



SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the nine months ended September 30, 2018 and 2017
with the independent auditor's review report

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Report on review of interim condensed consolidated financial statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of SK Holdings Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the interim condensed consolidated statement of financial position as of September 30, 2018, and the related interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, interim condensed consolidated statements of changes in shareholders’ equity and interim condensed consolidated statements of cash flows for the nine-month periods then ended, presented in Korean won, and notes to the interim condensed consolidated financial statements, including a summary of significant accounting policies.

Management’s responsibility for the interim condensed consolidated financial statements

Management is responsible for the preparation and 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 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 auditing standards generally accepted in the Republic of Korea and, consequently, 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 presented in Korean won do not present fairly in all material respects, the financial position of the Group as of September 30, 2018 and of its financial performance and cash flows for the nine-month period then ended in accordance with KIFRS 1034.

Other matter

We have audited the consolidated statement of financial position of the Group as of December 31, 2017, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea (not presented herein), and our report dated March 9, 2018 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as of December 31, 2017, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

November 14, 2018

This review report is effective as of November 14, 2018, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

SK Holdings Co., Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the nine months ended September 30, 2018 and 2017

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

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
as of September 30, 2018 and December 31, 2017

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Assets					
Current assets:					
Cash and cash equivalents	5	9,081,238	7,145,842	\$ 8,161,443	\$ 6,422,074
Short-term financial instruments	5, 31	1,798,815	3,540,673	1,616,622	3,182,055
Trade accounts receivable	5, 6, 26, 31	12,143,976	11,538,468	10,913,971	10,369,792
Other accounts receivable	5, 26, 30	2,118,366	1,991,725	1,903,807	1,789,993
Inventories	7, 31	9,702,926	8,177,933	8,720,164	7,349,630
Short-term investment securities	5, 8, 31	132,339	-	118,935	-
Available-for-sale financial assets	5, 8	-	188,603	-	169,500
Other current assets	5, 17, 18, 31	4,093,680	2,091,550	3,679,051	1,879,707
Assets held for sale	28	235,017	524,117	211,213	471,032
Total current assets		39,306,357	35,198,911	35,325,206	31,633,783
Non-current assets:					
Long-term financial instruments	5, 31	12,341	200,853	11,091	180,510
Long-term trade accounts receivable	5, 6	11,270	12,908	10,129	11,601
Long-term other accounts receivable	5, 30	344,983	321,154	310,041	288,626
Long-term investment securities	5, 8, 31	2,071,729	-	1,861,894	-
Available-for-sale financial assets	5, 8	-	1,596,033	-	1,434,379
Investments in associates and joint ventures	9, 31	17,848,234	14,629,502	16,040,473	13,147,751
Property, plant and equipment	10, 31	41,301,566	41,286,418	37,118,330	37,104,716
Investment property	11, 31	558,722	622,846	502,132	559,761
Goodwill	12	1,246,898	899,213	1,120,606	808,136
Intangible assets	13	11,651,003	11,451,616	10,470,929	10,291,737
Deferred income tax assets		644,605	734,524	579,316	660,128
Other non-current assets	5, 17, 18, 26	3,862,969	2,822,942	3,471,708	2,537,019
Total non-current assets		79,554,320	74,578,009	71,496,649	67,024,364
Total assets		118,860,677	109,776,920	106,821,855	98,658,147
Liabilities and equity					
Current liabilities:					
Short-term borrowings	5, 14, 33	3,920,756	2,999,032	\$ 3,523,642	\$ 2,695,275
Trade accounts payable	5, 26, 33	9,600,934	9,588,642	8,628,502	8,617,455
Other accounts payable	5, 26, 33	3,391,486	3,610,562	3,047,979	3,244,866
Provisions	15, 30	155,027	246,800	139,325	221,803
Current portion of long-term debt	5, 14, 33	5,960,686	6,548,146	5,356,957	5,884,916
Other current liabilities	5, 17, 18, 33	8,027,084	8,230,998	7,214,059	7,397,320
Liabilities held for sale	28	95,057	143,869	85,429	129,297
Total current liabilities		31,151,030	31,368,049	27,995,893	28,190,932
Non-current liabilities:					
Bonds payable and long-term borrowings	5, 14, 33	26,924,305	23,359,518	24,197,272	20,993,545
Long-term other accounts payable	5, 33	3,414,908	3,740,381	3,069,028	3,361,536
Retirement benefit obligation	16	491,138	257,783	441,393	231,673
Provisions	15	210,949	167,002	189,583	150,087
Deferred income tax liabilities		5,148,625	3,988,276	4,627,146	3,584,323
Other non-current liabilities	5, 17, 18, 26, 33	1,226,531	1,139,491	1,102,303	1,024,078
Total non-current liabilities		37,416,456	32,652,451	33,626,725	29,345,242
Total liabilities		68,567,486	64,020,500	61,622,618	57,536,174
Equity attributable to owners of the parent:					
Issued capital	1, 19	15,385	15,385	13,827	13,827
Other paid-in capital	19	4,160,957	4,112,475	3,739,514	3,695,942
Retained earnings	19	11,702,581	9,837,619	10,517,283	8,841,214
Other capital components	19	(155,935)	(305,397)	(140,141)	(274,465)
Total equity attributable to owners of the parent		15,722,988	13,660,082	14,130,483	12,276,518
Non-controlling interests		34,570,203	32,096,338	31,068,754	28,845,455
Total equity		50,293,191	45,756,420	45,199,237	41,121,973
Total liabilities and equity		118,860,677	109,776,920	106,821,855	98,658,147

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
for the three months and nine months ended September 30, 2018 and 2017

(Korean won in millions except for earnings per share)

	Notes	Korean won			
		September 30, 2018		September 30, 2017	
		Three months	Nine months	Three months	Nine months
Sales	4, 26	\ 26,776,271	\ 76,623,493	\ 23,446,638	\ 67,937,186
Cost of sales	23, 26	<u>24,076,960</u>	<u>68,358,506</u>	<u>20,656,822</u>	<u>60,157,574</u>
Gross profit		2,699,311	8,264,987	2,789,816	7,779,612
Selling and administrative expenses	20, 23, 26	1,233,143	3,583,548	1,186,307	3,384,725
Operating income	4	1,466,168	4,681,439	1,603,509	4,394,887
Financial income	21	497,927	1,945,727	452,683	2,135,415
Financial costs	21	(886,006)	(2,927,873)	(744,949)	(2,535,606)
Gain related to investments in associates and joint ventures, net	9	1,067,349	2,772,325	685,272	1,685,202
Other non-operating income	22	275,822	567,410	149,102	424,580
Other non-operating expenses	22	<u>(176,462)</u>	<u>(600,505)</u>	<u>(184,135)</u>	<u>(499,365)</u>
Income from continuing operations before income tax expense	4	2,244,798	6,438,523	1,961,482	5,605,113
Income tax expense from continuing operations	24	(630,090)	(1,848,630)	(549,624)	(1,442,285)
Net income from continuing operations	4	1,614,708	4,589,893	1,411,858	4,162,828
Gain (loss) from discontinued operation	27	10,124	175,210	9,123	(4,488)
Net income		1,624,832	4,765,103	1,420,981	4,158,340
Attributable to:					
Owners of the parent		496,963	1,689,463	454,132	1,454,814
Non-controlling interests		1,127,869	3,075,640	966,849	2,703,526
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain(loss) on defined benefit plans		11,312	(47,820)	20,115	(9,954)
Net gain(loss) on valuation of financial instruments measured at FVOCI		12,693	(42,672)	-	-
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain(loss) on available-for-sale financial assets		-	-	(2,299)	160,293
Equity adjustments of investments in associates and joint ventures		(106,580)	119,470	(26,447)	(107,924)
Net change in valuation of derivative financial instruments		(45,301)	(47,634)	4,553	(21,485)
Net gain on translation of foreign operations		(132,604)	198,882	151,723	(140,816)
Net gain on translation to the presentation currency		4,667	1,245	4,204	2,051
		<u>(255,813)</u>	<u>181,471</u>	<u>151,849</u>	<u>(117,835)</u>
Total comprehensive income		\ 1,369,019	\ 4,946,574	\ 1,572,830	\ 4,040,505
Attributable to:					
Owners of the parent		377,711	1,854,524	538,684	1,413,400
Non-controlling interests		991,308	3,092,050	1,034,146	2,627,105
Earnings per share (Korean won):	25				
Basic earnings per share		\ 8,892	\ 30,223	\ 8,126	\ 26,032
Basic earning per share from continuing operations		8,826	27,173	8,019	25,929

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SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
for the three months and nine months ended September 30, 2018 and 2017 (cont'd)

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

	Notes	Translation into U.S. dollar (Note 2)			
		September 30, 2018		September 30, 2017	
		Three months	Nine months	Three months	Nine months
Sales	4, 26	\$ 24,064,232	\$ 68,862,670	\$ 21,071,841	\$ 61,056,157
Cost of sales	23, 26	<u>21,638,321</u>	<u>61,434,804</u>	<u>18,564,592</u>	<u>54,064,504</u>
Gross profit		2,425,911	7,427,866	2,507,249	6,991,653
Selling and administrative expenses	20, 23, 26	1,108,244	3,220,588	1,066,152	3,041,903
Operating income	4	1,317,667	4,207,278	1,441,097	3,949,750
Financial income	21	447,494	1,748,654	406,833	1,919,129
Financial costs	21	(796,267)	(2,631,323)	(669,497)	(2,278,787)
Gain related to investments in associates and joint ventures, net	9	959,242	2,491,530	615,864	1,514,516
Other non-operating income	22	247,885	509,940	134,000	381,576
Other non-operating expenses	22	<u>(158,589)</u>	<u>(539,683)</u>	<u>(165,485)</u>	<u>(448,786)</u>
Income from continuing operations before income tax expense	4	2,017,432	5,786,396	1,762,812	5,037,398
Income tax expense from continuing operations	24	(566,271)	(1,661,391)	(493,955)	(1,296,203)
Net income from continuing operations	4	1,451,161	4,125,005	1,268,857	3,741,195
Gain (loss) from discontinued operation	27	9,099	157,464	8,199	(4,033)
Net income		1,460,260	4,282,469	1,277,056	3,737,162
Attributable to:					
Owners of the parent		446,628	1,518,345	408,135	1,307,463
Non-controlling interests		1,013,632	2,764,124	868,921	2,429,699
Other comprehensive income:					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain(loss) on defined benefit plans		10,166	(42,977)	18,078	(8,946)
Net gain(loss) on valuation of financial instruments measured at FVOCI		11,407	(38,350)	-	-
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain(loss) on available-for-sale financial assets		-	-	(2,066)	144,058
Equity adjustments of investments in associates and joint ventures		(95,785)	107,369	(23,768)	(96,993)
Net change in valuation of derivative financial instruments		(40,713)	(42,809)	4,092	(19,309)
Net gain on translation of foreign operations		(119,173)	178,738	136,356	(126,553)
Net gain on translation to the presentation currency		4,194	1,119	3,778	1,843
		<u>(229,904)</u>	<u>163,090</u>	<u>136,470</u>	<u>(105,900)</u>
Total comprehensive income		\$ 1,230,356	\$ 4,445,559	\$ 1,413,526	\$ 3,631,262
Attributable to:					
Owners of the parent		339,454	1,666,688	484,123	1,270,244
Non-controlling interests		890,902	2,778,871	929,403	2,361,018
Earnings per share (U.S. dollar):	25				
Basic earnings per share		\$ 7.99	\$ 27.16	\$ 7.30	\$ 23.40
Basic earning per share from continuing operations		7.93	24.42	7.21	23.30

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in shareholders' equity
for the nine months ended September 30, 2018 and 2017

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of January 1, 2017	<u>15,385</u>	<u>4,741,139</u>	<u>8,368,122</u>	<u>(12,289)</u>	<u>13,112,357</u>	<u>29,214,367</u>	<u>42,326,724</u>
Total comprehensive income:							
Net income	-	-	1,454,814	-	1,454,814	2,703,526	4,158,340
Remeasurement loss on defined benefit plans	-	-	(5,402)	-	(5,402)	(4,552)	(9,954)
Net gain on available-for-sale financial assets	-	-	-	52,132	52,132	108,161	160,293
Equity adjustments of investment in associates and joint ventures	-	-	-	(40,628)	(40,628)	(67,296)	(107,924)
Net gain(loss) on valuation of derivative financial instruments	-	-	-	1,961	1,961	(23,446)	(21,485)
Net loss on translation of foreign operations	-	-	-	(61,111)	(61,111)	(79,705)	(140,816)
Net gain (loss) on translation to the presentation currency	-	-	-	11,634	11,634	(9,583)	2,051
Transaction with shareholders:							
Dividends	-	-	(208,666)	-	(208,666)	(1,125,586)	(1,334,252)
Equity transactions in consolidated entities	-	(333,432)	-	-	(333,432)	224,379	(109,053)
Changes in the scope of consolidation	-	-	-	-	-	530,835	530,835
Others	-	6,637	(4,931)	-	1,706	3,752	5,458
As of September 30, 2017	<u>15,385</u>	<u>4,414,344</u>	<u>9,603,937</u>	<u>(48,301)</u>	<u>13,985,365</u>	<u>31,474,852</u>	<u>45,460,217</u>
As of January 1, 2018	<u>15,385</u>	<u>4,112,475</u>	<u>9,837,619</u>	<u>(305,397)</u>	<u>13,660,082</u>	<u>32,096,338</u>	<u>45,756,420</u>
Effect of changes in accounting policies	-	-	502,255	(40,771)	461,484	1,272,024	1,733,508
Beginning balance after amendment	<u>15,385</u>	<u>4,112,475</u>	<u>10,339,874</u>	<u>(346,168)</u>	<u>14,121,566</u>	<u>33,368,362</u>	<u>47,489,928</u>
Total comprehensive income:							
Net income	-	-	1,689,463	-	1,689,463	3,075,640	4,765,103
Remeasurement loss on defined benefit plans	-	-	(25,172)	-	(25,172)	(22,648)	(47,820)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(12,957)	(12,957)	(29,715)	(42,672)
Equity adjustments of investment in associates and joint ventures	-	-	-	128,797	128,797	(9,327)	119,470
Net loss on valuation of derivative financial instruments	-	-	-	(24,225)	(24,225)	(23,409)	(47,634)
Net gain on translation of foreign operations	-	-	-	97,876	97,876	101,006	198,882
Net gain on translation to the presentation currency	-	-	-	742	742	503	1,245
Transaction with shareholders:							
Dividends	-	-	(281,971)	-	(281,971)	(1,221,292)	(1,503,263)
Equity transactions in consolidated entities	-	41,717	-	-	41,717	(761,962)	(720,245)
Changes in the scope of consolidation	-	-	-	-	-	92,097	92,097
Others	-	6,765	(19,613)	-	(12,848)	948	(11,900)
As of September 30, 2018	<u>15,385</u>	<u>4,160,957</u>	<u>11,702,581</u>	<u>(155,935)</u>	<u>15,722,988</u>	<u>34,570,203</u>	<u>50,293,191</u>

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SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in shareholders' equity
for the nine months ended September 30, 2018 and 2017 (cont'd)
(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other capital components	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of January 1, 2017	\$ 13,827	\$ 4,260,932	\$ 7,520,555	\$ (11,044)	\$ 11,784,270	\$ 26,255,385	\$ 38,039,655
Total comprehensive income:							
Net income	-	-	1,307,463	-	1,307,463	2,429,699	3,737,162
Remeasurement loss on defined benefit plans	-	-	(4,855)	-	(4,855)	(4,091)	(8,946)
Net gain on available-for-sale financial assets	-	-	-	46,852	46,852	97,206	144,058
Equity adjustments of investment in associates and joint ventures	-	-	-	(36,513)	(36,513)	(60,480)	(96,993)
Net gain(loss) on valuation of derivative financial instruments	-	-	-	1,762	1,762	(21,071)	(19,309)
Net loss on translation of foreign operations	-	-	-	(54,921)	(54,921)	(71,632)	(126,553)
Net gain (loss) on translation to the presentation currency	-	-	-	10,456	10,456	(8,613)	1,843
Transaction with shareholders:							
Dividends	-	-	(187,531)	-	(187,531)	(1,011,581)	(1,199,112)
Equity transactions in consolidated entities	-	(299,660)	-	-	(299,660)	201,653	(98,007)
Changes in the scope of consolidation	-	-	-	-	-	477,069	477,069
Others	-	5,965	(4,432)	-	1,533	3,372	4,905
As of September 30, 2017	<u>\$ 13,827</u>	<u>\$ 3,967,237</u>	<u>\$ 8,631,200</u>	<u>\$ (43,408)</u>	<u>\$ 12,568,856</u>	<u>\$ 28,286,916</u>	<u>\$ 40,855,772</u>
As of January 1, 2018	\$ 13,827	\$ 3,695,942	\$ 8,841,214	\$ (274,465)	\$ 12,276,518	\$ 28,845,455	\$ 41,121,973
Effect of changes in accounting policies	-	-	451,384	(36,642)	414,742	1,143,187	1,557,929
Beginning balance after amendment	<u>\$ 13,827</u>	<u>\$ 3,695,942</u>	<u>\$ 9,292,598</u>	<u>\$ (311,107)</u>	<u>\$ 12,691,260</u>	<u>\$ 29,988,642</u>	<u>\$ 42,679,902</u>
Total comprehensive income:							
Net income	-	-	1,518,345	-	1,518,345	2,764,124	4,282,469
Remeasurement loss on defined benefit plans	-	-	(22,622)	-	(22,622)	(20,355)	(42,977)
Net loss on valuation of financial instruments measured at FVOCI	-	-	-	(11,645)	(11,645)	(26,705)	(38,350)
Equity adjustments of investment in associates and joint ventures	-	-	-	115,752	115,752	(8,383)	107,369
Net loss on valuation of derivative financial instruments	-	-	-	(21,771)	(21,771)	(21,038)	(42,809)
Net gain on translation of foreign operations	-	-	-	87,963	87,963	90,775	178,738
Net gain on translation to the presentation currency	-	-	-	667	667	452	1,119
Transaction with shareholders:							
Dividends	-	-	(253,412)	-	(253,412)	(1,097,593)	(1,351,005)
Equity transactions in consolidated entities	-	37,492	-	-	37,492	(684,787)	(647,295)
Changes in the scope of consolidation	-	-	-	-	-	82,769	82,769
Others	-	6,080	(17,626)	-	(11,546)	853	(10,693)
As of September 30, 2018	<u>\$ 13,827</u>	<u>\$ 3,739,514</u>	<u>\$ 10,517,283</u>	<u>\$ (140,141)</u>	<u>\$ 14,130,483</u>	<u>\$ 31,068,754</u>	<u>\$ 45,199,237</u>

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

SK Holdings Co., Ltd. and its subsidiaries
Interim condensed consolidated statements of cash flows
for the nine months ended September 30, 2018 and 2017
(Korean won in millions and U.S. dollar in thousands)

	Notes	For the nine months ended September 30,				
		Korean won		Translation into U.S. dollar (Note 2)		
		2018	2017	2018	2017	
Cash flows from operating activities:						
Net income	\	4,765,103	\	4,158,340	\$ 4,282,469	\$ 3,737,162
Non-cash adjustments	29	4,350,300	4,659,751	3,909,679	4,187,787	
Working capital adjustments	29	(2,554,001)	(1,085,522)	(2,295,319)	(975,575)	
Interest received		162,994	150,481	146,485	135,240	
Interest paid		(879,512)	(812,422)	(790,430)	(730,136)	
Dividends received		283,297	188,555	254,603	169,457	
Income tax paid		(1,434,581)	(1,309,802)	(1,289,279)	(1,177,138)	
Net cash flows provided by operating activities		4,693,600	5,949,381	4,218,208	5,346,797	
Cash flows from investing activities:						
Increase (decrease) in short-term and long-term financial instruments, net		1,930,062	921,345	1,734,575	828,026	
Increase (decrease) in short-term and long-term loans, net		(51,691)	(31,279)	(46,455)	(28,111)	
Proceeds from disposal of investment securities		586,744	-	527,316	-	
Proceeds from disposal of available-for-sale financial assets		-	233,063	-	209,457	
Proceeds from disposal of investments in associates and joint ventures		76,574	9,915	68,818	8,911	
Proceeds from disposal of property, plant and equipment		139,650	206,938	125,506	185,978	
Proceeds from disposal of intangible assets		17,958	21,771	16,139	19,566	
Proceeds from disposal of assets held for sale		9,580	516,590	8,610	464,267	
Acquisition of investment securities		(648,456)	-	(582,777)	-	
Acquisition of available-for-sale financial assets		-	(135,795)	-	(122,041)	
Acquisition of investments in associates and joint ventures		(618,242)	(475,156)	(555,623)	(427,030)	
Acquisition of property, plant and equipment		(4,388,592)	(3,487,520)	(3,944,093)	(3,134,286)	
Acquisition of intangible assets		(343,663)	(360,247)	(308,855)	(323,759)	
Changes in cash due to changes in the scope of consolidation		(1,649,996)	(1,591,744)	(1,482,876)	(1,430,524)	
Transfer of business		187,972	302,651	168,933	271,997	
Others, net		113,306	(21,881)	101,829	(19,665)	
Net cash flows used in investing activities		(4,638,794)	(3,891,349)	(4,168,953)	(3,497,214)	
Cash flows from financing activities:						
Increase (decrease) in short-term borrowings, net		778,721	(210,600)	699,848	(189,269)	
Increase in bonds payable and borrowings		8,237,676	4,640,914	7,403,322	4,170,858	
Increase in other accounts payable		34,499	154,256	31,005	138,632	
Decrease in bonds payable and borrowings		(5,342,291)	(3,804,782)	(4,801,196)	(3,419,414)	
Decrease in other accounts payable		(520,770)	(324,387)	(468,024)	(291,531)	
Payment of dividends		(1,503,263)	(1,334,252)	(1,351,005)	(1,199,112)	
Cash inflows (outflows) from equity transactions of consolidated subsidiaries		202,515	997,568	182,003	896,529	
Others, net		(34,691)	(179,809)	(31,178)	(161,597)	
Net cash flows provided by(used in) financing activities		1,852,396	(61,092)	1,664,775	(54,904)	
Net increase (decrease) in cash and cash equivalents		1,907,202	1,996,940	1,714,030	1,794,679	
Net foreign exchange effects		28,194	(105,870)	25,339	(95,147)	
Cash and cash equivalents included in assets held for sale		-	28,872	-	25,948	
Cash and cash equivalents at the beginning of the period		7,145,842	7,086,957	6,422,074	6,369,153	
Cash and cash equivalents at the end of the period		\ 9,081,238	\ 8,949,155	\$ 8,161,443	\$ 8,042,737	

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

SK Holdings Co., Ltd. and its subsidiaries
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1. Corporate information

1.1 Information of the parent

SK Holdings Co., Ltd. (the "Company"), in accordance with KIFRS 1110 *Consolidated Financial Statements*, was established on April 13, 1991 and is engaged in providing systems integration, software design and development, information processing, and consulting services and is headquartered at 26, Jong-ro, Jongno-gu, Seoul. The Company's ordinary shares have been listed on the Korea Exchange since November 11, 2009.

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

As of September 30, 2018, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares) and major shareholders are Tae-won Chey, National Pension Service and Ki-won Choi holding equity ownership of 23.40%, 8.37%, and 7.46% respectively.

