



SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the six months ended June 30, 2018 and 2017
with the independent auditors' review report

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Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as at June 30, 2018, and the related interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, interim condensed consolidated statements of changes in shareholders’ equity and interim condensed consolidated statements of cash flows for the six-month periods then ended, presented in Korean won, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the interim condensed consolidated financial statements

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

Auditors’ responsibility

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

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and, consequently, 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 presented in Korean won are not presented fairly, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Other matter

We have audited the consolidated statement of financial position of the Group as at December 31, 2017, 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, 2018 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2017, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

August 14, 2018

This review report is effective as at August 14, 2018, the independent auditors' review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent 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 six months ended June 30, 2018 and 2017

“The accompanying interim condensed consolidated financial statements, including all footnote disclosures, have been prepared by, and are the responsibility of the Company”

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
as at June 30, 2018 and December 31, 2017

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Assets					
Current assets:					
Cash and cash equivalents	5	7,684,057	7,145,842	\$ 6,850,367	\$ 6,370,546
Short-term financial instruments	5, 31	2,377,678	3,540,673	2,119,709	3,156,524
Trade accounts receivable	5, 6, 26, 31	10,643,181	11,538,468	9,488,438	10,286,590
Other accounts receivable	5, 26, 30	1,965,050	1,991,725	1,751,850	1,775,631
Inventories	7, 31	8,854,026	8,177,933	7,893,399	7,290,660
Short-term investment securities	5, 8, 31	208,009	-	185,441	-
Available-for-sale financial assets	5, 8	-	188,603	-	168,140
Other current assets	5, 17, 18, 31	4,057,009	2,091,550	3,616,840	1,864,625
Assets held for sale	28	426,966	524,117	380,642	467,252
Total current assets		36,215,976	35,198,911	32,286,686	31,379,968
Non-current assets:					
Long-term financial instruments	5, 31	13,101	200,853	11,680	179,061
Long-term trade accounts receivable	5, 6	12,117	12,908	10,802	11,508
Long-term other accounts receivable	5, 30	272,125	321,154	242,601	286,310
Long-term investment securities	5, 8, 31	2,094,779	-	1,867,504	-
Available-for-sale financial assets	5, 8	-	1,596,033	-	1,422,870
Investments in associates and joint ventures	9, 31	16,737,579	14,629,502	14,921,618	13,042,259
Property, plant and equipment	10, 31	40,959,826	41,286,418	36,515,847	36,807,005
Investment property	11, 31	632,463	622,846	563,843	555,270
Goodwill	12	914,667	899,213	815,429	801,652
Intangible assets	13	11,525,716	11,451,616	10,275,222	10,209,161
Deferred income tax assets		687,606	734,524	613,003	654,831
Other non-current assets	5, 17, 18, 26	3,878,482	2,822,942	3,457,683	2,516,665
Total non-current assets		77,728,461	74,578,009	69,295,232	66,486,592
Total assets		113,944,437	109,776,920	101,581,918	97,866,560
Liabilities and equity					
Current liabilities:					
Short-term borrowings	5, 14, 33	3,237,502	2,999,032	\$ 2,886,246	\$ 2,673,649
Trade accounts payable	5, 26, 33	8,734,831	9,588,642	7,787,136	8,548,312
Other accounts payable	5, 26, 33	3,164,835	3,610,562	2,821,463	3,218,830
Provisions	15, 30	168,037	246,800	149,806	220,023
Current portion of long-term debt	5, 14, 33	5,758,263	6,548,146	5,133,514	5,837,698
Other current liabilities	5, 17, 18, 33	7,768,162	8,230,998	6,925,347	7,337,967
Liabilities held for sale	28	106,663	143,869	95,090	128,260
Total current liabilities		28,938,293	31,368,049	25,798,602	27,964,739
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 33	25,674,307	23,359,518	22,888,747	20,825,103
Long-term other accounts payable	5, 33	3,460,342	3,740,381	3,084,909	3,334,565
Retirement benefit obligation	16	424,928	257,783	378,825	229,815
Provisions	15	178,414	167,002	159,057	148,883
Deferred income tax liabilities		4,949,464	3,988,276	4,412,467	3,555,564
Other non-current liabilities	5, 17, 18, 26, 33	1,203,466	1,139,491	1,072,894	1,015,861
Total non-current liabilities		35,890,921	32,652,451	31,996,899	29,109,791
Total liabilities		64,829,214	64,020,500	57,795,501	57,074,530
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	13,716	13,716
Other paid-in capital	19	4,073,188	4,112,475	3,631,263	3,666,288
Retained earnings	19	11,276,681	9,837,619	10,053,206	8,770,276
Other capital components	19	(33,196)	(305,397)	(29,594)	(272,263)
Total equity attributable to owners of the parent		15,332,058	13,660,082	13,668,591	12,178,017
Non-controlling interests		33,783,165	32,096,338	30,117,826	28,614,013
Total equity		49,115,223	45,756,420	43,786,417	40,792,030
Total liabilities and equity		113,944,437	109,776,920	101,581,918	97,866,560

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
for the three months and six months ended June 30, 2018 and 2017

(Korean won in millions except for earnings per share)

	Notes	Korean won			
		June 30, 2018		June 30, 2017	
		Three months	Six months	Three months	Six months
Sales	4, 26	\ 25,232,114	\ 49,847,222	\ 21,687,826	\ 44,490,548
Cost of sales	23, 26	<u>22,381,605</u>	<u>44,281,546</u>	<u>19,427,384</u>	<u>39,500,752</u>
Gross profit		2,850,509	5,565,676	2,260,442	4,989,796
Selling and administrative expenses	20, 23, 26	1,216,662	2,350,405	1,168,705	2,198,418
Operating income	4	1,633,847	3,215,271	1,091,737	2,791,378
Financial income	21	897,290	1,447,800	326,654	1,682,732
Financial costs	21	(1,268,315)	(2,041,867)	(417,810)	(1,790,655)
Gain related to investments in associates and joint ventures, net	9	1,036,714	1,704,976	583,989	999,930
Other non-operating income	22	139,374	291,588	93,596	275,478
Other non-operating expenses	22	<u>(261,947)</u>	<u>(424,043)</u>	<u>(198,017)</u>	<u>(315,232)</u>
Income from continuing operations before income tax expense	4	2,176,963	4,193,725	1,480,149	3,643,631
Income tax expense from continuing operations	24	(624,165)	(1,218,540)	(344,823)	(892,661)
Net income from continuing operations	4	1,552,798	2,975,185	1,135,326	2,750,970
Gain (loss) from discontinued operation	27	32,131	165,086	(13,335)	(13,611)
Net income		1,584,929	3,140,271	1,121,991	2,737,359
Attributable to:					
Owners of the parent		531,361	1,192,500	407,141	1,000,683
Non-controlling interests		1,053,568	1,947,771	714,850	1,736,676
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(20,000)	(59,132)	(2,031)	(30,069)
Net loss on valuation of financial instruments measured at FVOCI		(10,084)	(55,365)	-	-
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain on available-for-sale financial assets		-	-	106,102	162,592
Equity adjustments of investments in associates and joint ventures		159,341	226,050	6,403	(81,477)
Net change in valuation of derivative financial instruments		1,415	(2,333)	(27,074)	(26,038)
Net gain on translation of foreign operations		265,595	331,486	158,091	(292,539)
Net gain (loss) on translation to the presentation currency		8,114	(3,422)	(1,101)	(2,153)
		<u>404,381</u>	<u>437,284</u>	<u>240,390</u>	<u>(269,684)</u>
Total comprehensive income		\ 1,989,310	\ 3,577,555	\ 1,362,381	\ 2,467,675
Attributable to:					
Owners of the parent		809,763	1,476,813	507,791	874,716
Non-controlling interests		1,179,547	2,100,742	854,590	1,592,959
Earnings per share (Korean won):	25				
Basic earnings per share		\ 9,498	\ 21,331	\ 7,284	\ 17,907
Basic earning per share from continuing operations		8,918	18,347	7,327	17,910

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SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
for the three months and six months ended June 30, 2018 and 2017 (cont'd)

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

	Notes	Translation into U.S. dollar (Note 2)			
		June 30, 2018		June 30, 2017	
		Three months	Six months	Three months	Six months
Sales	4, 26	\$ 22,494,530	\$ 44,438,996	\$ 19,334,783	\$ 39,663,500
Cost of sales	23, 26	<u>19,953,290</u>	<u>39,477,174</u>	<u>17,319,590</u>	<u>35,215,077</u>
Gross profit		2,541,240	4,961,822	2,015,193	4,448,423
Selling and administrative expenses	20, 23, 26	1,084,659	2,095,395	1,041,905	1,959,898
Operating income	4	1,456,581	2,866,427	973,288	2,488,525
Financial income	21	799,938	1,290,719	291,213	1,500,162
Financial costs	21	(1,130,708)	(1,820,333)	(372,479)	(1,596,376)
Gain related to investments in associates and joint ventures, net	9	924,235	1,519,993	520,629	891,442
Other non-operating income	22	124,252	259,952	83,441	245,590
Other non-operating expenses	22	<u>(233,527)</u>	<u>(378,036)</u>	<u>(176,533)</u>	<u>(281,031)</u>
Income from continuing operations before income tax expense	4	1,940,771	3,738,722	1,319,559	3,248,312
Income tax expense from continuing operations	24	(556,446)	(1,086,333)	(307,411)	(795,811)
Net income from continuing operations	4	1,384,325	2,652,389	1,012,148	2,452,501
Gain (loss) from discontinued operation	27	28,645	147,175	(11,888)	(12,134)
Net income		1,412,970	2,799,564	1,000,260	2,440,367
Attributable to:					
Owners of the parent		473,710	1,063,118	362,968	892,113
Non-controlling interests		939,260	1,736,446	637,292	1,548,254
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(17,830)	(52,716)	(1,811)	(26,807)
Net loss on valuation of financial instruments measured at FVOCI		(8,990)	(49,358)	-	-
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain on available-for-sale financial assets		-	-	94,590	144,951
Equity adjustments of investments in associates and joint ventures		142,053	201,524	5,708	(72,637)
Net change in valuation of derivative financial instruments		1,261	(2,080)	(24,137)	(23,213)
Net gain on translation of foreign operations		236,779	295,521	140,939	(260,800)
Net gain (loss) on translation to the presentation currency		7,234	(3,051)	(982)	(1,919)
		<u>360,507</u>	<u>389,840</u>	<u>214,307</u>	<u>(240,425)</u>
Total comprehensive income		\$ 1,773,477	\$ 3,189,404	\$ 1,214,567	\$ 2,199,942
Attributable to:					
Owners of the parent		721,907	1,316,585	452,698	779,813
Non-controlling interests		1,051,570	1,872,819	761,869	1,420,129
Earnings per share (U.S. dollar):	25				
Basic earnings per share		\$ 8.47	\$ 19.02	\$ 6.49	\$ 15.96
Basic earning per share from continuing operations		7.95	16.36	6.53	15.97

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in shareholders' equity
for the six months ended June 30, 2018 and 2017

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Controlling interests	Non-controlling interests	Total equity
As at January 1, 2017	<u>15,385</u>	<u>4,741,139</u>	<u>8,368,122</u>	<u>(12,289)</u>	<u>13,112,357</u>	<u>29,214,367</u>	<u>42,326,724</u>
Total comprehensive income:							
Net income	-	-	1,000,683	-	1,000,683	1,736,676	2,737,359
Remeasurement loss on defined benefit plans	-	-	(14,141)	-	(14,141)	(15,928)	(30,069)
Net gain on available-for-sale financial assets	-	-	-	60,546	60,546	102,046	162,592
Equity adjustments of investment in associates and joint ventures	-	-	-	(31,010)	(31,010)	(50,467)	(81,477)
Net loss on valuation of derivative financial instruments	-	-	-	(2,574)	(2,574)	(23,465)	(26,039)
Net loss on translation of foreign operations	-	-	-	(146,780)	(146,780)	(145,759)	(292,539)
Net gain (loss) on translation to the presentation currency	-	-	-	7,994	7,994	(10,144)	(2,150)
Transaction with shareholders:							
Dividends	-	-	(208,666)	-	(208,666)	(952,735)	(1,161,401)
Equity transactions in consolidated entities	-	(104,586)	-	-	(104,586)	(29,370)	(133,956)
Changes in the scope of consolidation	-	-	-	-	-	69,906	69,906
Others	-	99	(7,221)	-	(7,122)	(5,720)	(12,842)
As at June 30, 2017	<u>15,385</u>	<u>4,636,652</u>	<u>9,138,777</u>	<u>(124,113)</u>	<u>13,666,701</u>	<u>29,889,407</u>	<u>43,556,108</u>
As at January 1, 2018	<u>15,385</u>	<u>4,112,475</u>	<u>9,837,619</u>	<u>(305,397)</u>	<u>13,660,082</u>	<u>32,096,338</u>	<u>45,756,420</u>
Effect of changes in accounting policies	-	-	502,255	(40,771)	461,484	1,272,024	1,733,508
Beginning balance after amendment	<u>15,385</u>	<u>4,112,475</u>	<u>10,339,874</u>	<u>(346,168)</u>	<u>14,121,566</u>	<u>33,368,362</u>	<u>47,489,928</u>
Total comprehensive income:							
Net income	-	-	1,192,500	-	1,192,500	1,947,771	3,140,271
Remeasurement loss on defined benefit plans	-	-	(28,659)	-	(28,659)	(30,473)	(59,132)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(19,473)	(19,473)	(35,892)	(55,365)
Equity adjustments of investment in associates and joint ventures	-	-	-	165,168	165,168	60,882	226,050
Net gain (loss) on valuation of derivative financial instruments	-	-	-	686	686	(3,019)	(2,333)
Net gain on translation of foreign operations	-	-	-	172,676	172,676	158,810	331,486
Net gain (loss) on translation to the presentation currency	-	-	-	(6,085)	(6,085)	2,663	(3,422)
Transaction with shareholders:							
Dividends	-	-	(225,583)	-	(225,583)	(989,719)	(1,215,302)
Equity transactions in consolidated entities	-	(34,430)	-	-	(34,430)	(703,111)	(737,541)
Changes in the scope of consolidation	-	-	-	-	-	(3,944)	(3,944)
Others	-	(4,857)	(1,451)	-	(6,308)	10,835	4,527
As at June 30, 2018	<u>15,385</u>	<u>4,073,188</u>	<u>11,276,681</u>	<u>(33,196)</u>	<u>15,332,058</u>	<u>33,783,165</u>	<u>49,115,223</u>

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SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in shareholders' equity
for the six months ended June 30, 2018 and 2017 (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
As at January 1, 2017	\$ 13,716	\$ 4,226,744	\$ 7,460,214	\$ (10,956)	\$ 11,689,718	\$ 26,044,724	\$ 37,734,442
Total comprehensive income:							
Net income	-	-	892,113	-	892,113	1,548,254	2,440,367
Remeasurement loss on defined benefit plans	-	-	(12,607)	-	(12,607)	(14,200)	(26,807)
Net gain on available-for-sale financial assets	-	-	-	53,977	53,977	90,974	144,951
Equity adjustments of investment in associates and joint ventures	-	-	-	(27,646)	(27,646)	(44,991)	(72,637)
Net loss on valuation of derivative financial instruments	-	-	-	(2,295)	(2,295)	(20,918)	(23,213)
Net loss on translation of foreign operations	-	-	-	(130,855)	(130,855)	(129,945)	(260,800)
Net gain (loss) on translation to the presentation currency	-	-	-	7,127	7,127	(9,046)	(1,919)
Transaction with shareholders:							
Dividends	-	-	(186,027)	-	(186,027)	(849,367)	(1,035,394)
Equity transactions in consolidated entities	-	(93,239)	-	-	(93,239)	(26,183)	(119,422)
Changes in the scope of consolidation	-	-	-	-	-	62,321	62,321
Others	-	88	(6,438)	-	(6,350)	(5,099)	(11,449)
As at June 30, 2017	\$ 13,716	\$ 4,133,593	\$ 8,147,255	\$ (110,648)	\$ 12,183,916	\$ 26,646,524	\$ 38,830,440
As at January 1, 2018	\$ 13,716	\$ 3,666,288	\$ 8,770,276	\$ (272,263)	\$ 12,178,017	\$ 28,614,013	\$ 40,792,030
Effect of changes in accounting policies	-	-	447,762	(36,346)	411,416	1,134,014	1,545,430
Beginning balance after amendment	\$ 13,716	\$ 3,666,288	\$ 9,218,038	\$ (308,609)	\$ 12,589,433	\$ 29,748,027	\$ 42,337,460
Total comprehensive income:							
Net income	-	-	1,063,118	-	1,063,118	1,736,446	2,799,564
Remeasurement loss on defined benefit plans	-	-	(25,550)	-	(25,550)	(27,166)	(52,716)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(17,360)	(17,360)	(31,998)	(49,358)
Equity adjustments of investment in associates and joint ventures	-	-	-	147,248	147,248	54,276	201,524
Net gain (loss) on valuation of derivative financial instruments	-	-	-	611	611	(2,691)	(2,080)
Net gain on translation of foreign operations	-	-	-	153,941	153,941	141,580	295,521
Net gain (loss) on translation to the presentation currency	-	-	-	(5,425)	(5,425)	2,374	(3,051)
Transaction with shareholders:							
Dividends	-	-	(201,108)	-	(201,108)	(882,338)	(1,083,446)
Equity transactions in consolidated entities	-	(30,694)	-	-	(30,694)	(626,826)	(657,520)
Changes in the scope of consolidation	-	-	-	-	-	(3,516)	(3,516)
Others	-	(4,331)	(1,292)	-	(5,623)	9,658	4,035
As at June 30, 2018	\$ 13,716	\$ 3,631,263	\$ 10,053,206	\$ (29,594)	\$ 13,668,591	\$ 30,117,826	\$ 43,786,417

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of cash flows
for the six months ended June 30, 2018 and 2017

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

	Notes	For the six months ended June 30,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2018	2017	2018	2017
Cash flows from operating activities:					
Net income	\	3,140,271	\ 2,737,359	\$ 2,799,564	\$ 2,440,367
Non-cash adjustments	29	3,108,949	3,024,659	2,771,640	2,696,495
Working capital adjustments	29	(1,628,557)	(1,595,185)	(1,451,865)	(1,422,114)
Interest received		111,236	103,443	99,167	92,220
Interest paid		(596,794)	(539,986)	(532,044)	(481,400)
Dividends received		211,027	158,466	188,131	141,273
Income tax paid		(932,628)	(880,371)	(831,442)	(784,854)
Net cash flows provided by operating activities		3,413,504	3,008,385	3,043,151	2,681,987
Cash flows from investing activities:					
Decrease (increase) in short-term and long-term financial instruments, net		1,357,499	422,938	1,210,216	377,051
Decrease (increase) in short-term and long-term loans, net		43,767	(33,028)	39,018	(29,445)
Proceeds from disposal of investment securities		60,269	-	53,730	-
Proceeds from disposal of available-for-sale financial assets		-	200,473	-	178,722
Proceeds from disposal of investments in associates and joint ventures		9,560	4,111	8,523	3,665
Proceeds from disposal of property, plant and equipment		56,621	85,415	50,478	76,148
Proceeds from disposal of intangible assets		11,783	11,970	10,505	10,671
Proceeds from disposal of assets held for sale		9,580	473,077	8,541	421,750
Acquisition of investment securities		(389,672)	-	(347,394)	-
Acquisition of available-for-sale financial assets		-	(50,427)	-	(44,956)
Acquisition of investments in associates and joint ventures		(429,728)	(118,442)	(383,104)	(105,592)
Acquisition of property, plant and equipment		(2,706,422)	(2,051,944)	(2,412,786)	(1,829,316)
Acquisition of intangible assets		(203,484)	(228,041)	(181,407)	(203,299)
Changes in cash due to changes in the scope of consolidation		(118,950)	(59,305)	(106,044)	(52,871)
Transfer of business		209,970	302,651	187,189	269,815
Others, net		(19,557)	(54,653)	(17,435)	(48,723)
Net cash flows used in investing activities		(2,108,764)	(1,095,205)	(1,879,970)	(976,380)
Cash flows from financing activities:					
Increase (decrease) in short-term borrowings, net		210,707	(834,252)	187,846	(743,739)
Increase in bonds payable and borrowings		5,023,518	3,152,350	4,478,486	2,810,333
Increase in other accounts payable		32,779	1,500	29,223	1,337
Decrease in bonds payable and borrowings		(3,688,735)	(2,974,803)	(3,288,522)	(2,652,049)
Decrease in other accounts payable		(439,866)	(307,947)	(392,142)	(274,536)
Payment of dividends		(1,215,302)	(1,161,401)	(1,083,447)	(1,035,394)
Cash inflows (outflows) from equity transactions of consolidated subsidiaries		(696,528)	96,392	(620,957)	85,934
Others, net		(29,198)	(54,253)	(26,030)	(48,367)
Net cash flows used in financing activities		(802,625)	(2,082,414)	(715,543)	(1,856,481)
Net increase (decrease) in cash and cash equivalents		502,115	(169,234)	447,638	(150,874)
Net foreign exchange effects		36,100	(57,661)	32,183	(51,405)
Cash and cash equivalents at the beginning of the period		7,145,842	7,086,957	6,370,546	6,318,050
Cash and cash equivalents at the end of the period	\	7,684,057	\ 6,860,062	\$ 6,850,367	\$ 6,115,771

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

SK Holdings Co., Ltd. and its subsidiaries
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1. Corporate information

1.1 Information of the parent

SK Holdings Co., Ltd. (the "Company"), in accordance with KIFRS 1110 *Consolidated Financial Statements*, was established on April 13, 1991 and is engaged in providing systems integration, software design and development, information processing, and consulting services and is headquartered at 26, Jong-ro, Jongno-gu, Seoul. The Company's ordinary shares have been listed on the Korea Exchange since November 11, 2009.

Resulting from the acquisition of SK Holdings Co., Ltd. by SK C&C Co., Ltd. effective 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 June 30, 2018, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares) and major shareholders are Tae-won Chey, National Pension Service and Ki-won Choi holding equity ownership of 23.40%, 8.37%, and 7.46% respectively.

