



SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three months ended March 31, 2020 and 2019
with the independent auditor's review report

Table of contents

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

Independent Auditor's Review Report

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the interim condensed consolidated statement of financial position as of March 31, 2020, and the interim condensed consolidated statements of comprehensive income for the three months ended March 31, 2020 and 2019, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

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

Auditor's responsibility

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

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

Conclusion

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

Other matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2019, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended in accordance with KGAAS (not presented herein), and our report dated March 10, 2020 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2019, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.



May 15, 2020

This review report is effective as of May 15, 2020, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three months ended March 31, 2020 and 2019

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

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

1.2 Consolidated subsidiaries (cont'd)

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity Ownership (%)
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*4)	Turkey	Steel processing and sales	SK Networks Co., Ltd.	51.22%
SK Networks Resources Australia Pty. Ltd.	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SK Networks Middle East FZE	UAE	Trading business	SK Networks Co., Ltd.	100.00%
SK Brasil LTDA	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Trading Malaysia Sdn Bhd	Malaysia	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks America, Inc.	USA	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Brasil Intermediacao de Negocios LTDA.	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
Networks Tejarat Pars	Iran	Trading business	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
Woori Fine Chem Co., Ltd.	Korea	Petrochemicals manufacturing	SKC Co., Ltd.	100.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
Techdream Co., Ltd.	Hong Kong	Semiconductor component	SK Telesys Co., Ltd.	100.00%
SKC INFRA SERVICE CO., Ltd.	Korea	Electric work business and Information communication business	SK Telesys Co., Ltd.	100.00%
SKC Solmics Co., Ltd.	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	57.70%
Solmics Taiwan Co., Ltd.	Taiwan	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
Solmics Shanghai Co., Ltd.	China	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
SKC Solmics Hong kong Co., Ltd.	Hong Kong	SPC	SKC Solmics Co., Ltd.	100.00%
SKC Semiconductor Materials (Wuxi) Co., Ltd.	China	Semiconductor material cleaning	SKC Solmics Co., Ltd.	100.00%
SKC-Eco Solution Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd.	China	Film manufacturing	SKC Co., Ltd.	100.00%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK Bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotech Co., Ltd.	China	Research and manufacturing	SK Bioland Co., Ltd.	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotech Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	China	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Taiwan Co., Ltd.	Taiwan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Polska SP.Z.O.O	Poland	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing USA LLC	USA	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC PU Specialty Co., Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	100.00%
SKC (Nantong) PU Specialty Co., Ltd.	China	Electronic materials manufacturing	SKC PU Specialty Co., Ltd.	100.00%
SKC-ENF Electronic Materials Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	75.10%
SKC (Nantong) Semiconductor Materials Technology Co., Ltd.	China	Electronic materials manufacturing	SKC-ENF Electronic Materials Ltd.	100.00%
SE (JIANGSU) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SKC-ENF Electronic Materials Ltd.	100.00%
SK PICGlobal Co., Ltd.	Korea	Petrochemicals sales	SKC Co., Ltd.	51.00%
SKCFTH Co., Ltd.	Korea	Professional, scientific technology services	SKC Co., Ltd.	100.00%
KCF Technologies Co., Ltd.	Korea	Manufacturing	SKCFTH Co., Ltd.	100.00%
SK E&S Co., Ltd.	Korea	City gas business and power generation	SK Holdings Co., Ltd.	90.00%
Kangwon City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Yeongnam Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Ko-one Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Narae Energy Service Co., Ltd. (*5) (Formerly, Wirye Energy Services Co., Ltd.)	Korea	Integrated energy service	SK E&S Co., Ltd.	100.00%
Pusan City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	67.32%
Jeonbuk Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chonnam City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chungcheong Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Paju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	51.00%
Yeouju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	100.00%
Jeonnam Offshore Wind Power Co., Ltd.	Korea	New regeneration project	SK E&S Co., Ltd.	100.00%
SK E&S Hong Kong Co., Ltd.	Hong Kong	City gas business	SK E&S Co., Ltd., Pusan City Gas Co., Ltd.	100.00%
SK E&S Australia Pty. Ltd.	Australia	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S Americas, Inc.	USA	Holding company	SK E&S Co., Ltd.	100.00%
SK E&S LNG, LLC	USA	Liquefied natural gas sales	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
CAILIP Gas Marketing, LLC	USA	LNG sales and purchase	SK E&S Americas, Inc.	100.00%
Rnes Holdings, LLC	USA	Renewable / electric power business	SK E&S Americas, Inc.	100.00%
Storage Solution Holdings, LLC	USA	Electric power business	Rnes Holdings, LLC	100.00%
CAES, LLC	USA	Electric power business	Storage Solution Holdings, LLC	100.00%
Prism Energy International China Limited.	China	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Prism Energy International Zhoushan Limited.	China	Liquefied natural gas sales	Prism Energy International China Limited.	100.00%
Prism Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Fajar Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	Prism Energy International Pte. Ltd.	100.00%
Prism Energy International Hong Kong, Ltd.	Hong Kong	LNG trading business	Prism Energy International Pte. Ltd.	100.00%
PT Prism Nusantara International	Indonesia	LNG importation	SK E&S Co., Ltd.	100.00%
SK E&S Dominicana S.R.L	Dominica	LNG importation	SK E&S Co., Ltd.	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*3)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu EC, LLC	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

1.2 Consolidated subsidiaries (cont'd)

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
Mesa Verde RE Ventures, LLC	USA	Real estate development	SK E&C Betek Corporation	100.00%
SKEC Consultores Ecuador, S.A	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SK HOLDCO PTE. LTD.	Singapore	Holding company	SK Engineering & Construction Co., Ltd.	63.51%
Silvertown Investco Limited.	UK	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK Materials Co., Ltd. (*2)	Korea	Special gas manufacturing and sales	SK Holdings Co., Ltd.	49.10%
SK Materials Japan Co., Ltd.	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials (Jiangsu) Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Airgas Co., Ltd.	Korea	Industrial gas sales	SK Materials Co., Ltd.	100.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Showa Denko Co., Ltd.	Korea	Sales of raw chemical materials and chemical products related to semiconductor	SK Materials Co., Ltd.	51.00%
SK Materials (Shanghai) Co., Ltd.	China	Special gas sales	SK Materials Co., Ltd.	100.00%
Happy Companion Co., Ltd.	Korea	Cleaning, Laundry service	SK Materials Co., Ltd.	100.00%
HANYU CHEMICAL CO.,LTD.	Korea	Industrial gas manufacturing	SK Materials Co., Ltd.	80.00%
SK Performance Materials Co., Ltd.	Korea	Semiconductor materials manufacturing and selling	SK Materials Co., Ltd.	100.00%
SK Siltron Co., Ltd.	Korea	Silicon wafer for electronic industry manufacturing and sales	SK Holdings Co., Ltd.	51.00%
SK Siltron America, Inc.	USA	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Siltron Japan, Inc.	Japan	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Siltron Shanghai Co., Ltd.	China	Silicon wafer for electronic industry	SK Siltron Co., Ltd.	100.00%
SK Siltron USA, Inc.	USA	Investment	SK Siltron Co., Ltd.	100.00%
SK Siltron CSS, LLC	USA	Silicon wafer for electronic industry manufacturing and sales	SK Siltron USA, Inc.	100.00%
Happyfilling Co., Ltd.	Korea	Service	SK Siltron Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK Bio-Pharma Tech (Shanghai) Co., Ltd.	China	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd.	100.00%
Essencore Limited	Hong Kong	Manufacturing and distribution of semiconductor modules	SK S.E.Asia Pte. Ltd.	100.00%
Essencore (ShenZhen) Limited	China	Consulting for computer system integration	Essencore Limited	100.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	88.13%
SKY Property Mgmt (Beijing) Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd.	Hong Kong	Investment	SK China Company, Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK International Agro-Sideline Products Park Co., Ltd.	China	Agriculture product logistics	SK International Agro-Products Logistics Development Co., Ltd.	76.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Rent-A-Car (Qingdao) Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
Skyline Auto Financial Leasing Co., Ltd.	Hong Kong	Investment	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Financial Leasing Co., Ltd.	China	Financial lease	Skyline Auto Financial Leasing Co., Ltd.	100.00%
SK China (Beijing) Co., Ltd.	China	Consulting	SK China Company, Ltd.	100.00%
SKY Property Management Ltd.	Virgin Islands	Investment	SK China Company, Ltd.	100.00%
SKY Investment Co., Ltd.	China	Real estate management	SKY Property Management Ltd.	100.00%
SK China Real Estate Co., Ltd.	Hong Kong	Real estate investment	SKY Property Management Ltd.	100.00%
SK China Creative Industry Development Co., Ltd.	China	Service	SKY Property Management Ltd.	100.00%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration and others	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration and others	SK Holdings Co., Ltd.	51.00%
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	SK Holdings Co., Ltd.	81.00%
SK Investment Management Co., Ltd.	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Semiconductor Investments Co., Ltd.	Hong Kong	Investment management	SK Investment Management Co., Ltd.	100.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Holdings Co., Ltd., SK Innovation Co., Ltd., SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Solaris GEIF Investment	USA	Investment	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman	Investment	SK Holdings Co., Ltd.	100.00%
Plutus Capital NY, Inc.	USA	Investment	SK Holdings Co., Ltd.	100.00%
Hudson Energy NY, LLC	USA	Investment	Plutus Capital NY, Inc.	50.13%
Hudson Energy NY II, LLC	USA	Investment	Plutus Capital NY, Inc.	50.00%
Hudson Energy NY III, LLC	USA	Investment	Plutus Capital NY, Inc.	50.50%
Plutus Fashion NY, Inc.	USA	Fashion	SK Holdings Co., Ltd.	100.00%
Wonderland NY, Inc.	USA	Investment	Plutus Fashion NY, Inc.	100.00%
Atlas NY LLC	USA	Investment	Plutus Fashion NY, Inc.	61.24%
SK South East Asia Investment Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd., SK Innovation Co., Ltd., SK Telecom Co., Ltd. and SK E&S Co., Ltd.	80.00%
SK Investment Vina I Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	50.01%
SK Investment Vina II Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	62.50%
SK Pharmteco Inc.	USA	Investment	SK Holdings Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Pharmteco Inc.	100.00%
SK Biotek Ireland Limited	Ireland	Pharmaceutical manufacturing	SK Pharmteco Inc.	100.00%
SK BIOTEK USA, Inc.	USA	Medicine and life science	SK Pharmteco Inc.	100.00%
Abrasax Investment Inc.	USA	Investment	SK Pharmteco Inc.	100.00%
Fine Chemicals Holdings Corp.	USA	Investment	Abrasax Investment Inc.	100.00%
AMPAC Fine Chemicals, LLC	USA	Drug medicine	Fine Chemicals Holdings Corp.	100.00%

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

1.2 Consolidated subsidiaries (cont'd)

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
AMPAC Fine Chemicals Texas, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
AMPAC Fine Chemicals Virginia, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
Golden Pearl EV Solutions Limited	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%
Hweechan Co., Ltd.	Korea	Condo, Resort operation	SK Holdings Co., Ltd.	100.00%

- (*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (*2) SK Innovation Co., Ltd. and 8 other companies are included in the interim condensed consolidated financial statements as the Company is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and 8 other companies are widely dispersed, so it is determined that the Company has voting rights to exercise de facto control.
- (*3) The Group owns 100% of the ordinary shares of SK TNS Co., Ltd. but holds 73.1% of equity ownership respectively, due to the issuance of its preferred shares having voting rights.
- (*4) The assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI are classified as assets and liabilities held for sale (see Note 29 Non-current assets and non-current liabilities classified as held for sale).
- (*5) Formerly, Wirye Energy Services Co., Ltd. and formerly, Narae Energy Services Co., Ltd., the subsidiaries of the Group, merged on January 1, 2020, and Narae Energy Services Co., Ltd. became the surviving entity after the merger.

1.3 Changes in consolidated subsidiaries

Changes in the consolidated subsidiaries for the three months ended March 31, 2020 are as follows:

December 31, 2019	Inclusion	Exclusion	March 31, 2020
288	9	4	293

For the three months ended March 31, 2020, subsidiaries newly included in consolidation are as follows:

Subsidiaries	Reasons for changes
Super Seed NY, LLC	Establishment (8 companies)
SKC Semiconductor Materials (Wuxi) Co., Ltd.	
SK PICGlobal Co., Ltd.	
SKCFTH Co., Ltd.	
Jeonnam Offshore Wind Power Co., Ltd.	
SK Performance Materials Co., Ltd. and two other companies	Acquisition (1 company)
KCF Technologies Co., Ltd.	

For the three months ended March 31, 2020, subsidiaries excluded from consolidation are as follows:

Subsidiaries	Reasons for changes
Mokgam Service	Disposal (1 company)
Shandong SK Hightech Oil Co., Ltd.	Loss of control (1 company)
Formerly, Narae Energy Services Co., Ltd.	Merge (2 companies)
ADT Security Co., Ltd.	

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

1.4 Condensed financial information of significant consolidated subsidiaries

Details of condensed financial information of the significant subsidiaries as of and for the three months ended March 31, 2020 are as follows (Korean won in millions):

Subsidiaries	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩ 17,292,050	₩ 3,192,271	₩ 2,179,835	₩ 1,572,040
SK Energy Co., Ltd.	13,922,697	9,899,736	7,005,715	(979,294)
SK Global Chemical Co., Ltd.	5,462,755	2,618,738	2,147,933	(154,018)
SK Incheon Petrochem Co., Ltd.	4,909,830	3,085,463	1,519,334	(355,429)
SK Trading International Co., Ltd.	1,366,547	699,615	2,757,629	69,516
SK Lubricants Co., Ltd.	2,217,762	1,369,811	594,458	33,389
SK Global Chemical International Trading (Shanghai) Co., Ltd.	233,391	193,604	219,089	10,682
SK Energy International Pte. Ltd.	2,272,939	1,539,117	6,298,662	28,097
SK Energy Americas, Inc.	276,876	191,789	1,388,031	3,155
SK Energy Europe, Ltd.	91,128	9,429	347,742	(1,424)
SK Telecom Co., Ltd.	30,499,585	13,390,147	2,922,845	406,093
SK Broadband Co., Ltd.	4,403,560	2,742,947	822,999	27,673
PS&Marketing Corp.	475,140	266,314	327,289	(5,171)
SK Planet Co., Ltd.	552,817	236,582	58,778	(1,165)
11street Co., Ltd.	975,566	516,438	129,305	(6,714)
Life & Security Holdings Co., Ltd. (*1)	2,656,557	2,365,881	233,076	369
SK Networks Co., Ltd.	7,650,672	5,665,626	2,318,589	(25,148)
SK Magic Co., Ltd.	863,683	597,543	227,976	14,671
SK Rent-a-Car Co., Ltd.	1,777,427	1,427,427	207,108	7,342
SKC Co., Ltd.	3,056,824	1,066,867	191,679	494,072
SK E&S Co., Ltd.	5,341,702	2,908,981	199,531	230,821
Yeongnam Energy Service Co., Ltd.	424,112	424,112	221,493	10,557
Ko-one Energy Service Co., Ltd.	785,756	785,756	409,725	17,969
Pusan City Gas Co., Ltd.	1,072,832	1,072,832	358,441	20,570
Chungcheong Energy Service Co., Ltd.	321,786	321,786	179,410	11,065
Paju Energy Service Co., Ltd.	1,794,169	1,794,169	325,581	55,033
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Services Co., Ltd.)	1,443,867	1,443,867	166,906	17,562
SK Engineering & Construction Co., Ltd.	5,031,931	4,216,917	1,800,462	49,734
SK TNS Co., Ltd.	89,919	56,817	115,341	6,954
SK Materials Co., Ltd. (*1)	1,870,445	1,349,141	212,336	37,640
SK Siltron Co., Ltd. (*1)	3,450,393	2,520,893	407,656	46,583

