045	₩ 44,106	₩(167,460)	₩ (39,332)	₩13,303,837
Joint ventures	1,818,594	32,813	-	58,634	13,291	(16,459)	(30,810)	1,876,063
	<u>₩14,629,502</u>	<u>₩ 64,456</u>	<u>₩ (73)</u>	<u>₩ 682,679</u>	<u>₩ 57,397</u>	<u>₩(183,919)</u>	<u>₩ (70,142)</u>	<u>₩15,179,900</u>

  

For the three months ended March 31, 2017								
	Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩ 9,960,402	₩ 46,692	₩ (3,941)	₩ 356,549	₩ (54,072)	₩(120,527)	₩ (3,125)	₩10,181,978
Joint ventures	1,599,497	-	-	59,213	(33,939)	(14,538)	(7,482)	1,602,751
	<u>₩11,559,899</u>	<u>₩ 46,692</u>	<u>₩ (3,941)</u>	<u>₩ 415,762</u>	<u>₩ (88,011)</u>	<u>₩(135,065)</u>	<u>₩ (10,607)</u>	<u>₩11,784,729</u>

(\*1) The Group recognized additional loans receivable and others by ₩14,417 million and ₩133 million of unrecognized losses, which were incurred as losses on investments in associates exceeded their carrying amounts as at March 31, 2018 and December 31, 2017, respectively.

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

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as at March 31, 2018 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 57,042	₩ (121)	₩ 56,921
Harmony Country Club	4,774	(698)	4,076
SK Telesys Corporation	3,960	-	3,960
Wave City Development Co., Ltd.	2,100	4,762	6,862
Daehan Kanggun BcN Co., Ltd. and others	5,316	3,085	8,401

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

(4) Condensed financial informations of significant investments in associates and jointly controlled entities as at March 31, 2018 are as follows (Korean won in millions):

	As at and for the three months ended March 31, 2017						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
<b>Associates:</b>							
SK Hynix Inc.	₩ 17,632,878	₩ 31,492,245	₩ 9,352,773	₩ 3,393,864	₩ 8,719,691	₩ 3,121,329	₩ 3,285,198
China Gas Holdings Ltd.	4,175,322	12,127,896	6,136,620	3,663,553	5,154,235	750,331	515,604
Eureka Midstream Holdings	32,630	18,549	12,050	205,304	-	5,975	16,801
Daehan Oil Pipeline Corporation	127,724	900,275	39,081	227,832	41,098	8,579	8,579
Peru LNG Company, LLC	281,439	2,507,409	346,613	1,119,825	238,479	(133,183)	(133,183)
Korea IT Fund	133,836	284,037	-	-	-	(728)	(728)
Hana Card Co., Ltd.	7,362,544	231,264	1,012,643	5,083,123	393,508	25,392	25,171
Eurasia Tunnel	155,672	1,291,777	116,123	935,094	1,887	25,383	25,383
Socar, Inc.	27,298	117,527	42,871	74,166	31,911	(5,897)	(5,897)
SM Core, Inc.	67,378	24,481	13,308	2,649	19,677	(135)	(123)
Korea Ras Laffan LNG Limited	1,201	754,054	25	20,206	31,045	30,763	30,763
NanoEnTek, Inc.	20,787	19,451	8,383	2,250	6,302	479	499
TSK Water Co., Ltd.	158,052	336,336	126,799	175,478	116,362	(14,824)	(14,824)
Xe-Pian Xe-Namnoy Power Company	36,186	859,335	23,832	618,224	-	8,350	8,350
<b>Joint ventures:</b>							
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	276,226	2,250,151	525,818	113	696,407	88,623	89,390
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	564,561	822,761	375,350	74,970	325,349	53,049	42,125
Hana land chip PEF 33	15,028	645,900	13,501	314,483	8,630	6,159	6,159
Boryeong LNG Terminal Co., Ltd.	228,307	1,139,194	84,432	1,107,483	33,147	5,691	5,691
SKC-Kolon PI Co., Ltd.	138,227	219,140	83,202	38,777	67,544	10,661	10,661
SABIC SK Nexlene Company Pte. Ltd.	151,044	575,683	135,389	320,418	73,339	(8,926)	(6,363)

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**10. Property, plant and equipment**

(1) Details of property, plant and equipment as at March 31, 2018, and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Acquisition cost	₩ 49,847,019	₩ 49,598,443
Accumulated depreciation and accumulated impairment loss	(9,131,534)	(8,312,025)
	<u>₩ 40,715,485</u>	<u>₩ 41,286,418</u>

(2) Changes in property, plant and equipment for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended March 31, 2018						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,745,857	₩ -	₩ 599	₩ (6,526)	₩ -	₩ (21,991)	₩ 9,717,939
Buildings	3,831,393	-	1,238	(858)	(44,111)	115,961	3,903,623
Structures	1,569,763	-	802	(286)	(27,605)	38,623	1,581,297
Ships and vessels	2,308,484	-	25,601	-	(31,182)	138,916	2,441,819
Machinery and equipment	17,158,469	-	52,876	(4,084)	(820,855)	688,203	17,074,609
Vehicles	771,901	4	6,036	(10,627)	(8,409)	(25,546)	733,359
Others	3,126,126	7	81,150	(6,996)	(180,351)	72,152	3,092,088
Construction-in-progress	2,774,425	17,231	946,084	(1,931)	-	(1,565,058)	2,170,751
	<u>₩ 41,286,418</u>	<u>₩ 17,242</u>	<u>₩ 1,114,386</u>	<u>₩ (31,308)</u>	<u>₩ (1,112,513)</u>	<u>₩ (558,740)</u>	<u>₩ 40,715,485</u>

	For the three months ended March 31, 2017						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,994,777	₩ 9,853	₩ 2,927	₩ (287,930)	₩ -	₩ 4,401	₩ 9,724,028
Buildings	3,365,986	5,720	521	(9,142)	(34,859)	116,946	3,445,172
Structures	1,313,084	122	452	(14,488)	(24,725)	195,272	1,469,717
Ships and vessels	2,671,277	-	186	-	(31,905)	(202,863)	2,436,695
Machinery and equipment	15,680,963	3,975	80,937	(17,406)	(757,468)	1,668,314	16,659,315
Vehicles	825,012	380	71,814	(1,458)	(34,241)	(20,093)	841,414
Others	3,029,187	199	129,971	(11,909)	(145,370)	(22,447)	2,979,631
Construction-in-progress	4,152,219	-	554,989	(27)	-	(2,204,620)	2,502,561
	<u>₩ 41,032,505</u>	<u>₩ 20,249</u>	<u>₩ 841,797</u>	<u>₩ (342,360)</u>	<u>₩ (1,028,568)</u>	<u>₩ (465,090)</u>	<u>₩ 40,058,533</u>

(\*1) This includes transfer to intangible assets and investment properties, impairment losses, net foreign exchange differences, and retrospective adjustments of identifiable net assets due to business combinations.

**11. Investment property**

(1) Details of investment property as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Acquisition cost	₩ 670,905	₩ 659,702
Accumulated depreciation and accumulated impairment loss	(37,799)	(36,856)
	<u>₩ 633,106</u>	<u>₩ 622,846</u>

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**11. Investment property (cont'd)**

(2) Changes in investment property for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

For the three months ended March 31, 2018						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 307,436	₩ 8,490	₩ (1)	₩ -	₩ -	₩ 315,925
Buildings	314,736	-	-	(2,064)	3,839	316,511
Structures	674	-	-	(4)	-	670
	<u>₩ 622,846</u>	<u>₩ 8,490</u>	<u>₩ (1)</u>	<u>₩ (2,068)</u>	<u>₩ 3,839</u>	<u>₩ 663,106</u>

  

For the three months ended March 31, 2017						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 384,725	₩ -	₩ -	₩ -	₩ 1,355	₩ 386,080
Buildings	341,449	-	(451)	(3,602)	(6,716)	330,680
Structures	1,609	-	-	(37)	-	1,572
	<u>₩ 727,783</u>	<u>₩ -</u>	<u>₩ (451)</u>	<u>₩ (3,639)</u>	<u>₩ (5,361)</u>	<u>₩ 718,332</u>

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

**12. Goodwill**

(1) Changes in goodwill for the three months ended March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Beginning balance	₩ 899,213	₩ 575,233
Business combination (see Note 34)	-	14,190
Others (*1)	(23,728)	-
Ending balance	<u>₩ 875,485</u>	<u>₩ 589,423</u>

(\*1) This includes retrospective adjustments of identifiable net assets due to business combinations, net translation differences and others.

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**13. Intangible assets**

Details of intangible assets for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended March 31, 2018						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 94,548	₩ -	₩ 7,234	₩ -	₩ (5,609)	₩ 3,712	₩ 99,885
Facility usage rights	58,391	-	3,001	(2)	(2,167)	572	59,795
Industrial property rights	114,868	-	2,471	(30)	(1,820)	157	115,646
Frequency usage rights	2,176,940	-	-	-	(100,972)	-	2,075,968
Customer-related assets	1,822,205	-	199	-	(39,377)	(1,199)	1,781,828
Membership (*1)	226,021	-	10,469	(3,295)	-	(35)	233,160
Development costs for petroleum resource	1,768,834	-	55,703	-	(14,337)	(6,316)	1,803,884
Brand-related assets (*1)	2,194,226	-	-	-	-	(9,107)	2,185,119
Developed technology	1,169,702	-	-	-	(34,900)	(7,333)	1,127,469
Others (*3)	1,825,881	-	34,383	(4,154)	(125,180)	72,731	1,803,661
	<u>₩ 11,451,616</u>	<u>₩ -</u>	<u>₩ 113,460</u>	<u>₩ (7,481)</u>	<u>₩ (324,362)</u>	<u>₩ 53,182</u>	<u>₩ 11,286,415</u>

  

	For the three months ended March 31, 2017						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 77,867	₩ 518	₩ 10,609	₩ (2,598)	₩ (2,866)	₩ (404)	₩ 83,126
Facility usage rights	54,435	-	234	(1,075)	(2,213)	(769)	50,612
Industrial property rights	126,524	-	1,261	(11)	(2,083)	(3,868)	121,823
Frequency usage rights	2,580,828	-	-	-	(100,972)	-	2,479,856
Customer-related assets	1,439,745	-	99	-	(41,775)	-	1,398,069
Membership (*1)	222,513	796	11,596	(2,141)	-	(800)	231,964
Development costs for petroleum resource	1,775,135	-	62,879	-	(23,220)	(60,862)	1,753,932
Brand-related assets (*1)	2,185,119	-	-	-	-	-	2,185,119
Developed technology	1,039,213	20,723	-	-	(31,404)	-	1,028,532
Others (*3)	1,695,778	131	12,747	(438)	(117,068)	77,743	1,668,893
	<u>₩ 11,197,157</u>	<u>₩ 22,168</u>	<u>₩ 99,425</u>	<u>₩ (6,263)</u>	<u>₩ (321,601)</u>	<u>₩ 11,040</u>	<u>₩ 11,001,926</u>

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

(\*2) This includes impairment loss, net translation differences, retrospective adjustments of identifiable net assets due to business combinations and others.

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

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**14. Borrowings and bonds payable**

(1) Details of borrowings and bonds payable as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 3,197,080	₩ -	₩ 2,999,032	₩ -
Bonds and long-term borrowings:				
Bonds payable (*1)	4,546,052	19,369,255	5,290,911	18,193,965
Long-term borrowings	1,286,438	4,837,157	1,257,235	5,165,553
	<u>5,832,490</u>	<u>24,206,412</u>	<u>6,548,146</u>	<u>23,359,518</u>
	<u>₩ 9,029,570</u>	<u>₩ 24,206,412</u>	<u>₩ 9,547,178</u>	<u>₩ 23,359,518</u>

(\*1) As at March 31, 2018, ₩60,566 million of the bonds are financial liabilities measured at FVTPL.