1.2 Consolidated subsidiaries

The Company and its subsidiaries (collectively, the "Group") are engaged in petroleum refining, telecommunications, wholesale and retail, chemicals, construction and other industries. Subsidiaries whose accounts are included in the consolidated financial statements as at June 30, 2018 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%
Jaju United FC Corporation	Korea	Sports association sponsoring	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment Co., Ltd.	Cayman	Investment	SK Energy Co., Ltd.	100.00%
SK Energy 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 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.	100.00%
SK Shanghai Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	100.00%
SK Global Chemical Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Golden Tide Plastics (Yantai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
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 Saran Americas LLC	USA	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.	Netherlands	Investment	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 Americas, Inc.	USA	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Europe B.V.	Netherlands	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Japan Co., Ltd.	Japan	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants & Oils India Pte. Ltd.	India	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
Iberian Lube Base Oils, S.A.	Spain	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Lubricants Russia LLC	Russia	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Mobile Energy Co., Ltd.	Korea	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Innovation Insurance (Bermuda), Ltd.	Bermuda	Insurance	SK Innovation Co., Ltd.	100.00%
SK USA, Inc.	USA	Management consulting services	SK Innovation Co., Ltd.	100.00%
SK Battery Systems Co., Ltd.	Korea	Battery pack manufacturing	SK Innovation Co., Ltd.	100.00%
Blue Dragon Energy Co., Ltd. (formerly, SK Battery China Holdings Co., Ltd.)	China	Investment	SK Innovation Co., Ltd.	100.00%
SK Battery Hungary Kft.	Hungary	Battery manufacturing	SK Innovation Co., Ltd.	100.00%
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, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK E&P Operations America, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Nemaha, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Telecom Co., Ltd. (*2)	Korea	Mobile telecommunications	SK Holdings Co., Ltd.	25.22%
SK Telink Co., Ltd.	Korea	International call and MVNO business	SK Telecom Co., Ltd.	100.00%
NSOK Co., Ltd.	Korea	Machine security and facilities security	SK Telink Co., Ltd.	100.00%
SK Broadband Co., Ltd.	Korea	Fixed-line telecommunication service	SK Telecom Co., Ltd.	100.00%
Home&Service Co., Ltd.	Korea	Information and communication facilities management business	SK Broadband Co., Ltd.	100.00%
SK Store Co., Ltd.	Korea	Other resale communication business	SK Broadband Co., Ltd.	100.00%
PS&Marketing Corp.	Korea	Resale communication business	SK Telecom Co., Ltd.	100.00%
Serviceace Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Service Top Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Network O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
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.	Korea	Internet portal service	SK Telecom Co., Ltd.	100.00%
FSK L&S Co., Ltd. (*4)	Korea	Convergence logistics business	SK Telecom Co., Ltd.	60.00%
FSK L&S (Shanghai) Co., Ltd.	China	Foreign freight forwarding	FSK L&S 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%
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, LLC	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
shopkick Management Company, Inc.	USA	Investment	SKP America, LLC	100.00%
shopkick, Inc.	USA	Mileage based 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	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P.	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman	Investment	Atlas Investment, Ltd.	100.00%
iriver Co., Ltd. (*2)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	45.90%
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 Co., Ltd.	Korea	Domestic contents and MQS album sales	iriver Co., Ltd.	100.00%
Groovers Japan Co., Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
S.M.Life Design Company Japan, Inc.	Japan	Japan goods sales	iriver Co., Ltd.	100.00%
S.M.Mobile Communications Japan, Inc.	Japan	Digital contents service	iriver Co., Ltd.	100.00%
SK Telecom Japan Inc.	Japan	Information gathering and consulting	SK Telecom Co., Ltd.	100.00%
Id Quantique SA	Switzerland	Quantum information communication	SK Telecom Co., Ltd.	58.11%
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%
SK Rent-a-car Service Co., Ltd. (formerly, 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	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
SK Networks (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	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SK Networks (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SK Networks (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*5)	Turkey	Steel processing and sales	SK Networks Co., Ltd.	51.22%
SK Networks Resources Australia Pty. Ltd.	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SK Networks Middle East FZE	UAE	Trading business	SK Networks Co., Ltd.	100.00%
SK Brasil LTDA	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Trading Malaysia Sdn Bhd	Malaysia	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks America, Inc.	USA	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Brazil Intermediacao De Negocios LTDA.	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
Networks Tajarat Pars	Iran	Trading business	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	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. (*6)	China	Film manufacturing	SKC Co., Ltd.	91.38%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK Bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotec Co., Ltd.	China	Research and manufacturing	SK Bioland Co., Ltd.	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotec Co., Ltd.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity Ownership (%)
SKC Hi-Tech&Marketing Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	China	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Taiwan Co., Ltd.	Taiwan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Japan Co., Ltd.	Japan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Polska SP.Z.O.O	Poland	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing USA LLC	USA	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC PU Specialty Co., Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	100.00%
SKC (Nantong) PU Specialty Co., Ltd.	China	Electronic materials manufacturing	SKC PU Specialty Co., Ltd.	100.00%
SKC-ENF Electronic Materials Co., Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	75.10%
SKC (Nantong) Semiconductor Materials Technology Co., Ltd.	China	Electronic materials manufacturing	SKC-ENF Electronic Materials Co., Ltd.	100.00%
SK Shipping Co., Ltd.	Korea	Shipping	SK Holdings Co., Ltd.	57.22%
Blueseacocean 1st LLC	Korea	Securitization company	(*)	-
Blueseacocean 2nd LLC	Korea	Securitization company	(*)	-
Blueseacocean 3rd LLC	Korea	Securitization company	(*)	-
Yukyungjiju 1st LLC	Korea	Securitization company	(*)	-
Neptune Solution LLC	Korea	Securitization company	(*)	-
FSS 6th Co., Ltd.	Korea	Securitization company	(*)	-
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 58 other companies	Panama	Special purpose company for acquiring ship	(*)	-
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.	90.00%
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, LLC	USA	Liquefied natural gas sales	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
CAILIP Gas Marketing, LLC	USA	Liquefied natural gas sales and purchases	SK E&S Americas, Inc.	100.00%
Prism Energy International 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.	100.00%
Prism Energy International Hong Kong, Ltd.	Hong Kong	Liquefied natural gas trading	Prism Energy International Pte. Ltd.	100.00%
PT SK E&S Nusantara	Indonesia	Management consulting	SK E&S Co., Ltd.	100.00%
SK E&S Dominicana S.R.L	Dominican	Liquefied natural gas import	SK E&S Co., Ltd., Prism Energy International Pte. Ltd.	100.00%
SK Engineering & Construction Co., Ltd. (*)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*)	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 EC, LLC	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%
Mesa Verde RE Ventures, LLC	USA	Real estate development	SK E&C Betek Corporation	100.00%
SKEC Consultores Equador, 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 Holdco Pte. Ltd.	Singapore	Holding Company	SK Engineering & Construction Co., Ltd.	63.51%
SK Materials Co., Ltd. (*)	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	Industrial gas sales	SK Materials Co., Ltd.	100.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Showa Denko Co., Ltd. (*)	Korea	Manufacturing, distribution and sales of semiconductor, electronic chemicals	SK Materials Co., Ltd.	51.00%
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 Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Holdings Co., Ltd.	100.00%
SK Biotek Ireland Limited	Ireland	Investment	SK Biotek Co., Ltd.	100.00%
SK Biotek USA Inc.	USA	Medicine and life science	SK Biotek Co., Ltd.	100.00%
SK Infosec Co., Ltd.	Korea	Information security service	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	SK S.E.Asia Pte. Ltd.	100.00%
ISD Technology (ShenZhen) Limited	China	Consulting for computer system integration	Essencore Limited	100.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	88.13%
SKY Property Mgmt (Beijing) Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd.	Hong Kong	Investment	SK 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 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%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
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%
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 Management Ltd.	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%
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%
S&G Technology	Saudi Arabia	Consulting for computer system integration and others	SK Holdings Co., Ltd.	51.00%
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Investment Management Co., Ltd.	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Computer and Communication LLC (*9)	UAE	Computer repair service and others	SK Holdings Co., Ltd.	49.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Holdings Co., Ltd., SK Innovation Co., Ltd. SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Beijing SK Magellan Capital Advisors Co., Ltd.	China	Investment consulting	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman	Investment	SK Holdings Co., Ltd.	100.00%
SK MENA Investment B.V.	Netherlands	Investment	SK Telecom Co., Ltd.	100.00%
SK Latin 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%
Hudson Energy NY II, LLC	USA	Investment	Plutus Capital NY, Inc.	100.00%
Plutus Fashion NY, Inc.	USA	Fashion	SK Holdings Co., Ltd.	100.00%
Wonderland NY, Inc.	USA	Investment	Plutus Fashion NY, Inc.	100.00%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
Happynarae Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd., SK Innovation Co., Ltd.	90.00%
Suzhou Happynarae Co., Ltd.	China	Electrical and machine equipment and others	Happynarae Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%

- (*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (*2) SK Innovation Co., Ltd. and 8 other companies are included in the consolidated financial statements as the Company is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and 8 other companies are widely dispersed, so it is determined that the Company has voting rights to exercise de facto control.
- (*3) The Group owns 100% of the ordinary shares of SK Incheon Petrochem Co., Ltd. and SK TNS Co., Ltd., but holds 68.0% and 59.5% of equity ownership respectively, due to the issuance of its preferred shares having voting rights.
- (*4) The largest shareholder has been changed by transferring 60% of the controlling interest to SK Telecom Co., Ltd., a subsidiary, during the current period.
- (*5) 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).
- (*6) 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.
- (*7) The Group's 65 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.
- (*8) In the current period, the Group acquired control of the investee by acquiring a majority of the voting rights of the Board of Directors. (see Note 34 'Business Combinations').
- (*9) The Group has classified the investee as a subsidiary as it acquired voting rights for 51% of the remaining equity interest by the shareholders' agreement.

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1.3 Changes in consolidated subsidiaries

Changes in the consolidated subsidiaries for the six months ended June 30, 2018 are as follows:

December 31, 2017	Inclusion	Exclusion	June 30, 2018
309	16	(9)	316

For the six months ended June 30, 2018, subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
SK Biotek USA Inc.	Establishment (12 companies)
SK E&S Dominicana S.R.L	
Dsic Vloc1 Shipholding S.A	
Dsic Vloc2 Shipholding S.A	
SK Telecom Japan Inc.	
Hudson Energy NY II, LLC	
SK E&P Operations America, LLC	
Prism Energy International Hong Kong, Ltd.	
SK Networks America, Inc.	
SK Networks Brazil Intermediacao De Negocios LTDA.	
Networks Tejarat Pars	
FSS 6th Co., Ltd.	
SK Showa Denko Co., Ltd.	Acquisition (4 companies)
groovers Co., Ltd.	
SK Nemaha, LLC	
id Quantique SA	

For the six months ended June 30, 2018, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
Bergaya International Pte. Ltd.	Liquidation (3 companies)
SK E&C India Pvt. Ltd.	
With Ocean LLC	
Ningde Sky Beverage Co., Ltd.	Disposal (4 companies)
SK International Supply Chain Management Co., Ltd.	
SK Encarsales.com Ltd	
11street (Thailand) Co., Ltd.	
SK Maritime Co., Ltd.	Merge (1 company)
Hello Nature Co., Ltd.	New issuance of shares by the third-party allocation (1 company)

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1.4 Condensed financial information of significant consolidated subsidiaries

Details of condensed financial information of the significant subsidiaries as at and for the six months ended June 30, 2018 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	15,083,896	1,829,473	2,229,238	1,489,685
SK Energy Co., Ltd.	13,952,087	8,369,249	16,339,861	504,141
SK Global Chemical Co., Ltd.	5,568,201	1,707,940	5,326,379	264,521
SK Incheon Petrochem Co., Ltd.	5,822,225	3,040,512	4,188,633	61,667
SK Trading International Co., Ltd.	2,219,188	1,457,365	6,355,832	63,328
SK Lubricants Co., Ltd.	2,142,532	738,729	1,459,586	155,863
SK Global Chemical Americas, Inc.	557,255	226,669	2,862	232
SK Global Chemical International Trading (Shanghai) Co., Ltd.	241,369	139,158	662,346	2,460
SK Global Chemical Singapore Pte. Ltd.	110,404	101,221	397,253	(2,509)
SK Energy International Pte. Ltd.	2,627,736	2,064,904	12,991,030	29,218
SK Energy Europe, Ltd.	633,657	531,965	2,932,015	(1,481)
SK Lubricants Americas, Inc.	293,114	228,750	330,557	14,282
SK Lubricants Europe B.V.	202,960	199,493	314,734	(4,176)
Iberian Lube Base Oils S.A.	419,989	144,752	277,477	8,307
SK E&P America, Inc.	962,470	79,338	-	(3,502)
SK Telecom Co., Ltd.	26,997,452	10,390,293	5,930,373	584,213
SK Telink Co., Ltd.	495,783	115,277	183,551	19,508
SK Broadband Co., Ltd.	4,015,789	2,560,730	1,497,852	29,594
PS&Marketing Corp.	432,397	218,160	791,376	(3,684)
SK Planet Co., Ltd.	1,330,570	804,301	413,328	(85,941)
SK Networks Co., Ltd.	6,506,272	4,298,929	6,162,079	(5,268)
SK Magic Co., Ltd.	563,263	376,031	303,403	1,016
SK Networks (Shanghai) Co., Ltd.	58,272	33,160	220,597	382
SK Networks Hong Kong Ltd.	81,807	22,291	147,694	645
SKC Co., Ltd.	2,708,863	1,158,577	710,922	45,162
SK Telesys Co., Ltd.	148,953	197,392	142,026	5,813
SKC, Inc.	366,041	327,492	158,778	(10,582)
SK Shipping Co., Ltd.	4,374,809	4,010,985	506,992	(20,893)
SK B&T Pte. Ltd.	176,101	75,082	409,936	3,815
SK E&S Co., Ltd.	4,246,556	1,634,267	422,699	146,963
Yeongnam Energy Service Co., Ltd.	356,470	149,491	346,455	20,641
Ko-one Energy Service Co., Ltd.	623,328	236,964	612,025	22,264
Narae Energy Service Co., Ltd.	675,120	502,186	150,128	(2,472)
Pusan City Gas Co., Ltd.	851,911	232,662	537,907	36,417
Chungcheong Energy Service Co., Ltd.	260,199	135,094	254,858	17,707
Paju Energy Service Co., Ltd.	1,833,991	918,929	678,936	83,665
Wirye Energy Service Co., Ltd.	816,623	573,307	185,256	19,787
Prism Energy International Pte. Ltd.	81,260	5,460	607,042	4,854
SK E&S Australia Pty. Ltd.	443,814	156,869	-	(2,430)
SK E&S Americas, Inc.	815,745	179,989	-	(6,059)
DewBlaine Energy, LLC	801,094	15,459	41,109	6,262
SK Engineering & Construction Co., Ltd.	4,418,573	3,664,905	3,319,916	103,077
SK TNS Co., Ltd.	123,991	88,836	213,903	11,291
SK Materials Co., Ltd. (*1)	1,317,937	915,859	299,808	49,010
SK Siltron Co., Ltd. (*1)	1,992,784	1,431,451	622,320	137,342
Essencore Limited (*1)	317,193	125,213	656,535	84,619
SK China Company, Ltd.	2,169,753	863	-	7,593
SKY Property Management Ltd. (*1)	626,730	32,522	29,411	8,887
SK Industrial Development China Co., Ltd.	407,373	70,528	-	(2,911)
Plutus Capital NY, Inc. (*1)	744,369	231,079	430	1,156
Happynarae Co., Ltd.	107,647	75,544	466,018	2,169

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

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1.5 Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as at and for the six months ended June 30, 2018 is as follows (Korean won in millions):

Segment	June 30, 2018						
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering& Construction Co., Ltd.
Percentage of the non-controlling ownership	65.55%	71.16%	59.64%	56.55%	42.78%	10.00%	53.79%
Current assets	\ 16,091,402	\ 7,814,328	\ 2,777,137	\ 906,058	\ 749,116	\ 1,616,739	\ 3,207,234
Non-current assets	18,633,293	28,522,429	4,597,846	2,844,275	4,137,045	7,142,668	1,782,600
Current liabilities	9,493,093	5,759,256	3,364,097	1,122,675	1,838,440	1,244,973	3,415,748
Non-current liabilities	6,048,032	9,668,752	1,689,664	977,671	2,851,598	3,644,932	716,792
Net assets	19,183,570	20,908,749	2,321,222	1,649,987	196,123	3,869,502	857,294
Book value of the non-controlling interests	13,279,764	14,417,309	1,460,286	1,020,376	206,156	1,601,502	652,211
Sales	25,604,140	8,335,861	6,909,646	1,364,696	804,023	3,432,274	3,567,271
Net income (loss)	985,364	1,607,673	843	89,647	(19,698)	310,185	85,535
Total comprehensive income (loss)	1,189,183	1,618,573	4,262	89,050	(10,109)	400,055	111,069
Net income (loss) of the non-controlling interests	666,525	1,097,380	(4,142)	52,639	(1,073)	44,320	16,679
Total comprehensive income (loss) of the non-controlling interests	783,036	1,073,573	(2,272)	52,421	(2,158)	54,565	42,236
Net cash flows from operating activities	866,508	2,207,377	(599,762)	63,464	108,826	150,837	277,925
Net cash flows from (used in) investing activities	98,322	(967,655)	(69,752)	(81,264)	(104,620)	(335,793)	118,451
Net cash flows from (used in) financing activities before dividends paid to the non-controlling interests	(280,375)	(443,546)	613,267	(4,450)	48,295	(202,077)	(177,697)
Dividends paid to the non-controlling interests	(411,184)	(460,631)	(17,224)	(20,730)	(12,524)	(49,322)	-
Net increase (decrease) in cash and cash equivalents	273,271	335,545	(73,471)	(42,980)	39,977	(436,355)	218,679

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

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2017.

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed consolidated financial statements and has been made at the rate of \ 1,121.7 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the six months ended June 30, 2018. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

2.2 Significant accounting policies

The significant accounting policies used for the preparation of the accompanying consolidated financial statements as at and for the six months ended June 30, 2018, are the same as the accounting policies adopted for the preparation of consolidated financial statements as at and for the year ended December 31, 2017, except for adoption of new and revised KIFRSs applied in the current period, which are summarized below.

2.2.1 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, 2018.

KIFRS 1102 – *Share-based Payment*

The KASB issued amendments to KIFRS 1102 – *Share-based Payment* that address 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. The amendments do not have a material impact on the financial position or management performance of the Group.

KIFRS 1109 – *Financial Instruments*

The Group applied the amendments to KIFRS 1109 and other standards for the first time for the year beginning on January 1, 2018. The Standard replaces KIFRS 1039 *Financial Instruments: Recognition and Measurement*. KIFRS 1109 introduces new rules for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting.

2.2.1 New and revised KIFRSs adopted in the current period (cont'd)

The Group has recognized the cumulative effect of the initial application of this standard in the opening balances in accordance with the transitional provisions, and the comparative financial statements have not been restated. Accordingly, the comparative financial statements are presented in accordance with the previous accounting policies.

The major impact of the adoption of the standard on the Group's financial statements is as follows:

① Classification and measurement of financial assets

Classification of financial assets under KIFRS 1109 is driven by the entity's business model for managing financial assets and their contractual cash flows. This contains three principal classification categories: financial assets measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

To eliminate or significantly reduce the accounting mismatch, the Group may irrevocably designate a financial asset as measured at FVTPL using the fair value option at initial recognition. On the other hand, equity instruments that are not held for trading may be irrevocably designated as FVOCI using the fair value option.

The Group measures its financial assets at fair value with the exception of specific trade receivables at the initial recognition date. Transaction costs directly attributable to the acquisition of financial assets or issuance of financial liabilities, unless they are financial assets measured at FVTPL, are added to fair value. Transaction costs of financial assets measured at FVTPL are accounted as expense under current profit or loss.

The Group classifies and measures debt instruments in the following three categories:

- Financial assets measured at amortized cost: Assets that hold financial assets under a business model that is intended to hold to receive contractual cash flows and whose contractual cash flows consist solely of principal are measured at amortized cost. The gain or loss on a financial asset measured at amortized cost, which is not subject to hedge accounting, is recognized in profit or loss when the financial asset is derecognized or impaired. Interest income on financial assets recognized under the effective interest rate method is included in finance income.

- Financial assets measured at FVOCI: Financial assets held under a business model that achieves the objective through both receipt of contractual cash flows and sale of financial assets and whose contractual cash flows consist of only principal payments are measured at FVOCI. Gain or loss on financial assets measured at FVOCI except for impairment loss (reversal), interest income, and foreign exchange gain or loss are recognized as other comprehensive income. Interest income and foreign exchange gains and losses on financial assets and impairment recognized in accordance with the effective interest rate method, are recognized as current profit or loss.

- Financial assets measured at FVTPL: Debt instruments not measured at amortized cost or FVOCI, are measured at FVTPL. Profit or loss on debt instruments measured at FVTPL not subject to the application of hedge accounting, are recognized as current profit or loss.

The Group subsequently measures investment in all equity instruments at fair value. For equity instruments for which changes in fair value are elected to be presented in other comprehensive income, amounts recognized in other comprehensive income are not reclassified to profit or loss even when equity instruments are eliminated. Dividend income on these equity instruments is recognized in profit or loss when the right to receive dividends is established.

2.2.1 New and revised KIFRSs adopted in the current period (cont'd)

② Classification and measurement of financial liabilities

The Group classifies the financial liabilities as financial liabilities measured at FVTPL and other financial liabilities based on the substance of terms and conditions of a contract and definition of financial liabilities and recognizes them in the statement of financial position when the Group becomes a party in the contract.

1) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include held-for-trading financial liabilities or financial liabilities designated as measured at FVTPL at initial recognition. Financial liabilities measured at FVTPL are measured at fair value after initial recognition, and changes in fair value are generally presented as follows:

- Changes in fair value due to changes in the credit risk of debt: Other comprehensive income
- Remaining fair value changes: Profit or loss

Transaction costs incurred at the time of initial recognition are recognized immediately in profit or loss as incurred.

