



SK HOLDINGS CO., LTD.

**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
WITH INDEPENDENT AUDITORS' REVIEW REPORT**

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Report on review of interim condensed separate financial statements

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

We have reviewed the accompanying interim condensed separate financial statements of SK Holdings Co., Ltd. (the "Company"), which comprise the interim condensed separate statement of financial position as at March 31, 2016, and the related interim condensed separate statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015, all expressed in Korean won and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

Conclusion

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

Other matters

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

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

Ernst & Young Han Young

May 13, 2016

This review report is effective as at May 13, 2016, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

SK HOLDINGS CO., LTD.

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

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

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SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2016 AND DECEMBER 31, 2015

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Assets					
Current assets:					
Cash and cash equivalents	4	₩ 160,891	₩ 97,835	\$ 139,481	\$ 84,816
Short-term financial instruments	4, 28	56,200	67,200	48,721	58,257
Trade accounts receivable	4, 5, 25, 28	336,138	415,835	291,407	360,498
Other accounts receivable	4, 25, 28	359,921	1,369	312,025	1,187
Inventories	6	102,369	83,198	88,746	72,127
Other current assets	4, 16, 17, 28	25,744	75,633	22,318	65,568
Total current assets		<u>1,041,263</u>	<u>741,070</u>	<u>902,698</u>	<u>642,453</u>
Non-current assets:					
Available-for-sale financial assets	4, 7, 28	152,502	148,455	132,208	128,700
Investments in subsidiaries	8	14,483,470	13,848,850	12,556,107	12,005,938
Investments in associates and joint ventures	9	120,229	70,157	104,230	60,821
Property, plant and equipment	10, 27	674,781	665,238	584,986	576,713
Investment properties	11	40,920	41,027	35,475	35,567
Intangible assets	12	2,077,426	2,053,152	1,800,976	1,779,932
Other non-current assets	4, 16, 17, 28	24,813	25,134	21,512	21,790
Total non-current assets		<u>17,574,141</u>	<u>16,852,013</u>	<u>15,235,494</u>	<u>14,609,461</u>
Total assets		<u>₩ 18,615,404</u>	<u>₩ 17,593,083</u>	<u>\$ 16,138,192</u>	<u>\$ 15,251,914</u>
Liabilities and equity					
Current liabilities:					
Short-term borrowings	4, 13, 28	₩ 320,000	₩ 250,000	\$ 277,417	\$ 216,732
Trade accounts payable	4, 25, 28	108,653	109,400	94,194	94,842
Other accounts payable	4, 25, 28	56,611	73,036	49,078	63,317
Accrued expenses	4, 25, 28	221,483	42,940	192,010	37,226
Provisions	14	4,999	5,300	4,334	4,595
Current portion of long-term debt	4, 13, 28	915,205	918,835	793,416	796,563
Other current liabilities	4, 16, 17, 28	106,836	110,126	92,618	95,471
Total current liabilities		<u>1,733,787</u>	<u>1,509,637</u>	<u>1,503,067</u>	<u>1,308,746</u>
Non-current liabilities:					
Bonds payable	4, 13, 28	4,682,270	4,289,918	4,059,185	3,719,045
Retirement benefit obligation	15	40,598	26,421	35,195	22,905
Deferred income tax liabilities		276,979	268,405	240,121	232,687
Other non-current liabilities	4, 16, 17, 28	17,237	17,025	14,942	14,758
Total non-current liabilities		<u>5,017,084</u>	<u>4,601,769</u>	<u>4,349,443</u>	<u>3,989,395</u>
Total liabilities		<u>6,750,871</u>	<u>6,111,406</u>	<u>5,852,510</u>	<u>5,298,141</u>
Equity:					
Issued capital	1, 18	15,385	15,385	13,338	13,338
Other paid-in capital	18	4,719,052	4,719,052	4,091,072	4,091,072
Retained earnings	18	7,118,416	6,736,539	6,171,146	5,840,086
Other capital components	18	11,680	10,701	10,126	9,277
Total equity		<u>11,864,533</u>	<u>11,481,677</u>	<u>10,285,682</u>	<u>9,953,773</u>
Total liabilities and equity		<u>₩ 18,615,404</u>	<u>₩ 17,593,083</u>	<u>\$ 16,138,192</u>	<u>\$ 15,251,914</u>

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

SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

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

	Notes	For the three months ended March 31,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2016	2015	2016	2015
Operating revenue	19, 25	₩ 1,118,468	₩ 458,485	\$ 969,630	\$ 397,473
Operating expenses	20, 21, 25	473,758	403,175	410,713	349,523
Operating income		644,710	55,310	558,917	47,950
Financial income	22	2,260	2,012	1,959	1,744
Financial costs	22	37,949	16,565	32,899	14,361
Other non-operating income	22	2,434	59,519	2,110	51,599
Other non-operating expenses	22	1,896	6,056	1,644	5,250
Income before income tax expense		609,559	94,220	528,443	81,682
Income tax expense	23	30,597	15,258	26,525	13,228
Net income		578,962	78,962	501,918	68,454
Other comprehensive income:					
<i>Items not to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
<i>Remeasurement loss on defined benefit plans</i>	15	(5,335)	(8,526)	(4,625)	(7,391)
<i>Items to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
<i>Net gain (loss) on available-for-sale financial assets</i>	7	979	7,815	849	6,775
		(4,356)	(711)	(3,776)	(616)
Total comprehensive income for the period		₩ 574,606	₩ 78,251	\$ 498,142	\$ 67,838
Earnings per share (in Korean won and U.S. dollar):					
Basic earnings per share	24	₩ 10,362	₩ 1,795	\$ 8.98	\$ 1.56

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

SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity
	₩	₩	₩	₩	₩
As at January 1, 2015	10,000	(618,299)	1,642,876	29,905	1,064,482
Total comprehensive income:					
Net income	-	-	78,962	-	78,962
Remeasurement loss on defined benefits plans	-	-	(8,526)	-	(8,526)
Net gain on available-for-sale financial assets	-	-	-	7,815	7,815
Dividends	-	-	(88,000)	-	(88,000)
As at March 31, 2015	10,000	(618,299)	1,625,312	37,720	1,054,733
As at January 1, 2016	15,385	4,719,052	6,736,539	10,701	11,481,677
Total comprehensive income:					
Net income	-	-	578,962	-	578,962
Remeasurement loss on defined benefits plans	-	-	(5,335)	-	(5,335)
Net gain on available-for-sale financial assets	-	-	-	979	979
Dividends	-	-	(191,750)	-	(191,750)
As at March 31, 2016	15,385	4,719,052	7,118,416	11,680	11,864,533

(Continued)

SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity
As at January 1, 2015	\$ 8,669	\$ (536,020)	\$ 1,424,253	\$ 25,925	\$ 922,827
Total comprehensive income:					
Net income	-	-	68,454	-	68,454
Remeasurement loss on defined benefits plans	-	-	(7,391)	-	(7,391)
Net gain on available-for-sale financial assets	-	-	-	6,775	6,775
Dividends	-	-	(76,290)	-	(76,290)
As at March 31, 2015	\$ 8,669	\$ (536,020)	\$ 1,409,026	\$ 32,700	\$ 914,375
As at January 1, 2016	\$ 13,338	\$ 4,091,072	\$ 5,840,086	\$ 9,277	\$ 9,953,773
Total comprehensive income:					
Net income	-	-	501,918	-	501,918
Remeasurement loss on defined benefits plans	-	-	(4,625)	-	(4,625)
Net gain on available-for-sale financial assets	-	-	-	849	849
Dividends	-	-	(166,233)	-	(166,233)
As at March 31, 2016	\$ 13,338	\$ 4,091,072	\$ 6,171,146	\$ 10,126	\$ 10,285,682

