



SK Holdings Co., Ltd.

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

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Report on review of interim condensed separate financial statements

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

We have reviewed the accompanying interim condensed separate financial statements of SK Holdings Co., Ltd. (the "Company"), which comprise the interim condensed separate statement of financial position as of March 31, 2019, and the interim condensed separate statements of comprehensive income for the three-month periods ended March 31, 2019 and 2018, interim condensed separate statements of changes in equity and interim condensed separate statements of cash flows for the three-month periods then ended, presented in Korean won, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed separate financial statements

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

Auditors' responsibility

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

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

Conclusion

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

Other matter

We have audited the separate statement of financial position of the Company as of December 31, 2018, and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea (not presented herein), and our report dated March 12, 2019 expressed an unqualified opinion thereon. The accompanying separate statement of financial position as of December 31, 2018, presented for comparative purposes is not different, in all material respects, from the above audited separate statement of financial position.



May 15, 2019

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

SK Holdings Co., Ltd.

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

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

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

SK Holdings Co., Ltd.
Interim condensed separate statements of financial position
as of March 31, 2019 and December 31, 2018

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Assets					
Current assets:					
Cash and cash equivalents	4,31	₩ 105,746	₩ 123,858	\$ 92,939	\$ 108,857
Short-term financial instruments	4,30	185,760	128,491	163,262	112,929
Trade receivables	4,5,26,30	406,053	492,226	356,876	432,612
Other receivables	4,26,30,31	452,465	1,858	397,667	1,633
Inventories	6	202	172	178	151
Other current assets	4,17,18,30	52,044	20,612	45,741	18,116
Total current assets		<u>1,202,270</u>	<u>767,217</u>	<u>1,056,663</u>	<u>674,298</u>
Non-current assets:					
Long-term investment securities	4,7,30,31	499,628	395,085	439,118	347,236
Investments in subsidiaries	8,31	16,893,316	16,605,095	14,847,351	14,594,037
Investments in associates and joint ventures	9	811,228	802,807	712,979	705,578
Property, plant and equipment	10,29	476,175	494,803	418,505	434,877
Right-of-use assets	11	59,503	-	52,297	-
Investment property	12	22,874	8,353	20,104	7,341
Intangible assets	13	2,107,622	2,105,698	1,852,366	1,850,675
Other non-current assets	4,17,18,26,30	229,639	197,610	201,827	173,677
Total non-current assets		<u>21,099,985</u>	<u>20,609,451</u>	<u>18,544,547</u>	<u>18,113,421</u>
Total assets		<u>₩ 22,302,255</u>	<u>₩ 21,376,668</u>	<u>\$ 19,601,210</u>	<u>\$ 18,787,719</u>
Liabilities and equity					
Liabilities					
Current liabilities:					
Short-term borrowings	4,14,30	₩ 650,000	₩ 910,000	\$ 571,278	\$ 799,789
Trade payables	4,26,30	83,927	116,507	73,763	102,397
Other payables	4,26,30	42,094	98,969	36,996	86,983
Accrued expenses	4,30	264,322	67,400	232,310	59,237
Provisions	15	2,180	3,204	1,916	2,816
Current portion of long-term debt	4,14,30	1,171,616	1,083,112	1,029,721	951,935
Other current liabilities	4,11,17,18,30	348,706	225,141	306,474	197,874
Total current liabilities		<u>2,562,845</u>	<u>2,504,333</u>	<u>2,252,458</u>	<u>2,201,031</u>
Non-current liabilities:					
Bonds payable	4,14,30	5,092,317	5,134,589	4,475,582	4,512,734
Defined benefit liabilities	16	61,968	44,403	54,463	39,025
Provisions	15	1,882	-	1,654	-
Deferred income tax liabilities	24	277,761	268,728	244,121	236,182
Other non-current liabilities	4,11,17,18,30	315,968	256,479	277,700	225,416
Total non-current liabilities		<u>5,749,896</u>	<u>5,704,199</u>	<u>5,053,520</u>	<u>5,013,357</u>
Total liabilities		<u>8,312,741</u>	<u>8,208,532</u>	<u>7,305,978</u>	<u>7,214,388</u>
Equity:					
Issued capital	1,19	15,385	15,385	13,522	13,522
Other paid-in capital	19	4,411,635	4,411,253	3,877,338	3,877,002
Retained earnings	19	9,564,523	8,743,527	8,406,155	7,684,590
Other components of equity	19	(2,029)	(2,029)	(1,783)	(1,783)
Total equity		<u>13,989,514</u>	<u>13,168,136</u>	<u>12,295,232</u>	<u>11,573,331</u>
Total liabilities and equity		<u>₩ 22,302,255</u>	<u>₩ 21,376,668</u>	<u>\$ 19,601,210</u>	<u>\$ 18,787,719</u>

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

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

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

	Notes	For the three months ended March 31			
		Korean won		Translation into U.S. dollar (Note 2)	
		2019	2018	2019	2018
Operating revenue	20,26	₩ 1,502,773	₩ 1,154,228	\$ 1,320,771	\$ 1,014,438
Operating expenses	21,22,26	<u>383,286</u>	<u>351,035</u>	<u>336,866</u>	<u>308,521</u>
Operating income		1,119,487	803,193	983,905	705,917
Finance income	23	3,469	5,184	3,049	4,556
Finance costs	23	48,376	45,100	42,517	39,638
Other non-operating income	23	344	192,368	302	169,070
Other non-operating expenses	23	<u>626</u>	<u>13,311</u>	<u>550</u>	<u>11,699</u>
Profit before income tax expense		1,074,298	942,334	944,189	828,206
Income tax expense from continuing operations	24	<u>29,186</u>	<u>110,473</u>	<u>25,651</u>	<u>97,094</u>
Profit for the period from continuing operations		<u>1,045,112</u>	<u>831,861</u>	<u>918,538</u>	<u>731,112</u>
Loss from discontinued operation	27	-	(2,112)	-	(1,856)
Profit for the period		<u>1,045,112</u>	<u>829,749</u>	<u>918,538</u>	<u>729,256</u>
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurement loss on defined benefit plans	16	(3,779)	(1,722)	(3,321)	(1,513)
		<u>(3,779)</u>	<u>(1,722)</u>	<u>(3,321)</u>	<u>(1,513)</u>
Total comprehensive income for the period		<u>₩ 1,041,333</u>	<u>₩ 828,027</u>	<u>\$ 915,217</u>	<u>\$ 727,743</u>
Earnings per share (Korean won and U.S. dollar):	25				
Basic earnings per share		₩ 18,711	₩ 14,853	\$ 16.44	\$ 13.05
Basic earnings per share from continuing operations		18,711	14,891	16.44	13.09

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

SK Holdings Co., Ltd.
Interim condensed separate statements of changes in equity
for the three months ended March 31, 2019 and 2018
(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
As of January 1, 2018	₩ 15,385	₩ 4,720,271	₩ 7,585,590	₩ 11,455	₩ 12,332,701
Effect of changes in accounting policies	-	-	1,156	(13,696)	(12,540)
Beginning balance after amendment	<u>₩ 15,385</u>	<u>₩ 4,720,271</u>	<u>₩ 7,586,746</u>	<u>₩ (2,241)</u>	<u>₩ 12,320,161</u>
Total comprehensive income:					
Profit for the period	-	-	829,749	-	829,749
Remeasurement loss on defined benefits plans	-	-	(1,722)	-	(1,722)
Dividends	-	-	(225,583)	-	(225,583)
Business combination	-	(310,604)	-	-	(310,604)
Stock option	-	397	-	-	397
As of March 31, 2018	<u>₩ 15,385</u>	<u>₩ 4,410,064</u>	<u>₩ 8,189,190</u>	<u>₩ (2,241)</u>	<u>₩ 12,612,398</u>
As of January 1, 2019	₩ 15,385	₩ 4,411,253	₩ 8,743,527	₩ (2,029)	₩ 13,168,136
Effect of changes in accounting policies	-	-	5,246	-	5,246
Beginning balance after amendment	<u>₩ 15,385</u>	<u>₩ 4,411,253</u>	<u>₩ 8,748,773</u>	<u>₩ (2,029)</u>	<u>₩ 13,173,382</u>
Total comprehensive income:					
Profit for the period	-	-	1,045,112	-	1,045,112
Remeasurement loss on defined benefits plans	-	-	(3,779)	-	(3,779)
Dividends	-	-	(225,583)	-	(225,583)
Stock option	-	382	-	-	382
As of March 31, 2019	<u>₩ 15,385</u>	<u>₩ 4,411,635</u>	<u>₩ 9,564,523</u>	<u>₩ (2,029)</u>	<u>₩ 13,989,514</u>

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

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
As of January 1, 2018	\$ 13,522	\$ 4,148,595	\$ 6,666,892	\$ 10,067	\$ 10,839,076
Effect of changes in accounting policies	-	-	1,016	(12,037)	(11,021)
Beginning balance after amendment	<u>13,522</u>	<u>4,148,595</u>	<u>6,667,908</u>	<u>(1,970)</u>	<u>10,828,055</u>
Total comprehensive income:					
Profit for the period	-	-	729,256	-	729,256
Remeasurement loss on defined benefits plans	-	-	(1,513)	-	(1,513)
Dividends	-	-	(198,262)	-	(198,262)
Business combination	-	(272,986)	-	-	(272,986)
Stock option	-	349	-	-	349
As of March 31, 2018	<u>\$ 13,522</u>	<u>\$ 3,875,958</u>	<u>\$ 7,197,389</u>	<u>\$ (1,970)</u>	<u>\$ 11,084,899</u>
As of January 1, 2019	\$ 13,522	\$ 3,877,002	\$ 7,684,590	\$ (1,783)	\$ 11,573,331
Effect of changes in accounting policies	-	-	4,611	-	4,611
Beginning balance after amendment	<u>13,522</u>	<u>3,877,002</u>	<u>7,689,201</u>	<u>(1,783)</u>	<u>11,577,942</u>
Total comprehensive income:					
Profit for the period	-	-	918,538	-	918,538
Remeasurement loss on defined benefits plans	-	-	(3,321)	-	(3,321)
Dividends	-	-	(198,263)	-	(198,263)
Stock option	-	336	-	-	336
As of March 31, 2019	<u>\$ 13,522</u>	<u>\$ 3,877,338</u>	<u>\$ 8,406,155</u>	<u>\$ (1,783)</u>	<u>\$ 12,295,232</u>

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

SK Holdings Co., Ltd.
Interim condensed separate statements of cash flows
for the three months ended March 31, 2019 and 2018

