



SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three months ended March 31, 2019 and 2018
with the independent auditor's review report

Table of contents

	Page
Report on review of interim condensed consolidated financial statements	
Interim condensed consolidated financial statements	
Interim condensed consolidated statements of financial position	1
Interim condensed consolidated statements of comprehensive income	2
Interim condensed consolidated statements of changes in equity	3
Interim condensed consolidated statements of cash flows	5
Notes to the interim condensed consolidated financial statements	6

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 of March 31, 2019, and the interim condensed consolidated statements of comprehensive income for the three-month periods ended March 31, 2019 and 2018, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-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 fair presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards (KIFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

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

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

Conclusion

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

Other matter

We have audited the consolidated statement of financial position of the Group as of December 31, 2018, and the related consolidated statement of comprehensive income, consolidated statement of changes in 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 12, 2019 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2018, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

May 15, 2019

This review report is effective as of May 15, 2019, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three months ended March 31, 2019 and 2018

“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 of March 31, 2019 and December 31, 2018

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

Notes	Korean won		Translation into U.S. dollar (Note 2)		
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	
Assets					
Current assets:					
Cash and cash equivalents	5	₩ 9,363,026	₩ 6,783,035	\$ 8,229,061	\$ 5,961,535
Short-term financial instruments	5, 32	5,219,541	4,218,107	4,587,398	3,707,248
Trade receivables	5, 6, 27, 32, 34	10,898,040	10,844,124	9,578,168	9,530,782
Other receivables	5, 27, 31, 34	2,419,009	1,932,335	2,126,041	1,698,308
Inventories	7, 32	8,833,408	8,992,740	7,763,586	7,903,621
Short-term investment securities	5, 8, 32, 34	86,311	197,717	75,858	173,771
Other current assets	5, 18, 19, 32, 34	4,092,252	3,872,992	3,596,636	3,403,930
Assets held for sale	29	296,732	287,347	260,795	252,546
Total current assets		<u>41,208,319</u>	<u>37,128,397</u>	<u>36,217,543</u>	<u>32,631,741</u>
Non-current assets:					
Long-term financial instruments	5, 32	12,630	12,549	11,100	11,029
Long-term trade receivables	5, 6, 34	14,890	11,373	13,087	9,996
Long-term other receivables	5, 31, 34	317,035	313,213	278,639	275,279
Long-term investment securities	5, 8, 32, 34	2,380,151	2,217,401	2,091,889	1,948,850
Investments in associates and joint ventures	9, 32	19,835,263	19,218,345	17,432,996	16,890,794
Property, plant and equipment	10, 32	40,853,709	39,715,921	35,905,879	34,905,889
Right-of-use assets	11	2,883,813	-	2,534,552	-
Investment property	12, 32	505,842	503,966	444,579	442,930
Goodwill	13	2,571,198	2,379,526	2,259,798	2,091,339
Intangible assets	14	13,654,818	13,811,199	12,001,070	12,138,512
Deferred income tax assets		695,853	694,690	611,578	610,555
Other non-current assets	5, 18, 19, 27, 34	3,517,220	3,450,411	3,091,246	3,032,529
Total non-current assets		<u>87,242,422</u>	<u>82,328,594</u>	<u>76,676,413</u>	<u>72,357,703</u>
Total assets		<u>₩ 128,450,741</u>	<u>₩ 119,456,991</u>	<u>\$ 112,893,956</u>	<u>\$ 104,989,444</u>
Liabilities and equity					
Liabilities					
Current liabilities:					
Short-term borrowings	5, 15, 34	₩ 3,841,662	₩ 3,426,330	\$ 3,376,395	\$ 3,011,364
Trade payables	5, 27, 34	9,027,086	9,028,488	7,933,807	7,935,040
Other payables	5, 27, 34	3,749,299	3,468,375	3,295,218	3,048,317
Provisions	16	327,376	352,225	287,727	309,567
Current portion of long-term debt	5, 15, 34	6,523,373	5,024,863	5,733,321	4,416,297
Other current liabilities	5, 18, 19	10,181,424	8,603,819	8,948,342	7,561,803
Liabilities held for sale	29	95,580	103,732	84,004	91,169
Total current liabilities		<u>33,745,800</u>	<u>30,007,832</u>	<u>29,658,814</u>	<u>26,373,557</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 15, 34	30,542,590	28,890,533	26,843,549	25,391,574
Long-term other payables	5, 34	1,578,358	2,011,424	1,387,202	1,767,819
Defined benefit liabilities	17	536,431	420,227	471,463	369,333
Provisions	16	272,903	276,937	239,851	243,397
Deferred income tax liabilities		5,485,948	5,491,052	4,821,540	4,826,026
Other non-current liabilities	5, 18, 19, 27, 34	3,557,622	1,471,114	3,126,758	1,292,942
Total non-current liabilities		<u>41,973,852</u>	<u>38,561,287</u>	<u>36,890,363</u>	<u>33,891,091</u>
Total liabilities		<u>75,719,652</u>	<u>68,569,119</u>	<u>66,549,177</u>	<u>60,264,648</u>
Equity					
Equity attributable to owners of the parent:					
Issued capital	1, 20	15,385	15,385	13,522	13,522
Other paid-in capital	20	5,010,101	4,631,955	4,403,323	4,070,975
Retained earnings	20	12,412,849	12,217,319	10,909,517	10,737,668
Other components of equity	20	(83,721)	(237,143)	(73,581)	(208,422)
Total equity attributable to owner of the parent		<u>17,354,614</u>	<u>16,627,516</u>	<u>15,252,781</u>	<u>14,613,743</u>
Non-controlling interests		35,376,475	34,260,356	31,091,998	30,111,053
Total equity		<u>52,731,089</u>	<u>50,887,872</u>	<u>46,344,779</u>	<u>44,724,796</u>
Total liabilities and equity		<u>₩ 128,450,741</u>	<u>₩ 119,456,991</u>	<u>\$ 112,893,956</u>	<u>\$ 104,989,444</u>

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
for the three months ended March 31, 2019 and 2018

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

	Notes	For the three months ended March 31			
		Korean won		Translation into U.S. dollar (Note 2)	
		2019	2018	2019	2018
Sales	4, 27	₩ 25,549,309	₩ 24,009,316	\$ 22,455,009	\$ 21,101,526
Cost of sales	24, 27	23,109,077	21,349,682	20,310,316	18,764,002
Gross profit		2,440,232	2,659,634	2,144,693	2,337,524
Selling and administrative expenses	21, 24, 27	1,154,811	1,115,755	1,014,951	980,625
Operating income	4	1,285,421	1,543,879	1,129,742	1,356,899
Finance income	22	1,141,018	542,946	1,002,828	477,189
Finance costs	22	1,446,701	733,633	1,271,490	644,782
Gain on investments in associates and joint ventures, net	9	254,502	668,042	223,679	587,135
Other non-operating income	23	144,252	149,808	126,782	131,665
Other non-operating expenses	23	81,613	159,452	71,728	140,141
Profit from continuing operations before income tax expense	4	1,296,879	2,011,590	1,139,813	1,767,965
Income tax expense from continuing operations	25	310,702	592,252	273,073	520,524
Profit for the period from continuing operations	4	986,177	1,419,338	866,740	1,247,441
Gain (loss) from discontinued operation	28	(4,720)	136,004	(4,148)	119,532
Profit for the period		₩ 981,457	₩ 1,555,342	\$ 862,592	\$ 1,366,973
Attributable to:					
Owners of the parent		460,401	661,139	404,641	581,068
Non-controlling interests		521,056	894,203	457,951	785,905
Other comprehensive income(loss):					
Items that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(53,041)	(39,132)	(46,617)	(34,393)
Net loss on valuation of financial assets measured at FVOCI		(2,401)	(45,281)	(2,110)	(39,797)
Items that may be reclassified to profit or loss in subsequent periods (net of tax):					
Equity adjustments of investments in associates and joint ventures		124,001	66,709	108,983	58,630
Gain (loss) on valuation of derivative financial instruments		5,391	(3,748)	4,738	(3,294)
Net gain on translation of foreign operations		182,562	65,891	160,452	57,911
Net loss on translation to the presentation currency		-	(11,536)	-	(10,139)
		256,512	32,903	225,446	28,918
Total comprehensive income for the period		₩ 1,237,969	₩ 1,588,245	\$ 1,088,038	\$ 1,395,891
Attributable to:					
Owners of the parent		587,061	667,050	515,962	586,263
Non-controlling interests		650,908	921,195	572,076	809,628
Earnings per share (Korean won and U.S. dollar):	26				
Basic earnings per share		₩ 8,237	₩ 11,833	\$ 7.24	\$ 10.40
Basic earnings per share from continuing operations		8,271	9,407	7.27	8.27

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 equity
for the three months ended March 31, 2019 and 2018
(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of January 1, 2018	₩ 15,385	₩ 4,112,475	₩ 9,837,619	₩ (305,397)	₩ 13,660,082	₩ 32,096,338	₩ 45,756,420
Effect of changes in accounting policies	-	-	502,255	(40,771)	461,484	1,272,024	1,733,508
As of January 1, 2018 (After revisions)	₩ 15,385	₩ 4,112,475	₩ 10,339,874	₩ (346,168)	₩ 14,121,566	₩ 33,368,362	₩ 47,489,928
Total comprehensive income:							
Profit for the period	-	-	661,139	-	661,139	894,203	1,555,342
Remeasurement loss on defined benefit plans	-	-	(18,376)	-	(18,376)	(20,756)	(39,132)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(8,802)	(8,802)	(36,479)	(45,281)
Equity adjustments of investment in associates and joint ventures	-	-	-	24,835	24,835	41,874	66,709
Gain (loss) on valuation of derivative financial instruments	-	-	-	332	332	(4,080)	(3,748)
Net gain on translation of foreign operations	-	-	-	18,736	18,736	47,155	65,891
Net gain (loss) on translation to the presentation currency	-	-	-	(10,814)	(10,814)	(722)	(11,536)
Transaction with shareholders:							
Dividends	-	-	(225,583)	-	(225,583)	(943,239)	(1,168,822)
Equity transactions in consolidated entities	-	4,460	-	-	4,460	50,882	55,342
Changes in the scope of consolidation	-	-	-	-	-	(13,234)	(13,234)
Others	-	(3,361)	13,721	-	10,360	4,794	15,154
As of March 31, 2018	₩ 15,385	₩ 4,113,574	₩ 10,770,775	₩ (321,881)	₩ 14,577,853	₩ 33,388,760	₩ 47,966,613
As of January 1, 2019	₩ 15,385	₩ 4,631,955	₩ 12,217,319	₩ (237,143)	₩ 16,627,516	₩ 34,260,356	₩ 50,887,872
Effect of changes in accounting policies	-	-	(5,099)	-	(5,099)	(22,114)	(27,213)
As of January 1, 2019 (After revisions)	₩ 15,385	₩ 4,631,955	₩ 12,212,220	₩ (237,143)	₩ 16,622,417	₩ 34,238,242	₩ 50,860,659
Total comprehensive income:							
Profit for the period	-	-	460,401	-	460,401	521,056	981,457
Remeasurement loss on defined benefit plans	-	-	(26,762)	-	(26,762)	(26,279)	(53,041)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	1,341	1,341	(3,742)	(2,401)
Equity adjustments of investments in associates and joint ventures	-	-	-	60,309	60,309	63,692	124,001
Gain (loss) on valuation of derivative financial instruments	-	-	-	(4,666)	(4,666)	10,057	5,391
Net gain on translation of foreign operations	-	-	-	96,438	96,438	86,124	182,562
Transaction with shareholders:							
Dividends	-	-	(225,583)	-	(225,583)	(1,212,438)	(1,438,021)
Equity transactions in consolidated entities	-	379,081	(15,101)	-	363,980	1,376,103	1,740,083
Changes in the scope of consolidation	-	-	-	-	-	326,528	326,528
Others	-	(935)	7,674	-	6,739	(2,868)	3,871
As of March 31, 2019	₩ 15,385	₩ 5,010,101	₩ 12,412,849	₩ (83,721)	₩ 17,354,614	₩ 35,376,475	₩ 52,731,089

(Continued)

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in equity
for the three months ended March 31, 2019 and 2018 (Cont'd)
(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of January 1, 2018	\$ 13,522	\$ 3,614,409	\$ 8,646,176	\$ (268,410)	\$ 12,005,697	\$ 28,209,121	\$ 40,214,818
Effect of changes in accounting policies	-	-	441,426	(35,833)	405,593	1,117,968	1,523,561
As of January 1, 2018 (After revisions)	\$ 13,522	\$ 3,614,409	\$ 9,087,602	\$ (304,243)	\$ 12,411,290	\$ 29,327,089	\$ 41,738,379
Total comprehensive income:							
Profit for the period	-	-	581,068	-	581,068	785,905	1,366,973
Remeasurement loss on defined benefit plans	-	-	(16,150)	-	(16,150)	(18,242)	(34,392)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(7,736)	(7,736)	(32,061)	(39,797)
Equity adjustments of investment in associates and joint ventures	-	-	-	21,827	21,827	36,803	58,630
Gain (loss) on valuation of derivative financial instruments	-	-	-	292	292	(3,586)	(3,294)
Net gain on translation of foreign operations	-	-	-	16,467	16,467	41,444	57,911
Net gain (loss) on translation to the presentation currency	-	-	-	(9,504)	(9,504)	(635)	(10,139)
Transaction with shareholders:							
Dividends	-	-	(198,262)	-	(198,262)	(829,002)	(1,027,264)
Equity transactions in consolidated entities	-	3,920	-	-	3,920	44,720	48,640
Changes in the scope of consolidation	-	-	-	-	-	(11,631)	(11,631)
Others	-	(2,954)	12,059	-	9,105	4,211	13,316
As of March 31, 2018	\$ 13,522	\$ 3,615,375	\$ 9,466,317	\$ (282,897)	\$ 12,812,317	\$ 29,345,015	\$ 42,157,332
As of January 1, 2019	\$ 13,522	\$ 4,070,975	\$ 10,737,668	\$ (208,422)	\$ 14,613,743	\$ 30,111,053	\$ 44,724,796
Effect of changes in accounting policies	-	-	(4,481)	-	(4,481)	(19,436)	(23,917)
As of January 1, 2019 (After revisions)	\$ 13,522	\$ 4,070,975	\$ 10,733,187	\$ (208,422)	\$ 14,609,262	\$ 30,091,617	\$ 44,700,879
Total comprehensive income:							
Profit for the period	-	-	404,641	-	404,641	457,951	862,592
Remeasurement loss on defined benefit plans	-	-	(23,521)	-	(23,521)	(23,096)	(46,617)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	1,179	1,179	(3,289)	(2,110)
Equity adjustments of investments in associates and joint ventures	-	-	-	53,005	53,005	55,978	108,983
Gain (loss) on valuation of derivative financial instruments	-	-	-	(4,101)	(4,101)	8,839	4,738
Net gain on translation of foreign operations	-	-	-	84,758	84,758	75,693	160,451
Transaction with shareholders:							
Dividends	-	-	(198,262)	-	(198,262)	(1,065,599)	(1,263,861)
Equity transactions in consolidated entities	-	333,170	(13,272)	-	319,898	1,209,442	1,529,340
Changes in the scope of consolidation	-	-	-	-	-	286,982	286,982
Others	-	(822)	6,744	-	5,922	(2,520)	3,402
As of March 31, 2019	\$ 13,522	\$ 4,403,323	\$ 10,909,517	\$ (73,581)	\$ 15,252,781	\$ 31,091,998	\$ 46,344,779

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 three months ended March 31, 2019 and 2018

(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)	
		2019	2018	2019	2018
Cash flows from operating activities:					
Profit for the period		₩ 981,457	₩ 1,555,342	\$ 862,592	\$ 1,366,973
Non-cash adjustments	30	1,957,636	1,599,791	1,720,545	1,406,039
Working capital adjustments	30	(582,407)	(347,786)	(511,871)	(305,665)
Interest received		55,669	46,669	48,927	41,017
Interest paid		(323,195)	(299,094)	(284,053)	(262,870)
Dividends received		43,449	24,144	38,187	21,220
Income tax paid		(82,312)	(123,731)	(72,343)	(108,746)
Net cash provided by operating activities		2,050,297	2,455,335	1,801,984	2,157,968
Cash flows from investing activities:					
Increase (decrease) in short-term and long-term financial instruments, net		(973,172)	526,360	(855,310)	462,612
Increase (decrease) in short-term and long-term loans, net		(17,454)	(25,995)	(15,340)	(22,847)
Increase in short-term investment securities		111,697	11,108	98,169	9,763
Proceeds from disposal of long-term investment securities		11,687	56,141	10,272	49,342
Proceeds from disposal of investments in associates and joint ventures		12,808	73	11,257	64
Proceeds from disposal of property, plant and equipment		34,301	31,863	30,147	28,004
Proceeds from disposal of intangible assets		12,184	9,399	10,708	8,261
Proceeds from disposal of assets held for sale		-	9,234	-	8,116
Acquisition of long-term investment securities		(181,108)	(234,817)	(159,174)	(206,378)
Acquisition of investments in associates and joint ventures		(475,279)	(64,455)	(417,718)	(56,649)
Acquisition of property, plant and equipment		(1,562,918)	(1,577,375)	(1,373,632)	(1,386,338)
Acquisition of intangible assets		(119,532)	(85,499)	(105,055)	(75,144)
Changes in cash due to changes in the scope of consolidation		(287,216)	203,955	(252,431)	179,254
Others, net		(35,318)	(59,937)	(31,041)	(52,678)
Net cash used in investing activities		(3,469,320)	(1,199,945)	(3,049,148)	(1,054,618)
Cash flows from financing activities:					
Increase in short-term borrowings, net		284,905	225,174	250,400	197,903
Increase in bonds payable and borrowings		3,249,763	1,981,780	2,856,181	1,741,765
Increase in other payables		300	24,569	264	21,593
Decrease in bonds payable and borrowings		(852,997)	(1,821,616)	(749,690)	(1,600,998)
Decrease in other payables		(426,655)	(376,270)	(374,982)	(330,700)
Decrease in lease liabilities		(208,610)	-	(183,345)	-
Payment of dividends		(74,155)	(473,923)	(65,174)	(416,526)
Cash inflows (outflows) from equity transactions of consolidated subsidiaries		1,947,248	50,493	1,711,415	44,378
Others, net		26,515	(3,632)	23,304	(3,191)
Net cash provided by (used in) financing activities		3,946,314	(393,425)	3,468,373	(345,776)
Net increase in cash and cash equivalents		2,527,291	861,965	2,221,209	757,574
Net foreign exchange effects		52,700	13,514	46,317	11,877
Cash and cash equivalents at the beginning of the year		6,783,035	7,145,842	5,961,535	6,280,403
Cash and cash equivalents at the end of the year		₩ 9,363,026	₩ 8,021,321	\$ 8,229,061	\$ 7,049,854

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

1. Corporate information

1.1 Parent

SK Holdings Co., Ltd. (the "Company") was established on April 13, 1991 and has been 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.

