



# **SK Inc.**

Interim condensed separate financial statements  
for the nine-month periods ended September 30, 2021 and 2020  
with the independent auditor's review report

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## Report on review of interim condensed separate financial statements

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

We have reviewed the accompanying interim condensed separate financial statements of SK Inc. (the "Company"), which comprise the interim condensed separate statement of financial position as of September 30, 2021, and the related interim condensed separate statements of comprehensive income for the three-month and nine-month periods ended September 30, 2021 and 2020, interim condensed separate statements of changes in equity and interim condensed separate statements of cash flows for the nine-month periods then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the interim condensed separate financial statements

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

### Auditor's responsibility

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

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

**Conclusion**

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

**Other matter**

We have audited the separate statement of financial position of the Company as of December 31, 2020, and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended (not presented herein) in accordance with KGAAS, and our report dated March 12, 2021 expressed an unqualified opinion thereon. The accompanying separate statement of financial position as of December 31, 2020, presented for comparative purposes is not different, in all material respects, from the above audited separate statement of financial position.



November 15, 2021

This review report is effective as of November 15, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed separate financial statements and may result in modifications to this review report.

# **SK Inc.**

Interim condensed separate financial statements  
for the nine-month periods ended September 30, 2021 and 2020

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

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

**SK Inc.**  
**Interim condensed separate statements of financial position**  
**as of September 30, 2021 and December 31, 2020**

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
		(Unaudited)		(Unaudited)	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	4	₩ 74,890	₩ 79,743	\$ 63,204	\$ 67,299
Short-term financial instruments	4,30	285,877	238,046	241,267	200,900
Trade receivables, net	4,5,26,30	428,986	474,735	362,044	400,654
Other receivables, net	4,26,30	1,008	3,747	851	3,162
Inventories, net	6	266	142	224	120
Other current assets	4,17,18,26,30	714,347	58,814	602,875	49,636
Assets held for sales	27	643,093	697,130	542,740	588,345
<b>Total current assets</b>		<b>2,148,467</b>	<b>1,552,357</b>	<b>1,813,205</b>	<b>1,310,116</b>
Non-current assets:					
Long-term investment securities	4,7,30	680,647	674,891	574,434	569,576
Investments in subsidiaries	8	19,450,377	18,025,048	16,415,206	15,212,295
Investments in associates and joint ventures	9	614,815	354,632	518,875	299,293
Property, plant and equipment, net	10	538,769	534,196	454,696	450,836
Right-of-use asset, net	11	126,781	93,981	106,997	79,316
Investment properties, net	12	7,281	7,845	6,145	6,621
Intangible assets, net	13	2,171,020	2,154,137	1,832,239	1,817,991
Other non-current assets	4,17,18,26,30	342,848	195,310	289,348	164,832
<b>Total non-current assets</b>		<b>23,932,538</b>	<b>22,040,040</b>	<b>20,197,940</b>	<b>18,600,760</b>
<b>Total assets</b>		<b>₩ 26,081,005</b>	<b>₩ 23,592,397</b>	<b>\$ 22,011,145</b>	<b>\$ 19,910,876</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Current liabilities:					
Short-term borrowings	4,14,30	₩ 1,905,000	₩ 715,000	\$ 1,607,731	\$ 603,426
Trade payables	4,26,30	102,802	85,276	86,760	71,969
Other payables	4,26,30	106,126	123,310	89,565	104,068
Accrued expenses	4,26,30	58,705	78,106	49,544	65,918
Provisions	15	2,494	6,147	2,105	5,188
Current portion of long-term debt	4,14,30	1,059,491	1,051,406	894,161	887,337
Other current liabilities	4,11,17,18,26,30	606,797	450,384	512,108	380,103
<b>Total current liabilities</b>		<b>3,841,415</b>	<b>2,509,629</b>	<b>3,241,974</b>	<b>2,118,009</b>
Non-current liabilities:					
Bonds payable	4,14,30	5,516,236	5,336,808	4,655,444	4,504,016
Defined benefit liabilities	16	77,097	42,390	65,066	35,775
Deferred tax liabilities	24	308,358	324,386	260,240	273,767
Provisions	15	2,314	2,314	1,953	1,953
Other non-current liabilities	4,11,17,18,26,30	650,506	545,307	548,997	460,214
<b>Total non-current liabilities</b>		<b>6,554,511</b>	<b>6,251,205</b>	<b>5,531,700</b>	<b>5,275,725</b>
<b>Total liabilities</b>		<b>10,395,926</b>	<b>8,760,834</b>	<b>8,773,674</b>	<b>7,393,734</b>
<b>Equity</b>					
Issued capital	1,19	15,385	15,385	12,984	12,984
Other paid-in capital	19	3,506,801	3,506,168	2,959,575	2,959,041
Retained earnings	19	12,154,718	11,301,835	10,258,013	9,538,218
Other components of equity	19	8,175	8,175	6,899	6,899
<b>Total equity</b>		<b>15,685,079</b>	<b>14,831,563</b>	<b>13,237,471</b>	<b>12,517,142</b>
<b>Total liabilities and equity</b>		<b>₩ 26,081,005</b>	<b>₩ 23,592,397</b>	<b>\$ 22,011,145</b>	<b>\$ 19,910,876</b>

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

SK Inc.

