



SK Holdings Co., Ltd.

Interim condensed separate financial statements
for the six months ended June 30, 2018 and 2017
with the independent auditors' review report

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Report on review of interim condensed separate financial statements

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

We have reviewed the accompanying interim condensed separate financial statements of SK Holdings Co., Ltd. (the "Company"), which comprise the interim condensed separate statement of financial position as at June 30, 2018, and the related interim condensed separate statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, interim condensed separate statements of changes in shareholders' equity and interim condensed separate statements of cash flows for the six-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 separate financial statements

Management is responsible for the preparation and presentation of these interim condensed separate 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 separate financial statements based on our review.

We conducted our review in accordance with the review standard for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and, consequently, 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 separate 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 separate statement of financial position of the Company as at December 31, 2017, and the related separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate 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 separate statement of financial position as at December 31, 2017, presented for comparative purposes is not different, in all material respects, from the above audited separate statement of financial position.

August 14, 2018

This review report is effective as at August 14, 2018, the independent auditors' review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors' review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed separate financial statements and may result in modifications to this review report.

SK Holdings Co., Ltd.

Interim condensed separate financial statements
for the six months ended June 30, 2018 and 2017

“The accompanying interim condensed separate 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.
Interim condensed separate statements of financial position
as at June 30, 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)	
		June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Assets					
Current assets:					
Cash and cash equivalents	4,31	234,235	84,482	\$ 208,821	\$ 75,316
Short-term financial instruments	4,30	112,220	43,516	100,045	38,795
Trade accounts receivable	4,5,25,30	394,055	463,079	351,302	412,837
Other accounts receivable	4,25,30,31	1,703	1,767	1,518	1,575
Inventories	6	454	785	405	700
Other current assets	4,16,17,25,29,30	44,588	13,603	39,750	12,127
Assets held-for-sale	27	33,612	224,942	29,965	200,537
Total current assets		<u>820,867</u>	<u>832,174</u>	<u>731,806</u>	<u>741,887</u>
Non-current assets:					
Long-term investment securities	4,7,30	153,085	-	136,476	-
Available-for-sale financial assets	4,7,30	-	78,984	-	70,415
Investments in subsidiaries	8,31	15,666,859	15,583,417	13,967,067	13,892,678
Investments in associates and joint ventures	9	652,116	647,970	581,364	577,668
Property, plant and equipment	10,29	675,800	671,658	602,478	598,786
Investment property	11	39,961	40,174	35,625	35,815
Goodwill and intangible assets	12	2,101,241	2,090,299	1,873,265	1,863,510
Other non-current assets	4,16,17,25,29,30	11,582	14,385	10,326	12,824
Total non-current assets		<u>19,300,644</u>	<u>19,126,887</u>	<u>17,206,601</u>	<u>17,051,696</u>
Total assets		<u>20,121,511</u>	<u>19,959,061</u>	<u>\$ 17,938,407</u>	<u>\$ 17,793,583</u>
Liabilities and equity					
Current liabilities:					
Short-term borrowings	4,13,29,30	300,000	780,000	\$ 267,451	\$ 695,373
Trade accounts payable	4,25,30	74,299	125,590	66,238	111,964
Other accounts payable	4,25,30	73,151	98,155	65,214	87,506
Accrued expenses	4,30	43,056	58,695	38,385	52,327
Provisions	14	5,284	7,949	4,711	7,087
Current portion of long-term debt	4,13,30	1,273,728	1,052,733	1,135,534	938,516
Other current liabilities	4,16,17,25,30	218,825	135,282	195,083	120,604
Liabilities held-for-sale	27	-	16,582	-	14,783
Total current liabilities		<u>1,988,343</u>	<u>2,274,986</u>	<u>1,772,616</u>	<u>2,028,160</u>
Non-current liabilities:					
Bonds payable	4,13,30	5,112,985	5,034,055	4,558,246	4,487,880
Retirement benefit obligation	15	64,511	38,799	57,512	34,589
Deferred income tax liabilities	23	258,848	257,340	230,764	229,420
Other non-current liabilities	4,16,17,25,30	22,544	21,180	20,098	18,882
Total non-current liabilities		<u>5,458,888</u>	<u>5,351,374</u>	<u>4,866,620</u>	<u>4,770,771</u>
Total liabilities		<u>7,447,231</u>	<u>7,626,360</u>	<u>6,639,236</u>	<u>6,798,931</u>
Equity:					
Issued capital	1,18	15,385	15,385	13,716	13,716
Other paid-in capital	18,31	4,410,460	4,720,271	3,931,943	4,208,140
Retained earnings	18	8,250,676	7,585,590	7,355,510	6,762,584
Other capital components	18	(2,241)	11,455	(1,998)	10,212
Total equity		<u>12,674,280</u>	<u>12,332,701</u>	<u>11,299,171</u>	<u>10,994,652</u>
Total liabilities and equity		<u>20,121,511</u>	<u>19,959,061</u>	<u>\$ 17,938,407</u>	<u>\$ 17,793,583</u>

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

SK Holdings Co., Ltd.
Interim condensed separate statements of comprehensive income
for the three months and six months ended June 30, 2018 and 2017
(Korean won in millions except for earnings per share)

	Notes	Korean won			
		June 30, 2018		June 30, 2017	
		Three months	Six months	Three months	Six months
Operating revenue	19, 25	\ 452,625	\ 1,606,853	\ 476,385	\ 1,488,263
Operating expenses	20, 21, 25	<u>372,161</u>	<u>723,196</u>	<u>397,141</u>	<u>760,805</u>
Operating income		80,464	883,657	79,244	727,458
Financial income	22	2,614	7,798	6,967	17,676
Financial costs	22	(47,802)	(92,902)	(38,006)	(79,809)
Other non-operating income	22	7,879	200,247	342	488
Other non-operating expenses	22	(6,569)	(19,880)	(3,649)	(7,116)
Income before income tax expense		36,586	978,920	44,898	658,697
Income tax expense from continuing operations	23	<u>4,473</u>	<u>114,946</u>	<u>15,441</u>	<u>41,029</u>
Net income from continuing operations		32,113	863,974	29,457	617,668
Gain from discontinued operation	26	<u>32,977</u>	<u>30,865</u>	<u>2,866</u>	<u>5,972</u>
Net income		<u>65,090</u>	<u>894,839</u>	<u>32,323</u>	<u>623,640</u>
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurement loss on defined benefit plans	15	(3,604)	(5,326)	(3,268)	(5,218)
Items to be reclassified to profit or loss in subsequent periods:					
Net gain on available-for-sale financial assets	7	-	-	10,434	14,559
		<u>(3,604)</u>	<u>(5,326)</u>	<u>7,166</u>	<u>9,341</u>
Total comprehensive income		<u>\ 61,486</u>	<u>\ 889,513</u>	<u>\ 39,489</u>	<u>\ 632,981</u>
Earnings per share (Korean won):	24				
Basic earnings per share		\ 1,146	\ 15,999	\ 570	\ 11,153
Basic earnings per share from continuing operations		555	15,446	518	11,046

(Continued)

SK Holdings Co., Ltd.
Interim condensed separate statements of comprehensive income
for the three months and six months ended June 30, 2018 and 2017 (cont'd)

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

	Notes	Translation into U.S. dollar (Note 2)			
		June 30, 2018		June 30, 2017	
		Three months	Six months	Three months	Six months
Operating revenue	19, 25	\$ 403,517	\$ 1,432,516	\$ 424,699	\$ 1,326,792
Operating expenses	20, 21, 25	<u>331,783</u>	<u>644,732</u>	<u>354,053</u>	<u>678,261</u>
Operating income		71,734	787,784	70,646	648,531
Financial income	22	2,330	6,952	6,211	15,758
Financial costs	22	(42,616)	(82,823)	(33,882)	(71,150)
Other non-operating income	22	7,024	178,521	305	435
Other non-operating expenses	22	(5,856)	(17,723)	(3,253)	(6,344)
Income before income tax expense		32,616	872,711	40,027	587,230
Income tax expense from continuing operations	23	<u>3,988</u>	<u>102,475</u>	<u>13,766</u>	<u>36,578</u>
Net income from continuing operations		28,628	770,236	26,261	550,652
Gain from discontinued operation	26	<u>29,399</u>	<u>27,516</u>	<u>2,555</u>	<u>5,324</u>
Net income		<u>58,027</u>	<u>797,752</u>	<u>28,816</u>	<u>555,976</u>
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurement loss on defined benefit plans	15	(3,213)	(4,748)	(2,913)	(4,652)
Items to be reclassified to profit or loss in subsequent periods:					
Net gain on available-for-sale financial assets	7	-	-	9,302	12,979
		<u>(3,213)</u>	<u>(4,748)</u>	<u>6,389</u>	<u>8,327</u>
Total comprehensive income		<u>\$ 54,814</u>	<u>\$ 793,004</u>	<u>\$ 35,205</u>	<u>\$ 564,303</u>
Earnings per share (Korean won and U.S. dollar):	24				
Basic earnings per share		\$ 1.02	\$ 14	\$ 0.51	\$ 9.94
Basic earnings per share from continuing operations		0.49	14	0.46	9.85

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

SK Holdings Co., Ltd.
Interim condensed separate statements of changes in shareholders' equity
for the six months ended June 30, 2018 and 2017

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity
As at January 1, 2017	\ 15,385	\ 4,719,052	\ 7,183,223	\ 8,041	\ 11,925,701
Total comprehensive income:					
Net income	-	-	623,640	-	623,640
Remeasurement loss on defined benefits plans	-	-	(5,218)	-	(5,218)
Net gain on available-for-sale financial assets	-	-	-	14,559	14,559
Dividends	-	-	(208,666)	-	(208,666)
Stock option	-	427	-	-	427
As at June 30, 2017	<u>\ 15,385</u>	<u>\ 4,719,479</u>	<u>\ 7,592,979</u>	<u>\ 22,600</u>	<u>\ 12,350,443</u>
As at January 1, 2018	\ 15,385	\ 4,720,271	\ 7,585,590	\ 11,455	\ 12,332,701
Effect of changes in accounting policies	-	-	1,156	(13,696)	(12,540)
Beginning balance after amendment	<u>15,385</u>	<u>4,720,271</u>	<u>7,586,746</u>	<u>(2,241)</u>	<u>12,320,161</u>
Total comprehensive income:					
Net income	-	-	894,839	-	894,839
Remeasurement loss on defined benefits plans	-	-	(5,326)	-	(5,326)
Dividends	-	-	(225,583)	-	(225,583)
Business combination	-	(310,604)	-	-	(310,604)
Stock option	-	794	-	-	794
Acquisition of treasury shares	-	(1)	-	-	(1)
As at June 30, 2018	<u>\ 15,385</u>	<u>\ 4,410,460</u>	<u>\ 8,250,676</u>	<u>\ (2,241)</u>	<u>\ 12,674,280</u>

(Continued)

SK Holdings Co., Ltd.
Interim condensed separate statements of changes in shareholders' equity
for the six months ended June 30, 2018 and 2017 (cont'd)

(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity
As at January 1, 2017	\$ 13,716	\$ 4,207,054	\$ 6,403,872	\$ 7,169	\$ 10,631,811
Total comprehensive income:					
Net income	-	-	555,976	-	555,976
Remeasurement loss on defined benefits plans	-	-	(4,652)	-	(4,652)
Net gain on available-for-sale financial assets	-	-	-	12,979	12,979
Dividends	-	-	(186,027)	-	(186,027)
Stock option	-	381	-	-	381
As at June 30, 2017	\$ 13,716	\$ 4,207,435	\$ 6,769,169	\$ 20,148	\$ 11,010,468
As at January 1, 2018	\$ 13,716	\$ 4,208,140	\$ 6,762,584	\$ 10,212	\$ 10,994,652
Effect of changes in accounting policies	-	-	1,031	(12,210)	(11,179)
Beginning balance after amendment	13,716	4,208,140	6,763,615	(1,998)	10,983,473
Total comprehensive income:					
Net income	-	-	797,752	-	797,752
Remeasurement loss on defined benefits plans	-	-	(4,748)	-	(4,748)
Dividends	-	-	(201,109)	-	(201,109)
Business combination	-	(276,904)	-	-	(276,904)
Stock option	-	708	-	-	708
Acquisition of treasury shares	-	(1)	-	-	(1)
As at June 30, 2018	\$ 13,716	\$ 3,931,943	\$ 7,355,510	\$ (1,998)	\$ 11,299,171

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

SK Holdings Co., Ltd.
Interim condensed separate statements of cash flows
for the six months ended June 30, 2018 and 2017

