



SK HOLDINGS CO., LTD.

**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
WITH INDEPENDENT AUDITORS' REVIEW REPORT**

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Report on review of interim condensed separate financial statements

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

Management's Responsibility for the Interim Condensed Separate Financial Statements

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

Conclusion

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

Emphasis of Matter

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

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

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

As explained in 'auditors' responsibility', we conducted our review in accordance with review standards for interim financial statements and expressed a conclusion based on our review. In relation to the key audit matters of ETO, inquiries of Company personnel, analytical procedures and additional review procedures were performed.

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

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

Further, the Company recognized accounts receivable (unbilled contract revenue) for construction cost to date, net of recognized loss, exceeding billed amounts. As at current interim period, unbilled construction amounted to ₩89,396 million and if such amount is uncollected, the Company is exposed to risks in relation to asset measurement.

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

- Inquiry into accounting policies on revenue recognition and any changes to the policies
- Inquiry as to whether it meets the criteria for reliably estimating the outcome of construction contracts.
- Inquiry into changes in quarterly measure of percentage of completion
- Inquiry into reasons for construction contracts with an increase in the construction costs and its forecasts

(2) Uncertainty in estimating the total estimated costs of a construction contract and calculation of percentage-of-completion

As explained in Note 3 to the accompanying financial statements, the total estimated costs of the contract are based on the future estimates, and the total construction revenue is based on the agreed amount in the contract. However, the total revenue may change due to alterations in the original contract work and delays caused by the contractor in the completion of the contract. The construction estimated costs and contract revenue are affected by uncertainties associated with the outcomes of future events.

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

Other matters

We have audited the separate statement of financial position of the Company as at December 31, 2015, and the related separate statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea (not presented herein), and our report dated March 10, 2016 expressed an unqualified opinion thereon. The accompanying separate statement of financial position as at December 31, 2015, presented for comparative purpose are not different, in all material respects, from the above audited separate statement of financial position.

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

Ernst & Young Han Young

August 12, 2016

This review report is effective as at August 12, 2016, the independent auditors' review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

SK HOLDINGS CO., LTD.

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

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

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SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2016 AND DECEMBER 31, 2015

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Assets					
Current assets:					
Cash and cash equivalents	4	₩ 278,368	₩ 97,835	\$ 239,004	\$ 84,000
Short-term financial instruments	4, 28	72,300	67,200	62,076	57,697
Trade accounts receivable	4, 5, 25, 28	420,666	415,835	361,180	357,032
Other accounts receivable	4, 25, 28	1,133	1,369	973	1,175
Inventories	6	109,911	83,198	94,369	71,433
Other current assets	4, 16, 17, 28	19,203	75,633	16,487	64,938
Total current assets		<u>901,581</u>	<u>741,070</u>	<u>774,089</u>	<u>636,275</u>
Non-current assets:					
Available-for-sale financial assets	4, 7, 28	153,068	148,455	131,423	127,462
Investments in subsidiaries	8	14,483,794	13,848,850	12,435,644	11,890,487
Investments in associates and joint ventures	9	120,229	70,157	103,227	60,236
Property, plant and equipment	10, 27	679,829	665,238	583,695	571,167
Investment properties	11	40,814	41,027	35,043	35,225
Intangible assets	12	2,082,071	2,053,152	1,787,646	1,762,816
Other non-current assets	4, 16, 17, 28	24,419	25,134	20,965	21,580
Total non-current assets		<u>17,584,224</u>	<u>16,852,013</u>	<u>15,097,643</u>	<u>14,468,973</u>
Total assets		<u>₩ 18,485,805</u>	<u>₩ 17,593,083</u>	<u>\$ 15,871,732</u>	<u>\$ 15,105,248</u>
Liabilities and equity					
Current liabilities:					
Short-term borrowings	4, 13, 28	₩ 180,000	₩ 250,000	\$ 154,546	\$ 214,648
Trade accounts payable	4, 25, 28	163,168	109,400	140,094	93,930
Other accounts payable	4, 25, 28	34,066	73,036	29,249	62,708
Accrued expenses	4, 25, 28	34,656	42,940	29,755	36,868
Provisions	14	4,860	5,300	4,173	4,551
Current portion of long-term debt	4, 13, 28	976,197	918,835	838,153	788,903
Other current liabilities	4, 16, 17, 28	108,456	110,126	93,120	94,552
Total current liabilities		<u>1,501,403</u>	<u>1,509,637</u>	<u>1,289,090</u>	<u>1,296,160</u>
Non-current liabilities:					
Bonds payable	4, 13, 28	4,771,317	4,289,918	4,096,606	3,683,282
Retirement benefit obligation	15	55,933	26,421	48,024	22,685
Deferred income tax liabilities		273,289	268,405	234,643	230,450
Other non-current liabilities	4, 16, 17, 28	17,430	17,025	14,966	14,616
Total non-current liabilities		<u>5,117,969</u>	<u>4,601,769</u>	<u>4,394,239</u>	<u>3,951,033</u>
Total liabilities		<u>6,619,372</u>	<u>6,111,406</u>	<u>5,683,329</u>	<u>5,247,193</u>
Equity:					
Issued capital	1, 18	15,385	15,385	13,209	13,209
Other paid-in capital	18	4,719,052	4,719,052	4,051,732	4,051,732
Retained earnings	18	7,122,863	6,736,539	6,115,620	5,783,926
Other capital components	18	9,133	10,701	7,842	9,188
Total equity		<u>11,866,433</u>	<u>11,481,677</u>	<u>10,188,403</u>	<u>9,858,055</u>
Total liabilities and equity		<u>₩ 18,485,805</u>	<u>₩ 17,593,083</u>	<u>\$ 15,871,732</u>	<u>\$ 15,105,248</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, 2016 AND 2015

(Korean won in millions except for per share data)

	Notes	Korean won			
		June 30, 2016		June 30, 2015	
		Three months	Six months	Three months	Six months
Operating revenue	19, 25	₩ 655,751	₩ 1,774,219	₩ 469,518	₩ 928,003
Operating expenses	20, 21, 25	594,614	1,068,372	412,378	815,553
Operating income		61,137	705,847	57,140	112,450
Financial income	22	2,313	4,572	1,805	3,817
Financial costs	22	38,340	76,289	16,314	32,879
Other non-operating income	22	844	3,278	522	60,041
Other non-operating expenses	22	8,174	10,070	391	6,447
Income before income tax expense		17,780	627,338	42,762	136,982
Income tax expense	23	6,783	37,380	10,705	25,963
Net income		10,997	589,958	32,057	111,019
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans	15	(6,551)	(11,884)	782	(7,744)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets	7	(2,548)	(1,568)	5,100	12,915
		(9,099)	(13,452)	5,882	5,171
Total comprehensive income for the period		₩ 1,898	₩ 576,506	₩ 37,939	₩ 116,190
Earnings per share (in Korean won):					
Basic earnings per share	24	₩ 188	₩ 10,551	₩ 729	₩ 2,523

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SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

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

	Notes	Translation into U.S. dollar (Note 2)			
		June 30, 2016		June 30, 2015	
		Three months	Six months	Three months	Six months
Operating revenue	19, 25	\$ 563,021	\$ 1,523,327	\$ 403,124	\$ 796,774
Operating expenses	20, 21, 25	510,530	917,294	354,064	700,226
Operating income		52,491	606,033	49,060	96,548
Financial income	22	1,986	3,925	1,550	3,277
Financial costs	22	32,918	65,501	14,007	28,230
Other non-operating income	22	725	2,814	448	51,551
Other non-operating expenses	22	7,018	8,646	336	5,535
Income before income tax expense		15,266	538,625	36,715	117,611
Income tax expense	23	5,824	32,093	9,191	22,291
Net income		9,442	506,532	27,524	95,320
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans	15	(5,625)	(10,203)	671	(6,649)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets	7	(2,188)	(1,346)	4,379	11,089
		(7,813)	(11,549)	5,050	4,440
Total comprehensive income for the period		\$ 1,629	\$ 494,983	\$ 32,574	\$ 99,760
Earnings per share (in U.S. dollar):					
Basic earnings per share	24	\$ 0.16	\$ 9.06	\$ 0.63	\$ 2.17

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, 2016 AND 2015

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity
	₩	₩	₩	₩	₩
As at January 1, 2015	10,000	(618,299)	1,642,876	29,905	1,064,482
Total comprehensive income:					
Net income	-	-	111,019	-	111,019
Remeasurement loss on defined benefits plans	-	-	(7,744)	-	(7,744)
Net gain on available-for-sale financial assets	-	-	-	12,915	12,915
Dividends	-	-	(88,000)	-	(88,000)
Retirement of treasury share	-	636,010	(636,010)	-	-
As at June 30, 2015	10,000	17,711	1,022,141	42,820	1,092,672
As at January 1, 2016	15,385	4,719,052	6,736,539	10,701	11,481,677
Total comprehensive income:					
Net income	-	-	589,958	-	589,958
Remeasurement loss on defined benefits plans	-	-	(11,884)	-	(11,884)
Net loss on available-for-sale financial assets	-	-	-	(1,568)	(1,568)
Dividends	-	-	(191,750)	-	(191,750)
As at June 30, 2016	15,385	4,719,052	7,122,863	9,133	11,866,433

