



# **SK Inc. and its subsidiaries**

Consolidated financial statements  
for the years ended December 31, 2020 and 2019  
with the independent auditor's report

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Independent auditor's report

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## Independent auditor's report

### SK Inc. The Shareholders and Board of Directors

#### Opinion

We have audited the consolidated financial statements of SK Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

#### Basis for opinion

We conducted our audits in accordance with the Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

##### (1) Impairment testing of goodwill and intangible assets with indefinite useful life

As described in Notes 14 and 15 to the consolidated financial statements, through a number of business combinations in the past, the Group has recognized goodwill of ₩4,755,455 million and intangible assets with indefinite useful life (brand-related assets) of ₩2,631,393 million as of December 31, 2020.

Of the total goodwill and intangible assets recognized by the Group, SK brand-related assets of ₩1,975,000 million from merger with the Company in 2015 and goodwill of ₩1,155,037 million from the acquisition of 740,895 shares (55%) of Life & Security Holdings Co., Ltd. in 2018 were significant in amount. In accordance with KIFRS 1036 *Impairment of Assets*, the Group shall test goodwill acquired in a business combination and intangible assets with indefinite useful life for impairment annually. In consideration of the significance of management's assumptions and judgment used in estimating value in use related to impairment testing of goodwill and intangible assets with indefinite useful life, we determined impairment testing of goodwill related to the acquisition of Life & Security Co., Ltd. and SK brand-related assets as a key audit matter.

The major audit procedures we have performed in this regard were as follows:

- Obtained an understanding of assets subject to impairment testing and reviewed the Group's accounting policies related to impairment testing
- Assessed the qualification, experience and expertise of the Group's external valuers and checked their objectivity and independence
- Reviewed the impairment review report of the Group by involving internal valuers
- Compared the financial forecasts used in estimating value in use and those approved by management
- Compared the major assumptions used in the evaluation with the past financial performance, industry indicators and market data
- Reviewed the impact on the results of management's assessment due to changes in key assumptions from sensitivity analysis of discount rates and permanent growth rates that are used in estimating value in use

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yong-Soo Jung.



March 12, 2021

This audit report is effective as of March 12, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

# **SK Inc. and its subsidiaries**

Consolidated financial statements  
for the years ended December 31, 2020 and 2019

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

Tae-Won Chey and Dong-Hyun Jang and Sungha Park  
Chief Executive Officers  
SK Inc.

**SK Inc. and its subsidiaries**  
**Consolidated statements of financial position**  
**as of December 31, 2020 and 2019**

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

		Korean won		Translation into U.S. dollar (Note 2)	
	Notes	2020	2019	2020	2019
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	6,35,37,38	₩ 10,096,940	₩ 7,981,755	\$ 9,280,276	\$ 7,336,172
Short-term financial instruments	6,35,37	4,483,815	3,694,344	4,121,153	3,395,537
Trade receivables, net	6,7,35,38	8,871,416	10,377,328	8,153,875	9,537,985
Other receivables, net	6,38	1,631,908	1,912,498	1,499,915	1,757,811
Inventories, net	8,38	6,179,497	9,138,361	5,679,685	8,399,229
Short-term investment securities	6,9,35,38	150,669	185,101	138,483	170,130
Other current assets	6,20,21,32,35,37,38	4,673,707	4,417,769	4,295,686	4,060,450
Assets held for sale	31	1,964,345	2,308,204	1,805,464	2,121,511
Total current assets		38,052,297	40,015,360	34,974,537	36,778,825
Non-current assets:					
Long-term financial instruments	6,35,37	13,708	7,598	12,599	6,983
Long-term trade receivables, net	6,7,38	274,789	130,171	252,563	119,642
Long-term other receivables, net	6,38	341,099	354,622	313,510	325,939
Long-term investment securities	6,9,35,38	4,356,009	2,810,412	4,003,685	2,583,099
Investments in associates and joint ventures	10,35	20,809,118	21,894,716	19,126,028	20,123,820
Property, plant and equipment, net	11,32,35	45,910,624	42,828,327	42,197,265	39,364,271
Right-of-use assets, net	12	6,178,480	5,160,778	5,678,750	4,743,362
Investment properties, net	13,35	570,554	487,758	524,406	448,307
Goodwill	14	4,755,455	2,598,464	4,370,823	2,388,294
Intangible assets, net	15	11,904,440	12,067,786	10,941,581	11,091,715
Deferred tax assets	27	1,165,308	798,454	1,071,055	733,873
Other non-current assets	6,19,20,21,32,37,38	3,306,496	3,456,977	3,039,058	3,177,370
Total non-current assets		99,586,080	92,596,063	91,531,323	85,106,676
<b>Total assets</b>		<b>₩ 137,638,377</b>	<b>₩ 132,611,423</b>	<b>\$ 126,505,860</b>	<b>\$ 121,885,501</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Current liabilities:					
Short-term borrowings	6,7,16,33,35,38	₩ 6,201,430	₩ 5,888,357	\$ 5,699,844	\$ 5,412,093
Trade payables	6,38	6,061,576	8,809,856	5,571,301	8,097,294
Other payables	6,17,38	5,727,171	3,961,150	5,263,944	3,640,763
Provisions	18	634,979	580,967	583,620	533,977
Current portion of long-term debt	6,16,33,34,35,38	6,216,778	6,029,722	5,713,950	5,542,024
Other current liabilities	6,20,21,32,38	12,075,462	10,099,510	11,098,770	9,282,638
Liabilities held for sale	31	295,301	257,526	271,416	236,697
Total current liabilities		37,212,697	35,627,088	34,202,845	32,745,486
Non-current liabilities:					
Bonds payable and long-term borrowings	6,16,33,34,35,38	36,843,510	32,374,161	33,863,520	29,755,663
Long-term trade payables	6,38	712	2,391	654	2,198
Long-term other payables	6,17,33,34,38	1,168,784	1,565,043	1,074,250	1,438,459
Defined benefit liabilities	19	436,965	414,682	401,622	381,142
Provisions	18	302,422	235,664	277,961	216,603
Deferred tax liabilities	27	4,542,659	5,491,147	4,175,238	5,047,010
Other non-current liabilities	6,20,21,32,38	5,270,710	4,725,215	4,844,404	4,343,028
Total non-current liabilities		48,565,762	44,808,303	44,637,649	41,184,103
<b>Total liabilities</b>		<b>85,778,459</b>	<b>80,435,391</b>	<b>78,840,494</b>	<b>73,929,589</b>
<b>Equity</b>					
Equity attributable to owners of the parent:					
Issued capital	1,22	15,385	15,385	14,141	14,141
Other paid-in capital	22	5,250,146	4,074,176	4,825,502	3,744,647
Retained earnings	22	12,496,676	12,556,584	11,485,915	11,540,978
Other components of equity	22	(327,163)	37,624	(300,701)	34,581
Total equity attributable to owners of the parent		17,435,044	16,683,769	16,024,857	15,334,347
Non-controlling interests		34,424,874	35,492,263	31,640,509	32,621,565
<b>Total equity</b>		<b>51,859,918</b>	<b>52,176,032</b>	<b>47,665,366</b>	<b>47,955,912</b>
<b>Total liabilities and equity</b>		<b>₩ 137,638,377</b>	<b>₩ 132,611,423</b>	<b>\$ 126,505,860</b>	<b>\$ 121,885,501</b>

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

**SK Inc. and its subsidiaries**  
**Consolidated statements of comprehensive income**  
**for the years ended December 31, 2020 and 2019**

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		2020	2019	2020	2019
<b>Sales</b>	4	₩ 81,820,139	₩ 97,811,541	\$ 75,202,334	\$ 89,900,313
<b>Cost of sales</b>	26	76,477,138	89,025,527	70,291,487	81,824,933
<b>Gross profit</b>		<b>5,343,001</b>	<b>8,786,014</b>	<b>4,910,847</b>	<b>8,075,380</b>
Selling and administrative expenses	23,26	5,507,472	5,050,140	5,062,015	4,641,673
<b>Operating profit (loss)</b>	4	<b>(164,471)</b>	<b>3,735,874</b>	<b>(151,168)</b>	<b>3,433,707</b>
Finance income	6,24	4,914,090	3,372,953	4,516,627	3,100,141
Finance costs	6,24	5,790,305	4,761,181	5,321,972	4,376,085
Share of profit of associates and joint ventures, net	10	799,698	596,756	735,017	548,489
Other non-operating income	6,25	1,828,409	875,894	1,680,523	805,050
Other non-operating expenses	6,25	1,615,227	984,493	1,484,584	904,865
<b>Profit (loss) from continuing operations before income tax expense</b>	4	<b>(27,806)</b>	<b>2,835,803</b>	<b>(25,557)</b>	<b>2,606,437</b>
<b>Income tax expense from continuing operations</b>	27	<b>260,417</b>	<b>1,006,400</b>	<b>239,354</b>	<b>925,000</b>
<b>Profit (loss) for the year from continuing operations</b>	4	<b>(288,223)</b>	<b>1,829,403</b>	<b>(264,911)</b>	<b>1,681,437</b>
<b>Gain (loss) from discontinued operations</b>	30	<b>179,791</b>	<b>(223,364)</b>	<b>165,249</b>	<b>(205,298)</b>
<b>Profit (loss) for the year attributable to:</b>		<b>₩ (108,432)</b>	<b>₩ 1,606,039</b>	<b>\$ (99,662)</b>	<b>\$ 1,476,139</b>
Owners of the parent		189,368	716,904	174,051	658,919
Non-controlling interests		(297,800)	889,135	(273,713)	817,220
<b>Other comprehensive income (loss):</b>					
Items not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement loss on defined benefit plans		(14,324)	(138,963)	(13,165)	(127,723)
Net loss on valuation of financial assets measured at FVOCI		721,423	(72,991)	663,072	(67,087)
Items to be reclassified to profit or loss in subsequent periods (net of tax):					
Equity adjustments of investments in associates and joint ventures		(246,548)	126,537	(226,607)	116,302
Gain on valuation of derivative financial instruments		7,753	15,077	7,126	13,858
Net gain on translation of foreign operations		(845,694)	350,851	(777,292)	322,473
		(377,390)	280,511	(346,866)	257,823
<b>Total comprehensive income (loss) for the year attributable to:</b>		<b>₩ (485,822)</b>	<b>₩ 1,886,550</b>	<b>\$ (446,528)</b>	<b>\$ 1,733,962</b>
Owners of the parent		(161,768)	926,937	(148,684)	851,965
Non-controlling interests		(324,054)	959,613	(297,844)	881,997
<b>Earnings per share (Korean won and U.S. dollar):</b>	28				
Basic and diluted earnings per share		₩ 3,544	₩ 12,910	\$ 3	\$ 12
Basic and diluted earnings per share from continuing operations		2,146	14,384	2	13

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

**SK Inc. and its subsidiaries**  
**Consolidated statements of changes in equity**  
**for the years ended December 31, 2020 and 2019**  
(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
<b>As of January 1, 2019</b>	<b>₩ 15,385</b>	<b>₩ 4,631,955</b>	<b>₩ 12,216,093</b>	<b>₩ (237,143)</b>	<b>₩ 16,626,290</b>	<b>₩ 34,244,161</b>	<b>₩ 50,870,451</b>
<b>Effect of changes in accounting policies</b>	-	-	(1,634)	-	(1,634)	(3,759)	(5,393)
<b>As of January 1, 2019 (Restated)</b>	<b>₩ 15,385</b>	<b>₩ 4,631,955</b>	<b>₩ 12,214,459</b>	<b>₩ (237,143)</b>	<b>₩ 16,624,656</b>	<b>₩ 34,240,402</b>	<b>₩ 50,865,058</b>
Total comprehensive income:							
Profit for the year	-	-	716,904	-	716,904	889,135	1,606,039
Remeasurement loss on defined benefit plans	-	-	(64,734)	-	(64,734)	(74,229)	(138,963)
Net loss on valuation of financial assets at FVOCI	-	-	-	(26,829)	(26,829)	(46,162)	(72,991)
Equity adjustments of investments in associates and joint ventures	-	-	-	94,677	94,677	31,860	126,537
Net gain (loss) on valuation of derivative instruments	-	-	-	(4,809)	(4,809)	19,886	15,077
Net gain on translation of foreign operations	-	-	-	211,728	211,728	139,123	350,851
Transaction with shareholders:							
Dividends	-	-	(281,972)	-	(281,972)	(1,531,765)	(1,813,737)
Acquisition of treasury shares	-	(907,549)	-	-	(907,549)	-	(907,549)
Equity transactions within consolidated entities	-	351,467	(15,975)	-	335,492	1,707,281	2,042,773
Changes in the scope of consolidation	-	-	-	-	-	106,922	106,922
Others	-	(1,697)	(12,098)	-	(13,795)	9,810	(3,985)
<b>As of December 31, 2019</b>	<b>₩ 15,385</b>	<b>₩ 4,074,176</b>	<b>₩ 12,556,584</b>	<b>₩ 37,624</b>	<b>₩ 16,683,769</b>	<b>₩ 35,492,263</b>	<b>₩ 52,176,032</b>
<b>As of January 1, 2020</b>	<b>₩ 15,385</b>	<b>₩ 4,074,176</b>	<b>₩ 12,556,584</b>	<b>₩ 37,624</b>	<b>₩ 16,683,769</b>	<b>₩ 35,492,263</b>	<b>₩ 52,176,032</b>
Total comprehensive income:							
Profit (loss) for the year	-	-	189,368	-	189,368	(297,800)	(108,432)
Remeasurement gain (loss) on defined benefit plans	-	-	(20,349)	-	(20,349)	6,025	(14,324)
Net gain on valuation of financial assets at FVOCI	-	-	34,000	201,513	235,513	485,910	721,423
Equity adjustments of investments in associates and joint ventures	-	-	-	(172,239)	(172,239)	(74,309)	(246,548)
Net gain (loss) on valuation of derivative instruments	-	-	-	18,951	18,951	(11,198)	7,753
Net gain on translation of foreign operations	-	-	-	(413,012)	(413,012)	(432,682)	(845,694)
Transaction with shareholders:							
Dividends	-	-	(264,372)	-	(264,372)	(942,181)	(1,206,553)
Equity transactions within consolidated entities	-	1,178,099	-	-	1,178,099	305,019	1,483,118
Changes in the scope of consolidation	-	-	-	-	-	(105,915)	(105,915)
Others	-	(2,129)	1,445	-	(684)	(258)	(942)
<b>As of December 31, 2020</b>	<b>₩ 15,385</b>	<b>₩ 5,250,146</b>	<b>₩ 12,496,676</b>	<b>₩ (327,163)</b>	<b>₩ 17,435,044</b>	<b>₩ 34,424,874</b>	<b>₩ 51,859,918</b>

(Continued)

**SK Inc. and its subsidiaries**  
**Consolidated statements of changes in equity**  
**for the years ended December 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 attributable to owners of the parent	Non-controlling interests	Total equity
<b>As of January 1, 2019</b>	\$ 14,141	\$ 4,257,312	\$ 11,228,026	\$ (217,962)	\$ 15,281,517	\$ 31,474,412	\$ 46,755,929
<b>Effect of changes in accounting policies</b>	-	-	(1,502)	-	(1,502)	(3,455)	(4,957)
<b>As of January 1, 2019 (Restated)</b>	\$ 14,141	\$ 4,257,312	\$ 11,226,524	\$ (217,962)	\$ 15,280,015	\$ 31,470,957	\$ 46,750,972
Total comprehensive income:							
Profit for the year	-	-	658,919	-	658,919	817,220	1,476,139
Remeasurement loss on defined benefit plans	-	-	(59,498)	-	(59,498)	(68,225)	(127,723)
Net loss on valuation of financial assets at FVOCI	-	-	-	(24,659)	(24,659)	(42,428)	(67,087)
Equity adjustments of investments in associates and joint ventures	-	-	-	87,019	87,019	29,283	116,302
Net gain on valuation of derivative instruments	-	-	-	(4,420)	(4,420)	18,278	13,858
Net gain on translation of foreign operations	-	-	-	194,603	194,603	127,870	322,473
Transaction with shareholders:							
Dividends	-	-	(259,165)	-	(259,165)	(1,407,872)	(1,667,037)
Acquisition of treasury shares	-	(834,145)	-	-	(834,145)	-	(834,145)
Equity transactions within consolidated entities	-	323,040	(14,683)	-	308,357	1,569,192	1,877,549
Changes in the scope of consolidation	-	-	-	-	-	98,274	98,274
Others	-	(1,560)	(11,119)	-	(12,679)	9,016	(3,663)
<b>As of December 31, 2019</b>	\$ 14,141	\$ 3,744,647	\$ 11,540,978	\$ 34,581	\$ 15,334,347	\$ 32,621,565	\$ 47,955,912
<b>As of January 1, 2020</b>	\$ 14,141	\$ 3,744,647	\$ 11,540,978	\$ 34,581	\$ 15,334,347	\$ 32,621,565	\$ 47,955,912
Total comprehensive income:							
Profit (loss) for the year	-	-	174,051	-	174,051	(273,713)	(99,662)
Remeasurement loss on defined benefit plans	-	-	(18,703)	-	(18,703)	5,538	(13,165)
Net loss on valuation of financial instruments at FVOCI	-	-	31,250	185,214	216,464	446,608	663,072
Equity adjustments of investments in associates and joint ventures	-	-	-	(158,308)	(158,308)	(68,299)	(226,607)
Net gain (loss) on valuation of derivative instruments	-	-	-	17,418	17,418	(10,292)	7,126
Net gain on translation of foreign operations	-	-	-	(379,606)	(379,606)	(397,686)	(777,292)
Transaction with shareholders:							
Dividends	-	-	(242,989)	-	(242,989)	(865,975)	(1,108,964)
Equity transactions within consolidated entities	-	1,082,812	-	-	1,082,812	280,348	1,363,160
Changes in the scope of consolidation	-	-	-	-	-	(97,348)	(97,348)
Others	-	(1,957)	1,328	-	(629)	(237)	(866)
<b>As of December 31, 2020</b>	\$ 14,141	\$ 4,825,502	\$ 11,485,915	\$ (300,701)	\$ 16,024,857	\$ 31,640,509	\$ 47,665,366

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

**SK Inc. and its subsidiaries**  
**Consolidated statements of cash flows**  
**for the years ended December 31, 2020 and 2019**  
(Korean won in millions and U.S. dollar in thousands)

Notes	Korean won		Translation into U.S. dollar (Note 2)	
	2020	2019	2020	2019
<b>Cash flows from operating activities:</b>				
Profit (loss) for the year	₩ (108,432)	₩ 1,606,039	\$ (99,662)	\$ 1,476,139
Non-cash adjustments	33 8,504,582	9,976,843	7,816,711	9,169,892
Working capital adjustments	33 3,520,458	(1,426,509)	3,235,715	(1,311,130)
Interest received	172,418	251,698	158,472	231,340
Interest paid	(1,455,063)	(1,459,975)	(1,337,374)	(1,341,889)
Dividends received	303,677	394,087	279,115	362,212
Income tax paid	(1,243,029)	(1,314,444)	(1,142,490)	(1,208,129)
<b>Net cash provided by operating activities</b>	<b>9,694,611</b>	<b>8,027,739</b>	<b>8,910,487</b>	<b>7,378,435</b>
<b>Cash flows from investing activities:</b>				
Decrease (increase) in short-term and long-term financial instruments, net	(820,922)	588,755	(754,524)	541,135
Decrease (increase) in short-term and long-term loans, net	(81,463)	(307,529)	(74,874)	(282,655)
Decrease (increase) in short-term investment securities, net	31,025	35,037	28,516	32,203
Proceeds from disposal of long-term investment securities	324,789	276,235	298,519	253,892
Proceeds from disposal of investments in associates and joint ventures	2,666,025	784,919	2,450,391	721,433
Proceeds from disposal of property, plant and equipment	333,514	170,799	306,539	156,984
Proceeds from disposal of intangible assets	82,502	23,975	75,829	22,036
Acquisition of long-term investment securities	(782,967)	(757,735)	(719,639)	(696,448)
Acquisition of investments in associates and joint ventures	(936,995)	(2,794,541)	(861,209)	(2,568,512)
Acquisition of property, plant and equipment	(9,238,751)	(7,824,981)	(8,491,499)	(7,192,078)
Acquisition of intangible assets	(517,999)	(570,144)	(476,102)	(524,029)
Net decrease in cash due to changes in the scope of consolidation	(1,640,273)	(364,140)	(1,507,604)	(334,688)
Acquisition of business	(1,043,212)	-	(958,835)	-
Business transfer	1,277,027	-	1,173,738	-
Others, net	(71,235)	53,787	(65,473)	49,437
<b>Net cash used in investing activities</b>	<b>(10,418,935)</b>	<b>(10,685,563)</b>	<b>(9,576,227)</b>	<b>(9,821,290)</b>
<b>Cash flows from financing activities:</b>				
Increase in short-term borrowings, net	259,281	2,413,278	238,310	2,218,086
Increase in bonds payable and borrowings	13,599,288	9,536,823	12,499,346	8,765,462
Decrease in bonds payable and borrowings	(8,647,928)	(5,964,859)	(7,948,463)	(5,482,407)
Decrease in long-term other payables	(428,272)	(429,462)	(393,632)	(394,726)
Decrease in lease liabilities	(1,054,186)	(1,167,814)	(968,921)	(1,073,358)
Payment of dividends	(1,212,011)	(1,816,265)	(1,113,981)	(1,669,361)
Cash inflows from consolidated capital transaction	754,797	925,881	693,747	850,994
Others, net	(27,329)	321,031	(25,118)	295,065
<b>Net cash provided by financing activities</b>	<b>3,243,640</b>	<b>3,818,613</b>	<b>2,981,288</b>	<b>3,509,755</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,519,316</b>	<b>1,160,789</b>	<b>2,315,548</b>	<b>1,066,900</b>
<b>Net foreign exchange effects</b>	<b>(303,812)</b>	<b>37,931</b>	<b>(279,239)</b>	<b>34,864</b>
<b>Cash and cash equivalents included in assets held for sale</b>	<b>(100,319)</b>	<b>-</b>	<b>(92,205)</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,981,755</b>	<b>6,783,035</b>	<b>7,336,172</b>	<b>6,234,408</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 10,096,940</b>	<b>₩ 7,981,755</b>	<b>\$ 9,280,276</b>	<b>\$ 7,336,172</b>

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

**SK Inc. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2020 and 2019**

**1. Corporate information**

**1.1 Parent Company**

SK Inc. (the “Company”, formerly, SK Holdings Co., Ltd.) 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 Inc. 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 December 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%, 8.24%, and 6.85%, respectively, as of December 31, 2020.

**1.2 Consolidated subsidiaries**

The Company and its subsidiaries (collectively, the “Group”) are engaged in petroleum refining, telecommunications, wholesale and retail, chemicals, construction and other industries. Subsidiaries whose accounts are included in the consolidated financial statements as of December 31, 2020 are as follows:

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity ownership (%)
SK Innovation Co., Ltd. (*)	Korea	Resource development	SK Inc.	33.40%
SK Energy Co., Ltd.	Korea	Crude oil refining and sales	SK Innovation Co., Ltd.	100.00%
Netruck Co., Ltd.	Korea	Transportation and oil sales	SK Energy Co., Ltd.	100.00%
Jeju United FC Corporation	Korea	Sports association sponsoring	SK Energy Co., Ltd.	100.00%
Happy Didim Co., Ltd.	Korea	Service	SK Energy Co., Ltd.	100.00%
Green & Co. Asia Ltd.	Myanmar	Manufacturing	SK Energy Co., Ltd.	80.00%
SK Energy Road Investment Co., Ltd.	Cayman	Investment	SK Energy Co., Ltd.	100.00%
SK Energy Hong Kong Co., Ltd.	Hong Kong	Investment	SK Energy Co., Ltd.	100.00%
SK Energy Road Investment (HK) Co., Ltd.	Hong Kong	Investment	SK Energy Road Investment Co., Ltd.	100.00%
Ningbo SK Baoying Asphalt Storage Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Hefei SK Baoying Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
Chongqing SK Asphalt Co., Ltd.	China	Asphalt manufacturing	SK Energy Road Investment (HK) Co., Ltd.	51.00%
SK Asphalt (Shanghai) Co., Ltd.	China	Logistics	SK Energy Road Investment (HK) Co., Ltd.	100.00%
SK Global Chemical Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Global Chemical (China) Holding Co., Ltd.	China	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical China Limited	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical International Trading (Shanghai) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical China Limited	100.00%
SK Global Chemical International Trading (Guangzhou) Co., Ltd.	China	Petrochemicals sales	SK Global Chemical China Limited	100.00%
SK Global Chemical Americas, Inc.	USA	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Primacor Americas, LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Primacor Europe, S.L.U.	Spain	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Saran Americas, LLC	USA	Petrochemicals sales	SK Global Chemical Americas, Inc.	100.00%
SK Global Chemical Japan Co., Ltd.	Japan	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Singapore Pte. Ltd.	Singapore	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Global Chemical Investment Hong Kong Ltd.	Hong Kong	Investment	SK Global Chemical Co., Ltd.	100.00%
Ningbo SK Performance Rubber Co., Ltd.	China	Synthetic rubber manufacturing	SK Global Chemical Investment Hong Kong Ltd.	80.00%
Happymoeum Co., Ltd.	Korea	Service	SK Global Chemical Co., Ltd.	100.00%
SK Functional Polymer, S.A.S	France	Petrochemicals sales	SK Global Chemical Co., Ltd.	100.00%
SK Incheon Petrochem Co., Ltd.	Korea	Chemicals manufacturing and sales	SK Innovation Co., Ltd.	100.00%
SK Trading International Co., Ltd.	Korea	Trading business	SK Innovation Co., Ltd.	100.00%
SK Energy International Pte. Ltd.	Singapore	Trading business	SK Trading International Co., Ltd.	100.00%
SK Energy Europe, Ltd.	UK	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Energy Americas, Inc.	USA	Trading business	SK Energy International Pte. Ltd.	100.00%
SK Terminal B.V.	Netherlands	Investment	SK Energy International Pte. Ltd.	100.00%
SK Lubricants Co., Ltd.	Korea	Lubricants oil manufacturing and sales	SK Innovation Co., Ltd.	100.00%
Yubase Manufacturing Asia Corporation	Korea	Lubricants oil processing	SK Lubricants Co., Ltd.	70.00%
SK Energy Lubricants (Tianjin) Co., Ltd.	China	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Americas, Inc.	USA	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Europe B.V.	Netherlands	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants Japan Co., Ltd.	Japan	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK Lubricants & Oils India Pvt. Ltd.	India	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
Iberian Lube Base Oils, S.A.	Spain	Lubricants oil manufacturing and sales	SK Lubricants Co., Ltd.	70.00%
SK Lubricants Russia, LLC	Russia	Lubricants oil sales	SK Lubricants Co., Ltd.	100.00%
SK ietechnology Co., Ltd.	Korea	Plastic film manufacturing	SK Innovation Co., Ltd.	90.00%
SK Hi-tech Battery Materials(Jiang Su) Co., Ltd.	China	Separation membrane for secondary battery manufacturing	SK ietechnology Co., Ltd.	100.00%
SK Hi-tech Battery Materials Poland Sp. Zo.o.	Poland	Separation membrane for secondary battery manufacturing	SK ietechnology Co., Ltd.	100.00%
SK Mobile Energy Co., Ltd.	Korea	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
Mobile Energy Battery America, LLC	USA	Lithium battery manufacturing	SK Mobile Energy Co., Ltd.	100.00%
SK Innovation Insurance (Bermuda), Ltd.	Bermuda	Insurance	SK Innovation Co., Ltd.	100.00%
SK USA, Inc.	USA	Management consulting services	SK Innovation Co., Ltd.	100.00%
Super Seed NY, LLC	USA	Investment	SK USA, Inc.	100.00%
Blue Dragon Energy Co., Limited.	Hong Kong	Investment	SK Innovation Co., Ltd.	100.00%



**SK Inc. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2020 and 2019**

**1.2 Consolidated subsidiaries (cont'd)**

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
Jiangsu SK Battery Certification Center	China	Lithium Battery Certification and Evaluation	Blue Dragon Energy Co., Limited.	100.00%
SK Battery Hungary Kft.	Hungary	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Battery America, Inc.	USA	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
SK Battery Manufacturing Kft.	Hungary	Lithium battery manufacturing	SK Innovation Co., Ltd.	100.00%
Happy Kium Co., Ltd.	Korea	Service	SK Innovation Co., Ltd.	100.00%
SK Future Energy(Shanghai) Co.,Ltd.	China	Battery sales	SK Innovation Co., Ltd.	100.00%
SK E&P Company, Ltd.	USA	Crude oil development	SK Innovation Co., Ltd.	100.00%
SK E&P America, Inc.	USA	Investment	SK Innovation Co., Ltd.	100.00%
SK Plymouth, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Permian, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK E&P Operations America, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Nemaha, LLC	USA	Crude oil development	SK E&P America, Inc.	100.00%
SK Battery(Jiangsu) Co., Ltd. (formerly, Blue Sky United Energy Co., Ltd.)	China	Lithium battery manufacturing	SK Innovation Co., Ltd.	78.26%
SK Telecom Co., Ltd. (*2)	Korea	Mobile telecommunications	SK Inc.	26.78%
SK Telink Co., Ltd.	Korea	International call and MVNO business	SK Telecom Co., Ltd.	100.00%
SK Broadband Co., Ltd. (*3)	Korea	Wire communications	SK Telecom Co., Ltd.	74.34%
Home&Service Co., Ltd.	Korea	Information and communication facilities management business	SK Broadband Co., Ltd.	100.00%
Broadband Nowon Broadcasting Corporation	Korea	Broadcasting business	SK Telecom Co., Ltd.	55.00%
SK Stoa Co., Ltd.	Korea	Other resale communication business	SK Telecom Co., Ltd.	100.00%
PS&Marketing Corp	Korea	Resale communication business	SK Telecom Co., Ltd.	100.00%
Serviceace Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
Service Top Co., Ltd.	Korea	Call center and telemarketing business	SK Telecom Co., Ltd.	100.00%
SK O&S Co., Ltd.	Korea	Maintenance management	SK Telecom Co., Ltd.	100.00%
One store Co., Ltd.	Korea	Telecommunication service	SK Telecom Co., Ltd.	52.06%
SK Communications Co., Ltd.	Korea	Internet portal service	SK Telecom Co., Ltd.	100.00%
11street Co., Ltd. (*4)	Korea	E-commerce	SK Telecom Co., Ltd.	98.10%
Quantum Innovation Private Equity Joint Venture	Korea	Investment	SK Telecom Co., Ltd.	59.90%
Panasia Semiconductor Materials, LLC	Korea	Investment	Quantum Innovation Private Equity Joint Venture	66.42%
SK Infosec Co., Ltd. (*5)	Korea	Information security service	SK Telecom Co., Ltd.	100.00%
ADT Caps Co., Ltd.	Korea	Automatic security	SK Infosec Co., Ltd.	100.00%
CAPSTEC Co., Ltd.	Korea	Manned security	SK Infosec Co., Ltd.	100.00%
SK infosec Information Technology (Wuxi) Co., Ltd.	China	System software development and supplying	SK Infosec Co., Ltd.	100.00%
SK Planet Co., Ltd.	Korea	Telecommunication service and system software development and supplying	SK Telecom Co., Ltd.	98.65%
SK M & Service Co., Ltd.	Korea	Internet website service	SK Planet Co., Ltd.	100.00%
SK Planet Global Holdings Pte, Ltd.	Singapore	Holding company	SK Planet Co., Ltd.	100.00%
SKP America, LLC	USA	Digital contents sourcing and presenting	SK Planet Co., Ltd.	100.00%
K-Net Culture & Contents Venture Fund	Korea	Investment fund	SK Planet Co., Ltd.	59.00%
SK Telecom China Holding Co., Ltd.	China	Holding company	SK Telecom Co., Ltd.	100.00%
SK Global Healthcare Business Group, Ltd.	Hong Kong	Investment	SK Telecom Co., Ltd.	100.00%
SKT Americas, Inc.	USA	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
YTK Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
Atlas Investment, Ltd.	Cayman	Investment	SK Telecom Co., Ltd.	100.00%
SK Telecom Innovation Fund, L.P.	USA	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom China Fund I L.P.	Cayman	Investment	Atlas Investment, Ltd.	100.00%
SK Telecom TMT investment Corp.	USA	Investment	SK Telecom Co., Ltd.	100.00%
Dreamus Company Co., Ltd.	Korea	Video and audio equipment manufacturing	SK Telecom Co., Ltd.	51.44%
Iriver Enterprise Ltd.	Hong Kong	Chinese subsidiary management	Dreamus Company Co., Ltd.	100.00%
Iriver China Co., Ltd.	China	MP3,4 production and sales	Iriver Enterprise, Ltd.	100.00%
Dongguan iriver Electronics Co., Ltd.	China	Electronic book production and sales	Iriver Enterprise, Ltd.	100.00%
Life Design Company Japan Inc.	Japan	Japan goods sales	Dreamus Company Co., Ltd.	100.00%
SK Telecom Japan Inc.	Japan	Management consulting and information gathering	SK Telecom Co., Ltd.	100.00%
SK Planet Japan, K. K.	Japan	Digital contents sourcing and presenting	SK Telecom Japan Inc.	79.78%
Id Quantique SA	Swiss	Quantum information and communication business	SK Telecom Co., Ltd.	68.11%
Id Quantique Ltd.	Korea	Quantum information and communication business	Id Quantique SA	100.00%
FSK L&S Co., Ltd.	Korea	Cargo transport shipment and Logistics consulting project	SK Telecom Co., Ltd.	60.00%
FSK L&S (Shanghai) Co., Ltd.	China	Transportation industry	FSK L&S Co., Ltd.	100.00%
FSK L&S(Hungary) Co., Ltd.	Hungary	Transportation industry	FSK L&S Co., Ltd.	100.00%
FSK L&S Vietnam Co., Ltd.	Vietnam	Transportation industry	FSK L&S Co., Ltd.	100.00%
Incross Co., Ltd. (*2)	Korea	Media agency	SK Telecom Co., Ltd.	34.60%
Infra Communications Co., Ltd.	Korea	Service operation business	Incross Co., Ltd.	100.00%
Mindknock Co., Ltd.	Korea	Software development	Incross Co., Ltd.	100.00%
Happy Hanool Co., Ltd.	Korea	Service	SK Telecom Co., Ltd.	100.00%
SK MENA Investment B.V.	Netherlands	Investment	SK Telecom Co., Ltd.	100.00%
SK Latin America Investment S.A.	Spain	Investment	SK Telecom Co., Ltd.	100.00%
SK Technology Innovation Company	Cayman	Research and development	SK Telecom Co., Ltd.	96.88%
Tmap Mobility Co., Ltd.	Korea	Information and communication industry	SK Telecom Co., Ltd.	100.00%
SK Networks Co., Ltd. (*2)	Korea	Distribution and trading business	SK Inc.	39.14%
SK Networks Service Co., Ltd.	Korea	Communications equipment repair service	SK Networks Co., Ltd.	86.50%
SK Magic Co., Ltd.	Korea	Household appliances manufacturing, sales and rent	SK Networks Co., Ltd.	100.00%
SK Magic Service Co., Ltd.	Korea	House appliances repair and others	SK Magic Co., Ltd.	100.00%
SK Magic Vietnam Company Limited	Vietnam	Household appliances sales and rent	SK Magic Co., Ltd.	100.00%
SK Networks Retails Malaysia Sdn. Bhd.	Malaysia	Household appliances sales and rent	SK Magic Co., Ltd.	100.00%
SK Rent-a-Car Co., Ltd.	Korea	Car rental	SK Networks Co., Ltd.	72.95%
SK Rent-a-Car Service Co., Ltd.	Korea	Business support services	SK Rent-a-Car Co., Ltd.	100.00%

