



SK Inc. **and its subsidiaries**

Consolidated financial statements
for the years ended December 31, 2021 and 2020
with the 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, 2021 and 2020, 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, 2021 and 2020, 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 lives

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 ₩5,618,511 million and intangible assets with indefinite useful life (brand-related assets) of ₩2,634,144 million as of December 31, 2021.

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 the physical security service business 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 lives 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 lives, we determined impairment testing of goodwill related to the acquisition of physical security service business and SK brand-related assets to be 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
- Evaluated 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
- Evaluated 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 11, 2022

This audit report is effective as of March 11, 2022, 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, 2021 and 2020

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

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

SK Inc. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2021 and 2020

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

| | Notes | Korean won | | Translation into U.S. dollar (Note 2) | |
|--|---------------------|----------------------|----------------------|--|-----------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | 6,35,37,38 | ₩ 12,317,555 | ₩ 10,096,940 | \$ 10,390,177 | \$ 8,517,031 |
| Short-term financial instruments | 6,35,37 | 6,124,750 | 4,483,815 | 5,166,385 | 3,782,214 |
| Trade receivables, net | 6,7,35,38 | 11,387,442 | 8,871,416 | 9,605,603 | 7,483,270 |
| Other receivables, net | 6,38 | 2,419,559 | 1,631,397 | 2,040,961 | 1,376,126 |
| Inventories, net | 8,38 | 10,680,704 | 6,179,497 | 9,009,451 | 5,212,566 |
| Short-term investment securities | 6,9,35,38 | 353,355 | 150,669 | 298,064 | 127,093 |
| Other current assets | 6,20,21,32,35,37,38 | 4,879,645 | 4,674,218 | 4,116,107 | 3,942,824 |
| Assets held for sale | 31 | 1,030,196 | 1,964,345 | 868,997 | 1,656,976 |
| Total current assets | | 49,193,206 | 38,052,297 | 41,495,745 | 32,098,100 |
| Non-current assets: | | | | | |
| Long-term financial instruments | 6,35,37 | 48,092 | 13,708 | 40,567 | 11,563 |
| Long-term trade receivables, net | 6,7,38 | 391,739 | 274,789 | 330,442 | 231,792 |
| Long-term other receivables, net | 6,38 | 318,884 | 341,099 | 268,987 | 287,726 |
| Long-term investment securities | 6,9,35,38 | 9,546,185 | 4,356,009 | 8,052,455 | 3,674,407 |
| Investments in associates and joint ventures | 10,35 | 26,050,445 | 21,018,963 | 21,974,226 | 17,730,040 |
| Properties, plant and equipment, net | 11,32,35 | 51,406,239 | 45,895,594 | 43,362,496 | 38,714,124 |
| Right-of-use assets, net | 12 | 5,034,316 | 6,178,480 | 4,246,576 | 5,211,708 |
| Investment properties, net | 13,35 | 967,128 | 569,156 | 815,798 | 480,098 |
| Goodwill | 14 | 5,618,511 | 4,454,730 | 4,739,360 | 3,757,680 |
| Intangible assets, net | 15 | 12,681,890 | 12,041,277 | 10,697,503 | 10,157,129 |
| Deferred tax assets | 27 | 765,000 | 1,165,308 | 645,297 | 982,968 |
| Other non-current assets | 6,19,20,21,32,37,38 | 3,359,226 | 3,306,496 | 2,833,594 | 2,789,115 |
| Total non-current assets | | 116,187,655 | 99,615,609 | 98,007,301 | 84,028,350 |
| Total assets | | ₩ 165,380,861 | ₩ 137,667,906 | \$ 139,503,046 | \$ 116,126,450 |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Short-term borrowings | 6,7,16,33,35,38 | ₩ 7,657,381 | ₩ 6,201,430 | \$ 6,459,199 | \$ 5,231,067 |
| Trade payables | 6,38 | 9,519,544 | 6,061,576 | 8,029,982 | 5,113,097 |
| Other payables | 6,17,38 | 7,049,872 | 5,727,171 | 5,946,750 | 4,831,017 |
| Provisions | 18 | 530,049 | 634,979 | 447,110 | 535,621 |
| Current portion of long-term debt | 6,16,33,34,35,38 | 7,828,071 | 6,216,778 | 6,603,181 | 5,244,013 |
| Other current liabilities | 6,20,21,32,38 | 11,991,798 | 12,075,462 | 10,115,393 | 10,185,965 |
| Liabilities held for sale | 31 | 398,144 | 295,301 | 335,845 | 249,094 |
| Total current liabilities | | 44,974,859 | 37,212,697 | 37,937,460 | 31,389,874 |
| Non-current liabilities: | | | | | |
| Bonds payable and long-term borrowings | 6,16,33,34,35,38 | 42,620,141 | 36,843,510 | 35,951,194 | 31,078,456 |
| Long-term trade payables | 6,38 | - | 712 | - | 601 |
| Long-term other payables | 6,17,33,34,38 | 1,854,343 | 1,168,784 | 1,564,186 | 985,900 |
| Defined benefit liabilities | 19 | 283,938 | 436,965 | 239,509 | 368,591 |
| Provisions | 18 | 706,452 | 302,422 | 595,911 | 255,101 |
| Deferred tax liabilities | 27 | 3,807,437 | 4,572,189 | 3,211,672 | 3,856,760 |
| Other non-current liabilities | 6,20,21,32,38 | 5,568,542 | 5,270,709 | 4,697,211 | 4,445,981 |
| Total non-current liabilities | | 54,840,853 | 48,595,291 | 46,259,683 | 40,991,390 |
| Total liabilities | | 99,815,712 | 85,807,988 | 84,197,143 | 72,381,264 |
| Equity | | | | | |
| Equity attributable to owners of the parent: | | | | | |
| Issued capital | 1,22 | 16,143 | 15,385 | 13,617 | 12,978 |
| Other paid-in capital | 22 | 6,445,296 | 5,250,146 | 5,436,774 | 4,428,634 |
| Retained earnings | 22 | 14,065,642 | 12,496,676 | 11,864,734 | 10,541,270 |
| Other components of equity | 22 | 721,262 | (327,163) | 608,403 | (275,970) |
| Total equity attributable to owners of the parent | | 21,248,343 | 17,435,044 | 17,923,528 | 14,706,912 |
| Non-controlling interests | | 44,316,806 | 34,424,874 | 37,382,375 | 29,038,274 |
| Total equity | | 65,565,149 | 51,859,918 | 55,305,903 | 43,745,186 |
| Total liabilities and equity | | ₩ 165,380,861 | ₩ 137,667,906 | \$ 139,503,046 | \$ 116,126,450 |

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

SK Inc. and its subsidiaries
Consolidated statements of comprehensive income (loss)
for the years ended December 31, 2021 and 2020

(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) | |
|---|-------|--------------------|--------------------|--|---------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Sales | 4 | ₩ 98,325,016 | ₩ 80,818,755 | \$ 82,939,701 | \$ 68,172,716 |
| Cost of sales | 26 | <u>87,258,840</u> | <u>75,442,024</u> | <u>73,605,095</u> | <u>63,637,304</u> |
| Gross profit | | 11,066,176 | 5,376,731 | 9,334,606 | 4,535,412 |
| Selling and administrative expenses | 23,26 | <u>6,130,637</u> | <u>5,453,625</u> | <u>5,171,351</u> | <u>4,600,274</u> |
| Operating profit (loss) | 4 | 4,935,539 | (76,894) | 4,163,255 | (64,862) |
| Finance income | 6,24 | 3,583,466 | 4,996,045 | 3,022,747 | 4,214,294 |
| Finance costs | 6,24 | 5,035,174 | 5,877,886 | 4,247,300 | 4,958,149 |
| Gain on investments in associates and joint ventures, net | 10 | 1,924,360 | 799,698 | 1,623,248 | 674,566 |
| Other non-operating income | 6,25 | 2,549,603 | 1,828,987 | 2,150,656 | 1,542,798 |
| Other non-operating expenses | 6,25 | <u>1,930,960</u> | <u>1,638,206</u> | <u>1,628,815</u> | <u>1,381,869</u> |
| Profit from continuing operations before income tax expense | 4 | 6,026,834 | 31,744 | 5,083,791 | 26,778 |
| Income tax expense from continuing operations | 27 | 628,305 | 266,719 | 529,992 | 224,985 |
| Profit (loss) for the year from continuing operations | 4 | 5,398,529 | (234,975) | 4,553,799 | (198,207) |
| Gain (loss) from discontinued operations | 30 | 319,895 | 126,543 | 269,840 | 106,742 |
| Profit (loss) for the year | | <u>₩ 5,718,424</u> | <u>₩ (108,432)</u> | <u>\$ 4,823,639</u> | <u>\$ (91,465)</u> |
| Attributable to: | | | | | |
| Owners of the parent | | 1,970,204 | 189,368 | 1,661,918 | 159,737 |
| Non-controlling interests | | 3,748,220 | (297,800) | 3,161,721 | (251,202) |
| Other comprehensive income (loss): | | | | | |
| Items that will not be reclassified to profit or loss in subsequent periods (net of tax): | | | | | |
| Remeasurement gain (loss) on defined benefit plans | | 15,153 | (14,324) | 12,781 | (12,083) |
| Net gain on valuation of financial assets at FVOCI | | 968,949 | 721,423 | 817,334 | 608,539 |
| Items that may be reclassified to profit or loss in subsequent periods (net of tax): | | | | | |
| Equity adjustments of investments in associates and joint ventures | | 449,875 | (246,548) | 379,481 | (207,970) |
| Gain on valuation of derivative financial instruments | | 152,878 | 7,753 | 128,957 | 6,540 |
| Net gain (loss) on translation of foreign operations | | <u>1,397,842</u> | <u>(845,694)</u> | <u>1,179,115</u> | <u>(713,364)</u> |
| | | <u>2,984,697</u> | <u>(377,390)</u> | <u>2,517,668</u> | <u>(318,338)</u> |
| Total comprehensive income (loss) for the year | | <u>₩ 8,703,121</u> | <u>₩ (485,822)</u> | <u>\$ 7,341,307</u> | <u>\$ (409,803)</u> |
| Attributable to: | | | | | |
| Owners of the parent | | 3,018,428 | (161,768) | 2,546,121 | (136,455) |
| Non-controlling interests | | 5,684,693 | (324,054) | 4,795,186 | (273,348) |
| Earnings per share (Korean won and U.S. dollar): | 28 | | | | |
| Basic earnings per share | | ₩ 37,408 | ₩ 3,544 | \$ 32 | \$ 3 |
| Diluted earnings per share | | 37,332 | 3,541 | 31 | 3 |
| Basic earnings per share from continuing operations | | 34,754 | 2,456 | 29 | 2 |
| Diluted earnings per share from continuing operations | | 34,683 | 2,453 | 29 | 2 |

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, 2021 and 2020
(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 |
|--|----------------|-----------------------|-------------------|----------------------------|---|---------------------------|--------------|
| | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ |
| As of January 1, 2020 | ₩ 15,385 | ₩ 4,074,176 | ₩ 12,556,584 | ₩ 37,624 | ₩ 16,583,769 | ₩ 35,482,263 | ₩ 52,176,032 |
| Total comprehensive income (loss): | | | | | | | |
| Profit (loss) for the year | - | - | 189,368 | - | 189,368 | (297,800) | (108,432) |
| Remeasurement 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 on valuation of derivative financial instruments | - | - | - | 18,951 | 18,951 | (11,198) | 7,753 |
| Net loss on translation of foreign operations | - | - | - | (413,012) | (413,012) | (432,682) | (845,694) |
| Transaction with shareholders recognized directly to equity: | | | | | | | |
| Dividends | - | - | (264,372) | - | (264,372) | (942,181) | (1,206,553) |
| Equity transactions within the Group | - | 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) |
| As of December 31, 2020 | ₩ 15,385 | ₩ 5,250,146 | ₩ 12,496,676 | ₩ (327,163) | ₩ 17,435,044 | ₩ 34,424,874 | ₩ 51,859,918 |
| As of January 1, 2021 | ₩ 15,385 | ₩ 5,250,146 | ₩ 12,496,676 | ₩ (327,163) | ₩ 17,435,044 | ₩ 34,424,874 | ₩ 51,859,918 |
| Total comprehensive income (loss): | | | | | | | |
| Profit for the year | - | - | 1,970,204 | - | 1,970,204 | 3,748,220 | 5,718,424 |
| Remeasurement gain on defined benefit plans | - | - | 5,212 | - | 5,212 | 9,941 | 15,153 |
| Net gain (loss) on valuation of financial assets at FVOCI | - | - | (5,413) | 132,261 | 126,848 | 842,101 | 968,949 |
| Equity adjustments of investments in associates and joint ventures | - | - | - | 136,763 | 136,763 | 313,112 | 449,875 |
| Net gain (loss) on valuation of derivative financial instruments | - | - | - | (11,510) | (11,510) | 164,388 | 152,878 |
| Net gain on translation of foreign operations | - | - | - | 790,911 | 790,911 | 606,931 | 1,397,842 |
| Transaction with shareholders recognized directly to equity: | | | | | | | |
| Dividends | - | - | (396,563) | - | (396,563) | (986,617) | (1,383,180) |
| Paid-in capital increase | 758 | 1,003,336 | - | - | 1,004,094 | - | 1,004,094 |
| Equity transactions within the Group | - | 186,506 | - | - | 186,506 | 5,195,959 | 5,382,465 |
| Changes in the scope of consolidation | - | - | - | - | - | 6,363 | 6,363 |
| Others | - | 5,308 | (4,474) | - | 834 | (8,466) | (7,632) |
| As of December 31, 2021 | ₩ 16,143 | ₩ 6,445,296 | ₩ 14,065,642 | ₩ 721,262 | ₩ 21,248,343 | ₩ 44,316,806 | ₩ 65,565,149 |

(Continued)

SK Inc. and its subsidiaries
Consolidated statements of changes in equity
for the years ended December 31, 2021 and 2020 (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 |
|--|----------------|-----------------------|-------------------|----------------------------|---|---------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| As of January 1, 2020 | 12,978 | 3,436,673 | 10,591,804 | 31,737 | 14,073,192 | 29,938,644 | 44,011,836 |
| Total comprehensive income (loss): | | | | | | | |
| Profit (loss) for the year | - | - | 159,737 | - | 159,737 | (251,202) | (91,465) |
| Remeasurement loss on defined benefit plans | - | - | (17,165) | - | (17,165) | 5,082 | (12,083) |
| Net gain on valuation of financial assets at FVOCI | - | - | 28,680 | 169,981 | 198,661 | 409,878 | 608,539 |
| Equity adjustments of investments in associates and joint ventures | - | - | - | (145,288) | (145,288) | (62,682) | (207,970) |
| Net gain on valuation of derivative financial instruments | - | - | - | 15,986 | 15,986 | (9,446) | 6,540 |
| Net loss on translation of foreign operations | - | - | - | (348,386) | (348,386) | (364,978) | (713,364) |
| Transaction with shareholders recognized directly to equity: | | | | | | | |
| Dividends | - | - | (223,005) | - | (223,005) | (794,754) | (1,017,759) |
| Equity transactions within the Group | - | 993,757 | - | - | 993,757 | 257,291 | 1,251,048 |
| Changes in the scope of consolidation | - | - | - | - | - | (89,342) | (89,342) |
| Others | - | (1,796) | 1,219 | - | (577) | (217) | (794) |
| As of December 31, 2020 | 12,978 | 4,428,634 | 10,541,270 | (275,970) | 14,706,912 | 29,038,274 | 43,745,186 |
| As of January 1, 2021 | 12,978 | 4,428,634 | 10,541,270 | (275,970) | 14,706,912 | 29,038,274 | 43,745,186 |
| Total comprehensive income (loss): | | | | | | | |
| Profit for the year | - | - | 1,661,918 | - | 1,661,918 | 3,161,721 | 4,823,639 |
| Remeasurement gain on defined benefit plans | - | - | 4,396 | - | 4,396 | 8,385 | 12,781 |
| Net gain (loss) on valuation of financial assets at FVOCI | - | - | (4,566) | 111,566 | 107,000 | 710,334 | 817,334 |
| Equity adjustments of investments in associates and joint ventures | - | - | - | 115,363 | 115,363 | 264,118 | 379,481 |
| Net gain (loss) on valuation of derivative financial instruments | - | - | - | (9,709) | (9,709) | 138,666 | 128,957 |
| Net gain on translation of foreign operations | - | - | - | 667,153 | 667,153 | 511,962 | 1,179,115 |
| Transaction with shareholders recognized directly to equity: | | | | | | | |
| Dividends | - | - | (334,511) | - | (334,511) | (832,237) | (1,166,748) |
| Paid-in capital increase | 639 | 846,340 | - | - | 846,979 | - | 846,979 |
| Equity transactions within the Group | - | 157,323 | - | - | 157,323 | 4,382,926 | 4,540,249 |
| Changes in the scope of consolidation | - | - | - | - | - | 5,367 | 5,367 |
| Others | - | 4,477 | (3,773) | - | 704 | (7,141) | (6,437) |
| As of December 31, 2021 | 13,617 | 5,436,774 | 11,864,734 | 608,403 | 17,923,528 | 37,382,375 | 55,305,903 |

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, 2021 and 2020
(Korean won in millions and U.S. dollar in thousands)

| Notes | Korean won | | Translation into U.S. dollar (Note 2) | |
|--|---------------------|---------------------|--|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flows from operating activities: | | | | |
| Profit (loss) for the year | ₩ 5,718,424 | ₩ (108,432) | \$ 4,823,639 | \$ (91,465) |
| Non-cash adjustments | 33 7,472,183 | 8,504,582 | 6,302,980 | 7,173,836 |
| Working capital adjustments | 33 (4,101,511) | 3,520,458 | (3,459,731) | 2,969,598 |
| Interest received | 183,838 | 172,418 | 155,072 | 145,439 |
| Interest paid | (1,442,700) | (1,455,063) | (1,216,955) | (1,227,383) |
| Dividends received | 303,314 | 303,677 | 255,853 | 256,159 |
| Income tax paid | (2,008,378) | (1,243,029) | (1,694,119) | (1,048,527) |
| Net cash provided by operating activities | 6,125,170 | 9,694,611 | 5,166,739 | 8,177,657 |
| Cash flows from investing activities: | | | | |
| Decrease (increase) in short-term and long-term financial instruments, net | (1,597,804) | (820,922) | (1,347,789) | (692,469) |
| Decrease (increase) in short-term and long-term loans, net | 29,949 | (81,463) | 25,263 | (68,716) |
| Decrease (increase) in short-term investment securities, net | (151,803) | 31,025 | (128,050) | 26,170 |
| Proceeds from disposal of long-term investment securities | 555,038 | 324,789 | 468,189 | 273,968 |
| Proceeds from disposal of investments in associates and joint ventures | 319,916 | 2,666,025 | 269,857 | 2,248,861 |
| Proceeds from disposal of property, plant and equipment | 350,211 | 333,514 | 295,412 | 281,328 |
| Proceeds from disposal of intangible assets | 87,058 | 82,502 | 73,436 | 69,593 |
| Proceeds from disposal of assets held for sale | 642,999 | - | 542,386 | - |
| Acquisition of long-term investment securities | (3,544,378) | (782,967) | (2,989,775) | (660,453) |
| Acquisition of investments in associates and joint ventures | (2,703,016) | (936,995) | (2,280,064) | (790,380) |
| Acquisition of property, plant and equipment | (8,749,665) | (9,238,751) | (7,380,569) | (7,793,126) |
| Acquisition of intangible assets | (722,584) | (517,999) | (609,518) | (436,946) |
| Net changes in cash due to changes in the scope of consolidation | (1,509,843) | (1,640,273) | (1,273,592) | (1,383,613) |
| Acquisition of business | (39,877) | (1,043,212) | (33,637) | (879,976) |
| Transfer of business | - | 1,277,027 | - | 1,077,205 |
| Others, net | 1,601,343 | (71,235) | 1,350,774 | (60,089) |
| Net cash used in investing activities | (15,432,456) | (10,418,935) | (13,017,677) | (8,788,643) |
| Cash flows from financing activities: | | | | |
| Increase in short-term borrowings, net | 1,279,570 | 259,281 | 1,079,350 | 218,710 |
| Increase in bonds payable and borrowings | 13,616,204 | 13,599,288 | 11,485,621 | 11,471,352 |
| Decrease in bonds payable and borrowings | (7,637,133) | (8,647,928) | (6,442,120) | (7,294,752) |
| Decrease in long-term other payables | (426,462) | (428,272) | (359,732) | (361,259) |
| Decrease in lease liabilities | (1,070,625) | (1,054,186) | (903,100) | (889,233) |
| Payment of dividends | (1,394,332) | (1,212,011) | (1,176,155) | (1,022,363) |
| Cash inflows from equity transactions within the Group | 7,317,819 | 754,797 | 6,172,770 | 636,691 |
| Others, net | (87,119) | (27,329) | (73,486) | (23,053) |
| Net cash provided by financing activities | 11,597,922 | 3,243,640 | 9,783,148 | 2,736,093 |
| Net increase in cash and cash equivalents | 2,290,636 | 2,519,316 | 1,932,210 | 2,125,107 |
| Net foreign exchange effects | 136,402 | (303,812) | 115,059 | (256,272) |
| Cash and cash equivalents included in assets held for sale | (206,423) | (100,319) | (174,123) | (84,622) |
| Cash and cash equivalents at the beginning of the year | 10,096,940 | 7,981,755 | 8,517,031 | 6,732,818 |
| Cash and cash equivalents at the end of the year | ₩ 12,317,555 | ₩ 10,096,940 | \$ 10,390,177 | \$ 8,517,031 |

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

SK Inc. and its subsidiaries
Notes to the consolidated financial statements
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1. Corporate information

1.1 Parent Company

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

Upon the acquisition of SK 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, 2021, the issued capital of the Company amounts to ₩16,143 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 17.50%, 8.38%, and 6.50%, respectively, as of December 31, 2021.

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, 2021 are as follows:

| Subsidiaries | Domicile | Principal business activity | The largest shareholders | Equity ownership (%) |
|---|-------------|---|--|----------------------|
| SK Innovation Co., Ltd. (*2) | 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 Hong Kong Co., Ltd. | Hong Kong | Investment | SK Energy Co., Ltd. | 100.00% |
| SK Energy Road Investment Co., Ltd. | Cayman | 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% |
| SK Asphalt (Shanghai) Co., Ltd. | China | Logistics | SK Energy Road Investment (HK) Co., Ltd. | 100.00% |
| goodsFLOW Co., Ltd. (*2) | Korea | Service | SK Energy Co., Ltd. | 41.00% |
| goodsCORE Co., Ltd. | Korea | Service | goodsFLOW Co., Ltd. | 100.00% |
| goodsPOST Co., Ltd. | Korea | Transportation industry | goodsFLOW Co., Ltd. | 100.00% |
| opengarden Co., Ltd. | Korea | Service | goodsFLOW Co., Ltd. | 100.00% |
| SK Geo Centric Co., Ltd. (formerly, 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 Geo Centric Co., Ltd. | 100.00% |
| SK Geo Centric China, Ltd. (formerly, SK Global Chemical China Limited) | Hong Kong | Investment | SK Geo Centric Co., Ltd. | 100.00% |
| Sino-Korea Green New Material (JiangSu) Ltd. | China | Petrochemicals sales | SK Geo Centric China, Ltd. | 100.00% |
| SK Global Chemical International Trading (Shanghai) Co., Ltd. | China | Petrochemicals sales | SK Geo Centric China, Ltd. | 100.00% |
| SK Global Chemical International Trading (Guangzhou) Co., Ltd. | China | Petrochemicals sales | SK Geo Centric Co., Ltd. | 100.00% |
| SK GC Americas, Inc. | USA | Petrochemicals sales | SK Geo Centric 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 Geo Centric Brazil LTDA | Brazil | Petrochemicals sales | SK Global Chemical Americas, Inc. | 100.00% |
| SK Geo Centric Japan Co., Ltd. (formerly, SK Global Chemical Japan Co., Ltd.) | Japan | Petrochemicals sales | SK Geo Centric Co., Ltd. | 100.00% |
| SK Geo Centric Singapore Pte. Ltd. (formerly, SK Global Chemical Singapore Pte. Ltd.) | Singapore | Petrochemicals sales | SK Geo Centric Co., Ltd. | 100.00% |
| SK Geo Centric Investment Hong Kong Ltd. (formerly, SK Global Chemical Investment Hong Kong Ltd.) | Hong Kong | Investment | SK Geo Centric Co., Ltd. | 100.00% |
| Ningbo SK Performance Rubber Co., Ltd. | China | Synthetic rubber manufacturing | SK Geo Centric Investment Hong Kong Ltd. | 80.00% |
| Happymoeum Co., Ltd. | Korea | Service | SK Geo Centric Co., Ltd. | 100.00% |
| SK Functional Polymer S.A.S | France | Petrochemicals sales | SK Geo Centric Co., Ltd. | 100.00% |
| Green & Connect Capital, Inc. | USA | Investment | SK Geo Centric 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. | 60.00% |
| 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 ie technology Co., Ltd. | Korea | Plastic film manufacturing | SK Innovation Co., Ltd. | 61.20% |
| SK Hi-tech Battery Materials(Jiang Su) Co., Ltd. | China | Separation membrane for secondary battery manufacturing | SK ie technology Co., Ltd. | 100.00% |
| SK Hi-tech Battery Materials Poland Sp. Zo.o. | Poland | Separation membrane for secondary battery manufacturing | SK ie technology Co., Ltd. | 100.00% |
| SK Innovation Insurance (Bermuda), Ltd. | Bermuda | Insurance | SK Innovation Co., Ltd. | 100.00% |

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1.2 Consolidated subsidiaries (cont'd)

| Subsidiaries | Domicile | Principal business activity | The largest shareholders | Equity ownership (*1) |
|---|-------------|---|---|-----------------------|
| SK USA, Inc. | USA | Management consulting services | SK Innovation Co., Ltd. | 100.00% |
| Blue Dragon Energy Co., Limited. | Hong Kong | battery manufacturing | SK Innovation Co., Ltd. | 100.00% |
| Jiangsu SK Battery Certification Center | China | Investment | Blue Dragon Energy Co., Limited. | 100.00% |
| Happy Kium Co., Ltd. | Korea | Lithium battery certification and evaluation | SK Innovation Co., Ltd. | 100.00% |
| SK Future Energy(Shanghai) Co., Ltd. | China | Service | SK Innovation Co., Ltd. | 100.00% |
| SK E&P Company, Ltd. | USA | Battery sales | SK Innovation Co., Ltd. | 100.00% |
| SK On Co., Ltd. | Korea | Crude oil development | SK Innovation Co., Ltd. | 100.00% |
| SK On Hungary Kft. (formerly, SK Battery Hungary Kft.) | Hungary | Lithium battery manufacturing | SK Innovation Co., Ltd. | 100.00% |
| SK On(Jiangsu) Co., Ltd. (formerly, SK Battery(Jiangsu) Co., Ltd.) | Hungary | Lithium battery manufacturing | SK On Co., Ltd. | 100.00% |
| SK On(Yancheng) Co., Ltd. | Hungary | Lithium battery manufacturing | SK On Co., Ltd. | 70.01% |
| (formerly, SK Battery(Yancheng) Co., Ltd.) | | | SK On Co., Ltd. | 100.00% |
| SK Battery America, Inc. | USA | Lithium battery manufacturing | SK On Co., Ltd. | 100.00% |
| SK Battery Manufacturing Kft. | Hungary | Lithium battery manufacturing | SK On Co., Ltd. | 100.00% |
| SK Mobile Energy Co., Ltd. | Korea | Lithium battery manufacturing | SK On Co., Ltd. | 100.00% |
| Yancheng Yandu District M Energy Consulting Limited Company | China | Service / manufacturing service | SK Mobile Energy Co., Ltd. | 100.00% |
| Mobile Energy Battery America, LLC | USA | Lithium battery manufacturing | SK Mobile Energy Co., Ltd. | 100.00% |
| Happy Mideum Co., Ltd. | Korea | Service | SK On Co., Ltd. | 100.00% |
| SK Earthon Co., Ltd. | Korea | Crude and natural gas manufacturing | SK Innovation Co., Ltd. | 100.00% |
| SK Telecom Co., Ltd. (*2) | Korea | Mobile telecommunications | SK Inc. | 30.01% |
| SK Telink Co., Ltd. | Korea | International call and MVNO business | SK Telecom Co., Ltd. | 100.00% |
| SK Broadband Co., Ltd. | 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% |
| Media S Co., Ltd. | Korea | Broadcasting program production | SK Broadband Co., Ltd. | 100.00% |
| Broadband Nowon Broadcasting Corporation | Korea | Broadcasting business | SK Telecom Co., Ltd. | 100.00% |
| 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% |
| SK Communications Co., Ltd. | Korea | Internet portal service | SK Telecom Co., Ltd. | 100.00% |
| 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 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 | 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 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% |
| Happy Hanoor 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% |
| SK Square Co., Ltd. (*2,3) | Korea | Holding company | SK Inc. | 30.56% |
| One store Co., Ltd. (*2,4) | Korea | Telecommunication service | SK Square Co., Ltd. | 48.41% |
| Rokeu Media Co., Ltd. | Korea | Publication and telemarketing | One store Co., Ltd. | 100.00% |
| 11street Co., Ltd. (*5) | Korea | E-commerce | SK Square Co., Ltd. | 98.10% |
| SK Shieldus Co., Ltd. (formerly, ADT Caps Co., Ltd.) (*6) | Korea | Information security service and automatic security | SK Square Co., Ltd. | 100.00% |
| CAPSTEC Co., Ltd. | Korea | Manned security | SK Shieldus Co., Ltd. | 100.00% |
| SK infosec Information Technology (Wuxi) Co., Ltd. | China | System software development and supplying | SK Shieldus Co., Ltd. | 100.00% |
| CAPS America Inc. | USA | System software development and supplying | SK Shieldus Co., Ltd. | 100.00% |
| SK Planet Co., Ltd. | Korea | Telecommunication service and system software development and supplying | SK Square 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 and information gathering | SK Planet Co., Ltd. | 59.00% |
| SK Square Americas, Inc (formerly, SK Telecom TMT investment Corp.) | USA | Investment | SK Square Co., Ltd. | 100.00% |
| Dreamus Company Co., Ltd. (*2) | Korea | Video and audio equipment manufacturing | SK Square Co., Ltd. | 41.78% |
| 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% |
| Studio Dolphin Co., Ltd. | Korea | Publishing | Dreamus Company Co., Ltd. | 100.00% |
| Id Quantique SA | Swiss | Quantum information and communication business | SK Square Co., Ltd. | 69.30% |
| 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 Square 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% |
| FSK L&S (Jiangsu) Co., Ltd. | China | Transportation industry | FSK L&S Co., Ltd. | 100.00% |