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SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity
As at January 1, 2015	\$ 8,586	\$ (530,865)	\$ 1,410,557	\$ 25,676	\$ 913,954
Total comprehensive income:					
Net income	-	-	95,320	-	95,320
Remeasurement loss on defined benefits plans	-	-	(6,649)	-	(6,649)
Net gain on available-for-sale financial assets	-	-	-	11,089	11,089
Dividends	-	-	(75,556)	-	(75,556)
Retirement of treasury share	-	546,072	(546,072)	-	-
As at June 30, 2015	\$ 8,586	\$ 15,207	\$ 877,600	\$ 36,765	\$ 938,158
As at January 1, 2016	\$ 13,209	\$ 4,051,732	\$ 5,783,926	\$ 9,188	\$ 9,858,055
Total comprehensive income:					
Net income	-	-	506,532	-	506,532
Remeasurement loss on defined benefits plans	-	-	(10,203)	-	(10,203)
Net loss on available-for-sale financial assets	-	-	-	(1,346)	(1,346)
Dividends	-	-	(164,635)	-	(164,635)
As at June 30, 2016	\$ 13,209	\$ 4,051,732	\$ 6,115,620	\$ 7,842	\$ 10,188,403

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, 2016 AND 2015

(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)	
		2016	2015	2016	2015
Cash flows from operating activities:					
Net income		₩ 589,958	₩ 111,019	\$ 506,532	\$ 95,320
Non-cash adjustments	26	(422,170)	43,616	(362,471)	37,448
Working capital adjustments	26	(38,015)	(38,729)	(32,639)	(33,252)
Interest received		1,500	1,400	1,288	1,202
Interest paid		(90,670)	(30,357)	(77,848)	(26,064)
Dividends received		575,826	59,402	494,399	51,002
Income taxes paid		(22,799)	(64,092)	(19,575)	(55,029)
Net cash provided by operating activities		593,630	82,259	509,686	70,627
Cash flows from investing activities:					
Net change of short-term financial instruments		(5,100)	(19,477)	(4,379)	(16,723)
Net change of short-term loans		900	-	773	-
Proceeds from disposal of available-for-sale financial assets		770	472	661	405
Proceeds from disposal of investments in associates		10,108	-	8,679	-
Proceeds from disposal of property, plant and equipment		153	359	131	308
Proceeds from disposal of intangible assets		3,246	7,625	2,787	6,547
Acquisition of available-for-sale financial assets		(7,225)	-	(6,203)	-
Acquisition of investments in subsidiaries		(634,944)	(20,726)	(545,157)	(17,795)
Acquisition of property, plant and equipment		(36,777)	(13,963)	(31,576)	(11,988)
Acquisition of intangible assets		(39,427)	(5,031)	(33,852)	(4,320)
Decrease (increase) in guarantee deposits, net		(111)	1,507	(95)	1,294
Cash flows from other investing activities		181	-	155	-
Net cash used in investing activities		(708,226)	(49,234)	(608,076)	(42,272)
Cash flows from financing activities:					
Net change of short-term borrowings		(70,000)	-	(60,101)	-
Repayment of current portion of bonds payable		(240,000)	-	(206,062)	-
Issuance of bonds		796,736	-	684,070	-
Payment of dividend		(191,750)	(88,000)	(164,635)	(75,556)
Net cash provided by (used in) financing activities		294,986	(88,000)	253,272	(75,556)
Net increase (decrease) in cash and cash equivalents		180,390	(54,975)	154,881	(47,201)
Net foreign exchange effects		143	89	123	76
Cash and cash equivalents at the beginning of the period		97,835	145,210	84,000	124,676
Cash and cash equivalents at the end of the period		₩ 278,368	₩ 90,324	\$ 239,004	\$ 77,551

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

SK HOLDINGS CO., LTD.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

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 sales of pre-owned automobiles, and is headquartered at 26, Jong-ro, Jongno-gu, Seoul. The Company's ordinary shares have been listed on the Korea Exchange since November 11, 2009.

The Company has entered into business combination with SK Holdings Co., Ltd. effective August 1, 2015. As a result, 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 from SK C&C Co., Ltd. to its current form as at the acquisition date.

As at June 30, 2016, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred share), and major shareholders and their equity ownership are Tae-won Chey (23.40%), National Pension Service (8.58%) and Ki-won Chey (7.46%).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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, 2015.

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.

The accompanying interim condensed 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 interim condensed separate financial statements and has been made at the rate of ₩1,164.70 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the six months ended June 30, 2016. Such translations into U.S. dollar amounts should not be construed as representations that the Korean won amounts could be converted into U.S. dollar amounts at that or any other rate.

b. 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, 2015, except for the adoption of new standards and interpretations effective as at January 1, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) New and revised KIFRSs adopted in the current period

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

Amendments to KIFRS 1001 – Presentation of Financial Statements

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

Amendments to KIFRS 1016 – Property, Plant and Equipment

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

Amendments to KIFRS 1038 – Intangible Assets

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

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

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

Amendments to KIFRS 1027 – Separate Financial Statements

The following amendments discuss accounting for investment in subsidiaries, affiliates and joint ventures accounted for at cost method and allow the selection of the application of KIFRS 1039 *Financial Instruments: Recognition and Measurement* or the application of equity method accounting under KIFRS 1028 *Investment in Associates and Joint Ventures*.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1109 – Financial Instruments

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

KIFRS 1115 – Revenue from Contracts with Customers

Under KIFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.

3) Construction Contracts

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

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

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

4) Reclassification of comparative information

The Company reclassified certain accounts previously reported in the interim condensed separate financial statements in accordance with current interim condensed separate financial statements to ensure comparability. Such reclassifications have no effect on the Company's net income and net assets as previously reported.

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, 2016, are consistent with those followed in the preparation of the separate financial statements for the year ended December 31, 2015.

4. FINANCIAL INSTRUMENTS

(1) Financial assets

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

	June 30, 2016			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ 278,368	₩ -	₩ 278,368
Short-term financial instruments	-	72,300	-	72,300
Trade accounts receivable (*1)	-	331,270	-	331,270
Other accounts receivable	-	1,133	-	1,133
Accrued income	-	245	-	245
Short-term loans	-	600	-	600
Guarantee deposits	-	3,432	-	3,432
Derivative financial assets	377	-	-	377
Sub-total	<u>377</u>	<u>687,348</u>	<u>-</u>	<u>687,725</u>
Non-current assets:				
Long-term financial instruments	-	19	-	19
Available-for-sale financial assets	-	-	153,068	153,068
Guarantee deposits	-	19,278	-	19,278
Derivative financial assets	61	-	-	61
Sub-total	<u>61</u>	<u>19,297</u>	<u>153,068</u>	<u>172,426</u>
Total	<u>₩ 438</u>	<u>₩ 706,645</u>	<u>₩ 153,068</u>	<u>₩ 860,151</u>
	December 31, 2015			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ 97,835	₩ -	₩ 97,835
Short-term financial instruments	-	67,200	-	67,200
Trade accounts receivable (*1)	-	378,597	-	378,597
Other accounts receivable	-	1,369	-	1,369
Accrued income	-	203	-	203
Short-term loans	-	1,500	-	1,500
Guarantee deposits	-	3,084	-	3,084
Derivative financial assets	42	-	-	42
Sub-total	<u>42</u>	<u>549,788</u>	<u>-</u>	<u>549,830</u>
Non-current assets:				
Long-term financial instruments	-	19	-	19
Long-term loans	-	181	-	181
Available-for-sale financial assets	-	-	148,455	148,455
Guarantee deposits	-	19,449	-	19,449
Derivative financial assets	-	-	-	-
Sub-total	<u>-</u>	<u>19,649</u>	<u>148,455</u>	<u>168,104</u>
Total	<u>₩ 42</u>	<u>₩ 569,437</u>	<u>₩ 148,455</u>	<u>₩ 717,934</u>

(*1) Unbilled receivables amounting to ₩89,396 million and ₩37,238 million as at June 30, 2016 and December 31, 2015, respectively, are not included in trade accounts receivable.