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

	Notes	For the six months ended June 30			
		Korean won		Translation into U.S. dollar (Note 2)	
		2018	2017	2018	2017
Cash flows from operating activities:					
Net income	\	894,839	\ 623,640	\$ 797,752	\$ 555,976
Non-cash adjustments	28	(772,023)	(463,629)	(688,262)	(413,327)
Working capital adjustments	28	(32,608)	(58,438)	(29,070)	(52,098)
Interest received		2,393	2,249	2,133	2,005
Interest paid		(90,471)	(82,836)	(80,655)	(73,849)
Dividends received		759,182	620,418	676,814	553,105
Income taxes paid		(21,322)	(24,434)	(19,009)	(21,783)
Net cash flows provided by operating activities		739,990	616,970	659,703	550,029
Cash flows from investing activities:					
Increase in short-term financial instruments, net		(68,704)	(2,600)	(61,250)	(2,318)
Net change of short-term loans		-	600	-	535
Proceeds from disposal of long-term investment securities		500	-	446	-
Proceeds from disposal of available-for-sale financial assets		-	122	-	109
Proceeds from disposal of investments in subsidiaries		223,725	-	199,452	-
Proceeds from disposal of investments in associates		7,069	-	6,302	-
Proceeds from disposal of property, plant and equipment		88	987	78	880
Proceeds from disposal of intangible assets		5,609	1,326	5,000	1,182
Acquisition of long-term investment securities		(88,006)	-	(78,458)	-
Acquisition of available-for-sale financial assets		-	(24,039)	-	(21,431)
Acquisition of investments in associates		(5,000)	(71,527)	(4,458)	(63,767)
Acquisition of investments in subsidiaries		(418,341)	(56,376)	(372,953)	(50,259)
Acquisition of property, plant and equipment		(28,969)	(22,153)	(25,826)	(19,749)
Acquisition of intangible assets		(19,193)	(18,711)	(17,111)	(16,681)
Decrease (increase) in guarantee deposits, net		270	572	241	510
Business transfer		209,970	-	187,189	-
Cash flows from other investing activities		(11,123)	(62,000)	(9,914)	(55,273)
Net cash flows used in investing activities		(192,105)	(253,799)	(171,262)	(226,262)
Cash flows from financing activities:					
Decrease in short-term borrowings, net		(480,000)	(280,000)	(427,922)	(249,621)
Repayment of current portion of long-term debt		(330,000)	(300,000)	(294,196)	(267,451)
Issuance of bonds payable		637,307	796,725	568,162	710,283
Payment of dividend		(225,584)	(208,666)	(201,109)	(186,027)
Net cash flows provided by (used in) financing activities		(398,277)	8,059	(355,065)	7,184
Net increase in cash and cash equivalents		149,608	371,230	133,376	330,951
Net foreign exchange effects		145	(1,187)	129	(1,058)
Cash and cash equivalents at the beginning of the period		84,482	158,963	75,316	141,716
Cash and cash equivalents at the end of the period	\	234,235	\ 529,006	\$ 208,821	\$ 471,609

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

1. Corporate information

SK Holdings Co., Ltd. (the "Company") was established on April 13, 1991, and is engaged in providing systems integration, software design and development, information processing, consulting services, and 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 June 30, 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%, 8.37% and 7.46%, respectively.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

The Company prepares statutory interim condensed separate 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 separate 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 separate financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2017.

The accompanying separate 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 separate financial statements and has been made at the rate of \ 1,121.7 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 year ended June 30, 2018. Such translations into U.S. dollar should not be construed as representations that the Korean won amounts could be converted into U.S. dollar at that or any other rate.

Pursuant to KIFRS 1027, the interim condensed separate financial statements are accounted for, by parent, investor in an associate or a joint venture on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as at January 1, 2018.

2.2.1 New and revised KIFRSs adopted in the current period

The Company 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 adoption of the above amendments do not have a material impact on the financial position or management performance of the Company.

Amendments to KIFRS 1109 – *Financial Instruments*

The Company 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.

The Company 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 Company'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 six 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 Company 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 Company 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 gain or loss.

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

The Company 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 Company 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 Classification and measurement of financial liabilities

The Company 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 Company 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.

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

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 Company at the initial effective interest rate of the asset.

At the end of each reporting period, the Company assesses the carrying amount of financial assets measured at amortized cost and debt securities measured at FVOCI for credit 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 Company 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.

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.

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

Amendments	Retained earnings	Other capital components
Classification and measurement	\ 1,165	\ (13,696)

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

Details of reclassification of financial assets based on the initial application of KIFRS 1109 are as follows (Korean won in millions):

	Classification		Book value		
	KIFRS 1039	KIFRS 1109	KIFRS 1039	KIFRS 1109	Difference
Current financial assets:					
Cash and cash equivalents	Loans and receivables	Amortized cost	\ 84,482 \	84,482 \	-
Short-term financial instruments	Loans and receivables	Amortized cost	43,516	43,516	-
Trade accounts receivable	Loans and receivables	Amortized cost	399,748	399,748	-
Other accounts receivable	Loans and receivables	Amortized cost	1,767	1,767	-
Accrued income	Loans and receivables	Amortized cost	112	112	-
Guarantee deposits	Loans and receivables	Amortized cost	1	1	-
Derivative financial assets	Financial assets at FVTPL	FVTPL	599	599	-
			<u>530,225</u>	<u>530,225</u>	<u>-</u>
Non-current financial assets:					
Long-term financial instruments	Loans and receivables	Amortized cost	19	19	-
Long-term investment securities (*1)	Available-for-sale financial asset	FVTPL	73,653	62,616	(11,037)
Long-term investment securities (*2)	Available-for-sale financial asset	FVOCI	5,330	2,374	(2,956)
Long-term loans	Loans and receivables	Amortized cost	397	397	-
Guarantee deposits	Loans and receivables	Amortized cost	10,829	10,829	-
Derivative financial assets (*1)	Financial assets at FVTPL	FVTPL	3,015	477	(2,538)
			<u>93,243</u>	<u>76,712</u>	<u>(16,531)</u>
			<u>\ 623,468 \</u>	<u>\ 606,937 \</u>	<u>\ (16,531) \</u>

(*1) As at January 1, 2018, available-for-sale financial assets such as beneficiary certificates and equity investments amounting to \ 47,158 million were reclassified to financial assets measured at FVTPL. In accordance with the Prohibition on Separation of Embedded Derivatives, available-for-sale financial assets of \ 12,920 million and derivative assets of \ 2,538 million related to convertible bonds were reclassified to financial assets measured at FVTPL. As the contractual terms of these assets do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, these assets were not qualified to be designated as financial assets measured at amortized cost. As a result of this reclassification, as at January 1, 2018, accumulated OCI of \ 11,455 million was reclassified to retained earnings and, due to its new classification to financial assets measured at FVTPL, retained earnings were decreased by \ 10,290 million.

(*2) As at January 1, 2018, available-for-sale financial assets such as marketable equity instruments amounting to \ 2,374 million were reclassified to equity investments measured at FVOCI. The Company designated equity instruments that are not held for trading as FVOCI on initial application of KIFRS 1109 with no recycling of amounts from OCI to profit and loss.

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

The Company 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 Company's financial statements is as follows.

① Identification of the separate performance obligations in the contract

Through the ownership of equity interests in subsidiaries, the Company is engaged in investment service that governs the business of the subsidiaries and the IT services business, which provides consulting services related to the information and communications business.

For IT services, multiple contractual obligations can be identified in a single contract. In such cases, the transaction price should be allocated to each performance obligation, and the revenue should be recognized for each obligation to perform.

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

② Allocation of the transaction price to the separate performance obligations

In accordance with KIFRS 1115, the Company 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 Company will use the 'adjusted market assessment approach'. However, in some circumstances, the 'expected cost plus a margin approach' will be used.

Upon first application of KIFRS 1115, beginning balance of retained decreased by ₩9 million.

Based on the application of KIFRS 1115, sales, operating income and net income on the income statement as at June 30, 2018 decreased by ₩133 million, respectively.

KIFRS 1028 – Investments in Associates and Joint Ventures

The amendments clarify that:

An entity that is a venture capital organisation, 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 recognised; (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 Company'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 Company should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the Company first applies the amendments. The Company 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 adoption of the above amendments do not have a material impact on the Company's financial position or management performance.

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 adoption of the above amendments do not have a material impact on the Company's financial position or management performance.

2.2.2 New and revised KIFRSs issued, but not yet effective

The Company has not applied the following new and revised KIFRSs that have been issued, but are 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. 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 Company 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 Company 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 Company 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 Company 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 Company (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 Company does not reassess sale and leaseback transactions entered into before the date of initial application.

① Lease accounting for lessees

As a lessee, the Company can either apply the KIFRS 1116 using a full retrospective approach; or modified retrospective approach. The full retrospective approach requires the Company 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 Lease accounting for lessors

In case where the Company is lessor, the Company should reassess leases that were classified as operation 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, they are accounted as new finance lease contracted on the initial application date of KIFRS 1116.

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

3. Significant accounting judgements, estimates and assumptions

When preparing the interim condensed separate 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 separate financial statements for the six months ended June 30, 2018, are consistent with those followed in the preparation of the separate financial statements for the year ended December 31, 2017.

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
June 30, 2018 and 2017

4. Financial instruments

4.1 Financial assets

Details of financial assets as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	
Current assets:				
Cash and cash equivalents	\ -	\ -	\ 234,235	\ 234,235
Short-term financial instruments	-	-	112,220	112,220
Trade accounts receivable (*1)	-	-	235,117	235,117
Other accounts receivable	-	-	1,703	1,703
Accrued income	-	-	884	884
Guarantee deposits	-	-	1	1
Derivative financial assets	16	-	-	16
	<u>16</u>	<u>-</u>	<u>584,160</u>	<u>584,176</u>
Non-current assets:				
Long-term financial instruments	-	-	19	19
Long-term loans	-	-	397	397
Long-term investment securities	145,375	7,710	-	153,085
Guarantee deposits	-	-	10,562	10,562
Derivative financial assets	477	-	-	477
	<u>145,852</u>	<u>7,710</u>	<u>10,978</u>	<u>164,540</u>
	<u>\ 145,868</u>	<u>\ 7,710</u>	<u>\ 595,138</u>	<u>\ 748,716</u>

(*1) Contract assets (unbilled receivables) amounting to \ 158,938 million as at June 30, 2018 are not included in the financial instruments.

	December 31, 2017			Total
	Financial assets at FVTPL	Loans and receivables	Available-for-sale financial assets	
Current assets:				
Cash and cash equivalents	\ -	\ 84,482	\ -	\ 84,482
Short-term financial instruments	-	43,516	-	43,516
Trade accounts receivable (*1)	-	399,748	-	399,748
Other accounts receivable	-	1,767	-	1,767
Accrued income	-	112	-	112
Guarantee deposits	-	1	-	1
Derivative financial assets	599	-	-	599
	<u>599</u>	<u>529,626</u>	<u>-</u>	<u>530,225</u>
Non-current assets:				
Long-term financial instruments	-	19	-	19
Available-for-sale financial assets	-	-	78,984	78,984
Long-term loans	-	397	-	397
Guarantee deposits	-	10,829	-	10,829
Derivative financial assets	3,015	-	-	3,015
	<u>3,015</u>	<u>11,245</u>	<u>78,984</u>	<u>93,244</u>
	<u>\ 3,614</u>	<u>\ 540,871</u>	<u>\ 78,984</u>	<u>\ 623,469</u>

(*1) Unbilled receivables amounting to \ 63,331 million as at December 31, 2017 are not included in the financial instruments.

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4.2 Financial liabilities

Details of financial liabilities as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018		
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	-	300,000	300,000
Trade accounts payable	-	74,299	74,299
Other accounts payable	-	73,151	73,151
Accrued expenses	-	43,056	43,056
Current portion of long-term debt	-	1,273,728	1,273,728
Derivative financial liabilities	718	-	718
	<u>718</u>	<u>1,764,234</u>	<u>1,764,952</u>
Non-current liabilities:			
Bonds payable	-	5,112,985	5,112,985
Leasehold deposits received	-	11,764	11,764
Derivative financial liabilities	2,685	-	2,685
	<u>2,685</u>	<u>5,124,749</u>	<u>5,127,434</u>
	<u>3,403</u>	<u>6,888,983</u>	<u>6,892,386</u>
December 31, 2017			
	Financial liabilities at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	-	780,000	780,000
Trade accounts payable	-	125,590	125,590
Other accounts payable	-	98,155	98,155
Accrued expenses	-	58,695	58,695
Current portion of long-term debt	-	1,052,733	1,052,733
Derivative financial liabilities	51	-	51
	<u>51</u>	<u>2,115,173</u>	<u>2,115,224</u>
Non-current liabilities:			
Bonds payable	-	5,034,055	5,034,055
Leasehold deposits received	-	11,775	11,775
Derivative financial liabilities	2,685	-	2,685
	<u>2,685</u>	<u>5,045,830</u>	<u>5,048,515</u>
	<u>2,736</u>	<u>7,161,003</u>	<u>7,163,739</u>

4.3 Fair values of financial instruments by hierarchy level

The Company 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.

