



SK HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

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

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Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at June 30, 2016, and the related interim condensed consolidated statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015, and the related interim condensed consolidated statements of changes in shareholders’ equity and cash flows for the six months ended June 30, 2016 and 2015, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Interim Condensed Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards (KIFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

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

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

Conclusion

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

Emphasis of Matter

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

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

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

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

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

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

Further, the Company recognized accounts receivable (unbilled contract revenue) for construction cost to date, net of recognized loss, exceeding billed amounts. As at current interim period, unbilled construction amounted to ₩937,858 million and if such amount is uncollected, the Company is exposed to risks in relation to asset measurement.

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

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

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

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

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

Other matters

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

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

August 12, 2016

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

SK HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

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

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

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

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Assets					
Current assets:					
Cash and cash equivalents	5	₩ 7,776,395	₩ 6,995,224	\$ 6,676,736	\$ 6,006,031
Trade accounts receivable	5, 6, 26, 30, 32	9,678,008	10,177,906	8,309,443	8,738,650
Other accounts receivable	5, 26	2,074,668	1,654,688	1,781,290	1,420,699
Inventories	7, 30, 32	5,849,222	5,643,327	5,022,085	4,845,305
Available-for-sale financial assets	5, 8, 30, 32	402,803	153,340	345,843	131,656
Other current assets	5, 17, 18, 30, 32	6,404,417	5,090,707	5,498,770	4,370,831
Assets held for sale	27	49,213	49,939	42,254	42,877
Total current assets		<u>32,234,726</u>	<u>29,765,131</u>	<u>27,676,421</u>	<u>25,556,049</u>
Non-current assets:					
Long-term trade accounts receivable	5, 6, 32	28,437	45,251	24,416	38,852
Long-term other accounts receivable	5, 32	133,339	117,161	114,484	100,593
Available-for-sale financial assets	5, 8, 30, 32	1,747,213	1,906,664	1,500,140	1,637,043
Investments in associates and joint ventures	9, 30	11,271,285	11,157,775	9,677,415	9,579,956
Property, plant and equipment	10, 30, 32	39,427,258	39,445,286	33,851,857	33,867,336
Investment properties	11, 30	762,705	797,808	654,851	684,990
Goodwill	12, 32	166,105	27,078	142,616	23,249
Intangible assets	13, 32	9,495,058	9,722,351	8,152,364	8,347,515
Deferred income tax assets		635,388	629,235	545,538	540,255
Other non-current assets	5, 17, 18, 26, 32	2,886,583	3,020,069	2,478,391	2,593,002
Total non-current assets		<u>66,553,371</u>	<u>66,868,678</u>	<u>57,142,072</u>	<u>57,412,791</u>
Total assets		<u>₩ 98,788,097</u>	<u>₩ 96,633,809</u>	<u>\$ 84,818,493</u>	<u>\$ 82,968,840</u>
Liabilities and equity					
Current liabilities:					
Short-term borrowings	5, 14, 32	₩ 2,750,591	₩ 2,726,701	\$ 2,361,630	\$ 2,341,119
Trade accounts payable	5, 26, 32	7,640,023	7,430,851	6,559,649	6,380,056
Other accounts payable	5, 26	2,490,687	2,392,058	2,138,479	2,053,798
Provisions	15	364,740	305,020	313,162	261,887
Current portion of long-term debt	5, 14, 32	6,147,393	5,493,380	5,278,091	4,716,562
Other current liabilities	5, 17, 18, 32	7,325,145	7,569,563	6,289,299	6,499,152
Liabilities held for sale	27	3,874	1,749	3,326	1,502
Total current liabilities		<u>26,722,453</u>	<u>25,919,322</u>	<u>22,943,636</u>	<u>22,254,076</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 32	23,543,548	23,496,303	20,214,259	20,173,695
Long-term other accounts payable	5, 32	2,860,789	3,034,627	2,456,245	2,605,501
Retirement benefit obligation	16, 32	441,345	265,703	378,934	228,130
Provisions	15	148,680	135,480	127,655	116,322
Deferred income tax liabilities		3,000,213	2,960,464	2,575,953	2,541,825
Other non-current liabilities	5, 17, 18, 26, 32	750,863	744,660	644,684	639,358
Total non-current liabilities		<u>30,745,438</u>	<u>30,637,237</u>	<u>26,397,730</u>	<u>26,304,831</u>
Total liabilities		<u>57,467,891</u>	<u>56,556,559</u>	<u>49,341,366</u>	<u>48,558,907</u>
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	13,209	13,209
Other paid-in capital	19	4,760,604	4,773,965	4,087,409	4,098,879
Retained earnings	19	8,250,382	7,801,713	7,083,697	6,698,474
Other capital components	19	(106,087)	(24,545)	(91,084)	(21,074)
Total equity attributable to owner of the parent		<u>12,920,284</u>	<u>12,566,518</u>	<u>11,093,231</u>	<u>10,789,488</u>
Non-controlling interests		28,399,922	27,510,732	24,383,896	23,620,445
Total equity		<u>41,320,206</u>	<u>40,077,250</u>	<u>35,477,127</u>	<u>34,409,933</u>
Total liabilities and equity		<u>₩ 98,788,097</u>	<u>₩ 96,633,809</u>	<u>\$ 84,818,493</u>	<u>\$ 82,968,840</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 AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Korean won in millions except for earnings per share)

	Notes	Korean Won			
		June 30, 2016		June 30, 2015	
		Three months	Six months	Three months	Six months
Sales	4, 26	₩ 21,129,307	₩ 41,803,267	₩ 678,209	₩ 1,319,523
Cost of sales	23, 26	<u>18,272,641</u>	<u>36,335,089</u>	<u>596,382</u>	<u>1,158,157</u>
Gross profit		2,856,666	5,468,178	81,827	161,366
Selling and administrative expenses	20, 23, 26	<u>1,171,771</u>	<u>2,270,407</u>	<u>3,747</u>	<u>6,128</u>
Operating income	4	1,684,895	3,197,771	78,080	155,238
Financial income	21	431,734	1,363,963	2,517	5,148
Financial costs	21	(608,248)	(1,656,443)	(16,635)	(33,728)
Gain related to investments in associates and joint ventures, net	9	77,141	111,753	154,236	325,217
Other non-operating income	22	85,089	290,098	1,160	21,091
Other non-operating expenses	22	<u>(304,175)</u>	<u>(512,111)</u>	<u>(1,232)</u>	<u>(6,968)</u>
Income before income tax expense	4	1,366,436	2,795,031	218,126	465,998
Income tax expense	24	<u>(430,183)</u>	<u>(796,102)</u>	<u>(57,812)</u>	<u>(111,741)</u>
Net income	4	936,253	1,998,929	160,314	354,257
Attributable to:					
Owners of the parent		287,615	674,666	159,578	352,170
Non-controlling interests		648,638	1,324,263	736	2,087
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans		(33,931)	(64,782)	736	(8,332)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		(42,694)	18,673	5,100	12,915
Equity adjustments of investments in associates and joint ventures		(62,644)	(51,976)	32,850	17,669
Net change in valuation of cash flow hedges		(2,037)	(15,096)	-	-
Net gain (loss) on translation of foreign operations		33,766	(60,690)	1,337	1,651
Net gain (loss) on translation to the presentation currency		4,144	(5,489)	-	-
		<u>(103,396)</u>	<u>(179,360)</u>	<u>40,023</u>	<u>23,903</u>
Total comprehensive income		₩ 832,857	₩ 1,819,569	₩ 200,337	₩ 378,160
Attributable to:					
Owners of the parent		228,979	557,379	199,613	376,089
Non-controlling interests		603,878	1,262,190	724	2,071
Earnings per share (in Korean won):	25				
Basic earnings per share		₩ 5,143	₩ 12,068	₩ 3,627	₩ 8,004

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

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

	Notes	Translation into U.S. dollar (Note 2)			
		June 30, 2016		June 30, 2015	
		Three months	Six months	Three months	Six months
Sales	4, 26	\$ 18,141,416	\$ 35,891,875	\$ 582,304	\$ 1,132,930
Cost of sales	23, 26	15,688,710	31,196,951	512,048	994,382
Gross profit		2,452,706	4,694,924	70,256	138,548
Selling and administrative expenses	20, 23, 26	1,006,071	1,949,349	3,217	5,261
Operating income	4	1,446,635	2,745,575	67,039	133,287
Financial income	21	370,683	1,171,085	2,161	4,420
Financial costs	21	(522,236)	(1,422,206)	(14,283)	(28,959)
Gain related to investments in associates and joint ventures, net	9	66,233	95,950	132,426	279,228
Other non-operating income	22	73,056	249,075	996	18,109
Other non-operating expenses	22	(261,163)	(439,693)	(1,058)	(5,983)
Income before income tax expense	4	1,173,208	2,399,786	187,281	400,102
Income tax expense	24	(369,351)	(683,525)	(49,637)	(95,940)
Net income	4	803,857	1,716,261	137,644	304,162
Attributable to:					
Owners of the parent		246,943	579,262	137,012	302,370
Non-controlling interests		556,914	1,136,999	632	1,792
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans		(29,133)	(55,621)	632	(7,154)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		(36,656)	16,032	4,379	11,088
Equity adjustments of investments in associates and joint ventures		(53,786)	(44,626)	28,205	15,170
Net change in valuation of cash flow hedges		(1,749)	(12,961)	-	-
Net gain (loss) on translation of foreign operations		28,992	(52,108)	1,148	1,418
Net gain (loss) on translation to the presentation currency		3,558	(4,713)	-	-
		(88,774)	(153,997)	34,364	20,522
Total comprehensive income		\$ 715,083	\$ 1,562,264	\$ 172,008	\$ 324,684
Attributable to:					
Owners of the parent		196,599	478,562	171,386	322,906
Non-controlling interests		518,484	1,083,702	622	1,778
Earnings per share (in U.S. dollar):	25				
Basic earnings per share		\$ 4.42	\$ 10.36	\$ 3.11	\$ 6.87

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
As at January 1, 2015	₩ 10,000	₩ (555,097)	₩ 3,178,899	₩ (48,369)	₩ 2,585,433	₩ 16,935	₩ 2,602,368
Total comprehensive income:	-	-	352,170	-	352,170	2,087	354,257
Net income	-	-	(8,316)	-	(8,316)	(16)	(8,332)
Remeasurement loss on defined benefit plans	-	-	-	12,915	12,915	-	12,915
Net gain on available-for-sale financial assets	-	-	-	-	-	-	-
Equity adjustments of investment in associates and joint ventures	-	-	-	17,669	17,669	-	17,669
Net gain on translation of foreign operations	-	-	-	1,651	1,651	-	1,651
Transaction with shareholders:	-	-	(88,000)	-	(88,000)	(2,233)	(90,233)
Dividends	-	-	(636,010)	-	-	-	-
Retirement of treasury stock	-	636,010	(636,010)	-	-	-	-
Equity transactions in consolidated entities	-	11,960	-	-	11,960	696	12,656
As at June 30, 2015	₩ 10,000	₩ 92,873	₩ 2,798,743	₩ (16,134)	₩ 2,885,482	₩ 17,469	₩ 2,902,951
As at January 1, 2016	₩ 15,385	₩ 4,773,965	₩ 7,801,713	₩ (24,545)	₩ 12,566,518	₩ 27,510,732	₩ 40,077,250
Total comprehensive income:	-	-	674,666	-	674,666	1,324,263	1,998,929
Net income	-	-	(35,745)	-	(35,745)	(29,037)	(64,782)
Remeasurement loss on defined benefit plans	-	-	-	3,923	3,923	14,750	18,673
Net gain on available-for-sale financial assets	-	-	-	-	-	-	-
Equity adjustments of investment in associates and joint ventures	-	-	-	(35,061)	(35,061)	(16,915)	(51,976)
Net loss on valuation of derivative financial instruments	-	-	-	(12,205)	(12,205)	(2,891)	(15,096)
Net loss on translation of foreign operations	-	-	-	(34,037)	(34,037)	(26,653)	(60,690)
Net loss on translation to the presentation currency	-	-	-	(4,162)	(4,162)	(1,327)	(5,489)
Transaction with shareholders:	-	-	(191,750)	-	(191,750)	(855,206)	(1,046,956)
Dividends	-	(11,399)	-	-	(11,399)	133,334	121,935
Equity transactions in consolidated entities	-	-	-	-	-	-	-
Increase in non-controlling interests from business combination	-	-	-	-	-	348,920	348,920
Others	-	(1,962)	1,498	-	(464)	(48)	(512)
As at June 30, 2016	₩ 15,385	₩ 4,760,604	₩ 8,250,382	₩ (106,087)	₩ 12,920,284	₩ 28,399,922	₩ 41,320,206

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

(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
As at January 1, 2015	\$ 8,586	\$ (476,601)	\$ 2,729,372	\$ (41,529)	\$ 2,219,828	\$ 14,540	\$ 2,234,368
Total comprehensive income:							
Net income	-	-	302,370	-	302,370	1,792	304,162
Remeasurement loss on defined benefit plans	-	-	(7,140)	-	(7,140)	(14)	(7,154)
Net gain on available-for-sale financial assets	-	-	-	11,088	11,088	-	11,088
Equity adjustments of investment in associates and joint ventures	-	-	-	15,170	15,170	-	15,170
Net gain on translation of foreign operations	-	-	-	1,418	1,418	-	1,418
Transaction with shareholders:							
Dividends	-	-	(75,556)	-	(75,556)	(1,917)	(77,473)
Retirement of treasury stock	-	546,072	(546,072)	-	-	-	-
Equity transactions in consolidated entities	-	10,269	-	-	10,269	598	10,867
As at June 30, 2015	\$ 8,586	\$ 79,740	\$ 2,402,974	\$ (13,853)	\$ 2,477,447	\$ 14,999	\$ 2,492,446
As at January 1, 2016	\$ 13,209	\$ 4,098,879	\$ 6,698,474	\$ (21,074)	\$ 10,789,488	\$ 23,620,445	\$ 34,409,933
Total comprehensive income:							
Net income	-	-	579,262	-	579,262	1,136,999	1,716,261
Remeasurement loss on defined benefit plans	-	-	(30,690)	-	(30,690)	(24,931)	(55,621)
Net gain on available-for-sale financial assets	-	-	-	3,368	3,368	12,664	16,032
Equity adjustments of investment in associates and joint ventures	-	-	-	(30,103)	(30,103)	(14,523)	(44,626)
Net loss on valuation of derivative financial instruments	-	-	-	(10,478)	(10,478)	(2,483)	(12,961)
Net loss on translation of foreign operations	-	-	-	(29,223)	(29,223)	(22,885)	(52,108)
Net loss on translation to the presentation currency	-	-	-	(3,574)	(3,574)	(1,139)	(4,713)
Transaction with shareholders:							
Dividends	-	-	(164,635)	-	(164,635)	(734,271)	(898,906)
Equity transactions in consolidated entities	-	(9,786)	-	-	(9,786)	114,480	104,694
Increase in non-controlling interests from business combination	-	-	-	-	-	299,580	299,580
Others	-	(1,684)	1,286	-	(398)	(40)	(438)
As at June 30, 2016	\$ 13,209	\$ 4,087,409	\$ 7,083,697	\$ (91,084)	\$ 11,093,231	\$ 24,383,896	\$ 35,477,127

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

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

	Notes	For the six months ended June 30			
		Korean won		Translation into U.S. dollar (Note 2)	
		2016	2015	2016	2015
Cash flows from operating activities:					
Net income		₩ 1,998,929	₩ 354,257	\$ 1,716,261	\$ 304,162
Non-cash adjustments	28	3,903,883	(153,377)	3,351,836	(131,688)
Working capital adjustments	28	(17,787)	20,007	(15,272)	17,178
Interest received		90,240	2,114	77,479	1,815
Interest paid		(594,761)	(30,757)	(510,656)	(26,408)
Dividends received		131,886	19,808	113,236	17,007
Income tax paid		(859,436)	(69,748)	(737,903)	(59,885)
Net cash provided by operating activities		4,652,954	142,304	3,994,981	122,181
Cash flows from investing activities:					
Net change of short-term financial assets		(1,403,489)	13,452	(1,205,022)	11,550
Net change of short-term loans		(22,593)	27	(19,398)	23
Proceeds from disposal of available-for-sale financial assets		230,252	487	197,692	418
Proceeds from disposal of investments in associates and joint ventures		31,898	2,852	27,387	2,449
Proceeds from disposal of property, plant and equipment		113,052	246	97,065	211
Proceeds from disposal of investment properties		224,094	-	192,405	-
Proceeds from disposal of intangible assets		20,719	42	17,789	36
Proceeds from disposal of assets held for sale		55,300	-	47,480	-
Acquisition of available-for-sale financial assets		(270,347)	-	(232,117)	-
Acquisition of investments in associates and joint ventures		(78,099)	(20,726)	(67,055)	(17,795)
Acquisition of property, plant and equipment		(1,754,349)	(16,193)	(1,506,267)	(13,903)
Acquisition of investment properties		(975)	-	(837)	-
Acquisition of intangible assets		(197,795)	(5,797)	(169,825)	(4,977)
Changes in cash from changes in the scope of consolidation		(407,812)	-	(350,143)	-
Others, net		(69,118)	1,360	(59,344)	1,168
Net cash used in investing activities		(3,529,262)	(24,250)	(3,030,190)	(20,820)
Cash flows from financing activities:					
Net change of short-term borrowings		(1,821)	(23,629)	(1,563)	(20,288)
Repayment of current portion of long-term debt		(2,208,073)	-	(1,895,830)	-
Increase in bonds payable and borrowings		2,981,486	-	2,559,875	-
Increase in other accounts payable		165,870	-	142,414	-
Cash inflows from transactions in equity of consolidated subsidiaries		118,521	16,475	101,761	14,145
Repayment of bonds payable and borrowings		(178,580)	-	(153,327)	-
Repayment of other accounts payable		(140,921)	-	(120,993)	-
Payment of dividends		(1,046,956)	(90,233)	(898,906)	(77,473)
Others, net		(3,622)	-	(3,110)	-
Net cash used in financing activities		(314,096)	(97,387)	(269,679)	(83,616)
Net increase in cash and cash equivalents		809,596	20,667	695,112	17,745
Net foreign exchange effects		(25,228)	61	(21,662)	52
Cash and cash equivalents in assets held for sale		(3,197)	-	(2,745)	-
Cash and cash equivalents at the beginning of the period		6,995,224	246,017	6,006,031	211,228
Cash and cash equivalents at the end of the period		₩ 7,776,395	₩ 266,745	\$ 6,676,736	\$ 229,025

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

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

1. CORPORATE INFORMATION

a. 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.