2) Other financial liabilities

Non-derivative financial liabilities that are not classified as financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities are measured initially at fair value, net of transaction costs directly attributable to the issue. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method. Interest expense is recognized using the effective interest rate method.

3) Elimination of financial liabilities

A financial liability is derecognized only when the obligation has been fulfilled, canceled, or expired.

③ Impairment

KIFRS 1109 sets out a new 'expected credit loss' (ECL) impairment model which replaces the 'incurred loss' model under KIFRS 1039 for recognizing and measuring impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI, but not to investments in equity instruments.

Expected credit losses are measured by discounting the difference between the contractual cash flows and all cash flows expected to be received by the Group at the initial effective interest rate of the asset.

At the end of each reporting period, the Group assesses the carrying amount of financial assets measured at amortized cost and debt securities measured at FVOCI for credit in impairment. If there is more than one event that adversely affects the estimated future cash flows of the financial asset, the financial asset is impaired.

The allowance for losses on financial assets measured at amortized cost is deducted from the carrying amount of the asset. On the other hand, for debt instruments measured at FVOCI, instead of reducing the carrying amount of the asset, the loss allowance is recognized in other comprehensive income.

The Group measures the allowance for losses on trade and other receivables, contracts and lease receivables at amounts equivalent to the life time expected credit losses and applies a practical expedient by considering low credit risk at the reporting date as no significant increase in credit risk.

2.2.1 New and revised KIFRSs adopted in the current period (cont'd)

④ Hedge accounting

Derivatives are initially recognized at fair value at the inception of the derivative contract and subsequently remeasured to fair value at the end of each reporting period. Changes in the fair value of a derivative that is not a hedging instrument are recognized in profit or loss and derivatives that are a hedging instrument are accounted for based on the nature of the hedged item and the type of hedging relationship designated.

In accordance with the transitional provisions of KIFRS 1109 on hedge accounting, the Group has adopted the hedge accounting provisions of KIFRS 1109 prospectively from January 1, 2018. As at the date of initial application, the Group has considered that the hedging relationship in accordance with KIFRS 1039 is also eligible for hedge accounting under KIFRS 1109. The hedging relationship between the hedging instrument and the hedged item is consistent, therefore, all hedging relationships are consistent with the effectiveness assessment requirements of KIFRS 1109. The Group has not designated a hedging relationship in accordance with KIFRS 1109 that would not have met the requirements for hedge accounting under KIFRS 1039.

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2.2.1 New and revised KIFRSs adopted in the current period (cont'd)

Changes in the basic capital of the Group as a result of the first application of KIFRS 1109 are as follows (Korean won in millions):

Amendments	Retained earnings	Other capital components	Non-controlling interests
Classification and measurement	\ 31,447	\ (40,771)	\ 13,446
Impairment of financial assets	(7,549)	-	(12,507)
	\ 23,898	\ (40,771)	\ 939

Reclassification of financial assets of the Group as at the first application of KIFRS 1109 as at January 1, 2018 is as follows (Korean won in millions):

	Classification		Book value		
	KIFRS 1039	KIFRS 1109	KIFRS 1039	KIFRS 1109	Difference
Current financial assets:					
Cash and cash equivalents	Loans and receivables	Amortized cost	\ 7,145,842	\ 7,145,842	-
Short-term financial instruments	Loans and receivables	Amortized cost	3,442,030	3,442,030	-
Short-term financial instruments	Financial assets at FVTPL	FVTPL	98,643	98,643	-
Short-term investment securities	Available-for-sale financial asset	FVTPL	48,476	48,476	-
Short-term investment securities	Available-for-sale financial asset	FVOCI	140,127	140,127	-
Short-term investment securities	Held-to-maturity investments	Amortized cost	45	45	-
Trade accounts receivable	Loans and receivables	Amortized cost	10,427,010	10,405,554	(21,456)
Trade accounts receivable	Loans and receivables	FVTPL	300,621	300,621	-
Other accounts receivable	Loans and receivables	Amortized cost	1,161,404	1,160,146	(1,258)
Other accounts receivable	Loans and receivables	FVTPL	830,321	830,321	-
Short-term loans	Loans and receivables	Amortized cost	123,130	122,694	(436)
Accrued income	Loans and receivables	Amortized cost	44,240	44,204	(36)
Guarantee deposits	Loans and receivables	Amortized cost	209,181	209,181	-
Derivative financial assets	Financial assets at FVTPL	FVTPL	35,319	35,319	-
Derivative financial assets	Financial assets designated as hedging instruments	Financial assets designated as hedging instruments	57,094	57,094	-
Finance lease receivables	Loans and receivables	Amortized cost	73,199	73,199	-
			24,136,682	24,113,496	(23,186)
Non-current financial assets:					
Long-term financial instruments	Loans and receivables	Amortized cost	200,853	200,853	-
Long-term investment securities	Available-for-sale financial asset	FVTPL	441,735	443,162	1,427
Long-term investment securities	Available-for-sale financial asset	FVOCI	1,154,298	1,162,900	8,602
Long-term investment securities	Held-to-maturity investments	Amortized cost	825	825	-
Long-term trade accounts receivables	Loans and receivables	Amortized cost	12,908	12,908	-
Long-term loans	Loans and receivables	Amortized cost	378,534	376,697	(1,837)
Long-term other accounts receivables	Loans and receivables	Amortized cost	77,412	77,412	-
Long-term other accounts receivables	Loans and receivables	FVTPL	243,742	243,742	-
Guarantee deposits	Loans and receivables	Amortized cost	740,326	738,891	(1,435)
Derivative financial assets	Financial assets at FVTPL	FVTPL	235,474	232,936	(2,538)
Derivative financial assets	Financial assets designated as hedging instruments	Financial assets designated as hedging instruments	46,755	46,755	-
Finance lease receivables	Loans and receivables	Amortized cost	168,490	168,490	-
			3,701,352	3,705,571	4,219
			\ 27,838,034	\ 27,819,067	\ (18,967)

2.2.1 New and revised KIFRSs adopted in the current period (cont'd)

KIFRS 1115 – Revenue from Contracts with Customers

The amendments are effective for the current period. The new standard will supersede the following KIFRS: KIFRS 1011 *Construction Contracts*, KIFRS 1018 *Revenue*, KIFRS 2113 *Customer Loyalty Programmes*, KIFRS 2115 *Agreements for the Construction of Real Estate*, KIFRS 2118 *Transfers of Assets from Customers*, and KIFRS 2031 *Revenue – Barter Transactions Involving Advertising Services*. If the contracts are not subject to the scope of other standards, the new standard applies to all revenue from contracts with customer.

The Group adjusted cumulative effect of the initial application of KIFRS 1115 to the beginning balance of retained earnings, and retrospectively applied the standard only to the contracts not completed as at January 1, 2018. Accordingly, the comparative information is not restated and prepared in accordance with KIFRS 1018 and KIFRS 1011.

The major impact of the adoption of the standard on the Group's financial statements is as follows:

① Identification of the separate performance of the contract

The Group is engaged in providing petroleum, chemicals and resources development, telecommunications, constructions and others

Construction projects, etc., have identified a contract that meets the combined requirements of a contract among a plurality of contracts that have a single commercial purpose and concurrently or in the near term. In this case, the multiple contracts were combined and accounted for as a single contract.

② Identification of the separate performance obligations in the contract

KIFRS 1115 requires the Group to separately identify performance obligation for wireless telecommunications services and other sales of goods and services. The Group determines the timing of fulfilling each performance obligation so that revenue can be recognized thereafter. In the case that the Group provides the wireless telecommunications services and a handset to the same customer, transaction price allocated to the handset was recognized as revenue immediately while the transaction price allocated to wireless telecommunication service was recognized as revenue over a period of time specified in the contract. The Group determined that the installation services provided with the fixed-line telecommunication services are not distinguishable performance obligations from the related fixed-line telecommunication services such as high speed broadband Internet or IPTV services. Therefore, the Group included the installation fee in the fixed-line telecommunication service revenue. The installation fee will be recognized as revenue over the contract term in which the Group has to provide fixed-line telecommunication services. The Group recognized ₩23,063 million as contract liability on the consolidated statement of financial position as at January 1, 2018 due to such change in the accounting policies.

In the case of other businesses, more than one performance obligation can be identified in a single contract. In this case, the transaction price is allocated to each performance obligation and the revenue is recognized for each obligation performed.

The performance obligation for fulfilling transportation brokerage has been identified in some of the contracts of goods supply. In such case, the Group recognizes the net amounts of commission to which it is entitled when fulfilling the promise to provide brokerage services to the customer.

2.2.1 New and revised KIFRSs adopted in the current period (cont'd)

③ Incremental costs to acquire a contract and accounting for fulfillment cost

The Group pays a commission based on the results of recruitment and renewal of customers of the Group, such as wireless telecommunications services to agencies, and it accounts for a significant portion of the commission for the operating expenses. Some of these fees are costs that would not have been spent if contracts were not signed with the customer. Under KIFRS 1115, contracted incremental costs recognized as past costs are recognized as assets and amortized over the expected term of the contract. As a result of this change, the Group recognized the amount of incremental cost of contracts as at January 1, 2018, as the prepaid expenses in the consolidated statement of financial position.

Contract costs are recognized as an expense when incurred since these costs are not clearly charged regardless of whether the contract is entered into or not. Accordingly, percentage-of-completion is recalculated for contracts that apply cost-based input method.

④ Allocation of the transaction price to the separate performance obligations

In accordance with KIFRS 1115, the Group should allocate the transaction price to each performance obligation in a contract in proportion to its stand-alone selling price. To estimate the transaction price to each performance obligation, the Group will use the adjusted market assessment approach. However, in some circumstances, the expected cost plus a margin approach will be used.

When the Group provides both handset and wireless telecommunications services to the same customer, the Group has allocated transaction prices based on the relative individual selling prices. As a result of this change, the Group recognized transaction value of ₩142,596 million as at January 1, 2018 as the contract asset in the consolidated statements of financial position.

Upon first application of KIFRS 1115, retained earnings and non-controlling interests of the Group increased by ₩478,357 million and ₩1,271,085 million, respectively.

The effect of the adoption of KIFRS 1115 on the income statement on June 30, 2018 is as follows (Korean won in millions):

	<u>Current standard</u>	<u>Amendments</u>	<u>Past standard</u>
Sales	\ 49,847,222	\ 144,489	\ 49,991,711
Operating income	3,215,271	23,054	3,238,325
Net income	3,140,271	10,284	3,150,555

KIFRS 1028 Investments in Associates and Joint Ventures

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments do not have any impact on the Group's financial position or management performance.

2.2.1 New and revised KIFRSs adopted in the current period (cont'd)

KIFRS 1040 - Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Group should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the Group first applies the amendments. The Group should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with KIFRS 1008 is only permitted if it is possible without the use of hindsight. The amendments do not have a material impact on the Group's financial position or management performance.

KIFRS 2122 – Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If advance consideration is taken at multiple times, it is necessary to determine the date of each transaction due to the advance consideration. The amendments do not have a material impact on the Group's financial position or management performance.

2.2.2 New and revised KIFRS issued, but not yet effective

KIFRS 1116 – Leases

KIFRS 1116 Leases enacted in May 22, 2017, is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies KIFRS 1115 *Revenue from Contracts with Customers*. This standard replaces KIFRS 1017 *Leases*, KIFRS 2104 *Determining whether an Arrangement contains a Lease*, KIFRS 2015 *Operating Leases-Incentives* and KIFRS 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group assesses whether a contract is, or contains, a lease at inception of a contract and also assesses whether a contract is, or contains, a lease at the initial adoption of KIFRS 1116. However, the Group may not reassess all arrangements entered into before the date of initial application of the standard by applying the simplified approach.

For a contract that is, or contains a lease, the Group will account for each lease component within the contract as a lease separately from non-lease components of the contract.

A lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a liability representing the right to make lease payments (i.e., the lease liability). However, in case of short-term leases (i.e., leases with a lease term of 12 months or less at the commencement date) and leases of 'low-value' assets, the Group may elect to apply the exception under KIFRS 1116. As a practical expedient, a lessee may elect, by class of the underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single component.

Lessor accounting under KIFRS 1116 is not significantly changed from current accounting under KIFRS 1017.

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

In relation to sale and leaseback transactions, the Group (the seller-lessee) will apply the requirements of KIFRS 1115 to determine whether the transfer of an asset is accounted for as a sale of the asset. However, the Group does not reassess sale and leaseback transactions entered into before the date of initial application.

① Lease accounting for lessees

As a lessee, the Group can either apply the KIFRS 1116 using a full retrospective approach; or modified retrospective approach. The full retrospective approach requires the Group to retrospectively apply the new standard to each prior reporting period presented, while modified retrospective approach requires the lessee to recognize the cumulative effect of initial application at the date of initial application of the new leases standard.

② Lease accounting for lessors

In case where the Group is lessor, the Group should reassess leases that were classified as operating leases applying KIFRS 1017 and are ongoing at the date of initial application, whether each sublease should be classified as an operating lease or a finance lease in the application of KIFRS 1116. As a result, if the leases are classified as finance lease, they are accounted as new finance lease contracted on the initial application date of KIFRS 1116.

The Group plans to change the accounting process and internal control and to assess the financial impact on its consolidated financial statements resulting from the adoption of KIFRS 1116 by December 31, 2018, and apply the amendments on the required effective date.

3. Significant accounting judgements, estimates and assumptions

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

Those accounting judgments made by management in the preparation of the interim condensed consolidated financial statements for the six months ended June 30, 2018, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2017.

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4. Operating segments

(1) Overview of operating segments

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

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

(2) Details of financial information for each operating segment as at and for the six months ended June 30, 2018 and 2017 are as follows (Korean won in billions):

	As at and for the six months ended June 30, 2018									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 25,604	₩ 8,336	₩ 6,910	₩ 1,365	₩ 804	₩ 3,432	₩ 3,567	₩ 4,034	₩ (4,205)	₩ 49,847
Internal sales	(1,042)	(75)	(1,039)	(174)	(158)	(40)	(202)	(1,475)	4,205	-
Net sales	24,562	8,261	5,871	1,191	646	3,392	3,365	2,559	-	49,847
Income (loss) from continuing operations before income tax expense	1,417	2,070	6	112	(17)	400	172	1,418	(1,384)	4,194
Net income (loss) from continuing operations	982	1,608	7	90	(20)	310	86	1,089	(1,177)	2,975
Total assets	34,725	36,337	7,375	3,750	4,886	8,759	4,990	29,697	(16,575)	113,944
Total liabilities	15,541	15,428	5,054	2,100	4,690	4,890	4,133	10,603	2,390	64,829
Depreciation	414	1,222	118	61	67	166	11	149	14	2,222
Amortization	40	409	6	4	1	2	2	11	166	641

	As at and for the six months ended June 30, 2017									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 21,912	₩ 8,580	₩ 10,091	₩ 1,202	₩ 778	₩ 2,819	₩ 3,253	₩ 2,915	₩ (7,059)	₩ 44,491
Internal sales	(2,554)	(41)	(2,417)	(211)	(126)	(31)	(234)	(1,445)	7,059	-
Net sales	19,358	8,539	7,674	991	652	2,788	3,019	1,470	-	44,491
Income (loss) from continuing operations before income tax expense	1,594	1,473	21	104	(22)	324	100	835	(785)	3,644
Net income (loss) from continuing operations	1,163	1,204	14	82	(24)	258	68	754	(768)	2,751
Total assets	31,970	30,778	7,794	3,675	4,647	8,066	5,384	23,189	(14,563)	100,940
Total liabilities	13,225	14,103	5,431	2,135	4,450	5,029	4,492	7,687	832	57,384
Depreciation	352	1,213	112	56	68	143	16	100	29	2,089
Amortization	50	386	8	2	-	3	4	456	(275)	634

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

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4. Operating segments (cont'd)

(3) Details of financial information by geographical location as at and for the six months ended June 30, 2018 and 2017 (Korean won in billions):

As at and for the six months ended June 30, 2018								
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	\ 64,373	\ 17,267	\ 3,834	\ 694	\ -	\ 44	\ (36,365)	\ 49,847
Operating income (loss)	5,629	103	(3)	19	-	16	(2,549)	3,215
Income (loss) from continuing operations before income tax expense	5,492	165	(33)	8	-	16	(1,454)	4,194
Net income (loss)	4,620	127	(35)	1	-	(183)	(1,555)	2,975
Total assets	134,232	9,438	2,291	6,036	354	1,267	(39,674)	113,944
Total liabilities	61,017	3,723	1,585	1,611	311	213	(3,631)	64,829

As at and for the six months ended June 30, 2017								
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	\ 59,497	\ 13,105	\ 2,097	\ 866	\ -	\ 44	\ (31,118)	\ 44,491
Operating income (loss)	3,942	177	18	(2)	-	14	(1,358)	2,791
Income (loss) from continuing operations before income tax expense	3,991	260	13	(20)	-	15	(615)	3,644
Net income (loss)	3,285	236	12	(23)	-	9	(768)	2,751
Total assets	123,560	6,443	1,603	3,136	835	1,245	(35,882)	100,940
Total liabilities	54,834	2,461	1,131	857	799	245	(2,943)	57,384

(4) Details of financial information by revenue from contracts with customers for the six months ended June 30, 2018 are as follows (Korean won in billions):

As at and for the six months ended June 30, 2018										
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
1. Total sales	₩ 25,604	₩ 8,336	₩ 6,910	₩ 1,365	₩ 804	₩ 3,432	₩ 3,567	₩ 4,034	₩ (4,205)	₩ 49,847
2. Revenue from contracts with customers										
Categories:										
Service sales	52	7,636	224	42	552	-	3,558	995	(961)	12,098
Finished goods sales	24,924	16	249	1,059	-	1,457	-	1,214	(1,198)	27,721
Merchandise sales	92	683	5,977	236	252	1,944	1	1,011	(1,203)	8,993
Other sales	519	-	2	28	-	27	-	4	(57)	523
	25,587	8,335	6,452	1,365	804	3,428	3,559	3,224	(3,419)	49,335
Timing of revenue recognition:										
Recognition at a point in time	25,535	699	6,228	1,323	317	606	1	2,205	(2,457)	34,457
Recognition over a period of time	52	7,636	224	42	487	2,822	3,558	1,019	(962)	14,878
	25,587	8,335	6,452	1,365	804	3,428	3,559	3,224	(3,419)	49,335
3. Revenue from other sources	17	1	458	-	-	4	8	810	(786)	512

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5. Financial instruments

5.1 Financial assets

Details of financial assets as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018				Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized	Financial assets designated as hedging instruments	
Current assets					
Cash and cash equivalents	\ -	\ -	\ 7,684,057	\ -	\ 7,684,057
Short-term financial instruments	-	-	2,377,678	-	2,377,678
Trade accounts receivable (*1)	400,948	-	9,511,729	-	9,912,677
Other accounts receivable	683,941	-	1,281,109	-	1,965,050
Short-term loans	-	-	106,643	-	106,643
Accrued income	-	-	50,166	-	50,166
Short-term investment securities	119,809	88,154	46	-	208,009
Guarantee deposits	-	-	186,822	-	186,822
Derivative financial assets	55,583	-	-	62,366	117,949
Finance lease receivables	-	-	92,903	-	92,903
	<u>1,260,281</u>	<u>88,154</u>	<u>21,291,153</u>	<u>62,366</u>	<u>22,701,954</u>
Non-current assets					
Long-term financial instruments	-	-	13,101	-	13,101
Long-term trade accounts receivables	-	-	12,117	-	12,117
Long-term other accounts receivables	215,853	-	56,272	-	272,125
Long-term loans	-	-	428,555	-	428,555
Long-term investment securities	881,101	1,212,868	810	-	2,094,779
Guarantee deposits	-	-	788,643	-	788,643
Derivative financial assets	13,017	-	-	56,276	69,293
Finance lease receivables	-	-	620,124	-	620,124
	<u>1,109,971</u>	<u>1,212,868</u>	<u>1,919,622</u>	<u>56,276</u>	<u>4,298,737</u>
	<u>\ 2,370,252</u>	<u>\ 1,301,022</u>	<u>\ 23,210,775</u>	<u>\ 118,642</u>	<u>\ 27,000,691</u>

(*1) Contract assets (unbilled receivables) amounting to \ 730,504 million as at June 30, 2018 are not included in the financial assets.

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5.1 Financial assets (cont'd)

	December 31, 2017					Total
	Financial assets at FVTPL	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	
Current assets:						
Cash and cash equivalents	\ -	\ -	\ 7,145,842	\ -	\ -	\ 7,145,842
Short-term financial instruments	98,643	-	3,442,030	-	-	3,540,673
Trade accounts receivable (*1)	-	-	10,727,631	-	-	10,727,631
Other accounts receivable	-	-	1,991,725	-	-	1,991,725
Short-term loans	-	-	123,130	-	-	123,130
Accrued income	-	-	44,240	-	-	44,240
Available-for-sale financial assets	-	-	-	188,603	-	188,603
Held-to-maturity investments	-	45	-	-	-	45
Guarantee deposits	-	-	209,181	-	-	209,181
Derivative financial assets	35,319	-	-	-	57,094	92,413
Finance lease receivables	-	-	73,199	-	-	73,199
	<u>133,962</u>	<u>45</u>	<u>23,756,978</u>	<u>188,603</u>	<u>57,094</u>	<u>24,136,682</u>
Non-current assets:						
Long-term financial instruments	-	-	200,853	-	-	200,853
Long-term trade accounts receivable	-	-	12,908	-	-	12,908
Long-term other accounts receivable	-	-	321,154	-	-	321,154
Long-term loans	-	-	378,534	-	-	378,534
Available-for-sale financial assets	-	-	-	1,596,033	-	1,596,033
Held-to-maturity investments	-	825	-	-	-	825
Guarantee deposits	-	-	740,326	-	-	740,326
Derivative financial assets	235,474	-	-	-	46,755	282,229
Finance lease receivables	-	-	168,490	-	-	168,490
	<u>235,474</u>	<u>825</u>	<u>1,822,265</u>	<u>1,596,033</u>	<u>46,755</u>	<u>3,701,352</u>
	<u>\ 369,436</u>	<u>\ 870</u>	<u>\ 25,579,243</u>	<u>\ 1,784,636</u>	<u>\ 103,849</u>	<u>\ 27,838,034</u>

(*1) Unbilled receivables amounting to \ 810,837 million as at December 31, 2017 are not included in the financial assets.