Upon 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 of the acquisition date.

As of March 31, 2019, 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 18.44%, 8.34%, and 7.27%, 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 of March 31, 2019 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Innovation Co., Ltd. (*2)	Korea	Resource development	SK Holdings Co., Ltd.	33.40%
SK Energy Co., Ltd.	Korea	Crude oil refining and sales	SK Innovation Co., Ltd.	100.00%
Netruck Co., Ltd.	Korea	Transportation and oil sales	SK Energy Co., Ltd.	100.00%
Jeju United FC Corporation	Korea	Sports association sponsoring	SK Energy Co., Ltd.	100.00%
Happy Didim Co., Ltd.	Korea	Service	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	SK Energy Road Investment Co., Ltd.	100.00%
Ningbo SK Baoying Asphalt Storage Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Hefei SK Baoying Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Chongqing SK Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
SK Shanghai Asphalt Co., Ltd.	China	Logistics	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 International Trading (Shanghai) Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical China Holding Co., Ltd.	100.00%
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 China Holding Co., Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	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. (*3)	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 Pvt. 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%
Blue Dragon Energy Co., Ltd.	China	Investment	SK Innovation Co., Ltd.	100.00%
SK Battery Hungary Kft.	Hungary	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Battery America, Inc.	USA	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK SK Battery Manufacturing Kft.	Hungary	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Hi-Tech Battery Battery Materials(Jiang Su) Co.,Ltd.	China	Separation membrane for secondary battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Hi-Tech Battery Battery Materials Poland Sp. Zo.o.	Poland	Separation membrane for secondary battery manufacturing	SK Innovation Co., Ltd.	100.00%

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
Happy Kium Co., Ltd.	Korea	Service	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 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%
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%
SK Telink Vietnam Co., Ltd.	Vietnam	Resale communication business	SK Telink Co., Ltd.	100.00%
SK Broadband Co., Ltd.	Korea	Wire communications	SK Telecom Co., Ltd.	100.00%
Home&Service Co., Ltd.	Korea	Information and communication facilities management business	SK Broadband Co., Ltd.	100.00%
SK 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%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK Planet 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%
SK Planet Co., Ltd.	Korea	Telecommunication service and system software development and supplying	SK Telecom Co., Ltd.	98.10%
11street Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd.	81.81%
Life & Security Holdings Co., Ltd.	Korea	Holding Company	SK Telecom Co., Ltd.	55.00%
ADT Caps Co., Ltd.	Korea	Automatic security	Life & Security Holdings Co., Ltd.	100.00%
CAPSTEC Co., Ltd.	Korea	Manned security	Life & Security Holdings Co., Ltd.	100.00%
ADT Security Co., Ltd.	Korea	Sales and trade of anti-theft devices and surveillance device	Life & Security Holdings Co., Ltd.	100.00%
Quantum Innovation Private Equity Joint Venture I	Korea	Holding Company	Life & Security Holdings Co., Ltd.	100.00%
SK Infosec Co., Ltd.	Korea	Information security service	SK Telecom Co., Ltd.	100.00%
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%
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 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%
SK Telecom TMT investment Corp.	USA	Investment	SK Telecom Co., Ltd.	100.00%
Dreamus Company Co., Ltd. (formely, iriver Co., Ltd.)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	52.39%
iriver Inc.	USA	Marketing and sales in North America	iriver Co., Ltd.	100.00%
iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	iriver Co., Ltd.	100.00%
iriver China Co., Ltd.	China	MP3,4 production and sales	iriver Enterprise, Ltd.	100.00%
Dongguan iriver Electronics Co., Ltd.	China	Electronic book production and sales	iriver Enterprise, Ltd.	100.00%
groovers Japan Co., Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
Life Design Company Japan Inc.	Japan	Japan goods sales	iriver Co., Ltd.	100.00%
SK Telecom Japan Inc.	Japan	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
id Quantique SA	Swiss	Quantum information and communication business	SK Telecom Co., Ltd.	63.92%
id Quantique Ltd.	Korea	Quantum information and communication business	id Quantique SA	100.00%
FSK L&S Co., Ltd.	Korea	Cargo Transport Shipment and Logistics Consulting Project	SK Holdings Co., Ltd.	60.00%
FSK L&S (Shanghai) Co., Ltd.	China	Transportation industry	SK Holdings Co., Ltd.	100.00%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Holdings Co., Ltd.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Pinx Co., Ltd.	Korea	Golf club operating	SK Networks Co., Ltd.	100.00%
SK Rent-a-Car 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%
SK Magic Vietnam Company Limited	Vietnam	Household appliances sales and rent	SK Networks Co., Ltd.	100.00%
SK Networks Retail Malaysia Sdn. Bhd.	Vietnam	Household appliances sales and rent	SK Networks Co., Ltd.	100.00%
Mokgam Service	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
AJ Rent a Car Co., Ltd.	Korea	Car rental	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	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SKN (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SKN (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SKN (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity Ownership (%)
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 (*4)	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 Brasil Intermediacao de Negocios LTDA.	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
Networks Tejarat Pars	Iran	Trading business	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
Woori Fine Chem Co., Ltd.	Korea	Petrochemicals sales	SKC Co., Ltd.	100.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
Techdream Co., Ltd.	Hong Kong	Semiconductor component manufacturing	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%
SKC-Eco Solution Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd. (*5)	China	Film manufacturing	SKC Co., Ltd.	91.38%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK Bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotech Co., Ltd.	China	Research and manufacturing	SK Bioland Co., Ltd.	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotech Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Co., Ltd.	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 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 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 Ltd.	100.00%
SE (JIANGSU) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SKC-ENF Electronic Materials 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. (*6)	Korea	Energy business	SK E&S Co., Ltd.	51.00%
Wirye Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	95.17%
Yeoju Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	100.00%
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	LNG sales and purchase	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	LNG trading business	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	Dominica	LNG importation	SK E&S Co., Ltd.	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*3)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu 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. (*2)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd.	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd.	Korea	Industrial gas sales	SK Materials Co., Ltd.	80.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Showa Denko Co., Ltd.	Korea	Sales of raw chemical materials and chemical products related to semiconductor	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 Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
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 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%
Essencore (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%
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%
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 Semiconductor Investments Co., Ltd.	Hong Kong	Investment Management	SK Investment Management Co., Ltd.	100.00%
SK Computer and Communication LLC (*7)	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%
Hudson Energy NY III, LLC	USA	Investment	Plutus Capital NY, Inc.	50.50%
Plutus Fashion NY, Inc.	USA	Fashion	SK Holdings Co., Ltd.	100.00%
Wonderland NY, Inc.	USA	Investment	Plutus Fashion NY, Inc.	100.00%
Atlas NY LLC	USA	Investment	Plutus Capital NY, Inc.	61.24%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
SK South East Asia Investment Pte. Ltd.	Singapore	Investment	SK Innovation Co., Ltd., SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
SK Investment Vina I Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	50.00%
SK Investment Vina II Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	100.00%
Alchemy Acquisition Corp.	USA	Investment	SK Holdings Co., Ltd.	100.00%
Abrasax Investment Inc.	USA	Investment	AlchemyAcquisition Corp.	100.00%
Fine Chemicals Holdings Corp.	USA	Investment	Abrasax Investment Inc.	100.00%
AMPAC Fine Chemicals, LLC	USA	Drug medicine	Fine Chemicals Holdings Corp.	100.00%
AMPAC Fine Chemicals Texas, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
AMPAC Fine Chemicals Virginia, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
Golden Pearl EV Solutions Limited	Hong Kong	Investment	SK Holdings 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 64.9% of equity ownership respectively, due to the issuance of its preferred shares having voting rights.
- (*4) The assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI are classified as assets and liabilities held for sale (see Note 29 Non-current assets and non-current liabilities classified as held for sale).
- (*5) 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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

1.2 Consolidated subsidiaries (cont'd)

- (*6) The Group has sold 49% of the equity during this period.
(*7) 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.

1.3 Changes in consolidated subsidiaries

Changes in the consolidated subsidiaries for the three months ended March 31, 2019 are as follows:

December 31, 2018	Inclusion	Exclusion	March 31, 2019
260	12	(3)	269

For the three months ended March 31, 2019, subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
Happy Kium Co.,Ltd. Happy Didim Co., Ltd. SK Battery America, Inc. SK Battery Manufacturing Kft. SK Hi-tech Battery Materials Poland Sp. Zo.o. SK INVESTMENT VINA II Pte, Ltd. Hudson Energy NY III LLC SK Telecom TMT Investment Corp.	Establishment (8 companies)
AJ Rent a Car Co., Ltd. Linkable Co., Ltd. and 2 other companies	Acquisition (4 companies)

For the three months ended March 31, 2019, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
SK Beijing Investment Management Limited Linkable Co., Ltd.	Disposal (2 companies)
groovers Co., Ltd.	Merge (1 company)

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

1.4 Condensed financial information of significant consolidated subsidiaries

Details of condensed financial information of the significant subsidiaries as of and for the three months ended March 31, 2019 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩ 17,669,822	₩ 3,788,839	₩ 1,908,507	₩ 1,455,359
SK Energy Co., Ltd.	15,000,154	9,588,447	8,071,579	27,936
SK Global Chemical Co., Ltd.	6,224,169	2,748,428	2,581,056	149,482
SK Incheon Petrochem Co., Ltd.	6,447,302	3,289,522	1,883,590	52,564
SK Trading International Co., Ltd.	2,062,059	1,424,231	3,001,303	28,270
SK Lubricants Co., Ltd.	2,498,915	1,475,574	618,160	8,399
SK Global Chemical Americas, Inc.	589,860	260,362	3,113	(640)
SK Global Chemical International Trading (Shanghai) Co., Ltd.	165,496	142,375	345,754	(1,093)
SK Global Chemical Singapore Pte. Ltd.	124,479	104,713	173,148	686
SK Energy International Pte. Ltd.	2,436,490	1,882,883	5,452,770	(10,459)
SK Energy Europe, Ltd.	476,996	399,519	1,280,893	(7,585)
SK Lubricants Americas, Inc.	213,792	172,472	164,237	(11,207)
SK Lubricants Europe B.V.	200,326	183,774	148,737	6,668
Iberian LUBE Base Oils S.A.	444,264	161,285	138,842	4,084
SK E&P America, Inc.	1,051,703	79,729	-	(809)
SK Nemaha, LLC	483,549	47,923	13,511	(1,379)
SK Energy Americas, Inc.	380,351	309,832	1,032,204	199
SK Telecom Co., Ltd.	29,719,420	12,855,347	2,812,208	643,993
SK Telink Co., Ltd. (*1)	516,416	327,131	87,500	3,516
SK Broadband Co., Ltd.	4,432,924	2,845,081	782,296	3,209
PS&Marketing Corp.	394,101	181,500	349,903	(3,446)
SK Planet Co., Ltd.	703,198	382,429	72,427	3,088
11street Co., Ltd.	1,096,634	559,740	156,945	4,367
Life & Security Holdings Co., Ltd. (*1)	2,651,427	2,326,604	223,102	511
SK Networks Co., Ltd.	8,076,535	5,909,376	2,735,817	(9,857)
SK Magic Co., Ltd.	746,967	526,495	177,279	8,983
AJ Rent a Car Co., Ltd. (*2)	1,207,177	959,449	159,640	2,210
SK Networks (Shanghai) Co., Ltd.	58,759	34,782	75,912	(1,012)
SK Networks Hong Kong Ltd.	84,725	30,177	71,864	436
SKC Co., Ltd.	2,940,846	1,398,319	328,425	29,132
SK Telesys Co., Ltd.	124,075	163,682	55,120	2,631
SKC, Inc.	322,250	260,026	45,637	(2,286)
SK E&S Co., Ltd.	4,679,286	2,103,417	250,272	636,003
Yeongnam Energy Service Co., Ltd.	407,547	204,524	215,882	11,521
Ko-one Energy Service Co., Ltd.	791,651	416,877	427,397	16,915
Narae Energy Service Co., Ltd.	657,031	497,873	86,205	1,023
Pusan City Gas Co., Ltd.	1,005,996	361,981	355,503	23,641
Chungcheong Energy Service Co., Ltd.	312,942	189,617	176,415	12,862
Paju Energy Service Co., Ltd.	1,871,991	1,226,974	393,781	67,712
Wirye Energy Service Co., Ltd.	811,180	539,260	111,964	17,357
Prism Energy International Pte. Ltd.	199,446	81,477	432,038	(4,681)
SK E&S Australia Pty. Ltd.	497,090	163,008	-	(1,615)
SK E&S Americas, Inc.	909,045	182,440	-	(4,127)
DewBlaine Energy, LLC	911,399	11,343	33,499	8,476
SK Engineering & Construction Co., Ltd.	4,977,860	4,287,353	1,702,274	58,379
SK TNS Co., Ltd.	97,948	70,804	110,760	5,144
SK Materials Co., Ltd. (*1)	1,448,023	1,039,098	184,256	32,408
SK Siltron Co., Ltd. (*1)	2,568,718	1,796,099	381,560	75,410
Essencore Limited (*1)	216,250	79,716	245,772	25,911
SK China Company, Ltd.	2,182,503	1,459	-	1,210
SKY Property Management Ltd. (*1)	642,222	35,377	14,495	4,735
SK Industrial Development China Co., Ltd.	460,733	129,330	1	(1,567)
Plutus Capital NY, Inc. (*1)	1,102,300	231,825	-	181

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

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

1.5 Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as of and for the three months ended March 31, 2019 is as follows (Korean won in millions):

	March 31, 2019					
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering& Construction Co., Ltd.
Percentage of the non-controlling ownership	64.99%	69.91%	59.64%	56.55%	10.00%	53.79%
Current assets	18,966,340	8,348,748	3,093,197	1,044,929	2,267,076	3,504,575
Non-current assets	20,408,580	34,997,733	7,131,888	2,949,354	7,710,434	2,043,885
Current liabilities	10,444,860	7,921,591	4,614,429	1,142,718	2,598,989	3,789,043
Non-current liabilities	9,446,737	13,305,773	3,184,477	1,164,913	3,461,398	933,524
Net assets	19,483,323	22,119,117	2,426,179	1,686,652	3,917,123	825,893
Book value of the non-controlling interests	13,474,277	14,920,956	1,575,388	1,042,508	1,684,912	606,293
Sales	12,848,631	4,334,906	3,284,181	604,022	2,211,567	1,846,897
Net income	211,526	373,631	(5,260)	22,960	227,452	61,954
Total comprehensive income (loss)	317,843	449,557	(2,832)	30,377	244,469	58,966
Net income (loss) of the non-controlling interests	144,113	232,914	(5,572)	13,590	62,204	28,407
Total comprehensive income (loss) of the non-controlling interests	199,041	275,564	(4,148)	18,235	63,623	27,553
Net cash flows from operating activities	397,153	968,655	20,710	(38,194)	406,531	103,432
Net cash flows from investing activities	(1,917,945)	(439,694)	(245,693)	(49,173)	(306,673)	(51,004)
Net cash flows from (used in) financing activities before dividends paid to the non-controlling interests	2,081,291	21,001	163,439	154,187	218,331	105,846
Dividends paid to the non-controlling interests	(4)	-	(3,105)	-	(71,040)	-
Net increase (decrease) in cash and cash equivalents	560,495	549,962	(64,649)	66,820	247,149	158,274

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 of December 31, 2018.