The Company has entered into business combination with SK Holdings Co., Ltd. effective August 1, 2015. As a result, the Company added the investment business to its existing operations for the purpose of holding the securities of its subsidiaries. Furthermore, the Company changed its name from SK C&C Co., Ltd. to its current form as at the acquisition date.

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

b. 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 June 30, 2016 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership 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%
Shanxi SK Guolin Asphalt Co., Ltd. (*7)	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Ningbo SK Baoying Asphalt Storage Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Hefei SK Baoying Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Chongqing SK Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
SK Shanghai Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	100.00%
SK Energy Hong Kong Co., Ltd.	Hong Kong	Investment	SK Energy Co., Ltd.	100.00%
Shandong SK Hightech Oil Co., Ltd.	China	Gas station operation	SK Energy Hong Kong Co., Ltd.	58.84%
SK Global Chemical Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Golden Tide Plastics (Yantai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical International Trading (Shanghai) Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
Shanghai Huayou International Freight Forwarding Co., Ltd.	China	Foreign freight forwarding	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Manufacturing	SK Global Chemical Investment HongKong Ltd.	80.00%
SK Incheon Petrochem Co., Ltd. (*3)	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%

1. CORPORATE INFORMATION (CONTINUED)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
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 LLC	Russia	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Mobile Energy Co., Ltd.	Korea	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Innovation Insurance (Bermuda), Ltd.	Bermuda	Insurance	SK Innovation Co., Ltd.	100.00%
SK USA, Inc.	USA	Management consulting services	SK Innovation Co., Ltd.	100.00%
SK Energy Australia (Togara) Pty. Ltd.	Australia	Resource development	SK Innovation Co., Ltd.	100.00%
Moche Energy Company, LLC	Peru	Resource development	SK Innovation Co., Ltd.	99.90%
SK E&P Company	USA	Crude oil development	SK Innovation Co., Ltd.	100.00%
SK E&P Asia, Ltd.	Malaysia	Crude oil development	SK Innovation Co., Ltd.	100.00%
SK E&P America, Inc.	USA	Investment	SK Innovation Co., Ltd.	100.00%
SK Plymouth, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Battery Systems Co., Ltd.	Korea	Battery pack manufacturing	SK Innovation Co., Ltd.	100.00%
SK Telecom Co., Ltd. (*2)	Korea	Mobile telecommunications	SK Holdings Co., Ltd.	25.22%
SK Telink Co., Ltd.	Korea	International call and MVNO business	SK Telecom Co., Ltd.	83.46%
SK Broadband Co., Ltd.	Korea	Wire communications	SK Telecom Co., Ltd.	100.00%
PS&Marketing Corp.	Korea	Resale communication business	SK Telecom Co., Ltd.	100.00%
Serviceace Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Service Top Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Network O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
Neos Networks Co., Ltd. (*4)	Korea	Machine security and facilities security	SK Telecom Co., Ltd.	83.93%
SK techx Co., Ltd.	Korea	System software development and supplying	SK Telecom Co., Ltd.	100.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	65.50%
SK Planet Co., Ltd.	Korea	IT service	SK Telecom Co., Ltd.	100.00%
M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
SK Communications Co., Ltd.	Korea	Internet portal service	SK Telecom Co., Ltd.	64.54%
Stonebridge Cinema Fund	Korea	Investment fund	SK Planet Co., Ltd.	55.23%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK Planet Co., Ltd.	59.00%
Fitech Focus Limited Partnership II	Korea	Investment fund	SK Planet Co., Ltd.	99.00%
Open Innovation Fund	Korea	Investment fund	SK Planet Co., Ltd.	98.90%
SK Planet Japan K.K.	Japan	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SK Planet Global Pte. Ltd.	Singapore	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SKP America, LLC	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
shopkick Management Company, Inc. (*5)	USA	Investment	SKP America, LLC	100.00%
shopkick, Inc.	USA	E-commerce App. development	Shopkick Management Company, Inc.	100.00%

1. CORPORATE INFORMATION (CONTINUED)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SKP Global Holdings Pte. Ltd.	Singapore	Holding Company	SK Planet Co., Ltd.	100.00%
SK Telecom China Holding Co., Ltd.	China	Holding Company	SK Telecom Co., Ltd.	100.00%
SK Global Healthcare Business Group., Ltd.	Hong Kong	Investment	SK Telecom Co., Ltd.	100.00%
SKT Vietnam Pte. Ltd.	Singapore	Wireless communications	SK Telecom Co., Ltd.	73.32%
SKT Americas, Inc.	USA	Management consulting and investment	SK Telecom Co., Ltd.	100.00%
YTK Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P. (formerly, Technology Innovation Partners L.P.)	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman	Investment	Atlas Investment, Ltd.	100.00%
iriver Co., Ltd. (*2)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	48.97%
iriver America Inc.	USA	Marketing and Sales in North America	iriver Co., Ltd.	100.00%
iriver Inc.	USA	Marketing and Sales in North America	iriver Co., Ltd.	100.00%
iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	iriver Co., Ltd.	100.00%
iriver China Co., Ltd.	China	MP3,4 production and sales	iriver Enterprise, Ltd.	100.00%
Dongguan iriver Electronics Co., Ltd.	China	Electronic book production and sales	iriver Enterprise, Ltd.	100.00%
Groover JP Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
ENTRIX Co., Ltd.	Korea	Cloud streaming operations	SK Planet Co., Ltd.	100.00%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Holdings Co., Ltd.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Pinx Co., Ltd.	Korea	Golf club operating	SK Networks Co., Ltd.	100.00%
Car Life Service Co., Ltd. (formerly, Speed Motors Co., Ltd.)	Korea	Car dealer	SK Networks Co., Ltd.	100.00%
SKN (China) Holdings Co., Ltd.	China	Holding Company	SK Networks Co., Ltd.	100.00%
SK Networks (China) Fashion Co., Ltd.	China	Fashion	SK Networks Co., Ltd.	100.00%
Liaoning SK Networks Real Estate Development Co., Ltd.	China	Real estate development	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SKN (China) Holdings Co., Ltd.	75.00%
Liaoning SK Networks Logistics Co., Ltd.	China	Distribution and logistics	SKN (China) Holdings Co., Ltd.	100.00%
Dandong SK Networks Energy Co., Ltd.	China	Petroleum sales	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK Liaoning Construction Co., Ltd. (*6)	China	Ascon manufacturing and sales	Shenyang SK Networks Energy Co., Ltd.	50.00%
SK (GZ Free Zone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
Obzee N. Y. Inc.	USA	Fashion	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*7)	Turkey	Steel processing and sales	SK Networks Co., Ltd.	51.22%
SK Networks Resources Australia Pty. Ltd.	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SK Steel Australia Pty. Ltd.	Australia	Steel processing and sales	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
SKC Solmics Co., Ltd. (*2)	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	43.25%
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.	90.00%
SKC (Jiangsu) High tech Plastics Co., Ltd. (*4)	China	Film manufacturing	SKC Co., Ltd.	85.00%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
Bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotech Co., Ltd.	China	Research and manufacturing	Bioland Co., Ltd.	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotech Co., Ltd.	100.00%

1. CORPORATE INFORMATION (CONTINUED)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SE (JIANGSU) Electronic Materials Co., Ltd.	China	Sales of raw chemical material 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 LLC	Korea	Securitization company	(*8)	-
Blueseaocean 1st L.L.C	Korea	Securitization company	(*8)	-
Blueseaocean 2nd L.L.C	Korea	Securitization company	(*8)	-
With Ocean 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 61 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%
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%
PMP Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	100.00%
Wirye energy service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	95.17%
SK E&S Hong Kong Co., Ltd.	Hong Kong	City gas business	SK E&S Co., Ltd., Pusan City Gas Co., Ltd.	100.00%
SK E&S Australia Pty. Ltd.	Australia	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S Americas, Inc.	USA	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S LNG, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
CAILIP Gas Marketing, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
SK LNG Trading Pte. Ltd.	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
PT SK E&S Nusantara	Indonesia	Resource development	SK E&S Co., Ltd.	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu EC, LLC	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%
Mesa Verde RE Ventures, LLC	USA	Real estate development	SK E&C Betek Corporation	100.00%
N-Compass Development, LLC	USA	EPC Marketing	SK E&C Betek Corporation	100.00%
SKEC Consultores Equador, S.A.	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	EPC Marketing	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C India Private Limited	India	Engineering service	SK Engineering & Construction Co., Ltd.	99.94%
SK HOLDCO PTE. LTD.	Singapore	Investment	SK Engineering & Construction Co., Ltd.	74.02%
SK Materials Co., Ltd. (*2, 9)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd. (*9)	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd. (*9)	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd. (*9)	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd. (*9)	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd. (formerly, SKC Airgas Co., Ltd.)	Korea	Manufacturing	SK Materials Co., Ltd.	80.00%
SK Infosec Co., Ltd. (*5)	Korea	Information security service	SK Holdings Co., Ltd.	100.00%

1. CORPORATE INFORMATION (CONTINUED)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK ENCARSALES.COM., Ltd.	Korea	On-line used car sales and others	SK Holdings Co., Ltd.	50.01%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration	SK Holdings Co., Ltd.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration	SK C&C Beijing Co., Ltd.	100.00%
SK MENA B.V.	Netherlands	Investment	SK Holdings Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd.	100.00%
ESSENCORE Limited	Hong Kong	Manufacturing and distribution of semiconductors modules	SK S.E. Asia Pte. Ltd.	100.00%
ISD Techology (Shen Zhen) Limited	China	Consulting for computer system integration	ESSENCORE Limited	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration	SK Holdings Co., Ltd.	51.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Holdings Co., Ltd.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	100.00%
SK China (Beijing) Co., Ltd.	China	Consulting	SK China Company, Ltd.	100.00%
SK Beijing Investment Management Limited	China	Real estate fund management	SK China (Beijing) Co., Ltd.	100.00%
SKY Property Mgmt (Beijing) Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd.	Hong Kong	Investment	SK Property Investment Management Co., Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK International Supply Chain Management Co., Ltd.	Hong Kong	Distribution	SK China Company, Ltd.	100.00%
Ningde Sky Beverage Co., Ltd.	China	Mineral water development	SK International Supply Chain Management Co., Ltd.	80.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding Company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Rent-A-Car (Qingdao) Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SKY Property Management Ltd.	Virgin islands	Investment	SK Telecom Co., Ltd.	85.00%
SKY Investment Co., Ltd.	China	Real estate management	SKY Property Management Ltd.	100.00%
SK China Real Estate Co., Ltd.	Hong Kong	Real estate investment	SKY Property Management Ltd.	100.00%
SK China Creative Industry Development Co., Ltd.	China	Service	SKY Property Management Ltd.	100.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Holdings Co., Ltd., SK Innovation Co., Ltd., SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Beijing SK Magellan Capital Advisors Co., Ltd.	China	Investment consulting	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman	Investment	SK Holdings Co., Ltd.	100.00%
SK MENA Investment B.V.	Netherlands	Investment	SK Telecom Co., Ltd.	100.00%
SK Latin Americas S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
Fitech Sector Limited Partnership IV	Korea	Investment fund	SK Planet Co., Ltd.	98.90%
The Contents Company Co., Ltd.	Korea	Software development and supply	Fitech Focus Limited Partnership IV	100.00%
Candle Media Co., Ltd. (*7)	Korea	Film and video producing	Open Innovation Fund	60.18%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
Happynarae Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd.	90.00%
Suzhou Happynarae Co., Ltd.	China	Electrical and machine equipment	Happynarae Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%

1. CORPORATE INFORMATION (CONTINUED)

- (*1) The equity ownership is based on ordinary shares and includes indirect investments held by consolidated subsidiaries.
- (*2) SK Innovation Co., Ltd. and nine other companies were 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 nine other companies are widely dispersed, and the Company's voting rights are sufficient to give it power.
- (*3) The Group owns 100% of the ordinary shares, but holds as 68.0% equity ownership, considering the issuance of its preferred shares (6,826,483 shares) having voting rights.
- (*4) The equity ownership of Neos Networks Co., Ltd., and SKC (Jiangsu) High tech Plastics Co., Ltd. are 100% due to a shareholders' agreement, which gives contractual rights to the non-controlling ownership.
- (*5) During the current reporting period, the Group acquired the remaining equity interest in shopkick Management Company, Inc. and SK Infosec Co., Ltd.
- (*6) SK Liaoning Construction Co., Ltd. was included in the consolidated financial statements as the Group has control through the shareholders' agreement.
- (*7) Assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI and two other companies are classified as asset and liabilities held for sale, respectively (see Note 27 Asset held for sale and related liabilities).
- (*8) The 66 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 49.1% of SK Materials Co., Ltd. and subsequently, classified SK Materials Co., Ltd. and its four subsidiaries as the Group's subsidiaries (see Note 33 Business combination).

c. Changes in consolidated subsidiaries

Changes in consolidated subsidiaries for the six months ended June 30, 2016 are as follows:

December 31, 2015	Inclusion	Exclusion	June 30, 2016
277	13	(5)	285

For the six months ended June 30, 2016, subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
SK Materials Co., Ltd. and 4 other companies	Acquisition (5 companies)
SK techx Co., Ltd.	Newly established (8 companies)
One store Co., Ltd.	
SK HOLDCO PTE. LTD.	
With Ocean L.L.C and 4 other special purpose company for acquiring ship.	

For the six months ended June 30, 2016, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
SK Continental E-motion Pte. Ltd.	Liquidation (3 companies)
Wine Networks, Ltd.	
Ecomax Co., Ltd.	
Commerce Planet Co., Ltd.	Merger (2 companies)
SKC Lighting Co., Ltd.	

