



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

Interim condensed consolidated financial statements  
for the nine months ended September 30, 2019 and 2018  
with the independent auditor's review report

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Report on review of interim condensed consolidated financial statements

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

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as of September 30, 2019, and the interim condensed consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the nine months then ended, 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 Korean Auditing Standards (KGAAS). 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 KGAAS (not presented herein), and our report dated March 12, 2019 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2018, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.



November 14, 2019

This review report is effective as of November 14, 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 nine months ended September 30, 2019 and 2018

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

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 September 30, 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)	
		September 30, 2019 (Unaudited)	December 31, 2018	September 30, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	5	₩ 9,220,800	₩ 6,783,035	\$ 7,675,685	\$ 5,646,412
Short-term financial instruments	5, 32	3,675,646	4,218,107	3,059,724	3,511,285
Trade receivables, net	5, 6, 27, 32, 34	10,252,797	10,844,124	8,534,752	9,026,991
Other receivables	5, 27, 31, 34	2,181,714	1,932,335	1,816,128	1,608,537
Inventories, net	7, 32	9,277,100	8,992,740	7,722,551	7,485,840
Short-term investment securities	5, 8, 32, 34	149,609	197,717	124,539	164,586
Other current assets	5, 18, 19, 34	4,471,823	3,872,992	3,722,486	3,224,001
Assets held for sale	29	985,544	287,347	820,398	239,197
Total current assets		<u>40,215,033</u>	<u>37,128,397</u>	<u>33,476,263</u>	<u>30,906,849</u>
Non-current assets:					
Long-term financial instruments	5, 32, 34	7,916	12,549	6,590	10,446
Long-term trade receivables, net	5, 6, 34	83,389	11,373	69,416	9,467
Long-term other receivables	5, 31, 34	554,077	313,213	461,230	260,728
Long-term investment securities	5, 8, 32, 34	2,459,930	2,217,401	2,047,723	1,845,835
Investments in associates and joint ventures	9, 32	22,068,309	19,218,345	18,370,356	15,997,956
Property, plant and equipment, net	10, 32	42,431,649	39,715,921	35,321,443	33,060,785
Right-of-use assets, net	11	4,041,378	-	3,364,170	-
Investment property, net	12, 32	398,565	503,966	331,777	419,517
Goodwill	13	2,619,343	2,379,526	2,180,424	1,980,792
Intangible assets, net	14	12,613,206	13,811,199	10,499,630	11,496,878
Deferred tax assets		692,266	694,690	576,264	578,282
Other non-current assets	5, 18, 19, 27, 34	3,701,976	3,450,411	3,081,642	2,872,231
Total non-current assets		<u>91,672,004</u>	<u>82,328,594</u>	<u>76,310,665</u>	<u>68,532,918</u>
<b>Total assets</b>		<u>₩ 131,887,037</u>	<u>₩ 119,456,991</u>	<u>\$ 109,786,928</u>	<u>\$ 99,439,767</u>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Current liabilities:					
Short-term borrowings	5, 15, 34	₩ 4,156,323	₩ 3,426,330	\$ 3,459,854	\$ 2,852,185
Trade payables	5, 27, 34	8,793,109	9,028,488	7,319,661	7,515,598
Other payables	5, 27, 34	3,571,345	3,468,375	2,972,900	2,887,185
Provisions	16	360,653	352,225	300,219	293,203
Current portion of long-term debt	5, 15, 34	6,170,731	5,024,863	5,136,711	4,182,854
Other current liabilities	5, 18, 19, 34	9,691,272	8,603,819	8,067,321	7,162,090
Liabilities held for sale	29	101,746	103,732	84,697	86,350
Total current liabilities		<u>32,845,179</u>	<u>30,007,832</u>	<u>27,341,363</u>	<u>24,979,465</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 15, 34	32,305,475	28,890,533	26,892,096	24,049,391
Long-term other payables	5, 34	1,562,773	2,011,424	1,300,902	1,674,373
Defined benefit liabilities	17	695,780	420,227	579,189	349,810
Provisions	16	225,606	276,937	187,802	230,531
Deferred tax liabilities		5,504,501	5,491,052	4,582,120	4,570,925
Other non-current liabilities	5, 18, 19, 27, 34	3,836,569	1,471,114	3,193,681	1,224,602
Total non-current liabilities		<u>44,130,704</u>	<u>38,561,287</u>	<u>36,735,790</u>	<u>32,099,632</u>
Total liabilities		<u>76,975,883</u>	<u>68,569,119</u>	<u>64,077,153</u>	<u>57,079,097</u>
<b>Equity</b>					
Equity attributable to owners of the parent:					
Issued capital	1, 20	15,385	15,385	12,807	12,807
Other paid-in capital	20	4,994,846	4,631,955	4,157,867	3,855,785
Retained earnings	20	12,923,832	12,217,319	10,758,205	10,170,082
Other components of equity	20	321,037	(237,143)	267,241	(197,405)
Total equity attributable to owner of the parent		<u>18,255,100</u>	<u>16,627,516</u>	<u>15,196,120</u>	<u>13,841,269</u>
Non-controlling interests		36,656,054	34,260,356	30,513,655	28,519,401
Total equity		<u>54,911,154</u>	<u>50,887,872</u>	<u>45,709,775</u>	<u>42,360,670</u>
<b>Total liabilities and equity</b>		<u>₩ 131,887,037</u>	<u>₩ 119,456,991</u>	<u>\$ 109,786,928</u>	<u>\$ 99,439,767</u>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of comprehensive income**  
**for the three months and nine months ended September 30, 2019 and 2018**

(Korean won in millions, except for earnings per share)

	Notes	Korean won			
		September 30, 2019 (unaudited)		September 30, 2018 (unaudited)	
		Three months	Nine months	Three months	Nine months
<b>Sales</b>	4, 27	₩ 24,957,941	₩ 75,654,801	₩ 26,107,518	₩ 74,684,699
<b>Cost of sales</b>	24, 27	<u>22,653,483</u>	<u>68,526,059</u>	<u>23,448,625</u>	<u>66,555,856</u>
<b>Gross profit</b>		<b>2,304,458</b>	<b>7,128,742</b>	<b>2,658,893</b>	<b>8,128,843</b>
Selling and administrative expenses	21, 24, 27	1,299,576	3,673,606	1,214,116	3,527,174
<b>Operating income</b>	4	<b>1,004,882</b>	<b>3,455,136</b>	<b>1,444,777</b>	<b>4,601,669</b>
Finance income	22	867,207	2,923,799	521,851	1,952,463
Finance costs	22	1,189,675	3,961,729	821,684	2,778,746
Gain from equity method, net	9	110,352	562,222	1,065,843	2,768,591
Other non-operating income	23	440,373	667,913	223,487	511,214
Other non-operating expenses	23	86,088	329,659	175,775	589,758
<b>Profit from continuing operations before income tax expense</b>	4	<b>1,147,051</b>	<b>3,317,682</b>	<b>2,258,499</b>	<b>6,465,433</b>
<b>Income tax expense from continuing operations</b>	25	<b>286,727</b>	<b>987,604</b>	<b>627,432</b>	<b>1,841,651</b>
<b>Profit for the period from continuing operations</b>	4	<b>860,324</b>	<b>2,330,078</b>	<b>1,631,067</b>	<b>4,623,782</b>
<b>Gain (loss) from discontinued operation</b>	28	<b>841</b>	<b>(2,547)</b>	<b>(6,235)</b>	<b>141,321</b>
<b>Profit for the period</b>		<b>₩ 861,165</b>	<b>₩ 2,327,531</b>	<b>₩ 1,624,832</b>	<b>₩ 4,765,103</b>
Attributable to:					
Owners of the parent		454,326	1,032,129	496,963	1,689,463
Non-controlling interests		406,839	1,295,402	1,127,869	3,075,640
<b>Other comprehensive income (loss):</b>					
Items that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans		12,738	(68,691)	11,312	(47,820)
Net gain (loss) on valuation of financial assets at FVOCI		(21,761)	(43,984)	12,693	(42,672)
Items that may be reclassified to profit or loss in subsequent periods (net of tax):					
Equity adjustments of investments in associates and joint ventures		54,666	208,832	(106,580)	119,470
Gain (loss) on valuation of derivative financial instruments		4,455	21,286	(45,301)	(47,634)
Net gain (loss) on translation of foreign operations		419,332	785,403	(132,604)	198,882
Net gain (loss) on translation to the presentation currency		-	-	4,667	1,245
		<u>469,430</u>	<u>902,846</u>	<u>(255,813)</u>	<u>181,471</u>
<b>Total comprehensive income for the period</b>		<b>₩ 1,330,595</b>	<b>₩ 3,230,377</b>	<b>₩ 1,369,019</b>	<b>₩ 4,946,574</b>
Attributable to:					
Owners of the parent		733,510	1,549,322	377,711	1,854,524
Non-controlling interests		597,085	1,681,055	991,308	3,092,050
<b>Earnings per share (Korean won and U.S. dollar):</b>	26				
Basic earnings per share		₩ 8,129	₩ 18,448	₩ 8,892	₩ 30,223
Basic earnings per share from continuing operations		8,122	18,466	9,020	27,558

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SK Holdings Co., Ltd. and its subsidiaries  
Interim condensed consolidated statements of comprehensive income  
for the three months nine months ended September 30, 2019 and 2018 (cont'd)

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

	Notes	Translation into U.S. dollar (Note 2)			
		September 30, 2019 (unaudited)		September 30, 2018 (unaudited)	
		Three months	Nine months	Three months	Nine months
<b>Sales</b>	4, 27	\$ 20,775,778	\$ 62,977,442	\$ 21,732,721	\$ 62,169,898
<b>Cost of sales</b>	24, 27	18,857,474	57,043,252	19,519,375	55,403,193
<b>Gross profit</b>		1,918,304	5,934,190	2,213,346	6,766,705
Selling and administrative expenses	21, 24, 27	1,081,808	3,058,025	1,010,668	2,936,131
<b>Operating income</b>	4	836,496	2,876,165	1,202,678	3,830,574
Finance income	22	721,890	2,433,862	434,405	1,625,292
Finance costs	22	990,323	3,297,868	683,996	2,313,116
Gain from equity method, net	9	91,860	468,011	887,241	2,304,662
Other non-operating income	23	366,580	555,992	186,038	425,551
Other non-operating expenses	23	71,662	274,419	146,321	490,933
<b>Profit from continuing operations before income tax expense</b>	4	954,841	2,761,743	1,880,045	5,382,030
<b>Income tax expense from continuing operations</b>	25	238,681	822,113	522,294	1,533,048
<b>Profit for the period from continuing operations</b>	4	716,160	1,939,630	1,357,751	3,848,982
<b>Gain (loss) from discontinued operation</b>	28	700	(2,120)	(5,190)	117,640
<b>Profit for the period</b>		\$ 716,860	\$ 1,937,510	\$ 1,352,561	\$ 3,966,622
Attributable to:					
Owners of the parent		378,195	859,177	413,688	1,406,362
Non-controlling interests		338,665	1,078,333	938,873	2,560,260
<b>Other comprehensive income (loss):</b>					
Items that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans		10,604	(57,181)	9,416	(39,806)
Net gain (loss) on valuation of financial assets at FVOCI		(18,115)	(36,614)	10,566	(35,523)
Items that may be reclassified to profit or loss in subsequent periods (net of tax):					
Equity adjustments of investments in associates and joint ventures		45,506	173,838	(88,721)	99,451
Gain (loss) on valuation of derivative financial instruments		3,708	17,719	(37,710)	(39,652)
Net gain (loss) on translation of foreign operations		349,065	653,794	(110,384)	165,556
Net gain (loss) on translation to the presentation currency		-	-	3,885	1,036
		390,768	751,556	(212,948)	151,062
<b>Total comprehensive income for the period</b>		\$ 1,107,628	\$ 2,689,066	\$ 1,139,613	\$ 4,117,684
Attributable to:					
Owners of the parent		610,597	1,289,704	314,419	1,543,764
Non-controlling interests		497,031	1,399,362	825,194	2,573,920
<b>Earnings per share (Korean won and U.S. dollar):</b>	26				
Basic earnings per share		\$ 6.77	\$ 15.36	\$ 7.40	\$ 25.16
Basic earnings per share from continuing operations		6.76	15.37	7.51	22.94

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 nine months ended September 30, 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	Non-controlling interests	Total equity
<b>As of January 1, 2018</b>	₩ 15,385	₩ 4,112,475	₩ 9,837,619	₩ (305,397)	₩ 13,660,082	₩ 32,096,338	₩ 45,756,420
<b>Effect of changes in accounting policies</b>	-	-	502,255	(40,771)	461,484	1,272,024	1,733,508
<b>As of January 1, 2019 (After revisions)</b>	₩ 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	-	-	1,689,463	-	1,689,463	3,075,640	4,765,103
Remeasurement loss on defined benefit plans	-	-	(25,172)	-	(25,172)	(22,648)	(47,820)
Net loss on valuation of financial instruments at FVOCI	-	-	-	(12,957)	(12,957)	(29,715)	(42,672)
Equity adjustments of investments in associates and joint ventures	-	-	-	128,797	128,797	(9,327)	119,470
Gain (loss) on valuation of derivative financial instruments	-	-	-	(24,225)	(24,225)	(23,409)	(47,634)
Net gain on translation of foreign operations	-	-	-	97,876	97,876	101,006	198,882
Net gain (loss) on translation to the presentation currency	-	-	-	742	742	503	1,245
Transaction with shareholders:							
Dividends	-	-	(281,971)	-	(281,971)	(1,221,292)	(1,503,263)
Consolidated capital transaction	-	41,717	-	-	41,717	(761,962)	(720,245)
Changes in the scope of consolidation	-	-	-	-	-	92,097	92,097
Others	-	6,765	(19,613)	-	(12,848)	948	(11,900)
<b>As of September 30, 2018 (Unaudited)</b>	₩ 15,385	₩ 4,160,957	₩ 11,702,581	₩ (155,935)	₩ 15,722,988	₩ 34,570,203	₩ 50,293,191
<b>As of January 1, 2019</b>	₩ 15,385	₩ 4,631,955	₩ 12,217,319	₩ (237,143)	₩ 16,627,516	₩ 34,260,356	₩ 50,887,872
<b>Effect of changes in accounting policies</b>	-	-	(5,099)	-	(5,099)	(22,114)	(27,213)
<b>As of January 1, 2019 (After revisions)</b>	₩ 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	-	-	1,032,129	-	1,032,129	1,295,402	2,327,531
Remeasurement loss on defined benefit plans	-	-	(40,987)	-	(40,987)	(27,704)	(68,691)
Net loss on valuation of financial instruments at FVOCI	-	-	-	(23,332)	(23,332)	(20,652)	(43,984)
Equity adjustments of investments in associates and joint ventures	-	-	-	129,617	129,617	79,215	208,832
Gain (loss) on valuation of derivative financial instruments	-	-	-	4,756	4,756	16,530	21,286
Net gain on translation of foreign operations	-	-	-	447,139	447,139	338,264	785,403
Transaction with shareholders:							
Dividends	-	-	(281,972)	-	(281,972)	(1,420,264)	(1,702,236)
Consolidated capital transaction	-	363,411	(15,101)	-	348,310	1,953,365	2,301,675
Changes in the scope of consolidation	-	-	-	-	-	203,274	203,274
Others	-	(520)	17,543	-	17,023	382	17,405
<b>As of September 30, 2019 (Unaudited)</b>	₩ 15,385	₩ 4,994,846	₩ 12,923,832	₩ 321,037	₩ 18,255,100	₩ 36,656,054	₩ 54,911,154

(Continued)

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of changes in equity**  
**for the nine months ended September 30, 2019 and 2018 (cont'd)**  
(U.S. dollar in thousands)