(2) Details of bonds payable as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018		December 31, 2017	
SK Holdings Co., Ltd.	₩	6,140,000	₩	6,060,000
SK Innovation Co., Ltd.		633,275		634,990
SK Energy Co., Ltd.		1,560,000		1,730,000
SK Global Chemical Co., Ltd.		490,000		490,000
SK Incheon Petrochem Co., Ltd.		1,030,000		1,230,000
SK Lubricants Co., Ltd.		300,000		300,000
SK Telecom Co., Ltd.		5,763,666		5,470,238
SK Broadband Co., Ltd.		1,729,951		1,631,420
iriver Co., Ltd.		5,558		5,558
SK Networks Co., Ltd.		1,160,000		1,160,000
SK Magic Co., Ltd.		40,000		40,000
SKC Co., Ltd.		730,000		680,000
SKC Solmics Co., Ltd.		59,000		59,000
SK Telesys Co., Ltd.		40,000		40,000
SK Shipping Co., Ltd.		564,330		517,428
SK E&S Co., Ltd.		840,000		1,040,000
Paju Energy Service Co., Ltd.		500,000		500,000
Wirye Energy Service Co., Ltd.		385,000		385,000
Narae Energy Service Co., Ltd.		40,000		80,000
SK Engineering & Construction Co., Ltd.		875,000		795,000
SK Materials Co., Ltd.		340,000		200,000
SK Siltron Co., Ltd.		460,000		180,000
		<u>23,685,780</u>		<u>23,228,634</u>
Addition: premium on bonds payable		229,527		256,242
Less: current portion		<u>(4,546,052)</u>		<u>(5,290,911)</u>
	₩	<u>19,369,255</u>	₩	<u>18,193,965</u>

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

(3) Details of long-term borrowings as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

Financial institution	Description	Interest rate (%)	March 31, 2018	December 31, 2017
Korea Development Bank and others	General	0.75 ~ 7.22	₩ 1,486,557	₩ 1,493,559
Korea Development Bank and others (*1)	Fund for facility	1.75 ~ 4.85	1,884,888	1,939,243
Industrial and Commercial Bank of China and others	Foreign borrowings	1.70 ~ 6.00	506,798	496,621
Korea Energy Agency (*2)	Fund for mine exploration	0.00 ~ 7.00	50,558	81,757
Econg 1st Co., Ltd. and others	Callable preferred share	5.00 ~ 6.40	300,000	450,000
Korea Development Bank and others	Fund for operation	1.99 ~ 5.57	438,662	499,741
Kookmin Bank and others	Fund for supply pipeline	1.75	8,634	12,512
Kookmin Bank	Fund for catalyzing information	-	-	717
KEB Hana Bank and others	Fund for reasonable energy consumption	1.75 ~ 1.80	6,001	6,245
Sinhan Bank and others	Fund for safety management	1.75	874	1,121
Citibank and others (*3)	Takeover	LIBOR(3M) + 1.05	202,635	203,566
Special situation 1st LLC and others	Others	3.07, 3.14, 3.20	<u>1,231,906</u>	<u>1,231,906</u>
			6,117,513	6,416,988
Addition: premium			6,082	5,800
Less: current portion			<u>(1,286,438)</u>	<u>(1,257,235)</u>
			<u>₩ 4,837,157</u>	<u>₩ 5,165,553</u>

(\*1) The borrowings from Korea Development Bank amounting to ₩139,868 million of SK Global Chemical Co., Ltd., a subsidiary of the Company, are related to the facility borrowings of Ulsan Aromatics Co., Ltd., which is accounted for as joint operation, and the amount of the Group's repayment obligation according to the cash deficiency support agreement is recorded as borrowings as at March 31, 2018.

(\*2) As at March 31, 2018, the Group holds loans from Korea Energy Agency for the purpose of oil exploration and development in which there is no repayment obligation in case for failure in exploration for ₩45,484 million.

(\*3) SK Global Chemical Co., Ltd., one of the subsidiaries, has a repayment obligation for borrowings of SK Global Chemical Americas, Inc. in the event of default. The purpose of the borrowings of SK Global Chemical Americas, Inc. was to acquire The Dow Chemical Company's EAA business domiciled in the US and Spain and its tangible-intangible assets.

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 detailed in Note 31.

**SK Holdings Co., Ltd. and its subsidiaries**  
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**15. Provisions**

Changes in the provisions for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended March 31, 2018						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 65,372	₩ -	₩ 1,023	₩ (614)	₩ 65,781	₩ 3,115	₩ 62,666
Provision for handset subsidy	3,874	-	-	(264)	3,610	3,610	-
Provision for service / construction warranties	61,576	-	1,127	(5,076)	57,627	57,627	-
Provision for restoration	114,921	-	1,736	(1,678)	114,979	42,606	72,373
Provision for losses on contracts	27,596	-	6,822	(24,141)	10,277	10,277	-
Other provisions	140,463	-	11,207	(15,298)	136,372	101,743	34,629
	<u>₩ 413,802</u>	<u>₩ -</u>	<u>₩ 21,915</u>	<u>₩ (47,071)</u>	<u>₩ 388,646</u>	<u>₩ 218,978</u>	<u>₩ 169,668</u>

  

	For the three months ended March 31, 2017						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 16,036	₩ -	₩ 1,974	₩ (1,308)	₩ 16,702	₩ 2,441	₩ 14,261
Provision for handset subsidy	24,711	-	-	(2,704)	22,007	20,445	1,562
Provision for service / construction warranties	57,561	-	855	(4,012)	54,404	54,404	-
Provision for restoration	116,019	-	1,981	(5,250)	112,750	39,196	73,554
Provision for losses on contracts	155,154	418	11,992	(27,817)	139,747	139,747	-
Other provisions	155,653	-	6,229	(65,783)	96,099	84,827	11,272
	<u>₩ 525,134</u>	<u>₩ 418</u>	<u>₩ 23,031</u>	<u>₩ (106,874)</u>	<u>₩ 441,709</u>	<u>₩ 341,060</u>	<u>₩ 100,649</u>

**16. Retirement benefit obligation**

(1) Details of retirement benefit obligation as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Present value of defined benefit obligation	₩ 2,351,838	₩ 2,260,864
Fair value of plan assets (*1)	(2,024,682)	(2,049,033)
Total	<u>₩ 327,156</u>	<u>₩ 211,831</u>

(\*1) The Group has recognized ₩22,999 million and ₩45,952 million as defined benefit assets as at March 31, 2018 and December 31, 2017, respectively.

(2) Changes in the retirement benefit obligation for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended March 31, 2018		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 2,260,864	₩ (2,049,033)	₩ 211,831
Business combination	1	-	1
Provision for pension benefits:			
Current service cost	86,553	-	86,553
Net interest expense (income)	16,224	(15,049)	1,175
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	9,581	9,581
Actuarial changes arising from changes in financial assumptions and others	40,286	-	40,286
Contributions by employer directly to plan assets	-	(23,102)	(23,102)
Benefit paid	(65,400)	77,399	11,999
Others	13,310	(24,478)	(11,168)
Ending balance	<u>₩ 2,351,838</u>	<u>₩ (2,024,682)</u>	<u>₩ 327,156</u>

**SK Holdings Co., Ltd. and its subsidiaries**  
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**16. Retirement benefit obligation (cont'd)**

	For the three months ended March 31, 2017		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 1,961,251	₩ (1,770,247)	₩ 191,004
Business combination	4,597	(2,325)	2,272
Provision for pension benefits:			
Current service cost	83,886	-	83,886
Net interest expense (income)	12,107	(11,159)	948
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	2,805	2,805
Actuarial changes arising from changes in financial assumptions and others	36,289	-	36,289
Contributions by employer directly to plan assets	-	(24,657)	(24,657)
Benefit paid	(65,178)	65,437	259
Others	21,849	(12,067)	9,782
Ending balance	<u>₩ 2,054,801</u>	<u>₩ (1,752,213)</u>	<u>₩ 302,588</u>

**17. Other assets and liabilities**

(1) Details of other assets as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Current assets:		
Short-term loans	₩ 137,385	₩ 123,130
Accrued income	60,515	44,240
Advance payments	884,875	793,180
Prepaid expenses	2,437,538	721,801
Held-to-maturity investments	-	45
Guarantee deposits	184,059	209,181
Derivative financial assets	83,605	92,413
Finance lease receivables	83,014	73,199
Other contract assets	98,623	-
Others	40,257	34,361
	<u>₩ 4,009,871</u>	<u>₩ 2,091,550</u>
Non-current assets:		
Long-term prepaid expenses	₩ 1,786,041	₩ 1,079,822
Long-term loans	390,719	378,534
Held-to-maturity investments	-	825
Guarantee deposits	766,911	740,326
Derivative financial assets	35,993	282,229
Finance lease receivables	612,805	168,490
Other long-term contract assets	26,638	-
Defined benefit assets (*1)	22,999	45,952
Others	108,583	126,764
	<u>₩ 3,750,689</u>	<u>₩ 2,822,942</u>

(\*1) The excess amount of certain plans in the Group has not been offset because the amount was not entitled and intended to settle the defined benefit obligation of other plans (see Note 16).

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

(2) Details of other liabilities as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018		December 31, 2017	
Current liabilities:				
Accrued expenses	₩	2,297,152	₩	2,875,130
Dividends payable		1,087,151		1,423
Advance received		1,797,794		1,947,370
Unearned revenue		84,033		255,149
Withholdings		2,303,444		1,943,249
Leasehold deposits received		151,797		162,965
Income tax payable		1,171,218		895,672
Derivative financial liabilities		133,338		147,285
Finance lease liabilities		2,044		1,676
Finance guarantee liabilities		37		50
Other contract liabilities		118,261		-
Others		76,158		1,029
	₩	9,222,427	₩	8,230,998
Non-current liabilities:				
Long-term unearned revenue	₩	425,893	₩	413,046
Leasehold deposits received		329,669		310,050
Derivative financial liabilities		38,023		33,702
Finance lease liabilities		3,975		10
Financial guarantee liabilities		14,185		11,933
Other long-term contract liabilities		18,405		-
Others (*1)		397,835		370,750
	₩	1,227,985	₩	1,139,491

(\*1) Long-term retirement benefit obligation amounting to ₩56,044 million and ₩54,679 million is included in others as at March 31, 2018 and December 31, 2017, respectively.

**18. Derivative financial assets and liabilities**

(1) Details of derivative financial assets and liabilities as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	March 31, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Firm contracts	₩ 15,621	₩ -	₩ 9,320	₩ -
Swap contracts	(66,762)	20,293	(77,784)	41,234
Forward contracts	1,346	(22,323)	13,182	(17,502)
Futures contracts	73	-	420	-
Options contracts	(11)	-	(10)	-
Embedded derivative	-	-	-	224,795
	₩ (49,733)	₩ (2,030)	₩ (54,872)	₩ 248,527
Derivative financial assets	₩ 83,605	₩ 35,993	₩ 92,413	₩ 282,229
Derivative financial liabilities	(133,338)	(38,023)	(147,285)	(33,702)

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**19. Equity**

**19.1 Issued capital**

Details of issued capital as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>March 31, 2018</u>		<u>December 31, 2017</u>
Number of shares authorized for issued	400,000,000		400,000,000
Per share (Korean won)	₩ 200	₩	200
Number of shares issued:			
Ordinary share	70,360,297		70,360,297
Preferred share	566,135		566,135
Issued capital:			
Ordinary share	₩ 15,272	₩	15,272
Preferred share	113		113
	<u>₩ 15,385</u>	<u>₩</u>	<u>15,385</u>

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

**19.2 Other paid-in capital**

Details of other paid-in capital as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>March 31, 2018</u>		<u>December 31, 2017</u>
Paid-in surplus (*1)	₩ 5,605,831	₩	5,605,831
Treasury shares (*2)	(904,492)		(904,491)
Others	(587,765)		(588,865)
	<u>₩ 4,113,574</u>	<u>₩</u>	<u>4,112,475</u>

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

(\*2) As at March 31, 2018, treasury stock consists of those acquired to increase the enterprise value and to stabilize share price (3,514,276 ordinary shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,021,670 ordinary shares and 1,818 preferred shares) during the merger in 2015. Out of those shares, 1 ordinary share was acquired during the current reporting period.