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

SK HOLDINGS CO., LTD.
INTERIM CONDENSED SEPARATE STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

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

	Notes	For the three months ended March 31,			
		Korean won		Translation into U.S. dollar (Note 2)	
		2016	2015	2016	2015
Cash flows from operating activities:					
Net income		₩ 578,962	₩ 78,962	\$ 501,918	\$ 68,454
Non-cash adjustments	26	(486,165)	101	(421,469)	88
Working capital adjustments	26	(16,484)	(31,623)	(14,290)	(27,415)
Interest received		609	561	528	486
Interest paid		(45,790)	(15,164)	(39,697)	(13,146)
Dividends received		216,591	22,012	187,769	19,083
Income taxes paid		(10,477)	(27,822)	(9,083)	(24,120)
Net cash provided by operating activities		237,246	27,027	205,676	23,430
Cash flows from investing activities:					
Decrease in short-term financial instruments, net		11,000	-	9,536	-
Proceeds from disposal of available-for-sale financial assets		280	142	243	123
Proceeds from disposal of investments in associate		10,108	-	8,763	-
Proceeds from disposal of property, plant and equipment		123	252	107	218
Proceeds from disposal of intangible assets		2,901	7,605	2,515	6,593
Acquisition of available-for-sale financial assets		(2,808)	(5)	(2,434)	(4)
Acquisition of investments in subsidiaries		(634,620)	-	(550,169)	-
Acquisition of property, plant and equipment		(20,488)	(6,306)	(17,762)	(5,467)
Acquisition of intangible assets		(8,216)	(1,632)	(7,123)	(1,415)
Decrease (increase) in guarantee deposits, net		(654)	1,371	(567)	1,189
Net cash provided by (used in) investing activities		(642,374)	1,427	(556,891)	1,237
Cash flows from financing activities:					
Net change of short-term borrowings		70,000	-	60,685	-
Issuance of bonds payable		398,306	-	345,302	-
Net cash provided by financing activities		468,306	-	405,987	-
Net increase in cash and cash equivalents		63,178	28,454	54,771	24,668
Net foreign exchange effects		(122)	(82)	(106)	(71)
Cash and cash equivalents at the beginning of the period		97,835	145,210	84,816	125,886
Cash and cash equivalents at the end of the period		₩ 160,891	₩ 173,582	\$ 139,481	\$ 150,483

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

SK HOLDINGS CO., LTD.
NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

1. CORPORATE INFORMATION

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

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

As at March 31, 2016, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred share), and major shareholders and their equity ownership are Tae-won Chey (23.40%), National Pension Service (8.40%) and Ki-won Chey (7.46%).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

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

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

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

The accompanying interim condensed separate financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed separate financial statements and has been made at the rate of ₩1,153.50 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the three months ended March 31, 2016. 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.

b. Significant accounting policies

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) New and revised KIFRSs adopted in the current period

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

Amendments to KIFRS 1001 – Presentation of Financial Statements

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

Amendments to KIFRS 1016 – Property, Plant and Equipment

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

Amendments to KIFRS 1038 – Intangible Assets

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

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

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

Amendments to KIFRS 1027 – Separate Financial Statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) New and revised KIFRSs issued, but not yet effective

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

KIFRS 1109 – Financial Instruments

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

KIFRS 1115 Revenue from Contracts with Customers

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

(3) Reclassification of comparative information

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

4. FINANCIAL INSTRUMENTS

(1) Financial assets

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

	March 31, 2016			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ 160,891	₩ -	₩ 160,891
Short-term financial instruments	-	56,200	-	56,200
Trade accounts receivable (*1)	-	211,857	-	211,857
Other accounts receivable	-	359,921	-	359,921
Accrued income	-	858	-	858
Short-term loans	-	1,600	-	1,600
Guarantee deposits	-	3,725	-	3,725
Derivative financial assets	314	-	-	314
Sub-total	<u>314</u>	<u>795,052</u>	<u>-</u>	<u>795,366</u>
Non-current assets:				
Long-term financial instruments	-	19	-	19
Long-term loans	-	81	-	81
Available-for-sale financial assets	-	-	152,502	152,502
Guarantee deposits	-	19,430	-	19,430
Derivative financial assets	13	-	-	13
Sub-total	<u>13</u>	<u>19,530</u>	<u>152,502</u>	<u>172,045</u>
Total	<u>₩ 327</u>	<u>₩ 814,582</u>	<u>₩ 152,502</u>	<u>₩ 967,411</u>
	December 31, 2015			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ 97,835	₩ -	₩ 97,835
Short-term financial instruments	-	67,200	-	67,200
Trade accounts receivable (*1)	-	313,569	-	313,569
Other accounts receivable	-	1,369	-	1,369
Accrued income	-	203	-	203
Short-term loans	-	1,500	-	1,500
Guarantee deposits	-	3,084	-	3,084
Derivative financial assets	42	-	-	42
Sub-total	<u>42</u>	<u>484,760</u>	<u>-</u>	<u>484,802</u>
Non-current assets:				
Long-term financial instruments	-	19	-	19
Long-term loans	-	181	-	181
Available-for-sale financial assets	-	-	148,455	148,455
Guarantee deposits	-	19,449	-	19,449
Derivative financial assets	-	-	-	-
Sub-total	<u>-</u>	<u>19,649</u>	<u>148,455</u>	<u>168,104</u>
Total	<u>₩ 42</u>	<u>₩ 504,409</u>	<u>₩ 148,455</u>	<u>₩ 652,906</u>

(*1) Unbilled receivables amounting to ₩124,281 million and ₩102,266 million as at March 31, 2016 and December 31, 2015, respectively, are not included in trade accounts receivable.

4. FINANCIAL INSTRUMENTS (CONTINUED)

(2) Financial liabilities

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

	March 31, 2016		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 320,000	₩ 320,000
Trade accounts payable	-	108,653	108,653
Other accounts payable	-	56,611	56,611
Accrued expenses	-	221,483	221,483
Current portion of long-term debt	-	915,205	915,205
Derivative financial liabilities	<u>72</u>	-	<u>72</u>
Sub-total	<u>72</u>	<u>1,621,952</u>	<u>1,622,024</u>
Non-current liabilities:			
Bonds payable	-	4,682,270	4,682,270
Leasehold deposits received	-	12,420	12,420
Derivative financial liabilities	<u>16</u>	-	<u>16</u>
Sub-total	<u>16</u>	<u>4,694,690</u>	<u>4,694,706</u>
Total	<u>₩ 88</u>	<u>₩ 6,316,642</u>	<u>₩ 6,316,730</u>
	December 31, 2015		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 250,000	₩ 250,000
Trade accounts payable	-	109,400	109,400
Other accounts payable	-	73,036	73,036
Accrued expenses	-	42,940	42,940
Current portion of long-term debt	-	918,835	918,835
Derivative financial liabilities	<u>241</u>	-	<u>241</u>
Sub-total	<u>241</u>	<u>1,394,211</u>	<u>1,394,452</u>
Non-current liabilities:			
Bonds payable	-	4,289,918	4,289,918
Leasehold deposits received	-	12,425	12,425
Derivative financial liabilities	<u>3</u>	-	<u>3</u>
Sub-total	<u>3</u>	<u>4,302,343</u>	<u>4,302,346</u>
Total	<u>₩ 244</u>	<u>₩ 5,695,554</u>	<u>₩ 5,696,798</u>

4. FINANCIAL INSTRUMENTS (CONTINUED)

(3) Fair values of financial instruments by hierarchy level

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

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

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

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 327	₩ -	₩ 327
Available-for-sale financial assets (*1)	<u>37,454</u>	<u>-</u>	<u>2,152</u>	<u>39,606</u>
Total	<u>₩ 37,454</u>	<u>₩ 327</u>	<u>₩ 2,152</u>	<u>₩ 39,933</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 88	₩ -	₩ 88
December 31, 2015				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss	₩ -	₩ 42	₩ -	₩ 42
Available-for-sale financial assets (*1)	<u>36,814</u>	<u>-</u>	<u>-</u>	<u>36,814</u>
Total	<u>₩ 36,814</u>	<u>₩ 42</u>	<u>₩ -</u>	<u>₩ 36,856</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	₩ -	₩ 244	₩ -	₩ 244

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

5. TRADE ACCOUNTS RECEIVABLE

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

	March 31, 2016	December 31, 2015
Trade accounts receivable:		
Trade accounts receivable	₩ 213,440	₩ 315,504
Unbilled receivables	<u>124,281</u>	<u>102,266</u>
Sub-total	337,721	417,770
Allowance for doubtful accounts:		
Trade accounts receivable	<u>(1,583)</u>	<u>(1,935)</u>
Total	<u>₩ 336,138</u>	<u>₩ 415,835</u>

6. INVENTORIES

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

	March 31, 2016			December 31, 2015		
	Valuation		Book value	Valuation		Book value
	Cost	allowance		Cost	allowance	
Merchandise	₩ 102,225	₩ (131)	₩ 102,094	₩ 83,123	₩ (104)	₩ 83,019
Raw material	190	-	190	128	-	128
Materials in transit	85	-	85	51	-	51
Total	<u>₩ 102,500</u>	<u>₩ (131)</u>	<u>₩ 102,369</u>	<u>₩ 83,302</u>	<u>₩ (104)</u>	<u>₩ 83,198</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	March 31, 2016		December 31, 2015	
	Cost	Book value	Cost	Book value
Marketable equity instruments	₩ 45,841	₩ 37,454	₩ 45,841	₩ 36,814
Non-marketable equity instruments	117,349	114,504	114,597	111,100
Debt securities (*1)	544	544	541	541
Total	<u>₩ 163,734</u>	<u>₩ 152,502</u>	<u>₩ 160,979</u>	<u>₩ 148,455</u>

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

(2) Changes in available-for-sale financial assets for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Beginning balance	₩ 148,455	₩ 367,193
Acquisition	2,910	5
Gain on valuation (*1)	1,292	10,310
Disposals	(155)	(142)
Ending balance	<u>₩ 152,502</u>	<u>₩ 377,366</u>

(*1) Excludes the effect of deferred income tax recognized directly to equity (For the three months ended March 31, 2016 and 2015 amount to ₩ (-)313 million, ₩ (-)2,495 million, respectively).