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Group 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 ₩1,137.8 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, 2019. 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 of and for the three months ended March 31, 2019, are the same as the accounting policies adopted for the preparation of consolidated financial statements as of and for the year ended December 31, 2018, 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, 2019.

KIFRS 1019 – *Employee Benefits (Amendment)*

The amendments to KIFRS 1019 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The amendments do not have a material impact on the financial position or management performance of the Group.

KIFRS 1023 - *Borrowing Costs (Amendment)*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

KIFRS 1109 – *Financial Instruments (Amendment)*

Some prepayable financial assets involving negative compensation have been amended to allow them to be measured at amortised cost and the effect of the modification should be recognised in profit or loss if the financial liability measured at amortised cost has been conditioned but not derecognised. The amendments do not have a material impact on the financial position or management performance of the Group

KIFRS 1116 – *Leases (Amendment)*

KIFRS 1116 *Leases* 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 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under KIFRS 1116 is substantially unchanged from KIFRS 1017. Lessors will continue to classify leases as either operating or finance leases using similar principles as in KIFRS 1017. Therefore, KIFRS 1116 did not have an impact for leases where the Group is the lessor.

In relation to sale and leaseback transactions, a seller-lessee shall apply the requirements for determining when a performance obligation is satisfied in KIFRS 1115 to determine whether the transfer of an asset is accounted for as a sale of that asset. However, the Group shall not reassess sale and leaseback transactions entered into before the date of initial application.

The Group has applied KIFRS 1116 initially on January 1, 2019 by using the modified retrospective approach. Therefore, the cumulative effect of adopting KIFRS 1116 has recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019 with no restatement of comparative information.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying KIFRS 1017 and KIFRS 2104 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

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

The impacts on the consolidated financial statements from the initial adoption of KIFRS 1116 as of January 1, 2019 are as follows (Korean won in millions):

	Adjustment	
Assets:		
Lease receivables	₩	152,567
Property, plant and equipment		(1,354)
Right-of-use assets		2,805,754
Intangible assets		(2,274)
Prepaid expenses and others		(104,203)
	₩	2,850,490
Liabilities:		
Lease liabilities	₩	2,896,860
Other payables and others		(19,157)
	₩	2,877,703
Equity:		
Owners of the parent	₩	(5,099)
Non-controlling interests		(22,114)
	₩	(27,213)

① Effects of initial adoption of KIFRS 1116

The Group has lease contracts for various items of land and buildings, tanks, vehicles and so forth. Before the adoption of KIFRS 1116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance costs and reduction of the lease liability.

In an operating lease, the leased property was not capitalized and the lease payments were recognized as an expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under advanced payments and other payables, respectively. Upon adoption of KIFRS 1116, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

a. Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under KIFRS 1017). The requirements of KIFRS 1116 was applied to these leases from January 1, 2019.

b. Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the amount equal to the lease liabilities. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

The Group applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The incremental borrowing interest rate used to measure the lease liabilities of ₩2,896,860 million as of January 1, 2019 is 1.73% to 5.13%.

② Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of KIFRS 1116, which have been applied from the date of initial application:

a. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, vehicles, and so forth (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

d. Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

IFRIC Interpretation 2123 – *Uncertainty over Income Tax Treatment (Amendment)*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of KIFRS 1012 and does not apply to taxes or levies outside the scope of KIFRS 1012, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The amendments do not have a material impact on the financial position or management performance of the Group

2.2.2 New and revised KIFRS issued, but not yet effective

The Group has no new and revised KIFRSs that have been issued, but are not yet effective for this accounting periods

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 three months ended March 31, 2019, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2018.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

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 and security service
SK Networks Co., Ltd.	Information communication, trade and energy marketing
SKC Co., Ltd.	Chemical, film and information communication
SK E&S Co., Ltd.	Gas and energy
SK Engineering & Construction Co., Ltd.	Civil engineering, housing, plant and others
Others	IT services, special gas manufacturing and sale, medicine and life science and others

(2) Details of financial information for each operating segment as of and for the three months ended March 31, 2019 and 2018 are as follows (Korean won in billions):

	As of and for the three months ended March 31, 2019								
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 12,849	₩ 4,335	₩ 3,284	₩ 604	₩ 2,212	₩ 1,847	₩ 2,612	₩ (2,194)	₩ 25,549
Internal sales	(266)	(36)	(392)	(67)	(28)	(109)	(1,296)	2,194	-
Net sales	12,583	4,299	2,892	537	2,184	1,738	1,316	-	25,549
Profit (loss) from continuing operations before income tax expense	305	468	-	26	317	74	1,415	(1,308)	1,297
Profit (loss) for the period from continuing operations	212	374	(1)	23	227	62	1,350	(1,261)	986
Total assets	39,375	43,346	10,225	3,994	9,978	5,548	35,647	(19,662)	128,451
Total liabilities	19,892	21,227	7,799	2,308	6,060	4,723	12,246	1,465	75,720
Depreciation	250	715	201	33	98	16	110	1	1,424
Amortization	28	218	4	2	1	1	16	84	354

	As of and for the three months ended March 31, 2018								
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 12,166	₩ 4,182	₩ 3,477	₩ 639	₩ 2,131	₩ 1,641	₩ 2,098	₩ (2,325)	₩ 24,009
Internal sales	(483)	(13)	(516)	(70)	(24)	(56)	(1,163)	2,325	-
Net sales	11,683	4,169	2,961	569	2,107	1,585	935	-	24,009
Profit (loss) from continuing operations before income tax expense	679	907	3	59	254	96	1,230	(1,216)	2,012
Profit (loss) for the period from continuing operations	473	693	2	46	199	76	942	(1,012)	1,419
Total assets	33,677	36,134	7,443	3,666	8,982	4,881	34,113	(16,567)	112,329
Total liabilities	14,406	16,147	5,126	2,061	5,308	4,074	15,232	2,009	64,363
Depreciation	204	620	58	30	82	5	114	2	1,115
Amortization	19	203	3	2	1	1	13	82	324

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

4. Operating segments (cont'd)

(3) Details of financial information by geographical location as of and for the three months ended March 31, 2019 and 2018 (Korean won in billions):

	As of and for the three months ended March 31, 2019							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	₩ 33,071	₩ 7,379	₩ 1,790	₩ 1,437	₩ -	₩ 20	₩ (18,148)	₩ 25,549
Operating profit (loss)	3,989	5	9	(27)	-	7	(2,698)	1,285
Profit (loss) from continuing operations before income tax expense	5,026	138	9	(49)	-	3	(3,830)	1,297
Profit (loss) for the period	4,504	135	5	(40)	-	2	(3,620)	986
Total assets	148,760	10,845	2,276	8,589	36	1,268	(43,323)	128,451
Total liabilities	73,945	3,515	1,185	2,349	-	222	(5,496)	75,720

	As of and for the three months ended March 31, 2018							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	₩ 32,421	₩ 8,121	₩ 1,563	₩ 346	₩ -	₩ 21	₩ (18,463)	₩ 24,009
Operating profit (loss)	3,912	23	3	5	-	6	(2,405)	1,544
Profit (loss) from continuing operations before income tax expense	4,163	88	(2)	(1)	-	9	(2,245)	2,012
Profit (loss) for the period	3,732	70	(3)	(3)	-	(124)	(2,253)	1,419
Total assets	135,096	8,810	2,189	4,744	327	1,227	(40,064)	112,329
Total liabilities	61,928	3,278	1,478	1,489	289	212	(4,311)	64,363

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

4. Operating segments (cont'd)

(4) Details of financial information by revenue from contracts with customers for the three months ended March 31, 2019 and 2018 are as follows (Korean won in billions):

As of and for the three months ended March 31, 2019									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments	Total
1. Total sales	₩ 12,849	₩ 4,335	₩ 3,284	₩ 604	₩ 2,212	₩ 1,847	₩ 2,612	₩ (2,194)	₩ 25,549
2. Revenue from contracts with customers	12,838	4,335	2,907	604	2,210	1,844	1,543	(770)	25,511
Categories:									
Service sales	20	4,009	96	16	-	1,843	618	(147)	6,455
Finished goods sales	12,230	6	125	464	860	-	669	(219)	14,135
Merchandise sales	41	320	2,685	115	1,329	1	216	(400)	4,307
Other sales	547	-	1	9	21	-	40	(4)	614
	<u>12,838</u>	<u>4,335</u>	<u>2,907</u>	<u>604</u>	<u>2,210</u>	<u>1,844</u>	<u>1,543</u>	<u>(770)</u>	<u>25,511</u>
Timing of revenue recognition:									
Recognition at a point in time	12,818	326	2,811	588	2,210	1	925	(623)	19,056
Recognition over a period of time	20	4,009	96	16	-	1,843	618	(147)	6,455
	<u>12,838</u>	<u>4,335</u>	<u>2,907</u>	<u>604</u>	<u>2,210</u>	<u>1,844</u>	<u>1,543</u>	<u>(770)</u>	<u>25,511</u>
3. Revenue from other sources	11	-	377	-	2	3	1,069	(1,424)	38

As of and for the three months ended March 31, 2018									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments	Total
1. Total sales	₩ 12,166	₩ 4,182	₩ 3,477	₩ 639	₩ 2,131	₩ 1,641	₩ 2,098	₩ (2,325)	₩ 24,009
2. Revenue from contracts with customers	12,158	4,182	3,258	639	2,129	1,636	1,364	(1,553)	23,813
Categories:									
Service sales	36	3,825	109	19	-	1,635	583	(401)	5,806
Finished goods sales	11,686	6	125	516	797	-	650	(557)	13,223
Merchandise sales	43	351	3,023	91	1,320	1	271	(569)	4,531
Other sales	393	-	1	13	12	-	(140)	(26)	253
	<u>12,158</u>	<u>4,182</u>	<u>3,258</u>	<u>639</u>	<u>2,129</u>	<u>1,636</u>	<u>1,364</u>	<u>(1,553)</u>	<u>23,813</u>
Timing of revenue recognition:									
Recognition at a point in time	12,122	357	3,149	620	2,129	1	4,557	(1,166)	21,769
Recognition over a period of time	36	3,825	109	19	-	1,635	(3,193)	(387)	2,044
	<u>12,158</u>	<u>4,182</u>	<u>3,258</u>	<u>639</u>	<u>2,129</u>	<u>1,636</u>	<u>1,364</u>	<u>(1,553)</u>	<u>23,813</u>
3. Revenue from other sources	8	-	219	-	2	5	734	(772)	196

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

5. Financial instruments

5.1 Financial assets

Details of financial assets as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019				
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized	Financial assets designated as hedging instruments	Total
Current assets					
Cash and cash equivalents	₩ 1,817,968	₩ -	₩ 7,545,058	₩ -	₩ 9,363,026
Short-term financial instruments	3,488,988	-	1,730,553	-	5,219,541
Trade receivables (*1)	280,555	-	9,723,978	-	10,004,533
Other receivables	271,473	-	2,147,536	-	2,419,009
Short-term loans	-	-	114,534	-	114,534
Accrued income	-	-	118,626	-	118,626
Short-term investment securities	86,266	-	45	-	86,311
Guarantee deposits	-	-	241,409	-	241,409
Derivative financial assets	41,615	-	-	44,959	86,574
Finance lease receivables	-	-	19,556	-	19,556
	<u>5,986,865</u>	<u>-</u>	<u>21,641,295</u>	<u>44,959</u>	<u>27,673,119</u>
Non-current assets					
Long-term financial instruments	-	-	12,630	-	12,630
Long-term trade receivables	-	-	14,890	-	14,890
Long-term other receivables	242,405	-	74,630	-	317,035
Long-term loans	-	-	451,307	-	451,307
Long-term investment securities	807,790	1,571,193	1,168	-	2,380,151
Guarantee deposits	-	-	813,279	-	813,279
Derivative financial assets	40,704	-	-	79,249	119,953
Finance lease receivables	-	-	53,501	-	53,501
	<u>1,090,899</u>	<u>1,571,193</u>	<u>1,421,405</u>	<u>79,249</u>	<u>4,162,746</u>
	<u>₩ 7,077,764</u>	<u>₩ 1,571,193</u>	<u>₩ 23,062,700</u>	<u>₩ 124,208</u>	<u>₩ 31,835,865</u>

(*1) Contract assets (unbilled receivables) amounting to ₩893,507 million as of March 31, 2019 are not included in the financial instruments.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

5.1 Financial assets (cont'd)

	December 31, 2018				
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized	Financial assets designated as hedging instruments	Total
Current assets					
Cash and cash equivalents	₩ 1,279,887	₩ -	₩ 5,503,148	₩ -	₩ 6,783,035
Short-term financial instruments	2,583,003	-	1,635,104	-	4,218,107
Trade receivables (*1)	284,882	-	9,946,944	-	10,231,826
Other receivables	224,390	-	1,707,945	-	1,932,335
Short-term loans	-	-	97,093	-	97,093
Accrued income	-	-	112,492	-	112,492
Short-term investment securities	197,672	-	45	-	197,717
Guarantee deposits	-	-	246,008	-	246,008
Derivative financial assets	81,899	-	-	25,517	107,416
	<u>4,651,733</u>	<u>-</u>	<u>19,248,779</u>	<u>25,517</u>	<u>23,926,029</u>
Non-current assets					
Long-term financial instruments	-	-	12,549	-	12,549
Long-term trade receivables	-	-	11,373	-	11,373
Long-term other receivables	282,151	-	31,062	-	313,213
Long-term loans	-	-	477,742	-	477,742
Long-term investment securities	688,134	1,528,093	1,174	-	2,217,401
Guarantee deposits	-	-	801,500	-	801,500
Derivative financial assets	24,173	-	-	71,730	95,903
	<u>994,458</u>	<u>1,528,093</u>	<u>1,335,400</u>	<u>71,730</u>	<u>3,929,681</u>
	<u>₩ 5,646,191</u>	<u>₩ 1,528,093</u>	<u>₩ 20,584,179</u>	<u>₩ 97,247</u>	<u>₩ 27,855,710</u>

(*1) Contract assets (unbilled receivables) amounting to ₩612,298 million as of December 31, 2018 are not included in the financial assets.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

5.2 Financial liabilities

Details of financial liabilities as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019			
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 3,841,662	₩ -	₩ 3,841,662
Trade payables	-	9,027,086	-	9,027,086
Other payables	-	3,749,299	-	3,749,299
Current portion of long-term debt	-	6,523,373	-	6,523,373
Accrued expenses	-	2,294,653	-	2,294,653
Dividends payable	-	1,294,363	-	1,294,363
Leasehold deposits received	-	136,709	-	136,709
Derivative financial liabilities	120,944	-	6,025	126,969
Lease liabilities	-	875,400	-	875,400
Finance guarantee liabilities	-	259	-	259
	<u>120,944</u>	<u>27,742,804</u>	<u>6,025</u>	<u>27,869,773</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	62,065	30,480,525	-	30,542,590
Long-term other payables	-	1,578,358	-	1,578,358
Leasehold deposits received	-	357,210	-	357,210
Derivative financial liabilities	254,473	-	11,397	265,870
Long-term lease liabilities	-	2,089,527	-	2,089,527
Financial guarantee liabilities	-	14,953	-	14,953
	<u>316,538</u>	<u>34,520,573</u>	<u>11,397</u>	<u>34,848,508</u>
	<u>₩ 437,482</u>	<u>₩ 62,263,377</u>	<u>₩ 17,422</u>	<u>₩ 62,718,281</u>
December 31, 2018				
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 3,426,330	₩ -	₩ 3,426,330
Trade payables	-	9,028,488	-	9,028,488
Other payables	-	3,468,375	-	3,468,375
Current portion of long-term debt	-	5,024,863	-	5,024,863
Accrued expenses	-	3,109,033	-	3,109,033
Dividends payable	-	3,851	-	3,851
Leasehold deposits received	-	127,307	-	127,307
Derivative financial liabilities	62,775	-	6,083	68,858
Lease liabilities	-	4,459	-	4,459
Finance guarantee liabilities	-	389	-	389
	<u>62,775</u>	<u>24,193,095</u>	<u>6,083</u>	<u>24,261,953</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	61,813	28,828,720	-	28,890,533
Long-term other payables	-	2,011,424	-	2,011,424
Leasehold deposits received	-	320,354	-	320,354
Derivative financial liabilities	246,798	-	14,912	261,710
Long-term lease liabilities	-	16,935	-	16,935
Financial guarantee liabilities	-	15,882	-	15,882
	<u>308,611</u>	<u>31,193,315</u>	<u>14,912</u>	<u>31,516,838</u>
	<u>₩ 371,386</u>	<u>₩ 55,386,410</u>	<u>₩ 20,995</u>	<u>₩ 55,778,791</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

5.3 Fair values of financial instruments by hierarchy level

1) Fair values and book values of financial instruments as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019		December 31, 2018	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 28,411,641	₩ 27,787,865	₩ 25,820,473	₩ 25,132,494
Borrowings	12,495,984	12,026,791	11,521,253	12,209,764