**19.3 Retained earnings**

Details of retained earnings as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>March 31, 2018</u>		<u>December 31, 2017</u>
Legal reserve (*1)	₩ 7,693	₩	7,693
Voluntary reserve	65,230		71,563
Unappropriated retained earnings	10,697,852		9,758,363
	<u>₩ 10,770,775</u>	<u>₩</u>	<u>9,837,619</u>

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

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**19.4 Other capital components**

Details of other capital components as at March 31, 2018 and 2017 are as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Net gain on valuation of financial assets measured at FVOCI	₩ 10,751	₩ -
Net gain on valuation of available-for-sale financial assets	-	60,324
Changes in equity in equity method	(128,928)	(153,763)
Net loss on valuation of cash flow hedges	(7,420)	(7,752)
Net loss on translation of foreign operation	(195,870)	(214,606)
Net gain (loss) on foreign currency translation	(414)	10,400
	<u>₩ (321,881)</u>	<u>₩ (305,397)</u>

**19.5 Stock Option**

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

1) SK Holdings Co., Ltd.

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

Share compensation expense recognized during the current reporting period is ₩397 million (total: ₩1,617 million) and the remaining share compensation expense to be recognized in later periods are ₩2,670 million.

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

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

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

2) SK Telecom Co., Ltd.

	1-1	1-2	1-3	2
Grant date	2017-03-24			2018-02-20
Types of shares to be issued	Ordinary shares			
Grant method	Reissue of treasury shares			
Number of shares (shares)	22,168	22,168	22,168	5,707
Exercise price (Korean won)	246,750	266,490	287,810	254,120
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24	2020.02.21 ~2023.02.20
Vesting conditions	2 year service from the grand date	3 year service from the grand date	4 year service from the grand date	2 year service from the grand date

Share compensation expense recognized during the three-month periods ended March 31, 2018 is ₩139 million (total: ₩553 million) and remaining share compensation expense to be recognized in later periods are ₩975 million.

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

	1-1	1-2	1-3	2
Risk-free interest rate	1.86%	1.95%	2.07%	2.63%
Option life	5 Years	6 Years	7 Years	5 years
Expected price (Closing price on the preceding day)	262,500	262,500	262,500	243,500
Expected volatility	13.38%	13.38%	13.38%	16.45%
Rate of returns	3.80%	3.80%	3.80%	3.70%
Exercise price	246,750	266,490	287,810	254,120
Fair value per share	27,015	20,240	15,480	23,988

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

3) SK Innovation Co., Ltd.

	1-1	1-2	1-3
Grant date	2018-03-20		
Types of shares to be issued	Ordinary shares		
Grant method	Reissue of treasury shares		
Number of shares (shares)	23,517	23,517	23,517
Exercise price (Korean Won)	206,760	222,230	240,000
Contractual life of options	2020.03.21 ~2023.03.20	2021.03.21 ~2024.03.20	2022.03.21 ~2025.03.20
Vesting conditions	2 year service from the grant date	2 year service from the grant date	3 year service from the grant date

Share compensation expense recognized during the three-month periods ended March 31, 2018 is ₩26 million (total: ₩26 million) and remaining share compensation expense to be recognized in later periods are ₩1,869 million.

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

	1-1	1-2	1-3
Risk-free interest rate	2.50%	2.61%	2.64%
Option life	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding)	211,000	211,000	211,000
Rate of returns	3.03%	3.03%	3.03%
Expected volatility	17.90%	17.90%	17.90%
Exercise price	205,760	222,230	240,000
Fair value per share	30,450	26,725	23,421

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

4) SK Networks Co., Ltd.

	1-1	1-2	1-3
Grant date	2018-03-30		
Types of shares to be issued	Ordinary shares		
Grant method	Reissue of treasury shares, but if the stock option's exercise price is lower than the stock's real price (evaluated based on exercise date), the Group may settle the difference in cash or with treasury stock equivalent to the difference amount.		
Number of shares (shares)	391,525	391,525	391,525
Exercise price (Korean Won)	5,900	6,380	6,890
Contractual life of options	2020.03.31 ~2023.03.30	2021.03.31 ~2024.03.30	2022.03.31 ~2025.03.30
Vesting conditions	2 year service from the grant date	2 year service from the grant date	3 year service from the grant date

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

	1-1	1-2	1-3
Risk-free interest rate	2.44%	2.54%	2.56%
Option life	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding)	5,790	5,790	5,790
Expected volatility	15.40%	15.40%	15.40%
Rate of returns	2.07%	2.07%	2.07%
Exercise price	5,900	6,380	6,890
Fair value per share	723.37	631.87	552.13

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**20. Selling and administrative expenses**

Details of selling and administrative expenses for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Salaries	₩ 311,685	261,763
Provision for pension benefits	26,356	30,187
Employee welfare benefits	52,055	43,792
Travel	16,029	13,122
(Reversal of) bad debt expenses	5,040	(2,337)
Communications	2,476	2,007
Utilities	11,145	10,590
Taxes and dues	18,182	15,322
Supplies	3,221	4,111
Rents	44,654	40,745
Depreciation	53,671	46,548
Amortization	44,313	40,052
Repairs	3,657	4,417
Insurance	8,060	7,284
Advertising	130,514	112,720
Research and development	76,131	67,178
Education and examination	21,005	11,280
Outsourcing technology services	164,150	132,025
Commissions	1,591	2,813
Transport	110,938	157,138
Others	28,870	28,956
	<u>₩ 1,133,743</u>	<u>₩ 1,029,713</u>

**21. Financial income and costs**

Details of financial income and costs for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Financial income:		
Interest income	₩ 54,289	₩ 60,249
Gain on foreign currency transactions	287,059	448,787
Gain on foreign currency translation	68,161	497,821
Gain on transactions of derivatives	79,328	149,458
Gain on valuation of derivatives	48,288	199,763
Others	13,385	-
	<u>₩ 550,510</u>	<u>₩ 1,356,078</u>

	For the three months ended	
	March 31, 2018	March 31, 2017
Financial costs:		
Interest expenses	₩ 274,035	₩ 211,929
Loss on foreign currency transactions	269,209	475,503
Loss on foreign currency translation	64,880	395,676
Loss on transactions of derivatives	92,774	122,747
Loss on valuation of derivatives	71,967	163,235
Others	687	3,755
	<u>₩ 773,552</u>	<u>₩ 1,372,845</u>

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

Details of other non-operating income (expenses) for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Other non-operating income:		
Dividend income	₩ 16,142	₩ 12,956
Rental income	123	52
Gain on disposal of trade accounts receivable	-	5,025
Gain on disposal of available-for-sale financial assets	-	10,319
Gain on disposal of investments in associates and joint ventures	1,000	17,053
Gain on disposal of property, plant and equipment	6,334	8,724
Gain on disposal of intangible assets	1,567	270
Gain on disposal of other investment property	42	48
Others	127,006	127,435
	<u>₩ 152,214</u>	<u>₩ 181,882</u>

	For the three months ended	
	March 31, 2018	March 31, 2017
Other non-operating expenses:		
Loss on disposal of trade accounts receivable	₩ 4,686	₩ 5,480
Loss on impairment of investments in associates and joint ventures	-	49
Loss on disposal of property, plant and equipment	11,960	18,361
Loss on impairment of property, plant and equipment	499	2,784
Loss on disposal of intangible assets	503	2,226
Loss on impairment of intangible assets	1,195	426
Loss on impairment of other investment property	455	2,447
Donations	31,369	24,476
Others	111,429	60,966
	<u>₩ 162,096</u>	<u>₩ 117,215</u>

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

Details of classification based on nature of expenses for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Employee benefits	₩ 1,513,971	₩ 1,320,712
Depreciation and amortization	1,438,943	1,349,620
Network connection	217,315	223,019
Transport	166,305	193,015
Advertising	130,514	112,205
Operating lease payments and rents	254,438	258,427
Others	4,407,410	3,409,397
Use of raw materials and purchase of finished goods and merchandise	15,028,480	14,420,712
Changes in finished goods and semi-finished good	(123,692)	(184,028)
	<u>₩ 23,033,684</u>	<u>₩ 21,103,079</u>

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**24. Income taxes**

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

Effective tax rates for the three months ended March 31, 2018 and 2017 were 29.47% and 25.32%, respectively.

**25. Earnings per share**

(1) Basic earnings per share for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2018	March 31, 2017
Net income attributable to owners of the Company	₩ 661,139	₩ 593,542
Less: preferred share dividends	(571)	(529)
Net income attributable to ordinary share owners of the Company	660,568	593,013
Weighted-average number of ordinary share outstanding (*1)	55,824,351	55,824,357
Basic earnings per share (in Korean won) (*2)	₩ 11,833	₩ 10,623

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

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

The basis of calculating weighted-average number of ordinary shares for the three months ended March 31, 2018 and 2017 is as follows:

	For the three months ended	
	March 31, 2018	March 31, 2017
Weighted-average number of issued shares outstanding	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,946)	(14,535,940)
Weighted-average number of ordinary shares outstanding	55,824,351	55,824,357

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	For the three months ended	
	March 31, 2018	March 31, 2017
Net income attributable to owners of the Company	₩ 660,568	₩ 593,013
Deduction: gain from discontinued operations	134,203	2,251
Income from continuing operations attributable to owners of the Company	₩ 526,365	₩ 590,762
Weighted-average number of ordinary shares outstanding	55,824,351	55,824,357
Basic earnings per share from continuing operations (Korean won)	₩ 9,429	₩ 10,583

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

(3) Basic losses per share from discontinued operations

Basic losses per share from discontinued operations for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2018	March 31, 2017
Loss from discontinued operations	₩ 134,203	₩ 2,251
Weighted-average number of ordinary shares outstanding	55,824,351	55,824,357
Basic losses per share from discontinued operations (Korean won)	₩ 2,404	₩ 40

**26. Transactions with related parties**

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the consolidated financial statements as at and for the three months ended March 31, 2018 and 2017.

(1) Details of significant transactions with the related parties for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

Company name	For the three months ended March 31			
	Revenue		Expenses	
	2018	2017	2018	2017
Daehan Oil Pipeline Corporation	₩ 5,019	₩ 5,731	₩ 14,012	₩ 12,585
Korea Nexlene Company	38,251	42,248	186	372
F&U Credit Information Co., Ltd.	710	707	13,977	14,494
SK Wyverns Baseball Club Co., Ltd.	336	365	13,495	14,932
Hana Card Co., Ltd.	4,032	5,045	6,467	9,377
SK Hynix Inc.	984,122	265,993	1,141	483
SK Hystec Inc.	9,537	2,871	489	94
SK Hyeng Inc.	6,293	4,019	991	850
SK Hynix Semiconductor (China) Ltd.	50,257	40,120	228	299
SK Hynix Semiconductor (Chongqing) Ltd.	4,878	8,940	18	19
SK Hynix Semiconductor HK Ltd.	-	-	174,719	189,839
SKC Evonik Peroxide Korea Co., Ltd.	-	1,111	10,527	12,882
SKC MNT Co., Ltd.	843	614	616	5,032
Mitsui Chemicals & SKC Polyurethanes, Inc.	56,058	57,906	3,195	5,091
AnTS Co., Ltd.	31	86	5,425	3,443
Boryeong LNG Terminal Co., Ltd.	4,389	10,377	21,182	52,029
Eurasia Tunnel	442	25,973	-	-
XE-PIAN XE-NAMNOY Power Company	29,418	61,821	-	-
Hana land chip PEF 33	8,010	7,861	8,594	8,226
SK Discovery Co., Ltd.	158	22,358	-	25,136
SK Chemicals Co., Ltd.	34,376	-	22,983	-
SK Gas Co., Ltd.	127,841	105,178	68,108	127,215
SK Advanced Co., Ltd.	861	3,775	3,317	3,203
G. Hub Co., Ltd.	423	438	11,217	11,228
SK Gas International Pte. Ltd.	3,073	6,834	-	-
SK Petrochemical Co., Ltd.	24,162	20,881	3,256	1,400
SK Securities Co., Ltd.	6,132	6,905	-	20
Others	31,076	330,736	54,555	63,066
	₩ 1,430,728	₩ 1,038,893	₩ 438,698	₩ 561,315

