

## Financial Statements

### Consolidated Financial Statements

(Unit: thousand won)

Classification	2017	2018
<b>Assets</b>		
I . Total Current Assets	16,220,201,245	16,752,415,052
1. Cash and cash equivalents	2,003,740,408	1,855,920,813
2. Short-term financial instruments	2,245,428,888	2,671,963,400
3. Trade accounts receivable	4,821,306,591	4,459,724,118
4. Long-term investment securities	-	2,591,171
5. Short-term loans	59,855,377	43,557,329
6. Other accounts receivable	476,188,351	696,153,342
7. Accrued income	5,094,087	5,083,257
8. Advance payments	354,825,152	470,829,270
9. Prepaid expenses	47,616,001	47,657,894
10. Current tax assets	10,396,005	9,266,155
11. Guarantee deposits	164,739,997	171,808,083
12. Derivative financial assets	34,080,164	72,206,845
13. Inventories	5,979,634,285	6,179,806,214
14. Other current assets	17,295,939	347,161
15. Assets classified as held for sales	-	65,500,000
II . Total Non-current Assets	18,029,945,245	19,332,969,018
1. Long-term financial instruments	4,501,038	4,720,012
2. Long-term trade accounts receivable	152,927	78,836
3. Long-term investment securities	276,337,835	333,183,684
4. Investments in associates and jointly controlled entities	2,431,188,073	2,881,803,332
5. Long-term other accounts receivable	16,832,318	12,857,090
6. Long-term loans	106,319,861	196,249,453
7. Property, plant and equipment	13,596,238,753	13,798,178,396
8. Goodwill and Intangible assets	1,501,386,906	2,006,974,502
9. Long-term guarantee deposits	28,353,284	42,593,848
10. Derivative financial assets	1,975,292	8,502,747
11. Deferred income tax assets	37,675,259	24,014,790
12. Other non-current assets	28,983,699	23,812,328
<b>Total Assets</b>	<b>34,250,146,490</b>	<b>36,085,384,070</b>

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(Unit: thousand won)

Classification	2017	2018
<b>Liabilities</b>		
I . Total Current Liabilities	9,954,805,119	8,940,623,415
1. Short-term borrowings	242,879,213	153,742,080
2. Trade accounts payable	5,265,305,725	4,650,028,501
3. Other accounts payable	446,758,318	465,592,378
4. Accrued expenses	1,163,595,878	1,344,051,227
5. Advance received	80,431,806	117,420,458
6. Withholdings	841,490,319	642,790,322
7. Leasehold deposits received	13,412,485	12,357,819
8. Current tax liabilities	481,010,956	221,764,790
9. Derivative financial liabilities	90,768,855	55,846,355
10. Other current liabilities	56,723,383	55,505,516
11. Current portion of long-term debt	1,272,428,181	1,221,523,969
II . Total Non-current Liabilities	4,986,008,472	7,816,777,990
1. Bonds payable and long-term borrowings	4,062,637,332	6,648,068,076
2. Retirement benefit obligation	76,158,303	78,446,689
3. Long-term provisions	100,553,633	119,944,900
4. Financial guarantee liabilities	1,131,271	721,035
5. Deferred income tax liabilities	731,132,521	946,917,218
6. Other accounts payable	6,539,755	12,590,361
7. Other non-current liabilities	7,855,657	10,089,711
<b>Total Liabilities</b>	<b>14,940,813,591</b>	<b>16,757,401,405</b>
<b>Equity</b>		
I . Total Equity Attributable to the Owners' of the Company	18,085,779,250	18,124,447,803
1. Capital stock	468,569,950	468,569,950
2. Other paid-in capital	5,629,672,498	4,628,540,029
3. Retained earnings	12,041,707,802	12,930,338,005
4. Other capital components	(54,171,000)	96,999,819
II . Non-controlling interests	1,223,553,649	1,203,534,862
<b>Total Equity</b>	<b>19,309,332,899</b>	<b>19,327,982,665</b>
<b>Total Liabilities and Equity</b>	<b>34,250,146,490</b>	<b>36,085,384,070</b>

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## Financial Statements

### Consolidated Statements of Comprehensive Income

(Unit: thousand won)