**SK Inc. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2020 and 2019**

**1.2 Consolidated subsidiaries (cont'd)**

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity Ownership (*1)
SK Networks (China) Holdings Co., Ltd.	China	Holding company	SK Networks Co., Ltd.	100.00%
Shenyang SK Bus Terminal Co., Ltd.	China	Bus terminal business	SK Networks (China) Holdings Co., Ltd.	75.00%
SK Networks (Liaoning) Logistics Co., Ltd.	China	Distribution and logistics	SK Networks (China) Holdings Co., Ltd.	100.00%
SK Networks (Dandong) Energy Co., Ltd.	China	Petroleum sales	SK Networks (China) Holdings Co., Ltd.	100.00%
Shenyang SK Networks Energy Co., Ltd.	China	Petroleum sales	SK Networks Co., Ltd.	100.00%
SK Networks (Shanghai) Co., Ltd.	China	Trading business	SK Networks Co., Ltd.	100.00%
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Co., Ltd.	80.00%
SK Networks Hong Kong Ltd.	Hong Kong	Trading business	SK Networks Co., Ltd.	100.00%
SK (Guangzhou) Metal Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	China	Steel processing and sales	SK Networks Hong Kong Ltd.	100.00%
SK Networks Japan Co., Ltd.	Japan	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Deutschland GmbH	Germany	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Middle East FZE	UAE	Trading business	SK Networks Co., Ltd.	100.00%
SK BRASIL LTDA	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks Trading Malaysia Sdn Bhd	Malaysia	Trading business	SK Networks Co., Ltd.	100.00%
SK Networks America, Inc.	USA	Trading business	SK Networks Co., Ltd.	100.00%
SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA.	Brazil	Trading business	SK Networks Co., Ltd.	100.00%
Networks Tejarat Pars	Iran	Trading business	SK Networks Co., Ltd.	100.00%
MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.) (*6)	Korea	Resale communication business	SK Networks Co., Ltd.	76.00%
MINTIT VINA (formerly, SK Telink Vietnam Co., Ltd.)	Vietnam	Resale communication business	SK Networks Co., Ltd.	100.00%
TenX Capital	USA	Investment	SK Networks Co., Ltd.	100.00%
SK Networks Resources Australia (Wyong) Pty Ltd. (*7)	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SK Networks Resources Pty Ltd. (*7)	Australia	Resource development	SK Networks Co., Ltd.	100.00%
SKC Co., Ltd. (*2)	Korea	Petrochemicals manufacturing	SK Inc.	40.64%
Woori Fine Chem Co., Ltd.	Korea	Petrochemicals manufacturing	SKC Co., Ltd.	100.00%
SK Telesys Co., Ltd.	Korea	Communications equipment manufacturing and sales	SKC Co., Ltd.	81.40%
Techdream Co., Ltd.	Hong Kong	Semiconductor component	SK Telesys Co., Ltd.	100.00%
SKC INFRA SERVICE Co., Ltd.	Korea	Electric work business and information communication business	SK Telesys Co., Ltd.	100.00%
SKC Solmics Co., Ltd.	Korea	Semiconductor component manufacturing	SKC Co., Ltd.	100.00%
Solmics Taiwan Co., Ltd.	Taiwan	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
Solmics Shanghai Co., Ltd.	China	Semiconductor component distribution	SKC Solmics Co., Ltd.	100.00%
SKC Solmics Hong kong Co., Ltd.	Hong Kong	SPC	SKC Solmics Co., Ltd.	100.00%
SKC Semiconductor Materials (Wuxi) Co., Ltd.	China	Semiconductor material cleaning	SKC Solmics Co., Ltd.	100.00%
SKC-Eco Solution Co., Ltd. (*7)	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC (Jiangsu) High tech Plastics Co., Ltd.	China	Film manufacturing	SKC Co., Ltd.	100.00%
SKC, Inc.	USA	Manufacturing	SKC Co., Ltd.	100.00%
SKC Europe GmbH	Germany	Sales	SKC Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Co., Ltd.	Korea	Film manufacturing	SKC Co., Ltd.	100.00%
SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	China	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Taiwan Co., Ltd.	Taiwan	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Polska SP.Z O.O	Poland	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing USA, LLC	USA	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC Hi-Tech&Marketing Vina Co., Ltd.	Vietnam	Film manufacturing	SKC Hi-Tech&Marketing Co., Ltd.	100.00%
SKC PU Specialty Co., Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	100.00%
SKC (Nantong) PU Specialty Co., Ltd.	China	Electronic materials manufacturing	SKC PU Specialty Co., Ltd.	100.00%
SKC-ENF Electronic Materials Ltd.	Hong Kong	Special purpose company	SKC Co., Ltd.	75.10%
SKC (Nantong) Semiconductor Materials Technology Co., Ltd.	China	Electronic materials manufacturing	SKC-ENF Electronic Materials Ltd.	100.00%
SE (JIANGSU) Electronic Materials Co., Ltd.	China	Sales of raw chemical materials and chemical products related to semiconductor	SKC-ENF Electronic Materials Ltd.	100.00%
SK PIC Global Co., Ltd.	Korea	Petrochemicals sales	SKC Co., Ltd.	51.00%
SKCFTH Co., Ltd.	Korea	Professional, scientific technology services	SKC Co., Ltd.	100.00%
SK Nexilis Co., Ltd. (formerly, KCF Technologies Co., Ltd.)	Korea	Manufacturing	SKCFTH Co., Ltd.	100.00%
SK E&S Co., Ltd.	Korea	City gas business and power generation	SK Inc.	90.00%
Kangwon City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Yeongnam Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Ko-one Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Narae Energy Service Co., Ltd. (*8)	Korea	Integrated energy service	SK E&S Co., Ltd.	100.00%
(formerly, Wiryae Energy Services Co., Ltd.)				
Pusan City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	67.32%
Jeonbuk Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chonnam City Gas Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Chungcheong Energy Service Co., Ltd.	Korea	City gas business	SK E&S Co., Ltd.	100.00%
Paju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	51.00%
Yeoju Energy Service Co., Ltd.	Korea	Energy business	SK E&S Co., Ltd.	100.00%
Shinaneungdo Sunlight Co., Ltd.	Korea	New regeneration project	SK E&S Co., Ltd.	100.00%
SK E&S Hong Kong Co., Ltd.	Hong Kong	City gas business	SK E&S Co., Ltd., Pusan City Gas Co., Ltd.	100.00%
SK E&S Australia Pty. Ltd.	Australia	Resource development	SK E&S Co., Ltd.	100.00%
SK E&S Americas, Inc.	USA	Holding company	SK E&S Co., Ltd.	100.00%
SK E&S LNG, LLC	USA	Liquefied natural gas sales	SK E&S Americas, Inc.	100.00%
DewBlaine Energy, LLC	USA	Resource development	SK E&S Americas, Inc.	100.00%
CALIP Gas Marketing, LLC	USA	LNG sales and purchase	SK E&S Americas, Inc.	100.00%
Rnes Holdings, LLC	USA	Renewable / electric power business	SK E&S Americas, Inc.	100.00%
Prism Energy International China Limited.	China	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Prism Energy International Zhoushan Limited.	China	Liquefied natural gas sales	Prism Energy International China Limited.	100.00%
Prism Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Fajar Energy International Pte. Ltd.	Singapore	Liquefied natural gas sales	Prism Energy International Pte. Ltd.	100.00%
Prism Energy International Hong Kong, Ltd.	Hong Kong	Liquefied natural gas sales	Prism Energy International Pte. Ltd.	100.00%
PT Prism Nusantara International	Indonesia	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
SK E&S Dominicana S.R.L	Dominica	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Hae-Ssal Solar Power Co., Ltd.	Korea	New regeneration project	SK E&S Co., Ltd.	100.00%
Prism DLNG Pte. Ltd.	Singapore	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
BU12 Australia Pty. Ltd.	Australia	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
BU13 Australia Pty. Ltd.	Australia	Liquefied natural gas sales	SK E&S Co., Ltd.	100.00%
Energy Solution Holdings Inc.	USA	Investment	SK E&S Co., Ltd.	100.00%
Ariul Solar Power Co., Ltd.	Korea	New regeneration project	SK E&S Co., Ltd.	100.00%

**SK Inc. and its subsidiaries**  
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**1.2 Consolidated subsidiaries (cont'd)**

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Engineering & Construction Co., Ltd. (*2)	Korea	Construction	SK Inc.	44.48%
Seosuwon Development Company (*2)	Korea	Real estate development and construction	SK Engineering & Construction Co., Ltd.	19.90%
SK TNS Co., Ltd. (*7)	Korea	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SKEC Nanjing Co., Ltd.	China	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SKEC (Thai), Ltd.	Thailand	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Thai Woo Ree Engineering Co., Ltd.	Thailand	Construction	SKEC (Thai), Ltd.	99.77%
SKEC Anadolu EC, LLC	Turkey	Construction	SK Engineering & Construction Co., Ltd.	100.00%
SK E&C Betek Corporation	USA	Real estate development and construction	SK Engineering & Construction Co., Ltd.	100.00%
Mesa Verde RE Ventures, LLC	USA	Real estate development	SK E&C Betek Corporation	100.00%
SKEC Consultores Ecuador, S.A	Ecuador	Construction	SK Engineering & Construction Co., Ltd.	100.00%
Sunlake Co., Ltd.	Canada	Construction and services	SK Engineering & Construction Co., Ltd.	100.00%
SK HOLDCO PTE. LTD.	Singapore	Holding company	SK Engineering & Construction Co., Ltd.	63.51%
Silvertown Investco Limited.	UK	Construction	SK Engineering & Construction Co., Ltd.	100.00%
The Eco Platform Co., Ltd.	Korea	Investment	SK Engineering & Construction Co., Ltd.	100.00%
Environment Management Corporation Co., Ltd.	Korea	Operation of sewage treatment plant	The Eco Platform Co., Ltd.	100.00%
Maeripji Management Co., Ltd.	Korea	Investment	Environment Management Corporation Co., Ltd.	100.00%
Seonam Environment Energy Co., Ltd.	Korea	Waste Recycling	Environment Management Corporation Co., Ltd.	100.00%
Honam Environmental Energy Co., Ltd.	Korea	Waste Consignment Disposal	Environment Management Corporation Co., Ltd.	100.00%
Green Hwasun Inc.	Korea	Operation of sewage treatment plant	Environment Management Corporation Co., Ltd.	100.00%
Green Sunchang Co., Ltd.	Korea	Operation of sewage treatment plant	Environment Management Corporation Co., Ltd.	100.00%
Gyeongsan Clear Mulgil Co., Ltd.	Korea	Operation of sewage treatment plant	Environment Management Corporation Co., Ltd.	65.00%
Dalseong Maleummulgil Co., Ltd.	Korea	Operation of sewage treatment plant	Environment Management Corporation Co., Ltd.	70.00%
Goksung Environment Co., Ltd.	Korea	Operation of sewage treatment plant	Environment Management Corporation Co., Ltd.	100.00%
Environment Energy Company Co., Ltd.	Korea	Electricity & renewable energy generation	Environment Management Corporation Co., Ltd.	100.00%
Chungcheong Environment Energy Co., Ltd.	Korea	Waste incineration	Environment Management Corporation Co., Ltd.	100.00%
Gyeonggi Environment Energy Co., Ltd.	Korea	Waste incineration	Environment Management Corporation Co., Ltd.	100.00%
Gyeongbuk Environment Energy Co., Ltd.	Korea	Waste incineration	Environment Management Corporation Co., Ltd.	100.00%
Gyeongin Environment Energy Company	Korea	Waste incineration	Environment Management Corporation Co., Ltd.	100.00%
SK Materials Co., Ltd. (*2)	Korea	Special gas manufacturing and sales	SK Inc.	49.10%
SK Materials Japan Co., Ltd.	Japan	Special gas sales	SK Materials Co., Ltd.	95.00%
SK Materials Taiwan Co., Ltd.	Taiwan	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials Jiangsu Co., Ltd.	China	Special gas manufacturing and sales	SK Materials Co., Ltd.	100.00%
SK Materials (Xian) Co., Ltd.	China	Trading business and warehouse operation	SK Materials Co., Ltd.	100.00%
SK Materials (Shanghai) Co., Ltd.	China	Special gas sales	SK Materials Co., Ltd.	100.00%
SK Materials Airplus Inc. (formerly, SK Airgas Co., Ltd.)	Korea	Industrial gas sales	SK Materials Co., Ltd.	100.00%
SK Tri Chem Co., Ltd.	Korea	Manufacturing and sales of precursors and others	SK Materials Co., Ltd.	65.00%
SK Showa Denko Co., Ltd.	Korea	Sales of raw chemical materials and chemical products related to semiconductor	SK Materials Co., Ltd.	51.00%
Happy Companion Co., Ltd.	Korea	Cleaning, Laundry service	SK Materials Co., Ltd.	100.00%
Hanyu Chemical Co., Ltd.	Korea	Industrial gas manufacturing	SK Materials Co., Ltd.	80.00%
SK Materials Performance Co., Ltd.	Korea	Semiconductor materials manufacturing and selling	SK Materials Co., Ltd.	100.00%
SK Materials JNC Co., Ltd.	Korea	Manufacturing of organic light emitting diode material	SK Materials Co., Ltd.	100.00%
SK Siltron Co., Ltd.	Korea	Silicon wafer for electronic industry manufacturing and sales	SK Inc.	51.00%
SK Siltron America, Inc.	USA	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Siltron Japan, Inc.	Japan	Silicon wafer for electronic industry manufacturing and sales	SK Siltron Co., Ltd.	100.00%
SK Siltron Shanghai Co., Ltd.	China	Silicon wafer for electronic industry	SK Siltron Co., Ltd.	100.00%
SK Siltron USA, Inc.	USA	Investment	SK Siltron Co., Ltd.	100.00%
SK Siltron CSS, LLC	USA	Silicon wafer for electronic industry manufacturing and sales	SK Siltron USA, Inc.	100.00%
Happyfiling Co., Ltd.	Korea	Service	SK Siltron Co., Ltd.	100.00%
SK Biopharmaceuticals Co., Ltd. (*9)	Korea	Medicine and life science	SK Inc.	75.00%
SK Life Science, Inc.	USA	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK Bio-Pharma Tech (Shanghai) Co., Ltd.	China	Life science	SK Biopharmaceuticals Co., Ltd.	100.00%
SK S.E.Asia Pte. Ltd.	Singapore	Investment	SK Inc.	100.00%
Essencore Limited	Hong Kong	Manufacturing and distribution of semiconductor modules	SK S.E.Asia Pte. Ltd.	100.00%
Essencore (ShenZhen) Limited	China	Consulting for computer system integration	Essencore Limited	100.00%
SK China Company, Ltd.	Hong Kong	Consulting and investment	SK Inc.	88.13%
SK Bio Energy Hong Kong Co., Ltd.	Hong Kong	Biomass electricity generation	SK China Company, Ltd.	69.40%
SK Property Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK Industrial Development China Co., Ltd.	Hong Kong	Investment	SK China Company, Ltd.	100.00%
Beijing Lizhi Weixin Technology Co., Ltd.	China	Investment	SK China Company, Ltd.	100.00%
Shanghai SKY Real Estate Development Co., Ltd.	China	Real estate investment	SK Industrial Development China Co., Ltd.	100.00%
SK China Investment Management Co., Ltd.	Hong Kong	Real estate investment	SK China Company, Ltd.	100.00%
SK International Agro-Products Logistics Development Co., Ltd.	Hong Kong	Agriculture product logistics	SK China Investment Management Co., Ltd.	100.00%
SK International Agro-Sideline Products Park Co., Ltd.	China	Agriculture product logistics	SK International Agro-Products Logistics Development Co., Ltd.	100.00%
SK Auto Service Hong Kong Co., Ltd.	Hong Kong	Holding company	SK China Company, Ltd.	100.00%
SK (Shenyang) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK (Beijing) auto rental Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Rent-A-Car (Qingdao) Co., Ltd.	China	Car rental	SK Auto Service Hong Kong Co., Ltd.	100.00%
Skyline Auto Financial Leasing Co., Ltd.	Hong Kong	Investment	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK Financial Leasing Co., Ltd.	China	Financial lease	SK Auto Service Hong Kong Co., Ltd.	100.00%
SK China (Beijing) Co., Ltd.	China	Consulting	SK China Company, Ltd.	100.00%
SKY Property Management Ltd.	Virgin Islands	Investment	SK China Company, Ltd.	100.00%
SKY Investment Co., Ltd.	China	Real estate management	SK China Company, Ltd.	100.00%
SK China Real Estate Co., Ltd.	Hong Kong	Real estate investment	SKY Property Management Ltd.	100.00%
SK C&C Beijing Co., Ltd.	China	Consulting for computer system integration and others	SK Inc.	100.00%
SK C&C Chengdu Co., Ltd.	China	Consulting for computer system integration and others	SK C&C Beijing Co., Ltd.	100.00%
SK C&C India Pvt. Ltd.	India	Consulting for computer system integration and others	SK Inc.	100.00%
S&G Technology	Saudi Arabia	Consulting for computer system integration and others	SK Inc.	51.00%
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	SK Inc.	81.00%

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**1.2 Consolidated subsidiaries (cont'd)**

Subsidiaries	Domicile	Principal business activity	The largest shareholders	Equity ownership (*1)
SK Investment Management Co., Ltd.	Hong Kong	Investment	SK Inc.	100.00%
SK Semiconductor Investments Co., Ltd.	Hong Kong	Investment management	SK Investment Management Co., Ltd.	100.00%
Gemini Partners Pte. Ltd.	Singapore	Consulting	SK Inc., SK Innovation Co., Ltd., SK Telecom Co., Ltd., and SK E&S Co., Ltd.	80.00%
Solaris Partners Pte. Ltd.	Singapore	Consulting	Gemini Partners Pte. Ltd.	100.00%
Solaris GEIF Investment	USA	Investment	Solaris Partners Pte. Ltd.	100.00%
SK GI Management	Cayman	Investment	SK Inc.	100.00%
Plutus Capital NY, Inc.	USA	Investment	SK Inc.	100.00%
Hudson Energy NY, LLC	USA	Investment	Plutus Capital NY, Inc.	50.13%
Hudson Energy NY II, LLC	USA	Investment	Plutus Capital NY, Inc.	50.00%
Hudson Energy NY III, LLC	USA	Investment	Plutus Capital NY, Inc.	50.50%
Plutus Fashion NY, Inc.	USA	Fashion	SK Inc.	100.00%
Wonderland NY, Inc.	USA	Investment	Plutus Fashion NY, Inc.	100.00%
Atlas NY, LLC	USA	Investment	Plutus Fashion NY, Inc.	61.24%
SK South East Asia Investment Pte. Ltd.	Singapore	Investment	SK Inc., SK Innovation Co., Ltd., SK Telecom Co., Ltd. and SK E&S Co., Ltd.	80.00%
SK Investment Vina I Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	50.01%
SK Investment Vina II Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	50.01%
SK Investment Vina III Pte. Ltd.	Singapore	Investment	SK South East Asia Investment Pte. Ltd.	100.00%
SK Pharmteco Inc.	USA	Investment	SK Inc.	100.00%
SK Biotek Co., Ltd.	Korea	Drug medicine	SK Pharmteco Inc.	100.00%
SK BIOTEK IRELAND LIMITED	Ireland	Pharmaceutical manufacturing	SK Pharmteco Inc.	100.00%
SK BIOTEK USA, Inc.	USA	Medicine and life science	SK Pharmteco Inc.	100.00%
Crest Acquisition LLC	USA	Investment	SK Pharmteco Inc.	100.00%
Abrasax Investment Inc.	USA	Investment	SK Pharmteco Inc.	100.00%
Fine Chemicals Holdings Corp.	USA	Investment	Abrasax Investment Inc.	100.00%
AMPAC Fine Chemicals, LLC	USA	Drug medicine	Fine Chemicals Holdings Corp.	100.00%
AMPAC Fine Chemicals Texas, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
AMPAC Fine Chemicals Virginia, LLC	USA	Drug medicine	AMPAC Fine Chemicals, LLC	100.00%
Golden Pearl EV Solutions Limited	Hong Kong	Investment	SK Inc.	100.00%
Socar Mobility Malaysia, Sdn. Bhd. (*10)	Malaysia	Car sharing service	SK Inc.	79.43%
Future Mobility Solutions Sdn. Bhd.	Malaysia	Online brokerage services for car rental	Socar Mobility Malaysia, Sdn. Bhd.	100.00%
PT Future Mobility Solutions	Indonesia	Online brokerage services for car rental	Socar Mobility Malaysia, Sdn. Bhd.	100.00%
Einstein Cayman Limited	USA	Investment	SK Inc.	100.00%
I Cube Capital Inc.	USA	Investment	SK Inc.	100.00%
I Cube Capital II Inc.	USA	Investment	SK Inc.	100.00%
Primero Protein, LLC	USA	Investment	I Cube Capital II Inc.	100.00%
SK Forest Co., Ltd.	Korea	Landscaping and planting business	SK Inc.	100.00%
Hweechan Co., Ltd.	Korea	Condo, Resort operation	SK Inc.	100.00%
SK Pinx Co., Ltd.	Korea	Golf club operating	Hweechan Co., Ltd.	100.00%

(\*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.

(\*2) SK Innovation Co., Ltd. and 7 other companies are included in the consolidated financial statements as the Group is able to exercise de facto control. The remaining voting rights of SK Innovation Co., Ltd. and 7 other companies are widely dispersed, so it is determined that the Group has voting rights to exercise de facto control.

(\*3) The equity ratio decreased as the new merger shares were issued as consideration for the transfer of the business combination (see Note 39).

(\*4) Although the Group's equity interests for common stock in 11 Street Co., Ltd. is 98.10%, as the preferred stocks with voting rights are issued, the equity interests with voting rights are 81.53%.

(\*5) As of December 30, 2020, SK Infosec Co., Ltd., a subsidiary of the Group, merged with Life & Security Holdings Co., Ltd. Although the Group's equity interests for common stock in SK Infosec Co., Ltd. is 100%, as the preferred stocks with voting rights are issued, the equity interests with voting rights are 62.60%.

(\*6) The entity was changed from a associate to a subsidiary due to the purchase of old shares from existing shareholders.

(\*7) The assets and liabilities of SK TNS Co., Ltd. and SKC-Eco Solution Co., Ltd. and SK Networks Resources Australia (Wyong) Pty Ltd. and SK Networks Resources Pty Ltd. are classified as assets and liabilities held for sale (see Note 31 assets and liabilities held for sale).

(\*8) Wirye Energy Services Co., Ltd. (formerly) and Narae Energy Services Co., Ltd. (formerly), the subsidiaries of the Group, merged on January 1, 2020, and Narae Energy Services Co., Ltd. became the surviving entity after the merger.

(\*9) During the current reporting period, the equity ownership fell due to the sale of old shares and unequal capital increase with consideration.

(\*10) The entity was changed from a joint venture to a subsidiary due to the purchase of old shares from existing shareholders.

**SK Inc. and its subsidiaries**  
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**1.3 Changes in consolidated subsidiaries**

Changes in the consolidated subsidiaries for the year ended December 31, 2020 are as follows:

December 31, 2019	Inclusion	Exclusion	December 31, 2020
288	54	17	325

For the year ended December 31, 2020, subsidiaries newly included in consolidation are as follows:

Subsidiary	Reasons for changes
Super Seed NY, LLC	Establishment and others (30 companies)
SKC Semiconductor Materials (Wuxi) Co., Ltd.	
SK PIC Global Co., Ltd.	
SKCFTH Co., Ltd.	
Jeonnam Offshore Wind Power Co., Ltd.	
SK Materials Performance Co., Ltd. and 4 other companies	
SK Future Energy(Shanghai) Co., Ltd.	
FSK L&S Vietnam Co., Ltd.	
SK Investment Vina III Pte. Ltd.	
Hae-Ssal Solar Power Co., Ltd.	
Prism DLNG Pte. Ltd.	
BU12 Australia Pty. Ltd.	
BU13 Australia Pty. Ltd.	
Energy Solution Holdings Inc.	
Einstein Cayman Limited	
I Cube Capital Inc.	
I Cube Capital II Inc.	
Primero Protein, LLC	
Pan Asia Semiconductor Materials Co., Ltd.	
TenX Capital	
The Eco Platform Co., Ltd.	
Green & Co. Asia Ltd.	
Mobile Energy Battery America, LLC	
Crest Acquisition LLC	
Tmap Mobility Co., Ltd.	
SK Materials JNC Co., Ltd.	
SK Nexilis Co., Ltd. (formerly, KCF Technologies Co., Ltd.)	Acquisition (24 companies)
Broadband Nowon Broadcasting Corporation	
Shinanjeungdo Sunlight Co., Ltd.	
Beijing Lizhi Weixin Technology Co., Ltd.	
Socar Mobility Malaysia, Sdn. Bhd.	
Future Mobility Solutions Sdn. Bhd.	
PT Future Mobility Solutions	
MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.)	
SKC Hi-Tech&Marketing Vina Co., Ltd.	
Ariul Solar Power Co., Ltd.	
Environment Management Corporation	
Maeripji Management Co., Ltd.	
Seonam Environment Energy Co., Ltd.	
Honam Environmental Energy Co., Ltd.	
Green Hwasun Inc.	
Green Sunchang Co., Ltd.	
Gyeongsan Clear Mulgil Co., Ltd.	
Dalseong Maleunmulgil Co., Ltd.	
Goksung Environment Co., Ltd.	
Environment Energy Company Co., Ltd.	
Chungcheong Environment Energy Co., Ltd.	
Gyeonggi Environment Energy Co., Ltd.	
Gyeongbuk Environment Energy Co., Ltd.	
Gyeongin Environment Energy Company	

**SK Inc. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**1.3 Changes in consolidated subsidiaries (cont'd)**

For the year ended December 31, 2020, subsidiaries excluded from consolidation are as follows:

Subsidiary	Reasons for changes
Mokgam Service	Disposal
SK Networks Resources Australia Pty. Ltd.	(6 companies)
SK Bioland Co., Ltd.	
Bioland Biotec Co., Ltd.	
Bioland Haimen Co., Ltd.	
Liaoning SK Networks Real Industrial Estate Development Co., Ltd.	
Shandong SK Hightech Oil Co., Ltd.	Liquidation and others
Jeonnam Offshore Wind Power Co., Ltd.	(8 companies)
SKY Property Mgmt (Beijing) Co., Ltd.	
SK China Creative Industry Development Co., Ltd.	
SK (GZ FreeZone) Co., Ltd.	
Daiyang SK Networks SAN. VE TIC. Ltd. STI	
Storage Solution Holdings, LLC	
CAES, LLC	
Formerly, Narae Energy Services Co., Ltd.	Merge
ADT Security Co., Ltd.	(3 companies)
Life & Security Holdings Co., Ltd.	

**1.4 Condensed financial information of significant consolidated subsidiaries**

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

Subsidiary	Total assets	Total liabilities	Sales	Net income (loss)
SK Innovation Co., Ltd.	₩ 17,727,435	₩ 3,695,047	₩ 3,808,248	₩ 1,592,008
SK Energy Co., Ltd.	12,449,921	9,022,217	19,946,849	(1,602,855)
SK Global Chemical Co., Ltd.	5,323,492	2,472,043	6,829,462	(193,484)
SK Incheon Petrochem Co., Ltd.	4,531,231	2,936,813	4,094,244	(567,795)
SK Trading International Co., Ltd.	973,215	297,702	6,290,311	277,741
SK Lubricants Co., Ltd.	2,302,954	1,278,134	2,076,345	216,189
SK Global Chemical International Trading (Shanghai) Co., Ltd.	115,926	71,377	1,039,640	16,848
SK Hi-Tech Battery Materials (Jiang Su) Co., Ltd.	741,590	453,431	9,038	(1,442)
SK Energy International Pte. Ltd.	1,560,215	869,255	15,487,698	37,339
SK Energy America, Inc.	160,816	81,477	2,587,163	7,044
SK Energy Europe, Ltd.	84,488	4,321	1,277,163	6,686
SK Telecom Co., Ltd.	31,986,451	14,636,593	11,746,630	758,792
SK Broadband Co., Ltd.	5,765,808	3,119,489	3,713,021	150,694
PS&Marketing Corp.	470,521	257,809	1,427,218	(847)
SK Planet Co., Ltd.	536,981	214,846	276,462	1,305
11street. Co., Ltd.	999,225	542,534	545,556	(29,623)
SK Infosec Co., Ltd. (*1)	2,927,396	2,550,936	1,327,150	14,227
SK Networks Co., Ltd.	5,855,439	3,886,670	8,062,953	3,777
SK Magic Co., Ltd.	978,922	673,418	999,601	56,796
SK Rent-a-Car Co., Ltd.	2,223,428	1,762,709	863,536	15,518
SKC Co., Ltd.	3,042,148	1,052,606	556,765	460,249
SK PIC Global Co., Ltd.	570,424	373,105	637,937	63,228
SK E&S Co., Ltd.	5,551,331	2,834,665	603,383	987,711
Yeongnam Energy Service Co., Ltd.	426,383	203,285	624,892	25,339
Ko-one Energy Service Co., Ltd.	744,324	408,342	998,657	10,459
Pusan City Gas Co., Ltd.	1,262,552	395,913	922,073	179,373
Chungcheong Energy Service Co., Ltd.	319,703	186,884	492,377	21,314
Paju Energy Service Co., Ltd.	1,802,568	1,127,620	926,653	95,922
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Services Co., Ltd.)	1,384,261	926,632	518,321	31,305
SK Engineering & Construction Co., Ltd.	5,256,005	4,551,960	7,562,052	(18,953)
SK Materials Co., Ltd. (*2)	2,038,632	1,533,942	954,981	152,047
SK Siltron Co., Ltd. (*2)	3,466,125	2,432,235	1,700,627	179,084
SK Biopharmaceuticals Co., Ltd.	460,125	102,311	63,013	(232,185)

(\*1) The summary financial information of SK Infosec Co., Ltd. is consolidated financial information including financial information of two subsidiaries other than SK Infosec Information Technology(Wuxi) Co., Ltd., which is a subsidiary to be consolidated. And profits and losses before the merger of Life & Security Holdings Co., Ltd. are included.

(\*2) The condensed financial information is consolidated financial information.