8. INVESTMENTS IN SUBSIDIARIES

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

	Domicile	Principal business activity	Equity ownership (%) (*1)	March 31, 2016		December 31, 2015
				Acquisition cost	Book value	Book value
SK Innovation Co., Ltd. (*2)	Korea	Resource development	33.40	₩ 3,072,937	₩ 3,072,937	₩ 3,072,937
SK Telecom Co., Ltd. (*2)	Korea	Mobile tele-communication	25.22	5,080,681	5,080,681	5,080,681
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14	706,229	706,229	706,229
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	44.48	545,300	545,300	545,300
SK E&S Co., Ltd.	Korea	City gas business	100.00	2,600,000	2,600,000	2,600,000
SK Shipping Co., Ltd.	Korea	Shipping	83.08	332,400	332,400	332,400
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	41.74	548,654	548,654	548,654
SKY Property Management Ltd. (*3)	China	Investment	5.00	44,885	44,885	44,885
SK GI Management	Cayman Islands	Investment	100.00	9,523	9,523	9,523
SK China Company, Ltd.	China	Consulting and investment	80.76	299,352	299,352	299,352
SK Biopharmaceuticals Co., Ltd.	Korea	Life science Pharmaceutical intermediates manufacturing	100.00	328,702	328,702	328,702
SK Biotek Co., Ltd. (*4)	Korea	Pharmaceutical manufacturing	100.00	163,818	163,818	-
SK Industrial Development China Co., Ltd. (*3)	China	Investment	18.00	69,624	69,624	69,624
SK Technology Innovation Company (*3)	Cayman Islands	Research and development	2.12	1,876	1,876	1,876
SK Forest Co., Ltd.	Korea	Landscape construction	100.00	61,387	61,387	61,387
SK MENA Investment B.V. (*3)	Netherlands	Investment	11.54	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*3)	Spain	Investment	11.54	5,135	5,135	5,135
Gemini Partners Pte., Ltd. (*3)	Singapore	Consulting	20.00	6,018	6,018	6,018
Fitech Sector Limited Partnership IV (*3)	Korea	Investment support	19.38	3,741	3,741	3,741
HAPPYNARAE Co., Ltd. (*3)	Korea	E-commerce	5.00	1,436	1,436	1,436
Fitech Focus Limited Partnership II (*3)	Korea	Investment support	32.33	9,700	4,978	4,978
SK Infosec Co., Ltd.	Korea	Information Security services	99.38	37,581	43,752	43,752
SK C&C Beijing Co., Ltd.	China	Computer system	100.00	25,481	25,481	25,481
SK C&C India Pvt. Ltd.	India	Computer system	100.00	3,442	382	382
SK MENA B.V.	Netherlands	Investment	100.00	11,364	11,364	11,364
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00	25,847	25,847	25,847
S&G Technology	Saudi Arabia	Computer system	51.00	74	74	74
SK ENCARSALES.COM., Ltd.	Korea	Online used car retailers	50.01	13,914	13,914	13,914
SK Materials Co., Ltd. (*2, 5)	Korea	Special gas manufacturing and sales	49.10	470,802	470,802	-
Total				₩ 14,485,081	₩ 14,483,470	₩ 13,848,850

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

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

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

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(*4) For the three months ended March 31, 2016, the Company acquired 100% common shares of SK Biotek Co., Ltd. held by SK Biopharmaceuticals Co., Ltd., one of the subsidiaries and additionally acquired shares on March 4, 2016 for consideration of ₩40,000 million through the participation of share capital increase.

(*5) The Company acquired 49.1% shares of SK Materials Co. Ltd. for the consideration of ₩470,332 million on February 16, 2016.

(3) Fair value of marketable investments in subsidiaries as at March 31, 2016 is as follows (Korean won in millions):

	March 31, 2016	
SK Innovation Co., Ltd.	₩	5,312,012
SK Telecom Co., Ltd.		4,245,780
SK Networks Co., Ltd.		621,714
SKC Co., Ltd.		489,402
SK Materials Co., Ltd.		577,407

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

(*2) Decrease in the book value due to capital reduction during the three months ended March 31, 2016.

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

(*4) The investment in the entity was acquired during the three months ended March 31, 2016.

10. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 163,134	₩ -	₩ 163,134	₩ 163,134	₩ -	₩ 163,134
Buildings	415,336	(81,680)	333,656	415,336	(78,176)	337,160
Structures	882	(1)	881	882	(1)	881
Machinery and equipment	418	(370)	48	399	(366)	33
Vehicles	7,997	(1,259)	6,738	7,987	(992)	6,995
Furniture and fixtures	274,129	(187,936)	86,193	270,939	(185,843)	85,096
Construction-in-progress	84,131	-	84,131	71,939	-	71,939
Total	₩ 946,027	₩ (271,246)	₩ 674,781	₩ 930,616	₩ (265,378)	₩ 665,238

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(2) Details of changes in property, plant and equipment for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended March 31, 2016				
	Beginning balance	Acquisition	Depreciation	Disposal	Ending balance
Land	₩ 163,134	₩ -	₩ -	₩ -	₩ 163,134
Buildings	337,160	-	(3,504)	-	333,656
Structures	881	-	-	-	881
Machinery and equipment	33	19	(4)	-	48
Vehicles	6,995	158	(299)	(116)	6,738
Furniture and fixtures	85,096	8,115	(6,988)	(30)	86,193
Construction -in-progress	71,939	12,196	-	(4)	84,131
Total	₩ 665,238	₩ 20,488	₩ (10,795)	₩ (150)	₩ 674,781

	For the three months ended March 31, 2015				
	Beginning balance	Acquisition	Depreciation	Disposal	Ending balance
Land	₩ 147,205	₩ -	₩ -	₩ -	₩ 147,205
Buildings	336,132	-	(3,416)	-	332,716
Machinery and equipment	59	-	(8)	-	51
Vehicles	696	57	(58)	(20)	675
Furniture and fixtures	79,987	6,787	(6,642)	(316)	79,816
Total	₩ 564,079	₩ 6,844	₩ (10,124)	₩ (336)	₩ 560,463

11. INVESTMENT PROPERTIES

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

	March 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	Land	₩ 31,395	₩ -	₩ 31,395	₩ 31,395	₩ -
Buildings	9,810	(285)	9,525	9,810	(178)	9,632
Total	₩ 41,205	₩ (285)	₩ 40,920	₩ 41,205	₩ (178)	₩ 41,027

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

	Beginning balance	Acquisition	Depreciation	Ending balance
Land	₩ 31,395	₩ -	₩ -	₩ 31,395
Buildings	9,632	-	(107)	9,525
Total	₩ 41,027	₩ -	₩ (107)	₩ 40,920

12. INTANGIBLE ASSETS

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

	March 31, 2016				December 31, 2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Development costs	₩ 72,647	₩ (31,526)	₩ (967)	₩ 40,154	₩ 69,336	₩ (28,554)	₩ -	₩ 40,792
Goodwill	4,639	-	-	4,639	4,639	-	-	4,639
Memberships	47,313	-	(13,710)	33,603	49,795	-	(17,979)	31,816
Brand contract								
-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	25,366	(1,336)	-	24,030	2,165	(1,260)	-	905
Total	<u>₩ 2,124,965</u>	<u>₩ (32,862)</u>	<u>₩ (14,677)</u>	<u>₩ 2,077,426</u>	<u>₩ 2,100,935</u>	<u>₩ (29,804)</u>	<u>₩ (17,979)</u>	<u>₩ 2,053,152</u>

(2) Changes in intangible assets for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended March 31, 2016						
	Beginning Balance	Internally developed	Acquisitions	Depreciation	Impairment	Disposal	Ending balance
Development costs	₩ 40,792	₩ 3,311	₩ -	₩ (2,982)	₩ (967)	₩ -	₩ 40,154
Goodwill	4,639	-	-	-	-	-	4,639
Memberships (*1)	31,816	-	4,774	-	-	(2,987)	33,603
Brand contract							
-related assets (*1)	1,975,000	-	-	-	-	-	1,975,000
Others	905	-	23,201	(76)	-	-	24,030
Total	<u>₩ 2,053,152</u>	<u>₩ 3,311</u>	<u>₩ 27,975</u>	<u>₩ (3,058)</u>	<u>₩ (967)</u>	<u>₩ (2,987)</u>	<u>₩ 2,077,426</u>