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5.2 Financial liabilities

Details of financial liabilities as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			Total
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	
Current liabilities:				
Short-term borrowings	\ - \	3,237,502	\ - \	3,237,502
Trade accounts payable	-	8,734,831	-	8,734,831
Other accounts payable	-	3,164,835	-	3,164,835
Current portion of long-term debt	-	5,758,263	-	5,758,263
Accrued expenses	-	2,520,272	-	2,520,272
Dividends payable	-	1,562	-	1,562
Leasehold deposits received	-	154,824	-	154,824
Derivative financial liabilities	99,671	-	27,766	127,437
Finance lease liabilities	-	3,101	-	3,101
Finance guarantee liabilities	-	23	-	23
	<u>99,671</u>	<u>23,575,213</u>	<u>27,766</u>	<u>23,702,650</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	61,058	25,613,249	-	25,674,307
Long-term other accounts payable	-	3,460,342	-	3,460,342
Leasehold deposits received	-	326,801	-	326,801
Derivative financial liabilities	11,368	-	9,689	21,057
Finance lease liabilities	-	10,538	-	10,538
Financial guarantee liabilities	-	18,672	-	18,672
	<u>72,426</u>	<u>29,429,602</u>	<u>9,689</u>	<u>29,511,717</u>
	<u>\ 172,097 \</u>	<u>\ 53,004,815 \</u>	<u>\ 37,455 \</u>	<u>\ 53,214,367 \</u>

	December 31, 2017			Total
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	
Current liabilities:				
Short-term borrowings	\ - \	2,999,032	\ - \	2,999,032
Trade accounts payable	-	9,588,642	-	9,588,642
Other accounts payable	-	3,610,562	-	3,610,562
Current portion of long-term debt	-	6,548,146	-	6,548,146
Accrued expenses	-	2,875,130	-	2,875,130
Dividends payable	-	1,423	-	1,423
Leasehold deposits received	-	162,965	-	162,965
Derivative financial liabilities	105,042	-	42,243	147,285
Finance lease liabilities	-	1,676	-	1,676
Finance guarantee liabilities	-	50	-	50
	<u>105,042</u>	<u>25,787,626</u>	<u>42,243</u>	<u>25,934,911</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	60,278	23,299,240	-	23,359,518
Long-term other accounts payable	-	3,740,381	-	3,740,381
Leasehold deposits received	-	310,050	-	310,050
Derivative financial liabilities	21,379	-	12,323	33,702
Finance lease liabilities	-	10	-	10
Financial guarantee liabilities	-	11,933	-	11,933
	<u>81,657</u>	<u>27,361,614</u>	<u>12,323</u>	<u>27,455,594</u>
	<u>\ 186,699 \</u>	<u>\ 53,149,240 \</u>	<u>\ 54,566 \</u>	<u>\ 53,390,505 \</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 June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018		December 31, 2017	
	Book value	Fair value	Book value	Fair value
Bonds payable	\ 24,977,573	\ 24,836,785	\ 23,484,876	\ 23,588,353
Borrowings	9,692,499	9,110,107	9,421,820	9,028,223

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 (1.67%~4.62%) 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 June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	\ 56,424	\ 1,149,132	\ 1,164,696	\ 2,370,252
Financial assets measured at FVOCI	795,030	31,455	474,537	1,301,022
Financial assets designated as hedging instruments	-	118,642	-	118,642
	<u>\ 851,454</u>	<u>\ 1,299,229</u>	<u>\ 1,639,233</u>	<u>\ 3,789,916</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	\ 4,233	\ 167,071	\ 793	\ 172,097
Financial liabilities designated as hedging instruments	-	37,455	-	37,455
	<u>\ 4,233</u>	<u>\ 204,526</u>	<u>\ 793</u>	<u>\ 209,552</u>
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	\ 706	\ 144,285	\ 224,445	\ 369,436
Available-for-sale financial assets (*1)	818,615	96,487	127,124	1,042,226
Financial assets designated as hedging instruments	-	103,849	-	103,849
	<u>\ 819,321</u>	<u>\ 344,621</u>	<u>\ 351,569</u>	<u>\ 1,515,511</u>
Financial liabilities:				
Financial liabilities at FVTPL	\ 2,131	\ 184,568	\ -	\ 186,699
Financial liabilities designated as hedging instruments	-	54,566	-	54,566
	<u>\ 2,131</u>	<u>\ 239,134</u>	<u>\ -</u>	<u>\ 241,265</u>

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

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6. Trade accounts receivable

(1) Details of trade accounts receivable as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 10,412,663	₩ 14,295	₩ 11,230,420	₩ 14,669
Contract assets (unbilled receivables) (*1)	730,504	-	810,837	-
Allowance for doubtful accounts:				
Trade accounts receivable	(499,986)	(2,178)	(502,789)	(1,761)
	<u>₩ 10,643,181</u>	<u>₩ 12,117</u>	<u>₩ 11,538,468</u>	<u>₩ 12,908</u>

(*1) Unbilled receivables at the end of the previous reporting period are those applicable to KIFRS 1011.

(2) As at June 30, 2018, the contract assets and liabilities related with contracts with customers, and the aggregate costs and cumulative gains and losses related to construction contracts in progress as at December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	
Contract assets: (*1)		
Construction business	₩	610,391
Telecommunication business		127,415
Shipping business		19,417
Others		100,696
	<u>₩</u>	<u>857,919</u>
Contract liabilities: (*2)		
Construction business	₩	1,264,928
Telecommunication business		133,945
Shipping business		11,729
Others		712,753
	<u>₩</u>	<u>2,123,355</u>

(*1) Contract assets are included in trade receivables and other assets.

(*2) Contract liabilities are included in trade payables, advances, provisions and other liabilities.

	December 31, 2017				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 38,385,591	₩ 38,373,380	₩ 757,326	₩ 745,115	₩ 37,714
Others	216,101	177,563	53,511	14,793	-
	<u>₩ 38,601,692</u>	<u>₩ 38,550,943</u>	<u>₩ 810,837</u>	<u>₩ 760,088</u>	<u>₩ 37,714</u>

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6. Trade accounts receivable (cont'd)

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as at June 30, 2018 are as follows (Korean won in millions):

	June 30, 2018				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit	Impact on future period profit	Change in unbilled (overbilled) receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 667,796	₩ 557,151	₩ 63,883	₩ 46,762	₩ 63,883
Others	8,882	5,606	2,975	301	2,975
	<u>₩ 676,678</u>	<u>₩ 562,757</u>	<u>₩ 66,858</u>	<u>₩ 47,063</u>	<u>₩ 66,858</u>

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

(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 June 30, 2018 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Contract asset		Trade accounts receivable (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project	2009.12	2016.05	99.9	₩ 3,595	₩ -	₩ 14,181	₩ -
	Goseong High Firepower Project	2014.07	2021.07	21.0	-	-	164,660	-

(*1) The amount does not include unbilled receivables.

7. Inventories

Details of inventories as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			December 31, 2017		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 1,032,440	₩ (23,780)	₩ 1,008,660	₩ 944,645	₩ (23,603)	₩ 921,042
Finished goods	2,177,204	(37,246)	2,139,958	2,066,616	(35,884)	2,030,732
Semifinished goods and work in progress	1,044,168	(35,641)	1,008,527	935,045	(28,893)	906,152
Raw materials and sub-materials	2,008,358	(15,125)	1,993,233	1,499,412	(13,864)	1,485,548
Materials in transit	2,398,035	-	2,398,035	2,562,226	-	2,562,226
Supplies	294,662	(3,144)	291,518	264,640	(5,383)	259,257
Uncompleted contracts	64	-	64	26	-	26
Others	14,031	-	14,031	13,627	(677)	12,950
	<u>₩ 8,968,962</u>	<u>₩ (114,936)</u>	<u>₩ 8,854,026</u>	<u>₩ 8,286,237</u>	<u>₩ (108,304)</u>	<u>₩ 8,177,933</u>

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8. Investment securities and available-for-sale financial assets

Details of investment securities as at June 30, 2018 and available-for-sale financial assets as at December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized	
Equity instruments:				
Marketable equity instruments	₩ -	₩ 795,030	₩ -	₩ 795,030
Non-marketable equity instruments	114	388,138	-	388,252
	<u>114</u>	<u>1,183,168</u>	<u>-</u>	<u>1,183,282</u>
Bond instruments:				
Beneficiary securities and others	949,837	88,817	-	1,038,654
Debt securities	50,959	29,037	856	80,852
	<u>1,000,796</u>	<u>117,854</u>	<u>856</u>	<u>1,119,506</u>
	<u>₩ 1,000,910</u>	<u>₩ 1,301,022</u>	<u>₩ 856</u>	<u>₩ 2,302,788</u>
Current investment securities	₩ 119,809	₩ 88,154	₩ 46	₩ 208,009
Non-current investment securities	881,101	1,212,868	810	2,094,779

(*1) The Group has applied the irrevocable option to designate the equity instruments held for strategic investment, not for held-for-trading purpose, at the date of initial application, as items measured at FVOCI.

	December 31, 2017
Marketable equity instruments	818,615
Non-marketable equity instruments	759,063
Corporate and government bonds	69,248
Others (*1)	137,710
	<u>1,784,636</u>
Current available-for-sale financial assets	188,603
Non-current available-for-sale financial assets	1,596,033

(*1) They include beneficiary certificates.

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9. Investments in associates and joint ventures

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	June 30, 2018		December 31,
			Acquisition cost	Book value	2017
					Book value
Associates:					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 9,341,356	₩ 7,976,784
China Gas Holdings Ltd. (*2)	Hong Kong	15.7%	1,597,222	1,807,146	1,687,587
Eureka Midstream Holdings	USA	40.0%	465,582	459,467	434,164
ESR Cayman Limited (*2)	Cayman Islands	9.9%	378,427	466,950	382,040
Peru LNG Company, LLC	Peru	20.0%	331,144	296,286	274,738
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	337,008	334,331
NHIP II Bison Holdings, LLC	USA	24.2%	267,775	279,303	-
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	282,174	280,988
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	-	-
Korea IT Fund (*3)	Korea	63.3%	242,170	274,443	257,003
Eurasia Tunnel	Turkey	50.0%	112,726	220,223	198,645
Socar, Inc.	Korea	24.8%	91,800	78,149	82,720
Canakkale Highway And Bridge	Turkey	25.0%	88,512	77,833	22,160
Xe-Pian Xe-Namnoy Power Company	Laos	26.0%	78,357	64,006	53,159
SM Core, Inc.	Korea	26.7%	75,948	74,438	75,500
NanoEnTek, Inc.	Korea	27.1%	68,996	60,710	61,861
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	61,833	58,081
SM Culture & contents	Korea	23.4%	65,341	64,344	64,965
TSK Water Co., Ltd.	Korea	25.0%	45,811	69,356	61,926
Others				508,140	504,256
				<u>14,823,165</u>	<u>12,810,908</u>
Joint ventures (*4):					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	488,809	757,308	681,901
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	463,516	430,170
Hana Land Chip PEF 33 (*3)	Korea	65.2%	196,001	221,064	221,081
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	82,971	91,907
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	108,323	110,039	105,117
SKC-Kolon PI Co., Ltd.	Korea	27.0%	83,753	94,587	94,730
Others				184,929	193,688
				<u>1,914,414</u>	<u>1,818,594</u>
				<u>₩16,737,579</u>	<u>₩14,629,502</u>

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

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

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

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

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

		For the six months ended June 30, 2018							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates		₩12,810,908	₩ 383,087	₩ (38,680)	₩ 1,602,477	₩ 234,463	₩(181,051)	₩ 11,961	₩14,823,165
Joint ventures		1,818,594	45,840	(2,490)	110,888	49	(16,459)	(42,008)	1,914,414
		<u>₩14,629,502</u>	<u>₩ 428,927</u>	<u>₩ (41,170)</u>	<u>₩ 1,713,365</u>	<u>₩ 234,512</u>	<u>₩(197,510)</u>	<u>₩ (30,047)</u>	<u>₩16,737,579</u>

		For the six months ended June 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	₩ 102,381	₩ (3,941)	₩ 892,925	₩ (69,765)	₩(127,786)	₩ (72,870)	₩10,681,346
Joint ventures		1,599,497	17,741	-	105,443	(17,659)	(14,538)	(5,579)	1,684,905
		<u>₩11,559,899</u>	<u>₩ 120,122</u>	<u>₩ (3,941)</u>	<u>₩ 998,368</u>	<u>₩ (87,424)</u>	<u>₩(142,324)</u>	<u>₩ (78,449)</u>	<u>₩12,366,251</u>

(*1) The Group recognized additional loans receivable and others by \ 8,389 million and \ 1,327 million of unrecognized losses, which were incurred as losses on investments in associates exceeded their carrying amounts as at June 30, 2018 and 2017, 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 June 30, 2018 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	\ 57,042	\ (268)	\ 56,774
Harmony Country Club	4,774	(480)	4,294
SK Telesys Corporation	3,960	-	3,960
Wave City Development Co., Ltd.	2,100	4,335	6,435
Daehan Kanggun BcN Co., Ltd. and others	5,316	5,229	10,545

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

(4) Condensed financial informations of significant investments in associates and jointly controlled entities as at June 30, 2018 are as follows (Korean won in millions):

	As at and for the six months ended June 30, 2018						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Associates:							
SK Hynix Inc.	15,695,714	37,561,366	8,727,425	3,751,979	19,090,197	7,449,871	7,690,427
China Gas Holdings Ltd.	7,111,426	16,345,675	7,747,257	6,353,618	8,769,532	809,621	1,329,335
Eureka Midstream Holdings	26,809	698,810	16,121	221,539	-	16,219	46,235
Peru LNG Company, LLC	213,426	2,599,379	162,333	1,168,851	405,824	(132,409)	(46,557)
Daehan Oil Pipeline Corporation	136,495	894,310	29,842	230,250	81,589	18,206	18,206
NHIP II Bison Holdings, LLC	28,040	397,177	46,673	191,138	-	16,075	23,369
Hana Card Co., Ltd.	7,419,583	222,090	1,011,834	5,105,768	796,637	51,565	51,134
Korea IT Fund	136,201	297,130	-	-	35,365	26,633	17,036
Eurasia Tunnel	153,136	1,361,874	103,683	986,633	5,221	33,081	33,081
Socar, Inc.	79,433	140,245	61,801	79,639	66,874	(14,997)	(14,997)
Canakkale Highway And Bridge	463,875	512,424	27,475	637,491	-	(324)	(324)
Xe-Pian Xe-Namnoy Power Company Company	37,127	941,585	18,798	660,174	103	8,773	8,773
SM Core, Inc.	60,837	27,582	11,876	2,986	35,341	(1,134)	(1,573)
NanoEnTek, Inc.	21,314	19,238	7,559	2,427	12,805	1,562	1,709
Korea Ras Laffan LNG Limited	7,292	793,117	6,046	21,449	68,344	67,209	67,209
TSK Water Co., Ltd.	177,321	332,309	137,211	156,711	238,954	29,709	29,709
Joint ventures:							
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	252,846	2,205,396	393,366	112	1,400,755	174,396	174,396
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	559,967	862,383	367,260	88,030	619,665	84,907	72,184
Hana land chip PEF 33	11,058	645,900	3,377	314,483	17,244	12,312	12,312
SABIC SK Nexlene Company Pte. Ltd.	158,269	574,552	135,723	337,070	151,544	(5,416)	(30,216)
Boryeong LNG Terminal Co., Ltd.	220,090	1,162,043	101,421	1,099,770	69,476	11,050	11,047
SKC-Kolon PI Co., Ltd.	120,007	224,984	61,351	36,154	135,245	22,759	22,759

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10. Property, plant and equipment

(1) Details of property, plant and equipment as at June 30, 2018, and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Acquisition cost	\ 51,412,622	\ 49,598,443
Accumulated depreciation and accumulated impairment loss	(10,452,796)	(8,312,025)
	<u>\ 40,959,826</u>	<u>\ 41,286,418</u>

(2) Changes in property, plant and equipment for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	\ 9,745,857	\ -	\ 1,654	\ (54,258)	\ -	\ (22,554)	\ 9,670,699
Buildings	3,831,393	-	2,583	(3,974)	(89,626)	316,768	4,057,144
Structures	1,569,763	-	3,731	(8,501)	(55,608)	68,755	1,578,140
Ships and vessels	2,308,484	-	667	-	(60,340)	289,104	2,537,915
Machinery and equipment	17,158,469	-	235,114	(27,219)	(1,635,331)	1,372,287	17,103,320
Vehicles	771,901	4	39,915	(14,732)	(71,303)	(23,931)	701,854
Others	3,126,126	422	314,623	(11,556)	(305,424)	52,148	3,176,339
Construction-in-progress	2,774,425	17,231	1,801,800	(5,746)	-	(2,453,295)	2,134,415
	<u>\ 41,286,418</u>	<u>\ 17,657</u>	<u>\ 2,400,087</u>	<u>\ (125,986)</u>	<u>\ (2,217,632)</u>	<u>\ (400,718)</u>	<u>\ 40,959,826</u>

	For the six months ended June 30, 2017						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	\ 9,994,777	\ 10,197	\ 6,509	\ (320,634)	\ -	\ 68,000	\ 9,758,849
Buildings	3,365,986	43,091	1,058	(13,025)	(72,571)	276,684	3,601,223
Structures	1,313,084	206	5,786	(14,539)	(51,287)	284,959	1,538,209
Ships and vessels	2,671,277	-	-	-	(63,894)	(150,134)	2,457,249
Machinery and equipment	15,680,963	26,860	207,802	(24,188)	(1,530,589)	2,486,688	16,847,536
Vehicles	825,012	380	122,500	(2,355)	(68,657)	(38,640)	838,240
Others	3,029,187	993	377,374	(20,157)	(297,094)	(71,515)	3,018,788
Construction-in-progress	4,152,219	89	1,210,021	(2,100)	-	(3,366,249)	1,993,980
	<u>\ 41,032,505</u>	<u>\ 81,816</u>	<u>\ 1,931,050</u>	<u>\ (396,998)</u>	<u>\ (2,084,092)</u>	<u>\ (510,207)</u>	<u>\ 40,054,074</u>

(*1) This includes transfer of construction-in-progress to depreciable assets, transfer to investment properties, net foreign exchange differences, and retrospective adjustments of identifiable net assets due to business combinations.

11. Investment property

(1) Details of investment property as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Acquisition cost	₩ 670,699	₩ 659,702
Accumulated depreciation and accumulated impairment loss	(38,236)	(36,856)
	<u>₩ 632,463</u>	<u>₩ 622,846</u>

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11. Investment property (cont'd)

(2) Changes in investment property for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

For the six months ended June 30, 2018						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 307,436	₩ 13,512	₩ -	₩ -	₩ (29)	₩ 320,919
Buildings	314,736	-	(2,743)	(4,021)	2,907	310,879
Structures	674	-	-	(9)	-	665
	<u>₩ 622,846</u>	<u>₩ 13,512</u>	<u>₩ (2,743)</u>	<u>₩ (4,030)</u>	<u>₩ 2,878</u>	<u>₩ 632,463</u>

For the six months ended June 30, 2017						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 384,725	₩ 6,378	₩ -	₩ -	₩ (44,887)	₩ 346,216
Buildings	341,449	1,609	(808)	(5,054)	(24,256)	312,940
Structures	1,609	-	-	(73)	(867)	669
	<u>₩ 727,783</u>	<u>₩ 7,987</u>	<u>₩ (808)</u>	<u>₩ (5,127)</u>	<u>₩ (70,010)</u>	<u>₩ 659,825</u>

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

12. Goodwill

Changes in goodwill for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018	June 30, 2017
Beginning balance	₩ 899,213	₩ 575,233
Business combination (see Note 34)	47,375	56,523
Others (*1)	(31,921)	-
Ending balance	<u>₩ 914,667</u>	<u>₩ 631,756</u>

(*1) This includes retrospective adjustments of identifiable net assets due to business combinations, net translation differences and others.

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13. Intangible assets

Details of intangible assets for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	94,548	244	24,673	(2,939)	(11,451)	10,688	115,763
Facility usage rights	58,391	-	3,550	(33)	(4,293)	560	58,175
Industrial property rights	114,868	-	3,327	(223)	(3,851)	3,008	117,129
Frequency usage rights	2,176,940	-	-	-	(201,944)	-	1,974,996
Customer-related assets	1,822,205	-	213	-	(71,752)	4,522	1,755,188
Membership (*1)	226,021	-	16,143	(7,689)	-	(98)	234,377
Development costs for petroleum resource	1,768,834	312,515	105,351	-	(30,534)	48,738	2,204,904
Brand-related assets (*1)	2,194,226	-	-	-	-	6,036	2,200,262
Developed technology	1,169,702	6,822	-	-	(70,538)	(2,362)	1,103,624
Others (*3)	1,825,881	500	53,965	(5,835)	(246,690)	133,477	1,761,298
	<u>11,451,616</u>	<u>320,081</u>	<u>207,222</u>	<u>(16,719)</u>	<u>(641,053)</u>	<u>204,569</u>	<u>11,525,716</u>

	For the six months ended June 30, 2017						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	77,867	518	19,061	(1,117)	(11,210)	5,779	90,898
Facility usage rights	54,435	-	651	(1,095)	(4,398)	(307)	49,286
Industrial property rights	126,524	-	2,435	(19)	(4,135)	(2,235)	122,570
Frequency usage rights	2,580,828	-	-	-	(201,944)	-	2,378,884
Customer-related assets	1,439,745	-	295	-	(70,346)	-	1,369,694
Membership (*1)	222,513	1,291	16,484	(11,522)	-	3,476	232,242
Development costs for petroleum resource	1,775,135	-	130,245	-	(47,489)	(44,617)	1,813,274
Brand-related assets (*1)	2,185,119	-	-	-	-	-	2,185,119
Developed technology	1,039,213	20,723	-	-	(62,808)	-	997,128
Others (*3)	1,695,778	131	50,862	(5,003)	(232,048)	323,256	1,832,976
	<u>11,197,157</u>	<u>22,663</u>	<u>220,033</u>	<u>(18,756)</u>	<u>(634,378)</u>	<u>285,352</u>	<u>11,072,071</u>

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

(*2) This includes impairment loss, net translation differences, retrospective adjustments of identifiable net assets due to business combinations and others.