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

	Notes	For the three months ended March 31			
		Korean won		Translation into U.S. dollar (Note 2)	
		2019	2018	2019	2018
Cash flows from operating activities:					
Profit for the period		₩ 1,045,112	₩ 829,749	\$ 918,538	\$ 729,256
Non-cash adjustments	28	(946,150)	(763,821)	(831,561)	(671,314)
Working capital adjustments	28	22,553	(15,599)	19,822	(13,710)
Interest received		1,297	914	1,140	803
Interest paid		(47,125)	(47,282)	(41,418)	(41,556)
Dividends received		604,377	332,958	531,180	292,633
Income taxes paid		(503)	(1,359)	(442)	(1,194)
Net cash flows provided by operating activities		679,561	335,560	597,259	294,918
Cash flows from investing activities:					
Decrease (increase) in short-term and long-term financial instruments, net		(57,269)	8,296	(50,333)	7,291
Proceeds from disposal of investments in subsidiaries		-	224,015	-	196,884
Proceeds from disposal of property, plant and equipment		12	58	11	51
Proceeds from disposal of intangible assets		20	1,196	18	1,051
Acquisition of long-term investment securities		(104,142)	(81,544)	(91,529)	(71,668)
Acquisition of investments in subsidiaries		(288,221)	-	(253,314)	-
Acquisition of investments in associates		(8,421)	(149,966)	(7,401)	(131,803)
Acquisition of property, plant and equipment		(7,516)	(13,460)	(6,606)	(11,830)
Acquisition of intangible assets		(6,750)	(7,099)	(5,933)	(6,239)
Decrease in guarantee deposits, net		(18)	(397)	(16)	(349)
Cash inflows from business combinations		-	4	-	4
Net cash flows used in investing activities		(472,305)	(18,897)	(415,103)	(16,608)
Cash flows from financing activities:					
Decrease in short-term borrowings, net		(260,000)	(145,000)	(228,512)	(127,439)
Issuance of bonds payable		298,698	308,659	262,522	271,277
Payment of dividends		(6)	-	(5)	-
Repayment of current portion of long-term debt		(250,000)	(230,000)	(219,722)	(202,144)
Decrease in lease liabilities		(14,135)	-	(12,423)	-
Net cash flows provided by (used in) financing activities		(225,443)	(66,341)	(198,140)	(58,306)
Net increase (decrease) in cash and cash equivalents		(18,187)	250,322	(15,984)	220,004
Net foreign exchange effects		75	(9)	66	(8)
Cash and cash equivalents at the beginning of the period		123,858	84,482	108,857	74,250
Cash and cash equivalents at the end of the period		₩ 105,746	₩ 334,795	\$ 92,939	\$ 294,246

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

1. Corporate information

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

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

As of March 31, 2019, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares), and major shareholders are Tae-won Chey, National Pension Service and Ki-won Choi, holding equity ownership of 18.44%, 8.34% and 7.27%, respectively.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

The interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2018.

The accompanying interim condensed separate financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed separate financial statements and has been made at the rate of ₩1,137.8 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the year ended March 31, 2019. Such translations into U.S. dollar should not be construed as representations that the Korean won amounts could be converted into U.S. dollar at that or any other rate.

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

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as of January 1, 2019.

2.2.1 New and revised KIFRSs adopted in the current period

The Company has applied amendments to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 2019.

KIFRS 1019 - *Employee Benefits*

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).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The application of KIFRS 1019 has not had a significant impact on the Company's financial position or management performance.

KIFRS 1028 - *Investments in Associates and Joint Ventures*

The amendments clarify that an entity applies KIFRS 1109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in KIFRS 1109 applies to such long-term interests. The amendments also clarified that, in applying KIFRS 1109, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying KIFRS 1028 Investments in Associates and Joint Ventures. The application of KIFRS 1028 has not had a significant impact on the Company's financial position or management performance.

KIFRS 1109 - *Financial Instruments*

Some pre-payable financial assets that involve negative (-) rewards have been amended to allow them to be measured at amortized cost and the effect of the modification should be recognised in FVPTL, if terms of the financial liability measured at amortized cost has been changed but not removed. The application of KIFRS 1109 has not had a significant impact on the Company's financial position or management performance.

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

KIFRS 1116 – Leases

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 Company 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 Company shall not reassess sale and leaseback transactions entered into before the date of initial application.

The Company 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 Company 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 Company 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')

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

	Adjustment	
Assets:		
Lease receivables	₩	31,211
Right-of-use assets		67,785
Investment property		666
Long-term lease receivables		39,914
	₩	139,576
Liabilities:		
Lease liabilities	₩	58,645
Provisions		1,882
Long-term lease liabilities		73,803
	₩	134,330
Equity:		
Retained Earnings	₩	5,246

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

① Effects of initial application of IFRS 1116

The Company has lease contracts for various items of land and buildings, tanks, vehicles and so forth. Before the adoption of KIFRS 1116, the Company 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 Company; 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 Company 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 Company.

a. Leases previously classified as finance leases

The Company 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 Company 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.

The Company 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

Meanwhile, as of January 1, 2019, the lease liability of ₩132,448 million is discounted amount of ₩136,086 million excluding short-term and small asset leases, as of December 31, 2018 by incremental borrowing rate. There are no further identified lease agreements and financial lease liabilities recognised at the prior period.

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

② Summary of new accounting policies

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

a. Right-of-use assets

The Company 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 Company 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 Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company 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 Company 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 Company 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.

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

The Company 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 Company 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 Company 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).

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

IFRIC Interpretation 2123 - *Uncertainty over Income Tax Treatment*

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 Company 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 amendment has not had a significant impact on the Company's financial position or management performance.

2.2.2 New and revised KIFRSs issued, but not yet effective

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

Those accounting judgments made by management in the preparation of the interim condensed separate financial statements for the three months ended March 31, 2019, are consistent with those followed in the preparation of the separate financial statements for the year ended December 31, 2018.

SK Holdings Co., Ltd.
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4. Financial instruments

4.1 Financial assets

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

	March 31, 2019			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	
Current assets:				
Cash and cash equivalents	₩ 74,746	₩ -	₩ 31,000	₩ 105,746
Short-term financial instruments	147,540	-	38,220	185,760
Trade receivables (*1)	-	-	210,216	210,216
Other receivables	-	-	452,465	452,465
Accrued income	-	-	181	181
Guarantee deposits	-	-	113	113
Lease receivable	-	-	31,369	31,369
	<u>222,286</u>	<u>-</u>	<u>763,564</u>	<u>985,850</u>
Non-current assets:				
Long-term financial instruments	-	-	19	19
Long-term investment securities	267,009	232,216	403	499,628
Long-term loans	-	-	397	397
Guarantee deposits	-	-	21,091	21,091
Long-term lease receivables	-	-	32,012	32,012
Derivative financial assets	175,993	-	-	175,993
	<u>443,002</u>	<u>232,216</u>	<u>53,922</u>	<u>729,140</u>
	<u>₩ 665,288</u>	<u>₩ 232,216</u>	<u>₩ 817,486</u>	<u>₩ 1,714,990</u>

(*1) Contract assets (unbilled receivables) amounting to ₩195,837 million as of March 31, 2019 are not included in the financial instruments.

	December 31, 2018			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	
Current assets:				
Cash and cash equivalents	₩ 73,491	₩ -	₩ 50,367	₩ 123,858
Short-term financial instruments	96,271	-	32,220	128,491
Trade receivables (*1)	-	-	354,128	354,128
Other receivables	-	-	1,858	1,858
Accrued income	-	-	118	118
Guarantee deposits	-	-	112	112
Derivative financial assets	34	-	-	34
	<u>169,796</u>	<u>-</u>	<u>438,803</u>	<u>608,599</u>
Non-current assets:				
Long-term financial instruments	-	-	19	19
Long-term investment securities	162,475	232,216	394	395,085
Long-term loans	-	-	397	397
Long-term guarantee deposits	-	-	21,074	21,074
Derivative financial assets	175,993	-	-	175,993
	<u>338,468</u>	<u>232,216</u>	<u>21,884</u>	<u>592,568</u>
	<u>₩ 508,264</u>	<u>₩ 232,216</u>	<u>₩ 460,687</u>	<u>₩ 1,201,167</u>

(*1) Contract assets (unbilled receivables) amounting to ₩138,098 million as of December 31, 2018 are not included in the financial instruments.

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4.2 Financial liabilities

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

	March 31, 2019		
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 650,000	₩ 650,000
Trade payables	-	83,927	83,927
Other payables	-	42,094	42,094
Accrued expenses	-	264,322	264,322
Current portion of long-term debt	-	1,171,616	1,171,616
Lease liabilities	-	57,822	57,822
Derivative financial liabilities	393	-	393
	<u>393</u>	<u>2,269,781</u>	<u>2,270,174</u>
Non-current liabilities:			
Bonds payable	-	5,092,317	5,092,317
Leasehold deposits received	-	6,192	6,192
Long-term lease liabilities	-	59,469	59,469
Derivative financial liabilities	240,172	-	240,172
	<u>240,172</u>	<u>5,157,978</u>	<u>5,398,150</u>
	<u>₩ 240,565</u>	<u>₩ 7,427,759</u>	<u>₩ 7,668,324</u>

	December 31, 2018		
	Financial liabilities at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 910,000	₩ 910,000
Trade payables	-	116,507	116,507
Other payables	-	98,969	98,969
Accrued expenses	-	67,400	67,400
Current portion of long-term debt	-	1,083,112	1,083,112
Derivative financial liabilities	146	-	146
	<u>146</u>	<u>2,275,988</u>	<u>2,276,134</u>
Non-current liabilities:			
Bonds payable	-	5,134,589	5,134,589
Leasehold deposits received	-	6,210	6,210
Derivative financial liabilities	240,169	-	240,169
	<u>240,169</u>	<u>5,140,799</u>	<u>5,380,968</u>
	<u>₩ 240,315</u>	<u>₩ 7,416,787</u>	<u>₩ 7,657,102</u>

4.3 Fair values of financial instruments by hierarchy level

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

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

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4.3 Fair values of financial instruments by hierarchy level (cont'd)

Details of fair value of financial instruments by hierarchy level as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 222,286	₩ -	₩ 267,009	₩ 489,295
Financial assets measured at FVOCI	-	-	232,216	232,216
Derivative financial assets	-	-	175,993	175,993
	<u>₩ 222,286</u>	<u>₩ -</u>	<u>₩ 675,218</u>	<u>₩ 897,504</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 397	₩ 240,168	₩ 240,565

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 169,762	₩ -	₩ 162,475	₩ 332,237
Financial assets measured at FVOCI	-	-	232,216	232,216
Derivative financial assets	-	34	175,993	176,027
	<u>₩ 169,762</u>	<u>₩ 34</u>	<u>₩ 570,684</u>	<u>₩ 740,480</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 146	₩ 240,169	₩ 240,315

Changes in Level 3 financial assets for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three month ended March 31, 2019			
	Beginning Balance	Acquisition	Valuation	Ending balance
Financial assets measured at FVTPL	₩ 162,475	₩ 104,142	₩ 392	₩ 267,009
Financial assets measured at FVOCI	232,216	-	-	232,216
Derivative financial assets	175,993	-	-	175,993
	<u>₩ 570,684</u>	<u>₩ 104,142</u>	<u>₩ 392</u>	<u>₩ 675,218</u>

