



# **SK Holdings Co., Ltd. and its subsidiaries**

Interim condensed consolidated financial statements  
for the nine months ended September 30, 2017 and 2016  
with the independent auditors' review report

SK Holdings Co., Ltd. and its subsidiaries

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## **Report on review of interim condensed consolidated financial statements**

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at September 30, 2017, and the interim condensed consolidated statements of comprehensive income for the three months and nine months ended September 30, 2017 and 2016, interim condensed consolidated statements of changes in shareholders’ equity and interim condensed consolidated statements of cash flows for the nine months then ended, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

### **Management’s responsibility for the interim consolidated financial statements**

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

### **Auditors’ responsibility**

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

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

### **Conclusion**

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

### **Emphasis of matter**

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

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

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

We have performed below reviewing procedures on the key audit matters in forming the conclusion.

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

As explained in Note 2 to the accompanying interim condensed consolidated financial statements, when the outcome of a construction contract is reliably measurable, construction revenue and construction costs are recognized based on the percentage-of-completion method. The percentage-of-completion is calculated by dividing cumulative 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 a risk in relation to measurement of construction revenue and construction costs.

Further, the Group recognized accounts receivable (unbilled construction contract) for the amount that cumulative construction costs to date plus profit recognized (or minus the loss recognized) exceeds the amount billed to customers. As at September 30, 2017, unbilled construction contract amounted to ₩530,333 million, and if such amount is uncollected, the Group is exposed to risks in relation to asset measurement.

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

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

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

As explained in Note 2 to the accompanying interim condensed consolidated 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. As a result, the measurement of construction costs and contract revenue is affected by uncertainties associated with the outcomes of future events.

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

- Inquiry about the appropriateness of accounting treatment for the change of the total estimated costs and construction contracts
- Inquiry about the reasons for the significant changes in the total construction revenue or the total estimated costs

**Other matters**

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



November 14, 2017

This review report is effective as at November 14, 2017, 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. and its subsidiaries**

Interim condensed consolidated financial statements  
for the nine months ended September 30, 2017 and 2016

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

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of financial position**  
**as at September 30, 2017 and December 31, 2016**  
(Korean won in millions and U.S. dollar in thousands)

Notes	Korean won		Translation into U.S. dollar (Note 2)		
	September 30,	December 31,	September 30,	December 31,	
	2017	2016	2017	2016	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	5	₩ 8,949,155	₩ 7,086,957	\$ 7,804,269	\$ 6,180,306
Trade accounts receivable	5, 6, 26, 31, 33	10,236,129	10,398,471	8,926,597	9,068,170
Other accounts receivable	5, 26, 30	1,797,323	1,828,941	1,567,387	1,594,960
Inventories	7, 31	7,215,748	6,018,855	6,292,621	5,248,849
Available-for-sale financial assets	5, 8, 31, 33	183,191	179,448	159,755	156,491
Other current assets	5, 17, 18, 31, 33	5,498,077	6,301,260	4,794,695	5,495,125
Assets held for sale	28	157,339	636,110	137,210	554,731
Total current assets		<u>34,036,962</u>	<u>32,450,042</u>	<u>29,682,534</u>	<u>28,298,632</u>
Non-current assets:					
Long-term trade accounts receivable	5, 6, 33	17,478	24,188	15,242	21,094
Long-term other accounts receivable	5, 30, 33	297,630	205,584	259,554	179,283
Available-for-sale financial assets	5, 8, 31, 33	1,603,831	1,527,092	1,398,649	1,331,728
Investments in associates and joint ventures	9, 31	13,506,053	11,559,899	11,778,192	10,081,014
Property, plant and equipment	10, 31, 34	41,025,995	41,032,505	35,777,444	35,783,121
Investment property	11, 31	661,147	727,783	576,565	634,676
Goodwill	12, 34	1,045,583	575,233	911,819	501,642
Intangible assets	13, 34	11,594,539	11,197,157	10,111,223	9,764,679
Deferred income tax assets		748,489	711,591	652,733	620,556
Other non-current assets	5, 17, 18, 26, 33	2,884,050	3,036,263	2,515,087	2,647,827
Total non-current assets		<u>73,384,795</u>	<u>70,597,295</u>	<u>63,996,508</u>	<u>61,565,620</u>
<b>Total assets</b>		<u><b>₩ 107,421,757</b></u>	<u><b>₩ 103,047,337</b></u>	<u><b>\$ 93,679,042</b></u>	<u><b>\$ 89,864,252</b></u>
<b>Liabilities</b>					
Current liabilities:					
Short-term borrowings	5, 14, 33	₩ 2,610,207	₩ 2,614,117	\$ 2,276,277	\$ 2,279,687
Trade accounts payable	5, 26, 33	8,440,502	8,897,260	7,360,689	7,759,013
Other accounts payable	5, 26	3,188,629	3,241,765	2,780,700	2,827,038
Provisions	15	240,809	420,803	210,002	366,969
Current portion of long-term debt	5, 14, 33	7,512,082	5,629,577	6,551,044	4,909,372
Other current liabilities	5, 17, 18, 33	7,642,572	7,850,072	6,664,840	6,845,794
Liabilities held for sale	28	112,290	63,016	97,924	54,954
Total current liabilities		<u>29,747,091</u>	<u>28,716,610</u>	<u>25,941,476</u>	<u>25,042,827</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 30, 33, 34	23,043,791	23,133,506	20,095,745	20,173,983
Long-term other accounts payable	5, 30, 33	3,914,866	4,601,776	3,414,028	4,013,060
Retirement benefit obligation	16	423,605	229,378	369,412	200,033
Provisions	15	101,726	104,331	88,712	90,984
Deferred income tax liabilities		3,594,925	3,098,508	3,135,018	2,702,109
Other non-current liabilities	5, 17, 18, 26, 33	1,135,536	836,504	990,264	729,488
Total non-current liabilities		<u>32,214,449</u>	<u>32,004,003</u>	<u>28,093,179</u>	<u>27,909,657</u>
<b>Total liabilities</b>		<u><b>61,961,540</b></u>	<u><b>60,720,613</b></u>	<u><b>54,034,655</b></u>	<u><b>52,952,484</b></u>
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	13,417	13,417
Other paid-in capital	19	4,414,344	4,741,139	3,849,607	4,134,594
Retained earnings	19	9,603,937	8,368,122	8,375,283	7,297,569
Other capital components	19	(48,301)	(12,289)	(42,122)	(10,717)
Total equity attributable to owner of the parent		<u>13,985,365</u>	<u>13,112,357</u>	<u>12,196,185</u>	<u>11,434,863</u>
Non-controlling interests		<u>31,474,852</u>	<u>29,214,367</u>	<u>27,448,202</u>	<u>25,476,905</u>
Total equity		<u>45,460,217</u>	<u>42,326,724</u>	<u>39,644,387</u>	<u>36,911,768</u>
<b>Total liabilities and equity</b>		<u><b>₩ 107,421,757</b></u>	<u><b>₩ 103,047,337</b></u>	<u><b>\$ 93,679,042</b></u>	<u><b>\$ 89,864,252</b></u>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of comprehensive income**  
**for the three months and nine months ended September 30, 2017 and 2016**

(Korean won in millions except for earnings per share)

	Notes	Korean won			
		September 30, 2017		September 30, 2016	
		Three months	Nine months	Three months	Nine months
<b>Sales</b>	4, 26	₩ 23,763,435	₩ 68,793,747	₩ 19,977,738	₩ 61,456,892
<b>Cost of sales</b>	23, 26	<u>20,927,609</u>	<u>60,894,411</u>	<u>17,865,636</u>	<u>54,049,754</u>
<b>Gross profit</b>		<b>2,835,826</b>	<b>7,899,336</b>	<b>2,112,102</b>	<b>7,407,138</b>
Selling and administrative expenses	20, 23, 26	1,216,796	3,471,329	1,190,986	3,269,268
<b>Operating income</b>	4	<b>1,619,030</b>	<b>4,428,007</b>	<b>921,116</b>	<b>4,137,870</b>
Financial income	21	451,776	2,141,409	795,094	2,157,276
Financial costs	21	(745,152)	(2,553,130)	(935,693)	(2,587,071)
Gain related to investments in associates and joint ventures, net	9	687,433	1,684,474	163,771	275,524
Other non-operating income	22	149,267	425,126	114,820	407,694
Other non-operating expenses	22	<u>(186,793)</u>	<u>(502,445)</u>	<u>(123,698)</u>	<u>(630,888)</u>
<b>Income from continuing operations before income tax expense</b>	4	<b>1,975,561</b>	<b>5,623,441</b>	<b>935,410</b>	<b>3,760,405</b>
<b>Income tax expense from continuing operations</b>	24	<u>(552,044)</u>	<u>(1,446,870)</u>	<u>(219,055)</u>	<u>(1,020,538)</u>
<b>Net income from continuing operations</b>	4	1,423,517	4,176,571	716,355	2,739,867
<b>Loss from discontinued operation</b>	27	<u>(2,536)</u>	<u>(18,231)</u>	<u>(59,261)</u>	<u>(83,843)</u>
<b>Net income</b>		<b><u>1,420,981</u></b>	<b><u>4,158,340</u></b>	<b><u>657,094</u></b>	<b><u>2,656,024</u></b>
Attributable to:					
Owners of the parent		454,131	1,454,814	210,249	884,915
Non-controlling interests		966,850	2,703,526	446,845	1,771,109
<b>Other comprehensive income:</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		20,115	(9,954)	17,268	(47,514)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		(2,299)	160,293	35,045	53,718
Equity adjustments of investments in associates and joint ventures		(26,447)	(107,924)	(126,454)	(178,430)
Net change in valuation of cash flow hedges		4,554	(21,485)	(24,891)	(39,986)
Net gain (loss) on translation of foreign operations		151,722	(140,816)	(400,221)	(460,912)
Net gain (loss) on translation to the presentation currency		4,202	2,051	(19,686)	(25,174)
		<u>151,847</u>	<u>(117,835)</u>	<u>(518,939)</u>	<u>(698,298)</u>
<b>Total comprehensive income</b>		<b>₩ 1,572,828</b>	<b>₩ 4,040,505</b>	<b>₩ 138,155</b>	<b>₩ 1,957,726</b>
Attributable to:					
Owners of the parent		538,682	1,413,400	841	558,222
Non-controlling interests		1,034,146	2,627,105	137,314	1,399,504
<b>Earnings per share (Korean won):</b>	25				
Basic earnings per share		₩ 8,126	₩ 26,032	₩ 3,758	₩ 15,826
Basic earning per share from continuing operations		8,144	26,148	4,012	16,224

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**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of comprehensive income**  
**for the three months and nine months ended September 30, 2017 and 2016 (cont'd)**

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

	Notes	Translation into U.S. dollar (Note 2)			
		September 30, 2017		September 30, 2016	
		Three months	Nine months	Three months	Nine months
<b>Sales</b>	4, 26	\$ 20,723,323	\$ 59,992,803	\$ 17,421,939	\$ 53,594,569
<b>Cost of sales</b>	23, 26	<u>18,250,291</u>	<u>53,104,047</u>	<u>15,580,044</u>	<u>47,135,043</u>
<b>Gross profit</b>		<b>2,473,032</b>	<b>6,888,756</b>	<b>1,841,895</b>	<b>6,459,526</b>
Selling and administrative expenses	20, 23, 26	1,061,128	3,027,234	1,038,620	2,851,023
<b>Operating income</b>	4	<b>1,411,904</b>	<b>3,861,522</b>	<b>803,275</b>	<b>3,608,503</b>
Financial income	21	393,979	1,867,454	693,376	1,881,291
Financial costs	21	(649,823)	(2,226,502)	(815,988)	(2,256,101)
Gain related to investments in associates and joint ventures, net	9	599,488	1,468,975	142,819	240,276
Other non-operating income	22	130,171	370,739	100,131	355,537
Other non-operating expenses	22	<u>(162,896)</u>	<u>(438,166)</u>	<u>(107,873)</u>	<u>(550,177)</u>
<b>Income from continuing operations before income tax expense</b>	4	<b>1,722,823</b>	<b>4,904,022</b>	<b>815,740</b>	<b>3,279,329</b>
<b>Income tax expense from continuing operations</b>	24	<u>(481,420)</u>	<u>(1,261,769)</u>	<u>(191,031)</u>	<u>(889,978)</u>
<b>Net income from continuing operations</b>	4	1,241,403	3,642,253	624,709	2,389,351
<b>Loss from discontinued operation</b>	27	(2,212)	(15,899)	(51,680)	(73,117)
<b>Net income</b>		<u><b>1,239,191</b></u>	<u><b>3,626,354</b></u>	<u><b>573,029</b></u>	<u><b>2,316,234</b></u>
Attributable to:					
Owners of the parent		396,033	1,268,696	183,351	771,706
Non-controlling interests		843,158	2,357,658	389,678	1,544,528
<b>Other comprehensive income:</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		17,542	(8,681)	15,059	(41,435)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (loss) on available-for-sale financial assets		(2,005)	139,786	30,562	46,845
Equity adjustments of investments in associates and joint ventures		(23,064)	(94,117)	(110,276)	(155,603)
Net change in valuation of cash flow hedges		3,971	(18,736)	(21,707)	(34,870)
Net gain (loss) on translation of foreign operations		132,312	(122,801)	(349,020)	(401,946)
Net gain (loss) on translation to the presentation currency		3,664	1,789	(17,168)	(21,953)
		<u>132,420</u>	<u>(102,760)</u>	<u>(452,550)</u>	<u>(608,962)</u>
<b>Total comprehensive income</b>		<u><b>\$ 1,371,611</b></u>	<u><b>\$ 3,523,594</b></u>	<u><b>\$ 120,479</b></u>	<u><b>\$ 1,707,272</b></u>
Attributable to:					
Owners of the parent		469,767	1,232,580	733	486,807
Non-controlling interests		901,844	2,291,014	119,746	1,220,465
<b>Earnings per share (U.S. dollar):</b>	25				
Basic earnings per share		\$ 7.09	\$ 22.70	\$ 3.28	\$ 13.80
Basic earning per share from continuing operations		7.10	22.80	3.50	14.15

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in shareholders' equity**  
**for the nine months ended September 30, 2017 and 2016**  
(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
	₩	₩	₩	₩	₩	₩	₩
<b>As at January 1, 2016</b>	<b>15,385</b>	<b>4,773,965</b>	<b>7,801,713</b>	<b>(24,545)</b>	<b>12,566,518</b>	<b>27,510,732</b>	<b>40,077,250</b>
Total comprehensive income:							
Net income	-	-	884,915	-	884,915	1,771,108	2,656,023
Remeasurement loss on defined benefit plans	-	-	(30,886)	-	(30,886)	(16,628)	(47,514)
Net gain on available-for-sale financial assets	-	-	-	24,044	24,044	29,674	53,718
Equity adjustments of investment in associates and joint ventures	-	-	-	(74,329)	(74,329)	(104,102)	(178,431)
Net loss on valuation of derivative financial instruments	-	-	-	(18,083)	(18,083)	(21,904)	(39,987)
Net loss on translation of foreign operations	-	-	-	(209,482)	(209,482)	(251,429)	(460,911)
Net loss on translation to the presentation currency	-	-	-	(17,957)	(17,957)	(7,216)	(25,173)
Transaction with shareholders:							
Dividends	-	-	(191,750)	-	(191,750)	(913,795)	(1,105,545)
Equity transactions in consolidated entities	-	(14,488)	-	-	(14,488)	181,474	166,986
Increase in non-controlling interests from business combination	-	-	-	-	-	366,063	366,063
Changes in the scope of consolidation	-	-	-	-	-	10,565	10,565
Others	-	(1,707)	555	-	(1,152)	2,937	1,785
<b>As at September 30, 2016</b>	<b>15,385</b>	<b>4,757,770</b>	<b>8,464,547</b>	<b>(320,352)</b>	<b>12,917,350</b>	<b>28,557,479</b>	<b>41,474,829</b>
<b>As at January 1, 2017</b>	<b>15,385</b>	<b>4,741,139</b>	<b>8,368,122</b>	<b>(12,289)</b>	<b>13,112,357</b>	<b>29,214,367</b>	<b>42,326,724</b>
Total comprehensive income:							
Net income	-	-	1,454,814	-	1,454,814	2,703,526	4,158,340
Remeasurement loss on defined benefit plans	-	-	(5,402)	-	(5,402)	(4,552)	(9,954)
Net gain on available-for-sale financial assets	-	-	-	52,132	52,132	108,161	160,293
Equity adjustments of investment in associates and joint ventures	-	-	-	(40,628)	(40,628)	(67,296)	(107,924)
Net loss on valuation of derivative financial instruments	-	-	-	1,961	1,961	(23,446)	(21,485)
Net loss on translation of foreign operations	-	-	-	(61,111)	(61,111)	(79,705)	(140,816)
Net gain (loss) on translation to the presentation currency	-	-	-	11,634	11,634	(9,583)	2,051
Transaction with shareholders:							
Dividends	-	-	(208,666)	-	(208,666)	(1,125,586)	(1,334,252)
Equity transactions in consolidated entities	-	(333,432)	-	-	(333,432)	224,379	(109,053)
Changes in the scope of consolidation	-	-	-	-	-	530,835	530,835
Others	-	6,637	(4,931)	-	1,706	3,752	5,458
<b>As at September 30, 2017</b>	<b>15,385</b>	<b>4,414,344</b>	<b>9,603,937</b>	<b>(48,301)</b>	<b>13,985,365</b>	<b>31,474,852</b>	<b>45,460,217</b>

(Continued)

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in shareholders' equity**  
**for the nine months ended September 30, 2017 and 2016 (cont'd)**  
**(U.S. dollar in thousands)**

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
<b>As at January 1, 2016</b>	\$ 13,417	\$ 4,163,221	\$ 6,803,622	\$ (21,405)	\$ 10,958,855	\$ 23,991,220	\$ 34,950,075
Total comprehensive income:							
Net income	-	-	771,706	-	771,706	1,544,528	2,316,234
Remeasurement loss on defined benefit plans	-	-	(26,935)	-	(26,935)	(14,500)	(41,435)
Net gain on available-for-sale financial assets	-	-	-	20,968	20,968	25,877	46,845
Equity adjustments of investment in associates and joint ventures	-	-	-	(64,820)	(64,820)	(90,783)	(155,603)
Net loss on valuation of derivative financial instruments	-	-	-	(15,770)	(15,770)	(19,100)	(34,870)
Net loss on translation of foreign operations	-	-	-	(182,682)	(182,682)	(219,264)	(401,946)
Net loss on translation to the presentation currency	-	-	-	(15,660)	(15,660)	(6,293)	(21,953)
Transaction with shareholders:							
Dividends	-	-	(167,219)	-	(167,219)	(796,891)	(964,110)
Equity transactions in consolidated entities	-	(12,635)	-	-	(12,635)	158,258	145,623
Increase in non-controlling interests from business combination	-	-	-	-	-	319,232	319,232
Changes in the scope of consolidation	-	-	-	-	-	9,213	9,213
Others	-	(1,489)	484	-	(1,005)	2,561	1,556
<b>As at September 30, 2016</b>	\$ 13,417	\$ 4,149,097	\$ 7,381,658	\$ (279,369)	\$ 11,264,803	\$ 24,904,058	\$ 36,168,861
<b>As at January 1, 2017</b>	\$ 13,417	\$ 4,134,594	\$ 7,297,569	\$ (10,717)	\$ 11,434,863	\$ 25,476,905	\$ 36,911,768
Total comprehensive income:							
Net income	-	-	1,268,696	-	1,268,696	2,357,658	3,626,354
Remeasurement loss on defined benefit plans	-	-	(4,711)	-	(4,711)	(3,970)	(8,681)
Net gain on available-for-sale financial assets	-	-	-	45,463	45,463	94,323	139,786
Equity adjustments of investment in associates and joint ventures	-	-	-	(35,430)	(35,430)	(58,687)	(94,117)
Net loss on valuation of derivative financial instruments	-	-	-	1,709	1,709	(20,445)	(18,736)
Net loss on translation of foreign operations	-	-	-	(53,293)	(53,293)	(69,508)	(122,801)
Net gain (loss) on translation to the presentation currency	-	-	-	10,146	10,146	(8,357)	1,789
Transaction with shareholders:							
Dividends	-	-	(181,971)	-	(181,971)	(981,587)	(1,163,558)
Equity transactions in consolidated entities	-	(290,775)	-	-	(290,775)	195,674	(95,101)
Changes in the scope of consolidation	-	-	-	-	-	462,924	462,924
Others	-	5,788	(4,300)	-	1,488	3,272	4,760
<b>As at September 30, 2017</b>	\$ 13,417	\$ 3,849,607	\$ 8,375,283	\$ (42,122)	\$ 12,196,185	\$ 27,448,202	\$ 39,644,387