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

Details of fair value of financial instruments by hierarchy level as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	\ -	\ 16	\ 145,852	\ 145,868
Financial assets measured at FVOCI	-	-	7,710	7,710
	<u>\ -</u>	<u>\ 16</u>	<u>\ 153,562</u>	<u>\ 153,578</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	\ -	\ 718	\ 2,685	\ 3,403
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	\ -	\ 599	\ 3,015	\ 3,614
Available-for-sale financial assets (*1)	-	-	15,072	15,072
	<u>\ -</u>	<u>\ 599</u>	<u>\ 18,087</u>	<u>\ 18,686</u>
Financial liabilities:				
Financial liabilities at FVTPL	\ -	\ 51	\ 2,685	\ 2,736

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

Changes in Level 3 financial assets for the six months ended June 30, 2018 are as follows (Korean won in millions):

	Beginning balance	Change of accounting policies	Acquisition	Disposal	Valuation	Ending balance
Financial assets measured at FVTPL	\ -	\ 63,094	\ 82,707	\ (500)	\ 551	\ 145,852
Financial assets measured at FVOCI	-	2,374	5,336	-	-	7,710
Financial assets at FVTPL	3,015	(3,015)	-	-	-	-
Available-for-sale financial assets	15,072	(15,072)	-	-	-	-
	<u>\ 18,087</u>	<u>\ 47,381</u>	<u>\ 88,043</u>	<u>\ (500)</u>	<u>\ 551</u>	<u>\ 153,562</u>

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
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5. Trade accounts receivable

Details of trade accounts receivable as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Trade accounts receivable:		
Trade accounts receivable	₩ 235,657	₩ 400,252
Contract assets (unbilled receivable) (*1)	<u>158,938</u>	<u>63,331</u>
	394,595	463,583
Allowance for doubtful accounts:		
Trade accounts receivable	<u>(540)</u>	<u>(504)</u>
	<u>₩ 394,055</u>	<u>₩ 463,079</u>

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

6. Inventories

Details of inventories as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>			<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Book value</u>	<u>Cost</u>	<u>Valuation allowance</u>	<u>Book value</u>
Merchandises	₩ -	₩ -	₩ -	₩ 604	₩ -	₩ 604
Raw material	454	-	454	172	-	172
Materials in transit	-	-	-	9	-	9
	<u>₩ 454</u>	<u>₩ -</u>	<u>₩ 454</u>	<u>₩ 785</u>	<u>₩ -</u>	<u>₩ 785</u>

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7. Long-term investment securities and available-for-sale financial assets

(1) Details of long-term investment securities and available-for-sale financial assets as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	
	Acquisition cost	Book value
Equity instruments measured at FVOCI: (*1)		
Marketable equity instruments	₩ -	₩ -
Non-marketable equity instruments	10,666	7,710
Equity instruments measured at FVTPL:		
Marketable equity instruments	-	-
Non-marketable equity instruments	81,870	81,870
Debt instruments measured at FVTPL:		
Beneficiary securities	151,792	47,493
Debt securities (*2)	15,008	16,012
	<u>₩ 259,336</u>	<u>₩ 153,085</u>

(*1) The Company 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.

(*2) Represents convertible bonds of Socar, Inc.

	December 31, 2017	
	Acquisition cost	Book value
Marketable equity instruments	₩ -	₩ -
Non-marketable equity instruments	156,285	65,498
Debt securities (*1)	13,078	13,486
	<u>₩ 169,363</u>	<u>₩ 78,984</u>

(*1) Represents convertible bonds of Mobile TCS Co., Ltd. and Socar, Inc.

(2) Changes in long-term investment securities and available-for-sale financial assets for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2018	June 30, 2017
Beginning balance	₩ 78,984	₩ 155,695
Effect of changes in the accounting policies (*1)	(13,993)	-
Acquisitions	88,043	24,039
Gain on valuation	551	19,207
Disposals	(500)	(123)
Replacement (*2)	-	(51,859)
Ending balance	<u>₩ 153,085</u>	<u>₩ 146,959</u>

(*1) Excludes the effect of deferred income tax of ₩3,386 million recognized directly to equity.

(*2) For the six months ended June 30, 2017, the Company decided to sell entire shares in (public offering) SK Securities Co., Ltd., which is held as available-for-sale securities, pursuant to the restriction on the holding companies in the *Fair Trade Act* and classified the assets as held for sale (see Note 27 'Non-current assets and non-current liabilities classified as held for sale).

SK Holdings Co., Ltd.
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8. Investments in subsidiaries

(1) Details of investments in subsidiaries as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	Domicile	Principal Business activity	Equity ownership (*1)	June 30, 2018		December 31, 2017	
				Acquisition cost	Book value	Book value	Book value
SK Innovation Co., Ltd. (*2)	Korea	Resource development	33.40%	₩ 3,072,937	₩ 3,072,937	₩ 3,072,937	
SK Telecom Co., Ltd. (*2)	Korea	Mobile Tele-communication	25.22%	5,080,681	5,080,681	5,080,681	5,080,681
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14%	706,229	706,229	706,229	706,229
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	41.00%	548,654	548,654	548,654	548,654
SK Maritime Co., Ltd. (*3)	Korea	Shipping	-	-	-	-	332,400
SK Shipping Co., Ltd. (*3)	Korea	Shipping	57.22%	21,659	21,659	21,659	-
SK E&S Co., Ltd.	Korea	City gas business	90.00%	2,600,000	2,600,000	2,600,000	2,600,000
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	44.48%	545,300	545,300	545,300	545,300
SK Materials Co., Ltd. (*2)	Korea	Special-gas manufacturing and sales	49.10%	473,335	473,335	473,335	473,335
SK Siltron Co., Ltd.	Korea	Manufacturing and sales of silicon thin sheet for electronic industry	51.00%	626,023	626,023	626,023	626,023
SK Biopharmaceuticals Co., Ltd. (*4)	Korea	Life science	100.00%	478,702	478,702	478,702	328,702
SK Biotek Co., Ltd.	Korea	Life science	100.00%	336,318	336,318	336,318	336,318
SK Forest Co., Ltd.	Korea	Landscape construction	100.00%	61,387	61,387	61,387	61,387
SK Infosec Co., Ltd.	Korea	Information	100.00%	37,905	44,077	44,077	44,077
FSK L&S Co., Ltd. (*5)	Korea	Security services Conversion Logistics business	-	-	-	-	24,158
SK China Company, Ltd. (*7)	Hong Kong	Consulting and investment	27.42%	557,117	557,117	557,117	557,117
Plutus Capital NY, Inc. (*6)	USA	Investment	100.00%	388,527	388,527	388,527	120,186
Plutus Fashion NY, Inc.	USA	Fashion	100.00%	36,813	36,813	36,813	36,813
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00%	25,847	25,847	25,847	25,847
SK C&C Beijing Co., Ltd.	China	Computer system	100.00%	25,481	25,481	25,481	25,481
SK GI Management	Cayman Islands	Investment	100.00%	9,523	9,523	9,523	9,523
SK Investment Management Co., Ltd.	Hong Kong	Investment	80.76%	9,201	9,201	9,201	9,201
Gemini Partners Pte. Ltd. (*7)	Singapore	Consulting investment	20.00%	6,018	6,018	6,018	6,018
SK MENA Investment B.V. (*7)	Netherlands	Investment	11.54%	5,178	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*7)	Spain	Investment	11.54%	5,135	5,135	5,135	5,135
SK Technology Innovation Company (*7)	Cayman Islands	Research and development	2.12%	1,876	1,876	1,876	1,876
SK C&C India Pvt. Ltd.	India	Computer system	100.00%	3,442	382	382	382
SK Computer and Communication LLC (*8)	UAE	Computer system	49.00%	380	380	380	380
S&G Technology	Saudi Arabia	Computer system	51.00%	74	74	74	74
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	100.00%	5	5	5	5
				<u>₩ 15,663,747</u>	<u>₩ 15,666,859</u>	<u>₩ 15,583,417</u>	

(*1) Equity ownership is based on ordinary shares.

(*2) SK Innovation Co., Ltd. and 5 others were classified as investments in subsidiaries as the Company is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and five other companies are widely dispersed, and the Company's voting rights are sufficient to give it power.

(*3) The Company merged SK Maritime Co., Ltd. and has possession of SK Shipping Co., Ltd., a subsidiary of extinct corporation (see Note 31 'Business combination').

(*4) The Company participated in new share issue of SK Biopharmaceuticals Co., Ltd. and acquired \ 150,000 million additionally.

(*5) All equity shares were sold to SK Telecom Co., Ltd., a subsidiary, during the current period.

(*6) During the six months ended June 30, 2018, the Company invested additional \ 268,341 million in Plutus Capital NY, Inc., the subsidiary.

(*7) Classified as investments in subsidiaries as control can be exercised using indirect equity ownership through the Company's subsidiaries.

(*8) As the Company acquired voting rights of shares (51%), it classified SK Computer and Communication LLC as the Company's subsidiaries.

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8. Investments in subsidiaries (cont'd)

(2) Fair value of marketable investments in subsidiaries as at June 30, 2018 is as follows (Korean won in millions):

	June 30, 2018	
SK Innovation Co., Ltd.	₩	6,238,525
SK Telecom Co., Ltd.		4,744,684
SK Networks Co., Ltd.		437,143
SKC Co., Ltd.		664,079
SK Materials Co., Ltd.		926,440

9. Investments in associates and joint ventures

Details of investments in associates and joint ventures as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	Domicile	Principal business activity	Equity ownership	June 30, 2018		December 31, 2017	
				Acquisition cost	Book value	Acquisition cost	Book value
Investments in associates:							
Socar. Inc.	Korea	Rental of cars	24.80%	₩ 91,800	₩ 91,800	₩ 91,800	₩ 91,800
SMCore Inc.	Korea	Manufacturing and sales of automated logistic system	26.65%	39,419	39,419	39,419	39,419
Daehan Kanggun BcN Co., Ltd. (*1)	Korea	Wired communication	0.67%	58	58		58
Begas Co., Ltd. (*2, 3, 4)	Korea	Management consulting	17.86%	5,000	5,000		-
Mobile TCS Co., Ltd. (*5)	Korea	Mobile service	-	-	-		820
ESR Cayman Limited (*2)	Cayman Island	Investment	9.86%	378,427	378,427		378,427
Turo Inc. (*2, 6)	USA	Rental of cars	5.11%	39,728	39,728		39,762
9352-7281 Quebec Inc.	Canada	Investment	40.09%	31,558	31,558		31,558
FSK Holdings Co., Ltd.	Hong Kong	IT service	30.00%	11,937	11,937		11,937
Mozido Corfire, Inc. (*2)	USA	System consulting	19.94%	6,767	-		-
				<u>604,694</u>	<u>597,927</u>		<u>593,781</u>
Investments in joint ventures:							
Hana Land Chip PEF 33 (*1)	Korea	Real estate	13.51%	₩ 40,000	₩ 40,000	₩ 40,000	₩ 40,000
Socar Mobility Malaysia, SDN BHD.	Malaysia	Rental of cars	60.00%	14,189	14,189		14,189
				<u>54,189</u>	<u>54,189</u>		<u>54,189</u>
				<u>₩ 658,883</u>	<u>₩ 652,116</u>	<u>₩ 647,970</u>	

(*1) The investment in the entity was classified as investments in associates and joint ventures based on the indirect ownership interest of the Company's subsidiary.

(*2) As the Company is able to exercise significant influence over the entity although its ownership interests is less than 20%, the investment in the entity was classified as investments in associates.

(*3) During the current period, the Company newly acquired the investee.

(*4) It is the equity share that takes preferred stock with voting rights into consideration.

(*5) During the current period, the Company disposed the entire equity shares in the investee.

(*6) During the current period, the book value decreased due to the refund of acquisition costs.