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

1.5 Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as of and for the three months ended March 31, 2020 are as follows (Korean won in millions):

	March 31, 2020					
	SK Innovation	SK Telecom	SK Networks	SKC	SK E&S	SK Engineering& Construction
	Co., Ltd.	Co., Ltd.	Co., Ltd.	Co., Ltd.	Co., Ltd.	Co., Ltd.
Percentage of the non-controlling ownership	63.45%	70.43%	57.84%	56.55%	10.00%	53.79%
Current assets	₩ 15,579,414	₩ 8,122,901	₩ 4,240,487	₩ 1,411,373	₩ 2,581,835	₩ 3,374,494
Non-current assets	22,940,064	36,199,225	6,117,435	4,348,219	8,561,042	2,141,038
Current liabilities	11,650,299	7,588,697	4,750,799	1,801,235	3,321,154	3,603,008
Non-current liabilities	10,516,211	14,183,914	3,379,951	1,745,086	3,867,560	870,814
Net assets	16,352,968	22,549,515	2,227,172	2,213,271	3,954,163	1,041,710
Book value of the non-controlling interests	10,823,686	15,162,382	1,413,519	1,333,396	2,252,908	724,515
Sales	11,162,996	4,450,396	2,874,582	661,131	2,019,553	2,256,728
Net income (loss)	(1,552,158)	306,847	(3,254)	86,053	212,480	119,415
Total comprehensive income (loss)	(1,309,425)	396,558	3,459	103,342	424,033	141,722
Net income (loss) of the non-controlling interests	(985,541)	189,312	(3,871)	17,850	54,811	84,030
Total comprehensive income (loss) of the non-controlling interests	(871,189)	221,053	(304)	27,829	75,391	96,144
Net cash flows from operating activities	(728,218)	972,430	(176,598)	25,055	131,687	522,037
Net cash flows from investing activities	(155,818)	(1,232,940)	(47,607)	(944,515)	(113,546)	(40,464)
Net cash flows from financing activities before dividends paid to the non-controlling interests	2,342,791	98,909	440,699	1,296,649	140,221	(189,243)
Dividends paid to the non-controlling interests	(6,815)	-	-	-	(150,123)	-
Net increase (decrease) in cash and cash equivalents	1,451,940	(161,601)	216,494	377,189	8,239	292,330

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2019

2.2 Significant accounting policies

The significant accounting policies used for the preparation of the accompanying the interim condensed consolidated financial statements as of and for the three months ended March 31, 2020, are the same as the accounting policies adopted for the preparation of consolidated financial statements as of and for the year ended December 31, 2019, except for adoption of new and revised KIFRSs applied in the current period, which are summarized below.

2.2.1 New and revised KIFRSs adopted in the current period

The Group has applied amendments to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 2020.

KIFRS 1001 Presentation of Financial Statements and KIFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors (Amended)

The amendments align the definition of 'material' across the standards and clarify certain aspects of the definition. The new definition states that, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These amendments had no significant impact on the Group's financial position or management performance.

KIFRS 1103 Business Combination (Amended)

The amendment to KIFRS 1103 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no significant impact on the Group's financial position or management performance.

KIFRS 1107 Financial Instruments: Disclosures, KIFRS 1109 Financial Instruments, KIFRS 1039 Financial Instruments: Recognition and Measurements (Amended)

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the Group's financial position or management performance.

2.2.2 New and revised KIFRS issued, but not yet effective

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

3. Significant accounting judgments, estimates and assumptions

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

Those accounting judgments made by management in the preparation of the interim condensed consolidated financial statements for the three months ended March 31, 2020, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2019.

3. Significant accounting judgments, estimates and assumptions (cont'd)

In order to prevent the spread of COVID-19, various prevention and control measures including restrictions on movement are being implemented worldwide, and as a result, the global economy is widely affected. In particular, the Group conducts operations in the petroleum refining, telecommunications, wholesale and retail, chemicals, construction and other industries, and the Group is exposed to the uncertainties of the market due to the impact of COVID-19. As of the end of the reporting period, uncertainties due to the effects of COVID-19 have not been resolved, and these uncertainties may have a significant impact on the financial performance and cash flows of the Group.

4. Operating segments

(1) Overview of operating segments

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

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

4. Operating segments (cont'd)

(2) Details of financial information for each operating segment as of and for the three months ended March 31, 2020 and 2019 are as follows (Korean won in billions):

	As of and for the three month ended March 31, 2020								
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 11,163	₩ 4,450	₩ 2,875	₩ 661	₩ 2,020	₩ 2,257	₩ 2,529	₩ (2,229)	₩ 23,726
Internal sales	(204)	(69)	(402)	(60)	(29)	(179)	(1,286)	2,229	-
Net sales	10,959	4,381	2,473	601	1,991	2,078	1,243	-	23,726
Profit (loss) from continuing operations before income tax expense	(2,047)	370	9	141	282	139	1,125	(1,142)	(1,123)
Profit (loss) for the period from continuing operations	(1,552)	307	5	86	212	119	1,071	(1,072)	(824)
Total assets	38,519	44,322	10,358	5,760	11,143	5,516	40,849	(21,328)	135,139
Total liabilities	22,167	21,773	8,131	3,546	7,189	4,474	15,243	1,256	83,779
Depreciation	285	771	179	40	99	14	146	(9)	1,525
Amortization	17	249	5	7	1	2	21	83	385

	As of and for the three month ended March 31, 2019								
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 12,849	₩ 4,335	₩ 3,023	₩ 604	₩ 2,212	₩ 1,847	₩ 2,612	₩ (2,194)	₩ 25,288
Internal sales	(266)	(36)	(392)	(67)	(28)	(109)	(1,296)	2,194	-
Net sales	12,583	4,299	2,631	537	2,184	1,738	1,316	-	25,288
Profit (loss) from continuing operations before income tax expense	305	468	5	26	317	74	1,415	(1,308)	1,302
Profit (loss) for the period from continuing operations	212	374	3	23	227	62	1,350	(1,261)	990
Total assets	39,375	43,346	10,225	3,994	9,978	5,548	35,647	(19,662)	128,451
Total liabilities	19,892	21,227	7,799	2,308	6,060	4,723	12,246	1,465	75,720
Depreciation	250	715	201	33	98	16	110	1	1,424
Amortization	28	218	4	2	1	1	16	84	354

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

(3) Details of financial information by geographical location as of and for the three months ended March 31, 2020 and 2019 (Korean won in billions):

	As of and for the three months ended March 31, 2020							Consolidation adjustments	Total
	Korea	Asia	Europe	North America	South America	Others			
Total sales	₩ 31,316	₩ 7,702	₩ 844	₩ 1,811	₩ 21	₩ (17,968)	₩	₩ 23,726	
Operating profit (loss)	1,846	38	5	(31)	16	(2,797)		(923)	
Profit (loss) from continuing operations before income tax expense	2,596	79	30	(7)	3	(3,824)		(1,123)	
Profit (loss) for the period	2,630	69	25	(2)	11	(3,557)		(824)	
Total assets	152,015	12,981	3,338	9,861	1,430	(44,486)		135,139	
Total liabilities	77,818	3,971	1,343	2,555	242	(2,150)		83,779	

	As of and for the three months ended March 31, 2019							Consolidation adjustments	Total
	Korea	Asia	Europe	North America	South America	Others			
Total sales	₩ 32,810	₩ 7,379	₩ 1,790	₩ 1,437	₩ -	₩ 20	₩	₩ 25,288	
Operating profit (loss)	3,989	5	9	(27)	-	7		1,285	
Profit (loss) from continuing operations before income tax expense	5,031	138	9	(49)	-	3		1,302	
Profit (loss) for the period	4,508	135	5	(40)	-	2		990	
Total assets	148,760	10,845	2,276	8,589	36	1,268		128,451	
Total liabilities	73,945	3,515	1,185	2,349	-	222		75,720	

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

4. Operating segments (cont'd)

(4) Details of financial information by revenue from contracts with customers for the three months ended March 31, 2020 and 2019 are as follows (Korean won in billions):

		For the three months ended March 31, 2020								
		SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments	Total
1. Total sales		₩ 11,163	₩ 4,450	₩ 2,875	₩ 661	₩ 2,020	₩ 2,257	₩ 2,529	₩ (2,229)	₩ 23,726
2. Revenue from contracts with customers		11,153	4,450	2,508	661	2,018	2,255	1,882	(1,235)	23,692
	Categories:									
	Service sales	66	4,016	102	15	-	2,239	893	(531)	6,800
	Finished goods sales	10,896	7	159	560	696	-	779	(289)	12,808
	Merchandise sales	57	315	2,246	76	1,292	16	153	(398)	3,757
	Other sales	134	112	1	10	30	-	57	(17)	327
		<u>11,153</u>	<u>4,450</u>	<u>2,508</u>	<u>661</u>	<u>2,018</u>	<u>2,255</u>	<u>1,882</u>	<u>(1,235)</u>	<u>23,692</u>
	Timing of revenue recognition:									
	Recognition at a point in time	11,087	434	2,406	646	12	16	989	(704)	14,886
	Recognition over a period of time	66	4,016	102	15	2,006	2,239	893	(531)	8,806
		<u>11,153</u>	<u>4,450</u>	<u>2,508</u>	<u>661</u>	<u>2,018</u>	<u>2,255</u>	<u>1,882</u>	<u>(1,235)</u>	<u>23,692</u>
3. Revenue from other sources		10	-	367	-	2	2	647	(994)	34

		For the three months ended March 31, 2019								
		SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments	Total
1. Total sales		₩ 12,849	₩ 4,335	₩ 3,023	₩ 604	₩ 2,212	₩ 1,847	₩ 2,612	₩ (2,194)	₩ 25,288
2. Revenue from contracts with customers		12,838	4,335	2,648	604	2,210	1,844	1,543	(770)	25,252
	Categories:									
	Service sales	20	3,886	94	16	-	1,843	618	(147)	6,330
	Finished goods sales	12,230	6	125	464	860	-	669	(219)	14,135
	Merchandise sales	41	342	2,428	115	1,329	1	216	(400)	4,072
	Other sales	547	101	1	9	21	-	40	(4)	715
		<u>12,838</u>	<u>4,335</u>	<u>2,648</u>	<u>604</u>	<u>2,210</u>	<u>1,844</u>	<u>1,543</u>	<u>(770)</u>	<u>25,252</u>
	Timing of revenue recognition:									
	Recognition at a point in time	12,818	450	2,554	588	-	1	925	(623)	16,713
	Recognition over a period of time	20	3,885	94	16	2,210	1,843	618	(147)	8,539
		<u>12,838</u>	<u>4,335</u>	<u>2,648</u>	<u>604</u>	<u>2,210</u>	<u>1,844</u>	<u>1,543</u>	<u>(770)</u>	<u>25,252</u>
3. Revenue from other sources		11	-	375	-	2	3	1,069	(1,424)	36

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

5. Financial instruments

5.1 Financial assets

Details of financial assets as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020				Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Financial assets designated as hedging instruments	
Current assets					
Cash and cash equivalents	₩ 2,153,389	₩ -	₩ 9,412,400	₩ -	₩ 11,565,789
Short-term financial instruments	1,450,715	-	1,539,975	-	2,990,690
Trade receivables (*1)	194,720	-	8,428,091	-	8,622,811
Other receivables	223,103	-	1,998,252	-	2,221,355
Short-term loans	-	-	169,055	-	169,055
Accrued income	-	-	112,479	-	112,479
Short-term investment securities	151,019	-	45	-	151,064
Guarantee deposits	-	-	350,916	-	350,916
Derivative financial assets	165,455	-	-	50,820	216,275
Lease receivables	-	-	27,763	-	27,763
	<u>4,338,401</u>	<u>-</u>	<u>22,038,976</u>	<u>50,820</u>	<u>26,428,197</u>
Non-current assets					
Long-term financial instruments	4,568	-	92,321	-	96,889
Long-term trade receivables	-	-	151,990	-	151,990
Long-term other receivables	257,731	-	54,377	-	312,108
Long-term loans	-	-	731,509	-	731,509
Long-term investment securities	901,395	1,922,223	1,166	-	2,824,784
Guarantee deposits	-	-	627,734	-	627,734
Derivative financial assets	211,579	-	-	319,161	530,740
Lease receivables	-	-	51,760	-	51,760
	<u>1,375,273</u>	<u>1,922,223</u>	<u>1,710,857</u>	<u>319,161</u>	<u>5,327,514</u>
	<u>₩ 5,713,674</u>	<u>₩ 1,922,223</u>	<u>₩ 23,749,833</u>	<u>₩ 369,981</u>	<u>₩ 31,755,711</u>

(*1) Contract assets (unbilled receivables) amounting to ₩617,944 million as of March 31, 2020 are not included in the financial assets.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

5.1 Financial assets (cont'd)

	December 31, 2019				
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Financial assets designated as hedging instruments	Total
Current assets					
Cash and cash equivalents	₩ 994,090	₩ -	₩ 6,987,665	₩ -	₩ 7,981,755
Short-term financial instruments	2,188,983	-	1,505,361	-	3,694,344
Trade receivables (*1)	191,701	-	9,636,242	-	9,827,943
Other receivables	251,919	-	1,660,579	-	1,912,498
Short-term loans	-	-	149,008	-	149,008
Accrued income	-	-	117,056	-	117,056
Short-term investment securities	185,056	-	45	-	185,101
Guarantee deposits	-	-	408,273	-	408,273
Derivative financial assets	45,123	-	-	33,576	78,699
Lease receivables	-	-	28,172	-	28,172
	<u>3,856,872</u>	<u>-</u>	<u>20,492,401</u>	<u>33,576</u>	<u>24,382,849</u>
Non-current assets					
Long-term financial instruments	4,528	-	3,070	-	7,598
Long-term trade receivables	-	-	130,171	-	130,171
Long-term other receivables	289,959	-	64,663	-	354,622
Long-term loans	-	-	698,135	-	698,135
Long-term investment securities	857,761	1,951,482	1,169	-	2,810,412
Guarantee deposits	-	-	595,994	-	595,994
Derivative financial assets	157,659	-	-	144,870	302,529
Lease receivables	-	-	48,750	-	48,750
	<u>1,309,907</u>	<u>1,951,482</u>	<u>1,541,952</u>	<u>144,870</u>	<u>4,948,211</u>
	<u>₩ 5,166,779</u>	<u>₩ 1,951,482</u>	<u>₩ 22,034,353</u>	<u>₩ 178,446</u>	<u>₩ 29,331,060</u>

(*1) Contract assets (unbilled receivables) amounting to ₩549,385 million as of December 31, 2019 are not included in the financial assets.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