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

(2) Details of significant outstanding balances of receivables and payables with the related parties as at March 31, 2018 and December 31, 2017 are as follows (Korean won in millions):

Company name	March 31, 2018		December 31, 2017	
	Receivables (*1)	Payables	Receivables (*1)	Payables
Daehan Oil Pipeline Corporation	₩ 4,827	₩ 522	₩ 578	₩ 787
Korea Nexlene Company	15,715	2	15,451	19
Korea Consortium Kazakh B.V.	146,170	-	146,170	-
F&U Credit Information Co., Ltd.	92	1,240	45	1,723
SK Wyverns Baseball Club Co., Ltd.	957	-	835	17
Wave City Development Co., Ltd.	72,696	-	72,696	-
Hana Card Co., Ltd.	1,360	10,065	1,427	11,107
SK Hynix Inc.	509,351	292,702	463,490	343,939
SK Hystec Inc.	7,093	225	7,073	348
SK Hyeng Inc.	2,837	375	3,455	7,628
SK Hynix Semiconductor (China) Ltd.	29,503	145	24,417	138
SK Hynix Semiconductor (Chongqing) Ltd.	1,744	41	2,663	38
SK Hynix Semiconductor HK Ltd.	-	91,790	-	90,367
SKC Evonik Peroxide Korea Co., Ltd.	-	7,816	-	4,571
SKC MNT Co., Ltd.	753	451	436	1,793
Mitsui Chemicals & SKC Polyurethanes, Inc.	10,928	2,339	10,626	2,575
AnTS Co., Ltd.	4	8,045	5	15,307
Boryeong LNG Terminal Co., Ltd.	24,903	-	5,104	-
Pentaport Development Co., Ltd.	97,457	-	97,807	3
Eurasia Tunnel	17,624	-	15,147	-
SK E&C JURONG Investment Singapore Pte. Ltd.	59,914	-	59,914	-
XE-PIAN XE-NAMNOY Power Company	31,383	29,641	29,925	30,558
SK Discovery Co., Ltd.	111	31	-	2
SK Chemicals Co., Ltd.	24,484	11,863	22,232	9,420
SK Gas Co., Ltd.	47,684	68,355	62,225	69,843
SK Advanced Co., Ltd.	295	282	578	1,294
G. Hub Co., Ltd.	137	4,204	237	4,204
SK Gas International Pte. Ltd.	1,745	-	1,058	-
SK Petrochemical Co., Ltd.	15,740	666	12,257	387
SK Securities Co., Ltd.	2,540	50	3,394	-
Others	49,996	37,269	22,361	51,566
	<u>₩ 1,178,043</u>	<u>₩ 568,119</u>	<u>₩ 1,081,606</u>	<u>₩ 647,634</u>

(\*1) The Company recognized bad debt expense amounting to ₩10 million and ₩3,315 million for the three months ended March 31, 2018 and 2017, respectively. The Company recognized the allowance for doubtful accounts amounting to ₩298,906 million and ₩298,916 million as at March 31, 2018 and December 31, 2017, respectively.

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

(3) Details of significant treasury transactions with related-parties for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	March 31, 2018		March 31, 2017	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	6,479	-	1,071	-

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

Benefits for key management consist of registered executives who are responsible for the planning, operation and control of the Company's business activities. Details of compensation for them for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Salaries	₩ 2,442	₩ 4,610
Provision for pension benefits	1,303	475
Share compensation expense	397	30
	<u>₩ 4,142</u>	<u>₩ 5,115</u>

**27. Discontinued operations**

(1) Details of discontinued operations

The Company elected to discontinue its operation of used car sales business to close down its non-core business and to secure investment resources. The sale of SK Encarsales.com Ltd., for the online used car sales business was completed in January 2018, and the sale of assets and liabilities of offline Encar used car sales business segment is planned to be completed in 2018.

SK Innovation Co., Ltd., a subsidiary of the Group, decided to cease its operation of the flexible-copper-clad-laminate (FCCL) business in this period in order to focus on core business such as the exploration and development of oil and the production of batteries. The Group is in the process of negotiating a sale with a potential buyer at the end of the current period and classified assets and liabilities that are expected to be sold as held for sale.

SK Innovation Co., Ltd., a subsidiary, reflected the gain or loss on discontinued operations as a result of discarding part of the assets of the optical material (TAC) business which was classified as discontinued operation prior to the current period.

SK Networks, Co., Ltd., a subsidiary of the Group, elected to close down its fashion business and duty-free business in 2016, resources business and business in Shenyang and Dandong in the current year to strengthen its financial soundness and secure investment resources. SK Networks Co., Ltd. completed the sale of its fashion business in February 2017, and cleared the assets and liabilities of the duty-free business in 2017. In addition, the resources business and businesses in Shenyang and Dandong are in the process of disposing of the legal entity and assets.

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

(2) Income and expenses from the discontinued operation for the three months ended March 31, 2018 and 2017 are as follows (in millions of Korean won):

	For the three months ended March 31, 2018					Total
	Used car Business in SK Holdings Co., Ltd	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd	Resource business and others in SK Networks Co., Ltd		
Revenue	₩ 247,923	₩ 180,884	₩ 17,046	₩ 18,073	₩	463,926
Expense	250,035	-	17,606	20,450		288,091
Gain (loss) before income tax expense	(2,112)	180,884	(560)	(2,377)		175,835
Income tax benefit (expense)	-	43,774	(154)	(740)		42,880
Gain (loss) from discontinued operation attributable to	₩ (2,112)	₩ 137,110	₩ (406)	₩ (1,637)	₩	132,955
Owners of the Company	₩ (2,112)	₩ 137,110	₩ (134)	₩ (661)	₩	134,203
Non-controlling interests	-	-	(272)	(976)		(1,248)

	For the three months ended March 31, 2017					Total
	Used car Business in SK Holdings Co., Ltd	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd	Resource business and others in SK Networks Co., Ltd		
Revenue	₩ 225,399	₩ 10,243	₩ 16,898	₩ 114,458	₩	366,998
Expense	221,387	4,743	16,926	123,773		366,829
Gain (loss) before income tax expense	4,012	5,500	(28)	(9,315)		169
Income tax benefit (expense)	906	1,207	(7)	(1,659)		447
Gain (loss) from discontinued operation attributable to	₩ 3,106	₩ 4,293	₩ (21)	₩ (7,656)	₩	(278)
Owners of the Company	₩ 3,106	₩ 2,146	₩ (7)	₩ (2,994)	₩	2,251
Non-controlling interests	-	2,147	(14)	(4,662)		(2,529)

(3) Details of cash flows relating to discontinued operation for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended March 31, 2018					Total
	Used car Business in SK Holdings Co., Ltd	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd	Resource business and others in SK Networks Co., Ltd		
Cash flow from operating activities	₩ 19,760	₩ -	₩ (1,750)	₩ (5,542)	₩	12,468
Cash flow from investing activities	(309)	182,606	(62)	(1,326)		180,909
Cash flow from financing activities	(16)	-	-	19,155		19,139

  

	For the three months ended March 31, 2017					Total
	Used car Business in SK Holdings Co., Ltd	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd	Resource business and others in SK Networks Co., Ltd		
Cash flow from operating activities	₩ 5,903	₩ 14,462	₩ 42	₩ 41,946	₩	62,353
Cash flow from investing activities	(4,274)	(3,969)	(61)	273,489		265,185
Cash flow from financing activities	-	(8,022)	-	(63,924)		(71,946)

**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 March 31, 2018 are as follows (Korean won in millions):

		March 31, 2018	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks San. VE TIC. Ltd. STI	₩ 765	₩ 654
Investment securities	SK Securities Co., Ltd. (*1)	38,094	-
Business segment	Used car business segment (*2)	155,431	18,567
	Fashion business segment (*3)	2,332	102
	Resources and other business segment and others (*4)	251,678	99,864
	FCCL business segment (*5)	90,477	5,270
		₩ 538,777	₩ 124,457

- (\*1) Equity securities in SK Securities Co., Ltd., classified as available-for-sale financial assets in 2017 are classified as held for sale and the Group recognized the gain or loss on valuation of financial assets measured at FVTPL of ₩1,281 million during the current period. The stock sale and purchase agreement with J&W Partners Ltd., with regards to a sale of ordinary shares of SK Securities Co., Ltd. has been approved by the Board of Directors on March 5, 2018 (after the contract is signed, it will be transferred to the investment purpose company established by the privately placed collective investment vehicle of management participation type in which J&W Partners Ltd. participates as a general partner).
- (\*2) The Company elected to close down and sell used car sales business segment to focus on its core business and close down non-core business. Consequently, the Company classified Encar used car sales business as assets and liabilities held-for-sale, and measured at the lower of their carrying amount and fair value less costs to sell. In addition, the sale of Encar used car sales business was completed as at April 3, 2018.
- (\*3) As SK Networks, Co., Ltd., a subsidiary of the Group, decided to transfer the fashion business in 2016, the assets and liabilities held-for-sale are classified as non-current assets and liabilities, and are measured at the lower of their carrying amount and fair value less costs to sell.
- (\*4) SK Networks Co., Ltd., a subsidiary, decided to discontinue resources business segment and others during the current reporting period. The Company classified related assets and liabilities as held-for-sale, and measured at the lower of their carrying amount and fair value less costs to sell.
- (\*5) SK Innovation Co., Ltd., a subsidiary, decided to discontinue operations for the FCCL business during this period to get rid of its non-core businesses and focus on its core business on oil development and battery business. Subsidiaries are in the process of negotiating their sale with potential buyers as at March 31, 2018. Assets and liabilities planned to be sold are classified as held for sale.

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**29. Cash flow information**

(1) Details of non-cash adjustments for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Provision for pension benefits	₩ 87,728	₩ 84,834
Depreciation	1,114,581	1,032,207
Amortization	324,362	321,601
(Reversal of) bad debt expenses	5,272	(2,427)
Valuation loss on inventories	17,022	6,573
Interest expenses	275,294	212,744
Loss on foreign currency translation	64,938	410,146
Loss on transactions of derivatives	92,774	123,131
Loss on valuation of derivatives	71,967	162,920
Loss on disposal of trade accounts receivable	4,686	5,480
Loss on disposal of available-for-sale financial assets	-	81
Loss on disposal of property, plant and equipment	11,965	19,271
Loss on impairment of property, plant and equipment	499	-
Loss on disposal of intangible assets	503	2,226
Loss on impairment of intangible assets	1,195	3,210
Income tax expense	594,406	548,285
Gain related to investments in associates and joint ventures	(667,594)	(415,629)
Interest income	(54,850)	(60,601)
Dividends income	(16,142)	(12,956)
Gain on foreign currency translation	(68,230)	(504,376)
Gain on transactions of derivatives	(79,328)	(149,481)
Gain on valuation of derivatives	(48,288)	(204,834)
Gain on disposal of available-for-sale financial assets	-	(10,319)
Gain on disposal of investments in subsidiaries and associates	(138,110)	(17,053)
Gain on disposal of property, plant and equipment	(6,341)	(8,737)
Gain on disposal of intangible assets	(1,567)	(270)
Others	13,049	(50,083)
	<u>₩ 1,599,791</u>	<u>₩ 1,495,943</u>

(2) Details of working capital adjustments for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Inventories	₩ (229,513)	₩ (476,114)
Trade accounts receivable	1,188,984	25,466
Other accounts receivable	360,598	649,734
Trade accounts payable	(978,906)	(1,092,055)
Other accounts payable	(627,039)	(804,874)
Advance received	(76,043)	254,777
Defined benefit obligation	(52,090)	(43,329)
Plan assets	35,153	28,713
Others	31,070	(422,927)
	<u>₩ (347,786)</u>	<u>₩ (1,880,609)</u>