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1.2 Consolidated subsidiaries (cont'd)

| Subsidiaries | Domicile | Principal business activity | The largest shareholders | Equity Ownership (%) |
|--|-----------|--|--|----------------------|
| Incross Co., Ltd. (*2) | Korea | Media agency | SK Square 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% |
| Tmap Mobility Co., Ltd. (*7) | Korea | Information and communication industry | SK Square Co., Ltd. | 66.26% |
| YLP Inc. | Korea | Cargo transport shipment business | Tmap Mobility Co., Ltd. | 100.00% |
| Good service Co., Ltd. | Korea | Driving agency service | Tmap Mobility Co., Ltd. | 100.00% |
| SK Networks Co., Ltd. (*2) | Korea | Distribution and trading business | SK Inc. | 39.14% |
| SK Networks Service Co., Ltd. | Korea | 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 Networks (China) Holdings Co., Ltd. | China | Holding company | 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 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 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. | Korea | Resale communication business | SK Networks Co., Ltd. | 100.00% |
| MINTIT VINA | Vietnam | Resale communication business | MINTIT Co., Ltd. | 100.00% |
| TenX Capital | USA | Investment | SK Networks Co., Ltd. | 100.00% |
| SK Networks Hong Kong Ltd. | Hong Kong | Trading business | SK Networks Co., 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 Resources Australia (Wyong) Pty Ltd. (*8) | Australia | Resource development | SK Networks Co., Ltd. | 100.00% |
| SK Networks Resources Pty Ltd. (*8) | Australia | Resource development | SK Networks Co., Ltd. | 100.00% |
| SK Networks (China) Holdings Co., Ltd. (*8) | China | Holding company | SK Networks Co., Ltd. | 100.00% |
| Shenyang SK Bus Terminal Co., Ltd. (*8) | China | Bus terminal business | SK Networks (China) Holdings Co., Ltd. | 75.00% |
| SK Networks (Dandong) Energy Co., Ltd. (*8) | China | Petroleum sales | SK Networks (China) Holdings Co., Ltd. | 100.00% |
| Cartini Co., Ltd. | Korea | E-commerce retail business | 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% |
| SK Telesys Corp. | USA | Manufacturing | 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 Hong kong Co., Ltd. | 100.00% |
| SKC-ENF Electronic Materials Ltd. | Hong Kong | SPC | SKC Solmics 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% |
| 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 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 | SPC | SKC Co., Ltd. | 100.00% |
| SKC (Nantong) PU Specialty Co., Ltd. | China | Electronic materials manufacturing | SKC PU Specialty Co., 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. | Korea | Manufacturing | SKCFTH Co., Ltd. | 100.00% |
| SK Nexilis Malaysia Sdn. Bhd. | Malaysia | Manufacturing | SK Nexilis Co., Ltd. | 100.00% |
| Nexilis Management Malaysia Sdn. Bhd. | Malaysia | SPC | SK Nexilis Co., Ltd. | 100.00% |
| SK Nexilis Poland sp.z o.o. | Poland | Manufacturing | SK Nexilis Co., Ltd. | 100.00% |
| SK TBMGEOSTONE Co., Ltd. | Korea | Manufacturing | SKC Co., Ltd. | 51.00% |
| Allnewone Co., Ltd. | Korea | Other engineering service | SKC Co., Ltd. | 100.00% |
| Ecovance Co. Ltd. | Korea | Manufacturing | SKC 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. | Korea | Integrated energy service | SK E&S Co., Ltd. | 100.00% |
| Pusan City Gas Co., Ltd. | Korea | City gas business | SK E&S Co., Ltd. | 100.00% |
| 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% |
| Yeosu Energy Service Co., Ltd. | Korea | Energy business | SK E&S Co., Ltd. | 100.00% |
| Shinanjeungdo 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 | LNG business | SK E&S Americas, Inc. | 100.00% |
| DewBlaine Energy, LLC | USA | Resource development | SK E&S Americas, Inc. | 100.00% |
| CAILIP Gas Marketing, LLC | USA | LNG business | SK E&S Americas, Inc. | 100.00% |

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1.2 Consolidated subsidiaries (cont'd)

| Subsidiaries | Domicile | Principal business activity | The largest shareholders | Equity ownership (%) |
|--|-----------|--|---|----------------------|
| Paskey, Inc. | USA | New regeneration project | SK E&S Americas, Inc. | 100.00% |
| LNG Americas, Inc | USA | LNG business | SK E&S Americas, Inc. | 100.00% |
| Rnes Holdings, LLC | USA | Renewable / electric power business | SK E&S Americas, Inc. | 100.00% |
| Grid Solution, LLC | USA | New regeneration business | Rnes Holdings, LLC | 100.00% |
| Key Capture Energy, LLC | USA | Energy solution | Grid Solution, LLC | 96.39% |
| KCE Global Holdings, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE PF Holdings 2021, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE LAND Holdings, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 2, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 3, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 5, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 6, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 8, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 10, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 11, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 12, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 14, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 18, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 19, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 21, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 22, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 25, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 26, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 27, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 28, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 29, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 32, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE NY 33, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 2, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 7, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 8, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 9, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 11, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 12, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 10, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 13, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 14, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 15, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 16, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 17, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 19, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 20, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 21, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 22, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 24, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 25, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 26, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 27, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE TX 28, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE CT 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE CT 2, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE CT 4, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE MD 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE MI 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE MI 2, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE MI 3, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE ME 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE IL 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE IL 2, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE IN 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE IN 2, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE IN 3, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE OK 1, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE OK 2, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE OK 3, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE OK 4, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE Brushy Creek Holdings, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| KCE Texas Holdings 2020, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| Roughneck Storage LLC D/B/A KCE TX 23, LLC | USA | Energy solution | Key Capture Energy, LLC | 100.00% |
| Grid Solution II, LLC | USA | Investment | Rnes Holdings, LLC | 100.00% |
| Pnes Investments, LLC | USA | Investment | SK E&S Americas, Inc. | 100.00% |
| Prism Energy International China Limited. | China | LNG business | SK E&S Co., Ltd. | 100.00% |
| Prism Energy International Zhoushan Limited. | China | LNG business | Prism Energy International China Limited. | 100.00% |
| Prism Energy International Pte. Ltd. | Singapore | LNG business | SK E&S Co., Ltd. | 100.00% |
| Fajar Energy International Pte. Ltd. | Singapore | LNG business | Prism Energy International Pte. Ltd. | 100.00% |
| Prism Energy International Hong Kong, Ltd. | Hong Kong | LNG business | Prism Energy International Pte. Ltd. | 100.00% |
| Prism Darwin Pipeline Pty. Ltd. | Australia | LNG business | Prism Energy International Pte. Ltd. | 100.00% |
| PT Prism Nusantara International | Indonesia | LNG business | SK E&S Co., Ltd. | 100.00% |
| SK E&S Dominicana S.R.L. | Dominica | LNG business | 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 | LNG business | SK E&S Co., Ltd. | 100.00% |
| BU12 Australia Pty. Ltd. | Australia | LNG business | SK E&S Co., Ltd. | 100.00% |
| BU13 Australia Pty. Ltd. | Australia | LNG business | 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% |
| Busan Jungkwan Energy Co., Ltd. | Korea | Integrated energy service | SK E&S Co., Ltd. | 100.00% |
| IGE Co., Ltd. | Korea | Hydrogen business | SK E&S Co., Ltd. | 100.00% |
| New&Company Two Pte. Ltd. | Vietnam | Wind power business | SK E&S Co., Ltd. | 100.00% |
| Dangjin Haengbok Solar Co., Ltd. | Korea | New regeneration business | SK E&S Co., Ltd. | 100.00% |
| SK Ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.) (*2) | Korea | Construction | SK Inc. | 44.48% |
| Seosuwon Development Company (*2) | Korea | Real estate development and construction | SK Ecoplant Co., Ltd. | 19.90% |
| SKEC Nanjing Co., Ltd. | China | Construction | SK Ecoplant Co., Ltd. | 100.00% |
| Changzhou SKY New Energy Co., Ltd. | China | Investment | SKEC Nanjing Co., Ltd. | 100.00% |
| SKEC (Thai), Ltd. | Thailand | Construction | SK Ecoplant Co., Ltd. | 100.00% |
| Thai Woo Ree Engineering Co., Ltd. | Thailand | Construction | SKEC (Thai), Ltd. | 99.77% |

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1.2 Consolidated subsidiaries (cont'd)

| Subsidiaries | Domicile | Principal business activity | The largest shareholders | Equity ownership (*1) |
|--|----------------|--|--|-----------------------|
| SKEC Anadolu EC, LLC | Turkey | Construction | SK Ecoplant Co., Ltd. | 100.00% |
| SK E&C Betek Corporation | USA | Real estate development and construction | SK Ecoplant 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 Ecoplant Co., Ltd. | 100.00% |
| Sunlake Co., Ltd. | Canada | Construction and services | SK Ecoplant Co., Ltd. | 100.00% |
| SK HOLDCO PTE. LTD. | Singapore | Holding company | SK Ecoplant Co., Ltd. | 63.51% |
| Silvertown Investco Limited. | UK | Construction | SK Ecoplant Co., Ltd. | 100.00% |
| Seongju Tech Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| DDS Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| Samwon ENT Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| Environment Management Corporation Co., Ltd. | Korea | Operation of sewage treatment plant | SK Ecoplant Co., Ltd. | 100.00% |
| YS TEC Co., Ltd. | Korea | Waste incineration | Environment Management Corporation Co., Ltd. | 100.00% |
| Seonam Environment Energy Co., Ltd. | Korea | Waste incineration | Environment Management Corporation Co., Ltd. | 100.00% |
| Honam Environmental Energy Co., Ltd. | Korea | Waste incineration | 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. | 100.00% |
| Dalseong Maleunmulgil Co., Ltd. | Korea | Operation of sewage treatment plant | Environment Management Corporation Co., Ltd. | 100.00% |
| Goksung Environment Co., Ltd. | Korea | Operation of sewage treatment plant | 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% |
| Saehan Environment Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| Daewon Green Energy Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| Daewon Hi-Teck Co., Ltd. | Korea | Construction waste collection and transportation | Daewon Green Energy Co., Ltd. | 100.00% |
| KS Investment B.V. | Netherlands | Investment | SK Ecoplant Co., Ltd. | 72.51% |
| SK Ecoengineering Co., Ltd. | Korea | Service | SK Ecoplant Co., Ltd. | 100.00% |
| E-MEDI One Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| Emedione Logis Co., Ltd. | Korea | Designated waste collection and transportation | E-MEDI One Co., Ltd. | 100.00% |
| City Environment Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| Green Environment Technology Co., Ltd. | Korea | Disposal of waste | SK Ecoplant Co., Ltd. | 100.00% |
| SK Materials Co., Ltd. (*9) | Korea | Special gas manufacturing and sales | SK Inc. | 100.00% |
| 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 Inc. | 100.00% |
| SK Tri Chem Co., Ltd. | Korea | Manufacturing and sales of precursors and others | SK Inc. | 65.00% |
| SK Showa Denko Co., Ltd. | Korea | Sales of raw chemical materials and chemical products related to semiconductor | SK Inc. | 51.00% |
| Happy Companion Co., Ltd. | Korea | Cleaning, laundry service | SK Inc. | 100.00% |
| SK Materials Airplus Inc. | Korea | Industrial gas sales | SK Inc. | 100.00% |
| SK Materials Renewtech Co., Ltd. | Korea | Manufacturing industrial gas | SK Inc. | 80.00% |
| SK Materials Performance Co., Ltd. | Korea | Semiconductor materials manufacturing and selling | SK Inc. | 100.00% |
| SK Materials JNC Co., Ltd. | Korea | Manufacturing of organic light emitting diode material | SK Inc. | 51.00% |
| SK JNC Japan Co., Ltd. | Japan | Manufacturing of organic light emitting diode material | SK Materials JNC Co., Ltd. | 100.00% |
| SK Materials Group14 Co., Ltd. | Korea | Manufacturing | SK Inc. | 75.00% |
| 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% |
| Happyfilling Co., Ltd. | Korea | Service | SK Siltron Co., Ltd. | 100.00% |
| Teraon Co., Ltd. (*2) | Korea | Manufacturing and service | Individual | 10.77% |
| SK Biopharmaceuticals Co., Ltd. (*10) | Korea | Medicine and life science | SK Inc. | 64.02% |
| 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% |
| Shanghai SKY Real Estate Development Co., Ltd. | China | Real estate investment | SK Industrial Development China Co., Ltd. | 100.00% |
| Beijing Lizhi Weixin Technology Co., Ltd. | China | Investment | SK China Company, 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% |
| 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% |
| SK China Real Estate Co., Ltd. | Hong Kong | Real estate investment | SKY Property Management Ltd. | 100.00% |
| SKY Investment Co., Ltd. | China | Real estate management | SK China Company, Ltd. | 100.00% |
| SKY (Zhuhai Hengqin) Technology Co., Ltd. | China | Investment | SK China Company, Ltd. | 100.00% |
| SK Networks (Liaoning) Logistics Co., Ltd. | China | Logistics | SK China Company, Ltd. | 100.00% |
| SK C&C Beijing Co., Ltd. | China | Consulting for computer system integration and others | SK Inc. | 100.00% |

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1.2 Consolidated subsidiaries (cont'd)

| Subsidiaries | Domicile | Principal business activity | The largest shareholders | Equity ownership (*1) |
|--|--------------|--|--|-----------------------|
| 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% |
| SK C&C USA, Inc. | USA | 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% |
| Satum Agriculture Investment Co., Ltd. | Hong Kong | Investment | SK Inc. | 81.00% |
| SK Investment Management Co., Ltd. | Hong Kong | Investment | SK Inc. | 100.00% |
| SK Mobility Investments Company Limited | Hong Kong | Investment | SK Investment Management Co., Ltd. | 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% |
| Grove Energy Capital LLC | USA | Investment | Plutus Capital NY, Inc., Pnes Investments, LLC | 100.00% |
| Plutus Capital NY II, Inc | USA | Investment | SK Inc. | 100.00% |
| Grove Energy Capital II, LLC | USA | Investment | Plutus Capital NY II, Inc | 100.00% |
| Plutus Capital NY III, Inc | USA | Investment | SK Inc. | 100.00% |
| Grove Energy Capital III, LLC | USA | Investment | Plutus Capital NY III, Inc | 50.10% |
| 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% |
| MSN Investment Pte. Ltd. | Singapore | Investment | SK Investment Vina III Pte. Ltd. | 100.00% |
| SK Investment Vina V Pte. Ltd. | Singapore | Investment | SK South East Asia Investment Pte. Ltd. | 100.00% |
| SK Investment Vina VI Pte. Ltd. | Singapore | Investment | SK South East Asia Investment Pte. Ltd. | 100.00% |
| SK Investment Vina IV Pte. Ltd. | Singapore | Investment | SK South East Asia Investment Pte. Ltd. | 100.00% |
| SK Malaysia Investment I 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% |
| Yposkesi, SAS | France | Medicine manufacturing | Crest Acquisition LLC | 70.00% |
| 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. | Malaysia | Car sharing service | SK Inc. | 83.51% |
| 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 | Cayman | Investment | SK Inc. | 100.00% |
| I Cube Capital Inc. | USA | Investment | SK Inc. | 100.00% |
| I Cube Capital Hong Kong 1. LP Limited. | USA | Investment | I Cube Capital Inc. | 100.00% |
| Tellus Investment Partners, Inc. (formerly, I Cube Capital II, Inc.) | USA | Investment | SK Inc. | 100.00% |
| Primer Protein, LLC | USA | Investment | Tellus Investment Partners, Inc. | 67.55% |
| Terra LLC | USA | Investment | Tellus Investment Partners, Inc. | 100.00% |
| Castanea Bioscience Inc. | USA | Investment | SK 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% |
| SK REITs Co., Ltd. (*11) | Korea | Real estate developing and trading | SK Inc. | 50.00% |
| Clean Energy REITs Co., Ltd. | Korea | Real estate developing and trading | SK REITs Co., Ltd. | 100.00% |
| SK REITs Management Co., Ltd. | Korea | Real estate developing and trading | SK Inc. | 100.00% |
| SK Japan Investment Inc. | Japan | Investment | SK Inc., SKC Co., Ltd., SK Materials Co., Ltd., and SK Siltron Co., Ltd. | 100.00% |
| SIGNET EV Inc. (*12) | Korea | Electric vehicle charger manufacturing and selling | SK Inc. | 0.00% |
| SIGNET Energy Inc. | Korea | Electric vehicle charger maintenance | SIGNET EV Inc. | 100.00% |
| SIGNET EV America Inc. | USA | Electric vehicle charger maintenance and technical support | SIGNET EV Inc. | 100.00% |
| Auxo Capital Inc. | USA | Investment | SK Inc. | 100.00% |
| SK Global Development Advisors LLC | USA | Investment | Auxo Capital Inc. | 100.00% |
| Auxo Capital Managers LLC | USA | Investment | Auxo Capital Inc. | 100.00% |
| SK Growth Opportunities Corporation | USA | Investment | Auxo Capital Managers LLC | 100.00% |
| Tellus (HONG KONG) Investment Co., Ltd. | Hong Kong | Investment | SK Inc. | 100.00% |
| Digital Center Capital Inc. | USA | Investment | SK Inc. | 100.00% |
| Martis Capital, LLC | USA | Investment | Digital Center Capital Inc. | 100.00% |

1.2 Consolidated subsidiaries (cont'd)

- (*1) The equity ownership is based on ordinary shares and includes indirect investments held by the consolidated subsidiaries.
- (*2) SK Innovation Co., Ltd. and 11 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 11 other companies are widely dispersed, so it is determined that the Group has voting rights to exercise de facto control.
- (*3) During the current year, SK Telecom Co., Ltd., a subsidiary, established SK Square Co., Ltd. through a division of the management and investment sectors of its investee on November 1, 2021, and division of its personnel with existing business sectors such as wired and wireless communication.
- (*4) Although the Group's equity interests for common stock in Onestore Co., Ltd. is 48.41%, as the preferred stocks with voting rights are issued, the equity interests with voting rights are 47.49%.
- (*5) 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 80.26%.
- (*6) As of March 4, 2021, 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 63.13%.
- (*7) There was an unequal paid-in capital increase during the year ended December 31, 2021, resulting in a change in shareholding from 100% to 66.26%.
- (*8) The assets and liabilities of SK Networks Resources Australia (Wyong) Pty Ltd. and 4 other companies are classified as assets and liabilities held for sale (see Note 31 assets and liabilities held for sale).
- (*9) During the current year, formerly SK Materials Co., Ltd., a subsidiary, split the business sectors, including special gas, with December 1, 2021 as the split-off date, and established SK Materials Co., Ltd. and the holding company's business section was established as the surviving entity. After the split, the holding business division, Old, SK Materials Co., Ltd., merged with the Company, and the Group's stake in the new SK Materials Co., Ltd. is 100%.
- (*10) During the current year, the shareholding decreased from 75.00% to 64.02% due to the sale of a portion of the shares.
- (*11) During the current year, the shareholding decreased from 100% to 50% as a result of an unequal paid-in capital increase.
- (*12) Signet EV Co., Ltd. has a 0% stake in common stocks, but preferred stocks with voting rights are issued, as a result the share of voting rights share amount to 53.38%.

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, 2021 are as follows:

| December 31, 2020 | Inclusion | Exclusion | December 31, 2021 |
|-------------------|-----------|-----------|-------------------|
| 325 | 159 | 30 | 454 |

For the year ended December 31, 2021, subsidiaries newly included in consolidation are as follows:

| Subsidiaries | Reasons for changes |
|---|---------------------------------|
| Sino-Korea Green New Material (JiangSu) Ltd. | Establishment (57 companies) |
| SK Geo Centric Brazil LTDA | |
| Green & Connect Capital, Inc. | |
| SK On Co., Ltd. | |
| SK On(Yancheng) Co., Ltd. | |
| Yancheng Yandu District M Energy Consulting Limited Company | |
| Happy Mideum Co., Ltd. | |
| SK Earthon Co., Ltd | |
| Media S Co., Ltd. | |
| SK Square Co., Ltd. | |
| CAPS America Inc. | |
| FSK L&S(Jiangsu) Co., Ltd. | |
| Cartini Co., Ltd. | |
| SK Telesys Corp. | |
| SK Nexilis Malaysia Sdn. Bhd. | |
| SK TBMGEOSTONE Co., Ltd. | |
| Allnewone Co., Ltd. | |
| Ecovance Co., Ltd. | |
| Passkey, Inc. | |
| LNG Americas, Inc. | |
| Grid Solution II, LLC | |
| Pnes Investments, LLC | |
| Prism Darwin Pipeline Pty. Ltd. | |
| IGE Co., Ltd. | |
| New&Company Two Pte. Ltd. | |
| Dangjin Haengbok Solar Co., Ltd. | |
| Grid Solution, LLC. | |
| Changzhou SKY New Energy Co., Ltd. | |
| SK Ecoengineering Co., Ltd. | |
| SK JNC Japan Co., Ltd. | |
| SK Materials Group14 Co., Ltd. | |
| SK C&C USA, Inc. | |
| SK Mobility Investments Company Limited | |
| Grove Energy Capital LLC | |
| Plutus Capital NY II, Inc | |
| Grove Energy Capital II, LLC | |
| Plutus Capital NY III, Inc. | |
| Grove Energy Capital III, LLC | |
| SK Investment Vina V Pte. Ltd. | |
| SK Investment Vina VI Pte. Ltd. | |
| MSN Investment Pte. Ltd. | |
| SK Investment Vina IV Pte. Ltd. | |
| SK Malaysia Investment I Pte. Ltd. | |
| I Cube Capital Hong Kong 1. LP Limited | |
| Terra LLC | |
| Castanea Bioscience Inc. | |
| Clean Energy REITs Co., Ltd. | |
| SK REITs Management Co., Ltd. | |
| SK Japan Investment Inc. | |
| SK Global Development Advisors LLC | |
| SK Growth Opportunities Corporation | |
| Martis Capital, LLC | |
| Jeonnam II Offshore Wind Power Co., Ltd. | |
| Jeonnam III Offshore Wind Power Co., Ltd | |
| Storage Solution, LLC. | |
| SK REITs Co., Ltd. | |
| UT LLC | |

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1.3 Changes in consolidated subsidiaries (cont'd)

| Subsidiaries | Reasons for changes |
|---|--|
| Maeripji Management Co., Ltd. Environment Energy Company Co., Ltd. Formerly, SK Materials Co., Ltd. UT LLC Jeonnam II Offshore Wind Power Co., Ltd. Jeonnam III Offshore Wind Power Co., Ltd | Change to Equity Method (3 companies) |

1.4 Condensed financial information of significant consolidated subsidiaries

Details of condensed financial information of the significant subsidiaries as of and for the year ended December 31, 2021 are as follows (Korean won in millions):

| Subsidiaries | Total assets | Total liabilities | Sales | Net income (loss) |
|---|-----------------|----------------------|-------------|----------------------|
| SK Innovation Co., Ltd. | ₩ 18,467,372 | ₩ 2,998,966 | ₩ 3,986,068 | ₩ 1,317,007 |
| SK Energy Co., Ltd. | 14,837,329 | 10,900,003 | 26,491,681 | 480,107 |
| SK Geo Centric Co., Ltd. | 5,848,933 | 2,820,385 | 9,459,951 | 136,094 |
| SK Incheon Petrochem Co., Ltd. | 5,232,595 | 3,586,475 | 6,094,183 | 76,300 |
| SK Trading International Co., Ltd. | 1,431,186 | 811,521 | 8,139,319 | 293,992 |
| SK Lubricants Co., Ltd. | 2,792,868 | 1,593,088 | 3,456,354 | 712,502 |
| SK ie technology Co., Ltd. | 2,605,217 | 437,161 | 394,855 | 45,725 |
| SK On Co., Ltd. | 6,583,683 | 2,589,560 | 1,040,368 | (175,344) |
| SK Global Chemical International Trading (Shanghai) Co., Ltd. | 179,111 | 102,921 | 1,415,981 | 27,011 |
| SK Hi-Tech Battery Materials (Jiang Su) Co., Ltd. | 936,777 | 546,715 | 229,738 | 65,341 |
| SK Energy International Pte. Ltd. | 1,955,437 | 1,347,771 | 20,733,007 | 31,482 |
| SK Energy America, Inc. | 615,592 | 532,048 | 3,828,868 | (2,804) |
| SK Energy Europe, Ltd. | 88,467 | 4,769 | 2,784,025 | (3,527) |
| SK Telecom Co., Ltd. | 26,389,065 | 15,526,209 | 12,102,830 | 1,073,823 |
| SK Broadband Co., Ltd. | 5,971,505 | 3,091,837 | 4,058,997 | 213,468 |
| PS&Marketing Corp. | 478,745 | 263,457 | 1,445,540 | 3,179 |
| SK Square Co., Ltd. | 7,096,262 | 180,744 | - | (12,529) |
| SK Shieldus Co., Ltd. (formerly, ADT Caps Co., Ltd.) (*1) | 3,265,177 | 2,888,994 | 1,549,714 | 16,912 |
| 11street. Co., Ltd. | 944,078 | 579,249 | 561,433 | (66,888) |
| SK Planet Co., Ltd. | 510,256 | 182,479 | 280,630 | 6,003 |
| SK Networks Co., Ltd. | 5,680,546 | 3,634,725 | 8,152,467 | 55,843 |
| SK Magic Co., Ltd. | 1,194,079 | 828,507 | 1,056,136 | 58,797 |
| SK Rent-a-Car Co., Ltd. | 2,858,295 | 2,372,999 | 1,037,038 | 24,607 |
| SKC Co., Ltd. | 3,217,745 | 1,260,909 | 552,607 | 16,767 |
| SK PIC Global Co., Ltd. | 771,507 | 385,383 | 1,105,299 | 241,549 |
| SK E&S Co., Ltd. | 8,733,688 | 3,543,868 | 828,668 | 309,695 |
| Yeongnam Energy Service Co., Ltd. | 485,340 | 253,730 | 699,148 | 26,239 |
| Ko-one Energy Service Co., Ltd. | 798,855 | 463,837 | 1,033,771 | 6,457 |
| Pusan City Gas Co., Ltd. | 1,204,739 | 430,020 | 950,483 | 20,274 |
| Chungcheong Energy Service Co., Ltd. | 368,178 | 233,145 | 548,319 | 21,173 |
| Paju Energy Service Co., Ltd. | 1,726,039 | 1,056,413 | 1,160,469 | 75,303 |
| Narae Energy Service Co., Ltd. | 1,372,708 | 878,110 | 659,347 | 31,535 |
| SK Ecoplant Co., Ltd. | 6,737,227 | 5,786,007 | 5,388,219 | 144,677 |
| SK Siltron Co., Ltd. (*2) | 3,506,501 | 2,253,627 | 1,849,635 | 172,996 |
| SK Biopharmaceuticals Co., Ltd. | 635,569 | 167,356 | 455,255 | 111,277 |
| SK REITs Co., Ltd. | 1,404,619 | 632,366 | 24,148 | 10,705 |

(*1) The summary of financial information of SK Shieldus Co., Ltd. (formerly, ADT Caps Co., Ltd.) is consolidated financial information, and it includes profit and loss prior to the merger with ADT Caps Co., Ltd.

(*2) The subsidiary's financial information is consolidated financial information.

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1.5 Disclosure of significant non-controlling interests in subsidiaries

Information about significant non-controlling interests in subsidiaries as of and for the year ended December 31, 2021 is as follows (Korean won in millions):

| | December 31, 2021 | | | | | | |
|---|----------------------------|-------------------------|------------------------|--------------------------|------------------|---------------------|-----------------------------|
| | SK Innovation Co., Ltd. | SK Telecom Co., Ltd. | SK Square Co., Ltd. | SK Networks Co., Ltd. | SKC Co., Ltd. | SK E&S Co., Ltd. | SK Ecoplant Co., Ltd. |
| Percentage of the non-controlling ownership | 63.25% | 69.82% | 69.80% | 55.57% | 57.10% | 10.00% | 54.99% |
| Current assets | ₩ 21,481,685 | ₩ 6,352,665 | ₩ 2,967,163 | ₩ 3,047,155 | ₩ 1,820,031 | ₩ 3,999,812 | ₩ 4,062,198 |
| Non-Current assets | 28,075,756 | 24,558,612 | 19,671,977 | 6,363,761 | 4,360,102 | 11,477,487 | 4,051,772 |
| Current liabilities | 14,512,449 | 6,960,435 | 2,517,365 | 3,897,565 | 1,720,045 | 3,205,208 | 4,153,078 |
| Non-current liabilities | 15,411,798 | 11,615,704 | 3,266,481 | 3,124,356 | 2,177,727 | 6,001,108 | 2,755,121 |
| Net assets | 19,633,194 | 12,335,138 | 16,855,294 | 2,388,995 | 2,282,361 | 6,270,983 | 1,205,771 |
| Book value of the non-controlling interests | 13,234,435 | 7,731,655 | 11,761,727 | 1,394,127 | 1,429,128 | 3,888,961 | 795,326 |
| Sales | 46,842,929 | 16,748,585 | 1,146,414 | 11,018,140 | 3,396,057 | 7,854,638 | 6,220,443 |
| Net income | 501,008 | 2,418,989 | 363,156 | 103,540 | 342,340 | 388,816 | 211,077 |
| Total comprehensive income | 1,169,277 | 3,781,181 | 371,718 | 178,881 | 365,613 | 466,032 | 298,860 |
| Net income of the non-controlling interests | 205,353 | 1,381,019 | 1,245,626 | 41,184 | 246,141 | 106,100 | 125,143 |
| Total comprehensive income of the non-controlling interests | 535,272 | 2,301,410 | 1,248,205 | 85,035 | 258,963 | 93,501 | 223,446 |
| Net cash flows from operating activities | (482,983) | 5,031,279 | 103,379 | 461,461 | 282,513 | 921,103 | 21,975 |
| Net cash flows from investing activities | (4,123,229) | (3,486,189) | (142,515) | 40,017 | (260,885) | (3,175,711) | (826,553) |
| Net cash flows from financing activities before dividends paid to the non-controlling interests | 5,054,903 | (1,312,921) | 54,634 | 17,923 | 308,397 | 2,685,970 | 1,165,200 |
| Dividends paid to the non-controlling interests | (25,197) | (740,690) | - | (14,579) | (44,861) | (79,343) | (10,964) |
| Net increase (decrease) in cash and cash equivalents | 423,494 | (508,521) | 15,498 | 504,822 | 285,164 | 352,019 | 349,658 |

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

2. Basis of preparation and summary of significant accounting policies

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 ₩1,185.50 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, 2021. 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, 2021, are the same as the accounting policies adopted for the preparation of consolidated financial statements as of and for the year ended December 31, 2020, 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, 2022.

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, 2021.

KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1107 *Financial Instruments: Disclosures*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases (Amended)*

The amendments provide exception not to recognize gains or losses on remeasurement of financial instruments when the replacement of interest rate benchmark for financial instruments measured at amortized cost meets certain requirements that do not change their economic substance. It also includes exceptions to hedge accounting when certain conditions are met if replacements to interest rate benchmark occur in the hedging relationship. The amendments do not have any material 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 earlier application permitted.

KIFRS 1001 *Presentation of Financial Statements (Amended)*

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted.

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

KIFRS 1008 Accounting policies, changes in accounting estimates, and errors (Amended)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

KIFRS 1012 Income Taxes (Amended)

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary Paragraphs 15 and 24 of KIFRS 1012 were amended to include an additional condition where the initial recognition exemption is not applied. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier 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 earlier application permitted.

KIFRS 1103 Business combinations (Amended)

The amendments update a reference of definition of assets and liabilities qualifying for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of KIFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and KIFRS 2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

KIFRS 1116 Leases (Amended)

The application of the practical expedient, which provides relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic has been extended to lease reductions affecting the lease payments before June 30, 2022. A lessee should consistently apply practical expedients to similar contracts with similar characteristics. The Group plans to apply the other amendments for annual reporting period beginning on or after April 1, 2021, with earlier application permitted.

