



SK Holdings Co., Ltd.

Interim condensed separate financial statements
for the nine months ended September 30, 2016 and 2015
with the independent auditors' review report

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Report on review of interim condensed separate financial statements

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

We have reviewed the accompanying interim condensed separate financial statements of SK Holdings Co., Ltd. (the "Company"), which comprise the interim condensed separate statement of financial position as at June 30, 2016, and the interim condensed separate statements of comprehensive income for the three months and nine months ended September 30, 2016 and 2015, and changes in shareholders' equity and cash flows for the nine months ended September 30, 2016 and 2015, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Interim condensed separate financial statements

Management is responsible for the preparation and fair presentation of these interim condensed separate financial statements in accordance with Korean International Financial Reporting Standards (KIRFS) 1034 *Interim Financial Reporting*. Also management is responsible for the design and operation of the Company's internal control to prevent and detect any error or fraud which may cause material misstatement of the interim condensed separate financial statements.

Auditors' responsibility

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

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

Conclusion

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

Emphasis of matter

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

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

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

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

(1) Revenue recognition based on 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 ₩94,022 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.
- Review as to whether it meets the criteria for reliably estimating the outcome of construction contracts.
- Inquiry and analytic review as to construction contracts with a significant change in measure of the percentage-of-completion.
- Review as to reasons for the significant change and recoverability of unbilled construction contract.

(2) Uncertainty in estimating the total estimated costs of 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.

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

Other matters

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

Ernst & Young Han Young

November 11, 2016

This review report is effective as at November 11, 2016, the independent auditors' review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

SK Holdings Co., Ltd.

Interim condensed separate financial statements
for the nine months ended September 30, 2016 and 2015

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

Tae-won Chey, Daesik Cho and Jung Ho Park
Chief Executive Officers
SK Holdings Co., Ltd.

SK Holdings Co., Ltd.

Interim condensed separate statements of financial position
as at September 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)	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Assets					
Current assets:					
Cash and cash equivalents	4	₩ 335,311	₩ 97,835	\$ 305,857	\$ 89,241
Short-term financial instruments	4, 28	47,620	67,200	43,437	61,297
Trade accounts receivable	4, 5, 25, 28	373,076	415,835	340,305	379,308
Other accounts receivable	4, 25, 28	2,493	1,369	2,274	1,249
Inventories	6	75,056	83,198	68,463	75,890
Other current assets	4, 10, 11, 20, 28	26,276	75,633	23,968	68,989
Total current assets		859,832	741,070	784,304	675,974
Non-current assets:					
Available-for-sale financial assets	4, 7, 28	159,387	148,455	145,386	135,415
Investments in subsidiaries	8	14,478,709	13,848,850	13,206,886	12,632,354
Investments in associates and joint ventures	9	120,229	70,157	109,668	63,994
Property, plant and equipment	10, 27	678,080	665,238	618,517	606,803
Investment properties	11	40,707	41,027	37,131	37,423
Intangible assets	12	2,084,586	2,053,152	1,901,474	1,872,801
Other non-current assets	4, 16, 17, 25, 28	23,583	25,134	21,512	22,926
Total non-current assets		17,585,281	16,852,013	16,040,574	15,371,716
Total assets		₩ 18,445,113	₩ 17,593,083	\$ 16,824,878	\$ 16,047,690
Liabilities					
Current liabilities:					
Short-term borrowings	4, 13, 28	₩ 80,000	₩ 250,000	\$ 72,973	\$ 228,040
Trade accounts payable	4, 25, 28	124,722	109,400	113,766	99,790
Other accounts payable	4, 25, 28	50,338	73,036	45,916	66,620
Accrued expenses	4, 25, 28	33,540	42,940	30,594	39,168
Provisions	14	3,686	5,300	3,362	4,834
Current portion of long-term debt	4, 13, 28	775,255	918,835	707,156	838,124
Other current liabilities	4, 16, 17, 25, 28	93,874	110,126	85,628	100,452
Total current liabilities		1,161,415	1,509,637	1,059,395	1,377,028
Non-current liabilities:					
Bonds payable	4, 13, 28	5,013,097	4,289,918	4,572,742	3,913,088
Retirement benefit obligation	15	63,387	26,421	57,819	24,100
Deferred income tax liabilities		271,369	268,405	247,532	244,828
Other non-current liabilities	4, 16, 17, 25, 28	17,525	17,025	15,986	15,530
Total non-current liabilities		5,365,378	4,601,769	4,894,079	4,197,546
Total liabilities		6,526,793	6,111,406	5,953,474	5,574,574
Equity:					
Issued capital	1, 18	15,385	15,385	14,034	14,034
Other paid-in capital	18	4,719,052	4,719,052	4,304,526	4,304,526
Retained earnings	18	7,172,688	6,736,539	6,542,632	6,144,795
Other capital components	18	11,195	10,701	10,212	9,761
Total equity		11,918,320	11,481,677	10,871,404	10,473,116
Total liabilities and equity		₩ 18,445,113	₩ 17,593,083	\$ 16,824,878	\$ 16,047,690

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

SK Holdings Co., Ltd.

Interim condensed separate statements of comprehensive income

for the three months and nine months ended September 30, 2016 and 2015

(Korean won in millions except for per share data)

	Notes	Korean won			
		September 30, 2016		September 30, 2015	
		Three months	Nine months	Three months	Nine months
Operating revenue	19, 25	₩ 661,795	₩ 2,436,014	₩ 538,483	₩ 1,466,486
Operating expenses	20, 21, 25	<u>566,240</u>	<u>1,634,612</u>	<u>465,049</u>	<u>1,280,602</u>
Operating income		95,555	801,402	73,434	185,884
Financial income	22	7,281	11,853	5,301	9,118
Financial costs	22	43,451	119,739	30,590	63,469
Other non-operating income	22	553	3,831	6,248,246	6,308,286
Other non-operating expenses	22	<u>3,368</u>	<u>13,439</u>	<u>104,741</u>	<u>111,188</u>
Income before income tax expense		56,570	683,908	6,191,650	6,328,631
Income tax expense	23	<u>6,535</u>	<u>43,915</u>	<u>498,274</u>	<u>524,236</u>
Net income		<u>50,035</u>	<u>639,993</u>	<u>5,693,376</u>	<u>5,804,395</u>
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans	15	(210)	(12,094)	(2,043)	(9,787)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets	7	2,062	494	(31,148)	(18,234)
		<u>1,852</u>	<u>(11,600)</u>	<u>(33,191)</u>	<u>(28,021)</u>
Total comprehensive income for the period		<u>₩ 51,887</u>	<u>₩ 628,393</u>	<u>₩ 5,660,185</u>	<u>₩ 5,776,374</u>
Earnings per share (Korean won):					
Basic earnings per share	24	₩ 887	₩ 11,438	₩ 105,426	₩ 122,809

(Continued)

SK Holdings Co., Ltd.

Interim condensed separate statements of comprehensive income

for the three months and nine months ended September 30, 2016 and 2015

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

	Notes	Translation into U.S. dollar (Note 2)			
		September 30, 2016		September 30, 2015	
		Three months	Nine months	Three months	Nine months
Operating revenue	19, 25	\$ 603,662	\$ 2,222,032	\$ 491,182	\$ 1,337,669
Operating expenses	20, 21, 25	<u>516,501</u>	<u>1,491,026</u>	<u>424,199</u>	<u>1,168,113</u>
Operating income		87,161	731,006	66,983	169,556
Financial income	22	6,641	10,812	4,835	8,317
Financial costs	22	39,634	109,221	27,903	57,894
Other non-operating income	22	505	3,495	5,699,395	5,754,160
Other non-operating expenses	22	<u>3,072</u>	<u>12,259</u>	<u>95,540</u>	<u>101,421</u>
Income before income tax expense		51,601	623,833	5,647,770	5,772,718
Income tax expense	23	<u>5,961</u>	<u>40,058</u>	<u>454,505</u>	<u>478,186</u>
Net income		<u>45,640</u>	<u>583,775</u>	<u>5,193,265</u>	<u>5,294,532</u>
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans	15	(192)	(11,032)	(1,864)	(8,927)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets	7	<u>1,881</u>	<u>451</u>	<u>(28,411)</u>	<u>(16,633)</u>
		<u>1,689</u>	<u>(10,581)</u>	<u>(30,275)</u>	<u>(25,560)</u>
Total comprehensive income for the period		<u>\$ 47,329</u>	<u>\$ 573,194</u>	<u>\$ 5,162,990</u>	<u>\$ 5,268,972</u>
Earnings per share (U.S. dollar):					
Basic earnings per share	24	\$ 0.81	\$ 10.43	\$ 96.17	\$ 112.02

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

SK Holdings Co., Ltd.
Interim condensed separate statements of changes in shareholders' equity
for the nine months ended September 30, 2016 and 2015

(Korean won in millions)

	<u>Issued capital</u>	<u>Other paid-in capital</u>	<u>Retained earnings</u>	<u>Other capital components</u>	<u>Total equity</u>
As at January 1, 2015	₩ 10,000	₩ (618,299)	₩ 1,642,876	₩ 29,905	₩ 1,064,482
Total comprehensive income:					
Net income	-	-	5,804,395	-	5,804,395
Remeasurement loss on defined benefits plans	-	-	(9,787)	-	(9,787)
Net gain on available-for- sale financial assets	-	-	-	(18,234)	(18,234)
Dividends	-	-	(88,000)	-	(88,000)
Issuance of new shares from business combination	5,385	5,605,831	-	-	5,611,216
Retirement of treasury share	-	636,010	(636,010)	-	-
Acquisitions of treasury share	-	(486,418)	-	-	(486,418)
As at September 30, 2015	<u>₩ 15,385</u>	<u>₩ 5,137,124</u>	<u>₩ 6,713,474</u>	<u>₩ 11,671</u>	<u>₩ 11,877,654</u>
As at January 1, 2016	₩ 15,385	₩ 4,719,052	₩ 6,736,539	₩ 10,701	₩ 11,481,677
Total comprehensive income:					
Net income	-	-	639,993	-	639,993
Remeasurement loss on defined benefits plans	-	-	(12,094)	-	(12,094)
Net loss on available-for- sale financial assets	-	-	-	494	494
Dividends	-	-	(191,750)	-	(191,750)
As at September 30, 2016	<u>₩ 15,385</u>	<u>₩ 4,719,052</u>	<u>₩ 7,172,688</u>	<u>₩ 11,195</u>	<u>₩ 11,918,320</u>

(Continued)

SK Holdings Co., Ltd.
Interim condensed separate statements of changes in shareholders' equity
for the nine months ended September 30, 2016 and 2015

(U.S. dollar in thousands)