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 (1.92%~5.44%) 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 of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 4,685,036	₩ 1,249,677	₩ 1,060,732	₩ 6,995,445
Financial assets measured at FVOCI	472,301	-	1,098,892	1,571,193
Derivative financial assets	19	206,508	-	206,527
	<u>₩ 5,157,356</u>	<u>₩ 1,456,185</u>	<u>₩ 2,159,624</u>	<u>₩ 8,773,165</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	₩ 62,065	₩ -	₩ 62,065
Derivative financial liabilities	-	152,671	240,168	392,839
	<u>₩ -</u>	<u>₩ 214,736</u>	<u>₩ 240,168</u>	<u>₩ 454,904</u>
	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 3,557,954	₩ 1,072,489	₩ 909,676	₩ 5,540,119
Financial assets measured at FVOCI	672,586	24,509	830,998	1,528,093
Derivative financial assets	6,762	196,557	-	203,319
	<u>₩ 4,237,302</u>	<u>₩ 1,293,555</u>	<u>₩ 1,740,674</u>	<u>₩ 7,271,531</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	₩ 61,813	₩ -	₩ 61,813
Derivative financial liabilities	-	90,399	240,169	330,568
	<u>₩ -</u>	<u>₩ 152,212</u>	<u>₩ 240,169</u>	<u>₩ 392,381</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

6. Trade receivables

(1) Details of trade receivables as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 10,614,795	₩ 17,214	₩ 10,831,643	₩ 13,727
Contract assets (unbilled receivables)	893,507	-	612,298	-
Allowance for doubtful accounts:				
Trade receivables	(610,262)	(2,324)	(599,817)	(2,354)
	<u>₩ 10,898,040</u>	<u>₩ 14,890</u>	<u>₩ 10,844,124</u>	<u>₩ 11,373</u>

(2) Contract assets and liabilities related with contracts with customers as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
Contract assets: (*1)		
Construction business	₩ 689,357	₩ 515,483
Telecommunication business	131,509	133,893
Others	204,150	96,814
	<u>₩ 1,025,016</u>	<u>₩ 746,190</u>
Contract liabilities: (*2)		
Construction business	₩ 1,235,332	₩ 1,750,851
Telecommunication business	187,967	183,813
Others	924,545	919,096
	<u>₩ 2,347,844</u>	<u>₩ 2,853,760</u>

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

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

6. Trade receivables (cont'd)

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as of March 31, 2019 are as follows (Korean won in millions):

	March 31, 2019				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit (loss)	Impact on future period profit	Change in unbilled (overbilled) receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 147,292	₩ 145,360	₩ (18,020)	₩ 19,952	₩ (18,020)
Others	21,073	18,780	153	2,140	153
	<u>₩ 168,365</u>	<u>₩ 164,140</u>	<u>₩ (17,867)</u>	<u>₩ 22,092</u>	<u>₩ (17,867)</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 of 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 of March 31, 2019 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Unbilled receivables		Trade receivables (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project	2009.12	2016.05	99.9	₩ -	₩ -	₩ 13,039	₩ -
	Goseong High Fire power Construction	2014.07	2021.07	38.5	-	-	-	-

(*1) The balance does not include due from customer for construction work.

7. Inventories

Details of inventories as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019			December 31, 2018		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 1,138,901	₩ (23,865)	₩ 1,115,036	₩ 1,246,748	₩ (25,208)	₩ 1,221,540
Finished goods	2,314,872	(61,910)	2,252,962	2,439,524	(173,148)	2,266,376
Semifinished goods and work in progress	952,190	(57,383)	894,807	1,054,235	(106,597)	947,638
Raw materials and sub-materials	2,165,342	(24,038)	2,141,304	2,050,836	(80,340)	1,970,496
Materials in transit	2,135,871	-	2,135,871	2,267,490	-	2,267,490
Supplies	282,404	(2,391)	280,013	229,050	(3,909)	225,141
Uncompleted contracts	956	-	956	80,574	-	80,574
Others	12,606	(147)	12,459	13,621	(136)	13,485
	<u>₩ 9,003,142</u>	<u>₩ (169,734)</u>	<u>₩ 8,833,408</u>	<u>₩ 9,382,078</u>	<u>₩ (389,338)</u>	<u>₩ 8,992,740</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

8. Investment securities

Details of investment securities as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized	
Equity instruments:				
Marketable equity instruments	₩ -	₩ 472,301	₩ -	₩ 472,301
Non-marketable equity instruments	38,776	1,079,952	-	1,118,728
	<u>38,776</u>	<u>1,552,253</u>	<u>-</u>	<u>1,591,029</u>
Bond instruments:				
Beneficiary securities and others	383,502	662	-	384,164
Debt securities	471,778	18,278	1,213	491,269
	<u>855,280</u>	<u>18,940</u>	<u>1,213</u>	<u>875,433</u>
	<u>₩ 894,056</u>	<u>₩ 1,571,193</u>	<u>₩ 1,213</u>	<u>₩ 2,466,462</u>
Current investment securities	₩ 86,266	₩ -	₩ 45	₩ 86,311
Non-current investment securities	807,790	1,571,193	1,168	2,380,151
	December 31, 2018			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized	
Equity instruments:				
Marketable equity instruments	₩ -	₩ 672,586	₩ -	₩ 672,586
Non-marketable equity instruments	35,471	828,156	-	863,627
	<u>35,471</u>	<u>1,500,742</u>	<u>-</u>	<u>1,536,213</u>
Bond instruments:				
Beneficiary securities and others	683,862	663	-	684,525
Debt securities	166,473	26,688	1,219	194,380
	<u>850,335</u>	<u>27,351</u>	<u>1,219</u>	<u>878,905</u>
	<u>₩ 885,806</u>	<u>₩ 1,528,093</u>	<u>₩ 1,219</u>	<u>₩ 2,415,118</u>
Current investment securities	₩ 197,672	₩ -	₩ 45	₩ 197,717
Non-current investment securities	688,134	1,528,093	1,174	2,217,401

(*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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

9. Investments in associates and joint ventures

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	March 31, 2019		December 31,
			Acquisition cost	Book value	2018
					Book value
Associates:					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 10,963,960	₩ 10,922,882
China Gas Holdings Ltd. (*2)	Hong Kong	15.0%	1,597,222	1,833,552	1,814,603
ESR Cayman Limited (*2)	Cayman Islands	12.5%	493,627	629,421	616,364
Eureka Midstream Holdings	USA	40.0%	465,582	467,475	469,202
FR BR Aggregator	USA	39.0%	338,511	342,338	-
Peru LNG Company, LLC	USA	20.0%	331,144	300,762	293,027
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	338,663	339,664
NHIP II Bison Holdings, LLC	USA	24.2%	275,075	284,450	279,525
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	290,885	288,457
Yemen LNG Company Ltd. (*2, 3)	Yemen	6.9%	252,813	-	-
Korea IT Fund (*4)	Korea	63.3%	242,170	280,902	281,684
Beijing BESK Technology Co., Ltd.	China	49.0%	200,116	194,089	143,198
Eurasia Tunnel	Turkey	50.0%	112,726	236,318	226,198
Canakkale Highway And Bridge	Turkey	25.0%	105,258	84,602	80,270
Socar, Inc.	Korea	23.9%	91,800	84,808	79,782
Xe-Pian Xe-Namnoy Power Company	Laos	26.0%	88,247	88,532	88,235
SM Core, Inc.	Korea	26.6%	75,948	74,428	74,646
NanoEnTek, Inc.	Korea	28.9%	72,176	64,118	64,117
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	62,725	61,519
SM Culture & contents	Korea	23.4%	65,341	63,603	63,801
Rails International LLC	USA	34.4%	58,085	61,324	59,025
Others				970,255	912,193
				<u>17,717,210</u>	<u>17,158,392</u>
Joint ventures (*5):					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	488,809	825,555	775,577
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	470,636	481,199
Hana Land Chip PEF 33 (*4)	Korea	65.2%	196,001	259,800	263,792
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	133,323	144,525	117,543
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	91,813	88,680
SKC-Kolon PI Co., Ltd.	Korea	27.0%	83,753	91,640	97,649
Others				234,084	235,513
				<u>2,118,053</u>	<u>2,059,953</u>
				<u>₩ 19,835,263</u>	<u>₩ 19,218,345</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) Impairment losses on investments in associates were fully recognized as there was an indication of impairment prior to the current period.

(*4) 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.

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

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 three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

		For the three months ended March 31, 2019							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments	Other capital movements	Dividends received	Others (*1, 2)	Ending balance
Associates		₩17,158,392	₩ 461,974	₩ -	₩ 226,687	₩ 105,559	₩(260,175)	₩ 24,773	₩17,717,210
Joint ventures		2,059,953	30,997	(81)	27,815	25,441	(28,347)	2,275	2,118,053
		<u>₩19,218,345</u>	<u>₩ 492,971</u>	<u>₩ (81)</u>	<u>₩ 254,502</u>	<u>₩ 131,000</u>	<u>₩(288,522)</u>	<u>₩ 27,048</u>	<u>₩19,835,263</u>

		For the three months ended March 31, 2018							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*3)	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates		₩12,810,908	₩ 31,643	₩ (73)	₩ 624,045	₩ 44,106	₩(167,460)	₩ (39,332)	₩ 13,303,837
Joint ventures		1,818,594	32,813	-	58,634	13,291	(16,459)	(30,810)	1,876,063
		<u>₩14,629,502</u>	<u>₩ 64,456</u>	<u>₩ (73)</u>	<u>₩ 682,679</u>	<u>₩ 57,397</u>	<u>₩(183,919)</u>	<u>₩ (70,142)</u>	<u>₩15,179,900</u>

(*1) It includes ₩12,838 million of deemed gain on disposal recognized as a result of changes in percentage of ownership in China Gas Holdings Ltd. during the current period.

(*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) The Group recognized additional loans receivable and others by ₩14,417 million of unrecognized losses, which were incurred as losses on investments in associates exceeded their carrying amounts as of March 31, 2018.

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as of March 31, 2019 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 71,292	₩ 1,390	₩ 72,682
SK Telesys Corporation	3,960	-	3,960
Korea Consortium Kazakh B.V.	163,488	-	163,488
Celcom Planet and others	204,592	11,563	216,155

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

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

(4) Condensed financial informations of significant investments in associates and jointly controlled entities as of March 31, 2019 are as follows (Korean won in millions):

	As of and for the three months ended March 31, 2019						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Associates:							
SK Hynix Inc.	₩ 18,618,236	₩ 46,513,265	₩ 13,231,722	₩ 4,733,772	₩ 6,772,655	₩ 1,102,130	₩ 1,339,361
China Gas Holdings Ltd.	4,919,586	8,635,566	4,855,548	3,668,003	7,382,209	931,867	1,340,234
Eureka Midstream Holdings	28,549	802,965	30,382	270,228	21,310	8,331	8,331
Peru LNG Company, LLC	213,751	2,717,549	241,125	1,185,519	237,845	14,431	14,431
Daehan Oil Pipeline Corporation	158,929	906,997	46,170	239,485	42,547	7,477	7,477
NHIP II Bison Holdings, LLC	27,950	395,902	46,523	190,524	72,280	45,025	45,025
Hana Card Co., Ltd.	7,745,045	212,146	1,083,044	5,279,848	299,427	18,237	17,937
Korea IT Fund	107,846	335,683	-	-	-	(1,235)	(1,235)
Beijing BESK Technology Co., Ltd.	355,879	40,806	3,216	-	1,425	(1,162)	(1,162)
Eurasia Tunnel	153,987	1,401,431	140,808	958,194	2,264	7,659	7,659
Canakkale Highway And Bridge	69,163	1,460,753	132,859	1,058,650	101,180	2,348	(105,458)
Socar, Inc.	55,789	202,513	65,957	96,447	46,298	(17,477)	(17,477)
Xe-Pian Xe-Namnoy Power Company	36,149	1,019,669	42,184	700,402	-	(17,034)	(17,034)
SM Core, Inc.	67,248	27,428	16,324	2,521	25,771	1,223	1,222
Korea Ras Laffan LNG Limited	1,353	782,883	116	64	34,716	34,163	34,163
Rails International LLC	12,827	231	4,200	50	3,146	1,201	2,845
Joint ventures:							
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	451,376	2,074,023	258,608	417	620,426	66,207	66,207
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	515,770	896,008	356,688	73,860	269,727	6,058	5,052
Hana land chip PEF 33	17,369	711,400	15,839	314,483	8,638	6,202	6,202
Boryeong LNG Terminal Co., Ltd.	238,056	1,214,912	92,485	1,108,363	34,551	5,215	5,215
SABIC SK Nexlene Company Pte. Ltd.	181,724	562,986	121,749	348,770	95,658	10,038	748
SKC-Kolon PI Co., Ltd.	102,260	272,022	82,569	55,275	40,212	2,097	2,097

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

10. Property, plant and equipment

(1) Details of property, plant and equipment as of March 31, 2019, and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
Acquisition cost	₩ 54,263,551	₩ 51,614,987
Accumulated depreciation and accumulated impairment loss	(13,409,842)	(11,899,066)
	<u>₩ 40,853,709</u>	<u>₩ 39,715,921</u>

(2) Changes in property, plant and equipment for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended March 31, 2019						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,627,559	₩ 42,996	₩ 949	₩ (16,777)	₩ -	₩ 105,696	₩ 9,760,423
Buildings	4,043,820	7,642	1,189	(9,720)	(44,226)	50,302	4,049,007
Structures	1,611,612	439	1,339	(836)	(28,023)	11,344	1,595,875
Ships and vessels	843	-	-	-	(28)	135	950
Machinery and equipment	17,966,522	361	72,992	(12,504)	(860,385)	466,320	17,633,306
Vehicles	606,323	868	70,889	(2,054)	(96,659)	960,782	1,540,149
Others	3,845,244	982,128	362,213	(6,787)	(186,240)	(1,263,743)	3,732,815
Construction-in-progress	2,013,998	-	815,555	(5,566)	-	(282,803)	2,541,184
	<u>₩ 39,715,921</u>	<u>₩ 1,034,434</u>	<u>₩ 1,325,126</u>	<u>₩ (54,244)</u>	<u>₩ (1,215,561)</u>	<u>₩ 48,033</u>	<u>₩ 40,853,709</u>

	For the three months ended March 31, 2018						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,745,857	₩ -	₩ 599	₩ (6,526)	₩ -	₩ (21,991)	₩ 9,717,939
Buildings	3,831,393	-	1,238	(858)	(44,111)	115,961	3,903,623
Structures	1,569,763	-	802	(286)	(27,605)	38,623	1,581,297
Ships and vessels	2,308,484	-	25,601	-	(31,182)	138,916	2,441,819
Machinery and equipment	17,158,469	-	52,876	(4,084)	(820,855)	688,203	17,074,609
Vehicles	771,901	4	6,036	(10,627)	(8,409)	(25,546)	733,359
Others	3,126,126	7	81,150	(6,996)	(180,351)	72,152	3,092,088
Construction-in-progress	2,774,425	17,231	946,084	(1,931)	-	(1,565,058)	2,170,751
	<u>₩ 41,286,418</u>	<u>₩ 17,242</u>	<u>₩ 1,114,386</u>	<u>₩ (31,308)</u>	<u>₩ (1,112,513)</u>	<u>₩ (558,740)</u>	<u>₩ 40,715,485</u>

(*1) This includes transfer to intangible assets and investment properties, impairment losses, net foreign exchange differences, and effects of the changes in accounting policy..

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

11. Right-of-use assets and lease liabilities

(1) Details of right-of-use assets as of March 31, 2019 are as follows (Korean won in millions):

	March 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value
Land and buildings	₩ 1,210,741	₩ (106,737)	₩ 1,104,004
Tank	293,920	(13,374)	280,546
Vehicles	1,373,694	(46,322)	1,327,372
Others	182,648	(10,757)	171,891
	<u>₩ 3,061,003</u>	<u>₩ (177,190)</u>	<u>₩ 2,883,813</u>

(2) Changes in right-of-use assets for the three months ended March 31, 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2019							Ending balance
	Beginning balance	Changes in accounting policy	Business combination	Increase	Decrease	Depreciation	Others (*1)	
Land and buildings	₩ -	₩ 1,074,318	₩ 2,162	₩ 149,414	₩ (46,088)	₩(103,508)	₩ 27,706	₩ 1,104,004
Tank	-	298,674	-	126	(4,888)	(13,644)	278	280,546
Vehicles	-	1,244,872	70,360	155,525	(73,675)	(67,176)	(2,534)	1,327,372
Others	-	187,890	9	40,469	(5,394)	(20,813)	(30,270)	171,891
	<u>₩ -</u>	<u>₩ 2,805,754</u>	<u>₩ 72,531</u>	<u>₩ 345,534</u>	<u>₩ (130,045)</u>	<u>₩(205,141)</u>	<u>₩ (4,820)</u>	<u>₩ 2,883,813</u>

(*1) The amounts include net foreign exchange differences and so forth.

(3) Changes in lease liabilities for the three months ended March 31, 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2019								
	Beginning balance	Changes in accounting policy	Business combination	Increase	Interest expenses	Decrease	Transfer	Others (*1)	Ending balance
Lease liabilities	₩ 21,394	₩ 2,896,860	₩ 73,953	₩ 321,916	₩ 22,166	₩ (230,776)	₩(88,051)	₩(52,535)	₩2,964,927

(*1) The amounts include net foreign exchange differences and others.