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

(3) Significant non-cash transactions for the three months ended March 31, 2018 and 2017 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2018	March 31, 2017
Increase (decrease) in other accounts payable due to acquisition of property, plant and equipment and others	₩ 480,553	₩ (255,137)
Increase in other accounts receivables due to sales of fashion business division	-	(25,882)

**30. Commitments and contingencies**

(1) Guarantees provided for the Group as at March 31, 2018 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	1,077	Guarantee of payment
	Korea Eximbank	USD	1,225	Performance guarantees for contract and others
	Korea Software Financial Cooperative	KRW	233,691	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	1,804	Performance guarantees for contract and others
SK Engineering & Construction Co., Ltd.	HSBC and others	USD	906,492	Performance guarantees for overseas construction and others
		SGD	52,540	Performance guarantees for overseas construction and others
		KWD	104,761	Performance guarantees for overseas construction and others
		QAR	591,846	Performance guarantees for overseas construction and others
		TRY	26,110	Performance guarantees for overseas construction and others
		SAR	266,266	Performance guarantees for overseas construction and others
		THB	1,118,371	Performance guarantees for overseas construction and others
		CAD	50,000	Performance guarantees for overseas construction and others
		KZT	92,508	Performance guarantees for overseas construction and others
		VND	384,091,166	Performance guarantees for overseas construction and others
		HKD	20,061	Performance guarantees for overseas construction and others
		IQD	2,860,000	Performance guarantees for overseas construction and others
	KEB Hana Bank	USD	160,421	Performance guarantees for overseas construction and others
		VND	253,962,932	Performance guarantees for overseas construction and others
	Shinhan Bank	USD	10,183	Performance guarantees for overseas construction and others
	Korea Eximbank	USD	268,501	Performance guarantees for overseas construction and others
		SAR	128,276	Performance guarantees for overseas construction and others
	Construction Guarantee Cooperative	KRW	2,265,855	Performance guarantees for domestic construction
	Seoul Guarantee Insurance	KRW	484,828	Performance guarantees for domestic construction
	Korea Housing Guarantee Co., Ltd.	KRW	2,347,254	Housing guarantees and others
	Engineering Financial Cooperative	KRW	1,345,682	Domestic construction contract
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	17,278	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	9,456	Performance guarantees for contract and others
SK Airgas Co., Ltd.	Taiyo Nippon Sanso Coporation	KRW	10,000	Guarantee of debt
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	12,000	Guarantee of debt
SK Shipping Co., Ltd.	Seoul Guarantee Insurance	KRW	34,813	Performance guarantees for overseas transportation contract and others
	Shinhan Financial Investment	USD	20,000	Stand by L/C
SK B&T Pte. Ltd.	KEB Hana Bank	USD	1,000	Guarantee for acquiring the license
HHIENS 1 Shipholding S.A.	KEB Hana Bank	USD	142,958	Performance guarantees for shipbuilding
HHIENS 2 Shipholding S.A.	Korea Eximbank	USD	142,958	Performance guarantees for shipbuilding

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

Guarantee	Guarantor	Currency	Amount	Description of guarantee
DSIC VLOC1 Shipholding S.A.	China Construction Bank	USD	14,840	Performance guarantees for shipbuilding
DSIC VLOC2 Shipholding S.A.	China Construction Bank	USD	14,840	Performance guarantees for shipbuilding
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance guarantees for contract and others
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,181	Guarantee of warranties and approval
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	6,648	Guarantee of contract defect and price of gas
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	2,363	Community energy service facility management, consignment operating agreement and others
Jeonbuk energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	3,668	Performance guarantees and guarantee of warranties
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	781	Performance guarantees for construction and others
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,111	Performance guarantees for contract
Paju energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	477	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	67	Performance guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	3,405	Deposits for safety management and others
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	2,846	Guarantee of warranties and contract
SKC Infra Service Co., Ltd.	Seoul Guarantee Insurance	KRW	5,749	Guarantee of warranties and contract
SK Bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	134	Guarantee of payment
SK Networks Co., Ltd.	Kookmin Bank	USD	67	Performance guarantees for sales
	KEB Hana Bank	KRW	2,000	Contract of supply of goods
	Woori Bank	KRW	1,241	Performance guarantees for sales
SK Networks Service Co., Ltd. and others	Seoul Guarantee Insurance	KRW	6,023	Performance guarantees for sales
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	11,046	Performance insurances for warranties and others
	Machinery Financial Cooperative	KRW	6,389	Performance insurances for warranties and others
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	524	Guarantee of home-shopping payment and others
SK Pinx Co., Ltd.	Seoul Guarantee Insurance	KRW	194	Performance guarantees for sales
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	3,930	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	12,547	Performance guarantees for contract
SK Communications Co., Ltd.	Seoul Guarantee Insurance and others	KRW	818	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	10,490	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	1,157	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	19,886	Guarantee of warranties-contract and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance and others	KRW	807	Guarantee of payment and others
PS&Marketing Corp. iriver Co., Ltd.	Seoul Guarantee Insurance	KRW	428	Performance guarantees
	Seoul Guarantee Insurance	KRW	125	Performance guarantees for contract
SK techx Co., Ltd.	Seoul Guarantee Insurance	KRW	530	Performance guarantees for contract
NSOK Co., Ltd.	Seoul Guarantee Insurance	KRW	697	Performance guarantees insurance for contract
One store Co., Ltd.	KEB Hana Bank	KRW	100	Guarantee of Korean won payment method
SK Biotek Co., Ltd.	Seoul Guarantee Insurance	KRW	6,033	Performance guarantees and others
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	33,933	Guarantee of bid payment and others
Happynarae Co., Ltd.	Seoul Guarantee Insurance	KRW	1,104	Performance guarantees insurance
SK Materials Co., Ltd.	Korea Trade Insurance Corporation	USD	3,000	Guarantee of export sales receivable backed finance
SK Materials Taiwan Co., Ltd.	Korea Development Bank	USD	3,000	Guarantee of debt
	Industrial Bank of Korea	USD	1,000	Guarantee of debt
SK Materials (Jiangsu) Co., Ltd.	Woori Bank	USD	10,000	Guarantee of debt
	Kookmin Bank	CNY	60,000	Guarantee of debt
SK Siltron Co., Ltd.	Seoul Guarantee Insurance	KRW	55,000	Performance guarantees insurance

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, has been provided performance guarantees for domestic construction by other construction companies amounting to ₩420,695 million as at March 31, 2018.

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

(2) Guarantees provided to others as at March 31, 2018 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL and others	KWD	4,252	Performance guarantees for contract and others
	Pohang Clean Water Co., Ltd. and others	USD	923	Performance guarantees for contract and others
	Howon elementary school Area redevelopment maintenance business association	KRW	482,358	Supplementing funds for principal and interest of loan
	Gwacheon area II housing reconstruction maintenance business association	KRW	91,497	Guarantees for reconstruction project financing
	Daeyeon area VII housing redevelopment maintenance business association	KRW	82,035	Guarantees for reconstruction project financing
	Ahyeon area II housing reconstruction maintenance business association	KRW	82,008	Guarantees for reconstruction project financing
	Bomun area II housing redevelopment maintenance business association	KRW	80,066	Guarantees for reconstruction project financing
	Susaek area IX housing redevelopment maintenance business association	KRW	12,674	Guarantees for reconstruction project financing
	Bugae-seocho bridge North side redevelopment maintenance business association	KRW	113,546	Guarantees for reconstruction project financing
	Paldal area VIII housing redevelopment maintenance business association	KRW	32,274	Guarantees for reconstruction project financing
	Customers of Seongsu station SK V1 Tower	KRW	38,183	Guarantees for reconstruction project financing
	Customers of GaSan SK V1	KRW	78,636	Guarantee of payment
	Customers of KwangKyo SK view Lake	KRW	95,172	Guarantee of payment
	Customers of SongDo SK view	KRW	108,100	Guarantee of payment
	Doryong area I housing reconstruction development business association	KRW	102,156	Guarantee of payment
	Customers of Anyang SK V1	KRW	4,824	Guarantee of payment
	Customers of Dongtan SK V1	KRW	37,576	Guarantee of payment
	Baekryunsan SK view	KRW	54,360	Guarantee of payment
	Sungnam SK V1 tower	KRW	4,109	Guarantee of payment
	Boramae SK view	KRW	11,292	Guarantee of payment
	Sindongtan SK view and others	KRW	4,472	Guarantee of payment
	Member of Employee stock ownership association	KRW	60,048	Guarantee of payment
	Milestone & Great Shale LNG Transport S.A.	KRW	7,012	Guarantee of payment
SK Shipping Co., Ltd.	S&Y Shipping S.A.	USD	61,200	Guarantee for shipbuilding and others
	PT. SK Networks Indonesia	JPY	3,999,900	Performance guarantees for payment
SK Networks Co., Ltd.	Peru LNG S.R.L	USD	1,500	Standing surety for investee
SK Innovation Co., Ltd.	Petro Peru and others	USD	175,200	Guarantee of supplies and others
		USD	71,106	Performance guarantees for duties and others
SK Global Chemical Co., Ltd.	Sabic SK Nexlene Company Pte. Ltd.	USD	197,000	Guarantee of debt
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	355	Guarantees for construction
	Railway Administration and others	EUR	233	Guarantee for installing facilities and others
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of debt
		KRW	-	Guarantees for project financing
SKC Co., Ltd.	SKC-Kolon PI Co., Ltd.	USD	8,100	Guarantee for litigation
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	215	Performance guarantees for contract
SK techx Co., Ltd.	Hyundai HCN Co., Ltd. and others	KRW	739	Performance guarantees for contract
SK Planet Co., Ltd.	Celcom Planet	USD	14,377	Guarantee of debt
SK M & Service Co., Ltd.	TourOK Co., Ltd. and others	KRW	5,449	Performance guarantees for transaction
SK Siltron Co., Ltd.	SIL 1st LLC	KRW	120,000	Asset backed debt

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, provides other construction companies with performance guarantees for domestic construction in the amount of ₩2,027,802 million as at March 31, 2018.

**SK Holdings Co., Ltd. and its subsidiaries**  
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**30. Commitments and contingencies (cont'd)**

(3) Pending litigations

The Group's significant pending litigations as at March 31, 2018, in which the Group is a plaintiff are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
SK Holdings Co., Ltd.	Samsung Card Co., Ltd.	Claim for payment	KRW 5,564	Second trial in progress
SK Forest Co., Ltd.	Seoul Special City and others	Claim for refund of payment construction and others	KRW 529	Second trial in progress
SK Telesys Co., Ltd.	Alcatel-lucent Korea	Claim for payment and others	KRW 931	Third trial in progress
SK E&S Co., Ltd.	Head of the customhouse, Seoul	Claim for annulment of assessments of custom duties	KRW 2,252	Second trial in progress
Ko-one Energy Service Co., Ltd.	Industrial Bank of Korea and others	Claim for trust and others	KRW 10,079	Second trial in progress and others
SK Networks Co., Ltd.	Individual and others	Claim for payment and others	KRW 15,095	First trial in progress and others
SK Networks Service Co., Ltd.	Individual and others	Claim for payment and others	KRW 242	First trial in progress and others
SK Shipping Co., Ltd.	Asia Green Energy and others	Litigation related to bunkering and others	USD 19,315	Arbitration in progress and others
	Mcoil International S.A.	Claim for non-payment for fuel oil	KRW 704	Second trial in progress
SK Shipping Europe Plc.	MOL and others	Lawsuit for employment and others	USD 3,175	Arbitration in progress and others
SK B&T Pte. Ltd.	Mumbai Singapore Pte. Ltd. and others	Off hire claim and others	USD 1,600	First trial in progress
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 221	Second trial in progress and others
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction	KRW 4,919	Third trial in progress and others
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 4,140	Third trial in progress
	Korea Rail Network Authority	Claim for payment and others	KRW 17,760	Third trial in progress and others
	Fair Trade Committee	Claim for corrective order and others	KRW 7,279	Third trial in progress and others
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 61,369	Second trial in progress
	Korea Specialty Contractor	Claim for payment and others	KRW 1,221	First trial in progress and others
	Financial Cooperative	Claim for payment	KRW 12,728	Second trial in progress
	Dream Hub PFV	Litigation related to business loans and others	KRW 6,751	Second trial in progress and others
	Business association and others	Claim for payment of construction	KRW 8,930	Second trial in progress
	Busan Metropolitan City	Claim for payment and others	KRW 88,554	Second trial in progress and others
	Hyundai Construction Co., Ltd.	Claim for transfer of ownership right	KRW 201	First trial in progress
	Korea Housing & Urban Guarantee Corporation	Claim for payment of construction and others	KRW 36,744	Second trial in progress and others
	Republic of Korea	Claim for tool overhead and others	KRW 21,939	First trial in progress
	Korea Highway Corporation	Claim for Yeongdeungpo facility PF business	KRW 11,621	First trial in progress
	Korea Land & Housing Corporation	Claim related to Jangrim Jinhae	KRW 2,520	First trial in progress
	Korea Gas Corporation	Claim for payment and others	KRW 11,108	First trial in progress and others
	Individual and others			

In addition, SK E&S Co., Ltd., a subsidiary of the Group, was imposed ₩161,919 million from tax authorities, including the value added tax related to LNG import price during the current reporting period. The Group recognized the amount as other accounts payable and of those, recognized ₩160,575 million as advance payments.