1. CORPORATE INFORMATION (CONTINUED)

d. Condensed financial information of significant consolidated subsidiaries

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

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩13,797,709	₩ 1,325,123	₩ 670,134	₩ (67,471)
SK Energy Co., Ltd.	12,584,220	7,029,794	11,225,385	620,159
SK Global Chemical Co., Ltd.	5,589,058	2,040,021	4,399,878	374,309
SK Global Chemical International Trading (Shanghai) Co., Ltd.	155,339	65,112	392,903	4,247
SK Incheon Petrochem Co., Ltd.	5,310,728	2,871,182	2,669,393	201,094
SK Trading International Co., Ltd.	1,434,332	673,530	1,448,087	71,825
SK Shanghai Asphalt Co., Ltd.	9,366	1,366	10,331	9
Ningbo SK Performance Rubber Co., Ltd.	225,440	156,430	26,485	(10,503)
SK Global Chemical Japan Co., Ltd.	36,905	29,782	123,088	66
SK Energy International Pte. Ltd.	2,015,856	1,429,459	7,959,953	(1,285)
SK Global Chemical Investment Hong Kong Ltd.	269,614	169,003	-	11
SK Innovation Insurance (Bermuda), Ltd.	65,447	1,823	2,207	2,441
SK E&P America, Inc.	520,966	52,532	-	(182)
SK Permian, LLC	18,218	1,667	2,032	(39)
SK Energy Europe, Ltd.	371,745	254,173	2,344,623	(16,335)
SK Energy Americas, Inc.	129,132	56,036	474,686	5,016
SK Lubricants Co., Ltd.	2,282,480	1,054,987	1,074,304	161,383
SK Lubricants Americas, Inc.	148,695	96,828	214,391	8,020
SK Lubricants Europe B.V.	130,239	132,828	235,725	(7,794)
Iberian Lube Base Oils S.A.	429,065	180,547	173,900	4,977
SK Telecom Co., Ltd.	23,181,838	9,379,019	6,190,249	666,350
SK Telink Co., Ltd.	339,484	107,217	207,436	39,916
SK Broadband Co., Ltd.	3,341,126	2,208,962	1,422,134	9,013
PS&Marketing Corp.	452,869	243,020	809,925	634
SK Planet Co., Ltd. (*1)	2,065,256	761,070	616,565	189,621
SK Networks Co., Ltd.	7,579,680	5,145,763	8,737,821	19,445
SK Networks (Shanghai) Co., Ltd.	70,646	45,441	225,671	217
SKC Co., Ltd.	2,681,006	1,100,810	724,032	87,167
SKC, Inc.	417,765	288,361	137,387	(3,560)
SK Shipping Co., Ltd.	4,149,670	3,555,758	612,439	(31,237)
SK B&T Pte. Ltd.	187,666	55,078	300,067	(1,728)
SK E&S Co., Ltd.	3,638,546	1,481,021	266,540	39,744
Yeongnam energy service Co., Ltd.	306,317	124,057	330,292	16,799
Ko-one energy service Co., Ltd.	574,987	207,554	603,035	10,902
Pusan City Gas Co., Ltd.	713,335	191,976	527,340	29,867
Chungcheong Energy Service Co., Ltd.	211,733	105,255	235,323	9,648
PMP Co., Ltd.	1,325,132	543,032	-	(1,441)
Wirye energy service Co., Ltd.	644,662	418,139	4,251	(3,756)
Narae energy service Co., Ltd.	744,570	571,161	151,887	(1,773)
SK E&S Americas, Inc.	488,530	59,614	-	(2,792)
SK Engineering & Construction Co., Ltd.	5,701,551	4,692,851	3,540,349	24,366
Sunlake Co., Ltd.	140,673	113,206	505,844	10,557
SK China Company, Ltd.	475,205	6,797	5,320	16,486
SKY Property Management Ltd. (*2)	730,358	142,179	35,699	49,500

1. CORPORATE INFORMATION (CONTINUED)

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
ESSENCORE Limited (*2)	₩ 127,834	₩ 65,949	₩ 295,659	₩ 11,607
SK Materials Co., Ltd. (*2, 3)	822,722	446,064	150,778	28,053

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

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

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

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e. Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as at and for the six months ended June 30, 2016 is as follows (Korean won in millions):

Segment	As at and for the six months ended June 30, 2016						
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.
Percentage of the non-controlling interests	66.86%	71.16%	60.88%	58.68%	16.92%	-	53.79%
Current assets	₩14,686,474	₩ 6,118,565	₩ 3,633,252	₩ 814,387	₩ 653,094	₩ 690,187	₩ 4,105,842
Non-current assets	17,900,104	22,410,825	4,345,772	2,764,663	4,074,146	6,207,053	1,734,155
Current liabilities	8,698,376	5,219,997	3,783,557	814,898	1,490,126	1,391,553	3,898,332
Non-current liabilities	6,145,576	7,941,900	1,711,447	1,143,722	2,767,054	2,581,366	1,143,634
Net assets	17,742,626	15,367,493	2,484,020	1,620,430	470,060	2,924,321	798,031
Book value of the non-controlling interests	12,397,086	10,702,926	1,719,512	1,015,733	182,021	1,187,352	588,741
Sales	19,738,409	8,495,752	9,205,734	1,167,282	858,689	2,308,801	4,019,446
Net income	1,192,099	863,288	10,665	74,305	(37,579)	119,966	33,201
Total comprehensive income (loss)	1,143,677	610,131	(675)	89,732	(45,182)	66,743	(3,287)
Net income (loss) of the non-controlling interests	767,455	411,945	4,371	38,864	(2,051)	1,976	4,183
Total comprehensive income (loss) of the non-controlling interests	785,831	389,049	(1,774)	51,395	4,020	29,116	(13,251)
Net cash flows from operating activities	2,708,338	1,822,295	85,681	81,039	99,465	63,120	(230,298)
Net cash flows from investing activities	(1,338,303)	(881,174)	(69,104)	28,839	(134,986)	(404,762)	(99,547)
Net cash flows from financing activities before dividends paid to the non-controlling interests	(693,246)	(148,103)	32,643	(34,148)	41,893	314,583	151,078
Dividends paid to the non-controlling interests	(299,124)	(460,931)	(15,118)	(19,216)	(7,669)	(22,136)	-
Net increase (decrease) in cash and cash equivalents	377,665	332,087	34,102	56,514	(1,297)	(49,195)	(178,767)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

b. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as at January 1, 2016.

1) New and revised KIFRSs adopted in the current period

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

Amendments to KIFRS 1001 – Presentation of Financial Statements

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

Amendments to KIFRS 1016 – Property, Plant and Equipment

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

Amendments to KIFRS 1038 – Intangible Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

2) New and revised KIFRS issued, but not yet effective

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

KIFRS 1109 – Financial Instruments

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

KIFRS 1115 – Revenue from Contracts with Customers

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

3) Construction Contracts

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) Reclassification of comparative information

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

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 six months ended June 30, 2016, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2015.

4. OPERATING SEGMENTS

(1) Overview of operating segments

The Group makes decisions on resources to be allocated to business segments and divides the business segments based on the internal reports which the chief operating decision maker periodically reviews to evaluate the performances of the sales segments. Details of each segment operations as at June 30, 2016 are as follows:

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

(2) Details of financial information for each operating segment as at and for the six months ended June 30, 2016 and 2015 are as follows (Korean won in billions):

	<u>As at and for the six months ended June 30, 2016</u>									
	SK	SK	SK	SK	SK	SK E&S	SK Engineering & Construction	Consolidation adjustments		Total
	Innovation Co., Ltd.	Telecom Co., Ltd.	Networks Co., Ltd.	SKC Co., Ltd.	Shipping Co., Ltd.	Co., Ltd.	Co., Ltd.	Co., Ltd.	Others	
Total sales	₩ 19,738	₩ 8,496	₩ 9,206	₩ 1,167	₩ 859	₩ 2,309	₩ 4,019	₩ 2,652	₩ (6,643)	₩ 41,803
Internal sales	(2,237)	(33)	(2,540)	(162)	(199)	(30)	(237)	(1,205)	6,643	-
Net sales	17,501	8,463	6,665	1,006	660	2,279	3,782	1,447	-	41,803
Net income before income taxes	1,641	1,101	19	74	(17)	155	44	815	(1,037)	2,795
Net income	1,192	863	11	74	(38)	120	33	741	(997)	1,999
Total assets	32,587	28,529	7,979	3,579	4,727	6,897	5,840	22,388	(13,738)	98,788
Total liabilities	14,844	13,162	5,495	1,959	4,257	3,973	5,042	7,459	1,277	57,468
Depreciation	402	1,180	77	62	75	97	29	56	29	2,007
Amortization	60	321	5	3	2	4	3	8	151	557

4. OPERATING SEGMENTS (CONTINUED)

	As at and for the six months ended June 30, 2015				
	IT service	Security service	Distribution and others	Consolidation adjustments (*1)	Total
Total sales	₩ 644	₩ 50	₩ 638	₩ (12)	₩ 1,320
Internal sales	(9)	(2)	(1)	12	-
Net sales	635	48	637	-	1,320
Operating income	111	6	38	-	155
Total assets	5,244	54	306	(9)	5,595
Total liabilities	2,541	18	146	(13)	2,692

(*1) Consolidation adjustments of the parent company.

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

	As at and for the six months ended June 30, 2016							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	₩ 50,050	₩ 10,337	₩ 2,874	₩ 1,513	₩ -	₩ 49	₩ (23,020)	₩ 41,803
Operation income (loss)	4,083	37	(44)	14	-	25	(917)	3,198
Income (loss) before income taxes	3,839	55	(44)	8	-	51	(1,114)	2,795
Net income (loss)	3,037	33	(43)	(1)	-	48	(1,075)	1,999
Total assets	121,199	6,507	1,414	3,016	359	1,361	(35,068)	98,788
Total liabilities	54,524	2,963	971	815	323	350	(2,478)	57,468

	As at and for the six months ended June 30, 2015					
	Korea	Asia	North America	Others	Consolidation adjustments	Total
Total sales	₩ 1,011	₩ 16	₩ 3	₩ 302	₩ (12)	₩ 1,320
Non-current assets (*1)	657	2	-	1	3	663

(*1) Significant non-current assets consist of tangible and intangible assets at book value as at June 30, 2015.

5. FINANCIAL INSTRUMENTS

(1) Financial assets

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

	June 30, 2016					
	Financial assets at fair value through profit or loss	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	₩ -	₩ -	₩ 7,776,395	₩ -	₩ -	₩ 7,776,395
Short-term financial instruments	-	-	4,180,622	-	-	4,180,622
Trade accounts receivable (*1)	-	-	8,740,150	-	-	8,740,150
Other accounts receivable	-	-	2,074,668	-	-	2,074,668
Short-term loans	-	-	274,712	-	-	274,712
Accrued income	-	-	54,875	-	-	54,875
Available-for-sale financial assets	-	-	-	402,803	-	402,803
Held-to-maturity investments	-	30	-	-	-	30
Guarantee deposits	-	-	153,361	-	-	153,361
Derivative financial assets	63,152	-	-	-	109,595	172,747
Finance lease receivables	-	-	78,923	-	-	78,923
Sub-total	<u>63,152</u>	<u>30</u>	<u>23,333,706</u>	<u>402,803</u>	<u>109,595</u>	<u>23,909,286</u>
Non-current assets:						
Long-term financial instruments	-	-	218,142	-	-	218,142
Long-term trade accounts receivable	-	-	28,437	-	-	28,437
Long-term other accounts receivable	-	-	133,339	-	-	133,339
Long-term loans	-	-	265,069	-	-	265,069
Available-for-sale financial assets	-	-	-	1,747,213	-	1,747,213
Held-to-maturity investments	-	915	-	-	-	915
Guarantee deposits	-	-	678,416	-	-	678,416
Derivative financial assets	26,317	-	-	-	141,575	167,892
Finance lease receivables	-	-	304,978	-	-	304,978
Sub-total	<u>26,317</u>	<u>915</u>	<u>1,628,381</u>	<u>1,747,213</u>	<u>141,575</u>	<u>3,544,401</u>
Total	<u>₩ 89,469</u>	<u>₩ 945</u>	<u>₩ 24,962,087</u>	<u>₩ 2,150,016</u>	<u>₩ 251,170</u>	<u>₩ 27,453,687</u>

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

(*1) Unbilled receivables amounting to ₩937,858 million and ₩1,044,469 million as at June 30, 2016 and December 31, 2015, respectively, are not included in the financial instruments.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(2) Financial liabilities

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

	June 30, 2016			
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 2,750,591	₩ -	₩ 2,750,591
Trade accounts payable	-	7,640,023	-	7,640,023
Other accounts payable	-	2,490,687	-	2,490,687
Current portion of long-term debt	-	6,147,393	-	6,147,393
Accrued expenses	-	2,375,566	-	2,375,566
Dividends payable	-	1,174	-	1,174
Leasehold deposits received	-	114,934	-	114,934
Derivative financial liabilities	18,143	-	51,313	69,456
Finance lease liabilities	-	1,737	-	1,737
Financial guarantee liabilities	-	7,405	-	7,405
Sub-total	18,143	21,529,510	51,313	21,598,966
Non-current liabilities:				
Bonds payable and long-term borrowings	155,527	23,388,021	-	23,543,548
Long-term other accounts payable	-	2,860,789	-	2,860,789
Leasehold deposits received	-	248,063	-	248,063
Derivative financial liabilities	8,990	-	104,648	113,638
Finance lease liabilities	-	2,698	-	2,698
Financial guarantee liabilities	-	16,097	-	16,097
Sub-total	164,517	26,515,668	104,648	26,784,833
Total	₩ 182,660	₩ 48,045,178	₩ 155,961	₩ 48,383,799
December 31, 2015				
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 2,726,701	₩ -	₩ 2,726,701
Trade accounts payable	-	7,430,851	-	7,430,851
Other accounts payable	-	2,392,058	-	2,392,058
Current portion of long-term debt	-	5,493,380	-	5,493,380
Accrued expenses	-	2,563,103	-	2,563,103
Dividends payable	-	2,369	-	2,369
Leasehold deposits received	-	135,830	-	135,830
Derivative financial liabilities	19,116	-	83,255	102,371
Finance lease liabilities	-	1,756	-	1,756
Sub-total	19,116	20,746,048	83,255	20,848,419
Non-current liabilities:				
Bonds payable and long-term borrowings	155,704	23,340,599	-	23,496,303
Long-term other accounts payable	-	3,034,627	-	3,034,627
Leasehold deposits received	-	247,265	-	247,265
Derivative financial liabilities	17,381	-	120,322	137,703
Finance lease liabilities	-	3,603	-	3,603
Financial guarantee liabilities	-	12,076	-	12,076
Sub-total	173,085	26,638,170	120,322	26,931,577
Total	₩ 192,201	₩ 47,384,218	₩ 203,577	₩ 47,779,996

5. FINANCIAL INSTRUMENTS (CONTINUED)

(3) Fair values of financial instruments by hierarchy level

1) Fair values and book values of financial instruments as at June 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	June 30, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 25,264,343	₩ 25,636,713	₩ 24,739,685	₩ 24,353,528
Borrowings	7,177,189	7,219,961	6,976,699	6,879,976

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (1.57%~3.74%) regarding residual market risks. As the book value of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

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

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

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

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 89,469	₩ -	₩ 89,469
Available-for-sale financial assets (*1)	933,642	102,476	140,361	1,176,479
Financial assets designated as hedging instruments	-	251,170	-	251,170
Total	<u>₩ 933,642</u>	<u>₩ 443,115</u>	<u>₩ 140,361</u>	<u>₩ 1,517,118</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 182,660	₩ -	₩ 182,660
Financial liabilities designated as hedging instruments	-	155,961	-	155,961
Total	<u>₩ -</u>	<u>₩ 338,621</u>	<u>₩ -</u>	<u>₩ 338,621</u>

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

6. TRADE ACCOUNTS RECEIVABLE

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

	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 9,168,734	₩ 29,384	₩ 9,518,973	₩ 45,604
Unbilled receivables	937,858	-	1,044,469	-
Allowance for doubtful accounts:				
Trade accounts receivable	(428,584)	(947)	(385,536)	(353)
Total	₩ 9,678,008	₩ 28,437	₩ 10,177,906	₩ 45,251

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

	June 30, 2016			
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables
Group of SK Engineering & Construction Co., Ltd.	₩ 30,641,760	₩ 30,658,783	₩ 902,269	₩ 919,292
Others	185,712	172,237	35,589	22,114
Total	₩ 30,827,472	₩ 30,831,020	₩ 937,858	₩ 941,406
	December 31, 2015			
	Accumulated Cost and profit	Progress billings	Unbilled receivables	Overbilled receivables
Group of SK Engineering & Construction Co., Ltd.	₩ 31,643,557	₩ 31,618,345	₩ 1,019,057	₩ 993,845
Others	202,422	192,101	25,412	15,091
Total	₩ 31,845,979	₩ 31,810,446	₩ 1,044,469	₩ 1,008,936

6. TRADE ACCOUNTS RECEIVABLE (CONTINUED)

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

	June 30, 2016							
	Change in estimated construction revenue		Change in estimated cost		Impact on current period profit (loss)		Impact on future period profit (loss)	
	₩		₩		₩		₩	
Group of SK Engineering & Construction Co., Ltd.	₩	613,038	₩	778,353	₩	(110,641)	₩	(54,674)
Others		8,080		7,204		660		216
Total	₩	621,118	₩	785,557	₩	(109,981)	₩	(54,458)

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

- 4) Details of construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as at June 30, 2016 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Unbilled receivables		Trade accounts receivable (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project	2009.12	2014.02	99.9	₩ 24,996	₩ -	₩ 143,282	₩ -
	Go-sung Green Power Project	2014.07	2021.04	2.5	35,637	-	-	-

(*1) refers to amounts of billed receivables

7. INVENTORIES

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

	June 30, 2016			December 31, 2015		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
	₩	₩	₩	₩	₩	₩
Merchandise	1,184,479	(19,509)	1,164,970	1,451,636	(28,436)	1,423,200
Finished goods	1,500,518	(24,066)	1,476,452	1,524,102	(44,177)	1,479,925
Semi-finished goods and Work-in-progress	539,100	(15,472)	523,628	534,334	(13,652)	520,682
Raw materials and sub materials	1,282,592	(8,409)	1,274,183	952,933	(42,417)	910,516
Materials-in-transit	1,181,848	-	1,181,848	1,091,947	-	1,091,947
Supplies	207,836	(241)	207,595	196,780	(366)	196,414
Uncompleted contracts	6,504	-	6,504	7,434	-	7,434
Others	14,042	-	14,042	13,209	-	13,209
Total	₩ 5,916,919	₩ (67,697)	₩ 5,849,222	₩ 5,772,375	₩ (129,048)	₩ 5,643,327

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Marketable equity instruments	₩ 933,642	₩ 1,120,710
Non-marketable equity instruments	570,692	781,194
Corporate and government bonds	52,923	51,736
Others (*1)	<u>592,759</u>	<u>106,364</u>
Total	<u>₩ 2,150,016</u>	<u>₩ 2,060,004</u>
Current available-for-sale financial assets	₩ 402,803	₩ 153,340
Non-current available-for-sale financial assets	1,747,213	1,906,664

(*1) Include beneficiary certificates

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(1) Investments in associates and joint ventures