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10. Property, plant and equipment

(1) Details of property, plant and equipment as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			December 31, 2017		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	169,505	-	169,505	169,505	-	169,505
Buildings	475,191	(114,032)	361,159	475,190	(106,449)	368,741
Structures	7,796	(590)	7,206	7,796	(439)	7,357
Vehicles	7,504	(2,309)	5,195	7,504	(2,120)	5,384
Furniture and fixtures	324,245	(220,293)	103,952	322,264	(214,380)	107,884
Construction-in-progress	28,783	-	28,783	12,787	-	12,787
	<u>1,013,024</u>	<u>(337,224)</u>	<u>675,800</u>	<u>995,046</u>	<u>(323,388)</u>	<u>671,658</u>

(2) Details of changes in property, plant and equipment for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018					Ending balance
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer	
Land	169,505	-	-	-	-	169,505
Buildings	368,741	-	(7,582)	-	-	361,159
Structures	7,357	-	(151)	-	-	7,206
Vehicles	5,384	-	(189)	-	-	5,195
Furniture and fixtures	107,884	12,857	(16,664)	(151)	26	103,952
Construction-in-progress	12,787	16,022	-	-	(26)	28,783
	<u>671,658</u>	<u>28,879</u>	<u>(24,586)</u>	<u>(151)</u>	<u>-</u>	<u>675,800</u>

	For the six months ended June 30, 2017					Ending balance
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer	
Land	173,818	-	-	-	-	173,818
Buildings	390,249	-	(7,687)	-	-	382,562
Structures	6,885	-	(132)	-	-	6,753
Machinery and equipment	42	19	(10)	-	-	51
Vehicles	5,919	1,243	(352)	(40)	-	6,770
Furniture and fixtures	105,577	14,643	(15,726)	(960)	2	103,536
Construction-in-progress	1,891	3,672	-	-	(2)	5,561
	<u>684,381</u>	<u>19,577</u>	<u>(23,907)</u>	<u>(1,000)</u>	<u>-</u>	<u>679,051</u>

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11. Investment property

(1) Details of investment properties as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			December 31, 2017		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	31,395	-	31,395	31,395	-	31,395
Buildings	9,810	(1,244)	8,566	9,810	(1,031)	8,779
	<u>41,205</u>	<u>(1,244)</u>	<u>39,961</u>	<u>41,205</u>	<u>(1,031)</u>	<u>40,174</u>

(2) Changes in investment properties for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018			
	Beginning balance	Acquisition /Disposal	Depreciation	Ending balance
Land	₩ 31,395	₩ -	₩ -	₩ 31,395
Buildings	8,779	-	(213)	8,566
	<u>₩ 40,174</u>	<u>₩ -</u>	<u>₩ (213)</u>	<u>₩ 39,961</u>

	For the six months ended June 30, 2017			
	Beginning balance	Acquisition /Disposal	Depreciation	Ending balance
Land	₩ 31,395	₩ -	₩ -	₩ 31,395
Buildings	9,206	-	(214)	8,992
	<u>₩ 40,601</u>	<u>₩ -</u>	<u>₩ (214)</u>	<u>₩ 40,387</u>

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12. Intangible assets

(1) Details of intangible assets as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018				December 31, 2017			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 108,129	₩ (52,815)	₩ (2,688)	₩ 52,626	₩ 101,530	₩ (50,445)	₩ (2,688)	₩ 48,397
Memberships	54,575	-	(13,648)	40,927	52,438	-	(13,648)	38,790
Brand-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	35,723	(3,035)	-	32,688	29,731	(1,619)	-	28,112
	<u>₩ 2,173,427</u>	<u>₩ (55,850)</u>	<u>₩ (16,336)</u>	<u>₩ 2,101,241</u>	<u>₩ 2,158,699</u>	<u>₩ (52,064)</u>	<u>₩ (16,336)</u>	<u>₩ 2,090,299</u>

(2) Changes in intangible assets for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018					
	Beginning balance	Acquisition	Depreciation	Impairment	Disposal	Ending balance
Development costs	₩ 48,397	₩ 13,202	₩ (6,034)	-	₩ (2,939)	₩ 52,626
Memberships (*1)	38,790	4,198	-	-	(2,061)	40,927
Brand-related assets (*1)	1,975,000	-	-	-	-	1,975,000
Others	28,112	6,238	(1,470)	-	(192)	32,688
	<u>₩ 2,090,299</u>	<u>₩ 23,638</u>	<u>₩ (7,504)</u>	<u>-</u>	<u>₩ (5,192)</u>	<u>₩ 2,101,241</u>

	For the six months ended June 30, 2017					
	Beginning balance	Acquisition	Depreciation	Impairment	Disposal	Ending balance
Goodwill	₩ 4,639	-	-	-	-	₩ 4,639
Development costs	44,798	8,694	(5,653)	-	(329)	47,780
Memberships (*1)	35,429	4,791	-	-	(797)	39,393
Brand-related assets (*1)	1,975,000	-	-	-	-	1,975,000
Others	28,859	165	(120)	-	-	28,904
	<u>₩ 2,088,725</u>	<u>₩ 13,890</u>	<u>₩ (5,773)</u>	<u>-</u>	<u>₩ (1,126)</u>	<u>₩ 2,095,716</u>

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

13. Borrowings and bonds payable

(1) Short-term borrowings

Details of short-term borrowings as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Description	Financial institution	Interest rate (%)	June 30, 2018	December 31, 2017
Working capital loan	KEB Hana Bank	2.83	₩ 10,000	₩ 50,000
Working capital loan	Woori Bank	2.71	90,000	250,000
Working capital loan	Shinhan Bank	-	-	220,000
Working capital loan	NH Bank	-	-	10,000
Commercial paper	Korea Investment	1.81	200,000	250,000
			<u>₩ 300,000</u>	<u>₩ 780,000</u>

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13. Borrowings and bonds payable (cont'd)

(2) Bonds payable

Details of bonds payable as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Issuance number	Interest rate (%)	Maturity	Security	June 30, 2018		December 31, 2017	
				₩		₩	
257-2nd	3.36	2019-08-27	Unsecured	₩	100,000	₩	100,000
258-2nd	3.35	2019-10-19	Unsecured		100,000		100,000
259-2nd	3.34	2020-06-03	Unsecured		100,000		100,000
260-1st	3.59	2018-09-06	Unsecured		100,000		100,000
260-2nd	3.84	2020-09-06	Unsecured		100,000		100,000
261-1st	3.77	2018-12-03	Unsecured		150,000		150,000
261-2nd	3.97	2020-12-03	Unsecured		100,000		100,000
262-1st	3.43	2019-02-12	Unsecured		150,000		150,000
262-2nd	3.68	2021-02-12	Unsecured		100,000		100,000
263-1st	3.19	2019-05-30	Unsecured		150,000		150,000
263-2nd	3.36	2021-05-30	Unsecured		100,000		100,000
264-1st	3.04	2019-08-05	Unsecured		80,000		80,000
264-2nd	3.25	2021-08-05	Unsecured		170,000		170,000
265-2nd	2.45	2019-12-02	Unsecured		100,000		100,000
265-3rd	2.66	2021-12-02	Unsecured		100,000		100,000
266-1st	2.26	2020-02-06	Unsecured		150,000		150,000
266-2nd	2.39	2022-02-06	Unsecured		100,000		100,000
269-2nd	4.12	2019-06-14	Unsecured		150,000		150,000
270-2nd	3.39	2019-11-02	Unsecured		50,000		50,000
270-3rd	3.80	2022-11-02	Unsecured		50,000		50,000
271-1st	3.03	2018-02-27	Unsecured		-		100,000
271-2nd	3.34	2020-02-27	Unsecured		100,000		100,000
272-2nd	3.57	2018-08-30	Unsecured		100,000		100,000
272-3rd	3.92	2020-08-30	Unsecured		60,000		60,000
273-1st	3.47	2019-03-25	Unsecured		100,000		100,000
273-2nd	3.79	2021-03-25	Unsecured		100,000		100,000
273-3rd	4.26	2024-03-25	Unsecured		100,000		100,000
274-1st	1.94	2018-09-30	Unsecured		70,000		70,000
274-2nd	2.17	2020-09-30	Unsecured		150,000		150,000
274-3rd	2.34	2022-09-30	Unsecured		80,000		80,000
275-1st	2.27	2018-12-07	Unsecured		120,000		120,000
275-2nd	2.52	2020-12-07	Unsecured		120,000		120,000
275-3rd	2.66	2022-12-07	Unsecured		60,000		60,000
276-1st	1.73	2018-03-07	Unsecured		-		130,000
276-2nd	2.02	2021-03-07	Unsecured		120,000		120,000
276-3rd	2.26	2023-03-07	Unsecured		150,000		150,000
277-1st	1.70	2018-06-01	Unsecured		-		100,000
277-2nd	1.93	2021-06-01	Unsecured		120,000		120,000
277-3rd	2.16	2023-06-01	Unsecured		120,000		120,000
277-4th	2.43	2026-06-01	Unsecured		60,000		60,000
278-1st	1.49	2018-09-07	Unsecured		180,000		180,000
278-2nd	1.65	2021-09-07	Unsecured		110,000		110,000
278-3rd	1.80	2023-09-07	Unsecured		110,000		110,000
279-1st	1.96	2020-03-06	Unsecured		90,000		90,000
279-2nd	2.34	2022-03-06	Unsecured		190,000		190,000
279-3rd	2.58	2024-03-06	Unsecured		120,000		120,000
280-1st	1.99	2020-06-01	Unsecured		90,000		90,000
280-2nd	2.39	2022-06-01	Unsecured		200,000		200,000
280-3rd	2.67	2024-06-01	Unsecured		110,000		110,000
281-1st	1.90	2019-08-04	Unsecured		100,000		100,000
281-2nd	2.40	2022-08-04	Unsecured		130,000		130,000
281-3rd	2.62	2024-08-04	Unsecured		70,000		70,000
282-1st	2.47	2020-10-25	Unsecured		70,000		70,000
282-2nd	2.79	2022-10-25	Unsecured		150,000		150,000
282-3rd	2.86	2024-10-25	Unsecured		80,000		80,000
283-1st	2.88	2023-02-27	Unsecured		150,000		-
283-2nd	2.99	2025-02-27	Unsecured		60,000		-
283-3rd	3.26	2028-02-27	Unsecured		100,000		-
284-1st	2.87	2023-06-08	Unsecured		170,000		-
284-2nd	3.01	2025-06-08	Unsecured		60,000		-
284-3rd	3.09	2028-06-08	Unsecured		100,000		-
Sub-total					6,370,000		6,060,000
Addition: premium on bonds payable					16,713		26,788
Less: current portion					(1,273,728)		(1,052,733)
Total				₩	5,112,985	₩	5,034,055

13. Borrowings and bonds payable (cont'd)

(3) The Company's bonds payable repayment schedule as at June 30, 2018 is as follows (Korean won in millions):

Year ending	Amount of repayment	
July 1, 2018 ~ June 30, 2019	₩	1,270,000
July 1, 2019 ~ June 30, 2020		1,060,000
July 1, 2020 ~ June 30, 2021		1,140,000
July 1, 2021 ~ June 30, 2022		870,000
July 1, 2022 and thereafter		2,030,000
	₩	<u>6,370,000</u>

14. Provisions

Changes in provisions for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018			
	Beginning balance	Increase	Decrease	Ending balance
Provision for service warranties	₩ 4,988	₩ 1,495	₩ (4,197)	₩ 2,286
Others	2,961	226	(189)	2,998
	<u>₩ 7,949</u>	<u>₩ 1,721</u>	<u>₩ (4,386)</u>	<u>₩ 5,284</u>
	For the six months ended June 30, 2017			
	Beginning balance	Increase	Decrease	Ending balance
Provision for service warranties	₩ 5,284	₩ 1,372	₩ (2,872)	₩ 3,784
Provision for sale warranties	814	1,417	(1,120)	1,111
	<u>₩ 6,098</u>	<u>₩ 2,789</u>	<u>₩ (3,992)</u>	<u>₩ 4,895</u>

The Company estimates a provision for service warranties for revenue from projects based on historical claim rates and past experiences. The Company recognizes a provision for sales warranties for products sold and services rendered, based on the weighted average of possible outcomes.

15. Retirement benefit obligation

(1) Defined contribution plans

The Company partly operates a defined contribution plan for certain employees. The expenses related to the defined contributions plans recognized for the six months ended June 30, 2018, were \ 15 million.

(2) Defined benefit plans

Those employees selecting the defined benefit plans shall be paid fixed amounts upon retirement, where certain conditions are met. In addition, the Company uses the projected unit credit method based on actuarial assumptions for the defined obligation and plan assets.