	For the three month ended March 31, 2018				
	Beginning balance	Change of accounting policies	Acquisition	Valuation	Ending balance
Financial assets measured at FVTPL	₩ -	₩ 62,617	₩ 81,544	₩ 339	₩ 144,500
Financial assets measured at FVOCI	-	2,374	37	-	2,411
Derivative financial assets	-	477	-	-	477
Financial assets at FVTPL	3,015	(3,015)	-	-	-
Available-for-sale financial assets	15,072	(15,072)	-	-	-
	<u>₩ 18,087</u>	<u>₩ 47,381</u>	<u>₩ 81,581</u>	<u>₩ 339</u>	<u>₩ 147,388</u>

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5. Trade receivables

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Trade receivables:		
Trade receivables	₩ 210,785	₩ 354,652
Contract assets (unbilled receivable)	<u>195,837</u>	<u>138,098</u>
	406,622	492,750
Allowance for doubtful accounts:		
Trade receivables	<u>(569)</u>	<u>(524)</u>
	<u>₩ 406,053</u>	<u>₩ 492,226</u>

6. Inventories

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

	<u>March 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Valuation allowance</u>	<u>Book value</u>	<u>Cost</u>	<u>Valuation allowance</u>	<u>Book value</u>
Raw material	₩ 202	₩ -	₩ 202	₩ 172	₩ -	₩ 172

SK Holdings Co., Ltd.
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7. Long-term investment securities

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

	March 31, 2019		December 31, 2018	
	Cost	Book value	Cost	Book value
Financial assets measured at FVTPL:				
Equity instruments	₩ 90,790	₩ -	₩ 91,439	₩ -
Debt securities (*1)	199,759	213,579	96,360	109,831
Money invested and others	58,626	53,430	57,883	52,644
Financial assets measured at FVOCI:				
Equity instruments (*2)	234,892	232,216	234,892	232,216
Financial assets measured at amortized cost:				
Debt securities	394	403	394	394
	<u>₩ 584,461</u>	<u>₩ 499,628</u>	<u>₩ 480,968</u>	<u>₩ 395,085</u>

(*1) Represents convertible redeemable preference shares of GRAB Holdings Inc., convertible bonds of Socar, Inc. and Kinestral Technologies Inc..

(*2) The Company applied the irrevocable option to designate the equity instruments held for strategic investment, not for held-for-trading purpose, as items measured at FVOCI.

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

	March 31, 2019		December 31, 2018	
	Acquisition cost	Book value	Acquisition cost	Book value
Non-marketable equity instruments	₩ 325,682	₩ 232,216	₩ 326,331	₩ 232,216
Debt securities	200,153	213,982	96,754	110,225
Money invested and others	58,626	53,430	57,883	52,644
	<u>₩ 584,461</u>	<u>₩ 499,628</u>	<u>₩ 480,968</u>	<u>₩ 395,085</u>

(3) Changes in long-term investment securities and available-for-sale financial assets for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2019	March 31, 2018
Beginning balance	₩ 395,085	₩ 78,984
Effect of changes in the accounting policies	-	(13,993)
Acquisitions	104,142	81,581
Gain on valuation	401	339
Ending balance	<u>₩ 499,628</u>	<u>₩ 146,911</u>

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8. Investments in subsidiaries

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

	Domicile	Principal Business activity	Equity ownership (*1)	March 31, 2019		December 31, 2018
				Acquisition cost	Book value	Book value
SK Innovation Co., Ltd. (*2)	Korea	Resource development	33.40%	₩ 3,072,937	₩ 3,072,937	₩ 3,072,937
SK Telecom Co., Ltd. (*2)	Korea	Mobile	26.78%	5,416,019	5,416,019	5,416,019
		Tele-communication				
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14%	706,229	706,229	706,229
SKC Co., Ltd. (*2)	Korea	Petrochemicals	41.00%	548,654	548,654	548,654
SK E&S Co., Ltd.	Korea	City gas business	90.00%	2,600,000	2,600,000	2,600,000
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	44.48%	545,300	545,300	545,300
SK Siltron Co., Ltd.	Korea	Manufacturing and sales of silicon thin sheet	51.00%	622,606	622,606	622,606
SK Biopharmaceuticals Co., Ltd.	Korea	Life science	100.00%	478,702	478,702	478,702
SK Materials Co., Ltd. (*2)	Korea	Special-gas manufacturing and sales	49.10%	473,335	473,335	473,335
SK Biotek Co., Ltd.	Korea	Life science	100.00%	336,318	336,318	336,318
SK Forest Co., Ltd.	Korea	Landscape construction	100.00%	61,387	61,387	61,387
Plutus Capital NY, Inc. (*3)	USA	Investment	100.00%	563,271	563,271	388,527
SK China Company, Ltd. (*4)	Hong Kong	Consulting and investment	27.42%	557,117	557,117	557,117
Alchemy Acquisition Corp.	USA	Investment	100.00%	526,631	526,631	526,631
SK South East Asia Investment Pte. Ltd. (*3,4)	Singapore	Investment	20.00%	224,350	224,350	110,880
Plutus Fashion NY, Inc.	USA	Fashion	100.00%	74,113	74,113	74,113
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00%	25,847	25,847	25,847
SK C&C Beijing Co., Ltd.	China	Computer system	100.00%	25,481	25,481	25,481
SK GI Management	Cayman Islands	Investment	100.00%	9,523	9,523	9,523
SK Investment Management Co., Ltd.	Hong Kong	Investment	80.76%	9,201	9,201	9,201
Gemini Partners Pte. Ltd. (*4)	Singapore	Consulting investment	20.00%	6,018	2,601	2,601
SK MENA Investment B.V. (*4)	Netherlands	Investment	11.54%	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*4)	Spain	Investment	11.54%	5,135	5,135	5,135
SK C&C India Pvt. Ltd.	India	Computer system	100.00%	3,442	382	382
SK Technology Innovation Company (*4)	Cayman Islands	Research and development	2.12%	1,876	1,876	1,876
Golden Pearl EV Solutions Limited	Hong Kong	Investment	100.00%	657	657	657
SK Computer and Communication LLC (*5)	UAE	Computer system	49.00%	380	380	380
S&G Technology	Saudi Arabia	Computer system	51.00%	74	74	74
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	100.00%	12	12	5
				<u>₩ 16,899,793</u>	<u>₩ 16,893,316</u>	<u>₩ 16,605,095</u>

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

(*2) SK Innovation Co., Ltd. and 5 others were classified as investments in subsidiaries as the Company is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and five other companies are widely dispersed, and the Company's voting rights are sufficient to give it power.

(*3) During the current period, the Company invested additional ₩174,744 and ₩113,470 million in Plutus Capital NY, Inc. and SK South East Asia Investment Pte. Ltd., respectively.

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

(*5) As the Company acquired voting rights of shares (51%), it classified SK Computer and Communication LLC as the Company's subsidiaries.

(2) Fair value of marketable investments in subsidiaries as of March 31, 2019 is as follows (Korean won in millions):

	March 31, 2019
SK Innovation Co., Ltd.	₩ 5,543,640
SK Telecom Co., Ltd.	5,438,466
SK Networks Co., Ltd.	587,714
SKC Co., Ltd.	556,349
SK Materials Co., Ltd.	878,280

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9. Investments in associates and joint ventures

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

	Domicile	Principal business activity	Equity ownership	March 31, 2019			December 31, 2018
				Acquisition cost	Book value	Book value	Book value
Investments in associates:							
Socar. Inc. (*1)	Korea	Rental of cars	23.87%	₩ 91,800	₩ 91,800	₩ 91,800	₩ 91,800
SMCore Inc.	Korea	Manufacturing and sales of automated logistics system	26.60%	39,419	39,419	39,419	39,419
Begas Co., Ltd. (*1, 2)	Korea	Management consulting	17.86%	5,000	5,000	5,000	5,000
THiRA-UTECH Co., Ltd. (*1, 2)	Korea	Service manufacturing	18.07%	4,200	4,200	4,200	4,200
ACRYL Inc. (*1, 2)	Korea	Information service	18.40%	2,500	2,500	2,500	2,500
Daehan Kanggun BcN Co., Ltd. (*3)	Korea	Wired communication	0.67%	58	58	58	58
ESR Cayman Limited (*2)	Cayman Island	Investment	12.52%	493,627	493,627	493,627	493,627
Turo Inc. (*1, 2)	USA	Rental of cars	5.16%	39,728	39,728	39,728	39,728
9352-7281 Quebec Inc.	Canada	Investment	40.09%	31,558	31,558	31,558	31,558
SES Holdings Pte. Ltd. (*2, 4, 5)	Singapore	Investment	12.80%	28,791	28,791	-	-
Solid Energy Systems Corp. (*4)	USA	New material related to battery	-	-	-	28,791	28,791
FSK Holdings Co., Ltd.	Hong Kong	IT service	30.00%	11,937	11,937	11,937	11,937
Kinestral Technologies Inc. (*2, 5)	USA	Manufacturing discolored glass	4.66%	8,421	8,421	-	-
Mozido Corfire, Inc. (*2)	USA	System consulting	19.94%	6,767	-	-	-
				<u>763,806</u>	<u>757,039</u>	<u>748,618</u>	<u>748,618</u>
Investments in joint ventures:							
Hana Land Chip PEF 33 (*3)	Korea	Real estate	13.51%	₩ 40,000	₩ 40,000	₩ 40,000	₩ 40,000
Socar Mobility Malaysia, SDN BHD.	Malaysia	Rental of cars	60.00%	14,189	14,189	14,189	14,189
				<u>54,189</u>	<u>54,189</u>	<u>54,189</u>	<u>54,189</u>
				<u>₩ 817,995</u>	<u>₩ 811,228</u>	<u>₩ 802,807</u>	<u>₩ 802,807</u>

(*1) It is the equity share that takes preferred stock with voting rights into consideration.

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

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

(*4) The Company acquired shares of SES Holdings Pte. Ltd. through a comprehensive share exchange with shares of Solid Energy Systems Corp. (a subsidiary of SES Holdings Pte)

(*5) During the current period, the Company newly acquired the investee.

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10. Property, plant and equipment

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

	March 31, 2019			December 31, 2018		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 80,909	₩ -	₩ 80,909	₩ 84,251	₩ -	₩ 84,251
Buildings	319,611	(50,036)	269,575	323,400	(47,757)	275,643
Structures	9,348	(841)	8,507	8,780	(749)	8,031
Vehicles	7,564	(2,556)	5,008	7,504	(2,479)	5,025
Furniture and fixtures	325,157	(225,392)	99,765	325,244	(221,061)	104,183
Construction-in-progress	12,411	-	12,411	17,670	-	17,670
	₩ 755,000	₩ (278,825)	₩ 476,175	₩ 766,849	₩ (272,046)	₩ 494,803

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

	For the three months ended March 31, 2019					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer(*1)	Ending balance
Land	₩ 84,251	₩ -	₩ -	₩ -	₩ (3,342)	₩ 80,909
Buildings	275,643	-	(2,279)	-	(3,789)	269,575
Structures	8,031	-	(92)	-	568	8,507
Vehicles	5,025	60	(77)	-	-	5,008
Furniture and fixtures	104,183	4,190	(8,599)	(9)	-	99,765
Construction-in-progress	17,670	2,275	-	-	(7,534)	12,411
	₩ 494,803	₩ 6,525	₩ (11,047)	₩ (9)	₩ (14,097)	₩ 476,175

(*1) This includes replacements from construction-in-progress to the main property, plant and equipment account or investment property.