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of cash flows**  
**for the nine months ended September 30, 2017 and 2016**  
(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)	
		2017	2016	2017	2016
<b>Cash flows from operating activities:</b>					
Net income		₩ 4,158,340	₩ 2,656,023	\$ 3,626,354	\$ 2,316,234
Non-cash adjustments	29	4,659,751	5,639,433	4,063,618	4,917,967
Working capital adjustments	29	(1,085,522)	(338,820)	(946,649)	(295,474)
Interest received		150,481	155,490	131,230	135,598
Interest paid		(812,422)	(869,275)	(708,487)	(758,067)
Dividends received		188,555	147,535	164,433	128,661
Income tax paid		(1,309,802)	(1,149,141)	(1,142,236)	(1,002,129)
<b>Net cash provided by operating activities</b>		<b>5,949,381</b>	<b>6,241,245</b>	<b>5,188,263</b>	<b>5,442,790</b>
<b>Cash flows from investing activities:</b>					
Decrease (increase) in short-term financial assets, net		921,345	(1,134,644)	803,475	(989,486)
Decrease in short-term loans, net		(31,279)	(34,949)	(27,277)	(30,478)
Proceeds from disposal of available-for-sale financial asset:		233,063	389,594	203,247	339,752
Proceeds from disposal of investments in associates and joint ventures		9,915	96,819	8,647	84,433
Proceeds from disposal of property, plant and equipment		206,938	143,060	180,464	124,758
Proceeds from disposal of investment properties:		3,283	229,315	2,863	199,978
Proceeds from disposal of intangible assets		21,771	24,505	18,986	21,370
Proceeds from disposal of assets held for sale		516,590	78,304	450,501	68,286
Acquisition of available-for-sale financial assets		(135,795)	(290,402)	(118,422)	(253,250)
Acquisition of investments in associates and joint ventures		(475,156)	(162,200)	(414,368)	(141,449)
Acquisition of property, plant and equipment		(3,487,520)	(3,134,983)	(3,041,353)	(2,733,917)
Acquisition of investment properties		(2,375)	(1,384)	(2,071)	(1,207)
Acquisition of intangible assets		(360,247)	(616,934)	(314,160)	(538,008)
Changes in cash from changes in the scope of consolidation		(1,591,744)	(401,561)	(1,388,108)	(350,188)
Transfer of Business		302,651	-	263,932	-
Others, net		(22,789)	(97,689)	(19,874)	(85,191)
<b>Net cash used in investing activities</b>		<b>(3,891,349)</b>	<b>(4,913,149)</b>	<b>(3,393,518)</b>	<b>(4,284,597)</b>
<b>Cash flows from financing activities:</b>					
Decrease in short-term borrowings, net		(210,600)	(460,246)	(183,657)	(401,366)
Repayment of current portion of long-term debt		(3,440,133)	(3,449,761)	(3,000,029)	(3,008,425)
Increase in bonds payable and borrowings		4,640,914	4,416,576	4,047,191	3,851,553
Increase in other accounts payable		154,256	522,358	134,522	455,532
Cash inflows from transactions in equity of consolidated subsidiaries		997,568	147,859	869,947	128,943
Decrease in bonds payable and borrowings		(364,649)	(185,873)	(317,999)	(162,094)
Decrease in other accounts payable		(324,387)	(146,319)	(282,887)	(127,600)
Payment of dividends		(1,334,252)	(1,105,545)	(1,163,558)	(964,110)
Others, net		(179,809)	14,116	(156,806)	12,310
<b>Net cash used in financing activities</b>		<b>(61,092)</b>	<b>(246,835)</b>	<b>(53,276)</b>	<b>(215,257)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,996,940</b>	<b>1,081,261</b>	<b>1,741,469</b>	<b>942,936</b>
<b>Net foreign exchange effects</b>		<b>(105,870)</b>	<b>(191,563)</b>	<b>(92,328)</b>	<b>(167,056)</b>
<b>Cash and cash equivalents included in assets held for sale</b>		<b>28,872</b>	<b>-</b>	<b>25,178</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7,086,957</b>	<b>6,995,224</b>	<b>6,180,306</b>	<b>6,100,309</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>₩ 8,949,155</b>	<b>₩ 7,884,922</b>	<b>\$ 7,804,269</b>	<b>\$ 6,876,189</b>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the nine months ended September 30, 2017 and 2016**

**1. Corporate information**

**1.1 Parent company**

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

As at September 30, 2017, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares), and major shareholders consist of Tae-won Chey (23.40%), Ki-won Choi (7.46%) and the National Pension Service (8.40%).

**1.2 Consolidated subsidiaries**

The Company and its subsidiaries (collectively, the “Group”) are engaged in petroleum refining, telecommunications, wholesale and retail, chemicals, and construction businesses. Subsidiaries whose accounts are included in the consolidated financial statements as at September 30, 2017 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Innovation Co., Ltd. (*2)	Korea	Resource development	SK Holdings Co., Ltd.	33.40%
SK Energy Co., Ltd.	Korea	Crude oil refining and sales	SK Innovation Co., Ltd.	100.00%
Netruck Co., Ltd.	Korea	Transportation and oil sales	SK Energy Co., Ltd.	100.00%
Jeju United FC Corporation	Korea	Sports association sponsoring	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment Co., Ltd.	Cayman Islands	Investment	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment (HK) Co., Ltd.	Hong Kong	Investment and trade	SK Energy Road Investment Co., Ltd.	100.00%
Ningbo SK Baoying Asphalt Storage Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Hefei SK Baoying Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Chongqing SK Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
SK Shanghai Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	100.00%
SK Energy Hong Kong Co., Ltd.	Hong Kong	Investment	SK Energy Co., Ltd.	100.00%
Shandong SK Hightech Oil Co., Ltd.	China	Gas station operation	SK Energy Hong Kong Co., Ltd.	51.00%
SK GC Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Golden Tide Plastics (Yantai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Primacor Americas LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Primacor Europe, S.L.U.	Spain	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Synthetic rubber manufacturing	SK Global Chemical Investment Hong Kong Ltd.	80.00%
SK Incheon Petrochem Co., Ltd. (*3)	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Trading International Co., Ltd.	Korea	Trading business	SK Innovation Co., Ltd.	100.00%
SK Energy International Pte. Ltd.	Singapore	Trading business	SK Trading International Co., Ltd.	100.00%
SK Energy Europe, Ltd.	UK	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Energy Americas, Inc.	USA	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Terminal B.V.	The Netherlands	Investment	SK Energy International Pte. Ltd.	100.00%
Bergaya International Pte. Ltd.	Singapore	Management and consulting	SK Energy International Pte. Ltd.	100.00%
SK Lubricants Co., Ltd.	Korea	Lubricants oil manufacturing	SK Innovation Co., Ltd.	100.00%
Yubase Manufacturing Asia Corporation	Korea	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Energy Lubricants (Tianjin) Co., Ltd.	China	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	100.00%
PT. Patra SK	Indonesia	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	65.00%
SK Lubricants & Oils India Pte. Ltd.	India	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Americas, Inc.	USA	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Europe B.V.	The Netherlands	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Japan Co., Ltd.	Japan	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
Iberian Lube Base Oils, S.A.	Spain	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Lubricants Russia L.L.C	Russia	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Mobile Energy Co., Ltd.	Korea	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Innovation Insurance (Bermuda), Ltd.	Bermuda	Insurance	SK Innovation Co., Ltd.	100.00%
SK USA, Inc.	USA	Management consulting services	SK Innovation Co., Ltd.	100.00%
Moche Energy Company, L.L.C	Peru	Resource development	SK Innovation Co., Ltd.	99.90%
SK E&P Company	USA	Crude oil development	SK Innovation Co., Ltd.	100.00%
SK E&P America, Inc.	USA	Investment	SK Innovation Co., Ltd.	100.00%
SK Plymouth, L.L.C	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, L.L.C	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Battery Systems Co., Ltd.	Korea	Battery pack manufacturing	SK Innovation Co., Ltd.	100.00%
SK Telecom Co., Ltd. (*2)	Korea	Mobile telecommunications	SK Holdings Co., Ltd.	25.22%
SK Telink Co., Ltd. (*4)	Korea	International call and MVNO business	SK Telecom Co., Ltd.	85.86%
NSOK Co., Ltd. (formerly, Neos Networks Co., Ltd.)	Korea	Machine security and facilities security	SK Telink Co., Ltd.	100.00%
SK Broadband Co., Ltd.	Korea	Wire communications	SK Telecom Co., Ltd.	100.00%
Home&Service Co., Ltd.	Korea	Information and communication facilities management business	SK Broadband Co., Ltd.	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the nine months ended September 30, 2017 and 2016**

**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
PS&Marketing Corp.	Korea	Resale communication business	SK Telecom Co., Ltd.	100.00%
Serviceace Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Service Top Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Network O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
SK techx Co., Ltd.	Korea	System software development and supplying	SK Telecom Co., Ltd.	100.00%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK techx Co., Ltd.	59.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	65.54%
SK Communications Co., Ltd. (*5)	Korea	Internet portal service	SK Telecom Co., Ltd.	100.00%
SK Planet Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	98.10%
SK M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
Hello Nature Co., Ltd.	Korea	Agriculture and livestock retailing	SK Planet Co., Ltd.	100.00%
Planet11 E-commerce Solutions India Pvt. Ltd.	India	E-commerce platform providing	SK Planet Co., Ltd.	99.00%
11street (Thailand) Co., Ltd.	Thailand	E-commerce	SK Planet Co., Ltd.	100.00%
SK Planet Japan, K.K.	Japan	Digital contents sourcing and presenting	SK Planet Co., Ltd.	79.45%
SK Planet Global Pte. Ltd.	Singapore	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
SKP Global Holdings Pte. Ltd.	Singapore	Holding company	SK Planet Co., Ltd.	100.00%
SKP America, L.L.C	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
Shopkick Management Company, Inc.	USA	Investment	SKP America, L.L.C	100.00%
Shopkick, Inc.	USA	E-commerce App. development	Shopkick Management Company, Inc.	100.00%
SK Telecom China Holding Co., Ltd.	China	Holding company	SK Telecom Co., Ltd.	100.00%
SK Global Healthcare Business Group, Ltd.	Hong Kong	Investment	SK Telecom Co., Ltd.	100.00%
SKT Vietnam Pte. Ltd.	Singapore	Wireless communications	SK Telecom Co., Ltd.	73.32%
SKT Americas Inc.	USA	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
YTK Investment Ltd.	Cayman Islands	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment Ltd.	Cayman Islands	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P.	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman Islands	Investment	Atlas Investment, Ltd.	100.00%
Iriver Co., Ltd. (*2)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	45.95%
Iriver Inc.	USA	Marketing and sales in North America	Iriver Co., Ltd.	100.00%
Iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	Iriver Co., Ltd.	100.00%
Iriver China Co., Ltd.	China	MP3,4 production and sales	Iriver Enterprise, Ltd.	100.00%
Dongguan Iriver Electronics Co., Ltd.	China	Electronic book production and sales	Iriver Enterprise, Ltd.	100.00%
Groovers Japan Co., Ltd.	Japan	Music distribution and sales	Iriver Co., Ltd.	100.00%
S.M.Life Design Company Japan	Japan	Japan goods sales	Iriver Co., Ltd.	100.00%
Entrix Co., Ltd.	Korea	Cloud streaming operations	SK Telecom Co., Ltd.	100.00%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Holdings Co., Ltd.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Pinx Co., Ltd.	Korea	Golf club operating	SK Networks Co., Ltd.	100.00%
Car Life Service Co., Ltd.	Korea	Business support services	SK Networks Co., Ltd.	100.00%
SK Magic Co., Ltd.	Korea	Household appliances manufacturing, sales and rent	SK Networks Co., Ltd.	100.00%
SK Magic Service Co., Ltd.	Korea	House appliances repair and others	SK Magic Co. Ltd.	100.00%
Mokgam Service (*6)	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
SKN (China) Holdings Co., Ltd.	China	Holding company	SK Networks Co., Ltd.	100.00%
Liaoning SK Networks Real Estate Development Co., Ltd.	China	Real estate development	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SKN (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SKN (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN, VE TIC, STI (*7)	Turkey	Steel processing and sales	SK Networks Co., Ltd.	51.22%
SK Networks Resources Australia Pty. Ltd.	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
SE (Jiangsu) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SK Telesys Co., Ltd.	51.00%
Techdream Co., Ltd.	Hong Kong	Semiconductor component	SK Telesys Co., Ltd.	100.00%
SKC Infra Service Co., Ltd.	Korea	Electrical contractor, telecommunications contractor	SK Telesys Co., Ltd.	100.00%
SKC Solmics Co., Ltd.	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	57.70%
Solmics Taiwan Co., Ltd.	Taiwan	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
Solmics Shanghai Co., Ltd.	China	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
SKW Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High Tech Plastics Co., Ltd. (*8)	China	Film manufacturing	SKC Co., Ltd.	91.38%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotech Co., Ltd.	China	Research and manufacturing	SK bioland Co., Ltd	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotech Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Co., Ltd. (*9) (formerly, SKC Haas Display Film Co., Ltd.)	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC Hi-Tech&Marketing (Suzhou) Co., Ltd. (*9)	China	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SKC Hi-Tech&Marketing Taiwan Co., Ltd. (*9)	Taiwan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SKC Hi-Tech&Marketing Japan K.K. (*9)	Japan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SKC Hi-Tech&Marketing Polska SP.Z.O.O (*9)	Poland	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**for the nine months ended September 30, 2017 and 2016**

**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SKC Hi-Tech&Marketing USA LLC (*9)	USA	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	100.00%
SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) (*10)	Korea	Shipping	SK Holdings Co., Ltd.	99.99%
SK Shipping Co., Ltd. (*10)	Korea	Shipping	SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.)	57.22%
Blueseaoccean 1st L.L.C	Korea	Securitization company	(*11)	-
Blueseaoccean 2nd L.L.C	Korea	Securitization company	(*11)	-
Blueseaoccean 3rd L.L.C	Korea	Securitization company	(*11)	-
With Ocean L.L.C	Korea	Securitization company	(*11)	-
Yukyungjiju 1ST L.L.C	Korea	Securitization company	(*11)	-
Neptune Solution L.L.C	Korea	Securitization company	(*11)	-
SK Shipping Hong Kong Ltd.	Hong Kong	Shipping	SK Shipping Co., Ltd.	100.00%
SK Shipping Singapore Pte. Ltd.	Singapore	Shipping	SK Shipping Co., Ltd.	100.00%
SK B&T Pte. Ltd.	Singapore	Petroleum sales	SK Shipping Co., Ltd.	55.00%
Promise Shipholding S.A. and 63 other companies	Panama and others	Special purpose company for acquiring ship	(*11)	-
SK Shipping Europe Plc.	UK	Shipping	SK Shipping Co., Ltd.	100.00%
SK E&S Co., Ltd.	Korea	City gas business and power generation	SK Holdings Co., Ltd.	100.00%
Kangwon City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Yeongnam Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Ko-one Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Narae Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	100.00%
Pusan City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	67.32%
Jeonbuk Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chonnam City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chungcheong Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Paju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	100.00%
Wirye Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	95.17%
SK E&S Hong Kong Co., Ltd.	Hong Kong	City gas business	SK E&S Co., Ltd., Pusan City Gas Co., Ltd.	100.00%
SK E&S Australia Pty. Ltd.	Australia	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S Americas, Inc.	USA	Holding Company	SK E&S Co., Ltd.	100.00%
SK E&S LNG, L.L.C	USA	Liquefied natural gas sales	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, L.L.C	USA	Resource development	SK E&S Americas, Inc.	100.00%
CAILIP Gas Marketing, L.L.C	USA	Resource development	SK E&S Americas, Inc.	100.00%
Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Fajar Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	100.00%
PT SK E&S Nusantara	Indonesia	Management consulting	SK E&S Co., Ltd.	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*3)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu, L.L.C	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%
Mesa Verde RE Ventures, L.L.C	USA	Real estate development	SK E&C Betek Corporation	100.00%
SKEC Consultores Ecuador, S.A.	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C India Pvt. Ltd.	India	Engineering service	SK Engineering & Construction Co., Ltd.	99.94%
SK Holdco Pte. Ltd.	Singapore	Holding Company	SK Engineering & Construction Co., Ltd.	63.51%
SK Materials Co., Ltd. (*2)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd.	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd.	Korea	Manufacturing	SK Materials Co., Ltd.	80.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Siltron Co., Ltd.	Korea	Silicon wafer for electronic industry manufacturing and sales	SK Holdings Co., Ltd.	51.00%
SK Siltron America, Inc.	USA	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Siltron Japan, Inc.	Japan	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Infosec Co., Ltd.	Korea	Information security service	SK Holdings Co., Ltd.	100.00%
SK Encarsales.Com Ltd.	Korea	On-line used car sales and others	SK Holdings Co., Ltd.	50.01%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration and others	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd.	100.00%
Essencore Limited	Hong Kong	Manufacturing and distribution of semiconductor modules and others	SK S.E.Asia Pte. Ltd.	100.00%
ISD Technology (ShenZhen) Limited	China	Consulting for computer system integration and others	Essencore Limited	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration and others	SK Holdings Co., Ltd.	51.00%
FSK L&S Co., Ltd.	Korea	Convergence logistics business	SK Holdings Co., Ltd.	60.00%
FSK L&S (Shanghai) Co., Ltd. (*12) (formerly, Shanghai Huayou International Freight Forwarding Co., Ltd.)	China	Foreign freight forwarding	FSK L&S Co., Ltd.	100.00%
Saturn Agriculture Investment Co., Limited	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Holdings Co., Ltd.	100.00%
SM Core, Inc. (*2, *13)	Korea	Manufacturing and sales of automated logistics system	SK Holdings Co., Ltd.	26.65%
Point Code Inc. (*13)	Korea	Software development and supply	SM Core, Inc.	68.87%
SMC US, Inc. (*13)	USA	Logistics automation facilities	SM Core, Inc.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK Investment Management Co., Ltd.	Hong Kong	Investment management system integration and others	SK Holdings Co., Ltd.	100.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
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**1.2 Consolidated subsidiaries (cont'd)**

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Computer and Communication L.L.C. (*2)	UAE	Consulting for computer system integration and others	SK Holdings Co., Ltd.	49.00%
SK China Company, Ltd. (*14)	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	88.13%
SK China (Beijing) Co., Ltd.	China	Consulting	SK China Company, Ltd.	100.00%
SK Beijing Investment Management Ltd.	China	Real estate fund management	SK China (Beijing) Co., Ltd.	100.00%
SKY Property Mgmt (Beijing) Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd. (*14)	Hong Kong	Investment	SK China Company, Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK International Supply Chain Management Co., Ltd.	Hong Kong	Distribution	SK China Company, Ltd.	100.00%
Ningde Sky Beverage Co., Ltd.	China	Mineral water development	SK International Supply Chain Management Co., Ltd	80.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding Company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Rent-A-Car (Qingdao) Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
Skyline Auto Financial Leasing Co., Ltd.	Hong Kong	Investment	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Financial Leasing Co., Ltd.	China	Financial lease	Skyline Auto Financial Leasing Co., Ltd.	100.00%
SKY Property Management Ltd. (*14)	Virgin Islands	Investment	SK China Company, Ltd.	100.00%
SKY Investment Co., Ltd.	China	Real estate management	SKY Property Management Ltd.	100.00%
SK China Real Estate Co., Ltd.	Hong Kong	Real estate investment	SKY Property Management Ltd.	100.00%
SK China Creative Industry Development Co., Ltd.	China	Service	SKY Property Management Ltd.	100.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Holdings Co., Ltd., SK Innovation Co., Ltd. SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Beijing SK Magellan Capital Advisors Co., Ltd.	China	Investment consulting	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman Islands	Investment	SK Holdings Co., Ltd.	100.00%
SK MENA Investment B.V.	The Netherlands	Investment	SK Telecom Co., Ltd.	100.00%
SK Latin America Investment S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
Plutus Capital NY, Inc.	USA	Investment	SK Holdings Co., Ltd.	100.00%
Hudson Energy NY, LLC	USA	Investment	Plutus Capital NY, Inc.	50.13%
SK Biotek Ireland Limited	Ireland	Investment	SK Biotek Co., Ltd.	100.00%
SK Technology Innovation Company	Cayman Islands	Research and development	SK Telecom Co., Ltd.	96.88%
Happynarae Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd., SK Innovation Co., Ltd.	90.00%
Suzhou Happynara Co., Ltd.	China	Electrical and machine equipment and others	Happynara Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%

- (\*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (\*2) SK Innovation Co., Ltd. and ten other companies are included in the consolidated financial statements as the Company is able to exercise de facto control. The Company is considered to have de facto control as the remaining voting rights of SK Innovation Co., Ltd. and eight other companies are widely dispersed.
- (\*3) The Group wholly owns the ordinary shares of SK Incheon Petrochem Co., Ltd. and SK TNS Co., Ltd., but holds 68.0% and 59.5% of equity ownership respectively, as their preferred shares have voting rights.
- (\*4) In accordance with a resolution of the Board of Directors on September 28, 2017, SK Telecom Co., Ltd., on December 14, 2017, acquired the remaining shares of SK Telink Co., Ltd. (excluding the shares owned by SK Telecom Co., Ltd.) which were held by the other shareholders of SK Telink Co., Ltd. The Board of Directors elected to pay cash of ₩35,281 million (₩270,583 per share) in exchange.
- (\*5) On November 24, 2016, SK Telecom Co., Ltd. acquired all of the shares of SK Communications Co., Ltd., on February 7, 2017, that are held by the other shareholders of SK Communications Co., Ltd. at ₩2,814 per share in cash. As at September 30, 2017, SK Telecom Co., Ltd. wholly owns the ordinary shares of SK Communications Co., Ltd.
- (\*6) During the current reporting period, SK Energy Co., Ltd. transferred the entire equity ownership to SK Networks Co., Ltd., resulting in a change of the largest shareholder.
- (\*7) The assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI are classified as assets and liabilities held for sale (see Note 28 Non-current assets and non-current liabilities classified as held for sale).
- (\*8) The equity ownership of SKC (Jiangsu) High Tech Plastics Co., Ltd. is 100% based on the shareholders' agreement, which gives preemptive rights to the non-controlling ownership.
- (\*9) During the current reporting period, SKC Co., Ltd. acquired additional 51% equity ownership of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.) and classified it as the Group's subsidiaries (see Note 34).



