



SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three months ended March 31, 2017 and 2016
with the independent auditors' review report

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Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at March 31, 2017, and the interim condensed consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for the three-month periods ended March 31, 2017 and 2016, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards (KIFRS)1034 *Interim Financial Reporting*.

Also, management is responsible for the design and operation of the Group’s internal control to prevent and detect any error or fraud which may cause material misstatement of the interim condensed consolidated financial statements.

Auditors’ responsibility

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

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

Conclusion

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

Emphasis of matter

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

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

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

We have reflected the results of the reviewing procedures performed on the key audit matters as described below in forming the conclusion.

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

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

Further, the Group recognized accounts receivable (unbilled contract revenue) for construction cost to date, net of recognized loss, exceeding billed amounts. As at March 31, 2017, unbilled construction contract amounted to ₩557,610 million and if such amount is uncollected, the Group is exposed to risks in relation to asset measurement.

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

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

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

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

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

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

Other matters

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

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

Ernst & Young Han Young

May 15, 2017

This review report is effective as at May 15, 2017, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three months ended March 31, 2017 and 2016

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

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

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

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Assets					
Current assets:					
Cash and cash equivalents	5	₩ 8,412,343	₩ 7,086,957	\$ 7,537,266	\$ 6,349,751
Trade accounts receivable	5, 6, 26, 31	10,261,257	10,398,471	9,193,851	9,316,792
Other accounts receivable	5, 26, 30	1,877,470	1,828,941	1,682,170	1,638,689
Inventories	7, 31	6,488,396	6,018,855	5,813,454	5,392,756
Available-for-sale financial assets	5, 8, 31	279,211	179,448	250,167	160,781
Other current assets	5, 17, 18, 31	6,275,609	6,301,260	5,622,802	5,645,784
Assets held for sale	28	22,628	636,110	20,274	569,940
Total current assets		<u>33,616,914</u>	<u>32,450,042</u>	<u>30,119,984</u>	<u>29,074,493</u>
Non-current assets:					
Long-term trade accounts receivable	5, 6	21,041	24,188	18,852	21,672
Long-term other accounts receivable	5, 30	75,050	205,584	67,243	184,199
Available-for-sale financial assets	5, 8, 31	1,471,444	1,527,092	1,318,380	1,368,239
Investments in associates and joint ventures	9, 31	11,784,729	11,559,899	10,558,847	10,357,404
Property, plant and equipment	10, 31	40,058,533	41,032,505	35,891,527	36,764,183
Investment property	11, 31	718,332	727,783	643,609	652,077
Goodwill	12	589,422	575,233	528,109	515,396
Intangible assets	13	11,001,926	11,197,157	9,857,473	10,032,396
Deferred income tax assets		704,226	711,591	630,970	637,569
Other non-current assets	5, 17, 18, 26	2,806,849	3,036,263	2,514,872	2,720,422
Total non-current assets		<u>69,231,552</u>	<u>70,597,295</u>	<u>62,029,882</u>	<u>63,253,557</u>
Total assets		<u>₩ 102,848,466</u>	<u>₩ 103,047,337</u>	<u>\$ 92,149,866</u>	<u>\$ 92,328,050</u>
Liabilities					
Current liabilities:					
Short-term borrowings	5, 14, 33	₩ 2,863,414	₩ 2,614,117	\$ 2,565,553	\$ 2,342,189
Trade accounts payable	5, 26, 33	7,580,921	8,897,260	6,792,331	7,971,741
Other accounts payable	5, 26, 33	1,878,497	3,241,765	1,683,090	2,904,547
Provisions	15	341,060	420,803	305,582	377,030
Current portion of long-term debt	5, 14, 33	6,858,891	5,629,577	6,145,409	5,043,972
Other current liabilities	5, 17, 18, 33	10,129,999	7,850,072	9,076,247	7,033,484
Liabilities held for sale	28	1,700	63,016	1,523	56,461
Total current liabilities		<u>29,654,482</u>	<u>28,716,610</u>	<u>26,569,735</u>	<u>25,729,424</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 33	22,432,529	23,133,506	20,099,031	20,727,091
Long-term other accounts payable	5, 33	4,014,825	4,601,776	3,597,191	4,123,086
Retirement benefit obligation	16	310,458	229,378	278,163	205,517
Provisions	15	100,649	104,331	90,179	93,478
Deferred income tax liabilities		3,259,948	3,098,508	2,920,839	2,776,192
Other non-current liabilities	5, 17, 18, 26, 33	859,156	836,504	769,785	749,488
Total non-current liabilities		<u>30,977,565</u>	<u>32,004,003</u>	<u>27,755,188</u>	<u>28,674,852</u>
Total liabilities		<u>60,632,047</u>	<u>60,720,613</u>	<u>54,324,923</u>	<u>54,404,276</u>
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	13,785	13,785
Other paid-in capital	19	4,702,562	4,741,139	4,213,388	4,247,952
Retained earnings	19	8,734,598	8,368,122	7,825,999	7,497,645
Other capital components	19	(226,147)	(12,289)	(202,623)	(11,011)
Total equity attributable to owner of the parent		<u>13,226,398</u>	<u>13,112,357</u>	<u>11,850,549</u>	<u>11,748,371</u>
Non-controlling interests		<u>28,990,021</u>	<u>29,214,367</u>	<u>25,974,394</u>	<u>26,175,403</u>
Total equity		<u>42,216,419</u>	<u>42,326,724</u>	<u>37,824,943</u>	<u>37,923,774</u>
Total liabilities and equity		<u>₩ 102,848,466</u>	<u>₩ 103,047,337</u>	<u>\$ 92,149,866</u>	<u>\$ 92,328,050</u>

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
for the three months ended March 31, 2017 and 2016

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

	Notes	For the three months ended March 31,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2017	2016	2017	2016
Sales	4, 26	₩ 23,062,519	₩ 20,498,060	\$ 20,663,488	\$ 18,365,792
Cost of sales	23, 26	<u>20,298,066</u>	<u>17,972,922</u>	<u>18,186,602</u>	<u>16,103,326</u>
Gross profit		2,764,453	2,525,138	2,476,886	2,262,466
Selling and administrative expenses	20, 23, 26	<u>1,057,420</u>	<u>999,556</u>	<u>947,424</u>	<u>895,579</u>
Operating income	4	1,707,033	1,525,582	1,529,462	1,366,887
Financial income	21	1,368,652	931,104	1,226,281	834,248
Financial costs	21	(1,388,220)	(1,045,167)	(1,243,813)	(936,446)
Gain related to investments in associates and joint ventures, net	9	415,629	34,612	372,394	31,012
Other non-operating income	22	182,084	206,555	163,143	185,069
Other non-operating expenses	22	<u>(120,417)</u>	<u>(205,672)</u>	<u>(107,891)</u>	<u>(184,277)</u>
Income from continuing operations before income tax expense	4	2,164,761	1,447,014	1,939,576	1,296,493
Income tax expense from continuing operations	24	<u>(548,553)</u>	<u>(370,034)</u>	<u>(491,491)</u>	<u>(331,542)</u>
Net income from continuing operations	4	1,616,208	1,076,980	1,448,085	964,951
Loss from discontinued operation	27	<u>(840)</u>	<u>(14,303)</u>	<u>(753)</u>	<u>(12,815)</u>
Net income		<u>1,615,368</u>	<u>1,062,677</u>	<u>1,447,332</u>	<u>952,136</u>
Attributable to:					
Owners of the parent		593,542	387,051	531,800	346,790
Non-controlling interests		1,021,826	675,626	915,532	605,346
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(28,039)	(30,850)	(25,122)	(27,641)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain on available-for-sale financial assets		56,491	61,366	50,615	54,983
Equity adjustments of investments in associates and joint ventures		(87,880)	10,668	(78,738)	9,558
Net change in valuation of derivative financial instruments		1,035	(13,059)	927	(11,701)
Net loss on translation of foreign operations		(450,629)	(94,456)	(403,753)	(84,630)
Net loss on translation to the presentation currency		<u>(1,053)</u>	<u>(9,634)</u>	<u>(943)</u>	<u>(8,632)</u>
		(510,075)	(75,965)	(457,014)	(68,063)
Total comprehensive income		<u>₩ 1,105,293</u>	<u>₩ 986,712</u>	<u>\$ 990,318</u>	<u>\$ 884,073</u>
Attributable to:					
Owners of the parent		366,924	328,400	328,756	294,240
Non-controlling interests		738,369	658,312	661,562	589,833
Earnings per share (in Korean won and U.S. dollar):	25				
Basic earnings per share		₩ 10,623	₩ 6,925	\$ 9.52	\$ 6.20
Basic earning per share from continuing operations		10,632	7,010	9.53	6.28

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in shareholders' equity
for the three months ended March 31, 2017 and 2016

(Korean won in millions)

	Issued capital		Other paid-in capital		Retained earnings		Other capital components		Controlling interests		Non-controlling interests		Total equity	
	₩	15,385	₩	4,773,965	₩	7,801,713	₩	(24,545)	₩	12,566,518	₩	27,510,732	₩	40,077,250
As at January 1, 2016														
Total comprehensive income:														
Net income	-	-	-	-	387,051	-	-	387,051	675,626	1,062,677				
Remeasurement loss on defined benefit plans	-	-	-	-	(15,033)	-	-	(15,033)	(15,817)	(30,850)				
Net gain on available-for-sale financial assets	-	-	-	-	-	18,055	18,055	18,055	43,311	61,366				
Equity adjustments of investment in associates and joint ventures	-	-	-	-	-	5,021	5,021	5,021	5,647	10,668				
Net loss on valuation of derivative financial instruments	-	-	-	-	-	(7,455)	(7,455)	(7,455)	(5,604)	(13,059)				
Net loss on translation of foreign operations	-	-	-	-	-	(51,342)	(51,342)	(51,342)	(43,114)	(94,456)				
Net loss on translation to the presentation currency	-	-	-	-	-	(7,897)	(7,897)	(7,897)	(1,737)	(9,634)				
Transaction with shareholders:														
Dividends	-	-	-	-	(191,750)	-	-	(191,750)	(825,729)	(1,017,479)				
Equity transactions in consolidated entities	-	-	(16,244)	-	-	-	-	(16,244)	7,162	(9,082)				
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	348,920	348,920				
Others	-	-	(312)	(1,813)	(1,813)	-	-	(2,125)	(4,395)	(6,520)				
As at March 31, 2016	₩	15,385	₩	4,757,409	₩	7,980,168	₩	(68,163)	₩	12,684,799	₩	27,695,002	₩	40,379,801
As at January 1, 2017	₩	15,385	₩	4,741,139	₩	8,368,122	₩	(12,289)	₩	13,112,357	₩	29,214,367	₩	42,326,724
Total comprehensive income:														
Net income	-	-	-	-	593,542	-	-	593,542	1,021,826	1,615,368				
Remeasurement loss on defined benefit plans	-	-	-	-	(12,760)	-	-	(12,760)	(15,279)	(28,039)				
Net gain on available-for-sale financial assets	-	-	-	-	-	18,067	18,067	18,067	38,424	56,491				
Equity adjustments of investment in associates and joint ventures	-	-	-	-	-	(24,575)	(24,575)	(24,575)	(63,305)	(87,880)				
Net gain (loss) on valuation of derivative financial instruments	-	-	-	-	-	6,318	6,318	6,318	(5,283)	1,035				
Net loss on translation of foreign operations	-	-	-	-	-	(215,834)	(215,834)	(215,834)	(234,795)	(450,629)				
Net gain (loss) on translation to the presentation currency	-	-	-	-	-	2,166	2,166	2,166	(3,219)	(1,053)				
Transaction with shareholders:														
Dividends	-	-	-	-	(208,666)	-	-	(208,666)	(927,618)	(1,136,284)				
Equity transactions in consolidated entities	-	-	(38,614)	-	-	-	-	(38,614)	(103,760)	(142,374)				
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	69,906	69,906				
Others	-	-	37	(5,640)	(5,640)	-	-	(5,603)	(1,243)	(6,846)				
As at March 31, 2017	₩	15,385	₩	4,702,562	₩	8,734,598	₩	(226,147)	₩	13,226,398	₩	28,990,021	₩	42,216,419

(Continued)

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in shareholders' equity
for the three months ended March 31, 2017 and 2016
(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
As at January 1, 2016	\$ 13,785	\$ 4,277,363	\$ 6,990,156	\$ (21,992)	\$ 11,259,312	\$ 24,648,985	\$ 35,908,297
Total comprehensive income:							
Net income	-	-	346,790	-	346,790	605,346	952,136
Remeasurement loss on defined benefit plans	-	-	(13,469)	-	(13,469)	(14,172)	(27,641)
Net gain on available-for-sale financial assets	-	-	-	16,177	16,177	38,806	54,983
Equity adjustments of investment in associates and joint ventures	-	-	-	4,499	4,499	5,059	9,558
Net loss on valuation of derivative financial instruments	-	-	-	(6,680)	(6,680)	(5,021)	(11,701)
Net loss on translation of foreign operations	-	-	-	(46,001)	(46,001)	(38,629)	(84,630)
Net loss on translation to the presentation currency	-	-	-	(7,076)	(7,076)	(1,556)	(8,632)
Transaction with shareholders:							
Dividends	-	-	(171,804)	-	(171,804)	(739,834)	(911,638)
Equity transactions in consolidated entities	-	(14,554)	-	-	(14,554)	6,417	(8,137)
Changes in the scope of consolidation	-	-	-	-	-	312,624	312,624
Others	-	(280)	(1,624)	-	(1,904)	(3,938)	(5,842)
As at March 31, 2016	\$ 13,785	\$ 4,262,529	\$ 7,150,049	\$ (61,073)	\$ 11,365,290	\$ 24,814,087	\$ 36,179,377
As at January 1, 2017	\$ 13,785	\$ 4,247,952	\$ 7,497,645	\$ (11,011)	\$ 11,748,371	\$ 26,175,403	\$ 37,923,774
Total comprehensive income:							
Net income	-	-	531,800	-	531,800	915,532	1,447,332
Remeasurement loss on defined benefit plans	-	-	(11,433)	-	(11,433)	(13,689)	(25,122)
Net gain on available-for-sale financial assets	-	-	-	16,188	16,188	34,427	50,615
Equity adjustments of investment in associates and joint ventures	-	-	-	(22,019)	(22,019)	(56,719)	(78,738)
Net gain (loss) on valuation of derivative financial instruments	-	-	-	5,660	5,660	(4,733)	927
Net loss on translation of foreign operations	-	-	-	(193,382)	(193,382)	(210,371)	(403,753)
Net gain (loss) on translation to the presentation currency	-	-	-	1,941	1,941	(2,884)	(943)
Transaction with shareholders:							
Dividends	-	-	(186,960)	-	(186,960)	(831,124)	(1,018,084)
Equity transactions in consolidated entities	-	(34,597)	-	-	(34,597)	(92,967)	(127,564)
Changes in the scope of consolidation	-	-	-	-	-	62,634	62,634
Others	-	33	(5,053)	-	(5,020)	(1,115)	(6,135)
As at March 31, 2017	\$ 13,785	\$ 4,213,388	\$ 7,825,999	\$ (202,623)	\$ 11,850,549	\$ 25,974,394	\$ 37,824,943

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of cash flows
for the three months ended March 31, 2017 and 2016

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

	Notes	For the three months ended March 31,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2017	2016	2017	2016
Cash flows from operating activities:					
Net income		₩ 1,615,368	₩ 1,062,677	\$ 1,447,332	\$ 952,136
Non-cash adjustments	29	1,495,943	1,762,687	1,340,331	1,579,327
Working capital adjustments	29	(1,880,609)	(265,577)	(1,684,983)	(237,951)
Interest received		54,845	44,870	49,140	40,202
Interest paid		(259,982)	(285,609)	(232,938)	(255,899)
Dividends received		25,869	19,725	23,178	17,673
Income tax paid		(251,614)	(210,161)	(225,440)	(188,299)
Net cash provided by operating activities		799,820	2,128,612	716,620	1,907,189
Cash flows from investing activities:					
Decrease (increase) in short-term financial assets, net		220,543	(645,279)	197,601	(578,155)
Increase (decrease) in short-term loans, net		3,337	(31,636)	2,990	(28,345)
Proceeds from disposal of available-for-sale financial assets		90,928	224,647	81,469	201,279
Proceeds from disposal of investments in associates and joint ventures		4,111	18,857	3,683	16,895
Proceeds from disposal of property, plant and equipment		45,254	45,741	40,547	40,983
Proceeds from disposal of investment properties		-	144,722	-	129,668
Proceeds from disposal of intangible assets		4,272	11,945	3,828	10,702
Proceeds from disposal of assets held for sale		443,125	38,091	397,030	34,129
Acquisition of available-for-sale financial assets		(61,612)	(13,812)	(55,203)	(12,375)
Acquisition of investments in associates and joint ventures		(46,692)	(32,492)	(41,835)	(29,112)
Acquisition of property, plant and equipment		(1,153,786)	(891,410)	(1,033,766)	(798,683)
Acquisition of intangible assets		(106,336)	(91,690)	(95,275)	(82,152)
Changes in cash from changes in the scope of consolidation		6,044	(397,781)	5,415	(356,403)
Transfer of Business		304,736	-	273,036	-
Others, net		(1,203)	(38,053)	(1,078)	(34,095)
Net cash provided by (used in) investing activities		(247,279)	(1,658,150)	(221,558)	(1,485,664)
Cash flows from financing activities:					
Decrease in short-term borrowings, net		330,697	711,381	296,297	637,381
Repayment of current portion of long-term debt		(398,074)	(1,349,466)	(356,665)	(1,209,091)
Increase in bonds payable and borrowings		1,468,825	1,342,305	1,316,034	1,202,674
Increase in other accounts payable		-	56,041	-	50,211
Cash inflows (outflows) from transactions in equity of consolidated subsidiaries		(139,826)	1,896	(125,281)	1,699
Decrease in bonds payable and borrowings		(52,160)	(111,675)	(46,734)	(100,058)
Decrease in other accounts payable		(303,511)	(132,099)	(271,939)	(118,358)
Payment of dividends		(13,591)	(7,451)	(12,177)	(6,676)
Others, net		(25,170)	1,057	(22,552)	947
Net cash provided by financing activities		867,190	511,989	776,983	458,729
Net increase in cash and cash equivalents		1,419,731	982,451	1,272,045	880,254
Net foreign exchange effects		(94,345)	(12,051)	(84,530)	(10,797)
Cash and cash equivalents at the beginning of the period		7,086,957	6,995,224	6,349,751	6,267,560
Cash and cash equivalents at the end of the period		₩ 8,412,343	₩ 7,965,624	\$ 7,537,266	\$ 7,137,017

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

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1. Corporate information

1.1 Outline of the parent

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

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

As at March 31, 2017, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares) and major shareholders and their equity ownership are Tae-won Chey (23.40%), National Pension Service (8.40%) and Ki-won Choi (7.46%).