	Issued capital	paid-in capital	earnings	components	attributable to	interests	Total equity
<b>As of January 1, 2018</b>	\$ 12,807	\$ 3,423,354	\$ 8,189,144	\$ (254,222)	\$ 11,371,083	\$ 26,718,004	\$ 38,089,087
<b>Effect of changes in accounting policies</b>							
<b>As of January 1, 2018 (After revisions)</b>	\$ 12,807	\$ 3,423,354	\$ 8,607,237	\$ (33,939)	\$ 384,154	\$ 1,058,873	\$ 1,443,027
Total comprehensive income:							
Profit for the period	-	-	1,406,362	-	1,406,362	2,560,260	3,966,622
Remeasurement loss on defined benefit plans	-	-	(20,954)	-	(20,954)	(18,853)	(39,807)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(10,786)	(10,786)	(24,736)	(35,522)
Equity adjustments of investment in associates and joint ventures	-	-	-	107,215	107,215	(7,764)	99,451
Gain (loss) on valuation of derivative financial instruments	-	-	-	(20,166)	(20,166)	(19,486)	(39,652)
Net gain on translation of foreign operations	-	-	-	81,475	81,475	84,081	165,556
Net gain on translation to the presentation currency	-	-	-	618	618	419	1,037
Transaction with shareholders:							
Dividends	-	-	(234,722)	-	(234,722)	(1,016,642)	(1,251,364)
Consolidated capital transaction	-	34,727	-	-	34,727	(634,281)	(599,554)
Changes in the scope of consolidation	-	-	-	-	-	76,664	76,664
Others	-	5,631	(16,326)	-	(10,695)	789	(9,906)
<b>As of September 30, 2018 (Unaudited)</b>	\$ 12,807	\$ 3,463,712	\$ 9,741,597	\$ (129,805)	\$ 13,088,311	\$ 28,777,328	\$ 41,865,639
<b>As of January 1, 2019</b>	\$ 12,807	\$ 3,855,785	\$ 10,170,082	\$ (197,405)	\$ 13,841,269	\$ 28,519,401	\$ 42,360,670
<b>Effect of changes in accounting policies</b>							
<b>As of January 1, 2019 (After revisions)</b>	\$ 12,807	\$ 3,855,785	\$ 10,165,837	\$ (197,405)	\$ 13,837,024	\$ 28,500,993	\$ 42,338,017
Total comprehensive income:							
Profit for the period	-	-	859,177	-	859,177	1,078,333	1,937,510
Remeasurement loss on defined benefit plans	-	-	(34,119)	-	(34,119)	(23,062)	(57,181)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(19,422)	(19,422)	(17,191)	(36,613)
Equity adjustments of investments in associates and joint ventures	-	-	-	107,897	107,897	65,941	173,838
Gain on valuation of derivative financial instruments	-	-	-	3,959	3,959	13,760	17,719
Net gain on translation of foreign operations	-	-	-	372,212	372,212	281,582	653,794
Transaction with shareholders:							
Dividends	-	-	(234,722)	-	(234,722)	(1,182,273)	(1,416,995)
Consolidated capital transaction	-	302,515	(12,571)	-	289,944	1,626,043	1,915,987
Changes in the scope of consolidation	-	-	-	-	-	169,212	169,212
Others	-	(433)	14,603	-	14,170	317	14,487
<b>As of September 30, 2019 (Unaudited)</b>	\$ 12,807	\$ 4,157,867	\$ 10,758,205	\$ 267,241	\$ 15,196,120	\$ 30,513,655	\$ 45,709,775

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Interim condensed consolidated statements of cash flows**  
**for the nine months ended September 30, 2019 and 2018**  
(Korean won in millions and U.S. dollar in thousands)

		For the nine months ended September 30			
		Korean won		Translation into U.S. dollar (Note 2)	
Notes		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities:</b>					
		₩ 2,327,531	₩ 4,765,103	\$ 1,937,510	\$ 3,966,622
	30	6,688,694	4,350,300	5,567,880	3,621,327
	30	(1,486,571)	(2,554,001)	(1,237,469)	(2,126,031)
		174,581	162,994	145,327	135,681
		(1,037,526)	(879,512)	(863,669)	(732,134)
		382,810	283,297	318,663	235,825
		(1,127,891)	(1,434,581)	(938,892)	(1,194,190)
		<b>5,921,628</b>	<b>4,693,600</b>	<b>4,929,350</b>	<b>3,907,100</b>
<b>Cash flows from investing activities:</b>					
		640,802	1,930,062	533,424	1,606,644
		(125,201)	(51,691)	(104,221)	(43,029)
		37,961	(14,321)	31,600	(11,921)
		257,841	428,045	214,635	356,318
		784,669	76,574	653,183	63,743
		113,767	139,650	94,703	116,249
		17,192	17,958	14,311	14,949
		-	9,580	-	7,975
		(378,167)	(475,436)	(314,798)	(395,768)
		(2,583,680)	(618,242)	(2,150,737)	(514,644)
		(5,325,947)	(4,388,592)	(4,433,486)	(3,653,202)
		(365,244)	(343,663)	(304,041)	(286,076)
		(306,592)	(1,649,996)	(255,217)	(1,373,509)
		-	187,972	-	156,474
		929	113,306	773	94,319
		<b>(7,231,670)</b>	<b>(4,638,794)</b>	<b>(6,019,871)</b>	<b>(3,861,478)</b>
<b>Cash flows from financing activities:</b>					
		601,928	778,721	501,064	648,232
		7,902,082	8,237,676	6,577,942	6,857,301
		-	34,499	-	28,718
		(4,369,178)	(5,342,291)	(3,637,042)	(4,447,091)
		(434,630)	(520,770)	(361,800)	(433,505)
		(649,397)	-	(540,579)	-
		(1,704,785)	(1,503,263)	(1,419,117)	(1,251,364)
		2,312,834	202,515	1,925,276	168,580
		(50,520)	(34,691)	(42,054)	(28,877)
		<b>3,608,334</b>	<b>1,852,396</b>	<b>3,003,690</b>	<b>1,541,994</b>
<b>Net increase in cash and cash equivalents</b>					
		<b>2,298,292</b>	<b>1,907,202</b>	<b>1,913,169</b>	<b>1,587,616</b>
<b>Net foreign exchange effects</b>					
		<b>139,473</b>	<b>28,194</b>	<b>116,104</b>	<b>23,470</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>6,783,035</b>	<b>7,145,842</b>	<b>5,646,412</b>	<b>5,948,424</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>₩ 9,220,800</b>	<b>₩ 9,081,238</b>	<b>\$ 7,675,685</b>	<b>\$ 7,559,510</b>

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

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**September 30, 2019 and 2018 (Unaudited)**

**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 September 30, 2019, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares), and the major shareholders are Tae-won Chey, National Pension Service and Ki-won Choi holding equity ownership of 18.44%, 8.28%, and 6.85%, 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 September 30, 2019 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
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 Asphalt (Shanghai) 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 China Limited	Hong Kong	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 Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical China Holding Co., Ltd.	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Primacor Americas LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Primacor Europe, S.L.U.	Spain	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Saran Americas LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Synthetic rubber manufacturing	SK Global Chemical Investment Hong Kong Ltd.	80.00%
SK Incheon Petrochem Co., Ltd. (*3)	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Trading International Co., Ltd.	Korea	Trading business	SK Innovation Co., Ltd.	100.00%
SK Energy International Pte. Ltd.	Singapore	Trading business	SK Trading International Co., Ltd.	100.00%
SK Energy Europe, Ltd.	UK	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Energy Americas, Inc.	USA	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Terminal B.V.	Netherlands	Investment	SK Energy International Pte. Ltd.	100.00%
SK Lubricants Co., Ltd.	Korea	Lubricants oil manufacturing and sales	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 Iotechnology Co., Ltd.	Korea	Plastic film manufacturing	SK Innovation 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.	Hong Kong	Investment	SK Innovation Co., Ltd.	100.00%
Jiangsu SK Battery Certification Center	China	Lithium Battery Certification and Evaluation	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**  
**September 30, 2019 and 2018 (Unaudited)**

**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 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.	26.78%
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%
SK O&S Co., Ltd. (formerly, Network O&S Co., Ltd.)	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
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%
11street Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd.	80.30%
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	SK Telecom Co., Ltd.	59.90%
SK Infosec Co., Ltd.	Korea	Information security service	SK Telecom Co., Ltd.	100.00%
SKinfosec Information Technology(Wuxi) Co., Ltd.	China	System software development and supplying	SK Infosec Co., Ltd.	100.00%
SK Planet Co., Ltd.	Korea	Telecommunication service and system software development and supplying	SK Telecom Co., Ltd.	98.65%
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.	79.78%
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%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK Planet Co., Ltd.	59.00%
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. (formerly, Iriver Co., Ltd.)	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	51.96%
Iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	Dreamus Company Co., Ltd. (formerly, 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	Dreamus Company Co., Ltd. (formerly, Iriver Co., Ltd.)	100.00%
Life Design Company Japan Inc.	Japan	Japan goods sales	Dreamus Company Co., Ltd. (formerly, 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.	66.80%
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 Telecom Co., Ltd.	60.00%
FSK L&S (Shanghai) Co., Ltd.	China	Transportation industry	FSK L&S Co., Ltd.	100.00%
Incross Co., Ltd. (*2)	Korea	Media agency	SK Telecom Co., Ltd.	34.60%
Infra Communications Co., Ltd.	Korea	Service operation business	Incross Co., Ltd.	100.00%
Mindknock Co., Ltd.	Korea	Software development	Incross Co., Ltd.	100.00%
SK Telecom CS T1 Co., Ltd.	Korea	Game	SK Telecom Co., Ltd.	100.00%
Happy Hanool Co., Ltd.	Korea	Service	SK Telecom 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%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
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 Magic Co., Ltd.	100.00%
SK Networks Retail Malaysia Sdn. Bhd.	Vietnam	Household appliances sales and rent	SK Magic Co., Ltd.	100.00%
Mokgam Service	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
AJ Rent a Car Co., Ltd. (*2)	Korea	Car rental	SK Networks Co., Ltd.	42.24%
SK Networks (China) Holdings Co., Ltd.	China	Holding Company	SK Networks Co., Ltd.	100.00%
Liaoning SK Networks Real Estate Development Co., Ltd.	China	Real estate development	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SK Networks (China) Holdings Co., Ltd.	75.00%

**SK Holdings Co., Ltd. and its subsidiaries**  
**Notes to the interim condensed consolidated financial statements**  
**September 30, 2019 and 2018 (Unaudited)**

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

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity Ownership (*1)
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SK Networks (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*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	SK Telesys Co., Ltd.	100.00%
SKC INFRA SERVICE CO., Ltd.	Korea	Electric work business and Information Communication Business	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.	China	Film manufacturing	SKC Co., Ltd.	100.00%
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. (*5)	Korea	Energy business	SK E&S Co., Ltd.	51.00%
Wirye Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	100.00%
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%
Rnes Holdings, LLC	USA	Renewable / electric power business	SK E&S Americas, Inc.	100.00%
Storage Solution Holdings, LLC	USA	Electric power business	SK E&S Americas, Inc.	100.00%
CAES, LLC	USA	Electric power business	SK E&S Americas, Inc.	100.00%
Prism Energy International China Limited	China	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Prism Energy International Zhoushan Limited.	China	Liquefied natural gas sales	Prism Energy International China Limited	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 Prism Nusantara Internationa (formerly PT SK E&S Nusantara)	Indonesia	LNG importation	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%

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

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd.	Korea	Industrial gas sales	SK Materials Co., Ltd.	100.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Showa Denko Co., Ltd.	Korea	Sales of raw chemical materials and chemical products related to semiconductor	SK Materials Co., Ltd.	51.00%
SK Materials (Shanghai) Co., Ltd.	China	Special gas sales	SK Materials Co., Ltd.	100.00%
Happy Companion Co., Ltd.	Korea	Cleaning, Laundry service	SK Materials Co., Ltd.	100.00%
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%
SKSiltronShanghai Co., Ltd.	China	Silicon wafer for electronic industry	SK Siltron Co., Ltd.	100.00%
Happyfilling Co., Ltd.	Korea	Service	SK Siltron Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK 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. (*6)	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%
SK GI Management	Cayman	Investment	SK Holdings 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 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%
SK Biotek Co., Ltd.	Korea	Drug medicine	Alchemy Acquisition Corp.	100.00%
SK Biotek Ireland Limited	Ireland	Pharmaceutical Manufacturing	Alchemy Acquisition Corp.	100.00%
SK BIOTEK USA, Inc.	USA	Medicine and life science	Alchemy Acquisition Corp.	100.00%
Abrasax Investment Inc.	USA	Investment	Alchemy Acquisition 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%
HWEECHAN	Korea	Condo, Resort Operation	SK Holdings Co., Ltd.	100.00%

(\*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.

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

- (\*2) SK Innovation Co., Ltd. and 9 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 9 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 equity ownership with voting rights of 68.0% and 74.1%, respectively, due to the issuance of its preferred shares with 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 Group disposed of 49% of the equity during the current period.
- (\*6) The Group classified the investee as a subsidiary as it acquired voting rights for 51% of the remaining equity interest through the contractual arrangement between shareholders.

**1.3 Changes in consolidated subsidiaries**

Changes in the consolidated subsidiaries for the nine months ended September 30, 2019 are as follows:

December 31, 2018	Inclusion	Exclusion	September 30, 2019
260	30	8	282

For the nine months ended September 30, 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. Jiangsu SK Battery Certification Center Rnes Holdings, LLC Storage Solution Holdings, LLC Caes, LLC Prism Energy International China Limited Happy Chaeum Co., Ltd. SKinfosec Information Technology(Wuxi) Co., Ltd. SK Telecom CS T1 Co., Ltd. Happy Hanool Co., Ltd. Prism Energy International Zhoushan Limited SK Materials (Shanghai) Co., Ltd. Happy Companion Co., Ltd. SK Siltron Shanghai Co., Ltd.	Establishment (21 companies)
AJ Rent a Car Co., Ltd. Linkable Co., Ltd. and 2 other companies Incross Co., Ltd. Infra Communications Co., Ltd. Mindknock Co., Ltd. HWEECHAN	Acquisition (8 companies)
SK ie technology Co., Ltd.	Physical division (1 company)

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**1.3 Changes in consolidated subsidiaries (cont'd)**

For the nine months ended September 30, 2019, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
SK Beijing Investment Management Limited Linkable Co., Ltd. Shopkick Management Company, Inc. Shopkick, Inc. SK Golden Tide Plastics (Yantai) Co., Ltd. Iriver Inc.	Disposal (6 companies)
Beijing SK Magellan Capital Advisors Co., Ltd.	Liquidation (1 company)
Groovers Co., Ltd.	Merge (1 company)