1.2 Consolidated subsidiaries

The Company and its subsidiaries (collectively, the "Group") are engaged in petroleum refining, telecommunications, wholesale and retail, chemicals, construction and other industries. Subsidiaries whose accounts are included in the consolidated financial statements as of September 30, 2018 are as follows:

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
SK Innovation Co., Ltd. (*2)	Korea	Resource development	SK Holdings Co., Ltd.	33.40%
SK Energy Co., Ltd.	Korea	Crude oil refining and sales	SK Innovation Co., Ltd.	100.00%
Netruck Co., Ltd.	Korea	Transportation and oil sales	SK Energy Co., Ltd.	100.00%
Jeju United FC Corporation	Korea	Sports association sponsoring	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment Co., Ltd.	Cayman	Investment	SK Energy Co., Ltd.	100.00%
SK Energy Hong Kong Co., Ltd.	Hong Kong	Investment	SK Energy Co., Ltd.	100.00%
Shandong SK Hightech Oil Co., Ltd.	China	Gas station operation	SK Energy Hong Kong Co., Ltd.	51.00%
SK Energy Road Investment (HK) Co., Ltd.	Hong Kong	Investment and trade	SK Energy Road Investment Co., Ltd.	100.00%
Ningbo SK Baoying Asphalt Storage Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Hefei SK Baoying Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Chongqing SK Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
SK Shanghai Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	100.00%
SK Global Chemical Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Golden Tide Plastics (Yantai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	51.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical (China) Holding Co., Ltd.	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Primacor Chemicals LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Primacor Europe, S.L.U.	Spain	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Saran Americas LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Global Chemical China Limited.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Synthetic rubber manufacturing	SK Global Chemical Investment Hong Kong Ltd.	80.00%
SK Incheon Petrochem Co., Ltd. (*3)	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Trading International Co., Ltd.	Korea	Trading business	SK Innovation Co., Ltd.	100.00%
SK Energy International Pte. Ltd.	Singapore	Trading business	SK Trading International Co., Ltd.	100.00%
SK Energy Europe, Ltd.	UK	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Energy Americas, Inc.	USA	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Terminal B.V.	Netherlands	Investment	SK Energy International Pte. Ltd.	100.00%
SK Lubricants Co., Ltd.	Korea	Lubricants oil manufacturing	SK Innovation Co., Ltd.	100.00%
Yubase Manufacturing Asia Corporation	Korea	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Energy Lubricants (Tianjin) Co., Ltd.	China	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	100.00%
PT. Patra SK	Indonesia	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	65.00%
SK Lubricants Americas, Inc.	USA	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Europe B.V.	Netherlands	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Japan Co., Ltd.	Japan	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants & Oils India Pvt. Ltd.	India	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
Iberian Lube Base Oils, S.A.	Spain	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Lubricants Russia LLC	Russia	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Mobile Energy Co., Ltd.	Korea	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Innovation Insurance (Bermuda), Ltd.	Bermuda	Insurance	SK Innovation Co., Ltd.	100.00%
SK USA, Inc.	USA	Management consulting services	SK Innovation Co., Ltd.	100.00%
SK Battery Systems Co., Ltd.	Korea	Battery pack manufacturing	SK Innovation Co., Ltd.	100.00%
Blue Dragon Energy Co., Ltd. (formerly, SK Battery China Holdings Co., Ltd.)	Hong Kong	Investment	SK Innovation Co., Ltd.	100.00%
SK Battery Hungary Kft.	Hungary	Battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK E&P Company	USA	Crude oil development	SK Innovation Co., Ltd.	100.00%
SK E&P America, Inc.	USA	Investment	SK Innovation Co., Ltd.	100.00%
SK Plymouth, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK E&P Operations America, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Nemaha, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Telecom Co., Ltd. (*2)	Korea	Mobile telecommunications	SK Holdings Co., Ltd.	25.22%
SK Telink Co., Ltd.	Korea	International call and MVNO business	SK Telecom Co., Ltd.	100.00%
NSOK Co., Ltd.	Korea	Machine security and facilities security	SK Telink Co., Ltd.	100.00%
SK Telink Vietnam Co., Ltd.	Vietnam	Resale communication business	SK Telecom Co., Ltd.	100.00%
SK Broadband Co., Ltd.	Korea	Fixed-line telecommunication service	SK Telecom Co., Ltd.	100.00%
Home&Service Co., Ltd.	Korea	Information and communication facilities management business	SK Broadband Co., Ltd.	100.00%
SK Store Co., Ltd.	Korea	Other resale communication business	SK Broadband Co., Ltd.	100.00%
PS&Marketing Corp.	Korea	Resale communication business	SK Telecom Co., Ltd.	100.00%
Serviceace Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Service Top Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Network O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK Planet Co., Ltd.	59.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	65.54%
SK Communications Co., Ltd.	Korea	Internet portal service	SK Telecom Co., Ltd.	100.00%
SK Planet Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	98.65%
11street Co., Ltd.	Korea	e-commerce business	SK Telecom Co., Ltd.	81.81%
SK M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
SK Planet Japan K.K.	Japan	Digital contents sourcing and presenting	SK Planet Co., Ltd.	79.45%
SKP Global Holdings Pte. Ltd.	Singapore	Holding Company	SK Planet Co., Ltd.	100.00%
SKP America, LLC	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
shopkick Management Company, Inc.	USA	Investment	SKP America, LLC	100.00%
shopkick, Inc.	USA	Mileage based E-commerce App. development	shopkick Management Company, Inc.	100.00%
SK Telecom China Holding Co., Ltd.	China	Holding Company	SK Telecom Co., Ltd.	100.00%
SK Global Healthcare Business Group., Ltd.	Hong Kong	Investment	SK Telecom Co., Ltd.	100.00%
SKT Vietnam Pte. Ltd.	Singapore	Corporate Used Phone Distribution Business	SK Telecom Co., Ltd.	73.32%
SKT Americas, Inc.	USA	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
YTK Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P.	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman	Investment	Atlas Investment, Ltd.	100.00%
iriver Co., Ltd.	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	52.60%
iriver Inc.	USA	Marketing and sales in North America	iriver Co., Ltd.	100.00%
iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	iriver Co., Ltd.	100.00%
iriver China Co., Ltd.	China	MP3,4 production and sales	iriver Enterprise, Ltd.	100.00%
Dongguan iriver Electronics Co., Ltd.	China	Electronic book production and sales	iriver Enterprise, Ltd.	100.00%
Groovers Co., Ltd.	Korea	Domestic contents and MQS album sales	iriver Co., Ltd.	100.00%
Groovers Japan Co., Ltd.	Japan	Music distribution and sales	iriver Co., Ltd.	100.00%
Life Design Company, Inc. (formerly, S.M.Life Design Company Japan, Inc.)	Japan	Japan goods sales	iriver Co., Ltd.	100.00%
SK Telecom Japan Inc.	Japan	Information gathering and consulting	SK Telecom Co., Ltd.	100.00%
Id Quantique SA	Switzerland	Quantum information communication	SK Telecom Co., Ltd.	58.11%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Holdings Co., Ltd.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Pinx Co., Ltd.	Korea	Golf club operating	SK Networks Co., Ltd.	100.00%
SK Rent-a-car Service Co., Ltd. (formerly, Car Life Service Co., Ltd.)	Korea	Business support services	SK Networks Co., Ltd.	100.00%
SK Magic Co., Ltd.	Korea	Household appliances manufacturing, sales and rent	SK Networks Co., Ltd.	100.00%
SK Magic Service Co., Ltd.	Korea	House appliances repair and others	SK Magic Co., Ltd.	100.00%
Mokgam Service	Korea	Real property lease	SK Networks Co., Ltd.	100.00%
SK Networks (China) Holdings Co., Ltd.	China	Holding Company	SK Networks Co., Ltd.	100.00%
Liaoning SK Networks Real Estate Development Co., Ltd.	China	Real estate development	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SK Networks (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SK Networks (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK (GZ FreeZone) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
Daiyang SK Networks SAN. VE TIC. Ltd. STI (*4)	Turkey	Steel processing and sales	SK Networks Co., Ltd.	51.22%
SK Networks Resources Australia Pty. Ltd.	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SK Networks Middle East FZE	UAE	Trading business	SK Networks Co., Ltd.	100.00%
SK Brasil Ltda	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Trading Malaysia Sdn Bhd	Malaysia	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks America, Inc.	USA	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Brazil Intermediacao De Negocios Ltda.	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
Networks Tajarat Pars	Iran	Trading business	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Holdings Co., Ltd.	41.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	79.39%
SE (Jiangsu) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SK Telesys Co., Ltd.	51.00%
Techdream Co., Ltd.	Hong Kong	Semiconductor component	SK Telesys Co., Ltd.	100.00%
SKC Infra Service Co., Ltd.	Korea	Electrical contractor	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%
SKW Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd. (*5)	China	Film manufacturing	SKC Co., Ltd.	91.38%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SK Bioland Co., Ltd. (*2)	Korea	Manufacturing	SKC Co., Ltd.	27.94%
Bioland Biotec Co., Ltd.	China	Research and manufacturing	SK Bioland Co., Ltd.	100.00%
Bioland Haimen Co., Ltd.	China	Manufacturing	Bioland Biotec Co., Ltd.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity Ownership (%)
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 Co., 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 Co., Ltd.	100.00%
SK Shipping Co., Ltd.	Korea	Shipping	SK Holdings Co., Ltd	57.22%
Blueseaoccean 2nd LLC	Korea	Securitization company	(*6)	-
Blueseaoccean 3rd LLC	Korea	Securitization company	(*6)	-
Yukyunjjju 1st LLC	Korea	Securitization company	(*6)	-
Neptune Solution LLC	Korea	Securitization company	(*6)	-
FSS 6th Co., Ltd.	Korea	Securitization company	(*6)	-
SK Shipping Hong Kong Ltd.	Hong Kong	Shipping	SK Shipping Co., Ltd.	100.00%
SK Shipping Singapore Pte. Ltd.	Singapore	Shipping	SK Shipping Co., Ltd.	100.00%
SK B&T Pte. Ltd.	Singapore	Petroleum sales	SK Shipping Co., Ltd.	55.00%
Promise Shipholding S.A. and 58 other companies	Panama and others	Special purpose company for acquiring ship	(*6)	-
SK Shipping Europe Plc.	UK	Shipping	SK Shipping 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.	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.	100.00%
Wirye Energy Service Co., Ltd.	Korea	Integrated energy service	SK E&S Co., Ltd.	95.17%
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	Liquefied natural gas sales and purchases	SK E&S Americas, Inc.	100.00%
Prism Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Fajar Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	Prism Energy International Pte. Ltd.	100.00%
Prism Energy International Hong Kong, Ltd.	Hong Kong	Liquefied natural gas trading	Prism Energy International Pte. Ltd.	100.00%
PT SK E&S Nusantara	Indonesia	Management consulting	SK E&S Co., Ltd.	100.00%
SK E&S Dominicana S.R.L	Dominican	Liquefied natural gas import	SK E&S Co., Ltd	100.00%
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Holdings Co., Ltd.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*3)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu EC, LLC	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%
Mesa Verde RE Ventures, LLC	USA	Real estate development	SK E&C Betek Corporation	100.00%
SKEC Consultores 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%
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. (*7)	Korea	Manufacturing, distribution and sales of semiconductor, electronic chemicals	SK Materials Co., Ltd.	51.00%
SK Siltron Co., Ltd.	Korea	Silicon wafer for electronic industry manufacturing and sales	SK Holdings Co., Ltd.	51.00%
SK Siltron America, Inc.	USA	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Siltron Japan, Inc.	Japan	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd.	Korea	Medicine and life science	SK Holdings Co., Ltd.	100.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Holdings Co., Ltd.	100.00%
SK Biotek Ireland Limited	Ireland	Investment	SK Biotek Co., Ltd.	100.00%
SK Biotek USA Inc.	USA	Medicine and life science	SK Biotek Co., Ltd.	100.00%
SK Infosec Co., Ltd.	Korea	Information security service	SK Holdings Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Holdings Co., Ltd.	100.00%
Essencore Limited	Hong Kong	Manufacturing and distribution of semiconductor modules	SK S.E.Asia Pte. Ltd.	100.00%
Essencore (ShenZhen) Limited	China	Consulting for computer system integration	Essencore Limited	100.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Holdings Co., Ltd.	88.13%
SKY Property Mgmt (Beijing) Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd.	Hong Kong	Investment	SK China Company, Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding Company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%

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1.2 Consolidated subsidiaries (cont'd)

Subsidiary	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
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%
SK Beijing Investment Management Ltd.	China	Real estate fund management	SK China (Beijing) Co., Ltd.	100.00%
SKY Property Management Ltd.	Virgin Islands	Investment	SK China Company, Ltd.	100.00%
SKY Investment Co., Ltd.	China	Real estate management	SKY Property Management Ltd.	100.00%
SK China Real Estate Co., Ltd.	Hong Kong	Real estate investment	SKY Property Management Ltd.	100.00%
SK China Creative Industry Development Co., Ltd.	China	Service	SKY Property Management Ltd.	100.00%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration and others	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration and others	SK Holdings Co., Ltd.	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration and others	SK Holdings Co., Ltd.	51.00%
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Investment Management Co., Ltd.	Hong Kong	Investment	SK Holdings Co., Ltd.	100.00%
SK Semiconductor Investments Co., Ltd.	Hong Kong	Investment Management	SK Investment Management Co., Ltd.	100.00%
SK Computer and Communication LLC (*8)	UAE	Computer repair service and others	SK Holdings Co., Ltd.	49.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Holdings Co., Ltd., SK Innovation Co., Ltd., SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Beijing SK Magellan Capital Advisors Co., Ltd.	China	Investment consulting	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman	Investment	SK Holdings Co., Ltd.	100.00%
SK MENA Investment B.V.	Netherlands	Investment	SK Telecom Co., Ltd.	100.00%
SK Latin America Investment S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
Plutus Capital NY, Inc.	USA	Investment	SK Holdings Co., Ltd.	100.00%
Hudson Energy NY, LLC	USA	Investment	Plutus Capital NY, Inc.	50.13%
Hudson Energy NY II, LLC	USA	Investment	Plutus Capital NY, Inc.	100.00%
Plutus Fashion NY, Inc.	USA	Fashion	SK Holdings Co., Ltd.	100.00%
Wonderland NY, Inc.	USA	Investment	Plutus Fashion NY, Inc.	100.00%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
SK South East Asia Investment Pte. Ltd.	Singapore	Investment	SK Innovation Co., Ltd, SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
SK Investment Vina I Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	100.00%
Alchemy Acquisition Corp.	USA	Investment	SK Holdings Co., Ltd.	100.00%
Abrasax Investment Inc.	USA	Investment	AlchemyAcquisition Corp.	100.00%
Fine Chemicals Holdings Corp.	USA	Investment	Abrasax Investment Inc.	100.00%
AMPAC Fine Chemicals, LLC	USA	Drug medicine	Fine Chemicals Holdings Corp.	100.00%
AMPAC Fine Chemicals Texas, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
AMPAC Fine Chemicals Virginia, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
Happynarae Co., Ltd.	Korea	E-commerce	SK Telecom Co., Ltd., SK Innovation Co., Ltd.	90.00%
Suzhou Happynarae Co., Ltd.	China	Electrical and machine equipment and others	Happynarae Co., Ltd.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Holdings Co., Ltd.	100.00%

- (*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (*2) SK Innovation Co., Ltd. and 7 other companies are included in the consolidated financial statements as the Company is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and 7 other companies are widely dispersed, so it is determined that the Company has voting rights to exercise de facto control.
- (*3) The Group owns 100% of the ordinary shares of SK Incheon Petrochem Co., Ltd. and SK TNS Co., Ltd., but holds 68.0% and 64.9% of equity ownership respectively, due to the issuance of its preferred shares having voting rights.
- (*4) The assets and liabilities of Daiyang SK Networks SAN. VE TIC. Ltd. STI are classified as assets and liabilities held for sale (see Note 28 Non-current assets and non-current liabilities classified as held for sale).
- (*5) The equity ownership of SKC (Jiangsu) High Tech Plastics Co., Ltd. is 100% based on the shareholders' agreement, which gives preemptive rights to the non-controlling ownership.
- (*6) The Group's 64 consolidated structured entities are classified as subsidiaries in the consolidated financial statements. In accordance with the terms of the agreement on establishment of these entities, the Group substantially receives all of the returns related to their operations and net assets, and has the ability to direct these entities' activities in a way that most significantly affects these returns.
- (*7) In the current period, the Group acquired control of the investee by acquiring a majority of the voting rights of the Board of Directors. (see Note 34 'Business Combinations').
- (*8) The Group has classified the investee as a subsidiary as it acquired voting rights for 51% of the remaining equity interest by the shareholders' agreement.

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1.3 Changes in consolidated subsidiaries

Changes in the consolidated subsidiaries for the nine months ended September 30, 2018 are as follows:

December 31, 2017	Inclusion	Exclusion	September 30, 2018
309	29	(16)	322

For the nine months ended September 30, 2018, subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
SK Biotek USA Inc. SK E&S Dominicana S.R.L Dsic VIOC1 Shipholding S.A Dsic VIOC2 Shipholding S.A SK Telecom Japan Inc. Hudson Energy NY II, LLC SK E&P Operations America, LLC Prism Energy International Hong Kong, Ltd. SK Networks America, Inc. SK Networks Brazil Intermediacao De Negocios Ltda. Networks Tejarat Pars FSS 6th Co., Ltd. SK South East Asia Investment Pte. Ltd. SK Investment Vina I Pte. Ltd. SK Semiconductor Investments Co., Ltd Alchemy Acquisition Corp. Abrasax Investment Inc. SK Global Chemical China Limited 11street. Co., Ltd. SK Telink Vietnam Co., Ltd. SK Networks Retails Malaysia Sdn. Bhd.	Establishment (21 companies)
SK Showa Denko Co., Ltd. groovers Co., Ltd. SK Nemaha, LLC id Quantique SA Fine Chemicals Holdings Corp. AMPAC Fine Chemicals, LLC AMPAC Fine Chemicals Texas, LLC AMPAC Fine Chemicals Virginia, LLC	Acquisition (8 companies)

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1.3 Changes in consolidated subsidiaries(cont'd)

For the nine months ended September 30, 2018, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
Bergaya International Pte. Ltd. SK E&C India Pvt. Ltd. With Ocean LLC SKC Hi-Tech&Marketing Japan Co., Ltd. Blueseaoccean 1st LLC SK Planet Global Pte. Ltd.	Liquidation (6 companies)
Ningde Sky Beverage Co., Ltd. SK International Supply Chain Management Co., Ltd. SK Encarsales.com Ltd 11street (Thailand) Co., Ltd.	Disposal (4 companies)
SK Maritime Co., Ltd. SK Tech X Co., Ltd. S.M Mobile Communication Japan Inc.	Merge (3 companies)
Hello Nature Co., Ltd and 2 other companies	Et cetera (3 companies)

1.4 Condensed financial information of significant consolidated subsidiaries

Details of condensed financial information of the significant subsidiaries as of and for the nine months ended September 30, 2018 are as follows (Korean won in millions):

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	15,339,444	2,564,040	2,618,364	1,419,997
SK Energy Co., Ltd.	14,513,548	8,767,534	26,052,930	677,883
SK Global Chemical Co., Ltd.	5,964,529	1,948,201	8,387,381	425,438
SK Incheon Petrochem Co., Ltd.	6,223,714	3,427,188	6,695,965	145,658
SK Trading International Co., Ltd.	2,170,853	1,363,292	10,273,603	109,131
SK Lubricants Co., Ltd.	2,467,586	983,119	2,286,119	236,057
SK Global Chemical Americas, Inc.	585,729	255,442	4,787	(8)
SK Global Chemical International Trading (Shanghai) Co., Ltd.	221,146	196,073	1,129,744	810
SK Global Chemical Singapore Pte. Ltd.	178,517	165,106	646,495	1,672
SK Energy International Pte. Ltd.	3,144,652	2,614,869	21,364,989	(9)
SK Energy Europe, Ltd.	694,259	601,421	4,314,313	(9,382)
SK Lubricants Americas, Inc.	319,488	251,711	503,053	18,340
SK Lubricants Europe B.V.	224,887	218,859	482,838	(1,697)
Iberian Lube Base Oils S.A.	465,872	187,645	395,623	11,845
SK E&P America, Inc.	987,016	78,056	-	(5,597)
SK Nemaha, LLC	412,293	26,524	11,421	2,138
SK Telecom Co., Ltd.	27,065,145	10,353,329	8,855,945	767,535
SK Telink Co., Ltd.	506,608	114,886	276,267	31,033
SK Broadband Co., Ltd.	4,413,400	2,892,676	2,293,599	94,927
PS&Marketing Corp.	441,347	224,471	1,193,608	(1,027)
SK Planet Co., Ltd.	1,075,002	386,694	577,817	(64,218)
SK Networks Co., Ltd.	6,392,256	4,197,640	9,362,706	(19,114)
SK Magic Co., Ltd.	594,661	402,929	466,824	5,524
SK Networks (Shanghai) Co., Ltd.	45,802	21,354	306,371	863
SK Networks Hong Kong Ltd.	85,862	26,397	227,919	855
SKC Co., Ltd.	2,741,642	1,170,555	1,077,755	66,141
SK Telesys Co., Ltd.	130,078	177,477	226,918	6,853
SKC, Inc.	317,965	284,909	213,631	(15,817)
SK Shipping Co., Ltd.	4,254,745	3,915,564	765,810	(35,592)
SK B&T Pte. Ltd.	176,555	75,206	619,836	4,999
SK E&S Co., Ltd.	4,490,206	1,834,286	611,612	194,074
Yeongnam Energy Service Co., Ltd.	353,279	143,920	460,574	22,916
Ko-one Energy Service Co., Ltd.	612,226	227,980	746,629	19,134
Narae Energy Service Co., Ltd.	673,704	508,946	216,998	(10,283)
Pusan City Gas Co., Ltd.	840,684	217,333	678,812	42,805
Chungcheong Energy Service Co., Ltd.	255,272	128,756	332,389	19,034
Paju Energy Service Co., Ltd.	1,801,637	887,127	956,566	86,200
Wirye Energy Service Co., Ltd.	792,229	553,627	258,734	15,165
Prism Energy International Pte. Ltd.	88,907	31,959	889,665	2,809

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1.4 Condensed financial information of significant consolidated subsidiaries(cont'd)

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK E&S Australia Pty. Ltd.	453,134	155,765	-	(3,951)
SK E&S Americas, Inc.	858,912	185,473	-	(9,768)
DewBlaine Energy, LLC	843,440	21,540	72,636	10,605
SK Engineering & Construction Co., Ltd.	4,294,276	3,147,719	4,753,425	117,127
SK TNS Co., Ltd.	71,711	57,676	420,072	20,321
SK Materials Co., Ltd. (*1)	1,337,247	968,337	485,792	87,560
SK Siltron Co., Ltd. (*1)	2,128,460	1,488,822	975,034	213,446
Essencore Limited (*1)	318,194	115,278	964,012	98,092
SK China Company, Ltd.	2,165,358	906	-	8,752
SKY Property Management Ltd. (*1)	605,000	32,005	43,722	10,881
SK Industrial Development China Co., Ltd.	405,328	84,919	1	(4,321)
Plutus Capital NY, Inc. (*1)	744,166	232,321	655	-
Happyarae Co., Ltd.	113,733	76,760	727,653	7,106

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

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1.5 Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as of and for the nine months ended September 30, 2018 is as follows (Korean won in millions):

Segment	September 30, 2018						
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering& Construction Co., Ltd.
Percentage of the non-controlling ownership	64.99%	71.16%	59.64%	56.55%	42.78%	10.00%	53.79%
Current assets	17,446,879	9,025,631	2,696,182	874,799	699,156	1,551,283	3,267,155
Non-current assets	19,115,726	29,160,865	4,578,187	2,886,087	4,049,481	7,338,714	1,686,085
Current liabilities	10,708,124	5,889,800	3,202,481	1,092,357	1,853,001	1,485,940	3,324,076
Non-current liabilities	6,795,867	10,125,866	1,764,739	975,750	2,720,163	3,537,010	745,186
Net assets	19,058,614	22,170,830	2,307,149	1,692,779	175,473	3,867,047	883,978
Book value of the non-controlling interests	13,069,708	15,318,346	1,449,372	1,044,534	196,588	1,602,875	650,086
Sales	40,562,837	12,522,253	10,439,693	2,054,140	1,211,141	4,591,758	5,468,216
Net income (loss)	1,444,802	2,657,496	(5,763)	133,189	(40,994)	341,643	167,705
Total comprehensive income (loss)	1,550,936	2,581,412	(9,896)	131,698	(28,205)	404,465	184,609
Net income (loss) of the non-controlling interests	972,691	1,817,701	(10,532)	77,775	(7,996)	55,449	50,826
Total comprehensive income (loss) of the non-controlling interests	1,039,534	1,746,548	(13,237)	76,498	(10,427)	62,910	71,309
Net cash flows from operating activities	584,297	2,678,925	(194,437)	143,837	110,537	288,068	488,034
Net cash flows from (used in) investing activities	(447,483)	(1,328,611)	(94,469)	(138,244)	(98,586)	(555,419)	201,993
Net cash flows from (used in) financing activities before dividends paid to the non-controlling interests	374,228	470,640	277,914	(31,595)	(34,866)	(100,468)	(369,915)
Dividends paid to the non-controlling interests	(574,215)	(514,569)	(17,224)	(20,730)	(14,375)	(56,300)	(5,777)
Net increase (decrease) in cash and cash equivalents	(63,173)	1,306,385	(28,216)	(46,732)	(37,290)	(424,119)	314,335

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

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

The Group prepares statutory interim condensed consolidated financial statements in the Korean language in accordance with KIFRS 1034 *Interim Financial Reporting* enacted by the *Act on External Audit of Stock Companies*. The accompanying interim condensed consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent 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, 2017.