1.2 Consolidated subsidiaries

The Company and its subsidiaries (collectively, the “Group”) are engaged in petroleum refining, telecommunications, wholesale and retail, chemicals, construction and other industries. Subsidiaries whose accounts are included in the consolidated financial statements as at March 31, 2017 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Innovation Co., Ltd. (*2)	Korea	Resource development	SK Holdings Co., Ltd.	33.40%
SK Energy Co., Ltd.	Korea	Crude oil refining and sales	SK Innovation Co., Ltd.	100.00%
Netruck Co., Ltd.	Korea	Transportation and oil sales	SK Energy Co., Ltd.	100.00%
Jeju United FC Corporation	Korea	Sports association sponsoring	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment Co., Ltd.	Cayman	Investment	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment (HK) Co., Ltd.	Hong Kong	Investment and trade	SK Energy Road Investment Co., Ltd.	100.00%
Ningbo SK Baoying Asphalt Storage Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Hefei SK Baoying Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Chongqing SK Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
SK Shanghai Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	100.00%
SK Energy Hong Kong Co., Ltd.	Hong Kong	Investment	SK Energy Co., Ltd.	100.00%
Shandong SK Hightech Oil Co., Ltd.	China	Gas station operation	SK Energy Hong Kong Co., Ltd.	51.00%
SK Global Chemical Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Golden Tide Plastics (Yantai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
Shanghai Huayou International Freight Forwarding Co., Ltd.	China	Foreign freight forwarding	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Synthetic rubber manufacturing	SK Global Chemical Investment Hong Kong Ltd.	80.00%
SK Incheon Petrochem Co., Ltd. (*3)	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Trading International Co., Ltd.	Korea	Trading business	SK Innovation Co., Ltd.	100.00%
SK Energy International Pte. Ltd.	Singapore	Trading business	SK Trading International Co., Ltd.	100.00%
SK Energy Europe, Ltd.	UK	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Energy Americas, Inc.	USA	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Terminal B.V.	Netherlands	Investment	SK Energy International Pte. Ltd.	100.00%
Bergaya International Pte. Ltd.	Singapore	Management and consulting	SK Energy International Pte. Ltd.	100.00%
SK Lubricants Co., Ltd.	Korea	Lubricants oil manufacturing	SK Innovation Co., Ltd.	100.00%
Yubase Manufacturing Asia Corporation	Korea	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Energy Lubricants (Tianjin) Co., Ltd.	China	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	100.00%
PT. Patra SK	Indonesia	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	65.00%
SK Lubricants & Oils India Private Limited	India	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Americas, Inc.	USA	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Europe B.V.	Netherlands	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Japan Co., Ltd.	Japan	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
Iberian Lube Base Oils, S.A.	Spain	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Lubricants Russia L.L.C	Russia	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Mobile Energy Co., Ltd.	Korea	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Innovation Insurance (Bermuda), Ltd.	Bermuda	Insurance	SK Innovation Co., Ltd.	100.00%
SK USA, Inc.	USA	Management consulting services	SK Innovation Co., Ltd.	100.00%
Moche Energy Company, L.L.C	Peru	Resource development	SK Innovation Co., Ltd.	99.90%
SK E&P Company	USA	Crude oil development	SK Innovation Co., Ltd.	100.00%
SK E&P America, Inc.	USA	Investment	SK Innovation Co., Ltd.	100.00%
SK Plymouth, L.L.C	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, L.L.C	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Battery Systems Co., Ltd.	Korea	Battery pack manufacturing	SK Innovation Co., Ltd.	100.00%
SK Telecom Co., Ltd. (*2)	Korea	Mobile telecommunications	SK Holdings Co., Ltd.	25.22%
SK Telink Co., Ltd.	Korea	International call and MVNO business	SK Telecom Co., Ltd.	85.86%
SK Broadband Co., Ltd.	Korea	Wire communications	SK Telecom Co., Ltd.	100.00%
PS&Marketing Corp.	Korea	Resale communication business	SK Telecom Co., Ltd.	100.00%
Serviceace Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Service Top Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
Network O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
NSOK Co., Ltd. (formerly, Neos Networks Co., Ltd.)	Korea	Machine security and facilities security	SK Telink Co., Ltd.	100.00%
SK techx Co., Ltd.	Korea	System software development and supplying	SK Telecom Co., Ltd.	100.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	65.54%
SK Planet Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	98.10%
SK M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
SK Communications Co., Ltd. (*4)	Korea	Internet portal service	SK Telecom Co., Ltd.	100.00%
Stonebridge Cinema Fund	Korea	Investment fund	SK Planet Co., Ltd.	60.00%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK techx Co., Ltd.	59.00%
SK Planet Japan, K.K.	Japan	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SK Planet Global Pte. Ltd.	Singapore	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SKP America, L.L.C	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
shopkick Management Company, Inc.	USA	Investment	SKP America, L.L.C	100.00%
shopkick, Inc.	USA	E-commerce App. development	shopkick Management Company, Inc.	100.00%
SKP Global Holdings Pte. Ltd.	Singapore	Holding Company	SK Planet Co., Ltd.	100.00%
SK Telecom China Holding Co., Ltd.	China	Holding Company	SK Telecom Co., Ltd.	100.00%
SK Global Healthcare Business Group, Ltd.	Hong Kong	Investment	SK Telecom Co., Ltd.	100.00%
SKT Vietnam Pte. Ltd.	Singapore	Wireless communications	SK Telecom Co., Ltd.	73.32%
SKT Americas Inc.	USA	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
YTK Investment Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P.	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman	Investment	Atlas Investment, Ltd.	100.00%
iriver Co., Ltd. (*2)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	48.89%
iriver Inc.	USA	Marketing and sales in North America	iriver Co., Ltd.	100.00%
iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	iriver Co., Ltd.	100.00%
iriver China Co., Ltd.	China	MP3,4 production and sales	iriver Enterprise, Ltd.	100.00%
Dongguan iriver Electronics Co., Ltd.	China	Electronic book production and sales	iriver Enterprise, Ltd.	100.00%
groovers Japan Co., Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
ENTRIX Co., Ltd.	Korea	Cloud streaming operations	SK Telecom Co., Ltd.	100.00%
Planet11 E-commerce Solutions India Pvt. Ltd.	India	E-commerce platform providing	SK Planet Co., Ltd.	99.00%
11street (Thailand) Co., Ltd.	Thailand	E-commerce	SK Planet Co., Ltd.	100.00%
Hello Nature Co., Ltd.	Korea	Agriculture and livestock retailing	SK Planet Co., Ltd.	100.00%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Holdings Co., Ltd.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Pinx Co., Ltd.	Korea	Golf club operating	SK Networks Co., Ltd.	100.00%
Car Life Service Co., Ltd.	Korea	Car dealer	SK Networks Co., Ltd.	100.00%
SKN (China) Holdings Co., Ltd.	China	Holding Company	SK Networks Co., Ltd.	100.00%
MOKGAM SERVICE (*5)	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
Liaoning SK Networks Real Estate Development Co., Ltd.	China	Real estate development	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SKN (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SKN (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*6)	Turkey	Steel processing and sales	SK Networks Co., Ltd.	51.22%
SK Networks Resources Australia Pty. Ltd.	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SK Magic Co., Ltd.	Korea	Household appliances manufacturing, sales and rent	SK Networks Co., Ltd.	100.00%
SK Magic Service Co., Ltd.	Korea	House appliances repair and others	SK Magic Co. Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
SKC Solmics Co., Ltd.	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	57.70%
Solmics Taiwan Co., Ltd.	Taiwan	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
Solmics Shanghai Co., Ltd.	China	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
SKW Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd. (*7)	China	Film manufacturing	SKC Co., Ltd.	91.38%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotec Co., Ltd.	China	Research and manufacturing	SK bioland Co., Ltd	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotec Co., Ltd.	100.00%
SE (JIANGSU) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SK Telesys Co., Ltd.	51.00%
Techdream Co., Ltd.	Hong Kong	Semiconductor component	SK Telesys Co., Ltd.	100.00%
SKC INFRA SERVICE Co., Ltd.	Korea	Electrical contractor, telecommunications contractor	SK Telesys Co., Ltd.	100.00%
SK Shipping Co., Ltd.	Korea	Shipping	SK Holdings Co., Ltd.	83.08%
GaSan 2nd L.L.C	Korea	Securitization company	(*8)	-
Blueseocean 1st L.L.C	Korea	Securitization company	(*8)	-
Blueseocean 2nd L.L.C	Korea	Securitization company	(*8)	-
With Ocean L.L.C	Korea	Securitization company	(*8)	-
YUKYUNGJIJU 1ST L.L.C	Korea	Securitization company	(*8)	-
NEPTUNE SOLUTION L.L.C	Korea	Securitization company	(*8)	-
SK Shipping Hong Kong Ltd.	Hong Kong	Shipping	SK Shipping Co., Ltd.	100.00%
SK Shipping Singapore Pte. Ltd.	Singapore	Shipping	SK Shipping Co., Ltd.	100.00%
SK B&T Pte. Ltd.	Singapore	Petroleum sales	SK Shipping Co., Ltd.	55.00%
Promise Shipholding S.A. and 63 other companies	Panama and others	Special purpose company for acquiring ship	(*8)	-
SK Shipping Europe Plc.	UK	Shipping	SK Shipping Co., Ltd.	100.00%
SK E&S Co., Ltd.	Korea	City gas business and power generation	SK Holdings Co., Ltd.	100.00%
Kangwon City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Yeongnam Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
Ko-one Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Narae Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	100.00%
Pusan City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	67.32%
Jeonbuk Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chonnam City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chungcheong Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Paju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	100.00%
Wirye Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	95.17%
SK E&S Hong Kong Co., Ltd.	Hong Kong	City gas business	SK E&S Co., Ltd., Pusan City Gas Co., Ltd.	100.00%
SK E&S Australia Pty. Ltd.	Australia	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S Americas, Inc.	USA	Investment	SK E&S Co., Ltd.	100.00%
SK E&S LNG, L.L.C	USA	Liquefied natural gas sales	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, L.L.C	USA	Resource development	SK E&S Americas, Inc.	100.00%
CALLIP Gas Marketing, L.L.C	USA	Resource development	SK E&S Americas, Inc.	100.00%
Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
PT SK E&S Nusantara	Indonesia	Management consulting	SK E&S Co., Ltd.	100.00%
Fajar Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*3)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu, L.L.C	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%
Mesa Verde RE Ventures, L.L.C	USA	Real estate development	SK E&C Betek Corporation	100.00%
N-Compass Development, L.L.C	USA	EPC Marketing	SK E&C Betek Corporation	100.00%
SKEC Consultores Ecuador, S.A.	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C India Pvt. Ltd.	India	Engineering service	SK Engineering & Construction Co., Ltd.	99.94%
SK HOLDCO PTE. LTD.	Singapore	Holding Company	SK Engineering & Construction Co., Ltd.	63.49%
SK Materials Co., Ltd. (*2)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd.	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd.	Korea	Manufacturing	SK Materials Co., Ltd.	80.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Infosec Co., Ltd.	Korea	Information security service	SK Holdings Co., Ltd.	100.00%
SK ENCARSales.COM Ltd.	Korea	On-line used car sales and others	SK Holdings Co., Ltd.	50.01%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration	SK Holdings Co., Ltd.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration	SK Holdings Co., Ltd.	100.00%
SK MENA B.V.	Netherlands	Investment	SK Holdings Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd.	100.00%
ESSENORE Limited	Hong Kong	Manufacturing and distribution of semiconductor modules	SK S.E.Asia Pte. Ltd.	100.00%
ISD Technology (ShenZhen) Limited	China	Consulting for computer system integration	ESSENORE Limited	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration	SK Holdings Co., Ltd.	51.00%
FSK L&S Co., Ltd.	Korea	Convergence logistics business	SK Holdings Co., Ltd.	60.00%
Saturn Agriculture Investment Co., Limited	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Holdings Co., Ltd.	100.00%
SMCore. Inc. (*2, 9)	Korea	Munufacture of equipment that handles other goods	SK Holdings Co., Ltd.	26.65%
PointCode Inc. (*9)	Korea	Software development and supply	SMCore. Inc.	68.87%
SMC US, Inc. (*9)	USA	Logistics automation facilities	SMCore. Inc.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	100.00%
SK China (Beijing) Co., Ltd.	China	Consulting	SK China Company, Ltd.	100.00%
SK Beijing Investment Management Ltd.	China	Real estate fund management	SK China (Beijing) Co., Ltd.	100.00%
SKY Property Mgmt (Beijing) Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd.	Hong Kong	Investment	SK Property Investment Management Co., Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK International Supply Chain Management Co., Ltd.	Hong Kong	Distribution	SK China Company, Ltd.	100.00%
Ningde Sky Beverage Co., Ltd.	China	Mineral water development	SK International Supply Chain Management Co., Ltd.	80.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding Company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Rent-A-Car (Qingdao) Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SKY Property Management Ltd.	Virgin Islands	Investment	SK Telecom Co., Ltd.	85.00%
SKY Investment Co., Ltd.	China	Real estate management	SKY Property Management Ltd.	100.00%
SK China Real Estate Co., Ltd.	Hong Kong	Real estate investment	SKY Property Management Ltd.	100.00%
SK China Creative Industry Development Co., Ltd.	China	Service	SKY Property Management Ltd.	100.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Holdings Co., Ltd., SK Innovation Co., Ltd. SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Beijing SK Magellan Capital Advisors Co., Ltd.	China	Investment consulting	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman	Investment	SK Holdings Co., Ltd.	100.00%
SK MENA Investment B.V.	Netherlands	Investment	SK Telecom Co., Ltd.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Latin America Investment S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
HAPPYNARAE Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd., SK Innovation Co., Ltd.	90.00%
Suzhou HAPPYNARAE Co., Ltd.	China	Electrical and machine equipment and others	HAPPYNARAE Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%

- (*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (*2) SK Innovation Co., Ltd. and nine other companies are included in the consolidated financial statements as the Company is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and eight other companies are widely dispersed, so it is determined that the Company has voting rights to exercise de facto control.
- (*3) The Group owns 100% of the ordinary shares of SK Incheon Petrochem Co., Ltd. and SK TNS Co., Ltd., but holds 68.0% and 52.2% of equity ownership respectively, due to the issuance of its preferred shares having voting rights.
- (*4) On November 24, 2016, SK Telecom Co., Ltd. acquired all of the shares of SK Communications Co., Ltd. held by the other shareholders of SK Communications Co., Ltd. on February 7, 2017 at ₩ 2,814 per share in cash. As at March 31, 2017, SK Telecom Co., Ltd. owns 100% of the ordinary shares of SK Communications Co., Ltd.
- (*5) During the current reporting period, SK Energy Co., Ltd. transferred the entire equity ownership to SK Networks Co., Ltd., resulting in a change of the largest shareholder.
- (*6) Assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI are classified as assets and liabilities held for sale (see Note 28 Non-current assets and non-current liabilities classified as held for sale).
- (*7) The equity ownership of SKC (Jiangsu) High tech Plastics Co., Ltd. is 100% based on the shareholders' agreement, which gives contractual rights to the non-controlling ownership.
- (*8) The 70 consolidated restructuring entities were included in the consolidated financial statements. Regarding the terms of agreement, which are based on establishment of these entities, the Group substantially receives all of the returns related to their operations and net assets, and has the ability to direct these entities' activities in a way that most significantly affects these returns.
- (*9) During the current reporting period, the Group acquired 26.65% of SMCore, Inc. and voting rights of shares owned by the CEO have been delegated to the Group. Consequently, the Group classified SMCore, Inc. and its two subsidiaries as the Group's subsidiaries (see Note 38 Business combination).