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

The Group's significant pending litigations as at March 31, 2018, in which the Group is a defendant are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Defense Acquisition Program Administration	SK Holdings Co., Ltd.	Claim for damages	USD 19,673	First trial in progress
Samsung Card Co., Ltd.		Claim for damages	KRW 3,450	Second trial in progress
Korea Minting, Security Printing & ID Card operating Corp.		Claim for damages	KRW 2,000	First trial in progress
Alcatel lucent Korea Co., Ltd. and others	SK Telesys Co., Ltd.	Claim for payment and others	KRW 2,444	Third trial in progress and others
Home Plus Co., Ltd. and others	SKC Co., Ltd.	Claim for damages	KRW 380	First trial in progress
Sang soo, Kim and 2,106 others		Claim for damages	KRW 2,893	Arbitration in progress
Individual and others	Ko-one Energy Service Co., Ltd.	Claim for damages and others	KRW 66	First trial in progress
Korea Veterans Health Service and others	Pusan City Gas Co., Ltd.	Claim for return of payment and others	KRW 1,545	First trial in progress and others
Korea Land & Housing Coporation	Kangwon City Gas Co., Ltd.	Claim for facilities development	KRW 659	First trial in progress
Smartro Co., Ltd. and others	SK Networks Co., Ltd.	Claim for patent infringement and others	KRW 20,299	First trial in progress and others
Individual and others	SK Magic Service Co., Ltd. and others	Claim for retirement payment and others	KRW 538	First trial in progress and others
Individual and others	SK Communications Co., Ltd. and others	Claim for compensation of personal data spill and others	KRW 13	Third trial in progress and others
M Seven System Limited	iriver Co., Ltd.	Claim for damages due to non-fulfillment of obligation and illegal act	KRW 1,000	Second trial in progress
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt and others	KRW 324	First trial in progress and others
Allianz	SK Shipping Co., Ltd.	Claim for cargo damage	CAD 966	Second trial in progress
Hyundai Merchant Marine Co., Ltd. and others		Claim for cargo damage and others	USD 10,123	Arbitration in progress
HPL Shipping		Claim for cargo damage	EUR 650	Arbitration in progress
Individual and others		Claim for damages	KRW 1,160	First trial in progress
Classic Maritime	SK Shipping Europe Plc.	Claim for payment	USD 5,000	Arbitration in progress
Supreme Prosecutor's Office	SK B&T Pte. Ltd.	Criminal lawsuit against violation of tax punishment	KRW 33,119	First trial in progress
Forest of Dream SK View Tower's resident	SK Engineering & Construction Co., Ltd.	Claim for security deposit for repairing defects	KRW 201	First trial in progress
K-Water Resources Corporation and others		Claim for damages and others	KRW 4,033	First trial in progress and others
Incheon Metropolitan City		Claim for return and others	KRW 36,569	First trial in progress and others
Youn jong, Suh and 333 others		Claim for apartment	KRW 22,408	Third trial in progress
Samjung Construction Co., Ltd.		Claim for payment	KRW 5,977	First trial in progress
Suseong SK Leader's View Tower's resident		Claim for apartment	KRW 201	First trial in progress
Korea Rural Community Corporation		Claim for counterindemnity	KRW 8,036	First trial in progress
Republic of Korea		Claim for compensation and others	KRW 11,079	First trial in progress and others
Korea Gas Corporation		Claim for compensation and others	KRW 47,295	First trial in progress and others
Korea Rail Network Authority		Claim for compensation and others	KRW 3,034	First trial in progress
Busan Transportation Corporation		Claim for compensation and others	KRW 9,579	First trial in progress and others
Individual and others		Claim for apartment and others	KRW 32,326	First trial in progress and others

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

(4) Commitments

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

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

- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Daol Fund Management. Under the terms of the lease, the lease period is until March 27, 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.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- 5) The Company has stock sale and purchase agreements in regards to SK Shipping Co., Ltd.'s issuance of ordinary shares and sale of existing shares, and details are as follows:

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

As at March 31, 2018, the value of the agreements amounting to ₩385,000 million is recognized as long-term borrowings (see Note 14).

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

- 6) The Group entered into a shareholder agreement with ordinary shareholders of SK Siltron Co., Ltd., one of the subsidiaries. Details are as follows:

	Shareholder agreement
Investor	Warmachine Sixth Co., Ltd. and others
Number of shares	13,143,330
Contract date	August 25, 2017
Expiry date	August 24, 2022
Settlement	The Company and the investors are to settle the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.
Premium	The Company is to pay 0.5% of the initial contract amount at the closing date of the transaction and pay to the investor the amount equivalent to 3.20% of the total shares held by the investors annually. When the investor receives dividends on the shares held, the amount is paid to the Company.
Call option	On a three-month basis from the closing date of sale ("the quarterly payment day"), the Company has the right to purchase the shares held by the investor at the initial contract price of the ordinary shares with a certain level of additional charges.

As at March 31, 2018, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (see Note 14).

- 7) The Group entered into a shareholder agreement with ordinary shareholders of SK E&S Co., Ltd., one of the subsidiaries. Details are as follows:

	Shareholder agreement
Investor	MD Prime 1st Co., Ltd. and others
Number of shares	4,640,199
Contract date	November 14, 2017
Expiry date	November 13, 2022
Settlement	The Company and the investors are to settle the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.
Premium	The Company is to pay to the investor the amount equivalent to 3.07% of the total shares held by the investors annually. When the investor receives dividends on the shares held, the amount is paid to the Company.
Call option	On a three-month basis from the closing date of sale ("the quarterly payment day"), the Company has the right to purchase the shares held by the investor at the initial contract price of the ordinary shares with a certain level of additional charges.

As at March 31, 2018, the value of the agreements amounting to ₩677,775 million is recognized in long-term borrowings (see Note 14).

- 8) As at September 28, 2017, the Company entered into a cash deficiency support agreement with Hudson Energy NY, LLC, a subsidiary of Plutus Capital NY, Inc., to lend funds for the shortfall of payment for loans and credit limit of USD 226,000 thousand.

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

9) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to receive the liquefaction service from FLNG Liquefaction 3, LLC, amounting to 115 million MMBtu per year for 20 years, which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at September 30, 2017, SK E&S Co., Ltd., one of the Group's subsidiaries, is responsible for a performance guarantee in case SK E&S LNG, LLC defaults on payments for the service or for claims against breach of obligation. In regard to this, the Company provides a performance guarantee for SK E&S Co., Ltd.'s guarantee.

10) As at March 31, 2018, details of contracts of the subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Contract opponent	Term of contract
Contract for the supply of natural gas (*1)	Kangwon City Gas Co., Ltd. and seven subsidiaries	Korea Gas Corporation	-
Contract of supply for natural gas	SK E&S Co., Ltd.	Tangguh PSC Contractor Parties	2006.01 ~ 2026.07
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 long term maintenance program	Paju Energy Service Co., Ltd.	Siemens AG and others	2014.06 ~ 2031.06 (estimated)
Contract for the long term maintenance program	Wirye Energy Service Co., Ltd.	Siemens AG and others	2015.01 ~ 2032.01 (estimated)
Contract for the long term maintenance program	Narae Energy Service Co., Ltd.	Doosan Heavy Industries & Construction Co., Ltd.	12 years from 2012
Contract for the liquefaction and storage of natural gas	SK E&S LNG, LLC	FLNG Liquefaction 3, LLC	20 years from 2019
Contract for the use plumbing system	Wirye Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Korea Gas Corporation	20 years from 2017
Contract for the use pipeline of natural gas	SK E&S LNG, LLC	Kinder Morgan, Inc.	20 years from 2019
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd., Wirye Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	20 years from 2017
Contract of supply for natural gas	Prism Energy International Pte. Ltd.	Chevron Australia Pty Ltd. and others	2017.01 ~ 2022.03
Contract for operation and maintenance	Narae Energy Service Co., Ltd.	Jeonbuk Co-generation, Gimcheon Energy Service Co., Ltd.	2015.01 ~ 2025.01
Contract for supply for LNG	Narae Energy Service Co., Ltd.	Korea Gas Corporation	20 years from 2015 May

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

11) As at March 31, 2018, details of construction contracts about the 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 heat piping and others	Narae Energy Service Co., Ltd.	Jung Ho E&C Co., Ltd. and others	2017.08 ~ 2018.12	₩ 3,658
Contract for Wirye 3,4 area preconstruction and additional heat piping	Wirye Energy Service Co., Ltd.	Dkeyoung Eneritech Co., Ltd.	2017.07 ~ 2018.05	3,859

12) As at March 31, 2018, 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.	Conoco Phillips 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 283,581

13) Subsidiaries of SK Shipping Co., Ltd. have entered into a contract with Champion Shipholding S.A. and 55 others for Bare Boat Charter Hire Purchase ("BBCHP"). Outstanding boat purchase amount as at March 31, 2018 is USD 2,588,970 thousand (Korean won equivalent: ₩2,761,137 million) and is included in long-term other accounts payable.

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

- 14) Subsidiaries of SK Shipping Co., Ltd. have leased vessels from Time Charter. Total payables of the vessels charter amount to ₩540,633 million as at March 31, 2018.
- 15) Subsidiaries of SK Shipping Co., Ltd. have entered into a long-term transportation contract with Korea Gas Corporation, SK Gas Co., Ltd., and SK Energy Co., Ltd. to transport liquefied natural gas, liquefied petroleum gas and crude oil. The subsidiaries also entered into a long-term transportation contract with Korea Southern Power Co., Ltd., Korea South-East Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Western Power Co., Ltd. and Korea Midland Power Co., Ltd. to transport coal.

On the other hand, subsidiaries of SK Shipping Co., Ltd. have entered into a shipbuilding contract with a shipbuilder to fulfill the transportation agreement in which was entered into with a customer. As a result of delays in the production of essential parts, the vessel that was scheduled to be delivered during the year ended March 31, 2018, was also delayed. Accordingly, SK Shipping Co., Ltd. temporarily replaced the vessel with an alternative vessel in order to fulfill the transportation agreement with the customer. SK Shipping Co., Ltd. is negotiating with the customer about the scope and the amount of loss incurred due to the delays in the vessel building. SK Shipping Co., Ltd. is also negotiating with the shipbuilder for the claim amount due to delays in the delivery of the vessel.