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**1.2 Consolidated subsidiaries (cont'd)**

- (\*10) In accordance with a resolution of the Board of Directors on February 27, 2017, SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.), a subsidiary, split its shipping business division on April 1, 2017. The name of the surviving company is SK Maritime Co., Ltd., and the name of the spin-off company is SK Shipping Co., Ltd. SK Maritime Co., Ltd. reduced its capital of ₩162,696 million and consequently, the Group's equity ownership increased from 83.08% to 99.99%. SK Shipping Co., Ltd. issued shares amounting to ₩222 billion under the third-party allocation method on April 13, 2017, and SK Maritime Co., Ltd. sold 18.11% of the equity ownership in SK Shipping Co., Ltd. at ₩163 billion. Subsequently, SK Maritime's equity ownership in SK Shipping Co., Ltd. decreased from 100% to 57.22%.
- (\*11) The Group's 70 consolidated structured entities are classified as subsidiaries in the consolidated financial statements. In accordance with the terms of the agreement on establishment of these entities, the Group substantially receives all of the returns related to their operations and net assets, and has the ability to direct these entities' activities in a way that most significantly affects these returns.
- (\*12) During the current reporting period, SK Global Chemical (China) Holding Co., Ltd. transferred 66% of the equity ownership to FSK L&S Co., Ltd., resulting in a change of the largest shareholder.
- (\*13) During the current reporting period, the Group acquired 26.65% ownership equity of SM Core, Inc. and voting rights of shares (16.93%) owned by the CEO have been delegated to the Group. Consequently, the Group classified SM Core, Inc. and its two subsidiaries as the Group's subsidiaries (see Note 34).
- (\*14) During the current reporting period, the Group transferred all of its ordinary shares in SKY Property Management Ltd. and SK Industrial Development China Co., Ltd. and cash consideration of USD 300 million to SK China Company Ltd., one of the Group's subsidiaries.

**1.3 Changes in consolidated subsidiaries**

Changes in the consolidated subsidiaries for the nine months ended September 30, 2017 are as follows:

December 31, 2016	Inclusion	Exclusion	September 30, 2017
290	25	(7)	308

During the nine months ended September 30, 2017, the subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
SK Investment Management Co., Ltd. Skyline Auto Financial Leasing Co., Ltd. SK Financial Leasing Co., Ltd. SK Computer and Communication L.L.C. SK Primacor Americas LLC SK Primacor Europe, S.L.U. Home&Service Co., Ltd. Plutus Capital NY, LLC Hudson Energy NY, LLC SK Biotek Ireland Limited Blueseaocean 3rd L.L.C.	Establishment (11 companies)
SM Core, Inc. Point Code Inc. SMC US, Inc. SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.) SKC Hi-Tech&Marketing (Suzhou) Co., Ltd. SKC Hi-Tech&Marketing Taiwan Co., Ltd. SKC Hi-Tech&Marketing Japan K.K. SKC Hi-Tech&Marketing Polska SP.Z.O.O SKC Hi-Tech&Marketing USA LLC SK Siltron Co., Ltd. SK Siltron America, Inc. SK Siltron Japan, Inc. S.M. Life Design Company Japan SK Shipping Co., Ltd.	Acquisition (13 companies)
	Spin-off (1 company)

**SK Holdings Co., Ltd. and its subsidiaries**  
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**1.3 Changes in consolidated subsidiaries (cont'd)**

During the nine months ended September 30, 2017, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
SK Energy Australia (Togara) Pty. Ltd. GaSan 2nd L.L.C. SK MENA B.V. N-Compass Development, LLC Stonebridge Cinema Fund SK Networks (China) Fashion Co., Ltd. Obzee N.Y. Inc.	Liquidation (5 companies)      Disposal (2 companies)

**1.4 Condensed financial information of significant consolidated subsidiaries**

Details of condensed financial information of the significant subsidiaries as at and for the nine months ended September 30, 2017 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩14,735,203	₩ 1,483,129	₩ 2,755,356	₩ 1,779,678
SK Energy Co., Ltd.	13,019,827	7,306,331	20,878,597	682,484
SK Global Chemical Co., Ltd.	5,715,122	1,593,383	7,577,569	634,909
SK Incheon Petrochem Co., Ltd.	5,337,637	2,701,014	5,245,604	179,132
SK Trading International Co., Ltd.	2,008,928	1,248,812	7,821,579	100,777
SK Lubricants Co., Ltd.	1,966,124	653,201	2,122,484	282,087
SK Global Chemical International Trading (Shanghai) Co., Ltd.	449,584	236,980	35,464	(838)
SK Global Chemical Singapore Pte. Ltd.	150,845	54,371	581,613	4,590
SK Energy International Pte. Ltd.	94,514	88,534	474,418	(4,441)
SK Energy Europe, Ltd.	2,491,715	1,908,517	15,165,223	26,163
SK Energy Americas, Inc.	643,740	531,547	2,691,062	(1,921)
SK Lubricants Americas, Inc.	222,417	167,212	374,936	6,571
SK Lubricants Europe B.V.	191,011	174,860	436,199	9,715
Iberian Lube Base Oils S.A.	416,444	142,164	309,041	9,260
SK E&P America, Inc.	541,995	51,744	-	(993)
SK Telecom Co., Ltd.	24,985,927	10,161,173	9,354,122	1,180,971
SK Telink Co., Ltd.	454,484	110,911	295,035	26,038
SK Broadband Co., Ltd.	3,541,422	2,382,038	2,213,186	10,846
PS&Marketing Corp.	437,065	217,049	1,265,728	2,111
SK Planet Co., Ltd.	1,862,327	933,106	813,708	(203,935)
SK Networks Co., Ltd.	7,092,608	4,804,418	13,999,217	3,232
SK Magic Co., Ltd.	489,417	309,832	376,690	11,235
SK Networks (Shanghai) Co., Ltd.	79,367	54,945	433,990	(1,078)
SK Networks Hong Kong Ltd.	115,674	56,361	343,554	892
SKC Co., Ltd.	2,795,233	1,195,784	1,078,625	65,638
SK Telesys Co., Ltd.	148,387	214,591	261,806	7,326
SKC, Inc.	393,102	301,311	242,615	(26,105)
SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.)	25,039	-	258,572	128,308
SK Shipping Co., Ltd.	3,840,025	3,491,407	456,067	(6,074)
SK B&T Pte. Ltd.	160,644	51,496	556,346	943
SK E&S Co., Ltd.	3,848,445	1,747,715	441,451	121,611
Yeongnam Energy Service Co., Ltd.	333,519	138,919	461,780	23,597
Ko-one Energy Service Co., Ltd.	595,145	222,660	728,115	12,638
Narae Energy Service Co., Ltd.	752,567	572,517	211,604	695
Pusan City Gas Co., Ltd.	774,939	203,696	669,013	32,661
Chungcheong Energy Service Co., Ltd.	242,135	122,726	321,579	17,738
Paju Energy Service Co., Ltd.	1,827,161	997,077	632,287	62,452
Wirye Energy Service Co., Ltd.	816,346	595,509	145,695	(1,995)
Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	78,306	33,064	570,585	19,800
SK E&S Australia Pty. Ltd.	434,945	160,788	-	(2,825)
SK E&S Americas, Inc.	667,959	184,126	-	(7,607)
DewBlaine Energy, L.L.C	654,900	4,247	62,241	13,994
SK Engineering & Construction Co., Ltd.	5,393,699	4,321,039	4,571,541	130,652
SK TNS Co., Ltd.	62,790	51,983	316,087	17,342
SK Materials Co., Ltd. (*1)	1,063,924	678,519	372,095	74,905
Essencore Limited (*1)	313,313	104,365	705,427	126,628
SK China Company, Ltd.	2,219,388	7,291	-	1,343
SKY Property Management Ltd. (*1)	639,618	48,216	44,927	16,057
Happynarae Co., Ltd.	123,941	99,834	717,891	3,490
SK Siltron Co., Ltd (*1, *2)	1,496,116	1,087,006	78,697	10,199

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**1.4 Condensed financial information of significant consolidated subsidiaries (cont'd)**

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

(\*2) Sales and net income are amounts after business combination.

**1.5 Disclosure of significant non-controlling interests in subsidiaries**

Information about significant non-controlling interests in subsidiaries as at and for the nine months ended September 30, 2017 is as follows (Korean won in millions):

Segment	September 30, 2017						
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Maritime Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.
Percentage of the non-controlling ownership	66.86%	71.16%	59.92%	56.62%	0.01%	-	53.79%
Current assets	15,482,014	6,008,289	2,907,992	866,269	684,868	1,265,083	3,646,252
Non-current assets	18,167,766	25,915,537	4,906,623	2,815,864	4,071,822	6,898,674	1,865,180
Current liabilities	9,129,326	6,387,736	3,755,248	1,164,048	1,556,684	1,816,653	3,593,427
Non-current liabilities	5,159,409	8,060,005	1,708,589	927,560	3,018,602	3,279,392	989,972
Net assets	19,361,045	17,476,085	2,350,778	1,590,525	181,404	3,067,712	928,033
Book value of the non-controlling interests	13,499,298	12,130,555	1,590,776	971,909	157,675	1,207,031	667,948
Sales	33,706,990	13,022,697	15,205,975	1,942,929	1,138,494	3,894,526	5,106,951
Net income (loss)	1,848,363	1,996,959	16,635	123,257	(27,914)	286,217	121,198
Total comprehensive income (loss)	1,812,836	2,073,226	11,588	114,627	(14,578)	240,450	9,560
Net income (loss) of the non-controlling interests	1,161,946	1,315,818	3,802	71,415	(3,248)	38,313	74,899
Total comprehensive income (loss) of the non-controlling interests	1,115,552	1,340,016	1,421	68,306	(17,591)	37,317	57,181
Net cash flows from operating activities	1,598,079	2,943,117	(30,496)	162,616	80,152	414,625	338,005
Net cash flows from (used in) investing activities	(172,583)	(2,109,383)	590,634	(154,643)	(116,068)	(529,248)	144,839
Net cash flows from (used in) financing activities before dividends paid to the non-controlling interests	(840,657)	(349,784)	(570,627)	18,409	132,711	343,097	(84,032)
Dividends paid to the non-controlling interests	(509,745)	(511,157)	(15,118)	(18,007)	(9,306)	(30,300)	(7,888)
Net increase (decrease) in cash and cash equivalents	75,094	(27,207)	(25,607)	8,375	87,489	198,174	390,924

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

**2. Summary of significant accounting policies**

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

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

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

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed consolidated financial statements and has been translated at the rate of ₩1,146.70 to USD 1.00, the basic exchange rate in Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the nine months ended September 30, 2017. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rates.

### **2.1 Basis of preparation**

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

The significant accounting policies used for the preparation of the accompanying interim condensed consolidated financial statements as at and for the nine months ended September 30, 2017, are the same as the accounting policies adopted for the preparation of consolidated financial statements as at and for the year ended December 31, 2016, except for adoption of new and revised standards applied in the current period, which are summarized below.

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

The principal accounting policies are set out below:

#### **2.1.1 New and revised KIFRSs adopted in the current period**

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

##### **Amendments to KIFRS 1007 – *Statement of Cash Flows***

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

##### **Amendments to KIFRS 1012 – *Income Taxes***

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

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

### **2.1.2 New and revised KIFRS issued, but not yet effective**

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

#### **KIFRS 1109 – *Financial Instruments***

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

#### **KIFRS 1115 – *Revenue from Contracts with Customers***

Under KIFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application of the standard is required for annual periods beginning on or after January 1, 2018. The Group plans to adopt KIFRS 1115 on January 1, 2018. Accumulated effects of the adoption of KIFRS 1115 would be reflected in beginning retained earnings or other equity components, if applicable. Based on the transition rule in KIFRS 1115, the Company is considering applying the standard retrospectively to prior periods only for the ongoing contracts at the first adoption date, with no restatement for completed contracts.

#### **Amendments to KIFRS 1102 – *Share-based Payment***

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

### **2.1.3 Construction contracts**

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

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

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

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**3. Significant accounting judgments, estimates and assumptions**

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

Those accounting judgments made by management in the preparation of the interim condensed consolidated financial statements for the nine months ended September 30, 2017, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2016.

**4. Operating segments**

(1) Overview of operating segments

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

Operating segments	Business
SK Innovation Co., Ltd.	Oil refinery, chemical production, and resources development
SK Telecom Co., Ltd.	Telecommunication
SK Networks Co., Ltd.	Network, information communication, trade, and energy marketing
SKC Co., Ltd.	Chemical, film, and information communication
SK Maritime Co., Ltd.	Marine transportation and logistics
SK E&S Co., Ltd.	Gas and energy supply
SK Engineering & Construction Co., Ltd.	Civil engineering, architecture, plant and others
Others	IT services, security service, special gas manufacturing and sale, medicine and life science and others

(2) Details of financial information for each operating segment as at and for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in billions):

	As at and for the nine month ended September 30, 2017									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Maritime Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 33,707	₩ 13,023	₩ 15,206	₩ 1,943	₩ 1,138	₩ 3,895	₩ 5,107	₩ 5,109	₩ (10,334)	₩68,794
Internal sales	(3,721)	(66)	(3,606)	(330)	(199)	(41)	(413)	(1,958)	10,334	-
Net sales	29,986	12,957	11,600	1,613	939	3,854	4,694	3,151	-	68,794
Net income	2,573	2,477	33	168	(26)	363	134	1,074	(1,173)	5,623
(loss) before income taxes										
Net income (loss)	1,860	1,997	23	123	(28)	286	121	937	(1,142)	4,177
Total assets	33,650	31,924	7,815	3,682	4,757	8,164	5,511	28,042	(16,123)	107,422
Total liabilities	14,289	14,448	5,464	2,092	4,575	5,096	4,583	9,921	1,494	61,962
Depreciation	594	1,821	183	87	102	227	24	77	19	3,134
Amortization	78	594	10	4	1	5	6	14	254	966

  

	As at and for the nine month ended September 30, 2016									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Maritime Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 29,441	₩ 12,740	₩ 13,244	₩ 1,737	₩ 1,203	₩ 2,912	₩ 6,063	₩ 3,881	₩ (9,764)	₩61,457
Internal sales	(3,397)	(53)	(3,845)	(254)	(241)	(37)	(344)	(1,593)	9,764	-
Net sales	26,044	12,687	9,399	1,483	962	2,875	5,719	2,288	-	61,457
Net income	2,072	1,532	69	92	(86)	189	62	970	(1,140)	3,760
(loss) before income taxes										
Net income (loss)	1,564	1,185	44	86	(106)	156	42	842	(1,073)	2,740
Total assets	31,780	29,556	7,981	3,430	4,896	6,953	5,771	22,168	(13,617)	98,918
Total liabilities	13,862	14,012	5,522	1,864	4,512	4,030	5,018	7,285	1,338	57,443
Depreciation	603	1,774	103	92	110	148	34	67	28	2,959
Amortization	77	492	8	4	2	6	4	12	253	858

(\*1) Consolidation adjustments of the Parent company, excluding the consolidation adjustments of each subsidiary

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**4. Operating segments (cont'd)**

(3) Details of financial information by geographical location as at and for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in billions):

	As at and for the nine months ended September 30, 2017							Consolidation adjustments	Total
	Korea	Asia	Europe	North America	South America	Others			
Total sales	₩ 87,790	₩ 20,441	₩ 3,659	₩ 1,229	₩ -	₩ 72	₩ (44,397)	₩ 68,794	
Operation income	7,054	195	26	(5)	-	20	(2,862)	4,428	
Income (loss) before income taxes	7,204	257	18	(26)	-	19	(1,849)	5,623	
Net income (loss)	6,076	219	16	(31)	-	13	(2,116)	4,177	
Total assets	129,218	9,269	1,846	4,431	746	1,312	(39,400)	107,422	
Total liabilities	58,771	3,455	1,304	1,496	710	238	(4,012)	61,962	

	As at and for the nine months ended September 30, 2016							Consolidation adjustments	Total
	Korea	Asia	Europe	North America	South America	Others			
Total sales	₩ 73,725	₩ 15,691	₩ 3,852	₩ 2,341	₩ -	₩ 73	₩ (34,225)	₩ 61,457	
Operation income	5,095	62	(60)	15	-	34	(1,008)	4,138	
Income (loss) before income taxes	4,709	110	(64)	4	-	63	(1,062)	3,760	
Net income (loss)	3,755	59	(63)	(10)	-	57	(1,058)	2,740	
Total assets	121,689	6,076	1,299	2,986	669	1,205	(35,006)	98,918	
Total liabilities	54,561	2,439	897	821	632	258	(2,165)	57,443	

**5. Financial instruments**

**5.1 Financial assets**

Details of financial assets as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017					Total
	Financial assets at FVTPL	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	
<b>Current assets:</b>						
Cash and cash equivalents	₩ -	₩ -	₩ 8,949,155	₩ -	₩ -	₩ 8,949,155
Short-term financial instruments	20,030	-	3,339,467	-	-	3,339,467
Trade accounts receivable (*1)	-	-	9,705,796	-	-	9,705,796
Other accounts receivable	-	-	1,797,323	-	-	1,797,323
Short-term loans	-	-	199,739	-	-	199,739
Accrued income	-	-	31,393	-	-	31,393
Available-for-sale financial assets	-	-	-	183,191	-	183,191
Held-to-maturity investments	-	45	-	-	-	45
Guarantee deposits	-	-	317,170	-	-	317,170
Derivative financial assets	16,059	-	-	-	70,891	86,950
Finance lease receivables	-	-	77,296	-	-	77,296
	<u>36,089</u>	<u>45</u>	<u>24,417,339</u>	<u>183,191</u>	<u>70,891</u>	<u>24,707,555</u>
<b>Non-current assets:</b>						
Long-term financial instruments	-	-	208,421	-	-	208,421
Long-term trade accounts receivable	-	-	17,478	-	-	17,478
Long-term other accounts receivable	-	-	297,630	-	-	297,630
Long-term loans	-	-	355,409	-	-	355,409
Available-for-sale financial assets	-	-	-	1,603,831	-	1,603,831
Held-to-maturity investments	-	848	-	-	-	848
Guarantee deposits	-	-	731,156	-	-	731,156
Derivative financial assets	19,258	-	-	-	86,151	105,409
Finance lease receivables	-	-	201,067	-	-	201,067
	<u>19,258</u>	<u>848</u>	<u>1,811,161</u>	<u>1,603,831</u>	<u>86,151</u>	<u>3,521,249</u>
	<u>₩ 55,347</u>	<u>₩ 893</u>	<u>₩ 26,228,500</u>	<u>₩ 1,787,022</u>	<u>₩ 157,042</u>	<u>₩ 28,228,804</u>

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**5.1 Financial assets (cont'd)**

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

(\*1) The Group's unbilled receivables amounting to ₩530,333 million and ₩786,678 million as at September 30, 2017 and December 31, 2016, respectively, are not included in trade accounts receivable.



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**5.2 Financial liabilities**

Details of financial liabilities as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017			
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 2,610,207	₩ -	₩ 2,610,207
Trade accounts payable	-	8,440,502	-	8,440,502
Other accounts payable	-	3,188,629	-	3,188,629
Current portion of long-term debt	-	7,512,082	-	7,512,082
Accrued expenses	-	2,531,083	-	2,531,083
Dividends payable	-	790	-	790
Leasehold deposits received	-	132,203	-	132,203
Derivative financial liabilities	50,812	-	85,700	136,512
Finance lease liabilities	-	1,755	-	1,755
	<u>50,812</u>	<u>24,417,251</u>	<u>85,700</u>	<u>24,553,763</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	60,167	22,983,624	-	23,043,791
Long-term other accounts payable	-	3,914,866	-	3,914,866
Leasehold deposits received	-	325,932	-	325,932
Derivative financial liabilities	9,170	-	15,583	24,753
Finance lease liabilities	-	487	-	487
Financial guarantee liabilities	-	12,821	-	12,821
	<u>69,337</u>	<u>27,237,730</u>	<u>15,583</u>	<u>27,322,650</u>
	<u>₩ 120,149</u>	<u>₩ 51,654,981</u>	<u>₩ 101,283</u>	<u>₩ 51,876,413</u>
	December 31, 2016			
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
<b>Current liabilities:</b>				
Short-term borrowings	₩ -	₩ 2,614,117	₩ -	₩ 2,614,117
Trade accounts payable	-	8,897,260	-	8,897,260
Other accounts payable	-	3,241,765	-	3,241,765
Current portion of long-term debt	-	5,629,577	-	5,629,577
Accrued expenses	-	2,480,547	-	2,480,547
Dividends payable	-	614	-	614
Leasehold deposits received	-	125,157	-	125,157
Derivative financial liabilities	112,950	-	143,123	256,073
Finance lease liabilities	-	1,747	-	1,747
	<u>112,950</u>	<u>22,990,784</u>	<u>143,123</u>	<u>23,246,857</u>
<b>Non-current liabilities:</b>				
Bonds payable and long-term borrowings	59,600	23,073,906	-	23,133,506
Long-term other accounts payable	-	4,601,776	-	4,601,776
Leasehold deposits received	-	357,384	-	357,384
Derivative financial liabilities	12,281	-	39,397	51,678
Finance lease liabilities	-	1,864	-	1,864
Financial guarantee liabilities	-	9,120	-	9,120
	<u>71,881</u>	<u>28,044,050</u>	<u>39,397</u>	<u>28,155,328</u>
	<u>₩ 184,831</u>	<u>₩ 51,034,834</u>	<u>₩ 182,520</u>	<u>₩ 51,402,185</u>

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**5.3 Fair values of financial instruments by hierarchy level**

1) Fair values and book values of financial instruments as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 24,487,629	₩ 24,726,436	₩ 23,755,427	₩ 23,795,522
Borrowings	8,678,451	8,308,452	7,621,773	7,603,575

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (1.40%~4.86%) regarding residual market risks. As the book values of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

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

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

3) Details of fair values of financial instruments by hierarchy level as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 316	₩ 55,031	₩ -	₩ 55,347
Available-for-sale financial assets (*1)	768,499	136,604	118,521	1,023,624
Financial assets designated as hedging instruments	-	157,042	-	157,042
	<u>₩ 768,815</u>	<u>₩ 348,677</u>	<u>₩ 118,521</u>	<u>₩ 1,236,013</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ 2,063	₩ 118,086	₩ -	₩ 120,149
Financial liabilities designated as hedging instruments	-	101,283	-	101,283
	<u>₩ 2,063</u>	<u>₩ 219,369</u>	<u>₩ -</u>	<u>₩ 221,432</u>
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ -	₩ 104,018	₩ -	₩ 104,018
Available-for-sale financial assets (*1)	754,983	178,766	121,669	1,055,418
Financial assets designated as hedging instruments	-	299,173	-	299,173
	<u>₩ 754,983</u>	<u>₩ 581,957</u>	<u>₩ 121,669</u>	<u>₩ 1,458,609</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 184,831	₩ -	₩ 184,831
Financial liabilities designated as hedging instruments	-	182,520	-	182,520
	<u>₩ -</u>	<u>₩ 367,351</u>	<u>₩ -</u>	<u>₩ 367,351</u>

(\*1) Available-for-sale financial assets do not include available-for-sale financial assets, which are measured at cost as their fair values are not reliably measurable.