	<u>Issued capital</u>	<u>Other paid-in capital</u>	<u>Retained earnings</u>	<u>Other capital components</u>	<u>Total equity</u>
As at January 1, 2015	\$ 9,122	\$ (563,987)	\$ 1,498,564	\$ 27,278	\$ 970,977
Total comprehensive income:					
Net income	-	-	5,294,532	-	5,294,532
Remeasurement loss on defined benefits plans	-	-	(8,927)	-	(8,927)
Net gain on available-for- sale financial assets	-	-	-	(16,633)	(16,633)
Dividends	-	-	(80,270)	-	(80,270)
Issuance of new shares from business combination	4,912	5,113,410	-	-	5,118,322
Retirement of treasury share	-	580,142	(580,142)	-	-
Acquisitions of treasury share	-	(443,691)	-	-	(443,691)
As at September 30, 2015	<u>\$ 14,034</u>	<u>\$ 4,685,874</u>	<u>\$ 6,123,757</u>	<u>\$ 10,645</u>	<u>\$ 10,834,310</u>
As at January 1, 2016	\$ 14,034	\$ 4,304,526	\$ 6,144,795	\$ 9,761	\$ 10,473,116
Total comprehensive income:					
Net income	-	-	583,775	-	583,775
Remeasurement loss on defined benefits plans	-	-	(11,032)	-	(11,032)
Net loss on available-for- sale financial assets	-	-	-	451	451
Dividends	-	-	(174,906)	-	(174,906)
As at September 30, 2016	<u>\$ 14,034</u>	<u>\$ 4,304,526</u>	<u>\$ 6,542,632</u>	<u>\$ 10,212</u>	<u>\$ 10,871,404</u>

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

SK Holdings Co., Ltd.
Interim condensed separate statements of cash flows
for the nine months ended September 30, 2016 and 2015

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

	Notes	For the nine months ended September 30,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2016	2015	2016	2015
Cash flows from operating activities:					
Net income		₩ 639,993	₩ 5,804,395	\$ 583,775	\$ 5,294,532
Non-cash adjustments	26	(378,887)	(5,559,393)	(345,604)	(5,071,051)
Working capital adjustments	26	12,200	2,208	11,128	2,014
Interest received		2,640	3,390	2,408	3,092
Interest paid		(137,697)	(65,670)	(125,602)	(59,901)
Dividends received		596,189	80,269	543,819	73,218
Income taxes paid		(43,372)	(98,780)	(39,562)	(90,103)
Net cash provided by operating activities		691,066	166,419	630,362	151,801
Cash flows from investing activities:					
Net change of short-term and long-term financial instruments		19,580	(24,075)	17,860	(21,960)
Net change of short-term loans		900	-	821	-
Proceeds from disposal of available-for-sale financial assets		1,284	832	1,171	759
Proceeds from disposal of investments in associates		10,108	-	9,220	-
Proceeds from disposal of investments in subsidiaries		4,662	-	4,252	-
Proceeds from disposal of property, plant and equipment		150	390	137	356
Proceeds from disposal of intangible assets		3,285	7,627	2,996	6,957
Acquisition of available-for-sale financial assets		(11,350)	(1,065)	(10,353)	(971)
Acquisition of investments in associates		-	(20,783)	-	(18,957)
Acquisition of investments in subsidiaries		(634,944)	-	(579,170)	-
Acquisition of property, plant and equipment		(46,212)	(34,255)	(42,153)	(31,246)
Acquisition of intangible assets		(45,228)	(10,895)	(41,255)	(9,938)
Decrease in guarantee deposits, net		777	560	709	511
Cash flows from other investing activities		181	(1,184)	166	(1,080)
Increase in cash from business combination		-	657,059	-	599,342
Net cash used in investing activities		(696,807)	574,211	(635,599)	523,773
Cash flows from financing activities:					
Net change of short-term borrowings		(170,000)	50,000	(155,067)	45,608
Repayment of current portion of bonds payable		(590,000)	(349,724)	(538,174)	(319,004)
Issuance of bonds		1,195,262	299,275	1,090,270	272,986
Acquisition of treasury share		-	(431,177)	-	(393,302)
Payment of dividend		(191,750)	(88,000)	(174,907)	(80,270)
Net cash provided by (used in) financing activities		243,512	(519,626)	222,122	(473,982)
Net increase in cash and cash equivalents		237,771	221,004	216,885	201,591
Net foreign exchange effects		(295)	362	(269)	330
Cash and cash equivalents at the beginning of the period		97,835	145,210	89,241	132,455
Cash and cash equivalents at the end of the period		₩ 335,311	₩ 366,576	\$ 305,857	\$ 334,376

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

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
for the nine months ended September 30, 2016 and 2015

1. Corporate information

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

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

As at September 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%), Ki-won Chey (7.46%) and National Pension Service (7.39%).

2. Summary of significant accounting policies

The Company maintains its official accounting records in Korean won and prepares the separate financial statements in conformity with Korean International Financial Reporting Standards ("KIFRS"), in the Korean language. Accordingly, these separate financial statements are intended for use by those who are informed about KIFRS and Korean practices. The accompanying separate financial statements have been restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language separated financial statements, but not required for a fair presentation of the Company's separate financial position, comprehensive income, changes in shareholder's equity or cash flows is not presented in the accompanying separate financial statements.

The accompanying separate financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the separate financial statements and has been made at the rate of ₩1,096.3 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the year ended September 30, 2016. Such translations into U.S. dollar should not be construed as representations that the Korean won amounts could be converted into U.S. dollar at that or any other rate.

2.1 Basis of preparation

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

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

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

2.2 Significant accounting policies

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

2.2.1 New and revised KIFRSs adopted in the current period

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

Amendments to KIFRS 1001 – *Presentation of Financial Statements*

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

Amendments to KIFRS 1016 – *Property, Plant and Equipment*

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

Amendments to KIFRS 1038 – *Intangible Assets*

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

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

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

Amendments to KIFRS 1027 – *Separate Financial Statements*

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

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

2.2.2 New and revised KIFRSs issued, but not yet effective

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

KIFRS 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.

2.2.2 New and revised KIFRSs issued, but not yet effective (cont'd)

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.

2.3 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).

2.4 Reclassification of comparative information

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

3. Significant accounting judgements, estimates and assumptions

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

Those accounting judgments made by management in the preparation of the interim condensed separate financial statements for the nine months ended September 30, 2016, are consistent with those followed in the preparation of the separate financial statements for the year ended December 31, 2015.

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4. Financial instruments

4.1 Financial assets

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

	September 30, 2016			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ 335,311	₩ -	₩ 335,311
Short-term financial instruments	-	47,620	-	47,620
Trade accounts receivable (*1)	-	279,054	-	279,054
Other accounts receivable	-	2,493	-	2,493
Accrued income	-	460	-	460
Short-term loans	-	600	-	600
Guarantee deposits	-	3,300	-	3,300
Derivative financial assets	2,712	-	-	2,712
	<u>2,712</u>	<u>668,838</u>	<u>-</u>	<u>671,550</u>
Non-current assets:				
Long-term financial instruments	-	19	-	19
Available-for-sale financial assets	-	-	159,387	159,387
Guarantee deposits	-	18,556	-	18,556
Derivative financial assets	157	-	-	157
	<u>157</u>	<u>18,875</u>	<u>159,387</u>	<u>178,119</u>
	<u>₩ 2,869</u>	<u>₩ 687,413</u>	<u>₩ 159,387</u>	<u>₩ 849,669</u>
	December 31, 2015			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ 97,835	₩ -	₩ 97,835
Short-term financial instruments	-	67,200	-	67,200
Trade accounts receivable (*1)	-	378,597	-	378,597
Other accounts receivable	-	1,369	-	1,369
Accrued income	-	203	-	203
Short-term loans	-	1,500	-	1,500
Guarantee deposits	-	3,084	-	3,084
Derivative financial assets	42	-	-	42
	<u>42</u>	<u>549,788</u>	<u>-</u>	<u>549,830</u>
Non-current assets:				
Long-term financial instruments	-	19	-	19
Long-term loans	-	181	-	181
Available-for-sale financial assets	-	-	148,455	148,455
Guarantee deposits	-	19,449	-	19,449
Derivative financial assets	-	-	-	-
	<u>-</u>	<u>19,649</u>	<u>148,455</u>	<u>168,104</u>
	<u>₩ 42</u>	<u>₩ 569,437</u>	<u>₩ 148,455</u>	<u>₩ 717,934</u>

(*1) Unbilled receivables amounting to ₩94,022 million and ₩37,238 million as at September 30, 2016 and December 31, 2015, respectively, are not included in trade accounts receivable.

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4.2 Financial liabilities

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

	September 30, 2016		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
		₩	₩
Current liabilities:			
Short-term borrowings	-	80,000	80,000
Trade accounts payable	-	124,722	124,722
Other accounts payable	-	50,338	50,338
Accrued expenses	-	33,540	33,540
Current portion of long-term debt	-	775,255	775,255
Derivative financial liabilities	2,155	-	2,155
	<u>2,155</u>	<u>1,063,855</u>	<u>1,066,010</u>
Non-current liabilities:			
Bonds payable	-	5,013,097	5,013,097
Leasehold deposits received	-	12,354	12,354
Derivative financial liabilities	127	-	127
	<u>127</u>	<u>5,025,451</u>	<u>5,025,578</u>
	<u>₩ 2,282</u>		
	<u>₩ 6,089,306</u>	<u>₩ 6,091,588</u>	

	December 31, 2015		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
		₩	₩
Current liabilities:			
Short-term borrowings	-	250,000	250,000
Trade accounts payable	-	109,400	109,400
Other accounts payable	-	73,036	73,036
Accrued expenses	-	42,940	42,940
Current portion of long-term debt	-	918,835	918,835
Derivative financial liabilities	241	-	241
	<u>241</u>	<u>1,394,211</u>	<u>1,394,452</u>
Non-current liabilities:			
Bonds payable	-	4,289,918	4,289,918
Leasehold deposits received	-	12,425	12,425
Derivative financial liabilities	3	-	3
	<u>3</u>	<u>4,302,343</u>	<u>4,302,346</u>
	<u>₩ 244</u>	<u>₩ 5,695,554</u>	<u>₩ 5,696,798</u>

4.3 Fair values of financial instruments by hierarchy level

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

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

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

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

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 2,869	₩ -	₩ 2,869
Available-for-sale financial assets (*1)	<u>36,814</u>	<u>-</u>	<u>2,152</u>	<u>38,966</u>
	<u>₩ 36,814</u>	<u>₩ 2,869</u>	<u>₩ 2,152</u>	<u>₩ 41,835</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 2,282	₩ -	₩ 2,282
	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 42	₩ -	₩ 42
Available-for-sale financial assets (*1)	<u>36,814</u>	<u>-</u>	<u>-</u>	<u>36,814</u>
	<u>₩ 36,814</u>	<u>₩ 42</u>	<u>₩ -</u>	<u>₩ 36,856</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 244	₩ -	₩ 244

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

5. Trade accounts receivable

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

	September 30, 2016	December 31, 2015
Trade accounts receivable:		
Trade accounts receivable	₩ 280,631	₩ 380,532
Unbilled receivables	<u>94,022</u>	<u>37,238</u>
	374,653	417,770
Allowance for doubtful accounts:		
Trade accounts receivable	<u>(1,577)</u>	<u>(1,935)</u>
	<u>₩ 373,076</u>	<u>₩ 415,835</u>