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

Details of condensed financial information of the significant subsidiaries as of and for the nine months ended September 30, 2019 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩ 16,404,100	₩ 2,861,949	₩ 2,599,602	₩ 1,255,304
SK Energy Co., Ltd.	14,761,779	9,350,481	24,584,937	44,256
SK Global Chemical Co., Ltd.	6,208,540	2,482,812	7,670,892	399,287
SK Incheon Petrochem Co., Ltd.	6,007,924	2,897,408	5,528,024	20,000
SK Trading International Co., Ltd.	1,753,575	983,543	9,056,312	160,698
SK Lubricants Co., Ltd.	2,367,288	1,236,038	2,116,044	116,589
SK ie technology Co., Ltd.	754,120	390,067	171,801	39,807
SK Global Chemical International Trading (Shanghai) Co., Ltd.	179,456	156,853	1,050,897	(1,601)
SK Energy International Pte. Ltd.	2,248,433	1,631,108	18,352,969	32,437
SK Energy Europe, Ltd.	245,771	164,426	3,073,742	(8,275)
SK E&P America, Inc.	1,053,420	85,000	-	(2,812)
SK Energy Americas, Inc.	452,297	375,340	3,346,776	2,627
SK Telecom Co., Ltd.	29,933,388	12,817,302	8,571,475	967,095
SK Telink Co., Ltd. (*1)	328,040	127,688	272,968	14,595
SK Broadband Co., Ltd.	4,463,781	2,818,170	2,416,974	56,656
PS&Marketing Corp.	481,382	264,423	1,257,650	911
SK Planet Co., Ltd.	668,133	360,514	204,979	(10,068)
11street. Co., Ltd.	971,070	476,495	443,263	4,621
Life & Security Holdings Co., Ltd. (*1)	2,678,247	2,339,779	681,163	14,156
SK Networks Co., Ltd.	8,533,070	6,353,093	8,716,815	3,591
SK Magic Co., Ltd.	756,326	508,556	630,955	36,286
AJ Rent a Car Co., Ltd. (*2)	1,206,086	945,621	480,738	14,946
SKC Co., Ltd.	2,891,929	1,321,446	979,136	57,200
SK Telesys Co., Ltd.	136,816	178,795	191,682	259
SKC, Inc.	326,005	263,714	138,322	(5,657)
SK E&S Co., Ltd.	5,465,080	2,316,615	629,293	1,224,503
Yeongnam Energy Service Co., Ltd.	362,271	154,908	478,383	16,856
Ko-one Energy Service Co., Ltd.	618,667	244,362	747,338	14,945
Narae Energy Service Co., Ltd.	653,936	507,520	205,003	(9,013)
Pusan City Gas Co., Ltd.	907,176	244,675	697,811	36,204
Chungcheong Energy Service Co., Ltd.	271,077	142,556	365,599	17,964
Paju Energy Service Co., Ltd.	1,793,195	1,114,662	972,983	103,502
Wirye Energy Service Co., Ltd.	796,998	522,049	276,007	20,815
Prism Energy International Pte. Ltd.	641,856	516,906	952,833	(11,361)
SK Engineering & Construction Co., Ltd.	5,110,687	4,321,005	5,514,182	116,145
SK TNS Co., Ltd.	70,804	57,039	449,467	26,159
SK Materials Co., Ltd. (*1)	1,516,824	1,028,304	569,195	114,713
SK Siltron Co., Ltd. (*1)	2,644,001	1,754,615	1,178,346	200,031
SK China Company, Ltd.	2,271,207	896	-	3,812
Plutus Capital NY, Inc. (*1)	1,236,561	248,759	-	5,734
Abrasax Investment Inc. (*1)	965,961	494,095	129,152	(49,495)
SK South East Asia Investment Pte. Ltd. (*1)	1,850,587	94	-	10

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

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

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

Information about significant non-controlling interests in subsidiaries as of and for the nine months ended September 30, 2019 is as follows (Korean won in millions):

	September 30, 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	18,231,112	8,086,130	3,471,038	999,115	2,610,453	3,536,682
Non-current assets	21,289,064	35,897,650	7,245,987	3,056,129	8,203,471	2,143,904
Current liabilities	9,070,171	7,367,171	4,972,885	1,065,657	2,521,645	3,962,046
Non-current liabilities	10,618,497	13,959,964	3,265,723	1,252,348	3,760,712	828,107
Net assets	19,831,508	22,656,645	2,478,417	1,737,239	4,531,567	890,433
Book value of the non-controlling interests	13,676,089	15,234,376	1,605,392	1,070,275	1,737,695	628,439
Sales	38,324,738	13,333,148	10,521,055	1,879,663	4,756,441	6,168,160
Net income	554,744	907,112	38,713	60,595	774,394	131,342
Total comprehensive income	832,766	1,027,183	41,164	80,676	899,634	158,460
Net income of the non-controlling interests	375,625	547,739	19,841	34,511	134,987	56,880
Total comprehensive income of the non-controlling interests	518,326	609,199	20,942	45,842	147,794	74,614
Net cash flows from operating activities	1,167,937	2,838,218	635,247	88,210	787,789	46,603
Net cash flows from investing activities	(2,044,026)	(2,041,544)	(305,286)	(199,710)	181,438	(102,089)
Net cash flows from financing activities before dividends paid to the non-controlling interests	2,738,177	(494,131)	124,768	128,209	146,939	54,015
Dividends paid to the non-controlling interests	(680,350)	(524,455)	(20,329)	(23,273)	(142,680)	(16,043)
Net increase (decrease) in cash and cash equivalents	1,181,738	(221,912)	434,400	(6,564)	973,486	(17,514)

The aforementioned condensed financial information is consolidated financial information of each subsidiary and non-controlling interests which 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 ₩1,201.3 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the nine months ended September 30, 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 nine months ended September 30, 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 recognized 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 recognized 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 amortized cost and the effect of the modification should be recognized in profit or loss if the financial liability measured at amortized cost has been conditioned but not derecognized. 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	
<b>Assets:</b>		
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
<b>Liabilities:</b>		
Lease liabilities	₩	2,896,860
Other payables and others		(19,157)
	₩	2,877,703
<b>Equity:</b>		
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).

#### **KIFRS 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 nine months ended September 30, 2019, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2018.

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**4. Operating segments**

(1) Overview of operating segments

The Group makes decisions on resources to be allocated to business segments and divides the business segments based on the internal reports which the chief operating decision maker periodically reviews to evaluate the performances of the sales segments. Details of principal business activities of each operating segment are as follows:

Operating segments	Principal business activity
SK Innovation Co., Ltd.	Refining, chemical and resources development
SK Telecom Co., Ltd.	Telecommunication and security service
SK Networks Co., Ltd.	Information communication, rental, 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 nine months ended September 30, 2019 and 2018 are as follows (Korean won in billions):

	As of and for the nine months ended September 30, 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	₩ 38,325	₩ 13,333	₩ 10,521	₩ 1,880	₩ 4,756	₩ 6,168	₩ 5,923	₩ (5,251)	₩ 75,655									
Internal sales	(763)	(136)	(1,259)	(231)	(61)	(702)	(2,099)	5,251	-									
Net sales	37,562	13,197	9,262	1,649	4,695	5,466	3,824	-	75,655									
Profit (loss) from continuing operations before income tax expense	813	1,170	58	81	1,103	168	1,875	(1,950)	3,318									
Profit (loss) for the period from continuing operations	555	907	41	61	774	131	1,684	(1,823)	2,330									
Total assets	39,520	43,984	10,717	4,055	10,814	5,681	37,365	(20,249)	131,887									
Total liabilities	19,689	21,327	8,239	2,318	6,282	4,790	12,525	1,806	76,976									
Depreciation	768	2,191	607	100	311	50	410	(56)	4,381									
Amortization	97	716	14	7	3	4	50	251	1,142									

	As of and for the nine months ended September 30, 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	₩ 40,563	₩ 12,522	₩ 10,440	₩ 2,054	₩ 4,592	₩ 5,468	₩ 5,182	₩ (6,136)	₩ 74,685									
Internal sales	(1,524)	(63)	(1,550)	(325)	(52)	(428)	(2,194)	6,136	-									
Net sales	39,039	12,459	8,890	1,729	4,540	5,040	2,988	-	74,685									
Profit (loss) from continuing operations before income tax expense	2,102	3,372	22	168	444	304	1,668	(1,615)	6,465									
Profit (loss) for the period from continuing operations	1,432	2,657	(1)	133	342	168	1,453	(1,560)	4,624									
Total assets	36,563	38,187	7,274	3,761	8,890	4,953	37,378	(18,145)	118,861									
Total liabilities	17,504	16,016	4,967	2,068	5,023	4,069	16,500	2,420	68,567									
Depreciation	627	1,824	179	90	261	16	339	18	3,354									
Amortization	63	614	9	6	3	4	21	256	976									

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

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

(3) Details of financial information by geographical location as of and for the nine months ended September 30, 2019 and 2018 (Korean won in billions):

	As of and for the nine months ended September 30, 2019							Total
	Korea	Asia	Europe	North America	Others	Consolidation adjustments		
Total sales	₩ 94,745	₩ 23,994	₩ 4,706	₩ 4,582	₩ 65	₩ (52,437)	₩ 75,655	
Operating profit (loss)	6,522	93	48	(57)	10	(3,161)	3,455	
Profit (loss) from continuing operations before income tax expense	7,608	238	46	(67)	4	(4,511)	3,318	
Profit (loss) for the period from continuing operations	6,293	216	38	(67)	(2)	(4,148)	2,330	
Total assets	148,418	12,202	2,663	10,024	1,384	(42,804)	131,887	
Total liabilities	71,937	3,895	1,130	2,889	231	(3,106)	76,976	

	As of and for the nine months ended September 30, 2018							Total
	Korea	Asia	Europe	North America	Others	Consolidation adjustments		
Total sales	₩ 96,356	₩ 28,084	₩ 5,709	₩ 1,148	₩ 65	₩ (56,677)	₩ 74,685	
Operating profit (loss)	7,160	106	5	19	22	(2,710)	4,602	
Profit (loss) from continuing operations before income tax expense	7,116	247	(32)	8	16	(890)	6,465	
Profit (loss) for the period from continuing operations	5,760	215	(43)	-	(126)	(1,182)	4,624	
Total assets	138,077	10,666	2,357	7,751	1,589	(41,579)	118,861	
Total liabilities	64,122	4,488	1,640	2,159	517	(4,359)	68,567	

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

(4) Details of financial information by revenue from contracts with customers for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in billions):

As of and for the nine months ended September 30, 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	₩ 38,325	₩ 13,333	₩ 10,521	₩ 1,880	₩ 4,756	₩ 6,168	₩ 5,923	₩ (5,251)	₩ 75,655
2. Revenue from contracts with customers	38,297	13,333	9,287	1,880	4,751	6,166	5,841	(3,994)	75,561
Categories:									
Service sales	113	12,180	325	59	-	6,141	2,411	(1,699)	19,530
Finished goods sales	36,738	31	375	1,446	2,105	-	2,553	(982)	42,266
Merchandise sales	132	1,122	8,585	342	2,563	25	570	(1,262)	12,077
Other sales	1,314	-	2	33	83	-	307	(51)	1,688
	<u>38,297</u>	<u>13,333</u>	<u>9,287</u>	<u>1,880</u>	<u>4,751</u>	<u>6,166</u>	<u>5,841</u>	<u>(3,994)</u>	<u>75,561</u>
Timing of revenue recognition:									
Recognition at a point in time	38,184	1,153	8,962	1,821	589	25	3,430	(2,295)	51,869
Recognition over a period of time	113	12,180	325	59	4,162	6,141	2,411	(1,699)	23,692
	<u>38,297</u>	<u>13,333</u>	<u>9,287</u>	<u>1,880</u>	<u>4,751</u>	<u>6,166</u>	<u>5,841</u>	<u>(3,994)</u>	<u>75,561</u>
3. Revenue from other sources	28	-	1,234	-	5	2	82	(1,257)	94

  

As of and for the nine months ended September 30, 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	₩ 40,563	₩ 12,522	₩ 10,440	₩ 2,054	₩ 4,592	₩ 5,468	₩ 5,182	₩ (6,136)	₩ 74,685
2. Revenue from contracts with customers	40,538	12,520	9,737	2,054	4,587	5,457	4,270	(5,263)	73,900
Categories:									
Service sales	108	11,448	349	62	-	5,448	1,563	(1,569)	17,409
Finished goods sales	38,956	25	375	1,577	2,088	-	1,901	(1,794)	43,128
Merchandise sales	140	1,047	9,010	372	2,454	9	733	(1,811)	11,954
Other sales	1,334	-	3	43	45	-	73	(89)	1,409
	<u>40,538</u>	<u>12,520</u>	<u>9,737</u>	<u>2,054</u>	<u>4,587</u>	<u>5,457</u>	<u>4,270</u>	<u>(5,263)</u>	<u>73,900</u>
Timing of revenue recognition:									
Recognition at a point in time	40,430	1,072	9,388	1,992	889	9	2,752	(3,694)	52,838
Recognition over a period of time	108	11,448	349	62	3,698	5,448	1,518	(1,569)	21,062
	<u>40,538</u>	<u>12,520</u>	<u>9,737</u>	<u>2,054</u>	<u>4,587</u>	<u>5,457</u>	<u>4,270</u>	<u>(5,263)</u>	<u>73,900</u>
3. Revenue from other sources	25	2	703	-	5	11	912	(873)	785

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**5. Financial instruments**

**5.1 Financial assets**

Details of financial assets as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019				
	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortized cost	Financial assets designated as hedging instruments	Total
<b>Current assets</b>					
Cash and cash equivalents	₩ 1,966,715	₩ -	₩ 7,254,085	₩ -	₩ 9,220,800
Short-term financial instruments	2,138,769	-	1,536,877	-	3,675,646
Trade receivables (*1)	234,172	-	9,289,532	-	9,523,704
Other receivables	327,290	-	1,854,424	-	2,181,714
Short-term loans	-	-	111,607	-	111,607
Accrued income	-	-	122,930	-	122,930
Short-term investment securities	149,564	-	45	-	149,609
Guarantee deposits	-	-	243,327	-	243,327
Derivative financial assets	77,946	-	-	64,473	142,419
Finance lease receivables	-	-	24,154	-	24,154
	<u>4,894,456</u>	<u>-</u>	<u>20,436,981</u>	<u>64,473</u>	<u>25,395,910</u>
<b>Non-current assets</b>					
Long-term financial instruments	-	-	7,916	-	7,916
Long-term trade receivables	-	-	83,389	-	83,389
Long-term other receivables	494,518	-	59,559	-	554,077
Long-term loans	-	-	604,758	-	604,758
Long-term investment securities	857,597	1,601,152	1,181	-	2,459,930
Guarantee deposits	-	-	877,056	-	877,056
Derivative financial assets	78,761	-	-	214,259	293,020
Finance lease receivables	-	-	55,525	-	55,525
	<u>1,430,876</u>	<u>1,601,152</u>	<u>1,689,384</u>	<u>214,259</u>	<u>4,935,671</u>
	<u>₩ 6,325,332</u>	<u>₩ 1,601,152</u>	<u>₩ 22,126,365</u>	<u>₩ 278,732</u>	<u>₩ 30,331,581</u>

(\*1) Contract assets (unbilled receivables) amounting to ₩729,093 million as of September 30, 2019 are not included in the financial instruments.

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

	December 31, 2018				
	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortized cost	Financial assets designated as hedging instruments	Total
<b>Current assets</b>					
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>
<b>Non-current assets</b>					
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.



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

1) Fair values and book values of financial instruments as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019		December 31, 2018	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 29,281,928	₩ 30,019,980	₩ 25,820,473	₩ 25,132,494
Borrowings	13,350,601	13,367,364	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 (1.42%~3.13%) 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 September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at FVTPL	₩ 4,105,484	₩ 1,072,312	₩ 990,829	₩ 6,168,625
Financial assets at FVOCI	320,731	-	1,280,421	1,601,152
Derivative financial assets	678	434,761	-	435,439
	<u>₩ 4,426,893</u>	<u>₩ 1,507,073</u>	<u>₩ 2,271,250</u>	<u>₩ 8,205,216</u>
Financial liabilities:				
Derivative financial liabilities	₩ 1,394	₩ 72,140	₩ 240,168	₩ 313,702
	<u>₩ 1,394</u>	<u>₩ 72,140</u>	<u>₩ 240,168</u>	<u>₩ 313,702</u>
	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at FVTPL	₩ 3,557,954	₩ 1,072,489	₩ 909,676	₩ 5,540,119
Financial assets 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 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>

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**6. Trade receivables**

(1) Details of trade receivables as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 10,095,561	₩ 90,718	₩ 10,831,643	₩ 13,727
Contract assets (unbilled receivables)	729,093	-	612,298	-
Allowance for doubtful accounts:				
Trade receivables	(571,857)	(7,329)	(599,817)	(2,354)
	<u>₩ 10,252,797</u>	<u>₩ 83,389</u>	<u>₩ 10,844,124</u>	<u>₩ 11,373</u>

(2) Contract assets and liabilities related with contracts with customers as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019	December 31, 2018
Contract assets: (*1)		
Construction business	₩ 579,918	₩ 515,483
Telecommunication business	184,447	133,893
Others	149,256	96,814
	<u>₩ 913,621</u>	<u>₩ 746,190</u>
Contract liabilities: (*2)		
Construction business	₩ 1,065,441	₩ 1,750,851
Telecommunication business	200,742	183,813
Others	945,445	919,096
	<u>₩ 2,211,628</u>	<u>₩ 2,853,760</u>

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

(\*2) Contract liabilities are included in advances received and other liabilities.