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

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14. Borrowings and bonds payable

(1) Details of borrowings and bonds payable as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Short-term borrowings	\ 3,237,502	\ -	\ 2,999,032	\ -
Bonds and long-term borrowings:				
Bonds payable (*1)	4,484,490	20,493,083	5,290,911	18,193,965
Long-term borrowings	<u>1,273,773</u>	<u>5,181,224</u>	<u>1,257,235</u>	<u>5,165,553</u>
	<u>5,758,263</u>	<u>25,674,307</u>	<u>6,548,146</u>	<u>23,359,518</u>
	<u>\ 8,995,765</u>	<u>\ 25,674,307</u>	<u>\ 9,547,178</u>	<u>\ 23,359,518</u>

(*1) As at June 30, 2018, \ 61,058 million of the bonds are financial liabilities measured at FVTPL.

(2) Details of bonds payable as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
SK Holdings Co., Ltd.	\ 6,370,000	\ 6,060,000
SK Innovation Co., Ltd.	652,595	634,990
SK Energy Co., Ltd.	1,980,000	1,730,000
SK Global Chemical Co., Ltd.	490,000	490,000
SK Incheon Petrochem Co., Ltd.	1,530,000	1,230,000
SK Lubricants Co., Ltd.	300,000	300,000
SK Telecom Co., Ltd.	5,617,099	5,470,238
SK Broadband Co., Ltd.	1,746,510	1,631,420
iriver Co., Ltd.	5,478	5,558
SK Networks Co., Ltd.	1,240,000	1,160,000
SK Magic Co., Ltd.	110,000	40,000
SKC Co., Ltd.	680,000	680,000
SKC Solmics Co., Ltd.	52,434	59,000
SK Telesys Co., Ltd.	40,000	40,000
SK Shipping Co., Ltd.	588,435	517,428
SK E&S Co., Ltd.	840,000	1,040,000
Paju Energy Service Co., Ltd.	500,000	500,000
Wirye Energy Service Co., Ltd.	385,000	385,000
Narae Energy Service Co., Ltd.	40,000	80,000
SK Engineering & Construction Co., Ltd.	875,000	795,000
SK Materials Co., Ltd.	340,000	200,000
SK Siltron Co., Ltd.	<u>390,000</u>	<u>180,000</u>
Sub-total	24,772,551	23,228,634
Addition: premium on bonds payable	205,022	256,242
Less: current portion	<u>(4,484,490)</u>	<u>(5,290,911)</u>
Total	<u>\ 20,493,083</u>	<u>\ 18,193,965</u>

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14. Borrowings and bonds payable (cont'd)

(3) Details of long-term borrowings as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Financial institution	Description	Interest rate (%)	June 30, 2018	December 31, 2017
Korea Development Bank and others	General	0.75 ~ 7.22	₩ 1,571,075	₩ 1,493,559
Korea Development Bank and others (*1)	Fund for facility	1.75 ~ 4.85	2,183,645	1,939,243
Industrial and Commercial Bank of China and others	Foreign borrowings	1.70 ~ 6.00	521,604	496,621
Korea Energy Agency (*2)	Fund for mine exploration	0.00 ~ 7.00	53,175	81,757
Econg 1st Co., Ltd. and others	Callable preferred share	5.00 ~ 6.40	250,000	450,000
Korea Development Bank and others	Fund for operation	1.99 ~ 5.57	408,317	499,741
Korea Development Bank and others	Fund for supply pipeline	1.75	8,634	12,512
Kookmin Bank	Fund for catalyzing information	-	-	717
KEB Hana Bank and others	Fund for reasonable energy consumption	1.75 ~ 1.80	5,756	6,245
NH Bank	Fund for safety management	1.75	805	1,121
Citibank and others (*3)	Takeover	LIBOR(3M) + 1.10	213,123	203,566
Special situation 1st LLC and others	Others	3.07, 3.14, 3.20	1,231,906	1,231,906
Sub-total			6,448,040	6,416,988
Addition: premium			6,957	5,800
Less: current portion			(1,273,773)	(1,257,235)
Total			<u>₩ 5,181,224</u>	<u>₩ 5,165,553</u>

(*1) The borrowings from Korea Development Bank amounting to ₩129,878 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 June 30, 2018.

(*2) As at June 30, 2018, the Group holds loans from Korea Energy Agency for the purpose of oil exploration and development in which there is no repayment obligation in case for failure in exploration for ₩47,838 million.

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

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15. Provisions

Changes in the provisions for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	\ 65,372	\ -	\ 2,654	\ (832)	\ 67,194	\ 3,457	\ 63,737
Provision for handset subsidy	3,874	-	-	(3,761)	113	113	-
Provision for service / construction warranties	61,576	-	9,247	(8,317)	62,506	62,506	-
Provision for restoration	114,921	1,965	6,173	(2,124)	120,935	43,756	77,179
Provision for losses on contracts	27,596	-	17,099	(42,644)	2,051	2,051	-
Other provisions	140,463	-	10,565	(57,376)	93,652	56,154	37,498
	<u>\ 413,802</u>	<u>\ 1,965</u>	<u>\ 45,738</u>	<u>\ (115,054)</u>	<u>\ 346,451</u>	<u>\ 168,037</u>	<u>\ 178,414</u>

	For the six months ended June 30, 2017						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	\ 16,036	\ -	\ 2,885	\ (1,452)	\ 17,469	\ 2,561	\ 14,908
Provision for handset subsidy	24,711	-	2	(4,903)	19,810	19,810	-
Provision for service / construction warranties	57,561	-	8,686	(8,443)	57,804	57,804	-
Provision for restoration	116,019	-	6,662	(8,964)	113,717	40,232	73,485
Provision for losses on contracts	155,154	418	50,146	(119,877)	85,841	85,841	-
Other provisions	155,653	-	10,609	(72,707)	93,555	81,758	11,797
	<u>\ 525,134</u>	<u>\ 418</u>	<u>\ 78,990</u>	<u>\ (216,346)</u>	<u>\ 388,196</u>	<u>\ 288,006</u>	<u>\ 100,190</u>

16. Retirement benefit obligation

(1) Details of retirement benefit obligation as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Present value of defined benefit obligation	\ 2,445,793	\ 2,260,864
Fair value of plan assets (*1)	(2,039,686)	(2,049,033)
Total	<u>\ 406,107</u>	<u>\ 211,831</u>

(*1) The Group has recognized \ 18,821 million and \ 45,952 million as defined benefit assets as at June 30, 2018 and December 31, 2017, respectively.

(2) Changes in the retirement benefit obligation for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 2,260,864	₩ (2,049,033)	₩ 211,831
Business combination	1	-	1
Provision for pension benefits:			
Current service cost	176,344	-	176,344
Net interest expense (income)	33,006	(30,698)	2,308
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	13,156	13,156
Actuarial changes arising from changes in financial assumptions and others	61,389	-	61,389
Contributions by employer directly to plan assets	-	(59,779)	(59,779)
Benefit paid	(97,910)	109,422	11,512
Others	12,099	(22,754)	(10,655)
Ending balance	<u>₩ 2,445,793</u>	<u>₩ (2,039,686)</u>	<u>₩ 406,107</u>

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16. Retirement benefit obligation (cont'd)

	For the six months ended June 30, 2017		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 1,961,251	₩ (1,770,247)	₩ 191,004
Business combination	4,597	(2,325)	2,272
Provision for pension benefits:			
Current service cost	163,722	-	163,722
Net interest expense (income)	24,697	(22,340)	2,357
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	5,360	5,360
Actuarial changes arising from changes in financial assumptions and others	36,981	-	36,981
Contributions by employer directly to plan assets	-	(69,395)	(69,395)
Benefit paid	(109,530)	108,021	(1,509)
Others	58,670	(38,114)	20,556
Ending balance	<u>₩ 2,140,388</u>	<u>₩ (1,789,040)</u>	<u>₩ 351,348</u>

17. Other assets and liabilities

(1) Details of other assets as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Current assets:		
Short-term loans	\ 106,643	\ 123,130
Accrued income	50,166	44,240
Advance payments	952,451	793,180
Prepaid expenses	2,446,495	721,801
Held-to-maturity investments	-	45
Guarantee deposits	186,822	209,181
Derivative financial assets	117,949	92,413
Finance lease receivables	92,903	73,199
Other contract assets	92,275	-
Others	11,305	34,361
	<u>\ 4,057,009</u>	<u>\ 2,091,550</u>
Non-current assets:		
Long-term prepaid expenses	\ 1,813,776	\ 1,079,822
Long-term loans	428,555	378,534
Held-to-maturity investments	-	825
Guarantee deposits	788,643	740,326
Derivative financial assets	69,293	282,229
Finance lease receivables	620,124	168,490
Other long-term contract assets	35,232	-
Defined benefit assets (*1)	18,821	45,952
Others	104,038	126,764
	<u>\ 3,878,482</u>	<u>\ 2,822,942</u>

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

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17. Other assets and liabilities (cont'd)

(2) Details of other liabilities as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Current liabilities:		
Accrued expenses	\ 2,520,272 \	2,875,130
Dividends payable	1,562	1,423
Advance received	1,837,025	1,947,370
Unearned revenue	81,498	255,149
Withholdings	2,139,342	1,943,249
Leasehold deposits received	154,824	162,965
Income tax payable	757,961	895,672
Derivative financial liabilities	127,437	147,285
Finance lease liabilities	3,101	1,676
Finance guarantee liabilities	23	50
Other contract liabilities	114,346	-
Others	30,771	1,029
	<u>\ 7,768,162 \</u>	<u>8,230,998</u>
Non-current liabilities:		
Long-term unearned revenue	\ 441,563 \	413,046
Leasehold deposits received	326,801	310,050
Derivative financial liabilities	21,057	33,702
Finance lease liabilities	10,538	10
Financial guarantee liabilities	18,672	11,933
Other long-term contract liabilities	20,108	-
Others (*1)	364,727	370,750
	<u>\ 1,203,466 \</u>	<u>1,139,491</u>

(*1) Long-term retirement benefit obligation amounting to \ 56,355 million and \ 54,679 million is included in others as at June 30, 2018 and December 31, 2017, respectively.

18. Derivative financial assets and liabilities

(1) Details of derivative financial assets and liabilities as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>		<u>December 31, 2017</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Firm contracts	\ 43,829 \	-	\ 9,320 \	-
Swap contracts	(36,516)	57,339	(77,784)	41,234
Forward contracts	(26,535)	(9,215)	13,182	(17,502)
Futures contracts	9,745	112	420	-
Options contracts	(11)	-	(10)	-
Embedded derivative	-	-	-	224,795
	<u>\ (9,488) \</u>	<u>48,236</u>	<u>\ (54,872) \</u>	<u>248,527</u>
Derivative financial assets	\ 117,949 \	69,293	\ 92,413 \	282,229
Derivative financial liabilities	(127,437)	(21,057)	(147,285)	(33,702)

19. Equity

19.1 Issued capital

Details of issued capital as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>		<u>December 31, 2017</u>
Number of shares authorized for issued	400,000,000		400,000,000
Per share (Korean won)	\ 200	\	200
Number of shares issued:			
Ordinary share	70,360,297		70,360,297
Preferred share	566,135		566,135
Issued capital:			
Ordinary share	\ 15,272	\	15,272
Preferred share	113		113
	<u>\ 15,385</u>	\	<u>15,385</u>

The Company retired 6,000,000 shares of its treasury share (par value: ₩1,200 million) in 2015 by reducing 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 June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>		<u>December 31, 2017</u>
Paid-in surplus (*1)	\ 5,605,831	\	5,605,831
Treasury shares (*2)	(904,492)		(904,491)
Others	(628,151)		(588,865)
	<u>\ 4,073,188</u>	\	<u>4,112,475</u>

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

(*2) As at June 30, 2018, treasury shares consists of those acquired to increase the enterprise value and to stabilize share price (3,514,276 ordinary shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,021,672 ordinary shares and 1,818 preferred shares) during the merger in 2015. Out of those shares, 3 ordinary shares were acquired during the current reporting period.

19.3 Retained earnings

Details of retained earnings as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>June 30, 2018</u>		<u>December 31, 2017</u>
Legal reserve (*1)	\ 7,693	\	7,693
Voluntary reserve	65,230		71,563
Unappropriated retained earnings	11,203,758		9,758,363
	<u>\ 11,276,681</u>	\	<u>9,837,619</u>

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

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19.4 Other capital components

Details of other capital components as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Net gain on valuation of financial assets measured at FVOCI	80	-
Net gain on valuation of available-for-sale financial assets	-	60,324
Changes in equity in equity method	11,405	(153,763)
Net loss on valuation of cash flow hedges	(7,066)	(7,752)
Net loss on translation of foreign operation	(41,930)	(214,606)
Net gain (loss) on foreign currency translation	4,315	10,400
	<u>(33,196)</u>	<u>(305,397)</u>

19.5 Stock Option

1) Upon resolution by the shareholders and board of directors, the Company 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:

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

Share compensation expense recognized during the current reporting period is \ 794 million (total: \ 2,014 million) and the remaining share compensation expense to be recognized in later periods are \ 2,273 million.

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

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

19.5 Stock Option (cont'd)

2) Subsidiaries of the Company established a stock option program that entitles key management personnel an option to purchase ordinary shares. Share-based compensation expenses recognized under the share option program are as follows (Korean won in millions):

	<u>Current</u>	<u>Accumulated</u>	<u>Remaining</u>	<u>Total</u>
Subsidiaries of SK Innovation Co., Ltd. \	240 \	240 \	1,655 \	1,895
Subsidiaries of SK Telecom Co., Ltd.	341	755	1,357	2,112
Subsidiaries of SK Networks Co., Ltd.	84	84	663	747
Subsidiaries of SKC Co., Ltd.	192	192	1,093	1,285
Subsidiaries of SK E&S Co., Ltd.	99	248	262	510
Others	78	78	748	826
	<u>\ 1,034 \</u>	<u>\ 1,597 \</u>	<u>\ 5,778 \</u>	<u>7,375</u>

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20. Selling and administrative expenses

Details of selling and administrative expenses for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Salaries	\ 304,886	\ 616,571	\ 259,577	\ 521,340
Provision for pension benefits	25,471	51,827	38,248	68,436
Employee welfare benefits	65,638	117,693	47,785	91,576
Travel	18,273	34,302	14,428	27,550
Bad debt expenses	15,280	20,320	9,844	7,507
Communications	2,289	4,766	2,417	4,424
Utilities	8,179	19,324	9,395	19,985
Taxes and dues	18,539	36,721	17,652	32,974
Supplies	3,729	6,950	4,876	8,988
Rents	43,801	88,454	41,695	82,440
Depreciation	53,735	107,407	52,470	99,018
Amortization	44,522	88,835	33,825	73,876
Repairs	4,526	8,183	6,679	11,096
Insurance	8,254	16,315	8,621	15,905
Advertising	167,715	298,229	186,066	298,787
Research and development	97,866	173,998	70,038	137,217
Education and examination	17,263	38,268	12,601	23,880
Outsourcing technology services	166,384	330,535	143,324	275,349
Transport	117,980	228,918	168,318	325,456
Others	32,332	62,789	40,846	72,614
Total	\ 1,216,662	\ 2,350,405	\ 1,168,705	\ 2,198,418

21. Financial income and costs

Details of financial income and costs for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Interest income	\ 66,668	\ 120,957	\ 50,988	\ 111,237
Gain on foreign currency transactions	282,561	569,620	279,987	728,774
Gain (loss) on foreign currency translation	186,473	254,634	(180,723)	317,098
Gain on transactions of derivatives	232,671	311,999	220,963	370,421
Gain (loss) on valuation of derivatives	137,706	185,994	(44,563)	155,200
Others	(8,789)	4,596	2	2
Total	\ 897,290	\ 1,447,800	\ 326,654	\ 1,682,732

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Interest expenses	\ 299,184	\ 573,219	\ 223,880	\ 435,810
Loss on foreign currency transactions	298,101	567,310	219,900	695,403
Loss (gain) on foreign currency translation	329,047	393,927	(112,392)	283,284
Loss on transactions of derivatives	237,437	330,211	116,077	238,824
Loss (gain) on valuation of derivatives	100,913	172,880	(29,852)	133,382
Others	3,633	4,320	197	3,952
Total	\ 1,268,315	\ 2,041,867	\ 417,810	\ 1,790,655

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22. Other non-operating income and expenses

Details of other non-operating income (expenses) for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Dividend income	\ 4,320	\ 20,462	\ 8,088	\ 21,044
Rental income	189	312	46	98
Gain (loss) on disposal of trade accounts receivable	-	-	(890)	4,135
Gain on disposal of available-for-sale financial assets	-	-	746	11,065
Gain on disposal of investments in subsidiaries and associates	7,606	8,606	15,727	32,780
Gain on disposal of property, plant and equipment	8,862	15,196	7,308	16,032
Gain on disposal of intangible assets	1,073	2,640	1,040	1,310
Gain on disposal of investment properties	-	42	63	111
Others	117,324	244,330	61,468	188,903
Total	\ 139,374	\ 291,588	\ 93,596	\ 275,478

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Loss on disposal of trade accounts receivable	\ 3,911	\ 8,597	\ 2,421	\ 7,901
Loss on disposal of available-for-sale financial assets	-	-	36,011	36,092
Loss on impairment of available-for-sale financial assets	-	-	19,882	19,882
Loss on disposal of investments in associates and joint ventures	44,292	44,292	-	49
Loss on impairment of investments in associates	-	3,214	8,738	8,700
Loss on disposal of property, plant and equipment	65,306	77,266	13,049	31,410
Loss on impairment of property, plant and equipment	6,156	6,655	800	3,584
Loss on disposal of intangible assets	1,952	2,455	647	2,873
Loss on impairment of intangible assets	443	1,638	207	633
Loss on impairment of other investment properties	2,279	2,734	4,051	6,498
Donations	41,490	72,859	39,516	63,992
Others	96,118	204,333	72,695	133,618
Total	\ 261,947	\ 424,043	\ 198,017	\ 315,232

23. Expense classified based on nature of expense

Details of expense classified by nature for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Employee benefits	\ 1,553,613	\ 3,067,584	\ 1,262,545	\ 2,583,257
Depreciation and amortization	1,417,236	2,856,179	1,363,346	2,712,966
Network connection expenses	221,156	438,471	213,360	436,379
Transport	151,592	317,897	193,861	386,876
Advertising	171,796	302,310	186,138	298,343
Operating lease payments and rents	264,037	518,475	292,201	550,628
Other expenses	4,135,382	8,542,792	7,519,089	10,928,488
Use of raw materials and purchase of finished goods and merchandise	15,625,683	30,654,163	9,417,211	23,837,923
Changes in finished goods and Semi-finished goods	57,772	(65,920)	148,338	(35,690)
Total	\ 23,598,267	\ 46,631,951	\ 20,596,089	\ 41,699,170

24. Income taxes

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

Effective tax rates for the six months ended June 30, 2018 and 2017 were 29.06% and 24.50%, respectively.

25. Earnings per share

(1) Basic earnings per share for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Net income attributable to owners of the Company	\ 531,361	\ 1,192,500	\ 407,141	\ 1,000,683
Less: preferred share dividends	(1,136)	(1,707)	(529)	(1,058)
Net income attributable to ordinary share owners of the Company	\ 530,225	\ 1,190,793	\ 406,612	\ 999,625
Weighted-average number of ordinary share outstanding (*1)	<u>55,824,351</u>	<u>55,824,351</u>	<u>55,824,357</u>	<u>55,824,357</u>
Basic earnings per share (Korean won)	<u>\ 9,498</u>	<u>\ 21,331</u>	<u>\ 7,284</u>	<u>\ 17,907</u>

(*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.

The basis of calculating weighted-average number of ordinary shares for the three months and the six months ended June 30, 2018 and 2017 is as follows:

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six 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	(14,535,946)	(14,535,946)	(14,535,940)	(14,535,940)
Weighted-average number of ordinary shares outstanding	<u>55,824,351</u>	<u>55,824,351</u>	<u>55,824,357</u>	<u>55,824,357</u>

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Net income attributable to owners of the Company	\ 530,225	\ 1,190,793	\ 406,612	\ 999,625
Addition: gain (loss) from discontinued operations	32,391	166,594	(2,423)	(172)
Income from continuing operations attributable to owners of the Company	\ 497,834	\ 1,024,199	\ 409,035	\ 999,797
Weighted-average number of ordinary share outstanding	<u>55,824,351</u>	<u>55,824,351</u>	<u>55,824,357</u>	<u>55,824,357</u>
Basic earnings per share from continuing operations (Korean won)	<u>\ 8,918</u>	<u>\ 18,347</u>	<u>\ 7,327</u>	<u>\ 17,910</u>

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25. Earnings per share (cont'd)

(3) Basic earnings (losses) per share from discontinued operations

Basic earnings (losses) per share from discontinued operations for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Gains (losses) from discontinued operations	\ 32,391	\ 166,594	\ (2,423)	\ (172)
Weighted-average number of ordinary share outstanding	55,824,351	55,824,351	55,824,357	55,824,357
Basic gains (losses) per share from discontinued operations (Korean won)	\ 580	\ 2,984	\ (43)	\ (3)

26. Transactions with related parties

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the consolidated financial statements as at and for the six months ended June 30, 2018 and 2017.