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

	For the three months ended March 31, 2015						
	Beginning Balance	Internally developed	Acquisitions	Depreciation	Impairment	Disposal	Ending balance
Development costs	₩ 45,942	₩ 1,563	₩ -	₩ (3,234)	₩ (4,940)	₩ (7,282)	₩ 32,049
Goodwill	4,639	-	-	-	-	-	4,639
Memberships	16,462	-	-	-	-	(250)	16,212
Others	1,310	-	69	(80)	-	(323)	976
Total	<u>₩ 68,353</u>	<u>₩ 1,563</u>	<u>₩ 69</u>	<u>₩ (3,314)</u>	<u>₩ (4,940)</u>	<u>₩ (7,855)</u>	<u>₩ 53,876</u>

13. BORROWINGS AND BONDS PAYABLE

(1) Short-term borrowings

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

Financial institution	Description	Interest rate (%)	March 31, 2016	December 31, 2015
KEB Hana Bank	Working capital loan	-	₩ -	₩ 50,000
Shinhan Bank	Working capital loan	1.62	100,000	50,000
KTB Investment & Securites	Working capital loan	1.62	180,000	60,000
Woori Bank	Working capital loan	-	-	30,000
NH Bank	Working capital loan	2.58	30,000	40,000
Kookmin Bank	Working capital loan	2.52	10,000	20,000
Total			<u>₩ 320,000</u>	<u>₩ 250,000</u>

13. BORROWINGS AND BONDS PAYABLE (CONTINUED)

(2) Bonds payable

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

Issuance number	Interest rate (%)	Maturity	Security	March 31, 2016	December 31, 2015
253-2nd	4.51	2016-04-04	Unsecured	₩ 140,000	₩ 140,000
254-2nd	4.11	2016-08-26	Unsecured	200,000	200,000
255-2nd	4.05	2016-12-15	Unsecured	200,000	200,000
256-2nd	3.78	2017-05-25	Unsecured	200,000	200,000
257-1st	3.21	2017-08-27	Unsecured	150,000	150,000
257-2nd	3.36	2019-08-27	Unsecured	100,000	100,000
258-1st	3.21	2017-10-19	Unsecured	100,000	100,000
258-2nd	3.35	2019-10-19	Unsecured	100,000	100,000
259-1st	3.07	2016-06-03	Unsecured	100,000	100,000
259-2nd	3.34	2020-06-03	Unsecured	100,000	100,000
260-1st	3.59	2018-09-06	Unsecured	100,000	100,000
260-2nd	3.84	2020-09-06	Unsecured	100,000	100,000
261-1st	3.77	2018-12-03	Unsecured	150,000	150,000
261-2nd	3.97	2020-12-03	Unsecured	100,000	100,000
262-1st	3.43	2019-02-12	Unsecured	150,000	150,000
262-2nd	3.68	2021-02-12	Unsecured	100,000	100,000
263-1st	3.19	2019-05-30	Unsecured	150,000	150,000
263-2nd	3.36	2021-05-30	Unsecured	100,000	100,000
264-1st	3.04	2019-08-05	Unsecured	80,000	80,000
264-2nd	3.25	2021-08-05	Unsecured	170,000	170,000
265-1st	2.28	2017-12-02	Unsecured	100,000	100,000
265-2nd	2.45	2019-12-02	Unsecured	100,000	100,000
265-3rd	2.66	2021-12-02	Unsecured	100,000	100,000
266-1st	2.26	2020-02-06	Unsecured	150,000	150,000
266-2nd	2.39	2022-02-06	Unsecured	100,000	100,000
267th	4.29	2016-09-23	Unsecured	100,000	100,000
268th	4.24	2016-11-10	Unsecured	120,000	120,000
269-1st	3.82	2017-06-14	Unsecured	100,000	100,000
269-2nd	4.12	2019-06-14	Unsecured	150,000	150,000
270-1st	3.19	2017-11-02	Unsecured	100,000	100,000
270-2nd	3.39	2019-11-02	Unsecured	50,000	50,000
270-3rd	3.80	2022-11-02	Unsecured	50,000	50,000
271-1st	3.03	2018-02-27	Unsecured	100,000	100,000
271-2nd	3.34	2020-02-27	Unsecured	100,000	100,000
272-1st	3.22	2016-08-30	Unsecured	50,000	50,000
272-2nd	3.57	2018-08-30	Unsecured	100,000	100,000
272-3rd	3.92	2020-08-30	Unsecured	60,000	60,000
273-1st	3.47	2019-03-25	Unsecured	100,000	100,000
273-2nd	3.79	2021-03-25	Unsecured	100,000	100,000
273-3rd	4.26	2024-03-25	Unsecured	100,000	100,000
274-1st	1.94	2018-09-30	Unsecured	70,000	70,000
274-2nd	2.17	2020-09-30	Unsecured	150,000	150,000
274-3rd	2.34	2022-09-30	Unsecured	80,000	80,000
275-1st	2.27	2018-12-07	Unsecured	120,000	120,000
275-2nd	2.52	2020-12-07	Unsecured	120,000	120,000
275-3rd	2.66	2022-12-07	Unsecured	60,000	60,000
276-1st	1.73	2018-03-07	Unsecured	130,000	-
276-2nd	2.02	2021-03-07	Unsecured	120,000	-
276-3rd	2.26	2023-03-07	Unsecured	150,000	-
Sub-total				<u>5,520,000</u>	<u>5,120,000</u>
Addition: premium on bonds payable				77,475	88,753
Less: current portion				<u>(915,205)</u>	<u>(918,835)</u>
Total				<u>₩ 4,682,270</u>	<u>₩ 4,289,918</u>

13. BORROWINGS AND BONDS PAYABLE (CONTINUED)

(3) The Company's bonds payable repayment schedule as at March 31, 2016 is as follows (Korean won in millions):

	<u>Amount of repayment</u>	
April 1, 2016 ~ March 31, 2017	₩	910,000
April 1, 2017 ~ March 31, 2018		980,000
April 1, 2018 ~ March 31, 2019		790,000
April 1, 2019 ~ March 31, 2020		980,000
April 1, 2020 and thereafter		1,860,000
Total	₩	<u>5,520,000</u>

14. PROVISIONS

Changes in provisions for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the three months ended March 31, 2016</u>			
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Provision for service warranties	₩ 4,620	₩ 2,617	₩ (2,992)	₩ 4,245
Provision for sale warranties	<u>680</u>	<u>74</u>	<u>-</u>	<u>754</u>
Total	<u>₩ 5,300</u>	<u>₩ 2,691</u>	<u>₩ (2,992)</u>	<u>₩ 4,999</u>

	<u>For the three months ended March 31, 2015</u>			
	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Provision for service warranties	₩ 4,539	₩ 3,742	₩ (2,480)	₩ 5,801
Provision for sale warranties	<u>334</u>	<u>63</u>	<u>-</u>	<u>397</u>
Total	<u>₩ 4,873</u>	<u>₩ 3,805</u>	<u>₩ (2,480)</u>	<u>₩ 6,198</u>

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

15. RETIREMENT BENEFIT OBLIGATION

(1) Defined contribution plans

The Company operates a defined contribution plan for certain employees. The expenses related to the defined contributions plans recognized for the three months ended March 31, 2016 amount to ₩3 million.