(3) Details of retirement benefit obligation as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Present value of defined benefit obligation	₩ 273,814	₩ 254,398
Fair value of plan assets	(209,303)	(215,599)
	<u>₩ 64,511</u>	<u>₩ 38,799</u>

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15. Retirement benefit obligation (cont'd)

(4) Changes in the retirement benefit obligation for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	<u>For the six months ended June 30, 2018</u>		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 254,398	₩ (215,599)	₩ 38,799
Provision for pension benefits:			
Current service cost	15,579	-	15,579
Net interest expense (income)	3,583	(3,293)	290
Re-measurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	1,438	1,438
Actuarial changes arising from changes in financial assumptions	(1,018)	-	(1,018)
Experience adjustments	6,035	-	6,035
Contributions by employer directly to plan assets	-	(500)	(500)
Benefit paid	(9,603)	9,768	165
Others	4,840	(1,117)	3,723
Ending balance	<u>₩ 273,814</u>	<u>₩ (209,303)</u>	<u>₩ 64,511</u>

	<u>For the six months ended June 30, 2017</u>		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 237,311	₩ (204,244)	₩ 33,067
Provision for pension benefits:			
Current service cost	16,821	-	16,821
Net interest expense (income)	2,752	(2,553)	199
Re-measurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	(12)	(12)
Actuarial changes arising from changes in financial assumptions	(1,167)	-	(1,167)
Experience adjustments	8,062	-	8,062
Contributions by employer directly to plan assets	-	(1,000)	(1,000)
Benefit paid	(7,652)	11,908	4,256
Others	6,096	(5,388)	708
Ending balance	<u>₩ 262,223</u>	<u>₩ (201,289)</u>	<u>₩ 60,934</u>

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16. Other assets and liabilities

(1) Details of other assets as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current assets:		
Accrued income	₩ 884	₩ 112
Advance payments	16,818	1,572
Prepaid expenses	26,716	11,300
Guarantee deposits	1	1
Derivative financial assets	16	599
Others	153	19
	<u>₩ 44,588</u>	<u>₩ 13,603</u>
Non-current assets:		
Long-term financial instruments	₩ 19	₩ 19
Long-term loans	397	397
Long-term guarantee deposits	10,562	10,829
Derivative financial assets	477	3,015
Others	127	125
	<u>₩ 11,582</u>	<u>₩ 14,385</u>

(2) Details of other liabilities as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current liabilities:		
Advance received	₩ 84,589	₩ 88,807
Withholdings	19,181	23,600
Income tax payable	114,337	22,824
Derivative financial liabilities	718	51
	<u>₩ 218,825</u>	<u>₩ 135,282</u>
Non-current liabilities:		
Leasehold deposits received	₩ 11,764	₩ 11,775
Derivative financial liabilities	2,685	2,685
Long-term employee benefits	8,095	6,720
	<u>₩ 22,544</u>	<u>₩ 21,180</u>

17. Derivative financial assets and liabilities

The Company has entered into foreign currency forward contracts to manage fluctuations in currency exchange rates relating to its contracts denominated in foreign currencies. Details of derivative assets and liabilities as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>		<u>December 31, 2017</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Forward contract	₩ 16	₩ 718	₩ 599	₩ 51
Embedded derivative	-	-	2,538	-
Shareholders' agreement (see Note 29)	477	2,685	477	2,685
	<u>₩ 493</u>	<u>₩ 3,403</u>	<u>₩ 3,614</u>	<u>₩ 2,736</u>

18. Equity

18.1 Issued capital

Details of issued capital as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 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>\ 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.

18.2 Other paid-in capital

Details of other paid-in capital as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Paid-in surplus (*1)	₩ 5,605,831	₩ 5,605,831
Treasury shares (*2)	(904,492)	(904,491)
Stock option	2,014	1,220
Others	(292,893)	17,711
	<u>₩ 4,410,460</u>	<u>₩ 4,720,271</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 June 30, 2018, treasury shares 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 (11,021,672 ordinary shares and 1,818 preferred shares) during the merger in 2015. Out of those shares, 3 ordinary shares were acquired during the current reporting period.

18.3 Retained earnings

Details of retained earnings as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	65,230	71,563
Unappropriated retained earnings	8,177,753	7,506,334
	<u>₩ 8,250,676</u>	<u>₩ 7,585,590</u>

18.3 Retained earnings (cont'd)

(*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.

18.4 Other capital components

Details of other capital components as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Gain on available-for-sale financial assets	₩ -	₩ 11,455
Loss on financial assets measured at FVOCI	(2,241)	-
	₩ (2,241)	₩ 11,455

18.5 Stock option

Upon resolution by the shareholders' meeting and board of directors, the Company 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:

	1-1	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 Company may settle the difference in cash or with treasury shares 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 ₩794 million (accumulated share compensation expense: ₩2,014 million) and the remaining share compensation expense to be recognized in later periods are ₩2,273 million.

The Company 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:

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Option life	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding day in Korean won)	₩ 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 (Korean won)	₩ 226,290	₩ 224,400	₩ 263,950
Fair value per share (Korean won)	₩ 38,317	₩ 34,200	₩ 30,962

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19. Operating revenues

(1) Details of operating revenues for the three months and six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Revenue from contracts with customers:				
IT service (*1)	₩ 370,335	₩ 706,904	₩ 396,625	₩ 752,573
Trademark usage income	70,751	117,370	41,296	92,324
	<u>441,086</u>	<u>824,274</u>	<u>437,921</u>	<u>844,897</u>
Revenue from other sources:				
Dividend income	-	759,437	26,982	620,415
Rental income	11,539	23,142	11,482	22,951
	<u>11,539</u>	<u>782,579</u>	<u>38,464</u>	<u>643,366</u>
Total	<u>₩ 452,625</u>	<u>₩ 1,606,853</u>	<u>₩ 476,385</u>	<u>₩ 1,488,263</u>

(*1) Includes contract revenue of ₩388,865 million recognized from the cost-based input method for the six months ended June 30, 2018 and ₩195,904 million recognized from construction contract for the six months ended June 30, 2017.

(2) Revenue from contracts with customers

	June 30, 2018	
	Three months	Six months
Type of goods or services:		
IT service (*1)	₩ 370,335	₩ 706,904
Trademark usage income	70,751	117,370
	<u>₩ 441,086</u>	<u>₩ 824,274</u>
Geographical location:		
Korea	₩ 422,326	₩ 791,716
Asia	14,354	25,376
Europe	2,708	3,475
North America	1,698	3,707
	<u>₩ 441,086</u>	<u>₩ 824,274</u>
Timing of revenue recognition:		
Recognized at a point in time	₩ 18,658	₩ 51,015
Recognized over a period of time	422,428	773,259
	<u>₩ 441,086</u>	<u>₩ 824,274</u>

(3) Details of contract assets, contract liabilities related to revenue from contracts with customers as at June 30, 2018 and accumulated cost, accumulated profit, unbilled receivables, overbilled receivables related to construction contracts in progress as at December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018
Contract assets from IT service contract	₩ 158,938
Contract liabilities from IT service contract	57,668
	December 31, 2017
Accumulated cost and profit	₩ 277,259
Progress billings	235,568
Unbilled receivables (trade accounts receivable)	63,331
Overbilled receivables (advance receipts)	21,640

19. Operating revenues (cont'd)

(4) Details of profit variation by changes of accounting estimates related to the cost-based input method contracts as at June 30, 2018 are as follows (Korean won in millions):

	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit (loss)	Impact on future period profit (loss)	Change in unbilled construction receivables (overbilled construction receivables)
IT Service contracts (*1)	₩ 15,344	₩ 10,993	₩ 3,719	₩ 632	₩ 3,719

(*1) For the purpose of KIFRS 1108 *Operating Segments*, the Company has a single reportable segment and therefore need not separately disclose the business segment.

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

(5) There are no contracts applying the cost-based input method to measure the percentage-of-completion with total contract revenue exceeding prior year's operating income by more than 5%

20. Operating expenses

Details of operating expenses for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Material costs	₩ 17,493	₩ 48,686	₩ 72,170	₩ 140,262
Outsourcing costs	171,034	323,478	152,414	289,211
Salaries	82,072	153,861	78,504	152,244
Provision for pension benefits	7,662	16,909	5,986	16,021
Depreciation	12,028	23,813	11,152	22,232
Rents	10,250	20,650	9,760	19,543
Communications	5,208	10,678	5,475	11,074
Employee welfare benefits	11,881	24,841	12,131	23,837
Commissions	7,808	14,972	5,541	9,787
Education and training	4,017	7,306	3,207	6,901
Research and development	5,767	14,737	5,457	10,602
Office management	11,935	21,743	8,830	17,931
Travel	4,168	7,595	3,119	5,968
Others	20,838	33,927	23,395	35,192
Total	<u>₩ 372,161</u>	<u>₩ 723,196</u>	<u>₩ 397,141</u>	<u>₩ 760,805</u>

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21. Expenses classified based on nature of expense

Details of classification based on nature of expenses for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Material costs	₩ 17,492	₩ 48,820	₩ 72,367	₩ 140,518
Outsourcing costs	171,350	323,858	152,783	289,809
Salaries	84,189	162,131	80,768	156,849
Provision for pension benefits	7,998	17,557	6,257	16,723
Depreciation and amortization	15,810	32,046	14,865	29,096
Rents	10,251	20,651	9,761	19,545
Communications	5,209	10,679	5,475	11,074
Employee welfare benefits	12,448	25,997	12,583	24,683
Commissions	7,808	14,974	5,645	9,954
Education and training	4,092	7,449	3,262	7,013
Office management	11,935	21,743	8,829	17,931
Travel	4,179	7,647	3,140	6,016
Others	19,400	29,644	21,406	31,594
Total	<u>₩ 372,161</u>	<u>₩ 723,196</u>	<u>₩ 397,141</u>	<u>₩ 760,805</u>

22. Financial income (costs) and other non-operating income (expenses)

22.1 Financial income and costs

Details of financial income and costs for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Financial income:				
Interest income	₩ 1,812	₩ 3,113	₩ 1,781	₩ 2,294
Gain on foreign currency transactions	465	1,884	850	3,332
Gain on foreign currency translation	1,155	1,199	156	360
Gain on valuation of FVTPL measured at fair value	(1,059)	558	-	-
Gain on valuation of derivative instruments	181	194	3,774	9,772
Gain on transactions of derivative instruments	60	850	406	1,918
Total	<u>₩ 2,614</u>	<u>₩ 7,798</u>	<u>₩ 6,967</u>	<u>₩ 17,676</u>
Financial costs:				
Interest expenses	₩ 41,374	₩ 84,342	₩ 36,311	₩ 72,121
Loss on foreign currency transactions	2,127	2,904	1,167	2,439
Loss on foreign currency translation	66	153	(298)	1,615
Loss on valuation of FVTPL measured at fair value	3,208	3,208	-	-
Loss on valuation of derivative instruments	785	1,970	367	2,786
Loss on transactions of derivative instruments	242	325	459	848
Total	<u>₩ 47,802</u>	<u>₩ 92,902</u>	<u>₩ 38,006</u>	<u>₩ 79,809</u>

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22.2 Other non-operating income and expenses

Details of other non-operating income and expenses for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Other non-operating income:				
Dividends income	₩ -	₩ -	₩ -	₩ 3
Gain on disposal of investments in subsidiaries	6,249	198,440	-	-
Gain on disposal of property, plant and equipment	1	4	63	101
Gain on disposal of intangible assets	463	518	225	225
Others	1,166	1,285	54	159
Total	<u>₩ 7,879</u>	<u>₩ 200,247</u>	<u>₩ 342</u>	<u>₩ 488</u>
Other non-operating expenses:				
Loss on disposal of investments in subsidiaries	₩ 290	₩ 6,538	₩ -	₩ -
Loss on disposal of property, plant and equipment	-	121	-	22
Loss on disposal of intangible assets	-	101	-	25
Donations	5,682	12,284	3,077	6,082
Others	597	836	572	987
Total	<u>₩ 6,569</u>	<u>₩ 19,880</u>	<u>₩ 3,649</u>	<u>₩ 7,116</u>

23. Income taxes

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

Effective tax rates for the six months ended June 30, 2018 and 2017 were 12.18% and 6.42%, respectively.