	For the three months ended March 31, 2018					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer	Ending balance
Land	₩ 169,505	₩ -	₩ -	₩ -	₩ -	₩ 169,505
Buildings	368,741	-	(3,791)	-	-	364,950
Structures	7,357	-	(75)	-	-	7,282
Vehicles	5,384	-	(95)	-	-	5,289
Furniture and fixtures	107,884	6,039	(8,302)	(124)	20	105,517
Construction-in-progress	12,787	7,100	-	-	(20)	19,867
	₩ 671,658	₩ 13,139	₩ (12,263)	₩ (124)	₩ -	₩ 672,410

11. Right-of-use assets and lease liabilities

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

	Acquisition cost	Accumulated depreciation	Book value
Land and buildings	₩ 60,379	₩ (4,280)	₩ 56,099
Vehicles	3,249	(349)	2,900
Machinery	183	(15)	168
Furniture and fixtures	373	(37)	336
	₩ 64,184	₩ (4,681)	₩ 59,503

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11. Right-of-use assets and lease liabilities (cont'd)

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

	For the three months ended March 31, 2019					
	Beginning balance	Change of accounting policies	Increase	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ -	₩ 64,375	₩ 337	₩ (7,049)	₩ (1,564)	₩ 56,099
Vehicles	-	2,802	528	(353)	(77)	2,900
Machinery	-	183	-	(15)	-	168
Furniture and fixtures	-	425	-	(48)	(41)	336
	₩ -	₩ 67,785	₩ 865	₩ (7,465)	₩ (1,682)	₩ 59,503

(*1) The amounts include adjustments of the right-to-use assets according to the re-measurement of the lease liabilities

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

	For the three months ended March 31, 2019					
	Beginning Balance	Change of accounting policies	Increase	Interest expenses	Decrease (payment)	Ending balance
Lease liabilities	₩ -	₩ 132,448	₩ 865	₩ 648	₩ (14,783)	₩ (1,887)
						₩ 117,291

(*1) The amounts include the details of the re-measurement of the lease liabilities for lease changes in existing leases

12. Investment property

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

	March 31, 2019			December 31, 2018		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 3,342	₩ -	₩ 3,342	₩ -	₩ -	₩ -
Buildings	21,231	(1,699)	19,532	9,810	(1,457)	8,353
	₩ 24,573	₩ (1,699)	₩ 22,874	₩ 9,810	₩ (1,457)	₩ 8,353

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

	For the three months ended March 31, 2019				
	Beginning balance	Account policy changes (*1)	Depreciation	Transfer (*2)	Ending balance
Land	₩ -	₩ -	₩ -	₩ 3,342	₩ 3,342
Buildings	8,353	666	(242)	10,755	19,532
	₩ 8,353	₩ 666	₩ (242)	₩ 14,097	₩ 22,874

(*1) Consist of replacements from right-of-use asset that meets the definition of investment property according to the first application of KIFRS 1116

(*2) This includes replacements from Property, plant and equipment to investment property

	For the three months ended March 31, 2018			
	Beginning balance	Acquisition	Depreciation	Ending balance
Land	₩ 31,395	₩ -	₩ -	₩ 31,395
Buildings	8,779	-	(106)	8,673
	₩ 40,174	₩ -	₩ (106)	₩ 40,068

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13. Intangible assets

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

	March 31, 2019				December 31, 2018			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 128,187	₩ (62,949)	₩ (5,086)	₩ 60,152	₩ 122,214	₩ (59,135)	₩ (5,086)	₩ 57,993
Memberships	54,170	-	(13,648)	40,522	54,191	-	(13,648)	40,543
Brand-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	37,872	(5,924)	-	31,948	37,086	(4,924)	-	32,162
	<u>₩ 2,195,229</u>	<u>₩ (68,873)</u>	<u>₩ (18,734)</u>	<u>₩ 2,107,622</u>	<u>₩ 2,188,491</u>	<u>₩ (64,059)</u>	<u>₩ (18,734)</u>	<u>₩ 2,105,698</u>

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

	For the three months ended March 31, 2019				
	Beginning balance	Acquisition	Depreciation	Disposal	Ending balance
Development costs	₩ 57,993	₩ 5,973	₩ (3,814)	₩ -	₩ 60,152
Memberships (*1)	40,543	-	-	(21)	40,522
Brand-related assets (*1)	1,975,000	-	-	-	1,975,000
Others	32,162	786	(1,000)	-	31,948
	<u>₩ 2,105,698</u>	<u>₩ 6,759</u>	<u>₩ (4,814)</u>	<u>₩ (21)</u>	<u>₩ 2,107,622</u>

	For the three months ended March 31, 2018				
	Beginning balance	Acquisition	Depreciation	Disposal	Ending balance
Development costs	₩ 48,397	₩ 2,936	₩ (3,124)	₩ -	₩ 48,209
Memberships (*1)	38,790	3,345	-	(1,226)	40,909
Brand-related assets (*1)	1,975,000	-	-	-	1,975,000
Others	28,112	837	(743)	(16)	28,190
	<u>₩ 2,090,299</u>	<u>₩ 7,118</u>	<u>₩ (3,867)</u>	<u>₩ (1,242)</u>	<u>₩ 2,092,308</u>

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

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14. Borrowings and bonds payable

(1) Short-term borrowings

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

Description	Financial institution	Interest rate (%)	March 31, 2019		December 31, 2018	
Working capital loan	Shinhan Bank	2.70	₩	40,000	₩	200,000
Working capital loan	Woori Bank	2.96		10,000		150,000
Working capital loan	Industrial & Commercial Bank of China	2.90		100,000		60,000
Commercial paper	KB Securities	1.99		200,000		200,000
Commercial paper	NH Investment & Securities	1.99		100,000		100,000
Commercial paper	Shinhan Bank	1.99		200,000		-
Commercial paper	Korea Investment & Securities	-		-		200,000
			₩	<u>650,000</u>	₩	<u>910,000</u>

(2) Bonds payable

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

Issuance number	Interest rate (%)	Maturity	Security	March 31, 2019		December 31, 2018	
257-2nd	3.36	2019-08-27	Unsecured	₩	100,000	₩	100,000
258-2nd	3.35	2019-10-19	Unsecured		100,000		100,000
259-2nd	3.34	2020-06-03	Unsecured		100,000		100,000
260-2nd	3.84	2020-09-06	Unsecured		100,000		100,000
261-2nd	3.97	2020-12-03	Unsecured		100,000		100,000
262-1st	3.43	2019-02-12	Unsecured		-		150,000
262-2nd	3.68	2021-02-12	Unsecured		100,000		100,000
263-1st	3.19	2019-05-30	Unsecured		150,000		150,000
263-2nd	3.36	2021-05-30	Unsecured		100,000		100,000
264-1st	3.04	2019-08-05	Unsecured		80,000		80,000
264-2nd	3.25	2021-08-05	Unsecured		170,000		170,000
265-2nd	2.45	2019-12-02	Unsecured		100,000		100,000
265-3rd	2.66	2021-12-02	Unsecured		100,000		100,000
266-1st	2.26	2020-02-06	Unsecured		150,000		150,000
266-2nd	2.39	2022-02-06	Unsecured		100,000		100,000
269-2nd	4.12	2019-06-14	Unsecured		150,000		150,000
270-2nd	3.39	2019-11-02	Unsecured		50,000		50,000
270-3rd	3.80	2022-11-02	Unsecured		50,000		50,000
271-2nd	3.34	2020-02-27	Unsecured		100,000		100,000
272-3rd	3.92	2020-08-30	Unsecured		60,000		60,000
273-1st	3.47	2019-03-25	Unsecured		-		100,000
273-2nd	3.79	2021-03-25	Unsecured		100,000		100,000
273-3rd	4.26	2024-03-25	Unsecured		100,000		100,000
274-2nd	2.17	2020-09-30	Unsecured		150,000		150,000
274-3rd	2.34	2022-09-30	Unsecured		80,000		80,000
275-2nd	2.52	2020-12-07	Unsecured		120,000		120,000
275-3rd	2.66	2022-12-07	Unsecured		60,000		60,000
276-2nd	2.02	2021-03-07	Unsecured		120,000		120,000
276-3rd	2.26	2023-03-07	Unsecured		150,000		150,000
277-2nd	1.93	2021-06-01	Unsecured		120,000		120,000
277-3rd	2.16	2023-06-01	Unsecured		120,000		120,000
277-4th	2.43	2026-06-01	Unsecured		60,000		60,000
278-2nd	1.65	2021-09-07	Unsecured		110,000		110,000
278-3rd	1.80	2023-09-07	Unsecured		110,000		110,000
279-1st	1.96	2020-03-06	Unsecured		90,000		90,000
279-2nd	2.34	2022-03-06	Unsecured		190,000		190,000
279-3rd	2.58	2024-03-06	Unsecured		120,000		120,000
280-1st	1.99	2020-06-01	Unsecured		90,000		90,000
280-2nd	2.39	2022-06-01	Unsecured		200,000		200,000
280-3rd	2.67	2024-06-01	Unsecured		110,000		110,000

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14. Borrowings and bonds payable (cont'd)

Issuance number	Interest rate (%)	Maturity	Security	March 31, 2019	December 31, 2018
281-1st	1.90	2019-08-04	Unsecured	100,000	100,000
281-2nd	2.40	2022-08-04	Unsecured	130,000	130,000
281-3rd	2.62	2024-08-04	Unsecured	70,000	70,000
282-1st	2.47	2020-10-25	Unsecured	70,000	70,000
282-2nd	2.79	2022-10-25	Unsecured	150,000	150,000
282-3rd	2.86	2024-10-25	Unsecured	80,000	80,000
283-1st	2.88	2023-02-27	Unsecured	150,000	150,000
283-2nd	2.99	2025-02-27	Unsecured	60,000	60,000
283-3rd	3.26	2028-02-27	Unsecured	100,000	100,000
284-1st	2.87	2023-06-08	Unsecured	170,000	170,000
284-2nd	3.01	2025-06-08	Unsecured	60,000	60,000
284-3rd	3.09	2028-06-08	Unsecured	100,000	100,000
285-1st	2.36	2023-09-06	Unsecured	150,000	150,000
285-2nd	2.47	2025-09-06	Unsecured	60,000	60,000
285-3rd	2.55	2028-09-06	Unsecured	120,000	120,000
286-1st	2.20	2021-11-29	Unsecured	130,000	130,000
286-2nd	2.37	2023-11-29	Unsecured	100,000	100,000
287-1st	2.17	2024-02-27	Unsecured	150,000	-
297-2nd	2.23	2026-02-27	Unsecured	70,000	-
287-3rd	2.35	2029-02-27	Unsecured	80,000	-
				6,260,000	6,210,000
				3,933	7,701
Addition: premium on bonds payable					
Less: current portion				(1,171,616)	(1,083,112)
				<u>₩ 5,092,317</u>	<u>₩ 5,134,589</u>