The accompanying interim condensed consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed consolidated financial statements and has been made at the rate of ₩ 1,112.7 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the nine months ended September 30, 2018. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

2.2 Significant accounting policies

The significant accounting policies used for the preparation of the accompanying consolidated financial statements as of and for the nine months ended September 30, 2018, are the same as the accounting policies adopted for the preparation of consolidated financial statements as of and for the year ended December 31, 2017, 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, 2018.

KIFRS 1102 – *Share-based Payment*

The KASB issued amendments to KIFRS 1102 – *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments do not have a material impact on the financial position or management performance of the Group.

KIFRS 1109 – *Financial Instruments*

The Group applied the amendments to KIFRS 1109 and other standards for the first time for the year beginning on January 1, 2018. The Standard replaces KIFRS 1039 *Financial Instruments: Recognition and Measurement*. KIFRS 1109 introduces new rules for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting.

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

The Group has recognized the cumulative effect of the initial application of this standard in the opening balances in accordance with the transitional provisions, and the comparative financial statements have not been restated. Accordingly, the comparative financial statements are presented in accordance with the previous accounting policies.

The major impact of the adoption of the standard on the Group's financial statements is as follows:

① Classification and measurement of financial assets

Classification of financial assets under KIFRS 1109 is driven by the entity's business model for managing financial assets and their contractual cash flows. This contains three principal classification categories: financial assets measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

To eliminate or significantly reduce the accounting mismatch, the Group may irrevocably designate a financial asset as measured at FVTPL using the fair value option at initial recognition. On the other hand, equity instruments that are not held for trading may be irrevocably designated as FVOCI using the fair value option.

The Group measures its financial assets at fair value with the exception of specific trade receivables at the initial recognition date. Transaction costs directly attributable to the acquisition of financial assets or issuance of financial liabilities, unless they are financial assets measured at FVTPL, are added to fair value. Transaction costs of financial assets measured at FVTPL are accounted as expense under current profit or loss.

The Group classifies and measures debt instruments in the following three categories:

- Financial assets measured at amortized cost: Assets that hold financial assets under a business model that is intended to hold to receive contractual cash flows and whose contractual cash flows consist solely of principal are measured at amortized cost. The gain or loss on a financial asset measured at amortized cost, which is not subject to hedge accounting, is recognized in profit or loss when the financial asset is derecognized or impaired. Interest income on financial assets recognized under the effective interest rate method is included in finance income.

- Financial assets measured at FVOCI: Financial assets held under a business model that achieves the objective through both receipt of contractual cash flows and sale of financial assets and whose contractual cash flows consist of only principal payments are measured at FVOCI. Gain or loss on financial assets measured at FVOCI except for impairment loss (reversal), interest income, and foreign exchange gain or loss are recognized as other comprehensive income. Interest income and foreign exchange gains and losses on financial assets and impairment recognized in accordance with the effective interest rate method, are recognized as current profit or loss.

- Financial assets measured at FVTPL: Debt instruments not measured at amortized cost or FVOCI, are measured at FVTPL. Profit or loss on debt instruments measured at FVTPL not subject to the application of hedge accounting, are recognized as current profit or loss.

The Group subsequently measures investment in all equity instruments at fair value. For equity instruments for which changes in fair value are elected to be presented in other comprehensive income, amounts recognized in other comprehensive income are not reclassified to profit or loss even when equity instruments are eliminated. Dividend income on these equity instruments is recognized in profit or loss when the right to receive dividends is established.

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

② Classification and measurement of financial liabilities

The Group classifies the financial liabilities as financial liabilities measured at FVTPL and other financial liabilities based on the substance of terms and conditions of a contract and definition of financial liabilities and recognizes them in the statement of financial position when the Group becomes a party in the contract.

1) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include held-for-trading financial liabilities or financial liabilities designated as measured at FVTPL at initial recognition. Financial liabilities measured at FVTPL are measured at fair value after initial recognition, and changes in fair value are generally presented as follows:

- Changes in fair value due to changes in the credit risk of debt: Other comprehensive income
- Remaining fair value changes: Profit or loss

Transaction costs incurred at the time of initial recognition are recognized immediately in profit or loss as incurred.

2) Other financial liabilities

Non-derivative financial liabilities that are not classified as financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities are measured initially at fair value, net of transaction costs directly attributable to the issue. Subsequently, other financial liabilities are measured at amortized cost using the effective interest rate method. Interest expense is recognized using the effective interest rate method.

3) Elimination of financial liabilities

A financial liability is derecognized only when the obligation has been fulfilled, canceled, or expired.

③ Impairment

KIFRS 1109 sets out a new 'expected credit loss' (ECL) impairment model which replaces the 'incurred loss' model under KIFRS 1039 for recognizing and measuring impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI, but not to investments in equity instruments.

Expected credit losses are measured by discounting the difference between the contractual cash flows and all cash flows expected to be received by the Group at the initial effective interest rate of the asset.

At the end of each reporting period, the Group assesses the carrying amount of financial assets measured at amortized cost and debt securities measured at FVOCI for credit in impairment. If there is more than one event that adversely affects the estimated future cash flows of the financial asset, the financial asset is impaired.

The allowance for losses on financial assets measured at amortized cost is deducted from the carrying amount of the asset. On the other hand, for debt instruments measured at FVOCI, instead of reducing the carrying amount of the asset, the loss allowance is recognized in other comprehensive income.

The Group measures the allowance for losses on trade and other receivables, contracts and lease receivables at amounts equivalent to the life time expected credit losses and applies a practical expedient by considering low credit risk at the reporting date as no significant increase in credit risk.

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

④ Hedge accounting

Derivatives are initially recognized at fair value at the inception of the derivative contract and subsequently remeasured to fair value at the end of each reporting period. Changes in the fair value of a derivative that is not a hedging instrument are recognized in profit or loss and derivatives that are a hedging instrument are accounted for based on the nature of the hedged item and the type of hedging relationship designated.

In accordance with the transitional provisions of KIFRS 1109 on hedge accounting, the Group has adopted the hedge accounting provisions of KIFRS 1109 prospectively from January 1, 2018. As of the date of initial application, the Group has considered that the hedging relationship in accordance with KIFRS 1039 is also eligible for hedge accounting under KIFRS 1109. The hedging relationship between the hedging instrument and the hedged item is consistent, therefore, all hedging relationships are consistent with the effectiveness assessment requirements of KIFRS 1109. The Group has not designated a hedging relationship in accordance with KIFRS 1109 that would not have met the requirements for hedge accounting under KIFRS 1039.

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

Changes in the basic capital of the Group as a result of the first application of KIFRS 1109 are as follows (Korean won in millions):

Amendments	Retained earnings	Other capital components	Non-controlling interests
Classification and measurement	\ 31,447	\ (40,771)	\ 13,446
Impairment of financial assets	(7,549)	-	(12,507)
	\ 23,898	\ (40,771)	\ 939

Reclassification of financial assets of the Group as of the first application of KIFRS 1109 as of January 1, 2018 is as follows (Korean won in millions):

	Classification		Book value		
	KIFRS 1039	KIFRS 1109	KIFRS 1039	KIFRS 1109	Difference
Current financial assets:					
Cash and cash equivalents	Loans and receivables	Amortized cost	\ 7,145,842	\ 7,145,842	-
Short-term financial instruments	Loans and receivables	Amortized cost	3,442,030	3,442,030	-
Short-term financial instruments	Financial assets at FVTPL	FVTPL	98,643	98,643	-
Short-term investment securities	Available-for-sale financial asset	FVTPL	48,476	48,476	-
Short-term investment securities	Available-for-sale financial asset	FVOCI	140,127	140,127	-
Short-term investment securities	Held-to-maturity investments	Amortized cost	45	45	-
Trade accounts receivable	Loans and receivables	Amortized cost	10,427,010	10,405,554	(21,456)
Trade accounts receivable	Loans and receivables	FVTPL	300,621	300,621	-
Other accounts receivable	Loans and receivables	Amortized cost	1,161,404	1,160,146	(1,258)
Other accounts receivable	Loans and receivables	FVTPL	830,321	830,321	-
Short-term loans	Loans and receivables	Amortized cost	123,130	122,694	(436)
Accrued income	Loans and receivables	Amortized cost	44,240	44,204	(36)
Guarantee deposits	Loans and receivables	Amortized cost	209,181	209,181	-
Derivative financial assets	Financial assets at FVTPL	FVTPL	35,319	35,319	-
Derivative financial assets	Financial assets designated as hedging instruments	Financial assets designated as hedging instruments	57,094	57,094	-
Finance lease receivables	Loans and receivables	Amortized cost	73,199	73,199	-
			24,136,682	24,113,496	(23,186)
Non-current financial assets:					
Long-term financial instruments	Loans and receivables	Amortized cost	200,853	200,853	-
Long-term investment securities	Available-for-sale financial asset	FVTPL	441,735	443,162	1,427
Long-term investment securities	Available-for-sale financial asset	FVOCI	1,154,298	1,162,900	8,602
Long-term investment securities	Held-to-maturity investments	Amortized cost	825	825	-
Long-term trade accounts receivables	Loans and receivables	Amortized cost	12,908	12,908	-
Long-term loans	Loans and receivables	Amortized cost	378,534	376,697	(1,837)
Long-term other accounts receivables	Loans and receivables	Amortized cost	77,412	77,412	-
Long-term other accounts receivables	Loans and receivables	FVTPL	243,742	243,742	-
Guarantee deposits	Loans and receivables	Amortized cost	740,326	738,891	(1,435)
Derivative financial assets	Financial assets at FVTPL	FVTPL	235,474	232,936	(2,538)
Derivative financial assets	Financial assets designated as hedging instruments	Financial assets designated as hedging instruments	46,755	46,755	-
Finance lease receivables	Loans and receivables	Amortized cost	168,490	168,490	-
			3,701,352	3,705,571	4,219
			\ 27,838,034	\ 27,819,067	\ (18,967)

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

KIFRS 1115 – Revenue from Contracts with Customers

The amendments are effective for the current period. The new standard will supersede the following KIFRS: KIFRS 1011 *Construction Contracts*, KIFRS 1018 *Revenue*, KIFRS 2113 *Customer Loyalty Programmes*, KIFRS 2115 *Agreements for the Construction of Real Estate*, KIFRS 2118 *Transfers of Assets from Customers*, and KIFRS 2031 *Revenue – Barter Transactions Involving Advertising Services*. If the contracts are not subject to the scope of other standards, the new standard applies to all revenue from contracts with customer.

The Group adjusted cumulative effect of the initial application of KIFRS 1115 to the beginning balance of retained earnings, and retrospectively applied the standard only to the contracts not completed as of January 1, 2018. Accordingly, the comparative information is not restated and prepared in accordance with KIFRS 1018 and KIFRS 1011.

The major impact of the adoption of the standard on the Group's financial statements is as follows:

① Identification of the separate performance of the contract

The Group is engaged in providing petroleum, chemicals and resources development, telecommunications, constructions and others

Construction projects, etc., have identified a contract that meets the combined requirements of a contract among a plurality of contracts that have a single commercial purpose and concurrently or in the near term. In this case, the multiple contracts were combined and accounted for as a single contract.

② Identification of the separate performance obligations in the contract

KIFRS 1115 requires the Group to separately identify performance obligation for wireless telecommunications services and other sales of goods and services. The Group determines the timing of fulfilling each performance obligation so that revenue can be recognized thereafter. In the case that the Group provides the wireless telecommunications services and a handset to the same customer, transaction price allocated to the handset was recognized as revenue immediately while the transaction price allocated to wireless telecommunication service was recognized as revenue over a period of time specified in the contract. The Group determined that the installation services provided with the fixed-line telecommunication services are not distinguishable performance obligations from the related fixed-line telecommunication services such as high speed broadband Internet or IPTV services. Therefore, the Group included the installation fee in the fixed-line telecommunication service revenue. The installation fee will be recognized as revenue over the contract term in which the Group has to provide fixed-line telecommunication services. The Group recognized ₩23,063 million as contract liability on the consolidated statement of financial position as of January 1, 2018 due to such change in the accounting policies.

In the case of other businesses, more than one performance obligation can be identified in a single contract. In this case, the transaction price is allocated to each performance obligation and the revenue is recognized for each obligation performed.

The performance obligation for fulfilling transportation brokerage has been identified in some of the contracts of goods supply. In such case, the Group recognizes the net amounts of commission to which it is entitled when fulfilling the promise to provide brokerage services to the customer.

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

③ Incremental costs to acquire a contract and accounting for fulfillment cost

The Group pays a commission based on the results of recruitment and renewal of customers of the Group, such as wireless telecommunications services to agencies, and it accounts for a significant portion of the commission for the operating expenses. Some of these fees are costs that would not have been spent if contracts were not signed with the customer. Under KIFRS 1115, contracted incremental costs recognized as past costs are recognized as assets and amortized over the expected term of the contract. As a result of this change, the Group recognized the amount of incremental cost of contracts as of January 1, 2018, as the prepaid expenses in the consolidated statement of financial position.

Contract costs are recognized as an expense when incurred since these costs are not clearly charged regardless of whether the contract is entered into or not. Accordingly, percentage-of-completion is recalculated for contracts that apply cost-based input method.

④ Allocation of the transaction price to the separate performance obligations

In accordance with KIFRS 1115, the Group should allocate the transaction price to each performance obligation in a contract in proportion to its stand-alone selling price. To estimate the transaction price to each performance obligation, the Group will use the adjusted market assessment approach. However, in some circumstances, the expected cost plus a margin approach will be used.

When the Group provides both handset and wireless telecommunications services to the same customer, the Group has allocated transaction prices based on the relative individual selling prices. As a result of this change, the Group recognized transaction value of ₩142,596 million as of January 1, 2018 as the contract asset in the consolidated statements of financial position.

Upon first application of KIFRS 1115, retained earnings and non-controlling interests of the Group increased by ₩478,357 million and ₩1,271,085 million, respectively.

The effect of the adoption of KIFRS 1115 on the income statement on September 30, 2018 is as follows (Korean won in millions):

	<u>Current standard</u>	<u>Amendments</u>	<u>Past standard</u>
Sales	\ 80,462,872	\ 157,797	\ 80,620,669
Operating income	5,744,068	(30,391)	5,713,677
Net income	5,979,557	(35,818)	5,943,739

KIFRS 1028 Investments in Associates and Joint Ventures

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments do not have any impact on the Group's financial position or management performance.

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

KIFRS 1040 - Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Group should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the Group first applies the amendments. The Group should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with KIFRS 1008 is only permitted if it is possible without the use of hindsight. The amendments do not have a material impact on the Group's financial position or management performance.

KIFRS 2122 – Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If advance consideration is taken at multiple times, it is necessary to determine the date of each transaction due to the advance consideration. The amendments do not have a material impact on the Group's financial position or management performance.

2.2.2 New and revised KIFRS issued, but not yet effective

KIFRS 1116 – Leases

KIFRS 1116 Leases enacted in May 22, 2017, is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies KIFRS 1115 *Revenue from Contracts with Customers*. This standard replaces KIFRS 1017 *Leases*, KIFRS 2104 *Determining whether an Arrangement contains a Lease*, KIFRS 2015 *Operating Leases-Incentives* and KIFRS 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group assesses whether a contract is, or contains, a lease at inception of a contract and also assesses whether a contract is, or contains, a lease at the initial adoption of KIFRS 1116. However, the Group may not reassess all arrangements entered into before the date of initial application of the standard by applying the simplified approach.

For a contract that is, or contains a lease, the Group will account for each lease component within the contract as a lease separately from non-lease components of the contract.

A lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a liability representing the right to make lease payments (i.e., the lease liability). However, in case of short-term leases (i.e., leases with a lease term of 12 months or less at the commencement date) and leases of 'low-value' assets, the Group may elect to apply the exception under KIFRS 1116. As a practical expedient, a lessee may elect, by class of the underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single component.

Lessor accounting under KIFRS 1116 is not significantly changed from current accounting under KIFRS 1017.

2.2.2 New and revised KIFRS issued, but not yet effective (cont'd)

In relation to sale and leaseback transactions, the Group (the seller-lessee) will apply the requirements of KIFRS 1115 to determine whether the transfer of an asset is accounted for as a sale of the asset. However, the Group does not reassess sale and leaseback transactions entered into before the date of initial application.

① Lease accounting for lessees

As a lessee, the Group can either apply the KIFRS 1116 using a full retrospective approach; or modified retrospective approach. The full retrospective approach requires the Group to retrospectively apply the new standard to each prior reporting period presented, while modified retrospective approach requires the lessee to recognize the cumulative effect of initial application at the date of initial application of the new leases standard.

② Lease accounting for lessors

In case where the Group is lessor, the Group should reassess leases that were classified as operating leases applying KIFRS 1017 and are ongoing at the date of initial application, whether each sublease should be classified as an operating lease or a finance lease in the application of KIFRS 1116. As a result, if the leases are classified as finance lease, they are accounted as new finance lease contracted on the initial application date of KIFRS 1116.

The Group plans to change the accounting process and internal control and to assess the financial impact on its consolidated financial statements resulting from the adoption of KIFRS 1116 by December 31, 2018, and apply the amendments on the required effective date.

3. Significant accounting judgements, estimates and assumptions

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

Those accounting judgments made by management in the preparation of the interim condensed consolidated financial statements for the nine months ended September 30, 2018, are consistent with those followed in the preparation of consolidated financial statements for the year ended December 31, 2017.

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4. Operating segments

(1) Overview of operating segments

The Group makes decisions on resources to be allocated to business segments and divides the business segments based on the internal reports which the chief operating decision maker periodically reviews to evaluate the performances of the sales segments. As SK Holdings Co., Ltd. was acquired during the current reporting period, details of changes to segment operations of each segment are as follows:

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

(2) Details of financial information for each operating segment as of and for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in billions):

	As of and for the nine months ended September 30, 2018									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 40,563	₩ 12,522	₩ 10,440	₩ 2,054	₩ 1,211	₩ 4,592	₩ 5,468	₩ 5,909	₩ (6,136)	₩76,623
Internal sales	(1,524)	(63)	(1,550)	(325)	(237)	(52)	(428)	(1,957)	6,136	-
Net sales	39,039	12,459	8,890	1,729	974	4,540	5,040	3,952	-	76,623
Income (loss) from continuing operations before income tax expense	2,102	3,372	22	168	(37)	444	304	1,679	(1,615)	6,439
Net income (loss) from continuing operations	1,432	2,657	(1)	133	(41)	342	168	1,460	(1,560)	4,590
Total assets	36,563	38,187	7,274	3,761	4,749	8,890	4,953	32,629	(18,145)	118,861
Total liabilities	17,504	16,016	4,967	2,068	4,573	5,023	4,069	11,927	2,420	68,567
Depreciation	627	1,824	179	90	100	261	16	239	18	3,354
Amortization	63	614	9	6	1	3	4	20	256	976

	As of and for the nine months ended September 30, 2017									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 33,637	₩ 13,023	₩ 15,172	₩ 1,943	₩ 1,138	₩ 3,895	₩ 5,107	₩ 5,109	₩ (11,087)	₩67,937
Internal sales	(3,721)	(66)	(3,606)	(330)	(199)	(41)	(413)	(2,711)	11,087	-
Net sales	29,916	12,957	11,566	1,613	939	3,854	4,694	2,398	-	67,937
Income (loss) from continuing operations before income tax expense	2,565	2,477	49	168	(26)	363	134	1,074	(1,199)	5,605
Net income (loss) from continuing operations	1,854	1,997	37	123	(28)	286	121	937	(1,164)	4,163
Total assets	33,650	31,924	7,815	3,682	4,757	8,164	5,511	28,042	(16,123)	107,422
Total liabilities	14,289	14,448	5,464	2,092	4,575	5,096	4,583	9,921	1,494	61,962
Depreciation	594	1,821	183	87	102	227	24	77	19	3,134
Amortization	78	594	10	4	1	5	6	14	254	966

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

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4. Operating segments (cont'd)

(3) Details of financial information by geographical location as of and for the nine months ended September 30, 2018 and 2017 (Korean won in billions):

	As of and for the nine months ended September 30, 2018							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	\ 98,295	\ 28,084	\ 5,709	\ 1,148	\ -	\ 65	\ (56,678)	\ 76,623
Operating income	7,240	106	5	19	-	22	(2,711)	4,681
Income (loss) from continuing operations before income tax expense	7,089	247	(32)	8	-	16	(889)	6,439
Net income (loss)	5,726	215	(43)	-	-	(126)	(1,182)	4,590
Total assets	138,077	10,666	2,357	7,751	354	1,235	(41,579)	118,861
Total liabilities	64,122	4,488	1,640	2,159	307	210	(4,359)	68,567

	As of and for the nine months ended September 30, 2017							
	Korea	Asia	Europe	North America	South America	Others	Consolidation adjustments	Total
Total sales	\ 86,967	\ 20,407	\ 3,659	\ 1,229	\ -	\ 72	\ (44,397)	\ 67,937
Operating income (loss)	7,020	197	26	(5)	-	20	(2,863)	4,395
Income (loss) from continuing operations before income tax expense	7,170	273	18	(26)	-	19	(1,849)	5,605
Net income (loss)	6,048	233	16	(31)	-	13	(2,116)	4,163
Total assets	129,218	9,269	1,846	4,431	746	1,312	(39,400)	107,422
Total liabilities	58,771	3,455	1,304	1,496	710	238	(4,012)	61,962

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

	As of and for the nine months ended September 30, 2018									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK Shipping Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
1. Total sales	₩ 40,563	₩ 12,522	₩ 10,440	₩ 2,054	₩ 1,211	₩ 4,592	₩ 5,468	₩ 5,909	₩ (6,136)	₩ 76,623
2. Revenue from contracts with customers	40,538	12,520	9,737	2,054	1,211	4,587	5,457	4,997	(5,263)	75,838
Categories:										
Service sales	108	11,448	349	62	826	-	5,448	1,568	(1,569)	18,240
Finished goods sales	38,956	25	375	1,577	-	2,088	-	1,091	(1,794)	43,128
Merchandise sales	140	1,047	9,010	372	385	2,454	9	1,455	(1,811)	13,061
Other sales	1,334	-	3	43	-	45	-	73	(89)	1,409
	40,538	12,520	9,737	2,054	1,211	4,587	5,457	4,997	(5,263)	75,838
Timing of revenue recognition:										
Recognition at a point in time	40,430	1,072	9,388	1,992	385	889	9	3,474	(3,694)	53,945
Recognition over a period of time	108	11,448	349	62	826	3,698	5,448	1,523	(1,569)	21,893
	40,538	12,520	9,737	2,054	1,211	4,587	5,457	4,997	(5,263)	75,838
3. Revenue from other sources	25	2	703	-	-	5	11	912	(873)	785

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5. Financial instruments

5.1 Financial assets

Details of financial assets as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018				Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized	Financial assets designated as hedging instruments	
Current assets					
Cash and cash equivalents	-	-	9,081,238	-	9,081,238
Short-term financial instruments	-	-	1,798,815	-	1,798,815
Trade accounts receivable (*1)	398,674	-	11,081,840	-	11,480,514
Other accounts receivable	415,873	-	1,702,493	-	2,118,366
Short-term loans	-	-	118,396	-	118,396
Accrued income	-	-	57,041	-	57,041
Short-term investment securities	132,294	-	45	-	132,339
Guarantee deposits	-	-	210,502	-	210,502
Derivative financial assets	87,263	-	-	65,753	153,016
Finance lease receivables	-	-	96,977	-	96,977
	<u>1,034,104</u>	<u>-</u>	<u>24,147,347</u>	<u>65,753</u>	<u>25,247,204</u>
Non-current assets					
Long-term financial instruments	-	-	12,341	-	12,341
Long-term trade accounts receivables	-	-	11,270	-	11,270
Long-term other accounts receivables	264,852	-	80,131	-	344,983
Long-term loans	-	-	445,637	-	445,637
Long-term investment securities	822,196	1,248,347	1,186	-	2,071,729
Guarantee deposits	-	-	793,169	-	793,169
Derivative financial assets	8,484	-	-	37,501	45,985
Finance lease receivables	-	-	593,566	-	593,566
	<u>1,095,532</u>	<u>1,248,347</u>	<u>1,937,300</u>	<u>37,501</u>	<u>4,318,680</u>
	<u>\ 2,129,636</u>	<u>\ 1,248,347</u>	<u>\ 26,084,647</u>	<u>\ 103,254</u>	<u>\ 29,565,884</u>

(*1) Contract assets (unbilled receivables) amounting to \ 663,462 million as of September 30, 2018 are not included in the financial assets.