- 16) As at March 31, 2018, SK Shipping Co., Ltd., one of the subsidiaries, has 44,000,000 shares (55%) of SK B&T Pte. Ltd., ("SK B&T") after the 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 a 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.
- 17) On July 16, 2013, SK Incheon Petrochem Co., Ltd., one of the subsidiaries, issued new preferred shares by the third-party allocation method to Shinhan Stonebridge Petro Private Equity Fund (the "Investor"). In regard to the new issuance of preferred shares, the agreement between SK Innovation Co., Ltd. and the Investor includes the following commitments:
- Investors' drag-along right and tag-along right
  - SK Innovation Co., Ltd.'s pre-emption right for the exercised investors' drag-along right
  - Restriction on disposal of shares under certain conditions

SK Incheon Perochemical Co., Ltd., one of subsidiaries, securitized ₩300,000 million of SK Incheon Petrochemical Co., Ltd.'s trusts accounts receivable for SK Energy Co., Ltd., and SK Global Chemical, the other subsidiaries of the Group, to Industrial Bank of Korea. IPC Limited Company 1, which underwrites the first right to benefit issued by Industrial Bank of Korea, issues securitized commercial paper. In case of default in customer, the Group is required to pay a liability of up to ₩120,000 million. As the Group has not transferred most of the risks and rewards of the related trade receivables, it continues to recognize the full amount of trade receivables and recognizes asset securitization liabilities related to accounts receivable trusts as borrowings. As at March 31, 2018, the outstanding balance of the borrowings amounted to ₩280,000 million.

- 18) SK Telecom Co., Ltd., a subsidiary of the Group, sells its mobile handsets to customers on an installment payment plan through agents. SK Telecom Co., Ltd. entered into transfer agreements with the agents for the receivables of handset's installment payments, under which all the rights and obligations of the receivables are transferred to SK Telecom Co., Ltd. Then, SK Telecom Co., Ltd. entered 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 ₩1,050,658 million which is recorded as other accounts receivable and long-term other accounts receivable.

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

19) SK Materials Co., Ltd., a subsidiary, transferred trade receivables for SK Energy Co., Ltd., SKC Co., Ltd. and SK Hynix Inc. to trust account of KDB in June 2016. In the same year, SK Materials Co., Ltd. entered into trade receivables securitization contract with KDB in which ABCP is issued at par value of ₩30,000 million on a three-month basis based on type 1 beneficiary certificate. As at March 31, 2018 and December 2017, trade receivables transferred to trust account are ₩5,999 million and ₩6,096 million, respectively.

20) SK Materials Co., Ltd., a subsidiary, trusted the trade receivable that may incur from M15 Project Phase 1, of which the investment was in progress in September 2017, to the trust account of KEB Hana Bank. With this trusted amount as collateral, SK Materials Co., Ltd. entered into borrowing commitment for the facility for up to 120,000 million. As at March 31, 2018, there are no trade receivables trusted to the trust account in relation to the commitment.

(5) Others

As at March 31, 2018, 86 notes (including 83 blank notes) and 46 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 March 31, 2018 (Korean won in millions and foreign currencies in thousands):

Company	Asset	Currency	Collateralized amount (*1)	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	264,444	Peru LNG S.R.L. and others	Collateral for project financing
	Investments in associates	KRW	-	Yemen LNG Company and others	Collateral for project financing
	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
Netruck Co., Ltd.	Property, plant and equipment	KRW	4,500	Shinhan Bank	Collateral for borrowing
SK Incheon Petrochem Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
SK Holdings Co., Ltd.	Property, plant and equipment	KRW	1,700	RCI Financial Service Korea	Guarantee of implementation of the agreement
Seosuwon Development Company	Investment property	KRW	234,000	New West Village and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Investment securities and others	KRW	138,410	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	142,000	Kookmin Bank and others	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment	KRW	216,100	Korea Development Bank and others	Collateral for borrowing
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Hightech & Marketing Co., Ltd.	Property, plant and equipment	KRW	11,700	IBK Capital	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.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	40,000	Korea Development Bank and others	Collateral for borrowing
	Property, plant and equipment	USD	50,000	Standed Chartered Bank	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	476,236	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	123,500	NH Bank and others	Collateral for borrowing
Shenyang SK Bus Terminal Co., Ltd.	Property, plant and equipment	CNY	252,670	KEB Hana Bank	Collateral for borrowing
SK E&S Co., Ltd.	Investments in joint ventures	KRW	107,744	Woori Bank and others	Collateral for project financing
	Investments in associates	KRW	7,931	Shinhan Bank and others	Collateral for project financing
	Investments in subsidiaries	KRW	180,249	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	901,590	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	11,710	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	3,990	Megamart and others	Leasehold deposits and others
Paju Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	840,000	Korea Development Bank and others	Collateral for project financing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	220	Dongbu Insurance Co., Ltd. and others	Collateral for deposits received
Wirye Energy Service Co., Ltd.	Property, plant and equipment	KRW	84,000	Kookmin Bank and others	Collateral for borrowing
Narae Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	505,000	Korea Development Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	2,215,570	KDB Asia Ltd. and others	Deposits for purchasing ship and others
	Property, plant and equipment	KRW	45,000	KIS IB 25th Company and others	Collateral for borrowing
	Investments in subsidiaries	KRW	46,926	Atlantic Starr Ltd.	Disposal of shares of SK B&T
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	63,688	KDB Asia Ltd and others	Deposits for purchasing ship and others
SK B&T Pte. Ltd.	Short-term financial instruments and others	KRW	2,135	KEB Hana Bank and others	Guarantees for license acquisition and others
HHIENS 1 Shipholding S.A.	Property, plant and equipment	USD	124,201	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 Shipholding S.A.	Property, plant and equipment	USD	124,211	KDB Asia Ltd and others	Deposits for purchasing ship
SK Shipping Europe Plc.	Property, plant and equipment	USD	52,250	KDB Asia Ltd and others	Deposits for purchasing ship
DSIC VLOC 4 Shipholding S.A.	Property, plant and equipment	USD	11,130	KDB Asia Ltd and others	Deposits for purchasing ship
DSIC VLOC 5 Shipholding S.A.	Property, plant and equipment	USD	11,130	KDB Asia Ltd and others	Deposits for purchasing ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	4,144	Lessor	Restricted real rights for office lease
	Short-term financial instruments	KRW	263	KEB Hana Bank and NH Bank	Collateral for loan
SK China Company, Ltd.	Others	USD	30,142	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China communications	Collateral for borrowing

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

Company	Asset	Currency	Collateralized amount (*1)	Provided to	Description
SK Materials Co., Ltd.	Property, plant and equipment	KRW	27,170	LG Display Co., Ltd.	Collateral for advance received
		KRW	137,000	Korea Development Bank	Collateral for borrowing
		USD	3,500	Korea Development Bank	Collateral for borrowing
		JPY	3,690,000	Korea Development Bank	Collateral for borrowing
		JPY	315,000	Hyakugo Bank	Collateral for borrowing
		TWD	20,000	Mega Bank	Collateral for borrowing
	Others	KRW	1,075	Yeongju city and Gyeongsang Buk-do	Government subsidy
SK Airgas Co., Ltd.	Property, plant and equipment	KRW	336,541	Kyungnam Bank and others	Collateral for borrowing
SK Tri Chem Co., Ltd.	Property, plant and equipment	KRW	24,000	Korea Development Bank	Collateral for borrowing
SK Siltron Co., Ltd.	Property, plant and equipment and others	KRW	256,523	Korea Development Bank and others	Collateral for borrowing

(\*1) The carrying amount of investment securities provided as collaterals for PF loans and facility borrowings are included.

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

Guarantees provided among the Group entities as at March 31, 2018 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	SK Computer and communication LLC	USD	6,000	Performance guarantees for payment
SK Holdings Co., Ltd. and SK Innovation Co., Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*1)
SK Innovation Co., Ltd.	SK E&P America, Inc.	USD	45,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,616	Guarantee of payment for license agreement
	SK Global Chemical Americas, Inc.	USD	190,000	Guarantee of payment for principal of debt
	SK Primacor Americas	USD	20,000	Guarantee of principal of debt in RCF withdrawal
	SK Primacor Europe	EUR	20,000	Guarantee of principal of debt in RCF withdrawal
SK Lubricants Co., Ltd.	Iberian Lube Base Oils, S.A.	EUR	28,000	Guarantee of debt
SK Engineering & Construction Co., Ltd.	Thai Woo Ree Engineering Company Ltd.	USD	14	Performance guarantees for contract and others
	Seosuwon Development Company	KRW	234,000	Guarantees for project financing
	SKEC Anadolu LLC	USD	52,000	Guarantee of financial obligation and others
	Sunlake Co., Ltd.	TRY	25,077	Guarantee of W/H Tax
SKC Co., Ltd.	SKC, Inc.	CAD	33,000	Guarantee of financial obligation
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	138,000	Guarantee of payment
		USD	71,950	Guarantee of payment
		CNY	240,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	40,000	Guarantee of financial obligation
	SKC Solmics Co., Ltd.	KRW	60,000	Guarantee for operation fund
SK Networks Co., Ltd.	SK Networks Deutschland GmbH	EUR	10,000	Standing surety for investee
	SK Networks Hong Kong Limited	USD	166,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	121,400	Standing surety for investee
		CNY	54,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	2,000,000	Standing surety for investee
	SK (Guangzhou) Metal Co., Ltd.	CNY	60,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	Standing surety for investee
SK Shipping Co., Ltd.	SK Networks Resources Australia Pty. Ltd.	AUD	35,000	Standing surety for investee
	SK Shipping Europe Plc.	USD	59,000	Guarantee for operation fund
		USD	52,250	Guarantee for derivative hedge
	SK Shipping Singapore Pte. Ltd.	USD	76,863	Guarantee of payment
		USD	93,200	Guarantee for operation fund
	SK B&T Pte. Ltd.	USD	24,400	Guarantee for operation fund and others
	Blueseaocean 2nd LLC	USD	40,000	Guarantee for derivative hedge
	Blueseaocean 3rd LLC	USD	40,000	Guarantee for derivative hedge
	HHIENS1 Shipholding S.A.	USD	35,740	Performance guarantees for shipbuilding
	HHIENS2 Shipholding S.A.	USD	35,740	Performance guarantees for shipbuilding
	VLGC3 Shipholding S.A.	USD	11,886	Ocean guarantee insurance
	Neptune Solution LLC	KRW	56,000	Securitization. Capital reserve commitments
	HHIVLCC1 Shipholdings	USD	27,859	Ocean guarantee insurance
	HHIVLCC2 Shipholdings	USD	27,859	Ocean guarantee insurance
	DSIC VLOC1 Shipholding S.A.	USD	59,360	Performance guarantees for shipbuilding
	DSIC VLOC2 Shipholding S.A.	USD	59,360	Performance guarantees for shipbuilding
SK B&T Pte. Ltd.	Chuandong 1 Marine Holdings Co., Ltd.	USD	7,457	Guarantee related to BBCHP
	Chuandong 2 Marine Holdings Co., Ltd.	USD	7,426	Guarantee related to BBCHP
SK E&S Co., Ltd.	Caillip Gas Marketing, LLC	USD	106,000	Guarantee for derivative hedge and others
	SK E&S Australia Pty. Ltd.	USD	140,000	Guarantee for borrowings
	Paju energy service Co., Ltd.	KRW	500,000	Guarantee for borrowings
	Wirye energy service Co., Ltd.	KRW	250,000	Guarantee for borrowings
	Dew Blaine Energy, LLC	USD	360,000	Performance for contracts and others
	SK E&S Americas, Inc.	USD	160,000	Guarantee for borrowings
	Prism Energy International Pte. Ltd.	USD	149,000	Guarantee for derivative hedge
	SK E&S LNG, LLC	USD	15,000	Guarantee for derivative hedge

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

Guarantor	Guarantee	Currency	Amount	Description of guarantee
Prism Energy International Pte. Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*2)
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	60,000	Guarantee for borrowings
		USD	34,000	Guarantee for borrowings
	SK Materials Taiwan Co., Ltd.	USD	4,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	JPY	276,000	Guarantee for borrowings
SK China Company, Ltd.	SK (Beijing) auto rental Co., Ltd.	USD	9,238	Guarantee for borrowings
	SK (Shenyang) auto rental Co., Ltd.	USD	11,132	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	9,772	Guarantee for borrowings
SK Biotek Co., Ltd.	SK Biotek Ireland Limited	USD	50,000	Credit limit guarantee of overseas subsidiaries
		EUR	10,000	Performance guarantee of overseas subsidiaries
SK Telink Co., Ltd.	SK Broadband Co., Ltd.	KRW	3	Performance guarantees for contract
	Home&Service Co., Ltd.	KRW	1	Performance guarantees for contract and others

(\*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩80,351 million.