(2) Defined benefit plans

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

15. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

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

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligation	₩ 225,264	₩ 211,451
Fair value of plan assets	<u>(184,666)</u>	<u>(185,030)</u>
Total	<u>₩ 40,598</u>	<u>₩ 26,421</u>

(4) Changes in the retirement benefit obligation for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	<u>For the three months ended March 31, 2016</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Total</u>
Beginning balance	₩ 211,451	₩ (185,030)	₩ 26,421
Provision for pension benefits:			
Current service cost	6,743	-	6,743
Net interest expense (income)	1,148	(1,131)	17
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	320	320
Actuarial changes arising from changes in financial assumptions	4,491	-	4,491
Experience adjustments	2,228	-	2,228
Contributions by employer directly to plan assets	-	(514)	(514)
Benefit paid	(1,760)	2,641	881
Others	<u>963</u>	<u>(952)</u>	<u>11</u>
Ending balance	<u>₩ 225,264</u>	<u>₩ (184,666)</u>	<u>₩ 40,598</u>

	<u>For the three months ended March 31, 2015</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Total</u>
Beginning balance	₩ 171,015	₩ (155,371)	₩ 15,644
Provision for pension benefits:			
Current service cost	5,537	-	5,537
Net interest expense (income)	1,153	(987)	166
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	933	933
Actuarial changes arising from changes in demographic assumptions	4	-	4
Actuarial changes arising from changes in financial assumptions	3,700	-	3,700
Experience adjustments	6,612	-	6,612
Benefit paid	(10,062)	8,198	(1,864)
Others	<u>1,626</u>	<u>(1,626)</u>	<u>-</u>
Ending balance	<u>₩ 179,585</u>	<u>₩ (148,853)</u>	<u>₩ 30,732</u>

16. OTHER ASSETS AND LIABILITIES

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
Current assets:				
Accrued income	₩	858	₩	203
Short-term loans		1,600		1,500
Advance payments		3,426		61,533
Prepaid expenses		15,803		9,267
Guarantee deposits		3,725		3,084
Derivative financial assets		314		42
Others		18		4
Total	₩	<u>25,744</u>	₩	<u>75,633</u>
Non-current assets:				
Long-term financial instruments	₩	19	₩	19
Long-term loans		81		181
Long-term guarantee deposits		19,430		19,449
Derivative financial assets		13		-
Others		5,270		5,485
Total	₩	<u>24,813</u>	₩	<u>25,134</u>

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
Current liabilities:				
Advance received	₩	47,572	₩	59,028
Withholdings		26,985		29,247
Income tax payable		31,763		21,610
Derivative financial liabilities		72		241
Others		444		-
Total	₩	<u>106,836</u>	₩	<u>110,126</u>
Non-current liabilities:				
Leasehold deposits received	₩	12,420	₩	12,425
Derivative financial liabilities		16		3
Others		4,801		4,597
Total	₩	<u>17,237</u>	₩	<u>17,025</u>

17. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Currency Forward contract	₩	327	₩	88
			₩	42
			₩	244

18. EQUITY

(1) Issued capital

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

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

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

(2) Other paid-in capital

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>
Additional paid-in capital (*1)	₩ 5,605,831	₩	5,605,831
Treasury share (*2)	(904,490)		(904,490)
Others	17,711		17,711
Total	<u>₩ 4,719,052</u>	<u>₩</u>	<u>4,719,052</u>

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

(*2) As at March 31, 2016, the Company has 14,537,758 treasury shares (including 1,818 preferred shares) and there were no disposal or acquisition of treasury shares for the three months ended March 31, 2016.

(3) Retained earnings

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>
Legal reserve (*1)	₩ 7,693	₩	5,100
Voluntary reserve	80,896		102,563
Unappropriated retained earnings	7,029,827		6,628,876
Total	<u>₩ 7,118,416</u>	<u>₩</u>	<u>6,736,539</u>

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

(4) Other capital components

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>
Gain on available-for-sale financial assets	₩ 11,680	₩	10,701

19. OPERATING REVENUES

Details of operating revenues for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
IT Service	₩ 276,878	₩ 296,870
Used car distribution	195,547	159,917
Dividend income	574,626	-
Trademark usage income	59,549	-
Rental income	11,868	1,698
Total	₩ 1,118,468	₩ 458,485

20. OPERATING EXPENSES

Details of operating expenses for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Material costs	₩ 202,527	₩ 181,872
Outsourcing costs	112,800	95,090
Salaries	71,779	64,754
Provision for pension benefits	6,814	6,439
Depreciation	10,142	9,382
Rents	11,481	2,792
Communications	5,739	5,972
Employee welfare benefits	12,907	10,655
Commissions	9,038	3,473
Supplies	888	695
Education and training	2,995	1,392
Research and development	3,798	4,724
Office management	7,373	5,672
Travel	3,024	2,326
Others	12,453	7,937
Total	₩ 473,758	₩ 403,175

21. EXPENSES CLASSIFIED BASED ON NATURE OF EXPENSE

Details of classification based on nature of expenses for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Material costs	₩ 202,682	₩ 182,024
Outsourcing costs	113,027	95,200
Salaries	72,292	65,578
Provision for pension benefits	6,991	7,827
Depreciation and amortization	13,960	13,438
Rents	11,482	2,792
Communications	5,739	5,973
Employee welfare benefits	13,180	10,912
Commissions	9,039	3,516
Education and training	3,047	1,422
Office management	8,261	5,672
Travel	3,147	2,349
Others	10,911	6,472
Total	₩ 473,758	₩ 403,175

22. FINANCIAL INCOME (COSTS) AND OTHER NON-OPERATING INCOME (EXPENSES)

(1) Financial income and costs

Details of financial income and costs for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Financial income:		
Interest income	₩ 754	₩ 764
Gain on foreign currency transactions	584	597
Gain on foreign currency translation	129	307
Gain on valuation of derivative instruments	619	168
Gain on transactions of derivative instruments	174	176
Total	<u>₩ 2,260</u>	<u>₩ 2,012</u>
Financial costs:		
Interest expenses	₩ 36,185	₩ 15,108
Loss on foreign currency transactions	810	1,023
Loss on foreign currency translation	602	173
Loss on valuation of derivative instruments	56	24
Loss on transactions of derivative instruments	296	237
Total	<u>₩ 37,949</u>	<u>₩ 16,565</u>

(2) Other non-operating income and expenses

Details of other non-operating income and expenses for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Other non-operating income:		
Dividends income	₩ 474	₩ 59,373
Gain on disposal of available-for-sale financial assets	125	-
Gain on disposal of investments in associates	1,320	-
Gain on disposal of property, plant and equipment	26	35
Gain on disposal of intangible assets	167	-
Others	322	111
Total	<u>₩ 2,434</u>	<u>₩ 59,519</u>
Other non-operating expenses:		
Loss on disposal of property, plant and equipment	₩ 53	₩ 62
Loss on disposal of intangible assets	152	250
Impairment of intangible assets	967	4,940
Donations	130	72
Others	594	732
Total	<u>₩ 1,896</u>	<u>₩ 6,056</u>

23. INCOME TAXES

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

Effective tax rates for the three months ended March 31, 2016 and 2015 were 5.02% and 16.19%, respectively.

24. EARNINGS PER SHARE

(1) Basic earnings per share for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions, except per share information):

	For the three months ended	
	March 31, 2016	March 31, 2015
Net income	₩ 578,962	₩ 78,962
Less: Preferred share dividends	(487)	-
Net income attributable to ordinary share owners of the Company	₩ 578,475	₩ 78,962
Weighted-average number of issued shares outstanding (*1)	55,824,357	44,000,000
Basic earnings per share (Korean won)	₩ 10,362	₩ 1,795

(*1) Weighted-average number of issued shares represents the number of shares less treasury shares from the total number of issued shares of ordinary share.

(2) The weighted-average number of issued shares outstanding for the three months ended March 31, 2016 and 2015 are as follows:

	For the three months ended	
	March 31, 2016	March 31, 2015
Weighted-average number of shares outstanding	70,360,297	44,000,000
Weighted-average number of treasury shares	(14,535,940)	-
Weighted-average number of issued shares outstanding	<u>55,824,357</u>	<u>44,000,000</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

(1) The related parties of the Company as at March 31, 2016 are as follows:

	Company name
Ultimate controlling party	Tae-won Chey and related parties
Subsidiary (total 280)	SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, SK Energy Road Investment Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., Shanxi SK Guolin Asphalt Co., Ltd., Ningbo SK Baoying Asphalt Storage Co., Ltd., Hefei SK Baoying Asphalt Co., Ltd., Chongqing SK Asphalt Co., Ltd., SK Shanghai Asphalt Co., Ltd., SK Energy Hong Kong Co., Ltd., Shandong SK Hightech Oil Co., Ltd., SK Global Chemical Co., Ltd., SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical International Trading (Shanghai) Co., Ltd., SK Golden Tide Plastics (Yantai) Co., Ltd., SK Global Chemical International Trading (Guangzhou) Co., Ltd., Shanghai Huayou International Freight Forwarding Co., Ltd., SK Global Chemical Americas, Inc., SK Global Chemical Japan Co., Ltd., SK Global Chemical Singapore Pte. Ltd., SK Global Chemical Investment Hong Kong Ltd., Ningbo SK Performance Rubber Co., Ltd. SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd., SK Energy International Pte. Ltd., SK Energy Europe, Ltd., SK Energy Americas, Inc., SK Terminal B.V., Bergaya International Pte. Ltd., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., PT. Patra SK, SK Lubricants & Oils India Private Limited, SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., Ltd., Iberian Lube Base Oils S.A., SK Lubricants Russia LLC, SK Mobile Energy Co., Ltd., SK Innovation Insurance (Bermuda), Ltd., SK USA, Inc., SK Energy Australia (Togara) Pty. Ltd., Moche Energy Company, LLC, SK E&P Company, SK E&P Asia, Ltd., SK E&P America, Inc., SK Plymouth, LLC, SK Permian, LLC, SK Battery Systems Co., Ltd., SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Broadband Co., Ltd., PS&Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., Networkons Co., Ltd., Neosnetworks Co., Ltd., SK techx Co., Ltd., One store Co., Ltd., SK Planet Co., Ltd., M&SERVICE