## 1.5 Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as of and for the year ended December 31, 2020 is as follows (Korean won in millions):

	December 31, 2020					
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.
Percentage of the non-controlling ownership	63.05%	69.68%	55.57%	56.95%	10.00%	53.79%
Current assets	₩ 13,295,063	₩ 8,775,086	₩ 2,638,678	₩ 1,247,268	₩ 2,858,031	₩ 3,802,791
Non-current assets	25,203,083	39,131,871	6,134,804	4,161,682	8,141,764	2,792,091
Current liabilities	11,014,841	8,177,967	3,723,299	1,733,924	3,071,064	4,061,416
Non-current liabilities	12,024,840	15,332,747	2,804,933	1,757,368	4,078,246	1,664,076
Net assets	15,458,465	24,396,243	2,245,250	1,917,658	3,850,485	869,390
Book value of the non-controlling interests	10,332,387	16,529,370	1,329,490	1,147,032	1,695,944	577,105
Sales	34,164,529	18,624,651	10,625,906	2,702,185	5,749,516	8,274,277
Net income (loss)	(2,146,739)	1,500,538	42,053	76,166	861,797	78,602
Total comprehensive income (loss)	(2,457,172)	1,962,360	63,844	79,624	846,361	15,956
Net income (loss) of the non-controlling interests	(1,372,739)	943,613	(19,026)	51,850	164,033	(27,212)
Total comprehensive income (loss) of the non-controlling interests	(1,518,192)	1,355,346	(26,267)	54,825	174,385	(19,309)
Net cash flows from operating activities	2,850,844	5,821,876	(149,851)	337,113	(76,943)	(62,221)
Net cash flows from investing activities	(4,128,745)	(4,250,402)	1,387,924	(1,055,433)	775,649	(597,917)
Net cash flows from financing activities before dividends paid to the non-controlling interests	2,248,693	(918,388)	(854,101)	1,097,566	(276,551)	718,169
Dividends paid to the non-controlling interests	(103,957)	(539,191)	(16,703)	(23,814)	(220,140)	(16,772)
Net increase (decrease) in cash and cash equivalents	866,835	113,895	367,269	355,432	202,015	41,259

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

## 2. Summary of significant accounting policies

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

The accompanying consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the financial statements and has been made at the rate of ₩1,088.00 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 December 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.

## **2.1 Basis of preparation**

The Group has prepared the consolidated financial statements in accordance with KIFRS.

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

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for certain non-current assets and financial instruments that are measured at fair value. Historical cost is based on the fair values of the consideration given.

The accompanying consolidated financial statements were approved at the Company's Board of Directors meeting on February 9, 2021.

The principal accounting policies are set out below:

### **2.1.1 New and revised KIFRSs adopted in the current period**

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

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

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

#### **KIFRS 1103 *Business Combination* (Amended)**

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

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

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

#### **KIFRS 1116 *Leases* (Amended)**

The amendment to KIFRS 1116 provides lessees with a practical expedient to elect not to assess whether rent concessions arising as a direct consequence of the COVID-19 pandemic constitutes a lease modification. Lessees may apply the practical expedient only if all conditions of the practical expedient are met and lessees that makes this election accounts for any change in lease payments resulting from the rent concessions the same way it would account for the change applying this standard if the change were not a lease modification. The amendment may be retrospectively applied to annual reporting periods beginning on or after June 1, 2020 and earlier application is permitted. The amendment had no significant impact on the Group's financial position or management performance



## 2.1.2 New and revised KIFRS issued, but not yet effective

### **KIFRS 1001 *Presentation of Financial Statements* (Amended)**

The amendments affect only the presentation of liabilities in the statement of financial position and clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments explain that the right exists if the borrowing arrangement is complied with at the end of the reporting period and clarify that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The Group plans to apply the standard for annual reporting period beginning on or after January 1, 2023, with early application permitted.

### **KIFRS 1016 *Property, Plant and Equipment* (Amended)**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The Group plans to apply the standard for annual reporting period beginning on or after January 1, 2022 and an entity should apply the amendments retrospectively to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements.

### **KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* (Amended)**

The amendments clarify that the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. The Group plans to apply the standard for annual reporting period beginning on or after January 1, 2022, with early application permitted.

### **KIFRS 1103 *Business combinations* (Amended)**

The amendments update KIFRS 1103 so that the definition of assets and liabilities to be recognized in a business combinations is referred to the 2018 Conceptual Framework and add an exception that, for transactions and other events within the scope of KIFRS 1037, 'Provisions, Contingent Liabilities and Contingent Assets' or KIFRS 2121, 'Levies', an acquirer applies KIFRS 1037 or KIFRS 2121 and clarify that contingent assets are not recognized on the acquisition date. The Group plans to apply the standard for annual reporting period beginning on or after January 1, 2022, with early application permitted.

### **2018-2020 Annual improvements to KIFRS**

The annual improvements include some amendments to KIFRS 1101 'First-time Adoption of KIFRS', KIFRS 1109 'Financial Instruments', KIFRS 1116 'Leases' and KIFRS 1041 'Agriculture'. The amendments to KIFRS 1116 are relevant only to illustrative examples and thus the effective date for the amendment was not specified. The Group plans to apply the other amendments for annual reporting period beginning on or after January 1, 2022, with early application permitted.

The Group is reviewing the possible effects of the above listed amendments on the consolidated financial statements.

## **2.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stockholders' meetings

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in OCI and accumulated in equity, the amounts previously recognized in OCI and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings).

## **2.3 Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

In a business combination achieved in stages, the Group remeasures its entire previously held interests in the acquiree at fair value, and any gain or loss from the remeasurement is recognized in profit or loss or, if appropriate, in other comprehensive income. Changes in the carrying amount of previously held interests in the acquiree that are recognized in other comprehensive income is recognized in the same manner as if those interests were disposed of directly.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

## **2.4 Classification of current or non-current**

The Group presents assets and liabilities as current and non-current in the statement of financial position.

Assets are classified as current assets in the following cases:

- a. It is expected to be realized within the normal operating cycle, or is intended to be sold or consumed within the normal operating cycle.
- b. It is mainly held for short-term trading purposes.
- c. It is expected to be realized within 12 months after the reporting period.
- d. As cash or cash equivalents, the limit for use for exchange or debt repayment purposes is not more than 12 months after the reporting period.

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities in the following cases:

- a. It is expected to be settled within the normal operating cycle.
- b. It is mainly held for short-term trading purposes.
- c. Payment is due within 12 months after the reporting period.
- d. It does not have the unconditional right to defer settlement of the debt for more than 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

Deferred tax assets (liabilities) are classified as non-current assets (liabilities).

## **2.5 Functional currencies and Foreign currencies**

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in OCI and reclassified from equity to profit or loss on disposal or partial disposal of the net investment

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in OCI and accumulated in equity. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

## **2.6 Cash and cash equivalents**

Cash and cash equivalents include cash, bank balances and short-term highly liquid investments with an original maturity of three months or less.

## **2.7 Financial assets**

### **2.7.1 Classification**

The Group classifies its financial assets in the following measurement categories:

- Financial assets measured at fair value through profit or loss (FVTPL)
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

### **2.7.2 Measurement**

Financial assets are initially measured at fair value, and transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

The Group considers the hybrid contract which contains embedded derivatives as the entire hybrid contract for the purpose of assessing whether the contractual cashflows represent solely payments of principal and interest on the principal amount outstanding.

#### **(1) Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

##### **1) Financial assets measured at amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

### **2.7.2 Measurement (cont'd)**

#### **2) Financial assets measured at FVOCI**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income or costs' and impairment losses are presented in 'finance costs'.

#### **3) Financial assets measured at FVTPL**

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within 'finance income or costs' in the year in which it arises.

#### **(2) Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'other non-operating income' when the right to receive payments is established. But if a portion of the cost of a financial asset is recovered and profit is earned, it is recognized in other comprehensive income.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

### **2.7.3 Impairment**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

### **2.7.4 Recognition and Derecognition**

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

### **2.7.5 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

### **2.8 Inventories**

Inventories are measured at the lower of cost and net realizable value. Cost of inventories, except for materials in in-transit and work in progress (specific identification), are measured under the gross average method, moving average method or first-in first-out method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

### **2.9 Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with KIFRS 1105, *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and OCI of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

When the Group transacts with its associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

## **2.10 Interests in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the KIFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

## **2.11 Property, plant and equipment**

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment is stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Description	Useful lives (years)	Description	Useful lives (years)
Buildings	10 ~ 60	Machinery and equipment	3 ~ 40
Structures	4 ~ 50	Vehicles	1 ~ 20
Ships and vessels	6 ~ 25	Others	2 ~ 40

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.



## **2.12 Goodwill**

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

## **2.13 Intangible assets**

Intangible assets are measured initially at cost and, subsequently, are carried at cost, less accumulated amortization and accumulated impairment losses. The cost of intangible asset acquired in a business combination, separately from goodwill, is its fair value at the acquisition date and shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.

Amortization of development cost, industrial property rights and other intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value is zero. Development cost for petroleum resource is amortized by the unit of production method based on the amount of proved reserves. However, intangible assets with indefinite useful lives such as membership and brand -related assets are not amortized as there is no foreseeable limit to the period over which the asset is expected to use.

Description	Useful lives (years)	Description	Useful lives (years)
Development costs	3 ~ 10	Developed technology	5 ~ 14
Customer-related assets	3 ~ 25	Others	3 ~ 50

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

### **2.13.1 Development cost for petroleum resource**

The Group accounts for expenditures with high probability of future economic benefits related to the acquisition costs of assets, exploration and evaluation, and development activities as intangible assets.

Expenditures for exploration and evaluation of oil and natural gas are related to geographical, geological, geochemical, geophysical research, and prospect for commercialization. Development expenditures are related to the construction of various production equipment and drilling oil wells. Impairment testing is performed when the carrying amount of the intangible asset exceeds the estimated recoverable amounts.

Oil-producing fields refer to those which acquired the permission of development for reserves with economic benefits. The cost of an item of oil-producing fields includes the costs directly attributable to its purchase, construction, other expenditures for production, and the estimated costs of provision for restoration. The Group amortizes oil-producing fields by the unit of production method based on the amount of proved reserves.

## **2.13.2 Research and development**

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

## **2.13.3 Subsequent expenditures**

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

## **2.14 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value, less costs to sell and value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **2.15 Investment properties**

Investment properties are properties held to earn rentals and for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in carrying amount of an asset or as a separate asset if it is probable that the future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Description	Useful lives (years)	Description	Useful lives (years)
Buildings	10 ~ 60	Structures	4 ~ 50

The Group reviews the depreciation method, the estimated useful lives and residual values of investment properties at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

## **2.16 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## **2.17 Government grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to assets are presented in the statement of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

## **2.18 Non-current assets held for sale and discontinued operation**

The Group classifies non-current assets (or disposal group) as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal group classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

## **2.18 Non-current assets held for sale and discontinued operation (cont'd)**

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income. Additional disclosures are provided in Note 30. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

## **2.19 Discount (premium) on bonds**

Discount (premium) on bonds is presented as a direct deduction from (addition to) the nominal value of the bonds and is amortized using the effective interest rate method over the lives of the bonds.

## **2.20 Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease considering if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### **2.20.1 The Group as a lessee**

The Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

#### **(1) Right-of use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Depreciation of right-of-use asset is computed using the straight-line method based on the shorter of the lease term and the estimated useful lives of the assets as follows:

Description	Useful lives (years)	Description	Useful lives (years)
Land and buildings	1 ~ 60	Tank	1 ~ 10
Ships and vessels	10 ~ 20	Vehicles	1 ~ 5
Others	1 ~ 10		

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

## **2.20.1 The Group as a lessee (cont'd)**

### **(2) Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group included lease liabilities as financial liabilities.

### **(3) Short-term lease and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of land, buildings, vehicles and others (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

## **2.20.2 The Group as a lessor**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is using the effective interest rate method on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

## **2.21 Financial liabilities and equity instruments**

### **2.21.1 Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

### **2.21.2 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized as the proceeds are received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### **2.21.3 Compound instruments**

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

### **2.21.4 Financial liabilities**

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

#### **2.21.4.1 Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

#### **2.21.4.2 Financial liabilities at FVTPL (cont'd)**

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and KIFRS 1109 permits the entire combined contract to be designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

#### **2.21.4.3 Financial liabilities measured at amortized cost**

Financial liabilities that are not (a) contingent consideration of an acquirer in a business combination, (b) held-for-trading, or (c) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

#### **2.21.5 Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with KIFRS 1109 (see financial assets above); and
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above

#### **2.21.6 Derecognition of financial liabilities**

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### **2.22 Retirement benefit costs**

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in OCI in the period in which it occurs. Remeasurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Group presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in OCI. Curtailment gains and losses are accounted for as past service costs.

#### **2.23 Share-based payment arrangements**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in other component of equity as the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.



## **2.24 Provision**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

### **2.24.1 Provision for warranties**

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### **2.24.2 Provision for installment of handset subsidies**

The Group provides lump-sum handset subsidies to customers who agree to use the Group's service for a predetermined service period and the subsidies are charged to commission expense as the related payments are made. When customers agree to use the Group's service for a predetermined service period and purchase handsets on an installment basis, the subsidies are paid every month over the installment period and the Group estimates a provision for handset subsidies to be paid, which is recognized as commissions expense at the time telecommunication service contracts are made.

### **2.24.3 Provision for service/construction warranties**

If the Group has an obligation to repair the product after selling the product or providing the service, the Group estimates the warranty expense based on the repair period and the past experience rate.

### **2.24.4 Provision for restoration**

Provision for restoration of contaminated area is recognized in the related costs in accordance with published environmental policy and appropriate legal requirements of the Group.

### **2.24.5 Provision for onerous contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

#### **2.24.6 Greenhouse gas emissions**

The Group classifies the emission allowances that it receives from the government free of charge as intangible assets, measures them at nil ("0"), and measures any purchased emission allowances at cost. A liability (emission obligation) is measured at nil ("0") only where the allocated emission allowances by the government free of charge are enough to settle the obligation arisen from actual emissions. However, if actual emissions exceed the allocated emission allowances, the amount recognized as a liability is the best estimate of expenditures, as of the end of a reporting period, in performing emission obligations exceeding the above emission allowances.

A provision shall be used only for expenditures for which the provision was originally recognized.

#### **2.25 Derivative financial instruments**

The Group enters into foreign exchange forward contracts, interest swaps, currency swaps, and so forth to manage its exposure to foreign exchange rate risk and foreign currency risk. Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

##### **2.25.1 Embedded derivatives**

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of KIFRS 1109 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of KIFRS 1109 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

##### **2.25.2 Hedge accounting**

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

### **2.25.2 Hedge accounting (cont'd)**

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

### **2.25.3 Fair value hedges**

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

### **2.25.4 Cash flow hedges**

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

## **2.26 Revenue recognition**

The Group has applied KIFRS 1115 *Revenue from Contracts with Customers*. The Group operates oil refining, telecommunications, wholesale and retail businesses, chemical products, and construction. When control of a good or service is transferred to the customer, the Group recognizes revenue considering the variable consideration, such as return and discount, from the fair value of the consideration to which it expects to be entitled in exchange for the good or service.

### **2.26.1 Sale of goods**

Revenue from the sale of goods is generally recognized at the time when control of the goods is transferred to the customer, i.e. at the time of delivery of the goods.

### **2.26.2 Rendering of services**

The Group provides services such as construction contracts and system construction services. For construction contracts and system construction services, revenue is recognized over time at the rate of progress under the input method because the Group has no alternative use for completing the obligation for the assets created by the Group that have completed the performance so far, and because the Group has a enforceable right to payment for the completed performance.

In the case of providing other services, the Group is obliged to provide the customer with the related services during the contract period, so the transaction price allocated to the performance obligation is recognized as revenue over the period where the services are provided.

### **2.26.3 Commissions**

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

### **2.26.4 Rental income and others**

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognized as other income.

### **2.26.5 Contract assets and liabilities**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract.

## **2.27 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity.

### **2.27.1 Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### **2.27.2 Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **2.27.3 Current tax and deferred tax for the year**

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case the current tax and deferred tax are also recognized in OCI or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **2.28 Earnings per share**

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

## **2.29 Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of KIFRS 1102 *Share-based Payment*; leasing transactions that are within the scope of KIFRS 1116 *Leases*; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in KIFRS 1002 *Inventories* or value in use in KIFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

## **3 Significant accounting judgments, estimates and assumptions**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **3.1 Impairment of non-financial assets**

The Group assesses at each reporting date, whether there is an indication of impairment of its non-financial assets. If any indication exists, or annually, intangible assets with indefinite useful lives including brand contract-related asset are tested for impairment. Other non-financial assets are tested for impairment when there is an indication that the carrying amount of an asset is not recoverable. In assessing value in use, management estimates future cash flows of the assets or CGU and determines an appropriate discount rate to calculate the present value of the estimated future cash flows.

### **3.2 Valuation of financial instruments**

Subsequent to initial recognition, investment securities and others are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss or OCI. Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, the Group uses valuation techniques that require the management's judgments on the expected future cash flows and discount rates.

### **3.3 Bad debt allowance for trade receivables, loans and other receivables**

The Group estimates a bad debt allowance for trade receivables, loans and other receivables, based on the aging of receivables and past experience of bad debt, as well as observable changes in economic and industrial conditions that correlate with default on receivables.

### **3.4 Measurement and useful lives of tangible and intangible assets**

If the Group acquires property, plant and equipment or intangible assets from business combination, it is required to estimate the fair value of these assets at the acquisition date. For estimating the useful lives of tangible and intangible assets, significant management judgment is required.

### **3.5 Defined benefit plan**

The Group's defined benefit liabilities is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Group's best estimates of the variables in determining the cost of providing post-retirement benefits, such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of post-retirement benefit plan.

### **3.6 Deferred tax assets**

Recognition and measurement of deferred tax assets and liabilities requires significant management judgment. Especially, when determining if deferred tax assets will be realizable or not in the future, it involves significant management assumptions and judgment on the Group's future performance.

### **3.7 COVID-19 related matters**

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. The Group invests in companies operating in various industries, including petroleum refining, telecommunications, wholesale and retail, chemicals, construction and others, and is exposed to market uncertainties due to the influence of COVID-19. This can negatively affect productivity, sales decline or delay, collection of existing receivables, discount rates and indicators used for various estimates, which can negatively affect the Group's financial position and financial performance. The Group prepared financial statements by reasonably estimating the impact of COVID-19 on the Group. However, there is significant uncertainty in estimating the impact of COVID-19 on the Group.

## **4. Operating segments**

### **(1) Overview of operating segments**

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

Operating segments	Business
SK Innovation Co., Ltd.	Petroleum refining, chemical, lubricating oil, battery and resources development
SK Telecom Co., Ltd.	Telecommunication and security service
SK Networks Co., Ltd.	Information communication, rental and trade
SKC Co., Ltd.	Chemical, industrial materials (formerly, film), and mobility material
SK E&S Co., Ltd.	Gas and energy
SK Engineering & Construction Co., Ltd.	Civil engineering, housing, plant and others
Others	IT services, special gas manufacturing and sale, medicine and life science and others

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**4. Operating segments (cont'd)**

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

As of and for the year ended December 31, 2020									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 34,165	₩ 18,625	₩ 10,626	₩ 2,702	₩ 5,750	₩ 8,274	₩ 8,213	₩ (6,535)	₩ 81,820
Internal sales	(547)	(336)	(1,378)	(263)	(172)	(974)	(2,865)	6,535	-
Net sales	33,618	18,289	9,248	2,439	5,578	7,300	5,348	-	81,820
Profit (loss) from continuing operations before income tax expense	(2,870)	1,877	107	210	1,248	143	2,392	(3,135)	(28)
Profit (loss) for the year from continuing operations	(2,242)	1,501	22	122	862	53	1,960	(2,566)	(288)
Total assets	38,498	47,907	8,773	5,409	11,000	6,595	42,130	(22,674)	137,638
Total liabilities	23,040	23,511	6,528	3,491	7,149	5,725	14,576	1,758	85,778
Depreciation	1,239	3,151	801	179	396	64	584	(64)	6,350
Amortization	127	1,019	21	30	5	6	94	333	1,635

  

As of and for the year ended December 31, 2019									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments (*1)	Total
Total sales	₩ 49,307	₩ 17,741	₩ 13,054	₩ 2,361	₩ 6,562	₩ 8,253	₩ 7,541	₩ (7,007)	₩ 97,812
Internal sales	(997)	(193)	(1,706)	(318)	(79)	(1,211)	(2,503)	7,007	-
Net sales	48,310	17,548	11,348	2,043	6,483	7,042	5,038	-	97,812
Profit (loss) from continuing operations before income tax expense	500	1,161	2	60	1,033	201	2,167	(2,288)	2,836
Profit (loss) for the year from continuing operations	245	861	(29)	56	697	165	1,917	(2,083)	1,829
Total assets	39,526	45,202	10,139	3,973	10,919	5,653	38,024	(20,825)	132,611
Total liabilities	21,316	22,385	7,834	2,247	6,581	4,733	13,744	1,595	80,435
Depreciation	1,083	3,055	820	134	416	84	508	(34)	6,066
Amortization	125	966	18	9	4	6	50	354	1,532

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

(3) Details of financial information by geographical location as of and for the years ended December 31, 2020 and 2019 are as follows (Korean won in billions):

As of and for the year ended December 31, 2020								
	Korea	Asia	Europe	North America	Others	Consolidation adjustments	Total	
Total sales	₩ 98,749	₩ 21,347	₩ 3,565	₩ 4,773	₩ 57	₩ (46,671)	₩ 81,820	
Operating profit (loss)	3,423	184	111	(47)	42	(3,877)	(164)	
Profit (loss) from continuing operations before income tax expense	4,841	350	131	(785)	(6)	(4,559)	(28)	
Profit (loss) for the year from continuing operations	4,385	279	102	(808)	(4)	(4,242)	(288)	
Total assets	155,258	13,804	4,164	9,837	1,468	(46,893)	137,638	
Total liabilities	77,478	3,961	2,068	2,925	140	(794)	85,778	

  

As of and for the year ended December 31, 2019								
	Korea	Asia	Europe	North America	Others	Consolidation adjustments	Total	
Total sales	₩ 121,926	₩ 31,895	₩ 5,715	₩ 6,349	₩ 87	₩ (68,160)	₩ 97,812	
Operating profit (loss)	6,744	197	71	(40)	25	(3,261)	3,736	
Profit (loss) from continuing operations before income tax expense	7,238	415	69	(940)	(96)	(3,850)	2,836	
Profit (loss) for the year from continuing operations	5,941	368	62	(922)	(9)	(3,611)	1,829	
Total assets	149,675	13,172	2,909	9,539	1,291	(43,975)	132,611	
Total liabilities	75,053	4,411	1,132	2,751	191	(3,103)	80,435	



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**4. Operating segments (cont'd)**

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

For the year ended December 31, 2020									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments	Total
1. Total sales	₩ 34,165	₩ 18,625	₩ 10,626	₩ 2,702	₩ 5,750	₩ 8,274	₩ 8,213	₩ (6,535)	₩ 81,820
2. Revenue from contracts with customers	34,134	18,625	8,868	2,702	5,743	8,258	6,681	(5,048)	79,963
Categories:									
Service sales	277	16,534	396	85	-	8,234	2,391	(2,550)	25,367
Finished goods sales	33,032	38	518	2,190	2,046	-	3,505	(883)	40,446
Merchandise sales	490	1,548	7,952	390	3,591	24	333	(1,460)	12,868
Other sales	335	505	2	37	106	-	452	(155)	1,282
	34,134	18,625	8,868	2,702	5,743	8,258	6,681	(5,048)	79,963
Timing of revenue recognition:									
Recognition at a point in time	33,857	2,091	8,473	2,617	298	24	4,291	(2,567)	49,084
Recognition over a period of time	277	16,534	395	85	5,445	8,234	2,390	(2,481)	30,879
	34,134	18,625	8,868	2,702	5,743	8,258	6,681	(5,048)	79,963
3. Revenue from other sources	31	-	1,758	-	7	16	1,532	(1,487)	1,857
For the year ended December 31, 2019									
	SK Innovation Co., Ltd.	SK Telecom Co., Ltd.	SK Networks Co., Ltd.	SKC Co., Ltd.	SK E&S Co., Ltd.	SK Engineering & Construction Co., Ltd.	Others	Consolidation adjustments	Total
1. Total sales	₩ 49,307	₩ 17,741	₩ 13,054	₩ 2,361	₩ 6,562	₩ 8,253	₩ 7,541	₩ (7,007)	₩ 97,812
2. Revenue from contracts with customers	49,277	17,741	11,579	2,361	6,557	8,236	7,458	(5,533)	97,676
Categories:									
Service sales	156	15,536	450	89	-	8,207	3,662	(2,465)	25,635
Finished goods sales	48,837	44	686	1,782	2,827	-	2,335	(1,282)	55,229
Merchandise sales	185	1,663	10,440	450	3,603	29	580	(1,717)	15,233
Other sales	99	498	3	40	127	-	881	(69)	1,579
	49,277	17,741	11,579	2,361	6,557	8,236	7,458	(5,533)	97,676
Timing of revenue recognition:									
Recognition at a point in time	49,121	2,205	11,129	2,272	889	29	3,796	(3,068)	66,373
Recognition over a period of time	156	15,536	450	89	5,668	8,207	3,662	(2,465)	31,303
	49,277	17,741	11,579	2,361	6,557	8,236	7,458	(5,533)	97,676
3. Revenue from other sources	30	-	1,475	-	5	17	83	(1,474)	136

## **5. Acquisitions and disposals of subsidiaries and non-controlling interests**

### **5.1 Acquisitions of significant subsidiaries**

Significant acquisitions of subsidiaries during the current reporting period are listed in Note 39.

### **5.2 Disposal of investments in subsidiaries**

#### **1) Disposal of equity interests in SK Bioland Co., Ltd.**

On October 6, 2020, the Group sold all of SK Bioland Co., Ltd.'s shares (4,190,841 shares, 27.9% stake) to Hyundai HCN Co., Ltd. As a result, SK Bioland Co., Ltd. has been excluded from subsidiaries of the Group.

### **5.3 Other significant equity transactions**

#### **1) Sale of shares in SK Biopharmaceuticals Co., Ltd. and capital increase**

The parent company sold 6,265,060 shares of SK Biopharmaceuticals Co., Ltd., and while SK Biopharmaceuticals Co., Ltd. made a paid-in capital increase (13,313,250 shares) through public offering. As a result, the parent's stake in SK Biopharmaceuticals Co., Ltd. decreased from 100% to 75%, and the non-controlling interest of the Group increased by ₩129,439 million.

#### **2) SKC Co., Ltd.'s sale of shares of SK PIC Global Co., Ltd.**

SKC Co., Ltd., a subsidiary, established SK PIC Global Co., Ltd. by dividing the chemical business sector and sold 49% shares in SK PIC Global Co., Ltd. to Petrochemical Industries Company K.S.C. in order to establish a strategic partnership for Global Expansion. As a result, the non-controlling interest of the Group increased by ₩265,271 million.

#### **3) SK ie technology Co., Ltd.'s third-party paid-in capital increase**

SK ie technology Co., Ltd., a subsidiary, conducted a paid-in capital increase (₩300,005 million) in the form of third-party allocation according to the board's decision on September 22, 2020. As a result, the parent's stake in SK ie technology Co., Ltd. fell from 100% to 90%, and the non-controlling interest of the Group increased by ₩289,425 million.

#### **4) Acquisition of subsidiaries' treasury shares**

During the current term, SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., and SK Materials Co., Ltd., subsidiaries, acquired ₩496,175 million, ₩426,664 million, ₩115,046 million, and ₩128,878 million of treasury shares, respectively, for the purpose of enhancing shareholder value through stock price stabilization. As a result, the effective percentage of ownership of the Group was increased, and the non-controlling interest of the Group was reduced by ₩1,346,203 million.

#### **5) Merger of Tbroad Co., Ltd. and two other companies**

SK Broadband Co., Ltd., a subsidiary, absorbed and merged Tbroad Co., Ltd., Tbroad Dongdaemun Broadcasting Co., Ltd. and Korea Digital Cable Media Center Co., Ltd. on April 30, 2020 to enhance competitiveness and synergy as a general media operator. The consideration transferred of the business combination was paid by issuing new shares of SK Broadband Co., Ltd., and the Group's stake in SK Broadband Co., Ltd. fell to 74.3%, and its non-controlling interest increased by ₩795,642 million.

#### **6) Sale of shares in Hudson Energy NY II, LLC**

The Group sold 50% of its stake in subsidiary, Hudson Energy NY II, LLC, to a third party. As a result of the sale, the parent's ownership of Hudson Energy NY II, LLC decreased from 100% to 50%, and the non-controlling interest of the Group increased by ₩181,427 million.

## 6. Financial instruments

### 6.1 Financial assets

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

	December 31, 2020				
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Financial assets designated as hedging instruments	Total
Current assets					
Cash and cash equivalents	₩ 1,625,890	₩ -	₩ 8,471,050	₩ -	₩ 10,096,940
Short-term financial instruments	2,120,910	-	2,362,905	-	4,483,815
Trade receivables (*1)	140,357	-	7,765,586	-	7,905,943
Other receivables	211,476	-	1,420,432	-	1,631,908
Short-term loans	-	-	193,526	-	193,526
Accrued income	-	-	154,932	-	154,932
Short-term investment securities	150,624	-	45	-	150,669
Guarantee deposits	-	-	356,573	-	356,573
Derivative financial assets	75,022	-	-	54,799	129,821
Lease receivables	-	-	56,327	-	56,327
	<u>4,324,279</u>	<u>-</u>	<u>20,781,376</u>	<u>54,799</u>	<u>25,160,454</u>
Non-current assets					
Long-term financial instruments	4,315	-	9,393	-	13,708
Long-term trade receivables	-	-	274,789	-	274,789
Long-term other receivables	305,699	-	35,400	-	341,099
Long-term loans	-	-	416,482	-	416,482
Long-term investment securities	987,981	3,366,930	1,098	-	4,356,009
Guarantee deposits	-	-	574,946	-	574,946
Derivative financial assets	524,082	-	-	72,133	596,215
Lease receivables	-	-	25,079	-	25,079
	<u>1,822,077</u>	<u>3,366,930</u>	<u>1,337,187</u>	<u>72,133</u>	<u>6,598,327</u>
	<u>₩ 6,146,356</u>	<u>₩ 3,366,930</u>	<u>₩ 22,118,563</u>	<u>₩ 126,932</u>	<u>₩ 31,758,781</u>

(\*1) Contract assets (unbilled receivables) amounting to ₩965,473 million as of December 31, 2020 are not included in the financial assets.