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24. Earnings per share

(1) Basic earnings per share for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions, except per share information):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Net income	₩ 65,090	₩ 894,839	₩ 32,323	₩ 623,640
Less: Preferred share dividends	(1,136)	(1,707)	(529)	(1,058)
Net income attributable to ordinary share owners of the Company	₩ 63,954	₩ 893,132	₩ 31,794	₩ 622,582
Weighted-average number of issued shares outstanding (*1)	55,824,351	55,824,351	55,824,357	55,824,357
Basic earnings per share (In Korean Won)	₩ 1,146	₩ 15,999	₩ 570	₩ 11,153

(*1) Weighted-average number of issued shares represents the number of shares less treasury shares from the total number of issued shares of ordinary share.

The weighted-average number of issued shares outstanding for the six months ended June 30, 2018 and 2017 are as follows:

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Weighted-average number of shares outstanding	70,360,297	70,360,297	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,946)	(14,535,946)	(14,535,940)	(14,535,940)
Weighted-average number of issued shares outstanding	55,824,351	55,824,351	55,824,357	55,824,357

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions, except per share information):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Net income attributable to ordinary shares	₩ 63,954	₩ 893,132	₩ 31,794	₩ 622,582
Less: gain from discontinued operations	(32,977)	(30,865)	(2,866)	(5,972)
Gain from continuing operations attributable to ordinary shares	₩ 30,977	₩ 862,267	₩ 28,928	₩ 616,610
Weighted-average number of Issued shares outstanding	55,824,351	55,824,351	55,824,357	55,824,357
Basic earnings per share from continuing operations (In Korean Won)	₩ 555	₩ 15,446	₩ 518	₩ 11,046

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24. Earnings per share (cont'd)

(3) Basic earnings per share from discontinued operations

Basic earnings per share from discontinued operations for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions, except per share information):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Gain from discontinued operations	₩ 32,977	₩ 30,865	₩ 2,866	₩ 5,972
Weighted-average number of issued shares outstanding	55,824,351	55,824,351	55,824,357	55,824,357
Basic earnings per share from discontinued operations (In Korean won)	₩ 591	₩ 553	₩ 51	₩ 107

25. Transactions with related parties

Details of significant transactions with related parties for the six months ended June 30, 2018 and 2017, and significant balances with related parties as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

(1) The subsidiaries of the Company as at June 30, 2018, are as follows:

	Subsidiary
Ultimate controlling party	Tae-won, Chey and related parties
Subsidiary (total 316)	SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, SK Energy Road Investment Co., Ltd., SK Energy Hong Kong Co., Ltd., Shandong SK Hightech Oil Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., Ningbo SK Baoying Asphalt Storage Co., Ltd., Hefei SK Baoying Asphalt Co., Ltd., Chongqing SK Asphalt Co., Ltd., SK Shanghai Asphalt Co., Ltd., SK Global Chemical Co., Ltd., SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical International Trading (Shanghai) Co., Ltd., SK Golden Tide Plastics (Yantai) Co., Ltd., SK Global Chemical International Trading (Guangzhou) Co., Ltd., SK Global Chemical Americas, Inc., SK Primacor Americas LLC, SK Primacor Europe, S.L.U., SK Saran Americas LLC, SK Global Chemical Japan Co., Ltd., SK Global Chemical Singapore Pte. Ltd., SK Global Chemical Investment Hong Kong Ltd., Ningbo SK Performance Rubber Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd., SK Energy International Pte. Ltd., SK Energy Europe, Ltd., SK Energy Americas, Inc., SK Terminal B.V., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., PT. Patra SK, SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., Ltd., SK Lubricants & Oils India Pte. Ltd., Iberian Lube Base Oils S.A., SK Lubricants Russia LLC, SK Mobile Energy Co., Ltd., SK Innovation Insurance (Bermuda), Ltd., SK USA, Inc., SK Battery Systems Co., Ltd., Blue Dragon Energy Co., Ltd. (formerly, SK Battery China Holdings Co., Ltd.), SK Battery Hungary Kft., SK E&P Company, SK E&P America, Inc., SK Plymouth, LLC, SK Permian, LLC, SK E&P Operations America, LLC, SK Nemaha, LLC, SK Telecom Co., Ltd., SK Telink Co., Ltd., NSOK Co., Ltd., SK Broadband Co., Ltd., Home&Service Co., Ltd., SK stoa Co., Ltd., PS&Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., Network O&S Co., Ltd., SK techx Co., Ltd., K-Net Culture & Contents Venture Fund, One store Co., Ltd., SK Communications Co., Ltd., FSK L&S Co., Ltd., FSK L&S (Shanghai) Co., Ltd., SK Planet Co., Ltd., SK M & Service Co., Ltd., SK Planet Japan, K.K., SK Planet Global Pte. Ltd., SKP Global Holdings Pte. Ltd., SKP America, LLC, shopkick Management Company, Inc., shopkick, Inc., SK Telecom China Holdings Co., Ltd., SK Global Healthcare Business Group, Ltd., SKT Vietnam Pte. Ltd., SKT Americas Inc., YTK Investment Ltd., Atlas Investment Ltd., SK Telecom Innovation Fund, L.P., SK Telecom China Fund I L.P., iriver Co., Ltd., iriver Inc., iriver Enterprise Ltd., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd., groovers Co., Ltd., groovers Japan Co., Ltd., S.M.Life Design Company Japan Inc., S.M. Mobile

25. Transactions with related parties (cont'd)

Subsidiary	Subsidiary
Subsidiary (total 316)	<p>Communications Japan Inc., SK telecom Japan Inc., id Quantique Ltd, SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Pinx Co., Ltd., SK Rent-A-car Service Co., Ltd. (formerly, Car Life Service Co., Ltd.), SK Magic Co., Ltd., SK Magic Service Co., Ltd., Mokgam Service, SK Networks (China) Holdings Co., Ltd., Liaoning SK Networks Real Estate Development Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., SK Networks (Liaoning) Logistics Co., Ltd., SK Networks (Dandong) Energy Co., Ltd., Shenyang SK Networks Energy Co., Ltd., SK (GZ FreeZone) Co., Ltd., SK Networks (Shanghai) Co., Ltd., POSK (Pinghu) Steel Processing Center Co., Ltd., SK Networks Hong Kong Ltd., SK (Guangzhou) Metal Co., Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK Networks Japan Co., Ltd., SK Networks Deutschland GmbH, Daiyang SK Networks SAN. VE TIC. Ltd. STI, SK Networks Resources Australia Pty. Ltd., SK Networks Middle East FZE, SK Brasil LTDA, SK Networks Trading Malaysia Sdn Bhd, SK Networks America Inc., SK Networks Brasil Intermediacao De Negocios LTDA., Networks Tejarat Pars, SKC Co., Ltd., SK Telesys Co., Ltd., SE (Jiangsu) Electronic Materials Co., Ltd., Techdream Co., Ltd., SKC Infra Service Co., Ltd., SKC Solmics Co., Ltd., Solmics Taiwan Co., Ltd., Solmics Shanghai Co., Ltd., SKW Co., Ltd., SKC (Jiangsu) High tech Plastics Co., Ltd., SKC, Inc., SKC Europe GmbH, SK Bioland Co., Ltd., Bioland Biotec Co., Ltd., Bioland Haimen Co., Ltd., SKC Hi-Tech&Marketing Co., Ltd., SKC Hi-Tech&Marketing (Suzhou) Co., Ltd., SKC Hi-Tech&Marketing Taiwan Co., Ltd., SKC Hi-Tech&Marketing Japan Co., Ltd., SKC Hi-Tech&Marketing Polska SP.Z.O.O, SKC Hi-Tech&Marketing USA LLC, SKC PU Specialty Co., Ltd., SKC (Nantong) PU Specialty Co., Ltd, SKC-ENF Electronic Materials Co., Ltd., SKC(Nantong) Semiconductor Materials Technology, Co., Ltd., SK Shipping Co., Ltd., Blueseaoccean 1st LLC, Blueseaoccean 2nd LLC, Blueseaoccean 3rd LLC, Yukyungjiju 1ST LLC, Neptune Solution LLC, FSS 6TH Co., Ltd., SK Shipping Hong Kong Ltd., SK Shipping Singapore Pte. Ltd., SK B&T Pte. Ltd., Promise Shipholding S.A. and 58 other companies, SK Shipping Europe Plc., SK E&S Co., Ltd., Kangwon City Gas Co., Ltd., Yeongnam Energy Service Co., Ltd., Ko-one Energy Service Co., Ltd., Narae Energy Service Co., Ltd., Pusan City Gas Co., Ltd., Jeonbuk Energy Service Co., Ltd., Chonnam City Gas Co., Ltd., Chungcheong Energy Service Co., Ltd., Paju Energy Service Co., Ltd., Wirye Energy Service Co., Ltd., SK E&S Hong Kong Co., Ltd., SK E&S Australia Pty. Ltd., SK E&S Americacas, Inc., SK E&S LNG, LLC, DewBlaine Energy, LLC, CAILIP Gas Marketing, LLC, Prism Energy International Pte. Ltd., Prism Energy International Hong Kong Ltd., Fajar Energy International Pte. Ltd., PT SK E&S Nusantara, SK E&S Dominicana S.R.L., SK Engineering & Construction Co., Ltd., Seosuwon Development Company, SK TNS Co., Ltd., SKEC Nanjing Co., Ltd., SKEC (Thai), Ltd., Thai Woo Ree Engineering Co., Ltd., SKEC Anadolu, LLC, SK E&C Betek Corporation, Mesa Verde RE Ventures, LLC, SKEC Consultores Ecquador, S.A., Sunlake Co., Ltd., SK Holdco Pte. Ltd., SK Materials Co., Ltd., SK Materials Japan Co., Ltd., SK Materials Taiwan Co., Ltd., SK Materials (Jiangsu) Co., Ltd., SK Materials (Xian) Co., Ltd., SK Airgas Co., Ltd., SK Tri Chem Co., Ltd., SK Showa Denko Co., Ltd., SK Siltron Co., Ltd., SK Siltron America, Inc., SK Siltron Japan, Inc., SK Biopharmaceuticals Co., Ltd., SK Life Science, Inc., SK Biotek Co., Ltd., SK Biotek Ireland Limited, SK Biotek USA, Inc., SK Infosec Co., Ltd., SK S.E.Asia Pte. Ltd., Essencore Limited, ISD Techology (ShenZhen) Limited, SK China Company, Ltd., SKY Property Mgmt (Beijing) Co., Ltd., SK Bio Energy Hong Kong Co., Ltd., SK Property Investment Management Co., Ltd., SK Industrial Development China Co., Ltd., Shanghai SKY Real Estate Development Co., Ltd., SK China Investment Management Co., Ltd., SK International Agro-Products Logistics Development Co., Ltd., SK Auto Service Hong Kong Co., Ltd., SK (Shenyang) auto rental Co., Ltd., SK (Beijing) auto rental Co., Ltd., SK Rent-A-Car (Qingdao) Co., Ltd., Skyline Auto Financial Leasing Co., Ltd., SK Financial Leasing Co., Ltd., SK China (Beijing) Co., Ltd., SK Beijing Investment Management Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SK China Creative Industry Development Co., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., S&G Technology, Saturn Agriculture Investment Co., Limited, SK Investment Management Co., Ltd., SK Computer and Communication LLC, Gemini Partners Pte. Ltd., Solaris Partners Pte. Ltd., Beijing SK Magellan Capital Advisors Co., Ltd., SK GI Management, SK MENA Investment B.V., SK Latin America Investment S.A., Plutus Capital NY, Inc.,</p>

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25. Transactions with related parties (cont'd)

Subsidiary	Subsidiary
Subsidiary (total 316)	Hudson Energy NY, LLC, Hudson Energy NY II, LLC, Plutus Fashion NY, Inc., Wonderland NY, LLC, SK Technology Innovation Company, Happynarae Co., Ltd., Suzhou Happynarae Co., Ltd., SK Forest Co., Ltd.

