



SK Holdings Co., Ltd.

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

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Independent Auditor's Review Report

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

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

Management's responsibility for the interim condensed separate financial statements

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

Auditor's responsibility

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

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

Conclusion

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

Other matter

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



May 15, 2020

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

SK Holdings Co., Ltd.

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

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

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

SK Holdings Co., Ltd.
Interim condensed separate statements of financial position
as of March 31, 2020 and December 31, 2019

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		March 31, 2020 (Unaudited)	December 31, 2019	March 31, 2020 (Unaudited)	December 31, 2019
Assets					
Current assets:					
Cash and cash equivalents	4	₩ 821,210	₩ 57,805	\$ 671,691	\$ 47,280
Short-term financial instruments	4,29	90,790	152,952	74,260	125,104
Trade receivables, net	4,5,26,29	446,603	476,271	365,290	389,556
Other receivables, net	4,26,29	342,030	1,117	279,756	914
Inventories, net	6	179	147	146	120
Short-term investment securities	4,7	17,339	17,339	14,182	14,182
Other current assets	4,17,18,26,29	77,608	76,744	63,478	62,771
Total current assets		<u>1,795,759</u>	<u>782,375</u>	<u>1,468,803</u>	<u>639,927</u>
Non-current assets:					
Long-term investment securities	4,7,29	590,957	565,688	483,361	462,693
Investments in subsidiaries	8	17,305,770	17,305,770	14,154,891	14,154,891
Investments in associates and joint ventures	9	815,389	787,657	666,930	644,248
Property, plant and equipment, net	10	518,738	520,222	424,291	425,505
Right-of-use asset, net	11	54,997	40,393	44,984	33,039
Investment properties, net	12	7,820	7,927	6,396	6,484
Intangible assets, net	13	2,127,668	2,122,103	1,740,281	1,735,730
Other non-current assets	4,17,18,26,29	397,491	402,951	325,119	329,585
Total non-current assets		<u>21,818,830</u>	<u>21,752,711</u>	<u>17,846,253</u>	<u>17,792,175</u>
Total assets		<u>₩ 23,614,589</u>	<u>₩ 22,535,086</u>	<u>\$ 19,315,056</u>	<u>\$ 18,432,102</u>
Liabilities and equity					
Liabilities					
Current liabilities:					
Short-term borrowings	4,14,29	₩ 1,830,000	₩ 1,680,000	\$ 1,496,810	\$ 1,374,121
Trade payables	4,26,29	100,030	160,253	81,817	131,076
Other payables	4,26,29	52,426	111,254	42,881	90,998
Accrued expenses	4,26,29	248,568	76,116	203,311	62,257
Provisions	15	5,604	6,546	4,584	5,354
Current portion of long-term debt	4,14,29	1,112,641	1,132,548	910,061	926,344
Other current liabilities	4,11,17,18,26,29	226,645	146,365	185,380	119,716
Total current liabilities		<u>3,575,914</u>	<u>3,313,082</u>	<u>2,924,844</u>	<u>2,709,866</u>
Non-current liabilities:					
Bonds payable	4,14,29	5,200,475	5,192,962	4,253,619	4,247,474
Defined benefit liabilities	16	50,960	32,147	41,682	26,294
Deferred tax liabilities	24	346,218	336,100	283,182	274,906
Provisions	15	280	-	229	-
Other non-current liabilities	4,11,17,18,26,29	270,389	258,233	221,159	211,216
Total non-current liabilities		<u>5,868,322</u>	<u>5,819,442</u>	<u>4,799,871</u>	<u>4,759,890</u>
Total liabilities		<u>9,444,236</u>	<u>9,132,524</u>	<u>7,724,715</u>	<u>7,469,756</u>
Equity					
Issued capital	1,19	15,385	15,385	12,584	12,584
Other paid-in capital	19	3,504,879	3,504,680	2,866,742	2,866,579
Retained earnings	19	10,638,404	9,870,812	8,701,457	8,073,625
Other components of equity	19	11,685	11,685	9,558	9,558
Total equity		<u>14,170,353</u>	<u>13,402,562</u>	<u>11,590,341</u>	<u>10,962,346</u>
Total liabilities and equity		<u>₩ 23,614,589</u>	<u>₩ 22,535,086</u>	<u>\$ 19,315,056</u>	<u>\$ 18,432,102</u>

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

SK Holdings Co., Ltd.
Interim condensed separate statements of comprehensive income
for the three months ended March 31, 2020 and 2019

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

	Notes	For the three months ended March 31			
		Korean won		Translation into U.S. dollar (Note 2)	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Operating revenue	20,26	₩ 1,444,960	₩ 1,502,773	\$ 1,181,875	\$ 1,229,162
Operating expenses	21,22,26	392,991	383,286	321,439	313,501
Operating profit		1,051,969	1,119,487	860,436	915,661
Finance income	23	3,180	3,469	2,601	2,837
Finance costs	23	50,701	48,376	41,470	39,568
Other non-operating income	23	1,737	344	1,421	281
Other non-operating expenses	23	3,491	626	2,855	512
Profit before income tax expense		1,002,694	1,074,298	820,133	878,699
Income tax expense	24	19,797	29,186	16,193	23,872
Profit for the period		₩ 982,897	₩ 1,045,112	\$ 803,940	\$ 854,827
Other comprehensive income (loss):					
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurement loss on defined benefit plans	16	(3,802)	(3,779)	(3,110)	(3,091)
Total comprehensive income for the period		₩ 979,095	₩ 1,041,333	\$ 800,830	\$ 851,736
Earnings per share (Korean won and U.S. dollar):	25				
Basic earnings per share		₩ 18,781	₩ 18,711	\$ 15.36	\$ 15.30

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

SK Holdings Co., Ltd.
Interim condensed separate statements of changes in equity
for the three months ended March 31, 2020 and 2019

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
As of January 1, 2019	₩ 15,385	₩ 4,411,253	₩ 8,743,527	₩ (2,029)	₩ 13,168,136
Effect of changes in accounting policies	-	-	5,246	-	5,246
As of January 1, 2019 (Restated)	₩ 15,385	₩ 4,411,253	₩ 8,748,773	₩ (2,029)	₩ 13,173,382
Total comprehensive income:					
Profit for the period	-	-	1,045,112	-	1,045,112
Remeasurement loss on defined benefits plans	-	-	(3,779)	-	(3,779)
Dividends	-	-	(225,583)	-	(225,583)
Stock option	-	382	-	-	382
As of March 31, 2019 (Unaudited)	₩ 15,385	₩ 4,411,635	₩ 9,564,523	₩ (2,029)	₩ 13,989,514
As of January 1, 2020	₩ 15,385	₩ 3,504,680	₩ 9,870,812	₩ 11,685	₩ 13,402,562
Total comprehensive income:					
Profit for the period	-	-	982,897	-	982,897
Remeasurement loss on defined benefits plans	-	-	(3,802)	-	(3,802)
Dividends	-	-	(211,503)	-	(211,503)
Stock option	-	199	-	-	199
As of March 31, 2020 (Unaudited)	₩ 15,385	₩ 3,504,879	₩ 10,638,404	₩ 11,685	₩ 14,170,353

SK Holdings Co., Ltd.
Interim condensed separate statements of changes in equity
for the three months ended March 31, 2020 and 2019 (cont'd)
(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
As of January 1, 2019	\$ 12,584	\$ 3,608,092	\$ 7,151,584	\$ (1,660)	\$ 10,770,600
Effect of changes in accounting policies	-	-	4,291	-	4,291
As of January 1, 2019 (Restated)	\$ 12,584	\$ 3,608,092	\$ 7,155,875	\$ (1,660)	\$ 10,774,891
Total comprehensive income:					
Profit for the period	-	-	854,827	-	854,827
Remeasurement loss on defined benefits plans	-	-	(3,091)	-	(3,091)
Dividends	-	-	(184,510)	-	(184,510)
Stock option	-	312	-	-	312
As of March 31, 2019 (Unaudited)	\$ 12,584	\$ 3,608,404	\$ 7,823,101	\$ (1,660)	\$ 11,442,429
As of January 1, 2020	\$ 12,584	\$ 2,866,579	\$ 8,073,625	\$ 9,558	\$ 10,962,346
Total comprehensive income:					
Profit for the period	-	-	803,940	-	803,940
Remeasurement loss on defined benefits plans	-	-	(3,110)	-	(3,110)
Dividends	-	-	(172,996)	-	(172,996)
Stock option	-	163	-	-	163
As of March 31, 2020 (Unaudited)	\$ 12,584	\$ 2,866,742	\$ 8,701,457	\$ 9,558	\$ 11,590,341

SK Holdings Co., Ltd.
Interim condensed separate statements of cash flows
for the three months ended March 31, 2020 and 2019
(Korean won in millions and U.S. dollar in thousands)