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**6.1 Financial assets (cont'd)**

	December 31, 2019				
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Financial assets designated as hedging instruments	Total
Current assets					
Cash and cash equivalents	₩ 994,090	₩ -	₩ 6,987,665	₩ -	₩ 7,981,755
Short-term financial instruments	2,188,983	-	1,505,361	-	3,694,344
Trade receivables (*1)	191,701	-	9,636,242	-	9,827,943
Other receivables	251,919	-	1,660,579	-	1,912,498
Short-term loans	-	-	149,008	-	149,008
Accrued income	-	-	117,056	-	117,056
Short-term investment securities	185,056	-	45	-	185,101
Guarantee deposits	-	-	408,273	-	408,273
Derivative financial assets	45,123	-	-	33,576	78,699
Lease receivables	-	-	26,245	-	26,245
	<u>3,856,872</u>	<u>-</u>	<u>20,490,474</u>	<u>33,576</u>	<u>24,380,922</u>
Non-current assets					
Long-term financial instruments	4,528	-	3,070	-	7,598
Long-term trade receivables	-	-	130,171	-	130,171
Long-term other receivables	289,959	-	64,663	-	354,622
Long-term loans	-	-	698,135	-	698,135
Long-term investment securities	857,761	1,951,482	1,169	-	2,810,412
Guarantee deposits	-	-	595,912	-	595,912
Derivative financial assets	157,659	-	-	144,870	302,529
Lease receivables	-	-	55,751	-	55,751
	<u>1,309,907</u>	<u>1,951,482</u>	<u>1,548,871</u>	<u>144,870</u>	<u>4,955,130</u>
	<u>₩ 5,166,779</u>	<u>₩ 1,951,482</u>	<u>₩ 22,039,345</u>	<u>₩ 178,446</u>	<u>₩ 29,336,052</u>

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

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**6.2 Financial liabilities**

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

December 31, 2020					
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total	
Current liabilities:					
Short-term borrowings	₩ -	₩ 6,201,430	₩ -	₩	6,201,430
Trade payables	-	6,061,576	-	-	6,061,576
Other payables	36,573	5,690,598	-	-	5,727,171
Current portion of long-term debt	-	6,216,778	-	-	6,216,778
Accrued expenses	-	3,964,534	-	-	3,964,534
Dividends payable	-	840	-	-	840
Leasehold deposits received	-	210,035	-	-	210,035
Derivative financial liabilities	46,981	-	49,684	-	96,665
Lease liabilities	-	2,244,201	-	-	2,244,201
Finance guarantee liabilities	-	832	-	-	832
	<u>83,554</u>	<u>30,590,824</u>	<u>49,684</u>		<u>30,724,062</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	-	36,843,510	-	-	36,843,510
Long-term trade payables	-	712	-	-	712
Long-term other payables	3,392	1,165,392	-	-	1,168,784
Long-term accrued expenses	-	10,610	-	-	10,610
Leasehold deposits received	-	262,079	-	-	262,079
Derivative financial liabilities	567,874	-	166,351	-	734,225
Lease liabilities	-	3,421,750	-	-	3,421,750
Financial guarantee liabilities	-	21,447	-	-	21,447
	<u>571,266</u>	<u>41,725,500</u>	<u>166,351</u>		<u>42,463,117</u>
	<u>₩ 654,820</u>	<u>₩ 72,316,324</u>	<u>₩ 216,035</u>	<u>₩</u>	<u>73,187,179</u>
December 31, 2019					
	Financial liabilities measured at FVTPL	Other financial liabilities	Financial liabilities designated as hedging instruments	Total	
Current liabilities:					
Short-term borrowings	₩ -	₩ 5,888,357	₩ -	₩	5,888,357
Trade payables	-	8,809,856	-	-	8,809,856
Other payables	41,057	3,920,093	-	-	3,961,150
Current portion of long-term debt	-	6,029,722	-	-	6,029,722
Accrued expenses	-	3,320,534	-	-	3,320,534
Dividends payable	-	1,323	-	-	1,323
Leasehold deposits received	-	218,090	-	-	218,090
Derivative financial liabilities	38,178	-	6,409	-	44,587
Lease liabilities	-	1,239,557	-	-	1,239,557
Finance guarantee liabilities	-	345	-	-	345
	<u>79,235</u>	<u>29,427,877</u>	<u>6,409</u>		<u>29,513,521</u>
Non-current liabilities:					
Bonds payable and long-term borrowings	-	32,374,161	-	-	32,374,161
Long-term trade payables	-	2,391	-	-	2,391
Long-term other payables	-	1,565,043	-	-	1,565,043
Long-term accrued expenses	-	8,995	-	-	8,995
Leasehold deposits received	-	263,442	-	-	263,442
Derivative financial liabilities	223,168	-	22,957	-	246,125
Lease liabilities	-	3,407,954	-	-	3,407,954
Financial guarantee liabilities	-	15,569	-	-	15,569
	<u>223,168</u>	<u>37,637,555</u>	<u>22,957</u>		<u>37,883,680</u>
	<u>₩ 302,403</u>	<u>₩ 67,065,432</u>	<u>₩ 29,366</u>	<u>₩</u>	<u>67,397,201</u>

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**6.3 Gain and loss by category of financial instruments**

Details of gain and loss by category of financial instruments for the years ended in December 31, 2020 and 2019 are as follows (Korean won in millions):

For the year ended December 31, 2020							
	Dividends income	Interest income	Interest expense	Gain (loss) on foreign currency	Gain (loss) on derivatives instruments	Others	Total
Financial assets measured at FVTPL	₩ 5,310	₩ 45,913	₩ -	₩ (6)	₩ 2,065,024	₩ (68,851)	₩ 2,047,390
Financial assets measured at FVOCI	13,717	910	-	(514)	-	201,513	215,626
Financial assets measured at amortized cost	-	141,207	-	(31,843)	-	29,784	139,148
Financial assets designated as hedging instruments	-	-	-	-	34,064	-	34,064
Financial liabilities measured at FVTPL	-	-	-	676	(1,753,984)	(2,610)	(1,755,918)
Other financial liabilities	-	-	(1,397,877)	114,337	-	-	(1,283,540)
Financial liabilities designated as hedging instruments	-	-	-	-	(54,297)	-	(54,297)
	<u>₩ 19,027</u>	<u>₩ 188,030</u>	<u>₩ (1,397,877)</u>	<u>₩ 82,650</u>	<u>₩ 290,807</u>	<u>₩ 159,836</u>	<u>₩ (657,527)</u>
For the year ended December 31, 2019							
	Dividends income	Interest income	Interest expense	Gain (loss) on foreign currency	Gain (loss) on derivatives instruments	Others	Total
Financial assets measured at FVTPL	₩ 5,069	₩ 68,007	₩ -	₩ 97,888	₩ 1,556,365	₩ 30,995	₩ 1,758,324
Financial assets measured at FVOCI	18,368	329	-	2	-	(96,675)	(77,976)
Financial assets measured at amortized cost	-	196,974	-	61,235	-	(198,108)	60,101
Financial assets designated as hedging instruments	-	-	-	-	(40,387)	-	(40,387)
Financial liabilities measured at FVTPL	-	-	(43)	(88,791)	(1,627,689)	-	(1,716,523)
Other financial liabilities	-	-	(1,383,871)	(248,731)	-	-	(1,632,602)
Financial liabilities designated as hedging instruments	-	-	-	-	(3,918)	-	(3,918)
	<u>₩ 23,437</u>	<u>₩ 265,310</u>	<u>₩ (1,383,914)</u>	<u>₩ (178,397)</u>	<u>₩ (115,629)</u>	<u>₩ (263,788)</u>	<u>₩ (1,652,981)</u>

**6.4 Fair values of financial instruments by hierarchy level**

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

	December 31, 2020		December 31, 2019	
	Book value	Fair value	Book value	Fair value
Bonds payable	₩ 31,167,494	₩ 31,259,176	₩ 29,530,202	₩ 30,228,914
Borrowings	18,094,224	18,273,146	14,762,038	15,850,637

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (0.99% ~ 3.43%) regarding residual market risks. As the book values of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

#### 6.4 Fair values of financial instruments by hierarchy level (cont'd)

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 3,746,800	₩ 731,883	₩ 1,068,569	₩ 5,547,252
Financial assets measured at FVOCI	1,633,968	-	1,732,962	3,366,930
Derivative financial assets	4,552	721,484	-	726,036
	<u>₩ 5,385,320</u>	<u>₩ 1,453,367</u>	<u>₩ 2,801,531</u>	<u>₩ 9,640,218</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	₩ -	₩ 39,965	₩ 39,965
Derivative financial liabilities	329	271,262	559,299	830,890
	<u>₩ 329</u>	<u>₩ 271,262</u>	<u>₩ 599,264</u>	<u>₩ 870,855</u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 3,183,073	₩ 1,327,969	₩ 452,955	₩ 4,963,997
Financial assets measured at FVOCI	649,439	-	1,302,043	1,951,482
Derivative financial assets	563	380,665	-	381,228
	<u>₩ 3,833,075</u>	<u>₩ 1,708,634</u>	<u>₩ 1,754,998</u>	<u>₩ 7,296,707</u>
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	₩ 41,057	₩ -	₩ 41,057
Derivative financial liabilities	449	67,907	222,356	290,712
	<u>₩ 449</u>	<u>₩ 108,964</u>	<u>₩ 222,356</u>	<u>₩ 331,769</u>

#### 3) Valuation techniques and inputs

The description of the valuation techniques and inputs used to measure the fair value of financial instruments using fair value measurements as of the end of the current term and the end of the prior term, in which the Group is classified as Level 2 or Level 3 is as follows:

##### A. Currency forward and currency swap

The fair value of the currency forward and the currency swap was measured in principle based on the forward exchange rate disclosed in the market as of the end of the current term for the period consistent with the remaining period of the currency swap. If the forward exchange rate for a period consistent with the remaining period of the currency forward and the currency swap is not disclosed in the market, the forward exchange was measured by estimating the forward exchange rate for a period similar to the remaining period of the currency swap by applying interpolation to each period. The discount rate used to measure the fair value of the currency forward and the currency swap was determined using the yield curve derived from the rate quoted in the market as of the end of the current term.

##### B. Commodity swap

In principle, the fair value of the commodity swap was measured on the basis of the spot transaction price disclosed in the market as of the end of the current term for the period consistent with the remaining period of the spot swap being measured. In addition, the discount rate used to measure the fair value of the spot swap was determined using the yield curve derived from the rate quoted in the market as of the end of the reporting period.

#### **6.4 Fair values of financial instruments by hierarchy level (cont'd)**

##### **C. Interest rate swap**

The fair value of the interest rate swap was measured in principle based on the interest rate swap rate disclosed in the market as of the end of the current term for the period consistent with the remaining period of the interest rate swap. If the interest rate swap for a period consistent with the remaining period of the interest rate swap is not disclosed in the market, the interest rate swap rate was measured by estimating the interest rate swap rate for a period similar to the remaining period of the interest rate swap by applying interpolation to each period.

##### **D. Debt securities**

The fair value of debt securities is measured by discounting the future cash flows of debt securities by applying the market interest rate applied to companies with similar creditworthiness as the issuer of debt securities.

##### **E. Unlisted stocks**

The fair value of unlisted stocks is measured by using a cash flow discount model and some assumptions are used that are not based on observable market prices or ratios, such as assumptions or estimates of sales growth, pre-tax operating profit rates, weighted average capital costs, etc. to estimate future cash flows. The weighted average capital expense used to discount future cash flows was determined by applying CAPM. The Group determined that the effect of the major assumptions and estimates that is mentioned above on the fair value of unlisted stocks was significant, so the fair value measurement of unlisted stock was categorised within Level 3 of the fair value hierarchy.

##### **F. Convertible debt securities**

The fair value of convertible debt securities was measured by adding the fair value of the ordinary bond component that does not include conversion rights and the fair value of the conversion right, which is an embedded derivative (purchase call option). The fair value of the non-convertible general bond component was measured by discounting the future cash flows of the bond using the market interest rate applied to entities with similar creditworthiness as the issuer of the convertible bond, and the fair value of the conversion right was measured using an option pricing model. Stock price volatility, a significant input used to measure the fair value of conversion rights, was estimated based on past stock price changes. The consolidation entity considered that the fair value of the right to convert was a significant proportion of the total fair value of the convertible debt securities and classified the fair value measurement of the entire convertible debt securities into Level 3 of the fair value hierarchy.

##### **G. Contingent consideration**

The fair value of the contingent consideration is estimated by the net profit before subtracting interest and corporate tax by scenarios, and based on these estimates, the Group measures the present value of the expected future receivables weighted on the probability of each scenario.

##### **H. Total return swap agreement**

The fair value of the total return swap agreement is based on Monte-Carlo Simulation. It generates the discrete path of the future interest rate, estimates the point of time when the buyout option is exercised, calculates the present value, and repeatedly executes it to calculate the fair value as the average value of the calculated value. On the other hand, unlisted shares subject to the purchase option were measured in accordance with the fair value assessment method of unlisted shares, and the fair value measurement of inter-share contracts was classified as Level 3 in the fair value hierarchy as the main assumptions and estimates used to assess the fair value of unlisted shares were considered to have a significant effect on their fair value.



#### 6.4 Fair values of financial instruments by hierarchy level (cont'd)

The valuation techniques and input variables used for major financial instruments classified as Level 3 are as follows (Korean won in millions):

	Valuation amount		Valuation techniques	Level 3 inputs	Input variations
SK Shipping Co., Ltd.	Assets	₩ 218,343	DCF model	Permanent growth rate WACC	1.0% 8.3%
Total return swap agreement	Liabilities	₩ 226,200	Monte-Carlo simulation	Term structure of interest rate WACC	1.0% ~ 1.3% 8.3%

Among the inputs used to measure the fair value of a financial instrument, If the permanent growth rate increase (decrease), the fair value increases (decreases) and if the weighted average cost of capital increases (decrease), the fair value decreases (increases). There is no change in valuation techniques used to measure fair value of financial instruments classified as Level 2 and Level 3.

#### 7. Trade receivables

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

	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables (*1)	₩ 8,502,117	₩ 294,879	₩ 10,504,422	₩ 138,068
Contract assets (unbilled receivables)	965,473	-	549,385	-
Loss allowance:				
Trade receivables	(596,174)	(20,090)	(676,479)	(7,897)
	<u>₩ 8,871,416</u>	<u>₩ 274,789</u>	<u>₩ 10,377,328</u>	<u>₩ 130,171</u>

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

## 7. Trade receivables (cont'd)

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

	December 31, 2020	December 31, 2019
Contract assets: (*1)		
Construction business	₩ 838,273	₩ 403,343
Telecommunication business	148,281	191,858
Others	127,294	146,135
	<u>₩ 1,113,848</u>	<u>₩ 741,336</u>
Contract liabilities: (*2)		
Construction business	₩ 1,118,684	₩ 1,308,245
Telecommunication business	260,596	223,456
Others	868,660	886,096
	<u>₩ 2,247,940</u>	<u>₩ 2,417,797</u>

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

(\*2) Contract liabilities are included in trade payables, advances received and other liabilities. The amount recognized as revenue in the current period in relation to the contract liabilities in the end of the prior period is ₩1,583,756 million, and there is no revenue recognized in the current period in relation to the performance obligation satisfied in the prior period.

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

	December 31, 2020				
	Change in estimated construction revenue	Change in estimated cost	Impact on current period loss	Impact on future period profit	Change in unbilled (overbilled) receivables
SK Engineering & Construction Co., Ltd. and its subsidiaries	₩ 1,209,650	₩ 1,378,451	₩ (100,099)	₩ (68,702)	₩ (100,099)
Others	2,706	5,275	(2,125)	(444)	(2,125)
	<u>₩ 1,212,356</u>	<u>₩ 1,383,726</u>	<u>₩ (102,224)</u>	<u>₩ (69,146)</u>	<u>₩ (102,224)</u>

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

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

Subsidiary	Project	Contract date	Completion date	Percentage (%)	Unbilled receivables		Trade receivables (*1)	
					Amount	Impairment	Amount	Loss allowance
SK Engineering & Construction Co., Ltd.	RRE Project	2009.12	2016.05	99.9	₩ -	₩ -	₩ -	₩ -
	Goseong High Fire power Construction	2014.07	2021.07	89.9	-	-	-	-

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

(5) The amount includes the carrying amount of trade receivables accounted for as secured borrowings (₩188,155 million as of December 31, 2020 and ₩396,851 million as of December 31, 2019) when financial assets were transferred by trade receivables factoring and asset securitization, but are not derecognized, in entirety or in part.

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**8. Inventories**

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

	December 31, 2020			December 31, 2019		
	Cost	Valuation allowance	Book value	Cost	Valuation allowance	Book value
Merchandise	₩ 864,806	₩ (45,647)	₩ 819,159	₩ 926,141	₩ (39,343)	₩ 886,798
Finished goods	1,563,756	(59,899)	1,503,857	2,392,621	(68,544)	2,324,077
Semifinished goods and work in progress	845,458	(47,258)	798,200	1,108,743	(54,792)	1,053,951
Raw materials and sub-materials	1,354,419	(24,761)	1,329,658	2,030,535	(31,042)	1,999,493
Materials in transit	1,354,400	-	1,354,400	2,356,402	-	2,356,402
Supplies	311,475	(4,074)	307,401	322,035	(3,957)	318,078
Uncompleted contracts	57,673	-	57,673	189,428	-	189,428
Others	9,476	(327)	9,149	10,436	(302)	10,134
	<u>₩ 6,361,463</u>	<u>₩ (181,966)</u>	<u>₩ 6,179,497</u>	<u>₩ 9,336,341</u>	<u>₩ (197,980)</u>	<u>₩ 9,138,361</u>

**9. Investment securities**

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

	December 31, 2020			
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized cost	Total
Equity instruments:				
Marketable equity instruments	₩ -	₩ 1,633,968	₩ -	₩ 1,633,968
Non-marketable equity instruments	87,275	1,720,055	-	1,807,330
	<u>87,275</u>	<u>3,354,023</u>	<u>-</u>	<u>3,441,298</u>
Bond instruments:				
Beneficiary securities and others	572,689	662	-	573,351
Debt securities	478,641	12,245	1,143	492,029
	<u>1,051,330</u>	<u>12,907</u>	<u>1,143</u>	<u>1,065,380</u>
	<u>₩ 1,138,605</u>	<u>₩ 3,366,930</u>	<u>₩ 1,143</u>	<u>₩ 4,506,678</u>
Current investment securities	₩ 150,624	₩ -	₩ 45	₩ 150,669
Non-current investment securities	987,981	3,366,930	1,098	4,356,009
	December 31, 2019			
	Financial assets measured at FVTPL	Financial assets measured at FVOCI (*1)	Financial assets measured at amortized cost	Total
Equity instruments:				
Marketable equity instruments	₩ -	₩ 649,439	₩ -	₩ 649,439
Non-marketable equity instruments	2,009	1,277,996	-	1,280,005
	<u>2,009</u>	<u>1,927,435</u>	<u>-</u>	<u>1,929,444</u>
Bond instruments:				
Beneficiary securities and others	598,306	715	-	599,021
Debt securities	442,502	23,332	1,214	467,048
	<u>1,040,808</u>	<u>24,047</u>	<u>1,214</u>	<u>1,066,069</u>
	<u>₩ 1,042,817</u>	<u>₩ 1,951,482</u>	<u>₩ 1,214</u>	<u>₩ 2,995,513</u>
Current investment securities	₩ 185,056	₩ -	₩ 45	₩ 185,101
Non-current investment securities	857,761	1,951,482	1,169	2,810,412

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

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**10. Investments in associates and joint ventures**

(1) Investments in associates and joint ventures

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

Company	Domicile	December 31, 2020			December 31, 2019
		Equity ownership (*1)	Acquisition cost	Book value	Book value
Associates:					
SK Hynix Inc.	Korea	20.1%	₩ 5,420,310	₩ 11,750,425	₩ 11,028,722
China Gas Holdings Ltd. (*2)	Hong Kong	-	-	-	1,548,020
Vingroup Joint Stock Company (*3)	Vietnam	6.4%	957,882	851,300	1,172,259
Masan Group Corporation (*3)	Vietnam	9.5%	457,718	367,832	483,950
ESR Cayman Limited (*4)	Cayman	-	-	-	684,714
Eureka Midstream Holdings	USA	40.0%	465,582	465,917	487,160
Huizhou EVE United Energy Co., Ltd. (*5)	China	49.0%	344,465	353,815	-
FR BR Aggregator	USA	39.0%	350,718	283,933	331,310
Peru LNG Company, LLC	USA	20.0%	331,144	243,456	286,727
Daehan Oil Pipeline Corporation	Korea	41.0%	311,372	311,015	341,754
Shenzhen Londian Electrics Co., Ltd.	China	26.0%	383,369	383,049	294,126
NHIP II Bison Holdings, LLC	USA	24.5%	297,511	244,325	343,985
Hana Card Co., Ltd. (*3)	Korea	15.0%	253,707	314,930	294,756
Yemen LNG Company Ltd. (*3,7)	Yemen	6.9%	252,813	-	-
Beijing BESK Technology Co., Ltd.	China	49.0%	247,427	235,604	233,244
Korea IT Fund (*8)	Korea	63.3%	242,170	323,294	311,553
Joyvio (*3)	China	14.0%	213,793	197,974	212,353
Canakkale Highway And Bridge	Turkey	25.0%	215,715	208,272	140,849
Best Oil Company Limited	Myanmar	35.0%	154,732	159,557	153,524
ENN (Zhoushan) LNG Co., Ltd. (*3,6).	China	10.0%	132,938	133,164	-
Socar Co., Ltd. (*9)	Korea	22.2%	109,304	80,033	68,135
Others				1,239,600	999,637
				<u>18,147,495</u>	<u>19,416,778</u>
Joint ventures (*10):					
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	China	35.0%	676,332	942,775	1,003,159
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	Korea	50.0%	349,942	419,404	455,225
Hana Land Chip PEF 33 (*8)	Korea	65.2%	196,001	262,881	264,395
ZETA CAYMAN Limited (*6)	Cayman	50.0%	177,904	163,720	-
Eurasia Tunnel	Turkey	50.0%	174,215	254,324	250,963
Boryeong LNG Terminal Co., Ltd.	Korea	50.0%	133,323	146,568	152,812
SABIC SK Nexlene Company Pte. Ltd.	Singapore	50.0%	112,670	93,915	81,182
Others				378,036	270,202
				<u>2,661,623</u>	<u>2,477,938</u>
				₩ 20,809,118	₩ 21,894,716

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

- (\*1) Equity ownership includes indirect investments held by the consolidated subsidiaries.  
(\*2) During the current period, the remaining shares were reclassified from investment in the associates to long-term investment securities due to the sale of shares and the loss of significant influence.  
(\*3) The Group retains significant influence on the associate despite having less than 20% equity interests.  
(\*4) During the current period, the Group decided to sell its entire equity interest in ESR Cayman Limited, which is classified as an investment in associate. As of December 31, 2020, a partial disposal of the shareholding has been completed and the shares that have not yet been disposed of have been classified as assets held for sale (see Note 31).  
(\*5) During the current year, 49.0% of common stock was newly acquired by converting loans and accrued income of Huizhou EVE United Energy Co., Ltd.  
(\*6) It was newly acquired during the current period.  
(\*7) Impairment losses on investments in associates were fully recognized as there was an indication of impairment prior to the current period.  
(\*8) These companies were not included as consolidated subsidiaries as the Group does not have control over more than half of the voting rights by agreements.  
(\*9) During the current year, the Socar convertible bonds held as investment securities were converted and as a result, the entity was reclassified as investment in associate.  
(\*10) All joint arrangements that the Group has joint control over are structured by a consolidated entity. The parties that have joint control with respect to the joint agreements hold the rights to the net assets of the agreements and accordingly, they are classified as joint ventures.

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

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

	For the year ended December 31, 2020							
	Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments	Other capital movements	Dividends received	Others (*1)	Ending balance
Associates:								
SK Hynix Inc.	₩ 11,028,722	₩ -	₩ -	₩ 890,284	₩ (22,481)	₩ (146,100)	₩ -	₩ 11,750,425
China Gas Holdings Ltd.	1,548,020	-	(1,563,892)	77,374	55,205	(9,332)	(107,375)	-
Vingroup Joint Stock Company	1,172,259	-	-	(35,757)	(33,419)	-	(251,783)	851,300
Masan Group Corporation	483,950	-	-	(10,749)	(31,608)	(5,617)	(68,144)	367,832
ESR Cayman Limited	684,714	-	(270,537)	22,943	(25,871)	-	(411,249)	-
Eureka Midstream Holdings	487,160	-	-	8,814	-	-	(30,057)	465,917
Huizhou EVE United Energy Co., Ltd.	-	-	-	9,350	-	-	344,465	353,815
FR BR Aggregator	331,310	-	-	(28,263)	-	(1,458)	(17,656)	283,933
Peru LNG Company, LLC	286,727	-	-	(28,183)	(15,088)	-	-	243,456
Daehan Oil Pipeline Corporation	341,754	-	-	12,457	988	(44,184)	-	311,015
Shenzhen Lodian Electrics Co., Ltd.	294,126	98,767	-	16,911	-	-	(26,755)	383,049
NHIP II Bison Holdings, LLC	343,985	-	-	(85,601)	-	-	(14,059)	244,325
Hana Card Co., Ltd.	294,756	-	-	20,671	(497)	-	-	314,930
Beijing BESK Technology Co., Ltd.	233,244	-	-	678	1,682	-	-	235,604
Korea IT Fund	311,553	-	-	23,188	6,110	(17,557)	-	323,294
Joyvio	212,353	-	-	(1,579)	(131)	-	(12,669)	197,974
Canakkale Highway And Bridge	140,849	62,369	-	16,619	(11,565)	-	-	208,272
Best Oil Company Limited	153,524	-	-	(571)	12,059	-	(5,455)	159,557
ENN (Zhoushan) LNG Co., Ltd.	-	132,938	-	5,078	(1,719)	-	(3,133)	133,164
Socar Co., Ltd.	68,156	-	-	(8,952)	753	-	20,076	80,033
Others	999,616	293,220	(71,123)	(68,652)	(21,300)	(27,835)	135,674	1,239,600
	19,416,778	587,294	(1,905,552)	836,060	(86,882)	(252,083)	(448,120)	18,147,495
Joint ventures:								
Sinopec-SK (Wuhan)	1,003,159	-	-	(69,048)	8,664	-	-	942,775
Petrochemical Co., Ltd.	-	-	-	-	-	-	-	-
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	455,225	-	-	(35,687)	(2,451)	(3,815)	6,132	419,404
Hana Land Chip PEF 33	264,395	-	-	15,106	-	(16,164)	(456)	262,881
ZETA CAYMAN Limited	-	177,904	-	(332)	-	-	(13,852)	163,720
Eurasia Tunnel	250,963	-	-	31,832	(11,227)	-	(17,244)	254,324
Boryeong LNG Terminal Co., Ltd.	152,812	-	-	8,856	(40)	(15,060)	-	146,568
SABIC SK Nexlene Company Pte. Ltd.	81,182	-	-	4,113	8,620	-	-	93,915
Others	270,202	216,047	(48,351)	8,798	(9,504)	(4,899)	(54,257)	378,036
	2,477,938	393,951	(48,351)	(36,362)	(5,938)	(39,938)	(79,677)	2,661,623
	₩ 21,894,716	₩ 981,245	₩ (1,953,903)	₩ 799,698	₩ (92,820)	₩ (292,021)	₩ (527,797)	₩ 20,809,118

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

	For the year ended December 31, 2019							Ending balance
	Beginning balance	Acquisitions	Disposals	Equity profit or losses on investments	Other capital movements	Dividends received	Others (*1)	
Associates:								
SK Hynix Inc.	₩ 10,922,882	₩ -	₩ -	₩ 304,998	₩ 20,008	₩(219,150)	₩ (16)	₩ 11,028,722
China Gas Holdings Ltd.	1,814,603	-	(418,585)	171,218	31,623	(50,839)	-	1,548,020
Vingroup Joint Stock Company	-	1,165,399	-	14,808	-	-	(7,948)	1,172,259
Masan Group Corporation	559,050	-	-	7,732	-	-	(82,832)	483,950
ESR Cayman Limited	616,364	-	-	10,412	57,938	-	-	684,714
Eureka Midstream Holdings	469,202	-	-	14,750	-	(13,988)	17,196	487,160
FR BR Aggregator	-	350,718	-	(17,162)	-	-	(2,246)	331,310
Peru LNG Company, LLC	293,027	-	-	(16,824)	10,524	-	-	286,727
Daehan Oil Pipeline Corporation	339,664	-	-	6,258	213	(4,381)	-	341,754
Shenzhen Lonian Electrics Co., Ltd.	-	284,602	-	11,518	-	-	(1,994)	294,126
NHIP II Bison Holdings, LLC	279,525	22,436	-	(133)	-	-	42,157	343,985
Hana Card Co., Ltd.	288,457	-	-	6,827	(528)	-	-	294,756
Beijing BESK Technology Co., Ltd.	143,198	93,110	-	(3,473)	409	-	-	233,244
Korea IT Fund	281,684	-	-	34,116	3,884	(8,131)	-	311,553
Joyvio	-	213,793	-	-	-	-	(1,440)	212,353
Best Oil Company Limited	-	154,732	-	-	-	-	(1,208)	153,524
Canakkale Highway And Bridge	80,270	56,826	-	18,296	(14,543)	-	-	140,849
Others	<u>844,268</u>	<u>370,420</u>	<u>(47,553)</u>	<u>(43,883)</u>	<u>32,811</u>	<u>(41,878)</u>	<u>(46,413)</u>	<u>1,067,772</u>
	<u>16,932,194</u>	<u>2,712,036</u>	<u>(466,138)</u>	<u>519,458</u>	<u>142,339</u>	<u>(338,367)</u>	<u>(84,744)</u>	<u>19,416,778</u>
Joint ventures:								
Sinopec-SK (Wuhan)	775,577	187,523	-	29,434	10,713	-	(88)	1,003,159
Petrochemical Co., Ltd.								
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	481,199	-	-	(9,952)	5,804	(13,721)	(8,105)	455,225
Hana Land Chip PEF 33	263,792	-	-	16,245	-	(15,642)	-	264,395
Eurasia Tunnel	226,198	-	-	29,046	(12,500)	-	8,219	250,963
Boryeong LNG Terminal Co., Ltd.	117,543	25,000	-	10,392	(123)	-	-	152,812
SABIC SK Nexlene Company Pte. Ltd.	88,680	-	-	(2,924)	(4,574)	-	-	81,182
Others	<u>333,162</u>	<u>-</u>	<u>-</u>	<u>4,282</u>	<u>-</u>	<u>(6,589)</u>	<u>(60,653)</u>	<u>270,202</u>
	<u>2,286,151</u>	<u>212,523</u>	<u>-</u>	<u>76,523</u>	<u>(680)</u>	<u>(35,952)</u>	<u>(60,627)</u>	<u>2,477,938</u>
	<u>₩19,218,345</u>	<u>₩2,924,559</u>	<u>₩(466,138)</u>	<u>₩595,981</u>	<u>₩141,659</u>	<u>₩(374,319)</u>	<u>₩(145,371)</u>	<u>₩21,894,716</u>

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

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

	Beginning balance	Changes	Ending balance
Pentaport Development Co., Ltd.	₩ 72,675	₩ 6,563	₩ 79,238
SK Telesys Corporation	3,960	-	3,960
Korea Consortium Kazakh B.V.	178,926	7,547	186,473
Yemen LNG Company Ltd. and others	34,608	10,671	45,279

**SK Inc. and its subsidiaries**  
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**December 31, 2020 and 2019**

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

(4) Details of reconciliation from net assets of investments in associates and joint ventures to book value of investments in associates and joint ventures as of December 31, 2020 are as follows (Korean won in millions):

	December 31, 2020					Book value
	Net assets	Equity ownership	Net assets attributable to the ownership interests	Cost-book value differentials	Intercompany transactions and others	
Associates:						
SK Hynix Inc. (*1)	₩ 51,883,239	20.1%	₩ 11,082,049	₩ 819,177	₩ (150,801)	₩ 11,750,425
Vingroup Joint Stock Company	4,341,839	6.4%	276,575	574,725	-	851,300
Masan Group Corporation	751,131	9.4%	70,306	297,526	-	367,832
Eureka Midstream Holdings	577,918	40.0%	231,167	234,750	-	465,917
Huizhou EVE United Energy Co., Ltd.	730,087	49.0%	357,743	-	(3,928)	353,815
FR BR Aggregator	728,564	39.0%	283,933	-	-	283,933
Peru LNG Company, LLC	1,217,428	20.0%	243,486	-	(30)	243,456
Daehan Oil Pipeline Corporation	722,369	41.0%	296,171	22,878	(8,034)	311,015
Shenzhen Lonian Electrics Co., Ltd.	564,482	26.0%	146,765	236,284	-	383,049
NHIP II Bison Holdings, LLC	985,402	24.5%	241,226	-	3,099	244,325
Hana Card Co., Ltd.	1,779,393	15.0%	266,909	48,021	-	314,930
Beijing BESK Technology Co., Ltd.	479,059	49.0%	234,739	1,289	(424)	235,604
Korea IT Fund	510,464	63.3%	323,294	-	-	323,294
Canakkale Highway And Bridge	833,090	25.0%	208,272	-	-	208,272
Best Oil Company Limited	255,758	35.0%	89,515	70,069	(27)	159,557
ENN (Zhoushan) LNG Co., Ltd.	375,206	10.0%	37,521	95,643	-	133,164
Socar Co., Ltd.	90,770	22.2%	20,160	59,873	-	80,033
Joint ventures:						
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	2,495,560	35.0%	873,446	69,329	-	942,775
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	840,668	50.0%	420,334	-	(930)	419,404
Hana Land Chip PEF 33	403,236	65.2%	262,950	-	(69)	262,881
ZETA CAYMAN Limited	327,441	50.0%	163,720	-	-	163,720
Eurasia Tunnel	493,874	50.0%	246,937	15,794	(8,407)	254,324
Boryeong LNG Terminal Co., Ltd.	268,177	50.0%	134,088	28,736	(16,256)	146,568
Sabik SK Nexlene Company Pte. Ltd.	267,797	50.0%	133,899	-	(39,984)	93,915

(\*1) The equity ownership presented is the ownership in respect to the number of shares issued by the investee, and the effective equity ratio of 21.36% was applied to the equity method valuation.

**SK Inc. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2020 and 2019**

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

(5) Condensed financial informations of significant investments in associates and joint ventures as of December 31, 2020 are as follows (Korean won in millions).