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5.1 Financial assets (cont'd)

	December 31, 2017					Total
	Financial assets at FVTPL	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial assets designated as hedging instruments	
Current assets:						
Cash and cash equivalents	\ -	\ -	\ 7,145,842	\ -	\ -	\ 7,145,842
Short-term financial instruments	98,643	-	3,442,030	-	-	3,540,673
Trade accounts receivable (*1)	-	-	10,727,631	-	-	10,727,631
Other accounts receivable	-	-	1,991,725	-	-	1,991,725
Short-term loans	-	-	123,130	-	-	123,130
Accrued income	-	-	44,240	-	-	44,240
Available-for-sale financial assets	-	-	-	188,603	-	188,603
Held-to-maturity investments	-	45	-	-	-	45
Guarantee deposits	-	-	209,181	-	-	209,181
Derivative financial assets	35,319	-	-	-	57,094	92,413
Finance lease receivables	-	-	73,199	-	-	73,199
	<u>133,962</u>	<u>45</u>	<u>23,756,978</u>	<u>188,603</u>	<u>57,094</u>	<u>24,136,682</u>
Non-current assets:						
Long-term financial instruments	-	-	200,853	-	-	200,853
Long-term trade accounts receivable	-	-	12,908	-	-	12,908
Long-term other accounts receivable	-	-	321,154	-	-	321,154
Long-term loans	-	-	378,534	-	-	378,534
Available-for-sale financial assets	-	-	-	1,596,033	-	1,596,033
Held-to-maturity investments	-	825	-	-	-	825
Guarantee deposits	-	-	740,326	-	-	740,326
Derivative financial assets	235,474	-	-	-	46,755	282,229
Finance lease receivables	-	-	168,490	-	-	168,490
	<u>235,474</u>	<u>825</u>	<u>1,822,265</u>	<u>1,596,033</u>	<u>46,755</u>	<u>3,701,352</u>
	<u>\ 369,436</u>	<u>\ 870</u>	<u>\ 25,579,243</u>	<u>\ 1,784,636</u>	<u>\ 103,849</u>	<u>\ 27,838,034</u>

(*1) Unbilled receivables amounting to \ 810,837 million as of December 31, 2017 are not included in the financial assets.

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5.2 Financial liabilities

Details of financial liabilities as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018			Total
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	
Current liabilities:				
Short-term borrowings	\ - \	3,920,756	\ - \	3,920,756
Trade accounts payable	-	9,600,934	-	9,600,934
Other accounts payable	-	3,391,486	-	3,391,486
Current portion of long-term debt	-	5,960,686	-	5,960,686
Accrued expenses	-	2,954,910	-	2,954,910
Dividends payable	-	1,528	-	1,528
Leasehold deposits received	-	145,353	-	145,353
Derivative financial liabilities	102,694	-	34,874	137,568
Finance lease liabilities	-	2,762	-	2,762
Finance guarantee liabilities	-	7	-	7
	<u>102,694</u>	<u>25,978,422</u>	<u>34,874</u>	<u>26,115,990</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	61,422	26,862,883	-	26,924,305
Long-term other accounts payable	-	3,414,908	-	3,414,908
Leasehold deposits received	-	321,331	-	321,331
Derivative financial liabilities	15,102	-	29,895	44,997
Finance lease liabilities	-	9,927	-	9,927
Financial guarantee liabilities	-	18,471	-	18,471
	<u>76,524</u>	<u>30,627,520</u>	<u>29,895</u>	<u>30,733,939</u>
	<u>\ 179,218 \</u>	<u>\ 56,605,942 \</u>	<u>\ 64,769 \</u>	<u>\ 56,849,929 \</u>
	December 31, 2017			
	Financial liabilities at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total
Current liabilities:				
Short-term borrowings	\ - \	2,999,032	\ - \	2,999,032
Trade accounts payable	-	9,588,642	-	9,588,642
Other accounts payable	-	3,610,562	-	3,610,562
Current portion of long-term debt	-	6,548,146	-	6,548,146
Accrued expenses	-	2,875,130	-	2,875,130
Dividends payable	-	1,423	-	1,423
Leasehold deposits received	-	162,965	-	162,965
Derivative financial liabilities	105,042	-	42,243	147,285
Finance lease liabilities	-	1,676	-	1,676
Finance guarantee liabilities	-	50	-	50
	<u>105,042</u>	<u>25,787,626</u>	<u>42,243</u>	<u>25,934,911</u>
Non-current liabilities:				
Bonds payable and long-term borrowings	60,278	23,299,240	-	23,359,518
Long-term other accounts payable	-	3,740,381	-	3,740,381
Leasehold deposits received	-	310,050	-	310,050
Derivative financial liabilities	21,379	-	12,323	33,702
Finance lease liabilities	-	10	-	10
Financial guarantee liabilities	-	11,933	-	11,933
	<u>81,657</u>	<u>27,361,614</u>	<u>12,323</u>	<u>27,455,594</u>
	<u>\ 186,699 \</u>	<u>\ 53,149,240 \</u>	<u>\ 54,566 \</u>	<u>\ 53,390,505 \</u>

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5.3 Fair values of financial instruments by hierarchy level

1) Fair values and book values of financial instruments as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018		December 31, 2017	
	Book value	Fair value	Book value	Fair value
Bonds payable	\ 26,229,569	\ 26,327,599	\ 23,484,876	\ 23,588,353
Borrowings	10,576,178	10,022,510	9,421,820	9,028,223

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 (1.75%~4.41%) regarding residual market risks. As the book values of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

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

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

3) Details of fair values of financial instruments by hierarchy level as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets measured at FVTPL	\ 186,739	\ 867,591	\ 1,075,306	\ 2,129,636
Financial assets measured at FVOCI	592,607	29,171	626,569	1,248,347
Financial assets designated as hedging instruments	-	103,254	-	103,254
	<u>\ 779,346</u>	<u>\ 1,000,016</u>	<u>\ 1,701,875</u>	<u>\ 3,481,237</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	\ 6,945	\ 172,273	\ -	\ 179,218
Financial liabilities designated as hedging instruments	-	64,769	-	64,769
	<u>\ 6,945</u>	<u>\ 237,042</u>	<u>\ -</u>	<u>\ 243,987</u>
	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at FVTPL	\ 706	\ 144,285	\ 224,445	\ 369,436
Available-for-sale financial assets (*1)	818,615	96,487	127,124	1,042,226
Financial assets designated as hedging instruments	-	103,849	-	103,849
	<u>\ 819,321</u>	<u>\ 344,621</u>	<u>\ 351,569</u>	<u>\ 1,515,511</u>
Financial liabilities:				
Financial liabilities at FVTPL	\ 2,131	\ 184,568	\ -	\ 186,699
Financial liabilities designated as hedging instruments	-	54,566	-	54,566
	<u>\ 2,131</u>	<u>\ 239,134</u>	<u>\ -</u>	<u>\ 241,265</u>

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

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6. Trade accounts receivable

(1) Details of trade accounts receivable as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Trade accounts receivable:				
Trade accounts receivable	₩ 12,028,609	₩ 13,484	₩ 11,230,420	₩ 14,669
Contract assets (unbilled receivables) (*1)	663,462	-	810,837	-
Allowance for doubtful accounts:				
Trade accounts receivable	(548,095)	(2,214)	(502,789)	(1,761)
	<u>₩ 12,143,976</u>	<u>₩ 11,270</u>	<u>₩ 11,538,468</u>	<u>₩ 12,908</u>

(*1) Unbilled receivables at the end of the previous reporting period are those applicable to KIFRS 1011.

(2) As of September 30, 2018, the contract assets and liabilities related with contracts with customers, and the aggregate costs and cumulative gains and losses related to construction contracts in progress as of December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018	
Contract assets: (*1)		
Construction business	₩	510,072
Telecommunication business		134,136
Shipping business		19,410
Others		133,980
	<u>₩</u>	<u>797,598</u>
Contract liabilities: (*2)		
Construction business	₩	1,316,626
Telecommunication business		119,593
Shipping business		13,494
Others		748,431
	<u>₩</u>	<u>2,198,144</u>

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

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

	December 31, 2017				
	Accumulated cost and profit	Progress billings	Unbilled receivables	Overbilled receivables	Provision for construction losses
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 38,385,591	₩ 38,373,380	₩ 757,326	₩ 745,115	₩ 37,714
Others	216,101	177,563	53,511	14,793	-
	<u>₩ 38,601,692</u>	<u>₩ 38,550,943</u>	<u>₩ 810,837</u>	<u>₩ 760,088</u>	<u>₩ 37,714</u>

SK Holdings Co., Ltd. and its subsidiaries
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6. Trade accounts receivable (cont'd)

(3) Details of construction profit variation by changes of accounting estimates related to construction contracts as of September 30, 2018 are as follows (Korean won in millions):

	September 30, 2018				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period profit	Impact on future period profit	Change in unbilled (overbilled) receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 979,326	₩ 894,366	₩ 76,396	₩ 8,564	₩ 76,396
Others	7,217	6,271	714	232	714
	<u>₩ 986,543</u>	<u>₩ 900,637</u>	<u>₩ 77,110</u>	<u>₩ 8,796</u>	<u>₩ 77,110</u>

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

(4) Details of the construction contracts where the contract revenue exceeds 5% of the preceding year's revenue under the percentage-of-completion method as of September 30, 2018 are as follows (Korean won in millions):

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Contract asset		Trade accounts receivable (*1)	
					Amount	Impairment	Amount	Allowance for doubtful accounts
SK Engineering & Construction Co., Ltd.	RRE Project	2009.12	2016.05	99.9	₩ 4,193	₩ -	₩ 14,068	₩ -
	Goseong High Firepower Project	2014.07	2021.07	24.9	-	-	-	-

(*1) The amount does not include unbilled receivables.

7. Inventories

Details of inventories as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018			December 31, 2017		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 969,137	₩ (15,013)	₩ 954,124	₩ 944,645	₩ (23,603)	₩ 921,042
Finished goods	2,250,575	(37,489)	2,213,086	2,066,616	(35,884)	2,030,732
Semifinished goods and work in progress	1,126,561	(35,929)	1,090,632	935,045	(28,893)	906,152
Raw materials and sub-materials	2,027,651	(14,764)	2,012,887	1,499,412	(13,864)	1,485,548
Materials in transit	3,112,787	-	3,112,787	2,562,226	-	2,562,226
Supplies	308,910	(3,740)	305,170	264,640	(5,383)	259,257
Uncompleted contracts	84	-	84	26	-	26
Others	14,156	-	14,156	13,627	(677)	12,950
	<u>₩ 9,809,861</u>	<u>₩ (106,935)</u>	<u>₩ 9,702,926</u>	<u>₩ 8,286,237</u>	<u>₩ (108,304)</u>	<u>₩ 8,177,933</u>

SK Holdings Co., Ltd. and its subsidiaries
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8. Investment securities and available-for-sale financial assets

Details of investment securities as of September 30, 2018 and available-for-sale financial assets as of December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018			
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized	Total
Equity instruments:				
Marketable equity instruments	₩ -	₩ 592,607	₩ -	₩ 592,607
Non-marketable equity instruments	345	627,304	-	627,649
	<u>345</u>	<u>1,219,911</u>	<u>-</u>	<u>1,220,256</u>
Bond instruments:				
Beneficiary securities and others	897,006	662	-	897,668
Debt securities	57,139	27,774	1,231	86,144
	<u>954,145</u>	<u>28,436</u>	<u>1,231</u>	<u>983,812</u>
	<u>₩ 954,490</u>	<u>₩ 1,248,347</u>	<u>₩ 1,231</u>	<u>₩ 2,204,068</u>
Current investment securities	₩ 132,294	₩ -	₩ 45	₩ 132,339
Non-current investment securities	822,196	1,248,347	1,186	2,071,729

(*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.

	December 31, 2017
Marketable equity instruments	818,615
Non-marketable equity instruments	759,063
Corporate and government bonds	69,248
Others (*1)	137,710
	<u>1,784,636</u>
Current available-for-sale financial assets	188,603
Non-current available-for-sale financial assets	1,596,033

(*1) They include beneficiary certificates.

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9. Investments in associates and joint ventures

(1) Investments in associates and joint ventures

Details of investments in associates and joint ventures as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Company	Domicile	Equity ownership (*1)	September 30, 2018		December 31, 2017
			Acquisition cost	Book value	Book value
Associates:					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 10,237,438	₩ 7,976,784
China Gas Holdings Ltd. (*2)	Hong Kong	15.4%	1,597,222	1,788,589	1,687,587
NHIP II Bison Holdings, LLC	USA	24.2%	272,270	278,175	-
ESR Cayman Limited (*2)	Cayman Islands	12.5%	493,540	588,286	382,040
Eureka Midstream Holdings	USA	40.0%	465,582	462,154	434,164
Peru LNG Company, LLC	Peru	20.0%	331,144	290,432	274,738
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	337,513	334,331
Hana Card Co., Ltd. (*2)	Korea	15.0%	253,707	285,014	280,988
Yemen LNG Company Ltd. (*2)	Yemen	6.9%	252,813	-	-
Korea IT Fund (*3)	Korea	63.3%	242,170	272,475	257,003
Canakkale Highway And Bridge	Turkey	25.0%	88,512	58,978	22,160
Eurasia Tunnel	Turkey	50.0%	112,726	227,768	198,645
Socar, Inc.	Korea	23.6%	91,800	84,032	82,720
Xe-Pian Xe-Namnoy Power Company	Laos	26.0%	82,917	65,786	53,159
SM Core, Inc.	Korea	26.7%	75,948	74,323	75,500
NanoEnTek, Inc.	Korea	27.1%	68,996	60,989	61,861
Korea Ras Laffan LNG Limited (*2)	Bermuda	8.0%	65,435	61,315	58,081
SM Culture & contents	Korea	23.4%	65,341	63,220	64,965
TSK Water Co., Ltd. (*4)	Korea	-	-	-	61,926
Others				624,511	504,256
				<u>15,860,998</u>	<u>12,810,908</u>
Joint ventures (*5):					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	488,809	750,813	681,901
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	484,748	430,170
Hana Land Chip PEF 33 (*3)	Korea	65.2%	196,001	259,757	221,081
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	87,374	91,907
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	108,323	112,502	105,117
SKC-Kolon PI Co., Ltd.	Korea	27.0%	83,753	97,171	94,730
Others				194,871	193,688
				<u>1,987,236</u>	<u>1,818,594</u>
				<u>₩17,848,234</u>	<u>₩14,629,502</u>

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

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

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

(*4) The Group has reclassified the remaining equity interest from the investments in associates to financial assets measured at FVOCI since the current period due to the sale of a portion of the equity interest of the investee and the loss of significant influence on the investee.

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

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

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

		For the nine months ended September 30, 2017							
		Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments (*1)	Other capital movements	Dividends received	Others (*1)	Ending balance
Associates		₩ 9,960,402	₩ 522,937	₩ (12,901)	₩ 1,508,624	₩ (51,286)	₩(152,870)	₩ (44,818)	₩ 11,730,088
Joint ventures		1,599,497	26,776	-	175,850	(1,267)	(22,475)	(2,416)	1,775,965
		<u>₩11,559,899</u>	<u>₩ 549,713</u>	<u>₩ (12,901)</u>	<u>₩ 1,684,474</u>	<u>₩ (52,553)</u>	<u>₩(175,345)</u>	<u>₩ (47,234)</u>	<u>₩13,506,053</u>

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

(3) Details of unrecognized changes in equity method caused by discontinuing the application of equity method as of September 30, 2018 are as follows (Korean won in millions):

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	\ 57,042	\ 14,121	\ 71,163
Harmony Country Club	4,774	(236)	4,538
SK Telesys Corporation	3,960	-	3,960
Wave City Development Co., Ltd.	2,100	8,115	10,215
Daehan Kanggun BcN Co., Ltd. and others	5,316	4,625	9,941

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

(4) Condensed financial information of significant investments in associates and jointly controlled entities as of September 30, 2018 are as follows (Korean won in millions):

	As of and for the nine months ended September 30, 2018						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
Associates:							
SK Hynix Inc.	17,700,533	39,676,719	10,002,009	3,886,416	30,506,985	12,142,065	12,144,585
China Gas Holdings Ltd.	3,566,659	8,197,997	3,885,553	3,186,589	4,478,079	413,425	678,812
NHIP II Bison Holdings, LLC	27,815	393,990	46,298	189,604	-	16,632	24,180
Eureka Midstream Holdings	31,210	727,985	35,050	225,325	-	31,558	81,782
Peru LNG Company, LLC	283,519	2,540,751	212,989	1,158,933	748,247	(151,359)	(64,271)
Daehan Oil Pipeline Corporation	147,926	919,155	55,619	233,060	121,291	25,895	25,895
Hana Card Co., Ltd.	7,962,996	217,835	1,579,306	5,049,058	1,204,993	80,068	79,528
Korea IT Fund	131,443	298,781	-	-	35,521	26,745	17,148
Canakkale Highway And Bridge	464,217	584,393	31,477	781,222	-	(436)	(436)
Eurasia Tunnel	198,582	1,353,521	158,941	953,114	7,749	51,948	52,468
Socar, Inc.	59,736	174,945	58,357	83,678	115,264	(19,945)	(19,945)
Xe-Pian Xe-Namnoy Power Company Company	42,327	958,785	22,170	672,157	-	1,119	1,119
SM Core, Inc.	63,040	28,171	14,201	3,322	56,717	(1,282)	(1,428)
NanoEnTek, Inc.	22,302	19,069	7,243	2,533	19,042	2,608	2,760
Korea Ras Laffan LNG Limited	1,056	786,756	94	21,277	86,673	85,316	85,316
Joint ventures:							
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	440,869	2,074,324	399,805	67,731	2,138,322	252,354	252,354
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	549,316	885,307	344,277	82,194	935,595	112,211	115,778
Hana land chip PEF 33	17,453	711,400	15,927	314,483	92,295	83,955	83,955
SABIC SK Nexlene Company Pte. Ltd.	173,168	568,529	139,916	334,321	243,895	(837)	(21,326)
Boryeong LNG Terminal Co., Ltd.	201,180	1,162,352	85,343	1,092,004	107,369	16,296	16,291
SKC-Kolon PI Co., Ltd.	129,921	239,900	69,363	43,462	203,273	32,269	32,269

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10. Property, plant and equipment

(1) Details of property, plant and equipment as of September 30, 2018, and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018	December 31, 2017
Acquisition cost	₩ 52,579,123	₩ 49,598,443
Accumulated depreciation and accumulated impairment loss	(11,277,557)	(8,312,025)
	<u>₩ 41,301,566</u>	<u>₩ 41,286,418</u>

(2) Changes in property, plant and equipment for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

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

	For the nine months ended September 30, 2017						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,994,777	₩ 111,070	₩ 16,266	₩ (389,439)	-	₩ 89,228	₩ 9,821,902
Buildings	3,365,986	383,345	2,781	(16,704)	(113,321)	287,910	3,909,997
Structures	1,313,084	29,025	18,962	(18,471)	(77,266)	290,155	1,555,489
Ships and vessels	2,671,277	-	-	-	(94,693)	(74,755)	2,501,829
Machinery and equipment	15,680,963	262,228	355,640	(34,534)	(2,278,313)	2,958,197	16,944,181
Vehicles	825,012	2,669	138,097	(4,550)	(100,780)	(56,813)	803,635
Others	3,029,187	9,222	720,020	(29,398)	(464,916)	(181,449)	3,082,666
Construction-in-progress	4,152,219	81,435	2,086,432	(4,957)	-	(3,908,833)	2,406,296
	<u>₩ 41,032,505</u>	<u>₩ 878,994</u>	<u>₩ 3,338,198</u>	<u>₩ (498,053)</u>	<u>₩ (3,129,289)</u>	<u>₩ (596,360)</u>	<u>₩ 41,025,995</u>

(*1) This includes transfer of construction-in-progress to depreciable assets, transfer to investment properties, net foreign exchange differences, and retrospective adjustments of identifiable net assets due to business combinations.

11. Investment property

(1) Details of investment property as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018	December 31, 2017
Acquisition cost	₩ 594,513	₩ 659,702
Accumulated depreciation and accumulated impairment loss	(35,791)	(36,856)
	<u>₩ 558,722</u>	<u>₩ 622,846</u>

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11. Investment property (cont'd)

(2) Changes in investment property for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

For the nine months ended September 30, 2018						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 307,436	₩ 13,917	₩ (23,680)	₩ -	₩ 2,504	₩ 300,177
Buildings	314,736	-	(48,856)	(5,990)	(1,997)	257,893
Structures	674	-	-	(22)	-	652
	<u>₩ 622,846</u>	<u>₩ 13,917</u>	<u>₩ (72,536)</u>	<u>₩ (6,012)</u>	<u>₩ 507</u>	<u>₩ 558,722</u>

For the nine months ended September 30, 2017						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 384,725	₩ 285	₩ (2,266)	₩ -	₩ (37,840)	₩ 344,904
Buildings	341,449	2,091	(1,071)	(7,102)	(19,795)	315,572
Structures	1,609	-	-	(71)	(867)	671
	<u>₩ 727,783</u>	<u>₩ 2,376</u>	<u>₩ (3,337)</u>	<u>₩ (7,173)</u>	<u>₩ (58,502)</u>	<u>₩ 661,147</u>

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

12. Goodwill

Changes in goodwill for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	September 30, 2018	September 30, 2017
Beginning balance	₩ 899,213	₩ 575,233
Business combination (see Note 34)	382,814	438,791
Others (*1)	(35,129)	31,559
Ending balance	<u>₩ 1,246,898</u>	<u>₩ 1,045,583</u>

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

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13. Intangible assets

Details of intangible assets for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

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

	For the nine months ended September 30, 2017						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	77,867	518	30,710	(1,115)	(17,152)	6,655	97,483
Facility usage rights	54,435	7,050	1,688	(1,098)	(6,493)	(7)	55,575
Industrial property rights	126,524	-	2,640	(53)	(6,011)	(1,892)	121,208
Frequency usage rights	2,580,828	-	-	-	(302,916)	-	2,277,912
Customer-related assets	1,439,745	374,919	918	-	(103,030)	172	1,712,724
Membership (*1)	222,513	3,442	20,066	(17,861)	-	2,441	230,601
Development costs for petroleum resource	1,775,135	-	194,645	-	(73,025)	(38,786)	1,857,969
Brand-related assets (*1)	2,185,119	-	-	-	-	-	2,185,119
Developed technology	1,039,213	289,856	-	-	(95,723)	343	1,233,689
Others (*3)	1,695,778	3,135	78,788	(11,453)	(361,301)	417,312	1,822,259
	<u>11,197,157</u>	<u>678,920</u>	<u>329,455</u>	<u>(31,580)</u>	<u>(965,651)</u>	<u>386,238</u>	<u>11,594,539</u>

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

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

(*3) This comprises intangible assets recognized through business combination, software, usable and profitable donation assets and others.