		For the three months ended March 31			
		Korean won		Translation into U.S. dollar (Note 2)	
		2020	2019	2020	2019
Notes		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities:					
		₩ 982,897	₩ 1,045,112	\$ 803,940	\$ 854,827
		(883,014)	(946,150)	(722,243)	(773,884)
27	Non-cash adjustments				
	Working capital adjustments	(51,085)	22,553	(41,784)	18,447
	Interest received	805	1,297	658	1,061
	Interest paid	(51,549)	(47,125)	(42,163)	(38,545)
	Dividends received	657,038	604,377	537,410	494,337
	Income taxes paid	(407)	(503)	(333)	(411)
	Net cash provided by operating activities	654,685	679,561	535,485	555,832
Cash flows from investing activities:					
	Increase (decrease) in short-term and long-term financial instruments, net	62,162	(57,269)	50,844	(46,842)
	Proceeds from disposal of property, plant and equipment	4	12	3	10
	Proceeds from disposal of intangible assets	-	20	-	16
	Acquisition of long-term investment securities	(25,211)	(104,142)	(20,621)	(85,181)
	Acquisition of investments in subsidiaries	-	(288,221)	-	(235,744)
	Acquisition of investments in associates	(27,732)	(8,421)	(22,683)	(6,888)
	Acquisition of property, plant and equipment	(10,228)	(7,516)	(8,366)	(6,148)
	Acquisition of intangible assets	(11,806)	(6,750)	(9,656)	(5,521)
	Increase in guarantee deposits, net	(2,788)	(18)	(2,280)	(15)
	Net cash used in investing activities	(15,599)	(472,305)	(12,759)	(386,313)
Cash flows from financing activities:					
	Increase (decrease) in short-term borrowings, net	150,000	(260,000)	122,689	(212,662)
	Issuance of bonds payable	328,547	298,698	268,728	244,314
	Payment of dividends	-	(6)	-	(5)
	Repayment of current portion of long-term debt	(340,000)	(250,000)	(278,096)	(204,482)
	Decrease in lease liabilities	(14,380)	(14,135)	(11,762)	(11,561)
	Net cash provided by financing activities	124,167	(225,443)	101,559	(184,396)
	Net increase (decrease) in cash and cash equivalents	763,253	(18,187)	624,285	(14,877)
	Net foreign exchange effects	152	75	126	60
	Cash and cash equivalents at the beginning of the period	57,805	123,858	47,280	101,307
	Cash and cash equivalents at the end of the period	₩ 821,210	₩ 105,746	\$ 671,691	\$ 86,490

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

1. Corporate information

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

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

As of March 31, 2020, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares). Major shareholders and their equity ownership are Tae-won Chey, National Pension Service and Ki-won Choi, each holding 18.44%, 8.46% and 6.85% respectively, as of March 31, 2020.

2. Summary of basis of preparation and significant accounting policies

2.1 Basis of preparation

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

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

The accompanying interim condensed separate financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed separate financial statements and has been made at the rate of ₩1,222.60 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the year ended March 31, 2020. Such translations into U.S. dollar should not be construed as representations that the Korean won amounts could be converted into U.S. dollar at that or any other rate.

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

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as of January 1, 2020.

2.2.1 New and revised KIFRSs adopted in the current period

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

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

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

KIFRS 1103 *Definition of a Business (Amended)*

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

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

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

2.2.2 New and revised KIFRSs issued, but not yet effective

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

3. Significant accounting judgements, estimates and assumptions

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

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

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

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

4. Financial instruments

4.1 Financial assets

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

	March 31, 2020			
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Total
Current assets:				
Cash and cash equivalents	₩ 397,587	₩ -	₩ 423,623	₩ 821,210
Short-term financial instruments	56,890	-	33,900	90,790
Trade receivables (*1)	-	-	285,464	285,464
Short-term investment securities	17,339	-	-	17,339
Short-term loans	-	-	3,036	3,036
Other receivables	-	-	342,030	342,030
Accrued income	-	-	184	184
Guarantee deposits	-	-	11,817	11,817
Lease receivables	-	-	33,219	33,219
Derivative financial assets	12	-	-	12
	<u>471,828</u>	<u>-</u>	<u>1,133,273</u>	<u>1,605,101</u>
Non-current assets:				
Long-term financial instruments	-	-	269	269
Long-term investment securities	290,863	299,649	445	590,957
Long-term guarantee deposits	-	-	12,515	12,515
Derivative financial assets	384,580	-	-	384,580
	<u>675,443</u>	<u>299,649</u>	<u>13,229</u>	<u>988,321</u>
	<u>₩ 1,147,271</u>	<u>₩ 299,649</u>	<u>₩ 1,146,502</u>	<u>₩ 2,593,422</u>

(*1) Contract assets (unbilled receivables) amounting to ₩161,139 million as of March 31, 2020 are not included in the financial instruments.

	December 31, 2019			
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Total
Current assets:				
Cash and cash equivalents	₩ 42,106	₩ -	₩ 15,699	₩ 57,805
Short-term financial instruments	103,052	-	49,900	152,952
Trade receivables (*1)	-	-	320,138	320,138
Short-term investment securities	17,339	-	-	17,339
Short-term loans	-	-	2,871	2,871
Other receivables	-	-	1,117	1,117
Accrued income	-	-	142	142
Guarantee deposits	-	-	11,698	11,698
Lease receivables	-	-	32,190	32,190
Derivative financial assets	351	-	-	351
	<u>162,848</u>	<u>-</u>	<u>433,755</u>	<u>596,603</u>
Non-current assets:				
Long-term financial instruments	-	-	269	269
Long-term investment securities	269,158	296,095	435	565,688
Long-term guarantee deposits	-	-	9,846	9,846
Long-term lease receivables	-	-	8,064	8,064
Derivative financial assets	384,645	-	-	384,645
	<u>653,803</u>	<u>296,095</u>	<u>18,614</u>	<u>968,512</u>
	<u>₩ 816,651</u>	<u>₩ 296,095</u>	<u>₩ 452,369</u>	<u>₩ 1,565,115</u>

(*1) Contract assets (unbilled receivables) amounting to ₩156,133 million as of December 31, 2019 are not included in the financial instruments.

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

4.2 Financial liabilities

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

	March 31, 2020		
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 1,830,000	₩ 1,830,000
Trade payables	-	100,030	100,030
Other payables	-	52,426	52,426
Accrued expenses	-	248,568	248,568
Current portion of long-term debt	-	1,112,641	1,112,641
Leasehold deposits received	-	192	192
Lease liabilities	-	57,177	57,177
Derivative financial liabilities	610	-	610
	<u>610</u>	<u>3,401,034</u>	<u>3,401,644</u>
Non-current liabilities:			
Bonds payable	-	5,200,475	5,200,475
Leasehold deposits received	-	5,453	5,453
Long-term lease liabilities	-	32,048	32,048
Derivative financial liabilities	222,425	-	222,425
	<u>222,425</u>	<u>5,237,976</u>	<u>5,460,401</u>
	<u>₩ 223,035</u>	<u>₩ 8,639,010</u>	<u>₩ 8,862,045</u>
December 31, 2019			
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 1,680,000	₩ 1,680,000
Trade payables	-	160,253	160,253
Other payables	-	111,254	111,254
Accrued expenses	-	76,116	76,116
Current portion of long-term debt	-	1,132,548	1,132,548
Leasehold deposits received	-	192	192
Lease liabilities	-	56,535	56,535
Derivative financial liabilities	17	-	17
	<u>17</u>	<u>3,216,898</u>	<u>3,216,915</u>
Non-current liabilities:			
Bonds payable	-	5,192,962	5,192,962
Leasehold deposits received	-	5,385	5,385
Long-term lease liabilities	-	20,047	20,047
Derivative financial liabilities	222,359	-	222,359
	<u>222,359</u>	<u>5,218,394</u>	<u>5,440,753</u>
	<u>₩ 222,376</u>	<u>₩ 8,435,292</u>	<u>₩ 8,657,668</u>

SK Holdings Co., Ltd.
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4.3 Fair values of financial instruments by hierarchy level

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

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

Details of fair value of financial instruments by hierarchy level as of March 31, 2020 and December 31, 2019 is as follows (Korean Won in millions):

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 454,477	₩ -	₩ 308,202	₩ 762,679
Financial assets measured at FVOCI	-	-	299,649	299,649
Derivative financial assets	-	12	384,580	384,592
	<u>₩ 454,477</u>	<u>₩ 12</u>	<u>₩ 992,431</u>	<u>₩ 1,446,920</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 679	₩ 222,356	₩ 223,035
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 145,158	₩ -	₩ 286,497	₩ 431,655
Financial assets measured at FVOCI	-	-	296,095	296,095
Derivative financial assets	-	416	384,580	384,996
	<u>₩ 145,158</u>	<u>₩ 416</u>	<u>₩ 967,172</u>	<u>₩ 1,112,746</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 20	₩ 222,356	₩ 222,376

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

	For the three months ended March 31, 2020			
	Beginning balance	Acquisition	Valuation	Ending balance
Financial assets measured at FVTPL	₩ 286,497	₩ 21,657	₩ 48	₩ 308,202
Financial assets measured at FVOCI	296,095	3,554	-	299,649
Derivative financial assets	384,580	-	-	384,580
	<u>₩ 967,172</u>	<u>₩ 25,211</u>	<u>₩ 48</u>	<u>₩ 992,431</u>
	For the three months ended March 31, 2019			
	Beginning balance	Acquisition	Valuation	Ending balance
Financial assets measured at FVTPL	₩ 162,475	₩ 104,142	₩ 392	₩ 267,009
Financial assets measured at FVOCI	232,216	-	-	232,216
Derivative financial assets	175,993	-	-	175,993
	<u>₩ 570,684</u>	<u>₩ 104,142</u>	<u>₩ 392</u>	<u>₩ 675,218</u>

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5. Trade receivables

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

	March 31, 2020		December 31, 2019	
Trade receivables:				
Trade receivables	₩	286,084	₩	320,709
Contract assets (unbilled receivables)		161,139		156,133
		447,223		476,842
Allowance for doubtful accounts:				
Trade receivables		(620)		(571)
	₩	446,603	₩	476,271

6. Inventories

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

	March 31, 2020			December 31, 2019		
	Cost	Valuation		Cost	Valuation	
		allowance	Book value		allowance	Book value
Raw materials	₩ 179	₩ -	₩ 179	₩ 147	₩ -	₩ 147

7. Investment securities

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

	March 31, 2020		December 31, 2019	
	Cost	Book value	Cost	Book value
Financial assets measured at FVTPL:				
Equity instruments	₩ 90,790	₩ -	₩ 90,790	₩ -
Debt securities (*1)	217,869	243,879	203,596	229,606
Money invested and others	61,450	64,323	54,066	56,891
Financial assets measured at FVOCI:				
Equity instruments (*2)	284,232	299,649	280,678	296,095
Financial assets measured at amortized cost:				
Debt securities	394	445	394	435
	₩ 654,735	₩ 608,296	₩ 629,524	₩ 583,027

(*1) Represents convertible redeemable preference shares of GRAB Holdings Inc., convertible bonds of Socar, Inc., Kinestral Technologies Inc. and Remedi. Of the total, ₩17,339 million convertible bonds of Socar, Inc. are short-term investments.