Interim condensed separate statements of comprehensive income  
for the three-month and nine-month periods ended September 30, 2021 and 2020

(Korean won in millions, except earnings per share)

	Notes	Korean won			
		September 30, 2021 (Unaudited)		September 30, 2020 (Unaudited)	
		Three-month	Nine-month	Three-month	Nine-month
<b>Operating revenue</b>	20,26	₩ 617,852	₩ 1,984,877	₩ 988,058	₩ 2,931,090
<b>Operating expenses</b>	21,22,26	481,091	1,337,368	455,359	1,302,437
<b>Operating profit</b>		136,761	647,509	532,699	1,628,653
Finance income	23	29,853	55,136	2,793	9,232
Finance costs	23	108,124	221,836	43,440	139,280
Other non-operating income	23	25,979	1,096,253	264,998	524,129
Other non-operating expenses	23	3,281	13,740	11,088	27,214
<b>Profit before income tax expense</b>		81,188	1,563,322	745,962	1,995,520
<b>Income tax expense</b>	24	13,360	316,269	85,771	299,071
<b>Profit for the period</b>		₩ 67,828	₩ 1,247,053	₩ 660,191	₩ 1,696,449
<b>Other comprehensive income (loss):</b>					
Items that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans	16	3,812	2,393	(1,568)	(15,405)
<b>Total comprehensive income for the period</b>		₩ 71,640	₩ 1,249,446	₩ 658,623	₩ 1,681,044
<b>Earnings per share (Korean won):</b>	25				
Basic earnings per share		₩ 1,280	₩ 23,776	₩ 12,611	₩ 32,390
Diluted earnings per share		₩ 1,278	₩ 23,727	₩ 12,596	₩ 32,355

(Continued)

SK Inc.  
Interim condensed separate statements of comprehensive income  
for the three-month and nine-month periods ended September 30, 2021 and 2020 (cont'd)  
(U.S. dollar in thousands, except earnings per share)

	Notes	Translation into U.S. dollar (Note 2)			
		September 30, 2021 (Unaudited)		September 30, 2020 (Unaudited)	
		Three-month	Nine-month	Three-month	Nine-month
<b>Operating revenue</b>	20,26	\$ 521,438	\$ 1,675,143	\$ 833,875	\$ 2,473,702
<b>Operating expenses</b>	21,22,26	<u>406,018</u>	<u>1,128,676</u>	<u>384,302</u>	<u>1,099,196</u>
<b>Operating profit</b>		<b>115,420</b>	<b>546,467</b>	<b>449,573</b>	<b>1,374,506</b>
Finance income	23	25,195	46,532	2,357	7,791
Finance costs	23	91,252	187,219	36,661	117,546
Other non-operating income	23	21,925	925,186	223,646	442,340
Other non-operating expenses	23	<u>2,768</u>	<u>11,596</u>	<u>9,358</u>	<u>22,966</u>
<b>Profit before income tax expense</b>		<b>68,520</b>	<b>1,319,370</b>	<b>629,557</b>	<b>1,684,125</b>
<b>Income tax expense</b>	24	<b>11,275</b>	<b>266,916</b>	<b>72,387</b>	<b>252,402</b>
<b>Profit for the period</b>		<u><b>\$ 57,245</b></u>	<u><b>\$ 1,052,454</b></u>	<u><b>\$ 557,170</b></u>	<u><b>\$ 1,431,723</b></u>
<b>Other comprehensive income (loss):</b>					
Items that will not to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain (loss) on defined benefit plans	16	<u>3,217</u>	<u>2,020</u>	<u>(1,323)</u>	<u>(13,001)</u>
<b>Total comprehensive income for the period</b>		<u><b>\$ 60,462</b></u>	<u><b>\$ 1,054,474</b></u>	<u><b>\$ 555,847</b></u>	<u><b>\$ 1,418,722</b></u>
<b>Earnings per share (U.S. dollar):</b>	25				
Basic earnings per share		\$ 1	\$ 20	\$ 11	\$ 27
Diluted earnings per share		1	20	11	27

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

**SK Inc.**

**Interim condensed separate statements of changes in equity  
for the nine-month periods ended September 30, 2021 and 2020**

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

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
<b>As of January 1, 2020</b>	₩ 15,385	₩ 3,504,680	₩ 9,870,812	₩ 11,685	₩ 13,402,562
Total comprehensive income for the period:					
Profit for the period	-	-	1,696,449	-	1,696,449
Remeasurement loss on defined benefits plans	-	-	(15,405)	-	(15,405)
Transaction with shareholders recognized directly to equity:					
Dividends	-	-	(264,372)	-	(264,372)
Stock option	-	653	-	-	653
Proceeds from disposal of treasury shares	-	608	-	-	608
<b>As of September 30, 2020 (Unaudited)</b>	<b>₩ 15,385</b>	<b>₩ 3,505,941</b>	<b>₩ 11,287,484</b>	<b>₩ 11,685</b>	<b>₩ 14,820,495</b>
<b>As of January 1, 2021</b>	₩ 15,385	₩ 3,506,168	₩ 11,301,835	₩ 8,175	₩ 14,831,563
Total comprehensive income for the period:					
Profit for the period	-	-	1,247,053	-	1,247,053
Remeasurement gain on defined benefits plans	-	-	2,393	-	2,393
Transaction with shareholders recognized directly to equity:					
Dividends	-	-	(396,563)	-	(396,563)
Stock option	-	514	-	-	514
Proceeds from disposal of treasury shares	-	119	-	-	119
<b>As of September 30, 2021 (Unaudited)</b>	<b>₩ 15,385</b>	<b>₩ 3,506,801</b>	<b>₩ 12,154,718</b>	<b>₩ 8,175</b>	<b>₩ 15,685,079</b>