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Company name
Co., Ltd., SK Communications Co., Ltd., Stonebridge Cinema Fund, K-Net Culture & Contents Venture Fund, Fitech Focus Limited Partnership II, Open Innovation Fund, SK Planet Japan, K. K., SK Planet Global Pte. Ltd., SKP America LLC, shopkick Management Company, Inc., shopkick, Inc., SKP Global Holdings Pte. Ltd., SK Telecom China Holding Co., Ltd., SK Global Healthcare Business Group., Ltd., SKT Vietnam Pte. Ltd., SKT Americas Inc., YTK Investment Ltd., Atlas Investment Ltd., Technology Innovation Partners, L.P., SK Telecom China Fund I L.P., IRIVER LIMITED, iriver America Inc., iriver Inc., iriver Enterprise Ltd., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd., Groovers JP Ltd., ENTRIX Co., Ltd., SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Pinx Co., Ltd., Speed Motors Co., Ltd., SKN (China) Holdings Co., Ltd., SK Networks (China) Fashion Co., Ltd. (formerly, SK Networks (Shanghai) Marketing Co., Ltd.), Liaoning SK Networks Real Estate Development Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., Liaoning SK Networks Logistics Co., Ltd., Dandong SK Networks Energy Co., Ltd., Shenyang SK Networks Energy Co., Ltd., SK Liaoning Construction Co., Ltd., SK (GZ FreeZone) Co., Ltd., SK Networks (Shanghai) Co., Ltd., POSK (Pinghu) Steel Processing Center Co., Ltd., SK Networks Hong Kong Ltd., SK (Guangzhou) Metal Co., Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK Auto Service Hong Kong Co., Ltd., SK (Shenyang) auto rental Co., Ltd., SK (Beijing) auto rental Co., Ltd., SK Rent-A-Car (Qingdao) Co., Ltd., SK Networks Japan Co., Ltd., Obzee N.Y. Inc., SK Networks Deutschland GmbH, Daiyang SK Networks SAN. VE TIC. Ltd. STI, SK Networks Resources Australia Pty. Ltd., SK Steel Australia Pty. Ltd., SKC Co., Ltd., SK Telesys Co., Ltd., SKC Airgas Co., Ltd., SKC Solmics Co., Ltd., Solmics Taiwan Co., Ltd., Solmics Shanghai Co., Ltd., SKW Co., Ltd., SKC (Jiangsu) High tech Plastics Co., Ltd., SKC, Inc., SKC Europe GmbH, Bioland Ltd., Bioland Biotec Co., Ltd., Bioland Haimen Co., Ltd., SE (JIANGSU) Electronic Materials Co., Ltd., Techdream Co., Ltd., SKC INFRA SERVICE Co., Ltd., SK Shipping Co., Ltd., GaSan 2nd L.L.C, BLUESEAOCEAN 1ST L.L.C, BLUESEAOCEAN 2ND L.L.C, SK Shipping Hongkong Ltd., SK Shipping Singapore Pte. Ltd., SK B&T Pte. Ltd., Promise Shipholding S.A. and 57 other companies, SK Shipping Europe Plc., SK E&S Co., Ltd., Kangwon City Gas Co., Ltd., Yeongnam energy service Co., Ltd., Ko-one energy service Co., Ltd., Narae energy service Co., Ltd., Pusan City Gas Co., Ltd., Jeonbuk Energy Service Co., Ltd., Chonnam City Gas Co., Ltd., Chungcheong energy service Co., Ltd., PMP Co., Ltd., Wirye energy service Co., Ltd., SK E&S Hong Kong Co., Ltd., SK E&S Australia Pty. Ltd., SK E&S Americas, Inc., SK E&S LNG, LLC, DewBlaine Energy, LLC, CAILIP Gas Marketing, LLC, SK LNG Trading Pte. Ltd., PT SK E&S Nusantara, SK Engineering & Construction Co., Ltd., Seosuwon Development Company, Seosuwon development company, SKEC Nanjing Co., Ltd., SKEC (Thai), Ltd., Thai Woo Ree Engineering Co., Ltd., SKEC Anadolu, LLC, SK E&C Betek Corporation, Mesa Verde RE Ventures, LLC, N-Compass Development, LLC, SKEC Consultores Ecquador, S.A., Sunlake Co., Ltd., SK E&C India Pvt. Ltd., SK Materials Co., Ltd., SK Materials Japan Co., Ltd., SK Materials Taiwan Co., Ltd., SK Materials (Jiangsu) Co., Ltd., SK Materials (Xian) Co., Ltd., SK Infosec Co., Ltd., SK ENCARSALLES.COM., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., SK MENA B.V., SK S.E.Asia Pte. Ltd., ESSENCORE Limited, ISD Technology (ShenZhen) Limited, S&G Technology, SK Biopharmaceuticals Co., Ltd., SK Biotek Co.,Ltd., SK Life Science, Inc., SK China Company, Ltd., SK China (Beijing) Co., Ltd., SK Beijing Investment Management Ltd., SKY Property Mgmt (Beijing) Co., Ltd., SK Bio Energy HongKong Co., Ltd., SK Property Investment Management Co., Ltd., SK Industrial Development China Co., Ltd., Shanghai SKY Real Estate Development Co., Ltd., SK International Supply Chain Management Co., Ltd., Ningde Sky Beverage Co., Ltd., SK China Investment Management Co., Ltd., SK International Agro-Products Logistics Development Co., Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SK China Creative Industry Development Co., Ltd., Gemini Partners Pte. Ltd., Solaris Partners Pte. Ltd., Beijing SK Magellan Capital Advisors Co., Ltd., SK GI Management, SK MENA Investment B.V., SK Latin Investment Americas S.A., Fitech Sector Limited Partnership IV, The Contents Company, Co. Ltd., Candle Media Co., Ltd., SK Technology Innovation Company, HAPPYNARAE Co., Ltd., Suzhou HAPPYNARAE Co., Ltd., SK Forest Co., Ltd.

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(2) Details of transactions with related parties for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	Company name	For the three months ended March 31, 2016	
		Sales (*1)	Purchase (*2)
Subsidiary	SK Innovation Co., Ltd.	₩ 162,706	₩ 487
	SK Biopharmaceuticals Co., Ltd.	659	-
	M & SERVICE Co., Ltd.	56	425
	Jeju United FC Corporation	32	-
	SK Lubricants Co., Ltd.	2,895	-
	SK Energy Co., Ltd.	25,707	-
	SK Global Chemical Co., Ltd.	7,546	-
	SK Incheon Petrochem Co., Ltd.	4,096	-
	SK Trading International Co., Ltd.	584	-
	SK Biotek Co., Ltd.	165	-
	SK USA, Inc.	-	261
	SK Engineering & Construction Co., Ltd.	7,376	-
	SK Forest Co., Ltd.	26	-
	SKC Co., Ltd.	13,719	-
	SK Telesys Co., Ltd.	299	-
	SK Mobile Energy Co., Ltd.	78	-
	SKC Solmics Co., Ltd.	76	-
	SKC Lighting Co., Ltd.	16	-
	SK E&S Co., Ltd.	220,177	-
	Kangwon City Gas Co., Ltd.	77	-
	Yeongnam energy service Co., Ltd.	311	-
	Ko-one energy service Co., Ltd.	426	14
	Pusan City Gas Co., Ltd.	397	-
	Jeonbuk Energy Service Co., Ltd.	65	-
	Chonnam City Gas Co., Ltd.	83	-
	Chungcheong energy service Co., Ltd.	188	-
	SK Infosec Co., Ltd.	890	2,302
	SK ENCARSALES.COM., Ltd.	4,066	383
	SK C&C Beijing Co., Ltd.	473	1,478
	ESSENCORE Limited	538	-
	SK Networks Co., Ltd.	22,032	4,906
	HAPPYNARAE Co., Ltd.	47	312
	SK Networks Service Co., Ltd.	829	511
	SK Pinx Co., Ltd.	9	631
	SK Shipping Co., Ltd.	1,702	-
	SK Telecom Co., Ltd.	274,760	2,892
	SK Telink Co., Ltd.	876	120
	SK Communications Co., Ltd.	61	-
	Commerce Planet Co., Ltd.	19	-
	SK Broadband Co., Ltd.	21,596	2,203
	PS&Marketing Corp.	949	50
	Serviceace Co., Ltd.	92	-
	Service Top Co., Ltd.	89	-
	Networkons Co., Ltd.	167	-
	SK Planet Co., Ltd.	20,007	58
	Others	171	14
Others	Hana Land Chip PEF 33	1,728	8,629
	Netruck Franz Co., Ltd.	46	-
	SK TNS Co., Ltd.	258	-
	SK D&D Co., Ltd.	87	-
	Mitsui Chemicals & SKC Polyurethanes Inc.	257	-
	SK Securities co., Ltd.	5,029	-
	SK Gas Co., Ltd.	2,445	-
	SK Advanced Co., Ltd.	309	-
	DONGBU POWER DANGJIN CORPORATION	58	-
	SK Chemicals Co., Ltd.	1,574	-