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14. Borrowings and bonds payable

(1) Details of borrowings and bonds payable as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Short-term borrowings	\ 3,920,756	\ -	\ 2,999,032	\ -
Bonds and long-term borrowings:				
Bonds payable (*1)	4,790,185	21,439,384	5,290,911	18,193,965
Long-term borrowings	<u>1,170,501</u>	<u>5,484,921</u>	<u>1,257,235</u>	<u>5,165,553</u>
	<u>5,960,686</u>	<u>26,924,305</u>	<u>6,548,146</u>	<u>23,359,518</u>
	<u>\ 9,881,442</u>	<u>\ 26,924,305</u>	<u>\ 9,547,178</u>	<u>\ 23,359,518</u>

(*1) As of September 30, 2018, \ 61,422 million of the bonds are financial liabilities measured at FVTPL.

(2) Details of bonds payable as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018	December 31, 2017
SK Holdings Co., Ltd.	\ 6,320,000	\ 6,060,000
SK Innovation Co., Ltd.	1,316,350	634,990
SK Energy Co., Ltd.	1,980,000	1,730,000
SK Global Chemical Co., Ltd.	490,000	490,000
SK Incheon Petrochem Co., Ltd.	1,450,000	1,230,000
SK Lubricants Co., Ltd.	540,000	300,000
SK Telecom Co., Ltd.	5,816,662	5,470,238
SK Broadband Co., Ltd.	2,077,620	1,631,420
iriver Co., Ltd.	5,479	5,558
SK Networks Co., Ltd.	1,240,000	1,160,000
SK Magic Co., Ltd.	110,000	40,000
SKC Co., Ltd.	630,000	680,000
SKC Solmics Co., Ltd.	52,254	59,000
SK Telesys Co., Ltd.	30,000	40,000
SK Shipping Co., Ltd.	707,254	517,428
SK E&S Co., Ltd.	840,000	1,040,000
Paju Energy Service Co., Ltd.	500,000	500,000
Wirye Energy Service Co., Ltd.	385,000	385,000
Narae Energy Service Co., Ltd.	40,000	80,000
SK Engineering & Construction Co., Ltd.	795,000	795,000
SK Materials Co., Ltd.	340,000	200,000
SK Siltron Co., Ltd.	<u>390,000</u>	<u>180,000</u>
Sub-total	26,055,619	23,228,634
Addition: premium on bonds payable	173,950	256,242
Less: current portion	<u>(4,790,185)</u>	<u>(5,290,911)</u>
Total	<u>\ 21,439,384</u>	<u>\ 18,193,965</u>

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14. Borrowings and bonds payable (cont'd)

(3) Details of long-term borrowings as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Financial institution	Description	Interest rate (%)	September 30, 2018	December 31, 2017
Korea Development Bank and others	General	0.75 ~ 7.22	₩ 1,617,059	₩ 1,493,559
Korea Development Bank and others (*1)	Fund for facility	1.75 ~ 5.37	2,142,428	1,939,243
Industrial and Commercial Bank of China and others	Foreign borrowings	1.70 ~ 6.00	771,488	496,621
Korea Energy Agency (*2)	Fund for mine exploration	0.00 ~ 7.00	55,784	81,757
Econg 1st Co., Ltd. and others	Callable preferred share	2.95 ~ 6.40	250,000	450,000
Korea Development Bank and others	Fund for operation	2.20 ~ 2.78	358,713	499,741
Korea Development Bank and others	Fund for supply pipeline	1.75	8,589	12,512
Kookmin Bank	Fund for catalyzing information	-	-	717
KEB Hana Bank and others	Fund for reasonable energy consumption	1.75 ~ 1.80	5,512	6,245
NH Bank	Fund for safety management	1.75	742	1,121
Citibank and others (*3)	Takeover	LIBOR(3M) + 1.00	211,413	203,566
Special situation 1st LLC and others	Others	3.07, 3.14, 3.20	<u>1,231,906</u>	<u>1,231,906</u>
Sub-total			6,653,634	6,416,988
Addition: premium			1,788	5,800
Less: current portion			<u>(1,170,501)</u>	<u>(1,257,235)</u>
Total			<u>₩ 5,484,921</u>	<u>₩ 5,165,553</u>

(*1) The borrowings from Korea Development Bank amounting to ₩119,887 million of SK Global Chemical Co., Ltd., a subsidiary of the Company, are related to the facility borrowings of Ulsan Aromatics Co., Ltd., which is accounted for as joint operation, and the amount of the Group's repayment obligation according to the cash deficiency support agreement is recorded as borrowings as of September 30, 2018.

(*2) As of September 30, 2018, the Group holds loans from Korea Energy Agency for the purpose of oil exploration and development in which there is no repayment obligation in case for failure in exploration for ₩46,929 million.

(*3) SK Global Chemical Co., Ltd., one of the subsidiaries, has a repayment obligation for borrowings of SK Global Chemical Americas, Inc. in the event of default. The purpose of the borrowings of SK Global Chemical Americas, Inc. was to acquire The Dow Chemical Company's EAA business domiciled in the US and Spain and its tangible-intangible assets.

This long-term borrowings can be amortized with the equal principal payment plan or repaid with a lump sum payment at maturity, and financial instruments of the consolidation entity are provided as collateral. (See Note 31)

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15. Provisions

Changes in the provisions for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	For the nine months ended September 30, 2018						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	\ 65,372	\ -	\ 4,400	\ (1,343)	\ 68,429	\ 3,516	\ 64,913
Provision for handset subsidy	3,874	-	-	(3,874)	-	-	-
Provision for service / construction warranties	61,576	-	8,053	(11,167)	58,462	58,462	-
Provision for restoration	114,921	1,965	9,377	(4,062)	122,201	45,011	77,190
Provision for losses on contracts	27,596	-	25,795	(51,138)	2,253	2,253	-
Other provisions	140,463	89	38,068	(63,989)	114,631	45,785	68,846
	<u>\ 413,802</u>	<u>\ 2,054</u>	<u>\ 85,693</u>	<u>\ (135,573)</u>	<u>\ 365,976</u>	<u>\ 155,027</u>	<u>\ 210,949</u>

	For the nine months ended September 30, 2017						
	Beginning balance	Business combination	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	\ 16,036	\ 1,413	\ 6,713	\ (4,297)	\ 19,865	\ 4,200	\ 15,665
Provision for handset subsidy	24,711	-	2	(6,736)	17,977	17,977	-
Provision for service / construction warranties	57,561	-	9,164	(13,195)	53,530	53,530	-
Provision for restoration	116,019	-	11,109	(10,710)	116,418	40,791	75,627
Provision for losses on contracts	155,154	418	17,714	(106,954)	66,332	66,332	-
Other provisions	155,653	26	17,796	(105,062)	68,413	57,979	10,434
	<u>\ 525,134</u>	<u>\ 1,857</u>	<u>\ 62,498</u>	<u>\ (246,954)</u>	<u>\ 342,535</u>	<u>\ 240,809</u>	<u>\ 101,726</u>

16. Retirement benefit obligation

(1) Details of retirement benefit obligation as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	September 30, 2018	December 31, 2017
Present value of defined benefit obligation	\ 2,543,932	\ 2,260,864
Fair value of plan assets (*1)	(2,058,783)	(2,049,033)
Total	<u>\ 485,149</u>	<u>\ 211,831</u>

(*1) The Group has recognized \ 5,989 million and \ 45,952 million as defined benefit assets as of September 30, 2018 and December 31, 2017, respectively.

(2) Changes in the retirement benefit obligation for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	For the nine months ended September 30, 2018		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 2,260,864	₩ (2,049,033)	₩ 211,831
Business combination	45,508	(28,736)	16,772
Provision for pension benefits:			
Current service cost	263,588	-	263,588
Past service cost	649	-	649
Net interest expense (income)	49,911	(45,914)	3,997
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	18,988	18,988
Actuarial changes arising from changes in financial assumptions and others	41,250	-	41,250
Contributions by employer directly to plan assets	-	(72,496)	(72,496)
Benefit paid	(132,106)	144,524	12,418
Others	14,268	(26,116)	(11,848)
Ending balance	<u>₩ 2,543,932</u>	<u>₩ (2,058,783)</u>	<u>₩ 485,149</u>

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16. Retirement benefit obligation (cont'd)

	<u>For the nine months ended September 30, 2017</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Total</u>
Beginning balance	₩ 1,961,251	₩ (1,770,247)	₩ 191,004
Business combination	131,744	(93,050)	38,694
Provision for pension benefits:			
Current service cost	253,565	-	253,565
Net interest expense (income)	38,058	(34,077)	3,981
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expenses)	-	7,533	7,533
Actuarial changes arising from changes in financial assumptions and others	8,075	-	8,075
Contributions by employer directly to plan assets	-	(89,376)	(89,376)
Benefit paid	(148,297)	143,391	(4,906)
Others	31,255	(16,599)	14,656
Ending balance	<u>₩ 2,275,651</u>	<u>₩ (1,852,425)</u>	<u>₩ 423,226</u>

17. Other assets and liabilities

(1) Details of other assets as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current assets:		
Short-term loans	\ 118,396	\ 123,130
Accrued income	57,041	44,240
Advance payments	968,736	793,180
Prepaid expenses	2,376,187	721,801
Held-to-maturity investments	-	45
Guarantee deposits	210,502	209,181
Derivative financial assets	153,016	92,413
Finance lease receivables	96,977	73,199
Other contract assets	97,421	-
Others	15,404	34,361
	<u>\ 4,093,680</u>	<u>\ 2,091,550</u>
Non-current assets:		
Long-term prepaid expenses	\ 1,833,375	\ 1,079,822
Long-term loans	445,637	378,534
Held-to-maturity investments	-	825
Guarantee deposits	793,169	740,326
Derivative financial assets	45,985	282,229
Finance lease receivables	593,566	168,490
Other long-term contract assets	36,799	-
Defined benefit assets (*1)	5,989	45,952
Others	108,449	126,764
	<u>\ 3,862,969</u>	<u>\ 2,822,942</u>

(*1) The excess amount of certain plans in the Group has not been offset because the amount was not entitled and intended to settle the defined benefit obligation of other plans (see Note 16).

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17. Other assets and liabilities (cont'd)

(2) Details of other liabilities as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current liabilities:		
Accrued expenses	\ 2,954,910 \	2,875,130
Dividends payable	1,528	1,423
Advance received	1,920,960	1,947,370
Unearned revenue	78,403	255,149
Withholdings	1,936,204	1,943,249
Leasehold deposits received	145,353	162,965
Income tax payable	703,298	895,672
Derivative financial liabilities	137,568	147,285
Finance lease liabilities	2,762	1,676
Finance guarantee liabilities	7	50
Other contract liabilities	99,792	-
Others	46,299	1,029
	<u>\ 8,027,084 \</u>	<u>\ 8,230,998</u>
Non-current liabilities:		
Long-term unearned revenue	\ 463,300 \	413,046
Leasehold deposits received	321,331	310,050
Derivative financial liabilities	44,997	33,702
Finance lease liabilities	9,927	10
Financial guarantee liabilities	18,471	11,933
Other long-term contract liabilities	20,299	-
Others (*1)	348,206	370,750
	<u>\ 1,226,531 \</u>	<u>\ 1,139,491</u>

(*1) Long-term retirement benefit obligation amounting to \ 55,253 million and \ 54,679 million is included in others as of September 30, 2018 and December 31, 2017, respectively.

18. Derivative financial assets and liabilities

(1) Details of derivative financial assets and liabilities as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>September 30, 2018</u>		<u>December 31, 2017</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Firm contracts	\ 28,807 \	-	\ 9,320 \	-
Swap contracts	(23,741)	22,792	(77,784)	41,234
Forward contracts	239	(9,139)	13,182	(17,502)
Futures contracts	10,154	287	420	-
Options contracts	(11)	(12,952)	(10)	-
Embedded derivative	-	-	-	224,795
	<u>\ 15,448 \</u>	<u>\ 988</u>	<u>\ (54,872)</u>	<u>\ 248,527</u>
Derivative financial assets	\ 153,016 \	45,985	\ 92,413 \	282,229
Derivative financial liabilities	(137,568)	(44,997)	(147,285)	(33,702)

19. Equity

19.1 Issued capital

Details of issued capital as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Number of shares authorized for issued	400,000,000	400,000,000
Per share (Korean won)	\ 200	\ 200
Number of shares issued:		
Ordinary share	70,360,297	70,360,297
Preferred share	566,135	566,135
Issued capital:		
Ordinary share	\ 15,272	\ 15,272
Preferred share	113	113
	<u>\ 15,385</u>	<u>\ 15,385</u>

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

19.2 Other paid-in capital

Details of other paid-in capital as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Paid-in surplus (*1)	\ 5,605,831	\ 5,605,831
Treasury shares (*2)	(904,492)	(904,491)
Others	(540,382)	(588,865)
	<u>\ 4,160,957</u>	<u>\ 4,112,475</u>

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

(*2) As of September 30, 2018, treasury shares consists of those acquired to increase the enterprise value and to stabilize share price (3,514,276 ordinary shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,021,672 ordinary shares and 1,818 preferred shares) during the merger in 2015. Out of those shares, 3 ordinary shares were acquired during the current reporting period.

19.3 Retained earnings

Details of retained earnings as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Legal reserve (*1)	\ 7,693	\ 7,693
Voluntary reserve	65,230	71,563
Unappropriated retained earnings	11,629,658	9,758,363
	<u>\ 11,702,581</u>	<u>\ 9,837,619</u>

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

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19.4 Other capital components

Details of other capital components as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Net gain on valuation of financial assets measured at FVOCI	6,596	-
Net gain on valuation of available-for-sale financial assets	-	60,324
Changes in equity in equity method	(24,966)	(153,763)
Net loss on valuation of cash flow hedges	(31,977)	(7,752)
Net loss on translation of foreign operation	(116,730)	(214,606)
Net gain (loss) on foreign currency translation	11,142	10,400
	<u>(155,935)</u>	<u>(305,397)</u>

19.5 Stock Option

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

	<u>1-1</u>	<u>1-2</u>	<u>1-3</u>
Grant date	2017-03-24		
Types of shares to be issued	Ordinary shares		
Grant method	Reissue of treasury shares, but if the stock option's exercise price is lower than the stock's real price (evaluated based on exercise date), the Group may settle the difference in cash or with treasury shares equivalent to the difference amount.		
Number of shares (shares)	41,429	41,430	41,431
Exercise price (Korean Won)	226,290	224,400	263,950
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24
Vesting conditions	2 year service from the grant date	3 year service from the grant date	4 year service from the grant date

Share compensation expense recognized during the current reporting period is \ 1,190 million (total: \ 2,410 million) and the remaining share compensation expense to be recognized in later periods are \ 1,877 million.

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

	<u>1-1</u>	<u>1-2</u>	<u>1-3</u>
Risk-free interest rate	1.86%	1.95%	2.07%
Option life	5 Years	6 Years	7 Years
Expected price (Closing price on the preceding)	236,000	236,000	236,000
Expected volatility	16.78%	16.78%	16.78%
Rate of returns	1.60%	1.60%	1.60%
Exercise price	226,290	224,400	263,950
Fair value per share	38,317	34,200	30,962

19.5 Stock Option (cont'd)

2) Subsidiaries of the Company established a stock option program that entitles key management personnel an option to purchase ordinary shares. Share-based compensation expenses recognized under the share option program are as follows (Korean won in millions):

	<u>Current</u>	<u>Accumulated</u>	<u>Remaining</u>	<u>Total</u>
Subsidiaries of SK Innovation Co., Ltd. \	454 \	454 \	1,441 \	1,895
Subsidiaries of SK Telecom Co., Ltd.	567	981	1,131	2,112
Subsidiaries of SK Networks Co., Ltd.	169	169	578	747
Subsidiaries of SKC Co., Ltd.	335	335	950	1,285
Subsidiaries of SK E&S Co., Ltd.	149	298	212	510
Others	154	154	672	826
	<u>\ 1,828 \</u>	<u>\ 2,391 \</u>	<u>\ 4,984 \</u>	<u>\ 7,375</u>

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20. Selling and administrative expenses

Details of selling and administrative expenses for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Salaries	\ 300,011	\ 916,582	\ 279,469	\ 800,810
Provision for pension benefits	36,848	88,675	29,024	97,460
Employee welfare benefits	48,396	166,089	41,382	132,958
Travel	17,322	51,624	15,202	42,753
(Reversal of) Bad debt expenses	44,695	65,015	(24,362)	(16,855)
Communications	1,759	6,524	2,124	6,548
Utilities	9,892	29,216	11,424	31,409
Taxes and dues	33,047	69,769	21,136	54,110
Supplies	3,123	10,074	4,893	13,881
Rents	45,965	134,419	41,074	123,513
Depreciation	57,173	164,579	61,627	160,645
Amortization	47,014	135,849	36,484	110,360
Repairs	7,843	16,027	8,873	19,969
Insurance	7,984	24,299	7,265	23,170
Advertising	164,895	463,124	176,336	475,123
Research and development	95,493	269,491	87,000	224,217
Education and examination	18,650	56,919	17,027	40,908
Outsourcing technology services	151,289	481,823	159,899	435,247
Transport	85,584	314,502	174,634	500,091
Others	56,160	118,948	35,796	108,408
Total	\ 1,233,143	\ 3,583,548	\ 1,186,307	\ 3,384,725

21. Financial income and costs

Details of financial income and costs for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Interest income	\ 53,642	\ 174,600	\ 49,866	\ 161,103
Gain on foreign currency transactions	236,633	806,253	257,070	985,844
Gain (loss) on foreign currency translation	(7,554)	247,079	25,408	342,506
Gain on transactions of derivatives	169,585	481,583	132,210	502,631
Gain (loss) on valuation of derivatives	27,967	213,961	(11,901)	143,299
Others	17,654	22,251	30	32
Total	\ 497,927	\ 1,945,727	\ 452,683	\ 2,135,415

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Interest expenses	\ 306,088	\ 879,306	\ 232,511	\ 668,321
Loss on foreign currency transactions	369,355	936,666	259,693	955,097
Loss (gain) on foreign currency translation	(101,616)	292,312	31,628	314,911
Loss on transactions of derivatives	184,514	514,725	141,027	379,851
Loss (gain) on valuation of derivatives	130,432	303,312	80,055	213,436
Others	(2,767)	1,552	35	3,990
Total	\ 886,006	\ 2,927,873	\ 744,949	\ 2,535,606

SK Holdings Co., Ltd. and its subsidiaries
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22. Other non-operating income and expenses

Details of other non-operating income (expenses) for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Dividend income	\ 8,939	\ 29,401	\ 3,227	\ 24,271
Rental income	206	518	114	212
Gain on disposal of trade accounts receivable	-	-	2,119	6,254
Gain on disposal of available-for-sale financial assets	-	-	1,507	12,572
Gain on disposal of investments in subsidiaries and associates	88,428	97,034	60,639	93,419
Gain on disposal of property, plant and equipment	51,911	67,107	25,190	41,222
Gain on disposal of intangible assets	199	2,839	398	1,708
Gain on disposal of investment properties	11,723	11,764	342	453
Others	114,416	358,747	55,566	244,469
Total	\ 275,822	\ 567,410	\ 149,102	\ 424,580

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Loss on disposal of trade accounts receivable	\ 1,510	\ 10,106	\ 7,169	\ 15,070
Loss on disposal of available-for-sale financial assets	-	-	6,017	42,109
Loss on impairment of available-for-sale financial assets	-	-	12,012	31,894
Loss on disposal of investments in associates and joint ventures	9,923	54,215	65,090	65,139
Loss(Gain) on impairment of investments in associates	835	4,049	-	8,700
Loss on disposal of property, plant and equipment	23,865	101,131	16,904	48,314
Loss on impairment of property, plant and equipment	(751)	5,905	519	4,102
Loss on disposal of intangible assets	6,729	9,184	4,240	7,113
Loss on impairment of intangible assets	10,225	11,863	1	633
Loss on impairment of other investment properties	441	3,175	328	6,824
Donations	31,416	104,275	42,618	106,610
Others	92,269	296,602	29,237	162,857
Total	\ 176,462	\ 600,505	\ 184,135	\ 499,365

23. Expense classified based on nature of expense

Details of expense classified by nature for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Employee benefits	\ 1,501,953	\ 4,569,537	\ 1,476,113	\ 4,059,370
Depreciation and amortization	1,463,845	4,320,024	1,374,969	4,087,935
Network connection expenses	214,326	652,797	227,227	663,606
Transport	73,744	391,641	201,006	587,882
Advertising	154,771	457,081	175,939	474,282
Operating lease payments and rents	260,879	779,354	273,920	824,548
Other expenses	4,496,380	13,039,172	1,199,189	12,127,677
Use of raw materials and purchase of finished goods and merchandise	16,950,201	47,604,364	16,751,380	40,589,303
Changes in finished goods and Semi-finished goods	194,004	128,084	163,386	127,696
Total	\ 25,310,103	\ 71,942,054	\ 21,843,129	\ 63,542,299

24. Income taxes

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

Effective tax rates for the nine months ended September 30, 2018 and 2017 were 28.71% and 25.73%, respectively.

25. Earnings per share

(1) Basic earnings per share for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Net income attributable to owners of the Company	496,963	1,689,463	454,132	1,454,814
Less: preferred share dividends	(571)	(2,278)	(529)	(1,587)
Net income attributable to ordinary share owners of the Company	496,392	1,687,185	453,603	1,453,227
Weighted-average number of ordinary share outstanding (*1)	55,824,350	55,824,350	55,824,357	55,824,357
Basic earnings per share (Korean won) (*2)	8,892	30,223	8,126	26,032

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

(*2) Basic earnings per share are net income attributable to share owners of the parent per ordinary share.

The basis of calculating weighted-average number of ordinary shares for the three months and the nine months ended September 30, 2018 and 2017 is as follows:

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Weighted-average number of issued shares outstanding	70,360,297	70,360,297	70,360,297	70,360,297
Weighted-average number of treasury shares	(14,535,947)	(14,535,947)	(14,535,940)	(14,535,940)
Weighted-average number of ordinary shares outstanding	55,824,350	55,824,350	55,824,357	55,824,357

(2) Basic earnings per share from continuing operations

Basic earnings per share from continuing operations for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions, except basic earnings per share and weighted-average number of common shares outstanding):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Net income attributable to owners of the Company	496,392	1,687,185	453,603	1,453,227
Addition: gain (loss) from discontinued operations	(3,679)	(170,274)	(5,919)	(5,748)
Income from continuing operations attributable to owners of the Company	492,713	1,516,911	447,684	1,447,479
Weighted-average number of ordinary share outstanding	55,824,350	55,824,350	55,824,357	55,824,357
Basic earnings per share from continuing operations (Korean won)	8,826	27,173	8,019	25,929

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25. Earnings per share (cont'd)

(3) Basic earnings per share from discontinued operations

Basic earnings per share from discontinued operations for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions, except basic losses per share and weighted-average number of ordinary shares outstanding):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Gains from discontinued operations	\ 3,679	\ 170,274	\ 5,919	\ 5,748
Weighted-average number of ordinary share outstanding	<u>55,824,350</u>	<u>55,824,350</u>	<u>55,824,357</u>	<u>55,824,357</u>
Basic gains per share from discontinued operations (Korean won)	<u>\ 66</u>	<u>\ 3,050</u>	<u>\ 107</u>	<u>\ 103</u>

26. Transactions with related parties

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the consolidated financial statements as of and for the nine months ended September 30, 2018 and 2017.