(3) The Company's bonds payable repayment schedule as of March 31, 2019 is as follows (Korean won in millions):

Year ending	Amount of repayment
April 1, 2019 ~ March 31, 2020	₩ 1,170,000
April 1, 2020 ~ March 31, 2021	1,110,000
April 1, 2021 ~ March 31, 2022	1,020,000
April 1, 2022 ~ March 31, 2023	970,000
April 1, 2023 and thereafter	1,990,000
	<u>₩ 6,260,000</u>

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15. Provisions

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

	For the three months ended March 31, 2019				
	Beginning balance	Change of accounting policies (*1)	Increase	Decrease	Ending balance
Provision for service warranties	₩ 3,038	₩ -	₩ 691	₩ (1,667)	₩ 2,062
Other	166	1,882	2	(50)	2,000
	<u>₩ 3,204</u>	<u>₩ 1,882</u>	<u>₩ 693</u>	<u>₩ (1,717)</u>	<u>₩ 4,062</u>
	For the three months ended March 31, 2018				
	Beginning balance	Increase	Decrease	Ending balance	
Provision for service warranties	₩ 4,988	₩ 1,087	₩ (3,171)	₩ 2,904	
Buildings	2,961	-	-	2,961	
	<u>₩ 7,949</u>	<u>₩ 1,087</u>	<u>₩ (3,171)</u>	<u>₩ 5,865</u>	

The Company estimates a provision for service warranties for revenue from projects based on historical claim rates and past experiences. Meanwhile, other provisions consist of restructuring liabilities and provision for losses. If the underlying asset must be restored to its original value after the expiration of the contract period based on the lease contract, the restoration obligation is recognized as the present value of the estimated cost of removing, dismantling, and repairing the facility. In the event that future losses are expected to be incurred with respect to an ongoing project, the Company recognised the expected loss as provision for losses immediately.

16. Defined benefit liabilities

(1) Defined contribution plans

The Company partly operates a defined contribution plan for certain employees. The expenses related to the defined contributions plans recognized for the three months ended March 31, 2019, were ₩11 million.

(2) Defined benefit plans

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

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

	March 31, 2019	December 31, 2018
Present value of defined benefit obligation	₩ 311,253	₩ 297,845
Fair value of plan assets	(249,285)	(253,442)
	<u>₩ 61,968</u>	<u>₩ 44,403</u>

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16. Defined benefit liabilities (cont'd)

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

	<u>For the three months ended March 31, 2019</u>		
	Present value	Fair value of	Total
	of defined benefit obligation	plan assets	
Beginning balance	₩ 297,845	₩ (253,442)	₩ 44,403
Provision for pension benefits:			
Current service cost	9,617	-	9,617
Net interest expense (income)	1,742	(1,660)	82
Re-measurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	583	583
Actuarial changes arising from changes in financial assumptions	5,246	-	5,246
Experience adjustments	(843)	-	(843)
Benefit paid	(4,228)	6,513	2,285
Others	1,874	(1,279)	595
Ending balance	<u>₩ 311,253</u>	<u>₩ (249,285)</u>	<u>₩ 61,968</u>
	<u>For the three months ended March 31, 2018</u>		
	Present value	Fair value of	Total
	of defined benefit obligation	plan assets	
Beginning balance	₩ 254,398	₩ (215,599)	₩ 38,799
Provision for pension benefits:			
Current service cost	8,764	-	8,764
Net interest expense (income)	1,732	(1,622)	110
Re-measurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	1,459	1,459
Actuarial changes arising from changes in financial assumptions	(2,644)	-	(2,644)
Experience adjustments	2,872	-	2,872
Benefit paid	(7,341)	6,900	(441)
Others	3,931	(1,107)	2,824
Ending balance	<u>₩ 261,712</u>	<u>₩ (209,969)</u>	<u>₩ 51,743</u>

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17. Other assets and liabilities

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current assets:		
Accrued income	₩ 181	₩ 181
Advanced payments	2,922	8,476
Prepaid expenses	17,086	11,793
Guarantee deposits	113	112
Lease receivables	31,369	-
Derivative financial assets	-	34
Others	373	79
	<u>₩ 52,044</u>	<u>₩ 20,612</u>
Non-current assets:		
Long-term financial instruments	₩ 19	₩ 19
Long-term loans	397	397
Long-term guarantee deposits	21,091	21,074
Long-term lease receivables	32,012	-
Derivative financial assets	175,993	175,993
Others	127	127
	<u>₩ 229,639</u>	<u>₩ 197,610</u>

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current liabilities:		
Advance received	₩ 127,269	₩ 63,774
Withholdings	21,907	38,348
Income tax payable	141,315	122,873
Lease liabilities	57,822	-
Derivative financial liabilities	393	146
	<u>₩ 348,706</u>	<u>₩ 225,141</u>
Non-current liabilities:		
Leasehold deposits received	₩ 6,192	₩ 6,210
Long-term lease liabilities	59,469	-
Derivative financial liabilities	240,172	240,169
Long-term employee benefits	10,135	10,100
	<u>₩ 315,968</u>	<u>₩ 256,479</u>

18. Derivative financial assets and liabilities

The Company has entered into foreign currency forward contracts to manage fluctuations in currency exchange rates relating to its contracts denominated in foreign currencies, and has entered total return swap contracts with certain of subsidiaries' common share investors and others. Details of assets and liabilities after valuation as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Forward contract	₩ -	₩ 396	₩ 34	₩ 146
Total return swap contract (see Note 29)	175,993	240,169	175,993	240,169
	<u>₩ 175,993</u>	<u>₩ 240,565</u>	<u>₩ 176,027</u>	<u>₩ 240,315</u>

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19. Equity

19.1 Issued capital

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

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

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

19.2 Other paid-in capital

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Paid-in surplus (*1)	₩ 5,605,831	₩ 5,605,831
Treasury shares (*2)	(904,493)	(904,493)
Stock option	3,189	2,807
Others	(292,892)	(292,892)
	<u>₩ 4,411,635</u>	<u>₩ 4,411,253</u>

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

(*2) As of March 31, 2018, 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.

19.3 Retained earnings

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	65,230	65,230
Unappropriated retained earnings	9,491,600	8,670,604
	<u>₩ 9,564,523</u>	<u>₩ 8,743,527</u>

19.3 Retained earnings (cont'd)

(*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.

19.4 Other components of equity

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Loss on financial assets measured at FVOCI	₩ (2,029)	₩ (2,029)

19.5 Stock option

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

	<u>1-1</u>	<u>1-2</u>	<u>1-3</u>
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 Company may settle the difference in cash or with treasury stock equivalent to the difference amount.		
Number of shares (shares)	41,429	41,430	41,431
Exercise price (Korean won)	₩ 226,290	₩ 244,400	₩ 263,950
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24
Vesting conditions	2 year service from the grant date	3 year service from the grant date	4 year service from the grant date

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

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

	<u>1-1</u>	<u>1-2</u>	<u>1-3</u>
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 day in Korean won)	₩ 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 (Korean won)	₩ 226,290	₩ 244,400	₩ 263,950
Fair value per share (Korean won)	₩ 38,317	₩ 34,200	₩ 30,962

SK Holdings Co., Ltd.
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20. Operating revenues

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Revenue from contracts with customers:		
IT service (*1)	₩ 388,470	₩ 336,569
Trademark usage income	58,912	46,619
Others	125	-
	<u>447,507</u>	<u>383,188</u>
Revenue from other sources:		
Dividend income	1,054,468	759,437
Rental income	798	11,603
	<u>1,055,266</u>	<u>771,040</u>
	<u>₩ 1,502,773</u>	<u>₩ 1,154,228</u>

(*1) Includes contract revenue of ₩238,716 and ₩176,015 million recognized from the cost-based input method for the three months ended March 31, 2019 and 2018.

(2) Revenue from contracts with customers

	For the three months ended	
	March 31, 2019	March 31, 2018
Type of goods or services:		
IT service (*1)	₩ 388,470	₩ 336,569
Trademark usage income	58,912	46,619
Others	125	-
	<u>₩ 447,507</u>	<u>₩ 383,188</u>
Geographical location:		
Korea	₩ 429,092	₩ 369,390
Asia	15,952	11,022
Europe	2,093	767
North America	370	2,009
	<u>₩ 447,507</u>	<u>₩ 383,188</u>
Timing of revenue recognition:		
Recognized at a point in time	₩ 16,200	₩ 32,357
Recognized over a period of time	431,307	350,831
	<u>₩ 447,507</u>	<u>₩ 383,188</u>

(3) Details of contract assets, contract liabilities related to revenue from contracts with customers as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions):

	March 31, 2019	December 31, 2018
Contract assets from IT service contract	₩ 195,837	₩ 138,098
Contract liabilities from IT service contract (*1)	59,751	63,753

(*1) The amount recognized as revenue in the current period in relation to the contract liabilities in the beginning of the current term is ₩32,671 million and there is no revenue recognized in the current period in relation to the performance obligation satisfied in the prior term.

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20. Operating revenues (cont'd)

(4) Details of profit variation by changes of accounting estimates related to the cost-based input method contracts as of March 31, 2019 are as follows (Korean won in millions):

	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit (loss)	Impact on future period profit (loss)
IT Service contracts (*1)	₩ 25,241	₩ 22,044	₩ 623	₩ 2,574

(*1) For the purpose of KIFRS 1108 *Operating Segments*, the Company has a single reportable segment and therefore need not separately disclose the business segment.