1.3 Changes in consolidated subsidiaries

Changes in the consolidated subsidiaries for the three month ended March 31, 2017 are as follows:

December 31, 2016	Inclusion	Exclusion	March 31, 2017
290	3	(3)	290

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1.3 Changes in consolidated subsidiaries (cont'd)

For the three month ended March 31, 2017, subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
SMCore. Inc., PointCode Inc., SMC US, Inc.	Acquisition (3 companies)

For the three month ended March 31, 2017, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
SK Energy Australia (Togara) Pty. Ltd.	Liquidation
SK Networks (China) Fashion Co., Ltd., Obzee N.Y. Inc.	Disposal (2 companies)

1.4 Condensed financial information of significant consolidated subsidiaries

Details of condensed financial information of the significant subsidiaries as at and for the three month ended March 31, 2017 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩14,048,712	₩ 1,879,838	₩ 888,882	₩ 555,150
SK Energy Co., Ltd.	13,458,964	7,502,498	7,324,626	322,647
SK Global Chemical Co., Ltd.	5,885,478	1,816,391	2,668,462	232,730
SK Incheon Petrochem Co., Ltd.	5,627,576	3,058,967	1,783,962	111,989
SK Trading International Co., Ltd.	2,211,001	1,420,881	2,848,767	40,459
SK Lubricants Co., Ltd.	2,250,805	941,091	691,059	71,336
SK Global Chemical International Trading (Shanghai) Co., Ltd.	161,138	73,342	195,765	1,457
SK Global Chemical Japan Co., Ltd.	58,535	51,729	100,212	36
SK Energy International Pte. Ltd.	2,171,806	1,587,440	5,104,945	37,952
SK Energy Europe, Ltd.	245,760	136,663	649,095	(2,053)
SK Energy Americas, Inc.	124,051	54,366	80,040	1,147
SK Lubricants Americas, Inc.	185,803	137,216	119,789	1,340
SK Lubricants Europe B.V.	146,412	136,876	131,451	3,454
Iberian Lube Base Oils S.A.	384,181	147,850	101,226	2,961
SK E&P America, Inc.	542,041	50,364	-	(320)
SK Telecom Co., Ltd.	24,723,153	10,684,633	3,087,956	388,206
SK Telink Co., Ltd.	438,201	114,759	99,333	5,969
SK Broadband Co., Ltd.	3,447,627	2,295,802	722,916	7,493
PS&Marketing Corp.	455,770	236,137	388,421	1,701
SK Planet Co., Ltd.	1,872,179	807,933	254,667	(42,710)
SK Networks Co., Ltd.	7,995,336	5,664,165	4,658,941	12,601
SK Magic Co. Ltd.	420,217	246,601	117,603	5,263
SK Networks (Shanghai) Co., Ltd.	77,782	52,907	164,904	867
SK Networks Hong Kong Limited	158,869	101,430	152,396	(161)
SKC Co., Ltd.	2,741,189	1,220,472	360,525	24,221
SK Telesys Co., Ltd.	123,570	193,161	60,367	3,939
SKC, Inc.	392,003	285,431	75,927	(8,644)
SK Shipping Co., Ltd.	3,602,127	3,465,039	258,572	(23,969)
SK B&T Pte. Ltd.	184,785	81,795	201,810	(2,523)
SK E&S Co., Ltd.	3,755,948	1,667,349	166,303	94,002
Yeongnam Energy Service Co., Ltd.	379,652	194,206	213,986	14,095
Ko-one Energy Service Co., Ltd.	771,956	395,237	429,174	17,814
Narae Energy Service Co., Ltd.	764,504	579,353	93,658	9,052
Pusan City Gas Co., Ltd.	887,890	328,127	350,404	21,186
Chungcheong Energy Service Co., Ltd.	276,668	163,492	157,431	11,594
Paju Energy Service Co., Ltd.	1,813,799	1,019,583	111,383	19,798
Wirye Energy Service Co., Ltd.	790,570	568,745	4,894	(1,004)
Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	82,244	54,436	149,824	3,356
SK E&S Americas, Inc.	606,978	178,891	-	(2,206)
DewBlaine Energy, L.L.C	574,162	4,109	21,453	6,401
SK Engineering & Construction Co., Ltd.	5,642,520	4,687,543	1,469,254	42,384
Sunlake Co., Ltd.	83,938	54,375	17,924	(5,934)
SK Materials Co., Ltd. (*1)	904,055	577,298	116,369	21,835
ESSENCORE Limited (*1)	198,250	82,435	247,440	37,826
SK China Company, Ltd.	471,886	6,360	-	945
SKY Property Management Ltd. (*1)	588,674	42,174	14,664	3,883
HAPPYNARAE Co., Ltd.	88,455	68,627	157,921	(677)

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

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1.5 Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as at and for the three month ended March 31, 2017 is as follows (Korean won in millions):

Segment	March 31, 2017						
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.
Percentage of the non-controlling ownership	66.86%	71.16%	60.88%	56.62%	16.92%	-	53.79%
Current assets	15,921,979	5,965,094	3,697,432	784,019	554,950	1,669,447	3,981,223
Non-current assets	17,312,611	24,552,727	4,927,207	2,688,839	4,024,112	6,725,239	1,857,875
Current liabilities	9,329,324	6,255,605	4,429,575	820,974	1,700,041	2,290,319	4,217,095
Non-current liabilities	5,506,518	8,349,705	1,834,535	1,174,585	2,899,116	3,151,352	793,594
Net assets	18,398,748	15,912,511	2,360,529	1,477,299	(20,095)	2,953,015	828,409
Book value of the non-controlling interests	12,868,659	11,058,964	1,623,883	904,050	108,260	1,204,930	634,650
Sales	11,387,072	4,234,365	5,057,780	587,014	408,252	1,665,403	1,562,257
Net income (loss)	859,945	583,481	10,942	25,441	(25,711)	154,572	28,916
Total comprehensive income (loss)	697,239	473,398	(20,148)	1,400	(17,827)	103,067	(16,408)
Net income (loss) of the non-controlling interests	578,447	377,186	1,913	14,934	(4,054)	13,513	30,907
Total comprehensive income (loss) of the non-controlling interests	486,795	326,576	(16,246)	1,536	(5,248)	13,243	(15,181)
Net cash flows from operating activities	124,522	930,358	(273,790)	(54,896)	(192,809)	212,533	93,826
Net cash flows used in investing activities	(15,780)	(656,253)	575,468	(25,125)	110,133	(226,574)	34,660
Net cash flows from (used in) financing activities before dividends paid to the non-controlling interests	122,112	(197,547)	98,574	83,152	135,049	255,057	123,929
Dividends paid to the non-controlling interests	-	-	-	-	(1,517)	(6,845)	-
Net increase (decrease) in cash and cash equivalents	230,854	76,558	400,252	3,131	50,856	234,171	252,415

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

2. Summary of significant accounting policies

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

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

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

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed consolidated financial statements and has been made at the rate of ₩1,116.1 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the three months ended March 31, 2017. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

2.1 Basis of preparation

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

The significant accounting policies used for the preparation of the accompanying consolidated financial statements as at and for the three month ended March 31, 2017, are the same as the accounting policies adopted for the preparation of consolidated financial statements as at and for the three month ended December 31, 2016, except for adoption of new and revised KIFRSs applied in the current period, which are summarized below.

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

The principal accounting policies are set out below:

2.1.1 New and revised KIFRSs adopted in the current period

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

Amendments to KIFRS 1007 – *Statement of Cash Flows*

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

Amendments to KIFRS 1012 – *Income Taxes*

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

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

2.1.2 New and revised KIFRS issued, but not yet effective

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

KIFRS 1109 – *Financial Instruments*

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

KIFRS 1115 – *Revenue from Contracts with Customers*

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

Amendments to KIFRS 1102 – *Share-based Payment*

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

2.1.3 Construction contracts

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

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3. Significant accounting judgements, estimates and assumptions

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

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

4. Operating segments

(1) Overview of operating segments

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

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

(2) Details of financial information for each operating segment as at and for the three months ended March 31, 2017 and 2016 are as follows (Korean won in billions):

	As at and for the three month ended March 31, 2017									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 11,387	₩ 4,234	₩ 5,058	₩ 587	₩ 408	₩ 1,665	₩ 1,562	₩ 1,924	₩ (3,762)	₩ 23,063
Internal sales	(1,338)	(18)	(1,169)	(92)	(56)	(18)	(93)	(978)	3,762	-
Net sales	10,049	4,216	3,889	495	352	1,647	1,469	946	-	23,063
Net income	1,163	724	17	37	(26)	196	43	723	(712)	2,165
(loss) before income taxes										
Net income	860	583	12	25	(26)	155	29	670	(692)	1,616
(loss)										
Total assets	33,235	30,518	8,625	3,472	4,579	8,395	5,839	23,004	(14,819)	102,848
Total liabilities	14,836	14,605	6,264	1,995	4,599	5,442	5,011	7,687	193	60,632
Depreciation	186	608	56	28	34	63	9	36	12	1,032
Amortization	24	186	3	1	-	2	2	4	100	322

	As at and for the three month ended March 31, 2016									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 9,458	₩ 4,228	₩ 4,382	₩ 576	₩ 436	₩ 1,600	₩ 1,886	₩ 1,481	₩ (3,549)	₩ 20,498
Internal sales	(1,057)	(16)	(1,268)	(82)	(101)	(19)	(128)	(878)	3,549	-
Net sales	8,401	4,212	3,114	494	335	1,581	1,758	603	-	20,498
Net income	740	736	17	47	9	118	29	745	(994)	1,447
(loss) before income taxes										
Net income	566	572	11	31	8	91	24	700	(926)	1,077
(loss)										
Total assets	31,788	28,490	8,104	3,663	4,660	7,219	5,932	22,383	(14,460)	97,779
Total liabilities	14,643	13,375	5,612	2,104	4,147	4,347	5,176	7,530	465	57,399
Depreciation	200	588	38	32	37	48	17	20	4	984
Amortization	27	161	3	1	1	2	2	4	78	279

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

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4. Operating segments (cont'd)

(3) Details of financial information by geographical location as at and for the three months ended March 31, 2017 and 2016 (Korean won in billions):

	As at and for the three month ended March 31, 2017							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	₩ 31,635	₩ 6,852	₩ 941	₩ 397	₩ -	₩ 22	₩ (16,784)	₩ 23,063
Operation income	2,847	91	8	(4)	-	4	(1,239)	1,707
Income (loss) before income taxes	3,036	137	3	(4)	-	6	(1,013)	2,165
Net income (loss)	2,553	120	2	(5)	-	5	(1,059)	1,616
Total assets	127,662	6,963	1,248	3,109	817	1,188	(38,139)	102,848
Total liabilities	60,106	3,202	838	919	781	242	(5,456)	60,632

	As at and for the three month ended March 31, 2016							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	₩ 25,002	₩ 4,672	₩ 1,597	₩ 678	₩ -	₩ 26	₩ (11,477)	₩ 20,498
Operation income	2,365	4	(16)	9	-	14	(850)	1,526
Income (loss) before income taxes	2,572	29	(13)	5	-	49	(1,195)	1,447
Net income (loss)	2,145	16	(13)	(1)	-	49	(1,119)	1,077
Total assets	121,412	6,089	1,472	2,834	274	1,461	(35,763)	97,779
Total liabilities	55,559	2,686	1,000	784	238	451	(3,319)	57,399

5. Financial instruments

5.1 Financial assets

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

	March 31, 2017					
	Financial assets at FVTPL	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	Total
Current assets:						
Cash and cash equivalents	₩ -	₩ -	₩ 8,412,343	₩ -	₩ -	₩ 8,412,343
Short-term financial instruments	-	-	4,020,558	-	-	4,020,558
Trade accounts receivable (*1)	-	-	9,484,816	-	-	9,484,816
Other accounts receivable	-	-	1,877,470	-	-	1,877,470
Short-term loans	-	-	157,810	-	-	157,810
Accrued income	-	-	47,115	-	-	47,115
Available-for-sale financial assets	-	-	-	279,211	-	279,211
Held-to-maturity investments	-	45	-	-	-	45
Guarantee deposits	-	-	199,808	-	-	199,808
Derivative financial assets	41,254	-	-	-	80,065	121,319
Finance lease receivables	-	-	69,197	-	-	69,197
	<u>41,254</u>	<u>45</u>	<u>24,269,117</u>	<u>279,211</u>	<u>80,065</u>	<u>24,669,692</u>
Non-current assets:						
Long-term financial instruments	-	-	163,645	-	-	163,645
Long-term trade accounts receivable	-	-	21,041	-	-	21,041
Long-term other accounts receivable	-	-	75,050	-	-	75,050
Long-term loans	-	-	374,274	-	-	374,274
Available-for-sale financial assets	-	-	-	1,471,444	-	1,471,444
Held-to-maturity investments	-	855	-	-	-	855
Guarantee deposits	-	-	724,359	-	-	724,359
Derivative financial assets	14,332	-	-	-	53,233	67,565
Finance lease receivables	-	-	235,079	-	-	235,079
	<u>14,332</u>	<u>855</u>	<u>1,593,448</u>	<u>1,471,444</u>	<u>53,233</u>	<u>3,133,312</u>
	<u>₩ 55,586</u>	<u>₩ 900</u>	<u>₩ 25,862,565</u>	<u>₩ 1,750,655</u>	<u>₩ 133,298</u>	<u>₩ 27,803,004</u>

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5.1 Financial assets

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

(*1) Unbilled receivables amounting to ₩776,441 million and ₩ 786,678 million as at March 31, 2017 and December 31, 2016, respectively, are not included in the financial instruments.