As of and for the year ended December 31, 2020							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net income (loss)	Total comprehensive income (loss)
<b>Associates:</b>							
SK Hynix Inc.	₩ 16,570,953	₩ 54,602,900	₩ 9,072,360	₩ 10,192,396	₩ 31,900,418	₩ 4,758,914	₩ 4,651,536
Vingroup Joint Stock Company	7,745,794	12,237,219	8,227,198	5,361,660	5,625,400	260,451	260,451
Masan Group Corporation	1,401,728	4,049,464	1,830,997	2,441,269	4,006,511	62,686	62,686
Eureka Midstream Holdings	36,058	920,425	371,932	6,633	140,163	61,751	61,751
Huizhou EVE United Energy Co., Ltd.	451,206	561,185	224,592	57,712	-	-	-
FR BR Aggregator	25,137	1,242,953	21,852	517,674	-	(138,566)	(138,566)
Peru LNG Company, LLC	146,252	2,392,615	185,781	1,135,658	465,724	(132,303)	(132,303)
Daehan Oil Pipeline Corporation	69,260	957,091	41,735	262,247	171,092	32,193	34,466
Shenzhen Londian Electrics Co., Ltd.	465,190	698,921	364,759	234,870	519,283	55,399	55,390
NHIP II Bison Holdings, LLC	20,723	965,350	-	671	-	(486)	(486)
Hana Card Co., Ltd.	7,910,517	298,438	897,594	5,531,968	1,231,815	154,521	150,238
Beijing BESK Technology Co., Ltd.	304,371	420,976	232,724	13,564	239,304	2,247	2,247
Korea IT Fund	107,652	402,812	-	-	52,330	36,615	46,262
Canakkale Highway And Bridge	20,531	3,283,078	150,590	2,319,929	1,060,948	66,456	1,714
Best Oil Company Limited	177,918	235,159	137,439	19,880	546,597	(1,555)	(1,555)
Socar Co., Ltd.	98,902	189,013	83,873	113,272	259,784	(46,070)	(46,070)
<b>Joint ventures:</b>							
Sinopec-SK (Wuhan) Petrochemical Co., Ltd.	607,555	4,374,905	1,066,209	1,420,691	4,903,003	(197,349)	(197,356)
Mitsui Chemicals & SKC Polyurethanes Co., Ltd.	472,546	911,285	334,028	130,346	980,286	(62,284)	(72,133)
Hana Land Chip PEF 33	7,927	711,693	1,901	314,483	35,720	23,168	23,168
ZETA CAYMAN Limited	1,653	326,400	612	-	-	(664)	(664)
Eurasia Tunnel	155,327	1,351,134	143,688	868,899	14,440	60,647	34,345
Boryeong LNG Terminal Co., Ltd.	153,903	1,472,942	356,509	1,002,159	145,436	26,247	26,166
SABIC SK Nexlene Company Pte. Ltd.	185,134	535,186	117,112	335,411	328,293	2,017	37,138

**11. Property, plant and equipment**

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

	December 31, 2020	December 31, 2019
Acquisition cost	₩ 65,074,322	₩ 58,210,415
Accumulated depreciation and accumulated impairment loss	(19,163,698)	(15,382,088)
	₩ 45,910,624	₩ 42,828,327



## 11. Property, plant and equipment (cont'd)

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

	For the year ended December 31, 2020						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 8,787,048	₩ 92,369	₩ 41,345	₩ (333,331)	₩ -	₩ (59,560)	₩ 8,527,871
Buildings	4,271,484	58,459	10,248	(36,115)	(189,513)	454,254	4,568,817
Structures	1,518,777	7,654	9,370	(27,277)	(115,384)	267,054	1,660,194
Ships and vessels	860	-	-	-	(118)	-	742
Machinery and equipment	18,582,898	356,632	630,682	(50,251)	(3,793,451)	4,535,019	20,261,529
Vehicles	185,700	3,547	6,230	(1,244)	(32,663)	37,841	199,411
Operating lease asset	1,746,356	-	810,272	(29,537)	(433,593)	(306,709)	1,786,789
Others	3,536,228	27,753	1,159,336	(27,855)	(701,338)	(612,124)	3,382,000
Construction-in-progress	4,198,976	152,374	7,046,971	(33,449)	-	(5,841,601)	5,523,271
	<u>₩ 42,828,327</u>	<u>₩ 698,788</u>	<u>₩ 9,714,454</u>	<u>₩ (539,059)</u>	<u>₩ (5,266,060)</u>	<u>₩ (1,525,826)</u>	<u>₩ 45,910,624</u>

  

	For the year ended December 31, 2019						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Depreciation	Others (*1)	
Land	₩ 9,627,559	₩ 42,996	₩ 16,598	₩ (87,012)	₩ -	₩ (813,093)	₩ 8,787,048
Buildings	4,043,820	7,642	266,998	(46,939)	(179,706)	179,669	4,271,484
Structures	1,611,612	439	36,727	(25,211)	(112,629)	7,839	1,518,777
Ships and vessels	843	-	-	(1)	(117)	135	860
Machinery and equipment	17,948,952	361	899,162	(147,658)	(3,561,026)	3,443,107	18,582,898
Vehicles	126,601	868	7,369	(1,386)	(20,136)	72,384	185,700
Operating lease asset	697,476	980,437	562,525	(40,981)	(441,277)	(11,824)	1,746,356
Others	3,623,421	1,691	1,658,866	(79,372)	(681,079)	(987,299)	3,536,228
Construction-in-progress	2,013,998	-	5,385,365	(39,728)	-	(3,160,659)	4,198,976
	<u>₩ 39,694,282</u>	<u>₩ 1,034,434</u>	<u>₩ 8,833,610</u>	<u>₩ (468,288)</u>	<u>₩ (4,995,970)</u>	<u>₩ (1,269,741)</u>	<u>₩ 42,828,327</u>

(\*1) Other changes include exclusion from the scope of consolidation, impairment losses, transfer of construction-in-progress to depreciable assets and investment properties, net translation differences and others.

### (3) Capitalized borrowing costs

Capitalized borrowing costs and capitalization rates for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	December 31, 2020	December 31, 2019
Property, plant and equipment and intangible assets	₩ 47,130	₩ 36,872
Capitalization rate	1.3% ~ 5.4%	2.0% ~ 5.4%

## 12. Right-of-use assets and lease liabilities

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

	December 31, 2020	December 31, 2019
Acquisition cost	₩ 7,879,536	₩ 6,267,507
Accumulated depreciation and accumulated impairment losses	(1,701,056)	(1,106,729)
	<u>₩ 6,178,480</u>	<u>₩ 5,160,778</u>

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

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

For the year ended December 31, 2020							
	Beginning balance	Business combination	Increase	Decrease	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ 1,912,681	₩ 73,137	₩ 880,354	₩ (208,489)	₩ (474,287)	₩ 1,047,323	₩ 3,230,719
Tank	266,195	-	21,563	(3,185)	(67,412)	91	217,252
Ships and vessels	1,065,528	-	60,548	-	(89,013)	(23,877)	1,013,186
Vehicles	1,424,084	3,223	361,575	(232,888)	(285,747)	(5,551)	1,264,696
Others	492,290	3,245	115,964	(14,934)	(158,954)	15,016	452,627
	<u>₩ 5,160,778</u>	<u>₩ 79,605</u>	<u>₩ 1,440,004</u>	<u>₩ (459,496)</u>	<u>₩ (1,075,413)</u>	<u>₩ 1,033,002</u>	<u>₩ 6,178,480</u>

  

For the year ended December 31, 2019							
	Beginning balance	Business combination	Increase	Decrease	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ 1,739,670	₩ 2,114	₩ 1,122,309	₩ (342,072)	₩ (511,456)	₩ (97,884)	₩ 1,912,681
Tank	306,785	-	24,248	(5,402)	(60,389)	953	266,195
Ships and vessels	664,330	-	482,111	-	(77,907)	(3,006)	1,065,528
Vehicles	1,221,412	70,515	562,835	(129,918)	(278,694)	(22,066)	1,424,084
Others	364,829	-	211,805	(8,142)	(134,998)	58,796	492,290
	<u>₩ 4,297,026</u>	<u>₩ 72,629</u>	<u>₩ 2,403,308</u>	<u>₩ (485,534)</u>	<u>₩ (1,063,444)</u>	<u>₩ (63,207)</u>	<u>₩ 5,160,778</u>

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

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

For the year ended December 31, 2020							
	Beginning balance	Business combination	Increase	Interest expenses	Decrease	Transfer	Ending balance
Lease liabilities	₩ 4,647,511	₩ 79,778	₩ 1,392,811	₩ 122,975	₩ (1,177,161)	₩ 1,152	₩ 5,665,951

  

For the year ended December 31, 2019							
	Beginning balance	Business combination	Increase	Interest expenses	Decrease	Transfer	Ending balance
Lease liabilities	₩ 3,785,853	₩ 74,794	₩ 2,290,901	₩ 90,944	₩ (1,258,758)	₩ (154,035)	₩ 4,647,511

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

The Group recognized lease payments of ₩151,965 million (₩139,182 million as of December 31, 2019) in relation to short-term lease, ₩10,484 million (₩10,234 million as of December 31, 2019) in relation to leases of low-value assets, and ₩164,059 million (₩162,274 million as of December 31, 2019) in relation to variable lease payments in cost of sales and selling and administrative expenses during the year ended December 31, 2020. The total cash outflow of leases during the year ended December 31, 2020 is ₩1,503,669 million (₩1,657,504 million as of December 31, 2019).

## 13. Investment properties

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

	December 31, 2020	December 31, 2019
Acquisition cost	₩ 701,118	₩ 605,362
Accumulated depreciation and accumulated impairment loss	(130,564)	(117,604)
	<u>₩ 570,554</u>	<u>₩ 487,758</u>

### 13. Investment properties (cont'd)

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

For the year ended December 31, 2020						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 241,383	₩ 111	₩ (6,527)	₩ -	₩ 266,844	₩ 501,811
Buildings	245,891	313	(84,660)	(8,253)	(88,376)	64,915
Structures	484	-	-	(81)	3,425	3,828
	<u>₩ 487,758</u>	<u>₩ 424</u>	<u>₩ (91,187)</u>	<u>₩ (8,334)</u>	<u>₩ 181,893</u>	<u>₩ 570,554</u>

  

For the year ended December 31, 2019						
	Beginning balance	Acquisition	Disposal	Depreciation	Others (*1)	Ending balance
Land	₩ 201,213	₩ 1,126	₩ (14,743)	₩ -	₩ 53,787	₩ 241,383
Buildings	302,125	160	(5,374)	(6,881)	(44,139)	245,891
Structures	628	-	-	(144)	-	484
	<u>₩ 503,966</u>	<u>₩ 1,286</u>	<u>₩ (20,117)</u>	<u>₩ (7,025)</u>	<u>₩ 9,648</u>	<u>₩ 487,758</u>

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

(3) Details of profit or loss recognized for the year ended December 31, 2020 with regards to investment properties are as follows (Korean won in millions):

	December 31, 2020
Rental revenue	₩ 15,338
Depreciation	(8,334)
	<u>₩ 7,004</u>

The Group does not distinguish operating expenses related to rental revenue.

(4) As of December 31, 2020, the fair value of investment properties is ₩681,483 million.

### 14. Goodwill

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

	For the years ended	
	December 31, 2020	December 31, 2019
Beginning balance	₩ 2,598,464	₩ 2,379,526
Business combination (*See note 39)	2,312,335	183,520
Others (*1)	(155,344)	35,418
Ending balance	<u>₩ 4,755,455</u>	<u>₩ 2,598,464</u>

(\*1) Others include net translation differences, transferred amounts to an asset held for sale and others.

#### 14. Goodwill (cont'd)

##### (2) Impairment testing of goodwill

1) Goodwill of each operating segment for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
SK Inc. and others	₩ 926,504	₩ 641,122
Group of SK Innovation Co., Ltd.	248,421	112,040
Group of SK Telecom Co., Ltd.	1,647,388	1,239,393
Group of SK Networks Co., Ltd.	443,755	436,569
Group of SKC Co., Ltd.	774,526	25,224
Group of SK Engineering & Construction Co., Ltd.	714,861	144,116
	<u>₩ 4,755,455</u>	<u>₩ 2,598,464</u>

2) Significant assumptions to estimate the recoverable amounts reflected the management's expectation of future trend considered with external and internal (historical) information.

Significant assumptions used in impairment testing of goodwill for the year ended December 31, 2020 are as follows:

	Recoverable amount	Growth rate (*1)	Discount rate (*2)
SK Inc. and others	Value in use	1.0% ~ 2.0%	9.1% ~ 15.3%
Group of SK Innovation Co., Ltd.	Value in use	0.0% ~ 2.0%	7.7% ~ 9.5%
Group of SK Telecom Co., Ltd.	Value in use	1.0%	7.1%
Group of SK Networks Co., Ltd.	Value in use	1.0%	10.0% ~ 14.1%
Group of SKC Co., Ltd.	Value in use	0.0% ~ 1.0%	9.5% ~ 12.7%
Group of SK Engineering & Construction Co., Ltd.	Value in use	0.0%	9.9%

(\*1) Future cash flows for additional periods after the estimated period are estimated using a fixed growth rate.

(\*2) The discount rate used to determine the recoverable amount of each operating segment is based on the weighted-average cost of capital.

#### 15. Intangible assets

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

	For the year ended December 31, 2020						
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	Ending balance
Development costs	₩ 151,824	₩ 466	₩ 90,473	₩ (641)	₩ (46,165)	₩ 23,209	₩ 219,166
Facility usage rights	48,300	22,509	3,415	(49)	(7,170)	(991)	66,014
Industrial property rights	74,659	-	2,710	(546)	(6,602)	16,798	87,019
Frequency usage rights	2,647,501	-	-	-	(516,348)	(198,388)	1,932,765
Customer-related assets	2,221,365	758,237	8,893	(7,649)	(246,321)	108,028	2,842,553
Membership (*1)	237,662	50,361	39,256	(48,109)	-	5,665	284,835
Development costs for petroleum resource	1,492,031	-	127,660	-	(81,180)	(389,500)	1,149,011
Brand-related assets (*1)	2,596,643	20,306	-	-	-	14,444	2,631,393
Developed technology	941,534	240,738	-	(12,746)	(158,465)	(21,474)	989,587
Others (*3)	1,656,267	188,107	263,132	(16,712)	(572,304)	183,607	1,702,097
	<u>₩ 12,067,786</u>	<u>₩ 1,280,724</u>	<u>₩ 535,539</u>	<u>₩ (86,452)</u>	<u>₩ (1,634,555)</u>	<u>₩ (258,602)</u>	<u>₩ 11,904,440</u>

## 15. Intangible assets (cont'd)

	For the year ended December 31, 2019						Ending balance
	Beginning balance	Business combination	Acquisitions	Disposals	Amortization	Others (*2)	
Development costs	₩ 122,290	₩ -	₩ 55,105	₩ (587)	₩ (30,332)	₩ 5,348	₩ 151,824
Facility usage rights	53,872	-	2,288	(1,827)	(8,369)	2,336	48,300
Industrial property rights	90,915	12	2,179	(1,556)	(6,013)	(10,878)	74,659
Frequency usage rights	3,139,978	-	-	-	(492,477)	-	2,647,501
Customer-related assets	2,398,689	15,038	250	(367)	(208,608)	16,363	2,221,365
Membership (*1)	229,325	1,511	15,495	(9,061)	-	392	237,662
Development costs for petroleum resource	2,354,708	-	279,526	(33,560)	(100,395)	(1,008,248)	1,492,031
Brand-related assets (*1)	2,223,112	-	-	-	-	373,531	2,596,643
Developed technology	1,086,222	-	-	-	(146,991)	2,303	941,534
Others (*3)	2,108,603	8,797	200,373	(3,144)	(539,297)	(119,065)	1,656,267
	<u>₩ 13,807,714</u>	<u>₩ 25,358</u>	<u>₩ 555,216</u>	<u>₩ (50,102)</u>	<u>₩ (1,532,482)</u>	<u>₩ (737,918)</u>	<u>₩ 12,067,786</u>

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

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

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

### (2) Impairment testing of brand-related assets

The Company has estimated the recoverable amount of brand-related assets with indefinite useful lives for the impairment test. Significant assumptions to estimate the recoverable amounts reflected the management's expectation of future trend considered with external and internal (historical) information.

Significant assumptions used in impairment testing of brand-related assets as of December 31, 2020 are as follows:

	Growth rate (*1)	Discount rate (*2)
Value in use	1.0%	9.1% ~ 14.7%

(\*1) Future cash flows for additional periods after the estimated period are estimated using a fixed growth rate.

(\*2) The discount rate was estimated by adding risk premium to weighted average cost of capital.

As a result of goodwill impairment test of brand-related assets, the carrying amount does not exceed the recoverable amount, so there is no impairment loss recognized during the current reporting period.

## 16. Borrowings and bonds payable

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

	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Short-term borrowings (*1)	₩ 6,201,430	₩ -	₩ 5,888,357	₩ -
Bonds and long-term borrowings:				
Bonds payable	4,767,907	26,399,587	4,393,154	25,137,048
Long-term borrowings (*1)	1,448,871	10,443,923	1,636,568	7,237,113
	<u>6,216,778</u>	<u>36,843,510</u>	<u>6,029,722</u>	<u>32,374,161</u>
	<u>₩ 12,418,208</u>	<u>₩ 36,843,510</u>	<u>₩ 11,918,079</u>	<u>₩ 32,374,161</u>

(\*1) It includes borrowings collateralized for trade receivables of ₩188,155 million and ₩396,851 million as of December 31, 2020 and 2019, respectively, which were transferred but not derecognized.

## 16. Borrowings and bonds payable (cont'd)

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

	December 31, 2020	December 31, 2019
SK Inc.	₩ 6,400,000	₩ 6,330,000
SK Innovation Co., Ltd.	1,604,000	1,238,900
SK Energy Co., Ltd.	3,300,000	3,100,000
SK Global Chemical Co., Ltd.	1,610,000	1,160,000
SK Incheon Petrochem Co., Ltd.	1,870,000	1,780,000
SK Lubricants Co., Ltd.	840,000	630,000
SK Telecom Co., Ltd.	6,895,600	6,429,360
SK Broadband Co., Ltd.	1,686,400	1,807,340
SK Infosec Co., Ltd. (*2)	24,782	12,514
SK Networks Co., Ltd.	1,030,000	1,360,000
SK Magic Co., Ltd.	280,000	200,000
SK Rent-a-Car Co., Ltd.	375,000	470,000
SKC Co., Ltd.	312,943	780,000
SKC Solmics Co., Ltd.	41,760	43,156
SK Telesys Co., Ltd.	30,000	30,000
SKC Hightech & Marketing Co., Ltd.	59,376	51,261
SK E&S Co., Ltd.	1,020,000	640,000
Paju Energy Service Co., Ltd.	730,000	730,000
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Service Co., Ltd.) (*1)	420,000	445,000
Yeoju Energy Service Co., Ltd.	200,000	-
SK Engineering & Construction Co., Ltd.	1,008,000	846,000
SK Materials Co., Ltd.	455,000	440,000
SK Siltron Co., Ltd.	924,000	910,000
	31,116,861	29,433,531
Addition: premium on bonds payable	50,633	96,671
Less: current portion	(4,767,907)	(4,393,154)
	₩ 26,399,587	₩ 25,137,048

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

(\*2) The amounts as of December 31, 2020 and 2019 include the amount of bonds of Life & Security Holdings Co., Ltd. merged during the current period.

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

Financial institution	Description	Interest rate (%)	December 31, 2020	December 31, 2019
Korea Development Bank and others	General	0.00 ~ 6.00	₩ 6,050,756	₩ 3,887,464
Korea Development Bank and others	Fund for facility	0.00 ~ 4.90	2,925,741	2,345,588
Standard Chartered Bank and others	Foreign borrowings	0.75 ~ 8.00	1,374,882	1,150,492
Korea Energy Agency (*1)	Fund for mine exploration	0.00 ~ 7.00	83,853	77,066
Econg 1st Co., Ltd. and others	Callable preferred share	2.70 ~ 2.95	100,000	200,000
Korea Development Bank and others	Fund for operation	2.32 ~ 3.80	97,650	122,000
Kookmin Bank and others	Fund for supply pipeline	1.75	7,602	8,177
KEB Hana Bank	Fund for reasonable energy consumption	1.75	3,660	4,290
NH Bank	Fund for safety management	1.75	261	448
Korea Development Bank and others (*2)	Takeover	LIBOR(3M) + 1.60	152,320	185,248
Mizuho Bank and others (*3)	Takeover	EURIBOR(3M) + 0.70	215,457	-
MD Prime 1st Co., Ltd. and others	Others	3.07, 3.20	909,976	909,976
			11,922,158	8,890,749
Addition (less): premium (discount)			(29,364)	(17,068)
Less: current portion			(1,448,871)	(1,636,568)
			₩ 10,443,923	₩ 7,237,113

## 16. Borrowings and bonds payable (cont'd)

- (\*1) As of December 31, 2020, the Group holds a loan amounting to ₩53,191 million and ₩48,090 million from Korea Energy Agency for the purpose of oil exploration and development in which there is no repayment obligation in case for failure in exploration.
- (\*2) SK Global Chemical Co., Ltd., one of the subsidiaries, has a repayment obligation for borrowings of SK Global Chemical Americas, Inc. in the event of default. The purpose of the borrowings of SK Global Chemical Americas, Inc. was to acquire The Dow Chemical Company's EAA business domiciled in the US and Spain and its tangible and intangible assets.
- (\*3) SK Global Chemical Co., Ltd., one of the subsidiaries, has a repayment obligation for borrowings of SK Functional Polymer S.A.S in the event of default. The purpose of the borrowings of SK Functional Polymer S.A.S was to acquire high-functional polymer business and the related tangible and intangible assets.

Long-term borrowings presented above are to be repaid either in installments or all at once at maturity. Financial instruments and other assets of the Group are pledged as detailed in Note 35.

## 17. Long-term other payables

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

		December 31, 2020			
		Nominal value	Discount on long-term other payables	Current portion	Long-term other payables
Frequency usage right	₩	1,626,040	₩ (59,717)	₩ (424,600)	₩ 1,141,723
Others		27,084	(23)	-	27,061
	₩	1,653,124	₩ (59,740)	₩ (424,600)	₩ 1,168,784

  

		December 31, 2019			
		Nominal value	Discount on long-term other payables	Current portion	Long-term other payables
Frequency usage right	₩	2,051,389	₩ (78,982)	₩ (423,839)	₩ 1,548,568
Others		16,538	(63)	-	16,475
	₩	2,067,927	₩ (79,045)	₩ (423,839)	₩ 1,565,043

## 18. Provisions

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

		For the year ended December 31, 2020					
		Beginning balance	Increase	Decrease	Ending balance	Current	Non- current
Provision for sale warranties	₩	75,025	₩ 25,504	₩ (9,210)	₩ 91,319	₩ 4,971	₩ 86,348
Provision for service / construction warranties		93,034	29,332	(20,951)	101,415	100,980	435
Provision for restoration		160,170	25,349	(18,664)	166,855	43,506	123,349
Provision for onerous contracts		152,857	242,836	(42,618)	353,075	274,373	78,702
Other provisions (*1)		335,545	239,322	(350,130)	224,737	211,149	13,588
	₩	816,631	₩ 562,343	₩ (441,573)	₩ 937,401	₩ 634,979	₩ 302,422

- (\*1) Other provisions include greenhouse gas emissions provision of ₩42,382 million, and the provision is recognized only when actual emissions exceed the emission rights granted and still held. Permitted greenhouse gas emissions were 14,614,115 KAU, and estimated greenhouse gas emissions were 19,527,716 KAU in 2020.

## 18. Provisions (cont'd)

	For the year ended December 31, 2019					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for sale warranties	₩ 70,379	₩ 21,239	₩ (16,593)	₩ 75,025	₩ 3,662	₩ 71,363
Provision for service / construction warranties	78,468	28,297	(13,731)	93,034	93,034	-
Provision for restoration	143,898	24,201	(7,929)	160,170	51,836	108,334
Provision for onerous contracts	99,476	154,145	(100,764)	152,857	144,704	8,153
Other provisions (*1)	253,307	260,458	(178,220)	335,545	287,731	47,814
	<u>₩ 645,528</u>	<u>₩ 488,340</u>	<u>₩ (317,237)</u>	<u>₩ 816,631</u>	<u>₩ 580,967</u>	<u>₩ 235,664</u>

(\*1) Other provisions include greenhouse gas emissions provision of ₩76,634 million, and the provision is recognized only when actual emissions exceed the emission rights granted and still held. Permitted greenhouse gas emissions were 12,131,112 KAU, and estimated greenhouse gas emissions were 13,837,779 KAU in 2019.

## 19. Defined benefit liabilities

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 3,491,805	₩ 3,171,225
Fair value of plan assets (*1)	(3,054,840)	(2,763,924)
Total	<u>₩ 436,965</u>	<u>₩ 407,301</u>

(\*1) The Group has recognized ₩7,381 million as defined benefit assets as of December 31, 2019.

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

	For the year ended December 31, 2020		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 3,171,225	₩ (2,763,924)	₩ 407,301
Business combination	62,200	(57,670)	4,530
Provision for pension benefits:			
Current service cost	438,923	-	438,923
Past service cost	1,077	-	1,077
Net interest expense (income)	70,840	(62,785)	8,055
Remeasurement:			
Return on plan assets	-	5,071	5,071
(excluding amounts included in net interest expenses)			
Actuarial changes arising from changes in financial assumptions and others	24,126	-	24,126
Contributions by employer directly to plan assets	-	(447,307)	(447,307)
Benefit paid	(261,201)	237,146	(24,055)
Others	(15,385)	34,629	19,244
Ending balance	<u>₩ 3,491,805</u>	<u>₩ (3,054,840)</u>	<u>₩ 436,965</u>



19. Defined benefit liabilities (cont'd)

	For the year ended December 31, 2019		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 2,741,488	₩ (2,353,187)	₩ 388,301
Provision for pension benefits:			
Current service cost	401,427	-	401,427
Net interest expense (income)	67,439	(58,059)	9,380
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	10,577	10,577
Actuarial changes arising from changes in financial assumptions and others	169,065	-	169,065
Contributions by employer directly to plan assets	-	(553,984)	(553,984)
Benefit paid	(242,104)	211,326	(30,778)
Others	33,910	(20,597)	13,313
Ending balance	₩ 3,171,225	₩ (2,763,924)	₩ 407,301

(3) As of December 31, 2020 and 2019, 64.85% and 61.30% of the plan assets, respectively, consist of cash and cash equivalents and debt instruments.

(4) The principal assumptions used in actuarial calculation as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Discount rate for defined benefit obligation	1.41% ~ 3.14%	1.65% ~ 3.70%
Expected rate of salary increase	1.00% ~ 6.00%	1.00% ~ 6.70%

(5) The sensitivity analysis for significant actuarial assumptions as of December 31, 2020 is as follows (Korean won in millions):

	Sensitivity level	Impact on the defined benefit liabilities	
		Increase	Decrease
Discount rate for defined benefit obligation	0.5% point	₩ (156,142)	₩ 173,445
Expected rate of salary increase	0.5% point	158,430	(146,032)

The sensitivity analysis above has been done under the assumption that all other variables remain unchanged. However, actual results may change through the interaction among other variables.

## 20. Other assets and liabilities

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

	December 31, 2020	December 31, 2019
Current assets:		
Short-term loans	₩ 193,526	₩ 149,008
Accrued income	154,932	117,056
Advanced payments	830,073	796,264
Prepaid expenses	2,730,042	2,670,673
Guarantee deposits	356,573	408,273
Derivative financial assets	129,821	78,699
Lease receivables	56,327	26,245
Other contract assets	100,700	127,592
Others	121,713	43,959
	<u>₩ 4,673,707</u>	<u>₩ 4,417,769</u>
Non-current assets:		
Long-term prepaid expenses	₩ 1,428,210	₩ 1,618,608
Long-term loans	416,482	698,135
Guarantee deposits	574,946	595,912
Derivative financial assets	596,215	302,529
Long-term lease receivables	25,079	55,751
Other long-term contract assets	47,675	64,359
Defined benefit assets (*1)	-	7,381
Others	217,889	114,302
	<u>₩ 3,306,496</u>	<u>₩ 3,456,977</u>

(\*1) The excess amount of certain plans in the Group has not been offset because the amount was not entitled and intended to settle the defined benefit liabilities of other plans (see Note 19).

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

	December 31, 2020	December 31, 2019
Current liabilities:		
Accrued expenses	₩ 3,964,534	₩ 3,320,534
Dividends payable	840	1,323
Advances received	1,779,351	2,062,132
Unearned revenue	62,879	88,545
Withholdings	2,238,208	2,159,448
Leasehold deposits received	210,035	218,090
Income tax payable	1,161,735	693,038
Derivative financial liabilities	96,665	44,587
Lease liabilities	2,244,201	1,239,557
Finance guarantee liabilities	832	345
Other contract liabilities	297,350	238,582
Others	18,832	33,329
	<u>₩ 12,075,462</u>	<u>₩ 10,099,510</u>
Non-current liabilities:		
Long-term accrued expenses	₩ 10,610	₩ 8,995
Long-term unearned revenue	571,257	508,839
Leasehold deposits received	262,079	263,442
Derivative financial liabilities	734,225	246,125
Long-term lease liabilities	3,421,750	3,407,954
Financial guarantee liabilities	21,447	15,569
Other long-term contract liabilities	40,011	32,236
Others (*1)	209,331	242,055
	<u>₩ 5,270,710</u>	<u>₩ 4,725,215</u>

(\*1) Includes long-term employee benefit liabilities amounting to ₩117,973 million and ₩96,377 million as of December 31, 2020 and 2019, respectively.

## 20. Other assets and liabilities (cont'd)

(3) Details of incremental costs of obtaining a contract as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	December 31, 2020	December 31, 2019
Current incremental costs of obtaining a contract	₩ 2,016,570	₩ 1,897,233
Non-current incremental costs of obtaining a contract	982,952	1,152,748
	<u>₩ 2,999,522</u>	<u>₩ 3,049,981</u>

The Group pays fees to its dealers based on the performance of customer recruitment and contract renewal relating to telecommunication services, etc., and among these fees, costs that would not have been incurred if there were no contracts with the customer is recognized as prepaid expenses. In the prior period, such costs were expensed when incurred. The asset is amortized on a straight-line basis over the estimated contract period with the related customer. On the other hand, the amount of incremental cost of obtaining a contract recognized as an asset which was expensed as commission expense and others in the consolidated statement of comprehensive income for the current period is ₩2,418,947 million.

## 21. Derivative financial assets and liabilities

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

	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Firm contracts	₩ (25,471)	₩ 5,488	₩ (5,097)	₩ 6,073
Swap contracts	27,906	(640,075)	31,373	(68,039)
Forward contracts	10,036	2,008	(1,103)	7,906
Futures contracts	4,608	1,673	6,819	(449)
Options contracts	16,077	492,896	2,120	110,913
	<u>₩ 33,156</u>	<u>₩ (138,010)</u>	<u>₩ 34,112</u>	<u>₩ 56,404</u>
Derivative financial assets	₩ 129,821	₩ 596,215	₩ 78,699	₩ 302,529
Derivative financial liabilities	(96,665)	(734,225)	(44,587)	(246,125)

(2) The Group has entered into derivatives (such as foreign exchange forwards, foreign exchange swap and interest swap) contracts in order to avoid exchange rate risk of foreign currency assets and liabilities and the interest rate risk associated with debts. As of December 31, 2020, significant derivative financial instruments that the Group holds as a hedge or held-for-trading are as follows:

Segments	Purpose of transaction	Classification	Financial institutes
SK Inc.	Hedge of foreign currency exchange risk of foreign currency denominated contract	Foreign exchange forwards and total revenue swap agreement	KEB Hana Bank
SK Innovation Co., Ltd.	Cash flow hedge of forecasted sales of products and the risk of changes in market interest rates	Merchandise derivative and interest swaps	BOA, Credit Agricole and others
SK Telecom Co., Ltd.	Hedge of foreign currency exchange risk of foreign currency denominated bond, hedge of currency exchange, interest rate risk of floating rate foreign currency denominated bond and the risk of changes in market interest rates	Foreign exchange swaps and interest swaps and others	Korea Development Bank, Citi Bank and others
SK Networks Co., Ltd.	Hedge of foreign currency exchange risk of foreign currency denominated debt and bond	Foreign exchange forwards and others	KEB Hana Bank, Woori Bank and others
SKC Co., Ltd.	Hedge of foreign currency exchange risk of foreign currency denominated debt and bond	Foreign exchange forwards and interest rate swaps	KEB Hana Bank, NH Bank, Shinhan Bank and others
SK E&S Co., Ltd.	Hedge of foreign currency exchange risk of foreign currency denominated borrowings and hedge of interest rate of floating rate borrowings. Price change hedge of natural gas purchase contract	Foreign exchange forwards and interest rate swaps Merchandise swaps	Korea Development Bank Woori Bank, NH Bank, Kookmin Bank and others J.ARON&COMPANY(SINGAPORE) PTE and others
SK Engineering & Construction Co., Ltd.	Hedge of changes in revenue from construction contract denominated in foreign currency Hedge of changes in construction cost of construction contract denominated in foreign currency Held-for-trading Hedge of the risk of changes in market interest rates of borrowings	Foreign exchange forwards Foreign exchange forwards Foreign exchange forwards Interest swaps	KEB Hana Bank, Credit Suisse, Standard Chartered Bank and others KEB Hana Bank, Korea Development Bank, HSBC and others Standard Chartered Bank, HSBC JP Morgan and others KEB Hana Bank

## 22. Equity

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

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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Additional paid-in capital (*1)	₩ 5,605,831	₩ 5,605,831
Treasury shares (*2)	(1,811,454)	(1,812,042)
Others	1,455,769	280,387
	<u>₩ 5,250,146</u>	<u>₩ 4,074,176</u>

(\*1) During the year ended December 31, 2015, the Company repurchased treasury shares of ₩3,369,395 million from merger with the former SK Inc., which was recognized as a contra-equity account on additional paid-in capital.

(\*2) For the period ended December 31, 2020, some of the shares acquired through the exercise of stock option (2,546 ordinary shares and 31 preferred shares) were disposed of. After the disposal, as of December 31, 2020, treasury shares consist 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 (11,019,129 ordinary shares and 1,787 preferred shares) during the year 2015.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	62,897	62,897
Unappropriated retained earnings	12,426,086	12,485,994
	<u>₩ 12,496,676</u>	<u>₩ 12,556,584</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.

## 22. Equity (cont'd)

### (4) Dividends

1) Details of dividends proposed for approval at the annual ordinary shareholders' meeting for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended			
	December 31, 2020		December 31, 2019	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Number of shares (*1)	52,306,892	564,317	52,304,347	564,317
Par value per share (Korean won)	₩ 200	₩ 200	₩ 200	₩ 200
Dividend rate	3,000%	3,025%	2,000%	2,025%
Dividends	₩ 313,842	₩ 3,414	₩ 209,217	₩ 2,286

(\*1) The total number of shares was calculated from the number of issued shares excluding treasury shares.