(\*2) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩264,932 million.

**33. Financial risk management**

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

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**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 March 31, 2018 and December 31, 2017 is as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Financial assets measured at FVTPL	₩ 1,471,157	₩ 369,436
Financial assets measured at FVOCI	29,807	-
Financial assets measured at amortized cost	24,180,255	-
Derivatives designated as hedging instruments	84,495	103,849
Held-to-maturity investments	-	870
Loans and receivables	-	25,579,243
Available-for-sale financial assets	-	69,248
	<u>₩ 25,765,714</u>	<u>₩ 26,122,646</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.

**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 ₩12,582 million as at March 31, 2018. 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 March 31, 2018.

	March 31, 2018	December 31, 2017
SK Innovation Co., Ltd.	₩ 1,018	₩ 1,131
SK Engineering & Construction Co., Ltd.	12,582	10,433
SK Shipping Co., Ltd.	37	50
SK Biotek Co., Ltd.	585	369
	<u>₩ 14,222</u>	<u>₩ 11,983</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 March 31, 2018 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3~12 months	1~5 years	More than 5 years
Loans and borrowings	₩ 9,320,675	₩ 9,824,037	₩ 3,413,760	₩ 2,514,258	₩ 3,252,769	₩ 643,250
Bonds	23,915,307	25,660,503	1,489,151	3,428,068	15,074,739	5,668,545
Derivative financial liabilities	171,361	171,361	95,215	38,123	38,023	-
Trade accounts payable	8,547,348	8,547,348	8,316,538	230,810	-	-
Other liabilities	10,375,735	11,939,468	5,912,129	1,548,276	2,266,179	2,212,884
	<u>₩ 52,330,426</u>	<u>₩ 56,142,717</u>	<u>₩ 19,226,793</u>	<u>₩ 7,759,535</u>	<u>₩ 20,631,710</u>	<u>₩ 8,524,679</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.

#### 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 March 31, 2018 and 2017 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	March 31, 2018		December 31, 2017	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	12,115,176	₩ 12,920,835	7,854,281	₩ 8,415,077
	JPY	8,747,761	87,605	21,745,852	206,392
	CNY	2,438,372	413,743	2,295,359	375,636
	EUR	107,965	141,645	141,881	181,502
	Others		73,415		117,318
			<u>₩ 13,637,243</u>		<u>₩ 9,295,925</u>
Liabilities	USD	9,498,592	₩ 10,130,248	10,426,763	₩ 11,171,234
	JPY	6,078,641	60,875	6,935,029	65,821
	CNY	787,362	133,600	780,156	127,672
	EUR	164,049	215,224	148,624	190,127
	Others		78,481		82,194
			<u>₩ 10,618,428</u>		<u>₩ 11,637,048</u>

### 33.1.4.1 Currency risk (cont'd)

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

Currency	March 31, 2018		December 31, 2017	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ 279,059	₩ (279,059)	₩ (275,616)	₩ 275,616
JPY	2,673	(2,673)	14,057	(14,057)
CNY	28,014	(28,014)	24,796	(24,796)
EUR	(7,358)	7,358	(863)	863

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 134.2% as at March 31, 2018. The maturity of the debt is dispersed in the long term. So, debt-repayments are not demanding.

The Group's debt ratio as at March 31, 2018 and December 31, 2017 is as follows (Korean won in millions):

	March 31, 2018	December 31, 2017
Total liabilities	₩ 64,362,740	₩ 64,020,500
Total equity	47,966,613	45,756,420
Debt ratio	134.2%	139.9%

### 34. Business combination

#### 34.1 March 31, 2018

##### 34.1.1 Dow Chemical EAA Business

In accordance with the resolution of the Board of Directors on February 1, 2017, SK Global Chemical Co., Ltd., a subsidiary of SK D & C, is seeking to diversify its high value-added packaging business portfolio by acquiring EAA business and tangible and intangible assets in the US and Spain owned by The Dow Chemical Company. On the acquisition date, the fair value of tangible and intangible assets was determined provisionally because the independent valuation was not completed. For the three months ended March 31, 2018, the Group has obtained new information on the facts and circumstances that existed as at the acquisition date. Accordingly the provisional amounts of identifiable net assets were retrospectively adjusted.

(1) Fair value of consideration transferred in the business combination are as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Cash	₩ 394,463	₩ (1,792)	₩ 392,671

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

	Before adjustment	Adjustment	After adjustment
Fair value of identifiable assets	₩ 294,183	₩ 10,246	₩ 304,429
Current assets	43,862	252	44,114
Trade accounts receivable and other accounts receivable	12,742	-	12,742
Inventories	31,120	252	31,372
Non-current assets	250,321	9,994	260,315
Property, plant and equipment	56,683	(364)	56,319
Intangible assets	193,638	10,358	203,996
Fair value of identifiable liabilities	-	-	-
Fair value of identifiable net assets	₩ 294,183	₩ 10,246	₩ 304,429

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

	Before adjustment	Adjustment	After adjustment
a. The total consideration transferred	₩ 394,463	₩ (1,792)	₩ 392,671
b. Fair value of the net identifiable assets	(294,182)	(10,246)	(304,428)
c. Goodwill (c=a-b)	₩ 100,281	₩ (12,038)	₩ 88,243

(4) Outflow of net cash from business combination is as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Payment by cash	₩ 394,463	₩ (1,792)	₩ 392,671
Acquisition of cash and cash equivalents	-	-	-
Out flow of net cash	₩ 394,463	₩ (1,792)	₩ 392,671

### 34.1.2 Dow Chemical PVDC Business

SK Global Chemical decided to acquire the entire PVDC business in the US owned by The Dow Chemical Company and all its tangible and intangible assets in order to diversify its packaging business portfolio. On the acquisition date, the fair value of tangible and intangible assets was determined provisionally because the independent valuation was not completed. For the three months ended March 31, 2018, the Group has obtained new information on the facts and circumstances that existed as at the acquisition date. Accordingly the provisional amounts of identifiable net assets were retrospectively adjusted.

(1) Fair value of consideration transferred in the business combination are as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Cash	₩ 82,193	₩ -	₩ 82,193

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

	Before adjustment	Adjustment	After adjustment
Fair value of identifiable assets	₩ 26,071	₩ 17,476	₩ 43,547
Current assets	11,881	(921)	10,960
Trade accounts receivable and other accounts receivable	3,365	(921)	2,444
Inventories	8,516	-	8,516
Non-current assets	14,190	18,397	32,587
Property, plant and equipment	14,190	18,392	32,582
Intangible assets	-	5	5
Fair value of identifiable liabilities	-	-	-
Fair value of identifiable net assets	₩ 26,071	₩ 17,476	₩ 43,547

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

	Before adjustment	Adjustment	After adjustment
a. The total consideration transferred	₩ 82,193	₩ -	₩ 82,193
b. Fair value of the net identifiable assets	(26,071)	(17,477)	(43,548)
c. Goodwill (c=a-b)	₩ 56,122	₩ (17,477)	₩ 38,645

(4) Outflow of net cash from business combination is as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Payment by cash	₩ 82,193	₩ -	₩ 82,193
Acquisition of cash and cash equivalents	-	-	-
Out flow of net cash	₩ 82,193	₩ -	₩ 82,193

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**34.1.3 SK Showa Denko Co., Ltd.**

The Group acquired control of the investee by holding a majority of the voting rights at the Board of Directors of SK Showa Denko Co., Ltd. during the current period. The acquisition is accounted for using the acquisition method. The consolidated financial statements for the three months ended March 31, 2018 include the financial performance for SK Showa Denko Co., Ltd. from the acquisition date to the end of the current period.

(1) Fair value of consideration transferred in the business combination are as follows (Korean won in millions):

	<u>SK Showa Denko Co., Ltd.</u>
Investments in joint ventures	₩ 10,651

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

	<u>SK Showa Denko Co., Ltd.</u>
<b>Current assets:</b>	<b>₩ 10,137</b>
Cash and cash equivalents	6,332
Trade accounts receivable and other accounts receivable	1,375
Inventories	501
Other current assets	1,929
<b>Non-current assets:</b>	<b>17,244</b>
Property, plant and equipment	17,242
Other non-current assets	2
<b>Current liabilities:</b>	<b>6,495</b>
Trade accounts payable and other accounts payable	6,492
Other current liabilities	3
<b>Non-current liabilities:</b>	<b>1</b>
Retirement benefit obligation	1
<b>Fair value of identifiable net assets</b>	<b><u>₩ 20,885</u></b>

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

	<u>SK Showa Denko Co., Ltd.</u>
a. The total consideration transferred	₩ 10,651
b. Fair value of the net identifiable assets	(20,885)
Non-controlling interests	10,234
c. Goodwill (c=a-b)	<u>₩ -</u>

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**34.2 March 31, 2017**

**34.2.1 SM Core Inc.**

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

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

	<u>SM Core Inc.</u>	
<b>Current assets:</b>	<b>₩</b>	<b>74,987</b>
Cash and cash equivalents		45,463
Trade accounts receivable and other accounts receivable		27,364
Inventories		342
Other current assets		1,818
<b>Non-current assets:</b>		<b>43,953</b>
Property, plant and equipment		20,249
Intangible assets		22,168
Other non-current assets		1,536
<b>Current liabilities:</b>		<b>16,448</b>
Trade accounts payable and other accounts payable		13,533
Borrowings		500
Other current liabilities		2,415
<b>Non-current liabilities:</b>		<b>7,357</b>
Retirement benefit obligation		2,272
Deferred income tax liabilities		5,085
<b>Fair value of identifiable net assets</b>	<b>₩</b>	<b><u>95,135</u></b>

(2) Used valuation techniques for remeasurement at fair value of acquired significant assets and liabilities is as follow:

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

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

	<u>SMCore Inc.</u>	
d. The total consideration transferred	₩	39,419
e. Fair value of proportionate share of acquired net assets		
Fair value of the net identifiable assets		95,135
Non-controlling interests (*1)		<u>(69,906)</u>
Sub-total		<u>25,229</u>
f. Goodwill (c=a-b)	₩	<u>14,190</u>

### **34.2.1 SM Core Inc. (cont'd)**

(\*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**

### **35.1 SK Lubricants Co., Ltd. withdrawal of listing**

SK Lubricants Co., Ltd., a subsidiary of the Group, conducted the related procedures for the listing of the securities market, but ultimately withdrew the listing on April 27, 2018, taking into consideration various factors such as the difficulty of properly assessing the value of the company, and submitted a withdrawal report to the Korea Exchange.

### **35.2 SK Innovation Co., Ltd. acquisition of treasury stock**

SK Innovation Co., Ltd., a subsidiary of the Group, resolved to acquire treasury stock at the Board of Directors' meeting on April 30, 2018 to stabilize share prices and enhance shareholder value. The number of shares to be acquired is 5,208,333 shares of common stock, and the expected completion date is August 1, 2018. The Company will hold treasury shares for more than six months from the date of acquisition.

### **35.3 SK Telecom Co., Ltd. takes over ADT Caps Co., Ltd.**

On May 8, 2018, SK Telecom Co., Ltd., a subsidiary of the Group, entered into a contract to acquire 740,895 shares of Siren Holdings Korea Co., Ltd. at ₩702,000 million for the purpose of strengthening its security business and expanding its home customers. The agreement stipulates that Siren Holdings Korea Co., Ltd. will merge with Siren Investments Korea Co., Ltd., which holds a 100% stake in ADT Caps Co., Ltd. Upon completion of the acquisition, the Group will acquire 55% stake in Siren Holdings Korea Co., Ltd. and expects to acquire control of ADT Caps Co., Ltd. Meanwhile, the transaction is subject to the government's approval, and may be subject to change due to approval procedures and related laws and regulations.