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
<b>As of January 1, 2020</b>	\$ 12,984	\$ 2,957,785	\$ 8,330,502	\$ 9,862	\$ 11,311,133
Total comprehensive income:					
Profit for the period	-	-	1,431,723	-	1,431,723
Remeasurement loss on defined benefits plans	-	-	(13,001)	-	(13,001)
Transaction with shareholders recognized directly to equity:					
Dividends	-	-	(223,118)	-	(223,118)
Stock option	-	551	-	-	551
Proceeds from disposal of treasury shares	-	513	-	-	513
<b>As of September 30, 2020 (Unaudited)</b>	<b>\$ 12,984</b>	<b>\$ 2,958,849</b>	<b>\$ 9,526,106</b>	<b>\$ 9,862</b>	<b>\$ 12,507,801</b>
<b>As of January 1, 2021</b>	\$ 12,984	\$ 2,959,041	\$ 9,538,218	\$ 6,899	\$ 12,517,142
Total comprehensive income:					
Profit for the period	-	-	1,052,454	-	1,052,454
Remeasurement gain on defined benefits plans	-	-	2,020	-	2,020
Transaction with shareholders recognized directly to equity:					
Dividends	-	-	(334,679)	-	(334,679)
Stock option	-	434	-	-	434
Proceeds from disposal of treasury shares	-	100	-	-	100
<b>As of September 30, 2021 (Unaudited)</b>	<b>\$ 12,984</b>	<b>\$ 2,959,575</b>	<b>\$ 10,258,013</b>	<b>\$ 6,899</b>	<b>\$ 13,237,471</b>

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

**SK Inc.**  
**Interim condensed separate statements of cash flows**  
**for the nine-month periods ended September 30, 2021 and 2020**  
(Korean won in millions and U.S. dollar in thousands)

		For the nine-month periods ended September 30			
		Korean won		Translation into U.S. dollar (Note 2)	
		2021	2020	2021	2020
Notes		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>					
		₩ 1,247,053	₩ 1,696,449	\$ 1,052,454	\$ 1,431,723
		(1,044,241)	(1,455,029)	(881,290)	(1,227,976)
28	Non-cash adjustments	44,119	(30,685)	37,234	(25,897)
28	Working capital adjustments	9,848	3,528	8,311	2,977
	Interest received	(124,399)	(136,630)	(104,987)	(115,309)
	Interest paid	555,830	1,472,885	469,094	1,243,046
	Dividends received	(419,763)	(10,281)	(354,260)	(8,677)
	Income taxes paid				
	<b>Net cash provided by operating activities</b>	<b>268,447</b>	<b>1,540,237</b>	<b>226,556</b>	<b>1,299,887</b>
<b>Cash flows from investing activities:</b>					
	Changes in short-term and long-term financial instruments, net	(47,831)	12,756	(40,367)	10,765
	Decrease (increase) in loans, net	(430,341)	3,036	(363,188)	2,562
	Proceeds from disposal of long-term investment securities	5,096	-	4,301	-
	Proceeds from disposal of investments in subsidiaries	1,390,210	303,255	1,173,272	255,933
	Proceeds from disposal of investments in associates	42,537	470,067	35,899	396,714
	Proceeds from disposal of property, plant and equipment	36	338	30	285
	Proceeds from disposal of intangible assets	1,996	700	1,685	591
	Acquisition of long-term investment securities	(33,272)	(109,896)	(28,080)	(92,747)
	Acquisition of investments in subsidiaries	(1,731,200)	(388,628)	(1,461,052)	(327,984)
	Acquisition of investments in associates	(298,271)	(82,647)	(251,727)	(69,750)
	Acquisition of property, plant and equipment	(40,156)	(47,628)	(33,890)	(40,196)
	Acquisition of intangible assets	(40,363)	(44,495)	(34,064)	(37,552)
	Decrease (increase) in guarantee deposits, net	(27,112)	(2,418)	(22,881)	(2,041)
	<b>Net cash provided by (used in) investing activities</b>	<b>(1,208,671)</b>	<b>114,440</b>	<b>(1,020,062)</b>	<b>96,580</b>
<b>Cash flows from financing activities:</b>					
	Increase (decrease) in short-term borrowings, net	1,190,000	(1,260,000)	1,004,304	(1,063,381)
	Issuance of bonds payable	1,005,898	955,928	848,931	806,758
	Payment of dividends	(396,557)	(264,372)	(334,676)	(223,118)
	Repayment of current portion of long-term debt	(820,000)	(690,000)	(692,042)	(582,328)
	Decrease in lease liabilities	(44,548)	(42,073)	(37,596)	(35,508)
	Proceeds from disposal of treasury shares	-	608	-	513
	<b>Net cash provided by (used in) financing activities</b>	<b>934,793</b>	<b>(1,299,909)</b>	<b>788,921</b>	<b>(1,097,064)</b>
	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,431)</b>	<b>354,768</b>	<b>(4,585)</b>	<b>299,403</b>
	<b>Net foreign exchange effects</b>	<b>578</b>	<b>(2)</b>	<b>490</b>	<b>(2)</b>
	<b>Cash and cash equivalents at the beginning of the period</b>	<b>79,743</b>	<b>57,805</b>	<b>67,299</b>	<b>48,785</b>
	<b>Cash and cash equivalents at the end of the period</b>	<b>₩ 74,890</b>	<b>₩ 412,571</b>	<b>\$ 63,204</b>	<b>\$ 348,186</b>

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

## **1. Corporate information**

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

Upon the acquisition of SK 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 September 30, 2021, the issued capital of the Company amounts to ₩15,385 million (including ₩113 million of preferred shares). Major shareholders and their equity ownership are Tae-won Chey, National Pension Service and Ki-won Choi, each holding 18.44%, 8.16% and 6.85%, respectively, as of September 30, 2021.

## **2. Summary of basis of preparation and significant accounting policies**

### **2.1 Basis of preparation**

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

The interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements as of December 31, 2020.