2) Details of Interim dividends proposed for approval at board of directors for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended			
	December 31, 2020		December 31, 2019	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Number of shares (*1)	52,304,347	564,317	55,824,347	564,317
Par value per share (Korean won)	₩ 200	₩ 200	₩ 200	₩ 200
Dividend rate	500%	500%	500%	500%
Dividends	₩ 52,304	₩ 565	₩ 55,824	₩ 565

(\*1) The total number of shares was calculated from the number of issued shares excluding treasury shares.

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

	December 31, 2020	December 31, 2019
Net gain (loss) on valuation of financial assets measured at FVOCI	₩ 151,824	₩ (49,689)
Equity adjustments of investments in associates and joint ventures	(163,810)	8,429
Net gain (loss) on valuation of derivative instruments	24,898	5,947
Net gain (loss) on translation of foreign operation	(340,075)	72,937
	₩ (327,163)	₩ 37,624

## 22. Equity (cont'd)

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

### 1) SK Inc.

	1-1	1-2	1-3	2
Grant date	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 year service from the grant date	3 year service from the grant date	4 year service from the grant date	2 year service from the grant date

Share compensation expense recognized during the current reporting period is ₩880 million (total : ₩4,663 million), and the remaining share compensation expense to be recognized in later periods is ₩1,385 million.

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

	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

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

	Current	Accumulated	Remaining	Total
Group of SK Innovation Co., Ltd.	₩ 352	₩ 1,876	₩ 74	₩ 1,950
Group of SK Telecom Co., Ltd.	4,313	7,589	2,259	9,848
Group of SK Networks Co., Ltd.	138	728	19	747
Group of SKC Co., Ltd.	240	1,294	77	1,371
Group of SK E&S Co., Ltd.	36	496	14	510
Others	999	1,564	2,105	3,669
	₩ 6,078	₩ 13,547	₩ 4,548	₩ 18,095

### 23. Selling and administrative expenses

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

	For the years ended	
	December 31, 2020	December 31, 2019
Salaries	₩ 1,359,750	₩ 1,197,890
Provision for pension benefits	179,882	124,702
Employee welfare benefits	264,335	229,816
Travel	38,757	76,746
Bad debt expenses	80,221	174,249
Communications	4,532	7,478
Utilities	33,567	32,802
Taxes and dues	96,429	86,848
Supplies	39,836	43,148
Rents	169,159	176,689
Depreciation	464,842	424,944
Amortization	264,893	215,397
Repairs	30,836	6,869
Insurance	40,962	33,258
Advertising	611,260	598,773
Research and development	387,478	377,950
Education and examination	61,575	94,454
Outsourcing technology services	901,572	732,599
Transport	316,225	288,582
Others	161,361	126,946
	<u>₩ 5,507,472</u>	<u>₩ 5,050,140</u>

### 24. Finance income and costs

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

	For the years ended	
	December 31, 2020	December 31, 2019
Finance income:		
Interest income	₩ 188,030	₩ 265,310
Gain on foreign currency transactions	1,455,725	1,046,675
Gain on foreign currency translation	468,890	226,952
Gain on transactions of derivatives	2,341,759	1,535,416
Gain on valuation of derivatives	419,575	246,299
Others	40,111	52,301
	<u>₩ 4,914,090</u>	<u>₩ 3,372,953</u>

	For the years ended	
	December 31, 2020	December 31, 2019
Finance costs:		
Interest expenses	₩ 1,397,877	₩ 1,383,914
Loss on foreign currency transactions	1,525,988	1,189,280
Loss on foreign currency translation	315,977	262,744
Loss on transactions of derivatives	2,249,841	1,670,753
Loss on valuation of derivatives	220,686	226,591
Others	79,936	27,899
	<u>₩ 5,790,305</u>	<u>₩ 4,761,181</u>

## **25. Other non-operating income and expenses**

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

	For the years ended	
	December 31, 2020	December 31, 2019
Other non-operation income:		
Dividend income	₩ 19,027	₩ 23,437
Rental income	1,098	880
Gain on disposal of trade receivables	22,605	15,855
Gain on disposal of investments in subsidiaries and associates	1,354,808	358,028
Gain on disposal of property, plant and equipment	69,248	16,294
Gain on disposal of intangible assets	11,774	3,458
Others	349,849	457,942
	<u>₩ 1,828,409</u>	<u>₩ 875,894</u>

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

	For the years ended	
	December 31, 2020	December 31, 2019
Other non-operation expenses:		
Loss on disposal of trade receivables	₩ 17,183	₩ 26,550
Loss on impairment of investments in associates and joint ventures	434	15,832
Loss on disposal of property, plant and equipment	278,221	121,678
Loss on impairment of property, plant and equipment	317,969	227,813
Loss on disposal of intangible assets	10,647	3,722
Loss on impairment of intangible assets	277,492	106,759
Donations	152,081	132,878
Others	561,200	349,261
	<u>₩ 1,615,227</u>	<u>₩ 984,493</u>



## **26. Expense classified based on nature of expense**

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

	For the years ended	
	December 31, 2020	December 31, 2019
Employee benefits	₩ 7,117,214	₩ 6,834,637
Depreciation and amortization	7,976,028	7,596,783
Network connection	858,853	750,045
Transport	602,610	506,976
Advertising	630,770	603,848
Lease payments and rents	413,722	537,877
Others	17,362,905	16,293,249
Use of raw materials and purchase of finished goods and merchandise	45,904,150	61,543,062
Changes in finished goods and semi-finished goods	1,118,358	(590,810)
	<u>₩ 81,984,610</u>	<u>₩ 94,075,667</u>

## **27. Income taxes**

(1) Components of income tax expense for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
Current income tax	₩ 1,766,699	₩ 1,091,292
Adjustments in respect of current income tax of prior year	29,454	(22,731)
Origination and reversal of temporary difference	(1,431,673)	(76,333)
Income tax recognized directly to equity	(346,963)	39,932
Others	18,234	3,303
Income tax expense	<u>₩ 35,751</u>	<u>₩ 1,035,463</u>
Income tax expense from continuing operations	₩ 260,417	₩ 1,006,400
Income tax expense (benefits) from discontinued operations	(224,666)	29,063

(2) Details of income tax recognized directly to equity for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
Remeasurement loss on defined benefit plan	₩ 707	₩ 36,108
Net gain (loss) on valuation of financial instruments measured at FVOCI	(185,832)	15,807
Equity adjustments of investments in associates and joint ventures	(20,453)	(6,968)
Net gain on valuation of derivative instruments	(2,819)	(12,372)
Others	(138,566)	7,357
	<u>₩ (346,963)</u>	<u>₩ 39,932</u>

**27. Income taxes (cont'd)**

(3) Reconciliations of profit before income tax expense at the Korea statutory tax rate to income tax expense at the effective tax rate of the Group for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
Profit (loss) before income tax expense	₩ (72,681)	₩ 2,641,502
Profit (loss) before income tax expense from continuing operations	(27,806)	2,835,803
Profit (loss) before income tax expense from discontinued operations	(44,875)	(194,301)
Applied tax rates (*1)	24.20%	24.20%
Income tax at statutory tax rate	(17,589)	639,243
Non-taxable income	(70,698)	(159,865)
Non-deductible expenses	136,864	102,562
Tax credit	(34,096)	(81,839)
Unrecognized deferred taxes	70,292	100,079
Effect of changes in tax rates	24,878	2,575
Others (*1)	(73,900)	432,708
Income tax expense	₩ 35,751	₩ 1,035,463
Income tax expense from continuing operations	₩ 260,417	₩ 1,006,400
Income tax benefits from discontinued operations	(224,666)	29,063
Effective tax rate (*2)	-	39.20%

(\*1) The Company is subject to corporate income tax of Republic of Korea where the parent company is located. For the year ended December 31, 2020, the difference between the Korean tax burdens and the foreign tax burdens on foreign subsidiaries is included in others.

(\*2) Net loss before income tax for the current period was incurred and the effective tax rate was not presented.

## 27. Income taxes (cont'd)

(4) Significant changes in deferred tax assets (liabilities) for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

For the year ended December 31, 2020						
	Beginning balance	Business combination	Recognized directly in profit or loss	Recognized directly in equity	Others	Ending balance
Temporary differences	₩(5,028,704)	₩ (95,767)	₩ 978,195	₩ (346,963)	₩ (29,076)	₩ (4,522,315)
Tax loss carryforward	282,009	-	781,843	-	(4,754)	1,059,098
Tax credits carryforward	54,002	-	18,598	-	13,266	85,866
	<u>₩(4,692,693)</u>	<u>₩ (95,767)</u>	<u>₩ 1,778,636</u>	<u>₩ (346,963)</u>	<u>₩ (20,564)</u>	<u>₩ (3,377,351)</u>
Deferred tax assets (*1)	₩ 798,454					₩ 1,165,308
Deferred tax liabilities (*1)	(5,491,147)					(4,542,659)

  

For the year ended December 31, 2019						
	Beginning balance	Business combination	Recognized directly in profit or loss	Recognized directly in equity	Others	Ending balance
Temporary differences	₩(5,245,440)	₩ (1,265)	₩ 160,569	₩ 39,932	₩ 17,500	₩ (5,028,704)
Tax loss carryforward	405,294	-	(124,382)	-	1,097	282,009
Tax credits carryforward	53,754	-	214	-	34	54,002
	<u>₩(4,786,392)</u>	<u>₩ (1,265)</u>	<u>₩ 36,401</u>	<u>₩ 39,932</u>	<u>₩ 18,631</u>	<u>₩ (4,692,693)</u>
Deferred tax assets (*1)	₩ 694,690					₩ 798,454
Deferred tax liabilities (*1)	(5,481,082)					(5,491,147)

(\*1) The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes are levied by the same tax authority.

(5) The expected expiration schedule of tax loss carryforward and tax credits carryforward for which deferred tax assets are not recognized as of December 31, 2020 is as follows (Korean won in millions):

	Tax loss carryforward	Tax credits carryforward
1 year or less	₩ 79,725	₩ 20
1 year ~ 2 years	88,794	172
2 years ~ 3 years	70,834	116
More than 3 years	1,632,512	29,956
	<u>₩ 1,871,865</u>	<u>₩ 30,264</u>

## 28. Earnings per share

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

	For the years ended	
	December 31, 2020	December 31, 2019
Profit for the year attributable to owners of the parent	₩ 189,368	₩ 716,904
Less: preferred share dividends	(3,979)	(2,850)
Profit for the year attributable to ordinary share owners of the parent	₩ 185,389	₩ 714,054
Weighted-average number of ordinary share outstanding (*1)	52,305,477	55,309,048
Basic earnings per share (in Korean won) (*2)	₩ 3,544	₩ 12,910

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

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

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

	For the years ended	
	December 31, 2020	December 31, 2019
Weighted-average number of issued shares outstanding	70,360,297	70,360,297
Weighted-average number of treasury shares	(18,054,820)	(15,051,249)
Weighted-average number of ordinary shares outstanding	52,305,477	55,309,048

Diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential common shares and dilutive effect for the years ended December 31, 2020 and 2019.

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

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

	For the years ended	
	December 31, 2020	December 31, 2019
Profit for the year attributable to owners of the parent	₩ 185,389	₩ 714,054
Less: gain (loss) from discontinued operations	73,147	(81,490)
Profit for the year from continuing operations attributable to owners of the parent	₩ 112,242	₩ 795,544
Weighted-average number of ordinary shares outstanding	52,305,477	55,309,048
Basic earnings per share from continuing operations (in Korean won)	₩ 2,146	₩ 14,384

### (3) Basic earnings (loss) per share from discontinued operations

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

	For the years ended	
	December 31, 2020	December 31, 2019
Gain (loss) from discontinued operations attributable to owners of the parent	₩ 73,147	₩ (81,490)
Weighted-average number of ordinary shares outstanding	52,305,477	55,309,048
Basic earnings (loss) per share from discontinued operations (in Korean won)	₩ 1,398	₩ (1,474)

## 29. Transactions with related parties

Balances on transactions arising from intercompany transactions within the Group were eliminated in preparing the consolidated financial statements as of and for the years ended December 31, 2020 and 2019.

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

	Company name	December 31, 2020	
		Sales and others	Expenses and others
Other related parties	Daehan Oil Pipeline Corporation	₩ 46,966	₩ 66,429
	SABIC SK Nexlene Company Pte. Ltd.	4,636	163,747
	Korea Nexlene Company	152,632	117
	Best Oil Company Limited	470,231	1,230
	Asia Bitumen Trading Pte. Ltd.	40,847	1,982
	Hana Land Chip PEF 33	16,165	35,660
	Sinopec-SK(Wuhan) Petrochemical Co., Ltd.	1,504	419,516
	Baic Eletronics SK(Jiangsu) Technology Co., Ltd.	32,863	194,797
	Xinglu (HongKong) Ltd.	85,780	-
	F&U Credit Information Co., Ltd.	3,484	51,370
	Wave City Development Co., Ltd.	44,554	138
	SK Hynix Inc.	3,633,934	32,335
	SK Hynix Semiconductor (China) Ltd.	354,984	1,740
	SK Hynix Semiconductor (Chongqing) Ltd.	22,944	-
	SK Hynix Semiconductor HK Ltd.	-	675,915
	SK Hynix System IC Co., Ltd.	72,271	43
	Happynarae Co., Ltd.	44,440	428,037
	SKC Evonik Peroxide Korea Co., Ltd.	3,674	43,369
	Mitsui Chemicals & SKC Polyurethanes, Inc.	193,153	15,297
	Boryeong LNG Terminal Co., Ltd.	101,846	73,933
	Huizhou EVE United Energy Co., Ltd.	53,623	166,613
	Eurasia Tunnel	3,095	-
	Xe-Pian Xe-Namnoy Power Company	15,413	-
	Others	162,089	162,593
Others (*1)	Ulsan Aromatics Co., Ltd.	50,686	68,840
	SK Chemicals Co., Ltd.	95,286	61,072
	SK Gas Co., Ltd.	35,702	243,139
	Ubins Co., Ltd.	1,498	100,579
	Others	48,860	102,799
		₩ 5,793,160	₩ 3,111,290

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**29. Transactions with related parties (cont'd)**

		December 31, 2019	
	Company name	Sales and others	Expenses and others
Other related parties	Daehan Oil Pipeline Corporation	₩ 40,553	₩ 54,971
	SABIC SK Nexlene Company Pte. Ltd.	3,004	178,516
	Korea Nexlene Company	144,146	299
	Hana Land Chip PEF 33	16,058	35,636
	F&U Credit Information Co., Ltd.	2,421	56,672
	Wave City Development Co., Ltd.	45,900	-
	SK Hynix Inc.	3,468,490	20,435
	SK Hynix Semiconductor (China) Ltd.	472,607	1,711
	SK Hynix Semiconductor (Chongqing) Ltd.	51,411	-
	SK Hynix Semiconductor HK Ltd.	-	703,662
	SK Hynix System IC Co., Ltd.	63,626	-
	Happynarae Co., Ltd.	77,771	492,751
	SKC Evonik Peroxide Korea Co., Ltd.	3,806	49,791
	Mitsui Chemicals & SKC Polyurethanes, Inc.	216,673	20,520
	Boryeong LNG Terminal Co., Ltd.	64,254	81,164
	Eurasia Tunnel	6,036	-
	Xe-Pian Xe-Namnoy Power Company	74,402	-
	Others	200,622	79,707
Others (*1)	SK Chemicals Co., Ltd.	131,704	117,159
	SK Gas Co., Ltd.	118,387	255,760
	SK Shipping Co., Ltd. (*2)	2,188	83,648
	Ubins Co., Ltd.	796	118,680
	Others	86,492	141,723
		<u>₩ 5,291,347</u>	<u>₩ 2,492,805</u>

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

(\*2) As of February 19, 2019, the entity was excluded from the 'SK' conglomerate affiliates under the *Monopoly Regulation and Fair Trade Act*.

## 29. Transactions with related parties (cont'd)

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

	Company name	December 31, 2020		December 31, 2019	
		Receivables	Payables	Receivables	Payables
		(*1)		(*1)	
Other related parties	Daehan Oil Pipeline Corporation	₩ 332	₩ 8,094	₩ 100	₩ 2,946
	SABIC SK Nexlene Company Pte. Ltd.	7,329	29,817	2,943	19,851
	Korea Nexlene Company	13,112	156	7,552	249
	Best Oil Company Limited	93,789	37,647	133,858	38,026
	Asia Bitumen Trading Pte. Ltd.	-	-	7,011	-
	Hana Land Chip PEF 33	5,983	8,579	5,983	42,464
	Sinopec-SK(Wuhan) Petrochemical Co., Ltd.	417	11	792	-
	Baic Eletronics SK(Jiangsu) Technology Co., Ltd.	6,211	59,562	477	-
	Xinglu (HongKong) Ltd.	36,866	-	-	-
	Korea Consortium Kazakh B.V. (*2)	146,170	-	146,170	-
	F&U Credit Information Co., Ltd.	43	4,699	8	4,869
	HanaCard Co., Ltd.	352	145,328	1,025	9,474
	Wave City Development Co., Ltd.	42,562	19	57,562	-
	SK Hynix Inc.	681,053	119,197	602,213	124,954
	SK Hynix Semiconductor (China) Ltd.	35,687	314	123,739	816
	SK Hynix Semiconductor (Chongqing) Ltd.	12,660	-	11,420	96
	SK Hynix Semiconductor HK Ltd.	-	55,500	-	37,823
	SK Hynix System IC Co., Ltd.	15,906	29	20,189	38
	Happynarae Co., Ltd.	3,817	40,622	13,875	43,110
	SKC Evonik Peroxide Korea Co., Ltd.	-	4,819	2	5,267
	Mitsui Chemicals & SKC Polyurethanes, Inc.	12,117	2,815	34,231	2,907
	Boryeong LNG Terminal Co., Ltd.	4,921	2,141	3,338	166
	Pentaport Development Co., Ltd.	74,238	-	79,532	-
	Huizhou EVE United Energy Co., Ltd.	19	72,276	280,324	-
	Eurasia Tunnel	35,619	-	37,338	-
	SK E&C JURONG Investment Singapore Pte. Ltd. (*2)	59,914	-	59,914	-
	Xe-Pian Xe-Namnoy Power Company	139,128	26,004	136,478	26,629
	Others	51,042	18,186	50,384	21,729
Others (*3)	Ulsan Aromatics Co., Ltd.	3,942	6,415	4,132	8,005
	SK Chemicals Co., Ltd.	14,567	2,266	17,652	10,195
	SK Gas Co., Ltd.	12,655	242,355	3,150	307,731
	Ubins Co., Ltd.	535	18,624	92	25,832
	Others	16,251	22,067	7,935	15,106
		<u>₩ 1,527,237</u>	<u>₩ 927,542</u>	<u>₩ 1,849,419</u>	<u>₩ 748,283</u>

(\*1) The Group recognized bad debt expense amounting to ₩1,792 million and ₩22,846 million for the years ended December 31, 2020 and 2019, respectively. The Group recognized losses from write-off and others amounting to ₩(-)4,486 million for the year ended December 31, 2020. The Group recognized the loss allowance amounting to ₩311,551 million and ₩314,245 million as of December 31, 2020 and 2019, respectively.

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

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

## 29. Transactions with related parties (cont'd)

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

Company	Currency	December 31, 2020		December 31, 2019	
		Loans	Collection	Loans	Collection
Kinestral Technologies Inc.	USD	-	2,483	2,483	-
Yemen LNG Company Ltd.	KRW	7,683	-	11,135	-
Zhejiang Shenxin SK Packaging Co., Ltd.	KRW	8	862	-	843
Huizhou EVE United Energy Co., Ltd.	KRW	64,573	-	192,158	-
Eurasia Tunnel	KRW	11,554	15,853	16,330	13,872
Xe-Pian Xe-Namnoy Power Company	KRW	-	-	43,289	-

(4) There were additional capital contribution transactions for investments in associates and joint ventures for the years ended December 31, 2020 and 2019 (see Note 10 'Investments in associates and joint ventures').

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

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

	For the years ended	
	December 31, 2020	December 31, 2019
Salaries	₩ 15,952	₩ 11,594
Provision for pension benefits	6,687	2,542
Share-based payment expenses	880	976
	<u>₩ 23,519</u>	<u>₩ 15,112</u>



### 30. Discontinued operations

#### (1) Details of discontinued operations

SK Networks Co., Ltd., a subsidiary of the Group, decided to discontinue operations with the sale of its resource business to clean up non-core businesses, strengthen its financial soundness and secure investment funds, during the prior period. Meanwhile, the oil retail business, which had been classified as discontinued operations due to the decision to sell it during the previous year, was sold in June 2020.

SKC Co., Ltd., a subsidiary of the Group, confirmed a plan to sell SKC Eco Solutions Co., Ltd. in December 2020 in order to promote the Exit strategy of EVA and Back Sheet solar power business and PVDF business for construction. In addition, the Group finalized its plan to sell all of its shares in SK Bioland Co., Ltd. in August 2020 which operated the BHC sector and sold it to Hyundai HCN Co., Ltd. in October 2020.

SK Innovation Co., Ltd., a subsidiary of the Group, decided to suspend operations in North American and Peruvian petroleum development (E&P) businesses during the current year, and is in the process of selling and withdrawing related assets as of the end of 2020, and the profits and losses arising from the relevant business units are classified as discontinued operating income. The purpose of the sale of oil development (E&P) businesses in North America and Peru is in line with the long-term policy of subsidiaries to focus their capabilities on core businesses.

SK Engineering & Construction Co., Ltd., a subsidiary of the Group, decided to sell its entire stake in SK TNS Co., Ltd., a subsidiary of the Group, to Alchemist Capital Partners Korea Co., Ltd., for the purpose of converting a portfolio focused on eco-friendly and new energy through a resolution of the board of directors on January 7, 2021.

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

	For the year ended December 31, 2020						
	Oil retail Business in SK Networks Co., Ltd.	Resource business and others in SK Networks Co., Ltd.	EVA solar business in SKC Co., Ltd.	SK Bioland Co., Ltd.	Petroleum development business in SK innovation Co., Ltd.	SK TNS Co., Ltd.	Total
Revenue	₩ 513,803	₩ 67,294	₩ 27,919	₩ 121,969	₩ 426,056	₩ 592,071	₩ 1,749,112
Expenses	410,996	102,149	76,411	66,258	583,499	554,674	1,793,987
Gain (loss) before income tax expense	102,807	(34,855)	(48,492)	55,711	(157,443)	37,397	(44,875)
Income tax expense (benefit)	24,879	(9,104)	-	566	(252,423)	11,416	(224,666)
Gain (loss) from discontinued operations	₩ 77,928	₩ (25,751)	₩ (48,492)	₩ 55,145	₩ 94,980	₩ 25,981	₩ 179,791
Attributable to :							
Owners of the parent	34,623	(11,441)	(20,876)	23,740	35,095	12,006	73,147
Non-controlling interests	43,305	(14,310)	(27,616)	31,405	59,885	13,975	106,644

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**30. Discontinued operations (cont'd)**

	For the year ended December 31, 2019						
	Oil retail Business in SK Networks Co., Ltd.	Resource business and others in SK Networks Co., Ltd.	EVA solar business in SKC Co., Ltd.	SK Bioland Co., Ltd.	Petroleum development business in SK innovation Co., Ltd.	SK TNS Co., Ltd.	Total
Revenue	₩ 1,106,446	₩ 41,536	₩ 72,925	₩ 107,472	₩ 569,596	₩ 703,497	₩ 2,601,472
Expenses	1,143,271	138,122	72,626	94,859	693,681	653,214	2,795,773
Gain (loss) before income tax expense	(36,825)	(96,586)	299	12,613	(124,085)	50,283	(194,301)
Income tax expense (benefit)	(8,911)	(30,812)	(5)	2,019	55,065	11,707	29,063
Gain (loss) from discontinued operations	₩ (27,914)	₩ (65,774)	₩ 304	₩ 10,594	₩ (179,150)	₩ 38,576	₩ (223,364)
Attributable to :							
Owners of the parent	(11,266)	(26,546)	131	4,561	(66,196)	17,826	(81,490)
Non-controlling interests	(16,648)	(39,228)	173	6,033	(112,954)	20,750	(141,874)

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

	For the year ended December 31, 2020						
	Oil retail Business in SK Networks Co., Ltd.	Resource business and others in SK Networks Co., Ltd.	EVA solar business in SKC Co., Ltd.	SK Bioland Co., Ltd.	Petroleum development business in SK innovation Co., Ltd.	SK TNS Co., Ltd.	Total
Cash flows from operating activities	₩ (87,163)	₩ (50,366)	₩ (26)	₩ 6,341	₩ 143,040	₩ 73,165	₩ 84,991
Cash flows from investing activities	1,269,922	64,572	(1,446)	(6,668)	(24,620)	(4,121)	1,297,639
Cash flows from financing activities	-	(41,437)	(1,931)	(2,486)	-	(24,201)	(70,055)

	For the year ended December 31, 2019						
	Oil retail Business in SK Networks Co., Ltd.	Resource business and others in SK Networks Co., Ltd.	EVA solar business in SKC Co., Ltd.	SK Bioland Co., Ltd.	Petroleum development business in SK innovation Co., Ltd.	SK TNS Co., Ltd.	Total
Cash flows from operating activities	₩ (21,487)	₩ (13,311)	₩ 5,476	₩ 11,180	₩ 182,392	₩ (5,729)	₩ 158,521
Cash flows from investing activities	15,080	(4,683)	(528)	(21,985)	(42,040)	(1,738)	(55,894)
Cash flows from financing activities	-	3,218	(4,727)	4,585	-	(34,954)	(31,878)

### 31. Assets and liabilities held for sale

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

		December 31, 2020	
		Assets	Liabilities
Business segment	Resources business segment and others (*1)	₩ 113,263	₩ 32,493
Subsidiaries	SKC-Eco Solution Co., Ltd. (*2)	3,706	1,380
	SK TNS Co., Ltd. (*3)	351,536	225,676
	Ningbo SK Baoying Asphalt Storage Co., Ltd. (*4)	15,386	3,713
	Hefei SK Baoying Asphalt Co., Ltd. (*4)	7,529	255
Associates	Chongqing SK Asphalt Co., Ltd. (*4)	25,347	13,305
	ESR Cayman Limited (*5)	697,130	-
	Zhejiang Shenxin SK Packaging Co., Ltd.	4,438	-
	Jinwha SK Baoying Asphalt Co., Ltd. (*4)	1,664	-
Property, plant and equipment and others	Myeongdong office building	44,534	-
	EVA/Back Sheet and PVDF	3,033	-
Intangible assets and others	Peru mining area (*6)	644,037	7,761
	North America mining area (*7)	52,742	10,718
		<u>₩ 1,964,345</u>	<u>₩ 295,301</u>

(\*1) SK Networks Co., Ltd., a subsidiary, decided to sell the resource business sector. The Group classified related assets and liabilities as held-for-sale and measured them at the lower of their carrying amounts and fair value less costs to sell.

(\*2) SKC Co., Ltd., a subsidiary, classified the disposal group of SKC Eco Solution Co., Ltd., a subsidiary, as assets held-for-sale according to the decision of the board of directors on December 23, 2020. The Group classified related assets and liabilities as held-for-sale and measured them at the lower of their carrying amounts and fair value less costs to sell.

(\*3) SK Engineering & Construction Co., Ltd., a subsidiary, decided to sell its stake in SK TNS Co., Ltd. to secure financial resources for the growth of its new business. The Group classified related assets and liabilities as held-for-sale and measured them at the lower of their carrying amounts and fair value less costs to sell.

(\*4) In accordance with the resolution of the board of directors on December 10, 2020, the Group has decided to sell Ningbo SK Baoying Asphalt Storage Co., Ltd., Hefei SK Baoying Asphalt Co., Ltd., Chongqing SK Asphalt Co., Ltd., the subsidiaries and Jinwha SK Baoying Asphalt Co., Ltd., the associate, and the sale will be completed during the first quarter of 2021.

(\*5) As the parent company decided to sell all of its investments in associates during the current period, it sold some of the shares, and classified related assets and liabilities as held-for-sale and measured them at the lower of their carrying amounts and fair value less costs to sell.

(\*6) SK Innovation Co., Ltd, a subsidiary, signed a contract to sell the entire stake in Blocks 56 and 88 in Peru to Pluspetrol for the purpose of adjusting the E&P business portfolio and converting the business model during the previous year. The Group classified related assets and liabilities as held-for-sale and measured them at the lower of their carrying amounts and fair value less costs to sell.

(\*7) SK Innovation Co., Ltd., a subsidiary, signed a contract to sell the entire stake in the mining area held by SK Nemaha, LLC., SK Plymouth, LLC. and SK Permian, LLC., subsidiaries, for the purpose of adjusting the E&P business portfolio and converting the business model. SK E&P America, Inc. will be liquidated thereafter.