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

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 earlier application permitted.

The Group is assessing the potential impact of the amendments listed above 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.

2.2 Basis of consolidation (cont'd)

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

2.5 Functional currencies and foreign currencies (cont'd)

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.

2.7.2 Measurement (cont'd)

(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) 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.

2.9 Investments in associates and joint ventures (cont'd)

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 |
| Operating lease assets | 3 ~ 5 | 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 ~ 30 | Others | 2 ~ 50 |
| Right to use facilities | 10, 20 | Frequency usage rights | 2.9 ~ 10 |
| Industrial property rights | 5 ~ 10 | | |

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:

| <u>Description</u> | <u>Useful lives (years)</u> | <u>Description</u> | <u>Useful lives (years)</u> |
|--------------------|-----------------------------|--------------------|-----------------------------|
| 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.

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) 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.

2.20.1 The Group as a lessee (cont'd)

(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

2.21.4.1 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.

2.21.4.2 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 Accounting treatment related to the emission rights cap and trade scheme

The group accounts for greenhouse gas emission rights and emission liabilities arising under the "Act on the Allocation and Transaction of Greenhouse Gas Emission Rights" as follows.

1) Greenhouse gas emission rights

Greenhouse gas emission rights consist of emission rights allocated free of charge by the government and emission rights purchased for free. The free allocation emission right is measured and recognized as zero, and the purchase emission right is recognized as the acquisition cost by adding other normally incurred costs directly related to the acquisition cost. The Group classifies the greenhouse gas emission rights held to fulfill the obligations stipulated in the relevant system as intangible assets, measures the total amount of damage deducted from the cost, and classifies the portion to be submitted to the government within one year from the end of the reporting period. Greenhouse gas emission rights held to obtain short-term trading gains are classified as floating assets and measured at fair value at the end of each reporting period, and changes in fair value are recognized in profit or loss. Greenhouse gas emission rights are removed when they are no longer available for submission or sale to the government, or when future economic benefits are no longer expected.

2) Emission liabilities

Emission liabilities are the current obligation to emit greenhouse gases and submit emission rights to the government, and are recognized when resources are likely to be leaked to fulfill the obligation and the amount required to fulfill the obligation can be reliably estimated. Emission liabilities are measured by adding the carrying amount of emission rights held for the relevant performance year to be submitted to the government and the expenditure expected to take to fulfill the obligations for emissions exceeding the amount of emission rights held. Emission liabilities are removed when submitted to the government.

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:

- 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.

2.27.2 Deferred tax (cont'd)

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 fair value, derived from 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 fair value, derived from 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.

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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. | Wireless and wired telecommunication |
| SK Square Co., Ltd. | Semiconductor and New ICT |
| SK Networks Co., Ltd. | Information communication, rental and trade |
| SKC Co., Ltd. | Chemical, industrial materials and mobility material |
| SK E&S Co., Ltd. | Gas and energy |
| SK Ecoplant Co., Ltd. | Civil engineering, housing, plant and others |
| Others | IT services, special gas manufacturing and sale, medicine and life science and others |

(2) Details of financial information for each operating segment as of and for the years ended December 31, 2021 and 2020 are as follows (Korean won in billions):

| | As of and for the year ended December 31, 2021 | | | | | | | | | Total |
|--|--|----------------------|---------------------|-----------------------|---------------|------------------|-----------------------|---------|--------------------------------|----------|
| | SK Innovation Co., Ltd. | SK Telecom Co., Ltd. | SK Square Co., Ltd. | SK Networks Co., Ltd. | SKC Co., Ltd. | SK E&S Co., Ltd. | SK Ecoplant Co., Ltd. | Others | Consolidation adjustments (*1) | |
| Total sales | ₩ 46,843 | ₩ 19,132 | ₩ 1,146 | ₩ 11,018 | ₩ 3,396 | ₩ 7,855 | ₩ 6,221 | ₩ 8,812 | ₩ (6,098) | ₩ 98,325 |
| Internal sales | (503) | (365) | (602) | (1,284) | (325) | (271) | (303) | (2,445) | 6,098 | - |
| Net sales | 46,340 | 18,767 | 544 | 9,734 | 3,071 | 7,584 | 5,918 | 6,367 | - | 98,325 |
| Profit (loss) from continuing operations before income tax expense | 831 | 3,071 | 366 | 107 | 425 | 663 | 202 | 4,530 | (4,168) | 6,027 |
| Profit (loss) for the year from continuing operations | 457 | 2,419 | 363 | 61 | 313 | 389 | 7 | 3,809 | (2,419) | 5,399 |
| Total assets | 49,557 | 30,911 | 22,639 | 9,411 | 6,180 | 15,477 | 8,114 | 54,682 | (31,590) | 165,381 |
| Total liabilities | 29,924 | 18,576 | 5,784 | 7,022 | 3,898 | 9,206 | 6,908 | 19,793 | (1,295) | 99,816 |
| Depreciation | 1,408 | 3,103 | 46 | 828 | 178 | 507 | 80 | 612 | (62) | 6,700 |
| Amortization | 105 | 1,011 | 17 | 24 | 31 | 7 | 50 | 113 | 330 | 1,688 |

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4. Operating segments (cont'd)

| | As of and for the year ended December 31, 2020 | | | | | | | | |
|--|--|----------------------|-----------------------|-----------|-----------|-------------|---------------|---------------------|----------|
| | SK | SK | SK | SKC | SK E&S | SK Ecoplant | Consolidation | | Total |
| | Innovation Co., Ltd. | Telecom Co., Ltd. | Networks Co., Ltd. | Co., Ltd. | Co., Ltd. | Co., Ltd. | Others | adjustments (*1) | |
| Total sales | ₩ 34,550 | ₩ 18,625 | ₩ 10,626 | ₩ 2,466 | ₩ 5,750 | ₩ 7,124 | ₩ 8,213 | ₩ (6,535) | ₩ 80,819 |
| Internal sales | (547) | (336) | (1,378) | (263) | (172) | (974) | (2,865) | 6,535 | - |
| Net sales | 34,003 | 18,289 | 9,248 | 2,203 | 5,578 | 6,150 | 5,348 | - | 80,819 |
| Profit (loss) from continuing operations before income tax expense | (2,758) | 1,877 | 107 | 232 | 1,248 | 66 | 2,395 | (3,135) | 32 |
| Profit (loss) for the year from continuing operations | (2,161) | 1,501 | 22 | 150 | 862 | (5) | 1,962 | (2,566) | (235) |
| Total assets | 38,498 | 47,907 | 8,773 | 5,409 | 11,000 | 6,625 | 42,130 | (22,674) | 137,668 |
| Total liabilities | 23,040 | 23,511 | 6,528 | 3,491 | 7,149 | 5,755 | 14,576 | 1,758 | 85,808 |
| 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 |

(*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, 2021 and 2020 are as follows (Korean won in billions):

| | As of and for the year ended December 31, 2021 | | | | | | |
|--|--|----------|---------|---------------|--------|---------------|----------|
| | Korea | Asia | Europe | North America | Others | Consolidation | Total |
| | | | | | | adjustments | |
| Total sales | ₩ 114,780 | ₩ 29,503 | ₩ 6,063 | ₩ 7,323 | ₩ 428 | ₩ (59,772) | ₩ 98,325 |
| Operating profit (loss) | 6,707 | 140 | 118 | (52) | 191 | (2,168) | 4,936 |
| Profit (loss) from continuing operations before income tax expense | 10,998 | 799 | 171 | (118) | 1,277 | (7,100) | 6,027 |
| Profit (loss) for the year from continuing operations | 8,347 | 756 | 103 | (71) | 1,024 | (4,760) | 5,399 |
| Total assets | 186,850 | 18,548 | 6,082 | 20,990 | 1,595 | (68,684) | 165,381 |
| Total liabilities | 92,035 | 6,158 | 2,900 | 5,960 | 521 | (7,758) | 99,816 |

| | As of and for the year ended December 31, 2020 | | | | | | |
|--|--|----------|---------|---------------|--------|---------------|----------|
| | Korea | Asia | Europe | North America | Others | Consolidation | Total |
| | | | | | | adjustments | |
| Total sales | ₩ 97,748 | ₩ 21,347 | ₩ 3,565 | ₩ 4,773 | ₩ 57 | ₩ (46,671) | ₩ 80,819 |
| Operating profit (loss) | 3,511 | 184 | 111 | (47) | 42 | (3,878) | (77) |
| Profit (loss) from continuing operations before income tax expense | 4,901 | 350 | 131 | (785) | (6) | (4,559) | 32 |
| Profit (loss) for the year from continuing operations | 4,438 | 279 | 102 | (808) | (4) | (4,242) | (235) |
| Total assets | 155,288 | 13,804 | 4,164 | 9,837 | 1,468 | (46,893) | 137,668 |
| Total liabilities | 77,508 | 3,961 | 2,068 | 2,925 | 140 | (794) | 85,808 |

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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, 2021 and 2020 are as follows (Korean won in billions):

| For the year ended December 31, 2021 | | | | | | | | | | |
|--|-------------------------------|----------------------------|---------------------------|-----------------------------|------------------|---------------------|-----------------------------|--------------|------------------------------|---------------|
| | SK Innovation Co., Ltd. | SK Telecom Co., Ltd. | SK Square Co., Ltd. | SK Networks Co., Ltd. | SKC Co., Ltd. | SK E&S Co., Ltd. | SK Ecoplant Co., Ltd. | Others | Consolidation adjustments | Total |
| 1. Total sales | ₩ 46,843 | ₩ 19,132 | ₩ 1,146 | ₩ 11,018 | ₩ 3,396 | ₩ 7,855 | ₩ 6,221 | ₩ 8,812 | ₩ (6,098) | ₩ 98,325 |
| 2. Revenue from contracts with customers | 46,812 | 19,132 | 704 | 9,134 | 3,396 | 7,848 | 6,209 | 7,998 | (4,865) | 96,368 |
| Categories: | | | | | | | | | | |
| Service sales | 277 | 17,746 | 501 | 365 | - | - | 6,176 | 2,838 | (2,166) | 25,737 |
| Finished goods sales | 44,187 | 28 | 14 | 462 | 3,081 | 3,194 | - | 4,097 | (1,114) | 53,949 |
| Merchandise sales | 1,264 | 1,267 | 139 | 8,305 | 269 | 4,559 | 19 | 1,039 | (1,545) | 15,316 |
| Other sales | 1,084 | 91 | 50 | 2 | 46 | 95 | 14 | 24 | (40) | 1,366 |
| | <u>46,812</u> | <u>19,132</u> | <u>704</u> | <u>9,134</u> | <u>3,396</u> | <u>7,848</u> | <u>6,209</u> | <u>7,998</u> | <u>(4,865)</u> | <u>96,368</u> |
| Timing of revenue recognition: | | | | | | | | | | |
| Recognition at a point in time | 46,535 | 1,434 | 203 | 8,769 | 3,396 | 1,069 | 33 | 5,160 | (2,699) | 63,900 |
| Recognition over a period of time | 277 | 17,698 | 501 | 365 | - | 6,779 | 6,176 | 2,838 | (2,166) | 32,468 |
| | <u>46,812</u> | <u>19,132</u> | <u>704</u> | <u>9,134</u> | <u>3,396</u> | <u>7,848</u> | <u>6,209</u> | <u>7,998</u> | <u>(4,865)</u> | <u>96,368</u> |
| 3. Revenue from other sources | 31 | - | 442 | 1,884 | - | 7 | 12 | 814 | (1,233) | 1,957 |

| 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 Ecoplant Co., Ltd. | Others | Consolidation adjustments | Total | |
| 1. Total sales | ₩ 34,550 | ₩ 18,625 | ₩ 10,626 | ₩ 2,466 | ₩ 5,750 | ₩ 7,124 | ₩ 8,213 | ₩ (6,535) | ₩ 80,819 | |
| 2. Revenue from contracts with customers | 34,134 | 18,625 | 8,868 | 2,466 | 5,743 | 7,108 | 6,681 | (5,048) | 78,962 | |
| Categories: | | | | | | | | | | |
| Service sales | 277 | 16,534 | 396 | - | - | 7,084 | 2,391 | (2,550) | 24,132 | |
| Finished goods sales | 33,032 | 38 | 518 | 2,186 | 2,046 | - | 3,505 | (883) | 40,442 | |
| Merchandise sales | 490 | 1,548 | 7,952 | 243 | 3,591 | 24 | 333 | (1,460) | 12,721 | |
| Other sales | 720 | 505 | 2 | 37 | 106 | - | 452 | (155) | 1,667 | |
| | <u>34,519</u> | <u>18,625</u> | <u>8,868</u> | <u>2,466</u> | <u>5,743</u> | <u>7,108</u> | <u>6,681</u> | <u>(5,048)</u> | <u>78,962</u> | |
| Timing of revenue recognition: | | | | | | | | | | |
| Recognition at a point in time | 34,242 | 2,091 | 8,473 | 2,466 | 298 | 24 | 4,290 | (2,498) | 49,386 | |
| Recognition over a period of time | 277 | 16,534 | 395 | - | 5,445 | 7,084 | 2,391 | (2,550) | 29,576 | |
| | <u>34,519</u> | <u>18,625</u> | <u>8,868</u> | <u>2,466</u> | <u>5,743</u> | <u>7,108</u> | <u>6,681</u> | <u>(5,048)</u> | <u>78,962</u> | |
| 3. Revenue from other sources | 31 | - | 1,758 | - | 7 | 16 | 1,532 | (1,487) | 1,857 | |

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 TNS Co., Ltd.

On April 30, 2021, the Group sold all of SK TNS Co., Ltd.'s shares (160,000 shares, 100% stake) to Network Infra Holdings LLC. As a result, SK TNS Co., Ltd. has been excluded from subsidiaries of the Group.

2) Disposal of equity interests in SKC Eco-solutions Co., Ltd.

On May 31, 2021, the Group sold all of SKC Eco-solutions Co., Ltd.'s shares (2,000,000 shares, 100% stake). As a result, SKC Eco-solutions Co., Ltd. has been excluded from subsidiaries of the Group.

5.3 Other significant equity transactions

1) Sale of some shares in SK Biopharmaceuticals Co., Ltd.

On February 24, 2021, the Parent Company sold 8,600,000 shares of SK Biopharmaceuticals Co., Ltd., by Block Deal method and the disposal amount is ₩1,116,280 million. As a result, the Group's stake in SK Biopharmaceuticals Co., Ltd. decreased from 75% to 64.02%, and the non-controlling interest of the Group increased by ₩39,281 million.

2) SK ie technology Co., Ltd.'s listing and sale of old shares

On May 11, 2021, SK ie technology Co., Ltd., a subsidiary, was listed on the securities market through recruitment of new shares (8,556,000 shares) and sales of old shares (12,834,000 shares). As a result, the Group's stake in SK ie technology Co., Ltd. fell from 90% to 61.2%, and the non-controlling interest of the Group increased by ₩1,466,641 million.

3) SK REIT Co., Ltd.'s capital increase by issuing new stocks

SK REIT Co., Ltd., a subsidiary, conducted a paid-in capital increase (107,910,266 shares) through shareholder allocation and third-party allocation in July 2021 and a paid-in capital increase (46,510,266 shares) through corporate disclosure in September 2021. As a result, the Group's stake in SK consignment management real estate investment company decreased from 100% to 50%, and the non-controlling interest of the Group increased by ₩382,236 million.

4) Partial stake sale of SK Lubricants Co., Ltd.

On July 30, 2021, the Group disposed of 16,000,000 shares held by its subsidiary SK Lubricants Co., Ltd. (disposal amount of KRW 1,119,468 million). As a result, the Group's stake in SK Lubricants Co., Ltd. decreased from 100% to 60%, and the non-controlling interest of the Group increased by ₩710,813 million.

5) SK E&S Co., Ltd.'s redeemable convertible preferred stock issuance

On November 5, 2021, SK E&S Co., Ltd., a subsidiary, issued 4,094,293 redeemable preferred shares with no voting rights. As a result, the non-controlling interest of the Group increased by ₩2,377,669 million.

6) Merger of the former SK Materials Co., Ltd.

The former SK Materials Co., Ltd., a subsidiary, established SK Materials Co., Ltd. by physically dividing all of its business sectors, including special gas, on December 1, 2021, and its surviving subsidiary, the former SK Materials Co., Ltd. was merged with the Parent Company. As part of the transfer consideration for mergers and acquisitions, the Parent Company's ownership stake of ₩1,004,094 million increased and the non-controlling stake of ₩314,495 million decreased, equivalent to 50.9% of the Group's former SK Materials Co., Ltd.

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6. Financial instruments

6.1 Financial assets

Details of financial assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | | | Total |
|----------------------------------|------------------------------------|------------------------------------|---|--|---------------------|
| | Financial assets measured at FVTPL | Financial assets measured at FVOCI | Financial assets measured at amortized cost | Financial assets designated as hedging instruments | |
| Current assets | | | | | |
| Cash and cash equivalents | ₩ 2,800,214 | ₩ - | ₩ 9,517,341 | ₩ - | ₩ 12,317,555 |
| Short-term financial instruments | 5,240,060 | - | 884,690 | - | 6,124,750 |
| Trade receivables (*1) | 52,088 | - | 10,598,250 | - | 10,650,338 |
| Other receivables | 203,029 | - | 2,216,530 | - | 2,419,559 |
| Short-term loans | - | - | 94,031 | - | 94,031 |
| Accrued income | - | - | 114,924 | - | 114,924 |
| Short-term investment securities | 353,310 | - | 45 | - | 353,355 |
| Guarantee deposits | - | - | 276,658 | - | 276,658 |
| Derivative financial assets | 92,402 | - | - | 39,229 | 131,631 |
| Lease receivables | - | - | 19,016 | - | 19,016 |
| | <u>8,741,103</u> | <u>-</u> | <u>23,721,485</u> | <u>39,229</u> | <u>32,501,817</u> |
| Non-current assets | | | | | |
| Long-term financial instruments | 18,078 | - | 30,014 | - | 48,092 |
| Long-term trade receivables | - | - | 391,739 | - | 391,739 |
| Long-term other receivables | 256,930 | - | 61,954 | - | 318,884 |
| Long-term loans | - | - | 411,711 | - | 411,711 |
| Long-term investment securities | 1,972,522 | 7,572,640 | 1,023 | - | 9,546,185 |
| Guarantee deposits | - | - | 711,104 | - | 711,104 |
| Derivative financial assets | 516,067 | - | - | 224,550 | 740,617 |
| Lease receivables | - | - | 36,175 | - | 36,175 |
| | <u>2,763,597</u> | <u>7,572,640</u> | <u>1,643,720</u> | <u>224,550</u> | <u>12,204,507</u> |
| | <u>₩ 11,504,700</u> | <u>₩ 7,572,640</u> | <u>₩ 25,365,205</u> | <u>₩ 263,779</u> | <u>₩ 44,706,324</u> |

(*1) Contract assets (unbilled receivables) amounting to ₩737,104 million as of December 31, 2021 are not included in the financial assets.

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6.1 Financial assets (cont'd)

| | 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 | - | 1,419,921 | - | 1,631,397 |
| 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 | - | - | 56,838 | - | 56,838 |
| | <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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6.3 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, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | | |
|---|--------------------------------------|------------------|----------------------|---------------------------------|--|--------------------|--------------------|
| | Dividends income | Interest income | Interest expense | Gain (loss) on foreign currency | Gain (loss) on derivatives instruments | Others | Total |
| Financial assets measured at FVTPL | ₩ 22,972 | ₩ 30,659 | ₩ - | ₩ 30 | ₩ 910,267 | ₩ 295,139 | ₩ 1,259,067 |
| Financial assets measured at FVOCI | 40,860 | 336 | - | 122 | - | 970,560 | 1,011,878 |
| Financial assets measured at amortized cost | - | 143,007 | - | 907,031 | - | 82,139 | 1,132,177 |
| Financial assets designated as hedging instruments | - | - | - | - | 291,759 | - | 291,759 |
| Financial liabilities measured at FVTPL | - | - | - | (2,796) | (1,509,348) | (25,788) | (1,537,932) |
| Other financial liabilities | - | - | (1,435,026) | (1,167,629) | - | - | (2,602,655) |
| Financial liabilities designated as hedging instruments | - | - | - | - | (22,798) | - | (22,798) |
| | <u>₩ 63,832</u> | <u>₩ 174,002</u> | <u>₩ (1,435,026)</u> | <u>₩ (263,242)</u> | <u>₩ (330,120)</u> | <u>₩ 1,322,050</u> | <u>₩ (468,504)</u> |

| | 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) | ₩ 2,054,134 | ₩ (68,851) | ₩ 2,036,500 |
| Financial assets measured at FVOCI | 13,717 | 910 | - | (514) | - | 721,930 | 736,043 |
| Financial assets measured at amortized cost | - | 141,233 | - | (37,041) | - | 29,784 | 133,976 |
| Financial assets designated as hedging instruments | - | - | - | - | 34,064 | - | 34,064 |
| Financial liabilities measured at FVTPL | - | - | - | 676 | (1,747,675) | (2,610) | (1,749,609) |
| Other financial liabilities | - | - | (1,394,257) | 114,845 | - | - | (1,279,412) |
| Financial liabilities designated as hedging instruments | - | - | - | - | (54,297) | - | (54,297) |
| | <u>₩ 19,027</u> | <u>₩ 188,056</u> | <u>₩ (1,394,257)</u> | <u>₩ 77,960</u> | <u>₩ 286,226</u> | <u>₩ 680,253</u> | <u>₩ (142,735)</u> |

6.4 Fair values of financial instruments by hierarchy level

1) Fair values and book values of financial instruments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | December 31, 2020 | |
|---------------|-------------------|--------------|-------------------|--------------|
| | Book value | Fair value | Book value | Fair value |
| Bonds payable | ₩ 34,856,002 | ₩ 34,967,026 | ₩ 31,167,494 | ₩ 31,259,176 |
| Borrowings | 23,249,591 | 23,196,353 | 18,094,224 | 18,273,146 |

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (1.22% ~ 4.50%) 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.

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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, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | | |
|---|---------------------|--------------------|--------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets measured at FVTPL | ₩ 8,502,805 | ₩ 2,356,504 | ₩ 36,922 | ₩ 10,896,231 |
| Financial assets measured at FVOCI | 5,260,168 | - | 2,312,472 | 7,572,640 |
| Derivative financial assets | 7,219 | 417,876 | 447,153 | 872,248 |
| | <u>₩ 13,770,192</u> | <u>₩ 2,774,380</u> | <u>₩ 2,796,547</u> | <u>₩ 19,341,119</u> |
| Financial liabilities: | | | | |
| Financial liabilities measured at FVTPL | ₩ - | ₩ - | ₩ 253,784 | ₩ 253,784 |
| Derivative financial liabilities | 600 | 96,891 | 663,314 | 760,805 |
| | <u>₩ 600</u> | <u>₩ 96,891</u> | <u>₩ 917,098</u> | <u>₩ 1,014,589</u> |
| | | | | |
| | 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 | 559,054 | 830,645 |
| | <u>₩ 329</u> | <u>₩ 271,262</u> | <u>₩ 599,019</u> | <u>₩ 870,610</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 categorized 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 Group 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.

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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 |
|-----------------------------|------------------|-------------|------------------------|--------------------------------------|-------------------------------|
| | Assets | Liabilities | | | |
| SK Shipping Co., Ltd. | ₩ 223,682 | | DCF model | Permanent growth rate WACC | 1.0% |
| Total return swap agreement | | ₩ 219,337 | Monte-Carlo simulation | Term structure of interest rate WACC | 10.7% 1.8% ~ 1.9% 10.7% |

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, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | December 31, 2020 | |
|--|---------------------|------------------|--------------------|------------------|
| | Current | Non-current | Current | Non-current |
| Trade receivables: | | | | |
| Trade receivables (*1) | ₩ 11,182,015 | ₩ 407,641 | ₩ 8,502,117 | ₩ 294,879 |
| Contract assets (unbilled receivables) | 737,104 | - | 965,473 | - |
| Loss allowance: | | | | |
| Trade receivables | (531,677) | (15,902) | (596,174) | (20,090) |
| | <u>₩ 11,387,442</u> | <u>₩ 391,739</u> | <u>₩ 8,871,416</u> | <u>₩ 274,789</u> |

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

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7. Trade receivables (cont'd)

(2) Details of contract assets and liabilities related to the contract with the customer as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | December 31, 2020 | |
|----------------------------|-------------------|------------------|-------------------|------------------|
| Contract assets: (*1) | | | | |
| Construction business | ₩ | 572,283 | ₩ | 838,273 |
| Telecommunication business | | 118,278 | | 148,281 |
| Others | | 200,349 | | 127,294 |
| | ₩ | <u>890,910</u> | ₩ | <u>1,113,848</u> |
| Contract liabilities: (*2) | | | | |
| Construction business | ₩ | 973,020 | ₩ | 1,118,684 |
| Telecommunication business | | 202,967 | | 260,596 |
| Others | | 890,405 | | 868,660 |
| | ₩ | <u>2,066,392</u> | ₩ | <u>2,247,940</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 ₩1,265,039 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, 2021 are as follows (Korean won in millions):

| | December 31, 2021 | | | | |
|--|--|--------------------------|-------------------------------|--------------------------------|---|
| | 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 Ecoplant Co., Ltd. and its subsidiaries | ₩ 2,003,459 | ₩ 1,937,163 | ₩ 13,252 | ₩ 53,044 | ₩ 13,252 |
| Others | 1,356 | 448 | 889 | 19 | 889 |
| | <u>₩ 2,004,815</u> | <u>₩ 1,937,611</u> | <u>₩ 14,141</u> | <u>₩ 53,063</u> | <u>₩ 14,141</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, 2021 are as follows (Korean won in millions):

| Subsidiary | Project | Contract date | Completion date | Percentage (%) | Unbilled receivables | | Trade receivables (*1) | |
|-----------------------|--------------------------------------|---------------|-----------------|----------------|----------------------|---------------------------------|------------------------|---------------------------------|
| | | | | | Amount | Allowance for doubtful accounts | Amount | Allowance for doubtful accounts |
| SK Ecoplant Co., Ltd. | RRE Project | 2009.12 | 2016.05 | 99.9 | ₩ - | ₩ - | ₩ - | ₩ - |
| | Goseong High Fire power Construction | 2014.07 | 2022.01 | 97.6 | 16,145 | - | - | - |

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

(5) The amount includes the carrying amount of trade receivables accounted for as secured borrowings (₩89,423 million as of December 31, 2021 and ₩188,155 million as of December 31, 2020) 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, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---------------------|---------------------|---------------------|--------------------|---------------------|--------------------|
| | Cost | Valuation allowance | Book value | Cost | Valuation allowance | Book value |
| Merchandise | ₩ 1,031,635 | ₩ (36,524) | ₩ 995,111 | ₩ 864,806 | ₩ (45,647) | ₩ 819,159 |
| Finished goods | 2,997,935 | (151,075) | 2,846,860 | 1,563,756 | (59,899) | 1,503,857 |
| Semifinished goods and work in progress | 1,388,745 | (118,721) | 1,270,024 | 845,458 | (47,258) | 798,200 |
| Raw materials and sub-materials | 2,327,476 | (89,613) | 2,237,863 | 1,354,419 | (24,761) | 1,329,658 |
| Materials in transit | 2,765,034 | - | 2,765,034 | 1,354,400 | - | 1,354,400 |
| Supplies | 538,897 | (4,033) | 534,864 | 311,475 | (4,074) | 307,401 |
| Uncompleted contracts | 17,415 | - | 17,415 | 57,673 | - | 57,673 |
| Others | 13,533 | - | 13,533 | 9,476 | (327) | 9,149 |
| | <u>₩ 11,080,670</u> | <u>₩ (399,966)</u> | <u>₩ 10,680,704</u> | <u>₩ 6,361,463</u> | <u>₩ (181,966)</u> | <u>₩ 6,179,497</u> |

9. Investment securities

Details of investment securities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | | |
|-----------------------------------|------------------------------------|---|---|--------------------|
| | Financial assets measured at FVTPL | Financial assets measured at FVOCI (*1) | Financial assets measured at amortized cost | Total |
| Equity instruments: | | | | |
| Marketable equity instruments | ₩ 462,531 | ₩ 5,260,168 | ₩ - | ₩ 5,722,699 |
| Non-marketable equity instruments | 170,478 | 2,304,673 | - | 2,475,151 |
| | <u>633,009</u> | <u>7,564,841</u> | <u>-</u> | <u>8,197,850</u> |
| Bond instruments: | | | | |
| Beneficiary securities and others | 716,254 | 663 | - | 716,917 |
| Debt securities | 976,569 | 7,136 | 1,068 | 984,773 |
| | <u>1,692,823</u> | <u>7,799</u> | <u>1,068</u> | <u>1,701,690</u> |
| | <u>₩ 2,325,832</u> | <u>₩ 7,572,640</u> | <u>₩ 1,068</u> | <u>₩ 9,899,540</u> |
| Current investment securities | ₩ 353,310 | ₩ - | ₩ 45 | ₩ 353,355 |
| Non-current investment securities | 1,972,522 | 7,572,640 | 1,023 | 9,546,185 |
| | | | | |
| | 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 |

(*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, 2021 and 2020 are as follows (Korean won in millions):

| Company | Domicile | December 31, 2021 | | | December 31, |
|---|-----------|-----------------------|------------------|---------------------|---------------------|
| | | Equity ownership (*1) | Acquisition cost | Book value | 2020 |
| | | | | | Book value |
| Associates: | | | | | |
| SK Hynix Inc. | Korea | 20.1% | ₩ 5,420,310 | ₩ 13,746,931 | ₩ 11,750,425 |
| Vingroup Joint Stock Company (*2) | Vietnam | 6.1% | 957,882 | 984,778 | 851,300 |
| Eureka Midstream Holdings | USA | 40.0% | 465,582 | 523,829 | 465,917 |
| VCM Services And Trading Development Joint Stock Company (*2,3) | Vietnam | 16.0% | 465,019 | 454,794 | - |
| Masan Group Corporation (*2) | Vietnam | 9.3% | 457,718 | 419,935 | 367,832 |
| Darwin LNG Pty Ltd. (*3) | Australia | 25.0% | 419,675 | 438,090 | - |
| Shenzhen Londian Wason Holdings Group. Co., Ltd. | China | 26.0% | 383,369 | 443,661 | 383,049 |
| The CrownX Corporation (*2,3) | Vietnam | 4.9% | 348,648 | 361,163 | - |
| FR BR Aggregator | USA | 39.0% | 350,718 | 301,159 | 283,933 |
| Huizhou EVE United Energy Co., Ltd. | China | 49.0% | 344,465 | 430,164 | 353,815 |
| Peru LNG Company, LLC | USA | 20.0% | 331,144 | 258,037 | 243,456 |
| Daehan Oil Pipeline Corporation | Korea | 41.0% | 311,372 | 317,050 | 311,015 |
| NHIP II Bison Holdings, LLC | USA | 24.5% | 297,511 | 265,634 | 244,325 |
| Hana Card Co., Ltd. (*2) | Korea | 15.0% | 253,707 | 349,866 | 314,930 |
| Yemen LNG Company Ltd. (*2,4) | Yemen | 6.9% | 252,813 | - | - |
| Canakkale Highway And Bridge | Turkey | 25.0% | 272,028 | 276,853 | 208,272 |
| Korea IT Fund (*5) | Korea | 63.3% | 242,170 | 339,976 | 323,294 |
| Center For Breakthrough Medicines Holdings, LLC (*3) | USA | 27.6% | 229,055 | 237,277 | - |
| ProteoVant Sciences, Inc. (*3) | USA | 40.0% | 222,370 | 212,874 | - |
| Joyvio (*2) | China | 14.0% | 213,793 | 240,006 | 197,974 |
| Content Wavve Corp (*6) | Korea | 36.4% | 165,341 | 141,142 | 75,803 |
| Parkingcloud Corp (*3) | Korea | 47.1% | 160,038 | 160,038 | - |
| Best Oil Company Limited | Myanmar | 35.0% | 153,024 | 132,430 | 159,557 |
| TBM Co., Ltd. (*2,3) | Japan | 10.1% | 141,971 | 138,602 | - |
| ENN (Zhoushan) LNG Co., Ltd. (*2) | China | 10.0% | 133,234 | 130,473 | 133,164 |
| Others | | | | <u>1,734,285</u> | <u>1,243,830</u> |
| | | | | <u>23,039,047</u> | <u>17,911,891</u> |
| Joint ventures (*7): | | | | | |
| Sinopec-SK (Wuhan) Petrochemical Co., Ltd. | China | 35.0% | 676,332 | 1,140,152 | 942,775 |
| Mitsui Chemicals & SKC Polyurethanes Co., Ltd. | Korea | 50.0% | 349,942 | 397,417 | 419,404 |
| Beijing BESK Technology Co., Ltd | China | 49.0% | 247,427 | 261,564 | 235,604 |
| ZETA CAYMAN Limited | Cayman | 50.0% | 178,774 | 108,562 | 163,720 |
| Ignis Therapeutics (*8) | Cayman | 49.7% | 177,525 | 93,980 | - |
| Eurasia Tunnel | Turkey | 50.0% | 174,215 | 323,192 | 254,324 |
| Boryeong LNG Terminal Co., Ltd. | Korea | 50.0% | 133,323 | 146,686 | 146,568 |
| SABIC SK Nexlene Company Pte. Ltd. | Singapore | 50.0% | 112,670 | 125,952 | 93,915 |
| Hana Land Chip PEF 33 (*9) | Korea | - | - | - | 262,881 |
| Others | | | | <u>413,893</u> | <u>587,881</u> |
| | | | | <u>3,011,398</u> | <u>3,107,072</u> |
| | | | | <u>₩ 26,050,445</u> | <u>₩ 21,018,963</u> |

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

- (*1) Equity ownership includes indirect investments held by the consolidated subsidiaries.
- (*2) The Group retains significant influence on the associate despite having less than 20% equity interests.
- (*3) It was newly acquired during the current period.
- (*4) Impairment losses on investments in associates were fully recognized as there was an indication of impairment prior to the current period.
- (*5) 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.
- (*6) The Group acquired 435,431 common shares of Content Wavve Corp. for ₩100,000 million cash payment through an unequal paid-in capital increase during the current period, increasing the Group's stake from 30% to 36.4%.
- (*7) 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.
- (*8) As of November 24, 2021, the Group established the right to commercialize six CNS new drug pipelines, including Senobamate (XCOPRI®), in-kind investment in Ignis Therapeutics (China, Hong Kong, Macau, and Taiwan), with 49.7% (investment amount USD150,000).
- (*9) During the current year, the Group acquired additional 34.80% shares of Hana Land Chip PEF 33 and obtained control. Accordingly, the Group reclassified it from investment in joint ventures to investment in subsidiaries, and it was liquidated during the year ended December 31, 2021.