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**6. Trade receivables (cont'd)**

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as of September 30, 2019 are as follows (Korean won in millions):

	September 30, 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	₩ 825,857	₩ 888,937	₩ (164,322)	₩ 101,242	₩ (164,322)
Others	6,116	6,674	(495)	(63)	(495)
	<u>₩ 831,973</u>	<u>₩ 895,611</u>	<u>₩ (164,817)</u>	<u>₩ 101,179</u>	<u>₩ (164,817)</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 September 30, 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	₩ -	₩ -	₩ -	₩ -
	Goseong High Fire power Construction	2014.07	2021.07	59.3	-	-	-	-

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

**7. Inventories**

Details of inventories as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019			December 31, 2018		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 1,014,413	₩ (22,251)	₩ 992,162	₩ 1,246,748	₩ (25,208)	₩ 1,221,540
Finished goods	2,703,945	(61,588)	2,642,357	2,439,524	(173,148)	2,266,376
Semifinished goods and work in progress	1,188,062	(73,638)	1,114,424	1,054,235	(106,597)	947,638
Raw materials and sub-materials	1,761,878	(33,606)	1,728,272	2,050,836	(80,340)	1,970,496
Materials in transit	2,244,955	-	2,244,955	2,267,490	-	2,267,490
Supplies	367,631	(4,653)	362,978	229,050	(3,909)	225,141
Uncompleted contracts	181,751	-	181,751	80,574	-	80,574
Others	10,503	(302)	10,201	13,621	(136)	13,485
	<u>₩ 9,473,138</u>	<u>₩ (196,038)</u>	<u>₩ 9,277,100</u>	<u>₩ 9,382,078</u>	<u>₩ (389,338)</u>	<u>₩ 8,992,740</u>

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**8. Investment securities**

Details of investment securities as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019			
	Financial assets at FVTPL	Financial assets at FVOCI (*1)	Financial assets at amortized cost	Total
Equity instruments:				
Marketable equity instruments	₩ -	₩ 320,731	₩ -	₩ 320,731
Non-marketable equity instruments	21,716	1,256,736	-	1,278,452
	<u>21,716</u>	<u>1,577,467</u>	<u>-</u>	<u>1,599,183</u>
Bond instruments:				
Beneficiary securities and others	588,498	663	-	589,161
Debt securities	396,947	23,022	1,226	421,195
	<u>985,445</u>	<u>23,685</u>	<u>1,226</u>	<u>1,010,356</u>
	<u>₩ 1,007,161</u>	<u>₩ 1,601,152</u>	<u>₩ 1,226</u>	<u>₩ 2,609,539</u>
Current investment securities	₩ 149,564	₩ -	₩ 45	₩ 149,609
Non-current investment securities	857,597	1,601,152	1,181	2,459,930

	December 31, 2018			
	Financial assets at FVTPL	Financial assets at FVOCI (*1)	Financial assets at amortized cost	Total
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.

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

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	September 30, 2019		December 31, 2018
			Acquisition cost	Book value	Book value
<b>Associates:</b>					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 11,134,519	₩ 10,922,882
China Gas Holdings Ltd. (*2)	Hong Kong	11.7%	1,178,637	1,488,999	1,814,603
Vingroup Joint Stock Company (*2)	Vietnam	6.1%	1,161,930	1,201,042	-
Masan Group Corporation (*2)	Vietnam	9.5%	559,050	568,325	559,050
ESR Cayman Limited (*2)	Cayman Islands	12.5%	493,627	684,714	616,364
Eureka Midstream Holdings	USA	40.0%	465,582	497,087	469,202
FR BR Aggregator	USA	39.0%	349,674	374,614	-
Peru LNG Company, LLC	USA	20.0%	331,144	301,888	293,027
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	344,541	339,664
Shenzhen Londian Electrics Co., Ltd.	China	26.0%	283,754	296,901	-
NHIP II Bison Holdings, LLC	USA	24.2%	297,444	357,046	279,525
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	294,772	288,457
Yemen LNG Company Ltd. (*2, 3)	Yemen	6.9%	252,813	-	-
Beijing BESK Technology Co., Ltd.	China	49.0%	247,427	238,602	143,198
Korea IT Fund (*5)	Korea	63.3%	242,170	285,516	281,684
Joyvio (*2)	China	14.0%	213,157	220,332	-
Canakkale Highway And Bridge	Turkey	25.0%	134,366	96,507	80,270
Others				1,052,955	844,268
				<u>19,438,360</u>	<u>16,932,194</u>
<b>Joint ventures (*4):</b>					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	676,332	1,025,772	775,577
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	472,887	481,199
Hana Land Chip PEF 33 (*5)	Korea	65.2%	196,001	260,212	263,792
Eurasia Tunnel	Turkey	50.0%	112,726	242,679	226,198
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	133,323	151,694	117,543
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	91,034	88,680
Others				385,671	333,162
				<u>2,629,949</u>	<u>2,286,151</u>
				<u>₩22,068,309</u>	<u>₩ 19,218,345</u>

(\*1) Equity ownership includes indirect investments held by the 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) 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.

(\*5) These companies are classified as associates and joint ventures even though the Group has more than 50% of the equity interests because of the Group cannot exercise the majority of the voting rights.

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

		For the nine months ended September 30, 2019							
		Beginning balance	Acquisitions	Disposals (*1)	Equity profit or losses on investments	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates		₩16,932,194	₩ 2,358,242	₩ (432,100)	₩ 496,124	₩ 219,098	₩(330,832)	₩ 195,634	₩19,438,360
Joint ventures		2,286,151	267,015	(81)	66,098	27,680	(35,952)	19,038	2,629,949
		<u>₩19,218,345</u>	<u>₩ 2,625,257</u>	<u>₩ (432,181)</u>	<u>₩ 562,222</u>	<u>₩ 246,778</u>	<u>₩(366,784)</u>	<u>₩ 214,672</u>	<u>₩22,068,309</u>

  

		For the nine months ended September 30, 2018							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments	Other capital movements	Dividends received	Others (*2)	Ending balance
Associates		₩12,810,908	₩ 568,668	₩ (67,653)	₩ 2,576,653	₩ 157,591	₩(217,720)	₩ 32,551	₩ 15,860,998
Joint ventures		1,818,594	46,314	(9,707)	196,802	(23,555)	(24,478)	(16,734)	1,987,236
		<u>₩14,629,502</u>	<u>₩ 614,982</u>	<u>₩ (77,360)</u>	<u>₩ 2,773,455</u>	<u>₩ 134,036</u>	<u>₩(242,198)</u>	<u>₩ 15,817</u>	<u>₩ 17,848,234</u>

(\*1) During the nine months ended September 30, 2019, SK Holdings Co., Ltd. have disposed of 3.3% of China Gas Holdings Ltd. equity interests.

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

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as of September 30, 2019 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 71,292	₩ 1,664	₩ 72,956
SK Telesys Corporation	3,960	-	3,960
Korea Consortium Kazakh B.V.	163,488	-	163,488
Yemen LNG Company Ltd. and others	28,769	7,340	36,109

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

(4) Condensed financial information of significant investments in associates and joint ventures as of September 30, 2019 are as follows (Korean won in millions):

	As of and for the nine months ended September 30, 2019						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
<b>Associates:</b>							
SK Hynix Inc.	₩ 14,175,499	₩ 49,496,252	₩ 6,827,424	₩ 8,578,101	₩ 20,063,622	₩ 2,134,639	₩ 2,452,684
China Gas Holdings Ltd.	6,373,599	10,459,976	7,145,898	3,439,812	4,523,549	650,529	761,338
Eureka Midstream Holdings	32,858	899,363	50,957	366,953	90,868	17,674	17,674
FR BR Aggregator	1,454,273	-	576,825	-	5,063	(11,841)	(11,841)
Peru LNG Company, LLC	288,730	2,826,007	351,740	1,252,715	433,048	(60,894)	(60,894)
Daehan Oil Pipeline Corporation	132,474	930,689	29,909	238,831	124,703	21,628	21,628
Shenzhen Londian Electrics Co., Ltd.	374,367	560,417	210,926	215,185	257,470	19,048	19,057
NHIP II Bison Holdings, LLC	1,273,161	21,247	237	-	-	(1,695)	(1,695)
Hana Card Co., Ltd.	7,772,208	209,108	1,125,591	5,230,124	910,256	49,847	49,240
Beijing BESK Technology Co., Ltd.	256,261	236,514	7,507	956	3,689	(4,107)	(4,107)
Korea IT Fund	94,065	356,749	-	-	31,397	16,197	16,197
Canakkale Highway And Bridge	44,210	1,957,163	117,477	1,485,782	577,302	(162,308)	(108,206)
<b>Joint ventures:</b>							
Sinopec-SK (Wuhan)	863,603	4,279,670	2,298,035	1,166	3,253,046	112,449	112,449
Petrochemical Co., Ltd.							
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	508,461	931,576	322,662	114,607	807,592	(10,252)	9,072
Hana land chip PEF 33	15,136	711,400	13,610	314,483	26,994	18,499	18,499
Eurasia Tunnel	160,698	1,479,007	111,426	1,060,985	9,806	(6,207)	(374)
Boryeong LNG Terminal Co., Ltd.	196,318	1,259,054	56,600	1,130,531	109,164	21,342	21,342
SABIC SK Nexlene Company Pte. Ltd.	203,392	547,777	112,080	368,587	291,778	20,956	(17,600)

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**10. Property, plant and equipment**

(1) Details of property, plant and equipment as of September 30, 2019, and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019	December 31, 2018
Acquisition cost	₩ 57,604,442	₩ 51,614,987
Accumulated depreciation and accumulated impairment losses	(15,172,793)	(11,899,066)
	<u>₩ 42,431,649</u>	<u>₩ 39,715,921</u>

(2) Changes in property, plant and equipment for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	For the nine months ended September 30, 2019						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,627,559	₩ 42,996	₩ 12,632	₩ (54,871)	₩ -	₩ 160,287	₩ 9,788,603
Buildings	4,043,820	7,642	13,580	(12,974)	(141,634)	295,298	4,205,732
Structures	1,611,612	439	23,435	(19,878)	(84,727)	36,614	1,567,495
Ships and vessels	843	-	-	(1)	(86)	135	891
Machinery and equipment	17,966,522	361	474,326	(40,766)	(2,638,617)	2,207,008	17,968,834
Vehicles	606,323	982,550	386,283	(10,879)	(296,479)	(137,221)	1,530,577
Others	3,845,244	446	1,170,994	(24,311)	(566,166)	(666,527)	3,759,680
Construction-in-progress	2,013,998	-	3,485,935	(25,799)	-	(1,864,297)	3,609,837
	<u>₩ 39,715,921</u>	<u>₩ 1,034,434</u>	<u>₩ 5,567,185</u>	<u>₩ (189,479)</u>	<u>₩ (3,727,709)</u>	<u>₩ 31,297</u>	<u>₩ 42,431,649</u>

	For the nine months ended September 30, 2018						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,745,857	₩ 9,264	₩ 3,357	₩ (76,082)	₩ -	₩ (8,574)	₩ 9,673,822
Buildings	3,831,393	56,893	4,187	(28,436)	(134,091)	400,823	4,130,769
Structures	1,569,763	2,691	10,058	(13,909)	(83,455)	119,899	1,605,047
Ships and vessels	2,308,484	-	1,724	(4,882)	(90,983)	267,777	2,482,120
Machinery and equipment	17,158,469	71,015	447,617	(73,638)	(2,464,915)	2,029,511	17,168,059
Vehicles	771,901	236	47,729	(16,880)	(106,086)	(44,519)	652,381
Others	3,126,126	8,824	465,151	(26,081)	(468,570)	137,903	3,243,353
Construction-in-progress	2,774,425	22,756	2,875,355	(17,747)	-	(3,308,774)	2,346,015
	<u>₩ 41,286,418</u>	<u>₩ 171,679</u>	<u>₩ 3,855,178</u>	<u>₩ (257,655)</u>	<u>₩ (3,348,100)</u>	<u>₩ (405,954)</u>	<u>₩ 41,301,566</u>

(\*1) This includes transfer to intangible assets, investment properties, impairment losses, and net foreign exchange differences.

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**11. Right-of-use assets and lease liabilities**

(1) Details of right-of-use assets as of September 30, 2019 are as follows (Korean won in millions):

	September 30, 2019		
	Acquisition cost	Accumulated depreciation	Book value
Land and buildings	₩ 2,166,068	₩ (463,179)	₩ 1,702,889
Tank	316,601	(43,283)	273,318
Ships and vessels	496,197	(9,843)	486,354
Vehicles	1,543,184	(158,038)	1,385,146
Others	249,599	(55,928)	193,671
	<u>₩ 4,771,649</u>	<u>₩ (730,271)</u>	<u>₩ 4,041,378</u>

(2) Changes in right-of-use assets for the nine months ended September 30, 2019 are as follows (Korean won in millions):

	For the nine months ended September 30, 2019							
	Beginning balance	Changes in accounting policy	Business combination	Increase	Decrease	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ -	₩ 1,074,318	₩ 2,897	₩1,152,531	₩ (117,842)	₩(328,176)	₩ (80,839)	₩ 1,702,889
Tank	-	298,674	-	21,431	(5,387)	(43,436)	2,036	273,318
Ships and vessels	-	-	-	480,739	-	(9,560)	15,175	486,354
Vehicles	-	1,244,872	69,625	404,785	(131,974)	(203,949)	1,787	1,385,146
Others	-	187,890	9	83,567	(18,830)	(63,497)	4,532	193,671
	<u>₩ -</u>	<u>₩ 2,805,754</u>	<u>₩ 72,531</u>	<u>₩2,143,053</u>	<u>₩ (274,033)</u>	<u>₩(648,618)</u>	<u>₩ (57,309)</u>	<u>₩ 4,041,378</u>

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

(3) Changes in lease liabilities for the nine months ended September 30, 2019 are as follows (Korean won in millions):

	For the nine months ended September 30, 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	₩ 1,357,184	₩ 76,847	₩ (819,189)	₩ (110,653)	₩ 8,863	₩ 3,505,259

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

During the nine months ended September 30, 2019, the Group recognized ₩219,241 million and ₩10,429 million of lease expenses relating to short-term leases and leases of low-value assets, respectively.