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

Company	Domicile	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
		Equity ownership (*1)	Acquisition cost	Book value	Book value
Associates:					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 5,629,905	₩ 5,602,620
China Gas Holdings Ltd. (*2)	Hong Kong	15.8%	1,591,757	1,620,665	1,647,330
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	318,253	313,694
Peru LNG Company, LLC (*6)	Peru	20.0%	324,478	293,800	297,965
Korea IT Fund (*3)	Korea	63.3%	242,170	256,428	260,456
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	260,082	254,177
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	221,184	235,216
SK TNS Co., Ltd.	Korea	50.0%	160,000	165,022	165,376
Springvale SK Kores Pty. Ltd.	Australia	50.0%	115,599	107,410	105,916
Eurasia Tunnel (*6)	Turkey	50.0%	118,716	120,533	81,153
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	85,272	77,416
NanoEnTek, Inc.	Korea	28.6%	68,996	64,273	68,150
SOCAR, Inc. (*4)	Korea	20.0%	58,860	57,072	-
SKC Haas Display film Pty. Ltd.	Korea	49.0%	48,196	60,135	56,278
TSK Water Co., Ltd.	Korea	25.0%	45,811	52,683	48,881
Korea LNG Limited (*2)	Bermuda	16.0%	64,071	49,029	41,556
Xe-Pian Xe-Namnoy Power Company (*6)	Laos	26.0%	41,636	33,612	36,094
SKC Evonik Peroxide Korea Co., Ltd.	Korea	45.0%	27,548	27,707	27,538
Xian Tianlong Science and Technology Co., Ltd.	China	49.0%	24,620	25,609	25,767
Horizon Singapore Terminals Private Limited (*2)	Singapore	15.0%	28,153	29,427	25,170
Shaw SKE&C Middle East Ltd.	UAE	41.0%	22,091	28,138	24,950
Beijing BESK Technology Co., Ltd.	China	40.0%	23,290	21,729	23,004
FSK Holdings Co., Ltd.	Hong Kong	30.0%	11,937	12,866	22,578
SSV contents fund	Korea	46.6%	18,374	17,675	17,619
Oilhub Korea Yeosu Co., Ltd. (*2)	Korea	11.0%	16,836	18,555	17,272

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Company	Domicile	Equity ownership (*1)	June 30, 2016		December 31, 2015	
			Acquisition cost	Book value	Book value	Book value
Busan Green Energy Co., Ltd.	Korea	28.5%	₩ 14,279	₩ 13,798	₩ 14,262	
Zhejiang Shenxin SK Packaging Co., Ltd.	China	50.0%	13,654	13,853	14,049	
UNISK (Beijing) Information Technology Co., Ltd.	China	49.0%	11,002	12,220	11,675	
SBS Golf Co., Ltd.	Korea	21.4%	3,300	9,614	9,862	
Inter Vest New Growth Fund	Korea	30.0%	7,100	3,500	5,302	
Troika Resources Investment Fund (*2)	Korea	10.1%	18,430	4,324	4,271	
Others				133,372	142,341	
Sub-total				9,767,745	9,677,938	
Joint ventures (*5):						
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	₩ 488,809	₩ 490,368	₩ 508,826	
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	380,475	354,340	
Hana land chip PEF 33 (*3)	Korea	65.2%	196,001	196,915	197,123	
Boryeong LNG Terminal Co., Ltd. (*6)	Korea	50.0%	108,323	99,101	92,697	
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	83,455	86,242	
SKC-KOLON PI Co., Ltd.	Korea	27.0%	83,753	86,303	84,505	
S&Y Shipping S.A.	Panama	50.0%	42,195	40,185	42,520	
Ocean Maritime HongKong Ltd.	Hong Kong	50.0%	35,788	24,230	24,960	
PT XL Planet Digital (*6)	Indonesia	50.0%	55,954	38,307	23,108	
Dogus Planet, Inc. (*6)	Turkey	50.0%	33,157	17,764	15,118	
Shanghai-GaoQiao SK Solvent Co., Ltd.	China	50.0%	11,724	11,689	11,709	
Tengzhou ShengYuanHongDa Chemical Co., Ltd.	China	50.0%	5,795	2,219	3,806	
Celcom Planet (*3,6)	Malaysia	51.0%	20,060	894	3,405	
Others				31,635	31,478	
Sub-total				1,503,540	1,479,837	
Total				₩ 11,271,285	₩ 11,157,775	

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

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

(*3) These companies were not included as consolidated subsidiaries, as the Group is unable to exercise its majority voting rights resulting from contractual arrangements.

(*4) During the six months ended June 30, 2016, the Group newly acquired SOCAR, Inc.

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

(*6) During the six months ended June 30, 2016, the Group contributed shares additionally.

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

	For the six months ended June 30, 2016							
	Beginning balance	Acquisitions	Disposals	Equity profit or loss on investments(*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩ 9,677,938	₩ 121,028	₩ (20,422)	₩ 135,104	₩ (56,671)	₩ (95,754)	₩ 6,522	₩ 9,767,745
Joint ventures	1,479,837	58,539	-	(22,973)	(1,646)	(9,285)	(932)	1,503,540
Total	₩ 11,157,775	₩ 179,567	₩ (20,422)	₩ 112,131	₩ (58,317)	₩ (105,039)	₩ 5,590	₩ 11,271,285

(*1) As losses on investments in associates exceeded their carrying amounts, the Group reduced their loans receivable by ₩378 million of unrecognized losses.

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

	For the six months ended June 30, 2015						
	Beginning balance	Acquisitions	Disposals	Equity profit or loss on investments	Other capital movements	Dividends received	Ending balance
Associates	₩ 3,314,585	₩ 20,726	₩ (2,223)	₩ 325,217	₩ 23,176	₩ (37,361)	₩ 3,644,120

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

	Beginning balance	Changes	Ending balance
SK Telesys Corporation	₩ 3,960	₩ -	₩ 3,960
U - land Co., Ltd.	1,762	-	1,762
Wave City Development Co., Ltd.	4,538	172	4,710
SK Wyverns Baseball Club Co., Ltd.	1,193	-	1,193
Pentaport Development Co., Ltd.	41,479	424	41,903
Morning Bridge Co., Ltd.	7,733	-	7,733
Liaoning East Shine Chemical Technology Co., Ltd.	-	997	997

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

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Associates:							
SK Hynix Inc.	₩ 8,356,317	₩ 20,973,135	₩ 3,163,858	₩ 4,464,772	₩ 7,596,644	₩ 730,334	₩ 663,297
China Gas Holdings Ltd.	2,030,197	5,933,891	2,946,074	1,899,182	2,276,274	180,659	89,161
Daehan Oil Pipeline Corporation	84,405	919,417	54,117	229,277	82,087	19,940	19,940
Peru LNG Company, LLC	336,222	3,192,665	219,447	1,840,442	179,042	(67,548)	(67,548)
Korea IT Fund	154,034	250,853	-	-	15,413	11,750	3,244
Hana Card Co., Ltd.	6,390,044	378,445	1,141,130	4,252,566	690,950	38,775	38,067
Yemen LNG Company Ltd.	186,195	5,117,753	191,831	1,906,556	-	(155,143)	(155,143)
SK TNS Co., Ltd.	110,001	3,794	66,776	2,974	148,213	4,876	4,876
Springvale SK Kores Pty. Ltd.	56,500	339,596	61,564	119,711	61,305	(638)	(638)
Eurasia Tunnel	30,386	1,114,476	56,211	862,547	111,335	(950)	(936)
Korea Ras Laffan LNG Limited	38,533	1,069,259	21,476	20,415	28,251	27,042	27,042
NanoEnTek, inc.	19,374	29,923	7,039	6,180	9,580	(7,366)	(7,369)
SOCAR, Inc.	65,616	70,128	17,902	51,666	29,980	18,694	(8,940)
SKC Haas Display film Pty. Ltd.	131,441	122,950	121,545	9,545	131,671	7,895	7,965
TSK Water Co., Ltd.	113,846	324,027	105,365	189,079	180,927	15,205	15,205
Korea LNG Limited	32,649	292,759	18,936	44	19,308	18,694	18,694
Xe-Pian Xe-Namnoy Power Company	35,530	589,425	39,461	419,678	-	(14,320)	(14,320)
SKC Evonik Peroxide Korea Co., Ltd.	20,096	16,664	4,000	436	23,725	1,267	1,267
Horizon Singapore Terminals Private Limited	51,393	267,203	44,024	78,390	38,941	17,219	17,219
Shaw SKE&C Middle East Ltd.	10	68,620	-	-	-	9,388	9,388
Beijing BESK Technology Co., Ltd.	108,937	10,834	66,591	-	51,565	(2,879)	(2,879)
SSV contents fund	26,115	11,858	3	-	582	540	540
Oilhub Korea Yeosu Co., Ltd.	39,322	487,236	284,011	96,342	39,642	11,749	11,749
Busan Green Energy Co., Ltd.	48,640	65,695	34,401	31,519	-	(1,005)	(1,005)
Zhejiang Shenxin SK Packaging Co., Ltd.	21,385	20,262	14,353	-	27,553	504	504
UNISK (Beijing) Information Technology Co., Ltd.	13,257	24,654	12,829	8	15,945	1,678	1,678
SBS Golf Co., Ltd.	36,367	19,768	10,503	128	24,051	(627)	(627)
Inter Vest New Growth Fund	11,683	-	17	-	2,495	2,493	2,493
Troika Resources Investment Fund	41,253	5,474	3,859	-	4,797	1,924	1,924
Joint ventures:							
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	172,275	2,687,040	1,582,597	61	761,964	8,426	8,426
Mitsui Chemicals & SKC	474,690	725,000	376,104	23,072	586,006	16,461	52,884
Hana land chip PEF 33	8,649	576,307	989	281,727	16,915	12,504	12,504
Boryeong LNG Terminal Co., Ltd.	238,132	1,002,092	2,012	1,083,631	-	(2,641)	(2,641)
SABIC SK Nexlene Company Pte. Ltd.	172,174	628,341	179,204	349,691	138,461	(8,627)	(6,366)
SKC-KOLON PI Co., Ltd.	70,169	215,115	23,323	44,820	73,270	9,779	9,779
S&Y Shipping S.A.	13,132	122,613	6,211	49,164	8,590	(4,202)	(4,202)
Ocean Maritime HongKong Ltd.	1,148	76,249	15,305	13,631	6,089	(1,166)	(1,149)
PT XL Planet Digital	44,663	46,304	13,330	1,022	4,751	(24,744)	(24,744)
Dogus Planet, Inc.	46,543	17,474	28,404	85	28,490	(11,726)	(11,726)
Shanghai-GaoQiao SK Solvent Co., Ltd.	15,207	9,585	1,414	-	28,525	753	753
Tengzhou ShengYuanHongDa Chemical Co., Ltd.	20,683	42,290	57,583	-	67,189	(2,555)	(2,555)
Celcom Planet	11,816	2,664	12,727	-	2,608	(22,255)	(22,255)

10. PROPERTY, PLANT AND EQUIPMENT

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Acquisition cost	₩ 42,253,122	₩ 40,734,261
Accumulated depreciation and accumulated impairment loss	<u>(2,825,864)</u>	<u>(1,288,975)</u>
Total	<u>₩ 39,427,258</u>	<u>₩ 39,445,286</u>

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

	<u>For the six months ended June 30, 2016</u>						<u>Ending balance</u>
	<u>Beginning balance</u>	<u>Business combination</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Others (*1)</u>	
Land	₩ 9,900,793	₩ 61,280	₩ 5,845	₩ (22,281)	₩ -	₩ (4,305)	₩ 9,941,332
Buildings	3,292,931	87,996	3,540	(27,343)	(71,564)	94,189	3,379,749
Structures	1,227,202	39,986	2,457	(1,502)	(49,711)	76,334	1,294,766
Ships and vessels	2,805,736	-	1,406	(4,412)	(61,396)	14,017	2,755,351
Machinery and equipment	16,189,361	267,031	225,516	(15,555)	(1,475,828)	505,906	15,696,431
Vehicles	485,429	1,184	204,009	(29,892)	(52,477)	12,314	620,567
Others	2,770,338	26,498	237,202	(12,266)	(290,341)	12,709	2,744,140
Construction-in-progress	<u>2,773,496</u>	<u>26,121</u>	<u>1,031,401</u>	<u>(39,363)</u>	<u>-</u>	<u>(796,733)</u>	<u>2,994,922</u>
Total	<u>₩ 39,445,286</u>	<u>₩ 510,096</u>	<u>₩ 1,711,376</u>	<u>₩ (152,614)</u>	<u>₩ (2,001,317)</u>	<u>₩ (85,569)</u>	<u>₩ 39,427,258</u>

	<u>For the six months ended June 30, 2015</u>					<u>Ending balance</u>
	<u>Beginning balance</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Others (*1)</u>	
Land	₩ 147,205	₩ -	₩ -	₩ -	₩ -	₩ 147,205
Buildings	336,133	-	-	(6,834)	-	329,299
Machinery and equipment	62	2	(6)	(17)	-	41
Vehicles	773	127	(23)	(133)	1	745
Others	<u>90,010</u>	<u>16,326</u>	<u>(279)</u>	<u>(15,568)</u>	<u>47</u>	<u>90,536</u>
Total	<u>₩ 574,183</u>	<u>₩ 16,455</u>	<u>₩ (308)</u>	<u>₩ (22,552)</u>	<u>₩ 48</u>	<u>₩ 567,826</u>

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

11. INVESTMENT PROPERTIES

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Acquisition cost	₩ 773,876	₩ 811,593
Accumulated depreciation and accumulated impairment loss	<u>(11,171)</u>	<u>(13,785)</u>
Total	<u>₩ 762,705</u>	<u>₩ 797,808</u>

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

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Others (*1)</u>	<u>Ending balance</u>
	Land	₩ 384,932	₩ -	₩ -	₩ -	₩ 24,068
Buildings	411,120	975	(58,064)	(5,783)	3,774	352,022
Structures	<u>1,756</u>	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>-</u>	<u>1,683</u>
Total	<u>₩ 797,808</u>	<u>₩ 975</u>	<u>₩ (58,064)</u>	<u>₩ (5,856)</u>	<u>₩ 27,842</u>	<u>₩ 762,705</u>

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

12. GOODWILL

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

	For the six months ended	
	June 30, 2016	June 30, 2015
Beginning balance	₩ 27,078	₩ 22,468
Business combination (see Note 33)	134,131	-
Others	4,896	-
Ending balance	₩ 166,105	₩ 22,468

13. INTANGIBLE ASSETS

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

	For the six months ended June 30, 2016						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 79,158	₩ -	₩ 13,611	₩ -	₩ (14,635)	₩ 1,129	₩ 79,263
Facility usage rights	61,386	-	479	(4)	(4,467)	(329)	57,065
Industrial property rights	120,701	-	2,246	(16)	(3,339)	191	119,783
Frequency usage rights	1,103,517	-	-	-	(140,264)	-	963,253
Customer-related assets	1,263,503	244,984	513	-	(58,649)	-	1,450,351
Membership (*1)	241,874	777	20,291	(15,278)	-	(3,244)	244,420
Development costs for petroleum resource	1,862,146	-	38,374	-	(49,729)	(227,672)	1,623,119
Brand contract-related assets (*1)	1,975,000	-	-	-	-	-	1,975,000
Developed technology	1,045,951	106,420	-	-	(58,270)	(1)	1,094,100
Others (*3)	1,969,115	2,365	120,254	(9,651)	(227,302)	33,923	1,888,704
Total	₩ 9,722,351	₩ 354,546	₩ 195,768	₩ (24,949)	₩ (556,655)	₩ (196,003)	₩ 9,495,058

	For the six months ended June 30, 2015					Ending balance
	Beginning balance	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 45,839	₩ 4,947	₩ (22)	₩ (5,936)	₩ (4,614)	₩ 40,214
Industrial property rights	3,270	83	-	(218)	-	3,135
Customer-related assets	251	-	-	(63)	-	188
Membership (*1)	17,173	-	(270)	-	-	16,903
Others	12,736	766	-	(1,258)	47	12,291
Total	₩ 79,269	₩ 5,796	₩ (292)	₩ (7,475)	₩ (4,567)	₩ 72,731

(*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 and others.