5.2 Financial liabilities

Details of financial liabilities as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020			
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 11,297,781	₩ -	₩ 11,297,781
Trade payables	-	7,064,310	-	7,064,310
Other payables	-	3,084,484	-	3,084,484
Current portion of long-term debt	-	5,344,863	-	5,344,863
Accrued expenses	-	2,731,762	-	2,731,762
Dividends payable	-	791,446	-	791,446
Leasehold deposits received	-	230,835	-	230,835
Derivative financial liabilities	163,803	-	21,317	185,120
Lease liabilities	-	1,165,091	-	1,165,091
Finance guarantee liabilities	-	479	-	479
	<u>163,803</u>	<u>31,711,051</u>	<u>21,317</u>	<u>31,896,171</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	-	34,356,996	-	34,356,996
Long-term trade payables	-	2,391	-	2,391
Long-term other payables	41,078	1,155,940	-	1,197,018
Leasehold deposits received	-	245,468	-	245,468
Derivative financial liabilities	223,424	-	89,109	312,533
Lease liabilities	-	2,952,150	-	2,952,150
Financial guarantee liabilities	-	14,609	-	14,609
	<u>264,502</u>	<u>38,727,554</u>	<u>89,109</u>	<u>39,081,165</u>
	<u>₩ 428,305</u>	<u>₩ 70,438,605</u>	<u>₩ 110,426</u>	<u>₩ 70,977,336</u>
December 31, 2019				
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	₩ -	₩ 5,888,357	₩ -	₩ 5,888,357
Trade payables	-	8,809,856	-	8,809,856
Other payables	41,057	3,920,093	-	3,961,150
Current portion of long-term debt	-	6,029,722	-	6,029,722
Accrued expenses	-	3,320,952	-	3,320,952
Dividends payable	-	1,323	-	1,323
Leasehold deposits received	-	218,090	-	218,090
Derivative financial liabilities	38,178	-	6,409	44,587
Lease liabilities	-	1,172,062	-	1,172,062
Finance guarantee liabilities	-	345	-	345
	<u>79,235</u>	<u>29,360,800</u>	<u>6,409</u>	<u>29,446,444</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	-	32,374,161	-	32,374,161
Long-term trade payables	-	2,391	-	2,391
Long-term other payables	-	1,565,043	-	1,565,043
Leasehold deposits received	-	263,442	-	263,442
Derivative financial liabilities	223,168	-	22,957	246,125
Lease liabilities	-	2,897,181	-	2,897,181
Financial guarantee liabilities	-	15,569	-	15,569
	<u>223,168</u>	<u>37,117,787</u>	<u>22,957</u>	<u>37,363,912</u>
	<u>₩ 302,403</u>	<u>₩ 66,478,587</u>	<u>₩ 29,366</u>	<u>₩ 66,810,356</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

5.3 Fair values of financial instruments by hierarchy level

1) Fair values and book values of financial instruments as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020		December 31, 2019	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 29,272,261	₩ 29,887,865	₩ 29,530,202	₩ 30,228,914
Borrowings	21,727,379	21,931,312	14,762,038	15,850,637

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (1.34% ~ 5.37%) regarding residual market risks. As the book values of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

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

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

3) Details of fair values of financial instruments by hierarchy level as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 3,604,104	₩ 936,248	₩ 796,288	₩ 5,336,640
Financial assets measured at FVOCI	550,158	-	1,372,065	1,922,223
Derivative financial assets	1,399	745,616	-	747,015
	<u>₩ 4,155,661</u>	<u>₩ 1,681,864</u>	<u>₩ 2,168,353</u>	<u>₩ 8,005,878</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	₩ 41,078	₩ -	₩ 41,078
Derivative financial liabilities	-	275,297	222,356	497,653
	<u>₩ -</u>	<u>₩ 316,375</u>	<u>₩ 222,356</u>	<u>₩ 538,731</u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 3,183,073	₩ 1,327,969	₩ 452,955	₩ 4,963,997
Financial assets measured at FVOCI	649,439	-	1,302,043	1,951,482
Derivative financial assets	563	380,665	-	381,228
	<u>₩ 3,833,075</u>	<u>₩ 1,708,634</u>	<u>₩ 1,754,998</u>	<u>₩ 7,296,707</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	₩ 41,057	₩ -	₩ 41,057
Derivative financial liabilities	449	67,907	222,356	290,712
	<u>₩ 449</u>	<u>₩ 108,964</u>	<u>₩ 222,356</u>	<u>₩ 331,769</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

6. Trade receivables

(1) Details of trade receivables as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables (*1)	₩ 9,327,588	₩ 162,591	₩ 10,504,422	₩ 138,068
Contract assets (unbilled receivables)	617,944	-	549,385	-
Loss allowance:				
Trade receivables	(704,777)	(10,601)	(676,479)	(7,897)
	<u>₩ 9,240,755</u>	<u>₩ 151,990</u>	<u>₩ 10,377,328</u>	<u>₩ 130,171</u>

(*1) Includes the net investment amount of the finance lease provided by the Group as a manufacturer or seller.

(2) Details of contract assets and liabilities related to the contract with the customer as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020	December 31, 2019
Contract assets: (*1)		
Construction business	₩ 480,302	₩ 403,343
Telecommunication business	174,449	191,858
Others	137,733	146,135
	<u>₩ 792,484</u>	<u>₩ 741,336</u>
Contract liabilities: (*2)		
Construction business	₩ 1,456,598	₩ 1,308,245
Telecommunication business	233,081	223,456
Others	925,380	886,096
	<u>₩ 2,615,059</u>	<u>₩ 2,417,797</u>

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

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

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as of March 31, 2020 are as follows (Korean won in millions):

	March 31, 2020				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period loss	Impact on future period profit	Change in unbilled (overbilled) receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 296,186	₩ 146,252	₩ 69,899	₩ 80,035	₩ 69,899
Others	2,259	1,371	312	576	312
	<u>₩ 298,445</u>	<u>₩ 147,623</u>	<u>₩ 70,211</u>	<u>₩ 80,611</u>	<u>₩ 70,211</u>

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

6. Trade receivables (cont'd)

(4) Details of the construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as of March 31, 2020 are as follows (Korean won in millions):

Subsidiaries	Project	Contract date	Completion date	Percentage (%)	Unbilled receivables		Trade receivables (*1)	
					Amount	Impairment	Amount	Loss allowance
SK Engineering & Construction Co., Ltd.	RRE Project	2009.12	2016.05	99.9	₩ -	₩ -	₩ -	₩ -
	Goseong High Fire power Construction	2014.07	2021.07	75.1	-	-	-	-

(*1) It refers to amounts of billed receivables.

7. Inventories

Details of inventories as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020			December 31, 2019		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 951,866	₩ (42,139)	₩ 909,727	₩ 926,141	₩ (39,343)	₩ 886,798
Finished goods	2,400,668	(281,889)	2,118,779	2,392,621	(68,544)	2,324,077
Semifinished goods and work in progress	1,121,587	(187,684)	933,903	1,108,743	(54,792)	1,053,951
Raw materials and sub-materials	1,742,054	(328,901)	1,413,153	2,030,535	(31,042)	1,999,493
Materials in transit	1,252,435	-	1,252,435	2,356,402	-	2,356,402
Supplies	311,369	(3,912)	307,457	322,035	(3,957)	318,078
Uncompleted contracts	68,845	-	68,845	189,428	-	189,428
Others	10,074	-	10,074	10,436	(302)	10,134
	<u>₩ 7,858,898</u>	<u>₩ (844,525)</u>	<u>₩ 7,014,373</u>	<u>₩ 9,336,341</u>	<u>₩ (197,980)</u>	<u>₩ 9,138,361</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

8. Investment securities

Details of investment securities as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized cost	
Equity instruments:				
Marketable equity instruments	₩ -	₩ 550,158	₩ -	₩ 550,158
Non-marketable equity instruments	21,449	1,350,100	-	1,371,549
	<u>21,449</u>	<u>1,900,258</u>	<u>-</u>	<u>1,921,707</u>
Bond instruments:				
Beneficiary securities and others	574,275	662	-	574,937
Debt securities	456,690	21,303	1,211	479,204
	<u>1,030,965</u>	<u>21,965</u>	<u>1,211</u>	<u>1,054,141</u>
	<u>₩ 1,052,414</u>	<u>₩ 1,922,223</u>	<u>₩ 1,211</u>	<u>₩ 2,975,848</u>
Current investment securities	₩ 151,019	₩ -	₩ 45	₩ 151,064
Non-current investment securities	901,395	1,922,223	1,166	2,824,784
	December 31, 2019			
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized cost	Total
Equity instruments:				
Marketable equity instruments	₩ -	₩ 649,439	₩ -	₩ 649,439
Non-marketable equity instruments	2,009	1,277,996	-	1,280,005
	<u>2,009</u>	<u>1,927,435</u>	<u>-</u>	<u>1,929,444</u>
Bond instruments:				
Beneficiary securities and others	598,306	715	-	599,021
Debt securities	442,502	23,332	1,214	467,048
	<u>1,040,808</u>	<u>24,047</u>	<u>1,214</u>	<u>1,066,069</u>
	<u>₩ 1,042,817</u>	<u>₩ 1,951,482</u>	<u>₩ 1,214</u>	<u>₩ 2,995,513</u>
Current investment securities	₩ 185,056	₩ -	₩ 45	₩ 185,101
Non-current investment securities	857,761	1,951,482	1,169	2,810,412

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

9. Investments in associates and joint ventures

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	March 31, 2020		December 31, 2019
			Acquisition cost	Book value	Book value
Associates:					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 11,060,385	₩ 11,028,722
China Gas Holdings Ltd. (*2)	Hong Kong	11.7%	1,178,637	1,587,259	1,548,020
Vingroup Joint Stock Company (*2)	Vietnam	6.1%	1,165,399	1,237,400	1,172,259
Masan Group Corporation (*2)	Vietnam	9.5%	559,050	510,431	483,950
ESR Cayman Limited (*2)	Cayman	11.1%	493,627	731,017	684,714
Eureka Midstream Holdings	USA	40.0%	465,582	520,223	487,160
FR BR Aggregator	USA	39.0%	350,718	375,007	331,310
Peru LNG Company, LLC	USA	20.0%	331,144	302,137	286,727
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	339,898	341,754
Shenzhen Londian Electrics Co., Ltd.	China	26.0%	284,602	311,498	294,126
NHIP II Bison Holdings, LLC	USA	24.5%	297,511	362,854	343,985
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	297,123	294,756
Yemen LNG Company Ltd. (*2, 3)	Yemen	6.9%	252,813	-	-
Beijing BESK Technology Co., Ltd.	China	49.0%	247,427	239,853	233,244
Korea IT Fund (*4)	Korea	63.3%	242,170	311,686	311,553
Joyvio (*2)	China	14.0%	213,793	226,895	212,353
Canakkale Highway And Bridge	Turkey	25.0%	168,325	147,778	140,849
Best Oil Company Limited	Myanmar	35.0%	154,732	162,551	153,524
Others				1,148,159	1,074,246
				<u>19,872,154</u>	<u>19,423,252</u>
Joint ventures (*5):					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	676,332	1,001,532	1,003,159
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	446,800	455,225
Hana Land Chip PEF 33 (*4)	Korea	65.2%	196,001	259,752	264,395
Eurasia Tunnel	Turkey	50.0%	174,215	261,818	250,963
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	133,323	140,538	152,812
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	76,084	81,182
Others				240,461	263,728
				<u>2,426,985</u>	<u>2,471,464</u>
				<u>₩ 22,299,139</u>	<u>₩ 21,894,716</u>

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

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

(*3) Impairment losses on investments in associates were fully recognized as there was an indication of impairment prior to the current period.

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

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

		For the three months ended March 31, 2020							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments	Other capital movements	Dividends received	Others (*1)	Ending balance
Associates		₩19,423,252	₩ 84,823	₩ (1,141)	₩ 160,535	₩ 143,499	₩(171,812)	₩ 232,998	₩19,872,154
Joint ventures		2,471,464	1,674	(28,215)	(36,228)	27,665	(27,042)	17,667	2,426,985
		<u>₩21,894,716</u>	<u>₩ 86,497</u>	<u>₩ (29,356)</u>	<u>₩ 124,307</u>	<u>₩ 171,164</u>	<u>₩(198,854)</u>	<u>₩ 250,665</u>	<u>₩22,299,139</u>

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

(*1) Others include the effects of changes in scope of consolidation, net foreign currency differences and others.

(*2) Others include the effects of the gain on the deemed disposal of ₩12,838 million won as a result of changes in China Gas Holdings Ltd.'s equity holding ratio during the prior period.

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as of March 31, 2020 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 72,675	₩ 7,039	₩ 79,714
SK Telesys Corporation	3,960	-	3,960
Korea Consortium Kazakh B.V.	178,926	-	178,926
Yemen LNG Company Ltd. and others	34,608	-	34,608

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

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

(4) Condensed financial information of significant investments in associates and joint ventures as of March 31, 2020 are as follows (Korean won in millions):

As of and for the three months ended March 31, 2020								
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)	
Associates:								
SK Hynix Inc.	₩ 15,799,759	₩ 51,343,028	₩ 8,707,249	₩ 10,187,813	₩ 7,198,892	₩ 648,154	₩ 986,216	
China Gas Holdings Ltd.	6,444,472	11,108,498	7,349,305	3,624,851	8,518,562	1,431,605	1,151,215	
Vingroup Joint Stock Company	9,782,763	11,601,022	9,774,180	5,296,397	799,826	26,126	26,126	
Masan Group Corporation	1,597,423	3,834,994	1,709,096	1,057,337	930,801	(11,185)	(11,185)	
Eureka Midstream Holdings	12,834	968,676	25,407	370,538	23,888	9,670	9,670	
FR BR Aggregator	6,161	1,568,009	608,036	-	5,225	26,670	26,670	
Peru LNG Company, LLC	163,455	2,762,342	138,006	1,276,575	188,447	(3,146)	(3,146)	
Daehan Oil Pipeline Corporation	127,092	956,237	45,731	244,902	41,991	4,793	4,793	
Shenzhen Lonian	534,897	673,105	381,035	262,829	82,833	3,498	3,504	
Electrics Co., Ltd.								
NHIP II Bison Holdings, LLC	831	1,469,511	-	754	-	(492)	(492)	
Hana Card Co., Ltd.	7,814,345	183,867	882,485	5,467,885	295,991	30,288	19,660	
Beijing BESK Technology Co., Ltd.	246,286	415,045	123,983	50,483	7,030	(5,570)	(5,570)	
Korea IT Fund	120,575	371,561	-	-	-	212	212	
Best Oil Company Limited	364,492	159,310	305,062	-	268,585	5,665	5,665	
Canakkale Highway And Bridge	57,399	2,506,679	140,719	1,811,223	168,899	8,993	(54,580)	
Joint ventures:								
Sinopec-SK (Wuhan)	921,099	4,512,133	1,527,542	1,124,795	1,418,085	(121,795)	(112,070)	
Petrochemical Co., Ltd.								
Mitsui Chemicals & SKC	516,535	939,697	387,439	99,956	254,151	(17,260)	(9,966)	
Polyurethanes Co., Ltd.								
Hana land chip PEF 33	14,971	711,692	13,743	314,483	8,627	6,104	6,104	
Eurasia Tunnel	180,989	1,532,143	170,337	1,037,841	4,812	15,649	(11,153)	
Boryeong LNG Terminal Co., Ltd.	227,617	1,315,145	101,764	1,191,601	37,715	7,387	7,387	
SABIC SK Nexlene Company Pte. Ltd.	174,484	558,165	119,938	376,049	71,609	3,906	(25,182)	