(1) Details of significant transactions with the related parties for the three months and nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

Company name	September 30, 2018			
	Revenue		Expenses	
	Three months	Nine months	Three months	Nine months
Daehan Oil Pipeline Corporation	\ 23,028	\ 28,249	\ 9,882	\ 37,920
SABIC SK Nexlene Company Pte. Ltd.	-	-	42,404	108,977
Korea Nexlene Company	48,599	124,054	6	211
F&U Credit Information Co., Ltd.	774	2,211	13,668	42,047
SK Wyverns Baseball Club Co., Ltd.	339	1,015	3,403	20,119
Hana Card Co., Ltd.	3,151	12,089	3,907	11,749
SK Hynix Inc.	1,048,290	2,797,624	2,210	4,875
SK Hystec Inc.	12,119	34,831	847	1,825
SK Hyeng Inc.	11,335	28,171	1,291	5,613
SK Hynix Semiconductor (China) Ltd.	39,965	158,785	1,530	2,084
SK Hynix Semiconductor (Chongqing) Ltd.	6,482	17,882	-	22
SK Hynix Semiconductor HK Ltd.	-	-	207,917	702,441
SKC Evonik Peroxide Korea Co., Ltd.	-	2,910	13,303	36,507
Mitsui Chemicals & SKC Polyurethanes, Inc.	64,082	184,162	6,594	15,758
AnTS Co., Ltd.	23	126	15,737	41,336
Boryeong LNG Terminal Co., Ltd.	4,194	34,329	21,804	67,233
Eurasia Tunnel	1,101	3,057	-	-
XE-PIAN XE-NAMNOY Power Company	14,258	79,565	-	-
Hana land chip PEF 33	8,017	16,027	9,514	26,701
SK Discovery Co., Ltd. (Formerly, SK Chemicals Co., Ltd.) (*1)	276	802	-	-
SK Chemicals Co., Ltd. (*2)	27,043	163,666	40,862	106,134
SK Gas Co., Ltd.	132,323	360,263	88,261	229,558
SK Advanced Co., Ltd.	1,240	3,981	142	5,186
G. Hub Co., Ltd.	461	1,246	12,083	35,604
SK Gas International Pte. Ltd.	2,061	7,357	394	394
SK Securities Co., Ltd. (*3)	2,086	15,072	1	13
Others	<u>52,098</u>	<u>137,846</u>	<u>33,552</u>	<u>80,475</u>
	<u>\ 1,503,345</u>	<u>\ 4,215,320</u>	<u>\ 529,312</u>	<u>\ 1,582,782</u>

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

Company name	September 30, 2017			
	Revenue		Expenses	
	Three months	Nine months	Three months	Nine months
Daehan Oil Pipeline Corporation	\ 35,625	\ 41,245	\ 15,498	\ 40,042
SABIC SK Nexlene Company Pte. Ltd.	-	-	37,587	111,532
Korea Nexlene Company	27,356	105,018	571	948
F&U Credit Information Co., Ltd.	741	2,176	13,304	41,147
SK Wyverns Baseball Club Co., Ltd.	354	2,047	20	20,393
Hana Card Co., Ltd.	18,066	27,311	3,823	11,287
SK Hynix Inc.	1,057,507	1,866,743	670	1,779
SK Hystec Inc.	7,729	17,170	562	1,657
SK Hyeng Inc.	7,272	18,351	12,600	22,588
SK Hynix Semiconductor (China) Ltd.	46,699	100,079	65	508
SK Hynix Semiconductor (Chongqing) Ltd.	13,800	20,931	90	260
SK Hynix Semiconductor HK Ltd.	84	84	175,739	528,483
SKC Evonik Peroxide Korea Co., Ltd.	-	1,111	11,097	35,699
Mitsui Chemicals & SKC Polyurethanes, Inc.	58,716	171,014	3,999	13,518
AnTS Co., Ltd.	66	200	23,357	51,543
Boryeong LNG Terminal Co., Ltd.	9,946	32,996	13,290	71,842
Eurasia Tunnel	5,825	42,981	-	-
XE-PIAN XE-NAMNOY Power Company	21,991	121,135	-	-
Hana land chip PEF 33	-	7,861	8,830	25,282
SK Discovery Co., Ltd. (Formerly, SK Chemicals Co., Ltd.) (*1)	33,353	79,517	30,762	89,476
SK Chemicals Co., Ltd. (*2)	21,544	61,651	2,100	6,641
SK Gas Co., Ltd.	91,552	346,074	69,441	293,476
SK Advanced Co., Ltd.	252	6,211	5,514	11,031
G. Hub Co., Ltd.	453	1,301	11,752	34,890
SK Gas International Pte. Ltd.	3,582	14,780	-	-
SK Securities Co., Ltd.	6,100	20,153	75	193
Others	37,481	152,731	39,611	54,651
	<u>\ 1,506,094</u>	<u>\ 3,260,871</u>	<u>\ 480,357</u>	<u>\ 1,468,866</u>

(*1) As of December 1, 2017, SK Discovery Co., Ltd. (formerly, SK Chemicals Co., Ltd.) has been split into SK Discovery Co., Ltd. and SK Chemicals Co., Ltd.

(*2) SK Chemicals Co., Ltd. merged with SK Petrochemical Co., Ltd. on May 1, 2018. The transaction amount of SK Petrochemical Co., Ltd. is included in SK Chemicals Co., Ltd.

(*3) Although, not designated as related parties as defined in paragraph 9 of KIFRS 1024, the entity is designated as related parties based on the resolution made by the Securities and Futures Commission that conglomerate affiliates designated by the Fair Trade Commission are related parties based on the substance of relation as regulated by paragraph 10 of KIFRS 1024. The Group sold the entire shares in SK Securities Co., Ltd. to J&W BIG LLC on July 30, 2018, and thus SK Securities Co., Ltd. was excluded from the related parties.

26. Transactions with related parties (cont'd)

(2) Details of significant outstanding balances of receivables and payables with the related parties as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions):

Company name	September 30, 2018		December 31, 2017	
	Receivables	Payables	Receivables	Payables
	(*1)		(*1)	
Daehan Oil Pipeline Corporation	\ 30,281	\ 2,788	\ 578	\ 787
SABIC SK Nexlene Company Pte. Ltd.	3,892	28,369	2,803	32,597
Korea Nexlene Company	18,837	15	15,451	19
Korea Consortium Kazakh B.V.	146,170	-	146,170	-
F&U Credit Information Co., Ltd.	100	1,262	45	1,723
SK Wyverns Baseball Club Co., Ltd.	12	-	835	17
Wave City Development Co., Ltd.	69,696	-	72,696	-
Hana Card Co., Ltd.	6,138	10,598	1,427	11,107
SK Hynix Inc.	474,150	174,009	463,490	343,939
SK Hystec Inc.	9,636	503	7,073	348
SK Hyeng Inc.	4,688	469	3,455	7,628
SK Hynix Semiconductor (China) Ltd.	29,017	313	24,417	138

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SK Hynix Semiconductor (Chongqing) Ltd.	3,219	8,497	2,663	38
SK Hynix Semiconductor HK Ltd.	-	64,328	-	90,367
SKC Evonik Peroxide Korea Co., Ltd.	-	5,363	-	4,571
Mitsui Chemicals & SKC Polyurethanes, Inc.	10,928	3,734	10,626	2,575
AnTS Co., Ltd.	5	16,899	5	15,307
Boryeong LNG Terminal Co., Ltd.	3,972	2,472	5,104	-
Pentaport Development Co., Ltd.	79,744	5	97,807	3
Eurasia Tunnel	15,300	-	15,147	-
SK E&C JURONG Investment Singapore Pte. Ltd.	59,914	-	59,914	-
XE-PIAN XE-NAMNOY Power Company	41,611	28,279	29,925	30,558
SK Discovery Co., Ltd. (Formerly, SK Chemicals Co., Ltd.)	110	11	-	2
SK Chemicals Co., Ltd.	45,788	8,323	34,489	9,807
SK Gas Co., Ltd.	42,923	64,743	62,225	69,843
SK Advanced Co., Ltd.	296	37	578	1,294
G. Hub Co., Ltd.	190	4,068	237	4,204
SK Gas International Pte. Ltd.	-	-	1,058	-
SK Securities Co., Ltd.	-	-	3,394	-
Others	38,321	11,618	19,994	20,762
	<u>\ 1,134,938</u>	<u>\ 436,703</u>	<u>\ 1,081,606</u>	<u>\ 647,634</u>

(*1) The Company recognized bad debt expense amounting to \ 87,434 million and \ 9,198 million for the nine months ended September 30, 2018 and 2017, respectively. The Company recognized losses from write-off and others amounting to \ (-)31,824 million for the nine months ended September 30, 2018. The Company recognized the allowance for losses amounting to ₩354,526 million and ₩298,916 million as of September 30, 2018 and December 31, 2017, respectively.

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

(3) Details of significant treasury transactions with related-parties for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions and foreign currencies in thousands):

Company name	Currency	September 30, 2018		September 30, 2017	
		Loans	Collection	Loans	Collection
Yemen LNG Company Ltd.	USD	10,331	-	3,142	-
SK E&C USA, Inc.	KRW	-	-	-	2,420
Eurasia Tunnel	KRW	8,567	11,369	3,725	-
SKEC Jurong Investment	KRW	-	-	-	19,451
Springvale SK Kores Pty. Ltd.	AUD	-	-	3,000	-
SKC Hi-Tech&Marketing Co., Ltd. (*1)	KRW	-	-	4,900	3,900
Xian Tianlong Science and Technology Co., Ltd. (*2)	KRW	-	7,032	-	-

(*1) For the nine months ended September 30, 2017, SKC Co., Ltd., a subsidiary, acquired 51% equity ownership of SKC Hi-Tech & Marketing Co., Ltd. and has classified it as a subsidiary.

(*2) Excluded from affiliates during the nine months ended September 30, 2018 as the entire equity was sold.

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

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

Key management personnel consist of registered executives who are responsible for the planning, operation and control of the Company's business activities. Details of compensation for them for the three months and the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	September 30, 2018		September 30, 2017	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 2,442	₩ 7,326	₩ 1,383	₩ 3,956
Provision for pension benefits	343	1,989	152	1,513
Share compensation expense	397	1,190	397	824
Total	₩ 3,182	₩ 10,505	₩ 1,932	₩ 6,293

27. Discontinued operations

(1) Details of discontinued operations

The Company elected to discontinue its operation of used car sales business to close down its non-core business and to secure investment resources. The sale of SK Encarsales.com Ltd., for the online used car sales business was completed in January 2018, and the sale of assets and liabilities of offline Encar used car sales business segment was completed in April 3, 2018.

SK Innovation Co., Ltd., a subsidiary of the Group, decided to cease its operation of the flexible-copper-clad-laminate (FCCL) business in this period in order to focus on core business such as the exploration and development of oil and the production of batteries.

SK Innovation Co., Ltd., a subsidiary, reflected the gain or loss on discontinued operations which occurred from disposal of a portion of the assets of an optical material (TAC) business classified as discontinued operation prior to the current period.

SK Holdings Co., Ltd. and its subsidiaries
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27. Discontinued operations (cont'd)

SK Networks, Co., Ltd., a subsidiary of the Group, elected to close down its fashion business and duty-free business in 2016, resources business and business in Shenyang and Dandong in the current year to strengthen its financial soundness and secure investment resources. SK Networks Co., Ltd. completed the sale of its fashion business in February 2017, and cleared the assets and liabilities of the duty-free business in 2017. In addition, the resources business and businesses in Shenyang and Dandong are in the process of disposing of the legal entity and assets.

(2) Income and expenses from the discontinued operation for the nine months ended September 30, 2018 and 2017 are as follows (in millions of Korean won):

	For the nine months ended September 30, 2018					Total
	Used car Business in SK Holdings Co., Ltd.	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd.	Resource business and others in SK Networks Co., Ltd.		
	₩	₩	₩	₩	₩	
Revenue	321,401	180,884	78,626	40,195	621,106	
Expense	281,262	-	61,520	46,121	388,903	
Gain (loss) before income tax expense	40,139	180,884	17,106	(5,926)	232,203	
Income tax expense (benefit)	9,202	43,774	4,704	(687)	56,993	
Gain (loss) from discontinued operation attributable to Owners of the Company	₩ 30,937	₩ 137,110	₩ 12,402	₩ (5,239)	₩ 175,210	
Non-controlling interests	-	-	8,060	(3,124)	4,936	

	For the nine months ended September 30, 2017					Total
	Used car Business in SK Holdings Co., Ltd.	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd.	Resource business and others in SK Networks Co., Ltd.		
	₩	₩	₩	₩	₩	
Revenue	722,316	31,654	70,400	136,496	960,866	
Expense	710,929	16,272	77,712	161,678	966,591	
Gain (loss) before income tax expense	11,387	15,382	(7,312)	(25,182)	(5,725)	
Income tax expense (benefit)	1,751	3,374	(1,770)	(4,592)	(1,237)	
Gain (loss) from discontinued operation attributable to Owners of the Company	₩ 9,636	₩ 12,008	₩ (5,542)	₩ (20,590)	₩ (4,488)	
Non-controlling interests	-	6,004	(1,836)	(8,056)	5,748	
		6,004	(3,706)	(12,534)	(10,236)	

(3) Details of cash flows relating to discontinued operation for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	For the nine months ended September 30, 2018					Total
	Used car Business in SK Holdings Co., Ltd.	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd.	Resource business and others in SK Networks Co., Ltd.		
	₩	₩	₩	₩	₩	
Cash flow from operating activities	24,976	-	17,234	1,803	44,013	
Cash flow from investing activities	187,661	182,606	(699)	(370)	369,198	
Cash flow from financing activities	(16)	-	-	495	479	

	For the nine months ended September 30, 2017					Total
	Used car Business in SK Holdings Co., Ltd.	SK Encarsales .com Ltd.	FCCL business and others in SK Innovation Co., Ltd.	Resource business and others in SK Networks Co., Ltd.		
	₩	₩	₩	₩	₩	
Cash flow from operating activities	23,637	12,910	(1,843)	4,328	39,032	
Cash flow from investing activities	(9,175)	(17,533)	(1,272)	355,410	327,430	
Cash flow from financing activities	27	(10,458)	-	(81,411)	(91,842)	

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28. Non-current assets and non-current liabilities classified as held for sale

Details of non-current assets and non-current liabilities held for sale as of September 30, 2018 are as follows (Korean won in millions):

		September 30, 2018	
		Assets	Liabilities
Subsidiaries	Daiyang SK Networks San. VE TIC. Ltd. STI	₩ 765	₩ 654
Business segment	Fashion business segment (*1)	564	43
	Resources business segment and others (*2)	233,688	94,360
		<u>₩ 235,017</u>	<u>₩ 95,057</u>

(*1) As SK Networks, Co., Ltd., a subsidiary of the Group, decided to transfer the fashion business in 2016, the assets and liabilities held-for-sale are classified as non-current assets and liabilities, and are measured at the lower of their carrying amount and fair value less costs to sell.

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

29. Cash flow information

(1) Details of non-cash adjustments for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2018	September 30, 2017
Provision for pension benefits	₩ 268,235	₩ 257,546
Depreciation	3,354,112	3,136,462
Amortization	975,632	965,651
(Reversal of) Bad debt expenses	64,961	(21,313)
Valuation loss on inventories	555	176
Interest expenses	890,548	572,624
Loss on foreign currency translation	294,615	316,542
Loss on transactions of derivatives	516,137	382,253
Loss on valuation of derivatives	303,437	249,043
Loss on disposal of trade accounts receivable	10,106	8,816
Loss on disposal of available-for-sale financial assets	-	42,109
Loss on impairment of available-for-sale financial assets	-	31,894
Loss on disposal of investments in subsidiaries and associates	54,215	65,139
Loss on disposal of property, plant and equipment	101,208	64,428
Loss on impairment of property, plant and equipment	5,905	19,461
Loss on disposal of intangible assets	9,184	7,113
Loss on impairment of intangible assets	11,863	633
Income tax expense	1,905,621	1,446,870
Gain related to investments in associates and joint ventures	(2,773,455)	(1,684,474)
Interest income	(176,185)	(161,805)
Dividends income	(29,401)	(24,271)
Gain on foreign currency translation	(249,363)	(344,795)
Gain on transactions of derivatives	(483,245)	(507,736)
Gain on valuation of derivatives	(214,368)	(139,288)
Gain on disposal of available-for-sale financial assets	-	(12,572)
Gain on disposal of investments in subsidiaries and associates	(305,969)	(93,419)
Gain on disposal of property, plant and equipment	(77,933)	(41,238)
Gain on disposal of intangible assets	(2,839)	(1,708)
Others	(103,276)	125,610
	<u>₩ 4,350,300</u>	<u>₩ 4,659,751</u>

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29. Cash flow information (cont'd)

(2) Details of working capital adjustments for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2018	September 30, 2017
Inventories	₩ (1,497,793)	₩ (1,200,699)
Trade accounts receivable	(592,033)	255,184
Other accounts receivable	(1,658)	89,701
Trade accounts payable	(140,017)	(448,516)
Other accounts payable	260,838	328,083
Advance received	(32,806)	59,299
Defined benefit obligation	(117,838)	(117,042)
Plan assets	45,912	37,416
Others	(478,606)	(88,948)
	<u>₩ (2,554,001)</u>	<u>₩ (1,085,522)</u>

(3) Significant non-cash transactions for the nine months ended September 30, 2018 and 2017 are as follows (Korean won in millions):

	For the nine months ended	
	September 30, 2018	September 30, 2017
Decrease in other accounts payable due to acquisition of property, plant and equipment and others	₩ (567,787)	₩ (193,303)

30. Commitments and contingencies

(1) Guarantees provided for the Group as of September 30, 2018 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 Cooperative	KRW	255,156	Performance guarantees for contract and others	
	Seoul Guarantee Insurance	KRW	1,091	Performance guarantees for contract and others	
	Korea Eximbank	USD	1,225	Performance guarantees for contract and others	
	Korea Trade Insurance Corporation	USD	1,077	Guarantee of payment	
SK Engineering & Construction Co., Ltd.	HSBC and others	USD	936,749	Performance guarantees for overseas construction and others	
		SGD	52,040	Performance guarantees for overseas construction and others	
		KWD	100,677	Performance guarantees for overseas construction and others	
		QAR	513,051	Performance guarantees for overseas construction and others	
		TRY	33,786	Performance guarantees for overseas construction and others	
		SAR	250,156	Performance guarantees for overseas construction and others	
		THB	1,077,216	Performance guarantees for overseas construction and others	
		CAD	50,000	Performance guarantees for overseas construction and others	
		KZT	123,344	Performance guarantees for overseas construction and others	
		VND	680,937,894	Performance guarantees for overseas construction and others	
		HKD	20,061	Performance guarantees for overseas construction and others	
		IQD	2,860,000	Performance guarantees for overseas construction and others	
		KEB Hana Bank	USD	127,882	Performance guarantees for overseas construction and others
			EUR	239,477	Performance guarantees for overseas construction and others
		Shinhan Bank	USD	6,371	Performance guarantees for overseas construction and others
Korea Eximbank	USD	298,222	Performance guarantees for overseas construction and others		

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30. Commitments and contingencies (cont'd)

Guarantee	Guarantor	Currency	Amount	Description of guarantee
		SAR	128,276	Performance guarantees for overseas construction and others
		VND	253,962,932	Performance guarantees for overseas construction and others
		EUR	60,750	Performance guarantees for overseas construction and others
	Construction Guarantee Cooperative	KRW	2,734,866	Performance guarantees for domestic construction and others
	Seoul Guarantee Insurance	KRW	490,802	Performance guarantees for domestic construction and others
	Korea Housing Guarantee Co., Ltd.	KRW	2,792,481	Housing guarantees and others
	Engineering Financial Cooperative	KRW	1,341,215	Domestic construction contract
SK Forest Co., Ltd.	Construction Guarantee Cooperative	KRW	17,746	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	22,826	Performance guarantees for contract and others
Iberian Lube Base Oils S.A.	REPSOL Petroleo	EUR	9,000	Guarantee of debt
SK Shipping Co., Ltd.	Seoul Guarantee Insurance	KRW	34,850	Performance guarantees for overseas transportation contract and others
	Shinhan Financial Investment	USD	20,000	Stand by L/C
SK B&T Pte. Ltd.	KEB Hana Bank	USD	1,000	Guarantee for acquiring the license
HHIENS 1 Shipholding S.A.	KEB Hana Bank	USD	142,958	Performance guarantees for shipbuilding
HHIENS 2 Shipholding S.A.	Korea Eximbank	USD	142,958	Performance guarantees for shipbuilding
DSIC VLOC1 Shipholding S.A.	China Construction Bank	USD	14,840	Performance guarantees for shipbuilding
DSIC VLOC2 Shipholding S.A.	China Construction Bank	USD	14,840	Performance guarantees for shipbuilding
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	393	Performance guarantees for contract and others
Yeongnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,118	Guarantee of warranties and approval
Chonnam energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	83	Performance guarantees for contract and approval
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	2,160	Community energy service facility management, consignment operating agreement and others
Jeonbuk energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	109	Performance guarantees and guarantee of warranties
Chungcheong energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,717	Performance guarantees for construction and others
Ko-one energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,152	Performance guarantees for contract
Paju energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	477	Deposits for safety management and others
Narae energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,076	Performance guarantees for contract
Wirye energy service Co., Ltd.	Seoul Guarantee Insurance	KRW	3,440	Deposits for safety management and others
Kangwon City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	667	Performance guarantees for contract and others
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	2,934	Guarantee of warranties and contract
SKC Infra Service Co., Ltd.	Seoul Guarantee Insurance	KRW	7,228	Guarantee of warranties and contract
SK Bioland Co., Ltd.	Seoul Guarantee Insurance	KRW	134	Guarantee of payment
SKC Solmics Co., Ltd.	Shinhan Bank	USD	20,000	Guarantee of FRN issue
SKC Hightech & Marketing Co., Ltd.	KEB Hana Bank	USD	27,000	Guarantee of FRN issue
SK Networks Co., Ltd.	KEB Hana Bank	KRW	2,000	Contract of supply of goods
	Woori Bank	KRW	547	Performance guarantees for sales
SK Networks Service Co., Ltd. and others	Seoul Guarantee Insurance	KRW	6,423	Performance guarantees for sales
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	14,091	Performance insurances for warranties and others
	Machinery Financial Cooperative	KRW	4,558	Performance insurances for warranties and others
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	514	Guarantee of home-shopping payment and others
SK Pinx Co., Ltd.	Seoul Guarantee Insurance	KRW	233	Performance guarantees for sales
SK Telink Co., Ltd.	KB Insurance Co., Ltd.	KRW	3,330	Performance guarantees for contract
	Seoul Guarantee Insurance	KRW	12,432	Performance guarantees for contract
SK Communications Co., Ltd.	Seoul Guarantee Insurance and others	KRW	118	Guarantee of bonds provisional deposit and others
SK Planet Co., Ltd.	Seoul Guarantee Insurance	KRW	10,898	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	1,603	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Kookmin Bank and others	KRW	24,841	Guarantee of warranties-contract and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance and others	KRW	934	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	236	Performance guarantees
iriver Co., Ltd.	Seoul Guarantee Insurance	KRW	211	Performance guarantees for contract
NSOK Co., Ltd.	Seoul Guarantee Insurance	KRW	886	Performance guarantees insurance for contract
One store Co., Ltd.	KEB Hana Bank	KRW	100	Guarantee of Korean won payment method
SK Store Co., Ltd.	Kookmin Bank	KRW	100	Specific debt guarantee
11street Co., Ltd.	KEB Hana Bank	KRW	950	Performance guarantees and others
SK Biotek Co., Ltd.	Seoul Guarantee Insurance	KRW	6,033	Performance guarantees and others

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30. Commitments and contingencies (cont'd)

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	21,148	Guarantee of bid payment and others
Happynarae Co., Ltd.	Seoul Guarantee Insurance	KRW	1,262	Performance guarantees insurance
SK Materials Taiwan Co., Ltd.	Korea Development Bank	USD	3,000	Guarantee of debt

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, has been provided performance guarantees for domestic construction by other construction companies amounting to ₩424,941 million as of September 30, 2018.