(2) Details of transactions with the related parties for the three months and six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

Subsidiary	Company name	June 30, 2018			
		Sales (*1)		Purchase (*2)	
		Three months	Six months	Three months	Six months
		₩	₩	₩	₩
		21,804	239,684	470	927
	SK Innovation Co., Ltd.				
	SK Energy Co., Ltd.	29,589	49,666	-	7
	SK Global Chemical Co., Ltd.	8,371	14,851	-	-
	SK Incheon Petrochem Co., Ltd.	6,763	10,894	-	3
	SK Trading International Co., Ltd.	1,178	2,100	-	-
	SK Lubricants Co., Ltd.	3,726	6,599	-	-
	SK Biotek Co., Ltd.	920	2,304	2	2
	SK USA, Inc.	12	23	614	1,277
	SK Engineering & Construction Co., Ltd.	6,535	13,415	-	1
	SKC Co., Ltd.	3,168	19,170	-	-
	SK E&S Co., Ltd.	3,476	244,488	-	-
	SK Infosec Co., Ltd.	1,066	18,027	4,227	8,020
	SK C&C Beijing Co., Ltd.	77	232	3,920	5,312
	SK S.E.ASIA Pte. Ltd.	-	78,979	-	-
	ESSENCORE Limited	943	2,158	-	-
	SK Networks Co., Ltd.	10,123	32,593	648	3,245
	HAPPYNARAE Co., Ltd.	1,640	2,276	1,983	2,853
	SK Shipping Co., Ltd.	1,387	2,836	-	-
	SK Telecom Co., Ltd.	91,204	355,224	3,961	6,725
	SK Telink Co., Ltd.	897	1,779	55	111
	SK techx Co., Ltd.	3,321	6,522	3	7
	SK Broadband Co., Ltd.	33,042	60,469	2,305	4,847
	PS&Marketing Corp.	1,878	3,119	26	203
	SK Planet Co., Ltd.	3,418	7,404	306	328
	SK Matrics Co., Ltd.	1,316	20,376	-	-
	Others	12,355	21,912	885	2,267
Others	Hana Land Chip PEF 33	-	1,660	8,593	17,187
	SK Securities Co., Ltd.	5,585	10,867	-	-
	SK Gas Co., Ltd.	4,086	7,250	-	-
	SK Discovery Co., Ltd.	-	-	-	-
	SK Chemicals Co., Ltd.	1,200	2,368	-	-
	SK hynix Inc.	100,343	166,923	48	94
	SK hynix Semiconductor (China) Ltd.	11,234	16,561	-	28
	Others	1,945	3,531	1,393	2,096
Total		<u>₩ 372,602</u>	<u>₩ 1,426,260</u>	<u>₩ 29,439</u>	<u>₩ 55,540</u>

SK Holdings Co., Ltd.
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25. Transactions with related parties (cont'd)

		June 30, 2017			
		Sales (*1)		Purchase (*2)	
	Company name	Three months	Six months	Three months	Six months
Subsidiary	SK Innovation Co., Ltd.	₩ 18,751	₩ 232,251	₩ 714	₩ 1,397
	SK Energy Co., Ltd.	17,228	37,213	-	-
	SK Global Chemical Co., Ltd.	5,982	12,340	-	-
	SK Incheon Petrochem Co., Ltd.	3,296	7,449	10	10
	SK Trading International Co., Ltd.	1,029	2,093	-	-
	SK Lubricants Co., Ltd.	2,609	5,823	-	-
	SK Biotek Co., Ltd.	700	1,157	-	-
	SK USA, Inc.	-	-	499	1,003
	SK Engineering & Construction Co., Ltd.	6,281	13,630	-	-
	SKC Co., Ltd.	2,634	16,529	-	-
	SK E&S Co., Ltd.	3,059	157,927	-	-
	SK Infosec Co., Ltd.	1,049	17,184	5,134	9,613
	SK C&C Beijing Co., Ltd.	144	181	2,501	4,143
	SK S.E.ASIA Pte. Ltd.	26,983	26,983	-	-
	ESSENCORE Limited	998	1,735	-	-
	SK Networks Co., Ltd.	13,646	35,370	4,578	9,690
	HAPPYNARAE Co., Ltd.	282	403	1,032	2,044
	SK Shipping Co., Ltd.	1,317	1,317	-	-
	SK Telecom Co., Ltd.	100,745	375,740	2,950	5,630
	SK Telink Co., Ltd.	1,015	2,135	32	68
	SK techx Co., Ltd.	3,580	8,129	-	-
	SK Broadband Co., Ltd.	47,195	104,766	2,695	5,202
	PS&Marketing Corp.	671	1,371	1,038	1,209
	SK Planet Co., Ltd.	7,961	17,984	422	540
	SK Matrics Co., Ltd.	1,507	21,194	-	-
	Others	4,838	10,500	1,612	4,280
Others	Hana Land Chip PEF 33	-	1,629	8,226	16,452
	SK Securities Co., Ltd.	8,228	13,951	-	-
	SK Gas Co., Ltd.	2,118	4,028	4	4
	SK Discovery Co., Ltd.	1,269	2,433	-	-
	SK Chemicals Co., Ltd.	-	-	-	-
	SK hynix Inc.	66,899	128,557	46	108
	SK hynix Semiconductor (China) Ltd.	812	1,440	144	443
	Others	2,010	9,836	1,165	1,594
Total		<u>₩ 354,836</u>	<u>₩ 1,273,278</u>	<u>₩ 32,802</u>	<u>₩ 63,430</u>

(*1) Consists of dividends income received from subsidiaries and others, trademark usage income, rental income and others.

(*2) Consists of rental expenses, outsourcing costs and others.

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
June 30, 2018 and 2017

25. Transactions with related parties (cont'd)

(3) Details of outstanding balances of receivables and payables with the related parties as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

		June 30, 2018					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
		receivables	receivables		payables	payables	
Subsidiary	SK Innovation Co., Ltd.	14,694	498	15,192	-	8,543	8,543
	SK Energy Co., Ltd.	5,565	-	5,565	-	2,281	2,281
	SK Global Chemical Co., Ltd.	149	-	149	-	1,056	1,056
	SK Incheon Petrochem Co., Ltd.	863	-	863	-	1,713	1,713
	SK Trading International Co., Ltd.	-	-	-	-	884	884
	SK Lubricants Co., Ltd.	672	-	672	-	1,580	1,580
	SK USA, Inc.	-	-	-	-	621	621
	SK Engineering & Construction Co., Ltd.	2,054	-	2,054	-	-	-
	SKC Co., Ltd.	1,678	-	1,678	-	118	118
	SK E&S Co., Ltd.	1,351	114	1,465	-	58	58
	SK Infosec Co., Ltd.	664	-	664	1,934	1,435	3,369
	SK C&C Beijing Co., Ltd.	257	-	257	-	61	61
	Essencore Limited	1,121	-	1,121	-	208	208
	SK Networks Co., Ltd.	3,005	20	3,025	-	951	951
	Happynarae Co., Ltd.	1,099	-	1,099	119	1,424	1,543
	SK Shipping Co., Ltd.	351	-	351	-	-	-
	SK Telecom Co., Ltd.	42,429	352	42,781	371	5,373	5,744
	SK Telink Co., Ltd.	350	-	350	9	17	26
	SK Broadband Co., Ltd.	41,300	-	41,300	589	297	886
	PS&Marketing Corp.	1,393	-	1,393	-	8	8
	SK Planet Co., Ltd.	3,267	-	3,267	-	14	14
	SK techx Co., Ltd.	2,241	-	2,241	-	83	83
	SK Materials Co., Ltd.	237	215	452	-	102	102
	Others	10,221	354	10,575	86	1,365	1,451
Others	Hana Land Chip PEF 33	-	5,983	5,983	-	-	-
	SK Securities Co., Ltd.	3,346	85	3,431	-	433	433
	SK Gas Co., Ltd.	2,181	-	2,181	-	33	33
	SK Chemicals Co., Ltd.	1,004	-	1,004	-	-	-
	SK Hynix Inc.	156,970	-	156,970	-	23,470	23,470
	SK Hynix Semiconductor (China) Ltd.	5,084	-	5,084	-	3,419	3,419
	Others	355	713	1,068	231	1,293	1,524
Total		303,901	8,334	312,235	3,339	56,840	60,179

SK Holdings Co., Ltd.
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25. Transactions with related parties (cont'd)

		December 31, 2017					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
		receivables	receivables		payables	payables	
Subsidiary	SK Innovation Co., Ltd.	15,456	914	16,370	-	8,836	8,836
	SK Energy Co., Ltd.	1,166	-	1,166	-	1,876	1,876
	SK Global Chemical Co., Ltd.	6,042	-	6,042	-	4,097	4,097
	SK Incheon Petrochem Co., Ltd.	2,404	-	2,404	-	1,870	1,870
	SK Trading International Co., Ltd.	1,010	-	1,010	-	2,180	2,180
	SK Lubricants Co., Ltd.	559	-	559	-	1,282	1,282
	SK USA, Inc.	-	-	-	-	497	497
	SK Engineering & Construction Co., Ltd.	5,215	-	5,215	-	1	1
	SKC Co., Ltd.	2,193	-	2,193	-	11	11
	SK E&S Co., Ltd.	2,336	-	2,336	-	76	76
	SK Infosec Co., Ltd.	928	-	928	1,773	2,471	4,244
	SK C&C Beijing Co., Ltd.	120	-	120	477	201	678
	Essencore Limited	1,868	-	1,868	-	47	47
	SK Networks Co., Ltd.	6,624	72	6,696	45	395	440
	Happynarae Co., Ltd.	176	-	176	201	607	808
	SK Shipping Co., Ltd.	225	-	225	-	-	-
	SK Telecom Co., Ltd.	85,708	348	86,056	688	8,547	9,235
	SK Telink Co., Ltd.	276	-	276	8	8	16
	SK Broadband Co., Ltd.	66,562	-	66,562	621	8,967	9,588
	PS&Marketing Corp.	617	-	617	-	-	-
	SK Planet Co., Ltd.	3,805	-	3,805	-	47	47
	SK techx Co., Ltd.	4,703	-	4,703	72	165	237
	SK Materials Co., Ltd.	1,538	-	1,538	-	232	232
	Others	5,980	290	6,270	448	988	1,436
Others	Hana Land Chip PEF 33	-	5,983	5,983	-	-	-
	SK Securities Co., Ltd.	2,923	-	2,923	-	-	-
	SK Gas Co., Ltd.	1,101	-	1,101	-	4	4
	SK Chemicals Co., Ltd.	1,530	-	1,530	-	-	-
	SK Hynix Inc.	132,492	-	132,492	-	10,557	10,557
	SK Hynix Semiconductor (China) Ltd.	1,843	-	1,843	-	-	-
	Others	67,930	4,524	72,454	100	1,137	1,237
Total		423,330	12,131	435,461	4,433	55,099	59,532

(4) Compensation for key management personnel of the Company for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2017		June 30, 2016	
	Three months	Six months	Three months	Six months
Salaries	2,442	4,884	1,404	2,573
Provision for pension benefits	343	1,646	259	1,361
Share compensation expense	397	794	396	427
Total	3,182	7,324	2,059	4,361

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

(5) Details of significant transactions with related parties in relation to the investments for the six months ended June 30, 2018 are as follows (Korean won in millions, USD in thousands):

	Currency	Amount
SK Biopharmaceuticals Co., Ltd.	KRW	150,000
Plutus Capital NY, Inc.	USD	251,000

(6) Guarantees provided to related parties are described in Note 29.

26. Discontinued operations

(1) Details of discontinued operations

In accordance with a resolution of the Board of Directors on November 17, 2017, the Company elected to sell Encar used car sales business, and the sale was completed on April 3, 2018. As at June 30, 2018, Encar used car sales business is classified as disposal groups and discontinued operations.

(2) Income and expenses from the discontinued operation for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	<u>For the six months ended June 30, 2018</u>	
	<u>Encar used car sales business</u>	
Revenues (*1)	\	321,306
Costs		281,262
Income before income tax expense		40,044
Income tax expenses		9,179
Gain from discontinued operations		30,865
	 <u>For the six month ended June 30, 2017</u>	
	<u>Encar used car sales business</u>	
Revenues	\	463,913
Costs		456,166
Income before income tax expense		7,747
Income tax expenses		1,775
Gain from discontinued operations		5,972

(*1) Income from disposal of discontinued operations of ₩71,825 million is included.

(3) Details of cash flows relating to discontinued operation for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	<u>For the six months ended June 30, 2018</u>	
	<u>Encar used car sales business</u>	
Cash flows from operating activities	\	24,976
Cash flows from investing activities		209,661
Cash flows from financing activities		(16)
	 <u>For the six months ended June 30, 2017</u>	
	<u>Encar used car sales business</u>	
Cash flows from operating activities	\	5,969
Cash flows from investing activities		(4,244)
Cash flows from financing activities		17

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

Assets and liabilities held for sale as at June 30, 2018 is as follows (Korean won in millions):

		<u>Assets</u>	<u>Liabilities</u>
Investment securities	SK Securities Co., Ltd. (*1)	\ 33,612	\ -

(*1) During the prior reporting period, the Company decided to sell all of the shares of SK Securities Co., Ltd., which is classified as available-for-sale financial asset, and classified it as assets held for sale. The amount includes valuation loss of financial assets measured at FVTPL of \ 3,201 million. The equity securities were sold to J&W Partners Ltd. on July 30, 2018.