The accompanying interim condensed separate financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the interim condensed separate financial statements and has been made at the rate of ₩1,184.90 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 September 30, 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.

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

### **2.2 Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company’s annual separate financial statements for the year ended December 31, 2020, except for the adoption of new standards and interpretations effective as of January 1, 2021.

### 2.2.1 New and revised KIFRSs adopted in the current period

The Company has applied amendments to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 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 Company's financial position or management performance.

### 2.2.2 New and revised KIFRSs 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 Company plans to apply the standard for annual reporting period beginning on or after January 1, 2023, with early application permitted.

#### **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 Company plans to apply the standard for annual reporting period beginning on or after January 1, 2022, with early application permitted.

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The Company 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 1103 - *Business Combinations (Amended)***

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

## **2.2.2 New and revised KIFRSs issued, but not yet effective (cont'd)**

### **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 early application permitted.

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

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

The Company is reviewing the possible effects of the above listed amendments on the separate financial statements.

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

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

Those accounting judgments made by management in the preparation of the interim condensed separate financial statements for the nine months period ended September 30, 2021 are consistent with those followed in the preparation of the separate financial statements for the year ended December 31, 2020.

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 Company 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 Company's financial position and financial performance. The Company prepared financial statements by reasonably estimating the impact of COVID-19 on the Company. However, there is significant uncertainty in estimating the impact of COVID-19 on the Company.

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**4. Financial instruments**

**4.1 Financial assets**

Details of financial assets as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	
<b>Current assets:</b>				
Cash and cash equivalents	₩ 54,397	₩ -	₩ 20,493	₩ 74,890
Short-term financial instruments	260,977	-	24,900	285,877
Trade receivables (*1)	-	-	212,948	212,948
Other receivables	-	-	1,008	1,008
Short-term loans	-	-	460,334	460,334
Accrued income	-	-	1,379	1,379
Guarantee deposits	-	-	2,173	2,173
Lease receivables	-	-	35,655	35,655
Derivative financial assets	175,982	-	-	175,982
	<u>491,356</u>	<u>-</u>	<u>758,890</u>	<u>1,250,246</u>
<b>Non-current assets:</b>				
Long-term financial instruments	-	-	3,268	3,268
Long-term investment securities	376,075	304,134	438	680,647
Long-term guarantee deposits	-	-	42,408	42,408
Long-term lease receivables	-	-	297,045	297,045
	<u>376,075</u>	<u>304,134</u>	<u>343,159</u>	<u>1,023,368</u>
	<u>₩ 867,431</u>	<u>₩ 304,134</u>	<u>₩ 1,102,049</u>	<u>₩ 2,273,614</u>

(\*1) Contract assets (unbilled receivables) amounting to ₩216,038 million as of September 30, 2021 are not included in the financial instruments.

	December 31, 2020			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	
<b>Current assets:</b>				
Cash and cash equivalents	₩ 61,919	₩ -	₩ 17,824	₩ 79,743
Short-term financial instruments	205,146	-	32,900	238,046
Trade receivables (*1)	-	-	359,109	359,109
Other receivables	-	-	3,747	3,747
Accrued income	-	-	66	66
Guarantee deposits	-	-	8,886	8,886
Lease receivables	-	-	33,189	33,189
Derivative financial assets	1,237	-	-	1,237
	<u>268,302</u>	<u>-</u>	<u>455,721</u>	<u>724,023</u>
<b>Non-current assets:</b>				
Long-term financial instruments	-	-	3,268	3,268
Long-term investment securities	374,753	299,730	408	674,891
Long-term guarantee deposits	-	-	16,002	16,002
Derivative financial assets	175,913	-	-	175,913
	<u>550,666</u>	<u>299,730</u>	<u>19,678</u>	<u>870,074</u>
	<u>₩ 818,968</u>	<u>₩ 299,730</u>	<u>₩ 475,399</u>	<u>₩ 1,594,097</u>

(\*1) Contract assets (unbilled receivables) amounting to ₩115,626 million as of December 31, 2020 are not included in the financial instruments.

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**4.2 Financial liabilities**

Details of financial liabilities as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021		
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
<b>Current liabilities:</b>			
Short-term borrowings	₩ -	₩ 1,905,000	₩ 1,905,000
Trade payables	-	102,802	102,802
Other payables	-	106,126	106,126
Accrued expenses	-	58,705	58,705
Dividends payable	-	162	162
Current portion of long-term debt	-	1,059,491	1,059,491
Deposits withheld	-	222	222
Lease liabilities	-	66,633	66,633
Derivative financial liabilities	254,904	-	254,904
	<u>254,904</u>	<u>3,299,141</u>	<u>3,554,045</u>
<b>Non-current liabilities:</b>			
Bonds payable	-	5,516,236	5,516,236
Deposits withheld	-	23,740	23,740
Long-term lease liabilities	-	375,295	375,295
Derivative financial liabilities	241,808	-	241,808
	<u>241,808</u>	<u>5,915,271</u>	<u>6,157,079</u>
	<u>₩ 496,712</u>	<u>₩ 9,214,412</u>	<u>₩ 9,711,124</u>
<b>December 31, 2020</b>			
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
<b>Current liabilities:</b>			
Short-term borrowings	₩ -	₩ 715,000	₩ 715,000
Trade payables	-	85,276	85,276
Other payables	-	123,310	123,310
Accrued expenses	-	78,106	78,106
Current portion of long-term debt	-	1,051,406	1,051,406
Deposits withheld	-	5,639	5,639
Lease liabilities	-	60,787	60,787
Derivative financial liabilities	133	-	133
	<u>133</u>	<u>2,119,524</u>	<u>2,119,657</u>
<b>Non-current liabilities:</b>			
Bonds payable	-	5,336,808	5,336,808
Deposits withheld	-	11	11
Long-term lease liabilities	-	67,634	67,634
Derivative financial liabilities	468,032	-	468,032
	<u>468,032</u>	<u>5,404,453</u>	<u>5,872,485</u>
	<u>₩ 468,165</u>	<u>₩ 7,523,977</u>	<u>₩ 7,992,142</u>