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

(5) Contracts applying the cost-based input method to measure the percentage-of-completion with total contract revenue exceeding prior year's operating income by more than 5% as of March 31, 2019 are as follows (Korean won in millions):

For the three months ended March 31, 2019									
Business division	Construction	Contract date	Due date	Percentage of completion	Total amount	Net amount	Total amount	Provision for losses	
ICT business	The K project	2019. 01	2020. 10	10.58%	₩ 630	₩ -	₩ -	₩ -	-

21. Operating expenses

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Material costs	₩ 26,602	₩ 31,193
Outsourcing costs	180,750	152,444
Salaries	73,349	71,789
Provision for pension benefits	9,457	9,247
Depreciation	18,434	11,785
Rents	690	10,400
Communications	4,688	5,470
Employee welfare benefits	13,256	12,960
Commissions	15,414	7,164
Education and training	3,995	3,289
Research and development	10,428	8,970
Office management	9,661	9,808
Travel	3,302	3,427
Others	13,260	13,089
	₩ 383,286	₩ 351,035

22. Expenses classified based on nature of expense

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Material costs	₩ 26,764	₩ 31,328
Outsourcing costs	180,750	152,508
Salaries	80,252	77,942
Provision for pension benefits	9,748	9,559
Depreciation and amortization	23,568	16,236
Rents	690	10,400
Communications	4,726	5,470
Employee welfare benefits	13,841	13,549
Commissions	15,495	7,166
Education and training	4,064	3,357
Office management	9,661	9,808
Travel	3,367	3,468
Others	10,360	10,244
	<u>₩ 383,286</u>	<u>₩ 351,035</u>

23. Finance income (costs) and other non-operating income (expenses)

23.1 Finance income and costs

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Finance income:		
Interest income	₩ 1,704	₩ 1,301
Gain on foreign currency transactions	780	1,419
Gain on foreign currency translation	377	44
Gain on valuation of FVTPL measured at fair value	392	1,617
Gain on valuation of derivative instruments	147	13
Gain on transactions of derivative instruments	69	790
	<u>₩ 3,469</u>	<u>₩ 5,184</u>

	For the three months ended	
	March 31, 2019	March 31, 2018
Finance costs:		
Interest expenses	₩ 47,343	₩ 42,968
Loss on foreign currency transactions	480	777
Loss on foreign currency translation	53	87
Loss on valuation of derivative instruments	327	1,185
Loss on transactions of derivative instruments	173	83
	<u>₩ 48,376</u>	<u>₩ 45,100</u>

23.2 Other non-operating income and expenses

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Other non-operating income:		
Gain on disposal of investments in subsidiaries	₩ -	₩ 192,191
Gain on disposal of property, plant and equipment	7	3
Gain on disposal of intangible assets	-	55
Others	337	119
	<u>₩ 344</u>	<u>₩ 192,368</u>
	For the three months ended	
	March 31, 2019	March 31, 2018
Other non-operating expenses:		
Loss on disposal of investments in subsidiaries	₩ -	₩ 6,248
Loss on disposal of property, plant and equipment	4	121
Loss on disposal of intangible assets	1	101
Donations	113	6,602
Others	508	239
	<u>₩ 626</u>	<u>₩ 13,311</u>

24. Income taxes

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

Effective tax rates for the three months ended March 31, 2019 and 2018 were 2.72% and 11.70%, respectively.

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25. Earnings per share

(1) Basic earnings per share for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions, except per share information):

	For the three months ended	
	March 31, 2019	March 31, 2018
Profit for the period	₩ 1,045,112	₩ 829,749
Less: preferred share dividends	(571)	(571)
Profit for the period attributable to ordinary share owners of the Company	₩ 1,044,540	₩ 829,178
Weighted-average number of issued shares outstanding (*1)	55,824,347	55,824,351
Basic earnings per share (Korean won)	₩ 18,711	₩ 14,853

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

The weighted-average number of issued shares outstanding for the three months ended March 31, 2019 and 2018 are as follows:

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

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions, except per share information):

	For the three months ended	
	March 31, 2019	March 31, 2018
Profit for the period attributable to ordinary shares	₩ 1,044,540	₩ 829,178
Less: Loss from discontinued operations	-	(2,112)
Gain from continuing operations attributable to ordinary shares	₩ 1,044,540	₩ 831,290
Weighted-average number of issued shares outstanding	55,824,347	55,824,351
Basic earnings per share from continuing operations (Korean won)	₩ 18,711	₩ 14,891

(3) Basic earnings per share from discontinued operations

Basic earnings per share from discontinued operations for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions, except per share information):

	For the three months ended	
	March 31, 2019	March 31, 2018
Loss from discontinued operations	₩ -	₩ (2,112)
Weighted-average number of issued shares outstanding	55,824,347	55,824,351
Basic earnings per share from discontinued operations (Korean won)	₩ -	₩ (38)

26. Transactions with related parties

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

(1) The subsidiaries of the Company as of March 31, 2019, are as follows:

Ultimate controlling party	Subsidiary
Subsidiary (total 269)	<p>Tae-won, Chey and related parties</p> <p>SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, Happydidim Co., Ltd., SK Energy Road Investment Co., Ltd., SK Energy Hong Kong Co., Ltd., Shandong SK Hightech Oil Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., Ningbo SK Baoying Asphalt Storage Co., Ltd., Hefei SK Baoying Asphalt Co., Ltd., Chongqing SK Asphalt Co., Ltd., SK Asphalt (Shanghai) Co., Ltd., SK Global Chemical Co., Ltd., SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical International Trading (Shanghai) Co., Ltd., SK Golden Tide Plastics (Yantai) Co., Ltd., SK Global Chemical International Trading (Guangzhou) Co., Ltd., SK Global Chemical Americas, Inc., SK Primacor Americas LLC, SK Primacor Europe, S.L.U., SK Saran Americas LLC, SK Global Chemical China Co., Ltd., SK Global Chemical Japan Co., Ltd., SK Global Chemical Singapore Pte. Ltd., SK Global Chemical Investment Hong Kong Ltd., Ningbo SK Performance Rubber Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd., SK Energy International Pte. Ltd., SK Energy Europe, Ltd., SK Energy Americas, Inc., SK Terminal B.V., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., PT. Patra SK, SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., Ltd., SK Lubricants & Oils India Pte. Ltd., Iberian Lube Base Oils S.A., SK Lubricants Russia LLC, SK Mobile Energy Co., Ltd., SK Innovation Insurance (Bermuda), Ltd., SK USA, Inc., Blue Dragon Energy Co., Ltd., SK Battery Hungary Kft., SK Battery America, Inc., SK Battery Manufacturing Kft., SK Hi-Tech Battery Battery Materials (Jiang Su) Co., Ltd., SK Hi-tech Battery Materials Poland Sp. Zo.o., Happykium Co., Ltd., SK E&P Company, SK E&P America, Inc., SK Plymouth, LLC, SK Permian, LLC, SK E&P Operations America, LLC, SK Nemaha, LLC, SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Telink Vietnam Co., Ltd., SK Broadband Co., Ltd., Home&Service Co., Ltd., SK stoa Co., Ltd., PS&Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., Network O&S Co., Ltd., K-Net Culture & Contents Venture Fund, One store Co., Ltd., SK Communications Co., Ltd., SK Planet Co., Ltd., 11Street Co., Ltd., Life and Security Holdings Co., Ltd., ADT Caps Co., Ltd., Capstek Co., Ltd., ADT Security Co., Ltd., Quantum Innovation Private Equity Joint Venture I, SK Infosec Co., Ltd., SK M & Service Co., Ltd., SK Planet Japan, K.K., SKP Global Holdings Pte. Ltd., SKP America, LLC, shopkick Management Company, Inc., shopkick, Inc., SK Telecom China Holdings Co., Ltd., SK Global Healthcare Business Group, Ltd., SKT Americas Inc., YTK Investment Ltd., Atlas Investment Ltd., SK Telecom Innovation Fund, L.P., SK Telecom China Fund I L.P., SK Telecom TMT Investment Corp., Dreamuscompany Co., Ltd. (formerly, iriver Co., Ltd.), iriver Inc., iriver Enterprise Ltd., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd., groovers Japan Co., Ltd., Life Design Company Japan Inc., SK telecom Japan Inc., id Quantique Ltd, id Quantique LLC, FSK L&S Co., Ltd., FSK L&S(Shanghai) Co., Ltd., SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Pinx Co., Ltd., SK Rent-A-car Service Co., Ltd., SK Magic Co., Ltd., SK Magic Service Co., Ltd., SK Magic Vietnam Company Limited, SK Networks Retails Malaysia Sdn. Bhd., Mokgam Service, AJ Rent-A-car Co., Ltd., SK Networks (China) Holdings Co., Ltd., Liaoning SK Networks Real Estate Development Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., SK Networks (Liaoning) Logistics Co., Ltd., SK Networks (Dandong) Energy Co., Ltd., Shenyang SK Networks Energy Co., Ltd., SK (GZ FreeZone) Co., Ltd., SK Networks (Shanghai) Co., Ltd., POSK (Pinghu) Steel Processing Center Co., Ltd., SK Networks Hong Kong Ltd., SK (Guangzhou) Metal Co., Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK Networks Japan Co., Ltd., SK Networks Deutschland GmbH, Daiyang SK Networks SAN. VE TIC. Ltd. STI, SK Networks Resources Australia Pty. Ltd., SK Networks Middle East FZE, SK Brasil Ltda, SK Networks Trading Malaysia Sdn Bhd, SK Networks America Inc., SK Networks Brasil Intermediacao De Negocios Ltda., Networks Tejarat Pars, SKC Co., Ltd., Woori Fine Chem Co., Ltd., SK Telesys Co., Ltd., Techdream Co., Ltd., SKC Infra Service Co., Ltd.,</p>