During the three months ended March 31, 2019, the Group recognized ₩101,557 million and ₩2,505 million of lease expenses relating to short-term leases and leases of low-value assets, respectively.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

12. Investment property

(1) Details of investment property as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Acquisition cost	₩ 553,700	₩ 549,023
Accumulated depreciation and accumulated impairment loss	<u>(47,858)</u>	<u>(45,057)</u>
	<u>₩ 505,842</u>	<u>₩ 503,966</u>

(2) Changes in investment property for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended March 31, 2019					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Depreciation</u>	<u>Others (*1)</u>	<u>Ending balance</u>
Land	₩ 201,213	₩ -	₩ -	₩ -	₩ -	₩ 201,213
Buildings	302,125	-	-	(2,765)	4,677	304,037
Structures	628	-	-	(36)	-	592
	<u>₩ 503,966</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ (2,801)</u>	<u>₩ 4,677</u>	<u>₩ 505,842</u>

	For the three months ended March 31, 2018					
	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Depreciation</u>	<u>Others (*1)</u>	<u>Ending balance</u>
Land	₩ 307,436	₩ 8,490	₩ (1)	₩ -	₩ -	₩ 315,925
Buildings	314,736	-	-	(2,064)	3,839	316,511
Structures	674	-	-	(4)	-	670
	<u>₩ 622,846</u>	<u>₩ 8,490</u>	<u>₩ (1)</u>	<u>₩ (2,068)</u>	<u>₩ 3,839</u>	<u>₩ 633,106</u>

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

13. Goodwill

(1) Changes in goodwill for the three months ended March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Beginning balance	₩ 2,379,526	₩ 899,213
Business combination (see Note 35)	183,520	-
Others (*1)	<u>8,152</u>	<u>(23,728)</u>
Ending balance	<u>₩ 2,571,198</u>	<u>₩ 875,485</u>

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

14. Intangible assets

Details of intangible assets for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended March 31, 2019						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 122,290	₩ -	₩ 10,199	₩ -	₩ (7,047)	₩ 6,588	₩ 132,030
Facility usage rights	53,872	-	259	-	(2,164)	611	52,578
Industrial property rights	90,915	12	485	(8)	(1,500)	2,350	92,254
Frequency usage rights	3,139,978	-	-	-	(100,972)	-	3,039,006
Customer-related assets	2,398,689	15,038	256	(52)	(51,800)	5,544	2,367,675
Membership (*1)	229,325	1,511	4,133	(1,219)	-	(462)	233,288
Development costs for petroleum resource	2,354,708	-	87,650	-	(22,478)	25,132	2,445,012
Brand-related assets (*1)	2,223,112	-	-	-	-	199	2,223,311
Developed technology	1,086,222	-	-	-	(36,683)	1,098	1,050,637
Others	2,112,088	8,797	11,494	(2,768)	(131,430)	20,846	2,019,027
	<u>₩ 13,811,199</u>	<u>₩ 25,358</u>	<u>₩ 114,476</u>	<u>₩ (4,047)</u>	<u>₩ (354,074)</u>	<u>₩ 61,906</u>	<u>₩ 13,654,818</u>

	For the three months ended March 31, 2018						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 94,548	₩ -	₩ 7,234	₩ -	₩ (5,609)	₩ 3,712	₩ 99,885
Facility usage rights	58,391	-	3,001	(2)	(2,167)	572	59,795
Industrial property rights	114,868	-	2,471	(30)	(1,820)	157	115,646
Frequency usage rights	2,176,940	-	-	-	(100,972)	-	2,075,968
Customer-related assets	1,822,205	-	199	-	(39,377)	(1,199)	1,781,828
Membership (*1)	226,021	-	10,469	(3,295)	-	(35)	233,160
Development costs for petroleum resource	1,768,834	-	55,703	-	(14,337)	(6,316)	1,803,884
Brand-related assets (*1)	2,194,226	-	-	-	-	(9,107)	2,185,119
Developed technology	1,169,702	-	-	-	(34,900)	(7,333)	1,127,469
Others	1,825,881	-	34,383	(4,154)	(125,180)	72,731	1,803,661
	<u>₩ 11,451,616</u>	<u>₩ -</u>	<u>₩ 113,460</u>	<u>₩ (7,481)</u>	<u>₩ (324,362)</u>	<u>₩ 53,182</u>	<u>₩ 11,286,415</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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

15. Borrowings and bonds payable

(1) Details of borrowings and bonds payable as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 3,841,662	₩ -	₩ 3,426,330	₩ -
Bonds and long-term borrowings:				
Bonds payable (*1)	5,146,262	23,265,379	3,889,861	21,930,612
Long-term borrowings	1,377,111	7,277,211	1,135,002	6,959,921
	<u>6,523,373</u>	<u>30,542,590</u>	<u>5,024,863</u>	<u>28,890,533</u>
	<u>₩ 10,365,035</u>	<u>₩ 30,542,590</u>	<u>₩ 8,451,193</u>	<u>₩ 28,890,533</u>

(*1) As of March 31, 2019, ₩62,065 million (as of December 31, 2018, ₩61,813 million) of the bonds are financial liabilities measured at FVTPL.

(2) Details of bonds payable as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
SK Holdings Co., Ltd.	₩ 6,260,000	₩ 6,210,000
SK Innovation Co., Ltd.	1,328,900	1,319,050
SK Energy Co., Ltd.	2,880,000	2,380,000
SK Global Chemical Co., Ltd.	910,000	910,000
SK Incheon Petrochem Co., Ltd.	2,050,000	1,450,000
SK Lubricants Co., Ltd.	480,000	480,000
SK Telecom Co., Ltd.	6,097,425	5,743,533
SK Broadband Co., Ltd.	1,961,340	1,745,430
Dreamus Company Co., Ltd.(formerly iriver Co., Ltd.)	3,752	5,479
SK Networks Co., Ltd.	1,240,000	1,240,000
SK Magic Co., Ltd.	200,000	110,000
AJ Rent a Car Co., Ltd.	382,500	-
SKC Co., Ltd.	850,000	730,000
SKC Solmics Co., Ltd.	52,756	52,362
SK Telesys Co., Ltd.	30,000	30,000
SKC Hightech & Marketing Co., Ltd.	30,721	-
SK E&S Co., Ltd.	740,000	740,000
Paju Energy Service Co., Ltd.	650,000	650,000
Wirye Energy Service Co., Ltd.	385,000	385,000
Narae Energy Service Co., Ltd.	40,000	40,000
SK Engineering & Construction Co., Ltd.	710,000	710,000
SK Materials Co., Ltd.	340,000	340,000
SK Siltron Co., Ltd.	650,000	390,000
	<u>28,272,394</u>	<u>25,660,854</u>
Addition: premium on bonds payable	139,247	159,619
Less: current portion	<u>(5,146,262)</u>	<u>(3,889,861)</u>
	<u>₩ 23,265,379</u>	<u>₩ 21,930,612</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

15. Borrowings and bonds payable (cont'd)

(3) Details of long-term borrowings as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

Financial institution	Description	Interest rate (%)	March 31, 2019	December 31, 2018
Korea Development Bank and others	General	0.75 ~ 4.60	₩ 3,430,005	₩ 3,216,081
Korea Development Bank and others (*1)	Fund for facility	1.75 ~ 5.37	2,861,601	2,523,160
Korea Eximbank and others	Foreign borrowings	2.81 ~ 6.00	732,815	789,766
Korea Energy Agency (*2)	Fund for mine exploration	0.00 ~ 7.00	86,950	88,278
Econg 1st Co., Ltd. and others	Callable preferred share	4.25 ~ 6.40	250,000	250,000
Korea Development Bank and others	Fund for operation	2.20 ~ 2.78	138,729	149,000
Kookmin Bank and others	Fund for supply pipeline	1.75	8,480	8,544
KEB Hana Bank and others	Fund for reasonable energy consumption	1.75 ~ 1.80	5,023	5,267
NH Bank	Fund for safety management	1.75	618	680
Citibank and others (*3)	Takeover	LIBOR(3M) + 1.00	216,182	212,439
MD Prime 1st Co., Ltd. and others	Others	3.07, 3.20	846,906	846,906
Sub-total			8,577,309	8,090,121
Addition: premium			77,013	4,802
Less: current portion			(1,377,111)	(1,135,002)
Total			₩ 7,277,211	₩ 6,959,921

(*1) The borrowings from Korea Development Bank amounting to ₩99,906 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 of March 31, 2019.

(*2) As of March 31, 2019, 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 ₩27,016 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.

Long-term borrowings presented above are to be repaid either in installments or all at once at maturity. Financial instruments and other assets of the Group are pledged as detailed in Note 32.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

16. Provisions

Changes in the provisions for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended March 31, 2019					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 70,379	₩ 3,018	₩ (1,456)	₩ 71,941	₩ 3,734	₩ 68,207
Provision for service / construction warranties	78,468	2,970	(3,453)	77,985	77,985	-
Provision for restoration	127,532	9,360	(3,331)	133,561	48,445	85,116
Provision for losses on contracts	99,476	26,654	(43,541)	82,589	82,589	-
Other provisions	253,307	30,083	(49,187)	234,203	114,623	119,580
	<u>₩ 629,162</u>	<u>₩ 72,085</u>	<u>₩ (100,968)</u>	<u>₩ 600,279</u>	<u>₩ 327,376</u>	<u>₩ 272,903</u>

	For the three months ended March 31, 2018					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 65,372	₩ 1,023	₩ (614)	₩ 65,781	₩ 3,115	₩ 62,666
Provision for handset subsidy	3,874	-	(264)	3,610	3,610	-
Provision for service / construction warranties	61,576	1,127	(5,076)	57,627	57,627	-
Provision for restoration	114,921	1,736	(1,678)	114,979	42,606	72,373
Provision for losses on contracts	27,596	6,822	(24,141)	10,277	10,277	-
Other provisions	140,463	11,207	(15,298)	136,372	101,743	34,629
	<u>₩ 413,802</u>	<u>₩ 21,915</u>	<u>₩ (47,071)</u>	<u>₩ 388,646</u>	<u>₩ 218,978</u>	<u>₩ 169,668</u>

17. Defined benefit liabilities

(1) Details of defined benefit liabilities as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
Present value of defined benefit obligation	₩ 2,830,750	₩ 2,741,488
Fair value of plan assets (*1)	(2,316,970)	(2,353,187)
Total	<u>₩ 513,780</u>	<u>₩ 388,301</u>

(*1) The Group has recognized ₩22,651 million and ₩31,926 million as defined benefit assets as of March 31, 2019 and December 31, 2018, respectively.

(2) Changes in the defined benefit liabilities for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended March 31, 2019		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 2,741,488	₩ (2,353,187)	₩ 388,301
Provision for pension benefits:			
Current service cost	99,446	-	99,446
Net interest expense (income)	16,352	(14,592)	1,760
Remeasurement:			
Return on plan assets	-	5,162	5,162
(excluding amounts included in net interest expenses)			
Actuarial changes arising from changes in financial assumptions and others	54,754	-	54,754
Contributions by employer directly to plan assets	-	(55,553)	(55,553)
Benefit paid	(102,488)	113,699	11,211
Others	21,198	(12,499)	8,699
Ending balance	<u>₩ 2,830,750</u>	<u>₩ (2,316,970)</u>	<u>₩ 513,780</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

17. Defined benefit liabilities (cont'd)

	<u>For the three months ended March 31, 2018</u>		
	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	86,553	-	86,553
Net interest expense (income)	16,224	(15,049)	1,175
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	9,581	9,581
Actuarial changes arising from changes in financial assumptions and others	40,286	-	40,286
Contributions by employer directly to plan assets	-	(23,102)	(23,102)
Benefit paid	(65,400)	77,399	11,999
Others	13,310	(24,478)	(11,168)
Ending balance	<u>₩ 2,351,838</u>	<u>₩ (2,024,682)</u>	<u>₩ 327,156</u>

18. Other assets and liabilities

(1) Details of other assets as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current assets:		
Short-term loans	₩ 114,534	₩ 97,093
Accrued income	118,626	112,492
Advanced payments	1,042,383	969,326
Prepaid expenses	2,324,215	2,209,732
Guarantee deposits	241,409	246,008
Derivative financial assets	86,574	107,416
Lease receivables	19,556	-
Other contract assets	90,362	90,154
Others	54,593	40,771
	<u>₩ 4,092,252</u>	<u>₩ 3,872,992</u>
Non-current assets:		
Long-term prepaid expenses	₩ 1,863,805	₩ 1,877,441
Long-term loans	451,307	477,742
Guarantee deposits	813,279	801,500
Derivative financial assets	119,953	95,903
Long-term lease receivables	53,501	-
Other long-term contract assets	41,215	43,821
Defined benefit assets (*1)	22,651	31,926
Others	151,509	122,078
	<u>₩ 3,517,220</u>	<u>₩ 3,450,411</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 17).

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

18. Other assets and liabilities (cont'd)

(2) Details of other liabilities as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
Current liabilities:				
Accrued expenses	₩	2,294,653	₩	3,109,033
Dividends payable		1,294,363		3,851
Advance received		2,000,978		2,286,817
Unearned revenue		30,029		67,005
Withholdings		2,242,091		2,075,802
Leasehold deposits received		136,709		127,307
Income tax payable		1,085,655		676,952
Derivative financial liabilities		126,969		68,858
Lease liabilities		875,400		4,459
Finance guarantee liabilities		259		389
Other contract liabilities		92,659		141,338
Others		1,659		42,008
	₩	<u>10,181,424</u>	₩	<u>8,603,819</u>
Non-current liabilities:				
Long-term unearned revenue	₩	498,843	₩	492,804
Leasehold deposits received		357,210		320,354
Derivative financial liabilities		265,870		261,710
Long-term lease liabilities		2,089,527		16,935
Financial guarantee liabilities		14,953		15,882
Other long-term contract liabilities		26,001		43,107
Others (*1)		305,218		320,322
	₩	<u>3,557,622</u>	₩	<u>1,471,114</u>

(*1) Long-term employee benefit liabilities amounting to ₩77,450 million and ₩59,423 million is included in others as of March 31, 2019 and December 31, 2018, respectively.

19. Derivative financial assets and liabilities

Details of derivative financial assets and liabilities as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Firm contracts	₩ (43,458)	₩ (8,851)	₩ 19,249	₩ 4,640
Swap contracts	(87)	(146,406)	10,527	(181,955)
Forward contracts	(8,530)	2,887	415	(5,895)
Futures contracts	11,680	-	8,367	306
Options contracts	-	6,453	-	17,097
	<u>₩ (40,395)</u>	<u>₩ (145,917)</u>	<u>₩ 38,558</u>	<u>₩ (165,807)</u>
Derivative financial assets	₩ 86,574	₩ 119,953	₩ 107,416	₩ 95,903
Derivative financial liabilities	(126,969)	(265,870)	(68,858)	(261,710)

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

20. Equity

20.1 Issued capital

Details of issued capital as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>		<u>December 31, 2018</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>₩</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.

20.2 Other paid-in capital

Details of other paid-in capital as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>		<u>December 31, 2018</u>
Paid-in surplus (*1)	₩ 5,605,831	₩	5,605,831
Treasury shares (*2)	(904,493)		(904,493)
Others	308,763		(69,383)
	<u>₩ 5,010,101</u>	<u>₩</u>	<u>4,631,955</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 of March 31, 2019, treasury stock 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 (11,021,674 ordinary shares and 1,818 preferred shares) during the merger in 2015.

20.3 Retained earnings

Details of retained earnings as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>		<u>December 31, 2018</u>
Legal reserve (*1)	₩ 7,693	₩	7,693
Voluntary reserve	65,230		65,230
Unappropriated retained earnings	12,339,926		12,144,396
	<u>₩ 12,412,849</u>	<u>₩</u>	<u>12,217,319</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.

20.4 Other components of equity

Details of other components of equity as of March 31, 2019 and 2018 are as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
Net loss on valuation of financial assets measured at FVOCI	₩ (21,519)	₩ (22,860)
Equity adjustments of investments in associates and joint ventures	(25,939)	(86,248)
Net gain on valuation of derivative financial instruments	6,090	10,756
Net loss on translation of foreign operation	(42,353)	(138,791)
	<u>₩ (83,721)</u>	<u>₩ (237,143)</u>

20.5 Stock option

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

1) SK Holdings Co., Ltd.

	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 stock equivalent to the difference amount.		
Number of shares (shares)	41,429	41,430	41,431
Exercise price (Korean Won)	226,290	244,400	263,950
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24
Vesting conditions	2 year service from the grant date	3 year service from the grant date	4 year service from the grant date

Share compensation expense recognized during the current reporting period is ₩382 million (total: ₩3,189 million) and the remaining share compensation expense to be recognized in later periods are ₩1,098 million.