6. Inventories

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

	September 30, 2016			December 31, 2015		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 74,802	₩ (182)	₩ 74,620	₩ 83,123	₩ (104)	₩ 83,019
Raw material	386	-	386	128	-	128
Materials-in-transit	<u>50</u>	<u>-</u>	<u>50</u>	<u>51</u>	<u>-</u>	<u>51</u>
	<u>₩ 75,238</u>	<u>₩ (182)</u>	<u>₩ 75,056</u>	<u>₩ 83,302</u>	<u>₩ (104)</u>	<u>₩ 83,198</u>

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7. Available-for-sale financial assets

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

	September 30, 2016		December 31, 2015	
	Cost	Book value	Cost	Book value
Marketable equity instruments	₩ 45,841	₩ 36,814	₩ 45,841	₩ 36,814
Non-marketable equity instruments	124,868	122,023	114,597	111,100
Debt securities (*1)	550	550	541	541
	<u>₩ 171,259</u>	<u>₩ 159,387</u>	<u>₩ 160,979</u>	<u>₩ 148,455</u>

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

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

	For the nine months ended	
	September 30, 2016	September 30, 2015
Beginning balance	₩ 148,455	₩ 367,193
Acquisition	11,452	91,865
Gain (loss) on valuation (*1)	652	(24,056)
Disposals (*2)	(1,172)	(300,458)
Business combination	-	15,386
Ending balance	<u>₩ 159,387</u>	<u>₩ 149,930</u>

(*1) Excludes the effect of deferred income tax recognized directly to equity amounting to ₩158 million and ₩5,822 million for the nine months ended September 30, 2016 and 2015, respectively.

(*2) Investments in SK Holdings Co., Ltd. have been reclassified from investments in equity securities to investments in subsidiaries as the entity was acquired during the prior reporting period.

8. Investments in subsidiaries

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

	Domicile	Principal business activity	September 30, 2016		December 31, 2015	
			Equity ownership (%) (*1)	Acquisition cost	Book value	Book value
SK Innovation Co., Ltd. (*2)	Korea	Resource development	33.40	₩ 3,072,937	₩ 3,072,937	₩ 3,072,937
SK Telecom Co., Ltd. (*2)	Korea	Mobile tele-communication	25.22	5,080,681	5,080,681	5,080,681
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14	706,229	706,229	706,229
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	44.48	545,300	545,300	545,300
SK E&S Co., Ltd.	Korea	City gas business	100.00	2,600,000	2,600,000	2,600,000
SK Shipping Co., Ltd.	Korea	Shipping	83.08	332,400	332,400	332,400
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	41.00	548,654	548,654	548,654
SKY Property Management Ltd. (*3)	China	Investment	5.00	44,885	44,885	44,885
SK GI Management	Cayman Islands	Investment	100.00	9,523	9,523	9,523
SK China Company, Ltd.	China	Consulting and investment	80.76	299,352	299,352	299,352
SK Biopharmaceuticals Co., Ltd.	Korea	Life science	100.00	328,702	328,702	328,702
SK Biotek Co., Ltd. (*4)	Korea	Pharmaceutical intermediates manufacturing	100.00	163,818	163,818	-

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8. Investments in subsidiaries (cont'd)

	Domicile	Principal business activity	September 30, 2016			December 31,
			Equity ownership (%) (*1)	Acquisition cost	Book value	2015
						Book value
SK Industrial Development China Co., Ltd. (*3)	China	Investment	18.00	₩ 69,624	₩ 69,624	₩ 69,624
SK Technology Innovation Company (*3)	Cayman Islands	Research and development	2.12	1,876	1,876	1,876
SK Forest Co., Ltd.	Korea	Landscape construction	100.00	61,387	61,387	61,387
SK MENA Investment B.V. (*3)	Netherlands	Investment	11.54	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*3)	Spain	Investment	11.54	5,135	5,135	5,135
Gemini Partners Pte. Ltd. (*3)	Singapore	Consulting	20.00	6,018	6,018	6,018
Fitech Sector Limited Partnership IV (*3)	Korea	Investment support	19.38	1,938	1,938	3,741
HAPPYNARAE Co., Ltd. (*3)	Korea	E-commerce	5.00	1,436	1,436	1,436
Fitech Focus Limited Partnership II (*3)	Korea	Investment support	32.33	6,417	1,695	4,978
SK Infosec Co., Ltd.	Korea	Information security services	100.00	37,904	44,077	43,752
SK C&C Beijing Co., Ltd.	China	Computer system	100.00	25,481	25,481	25,481
SK C&C India Pvt. Ltd.	India	Computer system	100.00	3,442	382	382
SK MENA B.V.	Netherlands	Investment	100.00	11,364	11,364	11,364
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00	25,847	25,847	25,847
S&G Technology	Saudi Arabia	Computer system	51.00	74	74	74
SK ENCARSALES.COM., Ltd.	Korea	Online used car retailers	50.01	13,914	13,914	13,914
SK Materials Co., Ltd. (*2, 5)	Korea	Special gas manufacturing and sales	49.10	<u>470,802</u>	<u>470,802</u>	-
				<u>₩ 14,480,318</u>	<u>₩ 14,478,709</u>	<u>₩ 13,848,850</u>

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

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

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

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

(*5) The Company acquired 49.10% shares of SK Materials Co. Ltd. for the consideration of ₩470,802 million on February 16, 2016.

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

	September 30, 2016
SK Innovation Co., Ltd.	₩ 4,987,732
SK Telecom Co., Ltd.	4,602,140
SK Networks Co., Ltd.	649,886
SKC Co., Ltd.	435,537
SK Materials Co., Ltd.	816,137

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9. Investments in associates and joint ventures

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

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

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

(*2) Decrease in the book value due to capital reduction during the nine months ended September 30, 2016.

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

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

10. Property, plant and equipment

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

	September 30, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 167,757	₩ -	₩ 167,757	₩ 163,134	₩ -	₩ 163,134
Buildings	476,734	(89,098)	387,636	415,336	(78,176)	337,160
Structures	7,041	(90)	6,951	882	(1)	881
Machinery and equipment	425	(379)	46	399	(366)	33
Vehicles	7,970	(1,837)	6,133	7,987	(992)	6,995
Furniture and fixtures	296,629	(200,820)	95,809	270,939	(185,843)	85,096
Construction-in-progress	13,748	-	13,748	71,939	-	71,939
	<u>₩ 970,304</u>	<u>₩ (292,224)</u>	<u>₩ 678,080</u>	<u>₩ 930,616</u>	<u>₩ (265,378)</u>	<u>₩ 665,238</u>

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

	For the nine months ended September 30, 2016					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer	Ending balance
Land	₩ 163,134	₩ 4	₩ -	₩ -	₩ 4,619	₩ 167,757
Buildings	337,160	9	(10,922)	-	61,389	387,636
Structures	881	-	(89)	-	6,159	6,951
Machinery and equipment	33	26	(13)	-	-	46
Vehicles	6,995	133	(896)	(162)	63	6,133
Furniture and fixtures	85,096	29,176	(21,950)	(49)	3,536	95,809
Construction-in-progress	71,939	17,579	-	(4)	(75,766)	13,748
	<u>₩ 665,238</u>	<u>₩ 46,927</u>	<u>₩ (33,870)</u>	<u>₩ (215)</u>	<u>₩ -</u>	<u>₩ 678,080</u>

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10. Property, plant and equipment (cont'd)

	For the nine months ended September 30, 2015					
	Beginning balance	Business combinations	Acquisition	Depreciation	Disposal	Ending balance
Land	₩ 147,205	₩ 15,593	₩ 336	₩ -	₩ -	₩ 163,134
Buildings	336,132	13,578	1,266	(10,312)	-	340,664
Structures	-	882	-	-	-	882
Machinery and equipment	59	-	10	(23)	(5)	41
Vehicles	696	6,794	71	(332)	(22)	7,207
Furniture and fixtures	79,987	436	22,238	(20,125)	(398)	82,138
Construction-in-progress	-	46,338	10,334	-	-	56,672
	<u>₩ 564,079</u>	<u>₩ 83,621</u>	<u>₩ 34,255</u>	<u>₩ (30,792)</u>	<u>₩ (425)</u>	<u>₩ 650,738</u>

11. Investment property

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

	September 30, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 31,395	₩ -	₩ 31,395	₩ 31,395	₩ -	₩ 31,395
Buildings	9,810	(498)	9,312	9,810	(178)	9,632
	<u>₩ 41,205</u>	<u>₩ (498)</u>	<u>₩ 40,707</u>	<u>₩ 41,205</u>	<u>₩ (178)</u>	<u>₩ 41,027</u>

(2) Changes in investment properties for the nine months ended September 30, 2016 and 2015 are as follows (Korean won in millions):

	For the nine months ended September 30, 2016			
	Beginning balance	Acquisition	Depreciation	Ending balance
Land	₩ 31,395	₩ -	₩ -	₩ 31,395
Buildings	9,632	-	(320)	9,312
	<u>₩ 41,027</u>	<u>₩ -</u>	<u>₩ (320)</u>	<u>₩ 40,707</u>

	For the nine months ended September 30, 2015				
	Beginning balance	Business combination	Acquisition	Depreciation	Ending balance
Land	₩ -	₩ 31,395	₩ -	₩ -	₩ 31,395
Buildings	-	9,809	-	(71)	9,738
	<u>₩ -</u>	<u>₩ 41,204</u>	<u>₩ -</u>	<u>₩ (71)</u>	<u>₩ 41,133</u>

12. Intangible assets

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

	September 30, 2016				December 31, 2015			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 83,207	₩ (37,299)	₩ (1,226)	₩ 44,682	₩ 69,336	₩ (28,554)	₩ -	₩ 40,792
Goodwill	4,639	-	-	4,639	4,639	-	-	4,639
Memberships	54,254	-	(17,979)	36,275	49,795	-	(17,979)	31,816
Brand contract -related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	25,484	(1,494)	-	23,990	2,165	(1,260)	-	905
	<u>₩ 2,142,584</u>	<u>₩ (38,793)</u>	<u>₩ (19,205)</u>	<u>₩ 2,084,586</u>	<u>₩ 2,100,935</u>	<u>₩ (29,804)</u>	<u>₩ (17,979)</u>	<u>₩ 2,053,152</u>

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12. Intangible assets (cont'd)

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

	For the nine months ended September 30, 2016							Ending balance
	Beginning balance	Internally developed	Acquisitions	Amortization	Impairment	Disposal		
Development costs	₩ 40,792	₩ 13,871	₩ -	₩ (8,755)	₩ (1,226)	₩ -	₩ 44,682	
Goodwill	4,639	-	-	-	-	-	4,639	
Memberships (*1)	31,816	-	8,039	-	-	(3,580)	36,275	
Brand contract								
-related assets (*1)	1,975,000	-	-	-	-	-	1,975,000	
Others	905	-	23,319	(234)	-	-	23,990	
	<u>₩ 2,053,152</u>	<u>₩ 13,871</u>	<u>₩ 31,358</u>	<u>₩ (8,989)</u>	<u>₩ (1,226)</u>	<u>₩ (3,580)</u>	<u>₩ 2,084,586</u>	