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5.2 Financial liabilities

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

	March 31, 2017			
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 2,863,414	₩ -	₩ 2,863,414
Trade accounts payable	-	7,580,921	-	7,580,921
Other accounts payable	-	1,878,497	-	1,878,497
Current portion of long-term debt	-	6,858,891	-	6,858,891
Accrued expenses	-	2,641,611	-	2,641,611
Dividends payable	-	1,535,180	-	1,535,180
Leasehold deposits received	-	123,569	-	123,569
Derivative financial liabilities	102,043	-	152,533	254,576
Finance lease liabilities	-	26,411	-	26,411
	<u>102,043</u>	<u>23,508,494</u>	<u>152,533</u>	<u>23,763,070</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	59,931	22,372,598	-	22,432,529
Long-term other accounts payable	-	4,014,825	-	4,014,825
Leasehold deposits received	-	364,434	-	364,434
Derivative financial liabilities	15,500	-	14,271	29,771
Finance lease liabilities	-	1,297	-	1,297
Financial guarantee liabilities	-	11,065	-	11,065
	<u>75,431</u>	<u>26,764,219</u>	<u>14,271</u>	<u>26,853,921</u>
	<u>₩ 177,474</u>	<u>₩ 50,272,713</u>	<u>₩ 166,804</u>	<u>₩ 50,616,991</u>
December 31, 2016				
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 2,614,117	₩ -	₩ 2,614,117
Trade accounts payable	-	8,897,260	-	8,897,260
Other accounts payable	-	3,241,765	-	3,241,765
Current portion of long-term debt	-	5,629,577	-	5,629,577
Accrued expenses	-	2,480,547	-	2,480,547
Dividends payable	-	614	-	614
Leasehold deposits received	-	125,157	-	125,157
Derivative financial liabilities	112,950	-	143,123	256,073
Finance lease liabilities	-	1,747	-	1,747
	<u>112,950</u>	<u>22,990,784</u>	<u>143,123</u>	<u>23,246,857</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	59,600	23,073,906	-	23,133,506
Long-term other accounts payable	-	4,601,776	-	4,601,776
Leasehold deposits received	-	357,384	-	357,384
Derivative financial liabilities	12,281	-	39,397	51,678
Finance lease liabilities	-	1,864	-	1,864
Financial guarantee liabilities	-	9,120	-	9,120
	<u>71,881</u>	<u>28,044,050</u>	<u>39,397</u>	<u>28,155,328</u>
	<u>₩ 184,831</u>	<u>₩ 51,034,834</u>	<u>₩ 182,520</u>	<u>₩ 51,402,185</u>

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5.3 Fair values of financial instruments by hierarchy level

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

	March 31, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 24,140,759	₩ 24,649,435	₩ 23,755,427	₩ 23,795,522
Borrowings	8,014,075	7,986,683	7,621,773	7,603,575

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (1.87%~4.82%) regarding residual market risks. As the book values of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

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

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

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

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 1,777	₩ 53,809	₩ -	₩ 55,586
Available-for-sale financial assets (*1)	825,539	114,733	175,463	1,115,735
Financial assets designated as hedging instruments	-	133,298	-	133,298
	<u>₩ 827,316</u>	<u>₩ 301,840</u>	<u>₩ 175,463</u>	<u>₩ 1,304,619</u>

Financial liabilities:				
Financial liabilities at FVTPL	₩ 397	₩ 177,077	₩ -	₩ 177,474
Financial liabilities designated as hedging instruments	-	166,804	-	166,804
	<u>₩ 397</u>	<u>₩ 343,881</u>	<u>₩ -</u>	<u>₩ 344,278</u>

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩ 104,018	₩ -	₩ 104,018
Available-for-sale financial assets (*1)	754,983	178,766	121,669	1,055,418
Financial assets designated as hedging instruments	-	299,173	-	299,173
	<u>₩ 754,983</u>	<u>₩ 581,957</u>	<u>₩ 121,669</u>	<u>₩ 1,458,609</u>

Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 184,831	₩ -	₩ 184,831
Financial liabilities designated as hedging instruments	-	182,520	-	182,520
	<u>₩ -</u>	<u>₩ 367,351</u>	<u>₩ -</u>	<u>₩ 367,351</u>

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

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6. Trade accounts receivable

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

	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 10,027,413	₩ 21,283	₩ 10,158,904	₩ 24,469
Unbilled receivables	776,441	-	786,678	-
Allowance for doubtful accounts:				
Trade accounts receivable	(542,597)	(242)	(547,111)	(281)
	<u>₩ 10,261,257</u>	<u>₩ 21,041</u>	<u>₩ 10,398,471</u>	<u>₩ 24,188</u>

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

	March 31, 2017				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 32,111,625	₩ 32,835,984	₩ 732,048	₩ 1,456,407	₩ 51,867
Others	177,024	142,912	44,393	10,281	-
	<u>₩ 32,288,649</u>	<u>₩ 32,978,896</u>	<u>₩ 776,441</u>	<u>₩ 1,466,688</u>	<u>₩ 51,867</u>
	December 31, 2016				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 34,657,316	₩ 35,123,840	₩ 750,205	₩ 1,216,729	₩ 71,101
Others	247,622	220,739	36,473	9,590	-
	<u>₩ 34,904,938</u>	<u>₩ 35,344,579</u>	<u>₩ 786,678</u>	<u>₩ 1,226,319</u>	<u>₩ 71,101</u>

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as at March 31, 2017 are as follows (Korean won in millions):

	March 31, 2017				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit (loss)	Impact on future period profit (loss)	Change in unbilled (overbilled) receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ (72,945)	₩ 16,104	₩ (92,871)	₩ 3,822	₩ (92,871)
Others	4,529	3,467	624	438	624
	<u>₩ (68,416)</u>	<u>₩ 19,571</u>	<u>₩ (92,247)</u>	<u>₩ 4,260</u>	<u>₩ (92,247)</u>

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

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6. Trade accounts receivable (cont'd)

(4) Details of the construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as at March 31, 2017 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Unbilled receivables		Trade accounts receivable (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project Goseong Green Power Project	2009.12 2014.07	2016.06 2021.07	99.7 6.5	₩ 26,310	₩ -	₩ 136,719	₩ -

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

7. Inventories

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

	March 31, 2017			December 31, 2016		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 1,066,396	₩ (15,153)	₩ 1,051,243	₩ 894,567	₩ (17,029)	₩ 877,538
Finished goods	1,728,124	(32,728)	1,695,396	1,505,234	(39,850)	1,465,384
Semifinished goods and work in progress	633,848	(24,967)	608,881	620,820	(16,090)	604,730
Raw materials and sub-materials	1,323,064	(15,292)	1,307,772	1,334,776	(8,196)	1,326,580
Materials in transit	1,614,511	-	1,614,511	1,512,078	-	1,512,078
Supplies	192,185	(882)	191,303	212,776	(948)	211,828
Uncompleted contracts	6,952	-	6,952	6,995	-	6,995
Others	12,905	(567)	12,338	14,625	(903)	13,722
	<u>₩ 6,577,985</u>	<u>₩ (89,589)</u>	<u>₩ 6,488,396</u>	<u>₩ 6,101,871</u>	<u>₩ (83,016)</u>	<u>₩ 6,018,855</u>

8. Available-for-sale financial assets

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

	March 31, 2017	December 31, 2016
Marketable equity instruments	₩ 825,539	₩ 754,983
Non-marketable equity instruments	443,568	442,111
Corporate and government bonds	64,414	65,010
Others (*1)	417,134	444,436
	<u>₩ 1,750,655</u>	<u>₩ 1,706,540</u>
Current available-for-sale financial assets	₩ 279,211	₩ 179,448
Non-current available-for-sale financial assets	1,471,444	1,527,092

(*1) They include beneficiary certificates.

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9. Investments in associates and joint ventures

(1) Investments in associates and joint ventures

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

Company	Domicile	Equity ownership (*1)	March 31, 2017		December 31, 2016
			Acquisition cost	Book value	Book value
Associates:					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 6,295,421	₩ 6,088,485
China Gas Holdings Ltd. (*2)	Hong Kong	15.7%	1,597,222	1,617,810	1,621,030
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	324,762	327,066
Peru LNG Company, L.L.C	Peru	20.0%	331,144	345,993	314,425
Korea IT Fund (*3)	Korea	63.3%	242,170	255,222	263,850
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	273,153	265,798
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	12,045	12,936
Springvale SK Kores Pty. Ltd.	Australia	50.0%	115,599	104,495	107,093
Eurasia Tunnel	Turkey	50.0%	101,931	175,462	173,273
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	73,916	77,284
NanoEnTek, Inc.	Korea	28.5%	68,996	61,749	62,657
SOCAR, Inc.	Korea	20.0%	58,860	53,268	54,680
SKC Haas Display Film Co., Ltd.	Korea	49.0%	48,196	58,846	63,171
TSK Water Co., Ltd.	Korea	25.0%	45,811	55,364	54,392
Others				474,472	474,262
				<u>10,181,978</u>	<u>9,960,402</u>
Joint ventures (*4):					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	₩ 488,809	₩ 576,581	₩ 565,226
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	382,903	378,870
Hana land chip PEF 33 (*3)	Korea	65.2%	196,001	192,964	196,897
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	108,323	100,878	97,703
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	87,255	76,946
SKC-KOLON PI Co., Ltd.	Korea	27.0%	83,753	88,744	90,079
Others				173,426	193,776
				<u>1,602,751</u>	<u>1,599,497</u>
				<u>₩ 11,784,729</u>	<u>₩ 11,559,899</u>

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

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

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

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

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

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

(*1) The Group recognized additional loans receivable by ₩133 million of unrecognized losses, which were incurred as losses on investments in associates exceeded their carrying amounts.

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

For the three month ended March 31, 2016								
	Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩ 9,677,938	₩ 64,609	₩ (18,322)	₩ 42,177	₩ 6,798	₩ (91,312)	₩ 1,211	₩ 9,683,099
Joint ventures	1,479,837	26,743	-	(7,466)	6,288	(4,890)	(1,931)	1,498,581
	<u>₩11,157,775</u>	<u>₩ 91,352</u>	<u>₩ (18,322)</u>	<u>₩ 34,711</u>	<u>₩ 13,086</u>	<u>₩ (96,202)</u>	<u>₩ (720)</u>	<u>₩ 11,181,680</u>

(*1) The Group recognized additional loans receivable by ₩99 million of unrecognized losses, which were incurred as losses on investments in associates exceeded their carrying amounts.

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

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as at March 31, 2017 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 45,888	₩ (188)	₩ 45,700
SK Telesys Corporation	3,960	-	3,960
Wave City Development Co., Ltd.	3,290	3,398	6,688
Celcom Planet and others	10,791	566	11,357

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

(4) Condensed financial informations of significant investments in associates and jointly controlled entities as at March 31, 2017 are as follows (Korean won in millions).

As at and for the three month ended March 31, 2017							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Associates:							
SK Hynix Inc.	₩ 10,841,409	₩ 23,478,092	₩ 5,167,517	₩ 3,983,065	₩ 6,289,518	₩ 1,898,679	₩ 1,502,284
China Gas Holdings Ltd.	1,908,163	6,054,342	3,028,747	1,819,759	4,212,701	470,429	319,727
Daehan Oil Pipeline Corporation	120,856	887,160	44,637	227,074	38,343	7,700	7,700
Peru LNG Company, L.L.C	441,639	3,102,534	218,698	1,836,543	111,488	11,552	11,552
Korea IT Fund	133,115	269,868	-	-	-	996	996
Hana Card Co., Ltd.	6,880,150	234,163	1,275,112	4,377,563	370,657	50,012	50,000
Yemen LNG Company Ltd.	147,064	4,878,075	297,053	1,766,042	-	(58,881)	(58,881)
Springvale SK Kores Pty. Ltd.	21,347	387,818	24,172	176,004	28,599	(624)	(624)
Eurasia Tunnel	52,139	1,284,610	88,220	913,195	8,330	17,547	16,968
Korea Ras Laffan LNG Limited	54,318	920,850	30,887	20,333	24,758	25,834	25,834
NanoEnTek, Inc.	21,355	23,424	3,465	14,117	4,796	(493)	(494)
SOCAR, Inc.	45,959	73,549	37,410	35,256	24,044	(6,078)	(6,078)
SKC Haas Display film Pty. Ltd.	109,582	119,342	96,102	11,911	62,858	(5,266)	(8,942)
TSK Water Co., Ltd.	137,944	322,440	115,734	191,621	93,605	3,885	3,885
Joint ventures:							
Sinopec-SK (Wuhan)	256,914	2,333,288	1,052,640	51	725,647	138,315	138,315
Petrochemical Co., Ltd.							
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	495,517	735,335	325,660	98,889	290,488	27,777	10,494
Hana land chip PEF 33	14,661	576,307	13,229	281,727	8,256	6,038	6,038
Boryeong LNG Terminal Co., Ltd.	278,255	1,130,749	127,322	1,122,364	38,734	6,778	6,778
SABIC SK Nexlene Company Pte. Ltd.	140,825	611,435	141,985	335,187	78,855	(5,686)	(5,686)
SKC-KOLON PI Co., Ltd.	108,742	211,045	48,315	45,386	48,078	10,749	10,749

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10. Property, plant and equipment

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

	March 31, 2017	December 31, 2016
Acquisition cost	₩ 43,799,088	₩ 44,164,521
Accumulated depreciation and accumulated impairment loss	(3,740,555)	(3,132,016)
	<u>₩ 40,058,533</u>	<u>₩ 41,032,505</u>

(2) Changes in property, plant and equipment for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

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

	For the three month ended March 31, 2016						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,900,793	₩ 61,280	₩ 692	₩ (17,038)	₩ -	₩ (471)	₩ 9,945,256
Buildings	3,292,931	87,996	2,512	(10,239)	(35,282)	15,094	3,353,012
Structures	1,227,202	39,986	336	(211)	(24,836)	12,682	1,255,159
Ships and vessels	2,805,736	-	32,993	-	(24,030)	(50,917)	2,763,782
Machinery and equipment	16,189,361	267,031	59,443	(6,690)	(730,216)	231,772	16,010,701
Vehicles	485,429	1,184	111,031	(1,589)	(25,376)	(12,556)	558,123
Others	2,770,338	26,498	124,758	(6,704)	(141,547)	2,038	2,775,381
Construction-in-progress	2,773,496	26,121	362,714	(9,266)	-	(317,205)	2,835,860
	<u>₩ 39,445,286</u>	<u>₩ 510,096</u>	<u>₩ 694,479</u>	<u>₩ (51,737)</u>	<u>₩ (981,287)</u>	<u>₩ (119,563)</u>	<u>₩ 39,497,274</u>

(*1) This includes impairment losses, transfer of construction-in-progress to depreciable assets and investment property, net translation differences, and others.

11. Investment property

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

	March 31, 2017	December 31, 2016
Acquisition cost	₩ 731,343	₩ 740,264
Accumulated depreciation and accumulated impairment loss	(13,011)	(12,481)
	<u>₩ 718,332</u>	<u>₩ 727,783</u>

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11. Investment property (cont'd)

(2) Changes in investment property for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

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

For the three month ended March 31, 2016						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 384,932	₩ -	₩ -	₩ -	₩ 3,982	₩ 388,914
Buildings	411,120	-	(58,064)	(3,050)	6,073	356,079
Structures	1,756	-	-	(37)	-	1,719
	<u>₩ 797,808</u>	<u>₩ -</u>	<u>₩ (58,064)</u>	<u>₩ (3,087)</u>	<u>₩ 10,055</u>	<u>₩ 746,712</u>

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

12. Goodwill

(1) Changes in goodwill for the three months ended March 31, 2017 and December 31, 2016 are as follows (Korean won in millions):

	March 31, 2017	December 31, 2016
Beginning balance	₩ 575,233	₩ 27,078
Business combination	14,190	134,131
Others (*1)	-	289
Ending balance	<u>₩ 589,423</u>	<u>₩ 161,498</u>

(*1) Others include net translation differences and others.

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13. Intangible assets

(1) Details of intangible assets for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

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

	For the three month ended March 31, 2016						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 79,158	₩ -	₩ 3,976	₩ -	₩ (7,502)	₩ 824	₩ 76,456
Facility usage rights	61,386	-	200	-	(2,233)	(182)	59,171
Industrial property rights	120,701	-	633	(177)	(1,823)	(56)	119,278
Frequency usage rights	1,103,517	-	-	-	(70,132)	-	1,033,385
Customer-related assets	1,263,503	244,984	-	-	(29,433)	-	1,479,054
Membership (*1)	241,874	777	9,091	(9,000)	(44)	(1,606)	241,092
Development costs for petroleum resource	1,862,146	-	26,199	-	(24,836)	(90,887)	1,772,622
Brand contract-related assets (*1)	1,975,000	-	-	-	-	-	1,975,000
Developed technology	1,045,951	106,420	-	-	(28,233)	(1)	1,124,137
Others (*3)	1,969,115	2,365	74,534	(1,928)	(115,002)	23,569	1,952,653
	<u>₩ 9,722,351</u>	<u>₩ 354,546</u>	<u>₩ 114,633</u>	<u>₩ (11,105)</u>	<u>₩ (279,238)</u>	<u>₩ (68,339)</u>	<u>₩ 9,832,848</u>

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

(*2) This includes impairment loss, net translation differences, transfer to intangible assets from construction-in-progress and others.