**SK Inc.**  
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**4.3 Fair values of financial instruments by hierarchy level**

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

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

Details of fair value of financial instruments by hierarchy level as of September 30, 2021 and December 31, 2020 are as follows (Korean Won in millions):

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 315,374	₩ -	₩ 376,075	₩ 691,449
Financial assets measured at FVOCI	-	-	304,134	304,134
Derivative financial assets	-	69	175,913	175,982
	<u>₩ 315,374</u>	<u>₩ 69</u>	<u>₩ 856,122</u>	<u>₩ 1,171,565</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 28,712	₩ 468,000	₩ 496,712
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 267,065	₩ -	₩ 374,753	₩ 641,818
Financial assets measured at FVOCI	-	-	299,730	299,730
Derivative financial assets	-	1,237	175,913	177,150
	<u>₩ 267,065</u>	<u>₩ 1,237</u>	<u>₩ 850,396</u>	<u>₩ 1,118,698</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 165	₩ 468,000	₩ 468,165

Changes in Level 3 financial assets for the nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month period ended September 30, 2021				
	Beginning balance	Acquisition	Valuation	Transfer	Ending balance
Financial assets measured at FVTPL	₩ 374,753	₩ 23,301	₩ 49	₩ (22,028)	₩ 376,075
Financial assets measured at FVOCI	299,730	9,971	-	(5,567)	304,134
Derivative financial assets	175,913	-	-	-	175,913
	<u>₩ 850,396</u>	<u>₩ 33,272</u>	<u>₩ 49</u>	<u>₩ (27,595)</u>	<u>₩ 856,122</u>
	For the nine-month period ended September 30, 2020				
	Beginning balance	Acquisition	Valuation	Transfer	Ending balance
Financial assets measured at FVTPL	₩ 286,497	₩ 106,523	₩ 213	₩ (17,505)	₩ 375,728
Financial assets measured at FVOCI	296,095	3,554	-	-	299,649
Derivative financial assets	384,580	-	-	-	384,580
	<u>₩ 967,172</u>	<u>₩ 110,077</u>	<u>₩ 213</u>	<u>₩ (17,505)</u>	<u>₩ 1,059,957</u>

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**5. Trade receivables**

Details of trade receivables as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Trade receivables:		
Trade receivables	₩ 214,016	₩ 360,505
Contract assets (unbilled receivables)	216,038	115,626
	<u>430,054</u>	<u>476,131</u>
Allowance for doubtful accounts:		
Trade receivables	(1,068)	(1,396)
	<u>₩ 428,986</u>	<u>₩ 474,735</u>

**6. Inventories**

Details of inventories as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>			<u>December 31, 2020</u>		
	Acquisition	Valuation		Acquisition	Valuation	
	Cost	allowance	Book value	Cost	allowance	Book value
Raw materials	₩ 266	₩ -	₩ 266	₩ 142	₩ -	₩ 142

**7. Investment securities**

(1) Details of investment securities as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	Acquisition		Acquisition	
	Cost	Book value	Cost	Book value
Financial assets measured at FVTPL:				
Equity instruments	₩ 90,790	₩ -	₩ 90,790	₩ -
Debt securities (*1)	304,459	317,297	298,621	311,459
Money invested and others	57,320	58,778	61,886	63,294
Financial assets measured at FVOCI:				
Equity instruments (*2)	293,348	304,134	288,943	299,730
Financial assets measured at amortized cost:				
Debt securities	322	438	322	408
	<u>₩ 746,239</u>	<u>₩ 680,647</u>	<u>₩ 740,562</u>	<u>₩ 674,891</u>

(\*1) Represents convertible redeemable preference shares of GRAB Holdings Inc. and others, convertible bonds of Halio, Inc. (formerly, Kinestral Technologies Inc.) and others.

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

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**7. Investment securities (cont'd)**

(2) Details of investment securities as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
	Acquisition cost	Book value	Acquisition cost	Book value
Non-marketable equity instruments	₩ 384,138	₩ 304,134	₩ 379,733	₩ 299,730
Debt securities	304,781	317,735	298,943	311,867
Money invested and others	57,320	58,778	61,886	63,294
	<u>₩ 746,239</u>	<u>₩ 680,647</u>	<u>₩ 740,562</u>	<u>₩ 674,891</u>

(3) Changes in investment securities for the nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month periods ended	
	September 30, 2021	September 30, 2020
Beginning balance	₩ 674,891	₩ 583,027
Acquisitions	33,272	110,077
Gain on valuation and amortized	79	246
Transfer and others	(27,595)	(17,505)
Ending balance	<u>₩ 680,647</u>	<u>₩ 675,845</u>

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**8. Investments in subsidiaries**