10. Property, plant and equipment

(1) Details of property, plant and equipment as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020	December 31, 2019
Acquisition cost	₩ 60,022,718	₩ 58,269,139
Accumulated depreciation and accumulated impairment loss	(16,668,118)	(15,422,760)
	<u>₩ 43,354,600</u>	<u>₩ 42,846,379</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

10. Property, plant and equipment (cont'd)

(2) Changes in property, plant and equipment for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2020						
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 8,787,048	₩ 9,670	₩ 3,365	₩ (59,396)	₩ -	₩ 12,219	₩ 8,752,906
Buildings	4,271,484	29,196	1,470	(6,565)	(46,592)	43,170	4,292,163
Structures	1,518,777	6,300	1,011	(2,766)	(28,320)	20,026	1,515,028
Ships and vessels	860	-	-	-	(29)	-	831
Machinery and equipment	18,599,717	91,694	44,631	(2,298)	(924,221)	876,428	18,685,951
Vehicles	185,700	152	793	(780)	(6,306)	2,524	182,083
Operating lease asset	1,746,356	-	172,736	(5,258)	(88,105)	(89,879)	1,735,850
Others	3,537,461	1,871	238,166	(8,240)	(169,005)	(153,727)	3,446,526
Construction-in-progress	4,198,976	133,179	1,220,035	(7,579)	-	(801,349)	4,743,262
	<u>₩ 42,846,379</u>	<u>₩ 272,062</u>	<u>₩ 1,682,207</u>	<u>₩ (92,882)</u>	<u>₩ (1,262,578)</u>	<u>₩ (90,588)</u>	<u>₩ 43,354,600</u>

	For the three months ended March 31, 2019						
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 9,627,559	₩ 42,996	₩ 949	₩ (16,777)	₩ -	₩ 105,696	₩ 9,760,423
Buildings	4,043,820	7,642	1,189	(9,720)	(44,226)	50,302	4,049,007
Structures	1,611,612	439	1,339	(836)	(28,023)	11,344	1,595,875
Ships and vessels	843	-	-	-	(28)	135	950
Machinery and equipment	17,966,522	361	72,992	(12,504)	(860,385)	466,320	17,633,306
Vehicles	126,601	868	1,491	(214)	(4,464)	485	124,767
Operating lease asset	697,476	980,437	69,398	(6,690)	(109,700)	8,942	1,639,863
Others	3,627,490	1,691	362,213	(1,937)	(168,735)	(312,388)	3,508,334
Construction-in-progress	2,013,998	-	815,555	(5,566)	-	(282,803)	2,541,184
	<u>₩ 39,715,921</u>	<u>₩ 1,034,434</u>	<u>₩ 1,325,126</u>	<u>₩ (54,244)</u>	<u>₩ (1,215,561)</u>	<u>₩ 48,033</u>	<u>₩ 40,853,709</u>

(*1) Other changes include transfer of intangible assets and investment properties, impairment losses, net translation differences, changes in accounting policy and others.

11. Right-of-use assets and lease liabilities

(1) Details of right-of-use assets as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020				December 31, 2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value	Acquisition cost	Accumulated Depreciation	Accumulated impairment loss	Book value
Land and buildings	₩ 2,254,162	₩ (570,402)	₩ (502)	₩ 1,683,258	₩ 2,052,531	₩ (505,453)	₩ (475)	₩ 1,546,603
Tank	336,000	(76,503)	-	259,497	326,107	(59,912)	-	266,195
Ships and vessels	1,169,976	(100,635)	-	1,069,341	1,143,339	(77,811)	-	1,065,528
Vehicles	1,738,183	(392,920)	(82)	1,345,181	1,755,554	(332,484)	(78)	1,422,992
Others	326,912	(107,273)	(54)	219,585	324,544	(82,264)	(52)	242,228
	<u>₩ 5,825,233</u>	<u>₩ (1,247,733)</u>	<u>₩ (638)</u>	<u>₩ 4,576,862</u>	<u>₩ 5,602,075</u>	<u>₩ (1,057,924)</u>	<u>₩ (605)</u>	<u>₩ 4,543,546</u>

(2) Changes in right-of-use assets for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2020						
	Beginning balance	Business combination	Increase	Decrease	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ 1,546,603	₩ 67,576	₩ 176,665	₩ (41,115)	₩ (119,670)	₩ 53,199	₩ 1,683,258
Tank	266,195	-	10,726	(2,076)	(16,812)	1,464	259,497
Ships and vessels	1,065,528	-	-	-	(21,891)	25,704	1,069,341
Vehicles	1,422,992	242	50,472	(56,094)	(72,607)	176	1,345,181
Others	242,228	951	8,605	(6,935)	(28,284)	3,020	219,585
	<u>₩ 4,543,546</u>	<u>₩ 68,769</u>	<u>₩ 246,468</u>	<u>₩ (106,220)</u>	<u>₩ (259,264)</u>	<u>₩ 83,563</u>	<u>₩ 4,576,862</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

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

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

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

(3) Changes in lease liabilities for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

For the three months ended March 31, 2020								
	Beginning balance	Business combination	Increase	Interest expense	Decrease	Transfers	Others (*1)	Ending balance
Lease liabilities	₩ 4,069,243	₩ 68,900	₩ 243,347	₩ 30,597	₩ (371,129)	₩ (306)	₩ 76,589	₩ 4,117,241

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

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

The Group recognized lease payments of ₩68,539 million(₩101,557 million as of March 31, 2019) in relation to short-term leases, ₩2,408 million(₩2,505 million as of March 31, 2019) in relation to leases of low-value assets during the period ended.

12. Investment properties

(1) Details of investment properties as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020	December 31, 2019
Acquisition cost	₩ 590,619	₩ 605,362
Accumulated depreciation and accumulated impairment loss	(111,939)	(117,604)
	₩ 478,680	₩ 487,758

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

12. Investment properties (cont'd)

(2) Changes in investment properties for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2020					
	Beginning balance	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 241,383	₩ 111	₩ (15,258)	₩ -	₩ 10,021	₩ 236,257
Buildings	245,891	473	(559)	(2,651)	(1,178)	241,976
Structures	484	-	-	(36)	(1)	447
	<u>₩ 487,758</u>	<u>₩ 584</u>	<u>₩ (15,817)</u>	<u>₩ (2,687)</u>	<u>₩ 8,842</u>	<u>₩ 478,680</u>

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

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

13. Goodwill

(1) Changes in goodwill for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Beginning balance	₩ 2,598,464	₩ 2,379,526
Business combination (see Note 35 Business combination)	1,267,661	183,520
Others (*1)	26,060	8,152
Ending balance	<u>₩ 3,892,185</u>	<u>₩ 2,571,198</u>

(*1) Others include net translation differences, retroactive adjustment amount of identifiable net assets in accordance with past business combination.

14. Intangible assets

(1) Details of intangible assets for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2020						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	Ending balance
Development costs	₩ 151,824	₩ -	₩ 13,233	₩ (674)	₩ (9,036)	₩ 3,195	₩ 158,542
Facility usage rights	48,300	-	147	-	(1,792)	801	47,456
Industrial property rights	74,659	-	219	(135)	(1,493)	9,203	82,453
Frequency usage rights	2,647,501	-	-	-	(130,495)	-	2,517,006
Customer-related assets	2,221,365	335,632	31	(79)	(55,162)	18,294	2,520,081
Membership (*1)	237,662	516	8,739	(6,171)	-	473	241,219
Development costs for petroleum resource	1,492,031	-	41,886	-	(10,922)	37,874	1,560,869
Brand-related assets (*1)	2,596,643	-	-	-	-	1,589	2,598,232
Developed technology	941,534	50,814	-	-	(38,426)	3,221	957,143
Others	1,656,267	3,447	35,639	(2,173)	(137,866)	59,102	1,614,416
	<u>₩ 12,067,786</u>	<u>₩ 390,409</u>	<u>₩ 99,894</u>	<u>₩ (9,232)</u>	<u>₩ (385,192)</u>	<u>₩ 133,752</u>	<u>₩ 12,297,417</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

14. Intangible assets (cont'd)

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

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

(*2) This includes impairment loss, net translation differences, transfer to intangible assets from construction-in-progress and others.

15. Borrowings and bonds payable

(1) Details of borrowings and bonds payable as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Short-term borrowings (*1)	₩ 11,297,781	₩ -	₩ 5,888,357	₩ -
Bonds and long-term borrowings:				
Bonds payable	3,779,418	25,492,843	4,393,154	25,137,048
Long-term borrowings	1,565,445	8,864,153	1,636,568	7,237,113
	<u>5,344,863</u>	<u>34,356,996</u>	<u>6,029,722</u>	<u>32,374,161</u>
	<u>₩ 16,642,644</u>	<u>₩ 34,356,996</u>	<u>₩ 11,918,079</u>	<u>₩ 32,374,161</u>

(*1) It includes borrowings collateralized for trade receivables of ₩378,024 million and ₩396,851 million as of March 31, 2020 and December 31, 2019, respectively, which were transferred but not derecognized.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

15. Borrowings and bonds payable (cont'd)

(2) Details of bonds payable as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
SK Holdings Co., Ltd.	₩ 6,320,000	₩ 6,330,000
SK Innovation Co., Ltd.	1,271,300	1,238,900
SK Energy Co., Ltd.	2,990,000	3,100,000
SK Global Chemical Co., Ltd.	1,160,000	1,160,000
SK Incheon Petrochem Co., Ltd.	1,690,000	1,780,000
SK Lubricants Co., Ltd.	630,000	630,000
SK Telecom Co., Ltd.	6,927,120	6,429,360
SK Broadband Co., Ltd.	1,666,780	1,807,340
Life & Security Holdings Co., Ltd.	12,514	12,514
SK Networks Co., Ltd.	1,360,000	1,360,000
SK Magic Co., Ltd.	320,000	200,000
SK Rent-a-Car Co., Ltd.	415,000	470,000
SKC Co., Ltd.	135,315	780,000
SKC Solmics Co., Ltd.	44,452	43,156
SK Telesys Co., Ltd.	30,000	30,000
SKC Hightech & Marketing Co., Ltd.	53,010	51,261
SK E&S Co., Ltd.	920,000	640,000
Paju Energy Service Co., Ltd.	730,000	730,000
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Service Co., Ltd.) (*1)	445,000	445,000
SK Engineering & Construction Co., Ltd.	896,000	846,000
SK Materials Co., Ltd.	440,000	440,000
SK Siltron Co., Ltd.	725,000	910,000
	<u>29,181,491</u>	<u>29,433,531</u>
Addition: premium on bonds payable	90,770	96,671
Less: current portion	<u>(3,779,418)</u>	<u>(4,393,154)</u>
	<u>₩ 25,492,843</u>	<u>₩ 25,137,048</u>

(*1) Formerly, Narae Energy services' bond amount is included on the prior year's amount.

(3) Details of long-term borrowings as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

<u>Financial institution</u>	<u>Description</u>	<u>Interest rate (%)</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Korea Development Bank and others	General	0.00 ~ 7.20	₩ 5,327,567	₩ 3,887,464
Korea Development Bank and others	Fund for facility	0.00 ~ 5.18	2,441,190	2,345,588
Standard Chartered Bank and others	Foreign borrowings	1.70 ~ 8.00	1,277,361	1,150,492
Korea Energy Agency (*1)	Fund for mine exploration	0.00 ~ 7.00	81,380	77,066
Econg 1st Co., Ltd. and others	Callable preferred share	2.70 ~ 2.75	100,000	200,000
Korea Development Bank and others	Fund for operation	2.32 ~ 2.78	113,324	122,000
Korea Development Bank and others	Fund for supply pipeline	1.75	8,033	8,177
Shinhan Bank and others	Fund for reasonable energy consumption	1.75, 1.80	4,045	4,290
NH Bank	Fund for safety management	1.75	387	448
Citibank and others (*2)	Takeover	LIBOR(3M) + 1.00	195,616	185,248
MD Prime 1st Co., Ltd. and others	Others	3.07, 3.20	<u>909,976</u>	<u>909,976</u>
			10,458,879	8,890,749
Addition (less): premium (discount)			(29,281)	(17,068)
Less: current portion			<u>(1,565,445)</u>	<u>(1,636,568)</u>
			<u>₩ 8,864,153</u>	<u>₩ 7,237,113</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

15. Borrowings and bonds payable (cont'd)

- (*1) As of March 31, 2020 and December 31, 2019, the Group holds a loan amounting to ₩50,779 million and ₩48,090 million from Korea Energy Agency for the purpose of oil exploration and development in which there is no repayment obligation in case for failure in exploration.
- (*2) SK Global Chemical Co., Ltd., one of the subsidiaries, has a repayment obligation for borrowings of SK Global Chemical Americas, Inc. in the event of default. The purpose of the borrowings of SK Global Chemical Americas, Inc. was to acquire The Dow Chemical Company's EAA business domiciled in the US and Spain and its tangible and intangible assets.