26. Transactions with related parties (cont'd)

Subsidiary (total 269)	Subsidiary
	SKC Solmics Co., Ltd., Solmics Taiwan Co., Ltd., Solmics Shanghai Co., Ltd., SKC-Eco Solution Co., Ltd., SKC (Jiangsu) High tech Plastics Co., Ltd., SKC, Inc., SKC Europe GmbH, SK Bioland Co., Ltd., Bioland Biotec Co., Ltd., Bioland Haimen Co., Ltd., SKC Hi-Tech&Marketing Co., Ltd., SKC Hi-Tech&Marketing (Suzhou) Co., Ltd., SKC Hi-Tech&Marketing Taiwan Co., Ltd., SKC Hi-Tech&Marketing Polska SP.Z.O.O, SKC Hi-Tech&Marketing USA LLC, SKC PU Specialty Co., Ltd., SKC (Nantong) PU Specialty Co., Ltd., SKC-ENF Electronic Materials Ltd., SKC(Nantong) Semiconductor Materials Technology, Co., Ltd., SE (Jiangsu) Electronic Materials Co., Ltd., SK E&S Co., Ltd., Kangwon City Gas Co., Ltd., Yeongnam Energy Service Co., Ltd., Ko-one Energy Service Co., Ltd., Narae Energy Service Co., Ltd., Pusan City Gas Co., Ltd., Jeonbuk Energy Service Co., Ltd., Chonnam City Gas Co., Ltd., Chungcheong Energy Service Co., Ltd., Paju Energy Service Co., Ltd., Wiryee Energy Service Co., Ltd., Yeosu Energy Service Co., Ltd., SK E&S Hong Kong Co., Ltd., SK E&S Australia Pty. Ltd., SK E&S Americas, Inc., SK E&S LNG, LLC, DewBlaine Energy, LLC, CAILIP Gas Marketing, LLC, Prism Energy International Pte., Ltd., Fajar Energy International Pte. Ltd., Prism Energy International Hong Kong Ltd., PT SK E&S Nusantara, SK E&S Dominicana S.R.L., SK Engineering & Construction Co., Ltd., Seosuwon Development Company, SK TNS Co., Ltd., SKEC Nanjing Co., Ltd., SKEC (Thai), Ltd., Thai Woo Ree Engineering Co., Ltd., SKEC Anadolu, LLC, SK E&C Betek Corporation, Mesa Verde RE Ventures, LLC, SKEC Consultores Ecquador, S.A., Sunlake Co., Ltd., SK Holdco Pte. Ltd., SK Materials Co., Ltd., SK Materials Japan Co., Ltd., SK Materials Taiwan Co., Ltd., SK Materials (Jiangsu) Co., Ltd., SK Materials (Xian) Co., Ltd., SK Airgas Co., Ltd., SK Tri Chem Co., Ltd., SK Showa Denko Co., Ltd., SK Siltron Co., Ltd., SK Siltron America, Inc., SK Siltron Japan, Inc., SK Biopharmaceuticals Co., Ltd., SK Life Science, Inc., SK Biotek Co., Ltd., SK Biotek Ireland Limited, SK Biotek USA, Inc., SK S.E.Asia Pte. Ltd., Essencore Limited, Essencore (Shenzhen) Limited, SK China Company, Ltd., SKY Property Mgmt (Beijing) Co., Ltd., SK Bio Energy Hong Kong Co., Ltd., SK Property Investment Management Co., Ltd., SK Industrial Development China Co., Ltd., Shanghai SKY Real Estate Development Co., Ltd., SK China Investment Management Co., Ltd., SK International Agro-Products Logistics Development Co., Ltd., SK Auto Service Hong Kong Co., Ltd., SK (Shenyang) auto rental Co., Ltd., SK (Beijing) auto rental Co., Ltd., SK Rent-A-Car (Qingdao) Co., Ltd., Skyline Auto Financial Leasing Co., Ltd., SK Financial Leasing Co., Ltd., SK China (Beijing) Co., Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SK China Creative Industry Development Co., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., S&G Technology, Saturn Agriculture Investment Co., Limited, SK Investment Management Co., Ltd., SK Semiconductor Investments Co., Ltd., SK Computer and Communication LLC, Gemini Partners Pte. Ltd., Solaris Partners Pte. Ltd., Beijing SK Magellan Capital Advisors Co., Ltd., SK GI Management, SK MENA Investment B.V., SK Latin America Investment S.A., Plutus Capital NY, Inc., Hudson Energy NY, LLC, Hudson Energy NY II, LLC, Hudson Energy NY III, LLC, Plutus Fashion NY, Inc., Wonderland NY, LLC, Atlas NY LLC, SK Technology Innovation Company, SK South East Asia Investment Pte.Ltd., SK Investment Vina I Pte. Ltd., SK Investment Vina II Pte. Ltd., Alchemy Acquisition Corp., Abrasax Investment Inc., Fine Chemicals Holdings Corp., AMPAC Fine Chemicals, LLC, AMPAC Fine Chemicals Texas, LLC, AMPAC Fine Chemicals Virginia, LLC, Golden Pearl EV Solutions Limited, SK Forest Co., Ltd.

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26. Transactions with related parties (cont'd)

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

Subsidiary	Company name	For the three months ended March 31			
		Sales, etc. (*1)		Purchase, etc. (*2)	
		2019	2018	2019	2018
	SK Innovation Co., Ltd.	₩ 221,215	₩ 217,880	₩ 461	₩ 1,198
	SK Energy Co., Ltd.	21,270	20,077	-	7
	SK Global Chemical Co., Ltd.	6,730	6,480	-	-
	SK Incheon Petrochem Co., Ltd.	5,033	4,131	-	3
	SK Lubricants Co., Ltd.	2,850	2,873	-	-
	SK Engineering & Construction Co., Ltd.	15,996	6,880	-	1
	SKC Co., Ltd.	18,170	16,002	-	-
	SK E&S Co., Ltd.	608,701	241,012	-	-
	SK Infosec Co., Ltd.	1,101	16,961	3,042	3,793
	SK C&C Beijing Co., Ltd.	3,036	155	1,402	1,392
	SK Networks Co., Ltd.	21,483	22,470	1,933	2,597
	SK Telecom Co., Ltd.	277,316	264,020	8,129	2,764
	SK Broadband Co., Ltd.	23,364	27,427	2,035	2,542
	SK Planet Co., Ltd.	5,008	3,986	227	22
	SK Materials Co., Ltd.	20,448	19,060	-	-
	SK Siltron Co., Ltd.	3,618	1,956	-	-
	Others	15,217	96,885	3,331	2,282
Other related parties	Hana Land Chip PEF 33	1,666	1,660	8,594	8,594
	SK hynix Inc.	95,848	66,580	4,200	46
	SK hynix Semiconductor (China) Ltd.	8,069	5,327	-	28
	Happynarae Co., Ltd.	464	636	3,165	870
	Others	2,136	752	3,567	467
Others (*3)	SK Gas Co., Ltd.	3,342	3,164	-	-
	Others	3,183	7,284	-	-
		<u>₩ 1,385,264</u>	<u>₩ 1,053,658</u>	<u>₩ 40,086</u>	<u>₩ 26,842</u>

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

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

(*3) Although, not designated as related parties as defined in paragraph 9 of KIFRS 1024, the entity is designated as related parties based on the resolution made by the Securities and Futures Commission that conglomerate affiliates designated by the Fair Trade Commission are related parties based on the substance of relation as regulated by paragraph 10 of KIFRS 1024.

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26. Transactions with related parties (cont'd)

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

		March 31, 2019						
		Receivables			Payables			
Company name		Trade receivables	Other receivables	Total	Trade payables	Other payables	Total	
Subsidiary	SK Innovation Co., Ltd.	₩ 15,452	₩ 261,981	₩277,433	₩ -	₩ 11,906	₩ 11,906	
	SK Energy Co., Ltd.	3,671	-	3,671	-	4,748	4,748	
	SK Global Chemical Co., Ltd.	1,232	-	1,232	-	5,079	5,079	
	SK Incheon Petrochem Co., Ltd.	29	-	29	-	1,223	1,223	
	SK Lubricants Co., Ltd.	3,772	-	3,772	-	4,896	4,896	
	SK Engineering & Construction Co., Ltd.	3,976	9,419	13,395	-	-	-	
	SKC Co., Ltd.	1,800	15,390	17,190	-	125	125	
	SK E&S Co., Ltd.	2,301	-	2,301	-	10	10	
	SK Infosec Co., Ltd.	894	-	894	787	1,967	2,754	
	SK C&C Beijing Co., Ltd.	2,744	-	2,744	6	789	795	
	SK Networks Co., Ltd.	3,754	11,677	15,431	1	1,600	1,601	
	SK Telecom Co., Ltd.	32,472	194,969	227,441	614	7,472	8,086	
	SK Broadband Co., Ltd.	24,542	-	24,542	505	187	692	
	SK Planet Co., Ltd.	5,124	-	5,124	-	194	194	
	SK Materials Co., Ltd.	281	19,998	20,279	-	176	176	
	SK Siltron Co., Ltd.	5,535	-	5,535	-	477	477	
	Others	8,117	335	8,452	75	5,230	5,305	
	Other related parties	Hana Land Chip PEF 33	-	5,983	5,983	-	67,430	67,430
		SK hynix Inc.	149,038	9,265	158,303	-	33,233	33,233
		SK hynix Semiconductor (China) Ltd.	18,384	-	18,384	-	213	213
Others (*1)	Happynarae Co., Ltd.	2,367	-	2,367	158	2,217	2,375	
	Others	1,783	141	1,924	596	1,210	1,806	
	SK Gas Co., Ltd.	2,232	-	2,232	-	3	3	
	Others	1,273	-	1,273	-	222	222	
		<u>₩ 290,773</u>	<u>₩ 529,158</u>	<u>₩819,931</u>	<u>₩ 2,742</u>	<u>₩ 150,607</u>	<u>₩153,349</u>	

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

		December 31, 2018					
		Receivables			Payables		
		Trade	Other	Total	Trade	Other	Total
Subsidiary	Company name	receivables	receivables		payables	payables	
	SK Innovation Co., Ltd.	₩ 23,492	₩ 562	₩ 24,054	₩ -	₩ 11,293	₩ 11,293
	SK Energy Co., Ltd.	7,014	-	7,014	-	4,344	4,344
	SK Global Chemical Co., Ltd.	557	-	557	-	3,095	3,095
	SK Incheon Petrochem Co., Ltd.	1,079	-	1,079	-	1,747	1,747
	SK Lubricants Co., Ltd.	20	-	20	-	2,062	2,062
	SK Engineering & Construction Co., Ltd.	3,226	-	3,226	-	149	149
	SKC Co., Ltd.	1,652	-	1,652	-	40	40
	SK E&S Co., Ltd.	1,994	-	1,994	-	139	139
	SK Infosec Co., Ltd.	1,057	-	1,057	897	3,006	3,903
	SK C&C Beijing Co., Ltd.	7,407	-	7,407	456	2,473	2,929
	SK Networks Co., Ltd.	2,800	20	2,820	-	735	735
	SK Telecom Co., Ltd.	87,991	352	88,343	511	12,723	13,234
	SK Broadband Co., Ltd.	51,360	-	51,360	418	966	1,384
	SK Planet Co., Ltd.	7,326	-	7,326	-	199	199
	SK Materials Co., Ltd.	796	458	1,254	-	176	176
	SK Siltron Co., Ltd.	4,073	-	4,073	-	39	39
	Others	14,029	320	14,349	1,339	8,815	10,154
Other related parties	Hana Land Chip PEF 33	-	5,983	5,983	-	-	-
	SK hynix Inc.	160,789	-	160,789	-	8,880	8,880
	SK hynix Semiconductor (China) Ltd.	11,717	-	11,717	-	779	779
	Happynarae Co., Ltd.	2,031	-	2,031	453	634	1,087
	Others	457	139	596	1,095	1,280	2,375
Others (*1)	SK Gas Co., Ltd.	2,839	-	2,839	-	13	13
	Others	1,837	-	1,837	114	133	247
		<u>₩ 395,543</u>	<u>₩ 7,834</u>	<u>₩403,377</u>	<u>₩ 5,283</u>	<u>₩ 63,720</u>	<u>₩ 69,003</u>

(*1) Although, not designated as related parties as defined in paragraph 9 of KIFRS 1024, the entity is designated as related parties based on the resolution made by the Securities and Futures Commission that conglomerate affiliates designated by the Fair Trade Commission are related parties based on the substance of relation as regulated by paragraph 10 of KIFRS 1024.

(4) Compensation for key management personnel of the Company for the three months ended March 31, 2019 and 2018 are as follows (Korean won in millions):

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

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

(5) Details of significant transactions with related parties in relation to the investments for the three months ended March 31, 2019 are as follows (Korean won in millions):

	Currency	Amount	Transactions
Plutus Capital NY, Inc.	USD	154,000	Share capital increase
SK South East Asia Investment Pte. Ltd.	USD	100,000	Share capital increase

(6) Guarantees provided to related parties are described in Note 29.

27. Discontinued operations

(1) Details of discontinued operations

In accordance with a resolution of the Board of Directors on November 17, 2017, the Company elected to sell Encar used car sales business, and the sale was completed on April 3, 2018. As of March 31, 2019, Encar used car sales business is classified as disposal groups and discontinued operations.