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

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
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	244,400	263,950
Fair value per share	38,317	34,200	30,962

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

20.5 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):

	Current	Accumulated	Remaining	Total
Subsidiaries of SK Innovation Co., Ltd.	₩ 214	₩ 882	₩ 1,013	₩ 1,895
Subsidiaries of SK Telecom Co., Ltd.	156	1,358	2,340	3,698
Subsidiaries of SK Networks Co., Ltd.	84	337	410	747
Subsidiaries of SKC Co., Ltd.	144	623	662	1,285
Subsidiaries of SK E&S Co., Ltd.	50	398	112	510
Others	74	304	522	826
	<u>₩ 722</u>	<u>₩ 3,902</u>	<u>₩ 5,059</u>	<u>₩ 8,961</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

21. Selling and administrative expenses

Details of selling and administrative expenses for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Salaries	₩ 302,845	304,552
Provision for pension benefits	31,159	25,759
Employee welfare benefits	54,495	50,427
Travel	16,769	15,667
(Reversal of) Bad debt expenses	(2,780)	5,156
Communications	2,024	2,309
Utilities	10,112	10,904
Taxes and dues	20,822	17,940
Supplies	8,016	3,128
Rents	54,879	43,739
Depreciation	97,980	53,476
Amortization	52,949	44,109
Repairs	8,111	3,600
Insurance	9,294	8,040
Advertising	113,645	130,351
Research and development	83,241	76,131
Education and examination	22,267	20,846
Outsourcing technology services	166,404	159,612
Transport	71,884	109,938
Others	30,695	30,071
	₩ 1,154,811	₩ 1,115,755

22. Finance income and costs

Details of finance income and costs for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Finance income:		
Interest income	₩ 67,976	₩ 51,979
Gain on foreign currency transactions	140,467	282,583
Gain on foreign currency translation	104,191	67,617
Gain on transactions of derivatives	655,818	79,083
Gain on valuation of derivatives	167,871	47,133
Others	4,695	14,551
	₩ 1,141,018	₩ 542,946
Finance costs:		
Interest expenses	₩ 347,291	₩ 239,811
Loss on foreign currency transactions	142,614	264,828
Loss on foreign currency translation	151,963	64,170
Loss on transactions of derivatives	720,946	92,169
Loss on valuation of derivatives	83,474	71,967
Others	413	688
	₩ 1,446,701	₩ 733,633

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

23. Other non-operating income and expenses

Details of other non-operating income (expenses) for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Other non-operating income:		
Dividend income	₩ 11,710	₩ 16,089
Rental income	138	121
Gain on disposal of trade receivables	7,941	-
Gain on disposal of investments in associates and joint ventures	13,807	1,000
Gain on disposal of property, plant and equipment	10,156	6,252
Gain on disposal of intangible assets	294	1,567
Gain on disposal of other investment property	-	42
Others	100,206	124,737
	<u>₩ 144,252</u>	<u>₩ 149,808</u>
Other non-operating expenses:		
Loss on disposal of trade receivables	₩ 4,380	₩ 4,686
Loss on disposal of property, plant and equipment	22,011	11,956
Loss on impairment of property, plant and equipment	646	499
Loss on disposal of intangible assets	556	503
Loss on impairment of intangible assets	89	1,078
Loss on impairment of other investment property	1,986	455
Donations	8,286	28,858
Others	43,659	111,417
	<u>₩ 81,613</u>	<u>₩ 159,452</u>

24. Expense classified based on nature of expense

Details of classification based on nature of expenses for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Employee benefits	₩ 1,642,080	₩ 1,491,334
Depreciation and amortization	1,777,577	1,438,943
Network connection	191,090	217,240
Transport	137,690	165,305
Advertising	111,587	130,352
Lease payments and rents	147,424	213,671
Others	4,064,888	4,296,679
Use of raw materials and purchase of finished goods and merchandise	16,140,921	14,635,605
Changes in finished goods and semi-finished good	50,631	(123,692)
	<u>₩ 24,263,888</u>	<u>₩ 22,465,437</u>

25. 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 three months ended March 31, 2019 and 2018 were 23.96% and 29.44%, respectively.

26. Earnings per share

(1) Basic earnings per share for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2019	March 31, 2018
Profit for the period attributable to owners of the parent	₩ 460,401	₩ 661,139
Less: preferred share dividends	(571)	(571)
Profit for the period attributable to ordinary share owners of the parent	459,830	660,568
Weighted-average number of ordinary share outstanding (*1)	55,824,347	55,824,351
Basic earnings per share (in Korean won)	₩ 8,237	₩ 11,833

(*1) The weighted-average number of common share outstanding is calculated by multiplying the number of shares issued by the portion of the reporting period those shares covered. 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 ended March 31, 2019 and 2018 is as follows:

	For the three months ended	
	March 31, 2019	March 31, 2018
Weighted-average number of issued shares outstanding	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,950)	(14,535,946)
Weighted-average number of ordinary shares outstanding	55,824,347	55,824,351

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	For the three months ended	
	March 31, 2019	March 31, 2018
Profit for the period attributable to owners of the parent	₩ 459,830	₩ 660,568
Deduction: gain (loss) from discontinued operations	(1,904)	135,426
Profit for the period from continuing operations attributable to owners of the parent	₩ 461,734	₩ 525,142
Weighted-average number of ordinary shares outstanding	55,824,347	55,824,351
Basic earnings per share from continuing operations (Korean won)	₩ 8,271	₩ 9,407

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

26. Earnings per share (cont'd)

(3) Basic earnings per share from discontinued operations

Basic earnings per share from discontinued operations for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2019	March 31, 2018
Gain (loss) from discontinued operations	₩ (1,904)	₩ 135,426
Weighted-average number of ordinary shares outstanding	55,824,347	55,824,351
Basic earnings per share from discontinued operations (Korean won)	₩ (34)	₩ 2,426

27. Transactions with related parties

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the consolidated financial statements as of and for the three months ended March 31, 2019 and 2018.

(1) Details of significant transactions with the related parties for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	Company name	For the three months ended March 31			
		Sales, etc.		Expenses, etc.	
		2019	2018	2019	2018
Other related parties	Daehan Oil Pipeline Corporation	₩ 4,587	₩ 5,019	₩ 14,033	₩ 14,012
	Oil herb Korea Yeosu Co., Ltd.	-	-	2,337	3,333
	SABIC SK Nexlene Company Pte. Ltd.	104	-	46,128	29,827
	Korea Nexlene Company	42,117	38,251	6	186
	Hana land chip PEF 33	8,036	8,010	8,594	8,594
	F&U Credit Information Co., Ltd.	637	710	14,375	13,977
	SK Wyverns Baseball Club Co., Ltd.	360	336	15,199	13,495
	Wave City Development Co., Ltd.	9,012	4,151	-	-
	SK Hynix Inc.	960,781	984,122	6,042	1,141
	SK Hynix Semiconductor (China) Ltd.	99,837	50,257	481	228
	SK Hynix Semiconductor HK Ltd.	-	-	175,887	174,719
	SK Hynix System IC Co., Ltd.	15,772	17,534	-	-
	Happynarae Co., Ltd.	18,939	-	80,331	-
	SKC Evonik Peroxide Korea Co., Ltd.	3,806	-	13,710	10,527
	Mitsui Chemicals & SKC Polyurethanes, Inc.	64,285	56,058	5,975	3,195
	Boryeong LNG Terminal Co., Ltd.	15,109	4,389	20,281	21,182
	Eurasia Tunnel	330	442	-	-
XE-PIAN XE-NAMNOY Power Company	28,823	29,418	-	-	
Others	23,285	26,266	9,585	25,704	
Others (*1)	SK Chemicals Co., Ltd.	47,452	34,376	24,910	22,983
	SK Gas Co., Ltd.	16,619	127,841	52,496	68,108
	SK Shipping Co., Ltd. (*2)	2,188	-	83,648	-
	Others	7,260	43,548	7,546	27,487
Total	₩ 1,369,339	₩ 1,430,728	₩ 581,564	₩ 438,698	

(*1) Although, not designated as related parties as defined in KIFRS 1024, the entity belongs to the same conglomerate affiliates under Monopoly Regulation and Fair Trade Act.

(*2) As of February 19, 2019, the entity was excluded from the 'SK' conglomerate affiliates under the Monopoly Regulation and Fair Trade Act.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

27. Transactions with related parties (cont'd)

(2) Details of significant outstanding balances of receivables and payables with the related parties as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	Company name	March 31, 2019		December 31, 2018	
		Receivables		Receivables	
		(*1)	Payables	(*1)	Payables
Other related parties	Daehan Oil Pipeline Corporation	₩ 7,619	₩ 2,962	₩ 3,188	₩ 663
	Oil herb Korea Yeosu Co., Ltd.	-	17,766	-	1,928
	SABIC SK Nexlene Company Pte. Ltd.	3,907	38,146	6,881	34,797
	Korea Nexlene Company	14,816	6	16,316	52
	Hana land chip PEF 33	5,983	71,071	5,983	-
	Korea Consortium Kazakh B.V.	146,170	-	146,170	-
	F&U Credit Information Co., Ltd.	84	4,871	104	5,801
	SK Wyverns Baseball Club Co., Ltd.	14	115	113	21
	Wave City Development Co., Ltd.	69,745	-	69,745	-
	Daehan Kanggun BcN Co., Ltd.	22,147	-	22,147	-
	SK Hynix Inc.	516,915	175,709	748,912	166,584
	SK Hynix Semiconductor (China) Ltd.	65,805	555	109,248	1,099
	SK Hynix Semiconductor HK Ltd.	-	61,794	-	71,673
	SK Hynix System IC Co., Ltd.	17,189	121	8,901	-
	Happyarae Co., Ltd.	6,352	31,781	11,247	35,726
	SKC Evonik Peroxide Korea Co., Ltd.	2	4,976	-	3,585
	Mitsui Chemicals & SKC Polyurethanes, Inc.	34,503	3,267	6,627	4,481
	Boryeong LNG Terminal Co., Ltd.	39,836	2,943	12,386	-
	Pentaport Development Co., Ltd.	79,532	-	79,534	-
	Eurasia Tunnel	31,934	-	32,001	-
	SK E&C JURONG Investment Singapore Pte. Ltd.	59,914	-	59,914	-
	Xe-Pian Xe-Namnoy Power Company	53,990	27,876	49,629	28,009
	Others	26,085	16,704	39,217	26,492
Others (*2)	SK Chemicals Co., Ltd.	41,465	14,886	40,679	9,828
	SK Gas Co., Ltd.	24,202	261,992	36,374	62,935
	SK Shipping Co., Ltd. (*3)	-	-	20,971	17,613
	Others	2,463	8,858	1,152	21,458
Total		<u>₩ 1,270,672</u>	<u>₩ 746,399</u>	<u>₩ 1,527,439</u>	<u>₩ 492,745</u>

(*1) The Group recognized reversal of bad debt expense amounting to ₩2 million and ₩10 million for the three months ended March 31, 2019 and 2018, respectively. The Group recognized the allowance for doubtful accounts amounting to ₩295,210 million and ₩295,212 million as of March 31, 2019 and December 31, 2018, respectively.

(*2) Although, not designated as related parties as defined in KIFRS 1024, the entity belongs to the same conglomerate affiliates under Monopoly Regulation and Fair Trade Act.

(*3) As of February 19, 2019, the entity was excluded from the 'SK' conglomerate affiliates under the Monopoly Regulation and Fair Trade Act.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

27. Transactions with related parties (cont'd)

(3) Details of significant treasury transactions with related-parties for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	March 31, 2019		March 31, 2018	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	517	-	6,479	-

(4) Compensation for key management personnel of the Company.

Benefits for key management consist of registered executives who are responsible for the planning, operation and control of the Company's business activities. Details of compensation for them for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Salaries	₩ 2,879	₩ 2,442
Provision for pension benefits	1,442	1,303
Share compensation expense	382	397
	<u>₩ 4,703</u>	<u>₩ 4,142</u>

28. 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 prior period in order to focus on core business such as the exploration and development of oil and the production of batteries. SK Innovation Co., Ltd., a subsidiary, reflected the gain or loss on discontinued operations which occurred from disposal of a portion of the assets of an optical material (TAC) business classified as discontinued operation prior to the current period.

SK Shipping Co., Ltd. issued 61,392,448 common shares and 4,977,766 convertible shares on a third-party allocation date on December 27, 2018 in accordance with the board's resolution on October 8, 2018. SK Shipping Co., Ltd. was excluded from our consolidated subsidiaries as all of the shares were acquired by Han&Co Tanker Holdings Limited and Han&Co Tanker Holdings Limited acquired a 69.81% shares of SK Shipping Co., Ltd. (based on common shares).

The Group sold its entire stake in Happy Narae Co., Ltd. to SK Hynix Inc. on December 21, 2018 to wind up its noncore business.

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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

28. Discontinued operations (cont'd)

(2) Income and expenses from the discontinued operation for the three months ended March 31, 2019 and 2018 are as follows (in millions of Korean won):

	<u>For the three months ended March 31, 2019</u>	
	<u>Resource business and others in SK Networks Co., Ltd.</u>	
Revenue	₩	10,161
Expenses		15,193
Loss before income tax expense		(5,032)
Income tax benefit		(313)
Loss from discontinued operations	<u>₩</u>	<u>(4,720)</u>
Attributable to:		
Owners of the parent	₩	(1,904)
Non-controlling interests		(2,816)

	<u>For the three months ended March 31, 2018</u>							
	<u>Used car Business in SK Holdings Co., Ltd.</u>	<u>SK Encarsales com Ltd.</u>	<u>FCCL business and others in SK Innovation Co., Ltd.</u>	<u>Shipping Industry in SK Shipping Co., Ltd.</u>	<u>HappyNarae Co., Ltd.</u>	<u>Resource business and others in SK Networks Co., Ltd.</u>	<u>Total</u>	
Revenue	₩ 247,923	₩ 180,884	₩ 17,046	₩ 406,556	₩ 209,429	₩ 18,073	₩	1,079,911
Expenses	250,035	-	17,606	403,805	207,008	20,450		898,904
Gain (loss) before income tax expense	(2,112)	180,884	(560)	2,751	2,421	(2,377)		181,007
Income tax benefit (expense)	-	43,774	(154)	1,480	643	(740)		45,003
Gain (loss) from discontinued operations	<u>₩ (2,112)</u>	<u>₩ 137,110</u>	<u>₩ (406)</u>	<u>₩ 1,271</u>	<u>₩ 1,778</u>	<u>₩ (1,637)</u>		<u>₩ 136,004</u>
Attributable to:								
Owners of the parent	₩ (2,112)	₩ 137,110	₩ (134)	₩ 727	₩ 496	₩ (661)	₩	135,426
Non-controlling interests	-	-	(272)	544	1,282	(976)		578

(3) Details of cash flows relating to discontinued operation for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	<u>For the three months ended March 31, 2019</u>	
	<u>Resource business and others in SK Networks Co., Ltd.</u>	
Cash flows from operating activities	₩	(3,124)
Cash flows from investing activities		333
Cash flows from financing activities		(6,398)

	<u>For the three months ended March 31, 2018</u>							
	<u>Used car Business in SK Holdings Co., Ltd.</u>	<u>SK Encarsales com Ltd.</u>	<u>FCCL business and others in SK Innovation Co., Ltd.</u>	<u>Shipping Industry in SK Shipping Co., Ltd.</u>	<u>HappyNarae Co., Ltd.</u>	<u>Resource business and others in SK Networks Co., Ltd.</u>	<u>Total</u>	
Cash flows from operating activities	₩ 19,760	₩ -	₩ (1,750)	₩ 37,796	₩ (2,424)	₩ (5,542)	₩	47,840
Cash flows from investing activities	(309)	182,606	(62)	(79,780)	(4,361)	(1,326)		96,768
Cash flows from financing activities	(16)	-	-	50,468	-	19,155		69,607

29. Non-current assets and non-current liabilities held for sale

Details of non-current assets and non-current liabilities held for sale as of March 31, 2019 are as follows (Korean won in millions):

		March 31, 2018	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks San. VE TIC. Ltd. STI	₩ 765	₩ 654
Business segment	Resources business segment and others (*1)	224,141	94,926
Property, plant and equipment	Land and buildings (*2)	67,000	-
	Buildings and others (*3)	4,826	-
		<u>₩ 296,732</u>	<u>₩ 95,580</u>

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

(*2) SK Innovation Co., Ltd., a subsidiary, classified related assets as assets held for sale as the entity signed a contract for sale of the land in Seoknam-dong, western Incheon, and the entity measured it at the lower of its fair value less costs to sell and carrying amount.