(*2) The Company applied the irrevocable option to designate the equity instruments held for strategic investment, not for held-for-trading purpose, as financial assets measured at FVOCI on the first application date of KIFRS 1109.

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7. Investment securities (cont'd)

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

	March 31, 2020		December 31, 2019	
	Acquisition cost	Book value	Acquisition cost	Book value
Non-marketable equity instruments	₩ 375,022	₩ 299,649	₩ 371,468	₩ 296,095
Debt securities	218,263	244,324	203,990	230,041
Money invested and others	61,450	64,323	54,066	56,891
	<u>₩ 654,735</u>	<u>₩ 608,296</u>	<u>₩ 629,524</u>	<u>₩ 583,027</u>

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Beginning balance	₩ 583,027	₩ 395,085
Acquisitions	25,211	104,142
Gain on valuation and amortised	58	401
Ending balance	<u>₩ 608,296</u>	<u>₩ 499,628</u>

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8. Investments in subsidiaries

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

	Domicile	Principal business activity	Equity ownership (%) (*1)	March 31, 2020		December 31,
				Acquisition cost	Book value	2019
						Book value
SK Innovation Co., Ltd. (*2)	Korea	Resource development	33.40	₩ 3,072,937	₩ 3,072,937	₩ 3,072,937
SK Telecom Co., Ltd. (*2)	Korea	Mobile	26.78	5,416,019	5,416,019	5,416,019
		Tele-communication				
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14	706,229	706,229	706,229
SKC Co., Ltd. (*2)	Korea	Petrochemicals	41.00	548,654	548,654	548,654
SK E&S Co., Ltd.	Korea	City gas business	90.00	2,600,000	2,600,000	2,600,000
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	44.48	545,300	545,300	545,300
SK Siltron Co., Ltd.	Korea	Manufacturing and sales of silicon thin sheet	51.00	622,606	622,606	622,606
SK Biopharmaceuticals Co., Ltd.	Korea	Life science	100.00	478,702	478,702	478,702
SK Materials Co., Ltd. (*2)	Korea	Special-gas manufacturing and sales	49.10	473,335	473,335	473,335
SK Forest Co., Ltd.	Korea	Landscape construction	100.00	61,387	61,387	61,387
HWEECHAN Co., Ltd.	Korea	Resort business	100.00	28,483	28,483	28,483
SK Pharmteco Inc.	USA	Investment	100.00	875,245	875,245	875,245
Plutus Capital NY, Inc.	USA	Investment	100.00	587,542	587,542	587,542
SK China Company, Ltd. (*3)	Hong Kong	Consulting and investment	27.42	557,117	557,117	557,117
Golden Pearl EV Solutions Limited	Hong Kong	Investment	100.00	281,360	281,360	281,360
SK South East Asia Investment Pte. Ltd. (*3)	Singapore	Investment	20.00	224,350	224,350	224,350
Plutus Fashion NY, Inc.	USA	Fashion	100.00	74,113	74,113	74,113
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	81.00	67,093	67,093	67,093
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00	25,847	25,847	25,847
SK C&C Beijing Co., Ltd.	China	Computer system	100.00	25,481	25,481	25,481
SK GI Management	Cayman	Investment	100.00	9,523	9,523	9,523
SK Investment Management Co., Ltd.	Hong Kong	Investment	80.76	9,201	9,201	9,201
Gemini Partners Pte. Ltd. (*3)	Singapore	Consulting	20.00	6,018	2,601	2,601
SK MENA Investment B.V. (*3)	Netherlands	Investment	11.54	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*3)	Spain	Investment	11.54	5,135	5,135	5,135
SK C&C India Pvt. Ltd.	India	Computer system	100.00	3,442	382	382
SK Technology Innovation Company (*3)	Cayman	Research and development	2.12	1,876	1,876	1,876
S&G Technology	Saudi Arabia	Computer system	51.00	74	74	74
				<u>₩ 17,312,247</u>	<u>₩ 17,305,770</u>	<u>₩ 17,305,770</u>

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

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

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

(2) Fair value of marketable investments in subsidiaries as of March 31, 2020 is as follows (Korean won in millions):

	March 31, 2020
SK Innovation Co., Ltd.	₩ 2,686,890
SK Telecom Co., Ltd.	3,827,469
SK Networks Co., Ltd.	442,000
SKC Co., Ltd.	572,508
SK Materials Co., Ltd.	693,924

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9. Investments in associates and joint ventures

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

	Domicile	Principal business activity	Equity ownership (%)	March 31, 2020			December 31, 2019
				Acquisition cost	Book value	Book value	
Investments in associates:							
Socar, Inc. (*1)	Korea	Rental of cars	22.10	₩ 91,800	₩ 91,800	₩ 91,800	₩ 91,800
SMCore Inc.	Korea	Manufacturing and sales of automated logistics system	26.60	39,419	39,419	39,419	39,419
Standigm Inc. (*2)	Korea	Software development	12.94	9,402	9,402	9,402	9,402
Cloocus Co., Ltd. (*2)	Korea	Information and communication service	18.84	6,500	6,500	6,500	6,500
Begas Co., Ltd. (*1, 2)	Korea	Management consulting	17.86	5,000	5,000	5,000	5,000
THiRA-UTECH Co., Ltd. (*2)	Korea	Service manufacturing	13.80	4,200	4,200	4,200	4,200
PUMP Co., Ltd. (*2)	Korea	Electric kickboard rental	12.87	3,000	3,000	3,000	3,000
ACRYL Inc. (*1, 2)	Korea	Information service	17.14	2,500	2,500	2,500	2,500
TWO LINE CODE Inc. (*3)	Korea	Software development	33.77	2,500	2,500	-	-
Daehan Kanggun BcN Co., Ltd. (*4)	Korea	Wired communication	0.20	58	-	-	-
ESR Cayman Limited (*2)	Cayman	Investment	11.08	493,627	493,627	493,627	493,627
9352-7281 Quebec Inc.	Canada	Investment	40.09	31,558	31,558	31,558	31,558
SES Holdings Pte. Ltd. (*2)	Singapore	Investment	12.65	28,791	28,791	28,791	28,791
Belstar Superfreeze Holdings, LLC (*3)	Cayman	Warehouse business	20.00	25,232	25,232	-	-
FSK Holdings Co., Ltd.	Hong Kong	IT service	30.00	11,937	6,245	6,245	6,245
Kinestral Technologies Inc. (*1, 2)	USA	Manufacturing discolored glass	4.66	8,498	8,498	8,498	8,498
Mozido Corfire, Inc. (*2)	USA	System consulting	19.94	6,767	-	-	-
Visible Patient S.A.S. (*1, 2)	France	Manufacturing related to medicine	13.51	2,928	2,928	2,928	2,928
				<u>773,717</u>	<u>761,200</u>	<u>733,468</u>	<u>733,468</u>
Investments in joint ventures:							
Hana Land Chip PEF 33 (*4)	Korea	Real estate	13.51	₩ 40,000	₩ 40,000	₩ 40,000	₩ 40,000
Socar Mobility Malaysia, SDN. BHD.	Malaysia	Rental of cars	60.00	14,189	14,189	14,189	14,189
				<u>54,189</u>	<u>54,189</u>	<u>54,189</u>	<u>54,189</u>
				<u>₩ 827,906</u>	<u>₩ 815,389</u>	<u>₩ 787,657</u>	<u>₩ 787,657</u>

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

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

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

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

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10. Property, plant and equipment

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

	March 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 95,831	₩ -	₩ 95,831	₩ 95,831	₩ -	₩ 95,831
Buildings	338,945	(59,794)	279,151	338,945	(57,356)	281,589
Structures	9,734	(1,227)	8,507	9,734	(1,128)	8,606
Vehicles	12,548	(2,875)	9,673	12,548	(2,666)	9,882
Furniture and fixtures	345,391	(244,811)	100,580	341,698	(237,447)	104,251
Construction-in-progress	24,996	-	24,996	20,063	-	20,063
	₩ 827,445	₩ (308,707)	₩ 518,738	₩ 818,819	₩ (298,597)	₩ 520,222

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

	For the three months ended March 31, 2020					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer (*1)	Ending balance
Land	₩ 95,831	₩ -	₩ -	₩ -	₩ -	₩ 95,831
Buildings	281,589	-	(2,438)	-	-	279,151
Structures	8,606	-	(99)	-	-	8,507
Vehicles	9,882	-	(209)	-	-	9,673
Furniture and fixtures	104,251	4,770	(8,438)	(6)	3	100,580
Construction-in-progress	20,063	4,936	-	-	(3)	24,996
	₩ 520,222	₩ 9,706	₩ (11,184)	₩ (6)	₩ -	₩ 518,738

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

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

11. Right-of-use assets and lease liabilities

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

	March 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land and buildings	₩ 72,581	₩ (22,487)	₩ 50,094	₩ 56,405	₩ (19,931)	₩ 36,474
Vehicles	6,241	(1,514)	4,727	5,383	(1,808)	3,575
Machinery	-	-	-	183	(61)	122
Furniture and fixtures	328	(152)	176	335	(113)	222
	₩ 79,150	₩ (24,153)	₩ 54,997	₩ 62,306	₩ (21,913)	₩ 40,393

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

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

	For the three months ended March 31, 2020					Ending balance
	Beginning balance	Increase	Depreciation	Others (*1)		
Land and buildings	₩ 36,474	₩ 20,981	₩ (7,555)	₩ 194	₩ 50,094	
Vehicles	3,575	2,205	(552)	(501)	4,727	
Machinery	122	-	-	(122)	-	
Furniture and fixtures	222	-	(42)	(4)	176	
	<u>₩ 40,393</u>	<u>₩ 23,186</u>	<u>₩ (8,149)</u>	<u>₩ (433)</u>	<u>₩ 54,997</u>	

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

(*1) The amounts include adjustments of the right-to-use assets according to the remeasurement of the lease liabilities and others.