4. FINANCIAL INSTRUMENTS (CONTINUED)

(2) Financial liabilities

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

	June 30, 2016		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 180,000	₩ 180,000
Trade accounts payable	-	163,168	163,168
Other accounts payable	-	34,066	34,066
Accrued expenses	-	34,656	34,656
Current portion of long-term debt	-	976,197	976,197
Derivative financial liabilities	533	-	533
Sub-total	<u>533</u>	<u>1,388,087</u>	<u>1,388,620</u>
Non-current liabilities:			
Bonds payable	-	4,771,317	4,771,317
Leasehold deposits received	-	12,354	12,354
Derivative financial liabilities	32	-	32
Sub-total	<u>32</u>	<u>4,783,671</u>	<u>4,783,703</u>
Total	<u>₩ 565</u>	<u>₩ 6,171,758</u>	<u>₩ 6,172,323</u>
	December 31, 2015		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 250,000	₩ 250,000
Trade accounts payable	-	109,400	109,400
Other accounts payable	-	73,036	73,036
Accrued expenses	-	42,940	42,940
Current portion of long-term debt	-	918,835	918,835
Derivative financial liabilities	241	-	241
Sub-total	<u>241</u>	<u>1,394,211</u>	<u>1,394,452</u>
Non-current liabilities:			
Bonds payable	-	4,289,918	4,289,918
Leasehold deposits received	-	12,425	12,425
Derivative financial liabilities	3	-	3
Sub-total	<u>3</u>	<u>4,302,343</u>	<u>4,302,346</u>
Total	<u>₩ 244</u>	<u>₩ 5,695,554</u>	<u>₩ 5,696,798</u>

(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. FINANCIAL INSTRUMENTS (CONTINUED)

Details of fair value of financial instruments by hierarchy level as at June 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 438	₩ -	₩ 438
Available-for-sale financial assets (*1)	34,093	-	2,152	36,245
Total	<u>₩ 34,093</u>	<u>₩ 438</u>	<u>₩ 2,152</u>	<u>₩ 36,683</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 565	₩ -	₩ 565
	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 42	₩ -	₩ 42
Available-for-sale financial assets (*1)	36,814	-	-	36,814
Total	<u>₩ 36,814</u>	<u>₩ 42</u>	<u>₩ -</u>	<u>₩ 36,856</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 244	₩ -	₩ 244

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

5. TRADE ACCOUNTS RECEIVABLE

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

	June 30, 2016		December 31, 2015	
Trade accounts receivable:				
Trade accounts receivable	₩	332,847	₩	380,532
Unbilled receivables		89,396		37,238
Sub-total		<u>422,243</u>		<u>417,770</u>
Allowance for doubtful accounts:				
Trade accounts receivable		(1,577)		(1,935)
Total	<u>₩</u>	<u>420,666</u>	<u>₩</u>	<u>415,835</u>

6. INVENTORIES

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

	June 30, 2016			December 31, 2015		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 109,715	₩ (161)	₩ 109,554	₩ 83,123	₩ (104)	₩ 83,019
Raw material	303	-	303	128	-	128
Materials-in-transit	54	-	54	51	-	51
Total	<u>₩ 110,072</u>	<u>₩ (161)</u>	<u>₩ 109,911</u>	<u>₩ 83,302</u>	<u>₩ (104)</u>	<u>₩ 83,198</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	June 30, 2016		December 31, 2015	
	Cost	Book value	Cost	Book value
Marketable equity instruments	₩ 45,841	₩ 34,093	₩ 45,841	₩ 36,814
Non-marketable equity instruments	121,273	118,428	114,597	111,100
Debt securities (*1)	547	547	541	541
Total	<u>₩ 167,661</u>	<u>₩ 153,068</u>	<u>₩ 160,979</u>	<u>₩ 148,455</u>

(*1) Represents Mobile TCS Co., Ltd.'s convertible bond.

(2) Changes in available-for-sale financial assets for the six months ended June 30, 2016 and 2015 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2016	June 30, 2015
Beginning balance	₩ 148,455	₩ 367,193
Acquisition	7,339	-
Gain (loss) on valuation (*1)	(2,069)	17,038
Disposals	(657)	(359)
Ending balance	<u>₩ 153,068</u>	<u>₩ 383,872</u>

(*1) Excludes the effect of deferred income tax recognized directly to equity amounting to ₩501 million and ₩(-)4,123 million for the six months ended June 30, 2016 and 2015, respectively.

8. INVESTMENTS IN SUBSIDIARIES

(1) Details of investments in subsidiaries as at June 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	Domicile	Principal business activity	June 30, 2016			December 31, 2015
			Equity ownership (%) (*1)	Acquisition cost	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
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14	706,229	706,229	706,229
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	44.48	545,300	545,300	545,300
SK E&S Co., Ltd.	Korea	City gas business	100.00	2,600,000	2,600,000	2,600,000
SK Shipping Co., Ltd.	Korea	Shipping	83.08	332,400	332,400	332,400
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	41.00	548,654	548,654	548,654
SKY Property Management Ltd. (*3)	China	Investment	5.00	44,885	44,885	44,885
SK GI Management	Cayman Islands	Investment	100.00	9,523	9,523	9,523
SK China Company, Ltd.	China	Consulting and investment	80.76	299,352	299,352	299,352
SK Biopharmaceuticals Co., Ltd.	Korea	Life science	100.00	328,702	328,702	328,702
SK Biotek Co., Ltd. (*4)	Korea	Pharmaceutical intermediates manufacturing	100.00	163,818	163,818	-
SK Industrial Development China Co., Ltd. (*3)	China	Investment	18.00	69,624	69,624	69,624
SK Technology Innovation Company (*3)	Cayman Islands	Research and development	2.12	1,876	1,876	1,876

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Domicile	Principal business activity	June 30, 2016			December 31, 2015
			Equity ownership (%) (*1)	Acquisition cost	Book value	Book value
SK Forest Co., Ltd.	Korea	Landscape construction	100.00	61,387	61,387	61,387
SK MENA Investment B.V. (*3)	Netherlands	Investment	11.54	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*3)	Spain	Investment	11.54	5,135	5,135	5,135
Gemini Partners Pte., Ltd. (*3)	Singapore	Consulting	20.00	6,018	6,018	6,018
Fitech Sector Limited Partnership IV (*3)	Korea	Investment support	19.38	3,741	3,741	3,741
HAPPYNARAE Co., Ltd. (*3)	Korea	E-commerce	5.00	1,436	1,436	1,436
Fitech Focus Limited Partnership II (*3)	Korea	Investment support	32.33	9,700	4,978	4,978
SK Infosec Co., Ltd.	Korea	Information Security services	100.00	37,904	44,076	43,752
SK C&C Beijing Co., Ltd.	China	Computer system	100.00	25,481	25,481	25,481
SK C&C India Pvt. Ltd.	India	Computer system	100.00	3,442	382	382
SK MENA B.V.	Netherlands	Investment	100.00	11,364	11,364	11,364
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00	25,847	25,847	25,847
S&G Technology	Saudi Arabia	Computer system	51.00	74	74	74
SK ENCARSALES.COM., Ltd.	Korea	Online used car retailers	50.01	13,914	13,914	13,914
SK Materials Co., Ltd. (*2, 5)	Korea	Special gas manufacturing and sales	49.10	470,802	470,802	-
Total				<u>₩ 14,485,404</u>	<u>₩ 14,483,794</u>	<u>₩ 13,848,850</u>

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

(*2) SK Innovation Co., Ltd. and five other companies were classified as investment 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) Classified as investment in subsidiaries as control can be exercised using indirect equity ownership through the Company's subsidiaries.

(*4) For the six months ended June 30, 2016, the Company acquired 100% common shares of SK Biotek Co., Ltd. held by SK Biopharmaceuticals Co., Ltd., one of the subsidiaries and additionally acquired shares on March 4, 2016 for consideration of ₩40,000 million through the participation of share capital increase.

(*5) The Company acquired 49.10% shares of SK Materials Co. Ltd. for the consideration of ₩470,332 million on February 16, 2016.

(2) Fair value of marketable investments in subsidiaries as at June 30, 2016 is as follows (Korean won in millions):

	June 30, 2016	
SK Innovation Co., Ltd.	₩	4,339,172
SK Telecom Co., Ltd.		4,388,324
SK Networks Co., Ltd.		577,029
SKC Co., Ltd.		416,300
SK Materials Co., Ltd.		635,924

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	Domicile	Principal business activity	Equity ownership (%)	June 30, 2016		December 31, 2015
				Acquisition cost	Book value	Book value
Investments in associates:						
SBS Golf Co., Ltd.	Korea	Cable broadcast	21.38	₩ 3,300	₩ 8,554	₩ 8,554
Mobile TCS Co., Ltd.	Korea	Mobile service	41.00	820	820	820
Daehan Kanggun BcN Co., Ltd. (*1)	Korea	Wired communication	0.20	58	58	58
FSK Holdings Co., Ltd. (*2)	Hong Kong	IT service	30.00	11,937	11,937	20,725
Mozido Corfire, Inc. (*3)	USA	System consulting	19.94	6,767	-	-
SOCAR, Inc. (*4)	Korea	Rental of cars	20.00	58,860	58,860	-
Sub-total				81,742	80,229	30,157
Investments in joint ventures:						
Hana Land Chip PEF 33 (*1)	Korea	Real estate	13.51	40,000	40,000	40,000
Total				₩ 121,742	₩ 120,229	₩ 70,157

(*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) Decrease in the book value due to capital reduction during the six months ended June 30, 2016.

(*3) 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.

(*4) The investment in the entity was acquired during the six months ended June 30, 2016.

10. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 167,753	₩ -	₩ 167,753	₩ 163,134	₩ -	₩ 163,134
Buildings	476,725	(85,287)	391,438	415,336	(78,176)	337,160
Structures	7,041	(23)	7,018	882	(1)	881
Machinery and equipment	418	(375)	43	399	(366)	33
Vehicles	7,997	(1,557)	6,440	7,987	(992)	6,995
Furniture and fixtures	289,220	(194,422)	94,798	270,939	(185,843)	85,096
Construction-in-progress	12,339	-	12,339	71,939	-	71,939
Total	₩ 961,493	₩ (281,664)	₩ 679,829	₩ 930,616	₩ (265,378)	₩ 665,238

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

	For the six months ended June 30, 2016					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer	Ending balance
Land	₩ 163,134	₩ -	₩ -	₩ -	₩ 4,619	₩ 167,753
Buildings	337,160	-	(7,111)	-	61,389	391,438
Structures	881	-	(22)	-	6,159	7,018
Machinery and equipment	33	19	(9)	-	-	43
Vehicles	6,995	125	(598)	(146)	64	6,440
Furniture and fixtures	85,096	20,581	(14,263)	(33)	3,417	94,798
Construction-in-progress	71,939	16,052	-	(4)	(75,648)	12,339
Total	₩ 665,238	₩ 36,777	₩ (22,003)	₩ (183)	₩ -	₩ 679,829

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	For the six months ended June 30, 2015				
	Beginning balance	Acquisition	Depreciation	Disposal	Ending balance
Land	₩ 147,205	₩ -	₩ -	₩ -	₩ 147,205
Buildings	336,132	-	(6,833)	-	329,299
Machinery and equipment	59	2	(16)	(5)	40
Vehicles	696	68	(116)	(22)	626
Furniture and fixtures	79,987	14,028	(13,083)	(369)	80,563
Total	₩ 564,079	₩ 14,098	₩ (20,048)	₩ (396)	₩ 557,733

11. INVESTMENT PROPERTIES

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

	June 30, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 31,395	₩ -	₩ 31,395	₩ 31,395	₩ -	₩ 31,395
Buildings	9,810	(391)	9,419	9,810	(178)	9,632
Total	₩ 41,205	₩ (391)	₩ 40,814	₩ 41,205	₩ (178)	₩ 41,027

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

	Beginning balance	Acquisition	Depreciation	Ending balance
	Land	₩ 31,395	₩ -	₩ -
Buildings	9,632	-	(213)	9,419
Total	₩ 41,027	₩ -	₩ (213)	₩ 40,814

12. INTANGIBLE ASSETS

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

	June 30, 2016				December 31, 2015			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 78,095	₩ (34,394)	₩ (967)	₩ 42,734	₩ 69,336	₩ (28,554)	₩ -	₩ 40,792
Goodwill	4,639	-	-	4,639	4,639	-	-	4,639
Memberships	49,434	-	(13,710)	35,724	49,795	-	(17,979)	31,816
Brand contract								
-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	25,388	(1,414)	-	23,974	2,165	(1,260)	-	905
Total	₩ 2,132,556	₩ (35,808)	₩ (14,677)	₩ 2,082,071	₩ 2,100,935	₩ (29,804)	₩ (17,979)	₩ 2,053,152

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

	For the six months ended June 30, 2016						
	Beginning Balance	Internally developed	Acquisitions	Amortization	Impairment	Disposal	Ending balance
Development costs	₩ 40,792	₩ 8,759	₩ -	₩ (5,850)	₩ (967)	₩ -	₩ 42,734
Goodwill	4,639	-	-	-	-	-	4,639
Memberships (*1)	31,816	-	7,445	-	-	(3,537)	35,724
Brand contract							
-related assets (*1)	1,975,000	-	-	-	-	-	1,975,000
Others	905	-	23,223	(154)	-	-	23,974
Total	₩ 2,053,152	₩ 8,759	₩ 30,668	₩ (6,004)	₩ (967)	₩ (3,537)	₩ 2,082,071

12. INTANGIBLE ASSETS (CONTINUED)

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

For the six months ended June 30, 2015							
	Beginning Balance	Internally developed	Acquisitions	Amortization	Impairment	Disposal	Ending balance
Development costs	₩ 45,942	₩ 4,948	₩ -	₩ (5,503)	₩ (4,940)	₩ (7,282)	₩ 33,165
Goodwill	4,639	-	-	-	-	-	4,639
Memberships	16,462	-	-	-	-	(270)	16,192
Others	1,310	-	83	(153)	-	(323)	917
Total	₩ 68,353	₩ 4,948	₩ 83	₩ (5,656)	₩ (4,940)	₩ (7,875)	₩ 54,913

13. BORROWINGS AND BONDS PAYABLE

(1) Short-term borrowings

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

Financial institution	Description	Interest rate (%)	June 30, 2016	December 31, 2015
KEB Hana Bank	Working capital loan	-	₩ -	₩ 50,000
Shinhan Bank	Working capital loan	-	-	50,000
KTB Investment & Securites	Working capital loan	1.62	20,000	60,000
Woori Bank	Working capital loan	2.61	10,000	30,000
NH Bank	Working capital loan	2.42	100,000	40,000
Kookmin Bank	Working capital loan	-	-	20,000
Samsung Securites	Working capital loan	1.41	50,000	-
Total			₩ 180,000	₩ 250,000

(2) Bonds payable

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

Issuance number	Interest rate (%)	Maturity	Security	June 30, 2016	December 31, 2015
253-2nd	-	-	-	₩ -	₩ 140,000
254-2nd	4.11	2016-08-26	Unsecured	200,000	200,000
255-2nd	4.05	2016-12-15	Unsecured	200,000	200,000
256-2nd	3.78	2017-05-25	Unsecured	200,000	200,000
257-1st	3.21	2017-08-27	Unsecured	150,000	150,000
257-2nd	3.36	2019-08-27	Unsecured	100,000	100,000
258-1st	3.21	2017-10-19	Unsecured	100,000	100,000
258-2nd	3.35	2019-10-19	Unsecured	100,000	100,000
259-1st	-	-	-	-	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
265-1st	2.28	2017-12-02	Unsecured	100,000	100,000
265-2nd	2.45	2019-12-02	Unsecured	100,000	100,000

13. BORROWINGS AND BONDS PAYABLE (CONTINUED)

Issuance number	Interest rate (%)	Maturity	Security	June 30, 2016	December 31, 2015
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
267th	4.29	2016-09-23	Unsecured	100,000	100,000
268th	4.24	2016-11-10	Unsecured	120,000	120,000
269-1st	3.82	2017-06-14	Unsecured	100,000	100,000
269-2nd	4.12	2019-06-14	Unsecured	150,000	150,000
270-1st	3.19	2017-11-02	Unsecured	100,000	100,000
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	100,000
271-2nd	3.34	2020-02-27	Unsecured	100,000	100,000
272-1st	3.22	2016-08-30	Unsecured	50,000	50,000
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	-
276-3rd	2.26	2023-03-07	Unsecured	150,000	-
277-1st	1.70	2018-06-01	Unsecured	100,000	-
277-2nd	1.93	2021-06-01	Unsecured	120,000	-
277-3rd	2.16	2023-06-01	Unsecured	120,000	-
277-4th	2.43	2026-06-01	Unsecured	60,000	-
Sub-total				<u>5,680,000</u>	<u>5,120,000</u>
Addition: premium on bonds payable				67,514	88,753
Less: current portion				<u>(976,197)</u>	<u>(918,835)</u>
Total				<u>₩ 4,771,317</u>	<u>₩ 4,289,918</u>

(3) The Company's bonds payable repayment schedule as at June 30, 2016 is as follows (Korean won in millions):

	Amount of repayment
July 1, 2016 ~ June 30, 2017	₩ 970,000
July 1, 2017 ~ June 30, 2018	780,000
July 1, 2018 ~ June 30, 2019	1,090,000
July 1, 2019 ~ June 30, 2020	780,000
July 1, 2020 and thereafter	<u>2,060,000</u>
Total	<u>₩ 5,680,000</u>

14. PROVISIONS

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

	For the six months ended June 30, 2016			
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Provision for service warranties	₩ 4,620	₩ 3,332	₩ (3,861)	₩ 4,091
Provision for sale warranties	<u>680</u>	<u>89</u>	<u>-</u>	<u>769</u>
Total	<u>₩ 5,300</u>	<u>₩ 3,421</u>	<u>₩ (3,861)</u>	<u>₩ 4,860</u>

	For the six months ended June 30, 2015			
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Provision for service warranties	₩ 4,539	₩ 4,413	₩ (4,205)	₩ 4,747
Provision for sale warranties	<u>334</u>	<u>153</u>	<u>-</u>	<u>397</u>
Total	<u>₩ 4,873</u>	<u>₩ 4,566</u>	<u>₩ (4,205)</u>	<u>₩ 5,234</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 operates a defined contribution plan for certain employees. The expenses related to the defined contributions plans recognized for the six months ended June 30, 2016 amount to ₩7 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, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligation	₩ 239,925	₩ 211,451
Fair value of plan assets	<u>(183,992)</u>	<u>(185,030)</u>
Total	<u>₩ 55,933</u>	<u>₩ 26,421</u>

15. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

(4) Changes in the retirement benefit obligation for the six months ended June 30, 2016 and 2015 are as follows (Korean won in millions):

	For the six months ended June 30, 2016		
	Present value of defined benefit obligation	Fair value of plan assets	Total
	₩	₩	₩
Beginning balance	211,451	(185,030)	26,421
Provision for pension benefits:			
Current service cost	13,627	-	13,627
Net interest expense (income)	2,233	(2,136)	97
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	418	418
Actuarial changes arising from changes in financial assumptions	8,930	-	8,930
Experience adjustments	6,331	-	6,331
Contributions by employer directly to plan assets	-	(514)	(514)
Benefit paid	(3,719)	4,380	661
Others	1,072	(1,110)	(38)
Ending balance	<u>₩ 239,925</u>	<u>₩ (183,992)</u>	<u>₩ 55,933</u>
	For the six months ended June 30, 2015		
	Present value of defined benefit obligation	Fair value of plan assets	Total
	₩	₩	₩
Beginning balance	171,015	(155,371)	15,644
Provision for pension benefits:			
Current service cost	11,278	-	11,278
Net interest expense (income)	2,177	(1,784)	393
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	974	974
Actuarial changes arising from changes in demographic assumptions	5	-	5
Actuarial changes arising from changes in financial assumptions	(331)	-	(331)
Experience adjustments	9,569	-	9,569
Benefit paid	(11,968)	11,620	(348)
Others	1,762	(1,897)	(135)
Ending balance	<u>₩ 183,507</u>	<u>₩ (146,458)</u>	<u>₩ 37,049</u>