	For the nine months ended September 30, 2015							Ending balance
	Beginning balance	Business combination	Internally developed	Acquisitions	Amortization	Impairment	Disposal	
Development								
-costs	₩ 45,942	₩ -	₩ 8,540	₩ -	₩ (7,832)	₩ (4,966)	₩ (7,256)	₩ 34,428
Goodwill	4,639	-	-	-	-	-	-	4,639
Memberships (*1)	16,462	15,375	-	2,198	-	-	(270)	33,765
Brand contract								
-related								
-assets (*1)	-	1,975,000	-	-	-	-	-	1,975,000
Others	1,310	-	-	157	(226)	-	(324)	917
	<u>₩ 68,353</u>	<u>₩ 1,990,375</u>	<u>₩ 8,540</u>	<u>₩ 2,355</u>	<u>₩ (8,058)</u>	<u>₩ (4,966)</u>	<u>₩ (7,850)</u>	<u>₩ 2,048,74</u>

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

13. Borrowings and bonds payable

(1) Short-term borrowings

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

Financial institution	Description	Interest rate (%)	September 30, 2016	December 31, 2015
KEB Hana Bank	Working capital loan	-	₩ -	₩ 50,000
Shinhan Bank	Working capital loan	-	-	50,000
KTB Investment & Securites	Working capital loan	-	-	60,000
Woori Bank	Working capital loan	-	-	30,000
NH Bank	Working capital loan	2.42	80,000	40,000
Kookmin Bank	Working capital loan	-	-	20,000
			<u>₩ 80,000</u>	<u>₩ 250,000</u>

(2) Bonds payable

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

Issuance number	Interest rate (%)	Maturity	Security	September 30, 2016	December 31, 2015
253-2nd	-	2016-04-04	Unsecured	₩ -	₩ 140,000
254-2nd	-	2016-08-26	Unsecured	-	200,000
255-2nd	4.05	2016-12-15	Unsecured	200,000	200,000
256-2nd	3.78	2017-05-25	Unsecured	200,000	200,000
257-1st	3.21	2017-08-27	Unsecured	150,000	150,000
257-2nd	3.36	2019-08-27	Unsecured	100,000	100,000

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13. Borrowings and bonds payable (cont'd)

Issuance number	Interest rate (%)	Maturity	Security	September 30, 2016	December 31, 2015
258-1st	3.21	2017-10-19	Unsecured	₩ 100,000	₩ 100,000
258-2nd	3.35	2019-10-19	Unsecured	100,000	100,000
259-1st	-	2016-06-03	Unsecured	-	100,000
259-2nd	3.34	2020-06-03	Unsecured	100,000	100,000
260-1st	3.59	2018-09-06	Unsecured	100,000	100,000
260-2nd	3.84	2020-09-06	Unsecured	100,000	100,000
261-1st	3.77	2018-12-03	Unsecured	150,000	150,000
261-2nd	3.97	2020-12-03	Unsecured	100,000	100,000
262-1st	3.43	2019-02-12	Unsecured	150,000	150,000
262-2nd	3.68	2021-02-12	Unsecured	100,000	100,000
263-1st	3.19	2019-05-30	Unsecured	150,000	150,000
263-2nd	3.36	2021-05-30	Unsecured	100,000	100,000
264-1st	3.04	2019-08-05	Unsecured	80,000	80,000
264-2nd	3.25	2021-08-05	Unsecured	170,000	170,000
265-1st	2.28	2017-12-02	Unsecured	100,000	100,000
265-2nd	2.45	2019-12-02	Unsecured	100,000	100,000
265-3rd	2.66	2021-12-02	Unsecured	100,000	100,000
266-1st	2.26	2020-02-06	Unsecured	150,000	150,000
266-2nd	2.39	2022-02-06	Unsecured	100,000	100,000
267th	-	2016-09-23	Unsecured	-	100,000
268th	4.24	2016-11-10	Unsecured	120,000	120,000
269-1st	3.82	2017-06-14	Unsecured	100,000	100,000
269-2nd	4.12	2019-06-14	Unsecured	150,000	150,000
270-1st	3.19	2017-11-02	Unsecured	100,000	100,000
270-2nd	3.39	2019-11-02	Unsecured	50,000	50,000
270-3rd	3.80	2022-11-02	Unsecured	50,000	50,000
271-1st	3.03	2018-02-27	Unsecured	100,000	100,000
271-2nd	3.34	2020-02-27	Unsecured	100,000	100,000
272-1st	-	2016-08-30	Unsecured	-	50,000
272-2nd	3.57	2018-08-30	Unsecured	100,000	100,000
272-3rd	3.92	2020-08-30	Unsecured	60,000	60,000
273-1st	3.47	2019-03-25	Unsecured	100,000	100,000
273-2nd	3.79	2021-03-25	Unsecured	100,000	100,000
273-3rd	4.26	2024-03-25	Unsecured	100,000	100,000
274-1st	1.94	2018-09-30	Unsecured	70,000	70,000
274-2nd	2.17	2020-09-30	Unsecured	150,000	150,000
274-3rd	2.34	2022-09-30	Unsecured	80,000	80,000
275-1st	2.27	2018-12-07	Unsecured	120,000	120,000
275-2nd	2.52	2020-12-07	Unsecured	120,000	120,000
275-3rd	2.66	2022-12-07	Unsecured	60,000	60,000
276-1st	1.73	2018-03-07	Unsecured	130,000	-
276-2nd	2.02	2021-03-07	Unsecured	120,000	-
276-3rd	2.26	2023-03-07	Unsecured	150,000	-
277-1st	1.70	2018-06-01	Unsecured	100,000	-
277-2nd	1.93	2021-06-01	Unsecured	120,000	-
277-3rd	2.16	2023-06-01	Unsecured	120,000	-
277-4th	2.43	2026-06-01	Unsecured	60,000	-
278-1st	1.49	2018-09-07	Unsecured	180,000	-
278-2nd	1.65	2021-09-07	Unsecured	110,000	-
278-3rd	1.80	2023-09-07	Unsecured	110,000	-
				<u>5,730,000</u>	<u>5,120,000</u>
Addition: premium on bonds payable				58,352	88,753
Less: current portion				<u>(775,255)</u>	<u>(918,835)</u>
				<u>₩ 5,013,097</u>	<u>₩ 4,289,918</u>

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
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13. Borrowings and bonds payable (cont'd)

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

	<u>Amount of repayment</u>	
October 1, 2016 ~ September 30, 2017	₩	770,000
October 1, 2017 ~ September 30, 2018		1,080,000
October 1, 2018 ~ September 30, 2019		1,000,000
October 1, 2019 ~ September 30, 2020		910,000
October 1, 2020 and thereafter		<u>1,970,000</u>
	<u>₩</u>	<u>5,730,000</u>

14. Provisions

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

	<u>For the nine months ended September 30, 2016</u>			
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Provision for service warranties	₩ 4,620	₩ 3,777	₩ (5,420)	₩ 2,977
Provision for sale warranties	<u>680</u>	<u>29</u>	<u>-</u>	<u>709</u>
	<u>₩ 5,300</u>	<u>₩ 3,806</u>	<u>₩ (5,420)</u>	<u>₩ 3,686</u>

	<u>For the nine months ended September 30, 2015</u>			
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Provision for service warranties	₩ 4,539	₩ 5,754	₩ (5,882)	₩ 4,441
Provision for sale warranties	<u>334</u>	<u>309</u>	<u>-</u>	<u>643</u>
	<u>₩ 4,873</u>	<u>₩ 6,063</u>	<u>₩ (5,882)</u>	<u>₩ 5,054</u>

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

15. Retirement benefit obligation

(1) Defined contribution plans

The Company operates a defined contribution plan for certain employees. The expenses related to the defined contributions plans recognized for the nine months ended September 30, 2016 amount to ₩10 million.

(2) Defined benefit plans

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

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligation	₩ 249,124	₩ 211,451
Fair value of plan assets	<u>(185,737)</u>	<u>(185,030)</u>
	<u>₩ 63,387</u>	<u>₩ 26,421</u>

SK Holdings Co., Ltd.
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15. Retirement benefit obligation (cont'd)

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

	<u>For the nine months ended June 30, 2016</u>		
	Present value of defined	Fair value of	Total
	<u>benefit obligation</u>	<u>plan assets</u>	
Beginning balance	₩ 211,451	₩ (185,030)	₩ 26,421
Provision for pension benefits:			
Current service cost	20,372	-	20,372
Net interest expense (income)	3,230	(3,020)	210
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	554	554
Actuarial changes arising from changes in financial assumptions	9,653	-	9,653
Experience adjustments	5,750	-	5,750
Contributions by employer directly to plan assets	-	(514)	(514)
Benefit paid	(6,004)	5,603	(401)
Others	4,672	(3,330)	1,342
Ending balance	<u>₩ 249,124</u>	<u>₩ (185,737)</u>	<u>₩ 63,387</u>

	<u>For the nine months ended September 30, 2015</u>		
	Present value of defined	Fair value of	Total
	<u>benefit obligation</u>	<u>plan assets</u>	
Beginning balance	₩ 171,015	₩ (155,371)	₩ 15,644
Business combination	21,967	(5,077)	16,890
Provision for pension benefits:			
Current service cost	19,689	-	19,689
Net interest expense (income)	3,373	(2,703)	670
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	1,060	1,060
Actuarial changes arising from changes in financial assumptions	11,851	-	11,851
Benefit paid	(15,410)	13,047	(2,363)
Others	2,032	(2,166)	(134)
Ending balance	<u>₩ 214,517</u>	<u>₩ (151,210)</u>	<u>₩ 63,307</u>

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
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16. Other assets and liabilities

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

	September 30, 2016		December 31, 2015	
Current assets:				
Accrued income	₩	460	₩	203
Short-term loans		600		1,500
Advance payments		9,032		61,533
Prepaid expenses		10,118		9,267
Guarantee deposits		3,300		3,084
Derivative financial assets		2,712		42
Others		54		4
		₩ 26,276		₩ 75,633
Non-current assets:				
Long-term financial instruments	₩	19	₩	19
Long-term loans		-		181
Long-term guarantee deposits		18,556		19,449
Derivative financial assets		157		-
Others		4,851		5,485
		₩ 23,583		₩ 25,134

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

	September 30, 2016		December 31, 2015	
Current liabilities:				
Advance received	₩	48,828	₩	59,028
Withholdings		27,332		29,247
Income tax payable		15,485		21,610
Derivative financial liabilities		2,155		241
Others		74		-
		₩ 93,874		₩ 110,126
Non-current liabilities:				
Leasehold deposits received	₩	12,354	₩	12,425
Derivative financial liabilities		127		3
Others		5,044		4,597
		₩ 17,525		₩ 17,025

17. Derivative financial assets and liabilities

The Company has entered into foreign currency forward contracts to manage fluctuations in currency exchange rates relating to its contracts denominated in foreign currencies. Details of assets and liabilities after valuation as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	September 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Currency forward contract	₩ 2,869	₩ 2,282	₩ 42	₩ 244

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18. Equity

18.1 Issued capital

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

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

18.2 Other paid-in capital

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

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

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

(*2) As at September 30 2016, 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 nine months ended September 30, 2016.