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

	For the three months ended March 31, 2020					Ending balance
	Beginning balance	Increase	Interest expenses	Decrease (payment)	Others (*1)	
Lease liabilities	₩ 76,582	₩ 25,885	₩ 451	₩ (14,831)	₩ 1,138	₩ 89,225

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

(*1) The amounts include adjustments of the remeasurement of the lease liabilities which is lease modification that is not accounted for as a separate lease and others.

The Company recognized lease payments of ₩617 million in relation to short-term lease and ₩308 million in relation to leases of low-value assets during the period ended.

12. Investment properties

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

	March 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings	₩ 9,810	₩ (1,990)	₩ 7,820	₩ 9,810	₩ (1,883)	₩ 7,927

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12. Investment properties (cont'd)

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

	For the three months ended March 31, 2020				
	Beginning balance	Increase (decrease)	Depreciation		Ending balance
Buildings	₩ 7,927	₩ -	₩ (107)		₩ 7,820

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

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

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

13. Intangible assets

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

	March 31, 2020				December 31, 2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 134,128	₩ (55,996)	₩ (2,518)	₩ 75,614	₩ 125,917	₩ (50,978)	₩ (2,518)	₩ 72,421
Memberships	59,770	-	(13,648)	46,122	56,639	-	(13,648)	42,991
Brand-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	41,263	(10,331)	-	30,932	40,798	(9,107)	-	31,691
	₩ 2,210,161	₩ (66,327)	₩ (16,166)	₩ 2,127,668	₩ 2,198,354	₩ (60,085)	₩ (16,166)	₩ 2,122,103

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

	For the three months ended March 31, 2020				
	Beginning balance	Acquisitions	Amortization	Others	Ending balance
Development costs	₩ 72,421	₩ 8,211	₩ (5,018)	₩ -	₩ 75,614
Memberships (*1)	42,991	3,131	-	-	46,122
Brand-related assets (*1)	1,975,000	-	-	-	1,975,000
Others	31,691	465	(1,224)	-	30,932
	₩ 2,122,103	₩ 11,807	₩ (6,242)	₩ -	₩ 2,127,668

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

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

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14. Borrowings and bonds payable

(1) Short-term borrowings

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

Description	Financial institution	Interest rate (%)		March 31, 2020		December 31, 2019
Working capital loan	Shinhan Bank	1.99 ~ 2.23	₩	300,000	₩	250,000
Working capital loan	KB Bank	1.93 ~ 2.54		250,000		250,000
Working capital loan	Woori Bank	2.04 ~ 2.46		200,000		240,000
Working capital loan	Industrial & Commercial Bank of China	2.10		100,000		100,000
Working capital loan	Hana Bank	2.03		50,000		50,000
Working capital loan	NH Bank	1.74		50,000		-
Commercial paper	SK Securities	1.39 ~ 2.20		270,000		330,000
Commercial paper	NH Investment & Securities	1.39 ~ 1.45		150,000		20,000
Commercial paper	Korea Investment & Securities	1.45 ~ 1.69		150,000		100,000
Commercial paper	KB Securities	1.51 ~ 2.20		130,000		340,000
Commercial paper	Woori investment bank	2.15 ~ 2.46		130,000		-
Commercial paper	BNK Investment & Securities	2.04 ~ 2.10		30,000		-
Commercial paper	Hana Financial Investment	2.20		20,000		-
			₩	<u>1,830,000</u>	₩	<u>1,680,000</u>

(2) Bonds payable

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

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

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14. Borrowings and bonds payable (cont'd)

Issuance number	Interest rate (%)	Maturity	Security	March 31,	December 31,
				2020	2019
280-3rd	2.67	2024-06-01	Unsecured	₩ 110,000	₩ 110,000
281-2nd	2.40	2022-08-04	Unsecured	130,000	130,000
281-3rd	2.62	2024-08-04	Unsecured	70,000	70,000
282-1st	2.47	2020-10-25	Unsecured	70,000	70,000
282-2nd	2.79	2022-10-25	Unsecured	150,000	150,000
282-3rd	2.86	2024-10-25	Unsecured	80,000	80,000
283-1st	2.88	2023-02-27	Unsecured	150,000	150,000
283-2nd	2.99	2025-02-27	Unsecured	60,000	60,000
283-3rd	3.26	2028-02-27	Unsecured	100,000	100,000
284-1st	2.87	2023-06-08	Unsecured	170,000	170,000
284-2nd	3.01	2025-06-08	Unsecured	60,000	60,000
284-3rd	3.09	2028-06-08	Unsecured	100,000	100,000
285-1st	2.36	2023-09-06	Unsecured	150,000	150,000
285-2nd	2.47	2025-09-06	Unsecured	60,000	60,000
285-3rd	2.55	2028-09-06	Unsecured	120,000	120,000
286-1st	2.20	2021-11-29	Unsecured	130,000	130,000
286-2nd	2.37	2023-11-29	Unsecured	100,000	100,000
287-1st	2.17	2024-02-27	Unsecured	150,000	150,000
287-2nd	2.23	2026-02-27	Unsecured	70,000	70,000
287-3rd	2.35	2029-02-27	Unsecured	80,000	80,000
288-1st	1.81	2024-06-04	Unsecured	170,000	170,000
288-2nd	1.83	2026-06-04	Unsecured	60,000	60,000
288-3rd	1.87	2029-06-04	Unsecured	110,000	110,000
289-1st	1.62	2022-09-20	Unsecured	130,000	130,000
289-2nd	1.76	2024-09-20	Unsecured	120,000	120,000
289-3rd	1.84	2029-09-20	Unsecured	70,000	70,000
290-1st	1.74	2022-11-28	Unsecured	80,000	80,000
290-2nd	1.83	2024-11-28	Unsecured	90,000	90,000
290-3rd	1.89	2029-11-28	Unsecured	70,000	70,000
291-1st	1.52	2023-02-20	Unsecured	70,000	-
291-2nd	1.63	2025-02-20	Unsecured	160,000	-
291-3rd	1.70	2027-02-20	Unsecured	40,000	-
291-4th	1.80	2030-02-20	Unsecured	60,000	-
				6,320,000	6,330,000
				(6,884)	(4,490)
				(1,112,641)	(1,132,548)
				<u>₩ 5,200,475</u>	<u>₩ 5,192,962</u>

Less: discount on bonds payable
Less: current portion

(3) The Company's bonds payable repayment schedule as of March 31, 2020 is as follows (Korean won in millions):

Year ending	Amount of repayment
April 1, 2020 ~ March 31, 2021	₩ 1,110,000
April 1, 2021 ~ March 31, 2022	1,020,000
April 1, 2022 ~ March 31, 2023	1,250,000
April 1, 2023 ~ March 31, 2024	1,020,000
April 1, 2024 and thereafter	1,920,000
	<u>₩ 6,320,000</u>

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15. Provisions

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

	For the three months ended March 31, 2020					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for service warranties	₩ 3,948	₩ 647	₩ (1,121)	₩ 3,474	₩ 3,474	₩ -
Other provisions	2,598	280	(468)	2,410	2,130	280
	<u>₩ 6,546</u>	<u>₩ 927</u>	<u>₩ (1,589)</u>	<u>₩ 5,884</u>	<u>₩ 5,604</u>	<u>₩ 280</u>

	For the three months ended March 31, 2019					
	Beginning balance	Change of account policy	Increase	Decrease	Ending balance	Current
Provision for service warranties	₩ 3,038	₩ -	₩ 691	₩ (1,667)	₩ 2,062	₩ 2,062
Other provisions	166	1,882	2	(50)	2,000	2,000
	<u>₩ 3,204</u>	<u>₩ 1,882</u>	<u>₩ 693</u>	<u>₩ (1,717)</u>	<u>₩ 4,062</u>	<u>₩ 4,062</u>

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

16. Defined benefit liabilities

(1) Defined contribution plans

The Company partly operates a defined contribution plan for certain employees. The expenses related to the defined contributions plans recognized for the three months ended March 31, 2020, were ₩15 million.