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

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14. Borrowings and bonds payable

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

	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 2,863,414	₩ -	₩ 2,614,117	₩ -
Bonds and long-term borrowings:				
Bonds payable	5,299,074	18,841,685	4,378,668	19,376,759
Long-term borrowings	1,559,817	3,590,844	1,250,909	3,756,747
	<u>6,858,891</u>	<u>22,432,529</u>	<u>5,629,577</u>	<u>23,133,506</u>
	<u>₩ 9,722,305</u>	<u>₩ 22,432,529</u>	<u>₩ 8,243,694</u>	<u>₩ 23,133,506</u>

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

	March 31, 2017		December 31, 2016	
SK Holdings Co., Ltd.	₩	5,810,000	₩	5,410,000
SK Innovation Co., Ltd.		650,635		682,975
SK Lubricants Co., Ltd.		450,000		450,000
SK Energy Co., Ltd.		2,070,000		2,070,000
SK Global Chemical Co., Ltd.		840,000		840,000
SK Incheon Petrochem Co., Ltd.		1,780,000		1,630,000
SK Telecom Co., Ltd.		5,473,144		5,627,514
SK Broadband Co., Ltd.		1,594,830		1,572,550
PS&Marketing Corp.		20,000		20,000
SK Networks Co., Ltd.		1,290,000		1,290,000
SKC Co., Ltd.		780,000		630,000
SKC Solmics Co., Ltd.		59,000		69,000
SK Telesys Co., Ltd.		40,000		40,000
SK Shipping Co., Ltd.		372,000		417,000
SK Shipping Europe Plc.		22,322		24,170
SK E&S Co., Ltd.		1,050,000		1,050,000
Paju Energy Service Co., Ltd.		500,000		500,000
Wirye Energy Service Co., Ltd.		250,000		250,000
Narae Energy Service Co., Ltd.		80,000		80,000
SK Engineering & Construction Co., Ltd.		515,000		595,000
SK Materials Co., Ltd.		100,000		100,000
		<u>23,746,931</u>		<u>23,348,209</u>
Addition: premium on bonds payable		393,828		407,218
Less: current portion		<u>(5,299,074)</u>		<u>(4,378,668)</u>
	₩	<u>18,841,685</u>	₩	<u>19,376,759</u>

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14. Borrowings and bonds payable (cont'd)

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

Financial institution	Description	Interest rate (%)	March 31, 2017	December 31, 2016
Korea Development Bank and others	General	0.75 ~ 5.60	₩ 1,764,915	₩ 1,515,098
Korea Development Bank and others (*1)	Fund for facility	1.75 ~ 4.50	1,795,394	1,932,951
Export Kreditnamnden and others	Foreign long-term borrowings	1.70 ~ 6.00	280,429	218,041
Korea National Oil Corporation and others (*2)	Fund for mine exploration	0.00 ~ 7.00	57,178	61,681
Econg 1st Co., Ltd. and others	Callable preferred share	5.00 ~ 6.40	525,000	525,000
Korea Development Bank and others	Fund for operation	2.40 ~ 5.90	530,788	563,298
Kookmin Bank and others	Fund for supply pipeline	1.75	16,539	16,539
Kookmin Bank	Fund for catalyzing information	1.62	2,867	4,083
Kookmin Bank and others	Fund for reasonable energy consumption	1.75	7,285	3,829
KEB Hana Bank and others	Fund for safety management	1.75	1,447	1,564
D&D Growth Strategy Limited and others	Others	-	<u>162,698</u>	<u>158,563</u>
			5,144,540	5,000,647
Addition: Premium			6,121	7,009
Less: Current portion			<u>(1,559,817)</u>	<u>(1,250,909)</u>
			<u>₩ 3,590,844</u>	<u>₩ 3,756,747</u>

(*1) The borrowings from Korea Development Bank amounting to ₩179,831 million of SK Global Chemical Co., Ltd., a subsidiary of the Company, are related to the facility borrowings of Ulsan Aromatics Co., Ltd., which is accounted as joint operation, and the amount that the Group has obligation of redemption according to cash deficiency support agreement is recorded as borrowings as at March 31, 2017.

(*2) As at March 31, 2017, the Group holds loans from Korea National Oil Corporation (KNOC) for the purpose of oil exploration and development in which there is no repayment obligation on ₩43,801 million based on the successful effort method, and interest expense will be recognized upon successful commercial production.

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

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15. Provisions

Changes in the provisions for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

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

	For the three month ended March 31, 2016						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 9,607	₩ -	₩ 75	₩ (118)	₩ 9,564	₩ 882	₩ 8,682
Provision for handset subsidy	5,671	-	-	(782)	4,889	1,451	3,438
Provision for service / construction warranties	49,491	-	2,755	(5,433)	46,813	46,813	-
Provision for restoration	93,920	-	1,133	(642)	94,411	37,912	56,499
Provision for losses on contracts	178,370	-	39,591	(7,001)	210,960	209,839	1,121
Other provisions	103,441	576	2,155	(3,323)	102,849	41,777	61,072
	<u>₩ 440,500</u>	<u>₩ 576</u>	<u>₩ 45,709</u>	<u>₩ (17,299)</u>	<u>₩ 469,486</u>	<u>₩ 338,674</u>	<u>₩ 130,812</u>

16. Retirement benefit obligation

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

	March 31, 2017	December 31, 2016
Present value of defined benefit obligation	₩ 2,054,801	₩ 1,961,251
Fair value of plan assets (*1)	(1,752,213)	(1,770,247)
Total	<u>₩ 302,588</u>	<u>₩ 191,004</u>

(*1) The Group has recognized ₩7,870 million and ₩38,374 as defined benefit assets as at March 31, 2017 and December 31, 2016, respectively.

(2) Changes in the retirement benefit obligation for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

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

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16. Retirement benefit obligation (cont'd)

	For the three month ended March 31, 2016		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 1,736,303	₩ (1,470,600)	₩ 265,703
Business combination	15,545	(10,110)	5,435
Provision for pension benefits:			
Current service cost	76,490	-	76,490
Net interest expense (income)	10,675	(8,718)	1,957
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	7,088	7,088
Actuarial changes arising from changes in financial assumptions and others	34,797	-	34,797
Contributions by employer directly to plan assets	-	(16,692)	(16,692)
Benefit paid	(46,404)	48,966	2,562
Others	8,635	(11,697)	(3,062)
Ending balance	<u>₩ 1,836,041</u>	<u>₩ (1,461,763)</u>	<u>₩ 374,278</u>

17. Other assets and liabilities

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

	March 31, 2017	December 31, 2016
Current assets:		
Short-term financial instruments	₩ 4,020,558	₩ 4,265,992
Short-term loans	157,810	239,915
Accrued income	47,115	23,782
Advance payments	898,331	676,453
Prepaid expenses	709,190	665,088
Held-to-maturity investments	45	67
Guarantee deposits	199,808	192,214
Derivative financial assets	121,319	151,163
Finance lease receivables	69,197	79,896
Others	52,236	6,690
	<u>₩ 6,275,609</u>	<u>₩ 6,301,260</u>
Non-current assets:		
Long-term financial instruments	₩ 163,645	₩ 131,033
Long-term prepaid expenses	1,142,689	1,203,876
Long-term loans	374,274	314,455
Held-to-maturity investments	855	870
Guarantee deposits	724,359	732,770
Derivative financial assets	67,565	252,028
Finance lease receivables	235,079	275,288
Defined benefit assets (*1)	7,870	38,374
Others	90,513	87,569
	<u>₩ 2,806,849</u>	<u>₩ 3,036,263</u>

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

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17. Other assets and liabilities (cont'd)

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

	March 31, 2017		December 31, 2016	
Current liabilities:				
Accrued expenses	₩	2,641,611	₩	2,480,547
Dividends payable		1,535,180		614
Advance received		2,052,413		1,828,650
Unearned revenue		284,909		267,063
Withholdings		2,108,278		1,934,365
Leasehold deposits received		123,569		125,157
Income tax payable		1,102,094		955,295
Derivative financial liabilities		254,576		256,073
Finance lease liabilities		26,411		1,747
Others		958		561
	₩	10,129,999	₩	7,850,072
Non-current liabilities:				
Long-term unearned revenue	₩	402,341	₩	365,904
Leasehold deposits received		364,434		357,384
Derivative financial liabilities		29,771		51,678
Finance lease liabilities		1,297		1,864
Financial guarantee liabilities		11,065		9,120
Others		50,248		50,554
	₩	859,156	₩	836,504

18. Derivative financial assets and liabilities

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

	March 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Firm contracts	₩ (1,498)	₩ -	₩ 84,296	₩ -
Swap contracts	(145,725)	40,697	(169,632)	197,183
Forward contracts	13,394	(2,903)	(20,206)	3,167
Futures contracts	661	-	1,051	-
Options contracts	(89)	-	(419)	-
	₩ (133,257)	₩ 37,794	₩ (104,910)	₩ 200,350
Derivative financial assets	₩ 121,319	₩ 67,565	₩ 151,163	₩ 252,028
Derivative financial liabilities	(254,576)	(29,771)	(256,073)	(51,678)

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19. Equity

19.1 Issued capital

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

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

19.2 Other paid-in capital

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Paid-in surplus (*1)	₩ 5,605,831	₩ 5,605,831
Treasury shares (*2)	(904,490)	(904,490)
Others	1,221	39,798
	<u>₩ 4,702,562</u>	<u>₩ 4,741,139</u>

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

(*2) As at March 31, 2017, treasury stock consists of those acquired to increase the enterprise value and to stabilize share price (3,514,276 ordinary shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,021,664 ordinary shares and 1,818 preferred shares) during the merger in 2015. There are no additional acquisitions or disposals during the current period.

19.3 Retained earnings

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Legal reserve (*1)	₩ 7,693	₩ 5,100
Voluntary reserve	71,563	80,896
Unappropriated retained earnings	8,655,342	8,279,533
	<u>₩ 8,734,598</u>	<u>₩ 8,368,122</u>

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

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19.4 Other capital components

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

	March 31, 2017	December 31, 2016
Net loss on valuation of available-for-sale financial assets	₩ 16,013	₩ (2,054)
Changes in equity in equity method	(72,765)	(48,190)
Net loss on valuation of cash flow hedges	(10,489)	(16,807)
Net gain (loss) on translation of foreign operation	(165,289)	50,545
Net loss on foreign currency translation	6,383	4,217
	<u>₩ (226,147)</u>	<u>₩ (12,289)</u>

19.5 Stock Option

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

1) SK Holdings

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

Share compensation expense recognized during the current reporting period is ₩31 million and the remaining share compensation expense to be recognized in later periods are ₩4,256 million.

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

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

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19.5 Stock Option

2) SK Telecom

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

Share compensation expense recognized during the three-month periods ended March 31, 2017 is ₩ 12 million and remaining share compensation expense to be recognized in later periods are ₩ 1,379 million.

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

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Option life	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding day)	262,500	262,500	262,500
Expected volatility	13.38%	13.38%	13.38%
Rate of returns	3.80%	3.80%	3.80%
Exercise price	246,750	266,490	287,810
Fair value per share	27,017	20,240	15,480

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20. Selling and administrative expenses

Details of selling and administrative expenses for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Salaries	₩ 273,608	₩ 247,791
Provision for pension benefits	31,064	26,113
Employee welfare benefits	45,866	40,509
Travel	13,652	12,229
Reversal of bad debt expenses	(2,409)	(591)
Communications	2,218	2,376
Utilities	11,472	11,642
Taxes and dues	15,889	20,267
Supplies	4,627	6,052
Rents	42,939	39,545
Depreciation	48,396	50,998
Amortization	40,578	34,485
Repairs	4,454	3,768
Insurance	7,316	5,901
Advertising	112,914	107,394
Research and development	67,178	51,685
Education and examination	11,354	12,817
Outsourcing technology services	135,018	124,297
Commissions	4,692	6,120
Transport	157,211	162,153
Others	29,383	34,005
	<u>₩ 1,057,420</u>	<u>₩ 999,556</u>

21. Financial income and costs

Details of financial income and costs for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Financial income:		
Interest income	₩ 60,575	₩ 45,899
Gain on foreign currency transactions	449,247	358,853
Gain on foreign currency translation	504,274	252,247
Gain on transactions of derivatives	149,727	134,257
Gain on valuation of derivatives	204,829	139,848
	<u>₩ 1,368,652</u>	<u>₩ 931,104</u>

	For the three months ended	
	March 31, 2017	March 31, 2016
Financial costs:		
Interest expenses	₩ 212,548	₩ 208,314
Loss on foreign currency transactions	475,888	386,784
Loss on foreign currency translation	410,020	195,175
Loss on transactions of derivatives	123,101	153,206
Loss on valuation of derivatives	162,908	101,462
Others	3,755	226
	<u>₩ 1,388,220</u>	<u>₩ 1,045,167</u>

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22. Other non-operating income and expenses

(1) Details of other non-operating income (expenses) for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Other non-operating income:		
Dividend income	₩ 12,956	₩ 21,126
Rental income	52	61
Gain on disposal of trade accounts receivable	5,025	2,663
Gain on disposal of available-for-sale financial assets	10,319	27,886
Gain on disposal of investments in associates and joint ventures	17,053	7,043
Gain on disposal of property, plant and equipment	8,737	2,368
Gain on disposal of intangible assets	270	1,505
Gain on disposal of other investment property	48	52,808
Others	127,624	91,095
	<u>₩ 182,084</u>	<u>₩ 206,555</u>

	For the three months ended	
	March 31, 2017	March 31, 2016
Other non-operating expenses:		
Loss on disposal of trade accounts receivable	₩ 5,480	₩ 2,130
Loss on disposal of available-for-sale financial assets	81	133
Loss on impairment of available-for-sale financial assets	-	223
Loss on impairment of investments in associates and joint ventures	-	20
Loss on disposal of property, plant and equipment	18,369	9,624
Loss on impairment of property, plant and equipment	2,784	-
Loss on disposal of intangible assets	2,226	920
Loss on impairment of intangible assets	426	71,995
Loss on disposal of other investment property	-	1,187
Loss on impairment of other investment property	2,447	6,449
Donations	24,492	42,656
Others	64,112	70,335
	<u>₩ 120,417</u>	<u>₩ 205,672</u>

23. Expense classified based on nature of expense

Details of classification based on nature of expenses for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Employee benefits	₩ 1,307,158	₩ 1,271,878
Depreciation and amortization	1,353,808	1,263,612
Network connection	223,019	265,123
Transport	192,579	195,395
Advertising	114,564	112,814
Operating lease payments and rents	258,212	319,114
Others	3,887,988	3,974,701
Use of raw materials and purchase of finished goods and merchandise	14,202,240	11,349,641
Changes in finished goods and semi-finished good	(184,082)	220,200
	<u>₩ 21,355,486</u>	<u>₩ 18,972,478</u>

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24. Income taxes

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

Effective tax rates for the three months ended March 31, 2017 and 2016 were 25.34% and 25.57%, respectively.

25. Earnings per share

(1) Basic earnings per share for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2017	March 31, 2016
Net income attributable to owners of the Company	₩ 593,542	₩ 387,051
Less: preferred share dividends	(529)	(487)
Net income attributable to ordinary share owners of the Company	593,013	386,564
Weighted-average number of ordinary share outstanding (*1)	55,824,357	55,824,357
Basic earnings per share (in Korean won) (*2)	₩ 10,623	₩ 6,925

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

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

The basis of calculating weighted-average number of ordinary shares for the three months ended March 31, 2017 and 2016 is as follows:

	For the three months ended	
	March 31, 2017	March 31, 2016
Weighted-average number of issued shares outstanding	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,940)	(14,535,940)
Weighted-average number of ordinary shares outstanding	55,824,357	55,824,357

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	For the three months ended	
	March 31, 2017	March 31, 2016
Net income attributable to owners of the Company	₩ 593,013	₩ 386,564
Addition: loss from discontinued operations	(526)	(4,784)
Income from continuing operations attributable to owners of the Company	₩ 593,539	₩ 391,348
Weighted-average number of ordinary shares outstanding	55,824,357	55,824,357
Basic earnings per share from continuing operations (Korean won)	₩ 10,632	₩ 7,010

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25. Earnings per share (cont'd)

(3) Basic losses per share from discontinued operations

Basic losses per share from discontinued operations for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2017	March 31, 2016
Loss from discontinued operations	₩ (526)	₩ (4,784)
Weighted-average number of ordinary shares outstanding	55,824,357	55,824,357
Basic losses per share from discontinued operations (Korean won)	₩ (9)	₩ (86)

26. Transactions with related parties

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the consolidated financial statements as at and for the three months ended March 31, 2017 and 2016.