16. OTHER ASSETS AND LIABILITIES

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

	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
Current assets:				
Accrued income	₩	245	₩	203
Short-term loans		600		1,500
Advance payments		3,837		61,533
Prepaid expenses		10,689		9,267
Guarantee deposits		3,432		3,084
Derivative financial assets		377		42
Others		23		4
Total	₩	<u>19,203</u>	₩	<u>75,633</u>
Non-current assets:				
Long-term financial instruments	₩	19	₩	19
Long-term loans		-		181
Long-term guarantee deposits		19,278		19,449
Derivative financial assets		61		-
Others		5,061		5,485
Total	₩	<u>24,419</u>	₩	<u>25,134</u>

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

	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
Current liabilities:				
Advance received	₩	50,492	₩	59,028
Withholdings		30,345		29,247
Income tax payable		27,012		21,610
Derivative financial liabilities		533		241
Others		74		-
Total	₩	<u>108,456</u>	₩	<u>110,126</u>
Non-current liabilities:				
Leasehold deposits received	₩	12,354	₩	12,425
Derivative financial liabilities		32		3
Others		5,044		4,597
Total	₩	<u>17,430</u>	₩	<u>17,025</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 assets and liabilities after valuation as at June 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Currency forward contract	₩	438	₩	565
			₩	42
			₩	244

18. EQUITY

(1) Issued capital

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

	<u>June 30, 2016</u>		<u>December 31, 2015</u>
Number of shares authorized for issue	400,000,000		400,000,000
Par value 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
Total	<u>₩ 15,385</u>	<u>₩</u>	<u>15,385</u>

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

(2) Other paid-in capital

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

	<u>June 30, 2016</u>		<u>December 31, 2015</u>
Paid-in surplus (*1)	₩ 5,605,831	₩	5,605,831
Treasury share (*2)	(904,490)		(904,490)
Others	17,711		17,711
Total	<u>₩ 4,719,052</u>	<u>₩</u>	<u>4,719,052</u>

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

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

(3) Retained earnings

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

	<u>June 30, 2016</u>		<u>December 31, 2015</u>
Legal reserve (*1)	₩ 7,693	₩	5,100
Voluntary reserve	80,896		102,563
Unappropriated retained earnings	7,034,274		6,628,876
Total	<u>₩ 7,122,863</u>	<u>₩</u>	<u>6,736,539</u>

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

18. EQUITY (CONTINUED)

(4) Other capital components

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

	June 30, 2016	December 31, 2015
Gain on available-for-sale financial assets	₩ 9,133	₩ 10,701

19. OPERATING REVENUES

(1) Details of operating revenues for the three months and six months ended June 30, 2016 and 2015 are as follows (Korean won in millions):

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
IT service (*1)	₩ 382,133	₩ 659,011	₩ 303,415	₩ 600,284
Used car distribution	219,808	415,355	164,322	324,239
Dividend income	-	574,626	-	-
Trademark usage income	42,389	101,938	-	-
Rental income	11,421	23,289	1,781	3,480
Total	₩ 655,751	₩ 1,774,219	₩ 469,518	₩ 928,003

(*1) Includes contract revenue of ₩167,943 million and ₩153,944 million recognized from construction contract for the six months ended June 30, 2016 and 2015, respectively.

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

	June 30, 2016	December 31, 2015
Accumulated cost and profit	₩ 251,630	₩ 251,195
Progress billings	185,908	232,504
Unbilled receivables (trade accounts receivable)	89,396	37,238
Overbilled receivables (advance receipts)	23,674	18,547

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

	Change in estimated construction revenue	Change in in estimated cost	Impact on current period profit (loss)	Impact on future period profit (loss)
Construction contracts (*1)	₩ 8,080	₩ 7,830	₩ 49	₩ 201

(*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 construction costs based on the situations which occurred from the inception of construction contract to current reporting period and the estimated construction revenue as at current reporting period. Estimated construction cost and revenue can be changed in the future period.

(4) There are no construction contracts where the percentage of work completed is measured based on the ratio of total costs incurred to date to the total estimated contract costs, and the contract revenue exceeds 5% of the preceding year's revenue.

20. OPERATING EXPENSES

Details of operating expenses for the three months and six months ended June 30, 2016 and 2015 are as follows (Korean won in millions):

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Material costs	₩ 280,997	₩ 483,524	₩ 175,877	₩ 357,749
Outsourcing costs	132,449	245,249	107,744	202,834
Salaries	80,181	151,960	66,864	131,618
Provision for pension benefits	6,500	13,314	7,404	13,843
Depreciation	10,755	20,897	9,149	18,531
Rents	11,775	23,256	2,943	5,735
Communications	5,635	11,374	6,010	11,982
Employee welfare benefits	14,191	27,098	11,852	22,507
Commissions	5,419	14,457	5,319	8,792
Supplies	814	1,702	730	1,425
Education and training	3,628	6,623	2,001	3,393
Research and development	4,205	8,004	1,771	6,495
Office management	8,023	15,396	5,325	10,997
Travel	3,566	6,590	2,397	4,723
Others	26,476	38,928	6,992	14,929
Total	₩ 594,614	₩ 1,068,372	₩ 412,378	₩ 815,553

21. EXPENSES CLASSIFIED BASED ON NATURE OF EXPENSE

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Material costs	₩ 281,075	₩ 483,757	₩ 175,768	₩ 357,792
Outsourcing costs	132,605	245,632	108,387	203,587
Salaries	81,064	153,356	67,264	132,842
Provision for pension benefits	6,740	13,731	6,202	14,029
Depreciation and amortization	14,260	28,220	12,100	25,704
Rents	11,775	23,257	2,943	5,735
Communications	5,636	11,375	6,010	11,983
Employee welfare benefits	14,563	27,743	11,876	22,788
Commissions	5,555	14,594	5,288	8,804
Education and training	3,699	6,746	2,011	3,433
Office management	8,023	15,396	5,437	11,109
Travel	3,576	6,723	2,381	4,730
Others	26,043	37,842	6,711	13,017
Total	₩ 594,614	₩ 1,068,372	₩ 412,378	₩ 815,553

22. FINANCIAL INCOME (COSTS) AND OTHER NON-OPERATING INCOME (EXPENSES)

(1) Financial income and costs

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Financial income:				
Interest income	₩ 774	₩ 1,529	₩ 600	₩ 1,364
Gain on foreign currency transactions	843	1,427	352	948
Gain on foreign currency translation	209	338	480	787
Gain on valuation of derivative instruments	440	1,058	295	463
Gain on transactions of derivative instruments	47	220	78	255
Total	₩ 2,313	₩ 4,572	₩ 1,805	₩ 3,817
Financial costs:				
Interest expenses	₩ 36,732	₩ 72,917	₩ 15,143	₩ 30,252
Loss on foreign currency transactions	861	1,672	829	1,851
Loss on foreign currency translation	(105)	496	141	314
Loss on valuation of derivative instruments	576	632	45	69
Loss on transactions of derivative instruments	276	572	156	393
Total	₩ 38,340	₩ 76,289	₩ 16,314	₩ 32,879

(2) Other non-operating income and expenses

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Other non-operating income:				
Dividends income	₩ 726	₩ 1,200	₩ 29	₩ 59,402
Gain on disposal of available-for-sale financial assets	-	125	114	114
Gain on disposal of investments in associates	-	1,320	-	-
Gain on disposal of property, plant and equipment	4	30	63	98
Gain on disposal of intangible assets	-	167	-	-
Others	114	436	316	427
Total	₩ 844	₩ 3,278	₩ 522	₩ 60,041
Other non-operating expenses:				
Loss on disposal of available-for-sale financial assets	₩ 13	₩ 13	₩ -	₩ -
Loss on disposal of property, plant and equipment	7	60	44	106
Loss on disposal of intangible assets	205	356	-	250
Impairment of intangible assets	-	967	-	4,940
Donations	7,457	7,587	159	231
Others	492	1,087	188	920
Total	₩ 8,174	₩ 10,070	₩ 391	₩ 6,447

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, 2016 and 2015 were 5.96% and 18.95%, respectively.