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**6. Trade accounts receivable**

(1) Details of trade accounts receivable as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 10,187,255	₩ 19,487	₩ 10,158,904	₩ 24,469
Unbilled receivables	530,333	-	786,678	-
Allowance for doubtful accounts:				
Trade accounts receivable	(481,459)	(2,009)	(547,111)	(281)
	<u>₩ 10,236,129</u>	<u>₩ 17,478</u>	<u>₩ 10,398,471</u>	<u>₩ 24,188</u>

(2) Details of accumulated cost and profit, unbilled receivables and overbilled receivables related to construction contracts in progress as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 31,697,715	₩ 32,403,937	₩ 476,030	₩ 1,182,252	₩ 50,232
Others	255,082	211,861	54,303	11,082	-
	<u>₩ 31,952,797</u>	<u>₩ 32,615,798</u>	<u>₩ 530,333</u>	<u>₩ 1,193,334</u>	<u>₩ 50,232</u>
	December 31, 2016				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 34,657,316	₩ 35,123,840	₩ 750,205	₩ 1,216,729	₩ 71,101
Others	247,622	220,739	36,473	9,590	-
	<u>₩ 34,904,938</u>	<u>₩ 35,344,579</u>	<u>₩ 786,678</u>	<u>₩ 1,226,319</u>	<u>₩ 71,101</u>

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as at September 30, 2017 are as follows (Korean won in millions):

	September 30, 2017				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period loss	Impact on future period loss	Change in overbilled receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ (39,990)	₩ 175,522	₩ (147,771)	₩ (67,741)	₩ (147,771)
Others	(2,917)	633	(888)	(2,662)	(888)
	<u>₩ (42,907)</u>	<u>₩ 176,155</u>	<u>₩ (148,659)</u>	<u>₩ (70,403)</u>	<u>₩ (148,659)</u>

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

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**6. Trade accounts receivable (cont'd)**

(4) Details of the construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as at September 30, 2017 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Unbilled receivables		Trade accounts receivable (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project Goseong Green Power Project	2009.12 2014.07	2017.12 2021.07	99.9 10.7	₩ 3,955	₩ -	₩ 18,665	₩ -

(\*1) Trade accounts receivable refers to the amounts of billed receivables.

**7. Inventories**

Details of inventories as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017			December 31, 2016		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 898,764	₩ (14,146)	₩ 884,618	₩ 894,567	₩ (17,029)	₩ 877,538
Finished goods	1,835,180	(26,848)	1,808,332	1,505,234	(39,850)	1,465,384
Semifinished goods and work in progress	698,219	(29,642)	668,577	620,820	(16,090)	604,730
Raw materials and sub-materials	1,530,497	(10,472)	1,520,025	1,334,776	(8,196)	1,326,580
Materials in transit	2,069,013	-	2,069,013	1,512,078	-	1,512,078
Supplies	249,775	(5,142)	244,633	212,776	(948)	211,828
Uncompleted contracts	6,979	-	6,979	6,995	-	6,995
Others	14,143	(572)	13,571	14,625	(903)	13,722
	<u>₩ 7,302,570</u>	<u>₩ (86,822)</u>	<u>₩ 7,215,748</u>	<u>₩ 6,101,871</u>	<u>₩ (83,016)</u>	<u>₩ 6,018,855</u>

**8. Available-for-sale financial assets**

Details of available-for-sale financial assets as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017	December 31, 2016
Marketable equity instruments	₩ 768,499	₩ 754,983
Non-marketable equity instruments	773,822	442,111
Corporate and government bonds	58,857	65,010
Others (*1)	185,844	444,436
	<u>₩ 1,787,022</u>	<u>₩ 1,706,540</u>
Current available-for-sale financial assets	₩ 183,191	₩ 179,448
Non-current available-for-sale financial assets	1,603,831	1,527,092

(\*1) Others include beneficiary certificates.

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**9. Investments in associates and joint ventures**

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

Company	Domicile	September 30, 2017			December 31,
		Equity ownership (*1)	Acquisition cost	Book value	2016
					Book value
<b>Associates:</b>					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 7,412,344	₩ 6,088,485
China Gas Holdings Ltd. (*2)	Hong Kong	15.7%	1,597,222	1,624,496	1,621,030
ESR Cayman Limited (*2, *6)	Cayman Islands	11.8%	374,400	375,691	-
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	331,178	327,066
Peru LNG Company, LLC	Peru	20.0%	331,144	299,039	314,425
Korea IT Fund (*3)	Korea	63.3%	242,170	257,099	263,850
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	279,977	265,798
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	-	12,936
Eurasia Tunnel	Turkey	50.0%	112,898	204,039	173,273
Springvale SK Kores Pty. Ltd.	Australia	50.0%	115,599	109,780	107,093
Socar, Inc.	Korea	28.2%	91,798	83,521	54,680
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	74,054	77,284
NanoEnTek, Inc.	Korea	28.5%	68,996	62,211	62,657
SKC Hi-Tech&Marketing LLC (formerly, SKC Haas Display Film LLC) (*4)	Korea	-	-	-	63,171
TSK Water Co., Ltd.	Korea	25.0%	45,811	60,184	54,392
Others				<u>556,476</u>	<u>474,262</u>
				<u>11,730,088</u>	<u>9,960,402</u>
<b>Joint ventures (*5):</b>					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	488,809	681,444	565,226
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	421,254	378,870
Hana Land Chip PEF 33 (*3)	Korea	65.2%	196,001	193,004	196,897
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	108,323	106,345	97,703
SKC-Kolon Pi Co., Ltd.	Korea	27.0%	83,753	93,462	90,079
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	84,340	76,946
Others				<u>196,116</u>	<u>193,776</u>
				<u>1,775,965</u>	<u>1,599,497</u>
				<u>₩ 13,506,053</u>	<u>₩ 11,559,899</u>

(\*1) The equity ownership includes indirect investments held by consolidated subsidiaries.

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

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

(\*4) During the current reporting period, SKC Co., Ltd. acquired additional 51% equity ownership of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.) and classified it as the Group's subsidiaries (see Note 34 Business combination).

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

(\*6) The investment in the entity was acquired during the current reporting period.

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

		For the nine months ended September 30, 2017							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩	9,960,402	₩ 522,937	₩ (12,901)	₩ 1,508,624	₩ (51,286)	₩(152,870)	₩ (44,818)	₩ 11,730,088
Joint ventures		<u>1,599,497</u>	<u>26,776</u>	<u>-</u>	<u>175,850</u>	<u>(1,267)</u>	<u>(22,475)</u>	<u>(2,416)</u>	<u>1,775,965</u>
		<u>₩11,559,899</u>	<u>₩ 549,713</u>	<u>₩ (12,901)</u>	<u>₩ 1,684,474</u>	<u>₩ (52,553)</u>	<u>₩(175,345)</u>	<u>₩ (47,234)</u>	<u>₩ 13,506,053</u>

  

		For the nine months ended September 30, 2016							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates	₩	9,677,938	₩ 159,864	₩ (214,193)	₩ 261,901	₩ (157,608)	₩(111,851)	₩ (12,035)	₩ 9,604,016
Joint ventures		<u>1,479,837</u>	<u>98,406</u>	<u>-</u>	<u>14,113</u>	<u>(29,017)</u>	<u>(17,089)</u>	<u>(7,066)</u>	<u>1,539,184</u>
		<u>₩11,157,775</u>	<u>₩ 258,270</u>	<u>₩ (214,193)</u>	<u>₩ 276,014</u>	<u>₩ (186,625)</u>	<u>₩(128,940)</u>	<u>₩ 19,101</u>	<u>₩ 11,143,200</u>

(\*1) The Group recognized additional loans receivable of nil and ₩490 million of unrecognized losses, which were incurred as losses on investments in associates exceeded the investments' carrying amounts for the nine months ended September 30, 2017 and 2016, respectively.

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

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as at September 30, 2017 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 45,888	₩ (434)	₩ 45,454
Harmony Country Club	-	4,586	4,586
SK Telesys Corporation	3,960	-	3,960
Wave City Development Co., Ltd.	3,290	3,790	7,080
Celcom Planet and others	10,791	12,646	23,437

**SK Holdings Co., Ltd. and its subsidiaries**  
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**9. Investments in associates and joint ventures (cont'd)**

(4) Condensed financial information of significant investments in associates and jointly controlled entities as at September 30, 2017 are as follows (Korean won in millions):

As at and for the nine months ended September 30, 2017							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
<b>Associates:</b>							
SK Hynix Inc.	₩ 14,557,910	₩ 26,172,544	₩ 5,642,786	₩ 4,183,169	₩ 21,081,881	₩ 7,422,720	₩ 7,317,259
China Gas Holdings Ltd.	4,413,139	12,818,675	6,486,149	3,872,221	5,604,981	815,949	560,694
Daehan Oil Pipeline Corporation	100,216	914,161	31,611	230,814	115,754	23,348	23,348
Peru LNG Company, LLC	419,276	3,099,050	224,246	1,798,884	463,435	(22,919)	(57,930)
Korea IT Fund	132,585	273,362	-	-	11,743	2,068	6,176
Hana Card Co., Ltd.	7,167,768	543,003	1,128,501	5,073,613	1,127,603	97,352	97,712
Yemen LNG Company Ltd.	151,831	4,986,171	76,287	2,140,556	-	(182,758)	(182,758)
Eurasia Tunnel	198,847	1,354,659	97,097	1,064,810	22,091	28,658	9,098
Springvale SK Kores Pty. Ltd.	30,196	412,553	30,601	192,589	91,974	(1,456)	(1,456)
Socar, Inc.	61,616	111,111	40,805	96,490	89,297	(17,500)	(17,500)
Korea Ras Laffan LNG Limited	1,057	946,093	55	21,426	70,430	69,179	69,179
NanoEnTek, Inc.	25,021	22,100	6,848	11,456	15,734	1,126	1,126
TSK Water Co., Ltd.	113,681	343,154	91,747	192,392	304,138	25,595	25,595
<b>Joint ventures:</b>							
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	362,292	2,379,282	897,042	6,096	1,997,682	357,710	357,710
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	530,408	797,381	335,931	109,334	876,728	90,255	87,758
Hana land chip PEF 33	16,891	608,975	15,371	314,483	25,926	18,203	18,203
Boryeong LNG Terminal Co., Ltd.	211,608	1,130,059	62,892	1,107,465	112,681	18,770	18,770
SKC-Kolon Pi Co., Ltd.	125,752	208,611	50,946	39,981	159,478	28,101	28,101
SABIC SK Nexlene Company Pte. Ltd.	159,925	597,437	146,434	344,426	228,495	(5,042)	23,979

**10. Property, plant and equipment**

(1) Details of property, plant and equipment as at September 30, 2017, and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017	December 31, 2016
Acquisition cost	₩ 47,897,970	₩ 44,164,521
Accumulated depreciation and accumulated impairment loss	(6,871,975)	(3,132,016)
	₩ 41,025,995	₩ 41,032,505

(2) Changes in property, plant and equipment for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

For the nine months ended September 30, 2017							
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 9,994,777	₩ 111,070	₩ 16,266	₩ (389,439)	₩ -	₩ 89,228	₩ 9,821,902
Buildings	3,365,986	383,345	2,781	(16,704)	(113,321)	287,910	3,909,997
Structures	1,313,084	29,025	18,962	(18,471)	(77,266)	290,155	1,555,489
Ships and vessels	2,671,277	-	-	-	(94,693)	(74,755)	2,501,829
Machinery and equipment	15,680,963	262,228	355,640	(34,534)	(2,278,313)	2,958,197	16,944,181
Vehicles	825,012	2,669	138,097	(4,550)	(100,780)	(56,813)	803,635
Others	3,029,187	9,222	720,020	(29,398)	(464,916)	(181,449)	3,082,666
Construction-in-progress	4,152,219	81,435	2,086,432	(4,957)	-	(3,908,833)	2,406,296
	₩ 41,032,505	₩ 878,994	₩ 3,338,198	₩ (498,053)	₩ (3,129,289)	₩ (596,360)	₩ 41,025,995

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

For the nine months ended September 30, 2016							
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 9,900,793	₩ 61,280	₩ 6,382	₩ (50,627)	₩ -	₩ 1,506	₩ 9,919,334
Buildings	3,292,931	87,996	5,652	(28,262)	(106,119)	77,503	3,329,701
Structures	1,227,202	39,986	45,236	(2,908)	(74,398)	51,782	1,286,900
Ships and vessels	2,805,736	-	1,625	(4,506)	(59,253)	(179,878)	2,563,724
Machinery and equipment	16,189,361	267,031	380,813	(32,968)	(2,215,088)	672,017	15,261,166
Vehicles	485,429	1,184	286,241	(40,066)	(81,392)	10,150	661,546
Others	2,770,338	26,505	530,984	(15,730)	(429,370)	(79,385)	2,803,342
Construction-in-progress	2,773,496	26,121	2,090,979	(39,938)	-	(1,070,166)	3,780,492
	<u>₩ 39,445,286</u>	<u>₩ 510,103</u>	<u>₩ 3,347,912</u>	<u>₩ (215,005)</u>	<u>₩ (2,965,620)</u>	<u>₩ (516,471)</u>	<u>₩ 39,606,205</u>

(\*1) Others include transfer to intangible assets and investment property, impairment losses and net translation differences.

**11. Investment property**

(1) Details of investment property as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017	December 31, 2016
Acquisition cost	₩ 696,000	₩ 740,264
Accumulated depreciation and accumulated impairment loss	(34,853)	(12,481)
	<u>₩ 661,147</u>	<u>₩ 727,783</u>

(2) Changes in investment property for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

For the nine months ended September 30, 2017							
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance	
Land	₩ 384,725	₩ 285	₩ (2,266)	₩ -	₩ (37,840)	₩ 344,904	
Buildings	341,449	2,091	(1,071)	(7,102)	(19,795)	315,572	
Structures	1,609	-	-	(71)	(867)	671	
	<u>₩ 727,783</u>	<u>₩ 2,376</u>	<u>₩ (3,337)</u>	<u>₩ (7,173)</u>	<u>₩ (58,502)</u>	<u>₩ 661,147</u>	

  

For the nine months ended September 30, 2016							
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance	
Land	₩ 384,932	₩ -	₩ -	₩ -	₩ 15,909	₩ 400,841	
Buildings	411,120	1,384	(59,458)	(8,073)	(4,184)	340,789	
Structures	1,756	-	-	(110)	-	1,646	
	<u>₩ 797,808</u>	<u>₩ 1,384</u>	<u>₩ (59,458)</u>	<u>₩ (8,183)</u>	<u>₩ 11,725</u>	<u>₩ 743,276</u>	

(\*1) Others include transferred amounts to property, plant and equipment and net translation differences.

**12. Goodwill**

Changes in goodwill for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	September 30, 2017	September 30, 2016
Beginning balance	₩ 575,233	₩ 27,078
Business combination (See Note 34)	438,791	275,344
Others	31,559	4,896
Ending balance	<u>₩ 1,045,583</u>	<u>₩ 307,318</u>



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**13. Intangible assets**

Changes in intangible assets for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	For the nine months ended September 30, 2017						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*1)	Ending balance
Development costs	₩ 77,867	₩ 518	₩ 30,710	₩ (1,115)	₩ (17,152)	₩ 6,655	₩ 97,483
Facility usage rights	54,435	7,050	1,688	(1,098)	(6,493)	(7)	55,575
Industrial property rights	126,524	-	2,640	(53)	(6,011)	(1,892)	121,208
Frequency usage rights	2,580,828	-	-	-	(302,916)	-	2,277,912
Customer-related assets	1,439,745	374,919	918	-	(103,030)	172	1,712,724
Membership (*2)	222,513	3,442	20,066	(17,861)	-	2,441	230,601
Development costs for petroleum resource	1,775,135	-	194,645	-	(73,025)	(38,786)	1,857,969
Brand-related assets (*2)	2,185,119	-	-	-	-	-	2,185,119
Developed technology	1,039,213	289,856	-	-	(95,723)	343	1,233,689
Others (*3)	1,695,778	3,135	78,788	(11,453)	(361,301)	417,312	1,822,259
	<u>₩ 11,197,157</u>	<u>₩ 678,920</u>	<u>₩ 329,455</u>	<u>₩ (31,580)</u>	<u>₩ (965,651)</u>	<u>₩ 386,238</u>	<u>₩ 11,594,539</u>

  

	For the nine months ended September 30, 2016						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*1)	Ending balance
Development costs	₩ 79,158	₩ -	₩ 18,413	₩ (7)	₩ (21,423)	₩ 4,789	₩ 80,930
Facility usage rights	61,386	-	1,094	(4)	(6,699)	(1,111)	54,666
Industrial property rights	120,701	-	3,901	(318)	(5,485)	133	118,932
Frequency usage rights	1,103,517	-	1,254,664	-	(220,514)	-	2,137,667
Customer-related assets	1,263,503	244,984	503	-	(97,130)	-	1,411,860
Membership (*2)	241,874	1,449	25,998	(19,292)	(68)	(1,854)	248,107
Development costs for petroleum resource	1,862,146	-	59,768	-	(72,684)	(42,351)	1,806,879
Brand-related assets (*2)	1,975,000	-	-	-	-	-	1,975,000
Developed technology	1,045,951	106,420	-	-	(88,307)	(1)	1,064,063
Others (*3)	1,969,115	2,684	170,440	(12,502)	(345,988)	(175,672)	1,608,077
	<u>₩ 9,722,351</u>	<u>₩ 355,537</u>	<u>₩ 1,534,781</u>	<u>₩ (32,123)</u>	<u>₩ (858,298)</u>	<u>₩ (216,067)</u>	<u>₩ 10,506,181</u>

(\*1) Others include impairment loss and net translation differences.

(\*2) Membership and brand-related assets are classified as intangible assets with infinite useful lives and are not amortized.

(\*3) Others comprise intangible assets recognized through business combination, software, usable and profitable donation assets and others.

**14. Borrowings and bonds payable**

(1) Details of borrowings and bonds payable as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 2,610,207	₩ -	₩ 2,614,117	₩ -
Bonds and long-term borrowings:				
Bonds payable	5,889,671	18,597,958	4,378,668	19,376,759
Long-term borrowings	1,622,411	4,445,833	1,250,909	3,756,747
	<u>7,512,082</u>	<u>23,043,791</u>	<u>5,629,577</u>	<u>23,133,506</u>
	<u>₩ 10,122,289</u>	<u>₩ 23,043,791</u>	<u>₩ 8,243,694</u>	<u>₩ 23,133,506</u>

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**14. Borrowings and bonds payable (cont'd)**

(2) Details of bonds payable as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
SK Holdings Co., Ltd.	₩ 6,060,000	₩ 5,410,000
SK Innovation Co., Ltd.	661,345	682,975
SK Energy Co., Ltd.	1,850,000	2,070,000
SK Global Chemical Co., Ltd.	690,000	840,000
SK Incheon Petrochem Co., Ltd.	1,430,000	1,630,000
SK Lubricants Co., Ltd.	300,000	450,000
SK Telecom Co., Ltd.	5,555,392	5,627,514
SK Broadband Co., Ltd.	1,604,010	1,572,550
PS&Marketing Corp.	-	20,000
iriver Co., Ltd. (*1)	4,770	-
SK Networks Co., Ltd.	1,290,000	1,290,000
SK Magic Co., Ltd.	40,000	-
SKC Co., Ltd.	750,000	630,000
SKC Solmics Co., Ltd.	59,000	69,000
SK Telesys Co., Ltd.	40,000	40,000
SK Shipping Co., Ltd.	623,934	417,000
SK Shipping Europe Plc.	-	24,170
SK E&S Co., Ltd.	1,100,000	1,050,000
Paju Energy Service Co., Ltd.	500,000	500,000
Wirye Energy Service Co., Ltd.	250,000	250,000
Narae Energy Service Co., Ltd.	80,000	80,000
SK Engineering & Construction Co., Ltd.	895,000	595,000
SK Materials Co., Ltd.	200,000	100,000
SK Siltron Co., Ltd.	180,000	-
	<u>24,163,451</u>	<u>23,348,209</u>
Addition: premium on bonds payable	324,178	407,218
Less: current portion	<u>(5,889,671)</u>	<u>(4,378,668)</u>
	<u>₩ 18,597,958</u>	<u>₩ 19,376,759</u>

(\*1) During the current period, the Group sold its convertible bond issued by Iriver Co., Ltd., one of the subsidiaries, to the third party.