(1) Details of significant transactions with the related parties for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

Company name	For the three months ended March 31			
	Revenue		Expenses	
	2017	2016	2017	2016
Daehan Oil Pipeline Corporation	₩ 5,731	₩ 3,899	₩ 12,585	₩ 11,832
Oilhub Korea Yeosu Co., Ltd.	-	-	3,234	3,403
F&U Credit Information Co., Ltd.	707	532	14,494	13,706
SK Wyverns Baseball Club Co., Ltd.	1,285	365	19,309	14,932
Hana Card Co., Ltd.	4,597	5,045	10,211	9,377
SK Hynix Inc.	568,470	265,993	576	483
SK Hystec Inc.	4,016	2,871	617	94
SK Hyeng Inc.	5,268	4,019	8,073	850
SK Hynix Semiconductor HK Ltd.	-	-	189,839	106,893
SKC Haas Display Film Co., Ltd.	13,536	12,193	198	130
SKC HAAS FILM Co., Ltd. (Suzhou)	2,832	3,609	-	9
SKC-KOLON PI Co., Ltd.	4,023	485	12	4
SKC Evonik Peroxide Korea Co., Ltd.	1,111	-	12,882	8,714
SKC MNT Co., Ltd.	614	971	5,032	5,027
Mitsui Chemicals & SKC Polyurethanes, Inc.	57,906	54,359	5,091	11,786
AnTS	86	-	3,443	14,581
Boryeong LNG Terminal Co., Ltd.	10,377	24,500	52,029	-
Eurasia Tunnel	25,973	19,078	-	-
XE-PIAN XE-NAMNOY Power Company	61,821	47,810	-	-
Hana land chip PEF 33	7,861	8,337	8,226	8,629
Mobile TCS Co., Ltd.	170	206	1,543	1,961
SK Gas Co., Ltd.	105,178	68,778	127,215	85,510
SK Advanced Co., Ltd.	3,775	30,750	3,203	-
G. Hub Co., Ltd.	438	235	11,228	11,325
SK Gas International Pte. Ltd.	6,834	5,064	-	1,192
SK Chemicals Co., Ltd.	22,358	29,942	25,136	28,799
SK D&D Co., Ltd.	1,456	120	3,270	2,761
SK Petrochemical Co., Ltd.	20,881	13,271	1,400	542
SK Securities Co., Ltd.	6,905	6,307	20	7
Others	94,684	58,900	42,449	53,637
	₩ 1,038,893	₩ 667,639	₩ 561,315	₩ 396,184

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26. Transactions with related parties (cont'd)

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

Company name	March 31, 2017		December 31, 2016	
	Receivables (*1)	Payables	Receivables (*1)	Payables
Daehan Oil Pipeline Corporation	₩ 5,564	₩ 509	₩ 53	₩ 519
Oilhub Korea Yeosu Co., Ltd.	-	1,166	-	1,244
Korea Consortium Kazakh B.V.	146,170	-	146,170	-
F&U Credit Information Co., Ltd.	91	1,314	39	1,386
SK Wyverns Baseball Club Co., Ltd.	1,582	611	5,011	-
Wave City Development Co., Ltd.	64,804	-	64,804	-
Hana Card Co., Ltd.	1,705	5,979	1,812	7,684
SK Hynix Inc.	469,572	15,982	381,995	249,635
SK Hystec Inc.	1,659	168	2,374	170
SK Hyeng Inc.	2,252	8,246	2,782	2,283
SK Hynix Semiconductor HK Ltd.	4	56,964	-	72,507
SKC Haas Display Film Co., Ltd.	16,205	37,661	12,801	37,782
SKC HAAS FILM Co., Ltd. (Suzhou)	2,739	-	3,999	-
SKC Evonik Peroxide Korea Co., Ltd.	-	4,674	-	4,831
SKC MNT Co., Ltd.	108	1,674	464	3,002
Mitsui Chemicals & SKC Polyurethanes, Inc.	38,486	2,615	27,814	2,086
AnTS	12	9,464	33	28,958
Boryeong LNG Terminal Co., Ltd.	6,834	29,634	1,025	28,779
Pentaport Development Co., Ltd.	105,367	-	105,367	-
Eurasia Tunnel	3,559	40,222	13,076	59,660
SK E&C JURONG Investment Singapore Pte. Ltd.	60,007	-	60,007	-
XE-PIAN XE-NAMNOY Power Company	27,826	-	54,528	-
SK E&C USA, Inc.	2,666	1	3,753	42
SBC General Trading & Contracting Co. WLL	2,610	515	2,968	555
SK Gas Co., Ltd.	54,876	85,707	33,833	103,956
SK Advanced Co., Ltd.	324	1,424	2,248	7,933
G. Hub Co., Ltd.	201	4,205	174	4,193
SK Gas International Pte. Ltd.	4,233	-	-	-
SK Chemicals Co., Ltd.	18,810	12,341	18,525	8,713
SK D&D Co., Ltd.	9	1,787	980	1,839
SK Petrochemical Co., Ltd.	14,081	193	12,707	201
SK Securities Co., Ltd.	2,558	718	2,737	160
Others	259,419	42,571	124,320	37,313
	<u>₩ 1,314,333</u>	<u>₩ 366,345</u>	<u>₩ 1,086,399</u>	<u>₩ 665,431</u>

(*1) The Company recognized bad debt expense amounting to ₩ 3,315 million and ₩ 10,259 million for the three month ended March 31, 2017 and 2016, respectively. The Company recognized the allowance for doubtful accounts amounting to ₩ 278,719 million and ₩ 275,404 million as at March 31, 2017 and December 31, 2016, respectively.

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26. Transactions with related parties (cont'd)

(3) Details of significant treasury transactions with related-parties for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	March 31, 2017		March 31, 2016	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	1,071	-	1,940	-
SK E&C USA, Inc.	KRW	-	1,064	1,219	-

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

Benefits for key management consist of registered executives who are responsible for the planning, operation and control of the Company's business activities. Details of compensation for them for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Salaries	₩ 4,610	₩ 540
Provision for pension benefits	475	206
	₩ 5,085	₩ 746

27. Discontinued operations

(1) Details of discontinued operations

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

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

(2) Income and expenses from the discontinued operation for the three months ended March 31, 2017 and 2016 are as follows (in millions of Korean won):

	For the three months ended March 31, 2017	
	Fashion and tax-free business in SK Networks Co., Ltd.	
Revenue	₩	94,737
Expenses		95,845
Loss before income tax expense		(1,108)
Income tax benefit		(268)
Losses from discontinued operations attributable to Owners of the Company		(840)
Non-controlling interests		(526)
		(314)

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27. Discontinued operations (cont'd)

	For the three months ended March 31, 2016		
	Fashion and tax-free		Total
	Solar business in SKC Solmics Co., Ltd.	business in SK Networks Co., Ltd.	
Revenue	₩ 9,706	₩ 168,405	₩ 178,111
Expenses	13,701	182,828	196,529
Loss before income tax expense	(3,995)	(14,423)	(18,418)
Income tax benefit	-	(4,115)	(4,115)
Losses from discontinued operations attributable to Owners of the Company	(3,995)	(10,308)	(14,303)
Non-controlling interests	(751)	(4,033)	(4,784)
	(3,244)	(6,275)	(9,519)

(3) Details of cash flows relating to discontinued operation for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended March 31, 2017	
	Fashion and tax-free business in SK Networks Co., Ltd.	
Cash flows from operating activities	₩	40,805
Cash flows from investing activities		273,080
Cash flows from financing activities		(59,086)

	For the three months ended March 31, 2016		
	Fashion and tax-free		Total
	Solar business in SKC Solmics Co., Ltd.	business in SK Networks Co., Ltd.	
Cash flows from operating activities	₩ 1,345	₩ 2,896	₩ 4,241
Cash flows from investing activities	(3)	3,583	3,580
Cash flows from financing activities	(10,121)	3,940	(6,181)

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

Details of non-current assets and non-current liabilities held for sale as at March 31, 2017 are as follows (Korean won in millions):

		March 31, 2017	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks SAN. VE TIC. Ltd. STI	₩ 898	₩ 698
Associates	Shanxi SK Guolin Hi-Tech Road Material Co., Ltd.	411	-
Business segment	Fashion business segment (*1)	1,273	1,002
Intangible assets and property, plant and equipment	Property, plant and equipment related to TAC business (*2)	17,848	-
	Assets related to tax-free business (*3)	2,198	-
		₩ 22,628	₩ 1,700

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

(*2) As SK Innovation Co, Ltd., a subsidiary of the Group, decided to discontinue Tri-acetyl0cellulose ("TAC") optical materials business and planned to sell some equipment in 2017. A negotiation with a potential buyer was in progress as at March 31, 2017, and equipment that planned to sell was classified as asset held-for-sale.

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

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29. Cash flow information

(1) Details of non-cash adjustments for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Provision for pension benefits	₩ 84,834	₩ 78,447
Depreciation	1,032,207	984,374
Amortization	321,601	279,238
Loss on impairment of property, plant and equipment, and intangible assets	3,210	71,995
Reversal of bad debt expenses	(2,427)	(589)
Valuation loss (gain) on inventories	6,573	(51,785)
Interest expenses	212,744	210,100
Loss on foreign currency translation	410,146	195,320
Loss on disposal of trade accounts receivable	5,480	2,130
Loss on transactions of derivatives	123,131	153,281
Loss on valuation of derivatives	162,920	101,576
Loss on disposal of available-for-sale financial assets	81	133
Loss on impairment of available-for-sale financial assets	-	223
Loss on disposal of property, plant and equipment	19,271	10,297
Loss on disposal of intangible assets	2,226	920
Loss on disposal of other investment property	21,940	1,187
Loss on impairment of other investment property	2,447	6,449
Income tax expense	548,285	365,919
Loss related to investments in associates and joint ventures	(415,629)	(34,612)
Interest income	(60,601)	(45,926)
Dividends income	(12,956)	(21,126)
Gain on foreign currency translation	(504,376)	(252,547)
Gain on trade accounts receivable	(5,025)	(2,663)
Gain on valuation of derivatives	(149,481)	(134,506)
Gain on transactions of derivatives	(204,834)	(139,934)
Gain on disposal of available-for-sale financial assets	(10,319)	(27,886)
Gain on disposal of investments in associates and joint ventures	(17,053)	(7,043)
Gain on disposal of property, plant and equipment	(8,737)	(2,405)
Gain on disposal of intangible assets	(270)	(1,988)
Gain on disposal of other investment property	(6,433)	(52,808)
Others	(63,012)	76,916
	<u>₩ 1,495,943</u>	<u>₩ 1,762,687</u>

(2) Details of working capital adjustments for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Inventories	₩ (476,114)	₩ 358,070
Trade accounts receivable	25,466	192,959
Other accounts receivable	649,734	(80,343)
Trade accounts payable	(1,092,055)	(421,779)
Advance received	(804,874)	(413,526)
Other accounts payable	254,777	(9,228)
Defined benefit obligation	(43,329)	(37,769)
Plan assets	28,713	20,577
Others	(422,927)	125,462
	<u>₩ (1,880,609)</u>	<u>₩ (265,577)</u>

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29. Cash flow information (cont'd)

(3) Significant non-cash transactions for the three months ended March 31, 2017 and 2016 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2017	March 31, 2016
Acquisitions of investments in associates	₩ -	₩ 58,860
Decrease in other accounts payable due to acquisition of property, plant and equipment and others	(255,137)	(299,052)
Reclassification of property, plant and equipment and others to assets held-for-sale	1,948,752	289,212
Increase in other accounts receivable due to disposal of investment property	-	(81,638)
Increase in other accounts receivable due to disposal of fashion business in SK Networks Co., Ltd.	(25,882)	-

30. Commitments and contingencies

(1) Guarantees provided for the Group as at March 31, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	Korea Trade Insurance Corporation The Export-Import Bank of Korea Korea Software Financial Cooperative Seoul Guarantee Insurance HSBC and others	USD	6,587	Guarantee of payment
		VND	90,113,661	Guarantee of payment
		USD	2,659	Performance guarantees for contract and others
		KRW	236,202	Performance guarantees for contract and others
		KRW	1,316	Performance guarantees for contract and others
SK Engineering & Construction Co., Ltd.	KEB Hana Bank Shinhan Bank The Export-Import Bank of Korea Korea Housing Guarantee Co., Ltd. Seoul Guarantee Insurance Engineering Financial Cooperative Construction Guarantee Cooperative	USD	762,625	Performance guarantees for overseas construction
		EUR	7,500	Performance guarantees for overseas construction
		SGD	59,415	Performance guarantees for overseas construction
		INR	147,500	Performance guarantees for overseas construction
		AED	22,899	Performance guarantees for overseas construction
		KWD	147,516	Performance guarantees for overseas construction
		QAR	546,753	Performance guarantees for overseas construction
		TRY	36,042	Performance guarantees for overseas construction
		SAR	490,620	Performance guarantees for overseas construction
		THB	753,913	Performance guarantees for overseas construction
		CAD	50,000	Performance guarantees for overseas construction
		KZT	92,508	Performance guarantees for overseas construction
		IQD	2,600,000	Performance guarantees for overseas construction
		USD	170,604	Performance guarantees for overseas construction
		VND	253,962,932	Performance guarantees for overseas construction
		KRW	9,833	Performance guarantees for domestic construction
		USD	20,156	Performance guarantees for overseas construction
USD	410,015	Performance guarantees for overseas construction		
SAR	343,744	Performance guarantees for overseas construction		
KRW	1,700,786	Housing guarantees and others		
KRW	407,650	Performance guarantees for domestic construction		
KRW	1,121,514	Performance guarantees for domestic construction		
KRW	2,330,222	Performance guarantees for domestic construction		
SK Forest Co., Ltd.	Construction Guarantee Cooperative Seoul Guarantee Insurance	KRW	19,223	Performance guarantees for contract and others
		KRW	6,847	Performance guarantees for contract and others
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	18,000	Guarantee of debt
		EUR	6,000	Guarantee of debt
SK Shipping Co., Ltd.	Seoul Guarantee Insurance	KRW	31,473	Performance guarantees for contract
KSF 34 International S.A.	The Export-Import Bank of Korea	USD	46,243	Performance guarantees for shipbuilding
SHIKC 1 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	156,075	Performance guarantees for shipbuilding
SHIKC 2 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	156,075	Performance guarantees for shipbuilding
VLGC 4 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	30,594	Performance guarantees for shipbuilding
VLGC 5 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	30,594	Performance guarantees for shipbuilding
SK B&T PTE. LTD.	KEB Hana Bank	USD	1,000	Guarantee for acquiring the license
HHIENS 1 SHIPHOLDING S.A.	KEB Hana Bank	USD	142,958	Performance guarantees for shipbuilding
HHIENS 2 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	142,958	Performance guarantees for shipbuilding
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance and payment guarantees
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,120	Guarantee of warranties and approval

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30. Commitments and contingencies (cont'd)

Guarantee	Guarantor	Currency	Amount	Description of guarantee
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	5,004	Guarantee of contract defect and price of gas
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,109	Community energy service facility management, consignment operating agreement and others
Jeonbuk Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	32	Performance guarantees and guarantee of warranties
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	790	Guarantee of warranties
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	535	Performance guarantees for contract
Paju energy service	Seoul Guarantee Insurance	KRW	557	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	67	Guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	990	Deposits for safety management and others
SK Telesys. Co., Ltd.	Seoul Guarantee Insurance	KRW	4,012	Guarantee of warranties and contract
SKC INFRA SERVICE Co., Ltd.	Seoul Guarantee Insurance	KRW	4,779	Guarantee of warranties and contract
SK Networks Co., Ltd.	KEB Hana Bank	USD	1,000	Payment guarantee of overseas procurement
	KEB Hana Bank, Woori Bank	KRW	10,212	Performance guarantees for sales
SK Networks Service Co., Ltd. and others	Seoul Guarantee Insurance	KRW	8,502	Guarantee of warranties and others
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	7,385	Performance guarantees for contract
	Machinery Financial Cooperative	KRW	7,838	Performance guarantees for contract
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	570	Performance guarantees for contract
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	3,425	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	13,843	Performance guarantees for contract
SK Communications Co., Ltd.	Seoul Guarantee Insurance	KRW	828	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	10,797	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	2,924	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	17,541	Guarantee of warranties, contract and others
SK M & SERVICE Co., Ltd.	Seoul Guarantee Insurance and others	KRW	50	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	331	Performance guarantees
	Shinhan Bank	KRW	2,000	Performance guarantees for contract
iriver Co., Ltd.	Seoul Guarantee Insurance	KRW	121	Performance guarantees for contract and others
SK techx Co., Ltd.	Seoul Guarantee Insurance	KRW	1,410	Performance guarantees for contract
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	31,539	Guarantee of bid payment
SK ENCARSALSALES.COM., Ltd.	Seoul Guarantee Insurance	KRW	65	Performance guarantees for contract
HAPPYNARAE Co., Ltd.	Seoul Guarantee Insurance	KRW	791	Performance guarantees insurance

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, has been provided performance guarantees for domestic construction by other construction companies amounting to ₩419,254 million as at March 31, 2017.