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

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

Changes in investments in associates and joint ventures accounted for using the equity method for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | | | |
|--|--------------------------------------|--------------|-------------|--|-------------------------|--------------------|-------------|----------------|
| | Beginning balance | Acquisitions | Disposals | Equity profit or losses on investments | Other capital movements | Dividends received | Others (*1) | Ending balance |
| Associates: | | | | | | | | |
| SK Hynix Inc. | ₩ 11,750,425 | ₩ - | ₩ - | ₩ 1,921,010 | ₩ 226,952 | ₩ (170,937) | ₩ 19,481 | ₩ 13,746,931 |
| Vingroup Joint Stock Company | 851,300 | - | - | (29,190) | 85,610 | - | 77,058 | 984,778 |
| Eureka Midstream Holdings | 465,917 | - | - | 18,461 | - | (2,861) | 42,312 | 523,829 |
| VCM Services And Trading Development Joint Stock Company | - | 465,019 | - | (3,754) | 127 | - | (6,598) | 454,794 |
| Masan Group Corporation | 367,832 | - | - | (28,952) | 55,691 | (6,565) | 31,929 | 419,935 |
| Darwin LNG Pty Ltd. | - | 419,675 | - | 4,780 | - | (10,776) | 24,411 | 438,090 |
| Shenzhen Londian Wason Holdings Group. Co., Ltd. | 383,049 | - | - | 23,650 | 8,975 | (17,407) | 45,394 | 443,661 |
| The CrownX Corporation | - | 348,648 | - | - | - | - | 12,515 | 361,163 |
| FR BR Aggregator | 283,933 | - | - | (5,704) | - | (2,230) | 25,160 | 301,159 |
| Huizhou EVE United Energy Co., Ltd. | 353,815 | - | - | 38,282 | 38,067 | - | - | 430,164 |
| Peru LNG Company, LLC | 243,456 | - | - | (6,988) | 21,569 | - | - | 258,037 |
| Daehan Oil Pipeline Corporation | 311,015 | - | - | 9,672 | 750 | (4,387) | - | 317,050 |
| NHIP II Bison Holdings, LLC | 244,325 | - | - | (565) | - | - | 21,874 | 265,634 |
| Hana Card Co., Ltd. | 314,930 | - | - | 35,057 | (121) | - | - | 349,866 |
| Canakkale Highway And Bridge | 208,272 | 56,312 | - | (7,327) | 19,596 | - | - | 276,853 |
| Korea IT Fund | 323,294 | - | - | 31,734 | (4,336) | (10,716) | - | 339,976 |
| Center For Breakthrough Medicines Holdings, LLC | - | 229,055 | - | - | - | - | 8,222 | 237,277 |
| ProteoVant Sciences, Inc. | - | 222,370 | - | (14,506) | 5,010 | - | - | 212,874 |
| Joyvio | 197,974 | - | - | 4,991 | 18,457 | - | 18,584 | 240,006 |
| Content Wavve Corp | 75,803 | 100,000 | - | (34,592) | (69) | - | - | 141,142 |
| Parkingcloud Corp | - | 160,038 | - | - | - | - | - | 160,038 |
| Best Oil Company Limited | 159,557 | - | - | 2,633 | (36,194) | - | 6,434 | 132,430 |
| TBM Co., Ltd. | - | 141,945 | - | (1,863) | - | - | (1,480) | 138,602 |
| ENN (Zhoushan) LNG Co., Ltd. | 133,164 | 600 | - | 9,388 | 10,134 | - | (22,813) | 130,473 |
| Others | 1,243,830 | 552,530 | (72,028) | (99,148) | 12,095 | (45,485) | 142,491 | 1,734,285 |
| | ₩ 17,911,891 | ₩ 2,696,192 | ₩ (72,028) | ₩ 1,867,069 | ₩ 462,313 | ₩ (271,364) | ₩ 444,974 | ₩ 23,039,047 |
| Joint ventures: | | | | | | | | |
| Sinopec-SK (Wuhan) Petrochemical Co., Ltd. | 942,775 | - | - | 86,880 | 110,497 | - | - | 1,140,152 |
| Mitsui Chemicals & SKC Polyurethanes Co., Ltd. | 419,404 | - | - | (9,672) | (10,039) | - | (2,276) | 397,417 |
| Beijing BESK Technology Co., Ltd. | 235,604 | - | - | (1,148) | 27,108 | - | - | 261,564 |
| ZETA CAYMAN Limited | 163,720 | 870 | - | (865) | (67,416) | - | 12,253 | 108,562 |
| Ignis Therapeutics | - | 177,525 | - | (83,813) | 268 | - | - | 93,980 |
| Eurasia Tunnel | 254,324 | - | - | 30,007 | 13,747 | - | 25,114 | 323,192 |
| Boryeong LNG Terminal Co., Ltd. | 146,568 | - | - | 12,880 | 38 | (12,800) | - | 146,686 |
| SABIC SK Nexlene Company Pte. Ltd. | 93,915 | - | - | 41,005 | (8,968) | - | - | 125,952 |
| Hana Land Chip PEF 33 | 262,881 | - | - | - | - | - | (262,881) | - |
| Others | 587,881 | 41,618 | (32,410) | (17,983) | 13,294 | (10,022) | (168,485) | 413,893 |
| | ₩ 3,107,072 | ₩ 220,013 | ₩ (32,410) | ₩ 57,291 | ₩ 78,529 | ₩ (22,822) | ₩ (396,275) | ₩ 3,011,398 |
| | ₩ 21,018,963 | ₩ 2,916,205 | ₩ (104,438) | ₩ 1,924,360 | ₩ 540,842 | ₩ (294,186) | ₩ 48,699 | ₩ 26,050,445 |

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

| | For the year ended December 31, 2020 | | | | | | | Ending balance |
|--|--------------------------------------|------------------|---------------------|--|-------------------------|--------------------|--------------------|---------------------|
| | Beginning balance | Acquisitions | Disposals | Equity profit or losses on investments | Other capital movements | Dividends received | Others (*1) | |
| 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 |
| Eureka Midstream Holdings | 487,160 | - | - | 8,814 | - | - | (30,057) | 465,917 |
| Masan Group Corporation | 483,950 | - | - | (10,749) | (31,608) | (5,617) | (68,144) | 367,832 |
| Shenzhen Lodian Electric Co., Ltd. | 294,126 | 98,767 | - | 16,911 | - | - | (26,755) | 383,049 |
| ESR Cayman Limited | 684,714 | - | (270,537) | 22,943 | (25,871) | - | (411,249) | - |
| FR BR Aggregator | 331,310 | - | - | (28,263) | - | (1,458) | (17,656) | 283,933 |
| Huizhou EVE United Energy Co., Ltd. | - | - | - | 9,350 | - | - | 344,465 | 353,815 |
| 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 |
| NHIP II Bison Holdings, LLC | 343,985 | - | - | (85,601) | - | - | (14,059) | 244,325 |
| Hana Card Co., Ltd. | 294,756 | - | - | 20,671 | (497) | - | - | 314,930 |
| Canakkale Highway And Bridge | 140,849 | 62,369 | - | 16,619 | (11,565) | - | - | 208,272 |
| Korea IT Fund | 311,553 | - | - | 23,188 | 6,110 | (17,557) | - | 323,294 |
| Joyvio | 212,353 | - | - | (1,579) | (131) | - | (12,669) | 197,974 |
| 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 |
| | <u>19,183,534</u> | <u>587,294</u> | <u>(1,905,552)</u> | <u>835,382</u> | <u>(88,564)</u> | <u>(252,083)</u> | <u>(448,120)</u> | <u>17,911,891</u> |
| Joint ventures: | | | | | | | | |
| Sinopec-SK (Wuhan) Petrochemical Co., Ltd. | 1,003,159 | - | - | (69,048) | 8,664 | - | - | 942,775 |
| Mitsui Chemicals & SKC Polyurethanes Co., Ltd. | 455,225 | - | - | (35,687) | (2,451) | (3,815) | 6,132 | 419,404 |
| ZETA CAYMAN Limited | - | 177,904 | - | (332) | - | - | (13,852) | 163,720 |
| Beijing BESK Technology Co., Ltd. | 233,244 | - | - | 678 | 1,682 | - | - | 235,604 |
| 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 Nextlene Company Pte. Ltd. | 81,182 | - | - | 4,113 | 8,620 | - | - | 93,915 |
| Hana Land Chip PEF 33 | 264,395 | - | - | 15,106 | - | (16,164) | (456) | 262,881 |
| Others | 270,202 | 216,047 | (48,351) | 8,798 | (9,504) | (4,899) | 155,588 | 587,881 |
| | <u>2,711,182</u> | <u>393,951</u> | <u>(48,351)</u> | <u>(35,684)</u> | <u>(4,256)</u> | <u>(39,938)</u> | <u>130,168</u> | <u>3,107,072</u> |
| | <u>₩ 21,894,716</u> | <u>₩ 981,245</u> | <u>₩(1,953,903)</u> | <u>₩ 799,698</u> | <u>₩ (92,820)</u> | <u>₩ (292,021)</u> | <u>₩ (317,952)</u> | <u>₩ 21,018,963</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, 2021 are as follows (Korean won in millions):

| | Beginning balance | Changes | Ending balance |
|-----------------------------------|-------------------|----------|----------------|
| Pentaport Development Co., Ltd. | ₩ 79,238 | ₩ 109 | ₩ 79,347 |
| Korea Consortium Kazakh B.V. | 186,473 | (10,779) | 175,694 |
| Yemen LNG Company Ltd. and others | 45,279 | 29,889 | 75,168 |

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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, 2021 are as follows (Korean won in millions):

| | December 31, 2021 | | | | | |
|--|-------------------|------------------|--|-------------------------------|--------------------------------------|--------------|
| | Net assets | Equity ownership | Net assets attributable to the ownership interests | Cost-book value differentials | Intercompany transactions and others | Book value |
| Associates: | | | | | | |
| SK Hynix Inc. (*1) | ₩ 62,149,516 | 20.1% | ₩ 13,205,019 | ₩ 724,952 | ₩ (183,040) | ₩ 13,746,931 |
| Vingroup Joint Stock Company | 6,661,963 | 6.1% | 416,373 | 568,405 | - | 984,778 |
| Eureka Midstream Holdings | 689,808 | 40.0% | 275,923 | 247,906 | - | 523,829 |
| VCM Services And Trading Development Joint Stock Company | 89,554 | 16.0% | 14,284 | 440,510 | - | 454,794 |
| Masan Group Corporation | 1,002,290 | 9.3% | 93,313 | 326,622 | - | 419,935 |
| Darwin LNG Pty Ltd. | 104,128 | 25.0% | 26,032 | 412,058 | - | 438,090 |
| Shenzhen Londian Wason Holdings Group. Co., Ltd. | 846,363 | 26.0% | 220,054 | 223,607 | - | 443,661 |
| The CrownX Corporation | 735,248 | 4.9% | 36,027 | 325,136 | - | 361,163 |
| FR BR Aggregator | 772,763 | 39.0% | 301,146 | 13 | - | 301,159 |
| Huizhou EVE United Energy Co., Ltd. | 894,441 | 49.0% | 438,276 | - | (8,112) | 430,164 |
| Peru LNG Company, LLC | 1,290,407 | 20.0% | 258,081 | - | (44) | 258,037 |
| Daehan Oil Pipeline Corporation | 737,196 | 41.0% | 302,263 | 22,878 | (8,091) | 317,050 |
| NHIP II Bison Holdings, LLC | 1,072,235 | 24.5% | 262,483 | 3,151 | - | 265,634 |
| Hana Card Co., Ltd. | 2,029,007 | 15.0% | 304,351 | 45,515 | - | 349,866 |
| Canakkale Highway And Bridge | 1,107,410 | 25.0% | 276,853 | - | - | 276,853 |
| Korea IT Fund | 536,804 | 63.3% | 339,976 | - | - | 339,976 |
| Center For Breakthrough Medicines Holdings, LLC | 186,199 | 27.6% | 51,479 | 185,798 | - | 237,277 |
| ProteoVant Sciences, Inc. | 187,671 | 40.0% | 75,068 | 137,806 | - | 212,874 |
| Joyvio | 1,373,458 | 14.0% | 192,009 | 47,997 | - | 240,006 |
| Content Wave Corp | (34,948) | 36.4% | (12,708) | 153,850 | - | 141,142 |
| Parkingcloud Corp | 118,915 | 47.1% | 56,009 | 104,029 | - | 160,038 |
| Best Oil Company Limited | 215,662 | 35.0% | 75,482 | 57,072 | (124) | 132,430 |
| TBM Co., Ltd. | 139,634 | 10.1% | 14,103 | 124,499 | - | 138,602 |
| ENN (Zhoushan) LNG Co., Ltd. | 526,412 | 10.0% | 52,641 | 77,832 | - | 130,473 |
| Joint ventures: | | | | | | |
| Sinopec-SK (Wuhan) Petrochemical Co., Ltd. | 3,036,599 | 35.0% | 1,062,810 | 77,342 | - | 1,140,152 |
| Mitsui Chemicals & SKC Polyurethanes Co., Ltd. | 800,423 | 50.0% | 400,212 | - | (2,795) | 397,417 |
| Beijing BESK Technology Co., Ltd. | 533,288 | 49.0% | 261,311 | 253 | - | 261,564 |
| ZETA CAYMAN Limited | 217,123 | 50.0% | 108,562 | - | - | 108,562 |
| Ignis Therapeutics | 299,759 | 49.7% | 148,946 | 26,463 | (81,429) | 93,980 |
| Eurasia Tunnel | 628,781 | 50.0% | 314,391 | 17,209 | (8,408) | 323,192 |
| Boryeong LNG Terminal Co., Ltd. | 269,897 | 50.0% | 134,949 | 28,736 | (16,999) | 146,686 |
| Sabic SK Nexlene Company Pte. Ltd. | 326,387 | 50.0% | 163,193 | - | (37,241) | 125,952 |

(*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 21.25% was applied to the equity method valuation.

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

(5) Condensed financial information's of significant investments in associates and joint ventures as of December 31, 2021 are as follows (Korean won in millions).

| | As of and for the year ended December 31, 2021 | | | | | | |
|--|--|--------------------|---------------------|-------------------------|--------------|-------------------|-----------------------------------|
| | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Sales | Net income (loss) | Total comprehensive income (loss) |
| Associates: | | | | | | | |
| SK Hynix Inc. | ₩ 26,870,451 | ₩ 69,516,023 | ₩ 14,769,356 | ₩ 19,426,060 | ₩ 42,997,256 | ₩ 9,671,329 | ₩ 10,746,226 |
| Vingroup Joint Stock Company | 8,510,579 | 13,752,998 | 7,525,581 | 6,446,459 | 6,256,496 | (375,375) | (375,375) |
| Eureka Midstream Holdings | 36,105 | 1,008,038 | 19,542 | 334,793 | 141,976 | 65,158 | 65,158 |
| VCM Services And Trading Development Joint Stock Company | 466,448 | 389,669 | 492,852 | 244,102 | 1,541,934 | (33,320) | (33,320) |
| Masan Group Corporation | 2,273,132 | 4,296,338 | 1,799,942 | 2,563,788 | 4,480,602 | 504,059 | 504,059 |
| Darwin LNG Pty Ltd. | 611,426 | 31,896 | 515,083 | 24,111 | 2,391,203 | 99,598 | 99,598 |
| Shenzhen Lonian Wason Holdings Group Co., Ltd. | 1,038,424 | 932,118 | 943,965 | 179,969 | 1,106,757 | 92,263 | 92,263 |
| The CrownX Corporation | 1,212,174 | 1,334,879 | 1,111,651 | 478,865 | 2,069,459 | 98,834 | 98,834 |
| FR BR Aggregator | 3,510 | 1,331,543 | 4,674 | 557,615 | - | (23,386) | (23,386) |
| Huizhou EVE United Energy Co., Ltd. | 706,479 | 676,176 | 394,166 | 94,048 | 1,156,517 | 88,515 | 88,515 |
| Peru LNG Company, LLC | 344,281 | 2,504,325 | 320,570 | 1,237,629 | 1,822,623 | (40,015) | (40,015) |
| Daehan Oil Pipeline Corporation | 115,637 | 921,646 | 39,561 | 260,526 | 180,276 | 25,313 | 27,141 |
| NHIP II Bison Holdings, LLC | 21,797 | 1,051,447 | 1,009 | - | - | (1,451) | (1,451) |
| Hana Card Co., Ltd. | 9,130,044 | 465,333 | 1,281,783 | 6,284,587 | 1,270,568 | 250,484 | 251,393 |
| Canakkale Highway And Bridge | 89,744 | 4,010,436 | 96,024 | 2,896,746 | 767,500 | 8,484 | 8,418 |
| Korea IT Fund | 117,172 | 419,632 | - | - | 58,741 | 50,107 | 43,260 |
| Center For Breakthrough Medicines Holdings, LLC | 206,958 | 56,245 | 31,277 | 45,727 | 2,584 | (30,322) | (30,322) |
| ProteoVant Sciences, Inc. | 203,287 | 560 | 12,150 | 4,026 | - | (20,363) | (20,363) |
| Joyvio | 1,904,358 | 2,604,087 | 1,384,884 | 1,393,941 | 2,472,467 | 105,581 | 105,247 |
| Content Wavve Corp | 251,782 | 140,537 | 82,030 | 326,074 | 230,147 | (90,396) | (90,396) |
| Parkingcloud Corp | 137,344 | 68,811 | 49,320 | 37,920 | 74,954 | (12,704) | (12,704) |
| Best Oil Company Limited | 269,698 | 202,373 | 241,334 | 15,075 | 659,727 | 17,523 | 17,523 |
| TBM Co., Ltd. | 138,397 | 61,634 | 7,419 | 52,978 | 18,067 | (28,074) | (28,074) |
| ENN (Zhoushan) LNG Co., Ltd. | 29,436 | 1,016,137 | 36,133 | 483,028 | 195,491 | 97,698 | 97,698 |
| Joint ventures: | | | | | | | |
| Sinopec-SK (Wuhan) Petrochemical Co., Ltd. | 1,264,770 | 4,683,811 | 1,512,768 | 1,399,214 | 8,908,430 | 247,160 | 247,160 |
| Mitsui Chemicals & SKC Polyurethanes Co., Ltd. | 237,293 | 815,714 | 186,336 | 66,248 | 756,578 | (12,304) | (32,382) |
| Beijing BESK Technology Co., Ltd. | 413,849 | 482,364 | 354,111 | 8,814 | 597,911 | (1,093) | (1,093) |
| ZETA CAYMAN Limited | 1,598 | 215,979 | 454 | - | - | (1,730) | (136,535) |
| Ignis Therapeutics | 123,219 | 178,820 | 1,727 | 553 | - | (4,798) | (4,798) |
| Eurasia Tunnel | 157,530 | 1,498,760 | 207,513 | 819,996 | 12,632 | 49,719 | 77,213 |
| Boryeong LNG Terminal Co., Ltd. | 124,347 | 1,553,067 | 87,880 | 1,319,636 | 193,772 | 27,245 | 27,321 |
| SABIC SK Nexlene Company Pte. Ltd. | 266,153 | 504,256 | 94,208 | 349,814 | 476,715 | 75,951 | 32,818 |

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11. Property, plant and equipment

(1) Details of property, plant and equipment as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | December 31, 2020 |
|---|---------------------|---------------------|
| Acquisition cost | ₩ 73,873,413 | ₩ 65,059,292 |
| Accumulated depreciation and accumulated impairment loss | (22,467,174) | (19,163,698) |
| | <u>₩ 51,406,239</u> | <u>₩ 45,895,594</u> |

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | | Ending balance |
|--------------------------|--------------------------------------|----------------------|--------------------|--------------------|----------------------|------------------|---------------------|
| | Beginning balance | Business combination | Acquisitions | Disposals | Depreciation | Others (*1) | |
| Land | ₩ 8,514,509 | ₩ 857,667 | ₩ 79,474 | ₩ (243,129) | ₩ - | ₩ 85,727 | ₩ 9,294,248 |
| Buildings | 4,567,149 | 241,018 | 20,264 | (21,772) | (213,984) | 1,410,985 | 6,003,660 |
| Structures | 1,660,194 | 48,975 | 22,391 | (30,241) | (131,765) | 417,237 | 1,986,791 |
| Machinery and equipment | 20,261,529 | 134,761 | 644,866 | (161,153) | (3,949,965) | 3,917,730 | 20,847,768 |
| Vehicles | 199,411 | 1,684 | 7,583 | (1,299) | (34,219) | 7,434 | 180,594 |
| Operating lease asset | 1,786,789 | - | 861,956 | (29,304) | (442,502) | (234,620) | 1,942,319 |
| Others | 3,382,742 | 32,207 | 1,417,158 | (11,781) | (820,957) | 448,104 | 4,447,473 |
| Construction-in-progress | 5,523,271 | 388,084 | 6,536,550 | (7,226) | - | (5,737,293) | 6,703,386 |
| | <u>₩ 45,895,594</u> | <u>₩ 1,704,396</u> | <u>₩ 9,590,242</u> | <u>₩ (505,905)</u> | <u>₩ (5,593,392)</u> | <u>₩ 315,304</u> | <u>₩ 51,406,239</u> |

| | For the year ended December 31, 2020 | | | | | | Ending balance |
|--------------------------|--------------------------------------|----------------------|--------------------|--------------------|----------------------|----------------------|---------------------|
| | Beginning balance | Business combination | Acquisitions | Disposals | Depreciation | Others (*1) | |
| Land | ₩ 8,787,048 | ₩ 79,007 | ₩ 41,345 | ₩ (333,331) | ₩ - | ₩ (59,560) | ₩ 8,514,509 |
| Buildings | 4,271,484 | 56,791 | 10,248 | (36,115) | (189,513) | 454,254 | 4,567,149 |
| Structures | 1,518,777 | 7,654 | 9,370 | (27,277) | (115,384) | 267,054 | 1,660,194 |
| 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 | 3,537,088 | 27,753 | 1,159,336 | (27,855) | (701,456) | (612,124) | 3,382,742 |
| 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>₩ 683,758</u> | <u>₩ 9,714,454</u> | <u>₩ (539,059)</u> | <u>₩ (5,266,060)</u> | <u>₩ (1,525,826)</u> | <u>₩ 45,895,594</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, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Property, plant and equipment and intangible assets | ₩ 77,241 | ₩ 47,130 |
| Capitalization rate | 1.3% ~ 4.6% | 1.3% ~ 5.4% |

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12. Right-of-use assets and lease liabilities

(1) Details of right-of-use assets as of December 31, 2021 and December 31, 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Acquisition cost | ₩ 7,234,373 | ₩ 7,879,536 |
| Accumulated depreciation and accumulated impairment losses | <u>(2,200,057)</u> | <u>(1,701,056)</u> |
| | <u>₩ 5,034,316</u> | <u>₩ 6,178,480</u> |

(2) Changes in right-of-use assets for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | | Ending balance |
|--------------------|--------------------------------------|-------------------------|--------------------|--------------------|----------------------|----------------------|--------------------|
| | Beginning balance | Business combination | Increase | Decrease | Depreciation | Others (*1) | |
| Land and buildings | ₩ 3,230,719 | ₩ 28,165 | ₩ 964,605 | ₩ (390,837) | ₩ (522,480) | ₩ (1,109,863) | ₩ 2,200,309 |
| Tank | 217,252 | - | 11,355 | (1,143) | 61,864 | 7,018 | 172,618 |
| Ships and vessels | 1,013,186 | - | 286,424 | - | (97,223) | 31,804 | 1,234,191 |
| Vehicles | 1,264,696 | 1,312 | 379,707 | (239,548) | (276,808) | 37,951 | 1,167,310 |
| Others | 452,627 | 188 | 95,605 | (22,503) | (131,014) | (135,015) | 259,888 |
| | <u>₩ 6,178,480</u> | <u>₩ 29,665</u> | <u>₩ 1,737,696</u> | <u>₩ (654,031)</u> | <u>₩ (1,089,389)</u> | <u>₩ (1,168,105)</u> | <u>₩ 5,034,316</u> |

| | For the year ended December 31, 2020 | | | | | | Ending balance |
|--------------------|--------------------------------------|-------------------------|--------------------|--------------------|----------------------|--------------------|--------------------|
| | Beginning balance | Business combination | Increase | Decrease | Depreciation | Others (*1) | |
| 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> |

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

(3) Changes in lease liabilities for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | | | Ending balance |
|-------------------|--------------------------------------|-------------------------|-------------|----------------------|---------------|------------|---------------|-------------------|
| | Beginning balance | Business combination | Increase | Interest expenses | Decrease | Transfer | Others (*1) | |
| Lease liabilities | ₩ 5,665,951 | ₩ 29,476 | ₩ 1,633,969 | ₩ 110,475 | ₩ (1,181,100) | ₩ (64,521) | ₩ (1,139,360) | ₩ 5,054,890 |

| | For the year ended December 31, 2020 | | | | | | | Ending balance |
|-------------------|--------------------------------------|-------------------------|-------------|----------------------|---------------|----------|-------------|-------------------|
| | Beginning balance | Business combination | Increase | Interest expenses | Decrease | Transfer | Others (*1) | |
| Lease liabilities | ₩ 4,647,511 | ₩ 79,778 | ₩ 1,392,811 | ₩ 122,975 | ₩ (1,177,161) | ₩ 1,152 | ₩ 598,885 | ₩ 5,665,951 |

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

The Group recognized lease payments of ₩164,901 million (₩151,965 million as of December 31, 2020) in relation to short-term lease, ₩10,584 million (₩10,484 million as of December 31, 2020) in relation to leases of low-value assets, and ₩157,456 million (₩164,059 million as of December 31, 2020) in relation to variable lease payments in cost of sales and selling and administrative expenses during the year ended December 31, 2021. The total cash outflow of leases during the year ended December 31, 2021 is ₩1,514,041 million (₩1,503,669 million as of December 31, 2020).

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13. Investment properties

(1) Details of investment properties as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Acquisition cost | ₩ 1,125,221 | ₩ 699,720 |
| Accumulated depreciation and accumulated impairment loss | <u>(158,093)</u> | <u>(130,564)</u> |
| | <u>₩ 967,128</u> | <u>₩ 569,156</u> |

(2) Changes in investment properties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>For the year ended December 31, 2021</u> | | | | | |
|------------|---|--------------------|--------------------|---------------------|--------------------|---------------------------|
| | <u>Beginning balance</u> | <u>Acquisition</u> | <u>Disposal</u> | <u>Depreciation</u> | <u>Others (*1)</u> | <u>Ending balance</u> |
| Land | ₩ 501,528 | ₩ - | ₩ (131,201) | ₩ - | ₩ 174,257 | ₩ 544,584 |
| Buildings | 63,800 | 44,268 | (111,308) | (17,058) | 437,843 | 417,545 |
| Structures | 3,828 | 452 | - | (72) | 791 | 4,999 |
| | <u>₩ 569,156</u> | <u>₩ 44,720</u> | <u>₩ (242,509)</u> | <u>₩ (17,130)</u> | <u>₩ 612,891</u> | <u>₩ 967,128</u> |
| | <u>For the year ended December 31, 2020</u> | | | | | |
| | <u>Beginning balance</u> | <u>Acquisition</u> | <u>Disposal</u> | <u>Depreciation</u> | <u>Others (*1)</u> | <u>Ending balance</u> |
| Land | ₩ 241,383 | ₩ 111 | ₩ (6,527) | ₩ - | ₩ 266,561 | ₩ 501,528 |
| Buildings | 245,891 | 313 | (84,660) | (8,253) | (89,491) | 63,800 |
| Structures | 484 | - | - | (81) | 3,425 | 3,828 |
| | <u>₩ 487,758</u> | <u>₩ 424</u> | <u>₩ (91,187)</u> | <u>₩ (8,334)</u> | <u>₩ 180,495</u> | <u>₩ 569,156</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, 2021 and 2020 with regards to investment properties are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------|--------------------------|--------------------------|
| Rental revenue | ₩ 67,248 | ₩ 15,338 |
| Depreciation | <u>(17,130)</u> | <u>(8,334)</u> |
| | <u>₩ 50,118</u> | <u>₩ 7,004</u> |

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

(4) As of December 31, 2021, the fair value of investment properties is ₩1,312,219 million.