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**14. Borrowings and bonds payable (cont'd)**

(3) Details of long-term borrowings as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

Financial institution	Description	Interestrate (%)	September 30, 2017	December 31, 2016
Korea Development Bank and others	General	0.75 ~ 5.32	₩ 1,838,487	₩ 1,515,098
Korea Development Bank and others (*1)	Fund for facility	1.75 ~ 4.50	2,150,090	1,932,951
Export Kreditnamnden and others	Foreign long-term borrowings	1.70 ~ 6.00	274,673	218,041
Korea National Oil Corporation and others (*2)	Fund for mine exploration	0.00 ~ 7.00	81,502	61,681
Econg 1st Co., Ltd. and others	Callable preferred share	5.00 ~ 6.40	450,000	525,000
Korea Development Bank and others	Fund for operation	2.20 ~ 2.32	474,833	563,298
Kookmin Bank and others	Fund for supply pipeline	1.75	12,512	16,539
Kookmin Bank	Fund for catalyzing information	1.87	1,433	4,083
Kookmin Bank and others	Fund for reasonable energy consumption	1.75 ~ 1.80	6,608	3,829
NongHyup Bank and others	Fund for safety management	1.75	1,228	1,564
Citibank and others (*3)	Takeover	2.85	216,366	-
Special situation 1st LLC and others	Others	3.14, 3.20	554,131	158,563
			6,061,863	5,000,647
Addition: Premium			6,381	7,009
Less: Current portion			(1,622,411)	(1,250,909)
			<u>₩ 4,445,833</u>	<u>₩ 3,756,747</u>

(\*1) The borrowings from Korea Development Bank amounting to ₩159,850 million of SK Global Chemical Co., Ltd., a subsidiary of the Company, are related to the facility borrowings of Ulsan Aromatics Co., Ltd., which is accounted for as joint operation, and the amount of the Group's repayment obligation according to the cash deficiency support agreement is recorded as borrowings as at September 30, 2017.

(\*2) As at September 30, 2017, the Group holds loans from Korea National Oil Corporation (the "KNOC") for the purpose of oil exploration and development in which there is no repayment obligation for ₩42,097 million based on the successful effort method, and interest expense will be recognized upon successful commercial production.

(\*3) SK Global Chemical Co., Ltd., one of the subsidiaries, has a repayment obligation for borrowings of SK GC Americas, Inc. in the event of default. The purpose of the borrowings of SK GC Americas, Inc. was to acquire The Dow Chemical Company's EAA business domiciled in the US and Spain and its tangible/intangible assets.

**15. Provisions**

Changes in the provisions for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	For the nine months ended September 30, 2017						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 16,036	₩ 1,413	₩ 6,713	₩ (4,297)	₩ 19,865	₩ 4,200	₩ 15,665
Provision for handset subsidy	24,711	-	2	(6,736)	17,977	17,977	-
Provision for service / construction warranties	57,561	-	9,164	(13,195)	53,530	53,530	-
Provision for restoration	116,019	-	11,109	(10,710)	116,418	40,791	75,627
Provision for losses on contracts	155,154	418	17,714	(106,954)	66,332	66,332	-
Other provisions	155,653	26	17,796	(105,062)	68,413	57,979	10,434
	<u>₩ 525,134</u>	<u>₩ 1,857</u>	<u>₩ 62,498</u>	<u>₩ (246,954)</u>	<u>₩ 342,535</u>	<u>₩ 240,809</u>	<u>₩ 101,726</u>
	For the nine months ended September 30, 2016						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 9,607	₩ -	₩ 3,674	₩ (368)	₩ 12,913	₩ 783	₩ 12,130
Provision for handset subsidy	5,671	-	-	(1,019)	4,652	1,214	3,438
Provision for service / construction warranties	49,491	5	12,204	(13,512)	48,188	48,121	67
Provision for restoration	93,920	-	23,784	(9,064)	108,640	29,526	79,114
Provision for losses on contracts	178,370	-	76,527	(140,101)	114,796	114,796	-
Other provisions	103,441	576	29,525	(13,274)	120,368	58,418	61,950
	<u>₩ 440,500</u>	<u>₩ 581</u>	<u>₩ 145,814</u>	<u>₩ (177,338)</u>	<u>₩ 409,557</u>	<u>₩ 252,858</u>	<u>₩ 156,699</u>

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**16. Retirement benefit obligation**

(1) Details of retirement benefit obligation as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligation	₩ 2,275,651	₩ 1,961,251
Fair value of plan assets (*1)	(1,852,425)	(1,770,247)
Total	<u>₩ 423,226</u>	<u>₩ 191,004</u>

(\*1) The Group has recognized ₩379 million and ₩38,374 as defined benefit assets as at September 30, 2017 and December 31, 2016, respectively.

(2) Changes in the retirement benefit obligation for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	<u>For the nine months ended September 30, 2017</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Total</u>
Beginning balance	₩ 1,961,251	₩ (1,770,247)	₩ 191,004
Business combination	131,744	(93,050)	38,694
Provision for pension benefits:			
Current service cost	253,565	-	253,565
Net interest expense (income)	38,058	(34,077)	3,981
Remeasurement:			
Return on plan assets	-	7,533	7,533
Actuarial changes arising from changes in financial assumptions and others	8,075	-	8,075
Contributions by employer directly to plan assets	-	(89,376)	(89,376)
Benefits paid	(148,297)	143,391	(4,906)
Others	31,255	(16,599)	14,656
Ending balance	<u>₩ 2,275,651</u>	<u>₩ (1,852,425)</u>	<u>₩ 423,226</u>

	<u>For the nine months ended September 30, 2016</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Total</u>
Beginning balance	₩ 1,736,303	₩ (1,470,600)	₩ 265,703
Business combination	22,814	(14,056)	8,758
Provision for pension benefits:			
Current service cost	234,598	-	234,598
Net interest expense (income)	31,589	(26,431)	5,158
Remeasurement:			
Return on plan assets	-	6,542	6,542
Actuarial changes arising from changes in financial assumptions and others	61,276	-	61,276
Contributions by employer directly to plan assets	-	(76,138)	(76,138)
Benefits paid	(152,654)	113,079	(39,575)
Others	20,549	(6,638)	13,911
Ending balance	<u>₩ 1,954,475</u>	<u>₩ (1,474,242)</u>	<u>₩ 480,233</u>

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**17. Other assets and liabilities**

(1) Details of other assets as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current assets:		
Short-term financial instruments	₩ 3,359,497	₩ 4,265,992
Short-term loans	199,739	239,915
Accrued income	31,393	23,782
Advance payments	717,806	676,453
Prepaid expenses	707,974	665,088
Held-to-maturity investments	45	67
Guarantee deposits	317,170	192,214
Derivative financial assets	86,950	151,163
Finance lease receivables	77,296	79,896
Others	207	6,690
	<u>₩ 5,498,077</u>	<u>₩ 6,301,260</u>
Non-current assets:		
Long-term financial instruments	₩ 208,421	₩ 131,033
Long-term prepaid expenses	1,162,077	1,203,876
Long-term loans	355,409	314,455
Held-to-maturity investments	848	870
Guarantee deposits	731,156	732,770
Derivative financial assets	105,409	252,028
Finance lease receivables	201,067	275,288
Defined benefit assets (*1)	379	38,374
Others	119,284	87,569
	<u>₩ 2,884,050</u>	<u>₩ 3,036,263</u>

(\*1) The excess amount of certain plans of the Group has not been offset as the Group does not have the rights and intention of settling the defined benefit obligation of other plans (see Note 16).

(2) Details of other liabilities as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current liabilities:		
Accrued expenses	₩ 2,531,083	₩ 2,480,547
Dividends payable	790	614
Advance received	1,853,937	1,828,650
Unearned revenue	266,220	267,063
Withholdings	1,953,990	1,934,365
Leasehold deposits received	132,203	125,157
Income tax payable	764,968	955,295
Derivative financial liabilities	136,512	256,073
Finance lease liabilities	1,755	1,747
Others	1,114	561
	<u>₩ 7,642,572</u>	<u>₩ 7,850,072</u>
Non-current liabilities:		
Long-term unearned revenue	₩ 409,670	₩ 365,904
Leasehold deposits received	325,932	357,384
Derivative financial liabilities	24,753	51,678
Finance lease liabilities	487	1,864
Financial guarantee liabilities	12,821	9,120
Others	361,873	50,554
	<u>₩ 1,135,536</u>	<u>₩ 836,504</u>

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**18. Derivative financial assets and liabilities**

Details of derivative financial assets and liabilities as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Firm contracts	₩ 32,320	₩ -	₩ 84,296	₩ -
Swap contracts	(69,457)	79,263	(169,632)	197,183
Forward contracts	(14,132)	1,393	(20,206)	3,167
Futures contracts	1,634	-	1,051	-
Options contracts	73	-	(419)	-
	<u>₩ (49,562)</u>	<u>₩ 80,656</u>	<u>₩ (104,910)</u>	<u>₩ 200,350</u>
Derivative financial assets	₩ 86,950	₩ 105,409	₩ 151,163	₩ 252,028
Derivative financial liabilities	(136,512)	(24,753)	(256,073)	(51,678)

**19. Equity**

**19.1 Issued capital**

Details of issued capital as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017	December 31, 2016
Number of shares authorized for issue	400,000,000	400,000,000
Per share (Korean won)	₩ 200	₩ 200
Number of shares issued:		
Ordinary share	70,360,297	70,360,297
Preferred share	566,135	566,135
Issued capital:		
Ordinary share	₩ 15,272	₩ 15,272
Preferred share	113	113
	<u>₩ 15,385</u>	<u>₩ 15,385</u>

The Company retired 6,000,000 shares of its treasury stock (par value: ₩1,200 million) in 2015 by reducing its retained earnings, which resulted in a difference between total par value of ordinary shares and issued capital.

**19.2 Other paid-in capital**

Details of other paid-in capital as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	September 30, 2017	December 31, 2016
Paid-in surplus (*1)	₩ 5,605,831	₩ 5,605,831
Treasury shares (*2)	(904,490)	(904,490)
Others	(286,997)	39,798
	<u>₩ 4,414,344</u>	<u>₩ 4,741,139</u>

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

(\*2) As at September 30, 2017, treasury stock consists of those acquired to increase the enterprise value and stabilize share price (3,514,276 ordinary shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and odd lot shares (11,021,664 ordinary shares and 1,818 preferred shares) during the merger in 2015. There was no additional acquisition or disposal during the current period.

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**19.3 Retained earnings**

Details of retained earnings as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	71,563	80,896
Unappropriated retained earnings	<u>9,524,681</u>	<u>8,279,533</u>
	<u>₩ 9,603,937</u>	<u>₩ 8,368,122</u>

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

**19.4 Other capital components**

Details of other capital components as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Net gain (loss) on valuation of available-for-sale financial assets	₩ 50,078	₩ (2,054)
Changes in equity in equity method	(88,818)	(48,190)
Net loss on valuation of cash flow hedges	(14,846)	(16,807)
Net gain (loss) on translation of foreign operation	(10,566)	50,545
Net gain on foreign currency translation	15,851	4,217
	<u>₩ (48,301)</u>	<u>₩ (12,289)</u>

**19.5 Stock option**

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

1) SK Holdings

	<u>1-1</u>	<u>1-2</u>	<u>1-3</u>
Grant date	2017-03-24		
Type of shares to be issued	Ordinary shares		
Grant method	Reissue of treasury shares, but if the stock option's exercise price is lower than the stock's real price (evaluated based on exercise date), the Group may settle the difference in cash or with treasury stock equivalent to the difference amount.		
Number of shares (shares)	41,429	41,430	41,431
Exercise price (Korean won)	226,290	244,400	263,950
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24
Vesting conditions	2 year service from the grant date	3 year service from the grant date	4 year service from the grant date

Share compensation expense recognized during the current reporting period is ₩824 million, and the remaining share compensation expense to be recognized in later periods is ₩3,463 million.

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**19.5 Stock option (cont'd)**

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

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Life of the options	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding)	236,000	236,000	236,000
Expected volatility	16.78%	16.78%	16.78%
Rate of returns	1.60%	1.60%	1.60%
Exercise price	226,290	244,400	263,950
Fair value per share	38,317	34,200	30,962

2) SK Telecom

	1-1	1-2	1-3
Grant date	2017-03-24		
Type of shares to be issued	Ordinary shares		
Grant method	Reissue of treasury shares, but if the stock option's exercise price is lower than the stock's real price (evaluated based on the exercise date), the Group may settle the difference in cash or with treasury stock equivalent to the difference amount.		
Number of shares (shares)	22,168	22,168	22,168
Exercise price (Korean won)	246,750	266,490	287,810
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24
Vesting conditions	2 year service from the grant date	3 year service from the grant date	4 year service from the grant date

Share compensation expense recognized during the current reporting period ended September 30, 2017 was ₩279 million and the remaining share compensation expense to be recognized in later periods is ₩1,112 million.

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

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Life of the options	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding day)	262,500	262,500	262,500
Expected volatility	13.38%	13.38%	13.38%
Rate of returns	3.80%	3.80%	3.80%
Exercise price	246,750	266,490	287,810
Fair value per share	27,015	20,240	15,480



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**20. Selling and administrative expenses**

Details of selling and administrative expenses for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 291,751	₩ 836,401	₩ 246,967	₩ 727,134
Provision for pension benefits	29,919	100,123	23,188	72,045
Employee welfare benefits	43,602	139,494	40,875	121,478
Travel	15,922	44,645	12,671	37,801
Bad debt expenses (gain)	(24,332)	(16,611)	160,626	202,991
Communications	2,370	7,226	2,175	6,775
Utilities	11,011	32,389	10,292	30,711
Taxes and dues	21,751	56,153	19,981	62,325
Supplies	5,376	15,265	4,207	15,442
Rents	43,664	130,459	42,892	121,383
Depreciation	63,552	163,514	52,949	156,370
Amortization	37,256	115,352	36,484	107,254
Repairs	8,942	20,227	5,347	14,836
Insurance	7,384	23,488	5,866	17,960
Advertising	177,835	478,576	139,930	408,571
Research and development	87,001	224,217	59,216	165,477
Education and examination	17,171	41,168	9,040	34,680
Outsourcing technology services	163,692	445,890	131,943	385,002
Commissions	6,344	15,736	4,997	13,815
Transportation	175,177	501,547	148,644	464,868
Others	31,408	96,070	32,696	102,350
Total	₩ 1,216,796	₩ 3,471,329	₩ 1,190,986	₩ 3,269,268

**21. Financial income and costs**

Details of financial income and costs for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Interest income	₩ 50,222	₩ 161,779	₩ 51,072	₩ 149,126
Gain on foreign currency transactions	258,176	987,616	323,412	1,016,337
Gain on foreign currency translation	24,188	344,707	259,086	445,885
Gain on transactions of derivatives	133,499	507,965	117,057	355,306
Gain (loss) on valuation of derivatives	(14,340)	139,311	43,419	189,397
Others	31	31	1,048	1,225
Total	₩ 451,776	₩ 2,141,409	₩ 795,094	₩ 2,157,276

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Interest expenses	₩ 233,940	₩ 677,400	₩ 203,942	₩ 596,259
Loss on foreign currency transactions	259,845	956,049	303,328	1,001,049
Loss on foreign currency translation	26,582	316,467	227,075	399,129
Loss on transactions of derivatives	142,161	382,192	87,355	372,004
Loss on valuation of derivatives	82,586	217,032	113,993	218,630
Others	38	3,990	-	-
Total	₩ 745,152	₩ 2,553,130	₩ 935,693	₩ 2,587,071

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**22. Other non-operating income and expenses**

Details of other non-operating income (expenses) for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Dividend income	₩ 3,227	₩ 24,271	₩ 6,534	₩ 33,445
Rental income	114	212	83	203
Gain on disposal of trade accounts receivable	2,119	6,254	4,853	12,708
Gain on disposal of available-for-sale financial assets	1,507	12,572	3,583	33,016
Gain on disposal of investments in subsidiaries and associates	60,639	93,419	37,716	61,989
Gain on disposal of property, plant and equipment	25,193	41,238	1,046	14,425
Gain on disposal of intangible assets	398	1,708	1,121	3,133
Gain on disposal of investment properties	342	453	8,612	61,530
Others	55,728	244,999	51,272	187,245
Total	₩ 149,267	₩ 425,126	₩ 114,820	₩ 407,694

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Loss on disposal of trade accounts receivable	₩ 7,169	₩ 15,070	₩ 2,961	₩ 7,751
Loss on disposal of available-for-sale financial assets	6,017	42,109	1,049	2,459
Loss on impairment of available-for-sale financial assets	12,012	31,894	16,881	17,532
Loss on disposal of investments in subsidiaries and associates	65,090	65,139	835	2,003
Loss on disposal of property, plant and equipment	16,923	48,344	26,433	54,404
Loss on impairment of property, plant and equipment	518	4,102	3,884	3,945
Loss on disposal of intangible assets	4,240	7,113	1,010	8,987
Loss on impairment of intangible assets	-	633	1,816	172,186
Loss on disposal of investment properties	840	845	208	208
Loss on impairment of investment properties	328	6,824	5,279	17,259
Donations	42,639	106,678	38,621	136,410
Others	31,017	173,694	24,721	207,744
Total	₩ 186,793	₩ 502,445	₩ 123,698	₩ 630,888

**23. Expense classified by nature**

Details of expense classified by nature for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Employee benefits	₩ 1,486,170	₩ 4,105,363	₩ 1,142,258	₩ 3,663,631
Depreciation and amortization	1,375,947	4,099,544	1,263,039	3,816,970
Network connection expenses	227,227	663,606	264,712	786,767
Transportation	202,083	589,339	181,236	554,634
Advertising	178,689	477,735	138,343	410,830
Operating lease payments and rents	280,518	831,497	356,002	980,336
Other expenses	3,752,353	12,163,359	3,495,633	11,602,536
Use of raw materials and purchase of finished goods and merchandise	14,474,410	41,307,650	12,215,059	35,393,699
Changes in finished goods and Semi-finished goods	167,008	127,647	340	109,619
Total	₩ 22,144,405	₩ 64,365,740	₩ 19,056,622	₩ 57,319,022

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**24. Income taxes**

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

Effective tax rates for the nine months ended September 30, 2017 and 2016 were 25.73% and 27.14%, respectively.

**25. Earnings per share**

(1) Basic earnings per share for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Net income attributable to owners of the Company	₩ 454,131	₩ 1,454,814	₩ 210,249	₩ 884,915
Less: preferred share dividends	(529)	(1,587)	(487)	(1,460)
Net income attributable to ordinary share owners of the Company	₩ 453,602	₩ 1,453,227	₩ 209,762	₩ 883,455
Weighted-average number of ordinary share outstanding (*1)	55,824,357	55,824,357	55,824,357	55,824,357
Basic earnings per share (Korean won) (*2)	₩ 8,126	₩ 26,032	₩ 3,758	₩ 15,826

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

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

The basis of calculating weighted-average number of ordinary shares for the three months and the nine months ended September 30, 2017 and 2016 is as follows:

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Weighted-average number of issued shares outstanding	70,360,297	70,360,297	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,940)	(14,535,940)	(14,535,940)	(14,535,940)
Weighted-average number of ordinary shares outstanding	55,824,357	55,824,357	55,824,357	55,824,357

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Net income attributable to owners of the Company	₩ 453,602	₩ 1,453,227	₩ 209,763	₩ 883,455
Addition: loss from discontinued operations	1,016	6,460	14,221	22,233
Income from continuing operations attributable to owners of the Company	₩ 454,618	₩ 1,459,687	₩ 223,984	₩ 905,688
Weighted-average number of ordinary share outstanding	55,824,357	55,824,357	55,824,357	55,824,357
Basic earnings per share from continuing operations (Korean won)	₩ 8,144	₩ 26,148	₩ 4,012	₩ 16,224

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**25. Earnings per share (cont'd)**

(3) Basic losses per share from discontinued operations

Basic losses per share from discontinued operations for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Losses from discontinued operations	₩ (1,016)	₩ (6,460)	₩ (14,221)	₩ (22,233)
Weighted-average number of ordinary share outstanding	55,824,357	55,824,357	55,824,357	55,824,357
Basic losses per share from discontinued operations (Korean won)	₩ (18)	₩ (116)	₩ (255)	₩ (398)

**26. Transactions with related parties**

Balances on transactions arising from intercompany transactions within the Group were eliminated in the interim condensed consolidated financial statements as at and for the nine months ended September 30, 2017 and 2016.