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**12. Investment property**

(1) Details of investment property as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Acquisition cost	₩ 461,911	₩ 623,357
Accumulated depreciation and accumulated impairment loss	<u>(63,346)</u>	<u>(119,391)</u>
	<u>₩ 398,565</u>	<u>₩ 503,966</u>

(2) Changes in investment property for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

For the nine months ended September 30, 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	₩ 1,023	₩ (11,340)	₩ -	₩ 9,753	₩ 200,649
Buildings	302,125	-	(2,596)	(4,312)	(97,821)	197,396
Structures	628	-	-	(108)	-	520
	<u>₩ 503,966</u>	<u>₩ 1,023</u>	<u>₩ (13,936)</u>	<u>₩ (4,420)</u>	<u>₩ (88,068)</u>	<u>₩ 398,565</u>

  

For the nine months ended September 30, 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	₩ 13,917	₩ (23,680)	₩ -	₩ 2,504	₩ 300,177
Buildings	314,736	-	(48,856)	(5,990)	(1,997)	257,893
Structures	674	-	-	(22)	-	652
	<u>₩ 622,846</u>	<u>₩ 13,917</u>	<u>₩ (72,536)</u>	<u>₩ (6,012)</u>	<u>₩ 507</u>	<u>₩ 558,722</u>

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

**13. Goodwill**

(1) Changes in goodwill for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Beginning balance	₩ 2,379,526	₩ 899,213
Business combination (see Note 35)	183,520	382,814
Others (*1)	<u>56,297</u>	<u>(35,129)</u>
Ending balance	<u>₩ 2,619,343</u>	<u>₩ 1,246,898</u>

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

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**14. Intangible assets**

Details of intangible assets for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	For the nine months ended September 30, 2019						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	Ending balance
Development costs	₩ 122,290	₩ -	₩ 37,201	₩ (587)	₩ (22,286)	₩ 12,003	₩ 148,621
Facility usage rights	53,872	-	1,502	(26)	(6,412)	805	49,741
Industrial property rights	90,915	12	1,526	(550)	(4,477)	(11,684)	75,742
Frequency usage rights	3,139,978	-	-	-	(361,982)	-	2,777,996
Customer-related assets	2,398,689	15,038	250	(258)	(156,464)	25,010	2,282,265
Membership (*1)	229,325	1,511	13,855	(4,488)	-	904	241,107
Development costs for petroleum resource	2,354,708	-	222,584	(33,560)	(78,253)	(537,593)	1,927,886
Brand-related assets (*1)	2,223,112	-	-	-	-	375,434	2,598,546
Developed technology	1,086,222	-	-	-	(110,227)	4,535	980,530
Others (*3)	2,112,088	8,797	77,919	(3,241)	(401,651)	(263,140)	1,530,772
	<u>₩ 13,811,199</u>	<u>₩ 25,358</u>	<u>₩ 354,837</u>	<u>₩ (42,710)</u>	<u>₩ (1,141,752)</u>	<u>₩ (393,726)</u>	<u>₩ 12,613,206</u>

	For the nine months ended September 30, 2018						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	Ending balance
Development costs	₩ 94,548	₩ 244	₩ 39,076	₩ (2,939)	₩ (17,178)	₩ 6,877	₩ 120,628
Facility usage rights	58,391	-	4,179	(47)	(6,509)	(81)	55,933
Industrial property rights	114,868	-	4,793	(962)	(5,893)	5,278	118,084
Frequency usage rights	2,176,940	-	-	-	(302,916)	-	1,874,024
Customer-related assets	1,822,205	220,165	213	-	(113,184)	3,441	1,932,840
Membership (*1)	226,021	-	18,631	(12,432)	-	657	232,877
Development costs for petroleum resource	1,768,834	312,515	228,461	-	(48,864)	21,245	2,282,191
Brand-related assets (*1)	2,194,226	18,393	-	-	-	5,762	2,218,381
Developed technology	1,169,702	55,640	-	-	(106,222)	(2,456)	1,116,664
Others (*3)	1,825,881	1,492	72,837	(14,007)	(374,866)	188,044	1,699,381
	<u>₩ 11,451,616</u>	<u>₩ 608,449</u>	<u>₩ 368,190</u>	<u>₩ (30,387)</u>	<u>₩ (975,632)</u>	<u>₩ 228,767</u>	<u>₩ 11,651,003</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, transfer to intangible assets from construction-in-progress, transfer to assets held for sale and others.

(\*3) Other intangible assets consist of intangible assets that are identified in a business combination, software, donated assets and so forth.

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**15. Borrowings and bonds payable**

(1) Details of borrowings and bonds payable as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 4,156,323	₩ -	₩ 3,426,330	₩ -
Bonds and long-term borrowings:				
Bonds payable (*1)	4,211,641	25,070,287	3,889,861	21,930,612
Long-term borrowings	1,959,090	7,235,188	1,135,002	6,959,921
	<u>6,170,731</u>	<u>32,305,475</u>	<u>5,024,863</u>	<u>28,890,533</u>
	<u>₩ 10,327,054</u>	<u>₩ 32,305,475</u>	<u>₩ 8,451,193</u>	<u>₩ 28,890,533</u>

(\*1) As of December 31, 2018, ₩61,813 million of bonds payable are financial liabilities at FVTPL.

(2) Details of bonds payable as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019	December 31, 2018
SK Holdings Co., Ltd.	₩ 6,340,000	₩ 6,210,000
SK Innovation Co., Ltd.	1,260,650	1,319,050
SK Energy Co., Ltd.	3,230,000	2,380,000
SK Global Chemical Co., Ltd.	1,210,000	910,000
SK Incheon Petrochem Co., Ltd.	1,780,000	1,450,000
SK Lubricants Co., Ltd.	630,000	480,000
SK Telecom Co., Ltd.	6,241,560	5,743,533
SK Broadband Co., Ltd.	1,870,390	1,745,430
Dreamus Company Co., Ltd. (formerly, Iriver Co., Ltd.)	2,054	5,479
Life & Security Holdings Co., Ltd.	6,292	-
SK Networks Co., Ltd.	1,420,000	1,240,000
SK Magic Co., Ltd.	200,000	110,000
AJ Rent a Car Co., Ltd.	392,500	-
SKC Co., Ltd.	810,000	730,000
SKC Solmics Co., Ltd.	44,026	52,362
SK Telesys Co., Ltd.	30,000	30,000
SKC Hightech & Marketing Co., Ltd.	52,435	-
SK E&S Co., Ltd.	640,000	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.	60,000	40,000
SK Engineering & Construction Co., Ltd.	776,000	710,000
SK Materials Co., Ltd.	490,000	340,000
SK Siltron Co., Ltd.	650,000	390,000
	<u>29,170,907</u>	<u>25,660,854</u>
Addition: premium on bonds payable	111,021	159,619
Less: current portion	<u>(4,211,641)</u>	<u>(3,889,861)</u>
	<u>₩ 25,070,287</u>	<u>₩ 21,930,612</u>

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

(3) Details of long-term borrowings as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

Financial institution	Description	Interest rate (%)	September 30, 2019	December 31, 2018
Korea Development Bank and others	General	0.75 ~ 4.60	₩ 3,834,490	₩ 3,216,081
Korea Development Bank and others	Fund for facility	1.26 ~ 5.37	2,984,925	2,523,160
Korea Eximbank and others	Foreign borrowings	1.70 ~ 6.00	853,241	789,766
Korea Energy Agency (*1)	Fund for mine exploration	0.00 ~ 7.00	83,037	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	118,188	149,000
Korea Development Bank and others	Fund for supply pipeline	1.75	8,297	8,544
Shinhan Bank and others	Fund for reasonable energy consumption	1.75, 1.80	4,534	5,267
NH Bank	Fund for safety management	1.75	508	680
Citibank and others (*2)	Takeover	LIBOR(3M) + 1.00	228,247	212,439
MD Prime 1st Co., Ltd. and others	Others	3.07, 3.20	846,906	846,906
Sub-total			9,212,373	8,090,121
Addition: premium			(18,095)	4,802
Less: current portion			(1,959,090)	(1,135,002)
Total			₩ 7,235,188	₩ 6,959,921

(\*1) As of September 30, 2019, the Group holds a loan amounting to ₩22,506 million 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.

(\*2) 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 and 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 collateral as described in Note 32.

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**16. Provisions**

Changes in the provisions for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	For the nine months ended September 30, 2019					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 70,379	₩ 9,763	₩ (4,449)	₩ 75,693	₩ 3,731	₩ 71,962
Provision for service / construction warranties	78,468	13,740	(9,281)	82,927	82,927	-
Provision for restoration	127,532	13,935	(4,322)	137,145	46,456	90,689
Provision for losses on contracts	99,476	490	(17,402)	82,564	82,564	-
Other provisions	253,307	88,665	(134,042)	207,930	144,975	62,955
	<u>₩ 629,162</u>	<u>₩ 126,593</u>	<u>₩ (169,496)</u>	<u>₩ 586,259</u>	<u>₩ 360,653</u>	<u>₩ 225,606</u>

	For the nine months ended September 30, 2018					
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Non-current
Provision for sale warranties	₩ 65,372	₩ -	₩ 4,400	₩ (1,343)	₩ 68,429	₩ 64,913
Provision for handset subsidy	3,874	-	-	(3,874)	-	-
Provision for service / construction warranties	61,576	-	8,053	(11,167)	58,462	58,462
Provision for restoration	114,921	1,965	9,377	(4,062)	122,201	45,011
Provision for losses on contracts	27,596	-	25,795	(51,138)	2,253	2,253
Other provisions	140,463	89	38,068	(63,989)	114,631	45,785
	<u>₩ 413,802</u>	<u>₩ 2,054</u>	<u>₩ 85,693</u>	<u>₩ (135,573)</u>	<u>₩ 365,976</u>	<u>₩ 155,027</u>
					<u>₩ 155,027</u>	<u>₩ 210,949</u>

**17. Defined benefit liabilities**

(1) Details of defined benefit liabilities as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019	December 31, 2018
Present value of defined benefit obligation	₩ 3,023,556	₩ 2,741,488
Fair value of plan assets (*1)	(2,327,776)	(2,353,187)
Total	<u>₩ 695,780</u>	<u>₩ 388,301</u>

(\*1) The Group has recognized ₩31,926 million as defined benefit assets as of December 31, 2018.

(2) Changes in the defined benefit liabilities for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	For the nine months ended September 30, 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	299,000	-	299,000
Net interest expense (income)	50,424	(44,014)	6,410
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	6,759	6,759
Actuarial changes arising from changes in financial assumptions and others	82,998	-	82,998
Contributions by employer directly to plan assets	-	(102,582)	(102,582)
Benefit paid	(183,853)	187,953	4,100
Others	33,499	(22,705)	10,794
Ending balance	<u>₩ 3,023,556</u>	<u>₩ (2,327,776)</u>	<u>₩ 695,780</u>

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**17. Defined benefit liabilities (cont'd)**

	<u>For the nine months ended September 30, 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	45,508	(28,736)	16,772
Provision for pension benefits:			
Current service cost	263,588	-	263,588
Past service cost	649	-	649
Net interest expense (income)	49,911	(45,914)	3,997
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	18,988	18,988
Actuarial changes arising from changes in financial assumptions and others	41,250	-	41,250
Contributions by employer directly to plan assets	-	(72,496)	(72,496)
Benefit paid	(132,106)	144,524	12,418
Others	14,268	(26,116)	(11,848)
Ending balance	<u>₩ 2,543,932</u>	<u>₩ (2,058,783)</u>	<u>₩ 485,149</u>

**18. Other assets and liabilities**

(1) Details of other assets as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Current assets:		
Short-term loans	₩ 111,607	₩ 97,093
Accrued income	122,930	112,492
Advanced payments	1,076,497	969,326
Prepaid expenses	2,583,228	2,209,732
Guarantee deposits	243,327	246,008
Derivative financial assets	142,419	107,416
Lease receivables	24,154	-
Other contract assets	123,951	90,154
Others	43,710	40,771
	<u>₩ 4,471,823</u>	<u>₩ 3,872,992</u>
Non-current assets:		
Long-term prepaid expenses	₩ 1,700,371	₩ 1,877,441
Long-term loans	604,758	477,742
Guarantee deposits	877,056	801,500
Derivative financial assets	293,020	95,903
Long-term lease receivables	55,525	-
Other long-term contract assets	60,577	43,821
Defined benefit assets (*1)	-	31,926
Others	110,669	122,078
	<u>₩ 3,701,976</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**  
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**18. Other assets and liabilities (cont'd)**

(2) Details of other liabilities as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019		December 31, 2018	
Current liabilities:				
Accrued expenses	₩	3,188,211	₩	3,109,033
Dividends payable		1,301		3,851
Advances received		1,968,380		2,286,817
Unearned revenue		81,102		67,005
Withholdings		2,191,740		2,075,802
Leasehold deposits received		157,969		127,307
Income tax payable		739,858		676,952
Derivative financial liabilities		40,654		68,858
Lease liabilities		1,111,434		4,459
Finance guarantee liabilities		259		389
Other contract liabilities		172,316		141,338
Others		38,048		42,008
	₩	9,691,272	₩	8,603,819
Non-current liabilities:				
Long-term unearned revenue	₩	509,391	₩	492,804
Leasehold deposits received		343,610		320,354
Derivative financial liabilities		273,048		261,710
Long-term lease liabilities		2,393,825		16,935
Financial guarantee liabilities		13,716		15,882
Other long-term contract liabilities		5		43,107
Others (*1)		302,974		320,322
	₩	3,836,569	₩	1,471,114

(\*1) Long-term employee benefit liabilities amounting to ₩89,092 million and ₩59,423 million are included in others as of September 30, 2019 and December 31, 2018, respectively.

**19. Derivative financial assets and liabilities**

Details of derivative financial assets and liabilities as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Firm contracts	₩ 34,455	₩ 4,120	₩ 19,249	₩ 4,640
Swap contracts	50,052	(21,842)	10,527	(181,955)
Forward contracts	(2,533)	17,700	415	(5,895)
Futures contracts	19,791	(1,393)	8,367	306
Options contracts	-	21,387	-	17,097
	₩ 101,765	₩ 19,972	₩ 38,558	₩ (165,807)
Derivative financial assets	₩ 142,419	₩ 293,020	₩ 107,416	₩ 95,903
Derivative financial liabilities	(40,654)	(273,048)	(68,858)	(261,710)

**SK Holdings Co., Ltd. and its subsidiaries**  
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**20. Equity**

**20.1 Issued capital**

Details of issued capital as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions, except for number of shares):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Number of shares authorized for issue	400,000,000	400,000,000
Per share (Korean won)	₩ 200	₩ 200
Number of shares issued:		
Ordinary shares	70,360,297	70,360,297
Preferred shares	566,135	566,135
Issued capital:		
Ordinary shares	₩ 15,272	₩ 15,272
Preferred shares	113	113
	<u>₩ 15,385</u>	<u>₩ 15,385</u>

The Company retired 6,000,000 shares of its treasury shares (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 September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>September 30, 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	293,508	(69,383)
	<u>₩ 4,994,846</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 of additional paid-in capital.

(\*2) As of September 30, 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 September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	62,896	65,230
Unappropriated retained earnings	12,853,243	12,144,396
	<u>₩ 12,923,832</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.

**SK Holdings Co., Ltd. and its subsidiaries**  
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**20.4 Other components of equity**

Details of other components of equity as of September 30, 2019 and 2018 are as follows (Korean won in millions):

	September 30, 2019	December 31, 2018
Net loss on valuation of financial assets measured at FVOCI	₩ (46,192)	₩ (22,860)
Equity adjustments of investments in associates and joint ventures	43,369	(86,248)
Net gain on valuation of derivative financial instruments	15,512	10,756
Net gain (loss) on translation of foreign operation	308,348	(138,791)
	<u>₩ 321,037</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 years service from the grant date	3 years service from the grant date	4 years service from the grant date

A share compensation expense recognized during the current reporting period amounts to ₩778 million (total: ₩3,585 million), and the remaining share compensation expense to be recognized in the later periods amounts to ₩702 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**  
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**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.	₩ 642	₩ 1,310	₩ 585	₩ 1,895
Subsidiaries of SK Telecom Co., Ltd.	732	1,935	1,844	3,779
Subsidiaries of SK Networks Co., Ltd.	253	506	241	747
Subsidiaries of SKC Co., Ltd.	431	910	375	1,285
Subsidiaries of SK E&S Co., Ltd.	91	439	71	510
Others	226	456	370	826
	<u>₩ 2,375</u>	<u>₩ 5,556</u>	<u>₩ 3,486</u>	<u>₩ 9,042</u>

**21. Selling and administrative expenses**

Details of selling and administrative expenses for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 295,474	₩ 881,681	₩ 292,844	₩ 895,123
Provision for pension benefits	31,163	88,476	36,149	86,748
Employee welfare benefits	51,554	167,601	47,138	161,927
Travel	17,381	53,579	16,916	50,443
Bad debt expenses	15,058	19,428	43,929	63,973
Communications	1,993	6,082	1,562	6,004
Utilities	10,960	29,494	9,651	28,496
Taxes and dues	25,635	66,016	32,853	69,200
Supplies	11,816	28,202	3,015	9,784
Rents	36,556	134,248	44,871	131,322
Depreciation	136,035	343,690	56,962	163,968
Amortization	55,542	162,431	46,813	135,241
Repairs	6,633	24,035	7,824	15,930
Insurance	9,830	28,044	7,974	24,253
Advertising	153,637	428,814	164,976	462,953
Research and development	92,514	261,983	95,493	269,491
Education and examination	22,734	65,584	18,498	56,340
Outsourcing technology services	217,156	570,661	146,291	466,718
Travel	69,412	213,589	84,589	311,493
Others	38,493	99,968	55,768	117,767
	<u>₩ 1,299,576</u>	<u>₩ 3,673,606</u>	<u>₩ 1,214,116</u>	<u>₩ 3,527,174</u>