24. EARNINGS PER SHARE

(1) Basic earnings per share for the six months ended June 30, 2016 and 2015 are as follows (Korean won in millions, except per share information):

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Net income	₩ 10,997	₩ 589,958	₩ 32,057	₩ 111,019
Less: Preferred share dividends	(487)	(973)	-	-
Net income attributable to ordinary share owners of the Company	₩ 10,510	₩ 588,985	₩ 32,057	₩ 111,019
Weighted-average number of issued shares outstanding (*1)	55,824,357	55,824,357	44,000,000	44,000,000
Basic earnings per share (Korean won)	188	10,551	729	2,523

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

(2) The weighted-average number of issued shares outstanding for the three months and the six months ended June 30, 2016 and 2015 are as follows:

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Weighted-average number of shares outstanding	70,360,297	70,360,297	44,000,000	44,000,000
Weighted-average number of treasury shares	(14,535,940)	(14,535,940)	-	-
Weighted-average number of issued shares outstanding	55,824,357	55,824,357	44,000,000	44,000,000

25. TRANSACTIONS WITH RELATED PARTIES

Details of significant transactions with related parties for six months ended June 30, 2016 and 2015, and significant balances with related parties as at June 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

(1) The related parties of the Company as at June 30, 2016 are as follows:

	Company name
Ultimate controlling party	Tae-won Chey and related parties
Subsidiary (total of 285)	SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, SK Energy Road Investment Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., Shanxi SK Guolin Asphalt 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 Energy Hong Kong Co., Ltd., Shandong SK Hightech Oil Co., Ltd., SK Global Chemical Co., Ltd., SK Global Chemical

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Company name

(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., Shanghai Huayou International Freight Forwarding Co., Ltd., SK Global Chemical Americas, Inc., 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., Bergaya International Pte. Ltd., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., PT. Patra SK, SK Lubricants & Oils India Private Limited, SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., 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 Energy Australia (Togara) Pty. Ltd., Moche Energy Company, LLC, SK E&P Company, SK E&P Asia, Ltd., SK E&P America, Inc., SK Plymouth, LLC, SK Permian, LLC, SK Battery Systems Co., Ltd., SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Broadband Co., Ltd., PS&Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., Networkons Co., Ltd., Neosnetworks Co., Ltd., SK techx Co.,Ltd., One store Co., Ltd., SK Planet Co., Ltd., M&SERVICE Co., Ltd., SK Communications Co., Ltd., Stonebridge Cinema Fund, K-Net Culture & Contents Venture Fund, Fitech Focus Limited Partnership II, Open Innovation Fund, SK Planet Japan, K. K., SK Planet Global Pte. Ltd., SKP America LLC, shopkick Management Company, Inc., shopkick, Inc., SKP Global Holdings Pte. Ltd., SK Telecom China Holding Co., Ltd., SK Global Healthcare Business Group., Ltd., SKT Vietnam Pte. Ltd., SKT Americas Inc., YTK Investment Ltd., Atlas Investment Ltd., Technology Innovation Partners, L.P., SK Telecom China Fund I L.P., IRIVER LIMITED, iriver America Inc., iriver Inc., iriver Enterprise Ltd., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd., Groovers JP Ltd., ENTRIX Co., Ltd., SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Pinx Co., Ltd., Speed Motors Co., Ltd., SKN (China) Holdings Co., Ltd., SK Networks (China) Fashion Co., Ltd. (formerly, SK Networks (Shanghai) Marketing Co., Ltd.), Liaoning SK Networks Real Estate Development Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., Liaoning SK Networks Logistics Co., Ltd., Dandong SK Networks Energy Co., Ltd., Shenyang SK Networks Energy Co., Ltd., SK Liaoning Construction 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 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., SK Networks Japan Co., Ltd., Obzee N.Y. Inc., SK Networks Deutschland GmbH, Daiyang SK Networks SAN. VE TIC. Ltd. STI, SK Networks Resources Australia Pty. Ltd., SK Steel Australia Pty. Ltd., SKC Co., Ltd., SK Telesys Co., Ltd., SK Airgas 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, Bioland Ltd., Bioland Biotec Co., Ltd., Bioland Haimen Co., Ltd., SE (JIANGSU) Electronic Materials Co., Ltd., Techdream Co., Ltd., SKC INFRA SERVICE Co., Ltd., SK Shipping Co., Ltd., GaSan 2nd L.L.C, BLUESEAOCEAN 1ST L.L.C, BLUESEAOCEAN 2ND L.L.C, With Ocean L.L.C, SK Shipping Hongkong Ltd., SK Shipping Singapore Pte. Ltd., SK B&T Pte. Ltd., Promise Shipholding S.A. and 61 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., PMP Co., Ltd., Wirye energy service Co., Ltd., SK E&S Hong Kong Co., Ltd., SK E&S Australia Pty. Ltd., SK E&S Americas, Inc., SK E&S LNG, LLC, DewBlaine Energy, LLC, CAILIP Gas Marketing, LLC, SK LNG Trading Pte. Ltd., PT SK E&S Nusantara, SK Engineering & Construction Co., Ltd., Seosuwon Development Company, Seosuwon development company, 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, N-Compass Development, LLC, SKEC Consultores Ecuador, S.A., Sunlake Co., Ltd., SK E&C India Pvt. 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 Infosec Co., Ltd., SK ENCARSALLES.COM., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., SK MENA B.V., SK S.E.Asia Pte. Ltd., ESSENORE Limited, ISD Technology (ShenZhen) Limited, S&G Technology, SK Biopharmaceuticals Co., Ltd., SK Biotek Co.,Ltd., SK Life Science, Inc., SK China Company, Ltd., SK China (Beijing) Co., Ltd., SK Beijing Investment Management Ltd., SKY Property Mgmt (Beijing) Co., Ltd., SK Bio Energy HongKong Co., Ltd., SK Property Investment Management Co., Ltd., SK Industrial Development China Co., Ltd., Shanghai SKY Real Estate Development Co.,

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Company name

Ltd., SK International Supply Chain Management Co., Ltd., Ningde Sky Beverage Co., Ltd., SK China Investment Management Co., Ltd., SK International Agro-Products Logistics Development Co., Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SK China Creative Industry Development Co., Ltd., 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 Investment Americas S.A., Fitech Sector Limited Partnership IV, The Contents Company, Co. Ltd., Candle Media Co., Ltd., SK Technology Innovation Company, HAPPYNARAE Co., Ltd., Suzhou HAPPYNARAE Co., Ltd., SK Forest Co., Ltd.

(2) Details of transactions with related parties for the three months and the six months ended June 30, 2016 and 2015 are as follows (Korean won in millions):

Subsidiary	Company name	June 30, 2016			
		Sales (*1)		Purchase (*2)	
		Three months	Six months	Three months	Six months
		₩	₩	₩	₩
	SK Innovation Co., Ltd.	18,143	180,849	2,392	2,879
	SK Biopharmaceuticals Co., Ltd.	323	982	-	-
	M & SERVICE Co., Ltd.	734	790	273	698
	Jeju United FC Corporation	31	63	-	-
	SK Lubricants Co., Ltd.	2,245	5,140	-	-
	SK Energy Co., Ltd.	15,204	40,911	-	-
	SK Global Chemical Co., Ltd.	4,962	12,508	-	-
	SK Incheon Petrochem Co., Ltd.	4,303	8,399	-	-
	SK Trading International Co., Ltd.	1,001	1,585	-	-
	SK Biotek Co., Ltd.	314	479	-	-
	SK USA, Inc.	-	-	320	581
	SK Engineering & Construction Co., Ltd.	7,606	14,982	1	1
	SK Forest Co., Ltd.	38	64	435	435
	SKC Co., Ltd.	2,236	15,955	-	-
	SK Telesys Co., Ltd.	335	634	-	-
	SK Mobile Energy Co., Ltd.	65	143	-	-
	SKC Solmics Co., Ltd.	68	144	-	-
	SK E&S Co., Ltd.	4,230	224,407	-	-
	Kangwon City Gas Co., Ltd.	68	145	-	-
	Yeongnam energy service Co., Ltd.	224	535	-	-
	Ko-one energy service Co., Ltd.	284	710	19	33
	Pusan City Gas Co., Ltd.	298	695	-	-
	Jeonbuk Energy Service Co., Ltd.	54	119	-	-
	Chonnam City Gas Co., Ltd.	75	158	-	-
	Chungcheong energy service Co., Ltd.	137	325	-	-
	SK Infosec Co., Ltd.	964	1,854	2,789	5,091
	SK ENCARSALSALES.COM., Ltd.	96	4,162	359	742
	SK C&C Beijing Co., Ltd.	76	549	2,087	3,565
	ESSENCORE Limited	547	1,085	-	-
	SK Networks Co., Ltd.	12,617	34,649	4,154	9,060
	HAPPYNARAE Co., Ltd.	85	132	330	642
	SK Networks Service Co., Ltd.	368	1,197	434	945
	SK Pinx Co., Ltd.	8	17	607	1,238
	SK Shipping Co., Ltd.	1,360	3,062	-	-
	SK Telecom Co., Ltd.	108,881	383,641	2,493	5,385
	SK Telink Co., Ltd.	1,034	1,910	96	216
	SK Communications Co., Ltd.	96	157	-	-
	Commerce Planet Co., Ltd.	-	19	-	-
	SK techx Co., Ltd.	8,545	13,559	-	-
	SK Broadband Co., Ltd.	41,716	63,312	2,282	4,485
	PS&Marketing Corp.	632	1,581	82	132
	Serviceace Co., Ltd.	92	184	-	-
	Service Top Co., Ltd.	93	182	-	-
	Networks Co., Ltd.	123	290	-	-
	SK Planet Co., Ltd.	16,658	31,651	933	991
	Others	802	989	9	23