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

	<u>For the three months ended March 31, 2018</u>	
	<u>Encar used car sales business</u>	
Revenue	₩	247,923
Expenses		250,035
Loss before income tax expense		(2,112)
Income tax expenses		-
Loss from discontinued operations		(2,112)

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

	<u>For the three months ended March 31, 2018</u>	
	<u>Encar used car sales business</u>	
Cash flows from operating activities	₩	19,760
Cash flows from investing activities		(309)
Cash flows from financing activities		(16)

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28. Cash flow information

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Provision for pension benefits	₩ 9,699	₩ 9,471
Depreciation	18,754	12,927
Amortization	4,814	4,178
Bad debt expenses	45	64
Provision for service warranties	693	2,643
Interest expenses	47,343	42,968
Loss on foreign currency translation	53	91
Loss on valuation of derivative instruments	327	1,185
Loss on disposal of investments in associates and joint ventures	-	6,248
Loss on disposal of property, plant and equipment	4	126
Loss on disposal of intangible assets	1	101
Share compensation expense	382	397
Income tax expense	29,186	110,473
Dividends income	(1,054,468)	(759,437)
Interest income	(1,704)	(1,354)
Gain on foreign currency translation	(377)	(44)
Gain on valuation of financial assets measured at FVTPL	(392)	(1,617)
Gain on valuation of derivative instruments	(147)	(13)
Gain on disposal of investments in associates and joint ventures	-	(192,191)
Gain on disposal of property, plant and equipment	(7)	(10)
Gain on disposal of intangible assets	-	(55)
Others	(356)	28
	₩ (946,150)	₩ (763,821)

28. Cash flow information (cont'd)

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Trade receivables	₩ 86,281	₩ 90,888
Other receivables	(530)	(19,892)
Inventories	(30)	20,341
Advance payments	5,554	(1,400)
Lease receivables	8,078	-
Prepaid expenses	(4,410)	(2,776)
Trade payables	(32,492)	(30,188)
Advance received	63,494	22,651
Withholdings	(16,444)	167
Other payables	(55,858)	(68,062)
Accrued expenses	(32,234)	(24,619)
Leasehold deposits received	(18)	(16)
Provisions	(1,511)	(4,655)
Retirement benefits paid	(2,354)	(3,412)
Plan assets	5,234	5,793
Others	(207)	(419)
	<u>₩ 22,553</u>	<u>₩ (15,599)</u>

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

	For the three months ended	
	March 31, 2019	March 31, 2018
Account reclassification of investment instruments from changes in accounting policies	₩ -	₩ 75,179
Account reclassification of lease receivables from changes in accounting policies	(71,125)	-
Account reclassification of lease liabilities from changes in accounting policies	132,448	-
Transfer of construction-in-progress to depreciable assets	7,534	20
Transfer of long-term bonds payable to current-portion	339,853	251,663
Payables regarding the acquisition of property, plant and equipment and intangible assets	(991)	61
Dividend payable	225,583	225,583

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29. Commitments and contingencies

(1) Guarantees provided by others for the Company's obligations and indebtedness as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions, USD in thousands):

	Currency	March 31, 2019	December 31, 2018
Seoul Guarantee Insurance	KRW	401	1,071
Korea Software Financial Cooperative	KRW	270,212	244,882
The Export-Import Bank of Korea	USD	1,225	1,225
Korea Trade Insurance Corporation	USD	695	695

(2) Pending litigation

Details of significant pending litigations as of March 31, 2019 is as follows (Korean won in millions, USD in thousands):

	Plaintiff	Defendant	Description	Claim amount	Current status
Defendant	Korea Minting Security Printing & ID Card operating Corp.	Company	Claim for damages	KRW 2,000	Second trial in progress

As of March 31, 2019, the Company is unable to determine the ultimate outcomes of the above litigations.

(3) Significant commitments

- 1) 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 arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations 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 Asset 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 the affiliates of SK Group 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.

29. Commitments and contingencies (cont'd)

- 5) The Company entered into total return swap contracts regarding the issuance of ordinary shares of SK Shipping Co., Ltd. and sale of old shares. The details are as follows.

	Subscription of new shares	Sale of existing shares
Investor	Special Situation 1 st Fund and others	Corporate Turnaround 1 st Fund
Number of shares	6,548,672	4,808,259
Contract date	April 11, 2017	May 11, 2017
Expiry date	April 10, 2022	May 10, 2022
Settlement	The Company and the investors settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.	
Premium	The Company shall pay to the investors the amount equivalent to 3.14% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be paid to the Company.	
Call option	The Company has the right to purchase the shares held by the investors at the issued price of the ordinary shares with certain level of additional charges.	

- 6) The Company entered into total return swap contracts with ordinary share investors of SK Siltron Co., Ltd., one of the subsidiaries. The details are as follows.

	Total return swap
Investor	Warmachine Sixth Co., Ltd. and others
Number of shares	13,143,330
Contract date	August 25, 2017
Expiry date	August 24, 2022
Settlement	The Company and the investors settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.
Premium	The Company shall pay 0.5% of the initial contract amount on the closing date of the transaction and shall pay to the investors the amount equivalent to 3.20% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be 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 investors at the initial contract price of the ordinary shares with certain level of additional charges.

29. Commitments and contingencies (cont'd)

- 7) The Company entered into total return swap contracts with ordinary share investors of SK E&S Co., Ltd., one of the subsidiaries. The details are as follows.

	Total return swap
Investor	MD Prime 1st Co., Ltd. and others
Number of shares	4,640,199
Contract date	November 14, 2017
Expiry date	November 13, 2022
Settlement	The Company and the investors settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.
Premium	The Company shall pay to the investors the amount equivalent to 3.07% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be paid to the Company.
Call option	On the premium payment date and on a three-month basis between the date on which the resolution is made by the Board of Directors with regards to designation of IPO supervisor and the submission date of demand of preliminary assessment for listing ("the quarterly payment day"), the Company has the right to purchase the shares held by the investors at the initial contract price of the ordinary shares with certain level of additional charges.

- 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.
- 9) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service amounting to 115 million MMBtu per year for 20 years from FLNG Liquefaction 3, LLC, Which plans to operate natural gas liquefaction plants in Texas starting from 2019. As of December 31, 2015, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLC's inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.
- 10) As of March 31, 2019, the Company provides contract performance guarantees for SK Shipping Co., Ltd.'s BBCHP ship acquisition. However, considering the fair value of SK Shipping Co., Ltd.'s ship provided as collateral for the BBCHP contract, the Company believes that there is no actual guarantee amount.
- 11) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of Alchemy Acquisition Corp., which is a subsidiary of the Company, to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.
- (4) The Company has provided 7 blank checks and 12 blank notes as collateral in relation to sales and other transactions as of March 31, 2019.

30. Financial risk management

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

30.1 Market risk

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

30.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings, The Company's risk hedging activities are evaluated periodically in order to consider the status of interest rates and degree of risk aversion and fulfill optimal risk hedging strategies. The Company does not believe the fluctuation in market interest rate other than those mentioned above has a material impact on its financial statements.

30.1.2 Foreign currency risk

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

Significant monetary assets and liabilities denominated in foreign currencies as of March 31, 2019 and December 31, 2018 are as follows (Korean won in millions, and USD, EUR and Others in thousands):

	Currency	March 31, 2019		December 31, 2018	
		Foreign currencies	Korea won equivalent	Foreign currencies	Korea won equivalent
Assets	USD	10,942	₩ 12,450	11,114	₩ 12,426
	EUR	4,116	5,259	1,326	1,695
	Others		7,189		8,650
			₩ 24,898		₩ 22,771
Liabilities	USD	2,583	₩ 2,939	2,546	₩ 2,847
	EUR	-	-	9	11
	Others		647		956
			₩ 3,586		₩ 3,814

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

	March 31, 2019		December 31, 2018	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before tax expense	₩ 2,131	₩ (2,131)	₩ 1,896	₩ (1,896)

30.1.3 Other price risk

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

30.2 Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of March 31, 2019 and December 31, 2018 is as follows and for cash and cash equivalents, credit risk exposure is low (Korean won in millions):

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Short-term and long-term financial instruments	₩ 185,779	₩ 128,510
Trade receivables	210,216	354,128
Other receivables	452,465	1,858
Accrued income	181	118
Long-term investment securities	267,412	162,869
Short-term and long-term guarantee deposits	21,204	21,186
Short-term and long-term lease receivable	63,381	-
Short-term and long-term loan	397	397
Financial derivatives asset	175,993	176,027
	<u>₩ 1,377,028</u>	<u>₩ 845,093</u>

30.2.1 Trade and other receivables

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

Maximum exposure to credit risk at the reporting date is the book value of each class of financial assets. The Company apply a simple method that recognizes lifetime expected credit losses as a provision for losses on account receivables and other receivables. To measure expected credit losses, trade receivables and contract assets were separated by credit risk characteristics and past due dates.

30.2.2 Other financial assets

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

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30.3 Liquidity risk

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

The contractual maturity of financial liabilities as of March 31, 2019 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	<u>Book value</u>	<u>Contractual cash flow</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Borrowings	₩ 650,000	₩ 650,365	₩ 350,365	₩ 300,000	₩ -	₩ -
Bonds payable	6,263,933	6,784,875	342,042	998,713	4,408,214	1,035,906
Financial derivatives liabilities	240,565	240,565	253	140	240,172	-
Trade payables	83,927	83,927	83,927	-	-	-
Lease liabilities	117,291	121,827	15,113	44,815	61,119	780
Other liabilities	312,608	312,608	109,144	197,272	6,192	-
	<u>₩ 7,668,324</u>	<u>₩ 8,194,167</u>	<u>₩ 900,844</u>	<u>₩ 1,540,940</u>	<u>₩ 4,715,697</u>	<u>₩ 1,036,686</u>

30.4 Capital management

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

The Company maintains a debt ratio of 59.42% as of March 31, 2019. The maturity of the debt is dispersed in the long-term and the borrowings mainly consist of long-term bonds, which do not present significant risks for unexpected payment for debts.

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	₩ 8,312,741	₩ 8,208,532
Total equity	13,989,514	13,168,136
Debt ratio	59.42%	62.34%

31. Business combination

(1) Details of significant information related to merger for the three months ended March 31, 2018 are as follows:

	Details
Existing company after the acquisition	SK Holdings Co., Ltd.
Extinct company after the acquisition	SK Maritime Co., Ltd.
Effective date	March 1, 2018
Registration date	March 5, 2018
Purpose	Management efficiency
Ratio of acquisition	Ordinary shares of SK Holdings Co., Ltd. : ordinary shares of SK Maritime Co., Ltd. = 1.0000000:0.0000000

(2) Details of adjustments related to merger for the three months ended March 31, 2018 are as follows (Korean won in millions):

	Amount
Consideration transferred:	₩ 332,400
Identifiable assets and liabilities:	
Current assets	100
Cash and cash equivalents	4
Other receivables	96
Non-current assets	21,696
Long-term investment securities	37
Investments in subsidiaries	21,659
Net assets	21,796
Capital surplus:	310,604