(1) Details of significant transactions with the related parties for the three months and nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

Company name	September 30, 2017			
	Revenue		Expenses	
	Three months	Nine months	Three months	Nine months
Daehan Oil Pipeline Corporation	₩ 35,275	₩ 41,245	₩ 15,498	₩ 40,042
F&U Credit Information Co., Ltd.	741	2,176	13,304	41,147
SK Wyverns Baseball Club Co., Ltd.	354	2,047	20	20,393
Hana Card Co., Ltd.	18,066	27,311	3,823	11,287
SK Hynix Inc.	1,057,507	1,866,743	670	1,779
SK Hystec Inc.	7,729	17,170	562	1,657
SK Hyeng Inc.	7,272	18,351	12,600	22,588
SK Hynix Semiconductor HK Ltd.	84	84	175,739	528,483
SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	-	28,359	-	370
SKC Hi-Tech&Marketing (Suzhou) Co., Ltd. (formerly, SKC Haas Film Co., Ltd. (Suzhou))	-	5,810	-	-
SKC Evonik Peroxide Korea Co., Ltd.	-	1,111	11,097	35,699
SKC MNT Co., Ltd.	588	1,721	3,695	12,937
Mitsui Chemicals & SKC Polyurethanes, Inc.	58,716	171,014	3,999	13,518
AnTS	66	200	45,048	51,543
Boryeong LNG Terminal Co., Ltd.	9,946	32,996	13,290	71,842
Eurasia Tunnel	5,825	42,981	-	-
Xe-Pian Xe-Namnoy Power Company	21,991	121,135	-	-
Hana Land Chip PEF 33	-	7,861	8,830	25,282
SK Gas Co., Ltd.	91,552	346,074	69,441	293,476
SK Advanced Co., Ltd.	252	6,211	5,514	11,031
G. Hub Co., Ltd.	453	1,301	11,752	34,890
SK Gas International Pte. Ltd.	3,582	14,780	-	-
SK Chemicals Co., Ltd.	33,353	79,517	30,762	89,476
SK Petrochemical Co., Ltd.	21,544	61,651	2,100	6,641
SK Securities Co., Ltd.	6,100	20,153	75	193
Others	125,098	342,869	52,538	154,592
Total	₩ 1,506,094	₩ 3,260,871	₩ 480,357	₩ 1,468,866

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**26. Transactions with related parties (cont'd)**

Company name	September 30, 2016			
	Revenue		Expenses	
	Three months	Nine months	Three months	Nine months
Daehan Oil Pipeline Corporation	₩ 196	₩ 4,320	₩ 12,161	₩ 36,475
F&U Credit Information Co., Ltd.	1,226	2,309	12,305	36,250
SK Wyverns Baseball Club Co., Ltd.	401	1,211	13	15,676
Hana Card Co., Ltd.	4,960	15,050	10,188	30,704
SK Hynix Inc.	214,763	664,359	500	1,487
SK Hystec Inc.	8,697	14,344	290	603
SK Hyeng Inc.	5,702	14,255	868	2,807
SK Hynix Semiconductor HK Ltd.	-	-	151,852	390,303
SKC Evonik Peroxide Korea Co., Ltd.	-	287	9,574	29,379
SKC MNT Co., Ltd.	831	2,997	6,203	18,074
Mitsui Chemicals & SKC Polyurethanes, Inc.	46,987	155,806	4,392	26,935
AnTS	92	101	13,620	33,480
Boryeong LNG Terminal Co., Ltd.	19,452	72,378	-	-
Eurasia Tunnel	30,256	75,964	-	-
Xe-Pian Xe-Namnoy Power Company	56,931	160,826	-	-
Hana Land Chip PEF 33	3,360	3,360	9,194	26,049
SK Gas Co., Ltd.	93,759	245,015	181,966	369,988
SK Advanced Co., Ltd.	1,028	37,402	2,277	6,182
G. Hub Co., Ltd.	301	822	11,736	34,584
SK Gas International Pte. Ltd.	6,672	14,351	-	1,192
SK Chemicals Co., Ltd.	31,463	82,688	28,231	83,318
SK Petrochemical Co., Ltd.	16,576	40,008	873	2,492
SK Securities Co., Ltd.	8,125	20,944	70	179
Others	134,702	301,159	167,660	396,178
Total	₩ 686,480	₩ 1,929,956	₩ 623,973	₩ 1,542,335

**SK Holdings Co., Ltd. and its subsidiaries**  
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**26. Transactions with related parties (cont'd)**

(2) Details of significant outstanding balances of receivables and payables with the related parties as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions):

Company name	September 30, 2017		December 31, 2016	
	Receivables	Payables	Receivables	Payables
	(*1)		(*1)	
Daehan Oil Pipeline Corporation	₩ 54	₩ 41,293	₩ 53	₩ 519
Korea Consortium Kazakh B.V.	146,170	-	146,170	-
F&U Credit Information Co., Ltd.	95	685	39	1,386
SK Wyverns Baseball Club Co., Ltd.	837	-	5,011	-
Wave City Development Co., Ltd.	64,804	-	64,804	-
Hana Card Co., Ltd.	1,455	8,391	1,812	7,684
SK Hynix Inc.	481,313	278,567	381,995	249,635
SK Hystec Inc.	3,229	342	2,374	170
SK Hyeng Inc.	2,731	5,875	2,782	2,283
SK Hynix Semiconductor HK Ltd.	151	59,974	-	72,507
SKC Evonik Peroxide Korea Co., Ltd.	-	3,737	-	4,831
SKC MNT Co., Ltd.	379	2,247	464	3,002
Mitsui Chemicals & SKC Polyurethanes, Inc.	20,532	2,510	27,814	2,086
AnTS	4	25,760	33	28,958
Boryeong LNG Terminal Co., Ltd.	2,476	24,691	1,025	28,779
Pentaport Development Co., Ltd.	100,957	-	105,367	-
Eurasia Tunnel	7,489	26,711	13,076	59,660
SK E&C Jurong Investment Singapore Pte. Ltd.	40,556	-	60,007	-
Xe-Pian Xe-Namnoy Power Company	63,437	-	54,528	-
SK Gas Co., Ltd.	37,038	68,462	33,833	103,956
SK Advanced Co., Ltd.	488	3,205	2,248	7,933
G. Hub Co., Ltd.	169	4,068	174	4,193
SK Chemicals Co., Ltd.	28,251	5,249	18,525	8,713
SK Petrochemical Co., Ltd.	14,705	380	12,707	201
SK Securities Co., Ltd.	3,929	72,821	2,737	160
Others	292,237	60,367	132,021	40,993
	<u>₩ 1,313,486</u>	<u>₩ 695,335</u>	<u>₩ 1,069,599</u>	<u>₩ 627,649</u>

(\*1) The Company recognized bad debt expense amounting to ₩9,198 million and ₩13,005 million for the nine months ended September 30, 2017 and 2016, respectively. The Company recognized the allowance for doubtful accounts amounting to ₩284,602 million and ₩275,404 million as at September 30, 2017 and December 31, 2016, respectively.

(3) Details of significant treasury transactions with related parties for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	September 30, 2017		September 30, 2016	
		Loans	Collection	Loans	Collection
		Yemen LNG Company Ltd.	USD	3,142	-
SK E&C USA, Inc.	KRW	-	2,420	1,354	135
Eurasia Tunnel	KRW	3,725	-	-	-
SK E&C Jurong Investment	KRW	-	19,451	-	-
Jurong Aromatics Corporation Pte. Ltd.	KRW	-	-	22,514	-
Wave City Development Co., Ltd.	KRW	-	-	1,100	2,990
Springvale SK Kores Pty. Ltd.	AUD	3,000	-	-	-
SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film Co., Ltd.)	KRW	4,900	3,900	-	-

(4) During the current reporting period, there were additional investment transactions for subsidiaries, associates and joint ventures (see Note 9 'Investments in associates and joint ventures').

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**26. Transactions with related parties (cont'd)**

(5) Compensation for key management personnel of the Company

Key management personnel consist of registered executives who are responsible for the planning, operation and control of the Company's business activities. Details of compensation for key management personnel for the three months and the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	September 30, 2017		September 30, 2016	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 1,383	₩ 3,956	₩ 965	₩ 2,469
Provision for pension benefits	152	1,513	48	301
Share compensation expense	397	824	-	-
Total	₩ 1,932	₩ 6,293	₩ 1,013	₩ 2,770

**27. Discontinued operations**

(1) Details of discontinued operations

SK Innovation Co., Ltd., a subsidiary of the Group, decided to cease its operation of the tri-acetyl-cellulose (TAC) business in 2015 in order to focus on core business such as the exploration and development of oil and the production of batteries, and subsequently classified the assets of the TAC business that are expected to be sold as available-for-sale (AFS). Despite the Group's effort to search for the buyers, the assets classified as AFS have not been sold, and the Group re-classified some of the assets classified as AFS that can be utilized in other business units to non-current assets, and impairment losses have been recognized for the remaining assets classified as AFS.

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

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

(2) Income and expenses from the discontinued operation for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	For the nine months ended September 30, 2017		
	TAC business in SK Innovation Co., Ltd.	Fashion and duty-free business in SK Networks Co., Ltd.	Total
Revenue	₩ -	₩ 97,766	₩ 97,766
Expenses	15,359	106,459	121,818
Loss before income tax expense	(15,359)	(8,693)	(24,052)
Income tax benefit	(3,717)	(2,104)	(5,821)
Losses from discontinued operations attributable to Owners of the Company	(11,642)	(6,589)	(18,231)
Non-controlling interests	(3,858)	(2,602)	(6,460)
	(7,784)	(3,987)	(11,771)

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**27. Discontinued operations (cont'd)**

	For the nine months ended September 30, 2016		
	Solar business in	Fashion and duty-free	Total
	SKC Solmics Co., Ltd.	business in SK Networks Co., Ltd.	
Revenue	₩ 21,700	₩ 415,791	₩ 437,491
Expenses	71,135	461,185	532,320
Loss before income tax expense	(49,435)	(45,394)	(94,829)
Income tax benefit	-	(10,986)	(10,986)
Losses from discontinued operations attributable to Owners of the Company	(49,435)	(34,408)	(83,843)
Non-controlling interests	(8,773)	(13,460)	(22,233)
	(40,662)	(20,948)	(61,610)

There was no profit arising from the TAC business division of SK Innovation Co., Ltd. for the nine months ended September 30, 2016.

(3) Details of cash flows relating to discontinued operation for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	For the nine months ended September 30, 2017		
	TAC business in	Fashion and duty-free	Total
	SK Innovation Co., Ltd.	business in SK Networks Co., Ltd.	
Cash flows from operating activities	₩ -	₩ (2,910)	₩ (2,910)
Cash flows from investing activities	-	359,877	359,877
Cash flows from financing activities	-	(65,336)	(65,336)

	For the nine months ended September 30, 2016		
	Solar business in	Fashion and duty-free	Total
	SKC Solmics Co., Ltd.	business in SK Networks Co., Ltd.	
Cash flows from operating activities	₩ 1,648	₩ (31,752)	₩ (30,104)
Cash flows from investing activities	(3)	(10,581)	(10,584)
Cash flows from financing activities	(25,525)	53,341	27,816

There were no cash flows arising from the TAC business division of SK Innovation Co., Ltd. for the nine months ended September 30, 2016.

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

Details of non-current assets and non-current liabilities held for sale as at September 30, 2017 are as follows (Korean won in millions):

		September 30, 2017	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks San. Ve Tic. Ltd. Sti	₩ 765	₩ 654
Available-for-sale financial assets	SK Securities Co., Ltd. (*1)	37,134	-
Business segment	Fashion business segment (*2)	1,575	540
Business segment	Advertisement business segment (*3)	116,095	111,096
Intangible assets and property, plant and equipment	Property, plant and equipment related to the TAC business (*4)	-	-
	Assets related to tax-free business (*5)	1,770	-
		₩ 157,339	₩ 112,290



**28. Non-current assets and non-current liabilities classified as held for sale (cont'd)**

- (\*1) The Group decided to sell its interests in SK Securities Co., Ltd., which are classified as AFS securities in accordance with the Article 8-2 "Restrictions on activities by holding companies" of *Monopoly Regulation and Fair Trade Act of the Republic of Korea*, in the nine months ended September 30, 2017. The entire stake of the equity ownership is publicly offered, and the investment has been classified as AFS. The stock sale and purchase agreement with Cape Investment & Securities Co., Ltd. with regards to a sale of ordinary shares of SK Securities Co., Ltd. has been approved by the Board of Directors on August 11, 2017.
- (\*2) As SK Networks, Co., Ltd., a subsidiary of the Group, decided to transfer the fashion business in 2016, the assets and liabilities held-for-sale are classified as non-current assets and liabilities, and are measured at the lower of their carrying amount and fair value less costs to sell.
- (\*3) During the nine-month period ended September 30, 2017, the shareholders of the SK Planet Co., Ltd., a subsidiary, resolved to spin off its advertising department and SK Planet Co., Ltd. entered into a share purchase agreement with S.M. Culture & Contents Co., Ltd. On October 1, 2017, S.M. Contents & Communications Co., Ltd. was newly established and all of the shares of the S.M. Contents & Communications Co., Ltd. held by SK Planet Co., Ltd. was sold on October 24, 2017.
- (\*4) SK Innovation Co., Ltd., a subsidiary of the Group, decided to cease its operation of the TAC business in 2015 and some of the business unit's equipment are to be sold in 2017. The Group is currently negotiating the terms and conditions of the sale with potential buyers and the equipment are classified as AFS.
- (\*5) SK Networks Co., Ltd., a subsidiary of the Group, decided to discontinue the duty-free business in 2016. The Company classified related inventories and intangible assets including the IT system of the duty-free shops as non-current assets held-for-sale, and are measured at the lower of their carrying amount and fair value less costs to sell.

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**29. Cash flow information**

(1) Details of non-cash adjustments for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2017	September 30, 2016
Provision for pension benefits	₩ 257,546	₩ 239,756
Depreciation	3,136,462	2,973,803
Amortization	965,651	858,298
Bad debt expenses (gain)	(21,313)	202,884
Valuation loss (gain) on inventories	176	(33,382)
Interest expenses	572,624	609,714
Loss on foreign currency translation	316,542	399,262
Loss on transactions of derivatives	382,253	372,217
Loss on valuation of derivatives	249,043	218,651
Loss on disposal of trade accounts receivable	15,070	7,751
Loss on disposal of available-for-sale financial assets	42,109	2,459
Loss on impairment of available-for-sale financial assets	31,894	17,532
Loss on disposal of investments in subsidiaries and associates	65,139	2,003
Loss on disposal of property, plant and equipment	64,428	55,574
Loss on impairment of property, plant and equipment	19,461	3,945
Loss on disposal of intangible assets	7,113	8,987
Loss on impairment of intangible assets	633	172,186
Loss on disposal of investment property	24,624	-
Income tax expense	1,446,870	1,009,553
Loss related to investments in associates and joint ventures	(1,684,474)	(275,524)
Interest income	(161,805)	(149,242)
Dividends income	(24,271)	(33,445)
Gain on foreign currency translation	(344,795)	(446,058)
Gain on transactions of derivatives	(507,736)	(354,985)
Gain on valuation of derivatives	(139,288)	(189,420)
Gain on disposal of trade accounts receivable	(6,254)	(12,708)
Gain on disposal of available-for-sale financial assets	(12,572)	(33,016)
Gain on disposal of investments in subsidiaries and associates	(93,419)	(51,146)
Gain on disposal of property, plant and equipment	(41,238)	(14,486)
Gain on disposal of intangible assets	(1,708)	(3,616)
Others	100,986	81,886
	<u>₩ 4,659,751</u>	<u>₩ 5,639,433</u>

(2) Details of working capital adjustments for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2017	September 30, 2016
Inventories	₩ (1,200,699)	₩ 74,510
Trade accounts receivable	250,657	647,725
Other accounts receivable	89,701	(242,387)
Long-term trade accounts receivable	4,527	25,698
Trade accounts payable	(448,516)	(412,308)
Other accounts payable	328,083	(76,470)
Advance received	59,299	(260,527)
Defined benefit obligation	(117,042)	(132,463)
Plan assets	37,416	2,087
Others	(88,948)	35,315
	<u>₩ (1,085,522)</u>	<u>₩ (338,820)</u>

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**29. Cash flow information (cont'd)**

(3) Significant non-cash transactions for the nine months ended September 30, 2017 and 2016 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2017	September 30, 2016
Acquisitions of investments in associates	₩ 74,557	₩ 96,070
Decrease in other accounts payable due to acquisition of property, plant and equipment and others	(193,303)	806,593
Transfer of construction-in-progress to property, plant and equipment and intangible assets and others	3,729,282	867,548
Disposals of investments in associates	31,266	167,449

**30. Commitments and contingencies**

(1) Guarantees provided for the Group as at September 30, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee	
SK Holdings Co., Ltd.	Korea Trade Insurance Corporation	USD	1,077	Guarantee of payment	
		VND	90,113,661	Guarantee of payment	
	Korea Eximbank	USD	1,225	Performance guarantees for contract and others	
	Korea Software Financial Cooperative	KRW	237,985	Performance guarantees for contract and others	
SK Engineering & Construction Co., Ltd.	Seoul Guarantee Insurance	KRW	2,069	Performance guarantees for contract and others	
		USD	756,825	Performance guarantees for overseas construction	
	HSBC and others	SGD	48,347	Performance guarantees for overseas construction	
		AED	23,294	Performance guarantees for overseas construction	
		KWD	101,371	Performance guarantees for overseas construction	
		QAR	546,386	Performance guarantees for overseas construction	
		TRY	30,847	Performance guarantees for overseas construction	
		SAR	381,871	Performance guarantees for overseas construction	
		THB	1,159,263	Performance guarantees for overseas construction	
		CAD	50,000	Performance guarantees for overseas construction	
		KZT	92,508	Performance guarantees for overseas construction	
		INR	1,150,000	Performance guarantees for overseas construction	
		IQD	2,600,000	Performance guarantees for overseas construction	
		KEB Hana Bank	USD	162,922	Performance guarantees for overseas construction
			VND	253,962,932	Performance guarantees for overseas construction
		Shinhan Bank	KRW	9,833	Performance guarantees for domestic construction
			USD	14,792	Performance guarantees for overseas construction
		Korea Eximbank	USD	389,177	Performance guarantees for overseas construction
			SAR	335,656	Performance guarantees for overseas construction
		Korea Housing Guarantee Co., Ltd.	KRW	2,315,582	Housing guarantees and others
KRW	419,328		Performance guarantees for domestic construction		
Seoul Guarantee Insurance	KRW	1,313,031	Performance guarantees for domestic construction		
	KRW	2,403,737	Performance guarantees for domestic construction		
Construction Guarantee Cooperative	KRW	2,403,737	Performance guarantees for domestic construction		
	KRW	15,960	Performance guarantees for contract and others		
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	15,960	Performance guarantees for contract and others	
Iberian Lube Base Oils S.A.	Seoul Guarantee Insurance	KRW	9,361	Performance guarantees for contract and others	
		EUR	21,000	Guarantee of debt	
SK Shipping Co., Ltd.	Repsol Petroleo	KRW	31,850	Performance guarantees for contract	
		USD	20,000	Performance guarantees for contract	
SHIKC 1 Shipholding S.A.	Korea Eximbank	USD	156,075	Performance guarantees for shipbuilding	
SHIKC 2 Shipholding S.A.	Korea Eximbank	USD	156,075	Performance guarantees for shipbuilding	
VLGC 4 Shipholding S.A.	Korea Eximbank	USD	45,891	Performance guarantees for shipbuilding	
VLGC 5 Shipholding S.A.	Korea Eximbank	USD	30,594	Performance guarantees for shipbuilding	
SK B&T Pte. Ltd.	KEB Hana Bank	USD	1,000	Guarantee for acquiring the license	
HHIENS 1 Shipholding S.A.	KEB Hana Bank	USD	142,958	Performance guarantees for shipbuilding	
HHIENS 2 Shipholding S.A.	Korea Eximbank	USD	142,958	Performance guarantees for shipbuilding	
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance and payment guarantees and others	
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,052	Guarantee of warranties and approval	
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	4,554	Guarantee of contract defect and price of gas	
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	2,301	Community energy service facility management, consignment operating agreement and others	
Jeonbuk energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	25	Performance guarantees and guarantee of warranties	

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**30. Commitments and contingencies (cont'd)**

<u>Guarantee</u>	<u>Guarantor</u>	<u>Currency</u>	<u>Amount</u>	<u>Description of guarantee</u>
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,626	Guarantee of warranties
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	516	Performance guarantees for contract
Paju energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	14,090	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	67	Guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	4,337	Deposits for safety management and others
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	1,389	Guarantee of warranties and contract
SKC Infra Service Co., Ltd.	Seoul Guarantee Insurance	KRW	3,076	Guarantee of warranties and contract
SK bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	133	Guarantee of payment
SK Networks Co., Ltd.	Kookmin Bank	USD	67	Performance guarantees for sales
	Woori Bank	KRW	936	Performance guarantees for sales
SK Networks Service Co., Ltd.	Seoul Guarantee Insurance	KRW	8,093	Guarantee of warranties
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	8,487	Performance guarantees for contract
	Machinery Financial Cooperative	KRW	7,131	Performance guarantees for contract
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	624	Performance guarantees for contract
SK Pinx Co., Ltd.	Seoul Guarantee Insurance	KRW	194	Guarantee of approval
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	4,195	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	12,784	Performance guarantees for contract
SK Communications Co., Ltd.	Seoul Guarantee Insurance and others	KRW	828	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	24,312	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	5,665	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	23,069	Guarantee of warranties, contract and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance and others	KRW	2,916	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	367	Performance guarantees
	Shinhan Bank	KRW	2,000	Performance guarantees for contract
SK techx Co., Ltd.	Seoul Guarantee Insurance	KRW	1,220	Performance guarantees for contract
NSOK Co., Ltd.	Seoul Guarantee Insurance	KRW	816	Performance guarantees insurance for contract
One store Co., Ltd.	KEB Hana Bank	KRW	100	Guarantee of Korean won payment method
SK Airgas Co., Ltd.	Tiayo Nippon Sanso Corporation	KRW	10,000	Guarantee of debt
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	33,933	Guarantee of bid payment and others
SK Encarsales.Com., Ltd.	Seoul Guarantee Insurance	KRW	174	Performance guarantees for contract
Happynarae Co., Ltd.	Seoul Guarantee Insurance	KRW	1,100	Performance guarantees insurance
SK Siltron Co., Ltd.	Seoul Guarantee Insurance	KRW	120,000	Performance guarantees insurance

In addition, SK Engineering & Construction Co., Ltd., a subsidiary, has performance guarantees for domestic construction by other construction companies amounting to ₩419,254 million as at September 30, 2017.