(*3) SK Life Science, Inc., a subsidiary, classified building and other assets as assets held for sale as the entity signed a contract for sale of the office during the current period, and the entity measured them at the lower of their fair value less costs to sell and their carrying amounts.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

30. Cash flow information

(1) Details of non-cash adjustments for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Provision for pension benefits	₩ 101,206	₩ 87,728
Depreciation	1,423,503	1,114,581
Amortization	354,074	324,362
(Reversal of) Bad debt expenses	(2,880)	5,272
(Reversal of) Valuation loss on inventories	(219,604)	17,022
Interest expenses	350,379	275,294
Loss on foreign currency translation	151,979	64,938
Loss on valuation of derivatives	83,491	71,967
Loss (gain) on disposal of trade receivables	(3,561)	4,686
Loss on disposal of property, plant and equipment	22,011	11,965
Loss on impairment of property, plant and equipment	646	499
Loss on disposal of intangible assets	556	503
Loss on impairment of intangible assets	89	1,195
Income tax expense	310,389	594,406
Gain on investments in associates and joint ventures	(252,251)	(667,594)
Interest income	(68,114)	(54,850)
Gain on foreign currency translation	(104,191)	(68,230)
Gain on valuation of derivatives	(167,887)	(48,288)
Dividends income	(11,710)	(16,142)
Gain on disposal of investments in associates and joint ventures	(13,807)	(138,110)
Gain on disposal of property, plant and equipment	(10,156)	(6,341)
Gain on disposal of intangible assets	(294)	(1,567)
Others	13,768	26,495
	<u>₩ 1,957,636</u>	<u>₩ 1,599,791</u>

(2) Details of working capital adjustments for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Inventories	₩ 378,936	₩ (229,513)
Trade receivables	118,985	1,188,984
Other receivables	382,190	360,598
Trade payables	(585,694)	(978,906)
Other payables	(541,015)	(627,039)
Advance received	(253,026)	(76,043)
Retirement benefits paid	(81,290)	(52,090)
Plan assets	45,647	35,153
Others	(47,140)	31,070
	<u>₩ (582,407)</u>	<u>₩ (347,786)</u>

(3) Significant non-cash transactions for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Increase (decrease) in other payables due to acquisition of property, plant and equipment and others	₩ (298,079)	₩ 480,553
Account reclassification of lease liabilities from changes in accounting policies	2,896,860	-

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

31. Commitments and contingencies

(1) Guarantees provided for the Group as of March 31, 2019 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	695	Guarantee of payment
	Korea Eximbank	USD	1,225	Performance guarantees for contract and others
	Korea Software Financial Cooperative	KRW	270,212	Performance guarantees for contract and others
SK Materials Co., Ltd.	Seoul Guarantee Insurance	KRW	401	Performance guarantees for contract and others
	Korea Industrial Bank	USD	3,000	Guarantee of debt
	Seoul Guarantee Insurance	KRW	37,385	Performance guarantees
SK Engineering & Construction Co., Ltd.	HSBC and others	USD	871,869	Performance guarantees for overseas construction and others
		SGD	41,437	Performance guarantees for overseas construction and others
		KWD	101,241	Performance guarantees for overseas construction and others
		QAR	563,552	Performance guarantees for overseas construction and others
		TRY	50,430	Performance guarantees for overseas construction and others
		SAR	228,716	Performance guarantees for overseas construction and others
		THB	398,398	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	747,112,598	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
		AED	10,625	Performance guarantees for overseas construction and others
	KEB Hana Bank	USD	125,768	Performance guarantees for overseas construction and others
		EUR	210,713	Performance guarantees for overseas construction and others
	Shinhan Bank	USD	5,300	Performance guarantees for overseas construction and others
	Korea Eximbank	USD	269,451	Performance guarantees for overseas construction and others
		SAR	128,276	Performance guarantees for overseas construction and others
		VND	14,077,332	Performance guarantees for overseas construction and others
		EUR	60,750	Performance guarantees for overseas construction and others
	Korea Housing Guarantee Co., Ltd.	KRW	2,872,695	Housing guarantees and others
	Seoul Guarantee Insurance	KRW	456,715	Performance guarantees for domestic construction and others
	Engineering Financial Cooperative	KRW	1,431,728	Domestic construction contract
	Construction Guarantee Cooperative	KRW	2,557,000	Performance guarantees for domestic construction and others
SK TNS Co., Ltd.	Information & Communication Financial Cooperative	KRW	196,414	Domestic construction contract and others
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	18,128	Performance guarantees for contract and others
Iberian Lube Base Oils S.A.	Seoul Guarantee Insurance	KRW	21,061	Performance guarantees for contract and others
SK E&S Co., Ltd.	REPSOL Petroleo	EUR	30,000	Guarantee of debt
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,423	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	1,526	Guarantee of warranties and approval
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	138	Performance guarantees for contract and approval
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,213	Community energy service facility management, consignment operating agreement and others
Jeonbuk energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	109	Performance guarantees and guarantee of warranties
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	810	Performance guarantees for construction and others
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,133	Performance guarantees for contract
Paju energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	477	Deposits for safety management and others

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

31. Commitments and contingencies (cont'd)

Guarantee	Guarantor	Currency	Amount	Description of guarantee
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	63	Performance guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	3,654	Deposits for safety management and others
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	8,395	Guarantee of warranties and contract
SK Bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	61	Guarantee of payment
SKC Solmics Co., Ltd.	Shinhan Bank	USD	20,000	Guarantee of FRN issue
SKC Hightech & Marketing Co., Ltd.	KEB Hana Bank	USD	27,000	Guarantee of FRN issue
SK Networks Co., Ltd.	KEB Hana Bank	KRW	2,000	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	13,442	Performance guarantees for contract
	Woori Bank	KRW	34,547	Performance guarantees for sales
SK Networks Service Co., Ltd.	Seoul Guarantee Insurance	KRW	7,307	Performance guarantees for sales
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	15,591	Performance insurances for warranties and others
	Machinery Financial Cooperative	KRW	2,975	Performance insurances for warranties and others
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	504	Guarantee of home-shopping payment and others
SK Pinx Co.,Ltd.	Seoul Guarantee Insurance	KRW	241	Performance guarantees for sales
AJ Rent a Car Co.,Ltd.	Seoul Guarantee Insurance	KRW	7,349	Guarantee of payment
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	1,100	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	11,288	Performance guarantees for contract
SK Planet Co., Ltd.	Sofffusion Co.,Ltd. and others	KRW	2,266	Performance guarantees for contract
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	26,159	Guarantee of warranties-contract and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,721	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	188	Performance guarantees
Dreamus company Co., Ltd. (formerly. iriver Co., Ltd.)	Seoul Guarantee Insurance	KRW	287	Performance guarantees for contract
One store Co., Ltd.	KEB Hana Bank	KRW	100	Guarantee of Korean won payment method
Home&Service Co., Ltd.	Seoul Guarantee Insurance	KRW	3	Performance guarantees for contract
SK Store Co., Ltd.	Kookmin Bank	KRW	100	Specific debt guarantee
11street Co., Ltd.	KEB Hana Bank	KRW	1,070	Performance guarantees and others
	Seoul Guarantee Insurance	KRW	5,580	Guarantee of deposit on lease and others
FSK L&S Co., Ltd.	Seoul Guarantee Insurance	KRW	1,025	Performance guarantees for contract and others
SK Biotek Co., Ltd.	Seoul Guarantee Insurance	KRW	5,933	Performance guarantees and others
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	32,623	Guarantee of bid payment and others

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, has performance guarantees for domestic construction by other construction companies amounting to ₩354,059 million as of March 31, 2019.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

31. Commitments and contingencies (cont'd)

(2) Guarantees provided to others as of March 31, 2019 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	5,669	Performance guarantees for contract and others	
	Pohang Clean Water Co., Ltd. and others	USD	1,301	Performance guarantees for contract and others	
		KRW	591,150	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	102,848	Guarantees for reconstruction project financing	
	Gwacheon area II housing reconstruction maintenance business association	KRW	21,044	Guarantees for reconstruction project financing	
	Ahyeon area II housing reconstruction maintenance business association	KRW	99,113	Guarantees for reconstruction project financing	
	Bugae-seocho bridge north side redevelopment maintenance business association	KRW	116,197	Guarantees for reconstruction project financing	
	Paldal area VIII housing redevelopment maintenance business association and others	KRW	25,795	Guarantees for reconstruction project financing	
	Gwonseon area VI housing redevelopment maintenance business association	KRW	21,446	Guarantees for reconstruction project financing	
	Pohang Doocho housing reconstruction maintenance business association	KRW	24,050	Guarantees for reconstruction project financing	
	Customers of Kwangkyo SK view Lake	KRW	183,437	Guarantee of payment	
	Customers of Songdo SK view	KRW	219,208	Guarantee of payment	
	Customers of Dongtan SK V1	KRW	48,000	Guarantee of payment	
	Baekryunsan SK view and others	KRW	38,758	Guarantee of payment	
	Doocho SK View Prugio	KRW	26,910	Guarantee of payment	
	Pyeongchon Urvine First	KRW	37,325	Guarantee of payment	
	Sungnam SK V1 tower	KRW	58,776	Guarantee of payment	
	Boramae SK view	KRW	18,360	Guarantee of payment	
	Moonrae SK V1 center	KRW	76,260	Guarantee of payment	
	Suwon SK V1 Motors	KRW	29,393	Guarantee of payment	
	Gwacheon Weaver Field	KRW	9,664	Guarantee of payment	
	Giheung ICT Valley SK V1	KRW	27,360	Guarantee of payment	
	Seongsoo SK V1 Center	KRW	57,910	Guarantee of payment	
	Gongdeok SK leaders view	KRW	6,577	Guarantee of payment	
	Ansan La Primo	KRW	17,976	Guarantee of payment	
	Misa Gangbyeon SK V1 center	KRW	49,200	Guarantee of payment	
	Lu 1 City SK leaders view and others	KRW	1,626,175	Guarantee of completion	
	Member of employee stock ownership association	KRW	4,849	Guarantee of payment	
	SK Innovation Co., Ltd.	Callable preferred share investor	KRW	351,000	Cash deficiency support agreement
		Petro Peru and others	USD	2,628	Performance guarantee for mandatory work and others
	SK Global Chemical Co., Ltd.	Sabic SK Nexlene Company Pte. Ltd.	USD	186,000	Guarantee of debt
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	355	Guarantees for construction	
	Railway Administration and others	EUR	197	Guarantee for installing facilities and others	
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of debt	
SKC Co., Ltd.	SKC-Kolon PI Co., Ltd.	USD	8,100	Guarantee for litigation	
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	436	Performance guarantees for contract	
SK M & Service Co., Ltd.	Seoul Guarantee Insurance	KRW	7,377	Performance guarantees for transaction	
Sk Planet Co., Ltd.	CJ hello Co., Ltd. and others	KRW	7,152	Guarantee for E-commerce and others	
SK Networks Co., Ltd.	PT. SK Networks Indonesia	USD	1,500	Standing surety for investee	
SK Siltron Co., Ltd.	SIL 1st LLC	KRW	120,000	Asset backed debt	

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, provides other construction companies with performance guarantees for domestic construction in the amount of ₩730,012 million as of March 31, 2019.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

31. Commitments and contingencies (cont'd)

(3) Pending litigations

The Group's significant pending litigations as of March 31, 2019, 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 Telesys Co., Ltd.	Cotecenc Co., Ltd.	Claim for payment	KRW 106	First trial in progress
SK E&S Co., Ltd.	Head of the customhouse, Gwangju	Claim for cancellation of value add tax and others (*1)	KRW 159,921	Tax referee trial in progress
Ko-one Energy Service Co., Ltd.	Individual and others	Claim for payment	KRW 79	Second trial in progress
SK Networks Co., Ltd.	Individual and others	Claim for payment and others	KRW 3,437	First trial in progress and others
SK Magic Co., Ltd.	Careswater Co., Ltd. and others	Claim for payment and others	KRW 520	First trial in progress
SK Networks Service Co., Ltd.	Individual	Claim for payment	KRW 52	First trial in progress
AJ Rent a Car Co., Ltd.	Individual and others	Claim for payment and others	KRW 1,358	First trial in progress and others
Life & Security Holdings Co., Ltd.	Individual and others	Claim for transfer prohibition disposal	KRW 1,504	First trial in progress and others
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 273	First trial in progress
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction	KRW 4,919	Third trial in progress
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 2,371	Third trial in progress
	Korea Rail Network Authority	Claim for payment and others	KRW 19,473	Second trial in progress and others
	Fair Trade Commission	Claim related to Seohae line double track train	KRW 4,422	Second trial in progress
	Korea Specialty Contractor	Claim for deposit of construction performance and others	KRW 2,733	Second trial in progress and others
	Finanacial Cooperative	Claim for payment	KRW 12,728	Second trial in progress
	Dream Hub PFV	Claim for payment and others	KRW 5,704	Second trial in progress and others
	Plant & Mechanical Contractors	Claim for payment and others	KRW 8,930	Second trial in progress
	Financial Cooperative and others	Claim for payment of construction	KRW 2,791	Second trial in progress
	Busan Metropolitan City	Claim for transfer of ownership right	KRW 43,242	Second trial in progress and others
	Korea Housing & Urban Guarantee Corporation	Claim for payment of construction and others	KRW 21,960	First trial in progress and others
	Republic of Korea and others	Claim for tool overhead and others	KRW 13,141	First trial in progress
	Korea Highway Corporation	Claim for construction costs	KRW 4,765	Second trial in progress
	Korea National Oil Corporation	Claim for deposit of construction facility PF business and others	KRW 3,561	First trial in progress
	Korea Land & Housing Corporation and others	Claim related to Jangrim Jinhae	KRW 10,185	First trial in progress
	Korea Gas Corporation	Claim for custom duty cancellation	KRW 7,758	First trial in progress and others
	Head of the customhouse, Busan	Claim related to performance guarantee and others	KRW 3,319	First trial in progress
	Individual and others	Claim for payment of construction		
	Busan-Jinhae Free Economic Zone Authhority			

(*1) 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 in 2017. The Group recognized the amount as other payables and of those, recognized ₩159,921 million as advance payments.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

31. Commitments and contingencies (cont'd)

The Group's significant pending litigations as of March 31, 2019, in which the Group is a defendant are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Korea Minting, Security Printing & ID Card operating Corp.	SK Holdings Co., Ltd.	Claim for damages	KRW 2,000	Second trial in progress
Asia Paper Manufacturing Co., Ltd. and others	SK Telesys Co., Ltd.	Claim for damages and others	KRW 1,447	Second trial in progress and others
Home Plus Co., Ltd. and others	SKC Co., Ltd.	Claim for damages	KRW 380	First trial in progress
Individual and others		Claim for damages and others	KRW 2,898	Arbitration in progress
Seoul City and others	Ko-one Energy Service Co., Ltd.	Claim for penalty and others	KRW 31	First trial in progress and others
Busan Green Energy Co., Ltd. and others	Pusan City Gas Co., Ltd.	Claim for return of unfair benefit and others	KRW 693	First trial in progress and others
BBS, LLC	Jeonbuk Energy Service Co., Ltd.	Claim for return of unfair benefit and others	KRW 278	Second trial in progress
Yulim Engineering Co., Ltd.	Chonnam City Gas Co., Ltd.	Claim for payment of construction	KRW 92	First trial in progress
Smartro Co., Ltd. and others	SK Networks Co., Ltd.	Claim for patent infringement and others	KRW 10,498	First trial in progress and others
Individual and others	SK Networks Service Co., Ltd.	Claim for confirmation of non-discharge and others	KRW 82	First trial in progress
Hanwha Insurance and others	SK Magic Co., Ltd. and others	Claim for water purifier fire compensation and others	KRW 979	First trial in progress
DB Insurance and others	AJ Rent a Car Co., Ltd.	Claim for compensation	KRW 63	First trial in progress
Individual and others	Life & Security Holdings Co., Ltd.	Claim for damages and others	KRW 2,616	First trial in progress and others
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt and others	KRW 165	First trial in progress
K-Water Resources Corporation and others	SK Engineering & Construction Co., Ltd.	Claim for damages and others	KRW 4,095	Second trial in progress and others
Incheon Metropolitan City		Damage for bid fixing of area 705 and 706	KRW 35,820	Third trial in progress
Individual and others		Claim for apartment	KRW 22,408	Third trial in progress
Samjung Construction Co., Ltd.		Claim for payment	KRW 5,940	Second trial in progress
Hyundai Construction Co., Ltd.		Claim for share of defect cost	KRW 177	First trial in progress
Suseong Leaders view residents' Representative and others		Claim for Daegu Suseong leaders view defection and others	KRW 11,416	Second trial in progress and others
Korea Rural Community Corporation		Claim for counterindemnity	KRW 8,036	First trial in progress
Republic of Korea		Claim for compensation	KRW 10,000	Third trial in progress
Korea Gas Corporation		Claim for compensation related to main gas pipe	KRW 35,981	First trial in progress
		Claim for compensation related to LNG price	KRW 11,314	First trial in progress
Korea Rail Network Authority		Claim for compensation and others	KRW 20,799	First trial in progress
Korea Land & Housing Corporation		Claim for compensation	KRW 1,565	Second 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 14,570	First trial in progress and others

As of April 29, 2019, LG Chem Ltd. and its subsidiary, LG Chem Michigan Inc., filed a lawsuit against SK Innovation Co., Ltd., a subsidiary, in Delaware Court and the U.S. International Trade Commission, claiming for the infringement of trade secret. The final outcome of the lawsuit is not predictable.

31. 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 total return swap contracts 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	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.	

31. Commitments and contingencies (cont'd)

- 6) The Group entered into total return swap contracts with ordinary shareholders of SK Siltron Co., Ltd., one of the subsidiaries. Details are as follows.

	Total return swap
Investor	Warmachine Sixth Co., Ltd. and others
Number of shares	13,143,440
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 of the end of the year ended March 31, 2019, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (see Note 15).

- 7) The Group entered total return swap contracts with ordinary shareholders of SK E&S Co., Ltd., one of the subsidiaries. Details are as follows.