(1) Details of significant transactions with the related parties for the three months and six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

Company name	June 30, 2018			
	Revenue		Expenses	
	Three months	Six months	Three months	Six months
Daehan Oil Pipeline Corporation	\ 202	\ 5,221	\ 14,026	\ 28,038
Korea Nexlene Company	37,204	75,455	19	205
F&U Credit Information Co., Ltd.	727	1,437	14,402	28,379
SK Wyverns Baseball Club Co., Ltd.	340	676	3,221	16,716
Hana Card Co., Ltd.	4,906	8,938	5,901	12,368
SK Hynix Inc.	765,212	1,749,334	1,524	2,665
SK Hystec Inc.	13,175	22,712	489	978
SK Hyeng Inc.	10,543	16,836	3,331	4,322
SK Hynix Semiconductor (China) Ltd.	68,563	118,820	326	554
SK Hynix Semiconductor (Chongqing) Ltd.	6,522	11,400	4	22
SK Hynix Semiconductor HK Ltd.	-	-	319,805	494,524
SKC Evonik Peroxide Korea Co., Ltd.	2,910	2,910	12,677	23,204
Mitsui Chemicals & SKC Polyurethanes, Inc.	64,022	120,080	5,969	9,164
AnTS Co., Ltd.	72	103	20,174	25,599
Boryeong LNG Terminal Co., Ltd.	25,746	30,135	24,247	45,429
Eurasia Tunnel	1,514	1,956	-	-
XE-PIAN XE-NAMNOY Power Company	35,889	65,307	-	-
Hana land chip PEF 33	-	8,010	8,593	17,187
SK Discovery Co., Ltd.	368	526	-	-
(Formerly, SK Chemicals Co., Ltd.) (*1)				
SK Chemicals Co., Ltd. (*2)	78,085	136,623	39,033	65,272
SK Gas Co., Ltd.	100,099	227,940	73,189	141,297
SK Advanced Co., Ltd.	1,880	2,741	1,727	5,044
G. Hub Co., Ltd.	362	785	12,304	23,521
SK Gas International Pte. Ltd.	2,223	5,296	-	-
SK Securities Co., Ltd.	6,854	12,986	12	12
Others	54,672	85,748	54,415	108,970
	\ 1,282,090	\ 2,711,975	\ 615,388	\ 1,053,470

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26. Transactions with related parties (cont'd)

Company name	June 30, 2017			
	Revenue		Expenses	
	Three months	Six months	Three months	Six months
Daehan Oil Pipeline Corporation	\ 239	\ 5,970	\ 11,959	\ 24,544
Korea Nexlene Company	35,414	77,662	5	377
F&U Credit Information Co., Ltd.	728	1,435	13,349	27,843
SK Wyverns Baseball Club Co., Ltd.	408	1,693	1,064	20,373
Hana Card Co., Ltd.	4,648	9,245	3,767	7,464
SK Hynix Inc.	240,766	809,236	533	1,109
SK Hystec Inc.	5,425	9,441	478	1,095
SK Hyeng Inc.	5,811	11,079	1,915	9,988
SK Hynix Semiconductor (China) Ltd.	13,260	53,380	144	443
SK Hynix Semiconductor (Chongqing) Ltd.	5,459	14,399	151	170
SK Hynix Semiconductor HK Ltd.	-	-	162,905	352,744
SKC Evonik Peroxide Korea Co., Ltd.	-	1,111	11,720	24,602
Mitsui Chemicals & SKC Polyurethanes, Inc.	54,392	112,298	4,428	9,519
AnTS Co., Ltd.	48	134	24,743	28,186
Boryeong LNG Terminal Co., Ltd.	12,673	23,050	6,523	58,552
Eurasia Tunnel	11,183	37,156	-	-
XE-PIAN XE-NAMNOY Power Company	37,323	99,144	-	-
Hana land chip PEF 33	-	7,861	8,226	16,452
SK Discovery Co., Ltd. (Formerly, SK Chemicals Co., Ltd.) (*1)	23,806	46,164	33,578	58,714
SK Chemicals Co., Ltd. (*2)	19,226	40,107	3,141	4,541
SK Gas Co., Ltd.	149,344	254,522	96,820	224,035
SK Advanced Co., Ltd.	2,184	5,959	2,314	5,517
G. Hub Co., Ltd.	410	848	11,910	23,138
SK Gas International Pte. Ltd.	4,364	11,198	-	-
SK Securities Co., Ltd.	7,148	14,053	98	118
Others	159,674	185,681	133,564	188,612
	<u>\ 793,933</u>	<u>\ 1,832,826</u>	<u>\ 533,335</u>	<u>\ 1,088,136</u>

(*1) As at December 1, 2017, SK Discovery Co., Ltd. (formerly, SK Chemicals Co., Ltd.) has been split into SK Discovery Co., Ltd. and SK Chemicals Co., Ltd.

(*2) SK Chemicals Co., Ltd. merged with SK Petrochemical Co., Ltd. on May 1, 2018. The transaction amount of SK Petrochemical Co., Ltd. is included in SK Chemicals Co., Ltd.

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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 June 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Company name	June 30, 2018		December 31, 2017	
	Receivables (*1)	Payables	Receivables (*1)	Payables
Daehan Oil Pipeline Corporation	\ 1,497	\ 446	\ 578	\ 787
Korea Nexlene Company	17,719	25	15,451	19
Korea Consortium Kazakh B.V.	146,170	-	146,170	-
F&U Credit Information Co., Ltd.	87	1,466	45	1,723
SK Wyverns Baseball Club Co., Ltd.	654	-	835	17
Wave City Development Co., Ltd.	69,696	-	72,696	-
Hana Card Co., Ltd.	3,475	13,623	1,427	11,107
SK Hynix Inc.	412,379	174,290	463,490	343,939
SK Hystec Inc.	13,689	279	7,073	348
SK Hyeng Inc.	4,457	369	3,455	7,628
SK Hynix Semiconductor (China) Ltd.	27,020	3,660	24,417	138
SK Hynix Semiconductor (Chongqing) Ltd.	1,830	10,165	2,663	38
SK Hynix Semiconductor HK Ltd.	-	77,471	-	90,367
SKC Evonik Peroxide Korea Co., Ltd.	-	4,357	-	4,571
Mitsui Chemicals & SKC Polyurethanes, Inc.	11,014	2,877	10,626	2,575
AnTS Co., Ltd.	63	19,795	5	15,307
Boryeong LNG Terminal Co., Ltd.	18,401	428	5,104	-
Pentaport Development Co., Ltd.	97,107	-	97,807	3
Eurasia Tunnel	15,454	-	15,147	-
SK E&C JURONG Investment Singapore Pte. Ltd.	59,914	-	59,914	-
XE-PIAN XE-NAMNOY Power Company	32,767	28,739	29,925	30,558
SK Discovery Co., Ltd.	120	20	-	2
(Formerly, SK Chemicals Co., Ltd.)				
SK Chemicals Co., Ltd.	33,683	13,514	34,489	9,807
SK Gas Co., Ltd.	40,061	84,026	62,225	69,843
SK Advanced Co., Ltd.	292	11	578	1,294
G. Hub Co., Ltd.	256	4,068	237	4,204
SK Gas International Pte. Ltd.	-	-	1,058	-
SK Securities Co., Ltd.	3,431	41,860	3,394	-
Others	34,344	39,682	22,797	53,359
	<u>\ 1,045,580</u>	<u>\ 521,171</u>	<u>\ 1,081,606</u>	<u>\ 647,634</u>

(*1) The Company recognized bad debt expense amounting to \ 2,029 million and \ 5,172 million for the six months ended June 30, 2018 and 2017, respectively. The Company recognized losses from write-off and others amounting to \ 30,700 million for the six months ended June 30, 2018. The Company recognized the allowance for losses amounting to ₩270,245 million and ₩298,916 million as at June 30, 2018 and December 31, 2017, respectively.

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26. Transactions with related parties (cont'd)

(3) Details of significant treasury transactions with related-parties for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	June 30, 2018		June 30, 2017	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	9,751	-	2,287	-
SK E&C USA, Inc.	KRW	-	-	-	2,420
Eurasia Tunnel	KRW	-	2,801	3,725	-
SKEC Jurong Investment	KRW	-	-	-	93
SKC Hi-Tech&Marketing Co., Ltd. (*1)	KRW	-	-	4,900	3,900

(*1) For the six months ended June 30, 2017, SKC Co., Ltd., a subsidiary, acquired 51% equity ownership of SKC Hi-Tech & Marketing Co., Ltd. and has classified it as a subsidiary.

(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').

(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 them for the three months and the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	June 30, 2018		June 30, 2017	
	Three months	Six months	Three months	Six months
Salaries	₩ 2,442	₩ 4,884	₩ 1,404	₩ 2,573
Provision for pension benefits	343	1,646	259	1,361
Share compensation expense	397	794	396	427
Total	₩ 3,182	₩ 7,324	₩ 2,059	₩ 4,361

27. Discontinued operations

(1) Details of discontinued operations

The Company elected to discontinue its operation of used car sales business to close down its non-core business and to secure investment resources. The sale of SK Encarsales.com Ltd., for the online used car sales business was completed in January 2018, and the sale of assets and liabilities of offline Encar used car sales business segment was completed in April 3, 2018.

SK Innovation Co., Ltd., a subsidiary of the Group, decided to cease its operation of the flexible-copper-clad-laminate (FCCL) business in this period in order to focus on core business such as the exploration and development of oil and the production of batteries. The Group is in the process of negotiating a sale with a potential buyer at the end of the current period and classified assets and liabilities that are expected to be sold as held for sale.

SK Innovation Co., Ltd., a subsidiary, reflected the gain or loss on discontinued operations which occurred from the optical material (TAC) business which was classified as discontinued operation prior to the current period.

SK Networks, Co., Ltd., a subsidiary of the Group, elected to close down its fashion business and duty-free business in 2016, resources business and business in Shenyang and Dandong in the current year to strengthen its financial soundness and secure investment resources. SK Networks Co., Ltd. completed the sale of its fashion business in February 2017, and cleared the assets and liabilities of the duty-free business in 2017. In addition, the resources business and businesses in Shenyang and Dandong are in the process of disposing of the legal entity and assets.

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27. Discontinued operations (cont'd)

(2) Income and expenses from the discontinued operation for the six months ended June 30, 2018 and 2017 are as follows (in millions of Korean won):

	For the six months ended June 30, 2018				
	Used car Business in	SK Encarsales	FCCL business and others in	Resource business and others in	Total
	SK Holdings Co., Ltd	.com Ltd.	SK Innovation Co., Ltd	SK Networks Co., Ltd	
Revenue	₩ 321,306	₩ 180,884	₩ 45,454	₩ 30,460	₩ 578,104
Expense	281,262	-	40,491	38,130	359,883
Gain (loss) before income tax expense	40,044	180,884	4,963	(7,670)	218,221
Income tax benefit (expense)	9,179	43,774	1,365	(1,183)	53,135
Gain (loss) from discontinued operation attributable to	₩ 30,865	₩ 137,110	₩ 3,598	₩ (6,487)	₩ 165,086
Owners of the Company	₩ 30,865	₩ 137,110	₩ 1,237	₩ (2,618)	₩ 166,594
Non-controlling interests	-	-	2,361	(3,869)	(1,508)

	For the six months ended June 30, 2017				
	Used car Business in	SK Encarsales	FCCL business and others in	Resource business and others in	Total
	SK Holdings Co., Ltd	.com Ltd.	SK Innovation Co., Ltd	SK Networks Co., Ltd	
Revenue	₩ 463,913	₩ 20,952	₩ 36,836	₩ 122,522	₩ 644,223
Expense	456,166	10,295	50,344	143,875	660,680
Gain (loss) before income tax expense	7,747	10,657	(13,508)	(21,353)	(16,457)
Income tax benefit (expense)	1,775	2,337	(3,269)	(3,689)	(2,846)
Gain (loss) from discontinued operation attributable to	₩ 5,972	₩ 8,320	₩ (10,239)	₩ (17,664)	₩ (13,611)
Owners of the Company	₩ 5,972	₩ 4,160	₩ (3,393)	₩ (6,911)	₩ (172)
Non-controlling interests	-	4,160	(6,846)	(10,753)	(13,439)

(3) Details of cash flows relating to discontinued operation for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended June 30, 2018				
	Used car Business in	SK Encarsales	FCCL business and others in	Resource business and others in	Total
	SK Holdings Co., Ltd	.com Ltd.	SK Innovation Co., Ltd	SK Networks Co., Ltd	
Cash flow from operating activities	₩ 24,976	₩ -	₩ (4,063)	₩ 3,830	₩ 24,743
Cash flow from investing activities	209,661	182,606	(657)	(1,505)	390,105
Cash flow from financing activities	(16)	-	-	1,734	1,718

	For the six months ended June 30, 2017				
	Used car Business in	SK Encarsales	FCCL business and others in	Resource business and others in	Total
	SK Holdings Co., Ltd	.com Ltd.	SK Innovation Co., Ltd	SK Networks Co., Ltd	
Cash flow from operating activities	₩ 5,969	₩ 8,460	₩ 862	₩ 42,267	₩ 57,558
Cash flow from investing activities	(4,244)	(11,866)	(1,056)	304,059	286,893
Cash flow from financing activities	17	(10,458)	-	(83,618)	(94,059)

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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 June 30, 2018 are as follows (Korean won in millions):

		June 30, 2018	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks San. VE TIC. Ltd. STI	₩ 765	₩ 654
Investment securities	SK Securities Co., Ltd. (*1)	33,612	-
Business segment	Fashion business segment (*2)	2,155	100
	Resources and other business segment and others (*3)	248,307	99,154
	FCCL business segment (*4)	99,416	6,755
Associates	12CM Global Pte. Ltd. and others (*5)	32,771	-
Property, plant and equipment	Idle land and buildings (*6)	9,940	-
		<u>₩ 426,966</u>	<u>₩ 106,663</u>

(*1) Equity securities in SK Securities Co., Ltd., classified as available-for-sale financial assets in 2017 are classified as held for sale and the Group recognized the loss on valuation of financial assets measured at FVTPL of ₩3,201 million during the current period. The equity securities were sold to J&W Partners Ltd. on July 30, 2018.

(*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) SK Networks Co., Ltd., a subsidiary, decided to discontinue resources business segment and others during the current reporting period. The Group classified related assets and liabilities as held-for-sale, and measured at the lower of their carrying amount and fair value less costs to sell.

(*4) SK Innovation Co., Ltd., a subsidiary, decided to discontinue operations for the FCCL business during this period to get rid of its non-core businesses and focus on its core business on oil development and battery business. Subsidiaries are in the process of negotiating their sale with potential buyers as at June 30, 2018. Assets and liabilities planned to be sold are classified as held for sale.

(*5) SK Telecom Co., Ltd., a subsidiary, executed the sales agreement for the sale of the entire shares of 12CM Global Pte. Ltd. and Xian Tianlong Science and Technology Co., Ltd. during the current reporting period. The Group classified them as held-for-sale, and measured at the lower of their carrying amount and fair value less costs to sell.

(*6) SK Telecom Co., Ltd., a subsidiary, executed the disposal agreement for the sale of idle properties such as land and buildings to one of the related parties, SK D&D Co., Ltd. during the current reporting period. The Group classified related assets and liabilities as held-for-sale, and 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 six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2018	June 30, 2017
Provision for pension benefits	₩ 178,652	₩ 166,079
Depreciation	2,221,662	2,089,219
Amortization	641,053	634,378
Bad debt expenses	20,320	7,445
Valuation loss on inventories	6,632	60,172
Interest expenses	573,609	443,656
Loss on foreign currency translation	394,103	289,959
Loss on transactions of derivatives	330,786	240,091
Loss on valuation of derivatives	174,024	134,449
Loss on disposal of trade accounts receivable	8,597	7,901
Loss on disposal of available-for-sale financial assets	-	36,092
Loss on disposal of investments in subsidiaries and associates	44,292	49
Loss on impairment of investments in subsidiaries and associates	3,214	8,700
Loss on disposal of property, plant and equipment	77,271	32,324
Loss on impairment of property, plant and equipment	6,655	3,584
Loss on disposal of intangible assets	2,455	2,873
Loss on impairment of intangible assets	1,638	633
Income tax expense	1,220,484	889,815
Gain related to investments in associates and joint ventures	(1,704,104)	(997,041)
Interest income	(127,174)	(111,583)
Dividends income	(20,462)	(21,044)
Gain on foreign currency translation	(255,313)	(320,664)
Gain on transactions of derivatives	(312,202)	(374,235)
Gain on valuation of derivatives	(186,968)	(153,628)
Gain on disposal of available-for-sale financial assets	-	(11,065)
Gain on disposal of investments in subsidiaries and associates	(217,542)	(32,780)
Gain on disposal of property, plant and equipment	(15,203)	(16,046)
Gain on disposal of intangible assets	(2,640)	(1,310)
Others	45,110	16,636
	<u>₩ 3,108,949</u>	<u>₩ 3,024,659</u>

(2) Details of working capital adjustments for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2018	June 30, 2017
Inventories	₩ (682,238)	₩ (664,288)
Trade accounts receivable	1,049,686	859,631
Other accounts receivable	92,417	308,533
Trade accounts payable	(1,235,846)	(1,466,348)
Other accounts payable	(555,121)	(614,752)
Advance received	(55,698)	180,687
Defined benefit obligation	(85,810)	(50,860)
Plan assets	26,889	512
Others	(182,836)	(148,300)
	<u>₩ (1,628,557)</u>	<u>₩ (1,595,185)</u>

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29. Cash flow information (cont'd)

(3) Significant non-cash transactions for the six months ended June 30, 2018 and 2017 are as follows (Korean won in millions):

	For the six months ended	
	June 30, 2018	June 30, 2017
Increase (decrease) in other accounts payable due to acquisition of property, plant and equipment and others	₩ 352,139	₩ (245,737)
Increase in other accounts receivables due to sales of fashion business division	-	(25,882)

30. Commitments and contingencies

(1) Guarantees provided for the Group as at June 30, 2018 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
	Korea Eximbank	USD	1,225	Performance guarantees for contract and others
	Korea Software Financial Cooperative	KRW	255,156	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	1,091	Performance guarantees for contract and others
SK Engineering & Construction Co., Ltd.	HSBC and others	USD	839,595	Performance guarantees for overseas construction and others
		SGD	52,540	Performance guarantees for overseas construction and others
		KWD	101,110	Performance guarantees for overseas construction and others
		QAR	591,846	Performance guarantees for overseas construction and others
		TRY	25,886	Performance guarantees for overseas construction and others
		SAR	256,613	Performance guarantees for overseas construction and others
		THB	1,104,166	Performance guarantees for overseas construction and others
		CAD	50,000	Performance guarantees for overseas construction and others
		KZT	123,344	Performance guarantees for overseas construction and others
		VND	384,091,166	Performance guarantees for overseas construction and others
		HKD	20,061	Performance guarantees for overseas construction and others
		IQD	2,860,000	Performance guarantees for overseas construction and others
	KEB Hana Bank	USD	158,288	Performance guarantees for overseas construction and others
		VND	253,962,932	Performance guarantees for overseas construction and others
		EUR	248,625	Performance guarantees for overseas construction and others
	Shinhan Bank	USD	7,659	Performance guarantees for overseas construction and others
	Korea Eximbank	USD	268,501	Performance guarantees for overseas construction and others
		SAR	128,276	Performance guarantees for overseas construction and others
		EUR	60,750	Performance guarantees for overseas construction and others
	Construction Guarantee Cooperative	KRW	2,713,573	Performance guarantees for domestic construction and others
	Seoul Guarantee Insurance	KRW	499,184	Performance guarantees for domestic construction and others
	Korea Housing Guarantee Co., Ltd.	KRW	2,702,601	Housing guarantees and others
	Engineering Financial Cooperative	KRW	1,397,516	Domestic construction contract
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	18,454	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	22,162	Performance guarantees for contract and others
SK Airgas Co., Ltd.	Taiyo Nippon Sanso Coporation	KRW	10,000	Guarantee of debt
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	10,500	Guarantee of debt

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30. Commitments and contingencies (cont'd)

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Shipping Co., Ltd.	Seoul Guarantee Insurance	KRW	32,806	Performance guarantees for overseas transportation contract and others
	Shinhan Financial Investment	USD	20,000	Stand by L/C
SK B&T Pte. Ltd.	KEB Hana Bank	USD	1,100	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
DSIC VLOC1 Shipholding S.A.	China Construction Bank	USD	14,840	Performance guarantees for shipbuilding
DSIC VLOC2 Shipholding S.A.	China Construction Bank	USD	14,840	Performance guarantees for shipbuilding
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance guarantees for contract and others
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,271	Guarantee of warranties and approval
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	65	Performance guarantees for contract and approval
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	2,353	Community energy service facility management, consignment operating agreement and others
Jeonbuk energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	116	Performance guarantees and guarantee of warranties
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,266	Performance guarantees for construction and others
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,091	Performance guarantees for contract
Paju energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	477	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	76	Performance guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	3,440	Deposits for safety management and others
SK Telesys. Co., Ltd.	Seoul Guarantee Insurance	KRW	3,025	Guarantee of warranties and contract
SKC Infra Service Co., Ltd.	Seoul Guarantee Insurance	KRW	6,498	Guarantee of warranties and contract
SK Bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	136	Guarantee of payment
SKC Solmics Co., Ltd.	Shinhan Bank	USD	20,000	Guarantee of FRN issue
SK Networks Co., Ltd.	Kookmin Bank	USD	67	Performance guarantees for sales
	KEB Hana Bank	KRW	2,000	Contract of supply of goods
	Woori Bank	KRW	547	Performance guarantees for sales
SK Networks Service Co., Ltd. and others	Seoul Guarantee Insurance	KRW	5,468	Performance guarantees for sales
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	12,916	Performance insurances for warranties and others
	Machinery Financial Cooperative	KRW	5,343	Performance insurances for warranties and others
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	518	Guarantee of home-shopping payment and others
SK Pinx Co., Ltd.	Seoul Guarantee Insurance	KRW	233	Performance guarantees for sales
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	3,330	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	12,469	Performance guarantees for contract
SK Communications Co., Ltd.	Seoul Guarantee Insurance and others	KRW	118	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	10,898	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	1,157	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	23,364	Guarantee of warranties-contract and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance and others	KRW	748	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	412	Performance guarantees
iriver Co., Ltd.	Seoul Guarantee Insurance	KRW	125	Performance guarantees for contract
SK techx Co., Ltd.	Seoul Guarantee Insurance	KRW	508	Performance guarantees for contract
NSOK Co., Ltd.	Seoul Guarantee Insurance	KRW	811	Performance guarantees insurance for contract
One store Co., Ltd.	KEB Hana Bank	KRW	100	Guarantee of Korean won payment method
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	21,742	Guarantee of bid payment and others
Happynarae Co., Ltd.	Seoul Guarantee Insurance	KRW	1,101	Performance guarantees insurance
SK Materials Taiwan Co., Ltd.	Korea Development Bank	USD	3,000	Guarantee of debt
SK Materials (Jiangsu) Co., Ltd.	Mitsui Sumitomo Bank	USD	7,000	Guarantee of debt
	Kookmin Bank	CNY	60,000	Guarantee of debt

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, has been provided performance guarantees for domestic construction by other construction companies amounting to ₩424,941 million as at June 30, 2018.