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14. Goodwill

(1) Changes in goodwill for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|-------------------------------------|---------------------|--------------------|
| | December 31, 2021 | December 31, 2020 |
| Beginning balance | ₩ 4,454,730 | ₩ 2,598,464 |
| Business combination (*See note 39) | 1,028,547 | 2,011,610 |
| Others (*1) | 135,234 | (155,344) |
| Ending balance | <u>₩ 5,618,511</u> | <u>₩ 4,454,730</u> |

(*1) Others include net translation differences, retroactive adjustment amount of identifiable net assets in accordance with past business combination.

(2) Impairment testing of goodwill

1) Goodwill of each operating segment for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|----------------------------------|---------------------|--------------------|
| | December 31, 2021 | December 31, 2020 |
| SK Inc. and others | ₩ 1,328,934 | ₩ 926,504 |
| Group of SK Innovation Co., Ltd. | 297,664 | 248,421 |
| Group of SK Telecom Co., Ltd. | 405,639 | 1,647,388 |
| Group of SK Square Co., Ltd. | 1,359,816 | - |
| Group of SK Networks Co., Ltd. | 443,522 | 443,755 |
| Group of SKC Co., Ltd. | 775,088 | 774,526 |
| Group of SK Ecoplant Co., Ltd. | 1,007,848 | 414,136 |
| | <u>₩ 5,618,511</u> | <u>₩ 4,454,730</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, 2021 are as follows:

| | Recoverable amount | Growth rate (*1) | Discount rate (*2) |
|----------------------------------|--------------------|------------------|--------------------|
| SK Inc. and others | Value in use | 1.0% | 8.7% ~ 16.9% |
| Group of SK Innovation Co., Ltd. | Value in use | 0.0% ~ 2.0% | 7.7% ~ 11.5% |
| Group of SK Telecom Co., Ltd. | Value in use | 1.0% | 7.1% |
| Group of SK Square Co., Ltd. | Value in use | 1.0% | 8.4% |
| Group of SK Networks Co., Ltd. | Value in use | 1.0% | 11.0% ~ 17.5% |
| Group of SKC Co., Ltd. | Value in use | 0.0% ~ 1.0% | 9.5% ~ 12.7% |
| Group of SK Ecoplant Co., Ltd. | Value in use | 0.0% ~ 1.0% | 8.0% ~ 10.0% |

(*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.

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15. Intangible assets

(1) Details of intangible assets for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | | |
|--|--------------------------------------|----------------------|--------------------|-------------------|----------------------|------------------|---------------------|
| | Beginning balance | Business combination | Acquisitions | Disposals | Amortization | Others (*2) | Ending balance |
| Development costs | ₩ 219,166 | ₩ 1,383 | ₩ 61,448 | ₩ (1,742) | ₩ (65,102) | ₩ 76,938 | ₩ 292,091 |
| Facility usage rights | 55,671 | - | 1,817 | (21) | (8,135) | 2,395 | 51,727 |
| Industrial property rights | 87,019 | 37,730 | 20,719 | (2,629) | (11,084) | (9,266) | 122,489 |
| Frequency usage rights | 1,932,765 | - | 1,146,000 | - | (519,075) | - | 2,559,690 |
| Customer-related assets | 2,999,319 | 63,688 | 69,825 | (506) | (266,281) | 49,479 | 2,915,524 |
| Membership (*1) | 284,835 | - | 32,968 | (16,302) | - | 7,189 | 308,690 |
| Development costs for petroleum resource | 1,149,011 | - | 59,407 | - | (35,517) | (38,694) | 1,134,207 |
| Brand-related assets (*1) | 2,631,393 | 10 | - | - | - | 2,741 | 2,634,144 |
| Developed technology | 989,587 | - | 18,010 | - | (156,179) | 18,999 | 870,417 |
| Others (*3) | 1,692,511 | 280,694 | 207,440 | (7,435) | (626,430) | 246,131 | 1,792,911 |
| | <u>₩ 12,041,277</u> | <u>₩ 383,505</u> | <u>₩ 1,617,634</u> | <u>₩ (28,635)</u> | <u>₩ (1,687,803)</u> | <u>₩ 355,912</u> | <u>₩ 12,681,890</u> |

| | 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 | 12,166 | 3,415 | (49) | (7,170) | (991) | 55,671 |
| 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 | 915,003 | 8,893 | (7,649) | (246,321) | 108,028 | 2,999,319 |
| 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 | 178,521 | 263,132 | (16,712) | (572,304) | 183,607 | 1,692,511 |
| | <u>₩ 12,067,786</u> | <u>₩ 1,417,561</u> | <u>₩ 535,539</u> | <u>₩ (86,452)</u> | <u>₩ (1,634,555)</u> | <u>₩ (258,602)</u> | <u>₩ 12,041,277</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, 2021 are as follows:

| | | |
|--------------|------------------|--------------------|
| | Growth rate (*1) | Discount rate (*2) |
| Value in use | 1.0% | 8.7% ~ 16.9% |

(*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.

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16. Borrowings and bonds payable

(1) Details of borrowings and bonds payable as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | December 31, 2020 | |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Current | Non-current | Current | Non-current |
| Short-term borrowings (*1) | ₩ 7,657,381 | ₩ - | ₩ 6,201,430 | ₩ - |
| Bonds and long-term borrowings: | | | | |
| Bonds payable | 5,613,715 | 29,242,287 | 4,767,907 | 26,399,587 |
| Long-term borrowings (*1) | <u>2,214,356</u> | <u>13,377,854</u> | <u>1,448,871</u> | <u>10,443,923</u> |
| | <u>7,828,071</u> | <u>42,620,141</u> | <u>6,216,778</u> | <u>36,843,510</u> |
| | <u>₩ 15,485,452</u> | <u>₩ 42,620,141</u> | <u>₩ 12,418,208</u> | <u>₩ 36,843,510</u> |

(*1) It includes borrowings collateralized for trade receivables of ₩89,423 million and ₩188,155 million as of December 31, 2021 and 2020, respectively, which were transferred but not derecognized.

(2) Details of bonds payable as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | December 31, 2020 |
|------------------------------------|---------------------|---------------------|
| SK Inc. | ₩ 6,735,000 | ₩ 6,400,000 |
| SK Innovation Co., Ltd. | 1,252,750 | 1,604,000 |
| SK Energy Co., Ltd. | 3,360,000 | 3,300,000 |
| SK Geo Centric Co., Ltd. | 1,750,000 | 1,610,000 |
| SK Incheon Petrochem Co., Ltd. | 2,110,000 | 1,870,000 |
| SK Lubricants Co., Ltd. | 720,000 | 840,000 |
| SK Battery America, Inc. | 1,185,500 | - |
| SK On Co., Ltd. | 700,000 | - |
| SK Earthon Co., Ltd. | 150,000 | - |
| SK Telecom Co., Ltd. | 6,822,600 | 6,895,600 |
| SK Broadband Co., Ltd. | 1,625,650 | 1,686,400 |
| SK Shieldus Co., Ltd. | 297,823 | 24,782 |
| SK Networks Co., Ltd. | 1,040,000 | 1,030,000 |
| SK Magic Co., Ltd. | 360,000 | 280,000 |
| SK Rent-a-Car Co., Ltd. | 720,000 | 375,000 |
| SKC Co., Ltd. | 398,807 | 312,943 |
| SKC Solmics Co., Ltd. | - | 41,760 |
| SK Telesys Co., Ltd. | 30,000 | 30,000 |
| SKC Hightech & Marketing Co., Ltd. | 10,000 | 59,376 |
| SK E&S Co., Ltd. | 1,380,000 | 1,020,000 |
| Paju Energy Service Co., Ltd. | 730,000 | 730,000 |
| Narae Energy Service Co., Ltd. | 360,000 | 420,000 |
| Yeoju Energy Service Co., Ltd. | 200,000 | 200,000 |
| SK Ecoplant Co., Ltd. | 1,558,000 | 1,008,000 |
| SK Materials Co., Ltd. | 460,000 | - |
| Formerly, SK Materials Co., Ltd. | - | 455,000 |
| SK Materials Airplus Incorporated. | 100,000 | - |
| SK Siltron Co., Ltd. | 779,000 | 924,000 |
| Teraon Co., Ltd. | 10 | - |
| SIGNET EV Inc. | 2,800 | - |
| | <u>34,837,940</u> | <u>31,116,861</u> |
| Addition: premium on bonds payable | 18,062 | 50,633 |
| Less: current portion | <u>(5,613,715)</u> | <u>(4,767,907)</u> |
| | <u>₩ 29,242,287</u> | <u>₩ 26,399,587</u> |

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16. Borrowings and bonds payable (cont'd)

(3) Details of long-term borrowings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| Financial institution | Description | Interest rate (%) | December 31, 2021 | December 31, 2020 |
|--|--|-----------------------|---------------------|---------------------|
| Korea Development Bank and others | General | 0.00 ~ 3.94 | ₩ 7,062,438 | ₩ 6,050,756 |
| Korea Development Bank and others | Fund for facility | 0.00 ~ 4.90 | 4,300,193 | 2,925,741 |
| Standard Chartered Bank and others | Foreign borrowings | 0.00 ~ 8.00 | 2,463,366 | 1,374,882 |
| Korea Energy Agency (*1) | Fund for mine exploration | 0.00 ~ 8.80 | 61,804 | 83,853 |
| Econg 1st Co., Ltd. and others | Callable preferred share | 2.70 ~ 2.95 | 100,420 | 100,000 |
| Korea Development Bank and others | Fund for operation | 0.00 ~ 2.78 | 252,276 | 97,650 |
| Kookmin Bank and others | Fund for supply pipeline | - | - | 7,602 |
| KEB Hana Bank | Fund for reasonable energy consumption | 1.75 | 3,477 | 3,660 |
| NH Bank | Fund for safety management | - | - | 261 |
| Korea Development Bank and others (*2) | Takeover | LIBOR(3M) + 1.60 | 165,970 | 152,320 |
| Mizuho Bank and others (*3) | Takeover | EURIBOR(3M) + 0.70 | 216,117 | 215,457 |
| MD Prime 1st Co., Ltd. and others | Others | 3.07, 3.20 | 1,007,818 | 909,976 |
| | | | 15,633,879 | 11,922,158 |
| Addition (less): premium (discount) | | | (41,669) | (29,364) |
| Less: current portion | | | (2,214,356) | (1,448,871) |
| | | | <u>₩ 13,377,854</u> | <u>₩ 10,443,923</u> |

(*1) As of December 31, 2021, the Group holds a loan amounting to ₩53,420 million and ₩53,191 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 Geo Centric 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 Geo Centric 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.

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17. Long-term other payables

Details of long-term other payables as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | | |
|-----------------------|--------------------|--------------------------------------|--------------------|--------------------------|
| | Nominal value | Discount on long-term other payables | | Long-term other payables |
| | | Current portion | | |
| Frequency usage right | ₩ 2,090,715 | ₩ (80,882) | ₩ (398,823) | ₩ 1,611,010 |
| Others | 243,333 | - | - | 243,333 |
| | <u>₩ 2,334,048</u> | <u>₩ (80,882)</u> | <u>₩ (398,823)</u> | <u>₩ 1,854,343</u> |
| | December 31, 2020 | | | |
| | Nominal value | Discount on long-term other payables | | Long-term other payables |
| | | Current portion | | |
| Frequency usage right | ₩ 1,626,040 | ₩ (59,717) | ₩ (424,600) | ₩ 1,141,723 |
| Others | 27,084 | (23) | - | 27,061 |
| | <u>₩ 1,653,124</u> | <u>₩ (59,740)</u> | <u>₩ (424,600)</u> | <u>₩ 1,168,784</u> |

18. Provisions

Changes in the provisions for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | |
|---|--------------------------------------|------------------|--------------------|--------------------|------------------|------------------|
| | Beginning balance | Increase | Decrease | Ending balance | Current | Non-current |
| Provision for sale warranties | ₩ 91,319 | ₩ 48,088 | ₩ (7,990) | ₩ 131,417 | ₩ 4,910 | ₩ 126,507 |
| Provision for service / construction warranties | 101,415 | 21,791 | (23,840) | 99,366 | 99,366 | - |
| Provision for restoration | 166,855 | 426,452 | (12,150) | 581,157 | 60,840 | 520,317 |
| Provision for onerous contracts | 353,075 | 23,290 | (120,175) | 256,190 | 223,103 | 33,087 |
| Other provisions (*1) | 224,737 | 188,514 | (244,880) | 168,371 | 141,830 | 26,541 |
| | <u>₩ 937,401</u> | <u>₩ 708,135</u> | <u>₩ (409,035)</u> | <u>₩ 1,236,501</u> | <u>₩ 530,049</u> | <u>₩ 706,452</u> |

(*1) Other provisions include greenhouse gas emissions provision of ₩18,402 million, and the provision is recognized only when actual emissions exceed the emission rights granted and still held. Permitted greenhouse gas emissions were 22,641,552 KAU, and estimated greenhouse gas emissions were 21,841,349 KAU in 2021.

| | 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 |
| | <u>₩ 816,631</u> | <u>₩ 562,343</u> | <u>₩ (441,573)</u> | <u>₩ 937,401</u> | <u>₩ 634,979</u> | <u>₩ 302,422</u> |

(*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.

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19. Defined benefit liabilities

(1) Details of defined benefit liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Present value of defined benefit obligation | ₩ 3,609,349 | ₩ 3,491,805 |
| Fair value of plan assets (*1) | <u>(3,381,561)</u> | <u>(3,054,840)</u> |
| Total | <u>₩ 227,788</u> | <u>₩ 436,965</u> |

(*1) The Group has recognized ₩56,150 million as defined benefit assets as of December 31, 2021.

(2) Changes in the defined benefit liabilities for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>For the year ended December 31, 2021</u> | | |
|---|--|--------------------------------------|------------------|
| | <u>Present value of defined benefit obligation</u> | <u>Fair value of plan assets</u> | <u>Total</u> |
| Beginning balance | ₩ 3,491,805 | ₩ (3,054,840) | ₩ 436,965 |
| Business combination | 3,182 | - | 3,182 |
| Provision for pension benefits: | | | |
| Current service cost | 450,854 | - | 450,854 |
| Past service cost | 164 | - | 164 |
| Net interest expense (income) | 83,124 | (74,100) | 9,024 |
| Remeasurement: | | | |
| Return on plan assets | - | 19,943 | 19,943 |
| (excluding amounts included in net interest expenses) | | | |
| Actuarial changes arising from changes in financial assumptions and others | (29,458) | - | (29,458) |
| Contributions by employer directly to plan assets | - | (588,275) | (588,275) |
| Benefit paid | (339,058) | 313,145 | (25,913) |
| Others | (51,264) | 2,566 | (48,698) |
| Ending balance | <u>₩ 3,609,349</u> | <u>₩ (3,381,561)</u> | <u>₩ 227,788</u> |

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19. Defined benefit liabilities (cont'd)

| | <u>For the year ended December 31, 2020</u> | | |
|---|--|------------------------------|------------------|
| | 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 (excluding amounts included in net interest expense) | - | 5,071 | 5,071 |
| 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> |

(3) As of December 31, 2021 and 2020, 62.96% and 64.85% 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, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Discount rate for defined benefit obligation | 2.30% ~ 3.69% | 1.41% ~ 3.14% |
| Expected rate of salary increase | 1.00% ~ 8.00% | 1.00% ~ 6.00% |

(5) The sensitivity analysis for significant actuarial assumptions as of December 31, 2021 is as follows (Korean won in millions):

| | <u>Sensitivity level</u> | <u>Impact on the defined benefit liabilities</u> | |
|--|--------------------------|--|-----------------|
| | | <u>Increase</u> | <u>Decrease</u> |
| Discount rate for defined benefit obligation | 0.5% point | ₩ (201,030) | ₩ 233,818 |
| Expected rate of salary increase | 0.5% point | 223,682 | (194,288) |

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.

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20. Other assets and liabilities

(1) Details of other assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------|--------------------------|--------------------------|
| Current assets: | | |
| Short-term loans | ₩ 94,031 | ₩ 193,526 |
| Accrued income | 114,924 | 154,932 |
| Advanced payments | 1,280,959 | 830,073 |
| Prepaid expenses | 2,695,879 | 2,730,042 |
| Guarantee deposits | 276,658 | 356,573 |
| Derivative financial assets | 131,631 | 129,821 |
| Lease receivables | 19,016 | 56,838 |
| Other contract assets | 112,226 | 100,700 |
| Others | 154,321 | 121,713 |
| | <u>₩ 4,879,645</u> | <u>₩ 4,674,218</u> |
| Non-current assets: | | |
| Long-term prepaid expenses | ₩ 1,187,057 | ₩ 1,428,210 |
| Long-term loans | 411,711 | 416,482 |
| Guarantee deposits | 711,104 | 574,946 |
| Derivative financial assets | 740,617 | 596,215 |
| Long-term lease receivables | 36,175 | 25,079 |
| Other long-term contract assets | 41,580 | 47,675 |
| Others | 230,982 | 217,889 |
| | <u>₩ 3,359,226</u> | <u>₩ 3,306,496</u> |

(2) Details of other liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Current liabilities: | | |
| Accrued expenses | ₩ 4,845,940 | ₩ 3,964,534 |
| Dividends payable | 887 | 840 |
| Advances received | 1,464,756 | 1,779,351 |
| Unearned revenue | 99,749 | 62,879 |
| Withholdings | 2,061,187 | 2,238,208 |
| Leasehold deposits received | 198,776 | 210,035 |
| Income tax payable | 1,244,891 | 1,161,735 |
| Derivative financial liabilities | 321,570 | 96,420 |
| Lease liabilities | 1,250,891 | 2,244,201 |
| Finance guarantee liabilities | 642 | 832 |
| Financial liabilities at fair value through profit or loss | 160,528 | - |
| Other contract liabilities | 293,715 | 297,350 |
| Others | 48,266 | 19,077 |
| | <u>₩ 11,991,798</u> | <u>₩ 12,075,462</u> |
| Non-current liabilities: | | |
| Long-term accrued expenses | ₩ 34,035 | ₩ 10,610 |
| Long-term unearned revenue | 640,133 | 571,257 |
| Leasehold deposits received | 298,478 | 262,079 |
| Derivative financial liabilities | 439,235 | 734,225 |
| Long-term lease liabilities | 3,803,999 | 3,421,750 |
| Financial guarantee liabilities | 16,910 | 21,447 |
| Financial liabilities at fair value through profit or loss | 59,123 | - |
| Other long-term contract liabilities | 51,220 | 40,011 |
| Others (*1) | 225,409 | 209,330 |
| | <u>₩ 5,568,542</u> | <u>₩ 5,270,709</u> |

(*1) Includes long-term employee benefit liabilities amounting to ₩125,102 million and ₩117,973 million as of December 31, 2021 and 2020, respectively.

20. Other assets and liabilities (cont'd)

(3) Details of incremental costs of obtaining a contract as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Current incremental costs of obtaining a contract | ₩ 1,886,680 | ₩ 2,016,570 |
| Non-current incremental costs of obtaining a contract | <u>977,236</u> | <u>982,952</u> |
| | <u>₩ 2,863,916</u> | <u>₩ 2,999,522</u> |

The Group pays fees to its dealers based on the performance of customer recruitment and contract renewal relating to mobile telephone 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 ₩2,634,134 million.

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21. Derivative financial assets and liabilities

(1) Details of derivative financial assets and liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | December 31, 2020 | |
|----------------------------------|-------------------|-------------|-------------------|-------------|
| | Current | Non-current | Current | Non-current |
| Firm contracts | ₩ 20,966 | ₩ (92,236) | ₩ (25,226) | ₩ 5,488 |
| Swap contracts | (218,791) | (53,910) | 27,906 | (640,075) |
| Forward contracts | 9,007 | 11,170 | 10,036 | 2,008 |
| Futures contracts | 8,794 | - | 4,608 | 1,673 |
| Options contracts | (9,915) | 436,358 | 16,077 | 492,896 |
| | ₩ (189,939) | ₩ 301,382 | ₩ 33,401 | ₩ (138,010) |
| Derivative financial assets | ₩ 131,631 | ₩ 740,617 | ₩ 129,821 | ₩ 596,215 |
| Derivative financial liabilities | (321,570) | (439,235) | (96,420) | (734,225) |

(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, 2021, 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 and others | Foreign exchange forwards and total revenue swap agreement | KEB Hana Bank and others |
| 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 and others | 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 and others | 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 and others | Foreign exchange forwards and interest swaps and others | KEB Hana Bank, Kookmin Bank and others |
| SKC Co., Ltd. | Hedge of foreign currency exchange risk of foreign currency denominated debt and bond and others | Foreign exchange forwards and interest rate swaps | KEB Hana Bank, Woori 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 Ecoplant 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 | Foreign exchange forwards Foreign exchange forwards Foreign exchange forwards | KEB Hana Bank, Credit Suisse, Standard Chartered Bank and others KEB Hana Bank, Korea Development Bank, HSBC and others Standard Chartered Bank, HSBC and others |

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22. Equity

(1) Details of issued capital as of December 31, 2021 and 2020 are as follows (Korean won in millions, except for number of shares):

| | <u>December 31, 2021</u> | <u>December 31, 2020</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 | 74,149,329 | 70,360,297 |
| Preferred share | 566,135 | 566,135 |
| Issued capital: | | |
| Ordinary share | ₩ 16,030 | ₩ 15,272 |
| Preferred share | 113 | 113 |
| | <u>₩ 16,143</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, 2021 and 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------|--------------------------|--------------------------|
| Additional paid-in capital (*1) | ₩ 6,609,167 | ₩ 5,605,831 |
| Treasury shares (*2) | (1,812,774) | (1,811,454) |
| Others | 1,648,903 | 1,455,769 |
| | <u>₩ 6,445,296</u> | <u>₩ 5,250,146</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, 2021, treasury shares consist of those acquired to increase the enterprise value and to stabilize share price (7,033,831 ordinary shares) and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,024,731 ordinary shares and 1,787 preferred shares) during the year 2015.

(3) Details of retained earnings as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Legal reserve (*1) | ₩ 7,693 | ₩ 7,693 |
| Voluntary reserve | 62,897 | 62,897 |
| Unappropriated retained earnings | 13,995,052 | 12,426,086 |
| | <u>₩ 14,065,642</u> | <u>₩ 12,496,676</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, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | | | |
|-------------------------------------|---------------------|-----------------|-------------------|-----------------|
| | December 31, 2021 | | December 31, 2020 | |
| | Ordinary share | Preferred share | Ordinary share | Preferred share |
| Number of shares (*1) | 56,090,767 | 564,348 | 52,306,892 | 564,348 |
| Par value per share (Korean won) | ₩ 200 | ₩ 200 | ₩ 200 | ₩ 200 |
| Dividend rate | 3,250% | 3,275% | 3,000% | 3,025% |
| Dividends | ₩ 364,590 | ₩ 3,696 | ₩ 313,842 | ₩ 3,414 |

(*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, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | | | |
|-------------------------------------|---------------------|-----------------|-------------------|-----------------|
| | December 31, 2021 | | December 31, 2020 | |
| | Ordinary share | Preferred share | Ordinary share | Preferred share |
| Number of shares (*1) | 52,307,337 | 564,348 | 52,304,347 | 564,317 |
| Par value per share (Korean won) | ₩ 200 | ₩ 200 | ₩ 200 | ₩ 200 |
| Dividend rate | 750% | 750% | 500% | 500% |
| Dividends | ₩ 78,461 | ₩ 847 | ₩ 52,304 | ₩ 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, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Net gain on valuation of financial assets measured at FVOCI | ₩ 284,085 | ₩ 151,824 |
| Equity adjustments of investments in associates and joint ventures | (27,047) | (163,810) |
| Net gain on valuation of derivative instruments | 13,388 | 24,898 |
| Net gain (loss) on translation of foreign operation | 450,836 | (340,075) |
| | ₩ 721,262 | ₩ (327,163) |

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 years service from the grant date | 3 years service from the grant date | 4 years service from the grant date | 2 years service from the grant date |

Share compensation expense recognized during the current reporting period is ₩661 million (total : ₩5,324 million), and the remaining share compensation expense to be recognized in later periods is ₩724 million. On the other hand, apart from the above stock options, we have signed a stock grant to pay free treasury stocks to executives and employees. In the case of the Stock Grant, there are no additional vesting conditions, and transfer is not possible within the service period. As of the end of the current year, the stock compensation cost recognized for the Stock Grant is ₩119 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 |

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22. Equity (cont'd)

On December 1, 2021, the Company merged with the former SK Materials Co., Ltd. on the date of the merger, and succeeded the stock options granted to executives and employees of the merged corporation. The main details of our stock options are as follows.

| | 1 | 2 | 1 | 2 |
|------------------------------------|---|---|---|---|
| Grant date | 2018-03-29 | | 2020-03-31 | |
| Type of shares to be issued | Ordinary shares | | | |
| Grant method | Reissue of treasury shares | | 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) (*1) | 18,607 | 18,607 | 39,098 | 19,551 |
| Exercise price (Korean won) (*1) ₩ | 100,884 | ₩ 108,959 | ₩ 89,204 | ₩ 89,204 |
| Contractual life of options | 2020.03.29 ~2023.03.28 | 2021.03.29 ~2024.03.28 | 2023.03.31 ~2027.03.30 | 2023.03.31 ~2027.03.30 |
| Vesting conditions | 2 years service from the grant date | 3 years service from the grant date | 2 years service from the grant date | 3 years service from the grant date |

(*1)The total number of shares and the exercise price were recalculated in consideration of the merger ratio.

Accumulated share compensation expense recognized is ₩801 million and the remaining share compensation expense to be recognized in subsequent periods is ₩187 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 | 2 | 1 | 2 |
|---|---------|-----------|----------|----------|
| Risk-free interest rate | 2.44% | 2.44% | 1.48% | 1.48% |
| Option life | 5 years | 6 years | 7 years | 7 years |
| Expected price (Closing price on the preceding day in Korean won)(*1) ₩ | 94,116 | ₩ 94,116 | ₩ 85,687 | ₩ 85,687 |
| Expected volatility | 23.5% | 23.5% | 13.15% | 13.15% |
| Rate of returns | 2.39% | 2.39% | 2.70% | 2.70% |
| Exercise price (Korean won) (*1) ₩ | 100,884 | ₩ 108,959 | ₩ 89,204 | ₩ 89,204 |
| Fair value per share(*1) (Korean won) ₩ | 15,587 | ₩ 14,797 | ₩ 7,206 | ₩ 7,205 |

(*1) The total number of shares and the exercise price were recalculated in consideration of the merger ratio.

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22. Equity (cont'd)

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

| | Current | Accumulated | Remaining | Total |
|----------------------------------|------------------|------------------|------------------|------------------|
| Group of SK Innovation Co., Ltd. | ₩ 2,328 | ₩ 4,204 | ₩ 4,380 | ₩ 8,584 |
| Group of SK Telecom Co., Ltd. | 87,622 | 95,211 | 75,318 | 170,529 |
| Group of SK Square Co., Ltd. | 14,067 | 14,067 | 32,311 | 46,378 |
| Group of SK Networks Co., Ltd. | 944 | 1,672 | 1,543 | 3,215 |
| Group of SKC Co., Ltd. | 2,032 | 3,326 | 5,993 | 9,319 |
| Group of SK E&S Co., Ltd. | - | 496 | 14 | 510 |
| Others | 1,341 | 2,233 | 1,701 | 3,934 |
| | <u>₩ 108,334</u> | <u>₩ 121,209</u> | <u>₩ 121,260</u> | <u>₩ 242,469</u> |

23. Selling and administrative expenses

Details of selling and administrative expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|---------------------------------|---------------------|--------------------|
| | December 31, 2021 | December 31, 2020 |
| Salaries | ₩ 1,695,013 | ₩ 1,338,586 |
| Provision for pension benefits | 126,033 | 176,024 |
| Employee welfare benefits | 313,601 | 262,354 |
| Travel | 48,379 | 38,579 |
| Bad debt expenses | 58,651 | 78,517 |
| Communications | 9,016 | 4,413 |
| Utilities | 30,940 | 32,139 |
| Taxes and dues | 171,520 | 96,787 |
| Supplies | 36,911 | 39,642 |
| Rents | 146,040 | 169,181 |
| Depreciation | 451,888 | 462,183 |
| Amortization | 308,953 | 263,629 |
| Repairs | 27,847 | 30,804 |
| Insurance | 57,486 | 40,253 |
| Advertising | 681,755 | 611,235 |
| Research and development | 577,748 | 381,239 |
| Education and examination | 72,446 | 60,898 |
| Outsourcing technology services | 792,261 | 891,535 |
| Transport | 383,370 | 314,882 |
| Others | 140,779 | 160,745 |
| | <u>₩ 6,130,637</u> | <u>₩ 5,453,625</u> |

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25. Other non-operating income and expenses

(1) Details of other non-operating income for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|--|---------------------|--------------------|
| | December 31, 2021 | December 31, 2020 |
| Other non-operation income: | | |
| Dividend income | ₩ 63,832 | ₩ 19,027 |
| Rental income | 1,220 | 1,051 |
| Gain on disposal of trade receivables | 32,633 | 22,605 |
| Gain on disposal of investments in subsidiaries and associates | 483,812 | 1,354,808 |
| Gain on disposal of property, plant and equipment | 269,218 | 69,237 |
| Gain on disposal of intangible assets | 145,231 | 11,703 |
| Others | 1,553,657 | 350,556 |
| | <u>₩ 2,549,603</u> | <u>₩ 1,828,987</u> |

(2) Details of other non-operating expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|--|---------------------|--------------------|
| | December 31, 2021 | December 31, 2020 |
| Other non-operation expenses: | | |
| Loss on disposal of trade receivables | ₩ 19,478 | ₩ 16,313 |
| Loss on impairment of investments in associates and joint ventures | 35,166 | 434 |
| Loss on disposal of property, plant and equipment | 94,551 | 276,885 |
| Loss on impairment of property, plant and equipment | 64,836 | 317,969 |
| Loss on disposal of intangible assets | 5,241 | 10,647 |
| Loss on impairment of intangible assets | 131,512 | 304,272 |
| Donations | 110,069 | 152,078 |
| Others | 1,470,107 | 559,608 |
| | <u>₩ 1,930,960</u> | <u>₩ 1,638,206</u> |

26. Expense classified based on nature of expense

Details of classification based on nature of expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|---|---------------------|---------------------|
| | December 31, 2021 | December 31, 2020 |
| Employee benefits | ₩ 8,434,944 | ₩ 7,090,034 |
| Depreciation and amortization | 8,370,584 | 7,972,106 |
| Network connection | 854,292 | 858,853 |
| Transport | 876,908 | 601,267 |
| Advertising | 856,137 | 630,745 |
| Lease payments and rents | 461,169 | 413,744 |
| Others | 17,272,067 | 16,451,116 |
| Use of raw materials and purchase of finished goods and merchandise | 58,413,613 | 45,762,928 |
| Changes in finished goods and semi-finished goods | (2,150,237) | 1,114,856 |
| | <u>₩ 93,389,477</u> | <u>₩ 80,895,649</u> |

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27. Income taxes

(1) Components of income tax expense for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|--|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Current income tax | ₩ 1,311,152 | ₩ 1,766,699 |
| Adjustments in respect of current income tax of prior year | (24,747) | 29,454 |
| Origination and reversal of temporary difference | (356,176) | (1,431,673) |
| Income tax recognized directly to equity | (216,392) | (346,963) |
| Others | 17,889 | 18,235 |
| Income tax expense | ₩ 731,726 | ₩ 35,752 |
| Income tax expense from continuing operations | ₩ 628,305 | ₩ 266,719 |
| Income tax expense (benefits) from discontinued operations | 103,421 | (230,967) |

(2) Details of income tax recognized directly to equity for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|---|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Remeasurement loss on defined benefit plan | ₩ (2,819) | ₩ 707 |
| Net gain (loss) on valuation of financial instruments measured at FVOCI | (173,626) | (185,832) |
| Equity adjustments of investments in associates and joint ventures | (14,591) | (20,453) |
| Net gain on valuation of derivative instruments | (26,501) | (2,819) |
| Others | 1,145 | (138,566) |
| | ₩ (216,392) | ₩ (346,963) |

(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, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|--|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Profit (loss) before income tax expense | ₩ 6,450,150 | ₩ (72,680) |
| Profit before income tax expense from continuing operations | 6,026,834 | 31,744 |
| Profit (loss) before income tax expense from discontinued operations | 423,316 | (104,424) |
| Applied tax rates (*1) | 27.50% | 24.20% |
| Income tax at statutory tax rate | 1,773,791 | (17,589) |
| Non-taxable income | (19,872) | (70,698) |
| Non-deductible expenses | 45,433 | 136,864 |
| Tax credit | (64,430) | (34,096) |
| Unrecognized deferred taxes | 467,289 | 70,292 |
| Effect of changes in tax rates | (39,592) | 24,878 |
| Others | (1,430,893) | (73,899) |
| Income tax expense | ₩ 731,726 | ₩ 35,752 |
| Income tax expense from continuing operations | ₩ 628,305 | ₩ 266,719 |
| Income tax expense (benefits) from discontinued operations | 103,421 | (230,967) |
| Effective tax rate (*2) | 11.34% | - |

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27. Income taxes (cont'd)

(*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 year ended December 31, 2020 was incurred and the effective tax rate was not presented.