18.3 Retained earnings

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Legal reserve (*1)	₩ 7,693	₩ 5,100
Voluntary reserve	80,896	102,563
Unappropriated retained earnings	7,084,099	6,628,876
	<u>₩ 7,172,688</u>	<u>₩ 6,736,539</u>

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

18.4 Other capital components

SK Holdings Co., Ltd.
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Details of other capital components as at September 30, 2016 and December 31, 2015 are as follows (Korean won in millions):

	<u>September 30, 2016</u>		<u>December 31, 2015</u>	
Gain on available-for-sale financial assets	₩	11,195	₩	10,701

19. Operating revenues

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

	<u>September 30, 2016</u>		<u>September 30, 2015</u>	
	<u>Three months</u>	<u>Nine months</u>	<u>Three months</u>	<u>Nine months</u>
IT service (*1)	₩ 367,686	₩ 1,026,697	₩ 320,960	₩ 924,724
Used car distribution	209,695	625,050	171,352	495,591
Dividend income	21,996	596,622	772	772
Trademark usage income	50,845	152,783	39,549	39,549
Rental income	11,573	34,862	5,850	5,850
	<u>₩ 661,795</u>	<u>₩ 2,436,014</u>	<u>₩ 538,483</u>	<u>₩ 1,466,486</u>

(*1) Includes contract revenue of ₩ 285,707 million and ₩ 233,991 million recognized from construction contract for the nine months ended September 30, 2016 and 2015, respectively.

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

	<u>September 30, 2016</u>		<u>December 31, 2015</u>	
Accumulated cost and profit	₩	324,254	₩	251,195
Progress billings		244,224		232,504
Unbilled receivables (trade accounts receivable)		94,022		37,238
Overbilled receivables (advance receipts)		13,992		18,547

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

	<u>Change in estimated construction revenue</u>		<u>Change in estimated cost</u>		<u>Impact on current period profit (loss)</u>		<u>Impact on future period profit (loss)</u>	
	Construction contracts (*1)	₩	13,173	₩	11,683	₩	1,291	₩

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

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

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

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20. Operating expenses

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

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Material costs	₩ 240,393	₩ 723,917	₩ 193,383	₩ 551,132
Outsourcing costs	149,846	395,095	111,230	314,064
Salaries	78,185	230,145	68,982	200,600
Provision for pension benefits	6,854	20,168	6,244	20,087
Depreciation	12,181	33,078	10,196	28,727
Amortization	1,326	4,011	1,109	4,257
Rents	12,406	35,662	9,406	15,141
Communications	5,582	16,956	5,754	17,736
Employee welfare benefits	11,959	39,057	12,976	35,483
Commissions	8,397	22,854	8,849	17,641
Advertising	9,250	33,832	10,854	15,880
Education and training	3,329	9,952	2,869	6,262
Research and development	5,477	13,481	4,532	11,027
Office management	9,159	24,555	8,589	19,586
Travel	3,376	9,966	3,518	8,241
Others	8,520	21,883	6,558	14,738
	<u>₩ 566,240</u>	<u>₩ 1,634,612</u>	<u>₩ 465,049</u>	<u>₩ 1,280,602</u>

21. Expenses classified based on nature of expense

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

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Material costs	₩ 240,518	₩ 724,275	₩ 193,978	₩ 551,770
Outsourcing costs	151,086	396,718	112,692	316,280
Salaries	80,047	233,403	69,632	202,474
Provision for pension benefits	7,095	20,826	6,332	20,361
Depreciation and amortization	14,852	42,859	13,146	38,850
Rents	12,406	35,663	9,408	15,143
Communications	5,583	16,958	5,753	17,736
Employee welfare benefits	12,309	40,052	13,102	35,890
Commissions	8,478	23,072	8,838	17,642
Education and training	3,424	10,170	2,891	6,324
Office management	9,159	24,555	8,477	19,586
Travel	3,429	10,152	3,522	8,252
Others	17,854	55,909	17,278	30,294
	<u>₩ 566,240</u>	<u>₩ 1,634,612</u>	<u>₩ 465,049</u>	<u>₩ 1,280,602</u>

SK Holdings Co., Ltd.
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22. Financial income (costs) and other non-operating income (expenses)

22.1 Financial income and costs

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

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Financial income:				
Interest income	₩ 1,341	₩ 2,870	₩ 1,895	₩ 3,259
Gain on foreign currency transactions	2,152	3,579	614	1,562
Gain on foreign currency translation	27	365	2,075	2,862
Gain on valuation of derivative instruments	3,155	4,213	559	1,022
Gain on transactions of derivative instruments	606	826	158	413
	<u>₩ 7,281</u>	<u>₩ 11,853</u>	<u>₩ 5,301</u>	<u>₩ 9,118</u>
Financial costs:				
Interest expenses	₩ 37,270	₩ 110,187	₩ 27,271	₩ 57,523
Loss on foreign currency transactions	2,554	4,225	1,506	3,357
Loss on foreign currency translation	580	1,076	418	732
Loss on valuation of derivative instruments	2,859	3,491	1,024	1,093
Loss on transactions of derivative instruments	188	760	371	764
	<u>₩ 43,451</u>	<u>₩ 119,739</u>	<u>₩ 30,590</u>	<u>₩ 63,469</u>

22.2 Other non-operating income and expenses

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

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Other non-operating income:				
Dividends income	₩ -	₩ 1,200	₩ 504	₩ 59,906
Gain on disposal of available-for-sale financial assets	-	125	114	114
Gain on disposal of investments in associates and subsidiaries	306	1,627	2,127,693	2,127,693
Gain on disposal of property, plant and equipment	9	39	2	99
Gain on disposal of intangible assets	-	167	-	-
Gain on bargain purchase	-	-	4,117,255	4,117,255
Others	238	673	2,792	3,219
	<u>₩ 553</u>	<u>₩ 3,831</u>	<u>₩ 6,248,246</u>	<u>₩ 6,308,286</u>
Other non-operating expenses:				
Loss on disposal of available-for-sale financial assets	₩ -	₩ 13	₩ 102,086	₩ 102,086
Loss on disposal of property, plant and equipment	44	104	-	-
	133	106	-	-
Loss on disposal of intangible assets	2	358	-	222
Impairment of intangible assets	259	1,226	25	4,966
Loss on disposal of investments in associates and subsidiaries	730	730	-	-
Donations	1,975	9,562	1,417	1,648
Others	358	1,446	1,213	2,133

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₩ 3,368 ₩ 13,439 ₩ 104,741 ₩ 111,188

23. Income taxes

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

Effective tax rates for the nine months ended September 30, 2016 and 2015 were 6.42% and 8.28%, respectively.

24. Earnings per share

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

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Net income	₩ 50,035	₩ 639,993	₩ 5,693,376	₩ 5,804,395
Less: Preferred share dividends	(487)	(1,460)	-	-
Net income attributable to ordinary share owners	₩ 49,548	₩ 638,533	₩ 5,693,376	₩ 5,804,395
Weighted-average number of issued shares outstanding (*1)	55,824,357	55,824,357	54,003,456	54,003,456
Basic earnings per share (Korean won)	887	11,438	105,426	122,809

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

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

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Weighted-average number of shares outstanding	70,360,297	70,360,297	61,510,447	52,364,900
Weighted-average number of treasury shares	(14,535,940)	(14,535,940)	(7,506,991)	(5,101,257)
Weighted-average number of issued shares outstanding	55,824,357	55,824,357	54,003,456	47,263,643

25. Transactions with related parties

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

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

	Company name
Ultimate controlling party	Tae-won Chey and related parties

SK Holdings Co., Ltd.

Notes to the interim condensed separate financial statements for the nine months ended September 30, 2016 and 2015

Subsidiary (total of 287) SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, SK Energy Road Investment Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., Ningbo SK Baoying Asphalt Storage Co., Ltd., Hefei SK Baoying Asphalt Co., Ltd., Chongqing SK Asphalt Co., Ltd., SK Shanghai Asphalt Co., Ltd., SK Energy Hong Kong Co., Ltd., Shandong SK Hightech Oil Co., Ltd., SK Global Chemical Co., Ltd., SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical International Trading (Shanghai) Co., Ltd., SK Golden Tide Plastics