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

		June 30, 2016			
		Sales (*1)		Purchase (*2)	
	Company name	Three months	Six months	Three months	Six months
Others	Hana Land Chip PEF 33	-	1,728	8,226	16,855
	Netruck Franz Co., Ltd.	71	117	-	-
	SK TNS Co., Ltd.	246	504	-	-
	SK D&D Co., Ltd.	142	229	-	-
	Mitsui Chemicals & SKC Polyurethanes Inc.	247	504	-	-
	SK Securities Co., Ltd.	5,898	10,927	-	-
	SK Gas Co., Ltd.	1,478	3,923	-	-
	SK Advanced Co., Ltd.	229	538	-	-
	DONGBU POWER DANGJIN CORPORATION	3	61	-	-
	SK Chemicals Co., Ltd.	1,175	2,749	-	-
	Huvis Corporation	168	385	-	-
	Mobile TCS Co., Ltd.	42	134	-	-
	SK WYVERNS Co., Ltd.	13	23	-	500
	Konan Technology	-	-	37	73
	SK hynix Inc.	53,333	95,162	18	41
	SK hystec. Inc.	119	214	49	94
	SK hyeng Inc.	86	156	169	172
	SK hynix Semiconductor (China) Ltd.	15,527	15,527	-	-
	Others	932	1,554	-	-
Total		₩ 337,480	₩ 1,189,339	₩ 28,594	₩ 54,877

		June 30, 2015			
		Sales (*1)		Purchase (*2)	
	Company name	Three months	Six months	Three months	Six months
Subsidiary	SK Infosec Co., Ltd.	₩ 564	₩ 1,075	₩ 2,096	₩ 3,904
	SK ENCARSALES.COM., Ltd.	97	151	591	1,252
	SK C&C Beijing Co., Ltd.	130	240	2,014	3,807
	Mozido Corfire, Inc.	-	354	280	280
	Essencore Limited	395	477	-	-
	SK C&C USA, Inc.	327	327	-	-
Others	SK Telecom Co., Ltd.	102,744	198,316	2,188	4,152
	SK Broadband Co., Ltd.	25,387	45,939	2,569	5,140
	SK Planet Co., Ltd.	14,908	29,915	801	876
	SK Networks Co., Ltd.	11,182	20,628	2,894	5,609
	SK Energy Co., Ltd.	6,902	14,895	-	-
	SK Innovation Co., Ltd.	7,502	13,710	75	140
	SK Engineering & Construction Co., Ltd.	3,880	7,984	-	1
	SK E&S Co., Ltd.	4,216	8,680	-	-
	SK Global Chemical Co., Ltd.	2,551	5,065	-	-
Others	10,144	20,251	1,893	3,818	
Total		₩ 190,929	₩ 368,007	₩ 15,401	₩ 28,979

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

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

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

		June 30, 2016					
		Receivables			Payables		
	Company name	Trade receivables	Other receivables	Total	Trade payables	Other payables	Total
Subsidiary	SK Innovation Co., Ltd.	₩ 2,980	₩ 212	₩ 3,192	₩ 1,980	₩ 5,144	₩ 7,124
	M&SERVICE Co., Ltd.	18	-	18	183	10	193
	SK Lubricants Co., Ltd.	738	-	738	-	-	-
	SK Energy Co., Ltd.	2,856	-	2,856	-	-	-
	SK Global Chemical Co., Ltd.	1,025	-	1,025	-	-	-
	SK Incheon Petrochem Co., Ltd.	489	-	489	-	-	-
	SK Trading International Co., Ltd.	202	-	202	-	-	-
	SK USA, Inc.	-	-	-	-	310	310
	SK Engineering & Construction Co., Ltd.	3,369	-	3,369	-	-	-
	SK Forest Co., Ltd.	-	290	290	-	-	-
	SKC Co., Ltd.	677	-	677	-	-	-
	SK Telesys Co., Ltd.	133	-	133	-	-	-
	SK E&S Co., Ltd.	1,328	-	1,328	-	-	-
	Busan City Gas Co., Ltd.	22	-	22	-	-	-
	Chungcheong energy service Co., Ltd.	12	-	12	-	-	-
	SK Infosec Co., Ltd.	211	-	211	1,983	1,520	3,503
	SK ENCARSALES.COM., Ltd.	-	5,426	5,426	-	58	58
	SK C&C Beijing Co., Ltd.	686	-	686	-	754	754
	ESSENCORE Limited	957	-	957	-	-	-
	SK Networks Co., Ltd.	4,154	72	4,226	-	168	168
	HAPPYNARAE Co., Ltd.	-	-	-	82	74	156
	SK Networks Service Co., Ltd.	44	-	44	855	61	916
	SK Shipping Co., Ltd.	237	-	237	-	-	-
	SK Telecom Co., Ltd.	36,691	340	37,031	169	3,326	3,495
	SK Telink Co., Ltd.	234	-	234	4	18	22
	SK Broadband Co., Ltd.	27,496	-	27,496	1	475	476
	PS&Marketing Corp.	229	-	229	-	-	-
	Networkons Co., Ltd.	49	-	49	-	-	-
	SK Planet Co., Ltd.	11,837	328	12,165	-	16	16
	SK Biopharmaceuticals Co., Ltd.	98	-	98	-	-	-
	SK techx Co., Ltd.	7,838	-	7,838	-	-	-
	Others	352	-	352	-	9	9
Others	Hana Land Chip PEF 33	-	5,727	5,727	-	-	-
	SK Securities Co., Ltd.	1,733	-	1,733	-	-	-
	SK Gas Co., Ltd.	555	-	555	-	-	-
	SK Chemicals Co., Ltd.	868	-	868	-	-	-
	Huvis Corporation	59	-	59	-	-	-
	Hana Card Co., Ltd.	-	-	-	-	8	8
	SK hynix Inc.	77,551	-	77,551	-	6,178	6,178
	SK hynix Semiconductor (China) Ltd.	1,153	-	1,153	-	-	-
	Others	1,000	148	1,148	19	1,008	1,027
Total		₩ 187,881	₩ 12,543	₩ 200,424	₩ 5,276	₩ 19,137	₩ 24,413

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

		December 31, 2015					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
Subsidiary		receivables	receivables		payables	payables	
	SK Innovation Co., Ltd.	₩ 12,087	₩ 159	₩ 12,246	₩ 187	₩ 5,460	₩ 5,647
	M&SERVICE Co., Ltd.	41	-	41	65	220	285
	SK Lubricants Co., Ltd.	807	-	807	-	1,561	1,561
	SK Energy Co., Ltd.	7,121	-	7,121	-	6,064	6,064
	SK Global Chemical Co., Ltd.	1,940	-	1,940	-	2,933	2,933
	SK Incheon Petrochem Co., Ltd.	923	-	923	-	1,047	1,047
	SK Trading International Co., Ltd.	367	-	367	-	1,122	1,122
	SK Battery Systems Co., Ltd.	178	-	178	-	-	-
	SK USA, Inc.	-	-	-	-	357	357
	SK Engineering & Construction Co., Ltd.	7,257	-	7,257	-	1,254	1,254
	SK Forest Co., Ltd.	11	290	301	-	997	997
	SKC Co., Ltd.	1,591	-	1,591	-	-	-
	SK Telesys Co., Ltd.	1,322	-	1,322	-	59	59
	SK E&S Co., Ltd.	1,641	-	1,641	-	-	-
	Busan City Gas Co., Ltd.	531	-	531	-	-	-
	Chungcheong energy service Co., Ltd.	101	-	101	-	-	-
	SK Infosec Co., Ltd.	1,153	-	1,153	5,019	1,124	6,143
	SK ENCARSALES.COM., Ltd.	3	5,776	5,779	-	-	-
	SK C&C Beijing Co., Ltd.	577	-	577	673	6	679
	ESSEN CORE Limited	688	297	985	-	19	19
	SK Networks Co., Ltd.	4,129	70	4,199	-	1,321	1,321
	HAPPYNARAE Co., Ltd.	1	-	1	37	134	171
	SK Networks Service Co., Ltd.	65	-	65	411	144	555
	SK Shipping Co., Ltd.	614	-	614	-	-	-
	SK Telecom Co., Ltd.	107,677	342	108,019	696	695	1,391
	SK Telink Co., Ltd.	434	-	434	6	40	46
	SK Broadband Co., Ltd.	35,200	-	35,200	-	3,204	3,204
	PS&Marketing Corp.	1,880	-	1,880	-	-	-
	Networkons Co., Ltd.	956	-	956	-	-	-
	SK Planet Co., Ltd.	13,467	90	13,557	-	81	81
	Others	494	23	517	12	106	118
Others	Hana Land Chip PEF 33	-	5,727	5,727	-	-	-
	SK Securities Co., Ltd.	3,018	-	3,018	-	-	-
	SK Gas Co., Ltd.	954	-	954	-	-	-
	SK Advanced Co., Ltd.	177	-	177	-	-	-
	DONGBU POWER DANGJIN CORPORATION	164	-	164	-	-	-
	SK Chemicals Co., Ltd.	1,367	-	1,367	-	-	-
	Huvis Corporation	970	-	970	-	-	-
	Hana Card Co., Ltd.	2,869	-	2,869	-	7	7
	SK hynix Inc.	100,512	-	100,512	-	6,263	6,263
	Others	660	-	660	21	40	61
Total		₩ 313,947	₩ 12,774	₩326,721	₩ 7,127	₩ 34,258	₩ 41,385

(4) Compensation for key management personnel of the Company for the three months and six months ended June 30, 2016 and 2015 are as follows (Korean won in millions):

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Salaries	₩ 964	₩ 1,504	₩ 312	₩ 607
Provision for pension benefits	48	254	48	66
Total	₩ 1,012	₩ 1,758	₩ 360	₩ 673

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

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(5) Details of significant transactions with related parties in relation to the investments for the six months ended June 30, 2016 are as follows (Korean won in millions):

	<u>Amount</u>	<u>Transactions</u>
SK Biopharmaceuticals Co., Ltd.	₩ 123,800	Acquisition of shares of SK Biotek Co., Ltd.
SK Biotek Co., Ltd.	<u>40,000</u>	Share capital increase
Total	<u>₩ 163,800</u>	

(6) Guarantees provided to related parties are described in Note 27.