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

16. Provisions

Changes in the provisions for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2020					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 75,025	₩ 5,495	₩ (2,384)	₩ 78,136	₩ 3,457	₩ 74,679
Provision for service / construction warranties	93,034	2,435	(3,609)	91,860	91,860	-
Provision for restoration	138,238	5,147	(1,193)	142,192	57,163	85,029
Provision for onerous contracts	152,857	-	(4,673)	148,184	148,184	-
Other provisions	335,545	86,719	(47,851)	374,413	350,962	23,451
	<u>₩ 794,699</u>	<u>₩ 99,796</u>	<u>₩ (59,710)</u>	<u>₩ 834,785</u>	<u>₩ 651,626</u>	<u>₩ 183,159</u>

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

17. Defined benefit liabilities

(1) Details of defined benefit liabilities as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	March 31, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 3,282,399	₩ 3,171,225
Fair value of plan assets (*1)	(2,722,145)	(2,763,924)
Total	<u>₩ 560,254</u>	<u>₩ 407,301</u>

- (*1) The Group has recognized ₩988 million and ₩7,381 million as defined benefit assets as of March 31, 2020 and December 31 2019, respectively.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

17. Defined benefit liabilities (cont'd)

(2) Changes in the defined benefit liabilities for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	<u>For the three months ended March 31, 2020</u>		
	Present value of defined		
	benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 3,171,225	₩ (2,763,924)	₩ 407,301
Business combination	11,165	(9,794)	1,371
Provision for pension benefits:			
Current service cost	111,370	-	111,370
Past service cost	815	-	815
Net interest expense (income)	15,770	(17,503)	(1,733)
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	2,529	2,529
Actuarial changes arising from changes in financial assumptions and others	52,217	-	52,217
Contributions by employer directly to plan assets	-	(39,125)	(39,125)
Benefit paid	(106,224)	126,998	20,774
Others	26,061	(21,326)	4,735
Ending balance	<u>₩ 3,282,399</u>	<u>₩ (2,722,145)</u>	<u>₩ 560,254</u>
	<u>For the three months ended March 31, 2019</u>		
	Present value of defined		
	benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 2,741,488	₩ (2,353,187)	₩ 388,301
Provision for pension benefits:			
Current service cost	99,446	-	99,446
Net interest expense (income)	16,352	(14,592)	1,760
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	5,162	5,162
Actuarial changes arising from changes in financial assumptions and others	54,754	-	54,754
Contributions by employer directly to plan assets	-	(55,553)	(55,553)
Benefit paid	(102,488)	113,699	11,211
Others	21,198	(12,499)	8,699
Ending balance	<u>₩ 2,830,750</u>	<u>₩ (2,316,970)</u>	<u>₩ 513,780</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

21. Selling and administrative expenses

Details of selling and administrative expenses for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Salaries	₩ 350,554	₩ 301,645
Provision for pension benefits	65,187	31,042
Employee welfare benefits	79,345	54,274
Travel	13,959	16,752
(Reversal of) Bad debt expenses	31,734	(2,790)
Communications	2,019	1,924
Utilities	9,500	8,410
Taxes and dues	24,054	20,741
Supplies	7,908	7,991
Rents	41,766	54,561
Depreciation	112,085	90,214
Amortization	57,734	52,756
Repairs	6,324	7,977
Insurance	11,963	9,026
Advertising	107,231	113,225
Research and development	129,377	83,241
Education and examination	21,664	22,265
Outsourcing technology services	199,576	146,362
Transport	72,690	71,880
Others	33,259	30,652
	<u>₩ 1,377,929</u>	<u>₩ 1,122,148</u>

22. Finance income and costs

Details of finance income and costs for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Finance income:		
Interest income	₩ 56,738	₩ 67,572
Gain on foreign currency transactions	456,861	140,467
Gain on foreign currency translation	281,779	104,191
Gain on transactions of derivatives	990,742	655,818
Gain on valuation of derivatives	890,913	167,871
Others	653	4,695
	<u>₩ 2,677,686</u>	<u>₩ 1,140,614</u>

	For the three months ended	
	March 31, 2020	March 31, 2019
Finance costs:		
Interest expenses	₩ 356,352	₩ 335,265
Loss on foreign currency transactions	503,228	142,614
Loss on foreign currency translation	429,596	151,963
Loss on transactions of derivatives	890,556	720,946
Loss on valuation of derivatives	821,600	83,474
Others	678	413
	<u>₩ 3,002,010</u>	<u>₩ 1,434,675</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

23. Other non-operating income and expenses

(1) Details of other non-operating income for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Other non-operation income:		
Dividend income	₩ 6,114	₩ 11,710
Rental income	388	138
Gain on disposal of trade receivables	4,679	7,941
Gain on disposal of investments in associates and joint ventures	243,392	13,807
Gain on disposal of property, plant and equipment	5,485	2,508
Gain on disposal of intangible assets	12,329	294
Gain on disposal of other investment assets	711	-
Others	119,909	99,213
	<u>₩ 393,007</u>	<u>₩ 135,611</u>

(2) Details of other non-operating expenses for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Other non-operation expenses:		
Loss on disposal of trade receivables	₩ 4,755	₩ 4,380
Loss on disposal of property, plant and equipment	69,410	20,542
Loss on impairment of property, plant and equipment	113,154	646
Loss on disposal of intangible assets	188	556
Loss on impairment of intangible assets	491	89
Loss on impairment of investments in associates and joint ventures	434	-
Loss on impairment of other investment assets	230	1,986
Donations	35,122	8,286
Others	169,103	42,851
	<u>₩ 392,887</u>	<u>₩ 79,336</u>

24. Expense classified based on nature of expense

Details of classification based on nature of expenses for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Employee benefits	₩ 1,886,368	₩ 1,640,525
Depreciation and amortization	1,909,721	1,769,617
Network connection	197,301	191,090
Transport	144,066	137,685
Advertising	108,400	111,168
Lease payments and rents	131,632	147,106
Others	4,264,756	4,042,507
Use of raw materials and purchase of finished goods and merchandise	15,708,081	15,912,635
Changes in finished goods and semi-finished goods	298,530	50,631
	<u>₩ 24,648,855</u>	<u>₩ 24,002,964</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

25. Income taxes

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

The average effective tax rate is not calculated during the current quarter due to pre-tax losses, and the average effective tax rate for continuing operations in the previous quarter is 23.96%.

26. Earnings (losses) per share

(1) Basic earnings (losses) per share for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2020	March 31, 2019
Profit (loss) for the three months attributable to owners of the parent	₩ (187,440)	₩ 460,401
Less: preferred share dividends	(571)	(571)
Profit (loss) for the three months attributable to ordinary share owners of the parent	₩ (188,011)	₩ 459,830
Weighted-average number of ordinary share outstanding (*1)	52,304,347	55,824,347
Basic earnings (losses) per share (in Korean won)	₩ (3,595)	₩ 8,237

(*1) The weighted-average number of ordinary share outstanding is calculated by multiplying the number of shares issued by the portion of the reporting period those shares covered. The treasury shares held until the disposal date, after the date of acquisition, are excluded from the number of ordinary shares outstanding.

The basis of calculating weighted-average number of ordinary shares for the three months ended March 31, 2020 and 2019 is as follows:

	For the three months ended	
	March 31, 2020	March 31, 2019
Weighted-average number of issued shares outstanding	70,360,297	70,360,297
Weighted-average number of treasury shares	(18,055,950)	(14,535,950)
Weighted-average number of ordinary shares outstanding	52,304,347	55,824,347

(2) Basic earnings (losses) per share from continuing operations

Basic earnings (losses) per share from continuing operations for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions, except basic earnings(losses) per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2020	March 31, 2019
Profit (loss) for the three months attributable to owners of the parent	₩ (188,011)	₩ 459,830
Less: gain (loss) from discontinued operations	(3,568)	(3,446)
Profit (loss) for the three months from continuing operations attributable to owners of the parent	₩ (184,443)	₩ 463,276
Weighted-average number of ordinary shares outstanding	52,304,347	55,824,347
Basic earnings (losses) per share from continuing operations (in Korean won)	₩ (3,526)	₩ 8,299

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

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

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

Basic earnings (losses) per share from discontinued operations for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions, except basic earnings (losses) per share and weighted-average number of ordinary shares outstanding):

	For the three months ended	
	March 31, 2020	March 31, 2019
Loss from discontinued operations attributable to owners of the parent	₩ (3,568)	₩ (3,446)
Weighted-average number of ordinary shares outstanding	52,304,347	55,824,347
Basic losses per share from discontinued operations (in Korean won)	₩ (69)	₩ (62)

27. Transactions with related parties

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the interim condensed consolidated financial statements as of and for the three months ended March 31, 2020 and 2019.

(1) Details of significant transactions with the related parties for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	Company name	For the three months ended			
		Sales and others		Expenses and others	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Other related parties	Daehan Oil Pipeline Corporation	₩ 3,915	₩ 4,587	₩ 16,355	₩ 14,033
	SABIC SK Nexlene Company Pte. Ltd.	70	104	33,789	46,128
	Korea Nexlene Company	48,999	42,117	2	6
	Hana land chip PEF 33	8,036	8,036	8,594	8,594
	F&U Credit Information Co., Ltd.	502	637	12,781	14,375
	Wave City Development Co., Ltd.	11,653	9,012	-	-
	SK Hynix Inc.	956,062	960,781	4,768	6,042
	SK Hynix Semiconductor (China) Ltd.	104,382	99,837	396	481
	SK Hynix Semiconductor (Chongqing) Ltd.	6,606	-	-	-
	SK Hynix Semiconductor HK Ltd.	-	-	215,466	175,887
	SK Hynix System IC Co., Ltd.	20,623	15,772	-	-
	Happynarae Co., Ltd.	10,083	18,939	82,279	80,331
	SKC Evonik Peroxide Korea Co., Ltd.	3,674	3,806	13,552	13,710
	Mitsui Chemicals & SKC Polyurethanes, Inc.	54,673	64,285	4,777	5,975
	Boryeong LNG Terminal Co., Ltd.	11,916	15,109	18,705	20,281
	Eurasia Tunnel	1,301	330	-	-
	Xe-Pian Xe-Namnoy Power Company	10,120	28,823	-	-
	Others	46,295	23,645	36,692	27,121
	Others (*1)	SK Chemicals Co., Ltd.	32,105	47,452	22,081
SK Gas Co., Ltd.		6,603	16,619	109,664	52,496
Ubins Co., Ltd.		182	-	15,010	-
Others		22,120	9,448	57,199	91,194
		₩ 1,359,920	₩ 1,369,339	₩ 652,110	₩ 581,564

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

27. Transactions with related parties (cont'd)

(2) Details of significant outstanding balances of receivables and payables with the related parties as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	Company name	March 31, 2020		December 31, 2019	
		Receivables		Receivables	
		(*1)	Payables	(*1)	Payables
Other related parties	Daehan Oil Pipeline Corporation	₩ 3,205	₩ 3,359	₩ 100	₩ 2,946
	SABIC SK Nexlene Company Pte. Ltd.	208	30,201	2,943	19,851
	Korea Nexlene Company	15,313	272	7,552	249
	Hana land chip PEF 33	7,675	34,057	5,983	42,464
	Korea Consortium Kazakh B.V. (*2)	146,170	-	146,170	-
	F&U Credit Information Co., Ltd.	17	5,117	8	4,869
	Wave City Development Co., Ltd.	57,562	-	57,562	-
	SK Hynix Inc.	490,501	116,239	602,213	124,954
	SK Hynix Semiconductor (China) Ltd.	40,064	692	123,739	816
	SK Hynix Semiconductor (Chongqing) Ltd.	13,121	44	11,420	96
	SK Hynix Semiconductor HK Ltd.	-	82,327	-	37,823
	SK Hynix System IC Co., Ltd.	23,202	464	20,189	38
	Happynarae Co., Ltd.	1,578	23,946	13,875	43,110
	SKC Evonik Peroxide Korea Co., Ltd.	-	5,105	2	5,267
	Mitsui Chemicals & SKC Polyurethanes, Inc.	28,221	2,816	34,231	2,907
	Boryeong LNG Terminal Co., Ltd.	23,496	2,277	3,338	166
	Pentaport Development Co., Ltd.	79,532	-	79,532	-
	Eurasia Tunnel	37,593	-	37,338	-
	SK E&C JURONG Investment Singapore Pte. Ltd. (*2)	59,914	-	59,914	-
	Xe-Pian Xe-Namnoy Power Company	142,581	26,629	136,478	26,629
	Others	67,178	34,914	59,689	31,203
Others (*3)	SK Chemicals Co., Ltd.	18,325	10,151	17,652	10,195
	SK Gas Co., Ltd.	3,260	287,057	3,150	307,731
	Ubins Co., Ltd.	145	5,857	92	25,832
	Others	7,773	29,529	12,067	23,111
		<u>₩ 1,266,634</u>	<u>₩ 701,053</u>	<u>₩ 1,435,237</u>	<u>₩ 710,257</u>

(*1) The Group recognized bad debt expense amounting to ₩1,789 million and ₩(-)2 million for the three months ended March 2020 and 2019, respectively. The Group recognized the loss allowance amounting to ₩316,034 million and ₩312,245 million as of March 31, 2020 and December 31, 2019, respectively.

(*2) As of March 31, 2020 and December 31, 2019, the Group recognized loss allowances in full amount of corresponding receivables.

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

27. Transactions with related parties (cont'd)

(3) Details of significant financial transactions with related-parties for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions and foreign currencies in thousands):

Company	Currency	March 31, 2020		March 31, 2019	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	802	-	517	-
Eurasia Tunnel	KRW	311	952	-	-

(4) There were additional capital contribution transactions for investments in associates and joint ventures for the three months ended March 31, 2020 and 2019 (see Note 9 'Investments in associates and joint ventures').

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

Key management personnel consists of registered executives who are responsible for the planning, operation and control of the Company's business activities. Details of compensation for them for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Salaries	₩ 3,373	₩ 2,879
Provision for pension benefits	4,714	1,442
Share-based payment expenses	199	382
	₩ 8,286	₩ 4,703

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

28. Discontinued operations

(1) Details of discontinued operations

SK Networks, Co., Ltd., a subsidiary of the Group, sold its non-core fashion business before the prior reporting period and in addition, suspended its resource and oil retail business to strengthen its financial soundness and secure investment funding.

(2) Gain and loss from the discontinued operation for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2020		
	Oil retail business in SK Networks Co., Ltd.	Resource business and others in SK Networks Co., Ltd.	Total
Revenue	₩ 224,785	₩ 7,148	₩ 231,933
Expenses	234,716	11,078	245,794
Loss before income tax expense	(9,931)	(3,930)	(13,861)
Income tax benefit	(2,403)	(2,996)	(5,399)
Loss from discontinued operations	₩ (7,528)	₩ (934)	₩ (8,462)
Attributable to:			
Owners of the parent	₩ (3,174)	₩ (394)	₩ (3,568)
Non-controlling interests	(4,354)	(540)	(4,894)
	For the three months ended March 31, 2019		
	Oil retail business in SK Networks Co., Ltd.	Resource business and others in SK Networks Co., Ltd.	Total
Revenue	₩ 261,146	₩ 10,161	₩ 271,307
Expenses	266,182	15,193	281,375
Loss before income tax expense	(5,036)	(5,032)	(10,068)
Income tax benefit	(1,218)	(313)	(1,531)
Loss from discontinued operations	₩ (3,818)	₩ (4,719)	₩ (8,537)
Attributable to:			
Owners of the parent	₩ (1,541)	₩ (1,905)	₩ (3,446)
Non-controlling interests	(2,277)	(2,814)	(5,091)

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

28. Discontinued operations (cont'd)

(3) Details of cash flows relating to discontinued operations for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended March 31, 2020		
	Oil retail business in SK Networks Co., Ltd.	Resource business and others in. SK Networks Co., Ltd.	Total
	₩	₩	₩
Cash flows from operating activities	(23,213)	(9,142)	(32,355)
Cash flows from investing activities	2,887	(454)	2,433
Cash flows from financing activities	-	463	463

	For the three months ended March 31, 2019		
	Oil retail business in SK Networks Co., Ltd.	Resource business and others in. SK Networks Co., Ltd.	Total
	₩	₩	₩
Cash flows from operating activities	28,577	(3,123)	25,454
Cash flows from investing activities	(15,041)	333	(14,708)
Cash flows from financing activities	-	(6,398)	(6,398)

29. Assets and liabilities held for sale

Details of assets and liabilities held for sale as of March 31, 2020 are as follows (Korean won in millions):

Business segment		March 31, 2020	
		Assets	Liabilities
Oil retail business segment and others (*1)		₩ 1,487,545	₩ 211,443
Ferrite business		2,000	-
Subsidiaries	Daiyang SK Networks San. VE TIC. Ltd. STI	765	654
Joint ventures	KOSCOGASTECH Co., Ltd.	800	-
Property, plant and equipment	Land and others (*2)	67,000	-
	Land and building	568	-
Intangible assets and others	E&P 56, 88 mining area (*3)	679,770	8,330
		<u>₩ 2,238,448</u>	<u>₩ 220,427</u>

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

(*2) SK Incheon Petrochemical Co., Ltd. a subsidiary, classified related assets as assets held-for-sale as the entity signed a contract for sale of the land in Seoknam-dong, western Incheon, in 2018 and the entity measured it at the lower of its fair value less costs to sell and carrying amount.