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30. Commitments and contingencies (cont'd)

(2) Guarantees provided to others as at June 30, 2018 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 and others	KWD	4,777	Performance guarantees for contract and others	
	Pohang Clean Water Co., Ltd. and others	USD	923	Performance guarantees for contract and others	
		KRW	494,761	Supplementing funds for principal and interest of loan	
	Hwaseong Jungnam General Industrial Complex Co., Ltd.	KRW	36,400	Guarantee of project financing payment	
	Howon elementary school Area redevelopment maintenance business association	KRW	96,584	Guarantees for reconstruction project financing	
	Gwacheon area II housing reconstruction maintenance business association	KRW	132,351	Guarantees for reconstruction project financing	
	Ahyeon area II housing reconstruction maintenance business association	KRW	88,384	Guarantees for reconstruction project financing	
	Bomun area II housing redevelopment maintenance business association	KRW	13,205	Guarantees for reconstruction project financing	
	Susaeak area IX housing redevelopment maintenance business association	KRW	117,885	Guarantees for reconstruction project financing	
	Bugae-seocho bridge North side redevelopment maintenance business association	KRW	37,207	Guarantees for reconstruction project financing	
	Paldal area VIII housing redevelopment maintenance business association	KRW	26,095	Guarantees for reconstruction project financing	
	Customers of Seongsu station SK V1 Tower	KRW	78,636	Guarantee of payment	
	Customers of GaSan SK V1	KRW	3,240	Guarantee of payment	
	Customers of KwangKyo SK view Lake	KRW	108,100	Guarantee of payment	
	Customers of SongDo SK view	KRW	191,298	Guarantee of payment	
	Doryong area I housing reconstruction development business association	KRW	5,784	Guarantee of payment	
	Customers of Anyang SK V1	KRW	54,600	Guarantee of payment	
	Customers of Dongtan SK V1	KRW	82,200	Guarantee of payment	
	Baekryunsan SK view	KRW	6,209	Guarantee of payment	
	Sungnam SK V1 tower	KRW	24,960	Guarantee of payment	
	Boramae SK view	KRW	8,641	Guarantee of payment	
	Sindongtan SK view and others	KRW	57,120	Guarantee of payment	
	Member of Employee stock ownership association	KRW	6,451	Guarantee of payment	
	Callable preferred share investor	KRW	351,000	Cash deficiency support agreement	
	SK Shipping Co., Ltd.	Milestone & Great Shale LNG Transport S.A.	USD	61,200	Guarantee for shipbuilding and others
		S&Y Shipping S.A.	JPY	3,885,616	Performance guarantees for payment
	SK Networks Co., Ltd.	PT. SK Networks Indonesia	USD	1,500	Standing surety for investee
	SK Global Chemical Co., Ltd. Iberian Lube Base Oils S.A.	Sabic SK Nexlene Company Pte. Ltd.	USD	194,500	Guarantee of debt
		Puertos del Estado	EUR	355	Guarantees for construction
	SK E&S Co., Ltd.	Railway Administration and others	EUR	233	Guarantee for installing facilities and others
Boryeong LNG Terminal Co., Ltd.		KRW	360,000	Guarantee of debt	
SKC Co., Ltd.		KRW	-	Guarantees for project financing	
	SKC-Kolon PI Co., Ltd.	USD	8,100	Guarantee for litigation	
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	219	Performance guarantees for contract	
SK techx Co., Ltd.	Hyundai HCN Co., Ltd. and others	KRW	1,019	Performance guarantees for contract	
SK M & Service Co., Ltd.	TourOK Co., Ltd. and others	KRW	5,491	Performance guarantees for transaction	
SK Siltron Co., Ltd.	SIL 1st LLC	KRW	120,000	Asset backed debt	

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, provides other construction companies with performance guarantees for domestic construction in the amount of ₩1,699,623 million as at June 30, 2018.

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30. Commitments and contingencies (cont'd)

(3) Pending litigations

The Group's significant pending litigations as at June 30, 2018, 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.	Jeunwon Engineering Co., Ltd.	Claim for refund of payment construction	KRW 391	Second trial in progress
SK Telesys Co., Ltd.	Alcatel-lucent Korea and others	Claim for payment	KRW 1,582	Third trial in progress and others
SK E&S Co., Ltd.	Head of the customhouse, Seoul	Claim for annulment of assessments of custom duties	KRW 2,252	Second trial in progress
Ko-one Energy Service Co., Ltd.	Industrial Bank of Korea and others	Claim for trust and others	KRW 10,079	Second trial in progress and others
SK Networks Co., Ltd.	Individual and others	Claim for payment and others	KRW 15,522	First trial in progress and others
SK Networks Service Co., Ltd. and others	Individual and others	Claim for payment and others	KRW 818	First trial in progress and others
SK Shipping Co., Ltd.	Samsung Heavey Industry Co., Ltd. and others	Claim due to delays in shipbuilding contract	USD 18,275	Arbitration in progress and others
	Mcoil International S.A.	Claim for non-payment for fuel oil	KRW 704	Second trial in progress
SK Shipping Europe Plc.	MOL and others	Lawsuit for employment and others	USD 14,275	Arbitration in progress and others
SK B&T Pte. Ltd.	Mumbai Singapore Pte. Ltd. and others	Off hire claim and others	USD 1,600	Arbitration in progress and others
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 143	Second trial in progress and others
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction	KRW 4,919	Third trial in progress and others
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 4,140	Third trial in progress
	Korea Rail Network Authority	Claim for payment and others	KRW 17,760	Third trial in progress and others
	Fair Trade Committee	Claim for corrective order and others	KRW 4,368	Third trial in progress
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 61,369	Second trial in progress
	Korea Specialty Contractor Financial Cooperative	Claim for payment	KRW 651	First trial in progress
	Dream Hub PFV	Claim for payment	KRW 12,728	Second trial in progress
	Plant & Mechanical Contractors Financial Cooperative of Korea	Damage claim of New Hanwool 1&2	KRW 302	First trial in progress
	Busan Metropolitan City	Claim for payment of construction	KRW 8,930	Second trial in progress
	Hyundai Construction Co., Ltd.	Claim for payment and others	KRW 88,554	Second trial in progress and others
	Korea Housing & Urban Guarantee Corporation Republic of Korea	Claim for transfer of ownership right	KRW 201	First trial in progress
		Claim for payment of construction and others	KRW 36,744	Second trial in progress and others
	Korea Highway Corporation	Claim for tool overhead and others	KRW 21,939	First trial in progress
	Korea National Oil Corporation	Claim for construction costs	KRW 9,498	First trial in progress
	Korea Land & Housing Corporation	Claim for Yeongdeungpo facility PF business	KRW 11,621	First trial in progress
	Korea Gas Corporation	Claim related to Jangrim Jinhae	KRW 2,520	First trial in progress
	Individual and others	Claim for payment and others	KRW 12,080	First trial in progress and others

In addition, SK E&S Co., Ltd., a subsidiary of the Group, was imposed \ 161,919 million from tax authorities, including the value added tax related to LNG import price during the prior reporting period. The Group recognized the amount as other accounts payable and of those, recognized \ 160,575 million as advance payments.

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30. Commitments and contingencies (cont'd)

The Group's significant pending litigations as at June 30, 2018, 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 3,450	Second trial in progress
Korea Minting, Security Printing & ID Card operating Corp.		Claim for damages	KRW 2,000	First trial in progress
Alcatel lucent Korea Co., Ltd. and others	SK Telesys Co., Ltd.	Claim for payment and others	KRW 2,444	Third trial in progress and others
Home Plus Co., Ltd. and others	SKC Co., Ltd.	Claim for damages	KRW 380	First trial in progress
Sang soo, Kim and 2,106 others		Claim for damages	KRW 2,893	Arbitration in progress
Individual and others	Ko-one Energy Service Co., Ltd.	Claim for damages and others	KRW 61	First trial in progress and others
Korea Veterans Health Service and others	Pusan City Gas Co., Ltd.	Claim for return of payment and others	KRW 1,632	First trial in progress and others
Korea Land & Housing Coporation	Kangwon City Gas Co., Ltd.	Claim for facilities development	KRW 659	First trial in progress
Smartro Co., Ltd. and others	SK Networks Co., Ltd.	Claim for patent infringement and others	KRW 15,525	First trial in progress and others
Individual and others	SK Magic Service Co., Ltd. and others	Claim for retirement payment and others	KRW 601	First trial in progress and others
M Seven System Limited	river 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 116	First trial in progress and others
Allianz	SK Shipping Co., Ltd.	Claim for cargo damage	CAD 966	Second trial in progress
Hyundai Merchant Marine Co., Ltd. and others		Claim for damages and others	KRW 8,727	Arbitration in progress and others
HPL Shipping		Claim for cargo damage	EUR 650	Arbitration in progress
Individual and others		Claim for damages	KRW 2,185	First trial in progress
Classic Maritime	SK Shipping Europe Plc.	Claim for demurrage	USD 5,000	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
K-Water Resources Corporation and others	SK Engineering & Construction Co., Ltd.	Claim for damages and others	KRW 4,033	First trial in progress and others
Incheon Metropolitan City		Damage for bid fixing of area 705 and 706	KRW 36,569	Third 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 5,977	First trial in progress
Korea Rural Community Corporation		Claim for counterindemnity	KRW 8,036	First trial in progress
Republic of Korea		Claim for compensation and others	KRW 11,941	Second trial in progress and others
Korea Gas Corporation		Claim for compensation and others	KRW 47,295	First trial in progress
Korea Rail Network Authority		Claim for compensation and others	KRW 18,012	First trial in progress
Busan Transportation Corporation		Claim for compensation and others	KRW 9,579	First trial in progress and others
Individual and others		Claim for apartment and others	KRW 19,985	First trial in progress and others

30. Commitments and contingencies (cont'd)

(4) Commitments

- 1) In accordance with the Commercial Code of the Republic of Korea, the Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd. and SK Trading International Co., Ltd. are collectively responsible for any obligations of the Company arising before the spin-off. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on April 1, 2011.
- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Daol Fund Management. Under the terms of the lease, the lease period is until March 27, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance and development service entered into between the Company and SK Group companies and others.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- 5) The Company has stock sale and purchase agreements in regards to 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 st Fund and others	Corporate Turnaround 1 st 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 June 30, 2018, 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 June 30, 2018, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (see Note 14).

- 7) The Group entered into a shareholder agreement with ordinary shareholders of SK E&S Co., Ltd., one of the subsidiaries. Details are as follows:

	Shareholder agreement
Investor	MD Prime 1st Co., Ltd. and others
Number of shares	4,640,199
Contract date	November 14, 2017
Expiry date	November 13, 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 to the investor the amount equivalent to 3.07% 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 June 30, 2018, the value of the agreements amounting to ₩677,775 million is recognized in long-term borrowings (see Note 14).

- 8) 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.

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30. Commitments and contingencies (cont'd)

9) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to receive the liquefaction service from FLNG Liquefaction 3, LLC, 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 June 30, 2018, SK E&S Co., Ltd., one of the Group's subsidiaries, is responsible for a performance guarantee in case SK E&S LNG, LLC 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.

10) As at June 30, 2018, 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 subsidiaries	Korea Gas Corporation	-
Contract of supply for natural gas	SK E&S Co., Ltd.	Tangguh PSC Contractor Parties	2006.01 ~ 2026.07
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.	Siemens AG and others	2014.06 ~ 2031.06 (estimated)
Contract for the long term maintenance program	Wirye Energy Service Co., Ltd.	Siemens 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, LLC	FLNG Liquefaction 3, LLC	20 years from 2019
Contract for the use plumbing system	Wirye Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Korea Gas Corporation Co., Ltd.	20 years from 2017
Contract for the use pipeline of natural gas	SK E&S LNG, LLC	Kinder Morgan, Inc.	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 Co., Ltd.	20 years from 2017
Contract of supply for natural gas	Prism Energy International 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.	2015.01 ~ 2025.01
Contract for supply for LNG	Narae Energy Service Co., Ltd.	Korea Gas Corporation	20 years from 2015 May

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

11) As at June 30, 2018, 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 amount
Contract for heat piping and others	Narae Energy Service Co., Ltd.	Eulmyo General Construction and others	2017.05 ~ 2019.02	\ 8,244
Contract for Wirye 3,4 area preconstruction and additional heat piping	Wirye Energy Service Co., Ltd.	Dalim Construction Co., Ltd.	2018.05 ~ 2019.04	2,948
Contract for Gamil booster station	Wirye Energy Service Co., Ltd.	Hanjin Heavy Industry & Construction Co., Ltd.	2017.12 ~ 2018.10	9,818

12) As at June 30, 2018, 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.	Conoco Phillips Company and others	37.5%	USD 310,000	USD 280,000
Woodford, USA	Dew Blaine Energy, LLC	Continental Resources, Inc.	49.9%	USD 360,000	USD 303,764

30. Commitments and contingencies (cont'd)

- 13) Subsidiaries of SK Shipping Co., Ltd. have entered into a contract with Champion Shipholding S.A. and 55 others for Bare Boat Charter Hire Purchase ("BBCHP"). Outstanding boat purchase amount as at June 30, 2018 is USD 2,539,850 thousand (Korean won equivalent: \ 2,848,950 million) and is included in long-term other accounts payable.
- 14) Subsidiaries of SK Shipping Co., Ltd. have leased vessels from Time Charter. Total payables of the vessels charter amount to ₩251,112 million as at June 30, 2018.
- 15) Subsidiaries of SK Shipping Co., Ltd. have entered into a long-term transportation contract with Korea Gas Corporation and SK E&S Co., Ltd. to transport liquefied natural gas. The subsidiaries entered into a long-term transportation contract with SK Energy Co., Ltd. to transport crude oil from middle-east area. The subsidiaries also entered into a long-term transportation contact with Korea Southern Power Co., Ltd., Korea South-East Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Western Power Co., Ltd. and Korea Midland Power Co., Ltd. which are subsidiaries of KEPCO to transport coal for power generation.

On the other hand, subsidiaries of 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 year ended December 31, 2017, was also delayed. Accordingly, SK Shipping Co., Ltd. temporarily replaced the vessel with an alternative vessel in order to fulfill the transportation agreement with the customer. SK Shipping 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 Shipping Co., Ltd. is also negotiating with the shipbuilder for the claim amount due to delays in the delivery of the vessel.

- 16) Atlantic Star LLC, sold the entire 45% stake in SK B & T Pte. Ltd. (the "Target Company"), a subsidiary, to SBI Samho Co., Ltd. (the "Investor") in June 2018. In the process of the sale of shares above, the shareholders' contract between SK Shipping Co., Ltd. and the Investors include the following major commitments.
- 40,000,001 shares of the target company's stock owned by SK Shipping Co., Ltd. are provided as collateral to the Investors
 - 3,999,999 shares of the target company's stock owned by SK Shipping Co., Ltd. are offered through trust to the investors as a beneficiary (scheduled for September 2018)
 - The investors' drag-along right
 - SK Shipping Co., Ltd.'s pre-emption right for the exercised investors' drag-along right
- 17) 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:
- The 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

30. Commitments and contingencies (cont'd)

SK Incheon Petrochemical Co., Ltd., one of subsidiaries, securitized \ 276,000 million of SK Incheon Petrochemical Co., Ltd.'s trusts accounts receivable for SK Energy Co., Ltd., and SK Global Chemical Co., Ltd., 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. Early repayment of the securitization loans may occur if the effective credit rating of the corporate bonds issued by SK Incheon Petrochem Co., Ltd. is less than or equal to BBB or if the effective credit rating of corporate bonds issued by SK Energy Co., Ltd. and SK Global Chemical Co., Ltd. is less than or equal to A-.

- 18) 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 \ 935,773 million which is recorded as other accounts receivable and long-term other accounts receivable.
- 19) On May 8, 2018, SK Telecom Co., Ltd., a subsidiary of the Group, entered into a contract to acquire 740,895 shares of Siren Holdings Korea Co., Ltd. at \ 702,000 million in cash in order to strengthen the security business and expand residential customer base. This contract requires Siren Holdings Korea Co., Ltd. to merge Siren Investments Korea Co., Ltd. which wholly owns ADT Caps Co., Ltd. as a prerequisite. At the conclusion of this acquisition, the Group expects to own 55% ownership interests in Siren Holdings Korea Co., Ltd. and will obtain control over ADT Caps Co., Ltd. The transaction is subject to government's approval, and terms and conditions of the contract may change in the course of obtaining approval and application of laws related to the approval, and the acquisition price may also change upon the price adjustment at the transaction date.

Blue Security Investments, LLC. will purchase 45% ownership of Siren Holdings Korea Co., Ltd. at the conclusion of transaction, and, according to the agreement with the shareholders along with the contract, the entire shares will be converted to cumulative and participating convertible preferred stocks as soon as possible. The holders of the convertible preferred stock can exercise the same voting right as the holders of the common stock. The convertible preferred stock has 1-to-1 conversion ratio to common stock without restriction and empowers the holders a right of priority to the dividends at 2% of their investments.

- 20) SK Materials Co., Ltd., a subsidiary, transferred trade receivables for SK Energy Co., Ltd., SKC Co., Ltd. and SK Hynix Inc. to trust account of KDB in June 2016. In the same year, SK Materials Co., Ltd. entered into trade receivables securitization contract with KDB in which ABCP is issued at par value of \ 30,000 million on a three-month basis based on type 1 beneficiary certificate. As at June 30, 2018 and December 31, 2017, trade receivables transferred to trust account are \ 6,041 million and \ 6,096 million, respectively.
- 21) SK Materials Co., Ltd., a subsidiary, trusted the trade receivable that may incur from M15 Project Phase 1, of which the investment was in progress in September 2017, to the trust account of KEB Hana Bank. With this trusted amount as collateral, SK Materials Co., Ltd. entered into borrowing commitment for the facility for up to 120,000 million. As at June 30, 2018, there are no trade receivables trusted to the trust account in relation to the commitment.

(5) Others

As at June 30, 2018, 89 notes (including 83 blank notes) and 52 blank checks are provided to financial institutions as collateral for borrowings.

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31. Pledged assets

The following assets were pledged as collateral for the Group's borrowings and others as at June 30, 2018 (Korean won in millions and foreign currencies in thousands):

<u>Company</u>	<u>Asset</u>	<u>Currency</u>	<u>Collateralized amount (*1)</u>	<u>Provided to</u>	<u>Description</u>
SK Innovation Co., Ltd.	Investments in associates	KRW	-	Yemen LNG Company and others	Collateral for project financing
	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
Netruck Co., Ltd.	Property, plant and equipment	KRW	4,500	Shinhan Bank	Collateral for borrowing
SK Incheon Petrochem Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
Seosuwon Development Company	Investment property	KRW	234,000	New West Village and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Investment securities and others	KRW	228,224	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	142,000	Kookmin Bank and others	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment and others	KRW	216,100	Korea Development Bank and others	Collateral for borrowing and others
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	21,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Hightech & Marketing Co., Ltd.	Property, plant and equipment	KRW	11,700	IBK Capital	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	117,500	Korea Development Bank 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	37,000	Korea Development Bank and others	Collateral for borrowing
	Property, plant and equipment	USD	50,000	Standed Chartered Bank	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	476,716	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
SK E&S Co., Ltd.	Investments in joint ventures	KRW	110,039	Woori Bank and others	Collateral for project financing
	Investments in associates	KRW	8,934	Shinhan Bank and others	Collateral for project financing
	Investments in subsidiaries	KRW	172,934	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	915,061	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	11,710	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	3,990	Megamart and others	Leasehold deposits and others
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	Collateral for deposits received
Wirye Energy Service Co., Ltd.	Property, plant and equipment	KRW	84,000	Kookmin Bank and others	Collateral for borrowing
Narae Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	505,000	Korea Development Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	2,161,361	KDB Asia Ltd. and others	Deposits for purchasing ship and others
	Property, plant and equipment and others	KRW	45,000	KIS IB 25th Company and others	Collateral for borrowing
	Investments in subsidiaries	KRW	117,432	SBI Samho Co., Ltd. and others	Shareholder arrangement and others
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	58,997	KDB Asia Ltd and others	Deposits for purchasing ship and others
SK B&T Pte. Ltd.	Short-term financial instruments and others	KRW	6,010	KEB Hana Bank and others	Guarantees for license acquisition and others
HHIENS 1 Shipholding S.A.	Property, plant and equipment	USD	126,638	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 Shipholding S.A.	Property, plant and equipment	USD	126,648	KDB Asia Ltd and others	Deposits for purchasing ship
SK Shipping Europe Plc.	Property, plant and equipment	USD	50,875	KDB Asia Ltd and others	Deposits for purchasing ship
DSIC VLOC 1 Shipholding S.A.	Property, plant and equipment	USD	11,130	KDB Asia Ltd and others	Deposits for purchasing ship
DSIC VLOC 2 Shipholding S.A.	Property, plant and equipment	USD	11,130	KDB Asia Ltd and others	Deposits for purchasing Ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	3,933	Lessor	Restricted real rights for office lease
	Short-term financial instruments	KRW	263	KEB Hana Bank and NH Bank	Collateral for loan
SK China Company, Ltd.	Others	USD	36,491	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China communications	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	20,378	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 and others	KRW	336,541	Kyungnam Bank and others	Collateral for borrowing
SK Tri Chem Co., Ltd.	Property, plant and equipment	KRW	24,000	Korea Development Bank	Collateral for borrowing
SK Siltron Co., Ltd.	Property, plant and equipment and others	KRW	259,863	Korea Development Bank and others	Collateral for borrowing

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31. Pledged assets (cont'd)

(*1) The carrying amount of investment securities provided as collaterals for PF loans and facility borrowings are included.