### 32. Lessor

(1) Details of gross investment amount and net investment amount in finance leases as of December 31, 2020 are as follows (Korean won in millions):

	December 31, 2020	
	Gross investment	Net investment
1 year or less	₩ 129,202	₩ 126,537
1 year ~ 2 years	104,250	103,989
2 years ~ 3 years	87,902	82,241
3 years ~ 4 years	71,943	65,754
4 years ~ 5 years	32,472	29,006
More than 5 years	15,233	12,356
	<u>₩ 441,002</u>	<u>₩ 419,883</u>

(2) Details of unrealized interest income of finance leases for the year ended December 31, 2020 are as follows (Korean won in millions):

	December 31, 2020
Gross investment	₩ 441,002
Net investment	419,883
Unrealized interest income	21,119

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**33. Cash flow information**

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

	For the years ended	
	December 31, 2020	December 31, 2019
Provision for pension benefits	₩ 448,055	₩ 410,807
Depreciation	6,349,807	6,066,439
Amortization	1,634,555	1,532,482
Bad debt expenses	95,203	181,731
(Reversal of) Valuation loss on inventories	(16,014)	(191,358)
Interest expenses	1,429,329	1,448,903
Loss on foreign currency translation	405,750	295,606
Loss on valuation of derivatives	221,583	226,656
Loss on disposal of trade receivables	17,183	26,568
Loss on impairment of investments in associates and joint ventures	434	16,109
Loss on disposal of property, plant and equipment	284,376	127,130
Loss on impairment of property, plant and equipment	328,018	227,813
Loss on disposal of intangible assets	11,216	3,722
Loss on impairment of intangible assets	540,191	388,558
Income tax expense	35,751	1,035,463
Share of profit of subsidiaries and associates	(799,698)	(527,778)
Interest income	(189,466)	(270,173)
Gain on foreign currency translation	(558,791)	(261,183)
Gain on valuation of derivatives	(419,575)	(245,749)
Dividend income	(19,027)	(23,439)
Gain on disposal of trade receivables	(22,605)	(15,855)
Gain on disposal of investments in associates and joint ventures	(1,359,353)	(358,028)
Gain on disposal of property, plant and equipment	(72,854)	(30,706)
Gain on disposal of intangible assets	(11,774)	(3,458)
Others	172,288	(83,417)
	<u>₩ 8,504,582</u>	<u>₩ 9,976,843</u>

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

	For the years ended	
	December 31, 2020	December 31, 2019
Inventories	₩ 2,974,879	₩ 53,525
Trade receivables	1,186,864	179,301
Other receivables	403,518	137,070
Trade payables	(1,710,777)	(158,477)
Other payables	1,655,842	45,483
Advances received	(208,096)	(164,157)
Defined benefit obligation	(276,586)	(208,194)
Plan assets	(175,532)	(363,255)
Others	(329,654)	(947,805)
	<u>₩ 3,520,458</u>	<u>₩ (1,426,509)</u>

### 33. Cash flow information (cont'd)

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

	For the years ended	
	December 31, 2020	December 31, 2019
Increase in other payables due to acquisition of property, plant and equipment and others	₩ (260,187)	₩ 523,164
Account reclassification of lease liabilities from changes in accounting policies	-	3,739,024
Conversion of long-term loans to investments in associates	344,465	-

(4) Details of changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the year ended December 31, 2020					
	Beginning balance	Cash flows from financing activities	Non-cash transaction			Ending balance
			Changes in fair value	Changes in exchange rate	Others	
Short-term borrowings	₩ 5,888,357	₩ 259,281	₩ -	₩ (37,414)	₩ 91,206	₩ 6,201,430
Bonds payable and long-term borrowings	32,374,161	4,951,360	299	(234,470)	(247,840)	36,843,510
Long-term trade payables	1,565,043	(428,272)	-	-	32,013	1,168,784
Lease liabilities	4,647,511	(1,054,186)	-	(6,971)	2,079,597	5,665,951
Dividends payable	1,323	(1,212,011)	-	-	1,211,528	840
	<u>₩ 44,476,395</u>	<u>₩ 2,516,172</u>	<u>₩ 299</u>	<u>₩ (278,855)</u>	<u>₩ 3,166,504</u>	<u>₩ 49,880,515</u>

  

	For the year ended December 31, 2019					
	Beginning balance	Cash flows from financing activities	Non-cash transaction			Ending balance
			Changes in fair value	Changes in exchange rate	Others	
Short-term borrowings	₩ 3,426,330	₩ 2,413,278	₩ -	₩ (20,224)	₩ 68,973	₩ 5,888,357
Bonds payable and long-term borrowings	33,915,396	3,571,964	223	125,024	(5,238,446)	32,374,161
Long-term trade payables	2,393,027	(429,462)	-	-	(398,522)	1,565,043
Lease liabilities	21,394	(1,167,814)	-	(4,263)	5,798,194	4,647,511
Dividends payable	3,851	(1,816,265)	-	-	1,813,737	1,323
	<u>₩ 39,759,998</u>	<u>₩ 2,571,701</u>	<u>₩ 223</u>	<u>₩ 100,537</u>	<u>₩ 2,043,936</u>	<u>₩ 44,476,395</u>

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**34. Commitments and contingencies**

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

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Inc.	Korea Software Financial Corporation	KRW	379,526	Performance guarantees for contract and others
	Seoul Guarantee Insurance	KRW	7,623	Performance guarantees for contract and others
Netruck Co., Ltd.	Seoul Guarantee Insurance	KRW	1,094	Performance insurances for warranties and others
SK Telink Co., Ltd.	Seoul Guarantee Insurance	KRW	4,082	Performance guarantees for contract
SK Planet Co., Ltd.	KEB Hana Bank	KRW	2,339	Performance insurances for warranties and others
	Seoul Guarantee Insurance and others	KRW	3,709	Performance guarantees for contract and others
SK Broadband Co., Ltd.	Seoul Guarantee Insurance	KRW	48,015	Guarantee of warranties-contract and others
SK Infosec Co., Ltd.	Korea Software Financial Cooperative	KRW	24,505	Guarantee of bid payment and others
SK M & Service Co., Ltd.	Seoul Guarantee Insurance	KRW	2,280	Guarantee of payment and others
PS&Marketing Corp.	Seoul Guarantee Insurance	KRW	1,701	Performance guarantees
Dreamus company Co., Ltd.	Seoul Guarantee Insurance	KRW	186	Performance guarantees for contract
One store Co., Ltd.	Seoul Guarantee Insurance	KRW	2,140	Guarantee for E-commerce and others
	KEB Hana Bank	KRW	100	Performance guarantees for contract
Home&Service Co., Ltd.	Seoul Guarantee Insurance	KRW	4	Performance guarantees
SK Store Co., Ltd.	Kookmin Bank	KRW	1,200	Specific debt guarantee
11 street Co., Ltd.	KEB Hana Bank	KRW	788	Performance guarantees and others
	Seoul Guarantee Insurance	KRW	22,385	Guarantee of deposit on lease and others
FSK L&S Co., Ltd.	Seoul Guarantee Insurance	KRW	524	Performance guarantees for contract and others
Serviceace Co., Ltd.	Seoul Guarantee Insurance	KRW	399	Performance guarantees for contract
SK Networks Co., Ltd.	KEB Hana Bank	KRW	2,000	Guarantee of payment for goods
	BIDV	USD	2,000	Guarantee of bid
	Seoul Guarantee Insurance	KRW	9,657	Performance guarantees for contract
	Korea Trade Insurance Corporation	KRW	60,295	Guarantee of debt
SK Networks Service Co., Ltd.	Seoul Guarantee Insurance	KRW	15,600	Performance guarantees for sales contract
	KEB Hana Bank	KRW	1,200	Performance guarantees for contract
SK Magic Co., Ltd.	Seoul Guarantee Insurance	KRW	21,121	Performance insurances for warranties and others
	Machinery Financial Cooperative	KRW	493	Performance insurances for warranties and others
SK Magic Service Co., Ltd.	Seoul Guarantee Insurance	KRW	2	Guarantee of payment for home shopping
SK Rent-a-Car Co., Ltd.	Seoul Guarantee Insurance	KRW	8,364	Performance guarantees for contract
MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.)	Korea Technology Finance Corporation	KRW	2,125	Guarantee of debt
SK Telesys Co., Ltd.	Seoul Guarantee Insurance	KRW	2,461	Guarantee of warranties and contract
SKC Solmics Co., Ltd.	Shinhan Bank	USD	20,000	Guarantee of FRN issue
SKC Hightech & Marketing Co., Ltd.	KEB Hana Bank	USD	27,000	Guarantee of FRN issue
SK Nexilis Co., Ltd. (formerly, KCF Technologies Co., Ltd.)	Seoul Guarantee Insurance	KRW	55	Guarantee of payment
SK E&S Co., Ltd.	Seoul Guarantee Insurance	KRW	21,413	Performance guarantees for contract and others
	Kookmin Bank	USD	80,000	Guarantee of debt
	Shinhan Bank	USD	80,000	Guarantee of debt
Yeongnam Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,260	Guarantee of warranties and approval
Chonnam Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	252	Guarantee of warranties and payment
Pusan City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	1,215	Guarantee of seizure contract and others
Jeonbuk Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	228	Performance guarantees and warranties
Chungcheong Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	909	Performance guarantees and others
Ko-one Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	2,498	Performance guarantees for contract
Paju Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	610	Performance guarantees for approval and others
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Service Co., Ltd.)	Seoul Guarantee Insurance	KRW	104	Guarantee of license to use state property and others
Kangwon City Gas Co., Ltd.	Seoul Guarantee Insurance	KRW	2,619	Performance guarantees for contract and approval
Yeosu Energy Service Co., Ltd.	Seoul Guarantee Insurance	KRW	1,297	Performance guarantees for deposit on approval
Prism Energy International. Zhoushan Limited	Citibank China	CNY	40,000	Guarantee of Terminal fee

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**34. Commitments and contingencies (cont'd)**

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Engineering & Construction Co., Ltd.	HSBC and others	KRW	5,764	Performance guarantees for overseas construction and others
		USD	805,561	Performance guarantees for overseas construction and others
		EUR	1,535	Performance guarantees for overseas construction and others
		SGD	21,661	Performance guarantees for overseas construction and others
		KWD	90,998	Performance guarantees for overseas construction and others
		QAR	411,068	Performance guarantees for overseas construction and others
		TRY	30,655	Performance guarantees for overseas construction and others
		SAR	228,716	Performance guarantees for overseas construction and others
		THB	287,395	Performance guarantees for overseas construction and others
		KZT	7,568,929	Performance guarantees for overseas construction and others
		VND	703,037,708	Performance guarantees for overseas construction and others
		HKD	20,061	Performance guarantees for overseas construction and others
		IQD	2,600,000	Performance guarantees for overseas construction and others
		AED	123,131	Performance guarantees for overseas construction and others
		PLN	13,000	Performance guarantees for overseas construction and others
	KEB Hana Bank	USD	158,337	Performance guarantees for overseas construction and others
		GBP	29,571	Performance guarantees for overseas construction and others
		EUR	111,176	Performance guarantees for overseas construction and others
		SAR	182,198	Performance guarantees for overseas construction and others
	Korea Eximbank	USD	91,369	Performance guarantees for overseas construction and others
		SAR	128,276	Performance guarantees for overseas construction and others
		EUR	60,750	Performance guarantees for overseas construction and others
	Korea Housing Guarantee Co., Ltd.	KRW	2,862,144	Housing guarantees and others
		KRW	356,549	Performance guarantees for domestic construction and others
The Eco Platform Co., Ltd.	Engineering Financial Cooperative	KRW	1,583,911	Domestic construction contract
	Construction Guarantee Cooperative	KRW	2,797,442	Performance guarantees for domestic construction and others
	Construction Guarantee Cooperative	KRW	9,458	Performance guarantees for business, construction, warranties and others
	Seoul Guarantee Insurance	KRW	28,801	Performance guarantees for contract, payment, construction, advance payment and others
	Engineering Financial Cooperative	KRW	96,845	Guarantees for contract, advance payment, warranties and others
SK TNS Co., Ltd.	KBIZ	KRW	3,880	Guarantees for contract
SK Materials Co., Ltd.	ICFC	KRW	172,899	Performance guarantees for domestic construction
SK Pinx Co., Ltd.	Seoul Guarantee Insurance	KRW	1,881	Performance guarantees
SK Siltron Co., Ltd.	Seoul Guarantee Insurance	KRW	284	Performance guarantees for sales contract
Hweechean Co., Ltd.	Shinhan Bank	USD	19,000	Guarantee of foreign currencies
	Seoul Guarantee Insurance	KRW	66	Guarantee of supply and others



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**34. Commitments and contingencies (cont'd)**

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

Guarantee	Guarantor	Currency	Amount	Description of guarantee
SK Innovation Co., Ltd.	Petro Peru and others	USD	8,000	Performance guarantees for mandatory work and others
SK Global Chemical Co., Ltd.	Sabic SK Nexlene Company Pte. Ltd.	USD	220,000	Guarantee of debt
Iberian Lube Base Oils S.A.	Puertos del Estado	EUR	879	Guarantees for construction
	Railway Administration and others	EUR	269	Guarantee for installing facilities and others
SK Telink Co., Ltd.	IOT Wave Co., Ltd. and others	KRW	1,345	Performance guarantees for insurance and others
SK Communications Co., Ltd.	Green umbrella	KRW	40	Performance guarantees for contract
Dreamus Company Co., Ltd.	Youngkwang Precision Industry Co., Ltd.	KRW	483	Performance guarantees for contract
SK Broadband Co., Ltd.	Korea Contents Gongje Union	KRW	40,945	Performance guarantee of contract, warranties
SKC Co., Ltd.	PI Advanced Materials Co., Ltd. (formerly, SKC-Kolon PI Co., Ltd.)	USD	7,836	Guarantee for litigation
SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	KRW	360,000	Guarantee of debt
The Eco Platform Co., Ltd.	Dongbugwon Puleunmul Co., Ltd. and others	KRW	31,084	Guarantee of debt
	Geochang Malgunmool Sarang Co., Ltd. and others	KRW	64,173	Guarantee for loan agreement
SK Engineering & Construction Co., Ltd.	SBC General Trading & Contracting Co. WLL and others	KWD	6,432	Performance guarantees for contract and others
	Pohang Clean Water Co., Ltd. and others	KRW	773,899	Cash deficiency support agreement
	Gwangju District 2 redevelopment maintenance business association	KRW	300,563	Guarantees for reconstruction project financing
	Customers of Songdo SK view lake	KRW	1,025,647	Guarantee of debt
	Lu 1 City SK leaders view and others	KRW	2,099,960	Guarantee of completion
	Member of employee stock ownership association	KRW	2,282	Guarantee of payment
	Callable preferred share investor	KRW	174,000	Cash deficiency support agreement
	Fuel cell power generation project	KRW	49,425	Performance assurance related to long-term maintenance contracts
	Contractor issuing guarantee for sale	KRW	2,234,342	Joint surety
	Korea Development Bank	KRW	492,885	Cash deficiency support agreement

In addition, SK Engineering & Construction Co., Ltd., a subsidiary of the Group, provides other construction companies with performance guarantees for domestic construction, and the amount of the guarantees is ₩843,795 million as of December 31, 2020.

### 34. Commitments and contingencies (cont'd)

#### (3) Pending litigations

The Group's significant pending litigations as of December 31, 2020, in which the Group is a plaintiff are as follows (Korean won in millions):

Plaintiff	Defendant	Description	Claim	Status
SK Infosec Co., Ltd.	Individual and others	Claim for injunction to ban of transfer and others	KRW 2,175	Second trial in progress and others
PS&Marketing Corp.	Individual and others	Claim for payment and others	KRW 332	First trial in progress and others
SK Networks Co., Ltd.	Individual and others	Claim for payment and others	KRW 2,262	First trial in progress and others
SK Magic Co., Ltd.	Careswater Co., Ltd. and others	Claim for payment and others	KRW 2,693	Second trial in progress and others
SK Networks Service Co., Ltd.	Individual	Claim for payment	KRW 52	First trial in progress
SK Rent-a-Car Co., Ltd.	Individual and others	Claim for payment and others	KRW 91	First trial in progress and others
SKC Co., Ltd.	Individual	Claim against a payment order	KRW 2,634	First trial in progress
SK Telesys Co., Ltd.	YOOJIN21 Co., Ltd. and others	Claim for construction payment	KRW 1,161	First trial in progress
SK E&S Co., Ltd.	Governor of JeollaNamdo province	Claim for cancellation of warning disposition and others	KRW 52	First trial in progress
Pusan City Gas Co., Ltd.	YCP Co., Ltd.	Claim for settlement	KRW 4,699	First trial in progress
Narae Energy Service Co., Ltd.	Hanam City Hall	Claim for cancellation of the imposition of the contribution to the water supply cause	KRW 5,310	First trial in progress and others
SK Engineering & Construction Co., Ltd.	K-Water Resources Corporation	Claim for payment of construction	KRW 165	Third trial in progress
	Korea Rail Network Authority	Claim for payment of construction and others	KRW 14,062	Second trial in progress and others
	Korea Specialty Contractor	Claim for deposit of construction performance and others	KRW 3,916	First trial in progress
	Finanacial Cooperative	Claim for payment of construction	KRW 12,728	Second trial in progress
	Dream Hub PFV	Claim for payment and others	KRW 5,784	Second trial in progress and others
	Plant & Mechanical Contractors	Claim for payment of construction	KRW 17,051	First trial in progress
	Financial Cooperative and others	Claim for payment of construction and others	KRW 11,836	Second trial in progress and others
	Korea National Oil Corporation	Claim for cost of construction	KRW 15,925	First trial in progress
	Republic of Korea and others	Claim for payment of construction	KRW 44	First trial in progress
	Korea Highway Corporation	Claim related to Jangrim Jinhae	KRW 3,561	Second trial in progress
The Eco Platform Co., Ltd.	Busan-Jinhae Free Economic Zone Authhority	Claim for payment of construction	KRW 3,319	Second trial in progress
	Individual and others	Claim related to performance guarantee and others	KRW 91,661	First trial in progress and others
	Siheung City	Claim related to settlement of operating and management expenses and others	KRW 6,877	First trial in progress
	and others			

### 34. Commitments and contingencies (cont'd)

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

Plaintiff	Defendant	Description	Claim	Status
Individual and others	SK Infosec Co., Ltd.	Claim for damages and others	KRW 1,610	First trial in progress and others
Individual	PS&Marketing Corp.	Claim for insurance	KRW 9	First trial in progress
Individual and others	SK Networks Co., Ltd.	Claim for damages and others	KRW 3,847	First trial in progress and others
Lotte Insurance Co., Ltd. and others	SK Magic Co., Ltd.	Claim for compensation and others	KRW 278	First trial in progress and others
Individual and others	SK Rent-a-Car Co., Ltd.	Claim for damages and others	KRW 493	First trial in progress
Federation of Korean Trade Unions	SK Telesys Co., Ltd.	Claim for payment of construction	KRW 1,304	First trial in progress
Homeplus Co., Ltd.	SKC Co., Ltd.	Claim for damages	KRW 787	First trial in progress
Individual and others		Claim for damages	KRW 2,893	Adjustment in progress
58 laid-off workers from the labor union	SK Nexilis Co., Ltd. (formerly, KCF Technologies Co., Ltd.)	Claim for damages	KRW 2,900	First trial in progress
Korea Land & Housing Corporation and others	Ko-one energy service Co., Ltd.	Claim for cancellation of allotted charges and others	KRW 1,342	First trial in progress
Busan Green Energy Co., Ltd. and others	Pusan City Gas Co., Ltd.	Claim for return of unfair benefit and others	KRW 743	Third trial in progress and others
Yulim Engineering Co., Ltd.	Chonnam City Gas Co., Ltd.	Claim for payment of construction	KRW 92	First trial in progress
Korea Land & Housing Corporation and others	Chungcheong energy Service Co., Ltd.	Claim for cancellation of allotted charges and others	KRW 1,961	First trial in progress
Gimcheon Energy Service Co., Ltd. and Jeonbuk Group Energy Co., Ltd.	Narae Energy Service Co., Ltd. (formerly, Wirye Energy Services Co., Ltd.)	Claim for affirmation of contracted price reduction	KRW 4,661	First trial in progress
K-Water Resources Corporation	SK Engineering & Construction Co., Ltd.	Claim for damages and others	KRW 4,004	Third trial in progress and others
Incheon Metropolitan City		Claim for design compensation cost return and others	KRW 748	Third trial in progress and others
Hanwha Engineering & Construction Corp.		Claim for cost share	KRW 5,087	First trial in progress
Woori Bank		Claim for payment of construction	KRW 12,096	First trial in progress
Suwon Sky view residents' representative and others		Claim for damages and others	KRW 34,989	First trial in progress and others
Korea Rural Community Corporation		Claim for damages	KRW 8,036	Second trial in progress
Korea Gas Corporation		Claim for damages and others	KRW 47,295	First trial in progress
Republic of Korea		Claim for damages and others	KRW 11,367	Second trial in progress and others
Korea Rail Network Authority		Claim for damages	KRW 16,374	First trial in progress and others
Busan Transportation Corporation		Claim for damages and others	KRW 9,579	First trial in progress and others
Individual and others		Claim for apartment and others	KRW 158,291	First trial in progress and others
Siheung City and others	The Eco Platform Co., Ltd.	Claim for debt non-existence confirmation	KRW 1,343	First trial in progress and others

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

SK Innovation Co., Ltd. and SK Battery America, Inc. requested a review of Default Judgment by the U.S. International Trade Commission on April 17, 2020, which decided to review the entire Default Judgment, but decided to ban imports in the U.S. on February 10, 2021. However, for Ford and Volkswagen programs, a grace period of 4 years and 2 years was granted, respectively, to produce and supply batteries in the U.S.

#### **34. Commitments and contingencies (cont'd)**

The U.S. International Trade Commission delivered the information to the U.S. Trade Representative, and after a 60-day review of the U.S. Trade Representative and a decision on the U.S. president's veto, administrative measures such as a moratorium on imports of lithium-ion battery cells will be finalized.

As of December 31, 2020, the final results of administrative measures, such as import bans, the possibility of settlement and terms thereof are not estimable and the impact of therefrom is not reflected in the consolidated financial statements.

On September 26, 2019, LG Chem Co., Ltd. and LG Energy Solution Co., Ltd. additionally filed a lawsuit against SKI through the ITC alleging patent breaches and requested a ban on import as remedial action. The lawsuit is currently in pending, and the final outcome is not estimable as of December 31, 2020.

In addition, LG Chem Co., Ltd. and LG Energy Solution Co., Ltd. filed lawsuit against SK Innovation Co., Ltd. and SK Battery America, Inc. on April 29, 2019, in relation to the business confidentiality. LG Energy Solution Co., Ltd. filed a patent infringement lawsuit at Court of Delaware on September 26, 2019. The aforementioned lawsuits are currently suspended, and the final outcome of these lawsuits is not estimable as of December 31, 2020.

On May 4, 2020, the Attorney General Office of California, USA, filed a civil lawsuit in the California District Court located in San Francisco against Vitol Inc., SK Trading International Co., Ltd. and SK Energy Americas Inc., the subsidiaries, for manipulating the market price of gasoline products and anti-competitive and unfair practices during the refinery explosion in 2015. The case is currently in progress, and the duration and final outcome are not estimable at the moment. Since May 6, 2020, end-users of gasoline have filed a number of collective lawsuits in California federal court. The duration and final outcome thereof are also not estimable at the moment.

In addition, SKC Co., Ltd., a subsidiary, guarantees 50% of claim amounts related to the patent litigation filed by Kaneka Corporation against SKC Kolon PI, Inc. As of December 31, 2020, the appeal of the lawsuit in the U.S. was rejected and the jury's verdict determined damages, but the final ruling was not made because some of the compensation for damages were not confirmed. Meanwhile, during the current year, Kaneka Corporation filed a lawsuit against PI Advanced Materials Co., Ltd. (formerly, SKC Kolon PI) in Korea based on a portion of final judgment on the U.S. jury's verdict. Accordingly, the Group paid PI Advanced Materials Co., Ltd. (formerly, SKC Kolon PI Co., Ltd.) USD 7,836 thousand which is 50% of USD 15,671 thousand in damages. Based on the final results of litigation, the Group may have to pay more according to the ratio as specified by the payment arrangement. As of December 31, 2020, the final result of trial 1 and the timing of payment of compensation for damage are not estimable.

### **34. Commitments and contingencies (cont'd)**

#### **(4) Commitments**

- 1) In accordance with the Commercial Code of the Republic of Korea, the Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd. and SK ie technology Co., Ltd. are collectively responsible for any obligations of the Company arising before the spin-off. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on April 1, 2011.
- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation, the trustee of Hana Daol Fund Management. Under the terms of the lease, the lease period is until March 27, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property. Meanwhile, the Company exercised its preemptive right and plans to purchase the headquarters office through the Company or SK affiliated company by November 30, 2021.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance and development service entered into between the Company and SK Group companies and others.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- 5) The Company has 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 <sup>st</sup> Fund	Corporate Turnaround 1 <sup>st</sup> Fund
Number of shares	6,548,672	4,808,259
Contract date	April 11, 2017	May 11, 2017
Expiry date	April 10, 2022	May 10, 2022
Settlement	The Company and the investor make a cash settlement of the amount that deducts the issue price from the net selling price. If the amount is positive, the investor pays to the Company, and if the amount is negative, the Company pays to the investor. In case where the sale is not complete, the selling price of the shares is considered to be nil.	
Premium	The Company pays to the investor the amount equivalent to 3.14% of the total shares held by the investor annually. When the investor receives dividends on the shares held, the amount is paid to the Company.	
Call option	The Company has the right to purchase the shares held by the investor at the issued price of the ordinary shares with certain level of additional charges.	

### 34. Commitments and contingencies (cont'd)

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

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

As of December 31, 2020, the value of the agreements amounting to ₩169,131 million is recognized in long-term borrowings (see Note 16).

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

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

As of December 31, 2020, the value of the agreements amounting to ₩677,775 million is recognized in long-term borrowings (see Note 16).

- 8) The Company entered into a cash deficiency support agreement with Hudson Energy NY, LLC, a subsidiary of Plutus Capital NY, Inc., to lend funds for the shortfall of payment for loans and credit limit of USD 226,000 thousand.
- 9) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of SK Pharmteco Inc. (formerly, Alchemy Acquisition Corp.), to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.

**34. Commitments and contingencies (cont'd)**

- 10) As of December 31, 2020, Prism Energy International Pte., Ltd., a subsidiary, provides LOU (Letter of Understanding) to ship owners HHIENS1 Shipholding S.A., HHIENS2 Shipholding S.A. and HHIENS3 Shipholding S.A. in connection with LNG carriers. Accordingly, if SK Shipping Co., Ltd. fails to fulfill the contract (BBCHP) signed with the shipping company, SK E&S Co., Ltd. will assume all obligations related to the execution of the contract.
- 11) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service for 20 years from FLNG Liquefaction 3, LLC, which plans to operate natural gas liquefaction plants in Texas starting from 2019. As of December 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.
- 12) As of December 31, 2020, details of contracts of the subsidiaries of SK E&S Co., Ltd. are as follows:

Contracting parties	Description of contract	Counterparty	Term of contract
Kangwon City Gas Co., Ltd. and 7 subsidiaries	Contract for the supply of long-term natural gas (*1)	Korea Gas Corporation Co., Ltd.	-
SK E&S Co., Ltd.	Contract of supply for natural gas	Tangguh PSC Contractor Parties	2006.1 ~ 2026.7
	Contract for the repair and maintenance of gas turbine	GE International Inc.	2004.6 ~ 2026.12 (estimated)
	Contract for the storage and vaporization service of natural gas	POSCO ENERGY Co., Ltd.	2005.6 ~ 2025.12
	Rental contract of the plant and tower site	POSCO Co., Ltd.	2020.7 ~ 2040.12
	Contract for the REC trading	Godeok Green Energy Co., Ltd. and others	2003.8 ~ 2028.12
Paju Energy Service Co., Ltd.	Contract for the long-term maintenance program	Siemens AG and others	20 years from contract (estimated)
	Contract for the REC trading	GeoGeum Solar Park Co., Ltd. and others	2014.6 ~ 2031.6 (estimated)
	Contract for LTSA	Doosan Fuelcell Co., Ltd.	15 years from 2018
Narae Energy Service Co., Ltd.	Contract for the long-term maintenance program	Siemens AG and others	10 years from performance warranty date
	Contract for the long-term maintenance program	Doosan Heavy Industries & Construction Co., Ltd.	2015.1 ~ 2032.1 (estimated)
	Contract for the operation and Maintenance program	Jeonbuk Group Energy Co., Ltd. and Gimcheon Energy Service Co., Ltd.	12 years from 2012
	Contract for the supply of long-term natural gas	Korea Gas Corporation Co., Ltd.	2015.1 ~ 2025.1
	Contract for the REC trading	Seokyoung Energy Co and others	20 years from 2015.5
Narae Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Contract for the use plumbing system	Korea Gas Corporation Co., Ltd.	20 years from contract
SK E&S Co., Ltd. and Narae Energy Service Co., Ltd. and Paju Energy Service Co., Ltd.	Contract for the storage and vaporization service of natural gas	Boryeong LNG Terminal Co., Ltd.	20 years from 2017
Yeoju Energy Service Co., Ltd.	Contract for LTSA	Siemens Gas & Power GmbH Siemens Energy Ltd.	20 years from 2017
Pusan City Gas Co., Ltd.	Rental contract	Megamart Co., Ltd. and others	2019.12 ~ 2047.12 (estimated)
SK E&S LNG, LLC	Contract for the liquefaction and storage of natural gas	FLNG Liquefaction 3, LLC	Until 2022
	Contract for the use pipeline of natural gas	Kinder Morgan, Inc.	20 years from 2019
Prism Energy International Pte. Ltd.	Contract of supply for natural gas	Chevron Australia Pty. Ltd. and others	20 years from 2019
	Contract of supply for natural gas	PETRONAS LNG LTD.	2017.1 ~ 2022.3
	Time charter contract	SK Shipping Co., Ltd.	2019.6 ~ 2023.12
SK E&S Australia Pty. Ltd.	Contract for FPSO	MODEC, Inc.	20 years from ship delivery date
	Contract for the liquefaction service of natural gas	Darwin LNG Pty. Ltd. and others	2019.11 ~ FPSO Completion
Prism Energy International Zhoushan Limited	Contract for the storage and vaporization service of natural gas	ENN (Zhoushan) LNG Co., Ltd.	2020.12 (contract)
	Contract of sale for natural gas	Beijing Gas Blue Sky Holdings Ltd.	15 years from service date (estimated)
			2020.7 ~ 2030.7
			2020.7 ~ 2030.7

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

### 34. Commitments and contingencies (cont'd)

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

Description of contract	Name of subsidiaries	Contract opponent	Term of contract	Amount
Contract for heat piping and others	Narae Energy Service Co., Ltd.	Eulmyo general construction Co., Ltd. and others	2020.02 ~ 2021.10	₩ 6,324
Contract for Yeosu natural gas power plant 154kV connection facility construction	Yeosu Energy Service Co., Ltd.	Korea Electric Power Corporation	2019.12 ~ 2021.07	₩ 18,160

- 14) As of December 31, 2020, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows:

Description of contract	Name of subsidiaries	Counterparty	Equity ownership
Barossa-Caldita, Australia	SK E&S Australia Pty. Ltd.	Santos NA Barossa Pty. Ltd. (*1)	37.5%
Woodford, USA	Dew Blaine Energy, LLC	Continental Resources, Inc.	49.9%

(\*1) As Santos NA Barossa Pty. Ltd. purchased the whole share of Australian Baro-Caldita gas field of ConocoPhillips Company on May 28, 2020, the counterparty changed from ConocoPhillips Company to Santos NA Barossa Pty. Ltd.

- 15) SK Incheon Petrochemical Co., Ltd., one of subsidiaries, securitized ₩22,000 million of SK Incheon Petrochemical Co., Ltd.'s trusts accounts receivable for SK Energy Co., Ltd. and SK Global Chemical Co., Ltd., the other subsidiaries of the Group, to Industrial Bank of Korea. IPC Limited Company 1, which underwrites the first right to benefit issued by Industrial Bank of Korea, issues securitized commercial paper.
- 16) SK Energy Co., Ltd. and SK Incheon Petrochemical Co., Ltd., subsidiaries of the Group, pay electricity bills and tariffs through B2B corporate purchase agreement contracts and national tax cards signed with some financial institutions, and pay the bill to the credit card company at the end of the credit donation period under the agreement. As of December 31, 2020, the related amount payable is ₩1,298,720 million.
- 17) SK ie Technology Co., Ltd., a subsidiary, conducted a paid-in capital increase of third party allocation on September 23, 2020 with Premier Superior Ltd. (hereinafter referred to as "Investor") as its new owner. The inter-shareholder agreement between SK Innovation Co., Ltd., a major shareholder of SK ie Technology Co., Ltd., and investors includes the following key agreements:
- Tag-along right and Drag-along right of Investor
  - Preemptive rights of the largest shareholder for the exercise of the Investor's claim for Drag-along right.
  - The largest shareholder's right to sell and the Investor's right to purchase under certain conditions.
  - Restrictions on the disposal of the largest shareholder's shares under certain conditions and others.

In the meantime, the key details regarding the investor's right to purchase are as follows:

	Exercise Conditions	Exercise Price
Investor's right to buy I	Non-compliance with corporate disclosure procedures and others	Amount calculated by applying 15% annual compound interest based on IRR to the investment principal (₩300,005 million)
Investor's right to buy II	Proceeding to disclose the company in situations where the price condition is not met and others	Amount calculated by applying 7% annual compound interest based on IRR to the investment principal (₩300,005 million)



**34. Commitments and contingencies (cont'd)**

- 18) SK Telecom Co., Ltd., a subsidiary of the Group, sells its mobile handsets to customers on an installment payment plan through agents. SK Telecom Co., Ltd. entered into transfer agreements with the agents for the receivables of handset's installment payments, under which all the rights and obligations of the receivables are transferred to SK Telecom Co., Ltd. Then, SK Telecom Co., Ltd. entered into an asset securitization contract with a special purpose company for the receivables, and accordingly, the balance of the receivables as of the end of the current reporting period is ₩571,004 million which is recorded as other receivables and long-term other receivables.
- 19) In relation to the merger and acquisition of SK Broadband Co., Ltd., a subsidiary, SK Telecom Co., Ltd. has entered into an agreement with the shareholders of the merged company. If certain requirements are not met after a business combination, shareholders of the merged company can exercise the drag along right of common shares of SK Broadband Co., Ltd., held by the parent company, and SK Telecom Co., Ltd. may exercise the right to purchase shares. As of December 31, 2020, SK Telecom Co., Ltd. has recognized a total of ₩320,984 million of derivative financial liabilities for the rights included in the agreement above.
- 20) As of December 31, 2020, SK Materials Co., Ltd., a subsidiary, has a shareholders' agreement with Showa Denko K.K in respect to an investment in SK Showa Denko Co., Ltd., a subsidiary. Under this agreement, Showa Denko K.K holds a right to sell 630,000 shares (15%) of interests in SK Showa Denko Co., Ltd. at a par value of ₩5,000 to SK Materials Co., Ltd.
- 21) SK Materials Airplus Inc. (formerly, SK Air Gas Co., Ltd.), a subsidiary, trusted the trade receivable that may incur from project, of which the investment was in progress in September 2017, to the trust account of KEB Hana Bank. With this trusted amount as collateral, SK Materials Co., Ltd. entered into borrowing commitment for the facility for up to ₩120,000 million. As of December 31, 2020, There are no trade receivables transferred to the financial trust account in connection with this contract(₩5,800 million as of December 31, 2019).

### **34. Commitments and contingencies (cont'd)**

#### **(5) Hybrid bonds**

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

Issue segment	Description	Issue date	Maturity date (*1)	Interest rate (%) (*2)	For the years ended	
					December 31, 2020	December 31, 2019
Group of SK Innovation	1st private equity bond type	2019.03.15	2049.03.15	4.20	₩ 600,000	₩ 600,000
Group of SK Telecom	2-1 private equity bond type	2018.06.07	2078.06.07	3.70	300,000	300,000
	2-2 private equity bond type	2018.06.07	2078.06.07	3.65	100,000	100,000
Group of SK E&S	1-1 Korean currency type (*3)	2015.07.15	2045.07.15	3.90	-	270,000
	1-2 Korean currency type (*3)	2015.07.15	2045.07.15	3.85	-	130,000
	2nd Korean currency type	2019.10.11	2049.10.11	3.30	330,000	330,000
	3rd Korean currency type	2020.07.14	2050.07.14	3.60	400,000	-

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

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

(\*3) The Group made early repayment during the current reporting period.

#### **(6) Others**

As of December 31, 2020, 58 notes (including 55 blank notes) and 71 blank checks are provided to financial institutions as collateral for borrowings.