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30. Commitments and contingencies (cont'd)

(2) Guarantees provided to others as at March 31, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee	
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL	KWD	3,583	Performance guarantees for contract and others	
	Eurasia Tunnel	USD	3,791	Performance guarantees for contract	
	Pohang Clean Water Co., Ltd. and others	KRW	47,700	Guarantee of payment	
	Sonngdo D&C L.L.C	KRW	19,500	Guarantees for project financing	
	Hwaseong Jeongnam Industrial Tower Planning Co., Ltd.	KRW	22,100	Guarantees for project financing	
		KRW	12,350	Guarantees for project financing	
	Daeyeon Area VII housing redevelopment maintenance business association	KRW	77,447	Guarantees for reconstruction project financing	
	Shingil Area V Reconstruction maintenance business association	KRW	294,809	Guarantees for reconstruction project financing	
	Ung-am Area X housing redevelopment maintenance business association	KRW	59,210	Guarantees for reconstruction project financing	
	Ahyeon Area housing redevelopment maintenance business association	KRW	28,458	Guarantees for reconstruction project financing	
	Bomun area II housing redevelopment maintenance business association	KRW	11,910	Guarantees for reconstruction project financing	
	Howon elementary school Area reconstruction maintenance business association	KRW	27,764	Guarantees for reconstruction project financing	
	Ansan Gunja Jugong Area VI reconstruction maintenance business association	KRW	15,724	Guarantees for reconstruction project financing	
	Mapo area VI urban environment development business association	KRW	111,190	Guarantees for reconstruction project financing	
	Customers of Seongsu station SKV1 TOWER	KRW	31,574	Guarantee of payment	
	Customers of Centum River SK View	KRW	241	Guarantee of payment	
	Customers of Moonjeong SKV1GL Metrocity	KRW	93,241	Guarantee of payment	
	Customers of Ga San SK V1	KRW	47,844	Guarantee of payment	
	Customers of Kwang Kyo SK view Lake	KRW	34,551	Guarantee of payment	
	Customers of Song Do SK view	KRW	34,901	Guarantee of payment	
	Doryong area I housing reconstruction development business association	KRW	4,830	Guarantee of payment	
	Member of Employee stock ownership association	KRW	10,350	Guarantee of payment	
	Song Do SK view and others	KRW	-	Conditional performance guarantees for debt	
	SK Shipping Co., Ltd.	Milestone LNG Transport S.A. & Great Shale LNGTransport S.A.	KRW	166,573	Guarantee for shipbuilding and others
		S&Y Shipping S.A.	JPY	4,457,036	Guarantee of payment
	SK Networks Co., Ltd.	PT. SK Networks Indonesia	USD	1,500	Standing surety for investee
	SK Innovation Co., Ltd.	Peru LNG S.R.L.	USD	175,200	Guarantee of supplies and others
	Perupetro and others	USD	1,081	Guarantee of performance and others	
SK Global Chemical Co., Ltd.	SABIC SK Nexlene Company Pte. Ltd.	USD	196,500	Guarantee of payment	
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	355	Guarantees for construction	
	Railway Administration and others	EUR	37	Guarantee for installing facilities and others	
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of payment	
		KRW	-	Guarantees for project financing	
SKC Co., Ltd.	SKC-KOLON PI Co., Ltd.	USD	8,100	Guarantee for litigation	
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	722	Performance guarantees for contract	
SK techx Co., Ltd.	Recording Industry Association of Korea	KRW	397	Guarantee of payment	

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, provides other construction companies with performance guarantees for domestic construction in the amount of ₩ 2,753,544 million as at March 31, 2017.

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30. Commitments and contingencies (cont'd)

(3) Pending litigations

The Group's significant pending litigations as at March 31, 2017, in which the Group is a plaintiff are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
SK Holdings Co., Ltd.	Samsung Card Co., Ltd.	Claim for payment	KRW 5,564	Second trial in progress
SK Forest Co., Ltd.	Seoul Special City and others	Claim for refund of payment construction and others	KRW 1,108	First trial in progress
SK ENCARSALES.COM., Ltd.	Individual and others	Claim for payment of trademark right infringement	KRW 150	First trial in progress
SK Trading International Co., Ltd.	OW Bunker Middle East DMCC	Claim for payment	USD 11,437	First trial in progress
SK Telesys Co., Ltd.	Alcatel-lucent Korea and others	Claim for payment and others	KRW 1,017	First trial in progress
SK E&S Co., Ltd.	Jongno District Tax Office and others	Claim for annulment of assessments of corporate tax	KRW 2,472	Third trial in progress and others
Ko-one Energy Service Co., Ltd.	IBK and others	Claim for trust and others	KRW 10,262	Second trial in progress and others
SK Networks Co., Ltd. and others	GCK Co., Ltd.	Claim for return of money collected	KRW 1,267	Second trial in progress
	Individual and others	Claim for repayment and others	KRW 266	First trial in progress and others
SK Networks Service Co., Ltd.	Individual and others	Claim for payment	KRW 597	First trial in progress and others
SK Shipping Co., Ltd.	Emirate Trading Agency	Claim for termination of the contract	USD 8,000	Arbitration in progress
	Asia Green Energy and others	Litigation related to bunkering and others	USD 1,588	Arbitration in progress
	Mcoil International S.A.	Claim for non-payment for fuel oil	KRW 704	First trial in progress
SK Shipping (Singapore) Pte. Ltd.	ST Shipping and others	Claim for payment and others	USD 3,260	First trial in progress and others
SK Shipping Europe Plc.	MOL	Lawsuit for employment	USD 175	Arbitration in progress
SK B&T Pte. Ltd.	Mumbai Singapore Pte. Ltd.	Off hire claim and others	USD 1,600	First trial in progress
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 147	First trial in progress
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment	KRW 3,965	Second trial in progress
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 4,140	Second trial in progress
	Korea Rail Network Authority	Claim for payment	KRW 3,358	Third trial in progress and others
	Fair Trade Committee	Claim for corrective order	KRW 5,635	Third trial in progress and others
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 61,212	Second trial in progress
	Korea Specialty Contractor Financial Cooperative	Claim for payment	KRW 918	First trial in progress
	Dream Hub PFV	Claim for payment	KRW 11,087	First trial in progress
	Korea Land and Housing Corporation	Claim for debt absence	KRW 13,712	Third trial in progress
	Busan Metropolitan City	Claim for payment of construction	KRW 402	First trial in progress
	Hyundai Construction Co., Ltd.	Claim for payment	KRW 25,708	First trial in progress
	Korea Housing & Urban Guarantee Corporation	Claim for transfer of ownership right	KRW 2,084	Second trial in progress
	Republic of Korea	Claim for surtax cancellation of Oryukdo SKVIEW and others	KRW 30,635	First trial in progress and others
	Individual and others	Claim for payment and others	KRW 3,743	Second trial in progress and others

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30. Commitments and contingencies (cont'd)

The Group's significant pending litigations as at March 31, 2017, in which the Group is a defendant are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Defense Acquisition Program Administration	SK Holdings Co., Ltd.	Claim for damages	USD 19,673	First trial in progress
Samsung Card Co., Ltd.		Claim for damages	KRW 2,831	Second trial in progress
Korea Minting, Security Printing & ID Card operating Corp.		Claim for damages	KRW 2,000	First trial in progress
Dongbu Insurance	SMCore Inc.	Claim for payments and others	KRW 10,110	First trial in progress and others
YE EUN TECH Co., Ltd.	SK Telesys Co., Ltd.	Claim for damages	KRW 200	First trial in progress
Alcatel lucent Korea Co., Ltd. and others		Claim for damages and others	KRW 1,326	Second trial in progress and others
Individuals and others	SKC Co., Ltd.	Claim for damages and others	KRW 798	First trial in progress and others
Hyung Koo, Lee and six others	Paju energy service Co., Ltd.	Claim for damages	KRW 340	First trial in progress
Korea Land & Housing Corporation and others	Ko-one Energy Service Co., Ltd.	Claim for pipeline removing expenses	KRW 337	First trial in progress
Korea Veterans Health Service	Pusan City Gas Co., Ltd.	Claim for return of payment	KRW 3,248	First trial in progress
Smartro Co., Ltd. and others	SK Networks Co., Ltd and others	Claim for patent infringement and others	KRW 797	First trial in progress and others
N Communcation Inc. and others	SK Networks Service Co., Ltd.	Claim for violation of delivery obligation	KRW 1,095	First trial in progress and others
Individual and others	SK Magic Service Co., Ltd.	Claim for workers' status and others	KRW 2,224	First trial in progress
Individual and others	SK Communications Co., Ltd.	Claim for compensation of personal data spill and others	KRW 1,064	Second trial in progress and others
M Seven System Limited	iriver Co., Ltd.	Claim for damages due to non-fulfillment of obligation and illegal act	KRW 1,000	Second trial in progress
Foxcom Co., Ltd.	NSOK Co., Ltd. (formely, Neos Networks Co., Ltd.)	Claim for counterindemnity	KRW 40	First trial in progress
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt and others	KRW 782	First trial in progress
Allianz	SK Shipping Co., Ltd.	Claim for cargo damage	CAD 966	Second trial in progress
Hyundai Merchant Marine Co., Ltd. and others		Claim for cargo damage and others	USD 3,090	Arbitration in progress and others
Classic Maritime	SK Shipping Europe Plc	Claim for payment	USD 5,000	Arbitration in progress
SK Gas International Pte. Ltd. and others	SK Shipping (Singapore) Pte. Ltd.	Claim for cargo damage and others	USD 3,100	Arbitration in progress and others
Korea credit Guarantee fund and others	SK B&T Pte. Ltd.	Claim for cancellation of creditor	USD 840	Second trial in progress and others
Suwon Gwonseon Housing reconstruction business association	SK Engineering & Construction Co., Ltd.	Claim for compensation	KRW 2,546	Second trial in progress
K-Water Resources Corporation		Claim for damages	KRW 5,004	First trial in progress and others
Incheon Metropolitan City		Claim for return and others	KRW 37,746	First trial in progress and others
Keo-soo, Kim and 56 others		Claim for compensation	KRW 24,049	Second trial in progress
Inlux and others		Claim for compensation	KRW 1,718	Second trial in progress
Youn jong, Suh and 333 others		Claim for apartment	KRW 22,408	Third trial in progress
Samjung Construction Co., Ltd.		Claim for payment	KRW 5,980	First trial in progress
Hyundai Engineering & Construction Co., Ltd.		Claim for payment	KRW 9,133	First trial in progress
Suseong SK Leader's View Tower's resident		Claim for apartment	KRW 201	First trial in progress
Korea Rural Community Corporation		Claim for counterindemnity	KRW 1,861	First trial in progress
Republic of Korea		Claim for compensation	KRW 26,876	First trial in progress and others
Korea Gas Corporation		Claim for compensation and others	KRW 47,583	First trial in progress
Korea Rail Network Authority		Claim for compensation and others	KRW 37,534	First trial in progress and others
Seil Engineering Co., Ltd.		Claim for compensation	KRW 1,104	First trial in progress
Individual and others		Claim for apartment and others	KRW 64,405	First trial in progress and others

30. Commitments and contingencies (cont'd)

(4) Commitments

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

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

- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Daol Fund Management. Under the terms of the lease, the lease period is until March 28, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance and development service entered into between the Company and SK Group companies and others.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- 5) HPEIK V SGPS LDA participated in new share issue of SK Shipping Co., Ltd. in the amount of 21,132,075 shares (issue price per share: ₩5,300) during 2010, under the condition that it can exercise a put option when certain defined events occur. The issued and outstanding shares of the entity were acquired by D&D Strategic Growth Ltd. (88.75%) and Daewoo Securities (Hong Kong) Ltd. (11.25%) in 2014. D&D Strategic Growth Ltd. and others sent out a notice on December 15, 2016, to exercise the put option and SK Shipping Co., Ltd., the first obligor exercised the put option on May 12, 2017 through capital reduction.

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

Classification	Description
Exercise condition	SK Shipping Co., Ltd. is not listed on the share market within 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.

As at March 31, 2017, the present value of this put option (₩162,698 million) is included in long-term borrowings (See Note 14).

- 6) SK Networks Co., Ltd., one of the subsidiaries, has committed that if the manganese development in relation to the development of the complex mine in Boleo, Mexico fails, Korean Boleo Corporation, S.A.de C.V. ("KBC") receives USD10,000 thousand (USD1,667 thousand for SK Networks Co., Ltd.) for acquiring shares from Camrova Resources Inc. (formerly, Baja Mining Corp., "Camrova"), and if the manganese development is successful, KBC pays USD 13,000 thousand (USD 2,167 thousand for SK Networks Co., Ltd.) additionally for acquiring shares to Camrova.

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30. Commitments and contingencies (cont'd)

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

8) As at March 31, 2017, details of contracts about subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Contract opponent	Term of contract
Contract for the supply of natural gas (*1)	Kangwon City Gas Co., Ltd. and seven others	Korea Gas Corporation	-
Contract of supply for natural gas	SK E&S Co., Ltd.	Tanggung PSC Contractor Parties	2006.01~2025.12
Contract for the repair and maintenance of gas turbine	SK E&S Co., Ltd.	GE International Inc.	2004.06~2026.12 (estimated)
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd.	POSCO Co., Ltd.	2005.06~2025.12
Rental contract of the plant and tower site	SK E&S Co., Ltd.	POSCO Co., Ltd.	2003.08~2028.12
Contract for work on heat peak load boiler	Wirye energy service Co., Ltd.	Korea District Heating Corp.	Until completion of supply and demand
Contract for the owner's engineering service	Paju energy service Co., Ltd.	Black&Veatch Corporation	2014.07~2017.05 (estimated)
Contract for the long term maintenance program	Paju energy service Co., Ltd.	Siemen AG and others	2014.06~2031.06 (estimated)
Contract for the long term maintenance program	Wirye energy service Co., Ltd.	Siemen AG and others	2015.01~2032.01 (estimated)
Contract for the long term maintenance program	Narae energy service Co., Ltd.	Doosan Heavy Industries & Construction Co., Ltd.	from 2012, 12 years
Contract for the liquefaction and storage of natural gas	SK E&S LNG, L.L.C	FLNG Liquefaction 3, L.L.C	from 2019, 20 years
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd., Wirye energy service Co., Ltd. and Paju energy service Co., Ltd.	Boryeong LNG Terminal	from 2017, 20 years
Contract for the use pipeline of natural gas	SK E&S LNG, L.L.C	Kinder Morgan, Inc.	from 2019, 20 years
Contract of supply for natural gas	Prism Energy International Pte. Ltd. (formely, SK LNG Trading Pte. Ltd.)	Chevron Australia Pty Ltd. and others	2017.01~2022.03

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

9) As at March 31, 2017, details of construction contracts about subsidiaries of SK E&S Co., Ltd. are as follows (Korean won in millions):

Description of contract	Name of subsidiaries	Contract opponent	Term of contract	Contract
Contract for the supervisory service	Wirye energy service Co., Ltd.	OSUN Engineering Co., Ltd.	2014.12~2017.05	₩ 2,841
Contract for the heating, plumbing construction	Wirye energy service Co., Ltd.	Daekyoung Enertech Co., Ltd. and others	2016.03~2017.03	2,264
Contract for the transmission access construction	Wirye energy service Co., Ltd.	Korea Electric Power Corporation	2015.08~2018.04	8,472
Contract for the construction of LNG plumbing supplies	Wirye energy service Co., Ltd.	Hanyang ENG Co., Ltd.	2015.07~2017.06	20,760
Contract for the construction management services	Paju energy service Co., Ltd.	Humantech Korea Engineering Co., Ltd.	2014.10~2017.04	4,416

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30. Commitments and contingencies (cont'd)

- 10) As at March 31, 2017, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows(in thousands of foreign currencies):

Description of contract	Name of subsidiary	Contract opponent	Equity ownership	Contract amount	Executive amount
Barossa-Caldita, Australia	SK E&S Australia Pty. Ltd.	ConocoPhillips Company and others	37.50%	USD 310,000	USD 280,000
Woodford, USA	Dew Blaine Energy, L.L.C	Continental Resources, Inc.	49.90%	USD 360,000	USD 221,569

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

- 11) SK Shipping Co., Ltd., one of the subsidiaries, has contracted with CHAMPION SHIPHOLDING S.A. and 53 others for Bare Boat Charter Hire Purchase (“BBCHP”) of about 63 boats. Outstanding boat purchase amount as at March 31, 2017 is USD 2,595,267 thousand (Korean won equivalent: ₩2,896,578 million) and is included in long term other accounts payable (See Note 16).
- 12) SK Shipping Co., Ltd., one of the subsidiaries, has leased ships by Time Charter. Total payables of the ship charter amounts to ₩ 583,802 million as at March 31, 2017.
- 13) SK Shipping Co., Ltd., one of the subsidiaries, has entered into a long-term transportation contract to transport liquefied natural gas, liquefied petroleum gas and coal with Korea Gas Corporation, Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd. and Korea Midland Power Co., Ltd.
- 14) As at March 31, 2017, SK Shipping Co., Ltd., one of the subsidiaries, has 44,000,000 shares (55%) of SK B&T Pte. Ltd. (“SK B&T”) after disposal of 36,000,000 shares (45%) of SK B&T to Atlantic Starr Ltd. Out of 44,000,000 shares, 3,999,999 shares are provided as trust asset under the securities trust agreement (First Beneficiary: Atlantic Starr Ltd. / trustee: Korea Development Bank), and 40,000,001 shares are pledged as collaterals for Atlantic Starr Ltd. as secured party.
- 15) On July 16, 2013, SK Incheon Petrochem Co., Ltd., one of the subsidiaries, issued new preferred shares by third-party allocation method to Shinhan Stonebridge Petro Private Equity Fund (“investor”). In regard to this new issuance of preferred shares, the agreement between SK Innovation and the investor includes the following essential particulars:
- Investors’ drag-along right and tag-along right
 - SK Innovation’s preemption right for the exercised investors’ drag-along right
 - Restriction on disposal of shares under certain conditions

SK Incheon Perochemical Co., Ltd., one of subsidiaries, has an agreement of securitizing ₩300,000 million that SK Incheon Petrochemical Co., Ltd. trusts accounts receivable for SK Energy Co., Ltd., SK Global Chemical, other subsidiaries, to Industrial Bank of Korea and then IPC Limited Company 1, which underwrites the first right to benefit issued by Industrial Bank of Korea, issues securitized commercial paper.