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**30. Commitments and contingencies (cont'd)**

(2) Guarantees provided to others as at September 30, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL	KWD	4,605	Performance guarantees for contract and others
	Pohang Clean Water Co., Ltd. and others	KRW	47,700	Supplementing funds for principal and interest of loan
	Hwaseong Jeongnam Industrial Howon elementary school Area redevelopment maintenance business association	KRW	36,400	Guarantees for project financing
		KRW	85,085	Guarantees for reconstruction project financing
	Gwacheon area II housing reconstruction maintenance business association	KRW	68,706	Guarantees for reconstruction project financing
	Daeyeon area VII housing redevelopment maintenance business association	KRW	77,447	Guarantees for reconstruction project financing
	Ahyeon area II housing reconstruction maintenance business association	KRW	60,793	Guarantees for reconstruction project financing
	Bomun area II housing redevelopment maintenance business association	KRW	12,227	Guarantees for reconstruction project financing
	Susaek area IX housing redevelopment maintenance business association	KRW	104,956	Guarantees for reconstruction project financing
	Bugae-seocho bridge North side redevelopment maintenance business association	KRW	27,640	Guarantees for reconstruction project financing
	Customers of Seongsoo station SKV1 Tower	KRW	64,916	Guarantee of payment
	Customers of Moonjeong SK V1 GL Metrocity	KRW	135,720	Guarantee of payment
	Customers of GaSan SK V1	KRW	67,896	Guarantee of payment
	Customers of KwangKyo SK view Lake	KRW	68,800	Guarantee of payment
	Customers of SongDo SK view	KRW	67,259	Guarantee of payment
	Doryong area I housing reconstruction development business association	KRW	2,688	Guarantee of payment
	Customers of Anyang SK V1	KRW	26,460	Guarantee of payment
	Customers of Dongtan SK V1	KRW	24,480	Guarantee of payment
	Baekryunsan SK VIEW	KRW	13,428	Guarantee of payment
	Member of Employee stock ownership association	KRW	8,666	Guarantee of payment
SK Shipping Co., Ltd.	Dongtan SK view and others	KRW	389,307	Conditional performance guarantees for debt
	Milestone LNG Transport S.A. & Great Shale LNGTransport S.A.	USD	113,754	Guarantee for shipbuilding and others
	S&Y Shipping S.A.	JPY	4,228,468	Guarantee of debt
SK Networks Co., Ltd.	PT. SK Networks Indonesia	USD	1,500	Standing surety for investee
SK Innovation Co., Ltd.	Peru LNG S.R.L.	USD	175,200	Guarantee of supplies and others
	Perupetro and others	USD	1,081	Guarantee of performance and others
SK Global Chemical Co., Ltd.	Sabic SK Nextlene Company Pte. Ltd.	USD	198,800	Guarantee of payment
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	355	Guarantees for construction
	Railway Administration and others	EUR	188	Guarantee for installing facilities and others
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of payment
		KRW	-	Guarantees for project financing
SKC Co., Ltd.	SKC-Kolon Pi Co., Ltd.	USD	8,100	Guarantee for litigation
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	496	Performance guarantees for contract
SK techx Co., Ltd.	Recording Industry Association of Korea	KRW	437	Performance guarantees for contract
SK Planet Co., Ltd	Celcom Planet	USD	12,240	Guarantee of payment for debt
SK M & Service Co., Ltd.	Others	KRW	6,253	Performance guarantees for transaction

In addition, SK Engineering & Construction Co., Ltd., a subsidiary, provides other construction companies with performance guarantees for domestic construction, and the amount of the guarantees is ₩2,231,811 million as at September 30, 2017.

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**30. Commitments and contingencies (cont'd)**

(3) Pending litigations

The Group's significant pending litigations as at September 30, 2017, in which the Group is a plaintiff, are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
SK Holdings Co., Ltd.	Samsung Card Co., Ltd.	Claim for payment	KRW 5,564	Second trial in progress
SK Forest Co., Ltd.	Seoul Special City and others	Claim for refund of payment construction and others	KRW 618	Second trial in progress and others
SK Encarsales.Com., Ltd.	Individual and others	Claim for payment of trademark right infringement	KRW 150	First trial in progress
SM Core, Inc.	Dongbu Insurance Co., Ltd.	Claim for compensation	KRW 10,000	First trial in progress
SK Telesys Co., Ltd.	Alcatel-lucent Korea	Claim for payment and others	KRW 931	Third trial in progress
SK E&S Co., Ltd.	Head of the customhouse, Seoul	Claim for annulment of assessments of custom duties	KRW 2,252	First trial in progress
Ko-one Energy Service Co., Ltd.	IBK and others	Claim for trust and others	KRW 10,341	Second trial in progress and others
SK Networks Co., Ltd.	GCK Co., Ltd.	Claim for return of money collected	KRW 1,267	Second trial in progress
	Individual and others	Claim for payment and others	KRW 12,273	First trial in progress and others
SK Networks Service Co., Ltd.	Individual and others	Claim for payment and others	KRW 145	First trial in progress
SK Shipping Co., Ltd.	Asia Green Energy and others	Litigation related to bunkering and others	USD 1,588	Arbitration in progress and others
	Mcoil International S.A.	Claim for non-payment for fuel oil	KRW 704	First trial in progress
SK Shipping (Singapore) Pte. Ltd.	ST Shipping	Claim for payment	USD 260	First trial in progress
SK Shipping Europe Plc.	MOL	Lawsuit for employment	USD 175	Arbitration in progress
SK B&T Pte. Ltd.	Mumbai Singapore Pte. Ltd. and others	Off hire claim and others	USD 1,600	First trial in progress
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 665	First trial in progress and others
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction and others	KRW 5,653	Third trial in progress and others
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 4,140	Second trial in progress
	Korea Rail Network Authority	Claim for payment and others	KRW 5,276	Third trial in progress and others
	Fair Trade Committee	Claim for corrective order and others	KRW 31,333	Third trial in progress and others
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 61,212	Second trial in progress
	Korea Specialty Contractor Financial Cooperative	Claim for payment and others	KRW 918	First trial in progress
	Dream Hub PFV	Claim for payment	KRW 12,144	First trial in progress
	Business association and others	Litigation related to business loans and others	KRW 9,527	First trial in progress and others
	Busan Metropolitan City	Claim for payment of construction	KRW 8,934	First trial in progress
	Hyundai Construction Co., Ltd.	Claim for payment and others	KRW 88,554	First trial in progress and others
	Korea Housing & Urban Guarantee Corporation	Claim for transfer of ownership right	KRW 2,285	First trial in progress and others
	Republic of Korea	Claim for surtax cancellation of Oryukdo SKView and others	KRW 41,935	Second trial in progress and others
	Korea Highway Corporation	Claim for tool overhead and others	KRW 18,444	First trial in progress
	Korea Land & Housing Corporation	Claim for Yeongdeungpo facility PF business	KRW 11,563	First trial in progress
	Korea Gas Corporation	Claim for Jangrim Jinhae	KRW 2,520	First trial in progress
	Individual and others	Claim for payment and others	KRW 5,905	First trial in progress

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**30. Commitments and contingencies (cont'd)**

The Group's significant pending litigations as at September 30, 2017, in which the Group is a defendant, are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Defense Acquisition Program Administration	SK Holdings Co., Ltd.	Claim for damages	USD 19,673	First trial in progress
Samsung Card Co., Ltd.		Claim for damages	KRW 3,692	Second trial in progress
Korea Minting, Security Printing & ID Card operating Corp.		Claim for damages	KRW 2,000	First trial in progress
Yeeun Tech Co., Ltd.	SK Telesys Co., Ltd.	Claim for damages	KRW 331	First trial in progress
Alcatel lucent Korea Co., Ltd. and others		Claim for payment and others	KRW 2,420	Third trial in progress and others
Home Plus Co., Ltd. and others	SKC Co., Ltd.	Claim for damages and others	KRW 3,255	First trial in progress and others
Individual and others	Ko-one Energy Service Co., Ltd.	Claim for damages	KRW 30	First trial in progress
Korea Veterans Health Service and others	Pusan City Gas Co., Ltd.	Claim for return of payment and others	KRW 3,460	First trial in progress and others
Smartro Co., Ltd. and others	SK Networks Co., Ltd.	Claim for patent infringement and others	KRW 6,198	First trial in progress and others
Individual and others	SK Magic Service Co., Ltd. and others	Claim for workers' status and others	KRW 605	First trial in progress and others
Individual and others	SK Communications Co., Ltd. and others	Claim for compensation of personal data spill and others	KRW 1,064	Second trial in progress and others
M Seven System Limited	iriver Co., Ltd.	Claim for damages due to non-fulfillment of obligation and illegal act	KRW 1,000	Second trial in progress
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt and others	KRW 771	First trial in progress
Allianz	SK Shipping Co., Ltd.	Claim for cargo damage	CAD 966	Second trial in progress
Hyundai Merchant Marine Co., Ltd. and others		Claim for cargo damage and others	KRW 12,111	Arbitration in progress and others
Classic Maritime	SK Shipping Europe Plc.	Claim for payment	USD 5,000	Arbitration in progress
ST Shipping	SK Shipping (Singapore) Pte. Ltd.	Claim for cargo damage	USD 100	Arbitration in progress
Supreme Prosecutor's Office	SK B&T Pte. Ltd.	Criminal lawsuit against violation of tax punishment	KRW 33,119	First trial in progress
Suwon Gwonseon Housing reconstruction business association	SK Engineering & Construction Co., Ltd.	Claim for compensation	KRW 201	First trial in progress
K-Water Resources Corporation and others		Claim for damages and others	KRW 4,033	First trial in progress and others
Incheon Metropolitan City		Claim for return and others	KRW 11,445	First trial in progress and others
Youn jong, Suh and 333 others		Claim for apartment	KRW 22,408	Third trial in progress
Samjung Construction Co., Ltd.		Claim for payment	KRW 5,980	First trial in progress
Hyundai Engineering & Construction Co., Ltd.		Claim for payment	KRW 9,778	First trial in progress
Suseong SK Leader's View Tower's resident		Claim for apartment	KRW 201	First trial in progress
Korea Rural Community Corporation		Claim for counterindemnity	KRW 1,861	First trial in progress
Republic of Korea		Claim for compensation and others	KRW 30,281	First trial in progress and others
Korea Gas Corporation		Claim for compensation and others	KRW 47,583	First trial in progress
Korea Rail Network Authority		Claim for compensation	KRW 23,237	First trial in progress
Busan Transportation Corporation		Claim for compensation and others	KRW 1,119	First trial in progress and others
Individual and others		Claim for apartment and others	KRW 61,959	First trial in progress and others

**30. Commitments and contingencies (cont'd)**

(4) Commitments

- 1) In accordance with the Commercial Code of the Republic of Korea, 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., which spun off from the Company, are jointly obliged to repay the borrowings of those companies before the spin-off.

The Company and SK Biopharmaceuticals Co., Ltd. are jointly obliged to repay the borrowings of those companies before the spin-off on April 1, 2011.

- 2) The Company entered into a contract to lease the headquarters building from the National Agricultural Cooperative Federation (the "NACF"), the trustee of Hana Daol Fund Management. Under the terms of the lease, the lease period is until March 28, 2021, and the Company has the preemptive right to purchase the building at fair value when the lessor elects to dispose the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements with subsidiaries of the Group to provide hardware and information system maintenance and development service.
- 4) The Company entered into a contract with Gyeonggi Province on May 31, 2011 to purchase land located in the 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. When non-compliant, the contract may be terminated.
- 5) The Company has stock sale and purchase agreements in regards to SK Maritime Co., Ltd. (formerly SK Shipping Co., Ltd.)'s issuance of ordinary shares and sale of existing shares, and details are as follows:

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

As at the end of the nine months ended September 30, 2017, the value of the agreements amounting to ₩385,000 million is recognized as long-term borrowings (see Note 14).



**30. Commitments and contingencies (cont'd)**

- 6) The Group entered into a shareholder agreement with ordinary shareholders of SK Siltron Co., Ltd., one of the subsidiaries. Details are as follows.

	Shareholder agreement
Investor	Warmachine Sixth Co., Ltd. and others
Number of shares	13,143,330
Contract date	August 25, 2017
Expiry date	August 24, 2022
Settlement	The Company and the investors are to settle the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.
Premium	The Company is to pay 0.5% of the initial contract amount at the closing date of the transaction and pay to the investor the amount equivalent to 3.20% of the total shares held by the investors annually. When the investor receives dividends on the shares held, the amount is paid to the Company.
Call option	On a three-month basis from the closing date of sale (“the quarterly payment day”), the Company has the right to purchase the shares held by the investor at the initial contract price of the ordinary shares with a certain level of additional charges.

As at the end of the nine months ended September 30, 2017, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (refer to Note 14).

- 7) As at September 28, 2017, the Company entered into a cash deficiency support agreement with Hudson Energy NY, LLC, a subsidiary of Plutus Capital NY, Inc., to lend funds for the shortfall of payment for loans and credit limit of USD 226,000 thousand.
- 8) SK E&S LNG, L.L.C., one of the subsidiaries, is scheduled to receive the liquefaction service from FLNG Liquefaction 3, L.L.C., amounting to 115 million MMBtu per year for 20 years, which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at September 30, 2017, SK E&S Co., Ltd., one of the Group’s subsidiaries, is responsible for a performance guarantee in case SK E&S LNG, L.L.C. defaults on payments for the service or for claims against breach of obligation. In regard to this, the Company provides a performance guarantee for SK E&S Co., Ltd.’s guarantee.

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**30. Commitments and contingencies (cont'd)**

9) As at September 30, 2017, details of contracts of the subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Contract opponent	Term of contract
Contract for the supply of natural gas (*1)	Kangwon City Gas Co., Ltd. and seven others	Korea Gas Corporation	-
Contract of supply for natural gas	SK E&S Co., Ltd.	Tanggung PSC Contractor Parties	2006.01~2025.12
Contract for the repair and maintenance of gas turbine	SK E&S Co., Ltd.	GE International Inc.	2004.06~2026.12 (estimated)
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd.	POSCO Co., Ltd.	2005.06~2025.12
Rental contract of the plant and tower site	SK E&S Co., Ltd.	POSCO Co., Ltd.	2003.08~2028.12
Contract for the long term maintenance program	Paju Energy Service Co., Ltd.	Siemen AG and others	2014.06~2031.06 (estimated)
Contract for the long term maintenance program	Wirye Energy Service Co., Ltd.	Siemen AG and others	2015.01~2032.01 (estimated)
Contract for the long term maintenance program	Narae Energy Service Co., Ltd.	Doosan Heavy Industries & Construction Co., Ltd.	12 years from 2012
Contract for the liquefaction and storage of natural gas	SK E&S LNG, L.L.C	FLNG Liquefaction 3, L.L.C	20 years from 2019
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd., Wirye Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Boryeong LNG Terminal	20 years from 2017
Contract for the use plumbing system	Wirye Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Korea Gas Corporation	20 years from 2017
Contract for the use pipeline of natural gas	SK E&S LNG, L.L.C	Kinder Morgan, Inc.	20 years from 2019
Contract of supply for natural gas	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	Chevron Australia Pty Ltd. and others	2017.01~2022.03
Contract for operation and maintenance	Narae Energy Service Co., Ltd.	Jeonbuk Co-generation, Gimcheon Energy Service Co., Ltd.	2015.1~2025.1
Contract for operation and maintenance	Narae Energy Service Co., Ltd.	Pyeongtaek Energy Service Co., Ltd.	2015.1~2018.12

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

10) As at September 30, 2017, details of construction contracts about the subsidiaries of SK E&S Co., Ltd. are as follows (Korean won in millions):

Description of contract	Name of subsidiaries	Contract opponent	Term of contract	Contract
Contract for the transmission access construction	Wirye Energy Service Co., Ltd.	Korea Electric Power Corporation	2015.08~2018.04	₩ 8,472
Contract for the construction of LNG plumbing supplies	Wirye Energy Service Co., Ltd.	Hanyang ENG Co., Ltd.	2015.07~2017.11	20,760
Contract for the construction of military units relocating gas plumbing	Wirye Energy Service Co., Ltd.	Hanyang ENG Co., Ltd.	2017.04~2017.11	1,800
Contract for Heat piping	Narae Energy Service Co., Ltd.	Eulmyo General Construction	2017.4~2017.10	1,695
Contract for Heat piping	Narae Energy Service Co., Ltd.	Eulmyo General Construction	2017.8~2017.12	2,880

11) As at September 30, 2017, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows (Foreign currencies in thousands):

Description of contract	Name of subsidiary	Contract opponent	Equity ownership	Contract amount	Executive amount
Barossa-Caldita, Australia	SK E&S Australia Pty. Ltd.	ConocoPhillips Company and others	37.50%	USD 310,000	USD 280,000
Woodford, USA	Dew Blaine Energy, L.L.C	Continental Resources, Inc.	49.90%	USD 360,000	USD 247,825

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

**30. Commitments and contingencies (cont'd)**

- 12) Subsidiaries of SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) have entered into a contract with Champion Shipholding S.A. and 53 others for Bare Boat Charter Hire Purchase ("BBCHP"). Outstanding boat purchase amount as at September 30, 2017 is USD 2,497,884 thousand (Korean won equivalent: ₩2,864,323 million) and is included in long-term other accounts payable.
- 13) Subsidiaries of SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) have leased vessels from Time Charter. Total payables of the vessels charter amount to ₩416,003 million as at September 30, 2017.
- 14) Subsidiaries of SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) have entered into a long-term transportation contract with Korea Gas Corporation, SK Gas Co., Ltd., and SK Energy Co., Ltd. to transport liquefied natural gas, liquefied petroleum gas. The subsidiaries also entered into a long-term transportation contract with Korea Southern Power Co., Ltd., Korea East-West Power Co., Ltd. and Korea Midland Power Co., Ltd. to transport coal.

On the other hand, subsidiaries of SK Maritime Co., Ltd. (formerly, SK Shipping Co., Ltd.) have entered into a shipbuilding contract with a shipbuilder to fulfill the transportation agreement in which was entered into with a customer. As a result of delays in the production of essential parts, the vessel that was scheduled to be delivered during the nine months ended September 30, 2017, was also delayed. Accordingly, SK Maritime Co., Ltd. temporarily replaced the vessel with an alternative vessel in order to fulfill the transportation agreement with the customer. SK Maritime Co., Ltd. is negotiating with the customer about the scope and the amount of loss incurred due to the delays in the vessel building. SK Maritime Co., Ltd. is also negotiating with the shipbuilder for the claim amount due to delays in the delivery of the vessel.

- 15) As at September 30, 2017, SK Shipping Co., Ltd., one of the subsidiaries, has 44,000,000 shares (55%) of SK B&T Pte. Ltd., ("SK B&T") after the disposal of 36,000,000 shares (45%) of SK B&T to Atlantic Starr Ltd. Out of 44,000,000 shares, 3,999,999 shares are provided as a trust asset under the securities trust agreement (First Beneficiary: Atlantic Starr Ltd. / trustee: Korea Development Bank), and 40,000,001 shares are pledged as collaterals for Atlantic Starr Ltd.
- 16) On July 16, 2013, SK Incheon Petrochem Co., Ltd., one of the subsidiaries, issued new preferred shares by the third-party allocation method to Shinhan Stonebridge Petro Private Equity Fund (the "Investor"). In regard to the new issuance of preferred shares, the agreement between SK Innovation Co., Ltd. and the Investor includes the following commitments:
  - Investors' drag-along right and tag-along right
  - SK Innovation Co., Ltd.'s pre-emption right for the exercised investors' drag-along right
  - Restriction on disposal of shares under certain conditions

SK Incheon Perochemical Co., Ltd., one of subsidiaries, has an agreement that securitizes ₩288,000 million of SK Incheon Petrochemical Co., Ltd.'s trusts accounts receivable for SK Energy Co., Ltd., and SK Global Chemical, the other subsidiaries of the Group, to Industrial Bank of Korea. IPC Limited Company 1, which underwrites the first right to benefit issued by Industrial Bank of Korea, issues securitized commercial paper.

- 17) SK Telecom Co., Ltd., a subsidiary of the Group, sells its mobile handsets to customers on an installment payment plan through agents. SK Telecom Co., Ltd. entered into transfer agreements with the agents for the receivables of handset's installment payments, under which all the rights and obligations of the receivables are transferred to SK Telecom Co., Ltd. Then, SK Telecom Co., Ltd. entered into an asset securitization contract with a special purpose company for the receivables, and accordingly, the balance of the receivables as at the end of the current reporting period is ₩868,899 million which is recorded as other accounts receivable and long-term other accounts receivable.