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**22. Finance income and costs**

Details of finance income and costs for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Financial income:				
Interest income	₩ 66,823	₩ 198,966	₩ 50,660	₩ 165,161
Gain on foreign currency transactions	299,520	785,904	220,878	782,846
Gain on foreign currency translation	21,578	237,293	(8,872)	242,089
Gain on transactions of derivatives	257,775	1,167,533	168,090	478,962
Gain on valuation of derivatives	211,461	516,057	26,149	211,669
Others	10,050	18,046	64,946	71,736
	<u>₩ 867,207</u>	<u>₩ 2,923,799</u>	<u>₩ 521,851</u>	<u>₩ 1,952,463</u>

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Financial costs:				
Interest expenses	₩ 345,255	₩ 1,035,899	₩ 262,459	₩ 760,575
Loss on foreign currency transactions	353,850	913,730	353,521	911,599
Loss on foreign currency translation	92,778	327,715	(104,479)	287,285
Loss on transactions of derivatives	186,186	1,208,798	182,838	511,945
Loss on valuation of derivatives	211,544	475,131	130,104	302,969
Others	62	456	(2,759)	4,373
	<u>₩ 1,189,675</u>	<u>₩ 3,961,729</u>	<u>₩ 821,684</u>	<u>₩ 2,778,746</u>

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

Details of other non-operating income (expenses) for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Other non-operating income:				
Dividend income	₩ 1,828	₩ 19,403	₩ 8,873	₩ 29,229
Rental income	404	689	205	513
Gain on disposal of trade receivables	2,926	14,353	-	-
Gain on disposal of investments in associates and joint ventures	355,151	389,371	88,428	97,034
Gain on disposal of property, plant and equipment	5,605	22,460	47,397	62,511
Gain on disposal of intangible assets	661	2,673	191	2,802
Gain on disposal of other investment property	1,133	1,133	11,723	11,764
Others	72,665	217,831	66,670	307,361
	<u>₩ 440,373</u>	<u>₩ 667,913</u>	<u>₩ 223,487</u>	<u>₩ 511,214</u>

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**23. Other non-operating income and expenses (cont'd)**

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Other non-operating expenses:				
Loss on disposal of trade receivables	₩ 5,906	₩ 15,718	₩ 1,510	₩ 10,106
Loss on disposal of investments in associates and joint ventures	896	896	9,923	54,215
Loss on impairment of investments in associates and joint ventures	-	58	835	4,049
Loss on disposal of property, plant and equipment	22,589	63,745	23,859	101,122
Loss on impairment of property, plant and equipment	10,412	13,311	(751)	5,905
Loss on disposal of intangible assets	251	1,416	6,729	9,182
Loss on impairment of intangible assets	14,526	35,100	10,225	11,523
Loss on impairment of other investment property	295	3,355	441	3,175
Donations	14,704	94,001	31,400	97,389
Others	16,509	102,059	91,604	293,092
	<u>₩ 86,088</u>	<u>₩ 329,659</u>	<u>₩ 175,775</u>	<u>₩ 589,758</u>

**24. Expense classified based on nature of expense**

Details of classification based on nature of expenses for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Employee benefits	₩ 1,628,284	₩ 4,929,644	₩ 1,479,118	₩ 4,500,639
Depreciation and amortization	1,889,288	5,522,499	1,463,845	4,320,024
Network connection	188,016	569,843	214,326	652,797
Transport	144,727	496,316	72,749	388,632
Advertising	153,638	428,814	154,851	456,910
Lease payments and rents	130,135	415,259	214,217	635,745
Others	4,931,116	13,107,104	3,919,430	11,395,835
Use of raw materials and purchase of finished goods and merchandise	15,339,190	47,545,262	16,950,201	47,604,364
Changes in finished goods and semi-finished good	(451,335)	(815,076)	194,004	128,084
	<u>₩ 23,953,059</u>	<u>₩ 72,199,665</u>	<u>₩ 24,662,741</u>	<u>₩ 70,083,030</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 nine months ended September 30, 2019 and 2018 were 29.77% and 28.48%, respectively.

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**26. Earnings per share**

(1) Basic earnings per share for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Profit for the period attributable to owners of the parent	₩ 454,326	₩ 1,032,129	₩ 496,963	₩ 1,689,463
Less: preferred share dividends	571	2,278	571	2,278
Profit for the period attributable to ordinary share owners of the parent	453,755	1,029,851	496,392	1,687,185
Weighted-average number of ordinary share outstanding (*1)	<u>55,824,347</u>	<u>55,824,347</u>	<u>55,824,350</u>	<u>55,824,350</u>
Basic earnings per share (In Korean won)	<u>₩ 8,129</u>	<u>₩ 18,448</u>	<u>₩ 8,892</u>	<u>₩ 30,223</u>

(\*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 the weighted-average number of ordinary shares for the three months and nine months ended September 30, 2019 and 2018 are as follows:

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Weighted-average number of shares outstanding	70,360,297	70,360,297	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,950)	(14,535,950)	(14,535,947)	(14,535,947)
Weighted-average number of issued shares outstanding	55,824,347	55,824,347	55,824,350	55,824,350

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Profit for the period attributable to ordinary share owners of the parent	₩ 453,755	₩ 1,029,851	₩ 496,392	₩ 1,687,185
Deduction: gain (loss) from discontinued operations attributable to owners of the parent	371	(997)	(7,129)	148,797
Profit for the period from continuing operations attributable to ordinary share owners of the parent	453,384	1,030,848	503,521	1,538,388
Weighted-average number of ordinary shares outstanding	<u>55,824,347</u>	<u>55,824,347</u>	<u>55,824,350</u>	<u>55,824,350</u>
Basic earnings per share from continuing operations (In Korean won)	<u>₩ 8,122</u>	<u>₩ 18,466</u>	<u>₩ 9,020</u>	<u>₩ 27,558</u>

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

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

Basic earnings (losses) per share from discontinued operations for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Gain (loss) from discontinued operations attributable to owners of the parent	₩ 371	₩ (997)	₩ (7,129)	₩ 148,797
Weighted-average number of ordinary shares outstanding	55,824,347	55,824,347	55,824,350	55,824,350
Basic earnings (losses) per share from discontinued operations (In Korean won)	₩ 7	₩ (18)	₩ (128)	₩ 2,665

**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 nine months ended September 30, 2019 and 2018.

(1) Details of significant transactions with the related parties for the three months and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	Company name	September 30, 2019				
		Sales, etc.		Expenses, etc.		
		Three months	Nine months	Three months	Nine months	
Other related parties	Daehan Oil Pipeline Corporation	₩ 273	₩ 5,123	₩ 13,481	₩ 40,190	
	SABIC SK Nexlene Company Pte. Ltd.	84	295	51,104	146,236	
	Korea Nexlene Company	38,875	126,824	5	17	
	Hana land chip PEF 33	8,022	16,058	9,696	26,883	
	F&U Credit Information Co., Ltd.	614	1,888	14,800	43,454	
	Wave City Development Co., Ltd.	10,579	32,998	-	-	
	SK Hynix Inc.	736,321	2,437,082	4,698	15,574	
	SK Hynix Semiconductor (China) Ltd.	120,511	296,693	363	1,481	
	SK Hynix semiconductor (Chongqing) Ltd.	32,354	40,262	-	-	
	SK Hynix Semiconductor HK Ltd.	-	-	195,749	589,137	
	SK Hynix System IC Co., Ltd.	16,215	49,018	-	-	
	Happynarae Co., Ltd.	15,765	53,077	115,031	310,529	
	SKC Evonik Peroxide Korea Co., Ltd.	-	3,806	12,973	39,227	
	Mitsui Chemicals & SKC Polyurethanes, Inc.	61,393	166,653	4,539	15,519	
	Boryeong LNG Terminal Co., Ltd.	14,835	40,828	19,640	62,365	
	Eurasia Tunnel	-	2,072	-	-	
	Xe-Pian Xe-Namnoy Power Company	-	65,851	-	-	
	Others	106,498	139,541	15,753	57,160	
	Others (*1)	SK Chemicals Co., Ltd.	30,026	102,765	34,111	93,672
		SK Gas Co., Ltd.	9,330	113,490	92,545	208,634
SK Shipping Co., Ltd. (*2)		-	2,188	-	83,648	
Ubins Co., Ltd.		154	510	26,001	67,570	
Others		8,800	23,124	22,580	42,054	
		₩ 1,210,649	₩ 3,720,146	₩ 633,069	₩ 1,843,350	

(\*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.

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

		September 30, 2018			
		Sales, etc.		Expenses, etc.	
Company name		Three months	Nine months	Three months	Nine months
Other	Daehan Oil Pipeline Corporation	₩ 23,028	₩ 28,249	₩ 9,882	₩ 37,920
related	SABIC SK Nexlene Company Pte. Ltd.	-	-	42,404	108,977
parties	Korea Nexlene Company	48,599	124,054	6	211
	Hana land chip PEF 33	8,017	16,027	9,514	26,701
	F&U Credit Information Co., Ltd.	774	2,211	13,668	42,047
	Wave City Development Co., Ltd.	4,164	13,588	-	-
	SK Hynix Inc.	1,048,290	2,797,624	2,210	4,875
	SK Hynix Semiconductor (China) Ltd.	39,965	158,785	1,530	2,084
	SK Hynix semiconductor (Chongqing) Ltd.	6,482	17,882	-	22
	SK Hynix Semiconductor HK Ltd.	-	-	207,917	702,441
	SK Hynix System IC Co., Ltd.	14,728	50,983	-	-
	SKC Evonik Peroxide Korea Co., Ltd.	-	2,910	13,303	36,507
	Mitsui Chemicals & SKC Polyurethanes, Inc.	64,082	184,162	6,594	15,758
	Boryeong LNG Terminal Co., Ltd.	4,194	34,329	21,804	67,233
	Eurasia Tunnel	1,101	3,057	-	-
	Xe-Pian Xe-Namnoy Power Company	14,258	79,565	-	-
	Others	30,262	63,215	17,792	76,325
Others (*1)	SK Chemicals Co., Ltd.	27,043	163,666	40,862	106,134
	SK Gas Co., Ltd.	132,323	360,263	88,261	229,558
	Others	36,035	114,750	53,565	125,989
		<u>₩ 1,503,345</u>	<u>₩ 4,215,320</u>	<u>₩ 529,312</u>	<u>₩ 1,582,782</u>

(\*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.

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

(2) Details of significant outstanding balances of receivables and payables with the related parties as of September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	Company name	September 30, 2019		December 31, 2018	
		Receivables		Receivables	
		(*1)	Payables	(*1)	Payables
Other	Daehan Oil Pipeline Corporation	₩ 42	₩ 6,541	₩ 3,188	₩ 663
related	SABIC SK Nexlene Company Pte. Ltd.	612	37,770	6,881	34,797
parties	Korea Nexlene Company	16,742	17	16,316	52
	Hana land chip PEF 33	7,645	50,828	5,983	-
	Korea Consortium Kazakh B.V.	146,170	-	146,170	-
	F&U Credit Information Co., Ltd.	5	4,654	104	5,801
	Wave City Development Co., Ltd.	57,662	-	69,745	-
	Daehan Kanggun BcN Co., Ltd.	22,147	-	22,147	-
	SK Hynix Inc.	281,351	151,793	748,912	166,584
	SK Hynix Semiconductor (China) Ltd.	52,357	3,946	109,248	1,099
	SK Hynix Semiconductor (Chongqing) Ltd.	7,487	96	25,927	7,289
	SK Hynix Semiconductor HK Ltd.	-	55,718	-	71,673
	SK Hynix System IC Co., Ltd.	20,594	121	8,901	-
	Happynarae Co., Ltd.	6,877	26,623	11,247	35,726
	SKC Evonik Peroxide Korea Co., Ltd.	2	4,170	-	3,585
	Mitsui Chemicals & SKC Polyurethanes, Inc.	8,266	2,643	6,627	4,481
	Boryeong LNG Terminal Co., Ltd.	8,344	2,918	12,386	-
	Pentaport Development Co., Ltd.	79,532	-	79,534	-
	Eurasia Tunnel	27,906	-	32,001	-
	SK E&C JURONG Investment Singapore Pte. Ltd.	59,914	-	59,914	-
	Xe-Pian Xe-Namnoy Power Company	97,446	27,372	49,629	28,009
	Others	36,543	29,620	13,403	21,152
Others (*2)	SK Chemicals Co., Ltd.	13,929	11,730	40,679	9,828
	SK Gas Co., Ltd.	28,158	294,505	36,374	62,935
	SK Shipping Co., Ltd. (*3)	-	-	20,971	17,613
	Ubins Co., Ltd.	-	7,943	-	-
	Others	8,545	9,839	1,152	21,458
		<u>₩ 988,176</u>	<u>₩ 728,847</u>	<u>₩ 1,527,439</u>	<u>₩ 492,745</u>

(\*1) The Group recognized bad debt expense amounting to ₩13 million and ₩87,434 million for the nine months ended September 30, 2019 and 2018, respectively. The Group recognized losses from write-off and others amounting to ₩(-)3,452 million and ₩(-)31,824 million for the nine months ended September 30, 2019 and 2018, respectively. The Group recognized the allowance for doubtful accounts amounting to ₩291,782 million and ₩295,247 million as of September 30, 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 company was excluded from the 'SK' conglomerate affiliates under the *Monopoly Regulation and Fair Trade Act*.

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

(3) Details of significant financial transactions with related-parties for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	September 30, 2019		September 30, 2018	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	6,134	-	10,331	-
Eurasia Tunnel	KRW	9,783	13,872	8,567	11,369
Xe-Pian Xe-Namnoy Power Company	KRW	24,677	-	-	-

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

(5) 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 and nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	September 30, 2019		September 30, 2018	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 2,904	₩ 8,686	₩ 2,442	₩ 7,326
Provision for pension benefits	367	2,175	343	1,989
Share compensation expense	198	778	397	1,190
Total	₩ 3,469	₩ 11,639	₩ 3,182	₩ 10,505

**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, the used car sales business segment, was completed on 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 the prior period in order to focus on its core businesses, such as the exploration and development of oil and the production of batteries. SK Innovation Co., Ltd., a subsidiary, recognized the gain or loss on discontinued operations which occurred from the disposal of a portion of the assets of an optical material (TAC) business which was 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 on December 27, 2018 in accordance with the resolution of the Board of Directors on October 8, 2018. SK Shipping Co., Ltd. was excluded from the consolidated subsidiaries as all of its shares were acquired by Han&Co Tanker Holdings Limited and Han&Co Tanker Holdings Limited, acquired 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.

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

SK Networks, Co., Ltd., a subsidiary of the Group, elected to discontinue its fashion business and duty-free business in 2016, and resources business and businesses in Shenyang and Dandong in 2017 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.