(4) Significant changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | |
|-------------------------------|--------------------------------------|----------------------|---------------------------------------|-------------------------------|-----------------|----------------------|
| | Beginning balance | Business combination | Recognized directly in profit or loss | Recognized directly in equity | Others | Ending balance |
| Temporary differences | ₩(4,551,845) | ₩ (43,522) | ₩ 734,592 | ₩ (216,392) | ₩ 43,747 | ₩ (4,033,420) |
| Tax loss carryforward | 1,059,098 | - | (254,944) | - | 318 | 804,472 |
| Tax credits carryforward | 85,866 | - | 92,920 | - | 7,725 | 186,511 |
| | <u>₩(3,406,881)</u> | <u>₩ (43,522)</u> | <u>₩ 572,568</u> | <u>₩ (216,392)</u> | <u>₩ 51,790</u> | <u>₩ (3,042,437)</u> |
| Deferred tax assets (*1) | ₩ 1,165,308 | | | | | ₩ 765,000 |
| Deferred tax liabilities (*1) | (4,572,189) | | | | | (3,807,437) |

| | 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) | ₩ (125,296) | ₩ 978,195 | ₩ (346,963) | ₩ (29,077) | ₩ (4,551,845) |
| 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>₩ (125,296)</u> | <u>₩ 1,778,636</u> | <u>₩ (346,963)</u> | <u>₩ (20,565)</u> | <u>₩ (3,406,881)</u> |
| Deferred tax assets (*1) | ₩ 798,454 | | | | | ₩ 1,165,308 |
| Deferred tax liabilities (*1) | (5,491,147) | | | | | (4,572,189) |

(*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, 2021 is as follows (Korean won in millions):

| | Tax loss carryforward | Tax credits carryforward |
|-------------------|-----------------------|--------------------------|
| 1 year or less | ₩ 104,941 | ₩ - |
| 1 year ~ 2 years | 107,083 | - |
| 2 years ~ 3 years | 181,230 | - |
| More than 3 years | 2,286,470 | 7,352 |
| | <u>₩ 2,679,724</u> | <u>₩ 7,352</u> |

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28. Earnings per share

(1) Basic and diluted earnings

1) Basic earnings per share for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

| | For the years ended | |
|---|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Profit for the year attributable to owners of the parent | ₩ 1,970,204 | ₩ 189,368 |
| Less: preferred share dividends | (4,543) | (3,979) |
| Profit for the year attributable to ordinary share owners of the parent | ₩ 1,965,661 | ₩ 185,389 |
| Weighted-average number of ordinary share outstanding (*1) | 52,545,906 | 52,305,477 |
| Basic earnings per share (in Korean won) | ₩ 37,408 | ₩ 3,544 |

(*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.

The basis of calculating weighted-average number of ordinary shares for the years ended December 31, 2021 and 2020 is as follows:

| | For the years ended | |
|--|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Weighted-average number of issued shares outstanding | 70,599,058 | 70,360,297 |
| Weighted-average number of treasury shares | (18,053,152) | (18,054,820) |
| Weighted-average number of ordinary shares outstanding | 52,545,906 | 52,305,477 |

2) Diluted earnings per share for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

| | For the years ended | |
|---|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Diluted profits | ₩ 1,965,661 | ₩ 185,389 |
| Weighted-average number of treasury shares diluted ordinary share outstanding | 52,653,523 | 52,362,298 |
| Diluted earnings per share | ₩ 37,332 | ₩ 3,541 |

The basis of calculating weighted-average number of diluted ordinary shares for the years ended December 31, 2021 and 2020 is as follows:

| | For the years ended | |
|---|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Weighted-average number of ordinary shares outstanding | 52,545,906 | 52,305,477 |
| Effect of exercising stock options | 107,617 | 56,821 |
| Weighted-average number of treasury shares diluted ordinary share outstanding | 52,653,523 | 52,362,298 |

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28. Earnings per share (cont'd)

(2) Basic and diluted earnings per share from continuing operations

1) Basic earnings per share from continuing operations for the years ended December 31, 2021 and 2020 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, 2021 | December 31, 2020 |
| Profit for the year attributable to owners of the parent | ₩ 1,965,661 | ₩ 185,389 |
| Less: gain from discontinued operations | 139,493 | 56,944 |
| Profit for the year from continuing operations attributable to owners of the parent | ₩ 1,826,168 | ₩ 128,445 |
| Weighted-average number of ordinary shares outstanding | 52,545,906 | 52,305,477 |
| Basic earnings per share from continuing operations (in Korean won) | ₩ <u>34,754</u> | ₩ <u>2,456</u> |

2) Diluted earnings per share from continuing operations for the years ended December 31, 2021 and 2020 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, 2021 | December 31, 2020 |
| Profit for the year from continuing operations attributable to owners of the parent | ₩ 1,826,168 | ₩ 128,445 |
| Weighted-average number of diluted ordinary share outstanding | 52,653,523 | 52,362,298 |
| Diluted earnings per share from continuing operations (in Korean won) | ₩ <u>34,683</u> | ₩ <u>2,453</u> |

(3) Basic and diluted earnings per share from discontinued operations

1) Basic earnings per share from discontinued operations for the years ended December 31, 2021 and 2020 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, 2021 | December 31, 2020 |
| Gain from discontinued operations attributable to owners of the parent | ₩ 139,493 | ₩ 56,944 |
| Weighted-average number of ordinary shares outstanding | 52,545,906 | 52,305,477 |
| Basic earnings per share from discontinued operations (in Korean won) | ₩ <u>2,654</u> | ₩ <u>1,088</u> |

2) Diluted earnings per share from discontinued operations for the years ended December 31, 2021 and 2020 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, 2021 | December 31, 2020 |
| Gain from discontinued operations attributable to owners of the parent | ₩ 139,493 | ₩ 56,944 |
| Weighted-average number of ordinary shares outstanding | 52,653,523 | 52,362,298 |
| Diluted earnings per share from discontinued operations (in Korean won) | ₩ <u>2,649</u> | ₩ <u>1,088</u> |

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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, 2021 and 2020.

(1) Details of significant transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | Company name | December 31, 2021 | | |
|-----------------------|---|---------------------------|---------------------|---------|
| | | Sales and others | Expenses and others | |
| Other related parties | Daehan Oil Pipeline Corporation | ₩ 5,991 | ₩ 63,312 | |
| | SABIC SK Nexlene Company Pte. Ltd. | 4,439 | 232,204 | |
| | Korea Nexlene Company | 187,460 | 761 | |
| | Best Oil Company Limited | 699,150 | 956 | |
| | Asia Bitumen Trading Pte. Ltd. | 6,751 | 21,662 | |
| | Sinopec-SK(Wuhan) Petrochemical Co., Ltd. | 1,326 | 677,730 | |
| | Baic Electronics SK(Jiangsu) Technology Co., Ltd. | 70,451 | 508,954 | |
| | Xinglu (HongKong) Ltd. | 99,471 | 4,191 | |
| | Peru LNG Company, LLC | 216,343 | - | |
| | Ignis Therapeutics | 163,878 | - | |
| | F&U Credit Information Co., Ltd. | 3,990 | 51,528 | |
| | Wave City Development Co., Ltd. | 13,078 | - | |
| | SK Hynix Inc. | 3,486,379 | 20,966 | |
| | SK Hynix Semiconductor (China) Ltd. | 357,375 | 1,645 | |
| | SK Hynix Semiconductor (Chongqing) Ltd. | 33,636 | - | |
| | SK Hynix Semiconductor HK Ltd. | 80 | 824,182 | |
| | SK Hynix System IC Co., Ltd. | 37,301 | 33 | |
| | Happynarae Co., Ltd. | 30,671 | 417,226 | |
| | SKC Evonik Peroxide Korea Co., Ltd. | 3,910 | 46,909 | |
| | Mitsui Chemicals & SKC Polyurethanes, Inc. | 279,117 | 15,126 | |
| | Boryeong LNG Terminal Co., Ltd. | 59,212 | 101,876 | |
| | Darwin LNG Pty Ltd. | 456,086 | - | |
| | Huizhou EVE United Energy Co., Ltd. | 127,836 | 686,690 | |
| | Daewon Green Energy Co., Ltd. | 115,218 | - | |
| | Goseong Green Power Co., Ltd. | 104,953 | - | |
| | Eurasia Tunnel | 2,894 | - | |
| | Xe-Pian Xe-Namnoy Power Company | 8,090 | - | |
| | Others | 516,889 | 228,335 | |
| | Others (*2) | Ulsan Aromatics Co., Ltd. | 70,563 | 74,869 |
| | | SK D&D Co., Ltd. | 92,953 | 5,283 |
| | | SK Chemicals Co., Ltd. | 83,918 | 25,520 |
| | | SK Gas Co., Ltd. | 114,471 | 200,852 |
| Ubins Co., Ltd. | | 1,431 | 94,240 | |
| Others | | 214,159 | 79,007 | |
| | | ₩ 7,669,470 | ₩ 4,384,057 | |

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29. Transactions with related parties (cont'd)

| | 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(*1) | 16,165 | 35,660 |
| | Sinopec-SK(Wuhan) Petrochemical Co., Ltd. | 1,504 | 419,516 |
| | Baic Electronics SK(Jiangsu) Technology Co., Ltd. | 32,863 | 194,797 |
| | Xinglu (HongKong) Ltd. | 85,780 | - |
| | Peru LNG Company, LLC | 22,842 | - |
| | 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 |
| | Happyrae 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 | 139,247 | 162,593 |
| Others (*2) | 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 |

(*1) During the current year, the Parent Company acquired an additional 34.80% stake in Hana Land Chip PEF 33 and liquidated it after gaining control. As a result, It was excluded from other special officials.

(*2) 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*.

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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, 2021 and 2020 are as follows (Korean won in millions):

| | Company name | December 31, 2021 | | December 31, 2020 | |
|-----------------------|---|--------------------|--------------------|--------------------|------------------|
| | | Receivables | | Receivables | |
| | | (*1) | Payables | (*1) | Payables |
| Other related parties | Daehan Oil Pipeline Corporation | ₩ 75 | ₩ 9,443 | ₩ 332 | ₩ 8,094 |
| | SABIC SK Nexlene Company Pte. Ltd. | 5,127 | 58,538 | 7,329 | 29,817 |
| | Korea Nexlene Company | 19,941 | 146 | 13,112 | 156 |
| | Best Oil Company Limited | 145,233 | 33,455 | 93,789 | 37,647 |
| | Hana Land Chip PEF 33 (*2) | - | - | 5,983 | 8,579 |
| | Sinopec-SK(Wuhan) Petrochemical Co., Ltd. | 363 | 10,883 | 417 | 11 |
| | Baic Electronics SK(Jiangsu) Technology Co., Ltd. | 5,514 | 174,332 | 6,211 | 59,562 |
| | Xinglu (HongKong) Ltd. | 19,097 | - | 36,866 | - |
| | Korea Consortium Kazakh B.V. (*3) | 111,520 | - | 146,170 | - |
| | F&U Credit Information Co., Ltd. | 65 | 5,265 | 43 | 4,699 |
| | HanaCard Co., Ltd. | 529 | 48,020 | 352 | 145,328 |
| | Wave City Development Co., Ltd. | 5,753 | - | 42,562 | 19 |
| | SK Hynix Inc. | 694,254 | 66,600 | 681,053 | 119,197 |
| | SK Hynix Semiconductor (China) Ltd. | 57,369 | 853 | 35,687 | 314 |
| | SK Hynix Semiconductor (Chongqing) Ltd. | 5,084 | 138 | 12,660 | - |
| | SK Hynix Semiconductor HK Ltd. | - | 60,528 | - | 55,500 |
| | SK Hynix System IC Co., Ltd. | 5,474 | 99 | 15,906 | 29 |
| | Happynarae Co., Ltd. | 9,344 | 73,563 | 3,817 | 40,622 |
| | SKC Evonik Peroxide Korea Co., Ltd. | - | 6,353 | - | 4,819 |
| | Mitsui Chemicals & SKC Polyurethanes, Inc. | 28,385 | 2,466 | 12,117 | 2,815 |
| | Boryeong LNG Terminal Co., Ltd. | 5,345 | 7,577 | 4,921 | 2,141 |
| | Darwin LNG Pty Ltd. | 120,235 | - | - | - |
| | Pentaport Development Co., Ltd. | 71,679 | - | 74,238 | - |
| | Huizhou EVE United Energy Co., Ltd. | 36,143 | 179,264 | 19 | 72,276 |
| | Eurasia Tunnel | 25,823 | - | 35,619 | - |
| | SK E&C JURONG Investment Singapore Pte. Ltd. (*3) | 59,914 | - | 59,914 | - |
| | Xe-Pian Xe-Namnoy Power Company | 113,282 | 26,004 | 139,128 | 26,004 |
| | Goseong Green Power Co., Ltd. | 1,873 | 13,416 | - | - |
| | Godeok Clean Energy Co., Ltd. | - | 62,136 | - | - |
| | Others | 199,726 | 118,451 | 51,042 | 18,186 |
| Others (*4) | Ulsan Aromatics Co., Ltd. | 3,841 | 9,958 | 3,942 | 6,415 |
| | SK Chemicals Co., Ltd. | 22,563 | 1,465 | 14,567 | 2,266 |
| | SK Gas Co., Ltd. | 23,965 | 227,816 | 12,655 | 242,355 |
| | Ubins Co., Ltd. | 199 | 14,977 | 535 | 18,624 |
| | Others | 1,332 | 23,655 | 16,251 | 22,067 |
| | | <u>₩ 1,799,047</u> | <u>₩ 1,235,401</u> | <u>₩ 1,527,237</u> | <u>₩ 927,542</u> |

(*1) The Company recognized bad debt expense and reversal of bad debt each amounting to ₩7,202 million and ₩15,880 million for the years ended December 31, 2021 and 2020 respectively: bad debt expense of ₩1,792 million, write-off and others of ₩(-)4,486 million). The Company recognized the allowance for doubtful accounts amounting to ₩334,633 million and ₩311,551 million as of December 31, 2021 and 2020, respectively.

(*2) During the current term, the Parent Company acquired an additional 34.80% stake in Hana Land Chip PEF 33 and liquidated it after gaining control. As a result, I was excluded from other special officials.

(*3) As of December 31, 2021 and 2020, the Group recognized loss allowances in full amount of corresponding receivables.

(*4) 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*.

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29. Transactions with related parties (cont'd)

(3) Details of significant financial transactions with related-parties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions and foreign currencies in thousands):

| Company | Currency | December 31, 2021 | | December 31, 2020 | |
|---|----------|-------------------|------------|-------------------|------------|
| | | Loans | Collection | Loans | Collection |
| Hallo, Inc. | USD | - | - | - | 2,483 |
| Yemen LNG Company Ltd. | KRW | 6,452 | - | 7,683 | - |
| Huizhou EVE United Energy Co., Ltd. | KRW | - | - | 64,573 | - |
| Zhejiang Shenxin SK Packaging Co., Ltd. | KRW | - | - | 8 | 862 |
| Peru LNG Company, LLC | KRW | 6,996 | - | - | - |
| Eurasia Tunnel | KRW | - | 11,243 | 11,554 | 15,853 |
| Xe-Pian Xe-Namnoy Power Company | KRW | 30,385 | - | - | - |
| Yongin Industrial Complex Development Co., Ltd. | KRW | 5,072 | 5,072 | - | - |
| PT REGAS ENERGITAMA INFRASTRUKTUR | KRW | 5,604 | - | - | - |

(4) There were additional capital contribution transactions for investments in associates and joint ventures for the years ended December 31, 2021 and 2020 (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, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|--------------------------------|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Salaries | ₩ 20,643 | ₩ 15,952 |
| Provision for pension benefits | 8,397 | 6,687 |
| Share-based payment expenses | 780 | 880 |
| | <u>₩ 29,820</u> | <u>₩ 23,519</u> |

30. Discontinued operations

(1) Details of discontinued operations

SK Innovation Co., Ltd., a subsidiary of the Group, decided to suspend operations in North American petroleum development (E&P) businesses during the prior period, and is in the process of selling and withdrawing related assets as of December 31, 2021, and profit or loss arising from the relevant business units are classified as profit or loss for the period from discontinued operations. 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 (see Note 40).

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, 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. 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, during June 2021, the facilities related to the telecommunication equipment division of Techdream Co., Ltd., are determined to be sold with SKC Infra Services Co., Ltd., a subsidiary. The facilities were sold to Pantech C&I Engineering CO., LTD. in August 2021.

SK Ecoplant Co., Ltd., a subsidiary of the Group, decided to sell its entire stake in SK TNS Co., Ltd., a subsidiary of the Group, to Network Infra Holdings LLC, 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. The sale was completed in April 2021. In addition, after the merger and acquisition of the K-Solutions Business Group, P-Solutions Business Group, Gas&Power Business Group, Battery Business Group, and Industrial Business Group, the division and succession company SK Eco Engineering Co., Ltd. are being sold.

(2) Gain and loss from the discontinued operation for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | |
|--|---|---|-------------------------------------|--|-----------------------------|-------------|
| | Petroleum Development business in SK innovation Co., Ltd. | Resource business and others in SK Networks Co., Ltd. | EVA solar business in SKC Co., Ltd. | SKC Infra Service Co., Ltd. and others | SK TNS Co., Ltd. and others | Total |
| Revenue | ₩ 75,021 | ₩ 126,881 | ₩ 3,411 | ₩ 198,745 | ₩ 2,066,433 | ₩ 2,470,491 |
| Expenses | 14,114 | 67,991 | 1,638 | 166,524 | 1,796,908 | 2,047,175 |
| Profit before income tax expense | 60,907 | 58,890 | 1,773 | 32,221 | 269,525 | 423,316 |
| Income tax expense | 17,158 | 16,788 | - | 4,293 | 65,182 | 103,421 |
| Profit for the period from discontinued operations | ₩ 43,749 | ₩ 42,102 | ₩ 1,773 | ₩ 27,928 | ₩ 204,343 | ₩ 319,895 |
| Attributable to: | | | | | | |
| Owners of the parent | 16,076 | 18,707 | 761 | 11,980 | 91,969 | 139,493 |
| Non-controlling interests | 27,673 | 23,395 | 1,012 | 15,948 | 112,374 | 180,402 |

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30. Discontinued operations (cont'd)

| For the year ended December 31, 2020 | | | | | | | | |
|---|---|--|---|-------------------------------------|--|----------------------|-----------------------------|-------------|
| | Petroleum Development business in SK innovation Co., Ltd. | Oil retail business in SK Networks Co., Ltd. | Resource business and others in SK Networks Co., Ltd. | EVA solar business in SKC Co., Ltd. | SKC Infra Service Co., Ltd. and others | SK Bioland Co., Ltd. | SK TNS Co., Ltd. and others | Total |
| Revenue | ₩ 40,929 | ₩ 545,782 | ₩ 35,315 | ₩ 10,982 | ₩ 237,809 | ₩ 139,305 | ₩ 1,753,965 | ₩ 2,764,087 |
| Expenses | 309,774 | 410,996 | 102,149 | 76,411 | 262,874 | 66,656 | 1,639,651 | 2,868,511 |
| Profit (loss) before income tax expense | (268,845) | 134,786 | (66,834) | (65,429) | (25,065) | 72,649 | 114,314 | (104,424) |
| Income tax expense (benefit) | (282,360) | 24,879 | (9,104) | - | 5,022 | 566 | 30,030 | (230,967) |
| Profit (loss) for the period from discontinued operations | ₩ 13,515 | ₩ 109,907 | ₩ (57,730) | ₩ (65,429) | ₩ (30,087) | ₩ 72,083 | ₩ 84,284 | ₩ 126,543 |
| Attributable to: | | | | | | | | |
| Owners of the parent | 4,994 | 48,832 | (25,649) | (28,429) | (13,073) | 31,320 | 38,949 | 56,944 |
| Non-controlling interests | 8,521 | 61,075 | (32,081) | (37,000) | (17,014) | 40,763 | 45,335 | 69,599 |

(3) Details of cash flows relating to discontinued operations for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| For the year ended December 31, 2021 | | | | | | |
|--------------------------------------|---|---|-------------------------------------|--|-----------------------------|-----------|
| | Petroleum Development business in SK innovation Co., Ltd. | Resource business and others in SK Networks Co., Ltd. | EVA solar business in SKC Co., Ltd. | SKC Infra Service Co., Ltd. and others | SK TNS Co., Ltd. and others | Total |
| Cash flows from operating activities | ₩ (6,909) | ₩ (9,697) | ₩ 260 | ₩ (9,533) | ₩ 511,488 | ₩ 485,609 |
| Cash flows from investing activities | 47,879 | 94,495 | (470) | 65,388 | 364,468 | 571,760 |
| Cash flows from financing activities | (80,109) | 5,277 | (68) | (181) | 147,020 | 71,939 |

| For the year ended December 31, 2020 | | | | | | | |
|--------------------------------------|---|--|---|-------------------------------------|--|-----------------------------|-----------|
| | Petroleum Development business in SK innovation Co., Ltd. | Oil retail business in SK Networks Co., Ltd. | Resource business and others in SK Networks Co., Ltd. | EVA solar business in SKC Co., Ltd. | SKC Infra Service Co., Ltd. and others | SK TNS Co., Ltd. and others | Total |
| Cash flows from operating activities | ₩ 12,357 | ₩ (87,163) | ₩ (50,366) | ₩ (26) | ₩ 1,356 | ₩ 6,341 | ₩ 234,035 |
| Cash flows from investing activities | (4,993) | 1,269,922 | 64,572 | (1,446) | (1,860) | (6,668) | 1,545,203 |
| Cash flows from financing activities | - | - | (41,437) | (1,931) | (3,421) | (2,486) | 76,585 |

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31. Assets and liabilities held for sale

Details of assets and liabilities held for sale as of December 31, 2021 are as follows (Korean won in millions):

| | | December 31, 2021 | |
|-------------------------------|---|--------------------|------------------|
| | | Assets | Liabilities |
| Investment securities | ESR Cayman Limited (*1) | ₩ 392,645 | ₩ - |
| Business segment | China business segment (*2) | 89,769 | 21,689 |
| | Resources business segment (*2) | 17,467 | 11,987 |
| | K-Solutions Business Group (*3) | 510,468 | 364,468 |
| | | | |
| Associates | Zhejiang Shenxin SK Packaging Co., Ltd. | 6,777 | - |
| | Carrot Co., Ltd. | 8,734 | - |
| Property, plant and equipment | Back Sheet, EVA, PVDF and others | 4,336 | - |
| | | <u>₩ 1,030,196</u> | <u>₩ 398,144</u> |

(*1) As the Group decided to sell all of its investments in associates during the year ended December 31, 2020, it classified the investments as held-for-sale and measured them at the lower of their carrying amounts and fair value less costs to sell. The Group has sold some of the shares during the year ended December 31, 2021 and 2020, and the sale of remaining shares is underway as of December 31, 2021.

(*2) SK Networks Co., Ltd., a subsidiary, decided to sell the China and 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.

(*3) SK Ecoplant Co., Ltd., a subsidiary, decided to split K-Solutions Business Group, P-Solutions Business Group, Gas&Power Business group, battery business group and industrial business group to be merged by SK Ecoengineering Co., Ltd., division succession company. 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.

32. Lessor

(1) Details of gross investment amount and net investment amount in finance leases as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | | December 31, 2020 | |
|-------------------|-------------------|------------------|-------------------|------------------|
| | Gross investment | Net investment | Gross investment | Net investment |
| 1 year or less | ₩ 188,312 | ₩ 184,949 | ₩ 129,202 | ₩ 126,537 |
| 1 year ~ 2 years | 166,112 | 159,314 | 104,250 | 103,989 |
| 2 year ~ 3 years | 149,165 | 140,115 | 87,902 | 82,241 |
| 3 year ~ 4 years | 103,241 | 94,808 | 71,943 | 65,754 |
| 4 year ~ 5 years | 50,789 | 46,568 | 32,472 | 29,006 |
| More than 5 years | 43,475 | 35,848 | 15,233 | 12,356 |
| | <u>₩ 701,094</u> | <u>₩ 661,602</u> | <u>₩ 441,002</u> | <u>₩ 419,883</u> |

(2) Details of unrealized interest income of finance leases for the year ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | December 31, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Gross investment | ₩ 701,094 | ₩ 441,002 |
| Net investment | 661,602 | 419,883 |
| Unrealized interest income | 39,492 | 21,119 |

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33. Cash flow information

(1) Details of non-cash adjustments for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|--|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Provision for pension benefits | ₩ 460,042 | ₩ 448,055 |
| Depreciation | 6,699,911 | 6,349,807 |
| Amortization | 1,687,803 | 1,634,555 |
| Bad debt expenses | 93,158 | 95,203 |
| (Reversal of)Valuation loss on inventories | 218,000 | (16,014) |
| Interest expenses | 1,444,113 | 1,429,329 |
| Loss on foreign currency translation | 390,626 | 405,750 |
| Loss on valuation of derivatives | 426,301 | 221,583 |
| Loss on disposal of trade receivables | 19,478 | 17,183 |
| Loss on impairment of investments in associates and joint ventures | 35,166 | 434 |
| Loss on disposal of property, plant and equipment | 94,551 | 284,376 |
| Loss on impairment of property, plant and equipment | 64,836 | 328,018 |
| Loss on disposal of intangible assets | 8,418 | 11,216 |
| Loss on impairment of intangible assets | 133,965 | 540,191 |
| Income tax expense | 731,726 | 35,751 |
| Share of profit of subsidiaries and associates | (1,924,360) | (799,698) |
| Interest income | (195,473) | (189,466) |
| Gain on foreign currency translation | (275,719) | (558,791) |
| Gain on valuation of derivatives | (329,733) | (419,575) |
| Dividend income | (63,832) | (19,027) |
| Gain on disposal of trade receivables | (32,633) | (22,605) |
| Gain on disposal of investments in associates and joint ventures | (550,239) | (1,359,353) |
| Gain on disposal of property, plant and equipment | (269,703) | (72,854) |
| Gain on disposal of intangible assets | (147,092) | (11,774) |
| Others | (1,247,127) | 172,288 |
| | ₩ 7,472,183 | ₩ 8,504,582 |

(2) Details of working capital adjustments for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|----------------------------|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Inventories | ₩ (4,719,207) | ₩ 2,974,879 |
| Trade receivables | (2,120,245) | 1,186,864 |
| Other receivables | (380,299) | 403,518 |
| Trade payables | 4,369,497 | (1,710,777) |
| Other payables | 81,556 | 1,655,842 |
| Advances received | (17,094) | (208,096) |
| Defined benefit obligation | (390,322) | (276,586) |
| Plan assets | (272,564) | (175,532) |
| Others | (652,833) | (329,654) |
| | ₩ (4,101,511) | ₩ 3,520,458 |

(3) Significant non-cash transactions for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|---|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Increase in other payables due to acquisition of property, plant and equipment and others | ₩ 883,091 | ₩ (260,187) |
| Conversion of long-term loans to investments in associates | - | 344,465 |

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33. Cash flow information (cont'd)

(4) Details of changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the year ended December 31, 2021 | | | | | |
|--|--------------------------------------|--------------------------------------|-----------------------|--------------------------|--------------------|---------------------|
| | Beginning balance | Cash flows from financing activities | Non-cash transaction | | | Ending balance |
| | | | Changes in fair value | Changes in exchange rate | Others | |
| Short-term borrowings | ₩ 6,201,430 | ₩ 1,279,570 | ₩ - | ₩ 28,680 | ₩ 147,701 | ₩ 7,657,381 |
| Bonds payable and long-term borrowings | 43,060,288 | 5,979,071 | - | 328,920 | 1,079,933 | 50,448,212 |
| Long-term trade payables | 1,168,784 | (426,462) | - | - | 1,112,021 | 1,854,343 |
| Lease liabilities | 5,665,951 | (1,070,625) | - | 4,352 | 455,212 | 5,054,890 |
| Dividends payable | 840 | (1,394,332) | - | - | 1,394,379 | 887 |
| | <u>₩ 56,097,293</u> | <u>₩ 4,367,222</u> | <u>₩ -</u> | <u>₩ 361,952</u> | <u>₩ 4,189,246</u> | <u>₩ 65,015,713</u> |

| | 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 | 38,403,883 | 4,951,360 | 299 | (234,470) | (60,784) | 43,060,288 |
| 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>₩ 50,506,117</u> | <u>₩ 2,516,172</u> | <u>₩ 299</u> | <u>₩ (278,855)</u> | <u>₩ 3,353,560</u> | <u>₩ 56,097,293</u> |

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34. Commitments and contingencies