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

14. BORROWINGS AND BONDS PAYABLE

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

	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 2,750,591	₩ -	₩ 2,726,701	₩ -
Bonds and long-term borrowings:				
Bonds payable	4,934,815	20,329,528	4,231,569	20,508,116
Long-term borrowings	1,212,578	3,214,020	1,261,811	2,988,187
Sub-total	<u>6,147,393</u>	<u>23,543,548</u>	<u>5,493,380</u>	<u>23,496,303</u>
Total	<u>₩ 8,897,984</u>	<u>₩ 23,543,548</u>	<u>₩ 8,220,081</u>	<u>₩ 23,496,303</u>

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

	June 30, 2016	December 31, 2015
SK Holdings Co., Ltd.	₩ 5,680,000	₩ 5,120,000
SK Innovation Co., Ltd.	667,645	670,202
SK Lubricants Co., Ltd.	739,764	740,640
SK Energy Co., Ltd.	2,300,000	2,410,000
SK Global Chemical Co., Ltd.	1,182,940	1,184,400
SK Incheon Petrochem Co., Ltd.	1,570,000	1,850,000
SK Global Chemical Investment Hong Kong Ltd.	165,995	171,521
SK Telecom Co., Ltd.	5,973,177	5,638,051
SK Broadband Co., Ltd.	1,469,410	1,471,600
PS&Marketing Corp.	20,000	30,000
SK Networks Co., Ltd.	1,390,000	1,190,000
SKC Co., Ltd.	700,000	680,000
SKC Solmics Co., Ltd.	69,000	60,000
SK Telesys Co., Ltd.	40,000	40,000
SK Shipping Co., Ltd.	477,000	547,200
SK Shipping Europe Plc.	-	35,160
SK E&S Co., Ltd.	860,000	860,000
PMP Co., Ltd.	500,000	500,000
Wirye energy service Co., Ltd.	250,000	250,000
Narae energy service Co., Ltd.	80,000	80,000
SK Engineering & Construction Co., Ltd.	530,000	600,000
SK Materials Co., Ltd.	<u>90,000</u>	<u>-</u>
Sub-total	<u>24,754,931</u>	<u>24,128,774</u>
Addition: premium on bonds payable	509,412	610,911
Less: current portion	<u>(4,934,815)</u>	<u>(4,231,569)</u>
Total	<u>₩ 20,329,528</u>	<u>₩ 20,508,116</u>

14. BORROWINGS AND BONDS PAYABLE (CONTINUED)

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

<u>Financial institution</u>	<u>Description</u>	<u>Interest rate</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Korea Development Bank and others	General	0.75% ~ 6.00%	₩ 893,082	₩ 959,254
Korea Development Bank and others (*1)	Fund for facility	1.75% ~ 5.10%	1,851,422	1,377,913
Export Kreditnamnden and others	Foreign long-term borrowings	1.58% ~ 5.54%	476,082	658,624
Korea National Oil Corporation and others (*2)	Fund for mine exploration	0.00% ~ 0.75%	61,339	157,906
Econg 1st Co., Ltd. and others	Callable preferred share	5.80% ~ 6.40%	575,000	543,727
Korea Development Bank and others	Fund for operation	2.39% ~ 5.90%	377,712	328,868
Kookmin Bank and others	Fund for supply pipeline	1.75%	12,394	11,584
Kookmin Bank	Fund for catalyzing information	1.69%	6,516	10,573
Kookmin Bank and others	Fund for reasonable energy consumption	1.50% ~ 1.75%	244	30,706
E1 Corporation	Versatile fund for peer construction	-	-	198
KEB Hana Bank and others	Fund for safety management	1.75%	1,573	467
D&D Growth Strategy Limited and others	Others	-	<u>153,866</u>	<u>149,588</u>
Sub-total			<u>4,409,230</u>	<u>4,229,408</u>
Addition: premium on borrowings			17,368	20,590
Less: current portion			<u>(1,212,578)</u>	<u>(1,261,811)</u>
Total			<u>₩ 3,214,020</u>	<u>₩ 2,988,187</u>

(*1) The borrowings from Korea Development Bank amounting to ₩209,803 million of SK Global Chemical Co., Ltd., a subsidiary of the Group, are related to the facility borrowings of Ulsan Aromatics Co., Ltd., which is accounted as joint operation, and the amount that the Group has obligation of redemption according to cash deficiency support agreement is recorded as borrowings as at June 30, 2016.

(*2) As at June 30, 2016, the Group holds loans from Korea National Oil Corporation (KNOC) for the purpose of oil exploration and development in which there is no repayment obligation on ₩45,708 million based on the successful effort method, and interest expense will be recognized upon successful commercial production.

Long-term borrowings presented above are to be repaid either in installments or all at once at maturity. Financial instruments and other assets of the Group are pledged as collaterals (see Note 30).

15. PROVISIONS

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

	For the six months ended June 30, 2016						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 9,607	₩ -	₩ 3,734	₩ (307)	₩ 13,034	₩ 843	₩ 12,191
Provision for handset subsidy	5,671	-	-	(1,019)	4,652	1,214	3,438
Provision for restoration	93,920	-	5,791	(1,485)	98,226	29,023	69,203
Provision for point program	3,045	-	2,764	(1,345)	4,464	4,055	409
Provision for service / construction warranties	49,491	-	11,742	(9,194)	52,039	52,039	-
Provision for sales returns	27	-	59	-	86	86	-
Provision for losses on contracts	178,370	-	73,010	(5,218)	246,162	245,101	1,061
Other provisions	100,369	576	4,414	(10,602)	94,757	32,379	62,378
Total	₩ 440,500	₩ 576	₩ 101,514	₩ (29,170)	₩ 513,420	₩ 364,740	₩ 148,680

	For the six months ended June 30, 2015						
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current	
Provision for sale warranties	₩ 334	₩ 192	₩ -	₩ 526	₩ 526	₩ -	
Provision for service / construction warranties	4,539	4,437	(4,206)	4,770	4,770	-	
Total	₩ 4,873	₩ 4,629	₩ (4,206)	₩ 5,296	₩ 5,296	₩ -	

16. RETIREMENT BENEFIT OBLIGATION

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

	June 30, 2016	December 31, 2015
Present value of defined benefit obligation	₩ 1,909,563	₩ 1,736,303
Fair value of plan assets	(1,468,218)	(1,470,600)
Total	₩ 441,345	₩ 265,703

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

	For the six months ended June 30, 2016		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 1,736,303	₩ (1,470,600)	₩ 265,703
Business combination	15,545	(10,110)	5,435
Provision for pension benefits:			
Current service cost	159,184	-	159,184
Net interest expense (income)	17,826	(18,086)	(260)
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	7,083	7,083
Actuarial changes arising from changes in financial assumptions	75,874	-	75,874
Contributions by employer directly to plan assets	-	(47,335)	(47,335)
Benefit paid	(109,254)	80,868	(28,386)
Others	14,085	(10,038)	4,047
Ending balance	₩ 1,909,563	₩ (1,468,218)	₩ 441,345

16. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

	For the six months ended June 30, 2015		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 185,259	₩ (167,288)	₩ 17,971
Provision for pension benefits:			
Current service cost	13,046	-	13,046
Net interest expense (income)	2,344	(1,924)	420
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	1,094	1,094
Actuarial changes arising from changes in financial assumptions	9,877	-	9,877
Benefit paid	(12,951)	12,583	(368)
Others	1,994	(2,476)	(482)
Ending balance	<u>₩ 199,569</u>	<u>₩ (158,011)</u>	<u>₩ 41,558</u>

17. OTHER ASSETS AND LIABILITIES

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

	June 30, 2016	December 31, 2015
Current assets:		
Short-term financial instruments	₩ 4,180,622	₩ 2,741,181
Short-term loans	274,712	252,541
Accrued income	54,875	51,198
Advance payments	859,413	895,724
Prepaid expenses	619,876	605,783
Held-to-maturity investments	30	45
Guarantee deposits	153,361	187,958
Derivative financial assets	172,747	272,216
Finance lease receivables	78,923	74,107
Others	9,858	9,954
Total	<u>₩ 6,404,417</u>	<u>₩ 5,090,707</u>
Non-current assets:		
Long-term financial instruments	₩ 218,142	₩ 212,987
Long-term prepaid expenses	1,155,699	1,282,744
Long-term loans	265,069	239,397
Held-to-maturity investments	915	915
Guarantee deposits	678,416	624,592
Derivative financial assets	167,892	197,565
Finance lease receivables	304,978	345,545
Others	95,472	116,324
Total	<u>₩ 2,886,583</u>	<u>₩ 3,020,069</u>

17. OTHER ASSETS AND LIABILITIES (CONTINUED)

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

	June 30, 2016		December 31, 2015	
Current liabilities:				
Accrued expenses	₩	2,375,566	₩	2,563,103
Dividends payable		1,174		2,369
Advance received		1,833,820		2,039,180
Unearned revenue		288,478		292,986
Withholdings		1,818,182		1,646,467
Leasehold deposits received		114,934		135,830
Income tax payable		812,603		780,377
Derivative financial liabilities		69,456		102,371
Finance lease liabilities		1,737		1,756
Financial guarantee liabilities		7,405		-
Others		1,790		5,124
Total	₩	7,325,145	₩	7,569,563
Non-current liabilities:				
Unearned revenue	₩	317,240	₩	290,150
Leasehold deposits received		248,063		247,265
Derivative financial liabilities		113,638		137,703
Finance lease liabilities		2,698		3,603
Financial guarantee liabilities		16,097		12,076
Others		53,127		53,863
Total	₩	750,863	₩	744,660

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Firm contracts	₩ 65,313	₩ (558)	₩ 125,694	₩ (510)
Swap contracts	22,844	60,968	42,075	57,612
Forward contracts	8,819	575	(3,336)	(351)
Futures contracts	6,315	-	5,412	-
Options contracts	-	-	-	3,111
Others	-	(6,731)	-	-
Total	₩ 103,291	₩ 54,254	₩ 169,845	₩ 59,862
Assets	₩ 172,747	₩ 167,892	₩ 272,216	₩ 197,565
Liabilities	(69,456)	(113,638)	(102,371)	(137,703)

19. EQUITY

(1) Issued capital

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Number of shares authorized for issue	400,000,000	400,000,000
Per share (Korean won)	₩ 200	₩ 200
Number of shares issued:		
Ordinary share	70,360,297	70,360,297
Preferred share	566,135	566,135
Issued capital:		
Ordinary share	₩ 15,272	₩ 15,272
Preferred share	113	113
Total	<u>₩ 15,385</u>	<u>₩ 15,385</u>

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

(2) Other paid-in capital

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Paid-in surplus (*1)	₩ 5,605,831	₩ 5,605,831
Treasury share (*2)	(904,490)	(904,490)
Others	59,263	72,624
Total	<u>₩ 4,760,604</u>	<u>₩ 4,773,965</u>

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

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

(3) Retained earnings

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Legal reserve (*1)	₩ 7,693	₩ 5,100
Voluntary reserve	80,896	102,563
Unappropriated retained earnings	8,161,793	7,694,050
Total	<u>₩ 8,250,382</u>	<u>₩ 7,801,713</u>

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

19. EQUITY (CONTINUED)

(4) Other capital components

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

	June 30, 2016		December 31, 2015	
Net loss on available-for-sale financial assets	₩	(8,836)	₩	(12,759)
Changes in equity in equity method		(45,596)		(10,535)
Net gain (loss) on valuation of cash flow hedges		(10,224)		1,981
Net loss on translation of foreign operation		(37,969)		(3,932)
Net gain (loss) on foreign currency translation		(3,462)		700
Total	₩	<u>(106,087)</u>	₩	<u>(24,545)</u>

20. SELLING AND ADMINISTRATIVE EXPENSES

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Salaries	₩ 239,327	₩ 495,369	₩ -	₩ -
Provision for pension benefits	23,397	50,134	-	-
Employee welfare benefits	41,579	83,648	-	-
Travel	13,272	25,935	-	-
(Reversal of) bad debt expenses	43,619	43,030	(9)	7
Communications	2,531	5,152	-	-
Utilities	9,051	21,123	-	-
Taxes and dues	22,160	42,799	-	-
Supplies	5,805	12,671	-	-
Rents	42,180	85,114	-	-
Depreciation	57,151	112,765	-	-
Amortization	36,606	71,418	-	-
Repairs	6,326	10,703	-	-
Insurance	6,344	12,398	-	-
Advertising	164,586	275,942	3,083	4,779
Research and development	54,592	106,308	-	-
Education and examination	12,874	25,769	-	-
Outsourcing technology services	194,939	389,279	-	-
Commissions	2,714	8,844	-	-
Transport	156,914	322,014	-	-
Others	35,804	69,992	673	1,342
Total	₩ <u>1,171,771</u>	₩ <u>2,270,407</u>	₩ <u>3,747</u>	₩ <u>6,128</u>

21. FINANCIAL INCOME AND COSTS

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Interest income	₩ 52,186	₩ 98,112	₩ 1,108	₩ 2,405
Gain on foreign currency transactions	334,485	693,801	512	1,178
Gain on foreign currency translation	(65,441)	187,106	524	846
Gain on transactions of derivatives	104,044	238,550	78	256
Gain on valuation of derivatives	6,283	146,217	295	463
Others	177	177	-	-
Total	₩ <u>431,734</u>	₩ <u>1,363,963</u>	₩ <u>2,517</u>	₩ <u>5,148</u>

21. FINANCIAL INCOME AND COSTS (CONTINUED)

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Interest expenses	₩ 185,638	₩ 395,738	₩ 15,327	₩ 30,651
Loss on foreign currency transactions	311,269	698,961	944	2,151
Loss on foreign currency translation	(23,063)	172,257	163	464
Loss on transactions of derivatives	131,532	284,813	156	393
Loss on valuation of derivatives	3,076	104,652	45	69
Others	(204)	22	-	-
Total	₩ 608,248	₩ 1,656,443	₩ 16,635	₩ 33,728

22. OTHER NON-OPERATING INCOME AND EXPENSES

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Dividend income	₩ 5,785	₩ 26,911	₩ 29	₩ 19,808
Rental income	59	120	-	-
Gain on disposal of trade accounts receivable	5,192	7,855	-	-
Gain on disposal of available-for-sale financial assets	1,546	29,432	114	114
Gain on disposal of investments in associates and joint ventures	6,387	13,430	670	670
Gain on disposal of investments in subsidiary	10,843	10,843	-	-
Gain on disposal of property, plant and equipment	11,035	13,440	74	110
Gain on disposal of intangible assets	507	2,495	-	-
Gain on disposal of investment properties	110	52,918	-	-
Others	43,625	132,654	273	389
Total	₩ 85,089	₩ 290,098	₩ 1,160	₩ 21,091

22. OTHER NON-OPERATING INCOME AND EXPENSES (CONTINUED)

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Loss on disposal of trade accounts receivable	₩ 2,660	₩ 4,790	₩ -	₩ -
Loss on disposal of available-for-sale financial assets	1,276	1,409	-	-
Loss on impairment of available-for-sale financial assets	428	651	-	-
Loss on impairment of investments in associates and joint ventures	-	20	-	-
Loss on disposal of investments in associates and joint ventures	1,168	1,168	-	-
Loss on disposal of property, plant and equipment	18,394	28,691	79	142
Loss on impairment of property, plant and equipment	61	61	-	-
Loss on disposal of intangible assets	7,058	7,978	-	250
Loss on impairment of intangible assets	98,375	170,370	-	4,614
Loss on impairment of investment properties	5,531	11,980	-	-
Donations	55,563	98,219	194	266
Others	113,661	186,774	959	1,696
Total	₩ 304,175	₩ 512,111	₩ 1,232	₩ 6,968

23. EXPENSE CLASSIFIED BASED ON NATURE OF EXPENSE

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Employee benefits	₩ 1,268,534	₩ 2,540,413	₩ 107,005	₩ 210,727
Depreciation and amortization	1,300,217	2,563,828	14,498	30,027
Network connection expenses	256,931	522,055	-	-
Transport	183,783	379,178	588	1,206
Advertising	166,974	279,788	3,143	4,840
Operating lease payments and rents	311,835	630,949	4,159	8,082
Other expenses	4,106,879	8,270,187	146,207	275,868
Use of raw materials and purchase of finished goods and merchandise	11,960,178	23,309,819	324,529	633,535
Changes in finished goods and Semi-finished goods	(110,919)	109,279	-	-
Total	₩ 19,444,412	₩ 38,605,496	₩ 600,129	₩ 1,164,285

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 six months ended June 30, 2016 and 2015 were 28.48% and 23.98%, respectively.

25. EARNINGS PER SHARE

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

	June 30, 2016		June 30, 2015	
	Three months	Six months	Three months	Six months
Net income attributable to owners of the parent	₩ 287,615	₩ 674,666	₩ 159,578	₩ 352,170
Less: preferred share dividends	(487)	(973)	-	-
Net income attributable to ordinary share owners of the parent	₩ 287,128	₩ 673,693	₩ 159,578	₩ 352,170
Weighted-average number of issued ordinary share outstanding (*1)	55,824,357	55,824,357	44,000,000	44,000,000
Basic earnings per share (in Korean won) (*2)	₩ 5,143	₩ 12,068	₩ 3,627	₩ 8,004

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

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

(2) The basis of calculating weighted-average number of ordinary issued shares outstanding for the three months and the six months ended June 30, 2016 and 2015 is as follows.