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

30. Cash flow information

(1) Details of non-cash adjustments for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Provision for pension benefits	₩ 110,452	₩ 101,206
Depreciation	1,524,529	1,423,503
Amortization	385,192	354,074
(Reversal of) Bad debt expenses	40,675	(2,880)
(Reversal of) Valuation loss on inventories	646,545	(219,604)
Interest expenses	369,513	350,379
Loss on foreign currency translation	437,727	151,979
Loss on valuation of derivatives	821,600	83,491
Loss on disposal of trade receivables	4,755	-
Loss on impairment of investments in associates and joint ventures	434	-
Loss on disposal of property, plant and equipment	69,540	22,011
Loss on impairment of property, plant and equipment	113,154	646
Loss on disposal of intangible assets	188	556
Loss on impairment of intangible assets	491	89
Income tax expense (benefit)	(304,092)	310,389
Share of profit of associates and joint ventures	(124,307)	(252,251)
Interest income	(57,052)	(68,114)
Gain on foreign currency translation	(289,884)	(104,191)
Gain on valuation of derivatives	(890,913)	(167,887)
Dividend income	(6,114)	(11,710)
Gain on disposal of trade receivables	(4,679)	(3,561)
Gain on disposal of investments in associates and joint ventures	(243,392)	(13,807)
Gain on disposal of property, plant and equipment	(5,487)	(10,156)
Gain on disposal of intangible assets	(12,329)	(294)
Others	66,249	13,768
	₩ 2,652,795	₩ 1,957,636

(2) Details of working capital adjustments for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Inventories	₩ 1,477,443	₩ 378,936
Trade receivables	1,391,532	118,985
Other receivables	261,775	382,190
Trade payables	(1,975,619)	(585,694)
Other payables	(1,153,475)	(541,015)
Advances received	112,994	(253,026)
Retirement benefits	(80,163)	(81,290)
Plan assets	66,547	45,647
Others	(309,552)	(47,140)
	₩ (208,518)	₩ (582,407)

(3) Significant non-cash transactions for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Increase in other payables due to acquisition of property, plant and equipment and others	₩ (678,546)	₩ (298,079)
Account reclassification of lease liabilities from changes in accounting policies	-	2,896,860

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

31. Commitments and contingencies

(1) Guarantees provided for the Group as of March 31, 2020 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	Korea Software Financial Corporation	KRW	316,077	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	166	Performance guarantees for contract and others
Netruck Co., Ltd.	Seoul Guarantee Insurance	KRW	668	Performance insurances for warranties and others
SK Telink Co., Ltd.	Seoul Guarantee Insurance	KRW	6,800	Performance guarantees for contract
SK Planet Co., Ltd.	Hana Bank	KRW	432	Performance insurances for warranties and others
	Seoul Guarantee Insurance and others	KRW	2,514	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Seoul Guarantee Insurance	KRW	33,490	Guarantee of warranties contract and others
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	38,286	Guarantee of bid payment and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,942	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	470	Performance guarantees
Dreamus company Co., Ltd.	Seoul Guarantee Insurance	KRW	390	Performance guarantees for contract
One store Co., Ltd.	Seoul Guarantee Insurance	KRW	106	Guarantee for E-commerce and others
	Hana Bank	KRW	100	Performance guarantees for contract
Home&Service Co., Ltd.	Seoul Guarantee Insurance	KRW	2	Guarantee of debt
SK Store Co., Ltd.	Kookmin Bank	KRW	700	Performance guarantees and others
FSK L&S Co., Ltd.	Seoul Guarantee Insurance	KRW	349	Performance guarantees for contract and others
11street Co., Ltd.	Hana Bank	KRW	638	Performance guarantees and others
	Seoul Guarantee Insurance	KRW	12,782	Guarantee of deposit on lease and others
Service Top Co., Ltd.	Seoul Guarantee Insurance	KRW	420	Performance guarantees for contract
SK Networks Co., Ltd.	Hana Bank	KRW	2,000	Guarantee of payment
	Woori Bank	KRW	547	Performance guarantees for sales contract
	Seoul Guarantee Insurance	KRW	12,030	Performance guarantees for contract
	Korea Trade Insurance Corporation	KRW	68,081	Guarantee of debt
SK Networks Service Co., Ltd.	Seoul Guarantee Insurance	KRW	10,791	Performance guarantees for sales contract
	Hana Bank	KRW	1,200	Performance guarantees for contract
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	19,963	Performance insurances for warranties and others
	Machinery Financial Cooperative	KRW	1,173	Performance insurances for warranties and others
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	2	Guarantee of payment and others
SK Pinx Co., Ltd.	Seoul Guarantee Insurance	KRW	242	Performance guarantees for sales contract
SK Rent-a-Car Co., Ltd.	Seoul Guarantee Insurance	KRW	8,400	Performance guarantees for contract
SK Telesys. Co., Ltd.	Seoul Guarantee Insurance	KRW	3,984	Guarantee of warranties and contract
SK Bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	95	Performance guarantees
SKC Solmics Co., Ltd.	Shinhan Bank	USD	20,000	Guarantee of FRN issue
SKC Hightech & Marketing Co., Ltd.	Hana Bank	USD	27,000	Guarantee of FRN issue
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance guarantees for contract and others
	Kookmin Bank	USD	80,000	Guarantee of debt
	Shinhan Bank	USD	80,000	Guarantee of debt
	Citi Bank	USD	3,120	Guarantee of bid
Yeongnam Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,438	Guarantee of warranties and approval
Chonnam Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	252	Guarantee of warranties and payment
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,558	Guarantee of seizure contract and others
Jeonbuk Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	245	Performance guarantees and warranties
Chungcheong Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	714	Performance guarantees and others
Ko-one Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,523	Performance guarantees for contract
Paju Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	609	Performance guarantees for approval and others
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Service. Co., Ltd.)	Seoul Guarantee Insurance	KRW	212	Guarantee of license to use state property and others
Kangwon City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,033	Performance guarantees for contract and approval
Yeosu Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,219	Performance guarantees for deposit on approval and others

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

31. Commitments and contingencies (cont'd)

Guarantee	Guarantor	Currency	Amount	Description of guarantee	
SK Engineering & Construction Co., Ltd.	HSBC and others	KRW	5,764	Performance guarantees for overseas construction and others	
		USD	722,400	Performance guarantees for overseas construction and others	
		EUR	1,535	Performance guarantees for overseas construction and others	
		SGD	21,661	Performance guarantees for overseas construction and others	
		KWD	107,233	Performance guarantees for overseas construction and others	
		QAR	513,413	Performance guarantees for overseas construction and others	
		TRY	30,243	Performance guarantees for overseas construction and others	
		SAR	228,716	Performance guarantees for overseas construction and others	
		THB	327,088	Performance guarantees for overseas construction and others	
		KZT	102,787	Performance guarantees for overseas construction and others	
		VND	745,636,347	Performance guarantees for overseas construction and others	
		HKD	20,061	Performance guarantees for overseas construction and others	
		IQD	2,600,000	Performance guarantees for overseas construction and others	
		AED	132,246	Performance guarantees for overseas construction and others	
		INR	61,200	Performance guarantees for overseas construction and others	
		Hana Bank	USD	80,173	Performance guarantees for overseas construction and others
			GBP	29,571	Performance guarantees for overseas construction and others
			EUR	133,397	Performance guarantees for overseas construction and others
		Korea Eximbank	USD	92,319	Performance guarantees for overseas construction and others
			SAR	128,276	Performance guarantees for overseas construction and others
VND	14,077,332		Performance guarantees for overseas construction and others		
EUR	60,750		Performance guarantees for overseas construction and others		
Korea Housing Guarantee Co., Ltd. Seoul Guarantee Insurance	KRW	3,238,109	Housing guarantees and others		
	KRW	366,531	Performance guarantees for domestic construction and others		
Engineering Financial Cooperative Construction Guarantee Cooperative	KRW	1,658,566	Domestic construction contract		
	KRW	2,339,664	Performance guarantees for domestic construction and others		
SK Biotek Co., Ltd.	Seoul Guarantee Insurance	KRW	5,933	Guarantee of bid	
SK Materials Co., Ltd.	Korea Industrial Bank	USD	3,000	Guarantee of debt	
	Seoul Guarantee Insurance	KRW	164	Performance guarantees	
SK Siltron Co., Ltd.	Shinhan Bank	USD	19,000	Guarantee of foreign currencies	
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	17,311	Performance guarantees for contract	
	Seoul Guarantee Insurance	KRW	14,926	Performance guarantees for contract	
Hweechan Co., Ltd.	Seoul Guarantee Insurance	KRW	106	Guarantee of supply and others	

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, has performance guarantees for domestic construction by other construction companies amounting to ₩355,777 million as of March 31, 2020.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

31. Commitments and contingencies (cont'd)

(2) Guarantees provided to others as of March 31, 2020 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Innovation Co., Ltd.	Petro Peru and others	USD	3,080	Performance guarantees for mandatory work and others
SK Global Chemical Co., Ltd.	Sabic SK Nexlene Company Pte. Ltd.	USD	189,500	Performance guarantees
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	879	Guarantees for construction
	Railway Administration and others	EUR	278	Guarantee for installing facilities and others
SK Telink Co., Ltd.	IOT Wave Co., Ltd. and others	KRW	1,200	Performance guarantees for insurance and others
SK Communications Co., Ltd.	Green umbrella	KRW	40	Performance guarantees for contract
SKC Co., Ltd.	SKC-Kolon PI Co., Ltd.	USD	6,750	Guarantee for litigation
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of debt
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL and others	KWD	6,085	Performance guarantees for contract and others
	Pohang Clean Water Co., Ltd. and others	KRW	741,476	Cash deficiency support agreement
	Bugae-seocho bridge north side redevelopment maintenance business association	KRW	382,776	Guarantees for reconstruction project financing
	Customers of Kwangkyo SK view lake	KRW	707,756	Guarantee of debt
	Lu 1 City SK leaders view and others	KRW	1,820,540	Guarantee of completion
	Member of employee stock ownership association	KRW	2,755	Guarantee of payment
	Callable preferred share investor	KRW	260,000	Cash deficiency support agreement

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, provides other construction companies with performance guarantees for domestic construction, and the amount of the guarantees is ₩743,085 million as of March 31, 2020.

(3) The Group's significant pending litigations as of March 31, 2020, in which the Group is a plaintiff are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Life & Security Holdings Co., Ltd.	Individual and others	Claim for injunction to ban of transfer and others	KRW 2,488	First trial in progress
PS&Marketing Corp.	Individual and others	Claim for promised deposit and others	KRW 558	First trial in progress and others
SK Networks Co., Ltd.	Individual and others	Claim for payment and others	KRW 3,490	First trial in progress and others
SK Magic Co., Ltd.	Careswater Co., Ltd.	Claim for payment	KRW 280	First trial in progress
SK Networks Service Co., Ltd.	Individual	Claim for payment	KRW 52	First trial in progress
SK Rent-a-Car Co., Ltd.	Individual and others	Claim for payment and others	KRW 1,292	First trial in progress and others
SK Telesys Co., Ltd.	TaiYoung tech Co., Ltd. and others	Claim for payment and others	KRW 3,543	First trial in progress
Pusan City Gas Co., Ltd.	YCP Co., Ltd. and others	Claim for settlement and others	KRW 6,124	First trial in progress
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction	KRW 4,919	Third trial in progress
	Korea Rail Network Authority	Claim for payment of construction and others	KRW 13,812	Second trial in progress and others
	Korea Specialty Contractor	Claim for deposit of construction performance and others	KRW 1,212	Third trial in progress and others
	Finanacial Cooperative	Claim for payment of construction	KRW 12,728	Second trial in progress
	Dream Hub PFV	Claim for payment of construction	KRW 6,105	Second trial in progress and others
	Plant & Mechanical Contractors Financial Cooperative and others	Claim for payment and others	KRW 14,102	First trial in progress
	Korea National Oil Corporation	Claim for payment of construction	KRW 14,102	First trial in progress
	Republic of Korea and others	Claim for payment of construction and others	KRW 18,215	Second trial in progress and others
	Korea Highway Corporation	Claim for cost of construction and others	KRW 21,960	First trial in progress and others
	Korea Land & Housing Corporation	Claim for payment of construction	KRW 44	First trial in progress
	Korea Gas Corporation	Claim related to Jangrim Jinhae	KRW 3,561	Second trial in progress
	Busan-Jinhae Free Economic Zone Authhority	Claim for payment of construction	KRW 3,319	First trial in progress
	Individual and others	Claim related to performance guarantee and others	KRW 6,989	First trial in progress and others

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

31. Commitments and contingencies (cont'd)

The Group's significant pending litigations as of March 31, 2020, in which the Group is a defendant are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Individual and others	Life & Security Holdings Co., Ltd.	Claim for damages and others	KRW 1,974	First trial in progress and others
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt	KRW 75	First trial in progress
Individual and others	SK Networks Co., Ltd.	Claim for damages and others	KRW 7,516	First trial in progress and others
Individual and others	SK Networks Service Co., Ltd.	Claim for confirmation of dismissal and others	KRW 76	First trial in progress
Lotte Insurance Co., Ltd. and others	SK Magic Co., Ltd. and others	Claim for compensation and others	KRW 1,296	First trial in progress and others
Hanhwa Insurance and others	SK Rent-a-Car Co., Ltd.	Claim for compensation and others	KRW 425	First trial in progress
Taeyoung Tech Co., Ltd.	SK Telesys Co., Ltd.	Claim for payment of construction	KRW 949	First trial in progress
Home Plus Co., Ltd. and others	SKC Co., Ltd.	Claim for damages	KRW 380	First trial in progress
Individual and others		Claim for damages	KRW 2,893	Second trial in progress and others
Individual and others	KCF Technologies Co., Ltd.	Civil action	KRW 2,900	First trial in progress
Korea Land & Housing corporation and others	Ko-one Energy Service Co., Ltd.	Claim for cancellation of allotted charges	KRW 379	First trial in progress
Busan Green Energy Co., Ltd. and others	Pusan City Gas Co., Ltd.	Claim for return of unfair benefit and others	KRW 687	Second trial in progress and others
Yulim Engineering Co., Ltd.	Chonnam City Gas Co., Ltd.	Claim for payment of construction	KRW 92	First trial in progress
Korea Land & Housing Corporation	Chungcheong energy Service Co., Ltd.	Claim for cancellation of allotted charges	KRW 1,460	Second trial in progress
K-Water Resources Corporation	SK Engineering & Construction Co., Ltd.	Claim for damages and others	KRW 4,004	Third trial in progress and others
Incheon Metropolitan City		Claim for damages and others	KRW 36,568	Third trial in progress and others
Samjung Construction Co., Ltd.		Claim for payment of construction	KRW 5,940	Second trial in progress
Hyundai Construction Co., Ltd.		Claim for share of defect cost	KRW 177	First trial in progress
Suwon Sky view residents' representative and others		Claim for damages and others	KRW 11,839	First trial in progress and others
Korea Rural Community Corporation		Claim for damages	KRW 8,036	First trial in progress
Korea Gas Corporation		Claim for damages and others	KRW 47,295	First trial in progress
Republic of Korea		Claim for damages and others	KRW 11,367	First trial in progress and others
Korea Rail Network Authority		Claim for damages	KRW 19,258	First trial in progress and others
Busan Transportation Corporation		Claim for damages and others	KRW 9,579	First trial in progress and others
Individual and others		Claim for apartment and others	KRW 37,216	First trial in progress and others

On April 29, 2019, LG Chem Ltd. and others (collectively referred to as "LGC") filed a lawsuit against SK Innovation Co., Ltd. and SK Battery America, Inc. (collectively referred to as "SKI"), the subsidiaries of the Group, regarding an infringement of its electric battery trade secrets and instituted a request to the U.S. International Trade Commission (ITC) for ban on the import of lithium ion battery and others. On November 5, 2019, LGC requested a default judgment to ITC over an incomplete fulfilment of evidence preservation obligation breached by SKI during the litigation process. On February 14, 2020, the ITC made a default judgment against SKI in a lawsuit without holding additional hearings for the infringement of trade secrets. SK Innovation Co., Ltd. and SK Battery America, Inc. have requested a review by the U.S. ITC on Default Judgment, and the committee has decided to review the entire Default Judgment on April 17, 2020 and is currently in progress. According to the ITC's announcement, the final decision is to be made in October 2020.