25. Transactions with related parties (cont'd)

	Company name
Subsidiary (total of 287)	(Yantai) Co., Ltd., SK Global Chemical International Trading (Guangzhou) Co., Ltd., Shanghai Huayou International Freight Forwarding Co., Ltd., SK Global Chemical Americas, Inc., SK Global Chemical Japan Co., Ltd., SK Global Chemical Singapore Pte. Ltd., SK Global Chemical Investment Hong Kong Ltd., Ningbo SK Performance Rubber Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd., SK Energy International Pte. Ltd., SK Energy Europe, Ltd., SK Energy Americas, Inc., SK Terminal B.V., Bergaya International Pte. Ltd., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., PT. Patra SK, SK Lubricants & Oils India Private Limited, SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., Ltd., Iberian Lube Base Oils S.A., SK Lubricants Russia LLC, SK Mobile Energy Co., Ltd., SK Innovation Insurance (Bermuda), Ltd., SK USA, Inc., SK Energy Australia (Togara) Pty. Ltd., Moche Energy Company, LLC, SK E&P Company, SK E&P America, Inc., SK Plymouth, LLC, SK Permian, LLC, SK Battery Systems Co., Ltd., SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Broadband Co., Ltd., PS&Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., Networkons Co., Ltd., Neosnetworks Co., Ltd., SK techx Co., Ltd., One store Co., Ltd., SK Planet Co., Ltd., M&SERVICE Co., Ltd., SK Communications Co., Ltd., Stonebridge Cinema Fund, K-Net Culture & Contents Venture Fund, Fitech Focus Limited Partnership II, Open Innovation Fund, SK Planet Japan, K. K., SK Planet Global Pte. Ltd., SKP America LLC, shopkick Management Company, Inc., shopkick, Inc., SKP Global Holdings Pte. Ltd., SK Telecom China Holding Co., Ltd., SK Global Healthcare Business Group, Ltd., SKT Vietnam Pte. Ltd., SKT Americas Inc., YTK Investment Ltd., Atlas Investment Ltd., Technology Innovation Partners, L.P., SK Telecom China Fund I L.P., IRIVER LIMITED, iriver America Inc., iriver Inc., iriver Enterprise Ltd., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd., Groovers JP Ltd., ENTRIX Co., Ltd., Planet11 E-commerce Solutions India Pvt. Ltd., 11street (Thailand) Co., Ltd., SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Pinx Co., Ltd., Car Life Service Co., Ltd. (formerly, Speed Motors Co., Ltd.), SKN (China) Holdings Co., Ltd., SK Networks (China) Fashion Co., Ltd., Liaoning SK Networks Real Estate Development Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., Liaoning SK Networks Logistics Co., Ltd., Dandong SK Networks Energy Co., Ltd., Shenyang SK Networks Energy Co., Ltd., SK Liaoning Construction Co., Ltd., SK (GZ FreeZone) Co., Ltd., SK Networks (Shanghai) Co., Ltd., POSK (Pinghu) Steel Processing Center Co., Ltd., SK Networks Hong Kong Ltd., SK (Guangzhou) Metal Co., Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK Auto Service Hong Kong Co., Ltd., SK (Shenyang) auto rental Co., Ltd., SK (Beijing) auto rental Co., Ltd., SK Rent-A-Car (Qingdao) Co., Ltd., SK Networks Japan Co., Ltd., Obzee N.Y. Inc., SK Networks Deutschland GmbH, Daiyang SK Networks SAN. VE TIC. Ltd. STI, SK Networks Resources Australia Pty. Ltd., SK Steel Australia Pty. Ltd., SKC Co., Ltd., SK Telesys Co., Ltd., SK Airgas Co., Ltd. (formerly, SKC Airgas Co., Ltd.), SKC Solmics Co., Ltd., Solmics Taiwan Co., Ltd., Solmics Shanghai Co., Ltd., SKW Co., Ltd., SKC (Jiangsu) High tech Plastics Co., Ltd., SKC, Inc., SKC Europe GmbH, SK bioland Co., Ltd. (formerly, Bioland Co., Ltd.), Bioland Biotec Co., Ltd., Bioland Haimen Co., Ltd., SE (JIANGSU) Electronic Materials Co., Ltd., Techdream Co., Ltd., SKC INFRA SERVICE Co., Ltd., SK Shipping Co., Ltd., GaSan 2nd L.L.C, BLUESEAOCEAN 1ST L.L.C, BLUESEAOCEAN 2ND L.L.C, With Ocean L.L.C, YUKYUNG 1ST L.L.C, SK Shipping Hongkong Ltd., SK Shipping Singapore Pte. Ltd., SK B&T Pte. Ltd., Promise Shipholding S.A. and 61 other companies, SK Shipping Europe Plc., SK E&S Co., Ltd., Kangwon City Gas Co., Ltd., Yeongnam energy service Co., Ltd., Ko-one energy service Co., Ltd., Narae energy service Co., Ltd., Pusan City Gas Co., Ltd., Jeonbuk Energy Service Co., Ltd., Chonnam City Gas Co., Ltd., Chungcheong energy service Co., Ltd., Paju Energy Service Co., Ltd. (formerly, PMP Co., Ltd.), Wirye energy service Co., Ltd., SK E&S Hong Kong Co., Ltd., SK E&S Australia Pty. Ltd., SK E&S Americas, Inc., SK E&S LNG, LLC, DewBlaine Energy, LLC, CAILIP Gas Marketing, LLC, SK LNG Trading Pte. Ltd., PT SK E&S Nusantara, SK Engineering & Construction Co., Ltd., Seosuwon Development Company, SK TNS Co., Ltd., SKEC Nanjing Co., Ltd., SKEC (Thai), SKEC (Thailand) Woo Ree Engineering Co., Ltd., SKEC Anadolu, LLC, SK E&C Betek Corporation, Mesa Verde RE Ventures, LLC, N-Compass Development, LLC, SKEC Consultores Ecquador, S.A., Sunlake Co., Ltd., SK E&C India Pvt. Ltd., SK HOLDCO PTE. LTD., SK Materials Co., Ltd., SK Materials Japan Co., Ltd., SK Materials Taiwan Co., Ltd., SK Materials (Jiangsu) Co., Ltd., SK Materials (Xian) Co., Ltd., SK

SK Holdings Co., Ltd.

**Notes to the interim condensed separate financial statements
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Tri chem Co., Ltd., SK Infosec Co., Ltd., SK ENCARSALES.COM., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., SK MENA B.V., SK S.E.Asia Pte. Ltd., ESSEN CORE Limited, ISD Technology (ShenZhen) Limited, S&G Technology, SK Biopharmaceuticals Co., Ltd., SK Biotek Co., Ltd., SK Life Science, Inc., SK China Company, Ltd., SK China (Beijing) Co., Ltd., SK Beijing Investment Management Ltd., SKY Property Mgmt

25. Transactions with related parties (cont'd)

Subsidiary (total of 287)	Company name
	(Beijing) Co., Ltd., SK Bio Energy HongKong Co., Ltd., SK Property Investment Management Co., Ltd., SK Industrial Development China Co., Ltd., Shanghai SKY Real Estate Development Co., Ltd., SK International Supply Chain Management Co., Ltd., Ningde Sky Beverage Co., Ltd., SK China Investment Management Co., Ltd., SK International Agro-Products Logistics Development Co., Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SK China Creative Industry Development Co., Ltd., Gemini Partners Pte. Ltd., Solaris Partners Pte. Ltd., Beijing SK Magellan Capital Advisors Co., Ltd., SK GI Management, SK MENA Investment B.V., SK Latin Investment Americas S.A., Fitech Sector Limited Partnership IV, The Contents Company, Co. Ltd., SK Technology Innovation Company, HAPPYNARAE Co., Ltd., Suzhou HAPPYNARAE Co., Ltd., SK Forest Co., Ltd.

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

Subsidiary	Company name	September 30, 2016			
		Sales (*1)		Purchase (*2)	
		Three months	Nine months	Three months	Nine months
		₩	₩	₩	₩
SK Innovation Co., Ltd.		16,860	197,709	601	3,480
SK Biopharmaceuticals Co., Ltd.		278	1,260	-	-
M & SERVICE Co., Ltd.		98	888	404	1,102
Jeju United FC Corporation		32	95	-	-
SK Lubricants Co., Ltd.		2,825	7,965	-	-
SK Energy Co., Ltd.		20,812	61,723	2	2
SK Global Chemical Co., Ltd.		6,659	19,167	-	-
SK Incheon Petrochem Co., Ltd.		4,228	12,627	-	-
SK Trading International Co., Ltd.		901	2,486	-	-
SK Biotek Co., Ltd.		234	713	-	-
SK USA, Inc.		-	-	32	613
SK Engineering & Construction Co., Ltd.		7,737	22,719	-	1
SK Forest Co., Ltd.		32	96	331	766
SKC Co., Ltd.		2,150	18,105	-	-
SK Telesys Co., Ltd.		449	1,083	-	-
SK Mobile Energy Co., Ltd.		59	202	-	-
SKC Solmics Co., Ltd.		59	203	-	-
SK E&S Co., Ltd.		4,313	228,720	-	-
Kangwon City Gas Co., Ltd.		105	250	-	-
Yeongnam energy service Co., Ltd.		354	889	-	-
Ko-one energy service Co., Ltd.		355	1,065	50	83
Pusan City Gas Co., Ltd.		361	1,056	-	-
Jeonbuk Energy Service Co., Ltd.		61	180	-	-
Chonnam City Gas Co., Ltd.		117	275	-	-
Chungcheong energy service Co., Ltd.		163	488	-	-
SK Infosec Co., Ltd.		1,037	2,891	4,638	9,729
SK ENCARSALES.COM., Ltd.		70	4,232	323	1,065
SK C&C Beijing Co., Ltd.		96	645	2,171	5,736
ESSEN CORE Limited		605	1,690	-	-
SK Networks Co., Ltd.		15,653	50,302	3,433	12,493
HAPPYNARAE Co., Ltd.		128	260	590	1,232
SK Networks Service Co., Ltd.		284	1,481	475	1,420
SK Pinx Co., Ltd.		9	26	43	1,281
SK Shipping Co., Ltd.		1,652	4,714	-	-
SK Telecom Co., Ltd.		136,321	519,962	3,073	8,458
SK Telink Co., Ltd.		1,039	2,949	54	270

SK Holdings Co., Ltd.
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SK Communications Co., Ltd.	46	203	-	-
Commerce Planet Co., Ltd.	-	19	-	-
SK techx Co., Ltd.	5,519	19,078	-	-
SK Broadband Co., Ltd.	30,798	94,110	2,322	6,807
PS&Marketing Corp.	625	2,206	1,800	1,932

25. Transactions with related parties (cont'd)

		September 30, 2016			
		Sales (*1)		Purchase (*2)	
Subsidiary	Company name	Three months	Nine months	Three months	Nine months
	Serviceace Co., Ltd.	₩ 92	₩ 276	₩ -	₩ -
	Service Top Co., Ltd.	91	273	-	-
	Networkons Co., Ltd.	407	697	-	-
	SK Planet Co., Ltd.	12,599	44,250	468	1,459
	SK Materrals Co., Ltd.	2,292	2,679	-	-
	Others	1,285	1,887	17	40
Others	Hana Land Chip PEF 33	1,632	3,360	9,194	26,049
	Netruck Franz Co., Ltd.	-	117	-	-
	SK TNS Co., Ltd.	253	757	-	-
	SK D&D Co., Ltd.	114	343	-	-
	Mitsui Chemicals & SKC Polyurethanes Inc.	264	768	-	-
	SK Securities Co., Ltd.	5,951	16,878	10	10
	SK Gas Co., Ltd.	2,030	5,953	-	-
	SK Advanced Co., Ltd.	229	767	-	-
	DONGBU POWER DANGJIN CORPORATION	2	63	-	-
	SK Chemicals Co., Ltd.	1,469	4,218	-	-
	Huvis Corporation	161	546	-	-
	Mobile TCS Co., Ltd.	212	346	-	-
	SK WYVERNS Co., Ltd.	12	35	-	500
	Konan Technology	-	-	37	110
	SK hynix Inc.	62,246	157,408	147	188
	SK hystec. Inc.	107	321	163	257
	SK hyeng Inc.	78	234	6	178
	SK hynix Semiconductor (China) Ltd.	10,561	26,088	72	72
	Others	1,631	3,185	26	26
		<u>₩ 366,842</u>	<u>₩ 1,556,181</u>	<u>₩ 30,482</u>	<u>₩ 85,359</u>

		September 30, 2015			
		Sales (*1)		Purchase (*2)	
Subsidiary	Company name	Three months	Nine months	Three months	Nine months
	SK Innovation Co., Ltd.	₩ 13,334	₩ 27,045	₩ 344	₩ 485
	SK Biopharmaceuticals Co., Ltd.	247	1,980	-	-
	M & SERVICE Co., Ltd.	56	139	132	342
	SK Lubricants Co., Ltd.	2,046	3,907	57	116
	SK Energy Co., Ltd.	19,700	34,595	20	20
	SK Global Chemical Co., Ltd.	6,176	11,241	-	-
	SK Incheon Petrochem Co., Ltd.	3,159	5,474	-	-
	SK Trading International Co., Ltd.	585	1,647	-	-
	SK Biotek Co., Ltd.	468	468	-	-
	SK Telecom Co., Ltd.	111,593	309,910	2,648	6,800
	SK Telink Co., Ltd.	943	2,818	138	429
	Commerce Planet Co., Ltd.	105	159	-	-
	SK Broadband Co., Ltd.	27,485	73,424	2,579	7,720
	PS&Marketing Corp.	781	1,739	108	224
	Serviceace Co., Ltd.	75	156	-	-
	Service Top Co., Ltd.	73	157	-	-
	Networkons Co., Ltd.	109	328	-	-
	SK Planet Co., Ltd.	14,916	44,830	3,703	4,579
	SK Networks Co., Ltd.	12,572	33,200	2,981	8,590
	HAPPYNARAE Co., Ltd.	-	-	266	813
	SK Networks Service Co., Ltd.	560	884	509	867
	SK Pinx Co., Ltd	6	6	19	176
	SKC Co., Ltd.	2,845	6,498	-	-