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**35. Pledged assets**

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

Company	Asset	Currency	Collateralized amount (*1)	Provided to	Description
SK Innovation Co., Ltd.	Investments in associates	KRW	-	Yemen LNG Company and others	Collateral for project financing
SK Incheon Perochemical Co., Ltd.	Property, plant and equipment	KRW	30,000	Korea Development Bank	Collateral for borrowing
Netruck Co., Ltd.	Property, plant and equipment	KRW	4,500	Shinhan Bank	Collateral for borrowing
SK Broadband Co., Ltd.	Property, plant and equipment	KRW	1,568	Lessor	Restricted real rights for office lease
Incross Co., Ltd.	Financial instruction	KRW	20,057	Naver Co., Ltd. and others	Performance guarantees for contract
SK Networks Co., Ltd.	Property, plant and equipment and others	KRW	490,120	Korea Development Bank and others	Collateral for sales and others
SK Magic Co., Ltd.	Property, plant and equipment	KRW	96,000	Korea Development Bank	Collateral for borrowing
SK Rent-a-Car Co., Ltd.	Property, plant and equipment	KRW	406,459	Korea Development Bank and others	Collateral for borrowing
SK Telesys Co., Ltd.	Property, plant and equipment	KRW	21,500	KDB Capital Corporation and others	Collateral for borrowing
SKC Solmics Co., Ltd.	Property, plant and equipment	KRW	72,100	Korea Development Bank and others	Collateral for borrowing
Woori Fine Chem Co., Ltd.	Property, plant and equipment	KRW	6,480	Kookmin Bank and others	Collateral for borrowing
SKCFTH Co., Ltd.	Investment securities and others	KRW	690,000	Korea Development Bank and others	Collateral for borrowing
SK Nexilis Co., Ltd. (formerly, KCF Technologies Co., Ltd.)	Property, plant and equipment	KRW	396,000	Korea Development Bank and others	Collateral for borrowing
SK PIC Global Co., Ltd.	Property, plant and equipment and others	KRW	120,000	Standed Chartered Bank and others	Collateral for borrowing
SKC, Inc.	Property, plant and equipment	USD	70,000	Standed Chartered Bank	Collateral for borrowing
SK E&S Co., Ltd.	Investments in associates	KRW	10,083	Industrial Bank of Korea and others	Collateral for PF
Pusan City Gas Co., Ltd.	Investments in joint ventures	KRW	150,501	Woori Bank and others	Collateral for PF
	Investments in associates	KRW	5,153	Shinhan Bank and others	Collateral for PF
	Investment property	KRW	3,990	Megamart Co., Ltd. and others	Leasehold deposits
Paju Energy Service Co., Ltd.	Property, plant and equipment	KRW	360,000	Kookmin Bank and others	Collateral for borrowing
Chonnam City Gas Co., Ltd.	Property, plant and equipment	KRW	81	LG Hello Vision Co., Ltd.	Collateral for deposits received
Narae Energy Service Co., Ltd. (formerly, Wirye Energy Service Co., Ltd.)	Property, plant and equipment and others	KRW	589,000	Korea Development Bank and others	Collateral for borrowing
SK Engineering & Construction Co., Ltd.	Investment securities and others	KRW	425,404	Korea Housing Guarantee Co., Ltd. and others	Collateral for borrowing and others
	Investment property	KRW	142,000	Kookmin Bank and others	Collateral for borrowing
The Eco Platform Co., Ltd.	Property, plant and equipment	KRW	28,472	KEB Hana Bank and others	Collateral for borrowing
	Equity instruments and others	KRW	949,170	Korea Development Bank and others	Collateral for borrowing and others
SK China Company, Ltd.	Others	USD	12,475	Shinhan Bank and others	Collateral for borrowing
SK Industrial Development China Co., Ltd.	Others	CNY	2,000,000	Bank of China communications	Collateral for borrowing
SK Materials Co., Ltd.	Property, plant and equipment	KRW	6,793	LG Display Co., Ltd.	Collateral for advances received
		KRW	137,000	Korea Development Bank	Collateral for borrowing
		USD	3,500	Korea Development Bank	Collateral for borrowing
		JPY	3,690,000	Korea Development Bank	Collateral for borrowing
		KRW	1,668	Yeongju city and Gyeongsang Buk-do	Government subsidy
SK Materials Japan Co., Ltd.	Property, plant and equipment	JPY	315,000	MUFG Bank	Collateral for borrowing
SK Materials Airplus Inc. (formerly, SK Airgas Co., Ltd.)	Property, plant and equipment	KRW	809,300	Kyungnam Bank and others	Collateral for borrowing
SK Showa Denko Co., Ltd.	Property, plant and equipment	KRW	8,400	Korea Development Bank	Collateral for borrowing
SK Siltron Co., Ltd.	Property, plant and equipment	KRW	668,824	Korea Development Bank and others	Collateral for borrowing
Hweechan Co., Ltd.	Property, plant and equipment	KRW	3,000	KEB Hana Bank	Collateral for borrowing

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

SK Infosec Co., Ltd., a subsidiary, provides its shares in ADT Caps Co., Ltd., Capstec Co., Ltd. and ADT Security Co., Ltd. as collateral for its long-term borrowing of ₩1,950,000 million.

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**36. Guarantees provided among the Group entities**

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

Guarantor	Guarantee	Currency	Amount	Description of guarantee
SK Inc.	Abrasax Investment Inc.	USD	315,000	Cash deficiency support of debt
	Hudson Energy NY, LLC	USD	226,000	Cash deficiency support of debt
SK Innovation Co., Ltd.	SK E&P America, Inc.	USD	70,000	Guarantee of debt
	SK Battery America, Inc.	USD	670,000	Guarantee of debt
	SK Battery Hungary Kft.	USD	310,000	Guarantee of debt
		EUR	20,000	Guarantee of debt
		HUF	9,810,000	Guarantee of local factory construction
	SK Hi-tech Battery Materials (Jiangsu) Co., Ltd.	USD	50,000	Guarantee of debt
		CNY	500,000	Guarantee of debt
	SK Hi-Tech Battery Materials Poland Sp. Zo.o.	USD	130,000	Guarantee of debt
	SK Battery Manufacturing Kft.	USD	200,000	Guarantee of debt
		EUR	310,000	Guarantee of debt
SK Global Chemical Co., Ltd.	SK Ningbo Performance Rubber Co., Ltd.	USD	14,000	Guarantee of payment for license agreement
	SK Global Chemical Americas, Inc.	USD	160,000	Guarantee of payment for principal of debt
	SK Functional Polymer, S.A.S	EUR	216,000	Guarantee of payment for principal of debt
SK Telink Co., Ltd.	ADT Caps Co., Ltd.	KRW	1	Performance guarantees for insurance and others
F&U Credit Information Co., Ltd.	SK Telink Co., Ltd.	KRW	30	Performance guarantees for insurance (payment, warranties, contract)
SK Networks Co., Ltd.	SK Networks Deutschland GmbH	EUR	16,000	Standing surety for investee
	SK Networks Hong Kong Ltd.	USD	102,600	Standing surety for investee
	SK Networks (Shanghai) Co., Ltd.	USD	62,500	Standing surety for investee
		CNY	54,000	Standing surety for investee
	SK Networks Japan Co., Ltd.	JPY	300,000	Standing surety for investee
	SK Networks America, Inc.	USD	20,000	Standing surety for investee
	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	Standing surety for investee
	PT. SK Networks Indonesia	USD	1,500	Standing surety for investee
	SK Networks Resources Australia Pty. Ltd.	AUD	8,000	Standing surety for investee
SK Networks Service Co., Ltd.	SK Telink Co., Ltd.	KRW	23	Performance guarantees for insurance (payment, warranties, contract)
SKC Co., Ltd.	SKC, Inc.	USD	133,000	Guarantee of payment
	SKC (Jiangsu) High Tech Plastics Co., Ltd.	USD	63,980	Guarantee of payment
		CNY	309,400	Guarantee of payment
		JPY	1,600,000	Guarantee of payment
	SK Telesys Co., Ltd.	KRW	30,000	Guarantee of financial obligation
	SKC (Natong) PU Specialty Co., Ltd.	CNY	154,400	Guarantee of payment
	SKC (Natong) Semiconductor Materials Technology Co., Ltd.	CNY	65,000	Guarantee of payment
		USD	25,000	Guarantee of payment
SKC Solmics Co., Ltd.	SKC Semiconductor Materials(Wuxi) Co., Ltd.	USD	3,120	Joint guarantee of subsidiaries' loan
SKC Hi-Tech & Marketing Co., Ltd.	SKC Hi-Tech&Marketing (Suzhou) Co., Ltd.	CNY	106,400	Guarantee of debt
SK E&S Co., Ltd.	Caillip GAS Marketing, LLC	USD	116,000	Guarantee for derivative hedge and others
	SK E&S Australia Pty. Ltd.	USD	90,000	Guarantee of debt and others
	Paju Energy Service Co., Ltd.	KRW	500,000	Guarantee of debt and others
	Narae Energy Service Co., Ltd. (formerly, Wiryae Energy Service)	KRW	290,000	Guarantee of debt and others
	Yeoju Energy Service Co., Ltd.	KRW	200,000	Guarantee of payment for principal of debt
	Prism Energy International Pte. Ltd.	USD	720,000	Guarantee for derivative hedge and others
	SK E&S LNG, LLC	USD	63,000	Guarantee for derivative hedge and others
SK E&S Americas, Inc.	SK E&S LNG, LLC	USD	9,342	Performance guarantee for LPG injection
	Caillip Gas Marketing, LLC	USD	25,000	Performance guarantee for purchase contract of Feed Gas
SK Engineering & Construction Co., Ltd.	SKEC Anadolu, LLC	EUR	86,953	Performance guarantees for contract and others
	Silvertown Investco Limited.	GBP	11,599	Guarantee of financial obligation
	Sunlake Co., Ltd.	CAD	6,000	Guarantee of financial obligation
	The Eco Platform Co., Ltd.	KRW	84,527	Fund supplement agreement for loan agreement
SK Materials Co., Ltd.	SK Materials Jiangsu Co., Ltd.	USD	34,900	Guarantee of debt
	SK Materials Taiwan Co., Ltd.	USD	5,000	Guarantee of debt
	SK Materials Japan Co., Ltd.	JPY	276,000	Guarantee of debt
SK China Company, Ltd.	SK (Shenyang) auto rental Co., Ltd.	USD	6,130	Guarantee of debt
	SK Rent-A-Car (Qingdao) Co., Ltd.	USD	6,345	Guarantee of debt
SK Biotek Co., Ltd.	SK Biotek Ireland Limited.	USD	50,000	Guarantee for credit limit
		EUR	10,000	Performance guarantees

**37. Deposits restricted in use**

Deposits restricted in use as of December 31, 2020 and 2019 are as follows (Korean won in millions):

Account	Classification	Institution	December 31, 2020	December 31, 2019	Description of restriction
Cash and cash equivalents	Reserves for repair and others	KEB Hana bank and others	₩ 678	₩ -	Reserves and others
Short-term financial instruments	Charitable fund and others	Industrial Bank of Korea and others	166,823	178,207	Pledged on collateral and others
Long-term financial instruments	CO2 emission allowances fund and others	Samsung Securities and others	9,136	8,414	Money on deposits and others
Others	Refund guarantee and others	Korea Software Financial Cooperative and others	3,803	4,581	Deposits and others
			₩ 180,440	₩ 191,202	

### 38. Financial risk management

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

#### 38.1 Financial risk management

##### 38.1.1 Risk management activities

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

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

##### 38.1.2 Credit risk

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

	December 31, 2020	December 31, 2019
Financial assets measured at FVTPL	₩ 6,059,081	₩ 5,164,770
Financial assets measured at FVOCI	12,907	24,047
Financial assets measured at amortized cost	22,118,563	22,039,345
Derivatives designated as hedging instruments	<u>126,932</u>	<u>178,446</u>
	<u>₩ 28,317,483</u>	<u>₩ 27,406,608</u>

On the other hand, the Group has provided payment guarantees for others including related parties, associates and others. The Group, due to its payment guarantees, is exposed to credit risk (See Note 34).

### 38.1.2.1 Trade and other receivables

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

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

As of December 31, 2020 and 2019, the aging of trade receivables and other receivables for which a loss allowance has not been accrued, as the allowance is deemed to be recoverable from a customer or counterparty later although the amount is past due, are as follows (Korean won in millions):

	December 31, 2020		December 31, 2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Less than one month	₩ 508,281	₩ 95,999	₩ 549,889	₩ 78,841
One~three months	315,688	63,870	282,514	37,722
Three~six months	180,427	31,039	105,820	45,039
More than six months	400,203	365,545	354,761	319,502
	<u>₩ 1,404,599</u>	<u>₩ 556,453</u>	<u>₩ 1,292,984</u>	<u>₩ 481,104</u>

Changes in the loss allowance on trade receivables and others for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
Beginning balance	₩ 893,479	₩ 790,620
Bad debt expense	95,090	181,731
Write-off	(69,460)	(122,990)
Others (*1)	(16,332)	44,118
Ending balance	<u>₩ 902,777</u>	<u>₩ 893,479</u>

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

### 38.1.2.2 Guarantee

SK Engineering & Construction Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees recognized are ₩20,169 million as of December 31, 2020. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Engineering & Construction Co., Ltd., as of December 31, 2020.

	December 31, 2020	December 31, 2019
SK Innovation Co., Ltd.	₩ 1,790	₩ 252
SK Engineering & Construction Co., Ltd.	20,169	15,006
SK Biotek Co., Ltd.	320	656
	<u>₩ 22,279</u>	<u>₩ 15,914</u>

In addition, the Group has provided payment guarantees for others, including subsidiaries and others. (See Notes 34 and 36).

### 38.1.2.3 Other financial assets

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

### 38.1.3 Liquidity risk

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

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

	Book value	Contractual cash flow	Less than 3 months	3 ~ 12 months	1 ~ 5 years	More than 5 years
Borrowings	₩ 18,094,224	₩ 18,966,479	₩ 2,777,399	₩ 5,123,911	₩ 10,158,646	₩ 906,523
Bonds	31,167,494	33,626,279	1,140,487	4,205,977	20,865,177	7,414,638
Derivative financial liabilities	830,890	836,676	64,613	36,561	703,798	31,704
Trade payables	6,062,288	6,062,288	5,942,988	118,588	712	-
Lease liabilities	5,665,951	5,913,805	208,870	2,047,586	2,773,772	883,577
Other liabilities	11,366,332	12,061,025	9,118,084	1,373,126	1,185,859	383,956
	<u>₩ 73,187,179</u>	<u>₩ 77,466,552</u>	<u>₩ 19,252,441</u>	<u>₩ 12,905,749</u>	<u>₩ 35,687,964</u>	<u>₩ 9,620,398</u>

### 38.1.4 Market risk

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

### 38.1.4.1 Currency risk

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

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

	Currency	December 31, 2020		December 31, 2019	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets	USD	4,399,956	₩ 4,787,152	6,397,693	₩ 7,407,249
	JPY	16,926,984	178,454	15,334,962	163,083
	CNY	2,995,196	500,078	2,740,998	454,293
	EUR	352,292	471,451	183,935	238,642
	Others		437,237		332,025
			₩ 6,374,372		₩ 8,595,292
Liabilities	USD	6,966,664	₩ 7,579,730	9,848,768	₩ 11,402,904
	JPY	12,517,757	131,970	5,273,049	56,077
	CNY	2,773,350	463,039	1,968,261	326,220
	EUR	376,452	503,783	207,774	269,572
	Others		559,060		535,864
			₩ 9,237,582		₩ 12,590,637

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

Currency	December 31, 2020		December 31, 2019	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
USD	₩ (279,258)	₩ 279,258	₩ (399,566)	₩ 399,566
JPY	4,648	(4,648)	10,701	(10,701)
CNY	3,704	(3,704)	12,807	(12,807)
EUR	(3,233)	3,233	(3,093)	3,093

The Group is hedging currency risk by using derivative financial instruments such as currency swaps, currency forwards and others (See Note 21).

### 38.1.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. As of December 31, 2020, floating-rate bonds payable and floating-rate borrowings are ₩6,170,314 million (December 31, 2019: ₩5,140,029 million). The Group's management has entered into the foreign currency swap and interest rate swap contracts to manage its interest rate risk (See Note 21).

When all other variables are fixed and the interest rates are changed for the years ended December 31, 2020 and 2019, the effects of interest expense by fluctuated interest-bearing loan are as follows (Korean won in millions):

	For the years ended			
	December 31, 2020		December 31, 2019	
Interest expenses	100 basis point increase	₩ 61,703	100 basis point increase	₩ 51,400



### 38.1.4.3 Crude oil and petroleum product price risk

Crude oil and petroleum product price risk is the risk that profit or cash flow will fluctuate because of changes in international market prices of crude oil and petroleum products. The Group manages these risks to maintain stable margins through the use of fixed-price contracts with customers and derivative contracts of fluctuations in fair values according to changes in international market prices. Key management of the Group determined that the risk from changes in the price of crude oil and petroleum products and the risk to fluctuations in fair values are approximately managed.

### 38.1.5 Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized for which offset agreements are applicable as of December 31, 2020 and 2019 is as follows (Korean won in millions):

	December 31, 2020					
	Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented in the consolidated statement of financial position	Relevant amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collaterals received	
Financial assets:						
Trade receivables and other receivables	₩ 317,332	₩ (203,403)	₩ 113,929	₩ -	₩ -	₩ 113,929
Derivatives (*1)	8,015	-	8,015	(453)	-	7,562
	<u>₩ 325,347</u>	<u>₩ (203,403)</u>	<u>₩ 121,944</u>	<u>₩ (453)</u>	<u>₩ -</u>	<u>₩ 121,491</u>
Financial liabilities:						
Other payables and other liabilities	₩ 301,996	₩ (203,403)	₩ 98,593	₩ -	₩ -	₩ 98,593
Derivatives (*1)	453	-	453	(453)	-	-
	<u>₩ 302,449</u>	<u>₩ (203,403)</u>	<u>₩ 99,046</u>	<u>₩ (453)</u>	<u>₩ -</u>	<u>₩ 98,593</u>

(\*1) Derivatives are subject to enforceable master netting arrangement in accordance with ISDA (International Swaps and Derivative Association).

	December 31, 2019					
	Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented in the consolidated statement of financial position	Relevant amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collaterals received	
Financial assets:						
Trade receivables and other receivables	₩ 102,240	₩ (100,895)	₩ 1,345	₩ -	₩ -	₩ 1,345
Financial liabilities:						
Other payables and other liabilities	₩ 100,895	₩ (100,895)	₩ -	₩ -	₩ -	₩ -

## 38.2 Capital risk management

The fundamental goal of capital management is to keep a sound financial structure. The Group is using the debt ratio, calculated as total debt divided by total amount of capital, as an indicator of capital management. The Group maintains a debt ratio of 165.4% as of December 31, 2020. The maturity of the debt is dispersed in the long term; so, debt-repayments are not demanding.

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

	December 31, 2020		December 31, 2019	
Total liabilities	₩	85,778,459	₩	80,435,391
Total equity		51,859,918		52,176,032
Debt ratio		165.4%		154.2%

### **39. Business combination**

As of December 31, 2020, details of business combination are as follows.

#### **(1) General information**

SKC Co., Ltd., a subsidiary of the Group, gained control by acquiring 100% of shares in SK Nexilis Co., Ltd. on January 1, 2020 as deemed acquisition date through SKCFT Holdings Co., Ltd. With control of SK Nexilis Co., Ltd., the Group expects to be able to enter and expand into a scalable mobility business.

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

SK Global Chemical Co., Ltd. a subsidiary of the Group, decided to acquire the France based functional polymer businesses and tangible and intangible assets held by Arcema FranceSA in accordance with the resolution of the board of directors on October 14, 2019, and the acquisition was completed during the current period. The Group expects to enter the functional polymer business and diversify its business portfolio into high value-added packaging.

On April 30, 2020, SK Broadband Co., Ltd. merged with Tbroad Co., Ltd., Tbroad Dongdaemun Broadcasting Co., Ltd. and Korea Digital Cable Media Center Co., Ltd. to improve competitiveness and synergy as a comprehensive media business. The consideration transferred for the business combination was calculated at fair value as of the merger base date of the shares granted according to the merger ratio.

SK Telecom Co., Ltd., a subsidiary of the Group, gained control by acquiring 55% (627,000 shares) of Tbroad Nowon Broadcasting Co., Ltd. and changed its name from Tbroad Nowon Broadcasting Co., Ltd. to Broadband Nowon Broadcasting Co., Ltd. The consideration transferred for the business combination of ₩10,421 million was all paid in cash, and the difference between the identifiable net asset fair value and the consideration transferred of ₩733 million was fully recognized as gain on bargain purchase.

SK Engineering & Construction Co., Ltd., a subsidiary of the Group, acquired a 100% stake in Environment Management Corporation for the purpose of growing its new business. In preparation of the consolidated financial statements, the Group has deemed the acquisition date to be December 31, 2020, and accordingly, the accompanying consolidated financial statements for the year ended December 31, 2020 do not include sales and net profit related to additional projects created by Environment Management Corporation.

The above business combinations occurred for the year ended December 31, 2020, were accounted for using the acquisition method, and the consolidated financial statements include the financial performance of the acquiree from the acquisition date to December 31, 2020.

### 39. Business combination (cont'd)

#### (2) Identifiable assets acquired and liabilities assumed

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

	SK Nexilis Co., Ltd.	SiC Wafer business	Arkema France SA functional polymer business	Tbroad Co., Ltd. and others	Tbroad Co., Ltd. Nowon Broadcasting	Environment Management Corporation Co., Ltd.
<b>Assets:</b>						
Cash and cash equivalents	₩ 33,943	₩ -	₩ -	₩ 110,644	₩ 18,106	₩ 21,753
Trade and other receivables	57,445	-	3,785	66,241	1,122	59,662
Inventories	40,938	7,421	58,992	-	-	1,459
Property, plant and equipment	250,175	37,929	68,793	237,348	1,705	102,838
Right-of-use assets	1,252	67,517	-	8,306	79	2,451
Intangible assets	390,409	218,011	169,091	423,515	360	79,338
Other assets	6,795	-	-	73,500	595	80,801
<b>Liabilities:</b>						
Trade and other payables	64,837	-	-	105,179	1,351	39,342
Borrowing liabilities	176,295	-	-	-	-	308,976
Lease liabilities	1,383	67,517	-	8,307	71	2,500
Current tax liabilities	6,738	-	-	18,065	-	5,806
Deferred tax liabilities	89,990	-	-	(1,296)	-	7,073
Defined benefit liabilities	1,371	-	2,959	30	-	170
Other non-current liabilities	1,938	-	3,296	11,777	265	27,706
<b>Fair value of identifiable net assets</b>	<b>₩ 438,405</b>	<b>₩ 263,361</b>	<b>₩ 294,406</b>	<b>₩ 777,492</b>	<b>₩ 20,280</b>	<b>₩ (43,271)</b>

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

#### (3) Goodwill

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

	SK Nexilis Co., Ltd.	SiC Wafer business	Arkema France SA functional polymer business	Tbroad Co., Ltd. and others	Tbroad Co., Ltd. Nowon Broadcasting	Environment Management Corporation Co., Ltd.
a. The total consideration transferred receivables	₩ 1,190,000	₩ 549,250	₩ 448,757	₩ 1,183,131	₩ 10,421	₩ 670,384
b. Fair value of proportionate share of acquired net assets						
Fair value of the net identifiable assets	438,405	263,361	294,406	777,492	20,280	(43,271)
Non-controlling Interests	-	-	-	-	(9,126)	(1,206)
c. Goodwill (c=a-b) (Profit from bargain Purchase)	751,595	285,889	154,351	405,639	(733)	714,861

### 39. Business combination (cont'd)

As of December 31, 2019, details of business combination are as follows.

#### (1) General information

SK Networks Co., Ltd., a subsidiary, acquired 9,353,660 shares (equity ownership of 42.24%) of SK Rent-a-Car Co., Ltd.'s ordinary share on January 2, 2019 according to the Board of Directors resolution on September 21, 2018 to enhance competitiveness and accelerate growth of its future mobility business through the reorganization of the rental car industry. Meanwhile, the acquisition was accounted for by the acquisition method, and the consolidated financial statements contain financial performance of the SK Rent-a-Car Co., Ltd. (formely, AJ Rent a Car Co., Ltd.) from the acquisition date to the end of the current period.

#### (2) Identifiable assets acquired and liabilities assumed

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

	<u>AJ Rent a Car Co., Ltd</u>
Current assets:	₩ 94,880
Cash and cash equivalents	23,202
Trade and other receivables	54,117
Inventories	7,788
Other current assets	9,773
Non-current assets:	1,173,753
Property, plant and equipment	1,034,434
Right-of-use assets	72,532
Intangible assets	25,358
Other non-current assets	41,429
Current liabilities:	624,390
Trade and other payables	53,006
Current lease liabilities	27,062
Other current liabilities	544,322
Non-current liabilities:	378,407
Lease liabilities	46,891
Deferred tax liabilities	1,265
Other non-current liabilities	330,251
Fair value of identifiable net assets	<u>₩ 265,836</u>

2) Valuation techniques used for remeasurement at fair value of acquired significant assets and liabilities are as follow:

Acquired Assets	Measurement of fair value
Property, plant and equipment	Market approach or cost approach: The Group determines the fair value reflecting on the created price in the available market transactions of similar assets or on the replacement cost considering the appropriate functional and economic obsolescence as well as the physical deterioration degree.
Intangible assets	Relief from royalty method: The Group determines the fair value of intangible assets by using relief from royalty method considering the royalty discount that is expected to be avoided by the retention of the patents or trademarks directly.
Bonds payable and borrowings	Effective interest method: The Group determines the fair value by discounting future cash flows at an effective interest rate considering unsecured discount rate corresponding to current credit rating as of assessment date.

**39. Business combination (cont'd)**

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

		SK Rent-a-Car Co., Ltd.
a. The total consideration transferred	₩	295,809
b. Fair value of proportionate share of acquired net assets:		
Fair value of the net identifiable assets		265,836
Non-controlling interests (*1)		(153,547)
		<u>112,289</u>
c. Goodwill (c=a-b)	₩	<u>183,520</u>

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

4) The consolidated financial statements for the years ended December 31, 2019 include sales of ₩640,883 million and profit for the year of ₩15,575 million related to additional business generated by the subsidiary, acquired by the business combination after the acquisition date.

#### 40. Changes in accounting policies

The Group changed its accounting policies relating to its determination of lease term in accordance with the interpretation of the 'Lease Term and Useful Life of Leasehold Improvements' published by the IFRS Interpretations Committee on 16 December 2019.

Before the changes in accounting policies, the Group accounted for the extension and termination of the contract with the interpretation that the right to extend and terminate the contract is not enforceable if other party's consent is required. After the changes, the lease period includes the period of which the lessee is reasonably certain to exercise the extension option and the period of which the termination option is not reasonably certain to be exercised. The Group considered payments of penalties for terminating the lease when assessing the possibility to exercise extension option. The Group has retrospectively applied the changes in accordance with KIFRS 1008 and restated the consolidated financial statements for the year ended December 31, 2019 and the consolidated statement of financial position as of January 1, 2019.

Adjustments based on the changes in accounting policies in the consolidated financial statements are as follows:

##### (1) Consolidated statements of financial position (Korean won in millions)

	December 31, 2019			January 1, 2019		
	Before the change	Policy change amount	After the change	Before the change (*1)	Policy change amount	After the change
<b>Assets</b>						
Prepaid expenses	₩ 4,302,705	₩ (13,424)	₩ 4,289,281	₩ 3,777,226	₩ (36,845)	₩ 3,740,381
Lease receivables	76,922	5,074	81,996	152,567	12,802	165,369
Deposits received	1,004,267	(82)	1,004,185	246,008	(2,216)	243,792
Property, plant and equipment	42,846,379	(18,052)	42,828,327	39,712,964	(18,682)	39,694,282
Intangible assets	12,067,786	-	12,067,786	13,807,714	-	13,807,714
Right-of-use assets	4,543,546	617,232	5,160,778	4,060,026	237,000	4,297,026
Other assets	67,179,071	(1)	67,179,070	61,243,397	54	61,243,451
	<u>₩132,020,676</u>	<u>₩ 590,747</u>	<u>₩132,611,423</u>	<u>₩ 122,999,902</u>	<u>₩ 192,113</u>	<u>₩ 123,192,015</u>
<b>Liabilities</b>						
Accrued expenses	₩ 3,329,947	₩ (418)	₩ 3,329,529	₩ 3,109,033	₩ (1,389)	₩ 3,107,644
Other payables	5,526,193	-	5,526,193	5,468,818	-	5,468,818
Provisions	794,699	21,932	816,631	625,209	20,319	645,528
Lease liabilities	4,069,243	578,268	4,647,511	3,605,397	180,456	3,785,853
Deferred tax liabilities	5,493,581	(2,434)	5,491,147	5,482,963	(1,881)	5,481,082
Other liabilities	60,624,378	2	60,624,380	53,838,031	1	53,838,032
	<u>₩ 79,838,041</u>	<u>₩ 597,350</u>	<u>₩ 80,435,391</u>	<u>₩ 72,129,451</u>	<u>₩ 197,506</u>	<u>₩ 72,326,957</u>
<b>Equity</b>						
Retained earnings	₩ 12,558,584	₩ (2,000)	₩ 12,556,584	₩ 12,216,093	₩ (1,634)	₩ 12,214,459
Non-controlling interests	35,496,866	(4,603)	35,492,263	34,244,161	(3,759)	34,240,402
Other components of equity	4,127,185	-	4,127,185	4,410,197	-	4,410,197
	<u>₩ 52,182,635</u>	<u>₩ (6,603)</u>	<u>₩ 52,176,032</u>	<u>₩ 50,870,451</u>	<u>₩ (5,393)</u>	<u>₩ 50,865,058</u>

(\*1) Amounts after the initial application of KIFRS 1116

#### 40. Changes in accounting policies (cont'd)

(2) Consolidated statements of comprehensive income (Korean won in millions)

	2019			
	Before the change	Policy change amount	Adjustment of discontinued profit or loss (*1)	After the change
Sales	₩ 99,264,574	₩ (2,987)	₩ (1,450,046)	₩ 97,811,541
Cost of sales	90,206,178	(1,183)	(1,179,468)	89,025,527
Gross profit	9,058,396	(1,804)	(270,578)	8,786,014
Selling and administrative expenses	5,108,532	-	(58,392)	5,050,140
Operating profit	3,949,864	(1,804)	(212,186)	3,735,874
Finance income	3,419,183	178	(46,408)	3,372,953
Finance costs	4,794,438	8,198	(41,455)	4,761,181
Share of profit of associates and joint ventures, net	595,981	-	775	596,756
Other non-operating income	877,093	(408)	(791)	875,894
Other non-operating expenses	1,271,115	(8,577)	(278,045)	984,493
Profit from continuing operations before income tax expense	2,776,568	(1,655)	60,890	2,835,803
Income tax expense from continuing operations	1,075,631	(445)	(68,786)	1,006,400
Profit for the year from continuing operations	1,700,937	(1,210)	129,676	1,829,403
Gain (loss) from discontinued operations	(93,688)	-	(129,676)	(223,364)
Profit for the year attributable to:	1,607,249	(1,210)	-	1,606,039
Owners of the parent	717,270	(366)	-	716,904
Non-controlling interests	889,979	(844)	-	889,135
Total comprehensive income for the year	1,887,760	(1,210)	-	1,886,550
attributable to:				
Owners of the parent	927,303	(366)	-	926,937
Non-controlling interests	960,457	(844)	-	959,613
Earnings per share (Korean won)				
Basic earnings per share	12,917	(7)	-	12,910
Basic earnings per share from continuing operations	13,601	(7)	790	14,384

(\*1) The Group decided to discontinue EVA and Back Sheet solar energy businesses during the current year, and retrospectively modified the effects on profit or loss of discontinued operations (See Note 30).

(3) Consolidated statements of changes in equity

The consolidated statements of changes in equity have been restated in relation to the modification to the consolidated statement of financial position and consolidated statement of comprehensive income above.

(4) Consolidated statements of cash flows

	2019		
	Before the change	Amounts based on the changes in accounting policies	After the change
A. Cash flows from operating activities	₩ 7,978,837	₩ 48,902	₩ 8,027,739
B. Cash flows from investing activities	(10,686,502)	939	(10,685,563)
C. Cash flows from financing activities	3,868,453	(49,840)	3,818,613

#### **41. Subsequent events**

##### **41.1 Acquisition of equity of Hana Land Chip PEF 33**

According to the resolution of the board of directors on December 22, 2020, the Company acquired 103,000 million (35%) stake in Hana Land Chip PEF 33 on January 5, 2021. As a result, Hana Land Chip PEF 33 has been reclassified from investments in joint ventures to investments in subsidiaries.

##### **41.2 Disposal of stake in SK Wyverns Co., Ltd.**

On January 26, 2021, the Group signed a memorandum of understanding to sell all of SK Wyverns Co., Ltd.'s common shares (1,000,000 shares) and land and buildings to E-Mart Co., Ltd. for ₩100,000 million and ₩35,280 million, respectively. Accordingly, stock sales contract was signed with E-Mart Co., Ltd. on February 23, 2021, and sales contract for land and buildings was signed on February 26, 2021.

##### **41.3 SK Innovation Co., Ltd.'s litigation**

The U.S. International Trade Commission decided to ban imports from the U.S. for 10 years on February 10, 2021 by citing Initial Determination for a trade secret lawsuit filed by LG Chem, Ltd. and LG Energy Solution, Ltd. against SK Innovation Co., Ltd. and SK Battery America, Inc. on April 29, 2019 (See Note 34 'Commitments and contingencies').

##### **41.4 Disposal of a portion of shares in SK Biopharmaceuticals Co., Ltd.**

On February 24, 2021, the Group disposed of 8,600,000 shares of its subsidiary, SK Biopharmaceuticals Co., Ltd. (disposal amount: ₩1,116,280 million) in a Block Deal, according to the resolution of the board of directors on February 23, 2021. As a result, the stake in SK Biopharmaceuticals Co., Ltd. fell to 64.02%.

##### **41.5 Equity investment in Plug Power Inc.**

The Group invested a total of USD 1,610 million in Plug Power Inc., which is a promising technology company in the global hydrogen industry in February 2021.