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

26. TRANSACTIONS WITH RELATED PARTIES

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

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

Company name	June 30, 2016			
	Revenue		Expenses	
	Three months	Six months	Three months	Six months
Daehan Oil Pipeline Corporation	₩ 225	₩ 4,124	₩ 12,482	₩ 24,314
Hana land chip PEF 33	-	-	8,226	16,855
Oilhub Korea Yeosu Co., Ltd.	-	-	3,340	6,743
Korea Consortium Kazakh B.V.	-	-	83	330
Netruck Franz Co., Ltd.	25	117	-	-
Ecopluscity. Co., Ltd.	-	1,521	-	-
Eurasia Tunnel	26,630	45,708	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	56,085	103,895	-	-
SKC Haas Display Film Co., Ltd.	10,008	22,201	193	323
SKC-KOLON PI Co., Ltd.	403	888	2	6
SKC Evonik Peroxide Korea Co., Ltd.	287	287	11,091	19,805
SKC MNT Co., Ltd.	1,195	2,166	6,844	11,871
SKC ACME Specialty Film (Huizhou) Co., Ltd.	-	7	-	849
TSF Co., Ltd.	785	1,483	43	43
AnTs.co.,LTD.	9	9	5,279	19,860

26. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Company name	June 30, 2016			
	Revenue		Expenses	
	Three months	Six months	Three months	Six months
SK Securities Co., Ltd.	₩ 6,512	₩ 12,819	₩ 102	₩ 109
SK Gas Co., Ltd.	82,478	151,256	102,512	188,022
SK Advanced Co., Ltd.	5,624	36,374	3,905	3,905
Boryeong LNG Terminal Co., Ltd.	28,426	52,926	-	-
G. Hub Co., Ltd.	286	521	11,523	22,848
SK Chemicals Co., Ltd.	21,283	51,225	26,288	55,087
SK D&D Co., Ltd.	297	417	2,107	4,868
SK Petrochemical Co., Ltd.	10,161	23,432	1,077	1,619
Huvis Corporation	6,604	15,611	-	-
Ocean Maritime HongKong Ltd.	248	414	1,485	3,015
SK Wyverns Baseball Club Co., Ltd.	445	810	731	15,663
Mobile TCS Co., Ltd.	42	248	2,136	4,097
F&U Credit Information Co., Ltd.	551	1,083	10,239	23,945
Hana Card Co., Ltd.	5,045	10,090	11,139	20,516
Health Connect Co., Ltd.	1	3	336	597
SK Hyeng Inc.	4,534	8,553	1,089	1,939
Daejeon Clean Water Co., Ltd.	808	1,408	-	-
Gwangju Clean Water Co., Ltd.	126	260	-	-
SK Gas International Pte. Ltd.	2,615	7,679	-	1,192
Mitsui Chemicals & SKC Polyurethanes Inc.	54,460	108,819	10,757	22,543
SK Hynix Inc	183,603	449,596	504	987
SK Hystec Inc.	2,776	5,647	219	313
SK Hynix Semiconductor HK Ltd.	-	-	131,558	238,451
SK TNS Co., Ltd.	1,453	2,401	90,467	110,003
Others	57,832	113,512	47,743	98,493
Total	₩ 571,862	₩ 1,237,510	₩ 503,500	₩ 919,211

Company name	June 30, 2015			
	Revenue		Expenses	
	Three months	Six months	Three months	Six months
SK Telecom Co., Ltd.	₩ 111,504	₩ 214,307	₩ 2,206	₩ 4,194
SK Broadband Co., Ltd.	29,589	51,909	2,580	5,162
SK Planet Co., Ltd.	17,181	34,503	2,540	2,616
SK Networks Co., Ltd.	12,275	22,747	2,895	5,611
SK Energy Co., Ltd.	7,927	16,836	-	-
SK Innovation Co., Ltd.	9,148	16,656	75	140
SK E&S Co., Ltd.	4,304	9,236	-	-
SK Engineering & Construction Co., Ltd.	5,042	9,783	1	1
SK Global Chemical Co., Ltd.	2,928	5,788	-	-
Others	14,065	26,890	2,258	4,296
Total	₩ 213,963	₩ 408,655	₩ 12,555	₩ 22,020

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

Company name	June 30, 2016		December 31, 2015	
	Receivables	Payables	Receivables	Payables
Daehan Oil Pipeline Corporation	₩ 1	₩ 507	₩ 18	₩ 1,262
Oilhub Korea Yeosu Co., Ltd.	-	1,188	-	825
Korea Consortium Kazakh B.V.	35,237	-	35,237	-
Pentaport Development Co., Ltd.	90,880	-	95,536	-
Daejeon Clean Water Co., Ltd.	932	-	893	-
Gwangju Clean Water Co., Ltd.	249	-	239	-
Ecopluscity. Co., Ltd.	-	-	4,183	-
Eurasia Tunnel	18,061	11,663	10,898	19,328
SK E&C JURONG Investment Singapore Pte. Ltd.	74,469	-	67,256	-

26. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Company name	June 30, 2016		December 31, 2015	
	Receivables	Payables	Receivables	Payables
XE-PIAN XE-NAMNOY Power Company	₩ 20,251	₩ 38,742	₩ 12,911	₩ 56,070
SK E&C USA, Inc.	2,800	-	1,494	-
SBC General Trading & Contracting Co. WLL	4,368	563	3,109	545
SK TNS Co., Ltd.	23	17,628	687	44,378
SKC Haas Display Film Co., Ltd.	10,951	37,914	6,227	37,706
SKC Evonik Peroxide Korea Co., Ltd.	-	3,768	-	4,449
TSF Co., Ltd.	524	-	281	81
SKC MNT Co., Ltd.	359	2,539	221	1,287
Mitsui Chemicals & SKC Polyurethanes Inc.	36,352	2,306	42,468	1,456
SKC ACME Specialty Film (Huizhou) Co., Ltd.	29	-	15	-
AnTS	11	15,852	-	11,643
SK Gas Co., Ltd.	31,996	105,252	24,796	92,602
Boryeong LNG Terminal Co., Ltd.	451	-	182	2,248
G. Hub Co., Ltd.	130	4,057	87	4,204
SK Advanced Co., Ltd.	231	1,568	177	-
SK Gas International Pte. Ltd.	-	-	-	187
SK Chemicals Co., Ltd.	20,735	13,614	21,645	12,730
SK D&D Co., Ltd.	1	481	24	2,288
SK Petrochemical Co., Ltd.	6,636	395	7,881	1,016
Huvis Corporation	4,357	-	6,086	-
Ocean Maritime HongKong Ltd.	143	9	10	9
F&U Credit Information Co., Ltd.	8	1,207	77	1,024
SK Wyverns Baseball Club Co., Ltd.	1,060	21	5,519	-
Wave City Development Co., Ltd.	63,599	-	63,307	-
Hana Card Co., Ltd.	1,639	2,600	5,199	9,051
Health Connect Co., Ltd.	9	242	10	837
SK Hynix Inc.	135,831	8,014	285,472	6,520
SK Hystec Inc.	1,059	51	3,416	476
SK Hyeng Inc.	2,129	543	1,865	1,429
SK Hynix Semiconductor HK Ltd.	-	44,733	-	21,415
SK Securities Co., Ltd.	1,838	139	3,180	85
Others	111,117	35,950	44,951	61,865
Total	₩ 678,466	₩ 351,546	₩ 755,557	₩ 397,016

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

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

(4) There were contributions related to investments in associates and joint ventures and others during the current and prior reporting period (see Note 9).

27. 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 June 30, 2016 are as follows (Korean won in millions):

		<u>Assets</u>	<u>Liabilities</u>
Subsidiaries	Daiyang SK Networks SAN. VE TIC. Ltd. STI	₩ 904	₩ 668
	Candle Media Co., Ltd.	17,715	2,210
Associates	Shanxi SK Guolin Hi-Tech Road Material Co., Ltd.	411	-
	Wuhan Zhongran Investment Company Limited (formely, Wuhan SK E&S-SINO Gas Holdings Co., Ltd.)	3,878	-
	China gas-SK E&S HK Co., Ltd. (formely, SK E&S - SINO HongKong Co., Ltd.)	1,375	-
	Property, plant and equipment	2,411	-
	Property, plant and equipment held by Shanxi SK Guolin Asphalt Co., Ltd.	2,411	-
	Property, plant and equipment related to TAC business and others	17,848	-
Others	Trade receivables, inventories and others	4,671	996
Total		<u>₩ 49,213</u>	<u>₩ 3,874</u>

28. CASH FLOW INFORMATION

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

	<u>For the six months ended</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Provision for pension benefits	₩ 158,924	₩ 15,873
Depreciation	2,007,173	22,552
Amortization	556,655	7,475
Loss on impairment of intangible assets	170,370	4,614
Loss on impairment of property, plant and equipment	61	-
Bad debt expenses	43,030	7
Reversal of loss on valuation of inventories	(61,351)	(1,946)
Interest expenses	395,738	30,651
Loss on foreign currency translation	172,257	464
Loss on disposal of trade accounts receivable	4,790	-
Loss on transactions of derivatives	284,813	-
Loss on valuation of derivatives	104,652	69
Loss on disposal of available-for-sale financial assets	1,409	-
Loss on impairment of available-for-sale financial assets	651	-
Loss on disposal of investments in associates and joint ventures	1,168	-
Loss on disposal of property, plant and equipment	28,691	142
Loss on disposal of intangible assets	7,978	250
Loss on impairment of investment properties	11,980	-
Income tax expense	796,102	111,741
Gain on investments in associates and joint ventures, net	(111,753)	(325,217)
Interest income	(98,112)	(2,405)
Dividends income	(26,911)	(19,808)
Gain on foreign currency translation	(187,106)	(846)
Gain on disposal of trade accounts receivable	(7,855)	-
Gain on transactions of derivatives	(238,550)	-
Gain on valuation of derivatives	(146,217)	(463)
Gain on disposal of available-for-sale financial assets	(29,432)	(114)
Gain on disposal of investments in associates and joint ventures	(13,430)	(670)
Gain on disposal of investment in subsidiary	(10,843)	-
Gain on disposal of property, plant and equipment	(13,440)	(110)
Gain on disposal of intangible assets	(2,495)	-

28. CASH FLOW INFORMATION (CONTINUED)

	For the six months ended	
	June 30, 2016	June 30, 2015
Gain on disposal of investment properties	₩ (52,918)	₩ -
Others	157,854	4,364
Total	₩ 3,903,883	₩ (153,377)

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

	For the six months ended	
	June 30, 2016	June 30, 2015
Inventories	₩ (144,544)	₩ 11,618
Trade accounts receivable	452,810	45,684
Other accounts receivable	(329,758)	1,158
Long-term trade accounts receivable	24,453	175
Trade accounts payable	261,528	(34,190)
Other accounts payable	73,522	(26,787)
Advance received	(206,816)	(5,623)
Defined benefit obligation	(95,169)	(10,957)
Plan assets	23,495	10,108
Others	(77,308)	28,821
Total	₩ (17,787)	₩ 20,007

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

	For the six months ended	
	June 30, 2016	June 30, 2015
Acquisitions of investments in associates and joint ventures	₩ 101,468	₩ -
Decrease in other accounts payable related to acquisition of property, plant and equipment and intangible assets	240,029	-
Transfer of construction-in-progress to depreciable assets	594,116	-
Increase in other accounts receivable related to property, plant and equipment	26,727	-

29. COMMITMENTS AND CONTINGENCIES

(1) Guarantees provided for the Group as at June 30, 2016 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	Korea Trade Insurance	USD	6,587	Guarantee of payment
	Corporation	VND	90,113,661	Guarantee of payment
	The Export-Import Bank of Korea	USD	2,690	Performance guarantees for contract and others
	Korea Software Financial Cooperative	KRW	364,153	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	1,110	Performance guarantees for contract and others
SK Engineering & Construction Co., Ltd.	HSBC and others	USD	1,084,967	Performance guarantees for overseas construction
		EUR	4,050	Performance guarantees for overseas construction
		SGD	76,648	Performance guarantees for overseas construction
		INR	467,653	Performance guarantees for overseas construction
		AED	107,489	Performance guarantees for overseas construction
		KWD	136,258	Performance guarantees for overseas construction
		QAR	489,326	Performance guarantees for overseas construction
		TRY	13,510	Performance guarantees for overseas construction
		SAR	770,171	Performance guarantees for overseas construction
		THB	753,690	Performance guarantees for overseas construction
		CAD	50,000	Performance guarantees for overseas construction
		KZT	92,508	Performance guarantees for overseas construction
		IDR	902,925	Performance guarantees for overseas construction
	KEB Hana Bank	USD	440,712	Performance guarantees for overseas construction
		VND	253,962,932	Performance guarantees for overseas construction
	Shinhan Bank	IDR	316,757	Performance guarantees for overseas construction
		USD	79,738	Performance guarantees for overseas construction
	The Export-Import Bank of Korea	EUR	104,640	Performance guarantees for overseas construction
		USD	758,705	Performance guarantees for overseas construction
	Korea Housing Guarantee Co., Ltd.	SAR	372,321	Performance guarantees for overseas construction
KRW		2,415,569	Housing guarantees and others	
Seoul Guarantee Insurance	KRW	369,000	Performance guarantees for domestic construction	
	KRW	638,983	Performance guarantees for domestic construction	
Engineering Financial Cooperative	Cooperative	KRW	2,118,504	Performance guarantees for domestic construction
		KRW		
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	19,282	Performance guarantees for contract and others
		KRW	11,915	Performance guarantees for contract and others
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	30,000	Performance guarantees for facility agreement
		EUR	744	Performance guarantees for license fee
		EUR	12,000	Guarantee of debt
SK Shipping Co., Ltd.	Seoul Guarantee Insurance	KRW	33,895	Performance guarantees for contract and others
		USD	817	Stand by L/C
	Bank of America	USD	1,100	Guarantee of liabilities
	KEB Hana Bank	USD	230,213	Performance guarantees for shipbuilding
KSF 34 International S.A.	The Export-Import Bank of Korea	USD	23,355	Performance guarantees for shipbuilding
		USD	72,835	Performance guarantees for shipbuilding
SHIKC 1 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	72,835	Performance guarantees for shipbuilding
SHIKC 2 SHIPHOLDING S.A.	The Export-Import Bank of Korea	USD	72,835	Performance guarantees for shipbuilding
VLGC 4 Shipholding S.A.	The Export-Import Bank of Korea	USD	30,594	Performance guarantees for shipbuilding
VLGC 5 Shipholding S.A.	The Export-Import Bank of Korea	USD	30,594	Performance guarantees for shipbuilding
SK B&T PTE. LTD.	KEB Hana Bank	USD	1,100	Guarantee of liabilities
SK E&S Co., Ltd.	KEB Hana Bank	KRW	10,000	Guarantee for tariff
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	966	Guarantee of warranties and approval
		KRW	3,308	Guarantee of warranties
Chonnam city gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,107	Community energy service facility management, consignment operating agreement and others
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW		Performance guarantees and guarantee of warranties
Jeonbuk Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	34	Performance guarantees for construction
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	925	Performance guarantees for construction
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	365	Performance guarantees for contract
PMP Co., Ltd.	Seoul Guarantee Insurance	KRW	1,010	Guarantee of approval
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,073	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	97	Guarantees for contract
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	4,305	Guarantee of warranties and contract

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SKC INFRA SERVICE Co., Ltd.	Seoul Guarantee Insurance	KRW	9,603	Guarantee of warranties and contract
SK Airgas Co., Ltd.	Tiayo Nippon			
	Sanso Corporation	KRW	7,500	Guarantee of debt
SK Networks Co., Ltd.	KEB Hana Bank	USD	1,000	Payment guarantee of overseas procurement
		USD	9,177	Guarantees for standby letter of credit
		USD	421	Performance guarantees for contract
		KRW	19,772	Guarantee for tariff
		USD	2,104	Guarantee of debt
SK Networks Service Co., Ltd. and others	Seoul Guarantee Insurance	KRW	6,988	Guarantee of warranties and others
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	5,385	Performance guarantees for contract
	Seoul Guarantee Insurance and others	KRW	13,721	Performance guarantees for contract
SK Communications Co., Ltd.	PDCC and others	KRW	890	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	17,378	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	6,524	Performance guarantees for contract
	Shinhan Bank	KRW	15,000	Guarantee of approval and others
SK Broadband Co., Ltd.	Seoul Guarantee Insurance	KRW	15,000	Guarantee of payment
	Kookmin Bank	KRW	100	Guarantee for E-commerce and others
M & SERVICE Co., Ltd.	Seoul Guarantee Insurance	KRW	4,263	Guarantee of payment
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	31,729	Guarantee of bid payment

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, has been provided performance guarantees for domestic construction by other construction companies amounting to ₩776,925 million as at June 30, 2016.