(1) Details of investments in subsidiaries as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	Domicile	Principal business activity	September 30, 2021		December 31,	
			Equity ownership (%) (*1)	Acquisition cost	2020	
				Book value	Book value	
SK Innovation Co., Ltd. (*2)	Korea	Resource development	33.40	₩ 3,072,937	₩ 3,072,937	₩ 3,072,937
SK Telecom Co., Ltd. (*2)	Korea	Mobile	30.01	5,416,019	5,416,019	5,416,019
		Tele-communication				
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14	706,229	706,229	706,229
SKC Co., Ltd. (*2)	Korea	Petrochemicals	40.64	548,654	548,654	548,654
SK E&S Co., Ltd.	Korea	City gas business	90.00	2,600,000	2,600,000	2,600,000
SK ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.) (*2)	Korea	Construction	44.48	545,300	545,300	545,300
SK Siltron Co., Ltd.	Korea	Manufacturing and sales of silicon thin sheet	51.00	622,606	622,606	622,606
SK Materials Co., Ltd. (*2)	Korea	Special-gas manufacturing and sales	49.10	473,335	473,335	473,335
SK Biopharmaceuticals Co., Ltd. (*3)	Korea	Medicine and life science	64.02	369,226	369,226	432,562
SK REITs Co., Ltd. (*4)	Korea	Real estate development and trading	50.00	387,551	387,551	-
Hweechan Co., Ltd.	Korea	Resort business	100.00	335,912	335,912	335,912
Signet EV Inc. (*5)	Korea	Manufacturing of motors, generators, and electrical conversion devices	0.00	293,236	293,236	-
SK Forest Co., Ltd.	Korea	Landscape construction	100.00	61,387	61,387	61,387
SK REITs Management Co., Ltd. (*4)	Korea	Real estate acquisition and rental and development	100.00	7,000	7,000	-
SK Pharmteco Inc. (*6)	USA	Investment	100.00	1,224,950	1,224,950	875,245
Plutus Capital NY I, Inc. (*6)	USA	Investment	100.00	847,076	847,076	587,542
SK China Company, Ltd. (*7)	Hong Kong	Consulting and investment	27.42	557,117	557,117	557,117
SK South East Asia Investment Pte. Ltd. (*7)	Singapore	Investment	20.00	345,010	345,010	345,010
Golden Pearl EV Solutions Limited	Hong Kong	Investment	100.00	281,360	281,360	281,360
Einstein Cayman Limited	Cayman	Investment	100.00	181,728	181,728	181,734
Tellus Investment Partners, Inc. (formerly, I Cube Capital II, Inc.) (*6)	USA	Investment	100.00	107,013	107,013	52,667
Plutus Fashion NY, Inc.	USA	Fashion	100.00	74,113	74,113	74,113
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	81.00	67,093	67,093	67,093
Plutus Capital NY II, Inc. (*4)	USA	Investment	100.00	57,049	57,049	-
SK Japan Investment Inc. (*4,7)	Japan	Investment	25.00	50,940	50,940	-
I Cube Capital, Inc. (*6)	USA	Investment	100.00	40,289	40,289	37,275
Energy Solution Holdings Inc. (*7)	USA	Investment	39.97	36,432	36,432	36,432
Socar Mobility Malaysia, SDN. BHD.	Malaysia	Rental of cars	66.30	29,221	29,221	29,221
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00	25,847	25,847	25,847
SK C&C Beijing Co., Ltd.	China	Computer system	100.00	25,481	25,481	25,481
Castanea Bioscience Inc. (*4)	USA	Investment	100.00	23,883	23,883	-
SK Investment Management Co., Ltd. (*6)	Hong Kong	Investment	80.76	10,099	10,099	9,201
SK GI Management	Cayman	Investment	100.00	9,523	9,523	9,523
Gemini Partners Pte. Ltd. (*6)	Singapore	Consulting	20.00	6,018	2,601	2,601
SK MENA Investment B.V. (*6)	Netherlands	Investment	11.54	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*6)	Spain	Investment	11.54	5,135	5,135	5,135
SK C&C India Pvt. Ltd. (*8)	India	Computer system	100.00	3,442	-	382
SK C&C USA, Inc. (*4)	USA	IT service	100.00	1,971	1,971	-
SK Technology Innovation Company (*7)	Cayman	Research and development	2.12	1,876	1,876	1,876
S&G Technology (*8)	Saudi Arabia	Computer system	51.00	74	-	74
				<u>₩ 19,457,310</u>	<u>₩ 19,450,377</u>	<u>₩ 18,025,048</u>

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

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

(\*3) During the nine-month period ended September 30, 2021, the shares of subsidiary SK Biopharmaceuticals Co., Ltd. changed from 75.00% to 64.20%.

(\*4) Newly established during the nine-month period ended September 30, 2021.

(\*5) During the nine-month period ended September 30, 2021, the Company acquired the entity's convertible preferred shares with voting rights and resulted in holding 53.38% of the voting rights.

(\*6) Additional investment was made during the nine-month period ended September 30, 2021.

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**8. Investments in subsidiaries (cont'd)**

(\*7) Classified as investments in subsidiaries as control can be exercised using indirect equity ownership through the Company's subsidiaries.

(\*8) Recognized 100% as impairment during the nine-month period ended September 30, 2021.

(2) Fair value of marketable investments in subsidiaries as of September 30, 2021 is as follows (Korean won in millions):

	<u>September 30, 2021</u>
SK Innovation Co., Ltd.	₩ 8,184,204
SK Telecom Co., Ltd.	7,006,215
SK Networks Co., Ltd.	501,257
SKC Co., Ltd.	2,600,910
SK Materials Co., Ltd.	2,148,056
SK Biopharmaceuticals Co., Ltd.	5,113,764
SK REITS CO., LTD.	463,511
Signet EV Inc.	442,603