(2) Gain and loss from the discontinued operation for the nine months ended September 30, 2019 and 2018 are as follows (in millions of Korean won):

	<u>For the nine months ended September 30, 2019</u>	
	Resource business and others in SK Networks Co., Ltd.	
Revenue	₩	44,127
Expenses		43,473
Profit before income tax expense		654
Income tax expense		<u>3,201</u>
Loss from discontinued operations	₩	<u>(2,547)</u>
Attributable to:		
Owners of the parent	₩	(997)
Non-controlling interests		(1,550)

	<u>For the nine months ended September 30, 2018</u>													
	Used car Business in SK Holdings Co., Ltd.		FCCL business and others in SK Innovation Co., Ltd.		Shipping Industry in SK Shipping Co., Ltd.		Resource business and others in SK Networks Co., Ltd.		Total					
Revenue	₩	321,401	₩	180,884	₩	78,626	₩	1,264,174	₩	728,249	₩	40,195	₩	2,613,529
Expenses		281,262		-		61,520		1,301,155		718,180		46,121		2,408,238
Profit (loss) before income tax expense		40,139		180,884		17,106		(36,981)		10,069		(5,926)		205,291
Income tax expense (benefit)		<u>9,202</u>		<u>43,774</u>		<u>4,704</u>		<u>4,014</u>		<u>2,963</u>		<u>(687)</u>		<u>63,970</u>
Profit (loss) from discontinued operations	₩	<u>30,937</u>	₩	<u>137,110</u>	₩	<u>12,402</u>	₩	<u>(40,995)</u>	₩	<u>7,106</u>	₩	<u>(5,239)</u>	₩	<u>141,321</u>
Attributable to:														
Owners of the parent	₩	30,937	₩	137,110	₩	4,342	₩	(23,459)	₩	1,982	₩	(2,115)	₩	148,797
Non-controlling interests		-		-		8,060		(17,536)		5,124		(3,124)		(7,476)

(3) Details of cash flows relating to discontinued operation for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	<u>For the nine months ended September 30, 2019</u>	
	Resource business and others in SK Networks Co., Ltd.	
Cash flows from operating activities	₩	904
Cash flows from investing activities		(3,440)
Cash flows from financing activities		(5,380)

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

	For the nine months ended September 30, 2018							Total
	Used car Business in SK Holdings Co., Ltd.	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd.	Shipping Industry in SK Shipping Co., Ltd.	HappyNarae Co., Ltd.	Resource business and others in SK Networks Co., Ltd.		
	₩ 24,976	₩ -	₩ 17,234	₩ 110,537	₩ 4,182	₩ 1,803	₩	
Cash flows from operating activities								158,732
Cash flows from investing activities	187,661	182,606	(699)	(98,586)	(15,712)	(370)		254,900
Cash flows from financing activities	(16)	-	-	(49,241)	-	495		(48,762)

**29. Assets and liabilities held for sale**

Details of assets and liabilities held for sale as of September 30, 2019 are as follows (Korean won in millions):

		September 30, 2019	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks SAN. VE TIC. Ltd. STI	₩ 765	₩ 654
Business segment	Resources business segment and others (*1)	224,809	93,188
Property, plant and equipment	Land and buildings (*2)	67,000	-
	Logistic Center (*3)	25,014	-
Intangible assets	E&P 56, 88 mining area (*4)	667,956	7,904
		<u>₩ 985,544</u>	<u>₩ 101,746</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 Incheon Petrochemical 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, during the prior period, and the entity measured it at the lower of its fair value less costs to sell and carrying amount.

(\*3) SK Energy Co., Ltd., a subsidiary, entered into a contract to sell Donghae Logistics Center and Masan Logistics Center to Korea Oil Pipeline Corporation during the third quarter of the year. The sale was completed on November 1, 2019, and the assets held for sale are measured at the lower of fair value less costs to sell and carrying amount.

(\*4) SK Innovation Co., Ltd., a subsidiary, entered into a contract to sell its entire stake in the 56th and 88th Peru blocks to Pluspetrol for the purpose of adjusting its E & P portfolio and converting its business model during the current period. The sale will be completed during the following period. The assets held for sale are measured at the lower of fair value less costs to sell and carrying amount.

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**30. Cash flow information**

(1) Details of non-cash adjustments for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2019	September 30, 2018
Provision for pension benefits	₩ 305,410	₩ 268,234
Depreciation	4,380,747	3,354,112
Amortization	1,141,752	975,632
Bad debt expenses	19,148	64,961
(Reversal of) Valuation loss on inventories	(193,300)	555
Interest expenses	1,045,198	890,548
Loss on foreign currency translation	334,690	294,615
Loss on valuation of derivatives	475,469	303,437
Loss on disposal of trade receivables	15,718	10,106
Loss on disposal of investments in associates and joint ventures	896	54,215
Loss on impairment of investments in associates and joint ventures	58	-
Loss on disposal of property, plant and equipment	63,766	101,208
Loss on impairment of property, plant and equipment	13,311	5,905
Loss on disposal of intangible assets	1,416	9,184
Loss on impairment of intangible assets	35,100	11,863
Income tax expense	990,805	1,905,621
Gain on investments in associates and joint ventures	(553,611)	(2,773,455)
Interest income	(199,251)	(176,185)
Gain on foreign currency translation	(244,272)	(249,363)
Gain on valuation of derivatives	(516,388)	(214,368)
Dividends income	(19,403)	(29,401)
Gain on disposal of trade receivables	(14,353)	-
Gain on disposal of investments in associates and joint ventures	(389,371)	(305,969)
Gain on disposal of property, plant and equipment	(22,460)	(77,933)
Gain on disposal of intangible assets	(2,673)	(2,839)
Others	20,292	(70,383)
	<u>₩ 6,688,694</u>	<u>₩ 4,350,300</u>

(2) Details of working capital adjustments for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2019	September 30, 2018
Inventories	₩ (83,273)	₩ (1,497,793)
Trade receivables	822,881	(592,033)
Other receivables	(429,452)	(1,658)
Trade payables	(578,321)	(140,017)
Other payables	284,195	260,838
Advances received	(377,864)	(32,806)
Retirement benefits paid	(150,354)	(117,838)
Plan assets	62,666	45,912
Others	(1,037,049)	(478,606)
	<u>₩ (1,486,571)</u>	<u>₩ (2,554,001)</u>

(3) Significant non-cash transactions for the nine months ended September 30, 2019 and 2018 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2019	September 30, 2018
Decrease in other payables due to acquisition of property, plant and equipment and others	₩ (170,365)	₩ (567,787)
Account reclassification of lease liabilities from changes in accounting policies	2,896,860	-

**SK Holdings Co., Ltd. and its subsidiaries**  
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**31. Commitments and contingencies**

(1) Guarantees provided for the Group as of September 30, 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 Software Financial Corporation	KRW	278,618	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	302	Performance guarantees for contract and others
	Korea Trade Insurance Corporation	USD	1,217	Guarantee of payment
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	4,500	Guarantee of debt
Netruck Co., Ltd.	Seoul Guarantee Insurance	KRW	693	Performance guarantees and others
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	400	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	8,674	Performance guarantees for contract
SK Planet Co., Ltd.	Seoul Guarantee Insurance and others	KRW	3,605	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	26,933	Guarantee of warranties-contract and others
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	15,956	Guarantee of bid payment and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance	KRW	6,620	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	250	Performance guarantees
Dreamus company Co., Ltd. (formerly. Iriver Co., Ltd.)	Seoul Guarantee Insurance	KRW	132	Performance guarantees for contract
One store Co., Ltd.	KEB Hana Bank	KRW	100	Performance guarantees for contract
Home&Service Co., Ltd.	Seoul Guarantee Insurance	KRW	4	Performance guarantees for contract
SK Store Co., Ltd.	Kookmin Bank	KRW	100	Performance guarantees and others
11street Co., Ltd.	KEB Hana Bank	KRW	620	Performance guarantees and others
	Seoul Guarantee Insurance	KRW	13,464	Guarantee of deposit on lease and others
FSK L&S Co., Ltd.	Seoul Guarantee Insurance	KRW	349	Performance guarantees for contract and others
SK Networks Co., Ltd.	KEB Hana Bank	KRW	2,000	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	15,223	Performance guarantees for contract
SK Networks Service Co., Ltd.	Seoul Guarantee Insurance	KRW	8,921	Performance guarantees for sales
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	17,388	Performance insurances for warranties and others
	Machinery Financial Cooperative	KRW	1,917	Performance insurances for warranties and others
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	202	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	7,310	Performance guarantees for contract
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	6,046	Guarantee of warranties and contract
SK Bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	94	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 TNS Co., Ltd.	Information & Communication Financial Cooperative	KRW	180,908	Domestic construction contract and others
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance guarantees for contract and others
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,621	Guarantee of warranties and approval
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	153	Performance guarantees for contract and approval
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,209	Community energy service facility management, consignment operating agreement and others
Jeonbuk energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	107	Performance guarantees and guarantee of warranties
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	718	Performance guarantees for construction and others
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,470	Performance guarantees for contract
Kangwon City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,013	Performance guarantees for contract and approval
Paju energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	588	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	63	Performance guarantees for contract
YEOJU ENERGY SERVICE Co., Ltd.	Seoul Guarantee Insurance	KRW	1,169	Performance guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	146	Guarantee of License to Use State Property
SK Engineering & Construction Co., Ltd.	HSBC and others	USD	798,902	Performance guarantees for overseas construction and others
		SGD	41,287	Performance guarantees for overseas construction and others
		KWD	111,735	Performance guarantees for overseas construction and others
		QAR	638,552	Performance guarantees for overseas construction and others
		TRY	58,471	Performance guarantees

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

Guarantee	Guarantor	Currency	Amount	Description of guarantee
		SAR	228,716	Performance guarantees for overseas construction and others
		THB	327,088	Performance guarantees for overseas construction and others
		KZT	102,787	Performance guarantees for overseas construction and others
		VND	746,255,118	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	110,230	Performance guarantees for overseas construction and others
	KEB Hana Bank	USD	115,796	Performance guarantees for overseas construction and others
		EUR	175,594	Performance guarantees for overseas construction and others
	Shinhan Bank	USD	3,832	Performance guarantees for overseas construction and others
	Korea Eximbank	USD	146,064	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	3,393,766	Housing guarantees and others
	Seoul Guarantee Insurance	KRW	372,311	Performance guarantees for domestic construction and others
	Engineering Financial Cooperative	KRW	1,438,053	Domestic construction contract
	Construction Guarantee Cooperative	KRW	2,928,353	Performance guarantees for domestic construction and others
SK Biotek Co., Ltd.	Seoul Guarantee Insurance	KRW	5,933	Performance guarantees and others
SK Materials Co., Ltd.	Korea Industrial Bank	USD	3,000	Guarantee of debt
	Seoul Guarantee Insurance	KRW	30,499	Performance guarantees
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	13,929	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	22,540	Performance guarantees for contract and others
HWEECHAN	Seoul Guarantee Insurance	KRW	106	Performance guarantees 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 September 30, 2019.

**SK Holdings Co., Ltd. and its subsidiaries**  
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**31. Commitments and contingencies (cont'd)**

(2) Guarantees provided to others as of September 30, 2019 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Innovation Co., Ltd.	Petro Peru and others	USD	2,437	Performance guarantee for mandatory work and others
	CNOOC	USD	200	Performance guarantees for contract
SK Global Chemical Co., Ltd.	Sabic SK Nexlene Company Pte. Ltd.	USD	180,500	Guarantee of debt
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	524	Guarantees for construction
	Railway Administration and others	EUR	278	Guarantee for installing facilities and others
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	724	Performance guarantees for contract
SK M & Service Co., Ltd.	Seoul Guarantee Insurance	KRW	2,126	Performance guarantees for transaction
SK Communications Co., Ltd.	Childfund	KRW	44	Performance for advertisement contract
SKC Co., Ltd.	SKC-Kolon PI Co., Ltd.	USD	6,750	Guarantee for litigation
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of debt
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL and others	KWD	6,297	Performance guarantees for contract and others
	Pohang Clean Water Co., Ltd.	USD	358	Performance guarantees for contract and others
	and others	KRW	680,296	Supplementing funds for principal and interest of loan
	Bugae-seocho bridge north side redevelopment maintenance business association and others	KRW	374,318	Guarantees for reconstruction project financing
	Customers of Kwangkyo SK view Lake and others	KRW	984,266	Guarantee of payment
	Lu 1 City SK leaders view and others	KRW	2,030,175	Guarantee of completion
	Member of employee stock ownership association	KRW	3,943	Guarantee of payment
	Callable preferred share investor	KRW	351,000	Cash deficiency support agreement

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 September 30, 2019.

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

(3) Pending litigations

The Group's significant pending litigations as of September 30, 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
Life & Security Holdings Co., Ltd.	Individual and others	Claim for transfer prohibition disposal	KRW 2,255	First trial in progress and others
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 336	First trial in progress and others
SK Networks Co., Ltd.	Individual and others	Claim for payment and others	KRW 3,344	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 and others
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 1,474	First trial in progress and others
SK Telesys Co., Ltd.	Cotecenc Co., Ltd.	Claim for payment	KRW 106	First trial in progress
	TaiYoung tech Co., Ltd.	Claim for payment	KRW 1,638	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 refree trial in progress
Pusan City Gas Co., Ltd.	YCP Co., Ltd.	Claim for settlement	KRW 4,699	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 12,051	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 5,704	Second trial in progress and others
	Financial Cooperative and others	Claim for construction costs	KRW 14,102	First trial in progress
	Korea National Oil Corporation	Claim for payment of construction	KRW 8,930	Second trial in progress
	Busan Metropolitan City	Claim for payment of construction	KRW 8,930	Second trial in progress
	Republic of Korea and others	Claim for payment of construction and others	KRW 39,285	Second trial in progress and others
	Korea Highway Corporation	Claim for tool overhead and others	KRW 21,960	First trial in progress and others
	Korea Land & Housing Corporation and others	Claim for Yeongdeungpo facility PF business and others	KRW 4,765	Second trial in progress
	Korea Gas Corporation	Claim related to Jangrim Jinhae	KRW 3,561	Second trial in progress
	Head of the customhouse, Busan	Claim for custom duty cancellation	KRW 10,185	Third trial in progress
	Individual and others	Claim related to performance guarantee and others	KRW 6,969	First trial in progress and others
	Busan-Jinhae Free Economic Zone Authhority	Claim for payment of construction	KRW 3,319	First trial in progress

(\*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 advanced payments. On October 28, 2019, the full amount of the advanced payment was refunded.

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

The Group's significant pending litigations as of September 30, 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
Individual and others	Life & Security Holdings Co., Ltd.	Claim for damages and others	KRW 1,919	First trial in progress and others
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt	KRW 71	First trial in progress
Individual and others	SK Networks Co., Ltd.	Claim for damages and others	KRW 4,687	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
Lotte Insurance Co., Ltd.	SK Magic Co., Ltd. and others	Claim for water purifier fire compensation and others	KRW 591	First trial in progress
DB Insurance and others	AJ Rent a Car Co., Ltd.	Claim for compensation	KRW 158	First trial in progress
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 2,893	Arbitration in progress
Seoul City and others	Ko-one Energy Service Co., Ltd.	Claim for penalty and others	KRW 25	First trial in progress
Busan Green Energy Co., Ltd. and others	Pusan City Gas Co., Ltd.	Claim for return of unfair benefit and others	KRW 662	First trial in progress
Yulim Engineering Co., Ltd.	Chonnam City Gas Co., Ltd.	Claim for payment of construction	KRW 92	First trial in progress
K-Water Resources Corporation and others	SK Engineering & Construction Co., Ltd.	Claim for damages and others	KRW 4,004	Second trial in progress and others
Incheon Metropolitan City		Damage for bid fixing of area 705 and 706	KRW 35,819	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 10,248	Second trial in progress and others
Korea Rural Community Corporation		Claim for compensation	KRW 8,036	First 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
Busan Transportation Corporation		Claim for compensation and others	KRW 10,098	First trial in progress and others
Individual and others		Claim for apartment and others	KRW 13,969	First trial in progress and others

A subsidiary, SK Innovation Co., Ltd., filed a Trade Secret Infringement Lawsuit dated April 29, 2019 and a Patent Infringement Lawsuit dated September 26, 2019, filed by LG Chem and its subsidiary LG Chem Michigan Inc. with the Delaware Court and the United States International Trade Commission. The final outcome of the lawsuit is not predictable.

In addition, SKC Co., Ltd., a subsidiary, guarantees 50% of claim amounts related to the patent litigation filed by Kaneka Corporation to SKC Kolon PI, Inc. In accordance with the payment guarantee agreement and the decision of the court to dismiss the trial on appeal case as of September 30, 2019, provisions amounting to USD 6,750 thousand have been recognized, which is 50% of the claim for SK Kolon PI, Inc. amounting to USD 13,500 thousand. The amounts are included in other operating expenses. By the final results of litigation, the actual damages to be paid by the Group could be increased according to the payment guarantee ratio of the agreement. As of September 30, 2019, the timing of the first trial judgment and related damage amounts are 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 Co., Ltd.. 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 <sup>st</sup> Fund	Corporate Turnaround 1 <sup>st</sup> Fund
Number of shares	6,548,672	4,808,259
Contract date	April 11, 2017	May 11, 2017
Expiry date	April 10, 2022	May 10, 2022
Settlement	The Company and the investor make a cash settlement of the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.	
Premium	The Company pays to the investor the amount equivalent to 3.14% of the total shares held by the investor annually. When the investor receives dividends on the shares held, the amount is paid to the Company.	
Call option	The Company has the right to purchase the shares held by the investor at the issued price of the ordinary shares with certain level of additional charges.	