26. CASH FLOW INFORMATION

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

	<u>For the six months ended</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Provision for pension benefits	₩ 13,724	₩ 14,029
Depreciation	22,003	20,048
Depreciation of investment properties	213	-
Amortization	6,004	5,656
Bad debt expenses	157	16
Outsourcing fees (provision for service warranties)	3,421	4,566
Interest expenses	72,917	30,252
Loss on foreign currency translation	496	314
Loss on valuation of derivative instruments	632	69
Loss on disposal of available-for-sale financial assets	13	-
Loss on disposal of property, plant and equipment	60	106
Loss on disposal of intangible assets	356	250
Loss on impairment of intangible assets	967	4,940
Income tax expense	37,380	25,963
Reversal of service warranties	(227)	(265)
Dividends income	(575,826)	(59,402)
Interest income	(1,529)	(1,364)
Gain on foreign currency translation	(338)	(787)
Gain on valuation of derivative instruments	(1,058)	(463)
Gain on disposal of available-for-sale financial assets	(125)	(114)
Gain on disposal of investments in associates	(1,320)	-
Gain on disposal of property, plant and equipment	(30)	(98)
Gain on disposal of intangible assets	(167)	-
Others	107	(100)
Total	<u>₩ (422,170)</u>	<u>₩ 43,616</u>

26. CASH FLOW INFORMATION (CONTINUED)

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

	For the six months ended	
	June 30, 2016	June 30, 2015
Trade accounts receivable	₩ (5,327)	₩ 67,859
Other accounts receivable	233	(286)
Accrued income	(5)	(452)
Inventories	(26,770)	666
Advance payments	(1,164)	(1,050)
Prepaid expenses	(1,072)	(1,187)
Trade accounts payable	53,792	(65,295)
Advance received	(8,536)	(6,643)
Withholdings	1,097	797
Other accounts payable	(38,963)	(27,417)
Accrued expenses	(8,506)	(1,342)
Leasehold deposits received	(71)	(402)
Provision for service warranties	(3,634)	(3,941)
Retirement benefit obligation	(2,647)	(10,206)
Plan assets	2,756	9,723
Others	802	447
Total	₩ (38,015)	₩ (38,729)

(3) Significant non-cash transactions

Details of significant non-cash transactions for the six months ended June 30, 2016 and 2015 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2016	June 30, 2015
Write-off of trade accounts receivable and others	₩ 515	₩ 27
Acquisitions of available-for-sale financial assets	114	-
Acquisitions of investments in associates	58,860	-

27. COMMITMENTS AND CONTINGENCIES

(1) Guarantees provided by others for the Company's obligations and indebtedness as at June 30, 2016 and December 31, 2015 are as follows (Korean won in millions, and USD and VND in thousands):

	Currency	June 30, 2016	December 31, 2015
Seoul Guarantee Insurance	KRW	1,110	1,753
Korea Software Financial Cooperative	KRW	364,153	403,904
The Export-Import Bank of Korea	USD	2,690	2,841
Korea Trade Insurance Coporation	USD	6,587	6,820
Korea Trade Insurance Coporation	VND	90,113,661	96,845,147

(2) Pending litigation

Details of significant pending litigations as at June 30, 2016 are as follows (Korean won in millions, and USD in thousands):

Plaintiff	Defendant	Description	Currency	Claim amount	Status
Samsung Card Co., Ltd.	Company	Claim for damages	KRW	2,831	First trial in progress
Logiscube Co., Ltd.	Company	Claim for suspension of goods usage	-	-	First trial in progress

27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Plaintiff	Defendant	Description	Currency	Claim amount	Status
Defense Acquisition Program Administration	Company	Claim for damages	USD	19,673	First trial in progress
Taekwang Network Information	Company	Claim for payment	KRW	1,381	Second trial in progress
Choi, Kwang-sub	Company	Revoking of fraudulent act	KRW	7	First trial in progress
Choi, Soo-hyun	Company	Burden of expenses for altering Suwon branch's purpose of use	KRW	62	First trial in progress
Company	Samsung Card Co., Ltd.	Claim for damages	KRW	2,961	First trial in progress

As at June 30, 2016, the Company is unable to determine the ultimate outcomes of the above litigations.

(3) The assets pledged as collateral for the Company's guarantee of implementation of the agreement as at June 30, 2016 are as follows (Korean won in millions):

	Book value	Collateralized amount	Reason for collateral	Collateral beneficiary
Land and buildings	₩ 9,588	₩ 1,700	Guarantee of implementation of the agreement	RCI Financial Service Korea

(4) Significant commitments

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

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

In order to estimate the fair value of this put option, the Company considered the present value of the underlying asset and its variance, as well as the possibility of the exercise condition being met. After the consideration, the Company found it difficult to reliably measure the fair value and, therefore, did not recognize it in the condensed separate financial statements.

- The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Asset Management. Under the terms of the lease, the lease period is until March 28, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- 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 December 31, 2015, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLCs 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.

27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 4) The Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd. and SK Trading International Co., Ltd., are collectively responsible for any obligations of the Company arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on July 1, 2011.
 - 5) 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 calculated as the lower of ₩0 and other guarantee of ₩92,312 million, less the estimated value of ships owned by SK Shipping Co., Ltd.
 - 6) The Company provided payment guarantee for ESSENCORE Limited, one of its subsidiaries, for up to USD 20 million.
 - 7) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance, and development service entered into between the Company and SK Group companies and others.
 - 8) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- (5) The Company has provided 7 blank checks and 12 blank notes as collateral in relation to sales and other transactions as at June 30, 2016.

28. 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.

(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.

1) Interest 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 does not believe the fluctuation in market interest rate other than those mentioned above has a material impact on its financial statements.

2) 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.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Significant monetary assets and liabilities denominated in foreign currencies as at June 30, 2016 and December 31, 2015 are as follows (Korean won in millions, and USD and EUR in thousands):

	Currency	June 30, 2016		December 31, 2015	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	12,367	₩ 14,392	13,575	₩ 15,946
	EUR	1,380	1,788	539	691
	Others		4,646		1,934
Total			₩ 20,826		₩ 18,571
Liabilities	USD	2,113	₩ 2,461	2,349	₩ 2,753
	Others		258		1,333
Total			₩ 2,719		₩ 4,086

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, 2016		December 31, 2015	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before income tax expense	₩ 1,811	₩ (1,811)	₩ 1,449	₩ (1,449)

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 has not determined that the effect of changes in other price would have materially affected the Company.

(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 securities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at June 30, 2016 and December 31, 2015 is as follows, and for cash and cash equivalents, credit risk exposure is low (Korean won in millions):

	June 30, 2016	December 31, 2015
Short-term and long-term financial instruments	₩ 72,319	₩ 67,219
Trade accounts receivable	331,270	378,597
Other accounts receivable	1,133	1,369
Accrued income	245	203
Available-for-sale financial assets	547	541
Short-term and long-term guarantee deposits	22,710	22,533
Short-term and long-term loan	600	1,681
Total	₩ 428,824	₩ 472,143

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 grouped into homogenous groups and looked for impairment collectively. The calculation is based on actually incurred historical data.

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.

(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, 2016 is as follows. Amounts include interests paid and recognised at gross amounts (Korean won in millions):

	<u>Book value</u>	<u>Contractual cash flow</u>	<u>Less than 3 months</u>	<u>3~12 months</u>	<u>1~5 years</u>	<u>More than 5 years</u>
Short-term borrowings	₩ 180,000	₩ 181,974	₩ 81,974	₩ 100,000	₩ -	₩ -
Bonds payable	5,747,514	5,883,251	351,339	626,907	3,892,871	1,012,134
Financial derivatives liabilities	565	565	56	477	32	-
Trade accounts payable	163,168	163,168	163,168	-	-	-
Other liabilities	<u>65,532</u>	<u>65,532</u>	<u>44,413</u>	<u>8,765</u>	<u>12,354</u>	<u>-</u>
Total	<u>₩ 6,156,779</u>	<u>₩ 6,294,490</u>	<u>₩ 640,950</u>	<u>₩ 736,149</u>	<u>₩ 3,905,257</u>	<u>₩ 1,012,134</u>

(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 55.78% as at June 30, 2016. 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, 2016 and December 31, 2015 is as follows (Korean won in millions):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Total liabilities	₩ 6,619,372	₩ 6,111,406
Total equity	11,866,433	11,481,677
Debt ratio	55.78%	53.23%