Classification	2017	2018
I. Sales	46,162,655,997	54,510,898,386
II. Cost of Sales	40,824,841,000	50,529,216,158
III. Gross Profit	5,337,814,997	3,981,682,228
IV. Selling and Administrative Expenses	2,116,028,938	1,864,092,438
V. Operating Income	3,221,786,059	2,117,589,790
Financial income - interest income calculated using effective interest method	-	40,226,278
Financial income - others	-	3,141,034,659
Financial income	1,882,361,310	-
Finance costs	2,050,667,110	2,949,103,372
Gain related to investments in associates and jointly controlled entities, net	311,316,658	155,164,442
Other non-operating income	79,579,055	109,416,494
Other non-operating expenses	220,699,009	211,975,494
VI. Income from Continuing Operation before Income Tax Expense	3,223,676,963	2,402,352,797
VII. Income Tax Expense	1,076,412,588	705,434,099
VIII. Income from Continuing Operations	2,147,264,375	1,696,918,698
IX. Income (Loss) from Discontinued Operations	(2,162,647)	13,065,343
X. Net Income	2,145,101,728	1,709,984,041
Attributable to Owners of the Company	2,103,771,293	1,651,472,381
Attributable to Non-controlling interests	41,330,435	58,511,660
XI. Other Comprehensive Income (Loss)	(266,979,155)	110,107,348
1. Items not reclassified subsequently to profit or loss:	2,842,547	(28,830,557)
Net change in fair value of financial assets measured at FVTOCI	-	(12,771,446)
Remeasurement of defined benefit plan	12,709,665	(19,519,151)
Net gain (loss) on translation of foreign operations	(9,867,118)	3,460,040
2. Items reclassified subsequently to profit or loss:	(269,821,702)	138,937,905
Net change in fair value of financial assets measured at FVTOCI	-	49,592
Net change in fair value of available-for-sale("AFS") financial assets	25,168,336	-
Equity adjustments of investments in associates and jointly controlled entities	(145,009,674)	58,819,987
Net gain (loss) on translation of foreign operations	(150,071,422)	71,897,840
Net change on valuation of derivative financial instruments	91,058	8,170,486
XII. Total Comprehensive Income	1,878,122,573	1,820,091,389
Attributable to Owners of the Company	1,846,659,256	1,758,119,689
Attributable to Non-controlling interests	31,463,317	61,971,700
XIII. Earnings Per Share		
1. Basic earnings per share	22,574원	18,267원
2. Basic earnings per share of preferred stocks	22,624원	18,317원
3. Basic earnings per share from continuing operations	22,597원	18,123원
4. Basic earnings per share of preferred stocks from continuing operations	22,647원	18,173원

## Independent Assurance Statement

### Introduction

SK innovation Co., Ltd. ("SK innovation") commissioned DNV GL Business Assurance Korea, Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of SK innovation Sustainability Report 2018 (the "Report"). The directors of SK innovation have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of SK innovation in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

### Scope and Basis of assurance

Based on non-financial data and sustainability activities and performance data of 2018 generated from SK innovation, we have evaluated the adherence to GRI Standards and assessed the quality of sustainability performance information. We have reviewed that the Topic-specific disclosures of GRI Standards with are identified in the process for defining report content;

	Material Topic	GRI Disclosure		Material Topic	GRI Disclosure
1	Response to Climate change	305-1	4	Implementing a safe workplace	403-1
2	Sustainable Supply Chain Management	308-1,308-2	5	Community engagement	413-1

We've performed our work using DNV GL's assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out from April and till June 2019. The site visits were made to the headquarters of SK innovation in Seoul and Ulsan Complex. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- reviewed the materiality assessment report;
- visited Ulsan Complex (SK energy, SK global chemical and SK lubricants) and tested the environmental data gathering process.

### Limitations

The engagement excludes the sustainability management, performance and reporting practices of SK innovation's subsidiaries, associated companies, suppliers, contractors and any third-parties except for SK innovation, and its 5 major subsidiaries (SK energy, SK global chemical, SK lubricants, SK incheon petrochem and SK trading international). DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as SK innovation's website (<http://www.skinnovation.com>). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

### Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the Principles for defining report content in GRI Standards nor is prepared 'in accordance' with GRI Standards Core option. Further opinions with regards to the adherence to the Principles are made below;

### Stakeholder Inclusiveness

SK innovation has identified internal and external stakeholder groups such as Customers, Employees, Shareholders/Investors, Local communities