SK Holdings Co., Ltd.
Notes to the interim condensed separate financial statements
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SK Telesys Co., Ltd.	305	780	-	-
SK Mobile Energy Co., Ltd.	65	222	-	-
SKC, Inc.	-	270	-	-
SK Shipping Co., Ltd.	1,619	2,824	-	-
SK E&S Co., Ltd.	4,148	32,588	-	-

25. Transactions with related parties (cont'd)

		September 30, 2016			
		Sales (*1)		Purchase (*2)	
Company name		Three months	Nine months	Three months	Nine months
Subsidiary	Kangwon City Gas Co., Ltd.	₩ 81	₩ 186	₩ -	₩ -
	Yeongnam energy service Co., Ltd.	254	506	-	-
	7			₩ 286	
₩ 353	₩ 48	₩ 106			
	Pusan City Gas Co., Ltd.	352	502	-	-
	Jeonbuk Energy Service Co., Ltd.	65	141	-	-
	Chonnam City Gas Co., Ltd.	43	303	-	-
	Chungcheong energy service Co., Ltd.	179	349	-	-
	SK Engineering & Construction Co., Ltd.	6,914	14,899	4,864	4,865
	SK Forest Co., Ltd.	17	34	1,197	1,197
	SK Infosec Co., Ltd.	880	1,955	2,808	6,667
	SK ENCARSALLES.COM., Ltd.	257	2,641	536	1,789
	SK C&C Beijing Co., Ltd.	125	365	1,818	5,625
	ESSENCORE Limited	320	796	-	-
	Others	210	511	2	15
Others	SK Holdings Co., Ltd	586	40,219	-	2,003
	Hana Land Chip PEF 33	772	772	6,282	6,282
	Ulsan Aromatics Co., Ltd.	68	210	-	-
	Netruck Franz Co., Ltd.	178	178	-	-
	SK Securities Co., Ltd.	14,974	14,974	-	-
	SK Gas Co., Ltd.	4,953	4,953	-	-
	SK Advanced Co., Ltd.	1,266	1,291	-	-
	SK Chemicals Co., Ltd.	2,921	2,921	-	-
	SK Petrochemical Co., Ltd.	106	106	-	-
	Huvis Corporation	547	547	-	-
	UBcare Co., Ltd.	-	-	257	257
	Mobile TCS Co., Ltd.	42	148	-	-
	Konan Technology	-	-	596	596
	SK hynix Inc.	141,958	141,958	133	133
	SK hystec. Inc.	77	77	156	156
	Others	111	790	72	393
		₩ 402,613	₩ 829,974	₩ 32,273	₩ 61,252

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

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

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

		September 30, 2016					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
		receivables	receivables		payables	payables	
Subsidiary	SK Innovation Co., Ltd.	₩ 2,763	₩ 195	₩ 2,958	₩ -	₩ 5,138	₩ 5,138
	M&SERVICE Co., Ltd.	18	-	18	213	73	286
	SK Lubricants Co., Ltd.	2,003	-	2,003	-	-	-
	SK Energy Co., Ltd.	3,672	-	3,672	-	-	-
	SK Global Chemical Co., Ltd.	1,231	-	1,231	-	-	-
	SK Incheon Petrochem Co., Ltd.	740	-	740	-	-	-
	SK Trading International Co., Ltd.	479	-	479	-	-	-

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SK USA, Inc.	-	-	-	-	-	-
SK Engineering & Construction Co., Ltd.	3,356	-	3,356	-	-	-
SK Forest Co., Ltd.	-	290	290	-	-	-
SKC Co., Ltd.	549	-	549	-	-	-
SK Telesys Co., Ltd.	242	-	242	-	-	-
SK E&S Co., Ltd.	1,324	-	1,324	-	-	-

25. Transactions with related parties (cont'd)

		September 30, 2016					
		Receivables			Payables		
Company name		Trade receivables	Other receivables	Total	Trade payables	Other payables	Total
Subsidiary	Busan City Gas Co., Ltd.	₩ 23	₩ -	₩ 23	₩ -	₩ -	₩ -
	Chungcheong energy service Co., Ltd.	12	-	12	-	-	-
	SK Infosec Co., Ltd.	356	-	356	4,440	889	5,329
	SK ENCARSales.COM., Ltd.	-	5,251	5,251	-	48	48
	SK C&C Beijing Co., Ltd.	57	-	57	-	-	-
	ESSENCore Limited	40	-	40	-	-	-
	SK Networks Co., Ltd.	4,566	72	4,638	-	329	329
	HAPPYNARAE Co., Ltd.	13	-	13	300	3	303
	SK Networks Service Co., Ltd.	44	-	44	471	-	471
	SK Shipping Co., Ltd.	238	-	238	-	-	-
	SK Telecom Co., Ltd.	33,822	344	34,166	95	685	780
	SK Telink Co., Ltd.	446	-	446	7	17	24
	SK Broadband Co., Ltd.	19,309	-	19,309	1	648	649
	PS&Marketing Corp.	229	-	229	-	793	793
	Networks Co., Ltd.	327	-	327	-	-	-
	SK Planet Co., Ltd.	4,931	566	5,497	-	59	59
	SK Biopharmaceuticals Co., Ltd.	94	-	94	-	-	-
	SK techx Co., Ltd.	4,603	-	4,603	-	3	3
	Others	525	-	525	18	8	26
Others	Hana Land Chip PEF 33	-	5,727	5,727	-	-	-
	SK Securities Co., Ltd.	1,738	-	1,738	-	-	-
	SK Gas Co., Ltd.	336	-	336	-	-	-
	SK Chemicals Co., Ltd.	868	-	868	-	-	-
	Huvis Corporation	59	-	59	-	-	-
	Hana Card Co., Ltd.	-	-	-	-	8	8
	SK hynix Inc.	62,115	-	62,115	-	6,177	6,177
	SK hynix Semiconductor (China) Ltd.	20	-	20	-	-	-
	Others	797	148	945	9	1,212	1,221
		<u>₩ 151,945</u>	<u>₩ 12,593</u>	<u>₩ 164,538</u>	<u>₩ 5,554</u>	<u>₩ 16,090</u>	<u>₩ 21,644</u>

		December 31, 2015					
		Receivables			Payables		
Company name		Trade receivables	Other receivables	Total	Trade payables	Other payables	Total
Subsidiary	SK Innovation Co., Ltd.	₩ 12,087	₩ 159	₩ 12,246	₩ 187	₩ 5,460	₩ 5,647
	M&SERVICE Co., Ltd.	41	-	41	65	220	285
	SK Lubricants Co., Ltd.	807	-	807	-	1,561	1,561
	SK Energy Co., Ltd.	7,121	-	7,121	-	6,064	6,064
	SK Global Chemical Co., Ltd.	1,940	-	1,940	-	2,933	2,933
	SK Incheon Petrochem Co., Ltd.	923	-	923	-	1,047	1,047
	SK Trading International Co., Ltd.	367	-	367	-	1,122	1,122
	SK Battery Systems Co., Ltd.	178	-	178	-	-	-
	SK USA, Inc.	-	-	-	-	357	357
	SK Engineering & Construction Co., Ltd.	7,257	-	7,257	-	1,254	1,254
	SK Forest Co., Ltd.	11	290	301	-	997	997

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SKC Co., Ltd.	1,591	-	1,591	-	-	-
SK Telesys Co., Ltd.	1,322	-	1,322	-	59	59
SK E&S Co., Ltd.	1,641	-	1,641	-	-	-
Busan City Gas Co., Ltd.	531	-	531	-	-	-
Chungcheong energy service Co., Ltd.	101	-	101	-	-	-
SK Infosec Co., Ltd.	1,153	-	1,153	5,019	1,124	6,143

25. Transactions with related parties (cont'd)

		December 31, 2015					
		Receivables			Payables		
		Trade	Other	Total	Trade	Other	Total
Subsidiary	Company name	receivables	receivables		payables	payables	
	SK ENCARSALES.COM., Ltd.	₩ 3	₩ 5,776	₩ 5,779	₩ -	₩ -	₩ -
	SK C&C Beijing Co., Ltd.	577	-	577	673	6	679
	ESSEN CORE Limited	688	297	985	-	19	19
	SK Networks Co., Ltd.	4,129	70	4,199	-	1,321	1,321
	HAPPYNARAE Co., Ltd.	1	-	1	37	134	171
	SK Networks Service Co., Ltd.	65	-	65	411	144	555
	SK Shipping Co., Ltd.	614	-	614	-	-	-
	SK Telecom Co., Ltd.	107,677	342	108,019	696	695	1,391
	SK Telink Co., Ltd.	434	-	434	6	40	46
	SK Broadband Co., Ltd.	35,200	-	35,200	-	3,204	3,204
	PS&Marketing Corp.	1,880	-	1,880	-	-	-
	Networkons Co., Ltd.	956	-	956	-	-	-
	SK Planet Co., Ltd.	13,467	90	13,557	-	81	81
	Others	494	23	517	12	106	118
Others	Hana Land Chip PEF 33	-	5,727	5,727	-	-	-
	SK Securities Co., Ltd.	3,018	-	3,018	-	-	-
	SK Gas Co., Ltd.	954	-	954	-	-	-
	SK Advanced Co., Ltd.	177	-	177	-	-	-
	DONGBU POWER DANGJIN CORPORATION	164	-	164	-	-	-
	SK Chemicals Co., Ltd.	1,367	-	1,367	-	-	-
	Huvis Corporation	970	-	970	-	-	-
	Hana Card Co., Ltd.	2,869	-	2,869	-	7	7
	SK hynix Inc.	100,512	-	100,512	-	6,263	6,263
	Others	660	-	660	21	40	61
		<u>₩ 313,947</u>	<u>₩ 12,774</u>	<u>₩326,721</u>	<u>₩ 7,127</u>	<u>₩ 34,258</u>	<u>₩ 41,385</u>

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

	September 30, 2016		September 30, 2015	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 965	₩ 2,469	₩ 436	₩ 1,043
Provision for pension benefits	47	301	71	137
	<u>₩ 1,012</u>	<u>₩ 2,770</u>	<u>₩ 507</u>	<u>₩ 1,180</u>