	Total return swap
Investor	MD Prime 1st Co., Ltd.
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 of the end of the year ended March 31, 2019, the value of the agreements amounting to ₩677,775 million is recognized in long-term borrowings (see Note 15).

- 8) 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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

31. Commitments and contingencies (cont'd)

- 9) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of Alchemy Acquisition Corp., to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.
- 10) As of March 31, 2019, the Company and SK Innovation Co., Ltd., SK E&S Co., Ltd. and Prism Energy International Pte., Ltd., subsidiaries of the Group, have provided a performance guarantee contract for the acquisition of SK Shipping's BBCHP. However, considering the fair value of SK Shipping Co., Ltd.'s vessel provided as collateral for the BBCHP contract, the Group determines that there is no actual guarantee amount
- 11) 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 of March 31, 2019, 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.

12) As of March 31, 2019, details of contracts of the subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Counterparty	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.	Tanggung 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
Time charter contract	Prism Energy International Pte. Ltd.	SK Shipping Co., Ltd.	20 years from ship delivery date
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
Win-win agreement business	Paju Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd. and others	2018.05 ~ 2019.10
Integrated environment management authorization service	Yeoju Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2019.01~2022.03

(*1) The Company have signed a contract with Korea Gas Corp. for natural gas supply for 20 years.

31. Commitments and contingencies (cont'd)

- 13) As of March 31, 2019, 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 Co., Ltd. and others	2017.05 ~ 2019.10	₩ 8,585
Contract for the transmission access construction	Wirye Energy Service Co., Ltd.	Dalim Construction Co., Ltd. Corporation	2018.05 ~ 2019.04	₩ 2,948
Contract for the noise reduction construction	Wirye Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2018.08 ~ 2019.09	₩ 4,450

- 14) As of March 31, 2019, 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 subsidiaries	Counterparty	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 287,500
Woodford, USA	Dew Blaine Energy, LLC	Continental Resources, Inc.	49.9%	USD 360,000	USD 352,386

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

- 15) 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

SK Incheon Petrochemical Co., Ltd., one of subsidiaries, securitized ₩250,000 million of SK Incheon Petrochemical Co., Ltd.'s trusts receivables 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.

- 16) 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 of the end of the current reporting period is ₩615,132 million which is recorded as other receivables and long-term other receivables.
- 17) As of March 31, 2019, SK Materials Co., Ltd., a subsidiary, has a shareholders' agreement with Showa Denko K.K in respect to an investment in SK Showa Denko Co., Ltd., a subsidiary. Under this agreement, Showa Denko K.K holds a right to sell 630,000 shares (15%) of interests in SK Showa Denko Co., Ltd. at a par value of ₩5,000 to SK Materials Co., Ltd.

31. Commitments and contingencies (cont'd)

- 18) SK Air Gas Co., Ltd., a subsidiary, transferred trade receivables for SK Energy Co., Ltd. and SKC Co., Ltd. to trust account of KDB in September 2018. 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 ₩25,000 million on a three-month basis based on type 1 beneficiary certificate. As of March 31, 2019 and December 31, 2018, trade receivables transferred to trust account are ₩4,256 million and ₩3,786 million, respectively.
- 19) SK Air Gas Co., Ltd., a subsidiary, trusted the trade receivable that may incur from project, 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 of March 31, 2019 and December 31, 2018, trade receivables transferred to trust account are ₩18,503 million and ₩13,626 million, respectively.
- (5) In July 2018, Xe-Pian Xe-Namnoy Hydropower dam under construction by SK E&C, a subsidiary, was flooded resulting in a loss of Saddle D and auxiliary dam and a flashflood through villages downstream. SK Engineering & Construction Co., Ltd. reflected the costs associated with the restoration work and the costs incurred during the prior period due to relief and damage recovery activities for the victims in its financial statements. The cause of the accident investigation is underway as of the end of the current term and SK Engineering & Construction Co., Ltd. is waiting for the result of investigation.

(6) Others

As of March 31, 2019, 82 notes (including 78 blank notes) and 51 blank checks are provided to financial institutions as collateral for borrowings.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

32. Pledged assets

The following assets were pledged as collateral for the Group's borrowings and others as of March 31, 2019 (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
Netruck Co., Ltd.	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
Seosuwon Development Company	Property, plant and equipment and others	KRW	4,500	Shinhan Bank	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Investment securities and others	KRW	185,900	New West Village and others	Collateral for borrowing
SKC Co., Ltd.	Investment property	KRW	250,001	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
SKC Co., Ltd.	Property, plant and equipment and others	KRW	142,000	Kookmin Bank and others	Collateral for borrowing and others
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	216,100	Korea Development Bank and others	Collateral for borrowing and others
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing and others
SK Bioland Co., Ltd.	Property, plant and equipment	KRW	85,100	Korea Development Bank and others	Collateral for borrowing and others
Woori Fine Chem Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	KRW	4,440	Kookmin Bank and others	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment	USD	19,000	Korea Development Bank and others	Collateral for borrowing
SK Magic Co., Ltd.	Property, plant and equipment	USD	50,000	Standed Chartered Bank	Collateral for borrowing
AJ Rent a Car Co., Ltd.	Property, plant and equipment	KRW	492,310	Korea Development Bank and others	Collateral for sales and others
SK E&S Co., Ltd.	Property, plant and equipment	KRW	123,500	Korea Development Bank and others	Collateral for borrowing
	Investments in subsidiaries	KRW	375,798	Korea Development Bank and others	Collateral for borrowing
	Investments in joint ventures	KRW	192,348	Korea Development Bank and Woori Bank	Collateral for borrowing
Kangwon City Gas Co., Ltd.	Investments in associates	KRW	135,000	Woori Bank and others	Collateral for PF
Pusan City Gas Co., Ltd.	Property, plant and equipment	KRW	13,282	Shinhan Bank and others	Collateral for PF
Paju Energy Service Co., Ltd.	Investment property	KRW	5,593	Korea Development Bank	Collateral for borrowing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	3,933	Megamart and others	Leasehold deposits
Wiryu Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	360,000	Kookmin Bank and others	Collateral for borrowing
Narae Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	81	CJ Hello Co., Ltd.	Collateral for borrowing received
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	84,000	Kookmin Bank and others	Collateral for borrowing
SK China Company, Ltd.	Property, plant and equipment and others	KRW	505,000	Korea Development Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Property, plant and equipment	KRW	3,868	Lessor	Restricted real rights for office lease
SK Materials Co., Ltd.	Others	USD	54,414	Shinhan Bank and others	Collateral for borrowing
	Others	CNY	2,000,000	Bank of China communications	Collateral for borrowing
	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	361,659	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	325,837	Korea Development Bank and others	Collateral for borrowing

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

Life & Security Holdings Co., Ltd., a subsidiary, provides its shares in ADT Caps Co., Ltd., Capstec Co., Ltd. and ADT Security Co., Ltd. as collateral for its long-term borrowing of ₩1,900,000 million.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

33. Guarantees provided among the Group entities

Guarantees provided among the Group entities as of March 31, 2019 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	Abrasax Investment Inc.	USD	315,000	Guarantee of debt
	Hudson Energy NY, LLC	USD	226,000	Guarantee of debt
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	10,000	Guarantee of payment for license agreement
	SK Global Chemical Americas, Inc.	USD	190,000	Guarantee of payment for principal of debt
SK Lubricants Co., Ltd.	Iberian Lube Base Oils, S.A.	EUR	14,000	Guarantee of debt
SK Engineering & Construction Co., Ltd.	Seosuwon Development Company	KRW	185,900	Guarantees for project financing
	SKEC Anadolu LLC	EUR	135,665	Performance guarantees for contract and others
		TRY	49,611	Guarantee of W/H Tax
	Sunlake Co., Ltd.	CAD	33,000	Guarantee of financial obligation
SKC Co., Ltd.	SKC, Inc.	USD	147,500	Guarantee of payment
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	81,450	Guarantee of payment
		CNY	274,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	30,000	Guarantee of financial obligation
	SKC Solmics Co., Ltd.	KRW	30,000	Guarantee for operation fund
	SKC (Natong) PU Specialty Co., Ltd.	CNY	80,000	Guarantee of payment
	SKC (Natong) Semiconductor Materials Technology Co., Ltd.	USD	31,500	Guarantee of payment
SKC Hi-Tech & Marketing Co., Ltd.	SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	KRW	23,701	Guarantee of debt
SK Networks Co., Ltd.	SK Networks Deutschland GmbH	EUR	10,000	Standing surety for investee
	SK Networks Hong Kong Ltd.	USD	141,600	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	1,800,000	Standing surety for investee
	SK Networks America, Inc	USD	20,000	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	74,600	Standing surety for investee
SK E&S Co., Ltd.	SK Networks Resources Australia Pty. Ltd.	AUD	35,000	Standing surety for investee
	Cailip Gas Marketing, LLC	USD	91,000	Guarantee for derivative hedge and others
	SK E&S Australia Pty. Ltd.	USD	450,000	Guarantee for borrowings and others
	Paju energy service Co., Ltd.	KRW	500,000	Guarantee for borrowings and others
	Wirye energy service Co., Ltd.	KRW	280,000	Guarantee for borrowings and others
	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	430,000	Guarantee for derivative hedge
	SK E&S LNG, LLC	USD	15,000	Guarantee for derivative hedge and others
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	USD	46,000	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	24,504	Guarantee for borrowings
	SK (Shenyang) auto rental Co., Ltd.	USD	10,396	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	10,604	Guarantee for borrowings
	SK Financial Leasing	USD	8,911	Guarantee for borrowings
SK Biotek Co., Ltd.	SK Biotek Ireland Limited.	USD	50,000	Guarantee for credit limit
		EUR	10,000	Performance guarantees for contract
SK Telink Co., Ltd.	ADT Caps Co., Ltd.	KRW	3	Performance guarantees for contract and others
	Home & Service Co., Ltd.	KRW	1	Performance guarantees for contract and others

34. 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.

34.1 Financial risk management

34.1.1 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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

34.1.2 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 of March 31, 2019 and December 31, 2018 is as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
Financial assets measured at FVTPL	₩ 7,038,988	₩ 4,926,858
Financial assets measured at FVOCI	18,940	26,688
Financial assets measured at amortized cost	23,062,700	20,584,179
Derivatives designated as hedging instruments	124,208	97,247
	<u>₩ 30,244,836</u>	<u>₩ 25,634,972</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 31).

34.1.2.1 Trade and other receivables

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.

The Group applies a simplification method that recognises lifetime expected credit losses as a loss allowance for trade and other receivables. To measure expected credit losses, sales receivables and contract assets were divided based on credit risk characteristics and past due dates.

34.1.2.2 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 ₩14,338 million as of March 31, 2019. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as of March 31, 2018.

	March 31, 2019	December 31, 2018
SK Innovation Co., Ltd.	₩ 615	₩ 721
SK Engineering & Construction Co., Ltd.	14,338	15,161
SK Biotek Co., Ltd.	259	389
	<u>₩ 15,212</u>	<u>₩ 16,271</u>

In addition, the Group has provided payment guarantees for others, including subsidiaries and others. The Group, due to its payment guarantees, is exposed to credit risk (See Notes 31 and 33).

34.1.2.3. 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.

34.1.3 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 of March 31, 2019 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	₩ 12,495,984	₩ 12,531,407	₩ 2,696,643	₩ 2,772,093	₩ 6,552,865	₩ 509,806
Bonds	28,411,641	31,332,145	1,589,924	4,225,784	18,748,309	6,768,128
Derivative financial liabilities	392,837	392,837	120,703	6,265	264,441	1,428
Trade payables	9,027,085	9,027,085	8,771,826	255,259	-	-
Lease liabilities	2,964,927	3,359,983	288,544	794,688	1,928,171	348,580
Other liabilities	9,425,804	11,346,542	7,640,361	1,412,787	1,632,263	661,131
	<u>₩ 62,718,278</u>	<u>₩ 67,989,999</u>	<u>₩ 21,108,001</u>	<u>₩ 9,466,876</u>	<u>₩ 29,126,049</u>	<u>₩ 8,289,073</u>

34.1.4 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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

34.1.4.1 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 of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	March 31, 2019		December 31, 2018	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	7,519,408	₩ 8,555,582	6,428,714	₩ 7,187,945
	JPY	18,008,583	185,171	19,169,337	194,220
	CNY	6,582,924	1,110,803	1,937,077	315,279
	EUR	213,613	272,882	233,106	298,180
	Others		404,809		337,851
			₩ 10,529,247		₩ 8,333,475
Liabilities	USD	8,126,014	₩ 9,245,779	9,424,582	₩ 10,537,626
	JPY	7,440,344	76,505	5,009,387	50,754
	CNY	1,555,147	262,416	1,983,852	322,892
	EUR	178,499	228,025	188,265	240,821
	Others		186,611		142,968
			₩ 9,999,336		₩ 11,295,061

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

Currency	March 31, 2019		December 31, 2018	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (69,020)	₩ 69,020	₩ (334,968)	₩ 334,968
JPY	10,867	(10,867)	14,347	(14,347)
CNY	84,839	(84,839)	(761)	761
EUR	4,486	(4,486)	5,736	(5,736)

The Group is hedging currency risk by using derivative financial instruments such as currency swaps, currency forwards and others (See Note 19).

34.1.4.2 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 19).

34.2 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 143.6% as of March 31, 2019. The maturity of the debt is dispersed in the long term. So, debt-repayments are not demanding.

The Group's debt ratio as of March 31, 2019 and December 31, 2018 is as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
Total liabilities	₩ 75,719,652	₩ 68,569,119
Total equity	52,731,089	50,887,872
Debt ratio	143.6%	134.7%

35. Business combination

As of March 31, 2019, details of business combination are as follows.

(1) General information

SK Networks Co., Ltd., a subsidiary, acquired 9,353,660 shares of AJ Rent a Car Co., Ltd.'s common share on January 2, 2019 according to the Board of Directors' resolution on September 21, 2018 to enhance competitiveness and accelerate growth of its future mobility business through the reorganization of the rental car industry. Meanwhile, the acquisition was accounted for by the acquisition method, and the consolidated financial statements contain financial performance of the AJ Rent a Car Co., Ltd. from the acquisition date to the end of the current period.

(2) Identifiable assets acquired and liabilities assumed

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

	<u>AJ Rent a Car Co., Ltd.</u>	
Current assets:	₩	94,881
Cash and cash equivalents		23,202
Trade and other receivables		54,117
Inventories		7,788
Other current assets		9,774
Non-current assets:		1,173,752
Property, plant and equipment		1,034,434
Right-of-use assets		72,531
Intangible assets		25,358
Other non-current assets		41,429
Current liabilities:		624,390
Trade and other payables		53,006
Current lease liabilities		27,062
Other current liabilities		544,322
Non-current liabilities:		378,407
Lease liabilities		46,891
Deferred tax liabilities		1,265
Other non-current liabilities		330,251
Fair value of identifiable net assets	₩	265,836

2) Used valuation techniques for remeasurement at fair value of acquired significant assets and liabilities is as follow:

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

35. Business combination (cont'd)

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

	<u>AJ Rent a Car Co., Ltd.</u>	
The total consideration transferred	₩	295,809
a. Fair value of proportionate share of acquired net assets:		
Fair value of the net identifiable assets		265,836
Non-controlling interests (*1)		<u>(153,547)</u>
		<u>112,289</u>
b. Goodwill (c=a-b)	₩	<u><u>183,520</u></u>

(*1) Non-controlling interests occurred due to the merger are measured in proportion to the non-controlling interest in net identifiable assets of the merged company

4) The consolidated financial statements for the three months ended March 31, 2019 include sales of ₩159,640 million and profit for the period of ₩2,210 million related to additional business generated by the subsidiary company, acquired by the business combination after the acquisition date.

36. Subsequent events

36.1 SK Global Chemical Co., Ltd.'s participation in capital increase of Sinopec-SK (Wuhan) Petrochemical Co., Ltd.

SK Global Chemicals Co., Ltd., a subsidiary of the Group, decided to make an additional ₩189,841 million of equity investment by participating in a capital increase of Sinopec-SK (Wuhan) Petrochemical Co., Ltd., a joint venture in accordance with the resolution of its Board of Directors on April 29, 2019. The expected date of the capital increase is May 31, 2019.

36.2 SK Broadband Co., Ltd.'s merger

SK Broadband Co., Ltd., a subsidiary, has decided to merge with T Broad Co., Ltd., T Broad Dongdaemoon broadcast Co., Ltd and Korea Digital Cable Media Center Co., Ltd. at its Board of Directors' meeting on April 26, 2019 to enhance its competitiveness and synergy as a comprehensive media service provider. After the merger, SK Broadband Co., Ltd. will be a survived company and the merged companies will be dissolved by the merger date scheduled on January 1, 2020. On the other hand, the transaction is subject to government authorization and may be changed due to the approval process of the relevant authorities and related statutes.

36.3 SK Innovation Co., Ltd.'s battery business expansion in China

SK Innovation Co., Ltd., a subsidiary, decided to invest in a battery production plant through the establishment and investment of a new corporation in China to expand the battery business in China in accordance with the resolution of the Board of Directors on May 14, 2019. The establishment of a local corporation for the investment will be carried out later, and the planned investment amount is ₩579.9 billion.