

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

and Suppliers. SK innovation engages with the stakeholders at the conglomerate, company and business unit levels through various channels. The examples of approaches to engage with the selected stakeholders and relevant organizations are described in the Report. In addition, SK innovation reports on key issues of interest to stakeholders in 2018 and their changes.

Sustainability Context

The Report shows the strategic direction of SK innovation to stakeholders. In addition, the Report presents the stakeholder impact assessment on the material topics, reasons for selecting material topics, SK innovation's management approach and performance indicators. SK innovation addresses in the Report what was the key performances achieved in 2018. These would help the stakeholder understand the management approaches toward the material topics. In addition, SK innovation reports its contribution to achieve UN SDGs and the Double Bottom Line (DBL) strategy with which SK innovation pursues to create not only economic values but also social values. The report explains its efforts to increase social value (SV) in all management activities.

Materiality

SK innovation has conducted the materiality assessment to prepare the Report. The relevant 35 issue pool is formed by analysing the material topics from the global sustainability initiatives and standards, the topics which industry peer group considers material and the subjects covered by mass media. The issues in the pool are rated by combining the level of impact on SK innovation's business and level of stakeholders' interest in the issue. SK innovation used the internal and external stakeholder survey to prioritize the issues to the most relevant 10 issues out of which 4 material topics are selected at the end. SK innovation has considered the relevance and significance with the core growth strategy, the current management status, industry issues, and internal and external stakeholder issues in the assessment. In addition, SK innovation has presented the relevance of SK innovation's financial, reputation, operational, and strategic aspects to the selected material topics. The assurance team reviewed the materiality assessment process and confirmed that the material topics prioritized from the process are addressed in the Report.

Completeness

The Report has covered the sustainability management approach and sustainability performances of SK innovation for the reporting period. The reporting boundary has been set to include SK innovation and major subsidiaries (SK energy, SK global chemical, SK lubricants, SK incheon petrochem, SK trading international) which have headquarters in Seoul and production plants in Jeungpyeong, Cheongju, Seosan, Ulsan and Incheon, and Daejeon Global Technology and it covers 99% of revenue from SK innovation and its subsidiary sales. The assurance team has not noted any intentional omission of the performance results on material topics within the reporting boundary.

Comparability, Accuracy, Clarity and Reliability

The audit team has sampled data and tested accuracy and reliability. Especially DNV GL reviewed the reliability of the subject data - water consumption, waste volume, air emissions (NOx, SOx, VOC and Hydrocarbons), Occupational safety indicators (Lost Time Incident Rate (LTIR), Total Recordable Incidents Rate (TRIR), number of fatality) and process safety indicator (process safety accident rate). The assurance team interviewed the responsible for the subject data handling and reviewed the data gathering process with the supporting documents and records. The depth of data verification is limited to the aggregated data level. Based on the test, the intentional error or misstatement is not noted. Data owners were able to demonstrate to trace the origin of the data and to interpret the processed data in a reliable manner. The data was identifiable and traceable.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct during the assurance engagement and maintain independence where required by relevant ethical requirements. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with SK innovation and did not provide any services to SK Innovation in 2019 that could compromise the independence or impartiality of our work.

June 2019

Seoul, Korea

Jang-Sub Lee

Country Representative

DNV GL Business Assurance Korea, Ltd.



Greenhouse Gas Verification Statement

GHG Verification Summary

SK Innovation Co., Ltd.

26, Jongno, Jongno-gu, Seoul Special City, Korea

Verification Scope

Korean Standards Association has conducted reasonable GHG emissions verification based on GHG report provided by SK Innovation Co., Ltd. which includes Scope1 and Scope2 emissions.

Verification Standards and Guidelines

To conduct verification activities, verification team applied verification standards and guidelines. The standards and guidelines are as follows.

- GHG&Energy Target Scheme guideline(2016-255) provided by Ministry of Environment, Republic of Korea
- Verification guideline for management of GHG emissions trading scheme(2018-070) provided by Ministry of Environment, Republic of Korea
- KS Q ISO 14064-1,2,3: 2006
- IPCC Guideline

Verification Conclusion

As a result of verification activities, verification team has found no significant errors. Therefore, Korean Standards Association confirms that following emissions data are adequately quantified.

2018 GHG Emissions (Unit: tonCO₂eq)

Subject	Scope 1	Scope 2	Total
SK Innovation Co., Ltd.	73,891	191,053	264,942
SK Energy Co., Ltd.	6,480,338	928,585	7,408,923
SK global chemical Co., Ltd.	2,456,521	744,736	3,201,256
SK Incheon Petrochem Co., Ltd.	1,325,956	463,405	1,789,360
SK Lubricants Co., Ltd.	105,402	100,225	205,626

※ There is a difference between the total quantity of GHG emission and the sum of each workplace's emission. (Decimal place is not considered when calculating the emission of each workplace.)

May 29, 2019

KOREAN STANDARDS ASSOCIATION