(2) Defined benefit plans

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

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

	March 31, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 364,350	₩ 355,114
Fair value of plan assets	(313,390)	(322,967)
	<u>₩ 50,960</u>	<u>₩ 32,147</u>

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16. Defined benefit liabilities (cont'd)

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

	<u>For the three months ended March 31, 2020</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Total</u>
Beginning balance	₩ 355,114	₩ (322,967)	₩ 32,147
Provision for pension benefits:			
Current service cost	13,041	-	13,041
Net interest expense (income)	1,804	(1,844)	(40)
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	250	250
Actuarial changes arising from changes in financial assumptions and others	(156)	-	(156)
Experience adjustments and others	4,922	-	4,922
Benefit paid	(15,104)	16,606	1,502
Others	4,729	(5,435)	(706)
Ending balance	<u>₩ 364,350</u>	<u>₩ (313,390)</u>	<u>₩ 50,960</u>

	<u>For the three months ended March 31, 2019</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Total</u>
Beginning balance	₩ 297,845	₩ (253,442)	₩ 44,403
Provision for pension benefits:			
Current service cost	9,617	-	9,617
Net interest expense (income)	1,742	(1,660)	82
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	583	583
Actuarial changes arising from changes in financial assumptions and others	5,246	-	5,246
Experience adjustments and others	(843)	-	(843)
Benefit paid	(4,228)	6,513	2,285
Others	1,874	(1,279)	595
Ending balance	<u>₩ 311,253</u>	<u>₩ (249,285)</u>	<u>₩ 61,968</u>

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17. Other assets and liabilities

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Current assets:		
Accrued income	₩ 184	₩ 142
Advanced payments	2,654	3,240
Prepaid expenses	26,432	19,526
Short-term loans	3,036	2,871
Current tax assets	-	6,548
Guarantee deposits	11,817	11,698
Lease receivables	33,219	32,190
Derivative financial assets	12	351
Others	254	178
	<u>₩ 77,608</u>	<u>₩ 76,744</u>
Non-current assets:		
Long-term financial instruments	₩ 269	₩ 269
Long-term guarantee deposits	12,515	9,846
Long-term lease receivables	-	8,064
Derivative financial assets	384,580	384,645
Others	127	127
	<u>₩ 397,491</u>	<u>₩ 402,951</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Current liabilities:		
Advances received	₩ 140,896	₩ 67,861
Withholdings	26,259	21,760
Income tax payable	1,511	-
Leasehold deposits received	192	192
Lease liabilities	57,177	56,535
Derivative financial liabilities	610	17
	<u>₩ 226,645</u>	<u>₩ 146,365</u>
Non-current liabilities:		
Leasehold deposits received	₩ 5,453	₩ 5,385
Long-term lease liabilities	32,048	20,047
Derivative financial liabilities	222,425	222,359
Long-term employee benefits	10,463	10,442
	<u>₩ 270,389</u>	<u>₩ 258,233</u>

18. Derivative financial assets and liabilities

The Company has entered into foreign currency forward contracts to manage fluctuations in currency exchange rates relating to its contracts denominated in foreign currencies and has entered total return swap contracts with certain of subsidiaries' common share investors and others. Details of assets and liabilities after valuation as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	<u>March 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Forward contract	₩ 12	₩ 679	₩ 416	₩ 20
Total return swap contract (see Note 28)	384,580	222,356	384,580	222,356
	<u>₩ 384,592</u>	<u>₩ 223,035</u>	<u>₩ 384,996</u>	<u>₩ 222,376</u>

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19. Equity

19.1 Issued capital

Details of issued capital as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions, except for number of shares):

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized for issue	400,000,000	400,000,000
Par value per share (Korean won)	₩ 200	₩ 200
Number of shares issued:		
Ordinary share	70,360,297	70,360,297
Preferred share	566,135	566,135
Issued capital:		
Ordinary share	₩ 15,272	₩ 15,272
Preferred share	113	113
	<u>₩ 15,385</u>	<u>₩ 15,385</u>

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

19.2 Other paid-in capital

Details of other paid-in capital as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Additional paid-in capital (*1)	₩ 5,605,831	₩ 5,605,831
Treasury share (*2)	(1,812,042)	(1,812,042)
Stock option	3,982	3,783
Others	(292,892)	(292,892)
	<u>₩ 3,504,879</u>	<u>₩ 3,504,680</u>

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

(*2) As of March 31, 2020, treasury share consists of those acquired to increase the enterprise value and to stabilize share price (7,034,276 ordinary shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,021,674 ordinary shares and 1,818 preferred shares) during the year 2015.

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19.3 Retained earnings

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	62,897	62,897
Unappropriated retained earnings	<u>10,567,814</u>	<u>9,800,222</u>
	<u>₩ 10,638,404</u>	<u>₩ 9,870,812</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.

19.4 Other components of equity

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Gain on financial assets measured at FVOCI	₩ 11,685	₩ 11,685

19.5 Stock option

Upon resolution by the shareholders and the 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 stock options granted under the share option program are as follows:

	1-1	1-2	1-3	2
Grant date	2017-03-24	2017-03-24	2017-03-24	2020-03-25
Type of shares to be issued	Ordinary shares			
Grant method	Reissue of treasury shares, but if the stock option's exercise price is lower than the stock's real price (evaluated based on exercise date), the Company may settle the difference in cash or with treasury share equivalent to the difference amount.			
Number of shares (shares)	41,429	41,430	41,431	214,038
Exercise price (Korean won)	₩ 226,290	₩ 244,400	₩ 263,950	₩ 153,450
Contractual life of options	2019.03.25 ~2022.03.24	2020.03.25 ~2023.03.24	2021.03.25 ~2024.03.24	2023.03.26 ~2027.03.25
Vesting conditions	2 years service from the grant date	3 years service from the grant date	4 years service from the grant date	2 years service from the grant date

Share compensation expense recognized during the current reporting period is ₩199 million (accumulated share compensation expense: ₩3,982 million) and the remaining share compensation expense to be recognized in later periods are ₩2,066 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:

	1-1	1-2	1-3	2
Risk-free interest rate	1.86%	1.95%	2.07%	1.61%
Option life	5 years	6 years	7 years	7 years
Expected price (Closing price on the preceding day in Korean won)	₩ 236,000	₩ 236,000	₩ 236,000	₩ 134,000
Expected volatility	16.78%	16.78%	16.78%	15.35%
Rate of returns	1.60%	1.60%	1.60%	1.55%
Exercise price (Korean won)	₩ 226,290	₩ 244,400	₩ 263,950	₩ 154,450
Fair value per share (Korean won)	₩ 38,317	₩ 34,200	₩ 30,962	₩ 8,226

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20. Operating revenues

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Revenue from contracts with customers:		
IT service (*1)	₩ 385,476	₩ 388,470
Trademark usage income	68,647	58,912
Others	-	125
	<u>454,123</u>	<u>447,507</u>
Revenue from other sources:		
Dividend income	₩ 990,581	₩ 1,054,468
Rental income	256	798
	<u>990,837</u>	<u>1,055,266</u>
	<u>₩ 1,444,960</u>	<u>₩ 1,502,773</u>

(*1) Includes contract revenue of ₩236,667 and ₩238,716 million recognized from the cost-based input method for the three months ended March 31, 2020 and 2019.

(2) Details of revenue from contracts with customers for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

	For the three months ended	
	March 31, 2020	March 31, 2019
Type of goods or services:		
IT service	₩ 385,476	₩ 388,470
Trademark usage income	68,647	58,912
Others	-	125
	<u>₩ 454,123</u>	<u>₩ 447,507</u>
Geographical location:		
Korea	₩ 432,791	₩ 429,092
Asia	16,394	15,952
Europe	2,120	2,093
North America	2,818	370
	<u>₩ 454,123</u>	<u>₩ 447,507</u>
Timing of revenue recognition:		
Recognized at a point in time	₩ 30,113	₩ 16,200
Recognized over a period of time	424,010	431,307
	<u>₩ 454,123</u>	<u>₩ 447,507</u>

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20. Operating revenues (cont'd)

(3) Details of contract assets, contract liabilities related to revenue from contracts with customers as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Contract assets from IT service contract	₩ 161,139	₩ 156,133
Contract liabilities from IT service contract (*1)	67,482	67,606

(*1) The amount recognized as revenue in the current period in relation to the contract liabilities as of December 31, 2019 is ₩30,477 million (Previous period : ₩32,671 million).

(4) Details of profit variation by changes in accounting estimates related to the cost-based input method contracts as of March 31, 2020 are as follows (Korean won in millions):

	<u>Change in estimated construction revenue</u>	<u>Change in estimated cost</u>	<u>Impact on current period profit</u>	<u>Impact on future period profit</u>
IT Service contracts	₩ 9,040	₩ 7,690	₩ 39	₩ 1,311

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

(5) Contracts applying the cost-based input method to measure the percentage-of-completion with total contract revenue exceeding prior year's operating income by more than 5% as of March 31, 2020 are as follows (Korean won in millions):

<u>Business division</u>	<u>Construction</u>	<u>Contract date</u>	<u>Due date</u>	<u>Percentage of completion</u>	<u>Contract assets</u>		<u>Trade receivables</u>	
					<u>Total amount</u>	<u>Impairment</u>	<u>Total amount</u>	<u>Allowance for doubtful accounts</u>
ICT business	The K project	2019. 01	2020. 10	68.61%	₩ 17,511	₩ -	₩ 1,714	₩ -

21. Operating expenses

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

	<u>For the three months ended</u>	
	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Material costs	₩ 24,598	₩ 26,602
Outsourcing costs	182,718	180,750
Salaries	79,525	73,349
Provision for pension benefits	13,199	9,457
Depreciation	19,138	18,434
Amortization	3,280	2,837
Rents	508	690
Communications	4,447	4,688
Employee welfare benefits	15,009	13,256
Commissions	8,867	15,414
Education and training	7,305	3,995
Research and development	12,705	10,428
Office management	8,644	9,661
Travel	2,749	3,302
Others	10,299	10,423
	<u>₩ 392,991</u>	<u>₩ 383,286</u>

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22. Expenses classified based on nature of expense

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Material costs	₩ 24,606	₩ 26,764
Outsourcing costs	182,737	180,750
Salaries	86,945	80,252
Provision for pension benefits	13,636	9,748
Depreciation and amortization	25,661	23,568
Rents	508	690
Communications	4,447	4,726
Employee welfare benefits	15,600	13,841
Commissions	9,421	15,495
Education and training	7,377	4,064
Office management	8,644	9,661
Travel	2,759	3,367
Others	10,650	10,360
	<u>₩ 392,991</u>	<u>₩ 383,286</u>