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**30. Commitments and contingencies (cont'd)**

(5) Others

As at September 30, 2017, 95 notes (including 89 blank notes) and 51 blank checks are provided to financial institutions as collateral for borrowings.

**31. Pledged assets**

The following assets were pledged as collateral for the Group's borrowings and others as at September 30, 2017 (Korean won in millions and foreign currencies in thousands):

Company	Asset	Currency	Collateral amount (*1)	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	299,039	Peru LNG S.R.L. and others	Collateral for project financing
	Investments in associates	KRW	-	Yemen LNG Company and others	Collateral for project financing
Netruck Co., Ltd.	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
SK Incheon Petrochem Co., Ltd.	Property, plant and equipment	KRW	8,686	Shinhan Bank	Collateral for borrowing
SK Holdings Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
	Property, plant and equipment	KRW	1,700	RCI Financial Service Korea	Guarantee of implementation of the agreement
Seosuwon Development Company	Investment property	KRW	221,000	New West Village and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Available-for-sale financial assets and others	KRW	49,718	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	86,800	Kookmin Bank and others	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment	KRW	215,000	Korea Development Bank	Collateral for borrowing
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	117,500	Industrial Bank of Korea and others	Collateral for borrowing
SK Bioland Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	40,000	Korea Development Bank and others	Collateral for borrowing
	Property, plant and equipment	USD	50,000	SC Bank	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	369,647	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	123,500	NH Bank and others	Collateral for borrowing
Shenyang SK Bus Terminal Co., Ltd.	Property, plant and equipment	CNY	252,670	KEB Hana Bank	Collateral for borrowing
SK Networks Hong Kong Ltd.	Others	USD	2	60 West Suites Hotel Ltd.	Leasehold deposits
		USD	70	Cheung Kong Property Holdings Ltd.	Leasehold deposits
SK E&S Co., Ltd.	Investments in joint ventures	KRW	114,392	Woori Bank and others	Collateral for project financing
	Investments in associates	KRW	14,142	PF lenders	Collateral for project financing
	Investments in subsidiaries	KRW	192,348	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	1,040,254	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	6,270	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	3,933	Megamart and others	Leasehold deposits
Paju Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	840,000	Korea Development Bank and others	Collateral for project financing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	220	Dongbu Insurance Co., Ltd. and others	Leasehold deposits
Wirye Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	372,000	Korea Development Bank and others	Collateral for project financing
Narae Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	480,000	Korea Development Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	1,760,460	KDB Asia Ltd. and others	Deposits for purchasing ship and others
	Property, plant and equipment	KRW	39,000	KIS MJ 4th Company	Collateral for borrowing
	Investments in subsidiaries	KRW	50,455	Atlanticsstar Ltd.	Disposal of shares of SK B&T
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	76,541	KDB Asia Ltd and others	Deposits for purchasing ship and others
SHIKC 1 Shipholding S.A.	Property, plant and equipment	USD	151,753	KDB Asia Ltd and others	Deposits for purchasing ship
SHIKC 2 Shipholding S.A.	Property, plant and equipment	USD	151,616	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 1 Shipholding S.A.	Property, plant and equipment	USD	121,954	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 Shipholding S.A.	Property, plant and equipment	USD	121,964	KDB Asia Ltd and others	Deposits for purchasing ship
VLGC 4 Shipholding S.A.	Property, plant and equipment	USD	43,584	KDB Asia Ltd and others	Deposits for purchasing ship
VLGC 5 Shipholding S.A.	Property, plant and equipment	USD	28,287	KDB Asia Ltd and others	Deposits for purchasing Ship

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**31. Pledged assets (cont'd)**

Company	Asset	Currency	Collateral amount (*1)	Provided to	Description
SK Shipping Europe Plc.	Property, plant and equipment	USD	54,333	KDB Asia Ltd and others	Deposits for purchasing ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	5,606	Lessor	Restricted real rights for office lease
SKY Property Management, Ltd.	Short-term financial instruments	KRW	300	KEB Hana bank and NH Bank	Collateral for loan
SK China Company, Ltd.	Investment property and others	CNY	150,000	KEB Hana Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	USD	36,379	Shinhan Bank and others	Collateral for borrowing
SM Core, Inc.	Others	CNY	2,000,000	Bank of China Communications	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	8,400	IBK	Collateral for guarantee foreign currency
				LG Display Co., Ltd.	Collateral for advance received
		KRW	137,000	Korea Development Bank	Collateral for borrowing
		USD	3,500	Korea Development Bank	Collateral for borrowing
		JPY	3,690,000	Korea Development Bank	Collateral for borrowing
		JPY	315,000	Hyakugo Bank	Collateral for borrowing
		TWD	20,000	Mega Bank	Collateral for borrowing
		KRW	1,075	Yeongju city and Gyeongsang Buk-do	Government subsidy
SK Airgas Co., Ltd.	Property, plant and equipment	KRW	140,900	Kyungnam Bank and others	Collateral for borrowing
SK Tri Chem Co., Ltd.	Property, plant and equipment	KRW	12,000	Korea Development Bank	Collateral for borrowing
SK Siltron Co., Ltd.	Property, plant and equipment and others	KRW	287,375	Korea Development Bank and others	Collateral for borrowing

(\*1) The collateral amount includes the book value of collateralized investments related to the borrowings of project finance and facilities of the Group.

**32. Guarantees provided among the Group entities**

Guarantees provided among the Group entities as at September 30, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd. and SK Innovation Co., Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*1)
SK Innovation Co., Ltd.	SK E&P America, Inc.	USD	45,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,208	Guarantee of payment for license agreement
	SK GC Americas, Inc.	USD	190,000	Guarantee of payment for principal of debt
	SK Primacor Americas, LLC.	USD	20,000	Guarantee of principal of debt in RCF withdrawal
	SK Primacor Europe S.L.U	EUR	20,000	Guarantee of principal of debt in RCF withdrawal
SK Lubricants Co., Ltd.	PT. Patra SK	USD	1,292	Guarantee of lease
	Iberian Lube Base Oils, S.A	EUR	49,000	Guarantee of debt
SK Engineering & Construction Co., Ltd.	Thai Woo Ree Engineering Company Ltd.	USD	586	Guarantee of financial obligation
		THB	76,158	Performance guarantees for contract and others
	Seosuwon Development Company	KRW	234,000	Guarantees for project financing
	SKEC Anadolu L.L.C	USD	39,000	Performance guarantees for contract and others
		TRY	25,077	Guarantee of W/H Tax
SKC Co., Ltd.	Sunlake Co., Ltd.	CAD	33,000	Guarantee of financial obligation
	SKC, Inc.	USD	138,000	Guarantee of payment
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	71,950	Guarantee of payment
		CNY	240,000	Guarantee of payment
SK Networks Co., Ltd.	SK Telesys Co., Ltd.	KRW	40,000	Guarantee of financial obligation
	SKC Solmics Co., Ltd.	KRW	60,000	Guarantee for operation fund
	SK Networks Deutschland GmbH	EUR	10,000	Standing surety for investee
	SK Networks Hong Kong Limited	USD	166,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	121,400	Standing surety for investee
		CNY	84,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	2,000,000	Standing surety for investee
	SK (Guangzhou) Metal Co., Ltd.	CNY	60,000	Standing surety for investee
SK Shipping Co., Ltd.	SK Shipping Europe Plc.	USD	61,000	Guarantee for operation fund
		USD	55,000	Guarantee for derivative hedge
	SK Shipping Singapore Pte. Ltd.	USD	85,406	Guarantee of payment
		USD	94,400	Guarantee for operation fund
		USD	24,400	Guarantee for operation fund and others
	SK B&T Pte. Ltd.	USD	24,400	Guarantee for operation fund and others
	SHIKC 1 Shipholding S.A.	USD	52,025	Guarantee of payment
	SHIKC 2 Shipholding S.A.	USD	52,025	Guarantee of payment
	Blueseaocean 1st L.L.C	USD	30,000	Guarantee for derivative hedge
	Blueseaocean 2nd L.L.C	USD	40,000	Guarantee for derivative hedge
	Blueseaocean 3rd L.L.C	USD	40,000	Guarantee for derivative hedge
	HHIENS1 Shipholding S.A.	USD	35,740	Performance guarantees for payment
	HHIENS2 Shipholding S.A.	USD	35,740	Performance guarantees for payment
	VLGC3 Shipholding S.A	USD	12,365	Performance guarantees for payment
	VLGC4 Shipholding S.A.	USD	30,594	Performance guarantees for payment
	VLGC5 Shipholding S.A.	USD	45,891	Performance guarantees for payment
	Neptune Solution L.L.C	KRW	75,000	Securitization. Capital reserve commitments
	HHIVLCC1 Shipholding S.A.	USD	29,089	Performance guarantees for payment
	HHIVLCC2 Shipholding S.A.	USD	29,089	Performance guarantees for payment
SK B&T Pte. Ltd.	Chuangdong 1 Marine Holdings Co., Ltd.	USD	8,028	Guarantee related to BBCHP
	Chuangdong 2 Marine Holdings Co., Ltd.	USD	7,855	Guarantee related to BBCHP

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

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK E&S Co., Ltd.	Cailip Gas Marketing, L.L.C	USD	201,000	Guarantee for derivative hedge
	SK E&S Australia Pty. Ltd.	USD	450,000	Payment guarantee for principal and interest of borrowings and others
	Paju energy service Co., Ltd.	KRW	530,000	Payment guarantee for principal and interest of bonds payable and others
	Wirye energy service Co., Ltd.	KRW	280,000	Payment guarantee for principal and interest of borrowings and others
	Narae energy service Co., Ltd.	KRW	20,000	Payment guarantee for principal and interest of borrowings
	Dew Blaine Energy, L.L.C	USD	360,000	Performance for contracts and others
	SK E&S Americas, Inc.	USD	160,000	Payment guarantee for principal and interest of borrowings
	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	USD	119,000	Guarantee for derivative hedge and others
	Prism Energy International Pte. Ltd. (formerly, SK LNG Trading Pte. Ltd.)	-	-	Charterage (*2)
	SK Shipping Co., Ltd.	-	-	-
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	100,000	Guarantee for borrowings
	SK Materials Taiwan Co., Ltd.	USD	34,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	USD	4,000	Guarantee for borrowings
	SK (Beijing) auto rental Co., Ltd.	JPY	288,000	Guarantee for borrowings
SK China Company, Ltd.	SK (Shenyang) auto rental Co., Ltd.	USD	16,574	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	10,547	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	9,258	Guarantee for borrowings
Point Code Inc.	SM Core, Inc.	KRW	9,030	Guarantee for regarding buying Seoul Guarantee Insurance

(\*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩110,438 million.

(\*2) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩279,701 million.

**33. Financial risk management**

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

**33.1 Financial risk management**

**33.1.1 Risk management activities**

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

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

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**33.1.2 Credit risk**

Credit risk is the risk of financial loss of the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations. In addition, the maximum exposure to credit risk as at September 30, 2017 and December 31, 2016 is as follows (Korean won in millions):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Financial assets at FVTPL	₩ 55,347	₩ 104,018
Held-to-maturity investments	893	937
Loans and receivables	26,228,500	25,012,808
Available-for-sale financial assets	58,857	65,010
Derivatives designated as hedging instruments	157,042	299,173
	<u>₩ 26,500,639</u>	<u>₩ 25,481,946</u>

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

**33.1.2.1 Trade and other accounts receivable**

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

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

**33.1.2.2 Guarantee**

SK Engineering & Construction Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees amount to ₩11,424 million as at September 30, 2017. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as at September 30, 2017 and December 31, 2016.

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
SK Innovation Co., Ltd.	₩ 1,328	₩ 1,768
SK Engineering & Construction Co., Ltd.	11,424	7,352
SK Maritime Co., Ltd.	69	-
(formerly, SK Shipping Co., Ltd.)	<u>₩ 12,821</u>	<u>₩ 9,120</u>

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

**33.1.2.3 Other financial assets**

Credit risk arising from other financial assets consists of long-term and short-term financial instruments, and is due to the bankruptcy of the counterparties. In this case, the credit risk exposure of the Group will be the same as the book value of the maximum applicable financial instruments. On the other hand, the management of the Group's credit rating is judged to have limited impact on the credit risk of the financial institutions of the Group, as the Group deals with financial institutions with sound credit ratings.

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**33.1.3 Liquidity risk**

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

The contractual maturity of financial liabilities as at September 30, 2017 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3~12 months	1~5 years	More than 5 years
Loans and borrowings	₩ 8,678,451	₩ 9,020,299	₩ 2,417,493	₩ 2,508,508	₩ 3,276,157	₩ 818,141
Bonds	24,487,629	26,096,244	1,877,648	4,375,578	14,621,330	5,221,688
Derivative financial liabilities	161,265	161,265	119,801	16,711	24,533	220
Trade accounts payable	8,440,502	8,440,502	8,176,893	263,609	-	-
Other liabilities	10,108,566	10,542,411	4,878,212	1,025,102	2,311,883	2,327,214
	<u>₩ 51,876,413</u>	<u>₩ 54,260,721</u>	<u>₩ 17,470,047</u>	<u>₩ 8,189,508</u>	<u>₩ 20,233,903</u>	<u>₩ 8,367,263</u>

**33.1.4 Market risk**

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

**33.1.4.1 Foreign currency risk**

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

Details of foreign currencies and liabilities as at September 30, 2017 and December 31, 2016 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	September 30, 2017		December 31, 2016	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	6,227,057	₩ 7,140,566	4,921,210	₩ 5,947,476
	JPY	22,538,714	229,990	17,681,164	183,325
	CNY	2,955,822	509,436	2,601,217	450,687
	EUR	104,643	141,359	68,757	87,154
	Others		127,020		35,791
				<u>₩ 8,148,371</u>	
Liabilities	USD	8,658,306	₩ 9,928,479	8,162,297	₩ 9,863,939
	JPY	5,018,281	51,208	7,342,973	76,106
	CNY	481,259	82,945	1,306,566	226,378
	EUR	109,513	147,938	74,224	94,087
	Others		275,221		699,236
				<u>₩ 10,485,791</u>	



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**33.1.4.1 Currency risk (cont'd)**

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

Currency	September 30, 2017		December 31, 2016	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (278,791)	₩ 278,791	₩ (391,646)	₩ 391,646
JPY	17,878	(17,878)	10,722	(10,722)
CNY	42,649	(42,649)	22,431	(22,431)
EUR	(658)	658	(693)	693

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

**33.1.4.2 Interest rate risk**

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

**33.2 Capital risk management**

The fundamental goal of capital risk management is to keep a sound financial structure. The Group uses the debt ratio as an indicator of the capital management, which is calculated as the total debt divided by the total amount of capital. The Group maintains a debt ratio of 136.3% as at September 30, 2017. The maturity of the debt is dispersed in the long term.

The Group's debt ratio as at September 30, 2017 and December 31, 2016 is as follows: (Korean won in millions)

	September 30, 2017		December 31, 2016	
Total liabilities	₩	61,961,540	₩	60,720,613
Total equity		45,460,217		42,326,724
Debt ratio		136.3%		143.5%

### **34. Business combination**

#### **34.1 General information**

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

As at June 30, 2017, SKC Co., Ltd., a subsidiary, acquired 51% equity ownership of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SK Haas Display Film, Ltd.) for a consideration of ₩81,187 million. The equity ownership of the Group increased from 49% to 100%, thereby giving control to the Group, and such transaction was accounted for by using the acquisition method. The interim condensed consolidated financial statements comprise financial performance of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SK Haas Display Film, Ltd.) for the period from the acquisition date to the end of reporting period.

On August 17, 2017, the Company acquired 51% shares with voting rights of SK Siltron Co., Ltd. (formerly, LG Siltron Co., Ltd.), which manufactures and sells silicon thin-film for the electronics industry, at ₩620,000 million. The purpose of the acquisition of the shares was to expand the semiconductor material business by entering into the manufacturing and sales business of silicon wafer. The acquisition was accounted for by using the acquisition method. The interim consolidated financial statements comprise financial performance of SK Siltron Co., Ltd., for the period from the acquisition date to the end of the reporting period.

In accordance with a resolution of the Board of Directors on February 1, 2017, SK Innovation Co., Ltd., a subsidiary, elected to acquire all of the US and Spain EAA businesses and their tangible/intangible assets owned by The Dow Chemical Company and completed the acquisition during the nine months ended September 30, 2017. The acquisition was made to diversify its business portfolio into high value-added packaging by entering the EAA business. The acquisition was accounted for by using the acquisition method, and the interim consolidated financial statements comprise financial performance of the Dow Chemical EAA business for the period from the acquisition date to the end of the reporting period.

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**34.2 Identifiable assets acquired and liabilities assured**

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

	SM Core, Inc.	SKC Hi-tech& Marketing Co., Ltd.	SK Siltron Co., Ltd.	Dow Chemical EAA business
<b>Current assets:</b>	₩ 74,987	₩ 149,078	₩ 493,803	₩ 43,742
Cash and cash equivalents	45,463	15,835	105,440	-
Trade accounts receivable	27,364	83,874	118,367	16,206
Inventories	342	44,449	223,187	27,536
Other current assets	1,818	4,920	46,849	-
<b>Non-current assets:</b>	<b>43,953</b>	<b>106,097</b>	<b>1,371,378</b>	<b>88,750</b>
Property, plant and equipment	20,249	62,620	736,977	59,148
Intangible assets	22,168	35,552	591,598	29,602
Other non-current assets	1,536	7,925	42,803	-
<b>Current liabilities:</b>	<b>16,448</b>	<b>99,024</b>	<b>501,986</b>	-
Trade accounts payable and other accounts payable	13,533	35,809	143,516	-
Borrowings	500	62,900	355,169	-
Other current liabilities	2,415	315	3,301	-
<b>Non-current liabilities:</b>	<b>7,357</b>	<b>12,831</b>	<b>422,539</b>	-
Bonds and Borrowings	-	-	225,398	-
Retirement benefit obligation	2,272	12,644	23,778	-
Deferred income tax liabilities	5,085	-	100,531	-
Other non-current liabilities	-	187	72,832	-
<b>Fair value of identifiable net assets</b>	<b>₩ 95,135</b>	<b>₩ 143,320</b>	<b>₩ 940,656</b>	<b>₩ 132,492</b>

It is determined by provisional amounts as the valuation of identifiable assets acquired and liabilities assured of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film, Ltd.) and the Dow Chemical EAA businesses have not been completed as at the end of this reporting period.

2) Valuation techniques used for measurement of fair value of significant assets acquired and liabilities assumed are as follow:

Acquired Assets	Measurement of fair value
<i>Property, plant and equipment</i>	Market approach or cost approach: The Company determines the fair value by reflecting the price in the available market transactions of similar assets or the replacement cost by considering the appropriate functional and economic obsolescence as well as the physical deterioration degree.
<i>Intangible assets</i>	Relief from royalty method: The Company determines the fair value of intangible assets by using the relief from royalty method and considering the royalty discount that is expected to be avoided by the retention of the patents or trademarks directly.
<i>Borrowings and bonds payable</i>	The Company determines the fair value by discounting future cash flows at an effective interest rate in consideration of current credit rating at the assessment date and added interest rate.

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**34.3 Goodwill**

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

	SM Core. Inc.	SKC Hi-tech& Marketing Co., Ltd.	SK Siltron Co., Ltd.	Dow Chemical EAA business
a. The total consideration transferred:				
Consideration transferred	₩ 39,419	₩ 81,187	₩ 620,000	₩ 400,951
Fair value of share holding transferred	-	78,003	-	-
	<u>39,419</u>	<u>159,190</u>	<u>620,000</u>	<u>400,951</u>
b. Fair value of proportionate share of acquired net assets:				
Fair value of the net identifiable assets	₩ 95,135	₩ 143,320	₩ 940,656	₩ 132,492
Non-controlling interests (*1)	(69,906)	-	(460,928)	-
	<u>25,229</u>	<u>143,320</u>	<u>479,728</u>	<u>132,492</u>
c. Goodwill (c=a-b)	<u>₩ 14,190</u>	<u>₩ 15,870</u>	<u>₩ 140,272</u>	<u>₩ 268,459</u>

(\*1) Non-controlling interests arisen from the merger are measured in proportion to the non-controlling interests in net identifiable assets of the merged company.

**35. Subsequent events**

(1) SK E&S Co., Ltd.

In accordance with a resolution of the Board of Directors on October 31, 2017, SK E&S Co., Ltd., one of the subsidiaries, elected to issue 4,640,199 new ordinary shares (issue price: ₩146,066) by the third-party allocation method, with the purpose of financial structure improvement. Due to this, the Company's equity ownership for SK E&S Co., Ltd. will decrease from 100.0% to 90.0%. In addition, in accordance with a resolution of the Board of Directors on October 31, 2017, the Company approved of Total Return Swap (the "TRS") contract between the Company and the investors. The contract is based on the ordinary shares of SK E&S Co., Ltd., which is issued by the third-party allocation method.

(2) SK Energy Co., Ltd.

In accordance with a resolution of the Board of Directors on October 31, 2017, SK Energy, Co., Ltd., a subsidiary, elected to build new Vacuum Residue Desulfurization (VRDS) facilities and auxiliary manufacturing plants in the Ulsan CLX by investing ₩1,021,500 million from October 2017 to 2020.