(2) Guarantees provided to others as of September 30, 2018 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL and others	KWD	5,881	Performance guarantees for contract and others
	Pohang Clean Water Co., Ltd. and others	USD	1,301	Performance guarantees for contract and others
	Hwaseong Jungnam General Industrial Complex Co., Ltd.	KRW	520,085	Supplementing funds for principal and interest of loan
	Howon elementary school area redevelopment maintenance business association	KRW	36,400	Guarantee of project financing payment
	Gwacheon area II housing reconstruction maintenance business association	KRW	101,351	Guarantees for reconstruction project financing
	Ahyeon area II housing reconstruction maintenance business association	KRW	35,786	Guarantees for reconstruction project financing
	Susaek area IX housing redevelopment maintenance business association	KRW	88,384	Guarantees for reconstruction project financing
	Bugae-seocho bridge north side redevelopment maintenance business association	KRW	130,986	Guarantees for reconstruction project financing
	Paldal area VIII housing redevelopment maintenance business association	KRW	94,647	Guarantees for reconstruction project financing
	Customers of Seongsoo station SK V1 Tower	KRW	25,795	Guarantees for reconstruction project financing
	Customers of Kwangkyo SK view Lake	KRW	4,560	Guarantee of payment
	Customers of Songdo SK view	KRW	149,100	Guarantee of payment
	Customers of Anyang SK V1	KRW	189,564	Guarantee of payment
	Customers of Dongtan SK V1	KRW	61,416	Guarantee of payment
	Baekryunsan SK view	KRW	83,280	Guarantee of payment
	Sungnam SK V1 tower	KRW	7,579	Guarantee of payment
	Boramae SK view	KRW	31,920	Guarantee of payment
	Sindongtan SK view and others	KRW	14,292	Guarantee of payment
	Suwon SK V1 Motors	KRW	75,480	Guarantee of payment
	Gwacheon Weaver Field	KRW	11,661	Guarantee of payment
Giheung ICT Valley SK V1	KRW	4,734	Guarantee of payment	
Seongsoo SK V1 Center	KRW	1,800	Guarantee of payment	
Member of employee stock ownership association	KRW	29,160	Guarantee of payment	
Callable preferred share investor	KRW	5,892	Guarantee of payment	
SK Shipping Co., Ltd.	Milestone & Great Shale LNG Transport S.A.	KRW	351,000	Cash deficiency support agreement
	S&Y Shipping S.A.	USD	61,200	Guarantee for shipbuilding and others
SK Networks Co., Ltd.	PT. SK Networks Indonesia	JPY	3,771,332	Performance guarantees for payment
SK Innovation Co., Ltd.	Petro Peru and others	USD	1,500	Standing surety for investee
		USD	1,098	Performance guarantee for mandatory work and others
SK Global Chemical Co., Ltd.	Sabic SK Nexlene Company Pte. Ltd.	USD	192,500	Guarantee of debt
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	355	Guarantees for construction
	Railway Administration and others	EUR	233	Guarantee for installing facilities and others
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of debt
		KRW	-	Guarantees for project financing
SKC Co., Ltd.	SKC-Kolon PI Co., Ltd.	USD	8,100	Guarantee for litigation
SK Telink Co., Ltd.	Mobile phone agencies and others	KRW	334	Performance guarantees for contract
SK M & Service Co., Ltd.	TourOK Co., Ltd. and others	KRW	5,163	Performance guarantees for transaction
SK Siltron Co., Ltd.	SIL 1st LLC	KRW	120,000	Asset backed debt

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Company, provides other construction companies with performance guarantees for domestic construction in the amount of ₩1,444,384 million as of September 30, 2018.

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30. Commitments and contingencies (cont'd)

(3) Pending litigations

The Group's significant pending litigations as of September 30, 2018, in which the Group is a plaintiff are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
SK Holdings Co., Ltd.	Samsung Card Co., Ltd.	Claim for payment	KRW 5,555	Second trial in progress
SK Telesys Co., Ltd.	Alcatel-lucent Korea and others	Claim for payment	KRW 1,582	Third trial in progress and others
SK E&S Co., Ltd.	Head of the customhouse, Seoul	Claim for annulment of assessments of custom duties	KRW 2,252	Third trial in progress
Ko-one Energy Service Co., Ltd.	Individual and others	Claim for payment	KRW 79	Second trial in progress
SK Networks Co., Ltd.	Individual and others	Claim for payment and others	KRW 780	First trial in progress and others
SK Networks Service Co., Ltd. and others	Individual and others	Claim for payment and others	KRW 925	First trial in progress and others
SK Shipping Co., Ltd.	Samsung Heavey Industry Co., Ltd. and others	Claim due to delays in ship -building contract and others	USD 17,700	Arbitration in progress and others
SK Shipping Europe Plc.	Individual and others MOL and others	Claim for payment and others	KRW 754	Third trial in progress
		Lawsuit for employment and others	USD 14,260	Arbitration in progress and others
SK B&T Pte. Ltd.	Mumbai Singapore Pte. Ltd. and others	Off hire claim and others	USD 1,600	Arbitration in progress and others
PS&Marketing Corp.	Individual and others	Claim for provisional attachment and others	KRW 156	Second trial in progress and others
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction	KRW 4,919	Third trial in progress and others
	Korea Railroad Corporation	Litigation for affirmation of non-existence of debt	KRW 2,371	Third trial in progress
	Korea Rail Network Authority	Claim for payment and others	KRW 15,528	Third trial in progress and others
	Korea Hydro & Nuclear Power Co., Ltd.	Claim for payment	KRW 62,617	Second trial in progress
	Dream Hub PFV	Claim for payment	KRW 12,728	Second trial in progress
	Busan Metropolitan City	Claim for payment of construction	KRW 8,930	Second trial in progress
	Hyundai Construction Co., Ltd.	Claim for payment and others	KRW 88,554	Second trial in progress and others
	Korea Housing & Urban Guarantee Corporation	Claim for transfer of ownership right	KRW 2,791	Second trial in progress
	Republic of Korea	Claim for payment of construction and others	KRW 33,239	Second trial in progress and others
	Korea Highway Corporation	Claim for tool overhead and others	KRW 21,892	First trial in progress
	Korea National Oil Corporation	Claim for construction costs	KRW 13,141	First trial in progress
	Korea Land & Housing Corporation and others	Claim for Yeongdeungpo facility PF business and others	KRW 4,765	First trial in progress
	Korea Gas Corporation	Claim related to Jangrim Jinhae	KRW 2,520	First trial in progress
Head of the customhouse, Busan	Claim for custom duty cancellation	KRW 10,185	First trial in progress	
Individual and others	Claim for payment and others	KRW 5,707	First trial in progress and others	

In addition, SK E&S Co., Ltd., a subsidiary of the Group, was imposed \ 161,919 million from tax authorities, including the value added tax related to LNG import price during the prior reporting period. The Group recognized the amount as other accounts payable and of those, recognized \ 160,575 million as advance payments.

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30. Commitments and contingencies (cont'd)

The Group's significant pending litigations as of September 30, 2018, in which the Group is a defendant are as follows (Korean won in millions and foreign currencies in thousands):

Plaintiff	Defendant	Description	Claim	Status
Samsung Card Co., Ltd.	SK Holdings Co., Ltd.	Claim for damages	KRW 3,587	Second trial in progress
Korea Minting, Security Printing & ID Card operating Corp.		Claim for damages	KRW 2,000	Second trial in progress
Alcatel lucent Korea Co., Ltd. and others	SK Telesys Co., Ltd.	Claim for payment and others	KRW 2,444	Third trial in progress and others
Home Plus Co., Ltd. and others	SKC Co., Ltd.	Claim for damages	KRW 380	First trial in progress
Sang soo, Kim and 2,106 others		Claim for damages	KRW 2,893	Arbitration in progress
Seoul City and others	Ko-one Energy Service Co., Ltd.	Claim for penalty and others	KRW 31	First trial in progress and others
Individual and others	Pusan City Gas Co., Ltd.	Claim for city gas installation construction and others	KRW 125	First trial in progress and others
Smartro Co., Ltd. and others	SK Networks Co., Ltd.	Claim for patent infringement and others	KRW 20,814	First trial in progress and others
Individual and others	SK Magic Co., Ltd. and others	Claim for water purifier fire compensation and others	KRW 192	First trial in progress and others
Individual and others	SK Communications Co., Ltd.	Claim for personal information leakage	KRW 2	Third trial in progress and others
M Seven System Limited	iriver Co., Ltd.	Claim for damages due to non-fulfillment of obligation and illegal act	KRW 4,867	Third trial in progress
Individual and others	PS&Marketing Corp.	Litigation for affirmation of non-existence of debt and others	KRW 202	First trial in progress and others
Allianz	SK Shipping Co., Ltd.	Claim for cargo damage	CAD 966	Second trial in progress
Hyundai Merchant Marine Co., Ltd. and others		Claim for cargo damages and others	KRW 9,211	Arbitration in progress and others
HPL Shipping		Claim for cargo damage	EUR 650	Arbitration in progress
Individual and others		Claim for damages and others	KRW 2,890	First trial in progress
Classic Maritime	SK Shipping Europe Plc.	Claim for demurrage	USD 5,000	Arbitration in progress
Supreme Prosecutor's Office	SK B&T Pte. Ltd.	Criminal lawsuit against violation of tax punishment	KRW 33,119	First trial in progress
K-Water Resources Corporation and others	SK Engineering & Construction Co., Ltd.	Claim for damages and others	KRW 4,125	Second trial in progress and others
Incheon Metropolitan City		Damage for bid fixing of area 705 and 706	KRW 36,569	Third trial in progress and others
Youn jong, Suh and 333 others		Claim for apartment	KRW 22,408	Third trial in progress
Samjung Construction Co., Ltd.		Claim for payment	KRW 5,940	Second trial in progress
Suseong Leaders view residents' Representative		Claim for Daegu Suseong leaders view defection	KRW 1,105	Second trial in progress
Korea Rural Community Corporation		Claim for counterindemnity	KRW 8,036	First trial in progress
Republic of Korea		Claim for compensation and others	KRW 11,941	Third trial in progress and others
Korea Gas Corporation		Claim for compensation and others	KRW 47,295	First trial in progress
Korea Rail Network Authority		Claim for compensation and others	KRW 18,012	First trial in progress
Busan Transportation Corporation		Claim for compensation and others	KRW 9,579	First trial in progress and others
Individual and others		Claim for apartment and others	KRW 15,040	First trial in progress and others

30. Commitments and contingencies (cont'd)

(4) Commitments

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

	<u>Subscription of new shares</u>	<u>Sale of existing shares</u>
Investor	Special Situation 1 st Fund and others	Corporate Turnaround 1 st Fund
Number of shares	6,548,672	4,808,259
Contract date	April 11, 2017	May 11, 2017
Expiry date	April 10, 2022	May 10, 2022
Settlement	The Company and the 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.	

As of September 30, 2018, the value of the agreements amounting to ₩385,000 million is recognized as long-term borrowings (see Note 14).

30. Commitments and contingencies (cont'd)

- 6) The Group entered into a shareholder agreement with ordinary shareholders of SK Siltron Co., Ltd., one of the subsidiaries. Details are as follows:

	Shareholder agreement
Investor	Warmachine Sixth Co., Ltd. and others
Number of shares	13,143,330
Contract date	August 25, 2017
Expiry date	August 24, 2022
Settlement	The Company and the investors are to settle the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.
Premium	The Company is to pay 0.5% of the initial contract amount at the closing date of the transaction and pay to the investor the amount equivalent to 3.20% of the total shares held by the investors annually. When the investor receives dividends on the shares held, the amount is paid to the Company.
Call option	On a three-month basis from the closing date of sale ("the quarterly payment day"), the Company has the right to purchase the shares held by the investor at the initial contract price of the ordinary shares with a certain level of additional charges.

As of September 30, 2018, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (see Note 14).

- 7) The Group entered into a shareholder agreement with ordinary shareholders of SK E&S Co., Ltd., one of the subsidiaries. Details are as follows:

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

As of September 30, 2018, the value of the agreements amounting to ₩677,775 million is recognized in long-term borrowings (see Note 14).

- 8) As of September 28, 2017, 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.

30. Commitments and contingencies (cont'd)

- 9) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to receive the liquefaction service from FLNG Liquefaction 3, LLC, amounting to 115 million MMBtu per year for 20 years, which plans to operate natural gas liquefaction plants in Texas starting from 2019. As of September 30, 2018, SK E&S Co., Ltd., one of the Group's subsidiaries, is responsible for a performance guarantee in case SK E&S LNG, LLC defaults on payments for the service or for claims against breach of obligation. In regard to this, the Company provides a performance guarantee for SK E&S Co., Ltd.'s guarantee.
- 10) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of Alchemy Acquisition Corp., which was included in the consolidation as of August 8, 2018, to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.
- 11) As of September 30, 2018, details of contracts of the subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Counterparty	Term of contract
Contract for the supply of natural gas (*1)	Kangwon City Gas Co., Ltd. and seven subsidiaries	Korea Gas Corporation	-
Contract of supply for natural gas	SK E&S Co., Ltd.	Tangguh PSC Contractor Parties	2006.01 ~ 2026.07
Contract for the repair and maintenance of gas turbine	SK E&S Co., Ltd.	GE International Inc.	2004.06 ~ 2026.12 (estimated)
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd.	POSCO Co., Ltd.	2005.06 ~ 2025.12
Rental contract of the plant and tower site	SK E&S Co., Ltd.	POSCO Co., Ltd.	2003.08 ~ 2028.12
Contract for the long term maintenance program	Paju Energy Service Co., Ltd.	Siemens AG and others	2014.06 ~ 2031.06 (estimated)
Contract for the long term maintenance program	Wirye Energy Service Co., Ltd.	Siemens AG and others	2015.01 ~ 2032.01 (estimated)
Contract for the long term maintenance program	Narae Energy Service Co., Ltd.	Doosan Heavy Industries & Construction Co., Ltd.	12 years from 2012
Contract for the liquefaction and storage of natural gas	SK E&S LNG, LLC	FLNG Liquefaction 3, LLC	20 years from 2019
Contract for the use plumbing system	Wirye Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Korea Gas Corporation Co., Ltd.	20 years from 2017
Contract for the use pipeline of natural gas	SK E&S LNG, LLC	Kinder Morgan, Inc.	20 years from 2019
Contract for the storage and vaporization service of natural gas	SK E&S Co., Ltd., Wirye Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	20 years from 2017
Contract of supply for natural gas	Prism Energy International Pte. Ltd.	Chevron Australia Pty Ltd. and others	2017.01 ~ 2022.03
Time charter contract	Prism Energy International Pte. Ltd.	SK Shipping Co., Ltd.	20 years from ship delivery date
Contract for operation and maintenance	Narae Energy Service Co., Ltd.	Jeonbuk Co-generation, Gimcheon Energy Service Co., Ltd.	2015.01 ~ 2025.01
Contract for supply for LNG	Narae Energy Service Co., Ltd.	Korea Gas Corporation	20 years from 2015 May

(*1) The supply quantity is determined annually, and the supply price is authorized by the Ministry of Trade, Industry and Energy.

- 12) As of September 30, 2018, 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	Counterparty	Term of contract	Contract
Contract for heat piping and others	Narae Energy Service Co., Ltd.	Eulmyo General Construction and others	2017.05 ~ 2019.02	\ 8,233
Contract for Wirye 3,4 area preconstruction and additional heat piping	Wirye Energy Service Co., Ltd.	Dalim Construction Co., Ltd.	2018.05 ~ 2019.04	2,948
Contract for Gamil booster station	Wirye Energy Service Co., Ltd.	Hanjin Heavy Industry & Construction Co., Ltd.	2017.12 ~ 2018.10	9,818

30. Commitments and contingencies (cont'd)

- 13) As of September 30, 2018, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows (Foreign currencies in thousands):

Description of contract	Name of subsidiaries	Counterparty	Equity ownership	Contract amount	Executive amount
Barossa-Caldita, Australia	SK E&S Australia Pty. Ltd.	Conoco Phillips Company and others	37.5%	USD 310,000	USD 280,000
Woodford, USA	Dew Blaine Energy, LLC	Continental Resources, Inc.	49.9%	USD 360,000	USD 324,948

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

- 14) Subsidiaries of SK Shipping Co., Ltd. have entered into a contract with Champion Shipholding S.A. and 55 others for Bare Boat Charter Hire Purchase ("BBCHP"). Outstanding boat purchase amount as of September 30, 2018 is USD 2,468,503 thousand (Korean won equivalent: \ 2,746,703 million) and is included in long-term other accounts payable.
- 15) Subsidiaries of SK Shipping Co., Ltd. have leased vessels from Time Charter. Total payables of the vessels charter amount to ₩220,831 million as of September 30, 2018.
- 16) Subsidiaries of SK Shipping Co., Ltd. have entered into a long-term transportation contract with Korea Gas Corporation, SK E&S Co., Ltd, SK Energy Co., Ltd and SK Gas Co., Ltd. to transport LNG, LPG, crude oil respectively. The subsidiaries also entered into a long-term transportation contact with Korea Southern Power Co., Ltd., Korea South-East Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Western Power Co., Ltd. and Korea Midland Power Co., Ltd. which are subsidiaries of KEPCO to transport coal for power generation.

On the other hand, subsidiaries of SK Shipping Co., Ltd. have entered into a shipbuilding contract with a shipbuilder to fulfill the transportation agreement which was entered into with a customer. As a result of delays in the production of essential parts, the vessel that was scheduled to be delivered during the year ended December 31, 2017, was also delayed. Accordingly, SK Shipping Co., Ltd. temporarily replaced the vessel with an alternative vessel in order to fulfill the transportation agreement with the customer. SK Shipping Co., Ltd. is negotiating with the customer about the scope and the amount of loss incurred due to the delays in the vessel building. SK Shipping Co., Ltd. is also negotiating with the shipbuilder for the claim amount due to delays in the delivery of the vessel.

- 17) Atlantic Star LLC, sold the entire 45% stake in SK B & T Pte. Ltd. (the "Target Company"), a subsidiary, to SBI Samho Co., Ltd. (the "Investor") in June 2018. In the process of the sale of shares above, the shareholders' contract between SK Shipping Co., Ltd. and the Investors include the following major commitments.
- 40,000,001 shares of the target company's stock owned by SK Shipping Co., Ltd. are provided as collateral to the Investors
 - 3,999,999 shares of the target company's stock owned by SK Shipping Co., Ltd. are offered through trust to the investors as a beneficiary
 - The investors' drag-along right
 - SK Shipping Co., Ltd.'s pre-emption right for the exercised investors' drag-along right

30. Commitments and contingencies (cont'd)

18) On July 16, 2013, SK Incheon Petrochem Co., Ltd., one of the subsidiaries, issued new preferred shares by the third-party allocation method to Shinhan Stonebridge Petro Private Equity Fund (the "Investor"). In regard to the new issuance of preferred shares, the agreement between SK Innovation Co., Ltd. and the Investor includes the following commitments:

- The investors' drag-along right and tag-along right
- SK Innovation Co., Ltd.'s pre-emption right for the exercised investors' drag-along right
- Restriction on disposal of shares under certain conditions

SK Incheon Petrochemical Co., Ltd., one of subsidiaries, securitized ₩ 272,000 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. Early repayment of the securitization loans may occur if the effective credit rating of the corporate bonds issued by SK Incheon Petrochem Co., Ltd. is less than or equal to BBB or if the effective credit rating of corporate bonds issued by SK Energy Co., Ltd. and SK Global Chemical Co., Ltd. is less than or equal to A-.

19) 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 ₩ 740,165 million which is recorded as other accounts receivable and long-term other accounts receivable.

20) SK Materials Co., Ltd., a subsidiary, transferred trade receivables for SK Energy Co., Ltd. and SKC Co., Ltd. to trust account of KDB in September 2018. In the same year, SK Materials Co., Ltd. entered into trade receivables securitization contract with KDB in which ABCP is issued at par value of ₩ 25,000 million on a three-month basis based on type 1 beneficiary certificate. As of September 30, 2018 and December 31, 2017, trade receivables transferred to trust account are ₩ 4,115 million and ₩ 6,096 million, respectively.

21) SK Materials Co., Ltd., a subsidiary, trusted the trade receivable that may incur from project, of which the investment was in progress in September 2017, to the trust account of KEB Hana Bank. With this trusted amount as collateral, SK Materials Co., Ltd. entered into borrowing commitment for the facility for up to ₩ 120,000 million. As of September 30, 2018 and December 31, 2017, trade receivables transferred to trust account are ₩ 7,302 million and nil, respectively.

(5) In July 2018, Xe-Pian Xe-Namnoy Hydropower dam under construction by SK E&C, a subsidiary, was flooded resulting in a loss of Saddle D and auxiliary dam and a flashflood through villages downstream. SK E&C is currently engaged in the relief activities and disaster recovery work in the area, dispatching relief workers, repairing flooded roads, and building temporary housing complexes. In order to identify the cause of the accident, Laos government has undergone an investigation since August 2018, to which SK E&C is actively cooperating, and the schedule for the investigation has not been disclosed. The amount of restoration and compensation for loss cannot be reasonably estimated at the moment, and the Group will reflect the estimated loss based on the results of the investigation of the accident in the financial statements.

30. Commitments and contingencies (cont'd)

(6) Others

As of September 30, 2018, 84 notes (including 78 blank notes) and 46 blank checks are provided to financial institutions as collateral for borrowings.