On September 26, 2019, LGC additionally filed a lawsuit against SKI through the ITC alleging patent breaches and requested a ban on import as a remedial action. The lawsuit is currently in pending, and the final outcome is unpredictable as of March 31, 2020.

31. Commitments and contingencies (cont'd)

In addition, the above two lawsuits against SKI regarding infringement of trade secrets and breach of patent contract are also filed to the Federal District Court of Delaware on April 29, 2019 and September 26, 2019, respectively. The court ordered a temporary stop to both lawsuits, and accordingly, the final outcome is unpredictable as of March 31, 2020.

On May 4, 2020 The Attorney General Office in California, USA filed a civil lawsuit with the California District Court in San Francisco against Vitol Inc. and its subsidiaries, SK Energy America Inc. and SK Trading International Co., Ltd. for market price manipulation of gasoline products and anti-competitive, unfair practices for the refinery explosions in 2015. This case is currently in progress, and the duration and the final outcome are not predictable at this time. Thereafter on May 6, 2020, the end-consumers of gasoline have filed a number of related class action lawsuits in the federal court in California. The duration and final outcome of the class action lawsuits are also unpredictable as of this time.

In addition, SKC Co., Ltd., a subsidiary, guarantees 50% of claim amounts related to the patent litigation filed by Kaneka Corporation to SKC Kolon PI, Inc. In accordance with the payment guarantee agreement and the decision of the court to dismiss the trial on appeal case as of March 31, 2020, provisions amounting to USD 6,750 thousand have been recognized, which is 50% of the claim for SKC Kolon PI, Inc. amounting to USD 13,500 thousand. The amounts are included in other non-operating expenses. By the final results of litigation, the actual damages to be paid by the Group could be increased according to the payment guarantee ratio of the agreement. As of March 31, 2020, the timing of the first trial judgment and related damage amounts are not predictable.

(4) Commitments

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

31. Commitments and contingencies (cont'd)

- 5) The Group has total return swap contracts in regards to SK Shipping Co., Ltd.'s issuance of ordinary shares and sale of existing shares, and details are as follows:

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

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

	Total return swap
Investor	Warmachine Sixth Co., Ltd. and others
Number of shares	13,140,440
Contract date	August 25, 2017
Expiry date	August 24, 2022
Settlement	The Company and the investors are to settle the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.
Premium	The Company is to pay 0.5% of the initial contract amount at the closing date of the transaction and pay to the investor the amount equivalent to 3.20% of the total shares held by the investors annually. When the investor receives dividends on the shares held, the amount is paid to the Company.
Call option	On a three-month basis from the closing date of sale ("the quarterly payment day"), the Company has the right to purchase the shares held by the investor at the initial contract price of the ordinary shares with a certain level of additional charges.

As of March 31, 2020, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (see Note 15).

31. Commitments and contingencies (cont'd)

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

	Total return swap
Investor	MD Prime 1st Co., Ltd.
Number of shares	4,640,199
Contract date	November 14, 2017
Expiry date	November 13, 2022
Settlement	The Company and the investors are to settle the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.
Premium	The Company is to pay to the investor the amount equivalent to 3.07% of the total shares held by the investors annually. When the investor receives dividends on the shares held, the amount is paid to the Company.
Call option	On a three-month basis from the closing date of sale ("the quarterly payment day"), the Company has the right to purchase the shares held by the investor at the initial contract price of the ordinary shares with a certain level of additional charges.

As of March 31, 2020, the value of the agreements amounting to ₩677,775 million is recognized in long-term borrowings (see Note 15).

- 8) The Company entered into a cash deficiency support agreement with Hudson Energy NY, LLC, a subsidiary of Plutus Capital NY, Inc., to lend funds for the shortfall of payment for loans and credit limit of USD 226,000 thousand.
- 9) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of SK Pharmteco Inc. to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.
- 10) As of the end of the quarter, Prism Energy International Pte., Ltd., a subsidiary, provides LOU (Letter of Understanding) to ship owners HHIENS1 Shipholding S.A., HHIENS2 Shipholding S.A. and HHIENS3 Shipholding S.A. in connection with LNG carriers. Accordingly, if SK Shipping Co., Ltd. fails to fulfill the contract (BBCHP) signed with the shipping company, SK E&S Co., Ltd. will assume all obligations related to the execution of the contract.
- 11) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service for 20 years from FLNG Liquefaction 3, LLC, Which plans to operate natural gas liquefaction plants in Texas starting from 2019. As of March 31, 2020, 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.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

31. Commitments and contingencies (cont'd)

12) As of March 31, 2020, details of contracts of the subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Contracting parties	Counterparty	Term of contract
Contract for the supply of long-term natural gas (*1)	Kangwon City Gas Co., Ltd. and 7 subsidiaries	Korea Gas Corporation Co., Ltd.	-
Contract of supply for natural gas	SK E&S Co., Ltd.	Tangguh PSC Contractor Parties	2006.1 ~ 2026.7
Contract for the repair and maintenance of gas turbine	SK E&S Co., Ltd.	GE International Inc.	2004.6 ~ 2026.12 (estimated)
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd.	POSCO ENERGY Co., Ltd.	2005.6 ~ 2025.12
Rental contract of the plant and tower site	SK E&S Co., Ltd.	POSCO Co., Ltd.	2003.8 ~ 2028.12
Contract for the long term maintenance program	Paju Energy Service Co., Ltd.	Siemens AG and others	2014.6 ~ 2031.6 (estimated)
Contract for the long term maintenance program	Narae Energy Service Co., Ltd.	Siemens AG and others	2015.1 ~ 2032.1 (estimated)
Contract for the long term maintenance program	Narae Energy Service Co., Ltd.	Doosan Heavy Industries & Construction Co., Ltd.	12 years from 2012
Contract for the liquefaction and storage of natural gas	SK E&S LNG, LLC	FLNG Liquefaction 3, LLC	20 years from 2019
Contract for the use plumbing system	Narae Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Korea Gas Corporation Co., Ltd.	20 years from 2017
Contract for the use pipeline of natural gas	SK E&S LNG, LLC	Kinder Morgan, Inc.	20 years from 2019
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd., Narae Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	20 years from 2017
Contract of supply for natural gas	Prism Energy International Pte. Ltd.	Chevron Australia Pty. Ltd. and others	2017.1 ~ 2022.3
Contract of supply for natural gas	Prism Energy International Pte. Ltd.	PETRONAS LNG LTD.	2019.6 ~ 2023.12
Time charter contract	Prism Energy International Pte. Ltd.	SK Shipping Co., Ltd.	20 years from ship delivery date
Contract for operation and maintenance	Narae Energy Service Co., Ltd.	Jeonbuk Co-generation, Gimcheon Energy Service Co., Ltd.	2015.1 ~ 2025.1
Contract of supply for long-term natural gas	Narae Energy Service Co., Ltd.	Korea Gas Corporation Co., Ltd.	20 years from 2015.5
Co-existence agreement business	Paju Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd. and others	2018.5 ~ 2020.4
Lease contract	Pusan City Gas Co., Ltd.	Megamart and others	Until 2022
Contract for sales of REC	SK E&S Co., Ltd.	Godeok Green Energy Co., Ltd. and others	20 years from contract date
Contract for sales of REC	Paju Energy Service Co., Ltd.	GeoGeum Solar Park Co., Ltd. and others	15 years from 2018
Contract for LTSA	Yeoju Energy Service Co., Ltd.	Siemens AG, Siemens Ltd. Seoul	2019.12 ~ 2047.12 (estimated)
Contract for construction of Yeoju power plant, facilities	Yeoju Energy Service Co., Ltd.	Korea Electric Power Corporation	2019.12 ~ 2021.5
Contract for steam supply	Chungcheong Energy Service Co., Ltd.	Clenko Co., Ltd. and others	20 years from commercial operating date
Contract for FPSO	SK E&S Australia Pty. Ltd.	MODEC, Inc.	2019.11 ~ FPSO Completion

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

13) SK E&S Co., Ltd., a subsidiary of the Group, decided to acquire a 25% stake in DARWIN LNG PTY LTD from Santos during the current quarter. It will be acquired through the establishment of a separate investment entity, a fully owned subsidiary of the group, and the estimated acquisition amount is USD 289,397 thousand. The above information is subject to change depending on whether prior conditions are met.

14) As of March 31, 2020, details of construction contracts about the subsidiaries of SK E&S Co., Ltd. are as follows (Korean won in millions):

Description of contract	Name of subsidiaries	Contract opponent	Term of contract	Amount
Contract for heat piping and others	Narae Energy Service Co., Ltd.	Eulmyo general construction Co., Ltd. and others	2018.09 ~ 2021.04	₩ 20,671
Gangdong Fuel Cell Business Establishment	Paju Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2019.07 ~ 2020.12	₩ 116,800

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

31. Commitments and contingencies (cont'd)

- 15) As of March 31, 2020, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows (Foreign currencies in thousands):

Description of contract	Name of subsidiaries	Counterparty	Equity ownership
Barossa-Caldita, Australia	SK E&S Australia Pty. Ltd.	Conoco Phillips Company and others	37.5%
Woodford, USA	Dew Blaine Energy, LLC	Continental Resources, Inc.	49.9%

- 16) SK Incheon Perochemical Co., Ltd., one of subsidiaries, securitized ₩168,000 million of SK Incheon Petrochemical Co., Ltd.'s trusts accounts receivable for SK Energy Co., Ltd. and SK Global Chemical Co., Ltd., the other subsidiaries of the Group, to Industrial Bank of Korea. IPC Limited Company 1, which underwrites the first right to benefit issued by Industrial Bank of Korea, issues securitized commercial paper.
- 17) SK Telecom Co., Ltd., a subsidiary of the Group, sells its mobile handsets to customers on an installment payment plan through agents. SK Telecom Co., Ltd. entered into transfer agreements with the agents for the receivables of handset's installment payments, under which all the rights and obligations of the receivables are transferred to SK Telecom Co., Ltd.. Then, SK Telecom Co., Ltd. entered into an asset securitization contract with a special purpose company for the receivables, and accordingly, the balance of the receivables as of the end of the current reporting period is ₩557,992 million which is recorded as other receivables and long-term other receivables.
- 18) In accordance with a resolution of the Board of Directors on April 26, 2019, to enhance competitiveness and synergy as a comprehensive media provider, SK Broadband Co., Ltd., a subsidiary, has decided to merge with Tbroad Co., Ltd., Tbroad Dongdaemun Broadcasting Co., Ltd. and Korea Digital Cable Media Center Co., Ltd.. SK Broadband Co., Ltd. will be the surviving entity after the merger. The merged entity was merged and extinguished on April 30, 2020.
- 19) As of March 31, 2020, SK Materials Co., Ltd., a subsidiary, has a shareholders' agreement with Showa Denko K.K in respect to an investment in SK Showa Denko Co., Ltd., a subsidiary. Under this agreement, Showa Denko K.K holds a right to sell 630,000 shares (15%) of interests in SK Showa Denko Co., Ltd. at a par value of ₩5,000 to SK Materials Co., Ltd..
- 20) SK Air Gas Co., Ltd., a subsidiary, transferred trade receivables from SK Energy Co., Ltd. and SKC Co., Ltd. to trust account of Korea Development Bank in September 2018. In the same year, SK Materials Co., Ltd. entered into trade receivables securitization contract with Korea Development Bank in which ABCP is issued at par value of ₩25,000 million on a three-month basis based on type 1 beneficiary certificate. As of March 31, 2020 and December 31 2019, trade receivables transferred to trust account are ₩ 3,211 million and ₩3,938 million, respectively.
- 21) SK Air Gas Co., Ltd., a subsidiary, trusted the trade receivable that may incur from project, of which the investment was in progress in September 2017, to the trust account of Hana Bank. With this trusted amount as collateral, SK Materials Co., Ltd. entered into borrowing commitment for the facility for up to ₩120,000 million. As of March 31, 2020 and December 31 2019, trade receivables transferred to trust account are ₩4,634 million and ₩5,800 million, respectively.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

31. Commitments and contingencies (cont'd)

(5) Hybrid bonds

Details of hybrid bonds as of March 31, 2020 and December 31 2019 are as follows (Korean won in millions):

<u>Issue segment</u>	<u>Description</u>	<u>Issue date</u>	<u>Maturity date (*1)</u>	<u>Interest rate (%) (*2)</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Group of SK Innovation	1st private equity bond type	2019.03.15	2049.03.15	4.20	₩ 600,000	₩ 600,000
Group of SK Telecom	2-1 private equity bond type	2018.06.07	2078.06.07	3.70	300,000	300,000
	2-2 private equity bond type	2018.06.07	2078.06.07	3.65	100,000	100,000
Group of SK E&S	1-1 Korean currency type	2015.07.15	2045.07.15	3.90	270,000	270,000
	1-2 Korean currency type	2015.07.15	2045.07.15	3.85	130,000	130,000
	2nd Korean currency type	2019.10.11	2049.10.11	3.30	330,000	330,000

(*1) The issuing company may decide on early repayment and extension of maturity date when certain period is lapsed.

(*2) After a certain period from the issue date, the interest rate will fluctuate in accordance with the contract.

(6) Others

As of March 31, 2020, 71 notes (including 68 blank notes) and 52 blank checks are provided to financial institutions as collateral for borrowings.