Meanwhile, SK Encarsales.com., Ltd., classified as held-for-sale as at December 31, 2017, was sold on January 19, 2018 and accordingly, gain on sale of investment in subsidiary of \ 192,191 million was recognized.

SK Holdings Co., Ltd.
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28. Cash flow information

(1) Details of non-cash adjustments for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2018	June 30, 2017
Provision for pension benefits	\ 16,487	\ 17,020
Depreciation	25,162	23,907
Depreciation of investment property	213	214
Amortization	7,825	5,773
Bad debt expenses	117	172
Outsourcing fees (provision for service warranties)	3,066	2,789
Interest expenses	84,342	72,121
Loss on foreign currency translation	157	1,677
Loss on valuation of derivative instruments	1,970	2,786
Loss on valuation of financial assets measured at FVTPL	3,208	-
Loss on disposal of investments in subsidiaries	6,538	-
Loss on disposal of property, plant and equipment	126	30
Loss on disposal of intangible assets	101	25
Share compensation expense	794	427
Income tax expense	113,211	42,804
Reversal of service warranties	(42)	(146)
Income from disposal of discontinued operations	(71,825)	-
Dividends income	(759,437)	(620,418)
Interest income	(3,165)	(2,369)
Gain on foreign currency translation	(1,199)	(360)
Gain on valuation of derivative instruments	(194)	(9,772)
Gain on valuation of financial assets measured at FVTPL	(558)	-
Gain on disposal of investments in subsidiaries	(198,440)	-
Gain on disposal of property, plant and equipment	(11)	(109)
Gain on disposal of intangible assets	(518)	(225)
Others	49	25
Total	\ (772,023)	\ (463,629)

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
June 30, 2018 and 2017

28. Cash flow information (cont'd)

(2) Details of working capital adjustments for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2018	June 30, 2017
Trade accounts receivable	\ 71,357	\ 31,442
Other accounts receivable	(7,562)	(1,860)
Accrued income	-	(77)
Inventories	18,309	(10,429)
Advance payments	(6,712)	1,115
Prepaid expenses	(16,107)	(1,827)
Trade accounts payable	(51,393)	(42,703)
Advance received	(2,837)	12,520
Withholdings	(4,642)	3,203
Other accounts payable	(22,777)	(40,091)
Accrued expenses	(8,629)	(8,750)
Leasehold deposits received	(27)	17
Provision for service warranties	(5,637)	(3,846)
Retirement benefit obligation	(3,961)	(1,556)
Plan assets	7,345	5,520
Others	665	(1,116)
Total	\ (32,608)	\ (58,438)

(3) Details of significant non-cash transactions for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2018	June 30, 2017
Write-off of trade accounts receivable and others	\ -	\ 138
Transfer of available-for-sale financial assets to assets held for sale	-	51,859
Transfer of investment instruments based on the changes in accounting policies	75,179	-
Transfer of long-term bonds payable to current-portion	552,556	179,605
Accounts payable regarding the acquisition of property, plant and equipment and intangible assets	4,717	(7,397)

29. Commitments and contingencies

(1) Guarantees provided by others for the Company's obligations and indebtedness as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions, USD in thousands):

	Currency	June 30, 2018	December 31, 2017
Seoul Guarantee Insurance	KRW	1,091	2,477
Korea Software Financial Cooperative	KRW	255,156	238,871
The Export-Import Bank of Korea	USD	1,225	1,225
Korea Trade Insurance Corporation	USD	1,077	1,077

29. Commitments and contingencies (cont'd)

(2) Pending litigation

Details of significant pending litigations as at June 30, 2018 is as follows (Korean won in millions, USD in thousands):

	<u>Plaintiff</u>	<u>Defendant</u>	<u>Description</u>	<u>Claim amount</u>		<u>Current status</u>
Defendant	Samsung Card Co., Ltd.	Company	Claim for damages	KRW	3,450	Second trial in progress
	Defense Acquisition Program administration	Company	Claim for damages	USD	19,673	First trial in progress
	Korea Minting Security Printing & ID Card operating Corp.	Company	Claim for damages	KRW	2,000	First trial in progress
Plaintiff	Company	Samsung Card Co., Ltd.	Claim for damages	KRW	5,564	Second trial in progress

As at June 30, 2018, the Company is unable to determine the ultimate outcomes of the above litigations.

(3) Significant commitments

- 1) 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 arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations 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 Asset Management Co., Ltd. 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 the affiliates of SK Group 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.

29. Commitments and contingencies (cont'd)

- 5) The Company entered into shareholder agreement regarding the issuance of ordinary shares of SK Shipping Co., Ltd., one of the subsidiaries, and sale of old shares. The details are as follows.

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

- 6) The Company entered into shareholder agreement with ordinary share investors of SK Siltron Co., Ltd., one of the subsidiaries. The 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 settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.
Premium	The Company shall pay 0.5% of the initial contract amount on the closing date of the transaction and shall pay to the investors the amount equivalent to 3.20% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be paid to the Company.
Call option	On a six-month basis from the closing date of sale ("the quarterly payment day"), the Company has the right to purchase the shares held by the investors at the initial contract price of the ordinary shares with certain level of additional charges.

29. Commitments and contingencies (cont'd)

- 7) The Company entered into shareholder agreement with ordinary share investors of SK E&S Co., Ltd., one of the subsidiaries. The 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 settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.
Premium	The Company shall pay to the investors the amount equivalent to 3.07% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be paid to the Company.
Call option	On the premium payment date and on a six-month basis between the date on which the resolution is made by the Board of Directors with regards to designation of IPO supervisor and the submission date of demand of preliminary assessment for listing ("the quarterly payment day"), the Company has the right to purchase the shares held by the investors at the initial contract price of the ordinary shares with certain level of additional charges.

- 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.
- 9) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service amounting to 115 million MMBtu per year for 20 years from FLNG Liquefaction 3, LLC, Which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at June 30, 2018, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLC's inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.
- 10) The Company provided performance guarantee to SK Shipping Co., Ltd., a subsidiary. Amount of guarantee provided to SK Shipping Co., Ltd. by the Company was \ 47,717 million, and contingent liabilities less the estimated value of ships owned by SK Shipping Co., Ltd. was \ 0.
- 11) The Company offers guarantee of debt amounting to USD 6,000,000 for SK Computer and Communication LLC, one of its subsidiaries.
- (5) The Company has provided 7 blank checks and 12 blank notes as collateral in relation to sales and other transactions as at June 30, 2018.

30. Financial risk management

The principal financial liabilities of the Company comprise borrowings, bonds payable, trade and other accounts payable. The main purpose of these financial liabilities is to finance the operations of the Company. Further, the Company has various financial assets, including trade and other accounts receivable that are directly related to its operations.

30.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise three types of risk: interest rate, foreign currency and other price.

30.1.1 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 Company expects that the effect of the changes in market interest rates is not significant.

30.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The exposure to the risk of changes in foreign exchange rates relates primarily to selling and purchasing. The Company manages its foreign currency risk periodically.

Significant monetary assets and liabilities denominated in foreign currencies as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions, and USD, EUR and Others in thousands):

	Currency	June 30, 2018		December 31, 2017	
		Foreign currencies	Korea won equivalent	Foreign currencies	Korea won equivalent
Assets	USD	25,078	\ 28,130	9,374	\ 10,044
	EUR	1,556	2,018	707	904
	Others		2,430		2,009
			\ 32,578		\ 12,957
Liabilities	USD	7,428	\ 8,332	4,226	\ 4,528
	Others		20		1,157
			\ 8,352		\ 5,685

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

	June 30, 2018		December 31, 2017	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before tax expense	\ 2,423	\ (2,423)	\ 727	\ (727)

30.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than from interest rate risk and foreign currency risk. The Company expects that the effect of fluctuation in the price of marketable equity instruments is not significant.

30.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at June 30, 2018 and December 31, 2017 is as follows and for cash and cash equivalents, credit risk exposure is low (Korean won in millions):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Short-term and long-term financial instruments	\ 112,239	\ 43,534
Trade accounts receivable	235,117	399,748
Other accounts receivable	1,703	1,767
Accrued income	884	112
Long-term investment securities	16,012	-
Available-for-sale financial assets	-	13,486
Short-term and long-term guarantee deposits	10,563	10,830
Short-term and long-term loan	397	397
	<u>\ 376,915</u>	<u>\ 469,874</u>

30.2.1 Trade and other accounts receivable

Customer credit risk is managed by each business unit subject to the Company's established policies, procedures and control related to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

Maximum exposure to credit risk at the reporting date is the book value of each class of financial assets. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are companied into homogenous Companies and looked for impairment collectively. The calculation is based on actually incurred historical data.

30.2.2 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 Company will be the same as the book value of the maximum applicable financial instruments. On the other hand, the management of the Company'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 Company.

30.3 Liquidity risk

Liquidity risk refers to the risk that the Company may default on the contractual obligations that become due. The Company manages its risk to a shortage of funds using a recurring liquidity planning tool.

The contractual maturity of financial liabilities as at June 30, 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
Borrowings	\ 300,000	\ 300,273	\ 300,273	\ -	\ -	\ -
Bonds payable	6,386,713	6,595,202	381,797	902,937	4,116,608	1,193,860
Financial derivatives liabilities	3,403	3,403	457	261	2,685	-
Trade accounts payable	74,299	74,299	74,299	-	-	-
Other liabilities	135,814	135,814	101,936	14,270	19,608	-
	<u>\ 6,900,229</u>	<u>\ 7,108,991</u>	<u>\ 858,762</u>	<u>\ 917,468</u>	<u>\ 4,138,901</u>	<u>\ 1,193,860</u>

30.4 Capital management

The fundamental goal of capital risk management is to maintain a solid financial structure. In addition, as the Company is a holding company, it should maintain a debt ratio of less than 200% under Article 8 of Monopoly Regulations and Fair Trade Law. The debt ratio is calculated as total liabilities divided by total equity.

The Company maintains a debt ratio of 58.76% as at June 30, 2018. The maturity of the debt is dispersed in the long-term and the borrowings mainly consist of long-term bonds, which do not present significant risks for unexpected payment for debts.

The Company's debt ratio as at June 30, 2018 and December 31, 2017 is as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Total liabilities	\ 7,447,231	\ 7,626,360
Total equity	12,674,280	12,332,701
Debt ratio	58.76%	61.84%

31. Business combination

(1) Details of significant information related to merger for the six months ended June 30, 2018 are as follows:

	Details
Existing company after the acquisition	SK Holdings Co., Ltd.
Extinct company after the acquisition	SK Maritime Co., Ltd.
Effective date	March 1, 2018
Registration date	March 5, 2018
Purpose	Management efficiency
Ratio of acquisition	Ordinary shares of SK Holdings Co., Ltd. : ordinary shares of SK Maritime Co., Ltd. = 1:0.0000000

(2) Details of adjustments related to merger for the six months ended June 30, 2018 are as follows (Korean won in millions):

	Amount
Consideration transferred:	\ 332,400
Identifiable assets and liabilities:	
Current assets	100
Cash and cash equivalents	4
Other accounts receivable	96
Non-current assets	21,696
Long-term investment securities	37
Investments in subsidiaries	21,659
Net assets	21,796
Capital surplus:	310,604

32. Subsequent events

32.1 Interim dividend

The Company declared to pay interim dividend in accordance with the resolution of the Board of Directors on July 24, 2018 as follows:

	Details
Amount of interim dividend	₩1,000 per share (total amount of dividend: ₩56,388 million)
Ratio of dividend to market value	0.4% (ordinary shares), 0.7% (preferred shares)
Basic date for dividend	June 30, 2018
Date of dividend payment	Within August 23, 2018 by Commercial Act Article 464-2 (1)

32.2 Acquisition of AMPAC

On July 12, 2018, the Company decided to acquire equity shares in Fine Chemicals Holdings Corp., the parent company of AMPAC, in order to increase the synergy effect in the bio business. The Company will invest USD 455,000,000 to Alchemy Acquisition Corp., the overseas affiliate, and Alchemy Acquisition Corp. will in turn acquire 100% (1,000 shares) ordinary shares of Fine Chemicals Holdings Corp. for a total of USD 720,000,000. Upon completion of the share acquisition, the Company will hold 100% stake in Fine Chemicals Holdings Corp. and gain control of AMPAC. The investment date and amount may change depending on the progress, exchange rate, etc.

32.3 Equity investment in SK South East Asia Investment Pte. Ltd. (tentative name)

The Company decided to invest in equity shares of SK South East Asia Investment Pte. Ltd. (tentative name). The estimated amount of the investment is USD 100 million and investment will be made during the current term.