(2) Guarantees provided to others as at June 30, 2016 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Engineering & Construction Co., Ltd.	SBC	KWD	3,191	Performance guarantees for contract and others
	Eurasia Tunnel	USD	7,700	Performance guarantees for contract
	Inport Co., Ltd.	KRW	240,500	Guarantees for project financing
	SDM Co., Ltd.	KRW	279,500	Guarantees for project financing
	Boxtree Co., Ltd. and others	KRW	394,560	Guarantees for redeemable preferred share investors
	Customers	KRW	30,426	Guarantee of payment
	Pohang Clean Water Co., Ltd. and others	KRW	47,700	Guarantee of payment
	Kwangju Mareukchipyeong housing redevelopment maintenance business association	KRW	4,479	Guarantees for project financing
	Guseo Area II reconstruction maintenance business association	KRW	404	Guarantees for project financing
	Godeok Complex II apartment housing reconstruction maintenance business association	KRW	33,998	Guarantees for project financing
	Wangsimni Area III housing redevelopment maintenance business association	KRW	191,539	Guarantees for project financing
	Daeyeon Area VII housing redevelopment maintenance business association	KRW	72,870	Guarantees for project financing
	Mapo-ro Area VI city environment maintenance business association	KRW	99,908	Guarantees for project financing
	Shingil Area V Reconstruction maintenance business association	KRW	204,804	Guarantees for project financing
	Ung-am Area X housing redevelopment maintenance business association	KRW	36,719	Guarantees for project financing

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Engineering & Construction Co., Ltd.	ArabiEnerTech A hyeon Area housing redevelopment maintenance business association	KWD	821	Deposits
	Hwaseong Jeongnam Industrial Complex Co., Ltd.	KRW	12,540	Guarantees for project financing
SK Shipping Co., Ltd.	SS Triton A S.A (*1)	KRW	10,400	Guarantees for project financing
	SS Triton B S.A (*1)	KRW	66,691	Guarantee of payment
	Great Shale LNG Transport S.A. and Milestone LNG Transport S.A.	KRW	68,016	Guarantee of payment
	S&Y Shipping S.A.	KRW	241,629	Guarantee for shipbuilding
SK Networks Co., Ltd.	PT. SK Networks Indonesia	USD	54,340	Guarantee of payment
SK Innovation Co., Ltd.	Peru LNG S.R.L.	USD	1,500	Standing surety for investee
	Perupetro and others	USD	178,800	Guarantee of supplies and others
SK Global Chemical Co., Ltd.	SABIC SK Nexlene Company Pte. Ltd.	USD	1,062	Guarantee of performance and others
Iberian Lube Base Oils S.A.	Cartagena city	EUR	213,200	Guarantee of payment
	Puertos del Estado	EUR	2,478	Guarantee related to the refund of license fee
	Renfe and others	EUR	355	Guarantees for construction
SK E&S Co., Ltd.	Huang Gang SINO Gas Co., Ltd.	CNY	37	Guarantee for installing facilities and others
	Boryeong LNG Terminal Co., Ltd.	KRW	47,000	Guarantee of payment
		KRW	360,000	Guarantee of payment
		USD	-	Guarantees for project financing
SKC Co., Ltd.	SKC-KOLON PI Co., Ltd.	USD	8,100	Guarantee for litigation
SK Materials Co., Ltd.	Liaoning East Shine Chemical Technology Co., Ltd.	CNY	60,000	Guarantee for payment

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

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, provides other construction companies with performance guarantees for domestic construction in the amount of ₩3,078,295 million as at June 30, 2016.

(3) Pending litigations

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

Plaintiff	Defendant	Description	Claim amount	Status
SK Holdings Co., Ltd.	Samsung Card Co., Ltd.	Claim for payment	KRW 2,961	First trial in progress
SK Forest Co., Ltd.	Seoul Special City and others	Claim for refund of payment construction	KRW 1,108	First trial in progress
SK Incheon Petrochem Co., Ltd.	Seogu-office of Incheon Metropolitan City	Lawsuit for cancellation of amount borne by causers	KRW 10,498	Second trial in progress
SK Trading International Co., Ltd.	OW Bunker Middle East DMCC	Claim for payment	USD 25,680	First trial in progress
SK Telesys Co., Ltd.	Iljin Electric Co., Ltd.	Claim for payment	KRW 4,559	Third trial in progress
	Alcatel-lucent Korea	Claim for payment	KRW 980	Second trial in progress
SK E&S Co., Ltd.	Jongno District Tax Office and others	Claim for annulment of assessments of corporate tax	KRW 2,472	First trial in progress and others
Ko-one Energy Service Co., Ltd.	IBK	Claim for trust and others	KRW 10,000	Second trial in progress and others
Narae energy service Co., Ltd.	Jeonbuk co-generation	Claim for payment	KRW 246	First trial in progress
SK Networks Co., Ltd.	GCK Co., Ltd.	Claim for return of money collected	KRW 1,267	First trial in progress
	Individual and others	Claim for repayment and others	KRW 399	First trial in progress and others
SK Networks Service Co., Ltd.	Individual and others	Claim for payment	KRW 3,267	Second trial in progress and others
SK Shipping Co., Ltd.	Emirate Trading Agency	Claim for termination of the contract	USD 8,000	Arbitration in progress
	MonjasaS.A and others	Litigation related to bunkering and others	USD 2,603	Second trial in progress and others

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Plaintiff	Defendant	Description	Claim amount	Status
SK Shipping Co., Ltd.	Korea Line Corporation and others	Lawsuit for cancellation of arbitration and others	KRW 5,400	Second trial in progress
SK Shipping (Singapore) Pte. Ltd.	STShipping and others	Claim for payment and others	USD 3,352	First trial in progress and others
SK Shipping Europe Plc.	MOL	Lawsuit for employment	USD 175	Arbitration in progress
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 732	First trial in progress and others
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment	KRW 5,579	First trial in progress and others
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 4,140	Second trial in progress
	Korea Rail Network Authority	Claim for payment	KRW 2,358	Second trial in progress
	Fair Trade Committee	Claim for corrective order	KRW 8,512	First trial in progress and others
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 61,212	First trial in progress
	Korea Specialty Contractor Financial Cooperative	Claim for payment	KRW 405	First trial in progress and others
	Dream Hub PFV	Claim for payment	KRW 11,087	First trial in progress
	Korea Land and Housing Corporation	Claim for debt absence	KRW 13,712	Second trial in progress
	Hanyang Co., Ltd.	Claim for payment	KRW 224	First trial in progress
	Myungsin Construction Co., Ltd. and others	Claim for payment	KRW 824	First trial in progress
	Busan Metropolitan City	Claim for payment of construction	KRW 12,353	First trial in progress
	Hyundai Construction Co., Ltd.	Claim for payment	KRW 88,554	First trial in progress
	Korea Housing & Urban Guarantee Corporation	Claim for transfer of ownership right	KRW 16,726	Second trial in progress
	Individual and others	Claim for liquidated damages and others	KRW 15,013	Second trial in progress and others

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

Plaintiff	Defendant	Description	Claim amount	Status
Defense Acquisition Program Administration	SK Holdings Co., Ltd.	Claim for damages	USD 19,673	First trial in progress
Samsung Card Co., Ltd.		Claim for damages	KRW 2,831	First trial in progress
Logiscube Co., Ltd.		Claim for suspension of goods usage	-	First trial in progress
Tae Kwang Network Information and others		Claim for payment	KRW 1,450	Second trial in progress and others
Kim, yoon hee and 556 others	SK Incheon Petrochem Co., Ltd.	Claim for environmental damage	KRW 16,342	First trial in progress
Maxcom Co., Ltd. and others	SK Telesys Co., Ltd.	Claim for novation and others	KRW 244	First trial in progress
Alcatel lucent Korea Co., Ltd.		Claim for payment	KRW 2,374	Second trial in progress
Paju Foster agricultural company and others	PMP Co., Ltd.	Claim for compensation and others	KRW 418	First trial in progress and others
Ko, pung-hwan and others	Ko-one Energy Service Co., Ltd.	Claim for cancellation of collateral security rights	KRW 757	First trial in progress
Korea Veterans Health Service	Pusan City Gas Co., Ltd.	Claim for compensation	KRW 3,248	First trial in progress
Kim, Jong-su	SK Networks Co., Ltd.	Claim for restitution of fraudulent gains	KRW 798	Second trial in progress
Shin-ho Inter and others		Claim for payment and others	KRW 6,479	Third trial in progress and others
N Communcation Inc. and others	SK Networks Service Co., Ltd.	Claim for compensation	KRW 1,535	First trial in progress and others
Individual and others	SK Communications Co., Ltd.	Claim for compensation of personal data spill and others	KRW 1,127	Second trial in progress and others
Mac Telecom Co., Ltd. and others	SK Broadband Co., Ltd.	Claim for counterindemnity and others	KRW 3,560	First trial in progress
M Seven System Limited	IRIVER LIMITED	Claim for damages due to non-fulfillment of obligation and illegal act	KRW 1,000	Second trial in progress
Foxcom	Neos Networks Co., Ltd.	Claim for counterindemnity	KRW 57	First trial in progress
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt and others	KRW 763	First trial in progress and others

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Plaintiff	Defendant	Description	Claim amount	Status
Allianz	SK Shipping Co., Ltd.	Claim for cargo damage	CAD 966	Third trial in progress
Hyundai Merchant Marine Co., Ltd. and others		Claim for cargo damage and others	USD 8,935	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
Suwon Gwonseon Housing reconstruction business association	SK Engineering & Construction Co., Ltd.	Claim for compensation	KRW 2,345	Second trial in progress
K-Water Resources Corporation		Claim for compensation	KRW 5,004	First trial in progress
Incheon Metropolitan City		Claim for compensation	KRW 37,746	Second trial in progress and others
Son, Chang-woo and 49 others		Claim for payment of discrepancy	KRW 5,712	First trial in progress
Shin, Dong-woo and 419 others		Claim for compensation	KRW 12,804	Second trial in progress
Kim, Keo-soo and 56 others		Claim for compensation	KRW 24,049	Second trial in progress
Inlux and others		Claim for compensation	KRW 1,718	Second trial in progress
Seo, Youn-jong and 333 others		Claim for apartment	KRW 64,024	Third trial in progress
Samjung Construction Co., Ltd.		Claim for payment	KRW 8,966	First trial in progress
Korea credit Guarantee fund		Claim for payment and others	KRW 431	First trial in progress
Hyundai Engineering & Construction Co., Ltd.		Claim for payment	KRW 5,115	First trial in progress
RFC Co., Ltd		Claim for payment	KRW 600	Third trial in progress
Suseong SK Leader's View Tower's resident		Claim for apartment	KRW 402	First trial in progress
Korea Rural Community Corporation		Claim for counterindemnity	KRW 1,861	First trial in progress
Korea Land & Housing Corporation		Claim for compensation	KRW 8,603	Second trial in progress and others
Republic of Korea		Claim for compensation	KRW 25,063	First trial in progress
Korea Gas Corporation		Claim for compensation and others	KRW 108,288	First trial in progress
Korea Rail Network Authority		Claim for compensation	KRW 23,237	First trial in progress
Individual and others		Claim for apartment and others	KRW 40,083	First trial in progress and others

(4) Commitments

- 1) The Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd. and SK Trading International Co., Ltd., are collectively responsible for any obligations of the Company arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on July 1, 2011.
- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Asset Management. Under the terms of the lease, the lease period is until March 28, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance and development service entered into between the Company and SK Group companies and others.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

Classification	Description
Exercise condition	SK Shipping Co., Ltd. is not listed on the share market within 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 June 30, 2016, the present value of this put option (₩153,866 million) is included in long-term borrowings (see Note 14).

- 6) SK Networks Co., Ltd., one of the subsidiaries, has entered into a long-term supply contract with MMX Mineracao e Metalicos S/A ("MMX"), an associate, at the time of acquiring its shares in 2010. The contract states the following: SK Networks Co., Ltd. receives the supply of iron ore in proportion to its initial percentage of ownership (14.59%); the contract is valid until SK Networks Co., Ltd. holds more than one-fourth of ownership and does not dispose of more than half the shares initially acquired; SK Networks Co., Ltd. can transfer its shares only to shareholders with more than one-fifth of ownership; and if EBX Group, the parent company of MMX, decides to dispose of its shares in MMX, SK Networks Co., Ltd. may also dispose in equal proportion, as long as the EBX Group remains the largest shareholder of MMX.
- 7) SK Networks Co., Ltd., one of the subsidiaries, has committed that if the manganese development in relation to the development of the complex mine in Boleo, Mexico fails, Korea Boleo Corporation, S.A.de C.V. ("KBC") receives USD10,000 thousand (USD1,667 thousand for SK Networks Co., Ltd.) for acquiring shares from Minera Metalurgica del Boleo, S.A. de C.V ("MMB"), and if the manganese development is successful, KBC pays USD13,000 thousand (USD2,167 thousand for SK Networks Co., Ltd.) additionally for acquiring shares to MMB.
- 8) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service amounting to 115 million MMBtu per year for 20 years from FLNG Liquefaction 3, LLC, which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at June 30, 2016, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLC's inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

10) As at June 30, 2016, details of construction contracts about subsidiaries of SK E&S Co., Ltd. are as follows (Korean won in millions):

Description of contract	Name of subsidiaries	Contract opponent	Term of contract	Contract
Contract for the supervisory service	Wirye energy service Co., Ltd.	OSUN Engineering Co., Ltd.	2014.12–2017.03	₩ 2,841
Contract for the heating, plumbing construction	Wirye energy service Co., Ltd.	Dkeyoung Enertech Co., Ltd. and others	2013.10–2016.12	10,252
Contract for the transmission access construction	Wirye energy service Co., Ltd.	Korea Electric Power Corporation	2015.02–2017.03	8,470
Contract for the construction Of LNG plumbing supplies	Wirye energy service Co., Ltd.	Hanyang ENG Co., Ltd.	2015.07–2016.12	21,186
Contract for the heating, plumbing construction	Narae energy service Co., Ltd.	Jungho E&C Co., Ltd and others	2015.03–2016.12	3,432
Contract for the construction management services	PMP Co., Ltd.	Humantech Korea Engineering Co., Ltd.	2014.10–2017.04	4,416
Contract for the transmission access construction	PMP Co., Ltd.	Korea Electric Power Corporation	2015.03–2016.06	52,350

11) As at June 30, 2016, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows (foreign currencies in thousands):

Description of contract	Name of subsidiary	Contract opponent	Equity ownership	Contract amount	Executive amount
Barossa-Caldita, Australia	SK E&S Australia Pty. Ltd.	ConocoPhillips Company and others	37.5%	USD 310,000	USD 280,000
Woodford, USA	Dew Blaine Energy, LLC	Continental Resources, Inc	49.9%	USD 360,000	USD 161,356

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

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 12) SK Shipping Co., Ltd., one of the subsidiaries, has contracted with CHAMPION SHIPHOLDING S.A. and others for Bare Boat Charter Hire Purchase ("BBCHP") of about 57 boats. Outstanding boat purchase amount as at June 30, 2016 is USD 2,387,233 thousand (Korean won equivalent: ₩ 2,780,399 million) and is included in long term other accounts payable.
- 13) SK Shipping Co., Ltd., one of the subsidiaries, has leased ships by Time Charter. Total payables of the ship charter amounts to ₩780,646 million as at June 30, 2016.
- 14) SK Shipping Co., Ltd., one of the subsidiaries, has entered into a long-term transportation contract to transport liquefied natural gas, liquefied petroleum gas and coal with SK Energy Co., Ltd., SK Gas Co., Ltd., Korea Gas Corporation, Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Western Power Co., Ltd. and Korea Midland Power Co., Ltd.
- 15) As at June 30, 2016, SK Shipping Co., Ltd., one of the subsidiaries, has 44,000,000 shares (55%) of SK B&T Pte. Ltd. ("SK B&T") after disposal of 36,000,000 shares (45%) of SK B&T to Atlantic Starr Ltd. Out of 44,000,000 shares, 3,999,999 shares are provided as trust asset under the securities trust agreement (First Beneficiary: Atlantic Starr Ltd. / trustee: Korea Development Bank), and 40,000,001 shares are pledged as collaterals for Atlantic Starr Ltd. as secured party.
- 16) On July 8, 2013, SK Incheon Petrochem Co., Ltd., one of the subsidiaries, issued new preferred shares by third-party allocation method to Shinhan Stonebridge Petro Private Equity Fund ("Investor"). In regard to this new issuance of preferred shares, the agreement between SK Innovation and the investor includes the following essential particulars:
 - Investors' drag-along right and tag-along right
 - SK Innovation's preemption right for the exercised Investors' drag-along right
 - Restriction on disposal of shares under certain conditions
- 17) On November 2, 2015, the board of directors of SK Telecom Co., Ltd., a subsidiary of the Group, entered into a share purchase agreement to acquire 30%(23,234,060 shares) of the issued and outstanding common shares of CJ Hello Vision Co., Ltd. from CJ O Shopping Co., Ltd. for an aggregate purchase price of ₩500,000 million. The agreement states government's approval as prerequisite. On November 2, 2015, the board of directors of SK Broadband Co., Ltd., a subsidiary of SK Telecom Co., Ltd., approved the merger of SK Broadband into CJ Hello Vision Co., Ltd. and then SK Broadband Co., Ltd. entered into a merger agreement with CJ Hello Vision Co., Ltd. with government's approval as prerequisite. After the announcement of disapproval of proposed takeover of CJ Hello Vision Co., Ltd. by the Fair Trade Commission (FTC) on July 18, 2016, SK Telecom Co., Ltd. announced the revocation of share purchase agreement to CJ O Shopping Co., Ltd. while SK Broadband Co., Ltd. withdrew from merger agreement with CJ Hello Vision Co., Ltd. on July 25, 2016 as execution of the share purchase agreement with CJ O Shopping Co., Ltd. and merger agreement between SK Broadband Co., Ltd. and CJ Hello Vision Co., Ltd. became objectively impossible.

(5) Others

As at June 30, 2016, 110 notes (including 104 blank notes) and 50 blank checks are provided to financial institutions as collateral for borrowings.