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

Details of investments in associates and joint ventures as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	Domicile	Principal business activity	September 30, 2021			December 31, 2020
			Equity ownership (%)	Acquisition cost	Book value	Book value
<b>Investments in associates:</b>						
Socar, Inc. (*1)	Korea	Rental of cars	22.16	₩ 109,304	₩ 109,304	₩ 109,304
SMCore Inc.	Korea	Manufacturing and sales of automated logistics system	26.60	₩ 39,419	₩ 39,419	₩ 39,419
Yespowertech (*2)	Korea	Semiconductor manufacturing	34.61	26,977	26,977	-
K-solar 2 Co., Ltd. (*3)	Korea	Solar power generation	-	-	-	20,588
Standigm Inc. (*1,4,5)	Korea	medicine development	12.14	14,410	14,410	9,402
Cloocus Co., Ltd. (*1,5)	Korea	Information and communication service	16.75	6,500	6,500	6,500
Begas Co., Ltd. (*1,5)	Korea	Management consulting	17.86	5,000	5,000	5,000
THIRA-UTECH Co., Ltd. (*5)	Korea	Service manufacturing	13.80	4,200	4,200	4,200
PUMP Co., Ltd. (*1,5)	Korea	Electric kickboard rental	12.17	3,000	3,000	3,000
ACRYL Inc. (*1,5)	Korea	Information service	17.14	2,500	2,500	2,500
TWO LINE CODE Inc.	Korea	Software development	33.77	2,500	2,500	2,500
The Wave Talk, Inc. (*2,5)	Korea	Manufacturing and technical services	4.65	2,038	2,038	-
Todo Works Corp. (*2,5)	Korea	Handicapped aids and medical device sales	10.52	2,037	2,037	-
Daehan Kanggun BcN Co., Ltd. (*1,6)	Korea	Wired communication	0.20	58	-	-
ProteoVant Sciences, Inc. (*2)	USA	Medicine research	40.00	222,370	222,370	-
SES Holdings Pte. Ltd. (*1,4,5)	Singapore	Investment	12.86	69,735	69,735	28,791
Belstar Superfreeze (*1,4) Holdings, LLC	Cayman	Warehouse business	25.00	36,839	36,839	25,232
9352-7281 Quebec Inc.	Canada	Investment	40.09	31,558	31,558	31,558
Hummingbird Bioscience (*1,4,5) Holdings Pte. Ltd.	Singapore	Antibody drugs and development	8.14	13,150	13,150	7,434
FSK Holdings Co., Ltd.	Hong Kong	IT service	30.00	11,937	6,245	6,245
Halio, Inc. (foremly, Kinestral Technologies Inc.) (*1,5)	USA	Manufacturing discolored glass	2.13	8,498	8,498	8,498
Visible Patient S.A.S (*1,4,5)	France	Pharmaceutical manufacturing	22.14	7,507	7,507	4,461
Mozido Corfire, Inc. (*5)	USA	System consulting related to medicine	19.94	6,767	-	-
DSK EV Investment Limited. (*2,5)	Cayman	Investment	3.32	1,028	1,208	-
				<u>₩ 627,332</u>	<u>₩ 614,815</u>	<u>₩ 314,632</u>
<b>Investments in joint ventures:</b>						
Hana Land Chip PEF 33 (*7)	Korea	Real estate	-	₩ -	₩ -	₩ 40,000
				<u>₩ 627,332</u>	<u>₩ 614,815</u>	<u>₩ 354,632</u>

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

(\*2) Newly acquired during the nine-month period ended September 30, 2021.

(\*3) During the nine-month period ended September 30, 2021, the Company sold all of its holdings.

(\*4) Additional investment was made during the nine-month period ended September 30, 2021.

(\*5) As the Company is able to exercise significant influence over the entity although its ownership interest is less than 20%, the investment in the entity was classified as investments in associates.

(\*6) The investment in the entity was classified as investments in associates and joint ventures based on the indirect ownership interest of the Company's subsidiary.

(\*7) During the nine-month period ended September 30, 2021, the Company obtained additional 34.80% shares of Hana Land Chip PEF 33, resulted in acquisition of control and liquidated the entity.

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**10. Property, plant and equipment**

(1) Details of property, plant and equipment as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 100,179	₩ -	₩ 100,179	₩ 96,251	₩ -	₩ 96,251
Buildings	356,558	(75,102)	281,456	353,116	(67,346)	285,770
Structures	9,734	(1,821)	7,913	9,734	(1,524)	8,210
Vehicles	12,467	(3,873)	8,594	12,533	(3,288)	9,245
Furniture and fixtures	400,632	(283,512)	117,120	385,412	(264,132)	121,280
Construction-in-progress	23,507	-	23,507	13,440	-	13,440
	₩ 903,077	₩ (364,308)	₩ 538,769	₩ 870,486	₩ (336,290)	₩ 534,196

(2) Details of changes in property, plant and equipment for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month period ended September 30, 2021					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer (*1)	Ending balance
Land	₩ 96,251	₩ -	₩ -	₩ -	₩ 3,928	₩ 100,179
Buildings	285,770	-	(7,756)	-	3,442	281,456
Structures	8,210	-	(297)	-	-	7,913
Vehicles	9,245	-	(651)	-	-	8,594
Furniture and fixtures	121,280	23,341	(27,602)	(15)	116	117,120
Construction-in-progress	13,440	17,555	-	-	(7,488)	23,507
	₩ 534,196	₩ 40,896	₩ (36,306)	₩ (15)	₩ (2)	₩ 538,769

	For the nine-month period ended September 30, 2020					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer (*1)	Ending balance
Land	₩ 95,831	₩ -	₩ -	₩ (303)	₩ 819	₩ 96,347
Buildings	281,589	1,706	(7,415)	-	12,464	288,344
Structures	8,606	-	(296)	-	-	8,310
Vehicles	9,882	191	(644)	-	-	9,429
Furniture and fixtures	104,251	25,652	(25,955)	(45)	14,185	118,088
Construction-in-progress	20,063	20,622	-	-	(27,468)	13,217
	₩ 520,222	₩ 48,171	₩ (34,310)	₩ (348)	₩ -	₩ 533,735