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

23.1 Finance income and costs

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Finance income:		
Interest income	₩ 998	₩ 1,704
Gain on foreign currency transactions	1,291	780
Gain on foreign currency translation	810	377
Gain on valuation of financial assets measured at FVTPL	48	392
Gain on valuation of derivative instruments	12	147
Gain on transactions of derivative instruments	21	69
	<u>₩ 3,180</u>	<u>₩ 3,469</u>

	For the three months ended	
	March 31, 2020	March 31, 2019
Finance costs:		
Interest expenses	₩ 48,434	₩ 47,343
Loss on foreign currency transactions	592	480
Loss on foreign currency translation	368	53
Loss on valuation of derivative instruments	845	327
Loss on transactions of derivative instruments	462	173
	<u>₩ 50,701</u>	<u>₩ 48,376</u>

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23.2 Other non-operating income and expenses

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Other non-operating income:		
Gain on disposal of property, plant and equipment	₩ 2	₩ 7
Others	1,735	337
	<u>₩ 1,737</u>	<u>₩ 344</u>
Other non-operating expenses:		
Loss on disposal of property, plant and equipment	₩ 4	₩ 4
Loss on disposal of intangible assets	-	1
Donations	2,967	113
Others	520	508
	<u>₩ 3,491</u>	<u>₩ 626</u>

24. Income taxes

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

Effective tax rates for the three months ended March 31, 2020 and 2019 were 1.97% and 2.72%, respectively.

25. Earnings per share

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Profit for the period	₩ 982,897	₩ 1,045,112
Less: preferred share dividends	(571)	(571)
Profit for the period attributable to ordinary share owners of the Company	₩ 982,326	₩ 1,044,541
Weighted-average number of issued shares outstanding (*1)	52,304,347	55,824,347
Basic earnings per share (Korean won)	<u>₩ 18,781</u>	<u>₩ 18,711</u>

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

The weighted-average number of issued shares outstanding for the three months ended March 31, 2020 and 2019 are as follows:

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

26. Transactions with related parties

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

(1) The subsidiaries of the Company as of March 31, 2020, are as follows:

Ultimate controlling party	Subsidiaries
Subsidiaries (total 293)	<p>Tae-won, Chey and related parties</p> <p>SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, Happydidim Co., Ltd., SK Energy Road Investment Co., Ltd., SK Energy Hong Kong Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., Ningbo SK Baoying Asphalt Storage Co., Ltd., Hefei SK Baoying Asphalt Co., Ltd., Chongqing SK Asphalt Co., Ltd., SK Asphalt (Shanghai) Co., Ltd., SK Global Chemical Co., Ltd., SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical China Limited, SK Global Chemical International Trading (Shanghai) Co., Ltd., SK Global Chemical International Trading (Guangzhou) Co., Ltd., SK Global Chemical Americas, Inc., SK Primacor Americas LLC, SK Primacor Europe, S.L.U., SK Saran Americas LLC, SK Global Chemical Japan Co., Ltd., SK Global Chemical Singapore Pte. Ltd., SK Global Chemical Investment Hong Kong Ltd., Ningbo SK Performance Rubber Co., Ltd., HAPPYMOEUM Co., Ltd., SK Functional Polymer, S.A.S, SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd., SK Energy International Pte. Ltd., SK Energy Europe, Ltd., SK Energy Americas, Inc., SK Terminal B.V., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., Ltd., SK Lubricants & Oils India Pvt. Ltd., Iberian Lube Base Oils S.A., SK Lubricants Russia LLC, SK ie technology Co., Ltd., SK Hi-Tech Battery Battery Materials(Jiang Su) Co., Ltd., SK Hi-tech Battery Materials Poland Sp. Zo.o., SK Mobile Energy Co., Ltd., SK Innovation Insurance (Bermuda), Ltd., SK USA, Inc., Super Seed NY LLC, Blue Dragon Energy Co., Limited., Jiangsu SK Battery Certification Center, SK Battery Hungary Kft., SK Battery America, Inc., SK Battery Manufacturing Kft., Happykium Co., Ltd., SK E&P Company, SK E&P America, Inc., Blue Sky United Energy Co., Ltd, SK Plymouth, LLC, SK Permian, LLC, SK E&P Operations America, LLC, SK Nemaha, LLC, SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Telink Vietnam Co., Ltd., SK Broadband Co. Ltd., Home&Service Co., Ltd., SK stoa Co., Ltd., PS&Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., SK O&S Co., Ltd. (formerly, Network O&S Co., Ltd.), One store Co., Ltd., SK Communications Co., Ltd., 11Street Co., Ltd., Life and Security Holdings Co., Ltd., ADT Caps Co., Ltd., Capstek Co., Ltd., Quantum Innovation Private Equity Joint Venture I , SK Infosec Co., Ltd., SKInfosec Information Technology(Wuxi) Co., Ltd. , SK Planet Co., Ltd., SK M & Service Co., Ltd., SKP Global Holdings Pte. Ltd., SKP America LLC, K-Net Culture & Contents Venture Fund, SK Telecom China Holdings Co., Ltd., SK Global Healthcare Business Group, Ltd., SKT Americas Inc., YTK Investment Ltd., Atlas Investment Ltd., SK Telecom Innovation Fund, L.P., SK Telecom China Fund I L.P., SK Telecom TMT Investment Corp., Dreamuscompany Co., Ltd., iriver Enterprise Ltd., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd., Life Design Company Japan Inc., SK Telecom Japan Inc., SK Planet Japan, K. K., id Quantique SA, id Quantique Ltd., FSK L&S Co., Ltd., FSK L&S(Shanghai) Co., Ltd., FSK L&S(Hungary) Co., Ltd., Incross Co., Ltd., Infra Communications Co., Ltd., Mindknock Co., Ltd., Happyhanwool Co., Ltd., SK MENA Investment B.V., SK Latin Americas Investment S.A., SK Technology Innovation Company, SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Pinx Co., Ltd., SK Rent-A-car Service Co., Ltd., SK Magic Co., Ltd., SK Magic Service Co., Ltd., SK Magic Vietnam Company Limited, SK Networks Retails Malaysia Sdn. Bhd., SK Rent-a-Car Co., Ltd., SK Networks (China) Holdings Co., Ltd., Liaoning SK Networks Real Estate Development Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., SK Networks (Liaoning) Logistics Co., Ltd., SK Networks (Dandong) Energy Co., Ltd., Shenyang SK Networks Energy Co., Ltd., SK (GZ FreeZone) Co., Ltd., SK Networks (Shanghai) Co., Ltd., POSK (Pinghu) Steel Processing Center Co., Ltd., SK Networks Hong Kong Ltd., SK (Guangzhou) Metal Co., Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK Networks Japan Co., Ltd., SK Networks Deutschland GmbH, Daiyang SK Networks SAN. VE TIC. Ltd. STI, SK Networks Resources Australia Pty. Ltd., SK Networks Middle East FZE, SK BRASIL LTDA, SK Networks Trading Malaysia Sdn Bhd, SK Networks America, Inc., SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA.,</p>