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

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

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

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

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26. Cash flow information

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

	For the nine months ended	
	September 30, 2016	September 30, 2015
Provision for pension benefits	₩ 20,582	₩ 20,359
Depreciation	33,870	30,792
Depreciation of investment properties	320	71
Amortization	8,989	8,058
Bad debt expenses	157	119
(Reversal of) valuation loss on inventories	78	(100)
Outsourcing fees (provision for service warranties)	3,806	6,063
Interest expenses	110,187	57,523
Loss on disposal of available-for-sale financial assets	13	102,086
Loss on disposal of investments in associates	730	-
Loss on foreign currency translation	1,076	732
Loss on valuation of derivative instruments	3,491	1,093
Loss on disposal of property, plant and equipment	104	133
Loss on disposal of intangible assets	358	222
Loss on impairment of intangible assets	1,226	4,966
Income tax expense	43,915	524,236
Reversal of service warranties	(618)	(479)
Dividends income	(597,822)	(60,678)
Interest income	(2,870)	(3,259)
Gain on foreign currency translation	(365)	(2,862)
Gain on valuation of derivative instruments	(4,213)	(1,022)
Gain on disposal of available-for-sale financial assets	(125)	(114)
Gain on disposal of investments in associates	(1,320)	(2,039,256)
Gain on disposal of investments in subsidiaries	(307)	(88,437)
Gain on disposal of property, plant and equipment	(39)	(99)
Gain on disposal of intangible assets	(167)	-
Gain on bargain purchase	-	(4,117,255)
Others	57	(2,285)
	<u>₩ (378,887)</u>	<u>₩ (5,559,393)</u>

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

	For the nine months ended	
	September 30, 2016	September 30, 2015
Trade accounts receivable	₩ 42,023	₩ 66,277
Other accounts receivable	497	295
Accrued income	(19)	-
Inventories	8,065	3,174
Advance payments	(6,359)	(1,153)
Prepaid expenses	(325)	1,044
Trade accounts payable	14,726	(57,724)
Advance received	(10,200)	15,033
Withholdings	(1,915)	(4,225)
Other accounts payable	(22,641)	(16,071)
Accrued expenses	(7,552)	1
Leasehold deposits received	(71)	2,749
Provision for service warranties	(4,802)	(5,403)
Retirement benefit obligation	(1,332)	(13,378)
Plan assets	1,759	10,881
Others	346	708
	<u>₩ 12,200</u>	<u>₩ 2,208</u>

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26. Cash flow information (cont'd)

(3) Significant non-cash transactions

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

	For the nine months ended	
	September 30, 2016	September 30, 2015
Transfer of long-term bonds payable to current-portion	₩ 456,005	₩ 350,000
Issuance of ordinary shares from business combination	-	5,611,216
Change in other payables due to the acquisition of treasury shares	-	55,241
Acquisitions of available-for-sale financial assets	-	90,800
Transfer of intangible assets to available-for-sale financial assets	102	-
Transfer of advance payments to investments in associates	58,860	-

27. Commitments and contingencies

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

	Currency	September 30, 2016	December 31, 2015
Seoul Guarantee Insurance	KRW	1,111	1,753
Korea Software Financial Cooperative	KRW	355,374	403,904
The Export-Import Bank of Korea	USD	2,690	2,841
Korea Trade Insurance Coporation	USD	6,587	6,820
Korea Trade Insurance Coporation	VND	90,113,661	96,845,147

(2) Pending litigation

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

Plaintiff	Defendant	Description	Currency	Claim amount	Status
Samsung Card Co., Ltd.	Company	Claim for damages	KRW	2,831	First trial in progress
Defense Acquisition Program Administration	Company	Claim for damages	USD	19,673	Second trial in progress
Choi, Kwang-sub	Company	Revoking of fraudulent act	KRW	7	First trial in progress
Choi, Soo-hyun	Company	Burden of expenses for altering Suwon branch's purpose of use	KRW	62	First trial in progress
Han, Soon-deok	Company	Claim for payment of used car purchase	KRW	6	First trial in progress
Company	Samsung Card Co., Ltd.	Claim for damages	KRW	2,603	First trial in progress

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

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27. Commitments and contingencies (cont'd)

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

	Book value	Collateralized amount	Reason for collateral	Collateral beneficiary
Land and buildings	₩ 9,549	₩ 1,700	Guarantee of implementation of the agreement	RCI Financial Service Korea

(4) Significant commitments

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

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

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

- 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) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service amounting to 115 million MMBtu per year for 20 years from FLNG Liquefaction 3, LLC, Which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at December 31, 2015, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLCs inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.
- 4) The Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd. and SK Trading International Co., Ltd., are collectively responsible for any obligations of the Company arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on July 1, 2011.
- 5) The Company provided performance guarantee to SK Shipping Co., Ltd., a subsidiary. Amount of guarantee provided to SK Shipping Co., Ltd. by the Company was calculated as the lower of ₩0 and other guarantee of ₩77,017 million, less the estimated value of ships owned by SK Shipping Co., Ltd.
- 6) 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.

27. Commitments and contingencies (cont'd)

7) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.

(5) The Company has provided 7 blank checks and 12 blank notes as collateral in relation to sales and other transactions as at September 30, 2016.

28. Financial risk management

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

28.1 Market risk

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

28.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not believe the fluctuation in market interest rate other than those mentioned above has a material impact on its financial statements.

28.1.2 Foreign currency risk

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

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

	Currency	September 30, 2016		December 31, 2015	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	11,792	₩ 13,054	13,575	₩ 15,946
	EUR	330	406	539	691
	Others		1,797		1,934
			₩ 15,257		₩ 18,571
Liabilities	USD	2,399	₩ 2,630	2,349	₩ 2,753
	Others		52		1,333
			₩ 2,682		₩ 4,086

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28.1.2 Foreign currency risk (cont'd)

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

	September 30, 2016		December 31, 2015	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before income tax expense	₩ 1,258	₩ (1,258)	₩ 1,449	₩ (1,449)

28.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than from interest rate risk and foreign currency risk. The Company has not determined that the effect of changes in other price would have materially affected the Company.

28.2 Credit risk

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

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

	September 30, 2016	December 31, 2015
Short-term and long-term financial instruments	₩ 47,639	₩ 67,219
Trade accounts receivable	279,054	378,597
Other accounts receivable	2,493	1,369
Accrued income	460	203
Available-for-sale financial assets	550	541
Short-term and long-term guarantee deposits	21,856	22,533
Short-term and long-term loan	600	1,681
	<u>₩ 352,652</u>	<u>₩ 472,143</u>

28.2.1 Trade and other accounts receivable

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

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

28.2.2 Other financial assets

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

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28.3 Liquidity risk

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

The contractual maturity of financial liabilities as at September 30, 2016 is as follows. Amounts include interests paid and recognised 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
Short-term borrowings	₩ 80,000	₩ 81,059	-	₩ 81,059	-	-
Bonds payable	5,788,352	5,936,308	321,724	456,377	4,137,121	1,021,086
Financial derivatives liabilities	2,282	2,282	987	1,168	127	-
Trade accounts payable	124,722	124,722	124,722	-	-	-
Other liabilities	96,232	96,232	34,277	49,561	12,394	-
	<u>₩ 6,091,588</u>	<u>₩ 6,240,603</u>	<u>₩ 481,710</u>	<u>₩ 588,165</u>	<u>₩ 4,149,642</u>	<u>₩ 1,021,086</u>

28.4 Capital management

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

The Company maintains a debt ratio of 54.76% as at September 30, 2016. The maturity of the debt is dispersed in the long-term and the borrowings mainly consist of long-term bonds, which do not present significant risks for unexpected payment for debts.

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

	September 30, 2016	December 31, 2015
Total liabilities	₩ 6,526,793	₩ 6,111,406
Total equity	11,918,320	11,481,677
Debt ratio	54.76%	53.23%

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29. Business combinations

The Company has entered into business combination with SK Holdings Co., Ltd. August 1, 2015 through the approval at the board of directors on April 20, 2015 and the resolutions of the general meeting of shareholders on June 26, 2015.

29.1 General information

	Description
Existed company after acquisition	SK C&C Co., Ltd
Extinct company after acquisition	SK Holdings Co., Ltd.
Name of existed company after acquisition	SK Holdings Co., Ltd.
Purpose	Finding a new growth engines and increasing the Company's competitiveness through improving financial structure.
Ratio of acquisition	(1) Ordinary share = 1:0.7367839 (SK C&C Co., Ltd. : SK Holdings Co., Ltd.) (2) Preferred share = 1:1.1102438 (SK C&C Co., Ltd. : SK Holdings Co., Ltd.)

29.2 The consideration transferred

The consideration transferred for merged for the year ended December 31, 2015 is as follows (Korean won in millions):

	Amount
Fair value of ordinary shares for issued	₩ 4,696,941
Fair value of preferred shares for issued	99,838
The fair value of equity for merged company owned by the Company (*1)	3,369,310
	<u>₩ 8,166,089</u>

(*1) ₩2,039,256 million was recorded as gain on disposal of investments in associates due to re-measurement of investments in associates at fair value, which was merged by the Company.

29.3 Identifiable assets acquired and liabilities assured

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

	Amount
Current assets:	₩ 687,577
Cash and cash equivalents	657,059
Trade accounts receivable	1,038
Other accounts receivable	28,467
Other current assets	1,013
Non-current assets:	15,719,191
Available-for-sale financial assets	15,386
Investments in subsidiaries	13,519,478
Investments in joint ventures	40,000
Property, plant and equipment and investment property	124,825
Intangible assets	1,990,375
Other non-current assets	29,126
Current liabilities:	641,320
Short-term borrowings	50,000
Current portion of long-term debt	543,786
Other current liabilities	47,534
Non-current liabilities:	3,482,103
Bonds payable	3,006,796
Retirement benefit obligation	16,890
Deferred income tax liabilities	452,839
Other non-current liabilities	5,578
Fair value of identifiable net assets	<u>₩ 12,283,344</u>

29.3 Identifiable assets acquired and liabilities assured (cont'd)

2) Measurement of fair value

Used valuation techniques for re-measurement at fair value of acquired significant assets and liabilities is as follow:

Acquired Assets	Valuation techniques
Property, plant and equipment and Investment property	Market approach or Cost Approach: The Company determines the fair value reflecting on the created price in the available market transactions of similar assets or on the replacement cost considering the appropriate functional and economic obsolescence as well as the physical deterioration degree.
Intangible assets	Relief from royalty method or Multi-period excess earnings method: The Company determines the fair value of intangible assets by using relief from royalty method considering the royalty discount that is expected to be avoided by the retention the patents or trademarks directly. And the Company 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.
Inventories	The company determines the fair value on the basis of a reasonable profit based on the effort required to complete or selling of inventories and net of selling costs, 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.
Bonds payable and borrowings	The company 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.

29.4 Gain on bargain purchase

Gain on bargain purchase for the business combination is as follows (Korean won in millions):

	Amount
The total consideration transferred	₩ 8,166,089
Deduction: fair value of identifiable net assets	(12,283,344)
Gain on bargain purchase	₩ (4,117,255)