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31. Pledged assets

The following assets were pledged as collateral for the Group's borrowings and others as of September 30, 2018 (Korean won in millions and foreign currencies in thousands):

Company	Asset	Currency	Collateralized amount (*1)	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	-	Yemen LNG Company and others	Collateral for project financing
Netruck Co., Ltd.	Property, plant and equipment	KRW	3,300	Seosan city	Location deposits
SK Incheon Petrochem Co., Ltd.	Property, plant and equipment	KRW	4,500	Shinhan Bank	Collateral for borrowing
Seosuwon Development Company	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Investment property	KRW	31,579	New West Village and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Investment securities and others	KRW	211,427	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
SKC Co., Ltd.	Investment property	KRW	142,000	Kookmin Bank and others	Collateral for borrowing
SKC Co., Ltd.	Property, plant and equipment and others	KRW	216,100	Korea Development Bank and others	Collateral for borrowing and others
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	19,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Hightech & Marketing Co., Ltd.	Property, plant and equipment	KRW	11,700	IBK Capital	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	85,100	Korea Development Bank and others	Collateral for borrowing
SK Bioland Co., Ltd.	Property, plant and equipment	KRW	40,500	Korea Development Bank	Collateral for borrowing
SKC, Inc.	Inventories and trade accounts receivable	USD	37,000	Korea Development Bank and others	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment	USD	50,000	Standed Chartered Bank	Collateral for borrowing
SK Networks Co., Ltd.	Property, plant and equipment	KRW	286,637	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	123,500	NH Bank and others	Collateral for borrowing
SK E&S Co., Ltd.	Investments in joint ventures	KRW	112,502	Woori Bank and others	Collateral for PF
SK E&S Co., Ltd.	Investments in associates	KRW	11,781	Shinhan Bank and others	Collateral for PF
SK E&S Co., Ltd.	Investments in subsidiaries	KRW	164,758	Korea Development Bank and Woori Bank	Collateral for borrowing
SK E&S Co., Ltd.	Investments in subsidiaries	KRW	914,510	Korea Development Bank and others	Collateral for project financing
Kangwon City Gas Co., Ltd.	Property, plant and equipment	KRW	11,710	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 and others	KRW	840,000	Korea Development Bank and others	Collateral for project financing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	220	Dongbu Insurance Co., Ltd. and others	Collateral for deposits received
Wirye Energy Service Co., Ltd.	Property, plant and equipment	KRW	84,000	Kookmin Bank and others	Collateral for borrowing
Narae Energy Service Co., Ltd.	Property, plant and equipment and others	KRW	505,000	Korea Development Bank and others	Collateral for borrowing
SK Shipping Co., Ltd.	Property, plant and equipment and others	USD	2,089,171	KDB Asia Ltd. and others	Deposits for purchasing ship and others
SK Shipping Co., Ltd.	Property, plant and equipment and others	KRW	51,000	KIS IB 25th Company and others	Collateral for borrowing and others
SK Shipping Co., Ltd.	Investments in subsidiaries	KRW	116,490	SBI Samho Co., Ltd. and others	Shareholder arrangement and others
SK Shipping (Singapore) Pte. Ltd.	Property, plant and equipment	USD	54,287	KDB Asia Ltd and others	Deposits for purchasing ship and others
SK B&T Pte. Ltd.	Short-term financial instruments and others	KRW	2,075	KEB Hana Bank and others	Guarantees for license acquisition and others
HHIENS 1 Shipholding S.A.	Property, plant and equipment	USD	126,638	KDB Asia Ltd and others	Deposits for purchasing ship
HHIENS 2 Shipholding S.A.	Property, plant and equipment	USD	126,648	KDB Asia Ltd and others	Deposits for purchasing ship
SK Shipping Europe Plc.	Property, plant and equipment	USD	49,500	KDB Asia Ltd and others	Deposits for purchasing ship
DSIC VLOC 1 Shipholding S.A.	Property, plant and equipment	USD	11,130	KDB Asia Ltd and others	Deposits for purchasing ship
DSIC VLOC 2 Shipholding S.A.	Property, plant and equipment	USD	11,130	KDB Asia Ltd and others	Deposits for purchasing Ship
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	3,933	Lessor	Restricted real rights for office lease
SK China Company, Ltd.	Short-term financial instruments	KRW	11	KEB Hana Bank and NH Bank	Collateral for loan
SK Industrial Development China Co., Ltd.	Others	USD	43,813	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China communications	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	20,378	LG Display Co., Ltd.	Collateral for advance received
SK Materials Co., Ltd.	Property, plant and equipment	KRW	137,000	Korea Development Bank	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	USD	3,500	Korea Development Bank	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	JPY	3,690,000	Korea Development Bank	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	JPY	315,000	Hyakugo Bank	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	TWD	20,000	Mega Bank	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	1,075	Yeongju city and Gyeongsang Buk-do	Government subsidy
SK Airgas Co., Ltd.	Property, plant and equipment and others	KRW	341,917	Kyungnam Bank and others	Collateral for borrowing
SK Tri Chem Co., Ltd.	Property, plant and equipment	KRW	24,000	Korea Development Bank	Collateral for borrowing
SK Siltron Co., Ltd.	Property, plant and equipment and others	KRW	259,318	Korea Development Bank and others	Collateral for borrowing

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

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32. Guarantees provided among the Group entities

Guarantees provided among the Group entities as of September 30, 2018 are as follows (Korean won in millions and foreign currencies in thousands):

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Holdings Co., Ltd.	SK Computer and communication LLC	USD	6,000	Performance guarantees for payment
SK Holdings Co., Ltd. and & SK Innovation Co., Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*1)
SK Innovation Co., Ltd.	SK E&P America, Inc.	USD	70,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	10,409	Guarantee of payment for license agreement
	SK Global Chemical Americas, Inc.	USD	190,000	Guarantee of payment for principal of debt
SK Lubricants Co., Ltd.	Iberian Lube Base Oils, S.A.	EUR	21,000	Guarantee of debt
SK Engineering & Construction Co., Ltd.	Seosuwon Development Company	KRW	127,310	Guarantees for project financing
	SKEC Anadolu LLC	EUR	142,670	Performance guarantees for contract and others
		TRY	25,077	Guarantee of W/H Tax
	Sunlake Co., Ltd.	CAD	33,000	Guarantee of financial obligation
SKC Co., Ltd.	SKC, Inc.	USD	148,000	Guarantee of payment
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	81,450	Guarantee of payment
		CNY	274,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	30,000	Guarantee of financial obligation
	SKC Solmics Co., Ltd.	KRW	30,000	Guarantee for operation fund
	SKC (Natong) PU Specialty Co., Ltd.	CNY	80,000	Guarantee of payment
	SKC (Natong) Semiconductor Materials Technology Co., Ltd.	USD	18,000	Guarantee of payment
SK Networks Co., Ltd.	SK Networks Deutschland GmbH	EUR	10,000	Standing surety for investee
	SK Networks Hong Kong Ltd.	USD	161,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	116,400	Standing surety for investee
		CNY	54,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	1,800,000	Standing surety for investee
	SK Networks America, Inc	USD	16,000	Standing surety for investee
	SK (Guangzhou) Metal Co., Ltd.	CNY	60,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	Standing surety for investee
SK Shipping Co., Ltd.	SK Networks Resources Australia Pty. Ltd.	AUD	35,000	Standing surety for investee
	SK Shipping Europe Plc.	USD	61,800	Guarantee for operation fund
		USD	49,500	Guarantee of payment
	SK Shipping Singapore Pte. Ltd.	USD	68,916	Guarantee of payment
		USD	90,700	Guarantee for operation fund
	SK B&T Pte. Ltd.	USD	23,200	Guarantee for operation fund
	Blueseaocean 2nd LLC	USD	40,000	Guarantee for derivative hedge
	Blueseaocean 3rd LLC	USD	40,000	Guarantee for derivative hedge
	HHIENS1 Shipholding S.A.	USD	35,740	Performance guarantees for shipbuilding
	HHIENS2 Shipholding S.A.	USD	35,740	Performance guarantees for shipbuilding
	VLGC3 Shipholding S.A.	USD	11,394	Ocean guarantee insurance
	Neptune Solution LLC	KRW	40,000	Securitization. Capital reserve commitments
	HHIVLCC1 Shipholdings	USD	26,594	Ocean guarantee insurance
	HHIVLCC2 Shipholdings	USD	26,594	Ocean guarantee insurance
	DSIC VLOC1 Shipholding S.A.	USD	59,360	Performance guarantees for shipbuilding
	DSIC VLOC2 Shipholding S.A.	USD	59,360	Performance guarantees for shipbuilding
SK B&T Pte. Ltd.	Chuangdong 1 Marine Holdings Co., Ltd.	USD	7,021	Guarantee related to BBCHP
	Chuangdong 2 Marine Holdings Co., Ltd.	USD	6,990	Guarantee related to BBCHP
SK E&S Co., Ltd.	Callip Gas Marketing, LLC	USD	91,000	Guarantee for derivative hedge and others
	SK E&S Australia Pty. Ltd.	USD	450,000	Guarantee for borrowings and others
	Paju energy service Co., Ltd.	KRW	530,000	Guarantee for borrowings and others
	Wirye energy service Co., Ltd.	KRW	280,000	Guarantee for borrowings and others
	Narae energy service Co., Ltd.	KRW	20,000	Deficiency support agreement for borrowings
	Dew Blaine Energy, LLC	USD	360,000	Performance for contracts and others
	SK E&S Americas, Inc.	USD	160,000	Guarantee for borrowings
	Prism Energy International Pte. Ltd.	USD	179,000	Guarantee for derivative hedge
	SK E&S LNG, LLC	USD	15,000	Guarantee for derivative hedge
SK E&S, Ltd. & Prism Energy International Pte. Ltd.	SK Shipping Co., Ltd.	USD	-	Charterage (*2)
SK Materials Co., Ltd.	SK Materials (Jiangsu) Co., Ltd.	CNY	60,000	Guarantee for borrowings
		USD	31,000	Guarantee for borrowings
	SK Materials Taiwan Co., Ltd.	USD	3,000	Guarantee for borrowings
	SK Materials Japan Co., Ltd.	JPY	276,000	Guarantee for borrowings
SK China Company, Ltd.	SK (Beijing) auto rental Co., Ltd.	USD	20,351	Guarantee for borrowings
	SK (Shenyang) auto rental Co., Ltd.	USD	10,176	Guarantee for borrowings
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	8,925	Guarantee for borrowings
	SK Financial Leasing	USD	4,361	Guarantee for borrowings
SK Biotek Co., Ltd.	SK Biotek Ireland Limited.	USD	50,000	Guarantee for credit limit
		EUR	10,000	Performance guarantees for contract
SK Telink Co., Ltd.	SK Broadband Co., Ltd.	KRW	3	Performance guarantees for contract

(*1) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩59,842 million.

(*2) The fair value of the vessels owned by SK Shipping Co., Ltd. is deducted from the total guarantee amount of ₩281,831 million.

33. Financial risk management

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

33.1 Financial risk management

33.1.1 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.

33.1.2 Credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In addition, the maximum exposure to credit risk as of September 30, 2018 and December 31, 2017 is as follows (Korean won in millions):

	September 30, 2018	December 31, 2017
Financial assets at FVTPL	₩ 1,232,564	₩ 369,436
Financial assets at FVOCI	27,774	-
Financial assets at amortized cost	26,084,647	-
Derivatives designated as hedging instruments	103,254	103,849
Held-to-maturity investments	-	870
Loans and receivables	-	25,579,243
Available-for-sale financial assets	-	69,248
	<u>₩ 27,448,239</u>	<u>₩ 26,122,646</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 30).

33.1.2.1 Trade and other accounts receivable

The Group recognizes a provision for losses expected to be incurred for receivables and others. This provision consists of specific impairment losses for individually significant items, and impairment losses have not yet been identified the occurrence of a group of financial assets with similar characteristics. Provision of a group of financial assets has been determined based on historical data for similar collection of financial assets.

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.

33.1.2.2 Guarantee

SK Engineering & Construction Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees recognized amounts of ₩17,052 million as of September 30, 2018. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as of September 30, 2018. (Korean won in millions)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
SK Innovation Co., Ltd.	\ 835	\ 1,131
SK Engineering & Construction Co., Ltd.	17,052	10,433
SK Shipping Co., Ltd.	7	50
SK Biotek Co., Ltd.	584	369
	<u>\ 18,478</u>	<u>\ 11,983</u>

In addition, the Group has provided payment guarantees for others, including subsidiaries and others. The Group, due to its payment guarantees, is exposed to credit risk (See Notes 30 and 32).

33.1.2.3 Other financial assets

Credit risk arising from other financial assets consisting of long-term and short-term financial instruments, incurs by the occurrence of bankruptcy of trade counterparty. 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.

33.1.3 Liquidity risk

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

The contractual maturity of financial liabilities as of September 30, 2018 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3~12 months	1~5 years	More than 5 years
Loans and borrowings	₩ 10,576,178	₩ 11,059,611	₩ 3,960,004	₩ 2,540,636	₩ 3,918,183	₩ 640,788
Bonds	26,229,569	28,882,319	1,558,225	3,760,345	17,336,497	6,227,252
Derivative financial liabilities	182,565	182,565	118,550	19,018	41,504	3,493
Trade accounts payable	9,600,934	9,600,934	9,436,885	164,049	-	-
Other liabilities	10,260,683	11,856,064	6,149,835	1,326,575	2,341,963	2,037,691
	<u>₩ 56,849,929</u>	<u>₩ 61,581,493</u>	<u>₩ 21,223,499</u>	<u>₩ 7,810,623</u>	<u>₩ 23,638,147</u>	<u>₩ 8,909,224</u>

33.1.4 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.

33.1.4.1 Currency risk

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

Details of foreign currencies and liabilities as of September 30, 2018 and December 31, 2017 are as follows (Korean won in millions and foreign currencies in thousands):

	Currency	September 30, 2018		December 31, 2017	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	7,191,484	₩ 8,001,964	7,854,281	₩ 8,415,077
	JPY	23,229,481	227,921	21,745,852	206,392
	CNY	1,945,944	314,815	2,295,359	375,636
	EUR	172,628	223,479	141,881	181,502
	Others		123,902		117,318
			<u>₩ 8,892,081</u>		<u>₩ 9,295,925</u>
Liabilities	USD	10,917,261	₩ 12,147,636	10,426,763	₩ 11,171,234
	JPY	6,274,956	61,568	6,935,029	65,821
	CNY	864,714	139,893	780,156	127,672
	EUR	128,196	165,959	148,624	190,127
	Others		91,310		82,194
			<u>₩ 12,606,366</u>		<u>₩ 11,637,048</u>

33.1.4.1 Currency risk (cont'd)

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

Currency	September 30, 2018		December 31, 2017	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	\ (414,567)	\ 414,567	\ (275,616)	\ 275,616
JPY	16,635	(16,635)	14,057	(14,057)
CNY	17,492	(17,492)	24,796	(24,796)
EUR	5,752	(5,752)	(863)	863

The Group is hedging currency risk by using derivative financial instruments such as currency swaps, currency forwards and others (See Note 18).

33.1.4.2 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 18).

33.2 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 136.3% as of September 30, 2018. The maturity of the debt is dispersed in the long term. So, debt-repayments are not demanding.

The Group's debt ratio as of September 30, 2018 and December 31, 2017 is as follows (Korean won in millions):

	September 30, 2018	December 31, 2017
Total liabilities	₩ 68,567,486	₩ 64,020,500
Total equity	50,293,191	45,756,420
Debt ratio	136.3%	139.9%

34. Business combination

34.1 September 30, 2018

34.1.1 Dow Chemical EAA Business

In accordance with the resolution of the Board of Directors on February 1, 2017, SK Global Chemical Co., Ltd., one of the subsidiaries, acquired all of the Dow Chemical Company's EAA businesses in U.S. and Spain and the related tangible and intangible assets and completed the acquisition during the year ended December 31, 2017, for diversifying its business portfolio into a higher value-added packaging field. At the date of acquisition, the fair value of tangible and intangible assets was determined provisionally because the independent valuation was not completed. For the nine months ended September 30, 2018, the Group subsequently adjusted the amount of its identifiable net assets recognized at the date of acquisition by obtaining new information on the pertinent fact and circumstances that existed on the date of acquisition.

(1) Fair value of consideration transferred in the business combination are as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Cash	₩ 394,463	₩ (1,792)	₩ 392,671

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

	Before adjustment	Adjustment	After adjustment
Fair value of identifiable assets	₩ 294,183	₩ 10,246	₩ 304,429
Current assets	43,862	252	44,114
Trade accounts receivable and other accounts receivable	12,742	-	12,742
Inventories	31,120	252	31,372
Non-current assets	250,321	9,994	260,315
Property, plant and equipment	56,683	(364)	56,319
Intangible assets	193,638	10,358	203,996
Fair value of identifiable liabilities	-	-	-
Fair value of identifiable net assets	₩ 294,183	₩ 10,246	₩ 304,429

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

	Before adjustment	Adjustment	After adjustment
a. The total consideration transferred	₩ 394,463	₩ (1,792)	₩ 392,671
b. Fair value of the net identifiable assets	(294,183)	(10,246)	(304,429)
c. Goodwill	₩ 100,280	₩ (12,038)	₩ 88,242

(4) Outflow of net cash from business combination is as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Payment by cash	₩ 394,463	₩ (1,792)	₩ 392,671
Acquisition of cash and cash equivalents	-	-	-
Out flow of net cash	₩ 394,463	₩ (1,792)	₩ 392,671

34.1.2 Dow Chemical PVDC Business

As a subsidiary, SK Global Chemical decided to acquire the entire PVDC business in the United States owned by The Dow Chemical Company and all its tangible and intangible assets in order to diversify its packaging business portfolio. On the acquisition date, the fair value of tangible and intangible assets was determined provisionally because the independent valuation was not completed. For the nine months ended September 30, 2018, the Group subsequently adjusted the amount of its identifiable net assets recognized at the date of acquisition by obtaining new information on the pertinent fact and circumstances that existed on the date of acquisition.

(1) Fair value of consideration transferred in the business combination are as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Cash	₩ 82,193	₩ -	₩ 82,193

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

	Before adjustment	Adjustment	After adjustment
Fair value of identifiable assets	₩ 26,071	₩ 17,477	₩ 43,548
Current assets	11,881	(920)	10,961
Trade accounts receivable and other accounts receivable	3,365	(920)	2,445
Inventories	8,516	-	8,516
Non-current assets	14,190	18,397	32,587
Property, plant and equipment	14,190	18,392	32,582
Intangible assets	-	5	5
Fair value of identifiable liabilities	-	-	-
Fair value of identifiable net assets	₩ 26,071	₩ 17,477	₩ 43,548

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

	Before adjustment	Adjustment	After adjustment
a. The total consideration transferred	₩ 82,193	₩ -	₩ 82,193
b. Fair value of the net identifiable assets	(26,071)	(17,477)	(43,548)
c. Goodwill	₩ 56,122	₩ (17,477)	₩ 38,645

(4) Outflow of net cash from business combination is as follows (Korean won in millions):

	Before adjustment	Adjustment	After adjustment
Payment by cash	₩ 82,193	₩ -	₩ 82,193
Acquisition of cash and cash equivalents	-	-	-
Out flow of net cash	₩ 82,193	₩ -	₩ 82,193

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34.1.3 SK Showa Denko Co., Ltd. and others

(1) General information

The Group acquired control of the investee by holding a majority of the voting rights of corporation and the board of directors of SK Showa Denko Co., Ltd. during the current period. The acquisition is accounted for using the acquisition method. The quarterly consolidated financial statements include the financial results of SK Showa Denko Co., Ltd. from the acquisition date to the end of the current period.

During the nine-month period ended September 30, 2018, the Group acquired additional 41,157,506 shares which resulted in the Group obtaining control over id Quantique SA with 44,157,506 shares and 58.1% ownership of the outstanding shares, in aggregate. Taking control of id Quantique SA will enable the Group to increase its corporate value as the leading mobile telecommunication operator in Korea and to generate profit in overseas markets by utilizing quantum cryptographic security. The quarterly consolidated financial statements include the financial results of id Quantique SA from the acquisition date to the end of the current period.

SK E&P America, Inc., a subsidiary of the Group, acquired all of the shares of Longfellow Nemaha, LLC for the nine months ended September 30, 2018 and changed its name to SK Nemaha, LLC after the acquisition. The shares acquired are 50% of the shares of production oil field which is located in Oklahoma. The Group completed the acquisition on June 5, 2018 and total acquisition cost of ₩310,550 million (USD 290 million) was paid by cash. Further, goodwill did not occur in the business combination and the initial accounting was provisionally determined as of September 30, 2018.

The Group acquired 100% equity shares in Fine Chemicals Holdings Corp., the parent company of AMPAC (Contract Manufacturing Organization or CMO), in order to increase the synergy effect in the bio business for the nine months ended September 30, 2018. The acquisition was accounted for using the acquisition method, and the interim condensed consolidated financial statements include the financial performance of Fine Chemicals Holdings Corp. from the acquisition date to September 30, 2018.

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

	SK Showa Denko Co., Ltd.	id Quantique SA	Longfellow Nemaha, LLC (*1)	AMPAC LLC (*1)
Current assets:	₩ 10,137	₩ 17,276	₩ -	₩ 145,537
Cash and cash equivalents	6,332	1,538	-	24,205
Trade accounts receivable and other accounts receivable	1,375	13,609	-	91,021
Inventories	501	2,003	-	27,957
Other current assets	1,929	126	-	2,354
Non-current assets:	17,244	8,302	312,515	445,601
Property, plant and equipment	17,242	415	-	154,022
Intangible assets	-	7,566	312,515	288,368
Other non-current assets	2	321	-	3,211
Current liabilities:	6,495	2,801	-	32,503
Trade accounts payable and other accounts payable	6,492	1,569	-	12,796
Other current liabilities	3	1,232	-	19,707
Non-current liabilities:	1	1,648	1,965	71,810
Retirement benefit obligation	1	-	-	16,771
Deferred income tax liabilities	-	1,648	-	54,542
Other non-current liabilities	-	-	1,965	497
Fair value of identifiable net assets	<u>₩ 20,885</u>	<u>₩ 21,129</u>	<u>₩ 310,550</u>	<u>₩ 486,825</u>

(*1) As of September 30, 2018, the assessment of fair values of assets acquired and liabilities assumed for Longfellow Nemaha, LLC and AMPAC was not completed and thus the fair values were determined as provisional amounts.

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34. Business combination (cont'd)

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

	<u>SK Showa Denko Co., Ltd</u>	<u>id Quantique SA</u>	<u>Longfellow Nemaha, LLC</u>	<u>AMPAC LLC</u>
a. The total consideration transferred				
Consideration transferred	₩ 10,651	₩ 55,248	₩ 310,550	₩ 822,264
Fair value of the share holding transferred	-	3,965	-	-
	<u>10,651</u>	<u>59,214</u>	<u>310,550</u>	<u>822,264</u>
b. Fair value of proportionate share of acquired net assets				
Fair value of the net identifiable assets	₩ 20,885	₩ 21,129	₩ 310,550	₩ 486,825
Non-controlling interests (*1)	<u>(10,234)</u>	<u>(9,290)</u>	-	-
	<u>10,651</u>	<u>11,839</u>	<u>310,550</u>	<u>486,825</u>
c. Goodwill	<u>₩ -</u>	<u>₩ 47,375</u>	<u>₩ -</u>	<u>₩ 335,439</u>

(*1) Non-controlling interests arised from the merger are measured in proportion to the non-controlling interests in net identifiable assets of the merged company.

35. Subsequent events

35.1 Capital increase of SK Shipping Co., Ltd.

SK Shipping Co., Ltd., the subsidiary, plans to issue 61,392,448 shares of common stock and 4,977,766 shares of convertible stock through third-party allotment on November 30, 2018 based on the resolution made by the Board of Directors on October 8, 2018. Hahn & Co.14 plans to acquire the entire shares issued and SK Shipping Co., Ltd. will be excluded from the Company's consolidation upon completion of the acquisition.

35.2 Transaction under common control in relation to SK Infosec Co., Ltd.

On October 31, 2018, the Company entered into a comprehensive share exchange agreement to transfer entire stock of SK Infosec Co., Ltd. to SK Telecom Co., Ltd. in exchange for SK Telecom Co., Ltd.'s treasury stock (1,260,668 shares of SK Telecom Co., Ltd.). The objective of this agreement is to create synergies in the security business for SK Telecom Co., Ltd. The stocks will be exchanged at the ratio of 1: 0.0997678 and on December 27, 2018, SK Infosec Co., Ltd. will become a subsidiary of SK Telecom Co., Ltd.

35.3 Share transfer agreement of Life and Security Holdings Co., Ltd. (formerly, Siren Holdings Korea Co., Ltd.)

On May 8, 2018, SK Telecom Co., Ltd. entered into an agreement to acquire 740,895 shares of Life and Security Holdings Co., Ltd. (formerly, Siren Holdings Korea Co., Ltd.), at ₩697,207 million to strengthen its security business as well as to expand the residential customer base. On October 1, upon completion of share acquisition, SK Telecom Co., Ltd. acquired 55% equity share in Life and Security Holdings Co., Ltd. (formerly, Siren Holdings Korea Co., Ltd.). Also, SK Telecom Co., Ltd. has acquired control over ADT Caps Co., Ltd., security service provider and two other subsidiaries of Life and Security Holdings Co., Ltd. (formerly, Siren Holdings Korea Co., Ltd.). ₩697,207 million is subject to purchase price adjustments as of the closing date of the acquisition.

After the transaction, Blue Security Investment LLC owns 45% equity share in Life and Security Holdings Co., Ltd. (formerly Siren Holdings Korea Co., Ltd.) which will be converted to convertible preferred shares at the earliest date possible based on the shareholders' agreement signed along with the agreement above. Convertible preferred shares are granted the same voting rights as common shares, and the conversion ratio to common shares is 1:1 with no restriction on the conversion. Also, the convertible preferred shares will be cumulative, participating preferred shares with the priority rights to annually receive dividends at an amount equivalent to 2% of the investment.

35.4 SK Hi-tech Battery Materials (Jiang su) Co., Ltd.

SK Innovation Co., Ltd., one of the subsidiaries, established SK Hi-tech Battery Materials (Jiang su) Co., Ltd. in Changzhou City, Jiangsu Province, China, in response to growing demand for Lithium-ion battery separators. On November 6, 2018, SK Innovation Co., Ltd. paid USD 30 million in initial investment and will start mass production in the second half of 2020.

35.5 Sale of equity shares in Paju Energy Service Co., Ltd.

On November 14, 2018, the Board of Directors of SK E&S Co., Ltd. has resolved to sell 53,900,000 shares of common stock of Paju Energy Service Co., Ltd. to GEN Plus B.V. SK E&S Co., Ltd. will sell 53,900,000 shares out of 110,000,000 shares (49%) at approximately ₩900 billion.