26. Transactions with related parties (cont'd)

	Subsidiaries
Subsidiaries (total 293)	<p>Networks Tejarat Pars, SKC Co., Ltd., Woori Fine Chem Co., Ltd., SK Telesys Co., Ltd., Techdream Co., Ltd., SKC Infra Service Co., Ltd., SKC Solmics Co., Ltd., Solmics Taiwan Co., Ltd., Solmics Shanghai Co., Ltd., SKC solmics Hong Kong Co., Ltd., SKC Semiconductor Materials(Wuxi) Co., Ltd, SKC-Eco Solution Co., Ltd., SKC (Jiangsu) High Tech Plastics Co., Ltd., SKC, Inc., SKC Europe GmbH, SK Bioland Co., Ltd., Bioland Biotech Co., Ltd., Bioland Haimen Co., Ltd., SKC Hi-Tech&Marketing Co., Ltd., SKC Hi-Tech&Marketing (Suzhou) Co., Ltd., SKC Hi-Tech&Marketing Taiwan Co., Ltd., SKC Hi-Tech&Marketing Polska SP.Z.O.O, SKC Hi-Tech&Marketing USA LLC, SKC PU Specialty Co., Ltd., SKC (Nantong) PU Specialty Co., Ltd., SKC-ENF Electronic Materials Ltd., SKC (Nantong) Semiconductor Materials Technology Co., Ltd., SE (Jiangsu) Electronic Materials Co., Ltd., SK PICGlobal Co., Ltd., SKCFTH Co., LTD., KCFTechnologis Co., Ltd., SK E&S Co., Ltd., Kangwon City Gas Co., Ltd., Yeongnam Energy Service Co., Ltd., Ko-one Energy Service Co., Ltd., Pusan City Gas Co., Ltd., Jeonbuk Energy Service Co., Ltd., Chonnam City Gas Co., Ltd., Chungcheong Energy Service Co., Ltd., Paju Energy Service Co., Ltd., Narae Energy Service Co., Ltd. (formerly, Wirye Energy Service Co., Ltd.), Yeosu Energy Service Co., Ltd., Jeonnam Offshore Wind Power Co., Ltd., SK E&S Hong Kong Co., Ltd., SK E&S Australia Pty. Ltd., SK E&S Americas, Inc., SK E&S LNG, LLC, DewBlaine Energy, LLC, CAILIP Gas Marketing, LLC, Rnes Holdings, LLC, Storage Solution Holdings, LLC, CAES, LLC, Prism Energy International China Limited, Prism Energy International Zhoushan Limited, Prism Energy International Pte, Ltd., Fajar Energy International Pte. Ltd., Prism Energy International Hong Kong, Ltd., PT Prism Nusantara International (formerly, PT SK E&S Nusantara), SK E&S Dominicana S.R.L, SK Engineering & Construction Co., Ltd., Seosuwon Development Company, SK TNS Co., Ltd., SKEC Nanjing Co., Ltd., SKEC (Thai), Ltd., Thai Woo Ree Engineering Co., Ltd., SKEC Anadolu, LLC, SK E&C Betek Corporation, Mesa Verde RE Ventures, LLC, SKEC Consultores Ecquador, S.A., Sunlake Co., Ltd., SK HOLDCO PTE. LTD., Silvertown Investco Limited, SK Materials Co., Ltd., SK Materials Japan Co., Ltd., SK Materials Taiwan Co., Ltd., SK Materials Jiangsu Co., Ltd., SK Materials (Xian) Co., Ltd., SK Airgas Co., Ltd., SK Tri Chem Co., Ltd., SK Showa Denko Co., Ltd., SK Materials (Shanghai) Co., Ltd., Happycompanion Co., Ltd., HANYU CHEMICAL Co., Ltd., SK Performance Materials Co.,Ltd., SK Siltron Co., Ltd., SK Siltron America, Inc, SK Siltron Japan, Inc., SK Siltron Shanghai Co., Ltd., SK Siltron USA, Inc., SK Siltron CSS, LLC., Happy Chaeum Co., Ltd., SK Biopharmaceuticals Co.,Ltd., SK Life Science, Inc., SK Bio-Pharma Tech (Shanghai) Co., Ltd., SK S.E.Asia Pte. Ltd., Essencore Limited, Essencore (Shenzhen) Limited, SK China Company, Ltd., SKY Property Mgmt (Beijing) Co., Ltd., SK Bio Energy HongKong Co., Ltd., SK Property Investment Management Co., Ltd., SK Industrial Development China Co., Ltd., Shanghai SKY Real Estate Development Co., Ltd., SK China Investment Management Co., Ltd., SK International Agro-Products Logistics Development Co., Ltd., SK International Agro-Sideline Products Park Co.,Ltd., SK Auto Service Hong Kong Co., Ltd., SK (Shenyang) auto rental Co., Ltd., SK (Beijing) auto rental Co., Ltd., SK Rent-A-Car (Qingdao)Co., Ltd., Skyline Auto Financial Leasing Co., Ltd., SK Financial Leasing Co., Ltd., SK China (Beijing) Co., Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SK China Creative Industry Development Co., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., S&G Technology, Saturn Agriculture Investment Co., Ltd., SK Investment Management Co., Ltd., SK Semiconductor Investments Co., Ltd., Gemini Partners Pte. Ltd., Solaris Partners Pte. Ltd., Solaris GEIF Investment, SK GI Management, Plutus Capital NY, Inc., Hudson Energy NY, LLC, Hudson Energy NY II, LLC, Hudson Energy NY III, LLC, Plutus Fashion NY, Inc., Wonderland NY, LLC, Atlas NY LLC, SK South East Asia Investment Pte. Ltd. , SK Investment Vina I Pte. Ltd., SK Investment Vina II Pte. Ltd., SK Pharmteco Inc., SK Biotek Co., Ltd., SK BIOTEK IRELAND LIMITED, SK BIOTEK USA, Inc., Abrasax Investment Inc. , Fine Chemicals Holdings Corp., AMPAC Fine Chemicals, LLC, AMPAC Fine Chemicals Texas, LLC, AMPAC Fine Chemicals Virginia, LLC, Golden Pearl EV Solutions Limited, SK Forest Co., Ltd., HWEECHAN Co., Ltd.</p>

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26. Transactions with related parties (cont'd)

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

	Company name	For the three months ended				
		Sales and others (*1)		Purchase and others (*2)		
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	
Subsidiaries	SK Innovation Co., Ltd.	₩ 65,111	₩ 221,215	₩ 2,238	₩ 461	
	SK Energy Co., Ltd.	26,276	21,270	-	-	
	SK Global Chemical Co., Ltd.	8,871	6,730	-	-	
	SK Incheon Petrochem Co., Ltd.	6,028	5,033	-	-	
	SK Lubricants Co., Ltd.	2,469	2,850	-	-	
	SK Battery Hungary Kft.	1,125	-	-	-	
	SK Engineering & Construction Co., Ltd.	16,243	15,996	-	-	
	SKC Co., Ltd.	18,392	18,170	-	-	
	SK E&S Co., Ltd.	661,742	608,701	-	-	
	SK Biopharmaceuticals Co., Ltd.	1,962	938	-	-	
	SK Infosec Co., Ltd.	745	1,101	2,770	3,042	
	SK C&C Beijing Co., Ltd.	2,711	3,036	1,071	1,402	
	SK S.E.ASIA Pte. Ltd.	37,219	-	-	-	
	SK Networks Co., Ltd.	21,190	21,483	2,004	1,933	
	SK Telecom Co., Ltd.	269,950	277,316	3,675	8,129	
	SK Broadband Co., Ltd.	22,256	23,364	1,924	2,035	
	SK Planet Co., Ltd.	3,574	5,008	-	227	
	11Street Co., Ltd.	799	979	57	-	
	SK Materials Co., Ltd.	21,276	20,448	-	-	
	SK Siltron Co., Ltd.	6,185	3,618	-	-	
	Others	23,153	13,300	5,218	3,331	
	Other related parties	Hana Land Chip PEF 33	1,693	1,666	8,594	8,594
		SK hynix Inc.	107,393	95,848	3,691	4,200
SK hynix Semiconductor (China) Ltd.		818	8,069	-	-	
SK hynix system ic (Wuxi) Co., Ltd.		2,323	-	-	-	
THIRA-UTECH Co., Ltd.		-	-	1,716	778	
Others (*3)	Others	4,056	2,136	2,949	2,789	
	SK Gas Co., Ltd.	3,395	3,342	-	-	
	SK Chemicals Co., Ltd.	1,840	-	-	-	
	Others	3,200	3,647	98	3,165	
		<u>₩ 1,341,995</u>	<u>₩ 1,385,264</u>	<u>₩ 36,005</u>	<u>₩ 40,086</u>	

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

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

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

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26. Transactions with related parties (cont'd)

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

		March 31, 2020					
		Receivables			Payables		
		Trade	Other	Total	Trade	Other	Total
Company name		receivables	receivables		payables	payables	
Subsidiaries	SK Innovation Co., Ltd.	₩ 28,580	₩ 77,747	₩ 106,027	₩ -	₩ 13,637	₩ 13,637
	SK Energy Co., Ltd.	6,453	57	6,510	-	2,717	2,717
	SK Global Chemical Co., Ltd.	1,368	23	1,391	-	4,148	4,148
	SK Incheon Petrochem Co., Ltd.	604	-	604	-	1,854	1,854
	SK Lubricants Co., Ltd.	3,999	10	4,009	-	8,643	8,643
	SK Battery Hungary Kft.	1,069	-	1,069	-	11	11
	SK Engineering & Construction Co., Ltd.	3,970	9,438	13,408	-	27	27
	SKC Co., Ltd.	1,337	15,390	16,727	-	77	77
	SK E&S Co., Ltd.	2,249	173	2,422	-	843	843
	SK Biopharmaceuticals Co., Ltd.	3,636	-	3,636	-	165	165
	SK Infosec Co., Ltd.	952	-	952	1,355	1,519	2,874
	SK C&C Beijing Co., Ltd.	3,865	-	3,865	463	914	1,377
	SK S.E.Asia Pte. Ltd.	-	37,592	37,592	-	-	-
	SK Networks Co., Ltd.	4,834	11,707	16,541	1	2,276	2,277
	SK Telecom Co., Ltd.	30,432	195,078	225,510	443	6,638	6,781
	SK Broadband Co., Ltd.	20,510	17	20,527	377	2,590	2,967
	SK Planet Co., Ltd.	3,826	-	3,826	-	199	199
	11Street Co., Ltd.	352	-	352	-	70	70
	SK Materials Co., Ltd.	688	19,942	20,630	-	627	627
	SK Siltron Co., Ltd.	10,659	12	10,671	-	1,314	1,314
Others	23,512	655	24,167	71	8,334	8,405	
Other related parties	Hana Land Chip PEF 33	-	7,675	7,675	-	34,057	34,057
	SK hynix Inc.	174,688	8,380	183,068	-	33,899	33,899
	SK hynix Semiconductor (China) Ltd.	1,018	-	1,018	-	384	384
	SK hynix system ic (Wuxi) Co., Ltd.	4,089	-	4,089	-	-	-
	THiRA-UTECH Co., Ltd.	-	-	-	468	-	468
Others	4,673	3,188	7,861	1,134	2,834	3,968	
Others (*1)	SK Gas Co., Ltd.	874	14	888	-	84	84
	SK Chemicals Co., Ltd.	759	-	759	-	4	4
	Others	1,700	7	1,707	108	16	124
		<u>₩ 340,696</u>	<u>₩ 386,805</u>	<u>₩ 727,501</u>	<u>₩ 4,420</u>	<u>₩ 127,581</u>	<u>₩ 132,001</u>

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

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26. Transactions with related parties (cont'd)