(1) Guarantees provided for the Group as of December 31, 2021 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 | 443,717 | Performance guarantees for contract and others |
| | Seoul Guarantee Insurance | KRW | 15,515 | Performance guarantees for contract and others |
| Netruck Co., Ltd. | Seoul Guarantee Insurance | KRW | 922 | Performance insurances for warranties and others |
| SK Telink Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,793 | Performance guarantees for contract |
| SK Planet Co., Ltd. | Seoul Guarantee Insurance | KRW | 10,256 | Performance guarantees for contract and others |
| SK Broadband Co., Ltd. | Seoul Guarantee Insurance | KRW | 35,677 | Guarantee of warranties contract |
| | Korea Content Financial Cooperative | KRW | 31,817 | Guarantee of warranties contract |
| Tmap Mobility Co., Ltd. | Seoul Guarantee Insurance | KRW | 143 | Performance guarantees |
| | Korea Technology Finance Corporation | KRW | 900 | Guarantee of debt |
| | ACE American Fire and Marine Insurance Company Korea Branch | KRW | 3,186 | Liability for information protection |
| SK Shieldus Co., Ltd. | Korea Software Financial Cooperative | KRW | 156,114 | Guarantee of bid payment and others |
| SK M & Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,195 | Guarantee of payment and others |
| PS&Marketing Corp. | Seoul Guarantee Insurance | KRW | 636 | Performance guarantees |
| Dreamus company Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,239 | Performance guarantees for contract |
| One store Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,304 | Guarantee for E-commerce and others |
| | KEB Hana Bank | KRW | 100 | Guarantees for prepayment method and payment of Korean won |
| Home&Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 2 | Specific debt guarantee |
| SK Store Co., Ltd. | Kookmin Bank | KRW | 1,540 | Performance guarantees and others |
| 11 street Co., Ltd. | KEB Hana Bank | KRW | 2,070 | Performance guarantees and others |
| | Seoul Guarantee Insurance | KRW | 27,136 | Guarantee of deposit on lease and others |
| FSK L&S Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,570 | Performance guarantees for contract and others |
| Service Top Co., Ltd. | Seoul Guarantee Insurance | KRW | 15 | Performance guarantees for contract |
| SK Networks Co., Ltd. | KEB Hana Bank | KRW | 2,000 | Guarantee of payment for goods |
| | Seoul Guarantee Insurance | KRW | 10,798 | Performance guarantees for contract |
| | Korea Trade Insurance Corporation | KRW | 6,693 | Guarantee of debt |
| SK Networks Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 15,729 | Performance guarantees for sales contract |
| | KEB Hana Bank | KRW | 1,200 | Performance guarantees for contract |
| SK Magic Co., Ltd. | Seoul Guarantee Insurance | KRW | 20,720 | Performance insurances for warranties and others |
| | Machinery Financial Cooperative | KRW | 241 | Performance insurances for warranties and others |
| SK Magic Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 651 | Guarantee of payment for home shopping |
| SK Rent-a-Car Co., Ltd. | Seoul Guarantee Insurance | KRW | 8,477 | Performance guarantees for contract |
| MINTIT Co., Ltd. | Seoul Guarantee Insurance | KRW | 34 | Performance guarantees for contract |
| SK Nexilis Co., Ltd. | Seoul Guarantee Insurance | KRW | 55 | Guarantee of payment |
| SK E&S Co., Ltd. | Seoul Guarantee Insurance | KRW | 111,272 | 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 | 1,143 | Guarantee of warranties and approval |
| Chonnam Energy Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 717 | Guarantee of warranties and payment |
| Pusan City Gas Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,044 | Guarantee of seizure contract and others |
| Jeonbuk Energy Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 244 | Performance guarantees and warranties |
| Chungcheong Energy Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 883 | Performance guarantees and others |
| Ko-one Energy Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,710 | Performance guarantees for contract |
| Paju Energy Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 428 | Performance guarantees for approval and others |
| Narae Energy Service Co., Ltd. | Seoul Guarantee Insurance | KRW | 5,508 | Guarantee of license to use state property and others |
| | KEB Hana Bank | KRW | 763 | Guarantee of heat piping construction |
| Kangwon City Gas Co., Ltd. | Seoul Guarantee Insurance | KRW | 2,015 | 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 | KEB Hana Bank Beijing Branch | USD | 30,000 | Guarantee of Terminal fee |
| BU12 Australia Pty. Ltd., BU13 Australia Pty. Ltd. | ANZ Bank | USD | 261,950 | BU gas field restoration costs |

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34. Commitments and contingencies (cont'd)

| Guarantee | Guarantor | Currency | Amount | Description of guarantee | |
|------------------------------------|---------------------------|--|-----------------------------------|--|---|
| SK Ecoplant Co., Ltd. | HSBC and others | KRW | 726 | Performance guarantees for overseas construction and others | |
| | | USD | 697,589 | Performance guarantees for overseas construction and others | |
| | | EUR | 94,339 | Performance guarantees for overseas construction and others | |
| | | KWD | 89,748 | Performance guarantees for overseas construction and others | |
| | | QAR | 396,605 | Performance guarantees for overseas construction and others | |
| | | TRY | 30,703 | Performance guarantees for overseas construction and others | |
| | | SAR | 8,117 | Performance guarantees for overseas construction and others | |
| | | THB | 278,254 | Performance guarantees for overseas construction and others | |
| | | KZT | 7,568,929 | Performance guarantees for overseas construction and others | |
| | | VND | 655,882,822 | 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 | 88,149 | Performance guarantees for overseas construction and others | |
| | | PLN | 8,316 | Performance guarantees for overseas construction and others | |
| | | KEB Hana Bank | USD | 180,565 | Performance guarantees for overseas construction and others |
| | | | GBP | 18,900 | Performance guarantees for overseas construction and others |
| | | | EUR | 88,885 | Performance guarantees for overseas construction and others |
| | | Korea Eximbank | SAR | 182,198 | Performance guarantees for overseas construction and others |
| | | | USD | 91,369 | Performance guarantees for overseas construction and others |
| | | Environment Management Corporation Co., Ltd. | Korea Housing Guarantee Co., Ltd. | EUR | 60,750 |
| KRW | 2,308,992 | | | Housing guarantees and others | |
| Seoul Guarantee Insurance | KRW | | 400,006 | Performance guarantees for domestic construction and others | |
| | KRW | | 992,377 | Domestic construction contract | |
| Engineering Financial Cooperative | KRW | | 4,245,406 | Performance guarantees for domestic construction and others | |
| Cooperative | KRW | | | | |
| Korea Trade Insurance Corporation | KRW | | 113,335 | Insurance of overseas investment | |
| Construction Guarantee Cooperative | KRW | | 26,183 | Performance guarantees for business, construction, warranties and others | |
| Seoul Guarantee Insurance | KRW | | 34,494 | Performance guarantees for contract, payment, construction, advance payment and others | |
| Engineering Financial Cooperative | KRW | | 69,429 | Guarantees for contract, advance payment, warranties and others | |
| SK Materials Co., Ltd. | Seoul Guarantee Insurance | KRW | 344 | Performance guarantees | |
| | SIGNET EV Inc. | Seoul Guarantee Insurance | KRW | 2,776 | Performance guarantees for contract, payment, warranties and deposits |
| SK Pinx Co., Ltd. | Seoul Guarantee Insurance | KRW | 285 | Performance guarantees for sales contract | |
| SK Siltron Co., Ltd. | Shinhan Bank | USD | 19,000 | Guarantee of foreign currencies | |
| Hweechan Co., Ltd. | 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, 2021 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 | 9,000 | Performance guarantees for mandatory work and others |
| SK Geo Centric Co., Ltd. | Sabic SK Nexlene Company Pte. Ltd. | USD | 220,000 | Guarantee of debt |
| Iberian Lube Base Oils S.A. | Puertos del Estado | EUR | 863 | 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 | 1,007 | Performance guarantees for insurance and others |
| SK Communications Co., Ltd. | Green umbrella | KRW | 40 | Performance guarantees for contract |
| | Purchaser or right holder of electronic payment method | KRW | 650 | Protection of user funds from electronic financiers |
| Dreamus Company Co., Ltd. | Youngkwang Precision Industry Co., Ltd. | KRW | 264 | Performance guarantees for contract |
| SKC Co., Ltd. | PI Advanced Materials Co., Ltd. | USD | 7,836 | Guarantee for litigation |
| SK E&S Co., Ltd. | Boryeong LNG Terminal Co., Ltd. | KRW | 320,000 | Guarantee of debt |
| Environment Management Corporation Co., Ltd. | Dongbugwon Puleunmul Co., Ltd. and others | KRW | 33,727 | Guarantee of debt |
| | Geochang Malgunmool Sarang Co., Ltd. and others | KRW | 33,650 | Guarantee for loan agreement |
| | Gyeongsan Pure Water Co. Ltd. and others | KRW | 1,816 | Performance guarantees for business |
| SK Ecoplant Co., Ltd. | SBC General Trading & Contracting Co. WLL and others | KWD | 6,282 | Performance guarantees for contract and others |
| | Pohang Clean Water Co., Ltd. and others | KRW | 736,228 | Cash deficiency support agreement |
| | Gweonseon District 6 redevelopment maintenance business association and others | KRW | 195,131 | Guarantees for reconstruction project financing |
| | Customers of Gwanggyo SK view | KRW | 844,654 | Guarantee of debt |
| | Lu 1 City SK leaders view and others | KRW | 3,050,460 | Guarantee of completion |
| | Callable preferred share investor | KRW | 130,000 | Cash deficiency support agreement |
| | Fuel cell power generation project | KRW | 105,448 | Performance assurance related to long-term maintenance contracts |
| Contractor issuing guarantee for sale | KRW | 2,538,473 | Joint surety | |

In addition, SK Ecoplant Co., Ltd., a subsidiary of the Group, provides other construction companies with performance guarantees for domestic construction, and the amount of the guarantees is ₩819,974 million as of December 31, 2021.

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34. Commitments and contingencies (cont'd)

(3) Pending litigations

The Group's significant pending litigations as of December 31, 2021, in which the Group is a plaintiff are as follows (Korean won in millions and foreign currencies in thousands):

| Plaintiff | Defendant | Description | Claim | Status |
|--|---|--|-------------|-------------------------------------|
| SK Shieldus Co., Ltd. | Individual and others | Claim for injunction to ban of transfer and others | KRW 439 | Third trial in progress and others |
| PS&Marketing Corp. | Individual and others | Claim for payment and others | KRW 3,983 | First trial in progress and others |
| SK Networks Co., Ltd. | Individual and others | Claim for payment and others | KRW 3,570 | First trial in progress and others |
| SK Magic Co., Ltd. | Namdaemun Tax Office Chief and others | Claim for cancellation the imposition of corporate tax and others | KRW 2,640 | Second trial in progress and others |
| SK Rent-a-Car Co., Ltd. | Individual and others | Claim for payment and others | KRW 12 | First trial in progress and others |
| SK Telesys Co., Ltd. | YOOJIN21 Co., Ltd. and others | Claim for construction payment and others | KRW 1,161 | First trial in progress and others |
| SK E&S Co., Ltd. | Governor of JeollaNamdo province | Claim for cancellation of warning disposition and others | KRW 2 | 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 2,073 | Third trial in progress and others |
| CAILIP Gas Marketing, LLC | ChevronU.S.A.Inc | Claim for compensation for loss of natural gas supply | USD 84,531 | First trial in progress |
| SK E&S LNG, LLC | Hidalgo Wind FarmII,LLC and 2 others | Claim for compensation for electricity purchase settlement | USD 11,774 | First trial in progress |
| SK Ecoplant Co., Ltd. | Korea Rail Network Authority | Claim for payment of construction and others | KRW 4,168 | Second trial in progress |
| | Korea Specialty Contractor Financial Cooperative | Claim for deposit of construction performance and others | KRW 3,296 | First trial in progress |
| | Plant & Mechanical Contractors Financial Cooperative and others | Claim for payment and others | KRW 5,403 | Third trial in progress |
| | Korea National Oil Corporation | Claim for payment of construction | KRW 11,753 | First trial in progress |
| | Korea Land & Housing Corporation | Claim for payment of construction | KRW 44 | First trial in progress |
| | Individual and others | Claim related to performance guarantee and others | KRW 116,981 | First trial in progress and others |
| | Legal manager of Seobon Construction Co., Ltd. | A final and conclusive bond investigation trial of KNPCCFP | KRW 1,942 | First trial in progress |
| Environment Management Corporation Co., Ltd. | Siheung City and others | Claim related to settlement of operating and management expenses and others | KRW 8,082 | First trial in progress |
| | Da Moa Machinery | Claim related to balance Of machine sales | KRW 40 | Second trial in progress |

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34. Commitments and contingencies (cont'd)

The Group's significant pending litigations as of December 31, 2021, in which the Group is a defendant are as follows (Korean won in millions):

| Plaintiff | Defendant | Description | Claim | Status |
|---|---|--|-------------|-------------------------------------|
| SIGNET EV Inc. | World Factory CO., Ltd. | Claim for service charge | KRW 68 | Second trial in progress |
| SK Shieldus Co., Ltd. | Individual and others | Claim for damages and others | KRW 1,505 | First trial in progress and others |
| PS & Marketing Corp. | Individual | Litigation for affirmation of non-existence of debt | KRW 44 | Second trial in progress |
| SK Networks Co., Ltd. | Individual and others | Claim for damages and others | KRW 5,651 | First trial in progress and others |
| SK Magic Co., Ltd. | Piltech Korea Co., Ltd. and others | Claim for confirmation of the scope of trademark rights and others | KRW 332 | First trial in progress and others |
| SK Rent-a-Car Co., Ltd. | Individual and others | Claim for compensation and others | KRW 612 | First trial in progress and others |
| SK Telesys Co., Ltd. | Ubins Co., Ltd. | Claim for service charge | KRW 1,249 | First trial in progress |
| SK Nexilis Co., Ltd. | Individual and others | Claim for damages | KRW 2,900 | First trial in progress |
| Ko-one Energy Service Co., Ltd. | Korea Land & Housing corporation | Claim for cancellation of allotted charges | KRW 323 | Second trial in progress |
| Chungcheong energy Service Co., Ltd. | Korea Land & Housing corporation | Claim for cancellation of allotted charges | KRW 1,104 | Second trial in progress |
| Narae energy service Co., Ltd. | Korea Electric Power Corporation | Claim for Contract amount reduction confirmation | KRW 2,694 | First trial in progress |
| SK Ecoplant Co., Ltd. | K-Water Resources Corporation | Claim for design compensation cost return and others | KRW 300 | Third trial in progress and others |
| | Incheon Metropolitan City | Claim for design compensation cost return and others | KRW 7,804 | 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 resident's representative and others | Claim for damages and others | KRW 26,598 | First trial in progress and others |
| | Korea Rural Community Corporation | Claim for damages | KRW 8,036 | Second trial in progress |
| | Individual and others | Claim for apartment | KRW 214,598 | First trial in progress and others |
| | Korea Gas Corporation | Claim for damages and others | KRW 47,295 | First trial in progress and others |
| | Republic of Korea | Claim for damages and others | KRW 6,045 | Second trial in progress and others |
| | Busan Transportation Corporation | Claim for design compensation cost return and others | KRW 519 | Third trial in progress |
| Environment Management Corporation Co., Ltd | Siheung City and others | Claim for cost share and others | KRW 850 | First trial in progress and others |

On April 29, 2019, LG Chem Ltd. and its newly established subsidiary through physical division, LG Energy Solution Ltd. (collectively, "LGC") filed their complaints with the U.S. International Trade Commission ("ITC") against SK Innovation Co., Ltd. and SK Battery America, Inc. (collectively, "SKI"), subsidiaries of the Group, alleging SKI's infringement of LGC's trade secrets and seeking a ban on SKI's importation of certain lithium ion batteries, battery cells and etc. into the United States. LGC filed an additional complaint with the ITC against SKI seeking an import ban as remediation for SKI's alleged infringement of LGC's patents on September 26, 2019. In addition, LGC filed a complaint with US District Court of Delaware against SKI for the misappropriation of trade secrets on April 29, 2019 and also filed a complaint with US District Court of Delaware against SKI for the infringement on the patents on September 26, 2019.

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 of the Group, 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.

34. Commitments and contingencies (cont'd)

E&P business in 8th block of Peru, a subsidiary of SK Innovation Co., has been suspended due to the liquidation of operator (Pluspetrol Norte S.A.) and the business is in progress of closing. The Perupetro S.A., a Peruvian state-owned oil company and mining rights management agency, received an injunction from the local judiciary to suspend the liquidation procedure of the operator for the period ended December 31, 2021 and the Peruvian Environmental Assessment and Supervision Authority (OEFA) granted a fine to the operator related to the restoration of the workplace and environmental pollution charge for period ended December 31, 2021. Accordingly, SK Innovation Co., Ltd. paid expenses of ₩1,527 million at the request of the operator and the amount was reflected as non-operating expenses for period ended December 31, 2021.

The Perupetro S.A. has filed international proceedings with the International Chamber of Commerce against the parties to the mining contract, including SK Innovation Co., Ltd., in accordance with the dispute settlement clause in the mine contract to the effect that the mining right contract is not terminated only by the initiation of liquidation of the operator. The status of the arbitration is currently pending, and the final outcomes of the arbitration cannot be predicted at the moment.

As of the end of the current year, there is one civil mediation application (₩12,754 million) with its subsidiary SK Incheon Petrochemical Co., Ltd., as the respondent. In relation to this mediation, the legal reserve debt of ₩2,000 million is recorded, and the final result cannot be reasonably predicted at this stage.

SKC Co., Ltd., a subsidiary of the Group, guarantees 50% of claim amounts related to the patent litigation filed by Kaneka Corporation against PI Advanced Materials Co., Ltd. As of December 31, 2021, 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 prior period, Kaneka Corporation filed a lawsuit against PI Advanced Materials Co., Ltd. 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. 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 2021, 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., SK ie technology Co., Ltd., SK On Co., Ltd, and SK Earthon 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 has signed a lease contract for the head office building from SK REIT Co., Ltd. The lease contract period under this lease contract is until July 5, 2026, and we have the option of extending the lease contract by five years before the end of the contract. On the other hand, we have been granted preferential purchase rights for landlords to purchase at fair prices when selling the building.
- 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:

| | <u>Subscription of new shares</u> | <u>Sale of existing shares</u> |
|------------------|---|---|
| Investor | Special Situation 1 st Fund | Corporate Turnaround 1 st Fund |
| Number of shares | 6,548,672 | 4,808,259 |
| Contract date | April 11, 2017 | May 11, 2017 |
| Expiry date | April 10, 2022 | May 10, 2022 |
| Settlement | The Company and the 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, 2021, the value of the agreements amounting to ₩169,131 million is recognized in current portion of 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, 2021, the value of the agreements amounting to ₩677,775 million is recognized in current portion of 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.

34. Commitments and contingencies (cont'd)

- 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.
- 10) The Company has a shareholder-to-share agreement with Showa Denko K.K. in relation to the investment of subsidiary SK Showa Denko Co., Ltd., and Showa Denko K.K. has the right to sell 630,000 shares (15%) of SK Showa Denko Co., Ltd. at ₩ 5,000 per share in the event of a specific case of this agreement.
- 11) The Company have signed a contract between shareholders that allows certain shareholders to sell their shares to us for ₩50,000 per share if certain conditions are met for shares held by certain shareholders of its subsidiary Signet EV Co., Ltd.
- 12) As of December 31, 2021, 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.
- 13) 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, 2021, 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.
- 14) As of December 31, 2021, 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 | Tanggung 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 2020.7 ~ 2040.12 |
| | Rental contract of the plant and tower site | POSCO Co., Ltd. | 2003.8 ~ 2028.12 |
| | Contract for the REC trading | Godeok Green Energy Co., Ltd. and others | 20 years from contract (estimated) |
| Paju Energy Service Co., Ltd. | Contract for the long-term maintenance program | Siemens AG and others | 2014.6 ~ 2031.6 (estimated) |
| | Contract for the REC trading | GeoGeum Solar Park Co., Ltd. and others | 15 years from 2018 |
| | Contract for LTSA | Doosan Fuelcell Co., Ltd. | 10 years from performance warranty date |
| Narae Energy Service Co., Ltd. | Contract for the long-term maintenance program | Siemens AG and others | 2015.1 ~ 2032.1 (estimated) |
| | Contract for the long-term maintenance program | Doosan Heavy Industries & Construction Co., Ltd. | 12 years from 2012 |
| | Contract for the operation and Maintenance program | Jeonbuk Group Energy Co., Ltd. and Gimcheon Energy Service Co., Ltd. | 2015.1 ~ 2025.1 |
| | Contract for the supply of long-term natural gas | Korea Gas Corporation Co., Ltd. | 20 years from 2015.5 |
| | Contract for the REC trading | K Solar E Ho Co., Ltd. and others | 20 years from contract |
| 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 2017 |
| 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 |

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34. Commitments and contingencies (cont'd)

| <u>Contracting parties</u> | <u>Description of contract</u> | <u>Counterparty</u> | <u>Term of contract</u> |
|---|--|--|--|
| Yeoju Energy Service Co., Ltd. | Contract for LTSA | Siemens Gas & Power GmbH Siemens Energy Ltd. | 2019.12 ~ 2047.12 (estimated) |
| Pusan City Gas Co., Ltd. | Rental contract | Megamart Co., Ltd. and others | Until 2022 |
| SK E&S LNG, LLC | Contract for the liquefaction and storage of natural gas | FLNG Liquefaction 3, LLC | 20 years from 2020 |
| | Contract for the use pipeline of natural gas | Kinder Morgan, Inc. | 20 years from 2020 |
| Prism Energy International Pte. Ltd. | Contract of supply for natural gas | Chevron Australia Pty. Ltd. and others | 2017.1 ~ 2022.3 |
| | Contract of supply for natural gas | PETRONAS LNG LTD. | 2019.6 ~ 2023.12 |
| | Contract of supply for LNG | Generadora San Felipe Limited Partnership | 10 years from commencement date |
| | Time charter contract | SK Shipping Co., Ltd. | 20 years from ship delivery date |
| SK E&S Australia Pty. Ltd. | Contract for FPSO | BW Offshore Singapore Pte. Ltd. (Australia Branch) | 15 years from service date |
| | Contract for the liquefaction service of natural gas | Darwin LNG Pty. Ltd. and others | 2020.12 (contract) 15 years from service date (estimated) |
| Prism Energy International Zhoushan Limited | Contract for the storage and vaporization service of natural gas | ENN (Zhoushan) LNG Co., Ltd. | 2020.7 ~ 2030.7 |

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

- 15) As of December 31, 2021, details of construction contracts about the subsidiaries of SK E&S Co., Ltd. are as follows (Korean won in millions):

| <u>Description of contract</u> | <u>Name of subsidiaries</u> | <u>Contract opponent</u> | <u>Term of contract</u> | <u>Amount</u> |
|---|--------------------------------|--|-------------------------|---------------|
| Contract for heat piping and others | Narae Energy Service Co., Ltd. | Eulmyo general construction Co., Ltd. and others | 2020.11 ~ 2022.06 | ₩ 11,127 |
| Contract for Yeoju natural gas power plant 154kV connection facility construction | Yeoju Energy Service Co., Ltd. | Korea Electric Power Corporation | 2019.12 ~ 2022.06 | ₩ 18,160 |

- 16) As of December 31, 2021, details of material contracts of resource development by the subsidiaries of SK E&S Co., Ltd. are as follows:

| <u>Description of contract</u> | <u>Name of subsidiaries</u> | <u>Counterparty</u> | <u>Equity ownership</u> |
|--|--|--|-------------------------|
| Barossa-Caldita, Australia | SK E&S Australia Pty. Ltd. | Santos NA Barossa Pty. Ltd. | 37.5% |
| Woodford, USA | Dew Blaine Energy, LLC | Continental Resources, Inc. | 49.9% |
| East Timor Bayu-Undan gas field and pipeline asset | BU12 Australia Pty. Ltd. BU13 Australia Pty. Ltd. SK E&S Australia Pty. Ltd. Prism DLNG Pte. Ltd. | Santos NA Darwin Pipeline Pty. Ltd. and others | 25.0% |

- 17) SK Energy Co., Ltd., SK Incheon Perochemical Co., Ltd. and SK On 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, 2021, the related amount payable is ₩1,110,257 million.

34. Commitments and contingencies (cont'd)

- 18) SK Energy Co., Ltd., a subsidiary of the Group, signed an option contract regarding the shares of ordinary stocks held by non-controlling shareholders of goodsFLOW Co., Ltd. The terms of the contract for this option are as follows:

| | Put option | Call option | Call option |
|----------------------|---|--|--|
| Purpose of Contract | Acquisition of equity | SK Energy Co., Ltd. | SK Energy Co., Ltd. |
| Option rights holder | Tae-jin Jung, Byung-wook Oh and others | Tae-jin Jung, Byung-wook Oh and others | Hanyu Energy Co., Ltd. and others |
| Option obligor | SK Energy Co., Ltd. | | |
| Payment method | Cash | | |
| Object of exercise | A total of 1,014,362 shares (43.83%) of goodsFLOW Co., Ltd.'s shares held by Tae-jin Jung, Byung-wook Oh, shareholders of goodsFLOW Co., Ltd. | | A total of 351,076 shares (15.17%) of goodsFLOW Co., Ltd.'s shares held by Hanyu Energy Co., Ltd., shareholders of goodsFLOW Co., Ltd. |
| Time of exercise | The date on which three years have elapsed from January 31, 2021 or the date agreed between the parties, whichever is earlier | | |
| Price of exercise | Price per share ₩33,553 | | Fair value at the time of exercise of the call option. |

- 19) SK Innovation Co., Ltd., a subsidiary of the Group, sold its holdings (40%) of SK Lubricants Co., Ltd., a subsidiary of SK Innovation Co., Ltd., to Eco Solution Holdings Co., Ltd. (the "investor") on July 30, 2021. The shareholder agreement between the Investor and the Group, the largest shareholder of SK Lubricants Co., Ltd., in event of selling the stake, includes the following key terms:

- Investor's Tag-along right and Co-Sale Process
- Investor's right to make decisions on dividend policies, under certain conditions
- The largest shareholder's right to request for sale of shares and Investor's right to demand the purchase of shares, under certain conditions
- Restriction on disposal of shares of the largest shareholder and investor under certain conditions, etc.

Details of rights granted to investor are as follows.

| Description | Conditions | Rights |
|---------------------------------------|--|--|
| Tag-Along Right | The largest shareholder sells shares when accomplishing certain conditions | The right to sell Investor's shares on the same conditions as the largest shareholder |
| Co-Sale Process | Failure of Initial Public Offering ("IPO") within the agreed period (8 years) and the total amounts of available for dividend are less than 2.5% of the annual interest rates based on IRR | The right to sell shares held by the largest shareholder along with shares held by |
| Dividend policy decision-making right | Failure of IPO within the agreed period (5 years) | The right to make decisions on dividend policies within |
| Default Put Option | In the event of a serious violation of a specific obligation clause agreed with Investor for a deliberate and malicious purpose | The right to sell the investors shares to the largest shareholder at an amount calculated by applying 10% annual interest rate based on IRR for the investment principal (₩1,091,948 million). |

34. Commitments and contingencies (cont'd)

SK Battery America Inc., a subsidiary, has signed a project agreement with Jackson County Industrial Development Authority and the Georgia Department of Economic Development (hereinafter referred to as "contract") to provide incentives such as property tax reduction. Under the contract, SK Battery America, Inc. transferred legal ownership of assets subject to property tax reduction to state agencies and received bonds issued by state agencies. The Group recognized the bonds and financial liabilities generated in the transaction as net amounts as they meet the offsetting criteria of KIFRS 1032, and the amount of bonds and financial liabilities set off as of the end of the current year is USD 2,160 million, and the book value after offset is ₩0.

20) 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 ₩493,277 million which is recorded as other receivables and long-term other receivables.

21) In relation to the merger and acquisition of SK Broadband Co., Ltd., a subsidiary, accrued during the year end December 31, 2020, 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, 2021, SK Telecom Co., Ltd. has recognized a total of ₩321,025 million of derivative financial liabilities for the rights included in the agreement above.

22) SK Siltron Co., Ltd., a subsidiary, has entered into an agreement between its existing shareholders and shareholders regarding the acquisition of shares in Teraon Co., Ltd., a related company investment during the period ended December 31, 2021. Under the agreement, SK Siltron Co., Ltd., a subsidiary, has a call option to hold 75.28% of Teraon Co., Ltd.'s shares and can be exercised between October 1, 2021 and September 30, 2022.

23) SK Ecoplant Co., Ltd., a subsidiary, entered into a share subscription agreement in order to acquire Sam Kang M&T Co., Ltd. The details are as follows (Korean won in millions):

| | Expected date of acquisition | Estimated acquisition share (%) | Estimated acquisition price |
|---------------------------|---------------------------------|------------------------------------|--------------------------------|
| Sam Kang M&T Co., Ltd. | March, 2022 | 32% | ₩ 3,426 |

24) In February 2019, SK Biopharmaceuticals Co., Ltd., a subsidiary, signed a technology transfer contract with the European-based entity, Arvelle Therapeutics International GmbH (formerly Arvelle Therapeutics GmbH), in order to grant the exclusive rights of Cenobamate, an epilepsy treatment, in Europe. At the time of signing the technology transfer contract, SK Biopharmaceuticals Co., Ltd. received an Upfront Payment of USD 100,000,000 and recognized as a profit at the time of the receipt. In addition, in March 2021, the Milestone Payment of USD 110,000,000 was recognized as a profit at the time of notification of the permit in accordance with the marketing permission of European regulators (March 30, 2021). When the terms under the agreement are fulfilled in future periods, additional Milestone Payment of up to USD 320,000,000 will be recognized.

34. Commitments and contingencies (cont'd)

In February 2021, SK Biopharmaceuticals Co., Ltd., a subsidiary, sold all of its 12% ownership of Arvelle Therapeutics B.V.'s common shares to Angelini Pharma S.p.A. and received USD 31,766,890 in return for the closing of the transaction. The amount was recognized as non-operating income at the time of receipt. In addition, in March 2021, the Approval Payment of USD 13,220,625 was recognized as non-operating income at the time of notification of the permit (March 30, 2021). When the terms under the agreement are fulfilled in future periods, up to USD 9,252,177 can be additionally recognized as non-operating income. However, the amount of non-operating income that can be received may change depending on certain conditions.

In October 2020, SK Biopharmaceuticals Co., Ltd. signed a technology transfer contract with Ono Pharmaceutical Co., Ltd., an entity located in Japan, in order to grant the exclusive rights of Cenobamate in Japan and received an upfront payment of JPY 5,000,000,000. The upfront payment is recognized as a profit by allocating the amount in a reasonable way according to the contract. When the rights are approved by the Japanese regulator and succeed in commercializing in the future, SK Biopharmaceuticals Co., Ltd. will recognize the Milestone Payments of up to JPY 48,100,000,000 as a profit.

25) During November 2021, SK Biopharm Co., Ltd., a subsidiary, signed a license agreement to grant commercialization rights for six new drugs, including Ignis Therapeutics and Senobamate in the Cayman Islands (China, Hong Kong, Macau, Taiwan), and received USD 20,000,000 in cash and 150 million preferred shares (USD 150,000,000). In the case of the down payment, the intellectual property license transfer fee and the clinical trial obligation were allocated, and the intellectual property license recognizes revenue at once with the license, and the completion of the service over the expected period of service. In the event licensing and commercialization is achieved, up to USD 10,000,000 Milestone Payment and Royalty Payment may be recognized.