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

32. Pledged assets

The following assets were pledged as collateral for the Group's borrowings and others as of March 31, 2020 (Korean won in millions and foreign currencies in thousands):

Subsidiaries	Asset	Currency	Collateralized amount (*1)	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	-	Yemen LNG Company's share lender	Collateral for PF
SK Incheon Perochemical Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
Netruck Co., Ltd.	Property, plant and equipment	KRW	4,500	Shinhan Bank	Collateral for borrowing
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	4,013	Lessor	Restricted real rights for office lease
Incross Co., Ltd.	Financial instruction	KRW	17,157	Naver Co., Ltd. and others	Performance guarantees for contract
SK Bioland Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	492,897	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	123,500	Korea Development Bank and others	Collateral for borrowing
SK Rent a Car Co., Ltd.	Property, plant and equipment	KRW	496,175	Korea Development Bank and others	Collateral for borrowing
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	72,100	Korea Development Bank and others	Collateral for borrowing
Woori Fine Chem Co., Ltd.	Property, plant and equipment	KRW	6,480	Kookmin Bank and others	Collateral for borrowing
SKCFTH Co., Ltd.	Investment securities and others	KRW	690,000	Korea Development Bank and others	Collateral for borrowing
KCF Technologies Co., Ltd.	Property, plant and equipment	KRW	396,000	Korea Development Bank and others	Collateral for borrowing
SK PICGlobal Co., Ltd.	Property, plant and equipment and others	KRW	120,000	Standed Chartered Bank and others	Collateral for borrowing
SKC, Inc.	Inventories and trade receivables	USD	19,000	Korea Development Bank and others	Collateral for borrowing
SK E&S Co., Ltd.	Property, plant and equipment	USD	70,000	Standed Chartered Bank	Collateral for borrowing
	Investments in associates	KRW	13,872	Shinhan Bank and others	Collateral for PF
Kangwon City Gas Co., Ltd.	Investments in joint ventures	KRW	135,000	Woori Bank and others	Collateral for PF
	Property, plant and equipment	KRW	5,141	Korea Development Bank	Collateral for borrowing
Pusan City Gas Co., Ltd.	Investment property	KRW	3,990	Megamart and others	Leasehold deposits
Paju Energy Service Co., Ltd.	Property, plant and equipment	KRW	360,000	Kookmin Bank and others	Collateral for borrowing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	81	CJ Hello Vision Ara Broadcasting Co., Ltd.	Collateral for deposits received
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Service Co., Ltd.)	Property, plant and equipment and others	KRW	589,000	Kookmin Bank and others	Collateral for borrowing
	Financial instruction	KRW	3,541	Hana Bank	Collateral for guarantees of payment
SK Engineering & Construction Co., Ltd.	Investment securities and others	KRW	352,801	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	142,000	Kookmin Bank and others	Collateral for borrowing
SK China Company, Ltd.	Others	USD	33,366	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China communications	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	13,585	LG Display Co., Ltd.	Collateral for advances received
		KRW	137,000	Korea Development Bank	Collateral for borrowing
		USD	3,500	Korea Development Bank	Collateral for borrowing
		JPY	3,690,000	Korea Development Bank	Collateral for borrowing
		JPY	315,000	MUFG Bank	Collateral for borrowing
		TWD	20,000	Mega Bank	Collateral for borrowing
		KRW	1,668	Yeongju city and Gyeongsang Buk-do	Government subsidy
SK Airgas Co., Ltd.	Property, plant and equipment and others	KRW	337,146	Kyungnam Bank and others	Collateral for borrowing
SK Showa Denko Co., Ltd.	Property, plant and equipment	KRW	8,400	Korea Development Bank	Collateral for borrowing
SK Siltron Co., Ltd.	Property, plant and equipment and others	KRW	304,967	Korea Development Bank and others	Collateral for borrowing

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

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

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

33. Guarantees provided among the Group entities

Guarantees provided among the Group entities as of March 31, 2020 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	Abrasax Investment Inc.	USD	315,000	Guarantee of debt
	Hudson Energy NY, LLC	USD	226,000	Guarantee of debt
SK Innovation Co., Ltd.	SK E&P America, Inc.	USD	70,000	Guarantee of debt
	SK Battery America, Inc.	USD	220,000	Guarantee of debt
	SK Battery Hungary Kft.	USD	220,000	Guarantee of debt
		HUF	9,810,000	Guarantee of local factory construction
	SK Hi-tech Battery Materials (Jiangsu) Co., Ltd.	USD	50,000	Guarantee of debt
	SK Hi-Tech Battery MATERIALS Poland Sp. Zo.o.	CNY	500,000	Guarantee of debt
		USD	130,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,000	Guarantee of payment for license agreement
	SK Global Chemical Americas, Inc.	USD	160,000	Guarantee of payment for principal of debt
SK Telink Co., Ltd.	ADT Caps Co., Ltd.	KRW	1	Performance guarantees for insurance and others
SK Networks Co., Ltd.	SK Networks Deutschland GmbH	EUR	16,000	Standing surety for investee
	SK Networks Hong Kong Ltd.	USD	141,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	98,400	Standing surety for investee
		CNY	54,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	1,700,000	Standing surety for investee
	SK Networks America, Inc.	USD	20,000	Standing surety for investee
	SK (Guangzhou) Metal Co., Ltd.	CNY	50,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	Standing surety for investee
	PT. SK Networks Indonesia	USD	1,500	Standing surety for investee
	SK Networks Resources Australia Pty. Ltd.	AUD	35,000	Standing surety for investee
SKN (China) Holdings Co., Ltd.	Shenyang SK Bus Terminal Co., Ltd.	CNY	89,350	Guarantee of deposit
SKC Co., Ltd.	SKC, Inc.	USD	135,000	Guarantee of payment
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	71,450	Guarantee of payment
		CNY	306,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	30,000	Guarantee of financial obligation
	SKC (Natong) PU Specialty Co., Ltd.	CNY	151,200	Guarantee of payment
	SKC (Natong) Semiconductor Materials Technology Co., Ltd.	CNY	32,000	Guarantee of payment
		USD	31,500	Guarantee of payment
SK Bioland Co., Ltd.	Bioland Haimen Co., Ltd.	CNY	154,400	Guarantee of payment
SKC Hi-Tech & Marketing Co., Ltd.	SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	CNY	141,400	Guarantee of debt
SK E&S Co., Ltd.	Cailip GAS Marketing, LLC	USD	116,000	Guarantee for derivative hedge and others
	SK E&S Australia Pty. Ltd.	USD	90,000	Guarantee of debt and others
	Paju Energy Service Co., Ltd.	KRW	500,000	Guarantee of debt and others
	Narae Energy Service Co., Ltd. (formerly, Wiryae Energy Service)	KRW	300,000	Guarantee of debt and others
	Prism Energy International Pte. Ltd.	USD	480,000	Guarantee for derivative hedge
SK E&S Americas, Inc.	SK E&S LNG, LLC	USD	63,000	Guarantee for derivative hedge and others
	SK E&S LNG, LLC	USD	9,342	Performance guarantee for LPG injection
	Cailip Gas Marketing, LLC	USD	25,000	Performance guarantee for purchase contract of Feed Gas
SK Engineering & Construction Co., Ltd.	SKEC Anadolu LLC	EUR	104,049	Performance guarantees for contract and others
		TRY	25,077	Guarantee of W/H Tax
	Silvertown Investco Limited.	GBP	11,599	Guarantee of financial obligation
	Sunlake Co., Ltd.	CAD	6,000	Guarantee of financial obligation
SK Materials Co., Ltd.	SK Materials Jiangsu Co., Ltd.	USD	43,400	Guarantee of debt
	SK Materials Taiwan Co., Ltd.	USD	3,000	Guarantee of debt
	SK Materials Japan Co., Ltd.	JPY	276,000	Guarantee of debt
SK China Company, Ltd.	SK (Beijing) Auto Rental Co., Ltd.	USD	12,703	Guarantee of debt
	SK (Shenyang) Auto Rental Co., Ltd.	USD	9,880	Guarantee of debt
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	8,666	Guarantee of debt
	SK Financial Leasing	USD	2,117	Guarantee of debt
SK Biotek Co., Ltd.	SK Biotek Ireland Limited.	USD	50,000	Guarantee for credit limit
		EUR	10,000	Performance guarantees

34. Risk management

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

34.1 Financial risk management

34.1.1 Risk management activities

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The risk management committee reports regularly to the board of directors on its activities. The Group audit committee is assisted in its oversight role by internal audit.

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

34.1.2 Credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In addition, the maximum exposure to credit risk as of March 31 2020 and December 31, 2019 is as follows (Korean won in millions):

	<u>March 31 2020</u>	<u>December 31, 2019</u>
Financial assets measured at FVTPL	₩ 5,692,225	₩ 5,164,770
Financial assets measured at FVOCI	21,965	24,047
Financial assets measured at amortized cost	23,749,833	22,034,353
Derivatives designated as hedging instruments	369,981	178,446
	<u>₩ 29,834,004</u>	<u>₩ 27,401,616</u>

On the other hand, the Group has provided payment guarantees for others including related parties, associates and others. The Group, due to its payment guarantees, is exposed to credit risk (see Note 31).

34.1.2.1 Trade and other receivables

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

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

34.1.2.2 Guarantee

SK Engineering & Construction Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees recognized are ₩4,468 million as of March 31, 2020. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as of March 31, 2020 and December 31, 2019

	March 31, 2020	December 31, 2019
SK Innovation Co., Ltd.	₩ 134	₩ 252
SK Engineering & Construction Co., Ltd.	13,380	15,006
SK Biotek Co., Ltd.	656	656
SK Networks Co., Ltd.	918	-
	<u>₩ 15,088</u>	<u>₩ 15,914</u>

In addition, the Group has provided payment guarantees for others, including subsidiaries and others. (see Notes 31 and 33).

34.1.2.3 Other financial assets

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

34.1.3 Liquidity risk

Liquidity risk is the risk that the Group encounters difficulty in meeting the obligations of the financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The contractual maturity of financial liabilities as of March 31, 2020 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years
Borrowings	₩ 21,727,379	₩ 22,753,418	₩ 7,591,557	₩ 6,503,730	₩ 7,848,774	₩ 809,357
Bonds	29,272,261	32,242,957	1,285,565	3,190,819	20,217,358	7,549,215
Derivative financial liabilities	497,653	497,653	164,364	20,756	284,080	28,453
Trade payables	7,066,701	7,066,701	6,805,545	258,765	2,391	-
Lease liabilities	4,117,241	4,429,202	294,196	940,814	2,474,004	720,188
Other liabilities	8,296,101	9,174,184	5,443,047	2,144,089	1,170,728	416,320
	<u>₩ 70,977,336</u>	<u>₩ 76,164,115</u>	<u>₩ 21,584,274</u>	<u>₩ 13,058,973</u>	<u>₩ 31,997,335</u>	<u>₩ 9,523,533</u>

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

34.1.4 Market risk

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

34.1.4.1 Currency risk

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

Details of foreign currencies and liabilities as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	March 31, 2020		December 31, 2019	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	6,247,924	₩ 7,638,712	6,397,693	₩ 7,407,249
	JPY	16,838,382	190,413	15,334,962	163,083
	CNY	4,279,814	737,968	2,740,998	454,293
	EUR	267,441	360,685	183,935	238,642
	Others		754,105		332,025
			<u>₩ 9,681,883</u>		<u>₩ 8,595,292</u>
Liabilities	USD	9,984,142	₩ 12,206,612	9,848,768	₩ 11,402,904
	JPY	6,354,384	71,857	5,273,049	56,077
	CNY	2,165,643	373,422	1,968,261	326,220
	EUR	346,731	467,619	207,774	269,572
	Others		697,498		535,864
			<u>₩ 13,817,008</u>		<u>₩ 12,590,637</u>

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

Currency	March 31, 2020		December 31, 2019	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (456,790)	₩ 456,790	₩ (399,566)	₩ 399,566
JPY	11,856	(11,856)	10,701	(10,701)
CNY	36,455	(36,455)	12,807	(12,807)
EUR	(10,693)	10,693	(3,093)	3,093

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

34.1.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's management has entered into the foreign currency swap and interest rate swap contracts to manage its interest rate risk (see Note 19).

SK Holdings Co., Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2020 and 2019 (Unaudited)

34.2 Capital risk management

The fundamental goal of capital management is to keep a sound financial structure. The Group is using the debt ratio, calculated as total debt divided by total amount of capital, as an indicator of capital management. The Group maintains a debt ratio of 163.1% as of March 31, 2020. The maturity of the debt is dispersed in the long term; so, debt-repayments are not demanding.

The Group's debt ratio as of March 31, 2020 and December 31, 2019 is as follows (Korean won in millions):

	March 31, 2020	December 31, 2019
Total liabilities	₩ 83,778,728	₩ 79,838,041
Total equity	51,360,456	52,182,635
Debt ratio	163.1%	153.0%

35. Business combination

(1) General information

SKC Co., Ltd., a subsidiary of the Group, gained control by acquiring 100% of shares in KCF Technologies Co., Ltd. on January 1, 2020 as deemed acquisition date through SKCFT Holdings Co., Ltd. With control of KCF Technologies Co., Ltd., the Group expects to be able to enter and expand into a scalable mobility business. On the other hand, the acquisition was accounted for using the acquisition method, and the interim condensed consolidated financial statements include the financial performance of KCF Technologies Co., Ltd. from the acquisition date to the end of the period.

SK Siltron Co., Ltd., a subsidiary of the Group, decided to purchase the SiC Wafer business unit of DDP Specialty Electronic Materials US 9, LLC, a subsidiary of DuPont de Nemour Inc., on September 10, 2019 to strengthen its business portfolio through new advancement into the material industry, and completed the transfer of its business unit on February 29, 2020.

(2) Identifiable assets acquired and liabilities assumed

Details of identifiable assets acquired and liabilities assumed due to merger are as follows (Korean won in millions):

	KCF Technologies Co., Ltd.	SiC Wafer business
Assets:		
Cash and cash equivalents	₩ 33,943	₩ -
Trade and other receivables	57,445	-
Inventories	40,938	11,297
Property, plant and equipment	250,175	21,887
Right-of-use assets	1,252	67,517
Intangible assets	390,409	-
Other assets	6,795	-
Liabilities:		
Trade and other payables	64,837	-
Borrowing liabilities	176,295	-
Lease liabilities	1,383	67,517
Current tax liabilities	6,738	-
Deferred tax liabilities	89,990	-
Defined benefit liabilities	1,371	-
Other non-current liabilities	1,938	-
Fair value of identifiable net assets	₩ 438,405	₩ 33,184

35. Business combination (cont'd)

As of March 31, 2020, the fair value of the assets acquired and liabilities assumed was determined tentatively because independent valuation was not completed.

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

	<u>KCF Technologies Co., Ltd.</u>	<u>SiC Wafer business</u>
a. The total consideration transferred	₩ 1,190,000	₩ 549,250.
b. Fair value of proportionate share of acquired net assets:	438,405	33,184
c. Goodwill (c=a-b)	751,595	516,066

36. Subsequent events

36.1 SK E&S Co., Ltd.'s disposal of stake in China Gas Holdings Ltd.

SK E&S Co., Ltd., a subsidiary of the Group, sold 535,034,500 shares (10.25%) of its stake in China Gas Holdings Ltd. for HKD 11,556,745 thousand through after-hours trading on April 17, 2020, in accordance with a resolution of the Board of Directors on April 16, 2020. As a result, the Group has lost significant influence on China Gas Holdings Ltd.

36.2 SKC Co., Ltd.'s discontinuance of EVA solar system business

SKC Co., Ltd., a subsidiary of the Group, decided to discontinue its EVA solar energy business through a board meeting on April 29, 2020 to promote efficiency of solar energy business due to the worsening market of the solar industry and intensifying competition led by China. The net loss before tax incurred for the respective business for the current quarter ended is ₩35.6 billion.