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

		For the three months ended March 31, 2016			
Company name		Sales (*1)		Purchase (*2)	
Others	SK Petrochemical Co., Ltd.	₩	151	₩	-
	Huvis Corporation		217		-
	Mobile TCS Co., Ltd.		92		-
	SK WYVERNS Co., Ltd.		10		500
	Konan Technology		-		36
	SK hynix Inc.		41,829		23
	SK hystec. Inc.		95		45
	SK hyeng Inc.		70		3
	Others		471		-
	Total		₩	851,859	₩

		For the three months ended March 31, 2015			
Company name		Sales (*1)		Purchase (*2)	
Subsidiary	SK Infosec Co., Ltd.	₩	511	₩	1,808
	SK ENCARSALES.COM., Ltd.		54		661
	SK C&C Beijing Co., Ltd.		110		1,793
	Mozido Corfire, Inc.		367		-
	Essencore Limited		82		-
Others	SK Telecom Co., Ltd.		95,572		1,964
	SK Broadband Co., Ltd.		20,552		2,571
	SK Planet Co., Ltd.		15,007		75
	SK Networks Co., Ltd.		9,446		2,715
	SK Energy Co., Ltd.		7,993		-
	SK Innovation Co., Ltd.		6,208		65
	SK Engineering & Construction Co., Ltd.		4,104		1
	SK E&S Co., Ltd.		4,464		-
	Others		12,621		1,925
Total		₩	177,091	₩	13,578

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

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

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

		March 31, 2016							
		Receivables			Payables				
Company name		Trade receivables	Other receivables	Total	Trade payables	Other payables	Total		
Subsidiary	SK Innovation Co., Ltd.	₩	2,175	₩	148,551	₩	150,726	₩	5,409
	M&SERVICE Co., Ltd.		18		-		18		253
	SK Lubricants Co., Ltd.		366		-		366		-
	SK Energy Co., Ltd.		2,544		-		2,544		-
	SK Global Chemical Co., Ltd.		762		-		762		-
	SK Incheon Petrochem Co., Ltd.		355		-		355		-
	SK Trading International Co., Ltd.		192		-		192		-
	SK USA, Inc.		-		-		-		192
	SK Engineering & Construction Co., Ltd.		3,107		-		3,107		-
	SK Forest Co., Ltd.		-		290		-		-
	SKC Co., Ltd.		508		11,543		-		-
	SK Telesys Co., Ltd.		173		-		173		-
	SK E&S Co., Ltd.		1,388		-		1,388		-
	BUSAN CITY GAS Co., Ltd.		11		-		11		-
	Chungcheong energy service Co., Ltd.		12		-		12		-

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

		March 31, 2016					
		Receivables			Payables		
		Trade	Other	Total	Trade	Other	Total
Subsidiary	Company name	receivables	receivables		payables	payables	
	SK Infosec Co., Ltd.	₩ 247	₩ -	₩ 247	₩ 2,347	₩ 1,065	₩ 3,412
	SK ENCARSALES.COM., Ltd.	-	9,612	9,612	-	74	74
	SK C&C Beijing Co., Ltd.	724	-	724	-	522	522
	ESSENCORE Limited	45	206	251	-	-	-
	SK Networks Co., Ltd.	4,225	9,786	14,011	193	25	218
	HAPPYNARAE Co., Ltd.	-	-	-	176	57	233
	SK Networks Service Co., Ltd.	49	-	49	25	488	513
	SK Shipping Co., Ltd.	248	-	248	-	-	-
	SK Telecom Co., Ltd.	68,385	183,616	252,001	-	727	727
	SK Telink Co., Ltd.	276	-	276	4	41	45
	SK Broadband Co., Ltd.	8,732	-	8,732	1	429	430
	PS&Marketing Corp.	234	-	234	-	-	-
	Networkons Co., Ltd.	184	-	184	-	-	-
	SK Planet Co., Ltd.	5,653	328	5,981	-	20	20
	SK Biopharmaceuticals Co., Ltd.	329	-	329	-	-	-
	SK techx Co., Ltd.	190	-	190	-	-	-
	Others	233	-	233	-	20	20
Others	Hana Land Chip PEF 33	-	5,727	5,727	-	-	-
	SK Securities Co., Ltd.	1,700	-	1,700	-	-	-
	SK Gas Co., Ltd.	280	-	280	-	-	-
	SK Chemicals Co., Ltd.	967	-	967	-	-	-
	Huvis Corporation	59	-	59	-	-	-
	Hana Card Co., Ltd.	-	-	-	-	8	8
	SK hynix Inc.	68,882	-	68,882	-	6,183	6,183
	Others	335	148	483	11	1,375	1,386
Total		₩ 173,588	₩ 369,807	₩ 543,995	₩ 3,005	₩ 16,640	₩ 19,645

		December 31, 2015					
		Receivables			Payables		
		Trade	Other	Total	Trade	Other	Total
Subsidiary	Company name	receivables	receivables		payables	payables	
	SK Innovation Co., Ltd.	₩ 12,087	₩ 159	₩ 12,246	₩ 187	₩ 5,460	₩ 5,647
	M&SERVICE Co., Ltd.	41	-	41	65	220	285
	SK Lubricants Co., Ltd.	807	-	807	-	1,561	1,561
	SK Energy Co., Ltd.	7,121	-	7,121	-	6,064	6,064
	SK Global Chemical Co., Ltd.	1,940	-	1,940	-	2,933	2,933
	SK Incheon Petrochem Co., Ltd.	923	-	923	-	1,047	1,047
	SK Trading International Co., Ltd.	367	-	367	-	1,122	1,122
	SK Battery Systems Co., Ltd.	178	-	178	-	-	-
	SK USA, Inc.	-	-	-	-	357	357
	SK Engineering & Construction Co., Ltd.	7,257	-	7,257	-	1,254	1,254
	SK Forest Co., Ltd.	11	290	301	-	997	997
	SKC Co., Ltd.	1,591	-	1,591	-	-	-
	SK Telesys Co., Ltd.	1,322	-	1,322	-	59	59
	SK E&S Co., Ltd.	1,641	-	1,641	-	-	-
	BUSAN CITY GAS Co., Ltd.	531	-	531	-	-	-
	Chungcheong energy service Co., Ltd.	101	-	101	-	-	-
	SK Infosec Co., Ltd.	1,153	-	1,153	5,019	1,124	6,143
	SK ENCARSALES.COM., Ltd.	3	5,776	5,779	-	-	-
	SK C&C Beijing Co., Ltd.	577	-	577	673	6	679
	ESSENCORE Limited	688	297	985	-	19	19
	SK Networks Co., Ltd.	4,129	70	4,199	-	1,321	1,321
	HAPPYNARAE Co., Ltd.	1	-	1	37	134	171
	SK Networks Service Co., Ltd.	65	-	65	411	144	555

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

		December 31, 2015					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
		receivables	receivables		payables	payables	
Subsidiary	SK Shipping Co., Ltd.	₩ 614	₩ -	₩ 614	₩ -	₩ -	₩ -
	SK Telecom Co., Ltd.	107,677	342	108,019	696	695	1,391
	SK Telink Co., Ltd.	434	-	434	6	40	46
	SK Broadband Co., Ltd.	35,200	-	35,200	-	3,204	3,204
	PS&Marketing Corp.	1,880	-	1,880	-	-	-
	Networkons Co., Ltd.	956	-	956	-	-	-
	SK Planet Co., Ltd.	13,467	90	13,557	-	81	81
	Others	494	23	517	12	106	118
Others	Hana Land Chip PEF 33	-	5,727	5,727	-	-	-
	SK Securities Co., Ltd.	3,018	-	3,018	-	-	-
	SK Gas Co., Ltd.	954	-	954	-	-	-
	SK Advanced Co., Ltd.	177	-	177	-	-	-
	DONGBU POWER DANGJIN CORPORATION	164	-	164	-	-	-
	SK Chemicals Co., Ltd.	1,367	-	1,367	-	-	-
	Huvis Corporation	970	-	970	-	-	-
	Hana Card Co., Ltd.	2,869	-	2,869	-	7	7
	SK hynix Inc.	100,512	-	100,512	-	6,263	6,263
	Others	660	-	660	21	40	61
Total		<u>₩ 313,947</u>	<u>₩ 12,774</u>	<u>₩326,721</u>	<u>₩ 7,127</u>	<u>₩ 34,258</u>	<u>₩ 41,385</u>