In addition, during December 2021, a technology transfer agreement with Endo Ventures Limited was entered into in Canada to grant Senobamate exclusive rights in Canada and a down payment of USD 20,000,000 was received. The down payment was recognized as revenue at the same time as the right to use intellectual property rights, and the maximum amount of milestone payment of CAD 21,000,000 may be recognized as revenue under the permission and commercialization of Canadian regulators in the future.

(5) Hybrid bonds

Details of hybrid bonds as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| Issue segment | Description | Issue date | Maturity date (*1) | Interest rate (%) (*2) | For the years ended | |
|---------------------------|---------------------------------|------------|-----------------------|---------------------------|----------------------|----------------------|
| | | | | | December 31, 2021 | December 31, 2020 |
| 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 | 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 | 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.

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34. Commitments and contingencies (cont'd)

(6) Others

As of December 31, 2021, 43 notes (including 40 blank notes) and 82 checks (including 81 blank checks) are provided to financial institutions as collateral for borrowings.

35. Pledged assets

The following assets were pledged as collateral for the Group's borrowings and others as of December 31, 2021 (Korean won in millions and foreign currencies in thousands):

| Company | Asset | Currency | Collateralized amount (*1) | Provided to | Description |
|--|--|----------|----------------------------|---|---|
| SK Innovation Co., Ltd. | Investments in associates | KRW | - | Yemen LNG Company and others | Collateral for project financing |
| Netruck Co., Ltd. | Property, plant and equipment | KRW | 4,500 | Shinhan Bank | Collateral for borrowing |
| SK Broadband Co., Ltd. | Property, plant and equipment | KRW | 1,513 | Lessor | Restricted real rights for office lease |
| Incross Co., Ltd. | Financial instruction | KRW | 24,848 | Naver Co., Ltd. and others | Performance guarantees for contract |
| One store Co., Ltd. | Investment property and others | KRW | 612 | Shinhan Bank | Collateral for borrowing |
| SK Networks Co., Ltd. | Property, plant and equipment and others | KRW | 390,968 | 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 | 377,815 | Korea Development Bank and others | Collateral for borrowing |
| Shenyang SK Bus Terminal Co., Ltd. | Property, plant and equipment | KRW | 46,715 | Aisikai Industrial Hong Kong Co., Ltd. and others | Collateral for borrowing |
| SKC Solmics Co., Ltd. | Property, plant and equipment | KRW | 91,100 | Korea Development Bank and others | Collateral for borrowing |
| Woori Fine Chem Co., Ltd. | Property, plant and equipment | KRW | 6,480 | Shinhan Bank | Collateral for borrowing |
| SKCFTH Co., Ltd. | Investment subsidiaries | KRW | 690,000 | Korea Development Bank and others | Collateral for borrowing |
| SK Nexilis 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 | KRW | 33,600 | Korea Development Bank | Collateral for borrowing |
| SKC, Inc. | Property, plant and equipment | USD | 70,000 | Standard Chartered Bank | Collateral for borrowing |
| SK E&S Co., Ltd. | Investments in subsidiaries | KRW | 300,000 | Korea Development Bank and others | Collateral for PF |
| | Investments in joint ventures | KRW | 179,646 | Korea Development Bank and others | Collateral for PF |
| | | USD | 14,000 | BANGKOK BANK PUBLIC COMPANY LIMITED | Collateral for PF |
| | Investments in associates | KRW | 18,621 | Industrial Bank of Korea and others | Collateral for PF |
| Ko-one energy service Co., Ltd. | Investments in associates | KRW | 2,711 | Kookmin Bank and others | Collateral for PF |
| Pusan City Gas Co., Ltd. | 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. | Property, plant and equipment and others | KRW | 589,000 | Korea Development Bank and others | Collateral for borrowing |
| Yeosu Energy Service Co., Ltd. | Property, plant and equipment | KRW | 601,200 | Korea Development Bank and others | Collateral for PF |
| Busan Jungkwan Energy Co., Ltd. | Property, plant and equipment | KRW | 100,800 | NH Bank and others | Collateral for PF |
| IGE Co., Ltd. | Property, plant and equipment | KRW | 24,000 | Korea Development Bank | Collateral for PF |
| Key Capture Energy, LLC. | Financial instruction | KRW | 11,432 | RABOBANK and others | Collateral for service use |
| SK Ecoplant Co., Ltd. | Investment securities and others | KRW | 592,143 | Woori Bank and others Co., Ltd. and others | Collateral for borrowing and others |
| | Investment property | KRW | 385,252 | Kookmin Bank | Collateral for borrowing |
| Seongju Tech Co., Ltd. | Property, plant and equipment | KRW | 33 | Hyundai Capital Services, Inc. | Collateral for vehicle installment |
| DDS Co., Ltd. | Property, plant and equipment | KRW | 3,000 | Korea Development Bank | Collateral for borrowing |
| Samwon ENT Co., Ltd. | Others | KRW | 700 | KB Securities | Collateral for borrowing |
| Daewon Green Energy Co., Ltd. | Others | KRW | 5,280 | Korea Development Bank | Collateral for borrowing |
| Environment Management Corporation Co., Ltd. | Property, plant and equipment | KRW | 33,973 | KEB Hana Bank and others | Collateral for borrowing |
| | Investments in subsidiaries | KRW | 529,311 | Korea Development Bank and others | Collateral for borrowing |
| | Investment securities and others | KRW | 6,005 | Woori Bank and others | Collateral for borrowing |
| | Others | KRW | 962,922 | KEB Hana Bank and others | Establishing pledge and others |
| 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 | 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. | Property, plant and equipment | KRW | 752,900 | Kyungnam Bank and others | Collateral for borrowing |
| SK Showa Denko Co., Ltd. | Property, plant and equipment | KRW | 30,000 | Korea Development Bank | Collateral for borrowing |

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35. Pledged assets (cont'd)

| Company | Asset | Currency | Collateralized amount (*1) | Provided to | Description |
|------------------------------|--|----------|----------------------------|-----------------------------------|--------------------------|
| SK Siltron Co., Ltd. | Property, plant and equipment | KRW | 524,723 | Korea Development Bank and others | Collateral for borrowing |
| SK Biotek Co., Ltd. | Property, plant and equipment | KRW | 120,000 | Korea Development Bank | Collateral for borrowing |
| Hweechan Co., Ltd. | Property, plant and equipment | KRW | 13,440 | KEB Hana Bank | Collateral for borrowing |
| SK REITs Co., Ltd. | Investment property | KRW | 722,160 | The lender and the lessor | Collateral for borrowing |
| Clean Energy REITs Co., Ltd. | Investment property | KRW | 540,120 | The lender and the lessor | Collateral for borrowing |
| Signet EV Inc. | Property, plant and equipment and others | KRW | 10,800 | Woori Bank | Collateral for borrowing |

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

SK Sheildus Co., Ltd., a subsidiary, provides its shares in Capstec Co., Ltd. as collateral for its long-term borrowing of ₩1,713,291 million.

36. Guarantees provided among the Group entities

Guarantees provided among the Group entities as of December 31, 2021 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 Battery America, Inc. | USD | 1,680,000 | Guarantee of debt |
| | SK On Hungary Kft. | USD | 250,000 | Guarantee of debt |
| | SK Hi-tech Battery Materials (Jiangsu) Co., Ltd. | USD | 50,000 | Guarantee of debt |
| | SK Hi-Tech Battery Materials Poland Sp. Zo.o. | 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 | 500,000 | Guarantee of debt |
| SK Innovation Co., Ltd. and SK On Co., Ltd. | SK On Hungary Kft. | HUF | 9,810,000 | Guarantee of local factory construction |
| SK Geo Centric 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 ie technology Co., Ltd. | SK Hi-Tech Battery Materials(Jiang Su) Co., Ltd. | CNY | 700,000 | Guarantee of financial obligation |
| SK Networks Co., Ltd. | SK Networks Deutschland GmbH | EUR | 1,000 | 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 America, Inc. | USD | 10,000 | Standing surety for investee |
| | SK Networks (Xiamen) Steel Processing Center Co., Ltd. | CNY | 68,000 | Standing surety for investee |
| | SK Networks Resources Australia Pty. Ltd. | AUD | 8,000 | Standing surety for investee |
| SKC Co., Ltd. | SKC, Inc. | USD | 109,000 | Guarantee of payment |
| | SKC (Jiangsu) High Tech Plastics Co., Ltd. | USD | 69,725 | Guarantee of payment |
| | | CNY | 270,000 | Guarantee of payment |
| | SK Telesys Co., Ltd. | KRW | 30,000 | Guarantee of financial obligation |
| | SKC (Natong) PU Specialty Co., Ltd. | CNY | 144,256 | Guarantee of payment |
| | | USD | 7,000 | Guarantee of payment |
| | SKC (Natong) Semiconductor Materials Technology Co., Ltd. | USD | 5,200 | Guarantee of payment |
| SK E&S Co., Ltd. | Caillip GAS Marketing, LLC | USD | 230,000 | Guarantee for derivative hedge and others |
| | Paju Energy Service Co., Ltd. | KRW | 500,000 | Guarantee of debt and others |
| | Narae Energy Service Co., Ltd. | 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 | 641,000 | 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 | 40,000 | Performance guarantee for purchase contract of Feed Gas |
| SK Ecoplant Co., Ltd. | SKEC Anadolu, LLC | EUR | 65,702 | Performance guarantees for contract and others |
| | Silvertown Investco Limited. | GBP | 10,671 | Guarantee of financial obligation |
| | Sunlake Co., Ltd. | CAD | 6,000 | Guarantee of financial obligation |
| | SK E&C Betek Corporation | USD | 28,500 | Guarantee of financial obligation |
| | Environment Management Corporation Co., Ltd. | KRW | 67,531 | Fund supplement agreement for loan agreement |
| Environment Management Corporation Co., Ltd | Gyeounbuk Environment Energy Co., Ltd. | KRW | 2,500 | Guarantee of debt and others |
| | Gyeongsan Clean Water Way Co., Ltd. | KRW | 6,156 | Guarantee of debt and others |
| | Dalseong Maleunmulgil Co., Ltd. | KRW | 447 | Guarantee of debt and others |
| | Honam Environment Energy Co., Ltd. | KRW | 8,000 | Guarantee of debt and others |
| SK Materials Co., Ltd. | SK Materials Jiangsu Co., Ltd. | USD | 29,000 | Guarantee of debt |
| | SK Materials Taiwan Co., Ltd. | USD | 2,000 | Guarantee of debt |
| | SK Materials Japan Co., Ltd. | JPY | 276,000 | Guarantee of debt |
| SK Biotek Co., Ltd. | SK Biotek Ireland Limited. | USD | 30,000 | Guarantee for credit limit |
| | | EUR | 10,000 | Performance guarantees |
| SK Siltron Co., Ltd. | SK Siltron CSS, LLC | USD | 55,000 | Guarantee of debt |

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37. Deposits restricted in use

Deposits restricted in use as of December 31, 2021 and 2020 are as follows (Korean won in millions):

| Account | Classification | Institution | December 31, 2021 | December 31, 2020 | Description of restriction |
|-------------------------------------|---|--|----------------------|----------------------|-------------------------------------|
| Cash and cash equivalents | Borrowing-related pledge establishment and others | KB Securities and others | ₩ 2,017 | ₩ 678 | Pledged on collateral and others |
| Short-term financial instruments | Charitable fund and others | Industrial Bank of Korea and others | 189,146 | 166,823 | Money on deposits and others |
| Long-term financial instruments | CO2 emission allowances fund and others | Samsung Securities and others | 38,548 | 9,136 | Money on deposits and others |
| Others | Refund guarantee and others | Korea Software Financial Cooperative and others | <u>3,853</u> | <u>3,803</u> | Deposits and others |
| | | | <u>₩ 233,564</u> | <u>₩ 180,440</u> | |

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, 2021 and 2020 is as follows (Korean won in millions):

| | December 31, 2021 | December 31, 2020 |
|---|---------------------|---------------------|
| Financial assets measured at FVTPL | ₩ 10,871,691 | ₩ 6,059,081 |
| Financial assets measured at FVOCI | 7,799 | 12,907 |
| Financial assets measured at amortized cost | 25,365,205 | 22,118,563 |
| Derivatives designated as hedging instruments | <u>263,779</u> | <u>126,932</u> |
| | <u>₩ 36,508,474</u> | <u>₩ 28,317,483</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).

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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, 2021 and 2020, 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, 2021 | | December 31, 2020 | |
|----------------------|-------------------|-------------------|--------------------|-------------------|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| Less than one month | ₩ 296,524 | ₩ 42,096 | ₩ 508,281 | ₩ 95,999 |
| One~three months | 220,408 | 42,640 | 315,688 | 63,870 |
| Three~six months | 97,056 | 42,822 | 180,427 | 31,039 |
| More than six months | 263,456 | 372,119 | 400,203 | 365,545 |
| | <u>₩ 877,444</u> | <u>₩ 499,677</u> | <u>₩ 1,404,599</u> | <u>₩ 556,453</u> |

Changes in the loss allowance on trade receivables and others for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

| | For the years ended | |
|-------------------|---------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Beginning balance | ₩ 902,777 | ₩ 893,479 |
| Bad debt expense | 93,158 | 95,090 |
| Write-off | (211,319) | (69,460) |
| Others (*1) | 132,263 | (16,332) |
| Ending balance | <u>₩ 916,879</u> | <u>₩ 902,777</u> |

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

38.1.2.2 Guarantee

SK Ecoplant Co., Ltd., one of the subsidiaries, offers payment guarantees for loans of project financing. The financing liabilities related to the payment guarantees recognized are ₩15,921 million as of December 31, 2021. The Group recognizes the financial guarantee liabilities related to the payment guarantees contracted with the Group, such as SK Ecoplant Co., Ltd., as of December 31, 2021 (Korean won in millions):

| | December 31, 2021 | December 31, 2020 |
|--------------------------|-------------------|-------------------|
| SK Innovation Co., Ltd. | ₩ 1,137 | ₩ 1,790 |
| SK Ecoplant Co., Ltd. | 15,921 | 20,169 |
| SK Biotek Co., Ltd. | 472 | 320 |
| SK Showa Denko Co., Ltd. | 22 | - |
| | <u>₩ 17,552</u> | <u>₩ 22,279</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, 2021 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 | ₩ 23,249,591 | ₩ 24,312,874 | ₩ 4,827,671 | ₩ 5,389,017 | ₩ 12,975,530 | ₩ 1,120,656 |
| Bonds | 34,856,002 | 37,882,782 | 1,806,881 | 4,521,975 | 24,096,684 | 7,457,242 |
| Derivative financial liabilities | 415,394 | 420,277 | 231,327 | 81,957 | 105,914 | 1,079 |
| Trade payables | 9,519,544 | 9,519,544 | 9,233,421 | 286,123 | - | - |
| Lease liabilities | 5,054,890 | 5,489,612 | 117,976 | 1,172,762 | 2,385,239 | 1,813,635 |
| Other liabilities | 14,426,388 | 14,750,774 | 9,865,714 | 2,612,318 | 1,982,374 | 290,368 |
| | <u>₩ 87,521,809</u> | <u>₩ 92,375,863</u> | <u>₩ 26,082,990</u> | <u>₩ 14,064,152</u> | <u>₩ 41,545,741</u> | <u>₩ 10,682,980</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.

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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, 2021 and 2020 are as follows (Korean won in millions and foreign currencies in thousands):

| | Currency | December 31, 2021 | | December 31, 2020 | |
|-------------|----------|--------------------|-----------------------|--------------------|-----------------------|
| | | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| Assets | USD | 7,542,986 | ₩ 8,942,210 | 4,399,956 | ₩ 4,787,152 |
| | JPY | 16,318,984 | 168,125 | 16,926,984 | 178,454 |
| | CNY | 2,468,361 | 459,757 | 2,995,196 | 500,078 |
| | EUR | 400,449 | 537,539 | 352,292 | 471,451 |
| | Others | | 912,134 | | 437,237 |
| | | | ₩ 11,019,765 | | ₩ 6,374,372 |
| Liabilities | USD | 11,908,339 | ₩ 14,117,336 | 6,966,664 | ₩ 7,579,730 |
| | JPY | 10,970,493 | 113,022 | 12,517,757 | 131,970 |
| | CNY | 1,024,139 | 190,756 | 2,773,350 | 463,039 |
| | EUR | 167,922 | 225,408 | 376,452 | 503,783 |
| | Others | | 531,211 | | 559,060 |
| | | | ₩ 15,177,733 | | ₩ 9,237,582 |

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, 2021 | | December 31, 2020 | |
|----------|-------------------|-----------------|-------------------|-----------------|
| | Increase by 10% | Decrease by 10% | Increase by 10% | Decrease by 10% |
| USD | ₩ (517,513) | ₩ 517,513 | ₩ (279,258) | ₩ 279,258 |
| JPY | 5,510 | (5,510) | 4,648 | (4,648) |
| CNY | 26,900 | (26,900) | 3,704 | (3,704) |
| EUR | 31,213 | (31,213) | (3,233) | 3,233 |

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, 2021, floating-rate bonds payable and floating-rate borrowings are ₩8,562,981 million (December 31, 2020: ₩6,170,314 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, 2021 and 2020, the effects of interest expense by fluctuated interest-bearing loan are as follows (Korean won in millions):

| | For the years ended | |
|-------------------|-----------------------------------|-----------------------------------|
| | December 31, 2021 | December 31, 2020 |
| Interest expenses | 100 basis point increase ₩ 85,630 | 100 basis point increase ₩ 61,703 |

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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, 2021 and 2020 is as follows (Korean won in millions):

| | | December 31, 2021 | | | | | |
|---|---|--|---|---|--|---|------------------|
| | | Gross financial instruments recognized | | Gross financial instruments offset | | Net financial instruments presented in the consolidated statement of financial position | |
| Financial assets: | | | | | | | |
| Trade receivables and other receivables | ₩ | 368,869 | ₩ | (214,549) | ₩ | 154,320 | |
| Financial liabilities: | | | | | | | |
| Other payables and other liabilities | ₩ | 341,738 | ₩ | (214,549) | ₩ | 127,189 | |
| | | 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 | | |
| | | | | | Financial instruments | Cash collaterals received | Net amount |
| 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).

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 152.2% as of December 31, 2021. 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, 2021 and 2020 is as follows (Korean won in millions):

| | December 31, 2021 | | December 31, 2020 | |
|-------------------|-------------------|------------|-------------------|------------|
| Total liabilities | ₩ | 99,815,712 | ₩ | 85,807,988 |
| Total equity | | 65,565,149 | | 51,859,918 |
| Debt ratio | | 152.2% | | 165.5% |

39. Business combination

As of December 31, 2021, details of business combination are as follows.

(1) General information

The Group acquired 103,000 million third-party shares (35%) of Hana Land Chip PEF 33, as of January 1, 2021, as the deemed acquisition date. Hana Land Chip PEF 33 has been reclassified from investment in joint ventures to investment in subsidiaries, and it was liquidated for the period ended December 31, 2021

Maeripji Management Co., Ltd., a subsidiary of the Group, acquired an additional 30% of the voting shares of YS TEC Co., Ltd., an unlisted company that primarily engages in the activity of landfill waste on January 15, 2021. Accordingly, YS TEC Co., Ltd. has been reclassified from investment in joint ventures to investment in subsidiaries.

SK E&S Co., Ltd., a subsidiary of the Group, gained control by acquiring 100% of the shares in Busan Jungkwan Energy Co., Ltd. on January 1, 2021, as the deemed acquisition date. Busan Jungkwan Energy Co., Ltd. started commercial operation of 2 power generation facilities with a capacity of 50MW in October 2008 and January 2012, respectively, and produces and supplies heat and electricity in Busan Jungkwan District in a stable manner.

Crest Acquisition LLC, a subsidiary of the Group, acquired 70% of shares and gained control in Yposkesi, SAS, a French gene and cell therapy (GCT) drug consignment production (CMO) company, on March 31, 2021, as the deemed acquisition date to strengthen global drug consignment production business.

SK Ecoplant Co., Ltd., a subsidiary of the Company, gained control by acquiring a stake in eight waste disposal companies during the nine-month period ended December 31, 2021.

| <u>Name of company</u> | <u>Major business activities</u> | <u>Acquisition date</u> | <u>Rate of stake acquisition</u> |
|---|--|-------------------------|----------------------------------|
| Seongju Tech Co., DDS Co., Ltd. | Designated waste disposal business | 2021.04.28 | 50% |
| | Intermediate disposal of medical waste business | 2021.06.24 | 100% |
| Samwon ENT Co., Ltd. | Non-designated waste collection and transportation business | 2021.06.30 | 100% |
| Daewon Green Energy Co., Ltd. | Waste incineration | 2021.08.27 | 100% |
| Saehan Environment Co., Ltd. | Waste incineration | 2021.08.06 | 100% |
| Green Environmental Technology Co., Ltd. | Intermediate waste disposal business | 2021.10.15 | 100% |
| City Environment Co., Ltd. | Intermediate medical waste disposal business | 2021.10.15 | 100% |
| E-Medi One Co., Ltd. | Intermediate medical waste disposal business | 2021.10.15 | 100% |

Tmap Mobility Co., Ltd., a subsidiary of the Company, acquired 100% shares of YLP Inc. (168,012 shares) and gained control. Out of the total cost of business combination amount ₩79,000 million, ₩55,598 million was paid in cash and acquired 70.4% stake (118,242 shares). In addition, 29.6% (49,770 shares) of Tmap Mobility Co., Ltd. owned by YLP Inc. was transferred on June 29, 2021, and 267,700 shares (₩23,402 million) were issued to shareholders in exchange for shares.

On August 12, 2021, in order to expand the business portfolio related to the electric car charging business, which is high-growth field, the Group acquired 5,920,000 new convertible preferred shares of Signet EV Inc. and 1,620,087 old convertible preferred shares from the existing shareholders through a third-party allocation paid-in capital increases and obtained a control over the entity by acquiring 53.4% of voting rights.

Grid Solution, LLC, a subsidiary, gained control on December 2, 2021 by acquiring a 96.39% stake in Key Capture Energy, an American Grid Solution company.

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39. Business combination (cont'd)

The above business combinations occurred for the year ended December 31, 2021, 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, 2021.

(2) Identifiable assets acquired and liabilities assumed

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

| | Hana Land Chip PEF 33 | YS TEC Co., Ltd. | Busan Jungkwan Energy Co., Ltd. | Yoskesi, SAS | 8 waste disposal companies | YLP Inc. | Signet EV Inc. | Key Capture Energy, LLC |
|--|--------------------------|------------------|---------------------------------------|------------------|----------------------------------|----------------|------------------|----------------------------|
| Assets: L | | | | | | | | |
| Cash and cash equivalents | ₩ 6,989 | ₩ 26,900 | ₩ 1,673 | ₩ 12,097 | ₩ 22,976 | ₩ 1,897 | ₩ 226,611 | ₩ 24,226 |
| Trade and other receivables | 323 | 3,971 | 6,958 | 7,640 | 13,288 | 4,480 | 7,895 | 9,285 |
| Inventories | - | - | - | 19,034 | 110 | - | 15,626 | - |
| Property, plant and equipment | 1,003,000 | 27,802 | 136,343 | 18,537 | 100,624 | 122 | 9,854 | 408,114 |
| Right-of-use assets | - | 73 | 47 | 25,250 | 920 | 309 | 482 | 2,584 |
| Intangible assets | - | 129,359 | 19,631 | 105,688 | 47,554 | 3,595 | 77,204 | 494 |
| Deferred tax assets | - | - | 8,419 | 3,224 | - | - | - | - |
| Other assets | - | 980 | 4,954 | 5,350 | 2,347 | 4,325 | 11,155 | 13,912 |
| | 1,010,312 | 189,085 | 178,025 | 196,800 | 187,819 | 14,728 | 348,827 | 458,615 |
| Liabilities: | | | | | | | | |
| Trade and other payables | 7,593 | 4,599 | 4,006 | 7,499 | 7,737 | 3,542 | 9,424 | 97,966 |
| Borrowing liabilities | 308,500 | - | 103,874 | 20,568 | 58,513 | 1,000 | 14,233 | 15,275 |
| Lease liabilities | - | 75 | 45 | 25,251 | 940 | 327 | 486 | 2,352 |
| Defined benefit liabilities | - | - | 1,281 | 1,339 | 562 | - | - | - |
| Deferred tax liabilities | - | 31,148 | - | - | 9,281 | 327 | 14,409 | - |
| Other liabilities | - | 7,761 | - | - | 1,918 | 48 | 82,253 | 2,095 |
| | 316,093 | 43,583 | 160,889 | 76,199 | 78,951 | 5,244 | 120,805 | 117,688 |
| Fair value of identifiable net assets | <u>₩ 694,219</u> | <u>₩ 145,502</u> | <u>₩ 17,136</u> | <u>₩ 120,601</u> | <u>₩ 108,868</u> | <u>₩ 9,484</u> | <u>₩ 228,022</u> | <u>₩ 340,927</u> |

As of December 31, 2021, 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):

| | Hana Land Chip PEF 33 | YS TEC Co., Ltd. | Busan Jungkwan Energy Co., Ltd. | Yoskesi, SAS | 8 waste disposal companies | YLP Inc. | Signet EV Inc. | Key Capture Energy, LLC |
|--|--------------------------|------------------|---------------------------------------|---------------|----------------------------------|--------------|----------------|----------------------------|
| a. The total consideration transferred (*1) | ₩ 694,805 | ₩ 402,645 | ₩ 19,998 | ₩ 240,307 | ₩ 445,011 | ₩ 79,000 | ₩ 272,588 | ₩ 378,799 |
| b. Fair value of proportionate share of acquired net assets: | | | | | | | | |
| Fair value of the net identifiable assets | 694,219 | 145,502 | 17,136 | 120,601 | 108,868 | 9,484 | 228,022 | 340,927 |
| Non-controlling interests (*2) | - | - | - | (44,713) | (307) | - | (106,296) | (6,835) |
| | <u>694,219</u> | <u>145,502</u> | <u>17,136</u> | <u>75,888</u> | <u>108,561</u> | <u>9,484</u> | <u>121,724</u> | <u>332,092</u> |
| c. Goodwill(c=a-b) | ₩ 586 | ₩ 257,143 | ₩ 2,862 | ₩ 164,419 | ₩ 336,450 | ₩ 69,516 | ₩ 150,864 | ₩ 46,707 |

(*1) It includes the fair value of interests of investments in associates and joint ventures held before the business combination.

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

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.

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39. Business combination (cont'd)

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 Geo Centric 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 Ecoplant 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.

(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 | T Broad and others | T Broad Nowon Broadcasting Corporation | Environment Management Corporation Co., Ltd. |
|---------------------------------------|----------------------|--------------------|--|--------------------|--|--|
| Assets: | | | | | | |
| 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 | 87,808 |
| Right-of-use assets | 1,252 | 67,517 | - | 8,306 | 79 | 2,451 |
| Intangible assets | 390,409 | 218,011 | 169,091 | 423,515 | 360 | 216,175 |
| Other assets | <u>6,795</u> | <u>-</u> | <u>-</u> | <u>73,500</u> | <u>595</u> | <u>289,248</u> |
| | 780,957 | 330,878 | 300,661 | 919,554 | 21,967 | 678,556 |
| Liabilities: | | | | | | |
| Trade and other payables | 64,837 | - | - | 105,179 | 1,351 | 39,342 |
| Borrowed 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) | - | 36,602 |
| Defined benefit liabilities | 1,371 | - | 2,959 | 30 | - | 170 |
| Other liabilities | <u>1,938</u> | <u>-</u> | <u>3,296</u> | <u>11,777</u> | <u>265</u> | <u>27,706</u> |
| | 342,552 | 67,517 | 6,255 | 142,062 | 1,687 | 421,102 |
| Fair value of identifiable net assets | <u>₩ 438,405</u> | <u>₩ 263,361</u> | <u>₩ 294,406</u> | <u>₩ 777,492</u> | <u>₩ 20,280</u> | <u>₩ 257,454</u> |

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39. Business combination (cont'd)

(3) 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 | T Broad and others | T Broad Nowon Broadcasting Corporation | Environment Management Corporation Co., Ltd. |
|--|----------------------|--------------------|--|--------------------|--|--|
| a. The total consideration transferred | ₩ 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 | 257,454 |
| Non-controlling interests | - | - | - | - | (9,126) | (1,206) |
| | <u>438,405</u> | <u>263,361</u> | <u>294,406</u> | <u>777,492</u> | <u>11,154</u> | <u>256,248</u> |
| c. Goodwill(c=a-b) | <u>₩ 438,405</u> | <u>₩ 263,361</u> | <u>₩ 294,406</u> | <u>₩ 777,492</u> | <u>₩ 20,280</u> | <u>₩ 257,454</u> |

(4) Details of assets and liabilities of the Group retroactively adjusted due to the business combination as of December 31, 2020 are as follows (Korean won in millions):

| | Amount before adjustment | Retroactive adjustment | Amount after adjustment |
|--|--------------------------|------------------------|-------------------------|
| Assets: | | | |
| Investments in associates and joint ventures | 20,809,118 | 209,845 | 21,018,963 |
| Lands | 8,527,871 | (13,362) | 8,514,509 |
| Buildings | 4,568,817 | (1,668) | 4,567,149 |
| Investment properties | 570,554 | (1,398) | 569,156 |
| Goodwill | 4,755,455 | (300,725) | 4,454,730 |
| Facility usage rights | 66,014 | (10,343) | 55,671 |
| Customer-related assets | 2,842,553 | 156,766 | 2,999,319 |
| Other intangible assets | 1,702,097 | (9,586) | 1,692,511 |
| Liabilities: | | | |
| Deferred tax liabilities | 4,542,659 | 29,530 | 4,572,189 |

40. Subsequent events

40.1 Cancellation of mining contract of SK Innovation Co., Ltd.

On September 27, 2019, the Group signed a sale agreement with its transacting party, Pluspetrol, (17.6% shareholding each) on the premise of the Peruvian government's approval to adjust its E&P business portfolio and transform its business model. This contract is subject to the Peruvian government's approval of the sale within the final deadline agreed by both parties, but the contract was terminated on January 4, 2022 due to the Peruvian government's inability to approve the sale within that period.

40.2 Acquisition of a stake in TES-Envirop Pte. Ltd. in SK Ecoplant Co., Ltd.

In accordance with the resolution of the board of directors held on February 18, 2022, the Group signed a contract to purchase a 100% stake in TES-Envirocorp Pte. Ltd. for ₩1,242,903 million.

40.3 Physical division of SK Ecoplant Co., Ltd.

According to the resolution of the board of directors on October 28, 2021, the merger was carried out on February 1, 2022 by physically dividing the K-Solutions Business Group, P-Solutions Business Group, Gas&Power Business Group, Battery Business Group, and Industrial Business Group into SK Eco Engineering Co., Ltd. In addition, the Group decided to sell all redeemable convertible preferred stocks of SK Eco Engineering Co., Ltd. (7,551,258 shares, stock ratio 50.001%) to a private equity investment company (PEF) for approximately ₩ 450 billion in accordance with the board's resolution on October 28, 2021. On February 16, 2022, the sale was completed, and after the sale, the Group's stake in SK Eco Engineering Co., Ltd. changed from 100% to 49.999%.