30. Commitments and contingencies (cont'd)

- 16) SK Telecom Co., Ltd., a subsidiary of the Group, sells its mobile handsets to customers on an installment payment plan through agents. It enters into transfer agreements with the agents for the receivables of handset's installment payments, under which all the rights and obligations of receivables are transferred to SK Telecom Co., Ltd. Then, SK Telecom Co., Ltd. enters into an asset securitization contract with a special purpose company for the receivables, and accordingly, the balance of the receivables as at the end of the current reporting period is ₩451,621 million which is recorded as other accounts receivable and long-term other accounts receivable.

(5) Others

As at March 31, 2017, 108 notes (including 102 blank notes) and 51 blank checks are provided to financial institutions as collateral for borrowings.

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31. Pledged assets

The following assets were pledged as collateral for the Group's borrowings and others as at March 31, 2017 (Korean won in millions and foreign currencies in thousands):

<u>Company</u>	<u>Asset</u>	<u>Currency</u>	<u>Collateralized amount</u>	<u>Provided to</u>	<u>Description</u>
SK Innovation Co., Ltd.	Investments in associates	KRW	345,993	Peru LNG S.R.L. and others	Collateral for project financing
	Investments in associates	KRW	12,045	Yemen LNG Company and others	Collateral for project financing
	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
Netruck Co., Ltd.	Property, plant and equipment	KRW	8,833	Shinhan Bank and others	Collateral for borrowing
SK Incheon Petrochem Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
SK Holdings Co., Ltd.	Property, plant and equipment	KRW	1,700	RCI Financial Service Korea	Guarantee of implementation of the agreement
Seosuwon Development Company	Investment property	KRW	221,000	New West Village and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Available-for-sale financial assets and others	KRW	111,601	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	86,800	Kookmin Bank and others	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment and others	KRW	215,000	Korea Development Bank and others	Collateral for borrowing
	Investment property	KRW	74,104	SKC Haas Display film Pty Ltd.	Leasehold deposits
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	117,500	Industrial Bank of Korea and others	Collateral for borrowing
SK Bioland Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	87,667	Korea Development Bank and others	Collateral for borrowing
	Property, plant and equipment	USD	50,000	SC Bank	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	369,380	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	123,500	NH Bank and others	Collateral for borrowing
Shenyang SK Bus Terminal Co., Ltd.	Property, plant and equipment	CNY	137,820	KEB Hana Bank	Collateral for borrowing
SK Networks Hong Kong Ltd.	Others	USD	2	60 West Suites Hotel Ltd.	Leasehold deposits
		USD	69	Cheung Kong Property Holdings Ltd.	Leasehold deposits
SK E&S Co., Ltd.	Investments in joint ventures	KRW	100,878	Woori Bank and others	Collateral for project financing
	Investments in associates	KRW	13,434	PF lenders	Collateral for project financing
	Investments in subsidiaries	KRW	185,151	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	1,005,394	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	6,495	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	3,933	Megamart and others	Leasehold deposits
Paju energy service Co., Ltd.	Property, plant and equipment	KRW	840,000	Korea Development Bank and others	Collateral for project financing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	220	Dongbu Insurance Co., Ltd. and others	Leasehold deposits
Wirye energy service Co., Ltd.	Property, plant and equipment	KRW	372,000	Korea Development Bank and others	Collateral for project financing
Narae energy service Co., Ltd.	Property, plant and equipment and others	KRW	480,000	Korea Development Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	1,821,240	KDB Asia Ltd. and others	Deposits for purchasing ship and others
	Investments in subsidiaries	USD	44,000	Atlanticstar Ltd.	Disposal of shares of SK B&T
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	87,450	KDB Asia Ltd and others	Deposits for purchasing ship and others
KSF 34 International S.A.	Property, plant and equipment	USD	45,925	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	149,710	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	148,640	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	119,981	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	119,991	KDB Asia Ltd and others	Deposits for purchasing ship
VLGC 4 SHIPHOLDING S.A.	Property, plant and equipment	USD	28,287	KDB Asia Ltd and others	Deposits for purchasing ship
VLGC 5 SHIPHOLDING S.A.	Property, plant and equipment	USD	28,287	KDB Asia Ltd and others	Deposits for purchasing Ship
SK Shipping Europe Plc.	Property, plant and equipment	USD	53,683	KDB Asia Ltd and others	Deposits for purchasing ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	6,453	Lessor	Restricted real rights for office lease
	Short-term financial instruments	KRW	673	KEB Hana bank and NH Bank	Collateral for loan
SKY Property Management Ltd.	Investment property	CNY	150,000	KEB Hana Bank and others	Collateral for borrowing
SK China Company, Ltd.	Others	USD	40,649	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China Communications	Collateral for borrowing

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31. Pledged assets (cont'd)

Company	Asset	Currency	Collateralized amount	Provided to	Description
SMCore Inc.	Property, plant and equipment	KRW	8,400	IBK	Collateral for foreign currency
SK Materials Co., Ltd.	Property, plant and equipment	KRW	27,170	LG Display Co., Ltd.	Collateral for advance received
		KRW	137,000	Korea Development Bank	Collateral for borrowing
		USD	3,500	Korea Development Bank	Collateral for borrowing
		JPY	3,690,000	Korea Development Bank	Collateral for borrowing
		JPY	315,000	Hyakugo Bank	Collateral for borrowing
		TWD	20,000	Mega Bank	Collateral for borrowing
		KRW	1,075	Yeongju city and Gyeongsang Buk-do	Government subsidy
SK Airgas Co., Ltd.	Property, plant and equipment	KRW	12,600	Kyungnam Bank and others	Collateral for borrowing
SK Tri Chem Co., Ltd.	Property, plant and equipment	KRW	3,343	Korea Development Bank	Collateral for borrowing

32. Guarantees provided among the Group entities

Guarantees provided among the Group entities as at March 31, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd. and SK Innovation Co., Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*1)
SK Innovation Co., Ltd.	SK E&P America, Inc.	USD	45,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,368	Guarantee of payment for license agreement
SK Lubricants Co., Ltd.	PT. Patra SK	USD	1,809	Guarantee of lease
	Iberian Lube Base Oils, S.A	EUR	56,000	Guarantee of debt
SK Global Chemical (China) Holding Co., Ltd.	SK Global Chemical International Trading (Shanghai) Co., Ltd.	CNY	170,000	Guarantee of payment for credit limit acquisition
SK Engineering & Construction Co., Ltd.	Thai Woo Ree Engineering Company Ltd.	USD	586	Guarantee of financial obligation
	Seosuwon Development Company	THB	76,158	Performance guarantees for contract and others
	SKEC Anadolu L.L.C	KRW	221,000	Guarantees for project financing
		USD	39,000	Performance guarantees for contract and others
	Sunlake Co., Ltd.	KRW	61,200	Guarantee of financial obligation
SKC Co., Ltd.	SKC, Inc.	CAD	33,000	Guarantee of financial obligation
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	160,000	Guarantee of payment
		USD	63,175	Guarantee of payment
		CNY	300,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	40,000	Guarantee of financial obligation
	SKC Solmics Co., Ltd.	KRW	60,000	Guarantee for operation fund
SK Networks Co., Ltd.	SK Networks Deutschland GmbH	EUR	10,000	Standing surety for investee
	SK Networks Hong Kong Limited	USD	169,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	121,400	Standing surety for investee
		CNY	84,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	2,000,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	65,000	Standing surety for investee
SK Shipping Co., Ltd.	SK (Guangzhou) Metal Co., Ltd.	CNY	60,000	Standing surety for investee
	SK Shipping Europe Plc	USD	83,000	Guarantee for operation fund
		USD	58,441	Guarantee for derivative hedge
		JPY	5,972,722	Guarantee of payment
	SK Shipping Singapore Pte. Ltd.	USD	93,816	Guarantee of payment
		USD	96,000	Guarantee for operation fund
	SK Shipping Hongkong Ltd.	USD	1,000	Guarantee for operation fund
	SK B&T Pte. Ltd.	USD	24,400	Guarantee for operation fund and others
	KSF 34 International S.A.	USD	467	Guarantee of payment
	SHIKC 2 SHIPHOLDING S.A.	USD	52,025	Guarantee of payment
	SHIKC 1 SHIPHOLDING S.A.	USD	52,025	Guarantee of payment
	Blueseaocean 1st L.L.C	USD	30,000	Guarantee for derivative hedge
	Blueseaocean 2nd L.L.C	USD	40,000	Guarantee for derivative hedge
	With Ocean L.L.C	KRW	35,000	Securitization. Capital reserve commitments
	HHIENS1 Shipholding S.A.	USD	35,740	Performance guarantees for payment
	HHIENS2 Shipholding S.A.	USD	35,740	Performance guarantees for payment
	VLGC4 Shipholding S.A.	USD	45,891	Performance guarantees for payment
	VLGC5 Shipholding S.A.	USD	45,891	Performance guarantees for payment
	NEPTUNE SOLUTION L.L.C	KRW	80,000	Securitization. Capital reserve commitments
	HHIVLCC1SHIPHOLDINGS.A.	USD	30,288	Performance guarantees for payment
	HHIVLCC2SHIPHOLDINGS.A.	USD	30,288	Performance guarantees for payment
SK B&T Pte. Ltd.	Chuandong 1 Marine Holdings Co., Ltd.	USD	8,411	Guarantee related to BBCHP
	Chuandong 2 Marine Holdings Co., Ltd.	USD	8,276	Guarantee related to BBCHP
SK E&S Co., Ltd.	Callip Gas Marketing, L.L.C	USD	181,000	Guarantee for derivative hedge
	SK E&S Australia Pty. Ltd.	USD	450,000	Payment guarantee for principal and interest of borrowings and others
	Paju energy service Co., Ltd.	KRW	530,000	Payment guarantee for principal and interest of bonds payable and others
	Wirye energy service Co., Ltd.	KRW	280,000	Payment guarantee for principal and interest of borrowings and others
	Narae energy service Co., Ltd.	KRW	20,000	Payment guarantee for principal and interest of borrowings
	Dew Blaine Energy, L.L.C	USD	360,000	Performance for contracts
	SK E&S Americas, Inc.	USD	160,000	Payment guarantee for principal and interest of borrowings and others
	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	USD	119,000	Guarantee for derivative hedge and others
SK LNG Trading Pte. Ltd.	SK Shipping Co., Ltd.	USD	-	Service fee

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

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	100,000	Guarantee for borrowings
		USD	35,000	Guarantee for borrowings
SK China Company, Ltd.	SK Materials Taiwan Co., Ltd.	USD	4,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	JPY	308,000	Guarantee for borrowings
	SK (Beijing) auto rental Co., Ltd.	USD	20,965	Guarantee for borrowings
	SK (Shenyang) auto rental Co., Ltd.	USD	10,482	Guarantee for borrowings
PointCode Inc.	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	9,202	Guarantee for borrowings
	SMCore Inc.	KRW	11,950	Guarantee for regarding buying Seoul Guarantee Insurance

(*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩ 130,010 million.

33. Financial risk management

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

33.1 Financial risk management

33.1.1 Risk management activities

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

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

33.1.2 Credit risk

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

	March 31, 2017	December 31, 2016
Financial assets at FVTPL	₩ 55,586	₩ 104,018
Held-to-maturity investments	900	937
Loans and receivables	25,862,565	25,012,808
Available-for-sale financial assets	64,414	65,010
Derivatives designated as hedging instruments	133,298	299,173
	<u>₩ 26,116,763</u>	<u>₩ 25,481,946</u>

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

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33.1.2.1 Trade and other accounts receivable

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

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

33.1.2.2 Guarantee

SK Engineering & Construction Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees recognized amounts of ₩9,550 million as at March 31, 2017. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as at March 31, 2017.

	March 31, 2017		December 31, 2016	
SK Innovation Co., Ltd.	₩	1,515	₩	1,768
SK Engineering & Construction Co., Ltd.		9,550		7,352
	₩	11,065	₩	9,120

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

33.1.2.3 Other financial assets

Credit risk arising from other financial assets consists of long-term and short-term financial instruments, occurrence of trade opponent arising from the bankruptcy, etc. In this case, the credit risk exposure of the Group will be the same as the book value of the maximum applicable financial instruments. On the other hand, the management of the Group's credit rating, because it is excellent to deal with financial institutions, is judged to have limited impact on the credit risk of the financial institutions of the Group.

33.1.3 Liquidity risk

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

The contractual maturity of financial liabilities as at March 31, 2017 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3~12 months	1~5 years	More than 5 years
Loans and borrowings	₩ 8,014,075	₩ 8,349,096	₩ 2,263,676	₩ 2,259,686	₩ 2,870,617	₩ 955,117
Bonds	24,140,759	25,500,456	1,725,569	3,858,136	14,350,647	5,566,104
Derivative financial liabilities	284,347	284,347	141,274	113,302	28,926	845
Trade accounts payable	7,580,921	7,580,921	7,439,651	141,270	-	-
Other liabilities	10,596,889	11,025,916	5,265,772	999,658	2,651,741	2,108,745
	₩ 50,616,991	₩ 52,740,736	₩ 16,835,942	₩ 7,372,052	₩ 19,901,931	₩ 8,630,811

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33.1.4 Market risk

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

33.1.4.1 Currency risk

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

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

	Currency	March 31, 2017		December 31, 2016	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	5,467,118	₩ 6,102,041	4,921,210	₩ 5,947,476
	JPY	25,238,369	252,302	17,681,164	183,325
	CNY	2,622,951	425,503	2,601,217	450,687
	EUR	103,961	124,040	68,757	87,154
	Others		114,175		35,791
				₩ 7,018,061	
Liabilities	USD	10,269,091	₩ 11,461,810	8,162,297	₩ 9,863,939
	JPY	19,740,779	197,599	7,342,973	76,106
	CNY	2,603,514	422,471	1,306,566	226,378
	EUR	114,125	136,106	74,224	94,087
	Others		620,424		699,236
				₩ 12,838,410	

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

Currency	March 31, 2017		December 31, 2016	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (535,977)	₩ 535,977	₩ (391,646)	₩ 391,646
JPY	5,470	(5,470)	10,722	(10,722)
CNY	303	(303)	22,431	(22,431)
EUR	(1,207)	1,207	(693)	693

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

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33.1.4.2 Interest rate risk

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

33.2 Capital risk management

The fundamental goal of capital management is to keep a sound financial structure. The Group is using the debt ratio, calculated as total debt divided by total amount of capital, as an indicator of capital management. The Group maintains a debt ratio of 143.6% as at March 31, 2017. The maturity of the debt is dispersed in the long term. so, debt-repayments are not demanding.

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

	<u>March 31, 2017</u>		<u>December 31, 2016</u>
Total liabilities	₩ 60,632,047	₩	60,720,613
Total equity	42,216,419		42,326,724
Debt ratio	143.6%		143.5%

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34. Business combination

34.1 General information

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

34.2 Identifiable assets acquired and liabilities assumed

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

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

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

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

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34.3 Goodwill

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

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

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

35. Subsequent events

35.1 SK Shipping Co., Ltd.

In accordance with the resolution of the board of directors on February 27, 2017, SK Shipping Co., Ltd., a subsidiary, split its shipping business division on April 1, 2017. The company name of the surviving company after the split is SK Maritime Co., Ltd., and the name of the spin-off company is SK Shipping Co., Ltd..

SK Shipping Co., Ltd., the spin-off company, issued shares amounting to ₩2,22 billion under the third-party allocation method on April 13, 2017, and SK Maritime Co., Ltd. sold 18.11% of equity ownership in SK Shipping Co., Ltd. at ₩163 billion. Subsequently, SK Maritime's equity ownership in SK Shipping Co., Ltd. decreased from 100% to 57.22%.

35.2 SK Global Chemical Co., Ltd.

In accordance with a resolution of the board of directors on February 1, 2017, SK Global Chemical Co., Ltd., a subsidiary, elected to take over the EAA business and assets owned by The Dow Chemical Company, which is located in the United States and Spain. The value of the take-over is USD 370 million and the transaction amount will be adjusted based on the inventory status at the time of termination of the asset transfer.