30. PLEDGED ASSETS

The following assets were pledged as collateral for the Group's borrowings and others as at June 30, 2016 (Korean won in millions and foreign currencies in thousands):

Company	Asset	Currency	Collateralized amount	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	293,800	Peru LNG S.R.L. and others	Collateral for project financing
	Investments in associates	KRW	221,184	Yemen LNG Company and others	Collateral for project financing
	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
Netruck Co., Ltd.	Property, plant and equipment	KRW	4,500	Shinhan Bank 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	204,100	New West Village and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Available-for-sale financial assets and others	KRW	95,903	Korea Housing Guarantee Co., Ltd. and others	Performance guarantees for contract and others
	Investment property	KRW	86,800	Kookmin Bank and others	Collateral for borrowing
Thai Woo Ree Engineering Company Ltd.	Property, plant and equipment	KRW	7,956	SCB	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment and others	KRW	200,000	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	123,960	Industrial Bank of Korea and others	Collateral for borrowing
Bioland Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	76,850	Korea Development Bank and others	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	359,771	Korea Development Bank and others	Collateral for sales and others
	Property, plant and equipment	USD	8,700	Korea Development Bank	Collateral for sales and others
SK Pinx Co., Ltd	Property, plant and equipment and investment property	KRW	50,400	Kookmin Bank and others	Collateral for borrowing
Shenyang SK Bus Terminal Co., Ltd.	Property, plant and equipment	CNY	137,820	KEB Hana Bank	Collateral for borrowing
SK Networks Hong Kong Ltd.	Others	USD	2	60 West Suites Hotel Ltd.	Leasehold deposits
		USD	69	Cheung Kong Property Holdings Ltd.	Leasehold deposits
SK E&S Co., Ltd.	Investments in joint ventures	KRW	99,101	Woori Bank and others	Collateral for project financing
	Investments in subsidiaries	KRW	173,408	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	997,750	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	4,299	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	70,653	Megamart and others	Leasehold deposits
	Investments in associates	KRW	13,798	PF groups of financial institutions	Collateral for project financing
PMP Co., Ltd.	Property, plant and equipment and others	KRW	116,705	Korea Development Bank and others	Collateral for project financing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	220	Kwangju Bank and others	Leasehold deposits
Wirye energy service Co., Ltd.	Cash and cash equivalents	KRW	19,655	Korea Development Bank and others	Collateral for project financing and others
Narae energy service Co., Ltd.	Property, plant and equipment and others	KRW	487,171	Woori Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	2,019,608	KDB Asia Ltd. and others	Deposits for purchasing ship and others
	Investments in subsidiaries	USD	56,919	Atlanticstar Ltd.	Disposal of shares of SK B&T
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	103,671	KDB Asia Ltd and others	Deposits for purchasing ship and others
KSF 34 International S.A.	Property, plant and equipment	USD	22,396	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	63,707	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	63,890	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 1 SHIPHOLDING S.A.	Property, plant and equipment	USD	2,375	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 SHIPHOLDING S.A.	Property, plant and equipment	USD	2,385	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

30. PLEDGED ASSETS (CONTINUED)

Company	Asset	Currency	Collateralized amount	Provided to	Description
SK Shipping Europe Plc.	Property, plant and equipment	USD	62,835	KDB Asia Ltd and others	Deposits for purchasing ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	7,437	KEB Hana Bank and others	Restricted real rights for office lease
SKY Property Management Ltd.	Short-term financial instruments	KRW	1,075	KEB Hana bank and NH Bank	Collateral for loan
	Investment property	CNY	150,000	KEB Hana Bank and others	Collateral for borrowing
SK China Company, Ltd.	Others	USD	28,900	Shinhan Bank	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of Communications	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	27,170	LG Display Co., Ltd.	Collateral for advance received
SK Airgas Co., Ltd.	Property, plant and equipment	KRW	137,000	Korea Development Bank	Collateral for borrowing
		USD	3,500	Korea Development Bank	Collateral for borrowing
		JPY	3,690,000	Korea Development Bank	Collateral for borrowing
		JPY	315,000	Hyakugo Bank	Collateral for borrowing
		TWD	50,000	Mega Bank	Collateral for borrowing
		KRW	128,900	Kyungnam Bank and others	Collateral for borrowing

31. GUARANTEES PROVIDED AMONG THE GROUP ENTITIES

Guarantees provided among the Group entities as at June 30, 2016 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee	
SK Holdings Co., Ltd.	ESSENCORE Limited	USD	20,000	Guarantee of financial obligation	
SK Holdings Co., Ltd. and SK Innovation Co., Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*1)	
SK Innovation Co., Ltd.	SK E&P America	USD	45,000	Guarantee of debt	
SK Global Chemical Co., Ltd.	SK Global Chemical Investment	CNY	950,000	Payment guarantee for principal and interest of loan	
SK Lubricants Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,616	Guarantee of payment for license agreement	
	PT.Patra SK	USD	2,600	Guarantee of lease	
	Iberian Lube Base Oils, S.A	EUR	1,735	Guarantee of deposit	
SK Global Chemical (China) Holding Co., Ltd.	SK Global Chemical International Trading (Shanghai) Co., Ltd.	EUR	66,500	Guarantee of payment for facility agreement	
		CNY	170,000	Guarantee of payment for credit limit acquisition	
SK Engineering & Construction Co., Ltd.	Thai Woo Ree Engineering Company Ltd.	USD	9,000	Guarantee of debt and others	
		THB	200,000	Performance guarantees for contract and others	
	Seosuwon Development Company	KRW	240,100	Guarantees for project financing	
	SKEC Anadolu EC Ltd.	USD	30,000	Performance guarantees for contract and others	
		KRW	45,000	Guarantee of financial obligation	
	Sunlake Co., Ltd.	CAD	33,000	Guarantee of financial obligation	
	SK HOLDCO PTE. LTD.	USD	202	Performance guarantees for contract and others	
	SKC Co., Ltd.	SKC, Inc.	USD	175,000	Guarantee of payment
		SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	127,400	Guarantee of payment
			CNY	154,333	Guarantee of payment
SK Networks Co., Ltd.	SK Telesys Co., Ltd.	KRW	40,000	Guarantee of financial obligation	
	SKC Solmics Co., Ltd.	KRW	60,000	Guarantee for operation fund	
	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	138,500	Standing surety for investee	
			CNY	118,000	Standing surety for investee
		SK Networks Japan Co., Ltd.	JPY	2,100,000	Standing surety for investee
		SK Networks (Xiamen) Steel Proc	CNY	65,000	Standing surety for investee
		SK (Guangzhou) Metal Co., Ltd.	USD	5,000	Standing surety for investee
			CNY	60,000	Standing surety for investee
SK Shipping Co., Ltd.	SK Shipping Europe Plc	USD	69,000	Guarantee for operation fund	
		USD	63,063	Guarantee for derivative hedge	
		JPY	6,444,959	Guarantee of payment	
	SK Shipping Singapore Pte. Ltd.	USD	113,000	Guarantee of payment	
		USD	106,323	Guarantee for operation fund	
		SK Shipping Hongkong Ltd.	USD	2,000	Guarantee of payment
		Amber Shipholding S.A.	USD	10,625	Guarantee of payment
	Coral Shipholding International S.A.	USD	10,625	Guarantee for operation fund	

31. GUARANTEES PROVIDED AMONG THE GROUP ENTITIES (CONTINUED)

Guarantor	Guarantee	Currency	Amount	Description of guarantee
	SK B&T Pte. Ltd.	USD	24,400	Guarantee of payment
	GaSan 2nd L.L.C.	KRW	33,340	Guarantee of payment
	KSF 34 International S.A.	USD	23,355	Guarantee of payment
	SHIKC 1 SHIPHOLDING S.A.	USD	135,265	Guarantee of payment
	SHIKC 2 SHIPHOLDING S.A.	USD	135,265	Guarantee of payment
	Blueseaocean 1st L.L.C	USD	30,000	Guarantee for derivative hedge
	Blueseaocean 2nd L.L.C	USD	40,000	Guarantee for derivative hedge
	With Ocean L.L.C	KRW	45,000	Guarantee of obligation of redemption according to cash deficiency support agreement
	HHIENS1 Shipholding S.A.	USD	178,698	Performance guarantees for shipbuilding contract
	HHIENS2 Shipholding S.A.	USD	178,698	Performance guarantees for shipbuilding contract
	VLGC4 Shipholding S.A.	USD	45,891	Guarantee of payment
	VLGC5 Shipholding S.A.	USD	45,891	Guarantee of payment
	ZH-Bshipholding Group S.A.	USD	8,585	Guarantee of payment
SK B&T Pte. Ltd.	Chuandong 1 Marine Holdings Co., Ltd.	USD	8,968	Guarantee related to BBCHP
	Chuandong 2 Marine Holdings Co., Ltd.	USD	8,894	Guarantee related to BBCHP
SK E&S Co., Ltd.	Cailip Gas Marketing, LLC	USD	181,000	Guarantee for derivative hedge
	SK E&S Australia Pty. Ltd.	USD	450,000	Payment guarantee for principal and interest of borrowings and others
	PMP Co., Ltd.	KRW	530,000	Payment guarantee for principal and interest of bonds payable and others
	Wirye energy service Co., Ltd.	KRW	520,000	Payment guarantee for principal and interest of borrowings and others
	Narae energy service Co., Ltd.	KRW	20,000	Payment guarantee for principal and interest of borrowings
	Dew Blaine Energy, LLC	USD	360,000	Performance for contracts
	SK E&S Americas, Inc.	USD	160,000	Payment guarantee for principal and interest of borrowings and others
	SK LNG Trading Pte. Ltd.	USD	30,000	Guarantee for derivative hedge and others
SK LNG Trading Pte. Ltd.	SK Shipping Co., Ltd.	USD	-	Service fee
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	130,900	Guarantee for borrowings
		USD	35,000	Guarantee for borrowings
	SK Materials Taiwan Co., Ltd.	USD	4,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	JPY	338,000	Guarantee for borrowings
SK China Company, Ltd.	SK (Beijing) auto rental Co., Ltd.	USD	3,612	Guarantee for borrowings
	SK (Shenyang) auto rental Co., Ltd.	USD	14,089	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	11,199	Guarantee for borrowings

(*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩171,445 million.

32. 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.

1. Financial Risk Management

a. 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.

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Financial assets at fair value through profit or loss	₩ 89,469	₩ 115,714
Held-to-maturity investments	945	960
Loans and receivables	24,962,087	22,675,267
Available-for-sale financial assets	52,923	51,736
Derivatives designated as hedging instruments	251,170	354,067
Total	<u>₩ 25,356,594</u>	<u>₩ 23,197,744</u>

On the other hand, the Group has provided payment guarantees for others, including related parties, associates and others. The Group, due to its payment guarantees, is exposed to credit risk (see Note 29).

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.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 ₩11,516 million as at June 30, 2016. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as at June 30, 2016 and December 31, 2015 is as follows (Korean won in millions):

	June 30, 2016	December 31, 2015
SK Innovation Co., Ltd.	₩ 1,939	₩ 2,199
SK Engineering & Construction Co., Ltd.	11,516	7,917
SK Shipping Co., Ltd.	2,694	1,960
SK Materials Co., Ltd.	7,353	-
Total	<u>₩ 23,502</u>	<u>₩ 12,076</u>

In addition, the Group has provided payment guarantees for others, including subsidiaries and others. The Group, due to its payment guarantees, is exposed to credit risk (see Notes 29 and 31).

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.

c. 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 June 30, 2016 is as follows. Amounts include interests paid and recognized at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3~12 months	1~5 years	More than 5 years
Loans and borrowings	₩ 7,177,189	₩ 7,703,338	₩ 1,724,053	₩ 2,296,406	₩ 3,003,512	₩ 679,367
Bonds	25,264,343	26,771,840	1,180,562	3,998,224	14,978,241	6,614,813
Derivative financial liabilities	183,094	183,094	26,122	43,334	112,582	1,056
Trade accounts payable	7,640,023	7,640,023	7,453,153	186,870	-	-
Other liabilities	7,940,491	8,436,891	3,077,310	1,137,338	2,069,000	2,153,243
Total	<u>₩ 48,205,140</u>	<u>₩ 50,735,186</u>	<u>₩ 13,461,200</u>	<u>₩ 7,662,172</u>	<u>₩ 20,163,335</u>	<u>₩ 9,448,479</u>

d. 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.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Currency	June 30, 2016		December 31, 2015	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	6,823,176	₩ 7,913,674	3,605,232	₩ 4,213,984
	JPY	16,215,851	183,487	22,810,659	221,769
	CNY	2,536,077	476,121	3,630,869	655,981
	EUR	83,575	108,259	98,023	125,535
	Others		117,969		190,833
Total			₩ 8,799,510		₩ 5,408,102
Liabilities	USD	3,523,983	₩ 4,095,542	7,342,262	₩ 8,544,316
	JPY	21,245,297	241,113	13,395,700	130,183
	CNY	1,811,404	306,159	1,583,031	285,797
	EUR	109,021	136,760	80,395	98,549
	Others		652,715		634,214
Total			₩ 5,432,289		₩ 9,693,059

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

	June 30, 2016		December 31, 2015	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ 381,813	₩ (381,813)	₩ (433,033)	₩ 433,033
JPY	(5,763)	5,763	9,159	(9,159)
CNY	16,996	(16,996)	37,018	(37,018)
EUR	(2,850)	2,850	2,699	(2,699)

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

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).

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 139.08% as at June 30, 2016. The maturity of the debt is dispersed in the long term. As such, debt repayments are not demanding.

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

	June 30, 2016	December 31, 2015
Total liabilities	₩ 57,467,891	₩ 56,556,559
Total equity	41,320,206	40,077,250
Debt ratio	139.08%	141.12%

33. BUSINESS COMBINATION

(1) General information

As at February 16, 2016, the Company acquired 49.1% of voting shares of SK Materials Co., Ltd (formerly, OCI Materials Co., Ltd.), which primarily engages in the manufacture and sale of special gas (NF₃, SiH₄, WF₆), from OCI Company Ltd. for a consideration of ₩470,332 million. The transaction was carried out for the purpose of developing a new line of business in the special gas market for semiconductor production, and such transaction was accounted for using the acquisition method. The interim consolidated financial statements comprise financial performance of SK Materials Co., Ltd. for the period from the acquisition date to the end of reporting period.

(2) Identifiable assets acquired and liabilities assumed

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

	Amount
Current assets:	₩ 197,414
Cash and cash equivalents	73,056
Trade accounts receivable and other accounts receivable	61,189
Inventories	61,650
Other current assets	1,519
Non-current assets:	865,528
Investments in associates and joint ventures	84
Property, plant and equipment	510,096
Intangible assets	354,546
Trade accounts receivable and other accounts receivable	783
Other non-current assets	19
Current liabilities:	162,187
Trade accounts payable and other accounts payable	50,906
Bonds payable and borrowings	88,461
Other current liabilities	22,820
Non-current liabilities:	215,468
Bonds payable and borrowings	114,104
Retirement benefit obligation	5,435
Deferred income tax liabilities	75,074
Other non-current liabilities	20,855
Fair value of identifiable net assets	₩ 685,287

2) Used valuation techniques for measurement 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 and investment property</i>	Market approach or cost approach: The Group determines the fair value reflecting on the created price in the available market transactions of similar assets or on the replacement cost considering the appropriate functional and economic obsolescence as well as the physical deterioration degree.
<i>Intangible assets</i>	Relief from royalty method or multi-period excess earnings method: The Group determines the fair value of intangible assets by using relief from royalty method considering the royalty discount that is expected to be avoided by the retention of the patents or trademarks directly. And the Group also determines the fair value of intangible by using multi-period excess earnings method considering the present value of net cash flows that is expected to be generated from the customer relationship.
<i>Inventories</i>	The Group determines the fair value on the basis of a reasonable profit based on the effort required to complete or sell inventories and the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

33. BUSINESS COMBINATION (CONTINUED)

Acquired Assets	Measurement of fair value
<i>Bonds payable and borrowings</i>	The Group determines the fair value by discounting future cash flows at an effective interest rate that consider current credit rating at assessment date and spread applied to recently issued.

(3) Goodwill

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

	Amount
a. The total consideration transferred	₩ 470,332
b. Fair value of proportionate share of acquired net assets	
Fair value of the net identifiable assets	685,287
Non-controlling interests (*1)	<u>(349,086)</u>
Sub-total	<u>336,201</u>
c. Goodwill (c=a-b)	<u>₩ 134,131</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.

(4) As at acquisition date (February 16, 2016), sales from operations of the acquired entity amounting to ₩ 150,778 million were included in the Group's consolidated financial statements for the six months ended June 30, 2016. If the business combination had taken place at the beginning of 2016, the Group's financial information for the six months ended June 30, 2016 would have been as follows (Korean won in millions):

	Amount
Sales	₩ 41,866,335
Cost of sales and selling and administrative expenses	<u>38,645,306</u>
Operating income	3,221,029
Financial income (costs) and other non-operating income (expenses) and others	<u>1,199,666</u>
Profit for the period	<u>₩ 2,021,363</u>

34. SUBSEQUENT EVENTS

(1) SK Telecom Co., Ltd., one of the subsidiaries, determined to pay interim dividend, in accordance with the resolution of the board of directors on July 28, 2016. are as follows:

	Details
Amount of interim dividend	₩ 1,000 per share (total amount of dividend : ₩ 70,609 million)
Ratio of dividend to market value	0.48%
Basic date for dividend	June 30, 2016
Date of dividend payment	Within 20 days from the resolution of the board of directors

(2) The Establishment of SK Trichemical Co., Ltd.

SK Materials Co., Ltd., a subsidiary of the Company, established joint venture as at July 27, 2016 with Trl-Chemical Laboratories Inc. ("TCLC") to develop a new line of business in precursor market with the resolution of Board of Directors at May 13, 2016. The name of joint venture is SK Trichemical Co., Ltd. SK Materials Co., Ltd. and TCLC hold 65% and 35% of equity ownership, respectively.