(4) Compensation for key management personnel of the Company for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Salaries	₩ 540	₩ 295
Provision for pension benefits	206	18
Total	<u>₩ 746</u>	<u>₩ 313</u>

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

(5) Details of significant transactions with related parties in relation to the investments for the three months ended March 31, 2016 are as follows:

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

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

26. CASH FLOW INFORMATION

(1) Details of non-cash adjustments for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Provision for pension benefits	₩ 6,760	₩ 7,827
Depreciation	10,795	10,124
Depreciation of investment properties	107	-
Amortization	3,058	3,314
Bad debt expenses	164	16
Outsourcing fees (provision for service warranties)	2,691	3,805
Interest expenses	36,185	15,108
Loss on foreign currency translation	602	173
Loss on valuation of derivative instruments	56	24
Loss on disposal of property, plant and equipment	53	62
Loss on disposal of intangible assets	152	250
Loss on impairment of intangible assets	967	4,940
Income tax expense	30,597	15,258
Reversal of service warranties	(179)	(151)
Dividends income	(575,100)	(59,373)
Interest income	(754)	(764)
Gain on foreign currency translation	(129)	(307)
Gain on valuation of derivative instruments	(619)	(168)
Gain on disposal of available-for-sale financial assets	(125)	-
Gain on disposal of investments in associates	(1,320)	-
Gain on disposal of property, plant and equipment	(26)	(35)
Gain on disposal of intangible assets	(167)	-
Others	67	(2)
Total	₩ (486,165)	₩ 101

(2) Details of working capital adjustments for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Trade accounts receivable	₩ 79,136	₩ 59,990
Other accounts receivable	(46)	770
Accrued income	(469)	(250)
Inventories	(19,198)	7,900
Advance payments	(753)	(3,116)
Prepaid expenses	(6,328)	(2,508)
Trade accounts payable	(713)	(43,325)
Advance received	(11,456)	(4,283)
Withholdings	(2,262)	(450)
Other accounts payable	(39,481)	(41,688)
Accrued expenses	(13,187)	(533)
Leasehold deposits received	(5)	-
Provision for service warranties	(2,813)	(2,329)
Retirement benefit obligation	(797)	(8,436)
Plan assets	1,175	6,573
Others	713	62
Total	₩ (16,484)	₩ (31,623)

26. CASH FLOW INFORMATION (CONTINUED)

(3) Significant non-cash transactions

Details of significant non-cash transactions for the three months ended March 31, 2016 and 2015 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2016	March 31, 2015
Write-off of trade accounts receivable and others	₩ 515	₩ 27
Acquisitions of available-for-sale financial assets	102	-
Acquisitions of investments in associates	58,860	-
Other accounts payable related to the acquisition of property, plant and equipment	23,070	538
Dividend payable	191,750	88,000

27. COMMITMENTS AND CONTINGENCIES

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

	Currency	March 31, 2016	December 31, 2015
Seoul Guarantee Insurance	KRW	1,133	1,753
Korea Software Financial Cooperative	KRW	381,810	403,904
The Export-Import Bank of Korea	USD	2,690	2,841
Korea Trade Insurance Coporation	USD	7,257	6,820
Korea Trade Insurance Coporation	VND	90,113,661	96,845,147

(2) Pending litigation

Details of significant pending litigations as at March 31, 2016 are as follows (Korean won in millions, and USD in thousands):

	Plaintiff	Defendant	Description	Currency	Claim amount	Status
Defendant	Samsung Card Co., Ltd.	Company	Claim for damages	KRW	1,458	First trial in progress
	Logiscube Co., Ltd.	Company	Claim for suspension of goods usage	-	-	First trial in progress
	Defense Acquisition Program Administration	Company	Claim for damages	USD	19,673	First trial in progress
	Taekwang Network Information	Company	Claim for payment	KRW	1,381	Second trial in progress
	Choi, Kwang-sub	Company	Revoking of fraudulent act	KRW	7	First trial in progress
			Burden of expenses for altering Suwon branch's purpose of use			
Plaintiff	Choi, Soo-hyun	Company		KRW	62	First trial in progress
		Youone TBM Construction & Engineering Co., Ltd.	Claim for debt reorganization by principal creditor	KRW	2,480	First trial in progress
	Company	Samsung Card Co., Ltd.	Claim for damages	KRW	2,961	First trial in progress

As at March 31, 2016, the Company is unable to determine the ultimate outcomes of the above litigations.

27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(3) The assets pledged as collateral for the Company's guarantee of implementation of the agreement as at March 31, 2016 are as follows (Korean won in millions):

	Book value	Collateralized amount	Reason for collateral	Collateral beneficiary
Land and buildings	₩ 9,628	₩ 1,700	Guarantee of implementation of the agreement	RCI Financial Service Korea

(4) Significant commitments

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

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

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

- The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation, the trustee of Hana Asset Management. Under the terms of the lease, the lease period is until March 28, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service amounting to 115 million MMBtu per year for 20 years from FLNG Liquefaction 3, LLC, Which plans to operate natural gas liquefaction plants in Texas starting from 2019. As at December 31, 2015, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLCs inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.
- The Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd. and SK Trading International Co., Ltd., are collectively responsible for any obligations of the Company arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on April 1, 2011.
- The Company provided performance guarantee to SK Shipping Co., Ltd., a subsidiary. Amount of guarantee provided to SK Shipping Co., Ltd. by the Company was calculated as the lower of ₩0 and other guarantee of ₩91,085 million, less the estimated value of ships owned by SK Shipping Co., Ltd.
- The Company provided payment guarantee for ESSENCE Limited, one of its subsidiaries, for up to USD 35 million.

27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 7) 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.
- 8) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- (5) The Company has provided 7 blank checks and 12 blank notes as collateral in relation to sales and other transactions as at March 31, 2016.

28. FINANCIAL RISK MANAGEMENT

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

(1) Market risk

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

1) Interest rate risk

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

2) Foreign currency risk

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

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

	Currency	March 31, 2016		December 31, 2015	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	15,049	₩ 17,359	13,575	₩ 15,946
	EUR	334	437	539	691
	Others		3,497		1,934
Total			₩ 21,293		₩ 18,571
Liabilities	USD	24,243	₩ 27,964	2,349	₩ 2,753
	Others		66		1,333
Total			₩ 28,030		₩ 4,086

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	March 31, 2016		December 31, 2015	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before income tax expense	₩ (675)	₩ 675	₩ 1,449	₩ (1,449)

3) Other price risk

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

(2) Credit risk

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

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

	March 31, 2016	December 31, 2015
Short-term and long-term financial instruments	₩ 56,219	₩ 67,219
Trade accounts receivable	211,857	313,569
Other accounts receivable	359,921	1,369
Accrued income	858	203
Available-for-sale financial assets	544	541
Short-term and long-term guarantee deposits	23,155	22,533
Short-term and long-term loan	1,681	1,681
Total	₩ 654,235	₩ 407,115

1) Trade and other accounts receivable

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

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

2) Other financial assets

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

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

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

The contractual maturity of financial liabilities as at March 31, 2016 is as follows. Amounts include interests paid and recognised at gross amounts (Korean won in millions):

	<u>Book value</u>	<u>Contractual cash flow</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Short-term borrowings	₩ 320,000	₩ 320,215	₩ 320,215	₩ -	₩ -	₩ -
Bonds payable	5,597,475	5,707,642	240,616	675,284	3,743,859	1,047,883
Financial derivatives liabilities	88	88	41	31	16	-
Trade accounts payable	108,653	108,653	108,653	-	-	-
Other liabilities	<u>290,514</u>	<u>290,514</u>	<u>277,698</u>	<u>396</u>	<u>12,420</u>	<u>-</u>
Total	<u>₩ 6,316,730</u>	<u>₩ 6,427,112</u>	<u>₩ 947,223</u>	<u>₩ 675,711</u>	<u>₩ 3,756,295</u>	<u>₩ 1,047,883</u>

(4) Capital management

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

The Company maintains a debt ratio of 56.90% as at March 31, 2016. The maturity of the debt is dispersed in the long-term and the borrowings mainly consist of long-term bonds, which do not present significant risks for unexpected payment for debts.

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

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Total liabilities	₩ 6,750,871	₩ 6,111,406
Total equity	11,864,533	11,481,677
Debt ratio	56.90%	53.23%