		December 31, 2019					
		Receivables			Payables		
Company name		Trade receivables	Other receivables	Total	Trade payables	Other payables	Total
Subsidiaries	SK Innovation Co., Ltd.	₩ 23,415	₩ 40,517	₩ 63,932	₩ -	₩ 11,787	₩ 11,787
	SK Energy Co., Ltd.	10,543	-	10,543	-	2,466	2,466
	SK Global Chemical Co., Ltd.	4,816	-	4,816	-	5,691	5,691
	SK Incheon Petrochem Co., Ltd.	1,644	-	1,644	-	2,002	2,002
	SK Lubricants Co., Ltd.	2,093	-	2,093	-	4,869	4,869
	SK Battery Hungary Kft.	324	-	324	-	407	407
	SK Engineering & Construction Co., Ltd.	3,474	-	3,474	-	1,324	1,324
	SKC Co., Ltd.	2,664	-	2,664	-	24	24
	SK E&S Co., Ltd.	6,017	153	6,170	-	600	600
	SK Biopharmaceuticals Co., Ltd.	2,231	-	2,231	-	113	113
	SK Infosec Co., Ltd.	1,520	-	1,520	1,375	3,161	4,536
	SK C&C Beijing Co., Ltd.	6,412	-	6,412	488	1,563	2,051
	SK Networks Co., Ltd.	6,043	20	6,063	1	2,858	2,859
	SK Telecom Co., Ltd.	54,408	357	54,765	216	6,987	7,203
	SK Broadband Co., Ltd.	34,868	-	34,868	397	5,959	6,356
	SK Planet Co., Ltd.	5,229	-	5,229	686	169	855
	11Street Co., Ltd.	1,312	-	1,312	-	90	90
	SK Materials Co., Ltd.	1,023	-	1,023	-	428	428
	SK Siltron Co., Ltd.	7,449	-	7,449	-	381	381
	Others	21,553	629	22,182	319	9,713	10,032
Other related parties	Hana Land Chip PEF 33	-	5,983	5,983	-	42,464	42,464
	SK hynix Inc.	166,543	8,154	174,697	-	28,412	28,412
	SK hynix Semiconductor (China) Ltd.	2,932	-	2,932	-	628	628
	SK hynix system ic (Wuxi) Co., Ltd.	1,766	-	1,766	-	-	-
THIRA-UTECH Co., Ltd.	-	-	-	628	20	648	
Others	2,667	3,019	5,686	1,268	2,872	4,140	
Others (*1)	SK Gas Co., Ltd.	455	-	455	-	153	153
	SK Chemicals Co., Ltd.	976	-	976	-	-	-
	Others	1,290	-	1,290	-	-	-
		<u>₩ 373,667</u>	<u>₩ 58,832</u>	<u>₩ 432,499</u>	<u>₩ 5,378</u>	<u>₩ 135,141</u>	<u>₩ 140,519</u>

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

(4) Compensation for key management personnel of the Company for the three months ended March 31, 2020 and 2019 are as follows (Korean won in millions):

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

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

(5) Guarantees provided to related parties are described in Note 28.

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27. Cash flow information

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Provision for pension benefits	₩ 13,001	₩ 9,699
Depreciation	19,440	18,754
Amortization	6,242	4,814
Bad debt expenses	49	45
Provisions transferred in	647	693
Interest expenses	48,434	47,343
Loss on foreign currency translation	368	53
Loss on valuation of derivative instruments	845	327
Loss on disposal of property, plant and equipment	4	4
Loss on disposal of intangible assets	-	1
Share-based payment expenses	199	382
Income tax expense	19,797	29,186
Dividends income	(990,581)	(1,054,468)
Interest income	(998)	(1,704)
Gain on foreign currency translation	(810)	(377)
Gain on valuation of financial assets measured at FVTPL	(48)	(392)
Gain on valuation of derivative instruments	(12)	(147)
Gain on disposal of property, plant and equipment	(2)	(7)
Others	411	(356)
	<u>₩ (883,014)</u>	<u>₩ (946,150)</u>

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Trade receivables	₩ 30,008	₩ 86,281
Other receivables	(4,541)	(530)
Inventories	(32)	(30)
Advanced payments	586	5,554
Lease receivables	8,386	8,078
Prepaid expenses	(5,018)	(4,410)
Trade payables	(60,255)	(32,492)
Advances received	73,035	63,494
Withholdings	4,500	(16,444)
Other payables	(58,349)	(55,858)
Accrued expenses	(38,835)	(32,234)
Leasehold deposits received	68	(18)
Provision	(1,589)	(1,511)
Defined benefit obligation	(10,375)	(2,354)
Plan assets	11,171	5,234
Others	128	(207)
	<u>₩ (51,085)</u>	<u>₩ 22,553</u>

27. Cash flow information (cont'd)

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

	For the three months ended	
	March 31, 2020	March 31, 2019
Transfer of lease receivables based on the changes in accounting policies	₩ -	₩ (71,125)
Transfer of lease liabilities based on the changes in accounting policies	-	132,448
Transfer from construction-in-progress to property, plant and equipment	3	7,534
Transfer of long-term bonds payable to current-portion	320,954	339,853
Decrease in other payables regarding the acquisition of property, plant and equipment	522	991
Dividend payable	211,503	225,583

28. Commitments and contingencies

(1) Guarantees provided by others for the Company's obligations and indebtedness as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions):

	Currency	March 31, 2020	December 31, 2019
Seoul Guarantee Insurance	KRW	166	300
Korea Software Financial Cooperative	KRW	316,077	291,860

(2) Pending litigation

There are no major pending litigations as of March 31, 2020.

(3) Significant commitments

- 1) SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd. and SK ie technology Co., Ltd. are collectively responsible for any obligations arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations that occurred before the spin-off on April 1, 2011.
- 2) The Company entered into a contract to lease the headquarter's building from NH Bank, the trustee of Hana Asset Management Co., Ltd.. Under the terms of the lease, the lease period is until March 27, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance, and development service entered into between the Company and the affiliates of SK Group 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.

28. Commitments and contingencies (cont'd)

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

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

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

	Total return swap contracts
Investor	Warmachine Sixth Co., Ltd. and others
Number of shares	13,140,440
Contract date	August 25, 2017
Expiry date	August 24, 2022
Settlement	The Company and the investors settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.
Premium	The Company shall pay 0.5% of the initial contract amount on the closing date of the transaction and shall pay to the investors the amount equivalent to 3.20% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be paid to the Company.
Call option	On a three-month basis from the closing date of sale ("the quarterly payment day"), the Company has the right to purchase the shares held by the investors at the initial contract price of the ordinary shares with certain level of additional charges.

28. Commitments and contingencies (cont'd)

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

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

- 8) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service for 20 years from FLNG Liquefaction 3, LLC, Which plans to operate natural gas liquefaction plants in Texas starting from 2019. As of March 31, 2020, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLC's inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.
- 9) 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.
- 10) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of subsidiary SK Pharmteco Inc., which is a subsidiary of the Company, to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.
- (4) The Company has provided 7 blank checks and 10 blank notes as collateral in relation to sales and other transactions as of March 31, 2020.

29. Financial risk management

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

The Company's financial assets and liabilities are exposed to mainly market risk, credit risk and liquidity risk. The Company's key management is responsible for the Company's financial risk-taking activities, and that such activities are governed by appropriate policies and procedures.

(1) Market risk

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

1) Interest rate risk

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

2) Foreign currency risk

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

Significant monetary assets and liabilities denominated in foreign currencies as of March 31, 2020 and December 31, 2019 are as follows (Korean won in millions, and USD, EUR and Others in thousands):

	Currency	March 31, 2020		December 31, 2019	
		Foreign currencies	Korea won equivalent	Foreign currencies	Korea won equivalent
Assets	USD	40,632	₩ 49,699	19,519	₩ 22,599
	EUR	777	1,047	573	743
	Others		5,340		7,058
			₩ 56,086		₩ 30,400
Liabilities	USD	2,788	₩ 3,409	5,918	₩ 6,851
	EUR	44	59	11	14
	Others		1,138		1,407
			₩ 4,606		₩ 8,272

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

	March 31, 2020		December 31, 2019	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before tax expense	₩ 5,148	₩ (5,148)	₩ 2,308	₩ (2,308)

3) Other price risk

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

(2) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of March 31, 2020 and December 31, 2019 is as follows and for cash and cash equivalents, credit risk exposure is low (Korean won in millions):

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Short-term and long-term financial instruments	₩ 91,059	₩ 153,221
Trade receivables	285,464	320,138
Other receivables	342,030	1,117
Accrued income	184	142
Investment securities	308,647	286,932
Short-term and long-term guarantee deposits	24,332	21,544
Short-term and long-term lease receivables	33,219	40,254
Short-term and long-term loans	3,036	2,871
Financial derivatives asset	<u>384,592</u>	<u>384,996</u>
	<u>₩ 1,472,563</u>	<u>₩ 1,211,215</u>

1) Trade and other receivables

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

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

2) Other financial assets

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

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(3) Liquidity risk

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

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

	Book value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	More than 5 years
Short-term borrowings	₩ 1,830,000	₩ 1,831,497	₩ 1,641,497	₩ 190,000	₩ -	₩ -
Bonds payable	6,313,116	6,825,578	228,854	1,024,088	4,440,047	1,132,589
Financial derivatives liabilities	223,035	223,035	408	202	222,425	-
Trade accounts payables	100,030	100,030	100,030	-	-	-
Lease liabilities	89,225	91,147	5,795	51,567	32,589	1,196
Other liabilities	306,639	306,639	78,969	222,217	5,453	-
	<u>₩ 8,862,045</u>	<u>₩ 9,377,926</u>	<u>₩ 2,055,553</u>	<u>₩ 1,488,074</u>	<u>₩ 4,700,514</u>	<u>₩ 1,133,785</u>

(4) Capital management

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

The Company maintains a debt ratio of 66.65% as of March 31, 2020. The maturity of the debt is dispersed in the long-term and the borrowings mainly consist of long-term bonds, which do not present significant risks for unexpected payment for debts.

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

	March 31, 2020	December 31, 2019
Total liabilities	₩ 9,444,236	₩ 9,132,524
Total equity	14,170,353	13,402,562
Debt ratio	66.65%	68.14%