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

- 6) The Company 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 September 30, 2019, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (see Note 15).

- 7) The Company 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 September 30, 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.

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**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 September 30, 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 September 30, 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 September 30, 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
Shipment contract	PRISM Energy International Pte. Ltd.	Shell Tankers (Singapore Private Limited)	2019.05~2020.02 (estimated)

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

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

- 13) As of September 30, 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
Contract for heat piping and others	Narae Energy Service Co., Ltd.	Eulmyo general construction Co., Ltd. and others	2018.05 ~ 2020.08	₩ 17,864
Contract for the transmission access construction	Wirye Energy Service Co., Ltd.	Daekyoung Enertech Co., Ltd.	2019.05 ~ 2020.04	₩ 1,742

- 14) As of September 30, 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 (*1)	SK E&S Australia Pty. Ltd.	Conoco Phillips Company and others	37.5%	USD 310,000	USD 310,000
Woodford, USA (*1)	Dew Blaine Energy, LLC	Continental Resources, Inc.	49.9%	USD 360,000	USD 360,000

(\*1) The execution for contract amounts has been completed during the current reporting period.

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 ₩210,000 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 ₩916,844 million which is recorded as other receivables and long-term other receivables.
- 17) In accordance with a resolution of the board of directors on April 26, 2019, to enhance competitiveness and synergy as a comprehensive media provider, SK Broadband Co., Ltd., a subsidiary, has decided to merge with Tbroad Co., Ltd., Tbroad Dongdaemun Broadcasting Co., Ltd., and Korea Digital Cable Media Center Co., Ltd.. SK Broadband Co., Ltd. will be the surviving entity after the merger. The merged entities will be dismissed at the merger date scheduled for March 1, 2020. In addition, the transaction is subject to the approval of government and may be subject to change due to the proceed of approval and the related laws.

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

- 18) SKC Co., Ltd., a subsidiary, decided on material division of chemical business division in order to enhance competitiveness in the global market through the resolution of the board of directors on August 7, 2019, to enhance business expertise and secure business portfolio flexibility. It was finally approved by the resolution of the General Meeting of Shareholders November 11, 2019. The split date is scheduled for January 1, 2020. After the completion of the split, a 49% stake in the newly established division will be transferred to Petrochemical Industries Company K.S.C. to establish a strategic partnership for global expansion of the chemical business. The expected date of the transfer is January 31, 2020.
- 19) As of September 30, 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..
- 20) 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 September 30, 2019 and December 31, 2018, trade receivables transferred to trust account are ₩ 3,759 million and ₩3,786 million, respectively.
- 21) 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 September 30, 2019 and December 31, 2018, trade receivables transferred to trust account are ₩15,325 million and ₩17,173 million, respectively.
- 22) SK Siltron Co., Ltd., a subsidiary company, the Board of Directors has decided to transfer SiC Wafer division of DDP Specialty Electronic Materials US 9, LLC a subsidiary of DuPont de Nemour Inc., and signed a patent contract for production of SiC Wafer machines, etc. on September 10, 2019 to strengthen its business portfolio through new advancement of the material industry. The expected date for transfer is December 31, 2019 and the U.S. local corporation that is scheduled to be established, is expected to transfer the final business division and operate SiC Wafer business. Meanwhile, as of the end of the third quarter, the US government has not completed the approval process regarding the transfer of business. It may change depending on whether the prerequisites set forth in the contract, including the approval of the government agency are met.
- (5) On-site accident in Xe-pian Xe-Namnoy Hydropower dam project  
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 Laos National Investigation Committee announced the result of the cause of the accident during the current period, but SK Engineering & Construction Co., Ltd. is trying to find a more objective and clear cause.
- (6) Others

As of September 30, 2019, 78 notes (including 74 blank notes) and 50 blank checks are provided to financial institutions as collateral for borrowings.

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**32. Pledged assets**

The following assets were pledged as collateral for the Group's borrowings and others as of September 30, 2019 (Korean won in millions and foreign currencies in thousands):

Company	Asset	Currency	Collateralized amount (*1)	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	-	Yemen LNG Company and others	Collateral for PF
Netruck Co., Ltd.	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	4,500	Shinhan Bank	Collateral for borrowing
			4,013	Lessor	Restricted real rights for office lease
Incross Co., Ltd.	Financial assets	KRW	15,644	Naver Co., Ltd. and others	Performance guarantees for contract
PS&Marketing Corp.	Financial assets	KRW	500	Taeyoung Engineering & Construction Co., Ltd.	Performance guarantees
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	492,961	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	123,500	Korea Development Bank and others	Collateral for borrowing
AJ Rent a Car Co., Ltd.	Property, plant and equipment	KRW	359,713	Korea Development Bank and others	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment and others	KRW	215,000	Korea Development Bank and others	Collateral for borrowing and others
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	72,100	Korea Development Bank and others	Collateral for borrowing
SK Bioland Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
Woori Fine Chem Co., Ltd.	Property, plant and equipment	KRW	6,480	Kookmin Bank and others	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	19,000	Korea Development Bank and others	Collateral for borrowing
SK E&S Co., Ltd.	Property, plant and equipment	USD	50,000	Standed Chartered Bank	Collateral for borrowing
	Investments in subsidiaries	KRW	192,348	Korea Development Bank and Woori Bank	Collateral for borrowing
	Investments in joint ventures	KRW	135,000	Woori Bank and others	Collateral for PF
	Investments in associates	KRW	12,060	Shinhan Bank and others	Collateral for PF
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	5,367	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	3,990	Megamart and others	Leasehold deposits
Paju Energy Service Co., Ltd.	Property, plant and equipment	KRW	360,000	Kookmin Bank and others	Collateral for borrowing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	81	CJ Hello Co., Ltd.	Collateral for deposits received
Wirye Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	84,000	Kookmin Bank and others	Collateral for borrowing
	Financial assets	KRW	3,508	KEB Hana Bank	Collateral for payment
Narae Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	505,000	Korea Development Bank	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Investment securities and others	KRW	264,774	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	142,000	Kookmin Bank and others	Collateral for borrowing
Seosuwon Development Company	Property, plant and equipment and others	KRW	153,790	New West Village and others	Collateral for borrowing
SK China Company, Ltd.	Others	USD	33,423	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China communications	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	20,378	LG Display Co., Ltd.	Collateral for advances 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	356,784	Kyungnam Bank and others	Collateral for borrowing
SK Siltron Co., Ltd.	Property, plant and equipment and others	KRW	303,679	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.

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

Guarantees provided among the Group entities as of September 30, 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 Battery Hungary Kft.	HUF	9,809,730	Guarantee of local factory construction.
SK Global Chemical Co., Ltd.		USD	120,000	Guarantee of debt
	SK Battery America, Inc.	USD	220,000	Guarantee of debt
	SK Ningbo Performance Rubber Co., Ltd.	USD	14,000	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	10,500	Guarantee of debt
SK Telink Co., Ltd.	ADT Caps Co., Ltd.	KRW	3	Performance guarantees for contract and others
SK Networks Co., Ltd.	Home & Service Co., Ltd.	KRW	1	Performance guarantees for contract and others
	SK Networks Deutschland GmbH	EUR	16,000	Standing surety for investee
	SK Networks Hong Kong Ltd.	USD	141,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	106,400	Standing surety for investee
		CNY	54,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	1,700,000	Standing surety for investee
	SK Networks America, Inc	USD	20,000	Standing surety for investee
	SK (Guangzhou) Metal Co., Ltd.	CNY	50,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	74,600	Standing surety for investee
	SK Networks Resources Australia Pty. Ltd.	AUD	35,000	Standing surety for investee
SKC Co., Ltd.	SKC, Inc.	USD	150,000	Guarantee of payment
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	71,450	Guarantee of payment
		CNY	306,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	30,000	Guarantee of financial obligation
SKC Hi-Tech & Marketing Co., Ltd.	SKC (Natong) PU Specialty Co., Ltd.	CNY	80,000	Guarantee of payment
	SKC (Natong) Semiconductor Materials Technology Co., Ltd.	USD	26,000	Guarantee of payment
		CNY	32,000	Guarantee of payment
	SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	KRW	29,837	Guarantee of debt
SK E&S Co., Ltd.	Caillip Gas Marketing, LLC	USD	76,000	Guarantee for derivative hedge and others
	SK E&S Australia Pty. Ltd.	USD	140,000	Guarantee for borrowings and others
	Paju Energy service Co., Ltd.	KRW	500,000	Guarantee for borrowings and others
	Wirye Energy service Co., Ltd.	KRW	250,000	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	480,000	Guarantee for derivative hedge
	SK E&S LNG, LLC	USD	40,000	Guarantee for derivative hedge and others
	Caillip Gas Marketing, LLC	USD	165,342	Performance guarantee for purchase contract of Feed Gas
SK Engineering & Construction Co., Ltd.	Seosuwon Development Company	KRW	153,790	Guarantees for project financing
	SKEC Anadolu LLC	EUR	118,471	Performance guarantees for contract and others
SK Materials Co., Ltd.		TRY	53,313	Guarantee of W/H Tax
	SK Materials Jiangsu Co., Ltd.	USD	43,400	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	12,725	Guarantee for borrowings
	SK (Shenyang) Auto Rental Co., Ltd.	USD	9,897	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	8,681	Guarantee for borrowings
	SK Financial Leasing	USD	2,121	Guarantee for borrowings
SK Biotek Co., Ltd.		USD	50,000	Guarantee for credit limit
	SK Biotek Ireland Limited.	EUR	10,000	Performance guarantees for contract

### **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.

##### **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 September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Financial assets at FVTPL	₩ 6,303,616	₩ 5,610,720
Financial assets at FVOCI	23,685	27,351
Financial assets measured at amortized cost	22,126,365	20,584,179
Derivatives designated as hedging instruments	278,732	97,247
	<u>₩ 28,732,398</u>	<u>₩ 26,319,497</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 recognizes 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.

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**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 ₩13,190 million as of September 30, 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 September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019	December 31, 2018
SK Innovation Co., Ltd.	₩ 526	₩ 721
SK Engineering & Construction Co., Ltd.	13,190	15,161
SK Biotek Co., Ltd.	259	389
	<u>₩ 13,975</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 September 30, 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	₩ 13,350,601	₩ 13,762,284	₩ 2,704,241	₩ 4,125,872	₩ 6,456,066	₩ 476,105
Bonds	29,281,928	32,275,710	1,006,910	3,889,484	19,531,920	7,847,396
Derivative financial liabilities	313,702	313,702	32,810	6,364	273,212	1,316
Trade payables	8,793,109	8,793,109	8,569,551	223,558	-	-
Lease liabilities	3,505,259	3,689,721	211,212	915,830	2,231,801	330,878
Other liabilities	8,839,184	9,930,923	6,015,214	1,760,751	1,434,792	720,166
	<u>₩ 64,083,783</u>	<u>₩ 68,765,449</u>	<u>₩ 18,539,938</u>	<u>₩ 10,921,859</u>	<u>₩ 29,927,791</u>	<u>₩ 9,375,861</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.

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**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 September 30, 2019 and December 31, 2018 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	September 30, 2019		December 31, 2018	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	6,298,915	₩ 7,566,887	6,428,714	₩ 7,187,945
	JPY	17,048,526	189,818	19,169,337	194,220
	CNY	2,645,290	445,784	1,937,077	315,279
	EUR	195,429	256,919	233,106	298,180
	Others		610,345		337,851
			₩ 9,069,753		₩ 8,333,475
Liabilities	USD	9,317,926	₩ 11,193,625	9,424,582	₩ 10,537,626
	JPY	5,637,647	62,770	5,009,387	50,754
	CNY	1,678,488	282,859	1,983,852	322,892
	EUR	222,554	292,578	188,265	240,821
	Others		264,882		142,968
			₩ 12,096,714		₩ 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	September 30, 2019		December 31, 2018	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (362,674)	₩ 362,674	₩ (334,968)	₩ 334,968
JPY	12,705	(12,705)	14,347	(14,347)
CNY	16,293	(16,293)	(761)	761
EUR	(3,566)	3,566	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 140.2% as of September 30, 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 September 30, 2019 and December 31, 2018 are as follows (Korean won in millions):

	September 30, 2019	December 31, 2018
Total liabilities	₩ 76,975,883	₩ 68,569,119
Total equity	54,911,154	50,887,872
Debt ratio	140.2%	134.7%

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**35. Business combination**

As of September 30, 2019, details of business combination are as follows.

(1) General information

SK Networks Co., Ltd., a subsidiary, acquired 9,353,660 shares (equity ownership of 42.24%) 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>
<b>Current assets:</b>	<b>₩ 94,881</b>
Cash and cash equivalents	23,202
Trade and other receivables	54,117
Inventories	7,788
Other current assets	9,774
<b>Non-current assets:</b>	<b>1,173,752</b>
Property, plant and equipment	1,034,434
Right-of-use assets	72,531
Intangible assets	25,358
Other non-current assets	41,429
<b>Current liabilities:</b>	<b>624,390</b>
Trade and other payables	53,006
Current lease liabilities	27,062
Other current liabilities	544,322
<b>Non-current liabilities:</b>	<b>378,407</b>
Lease liabilities	46,891
Deferred tax liabilities	1,265
Other non-current liabilities	330,251
<b>Fair value of identifiable net assets</b>	<b><u>₩ 265,836</u></b>

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.

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**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>
a. The total consideration transferred	₩ 295,809
b. 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>
c. Goodwill (c=a-b)	₩ <u>183,520</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 nine months ended September 30, 2019 include sales of ₩480,738 million and profit for the period of ₩14,946 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 Holdings Co., Ltd.'s acquisition of treasury stock**

SK Holdings Co., Ltd. decided to acquire treasury stock on the Board of Directors on October 1, 2019 to increase shareholder value through stock price stabilization. The expected number of shares to be acquired is 3,520,000 common shares, and the expected end date of acquisition is January 1, 2020. The Company will retain the treasury stock for more than six months from the date of its last acquisition.

### **36.2 SK Innovation Co., Ltd. 's investment in kind**

In accordance with the resolution of the Board of Directors of SK Innovation Co., Ltd., a subsidiary, on October 23, 2019, SK innovation co., Ltd. decided to participate in the paid-in capital increase of the SK IETechnology Co., Ltd., a subsidiary, by investing 100% equity interests of SK Hi-tech Battery Materials (Jiang Su) Co., Ltd. and SK HI-tech Battery Materials Poland Sp.Zo.o. in kind on January 1, 2020.

### **36.3 SK Incheon Petrochem Co., Ltd. 's repayment and incineration of convertible preferred shares**

In accordance with the resolution of the Board of Directors on October 31, 2019, SK Incheon Petrochem Co., Ltd., a subsidiary, plans to purchase 6,826,483 shares of redeemable preferred shares issued on July 16, 2013 for approximately KRW 800 billion on December 2, 2019.

### **36.4 SK Global Chemical Co., Ltd.'s business combination**

SK Global Chemicals Co., Ltd., a subsidiary of the Group, decided to acquire the high-performance polymer business and all tangible and intangible assets owned by Arkema S.A in accordance with the resolution of the Board of Directors on October 14, 2019. The transaction amount is EUR 335 million and the amount of the asset will be adjusted according to the inventory status at the end of the asset transfer contract.

### **36.5 SK Siltron Co., Ltd.'s establishment of subsidiary**

SK Siltron Co., Ltd., a subsidiary, completed the establishment of an (production/sale) operating corporation (tentative name : SK Crystal Tech One, LLC) and a business management corporation (tentative name : SK Crystal Tech, Inc.). The company name will be finalized in the future.