32. Guarantees provided among the Group entities

Guarantees provided among the Group entities as at June 30, 2018 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	SK Computer and communication LLC	USD	6,000	Performance guarantees for payment
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	70,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,492	Guarantee of payment for license agreement
	SK Global Chemical Americas, Inc.	USD	190,000	Guarantee of payment for principal of debt
	SK Primacor Americas	USD	20,000	Guarantee of principal of debt in RCF withdrawal
	SK Primacor Europe	EUR	20,000	Guarantee of principal of debt in RCF withdrawal
SK Lubricants Co., Ltd.	Iberian Lube Base Oils, S.A.	EUR	24,500	Guarantee of debt
SK Engineering & Construction Co., Ltd.	Thai Woo Ree Engineering Company Ltd.	USD	14	Performance guarantees for contract and others
	Seosuwon Development Company	KRW	234,000	Guarantees for project financing
	SKEC Anadolu LLC	USD	52,000	Guarantee of financial obligation and others
		EUR	151,814	Performance guarantees for contract and others
		TRY	25,077	Guarantee of V/H Tax
	Sunlake Co., Ltd.	CAD	33,000	Guarantee of financial obligation
SKC Co., Ltd.	SKC, Inc.	USD	138,000	Guarantee of payment
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	81,450	Guarantee of payment
		CNY	240,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	40,000	Guarantee of financial obligation
SK Networks Co., Ltd.	SKC Solmics Co., Ltd.	KRW	30,000	Guarantee for operation fund
	SK Networks Deutschland GmbH	EUR	10,000	Standing surety for investee
	SK Networks Hong Kong Ltd.	USD	161,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	116,400	Standing surety for investee
		CNY	54,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	2,000,000	Standing surety for investee
	SK Networks America, Inc	USD	10,000	Standing surety for investee
	SK (Guangzhou) Metal Co., Ltd.	CNY	60,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	Standing surety for investee
	SK Networks Resources Australia Pty. Ltd.	AUD	35,000	Standing surety for investee
SK Shipping Co., Ltd.	SK Shipping Europe Plc.	USD	61,400	Guarantee for operation fund
		USD	50,875	Guarantee of payment
	SK Shipping Singapore Pte. Ltd.	USD	72,608	Guarantee of payment
		USD	90,700	Guarantee for operation fund
	SK B&T Pte. Ltd.	USD	23,200	Guarantee for operation fund
	Blueseaocean 2nd LLC	USD	40,000	Guarantee for derivative hedge
	Blueseaocean 3rd LLC	USD	40,000	Guarantee for derivative hedge
	HHIENS1 Shipholding S.A.	USD	35,740	Performance guarantees for shipbuilding
	HHIENS2 Shipholding S.A.	USD	35,740	Performance guarantees for shipbuilding
	VLGC3 Shipholding S.A	USD	11,641	Ocean guarantee insurance
	Neptune Solution LLC	KRW	48,000	Securitization, Capital reserve commitments
	HHIVLCC1 Shipholdings	USD	27,231	Ocean guarantee insurance
	HHIVLCC2 Shipholdings	USD	27,231	Ocean guarantee insurance
	DSIC VLOC1 Shipholding S.A.	USD	59,360	Performance guarantees for shipbuilding
	DSIC VLOC2 Shipholding S.A.	USD	59,360	Performance guarantees for shipbuilding
SK B&T Pte. Ltd.	Chuandong 1 Marine Holdings Co., Ltd.	USD	7,240	Guarantee related to BBCHP
	Chuandong 2 Marine Holdings Co., Ltd.	USD	7,209	Guarantee related to BBCHP
SK E&S Co., Ltd.	Cailip Gas Marketing, LLC	USD	76,000	Guarantee for derivative hedge
	SK E&S Australia Pty. Ltd.	USD	140,000	Guarantee for borrowings
	Paju energy service Co., Ltd.	KRW	500,000	Guarantee for borrowings
	Wirye energy service Co., Ltd.	KRW	250,000	Guarantee for borrowings
	Narae energy service Co., Ltd.	KRW	20,000	Deficiency support agreement for borrowings
	Dew Blaine Energy, LLC	USD	360,000	Performance for contracts and others
	SK E&S Americas, Inc.	USD	160,000	Guarantee for borrowings
	Prism Energy International Pte. Ltd.	USD	179,000	Guarantee for derivative hedge
	SK E&S LNG, LLC	USD	15,000	Guarantee for derivative hedge
Prism Energy International Pte. Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*2)
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	60,000	Guarantee for borrowings
		USD	31,000	Guarantee for borrowings
	SK Materials Taiwan Co., Ltd.	USD	3,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	JPY	276,000	Guarantee for borrowings
SK China Company, Ltd.	SK (Beijing) auto rental Co., Ltd.	USD	16,625	Guarantee for borrowings
	SK (Shenyang) auto rental Co., Ltd.	USD	10,579	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	9,287	Guarantee for borrowings
SK Technx Co., Ltd.	SK Broadband Co., Ltd.	KRW	66	Performance guarantees for contract and others
SK Telink Co., Ltd.	SK Broadband Co., Ltd.	KRW	3	Performance guarantees for contract
	Home&Service Co., Ltd.	KRW	1	Performance guarantees for contract and others

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

- (*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩78,420 million.
- (*2) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩284,111 million.

33. Financial risk management

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

33.1 Financial risk management

33.1.1 Risk management activities

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

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

33.1.2 Credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In addition, the maximum exposure to credit risk as at June 30, 2018 and December 31, 2017 is as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Financial assets at FVTPL	₩ 1,420,301	₩ 369,436
Financial assets at FVOCI	29,037	-
Financial assets at amortized cost	23,210,775	-
Derivatives designated as hedging instruments	118,642	103,849
Held-to-maturity investments	-	870
Loans and receivables	-	25,579,243
Available-for-sale financial assets	-	69,248
	<u>₩ 24,778,755</u>	<u>₩ 26,122,646</u>

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

33.1.2.1 Trade and other accounts receivable

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

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

33.1.2.2 Guarantee

SK Engineering & Construction Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees recognized amounts of ₩17,128 million as at June 30, 2018. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as at June 30, 2018. (Korean won in millions)

	June 30, 2018	December 31, 2017
SK Innovation Co., Ltd.	\ 960	\ 1,131
SK Engineering & Construction Co., Ltd.	17,128	10,433
SK Shipping Co., Ltd.	23	50
SK Biotek Co., Ltd.	584	369
	\ 18,695	\ 11,983

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

33.1.2.3 Other financial assets

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

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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 risking damage to the Group's reputation.

The contractual maturity of financial liabilities as at June 30, 2018 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	₩ 9,692,499	₩ 10,020,232	₩ 3,505,610	₩ 2,373,967	₩ 3,500,710	₩ 639,945
Bonds	24,977,573	26,966,362	1,350,265	3,536,266	16,165,613	5,914,218
Derivative financial liabilities	148,494	148,494	106,338	21,099	19,627	1,430
Trade accounts payable	8,734,831	8,734,831	8,577,064	157,767	-	-
Other liabilities	9,660,970	11,379,946	5,403,666	1,525,654	2,344,440	2,106,186
	<u>₩ 53,214,367</u>	<u>₩ 57,249,865</u>	<u>₩ 18,942,943</u>	<u>₩ 7,614,753</u>	<u>₩ 22,030,390</u>	<u>₩ 8,661,779</u>

33.1.4 Market risk

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

33.1.4.1 Currency risk

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

Details of foreign currencies and liabilities as at June 30, 2018 and December 31, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	June 30, 2018		December 31, 2017	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	6,304,373	₩ 7,071,615	7,854,281	₩ 8,415,077
	JPY	22,177,305	225,053	21,745,852	206,392
	CNY	1,934,330	327,695	2,295,359	375,636
	EUR	110,665	143,535	141,881	181,502
	Others		6,251		117,318
			<u>₩ 7,774,149</u>		<u>₩ 9,295,925</u>
Liabilities	USD	8,993,606	₩ 10,088,128	10,426,763	₩ 11,171,234
	JPY	5,582,723	56,653	6,935,029	65,821
	CNY	779,865	132,117	780,156	127,672
	EUR	120,857	156,754	148,624	190,127
	Others		67,892		82,194
			<u>₩ 10,501,544</u>		<u>₩ 11,637,048</u>

33.1.4.1 Currency risk (cont'd)

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

Currency	June 30, 2018		December 31, 2017	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	\ (301,651)	\ 301,651	\ (275,616)	\ 275,616
JPY	16,840	(16,840)	14,057	(14,057)
CNY	19,558	(19,558)	24,796	(24,796)
EUR	(1,322)	1,322	(863)	863

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 management is to keep a sound financial structure. The Group is using the debt ratio, calculated as total debt divided by total amount of capital, as an indicator of capital management. The Group maintains a debt ratio of 132.0% as at June 30, 2018. The maturity of the debt is dispersed in the long term. So, debt-repayments are not demanding.

The Group's debt ratio as at June 30, 2018 and December 31, 2017 is as follows (Korean won in millions):

	June 30, 2018	December 31, 2017
Total liabilities	₩ 64,829,214	₩ 64,020,500
Total equity	49,115,223	45,756,420
Debt ratio	132.0%	139.9%

34. Business combination

34.1 June 30, 2018

34.1.1 Dow Chemical EAA Business

In accordance with the resolution of the Board of Directors on February 1, 2017, SK Global Chemical Co., Ltd., one of the subsidiaries, acquired all of the Dow Chemical Company's EAA businesses in U.S. and Spain and the related tangible and intangible assets and completed the acquisition during the year ended December 31, 2017, for diversifying its business portfolio into a higher value-added packaging field. At the date of acquisition, the fair value of tangible and intangible assets was determined provisionally because the independent valuation was not completed. For the six months ended June 30, 2018, the Group subsequently adjusted the amount of its identifiable net assets recognized at the date of acquisition by obtaining new information on the pertinent fact and circumstances that existed on the date of acquisition.

(1) Fair value of consideration transferred in the business combination are as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Cash	₩ 394,463	₩ (1,792)	₩ 392,671

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

	Before adjustment	Adjustment	After adjustment
Fair value of identifiable assets	₩ 294,183	₩ 10,246	₩ 304,429
Current assets	43,862	252	44,114
Trade accounts receivable and other accounts receivable	12,742	-	12,742
Inventories	31,120	252	31,372
Non-current assets	250,321	9,994	260,315
Property, plant and equipment	56,683	(364)	56,319
Intangible assets	193,638	10,358	203,996
Fair value of identifiable liabilities	-	-	-
Fair value of identifiable net assets	₩ 294,183	₩ 10,246	₩ 304,429

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

	Before adjustment	Adjustment	After adjustment
a. The total consideration transferred	₩ 394,463	₩ (1,792)	₩ 392,671
b. Fair value of the net identifiable assets	(294,183)	(10,246)	(304,429)
c. Goodwill (c=a-b)	₩ 100,280	₩ (12,038)	₩ 88,242

(4) Outflow of net cash from business combination is as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Payment by cash	₩ 394,463	₩ (1,792)	₩ 392,671
Acquisition of cash and cash equivalents	-	-	-
Out flow of net cash	₩ 394,463	₩ (1,792)	₩ 392,671

34.1.2 Dow Chemical PVDC Business

As a subsidiary, SK Global Chemical decided to acquire the entire PVDC business in the United States owned by The Dow Chemical Company and all its tangible and intangible assets in order to diversify its packaging business portfolio. On the acquisition date, the fair value of tangible and intangible assets was determined provisionally because the independent valuation was not completed. For the six months ended June 30, 2018, the Group subsequently adjusted the amount of its identifiable net assets recognized at the date of acquisition by obtaining new information on the pertinent fact and circumstances that existed on the date of acquisition.

(1) Fair value of consideration transferred in the business combination are as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Cash	₩ 82,193	₩ -	₩ 82,193

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

	Before adjustment	Adjustment	After adjustment
Fair value of identifiable assets	₩ 26,071	₩ 17,477	₩ 43,548
Current assets	11,881	(920)	10,961
Trade accounts receivable and other accounts receivable	3,365	(920)	2,445
Inventories	8,516	-	8,516
Non-current assets	14,190	18,397	32,587
Property, plant and equipment	14,190	18,392	32,582
Intangible assets	-	5	5
Fair value of identifiable liabilities	-	-	-
Fair value of identifiable net assets	<u>₩ 26,071</u>	<u>₩ 17,477</u>	<u>₩ 43,548</u>

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

	Before adjustment	Adjustment	After adjustment
a. The total consideration transferred	₩ 82,193	₩ -	₩ 82,193
b. Fair value of the net identifiable assets	(26,071)	(17,477)	(43,548)
c. Goodwill (c=a-b)	<u>₩ 56,122</u>	<u>₩ (17,477)</u>	<u>₩ 38,645</u>

(4) Outflow of net cash from business combination is as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Payment by cash	₩ 82,193	₩ -	₩ 82,193
Acquisition of cash and cash equivalents	-	-	-
Out flow of net cash	<u>₩ 82,193</u>	<u>₩ -</u>	<u>₩ 82,193</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
June 30, 2018 and 2017

34.1.3 SK Showa Denko Co., Ltd. and others

(1) General information

The Group acquired control of the investee by holding a majority of the voting rights of corporation and the board of directors of SK Showa Denko Co., Ltd. during the current period. The acquisition is accounted for using the acquisition method. The quarterly consolidated financial statements include the financial results of SK Showa Denko Co., Ltd. from the acquisition date to the end of the current period.

During the six-month period ended June 30, 2018, The Group acquired additional 41,157,506 shares which resulted in the Group obtaining control over id Quantique SA with 44,157,506 shares and 58.1% ownership of the outstanding shares, in aggregate. Taking control of id Quantique SA will enable the Group to increase its corporate value as the leading mobile telecommunication operator in Korea and to generate profit in overseas markets by utilizing quantum cryptographic security. The quarterly consolidated financial statements include the financial results of id Quantique SA from the acquisition date to the end of the current period.

SK E&P America, Inc., a subsidiary of the Group, acquired all of the shares of Longfellow Nemaha, LLC for the six months ended 2018 and changed its name to SK Nemaha, LLC after the acquisition. The shares acquired are 50% of the shares of production oil field which is located in Oklahoma. The Group completed the acquisition on June 5, 2018 and total acquisition cost of ₩310,550 million (USD 290 million) was paid by cash. Further, goodwill did not occur in the business combination and the initial accounting was provisionally determined as of June 30, 2018.

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

	SK Showa Denko Co., Ltd	id Quantique SA	Longfellow Nemaha, LLC
Current assets:	₩ 10,137	₩ 17,276	₩ -
Cash and cash equivalents	6,332	1,538	-
Trade accounts receivable and other accounts receivable	1,375	13,609	-
Inventories	501	2,003	-
Other current assets	1,929	126	-
Non-current assets:	17,244	8,302	312,515
Property, plant and equipment	17,242	415	-
Intangible assets	-	7,566	312,515
Other non-current assets	2	321	-
Current liabilities:	6,495	2,801	-
Trade accounts payable and other accounts payable	6,492	1,569	-
Other current liabilities	3	1,232	-
Non-current liabilities:	1	1,648	1,965
Retirement benefit obligation	1	-	-
Deferred income tax liabilities	-	1,648	-
Other non-current liabilities	-	-	1,965
Fair value of identifiable net assets	₩ 20,885	₩ 21,129	₩ 310,550

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

	SK Showa Denko Co., Ltd	id Quantique SA	Longfellow Nemaha, LLC
a. The total consideration transferred			
Consideration transferred	₩ 10,651	₩ 55,248	₩ 310,550
Fair value of the share holding transferred	-	3,965	-
	10,651	59,213	310,550
b. Fair value of proportionate share of acquired net assets			
Fair value of the net identifiable assets	₩ 20,885	21,129	310,550
Non-controlling interests (*1)	(10,234)	(9,291)	-
	10,651	11,838	310,550
c. Goodwill	₩ -	₩ 47,375	₩ -

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
June 30, 2018 and 2017

34.2 June 30, 2017

34.1 General information

On January 11, 2017, the Group acquired 26.65% of ordinary shares with voting rights of SM Core, Inc., which is engaged in production and sales of logistics automation system that includes goods handling equipment, automated conveyors, loading equipment, at \ 39,419 million. This acquisition is to grow smart factory and logistics business in 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 the 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.

34.2 Identifiable assets acquired and liabilities assumed

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

	SM Core Inc.	SKC Hi-Tech&Marketing Co., Ltd.
Current assets:	₩ 74,987	₩ 111,251
Cash and cash equivalents	45,463	15,838
Trade accounts receivable and other accounts receivable	27,364	46,081
Inventories	342	45,336
Other current assets	1,818	3,996
Non-current assets:	43,953	117,790
Property, plant and equipment	20,249	61,567
Intangible assets	22,168	495
Other non-current assets	1,536	55,728
Current liabilities:	16,448	99,541
Trade accounts payable and other accounts payable	13,533	36,154
Borrowings	500	62,900
Other current liabilities	2,415	487
Non-current liabilities:	7,357	12,644
Retirement benefit obligation	2,272	12,644
Deferred income tax liabilities	5,085	-
Fair value of identifiable net assets	₩ 95,135	₩ 116,856

It is determined by provisional amounts as the valuation of identifiable assets acquired and liabilities assumed of SKC Hi-Tech&Marketing Co., Ltd. (formerly, SKC Haas Display Film, Ltd.) has not been completed as at the six months ended June 30, 2017.

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

2) Valuation techniques used for remeasurement at fair value of acquired significant assets and liabilities is 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 reflecting on the created price in the available market transactions of similar assets or on the replacement cost considering the appropriate functional and economic obsolescence as well as the physical deterioration degree.
<i>Intangible assets</i>	Relief from royalty method: The Company determines the fair value of intangible assets by using relief from royalty method considering the royalty discount that is expected to be avoided by the retention of the patents or trademarks directly.

34.3 Goodwill

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

	SM Core Inc.	SKC Hi-Tech&Marketing Co., Ltd.
a. The total consideration transferred		
Consideration transferred	₩ 39,419	₩ 81,187
Fair value of share holding transferred	-	78,002
Sub-total	39,419	159,189
b. Fair value of proportionate share of acquired net assets		
Fair value of the net identifiable assets	95,135	116,856
Non-controlling interests(*1)	(69,906)	-
Sub-total	25,229	116,856
c. Goodwill (c=a-b)	₩ 14,190	₩ 42,333

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

35. Subsequent events

35.1 Interim dividend of SK Holdings Co., Ltd.

The Company declared to pay interim dividend in accordance with the resolution of the Board of Directors on July 24, 2018 as follows:

	Details
Amount of interim dividend	₩1,000 per share (total amount of dividend: ₩56,389 million)
Ratio of dividend to market value	0.4% (ordinary shares), 0.7% (preferred shares)
Basic date for dividend	June 30, 2018
Date of dividend payment	Within August 23, 2018 by Commercial Act Article 464-2 (1)

35.2 Interim dividend of SK Innovation Co., Ltd.

SK Innovation Co., Ltd., one of the subsidiaries, declared to pay interim dividend in accordance with the resolution of the Board of Directors on July 31, 2018 as follows:

	Details
Amount of interim dividend	₩1,600 per share (total amount of dividend: ₩143,727 million)
Ratio of dividend to market value	0.8% (ordinary shares), 1.2% (preferred shares)
Basic date for dividend	June 30, 2018
Date of dividend payment	Within August 30, 2018 by Commercial Act Article 464-2 (1)

35. Subsequent events (cont'd)

35.3 Interim dividend of SK Telecom Co., Ltd.

SK Telecom Co., Ltd., one of the subsidiaries, declared to pay interim dividend in accordance with the resolution of the Board of Directors on July 26, 2018 as follows:

	Details
Amount of interim dividend	₩1,000 per share (total amount of dividend: ₩70,609 million)
Ratio of dividend to market value	0.4% (ordinary shares)
Basic date for dividend	June 30, 2018
Date of dividend payment	Within August 25, 2018 by Commercial Act Article 464-2 (1)

35.4 Acquisition of AMPAC

On July 12, 2018, the Group decided to acquire equity shares in Fine Chemicals Holdings Corp., the parent company of AMPAC, in order to increase the synergy effect in the bio business. The Group will invest USD 455 million to Alchemy Acquisition Corp., the overseas affiliate, and Alchemy Acquisition Corp. will in turn acquire 100% (1,000 shares) ordinary shares of Fine Chemicals Holdings Corp. for a total of USD 720 million. Upon completion of the share acquisition, the Company will hold 100% stake in Fine Chemicals Holdings Corp. and gain control of AMPAC. The investment date and amount may change depending on the progress, exchange rate, etc.

35.5 Equity investment in SK South East Asia Investment Pte. Ltd. (tentative name)

The Group decided to invest in equity shares of SK South East Asia Investment Pte. Ltd. (tentative name). The estimated amount of the investment is USD 100 million by SK Holdings Co., Ltd., SK Innovation Co., Ltd., SK Telecom Co., Ltd., and SK E&S Co., Ltd., respectively, which is expected to be made in 2018.

35.6 Laos dam collapse

In July 2018, Xe-Pian Xe-Namnoy Hydropower dam under construction by SK Engineering & Construction Co., Ltd., a subsidiary, was flooded resulting in a loss of an auxiliary dam and a flashflood through villages downstream. SK Engineering & Construction Co., Ltd. is currently engaged in the relief activities and disaster recovery work in the area. The amount of restoration and compensation for loss cannot be reasonably estimated at the moment, and the Group will reflect the estimated loss based on the results of the analysis of the accident in the financial statements.