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

**11. Right-of-use assets and lease liabilities**

(1) Details of right-of-use assets as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land and buildings	₩ 176,424	₩ (54,665)	₩ 121,759	₩ 126,107	₩ (37,522)	₩ 88,585
Vehicles	8,446	(3,680)	4,766	8,239	(3,158)	5,081
Furniture and fixtures	361	(105)	256	367	(52)	315
	₩ 185,231	₩ (58,450)	₩ 126,781	₩ 134,713	₩ (40,732)	₩ 93,981

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

(2) Changes in right-of-use assets for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month period ended September 30, 2021				
	Beginning balance	Increase	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ 88,585	₩ 379,616	₩ (21,310)	₩ (325,132)	₩ 121,759
Vehicles	5,081	3,840	(2,396)	(1,759)	4,766
Furniture and fixtures	315	31	(57)	(33)	256
	<u>₩ 93,981</u>	<u>₩ 383,487</u>	<u>₩ (23,763)</u>	<u>₩ (326,924)</u>	<u>₩ 126,781</u>

  

	For the nine-month period ended September 30, 2020				
	Beginning balance	Increase	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ 36,474	₩ 22,880	₩ (22,338)	₩ 14,720	₩ 51,736
Vehicles	3,575	5,025	(1,965)	(736)	5,899
Machinery	122	-	-	(122)	-
Furniture and fixtures	222	-	(126)	(3)	93
	<u>₩ 40,393</u>	<u>₩ 27,905</u>	<u>₩ (24,429)</u>	<u>₩ 13,859</u>	<u>₩ 57,728</u>

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

(3) Changes in lease liabilities for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month period ended September 30, 2021					
	Beginning balance	Increase	Interest expenses	Decrease (payment)	Others (*1)	Ending balance
Lease liabilities	₩ 128,421	₩ 375,955	₩ 3,399	₩ (47,947)	₩ (17,900)	₩ 441,928

  

	For the nine-month period ended September 30, 2020					
	Beginning balance	Increase	Interest expenses	Decrease (payment)	Others (*1)	Ending balance
Lease liabilities	₩ 76,582	₩ 27,625	₩ 1,204	₩ (43,277)	₩ 15,877	₩ 78,011

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

The Company recognized lease payments of ₩5,440 and ₩1,848 million in relation to short-term lease and ₩1,095 and ₩905 million in relation to leases of low-value assets during the nine-month period ended September 30, 2021 and 2020. The total cash outflow of leases during the period ended is ₩54,482 and ₩46,030 million during the nine-month period ended September 30, 2021 and 2020.

**12. Investment properties**

(1) Details of investment properties as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings	₩ 10,223	₩ (2,942)	₩ 7,281	₩ 10,183	₩ (2,338)	₩ 7,845

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**12. Investment properties (cont'd)**

(2) Changes in investment properties for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month period ended September 30, 2021			
	Beginning balance	Transfer	Depreciation	Ending balance
Buildings	₩ 7,845	₩ 40	₩ (604)	₩ 7,281

  

	For the nine-month period ended September 30, 2020			
	Beginning balance	Increase (decrease)	Depreciation	Ending balance
Buildings	₩ 7,927	₩ -	₩ (320)	₩ 7,607

**13. Intangible assets**

(1) Details of intangible assets as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021				December 31, 2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 209,751	₩ (89,510)	₩ (3,210)	₩ 117,031	₩ 170,983	₩ (71,217)	₩ (3,210)	₩ 96,556
Memberships	64,515	-	(13,648)	50,867	65,551	-	(13,648)	51,903
Brand-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	46,500	(18,378)	-	28,122	44,881	(14,203)	-	30,678
	<u>₩ 2,295,766</u>	<u>₩ (107,888)</u>	<u>₩ (16,858)</u>	<u>₩ 2,171,020</u>	<u>₩ 2,256,415</u>	<u>₩ (85,420)</u>	<u>₩ (16,858)</u>	<u>₩ 2,154,137</u>

(2) Changes in intangible assets for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month period ended September 30, 2021				
	Beginning balance	Acquisitions	Amortization	Disposals	Ending balance
Development costs	₩ 96,556	₩ 38,768	₩ (18,293)	₩ -	₩ 117,031
Memberships (*1)	51,903	5	-	(1,041)	50,867
Brand-related assets (*1)	1,975,000	-	-	-	1,975,000
Others	30,678	1,619	(4,175)	-	28,122
	<u>₩ 2,154,137</u>	<u>₩ 40,392</u>	<u>₩ (22,468)</u>	<u>₩ (1,041)</u>	<u>₩ 2,171,020</u>

  

	For the nine-month period ended September 30, 2020				
	Beginning balance	Acquisitions	Amortization	Disposals	Ending balance
Development costs	₩ 72,421	₩ 34,050	₩ (15,347)	₩ -	₩ 91,124
Memberships (*1)	42,991	6,752	-	(715)	49,028
Brand-related assets (*1)	1,975,000	-	-	-	1,975,000
Others	31,691	3,693	(3,785)	-	31,599
	<u>₩ 2,122,103</u>	<u>₩ 44,495</u>	<u>₩ (19,132)</u>	<u>₩ (715)</u>	<u>₩ 2,146,751</u>

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

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**14. Borrowings and bonds payable**

(1) Short-term borrowings

Details of short-term borrowings as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

Description	Financial institution	Interest rate (%)	September 30, 2021	December 31, 2020
Working capital loan	Industrial & Lommercial bank of china	1.92	₩ 100,000	₩ -
Working capital loan	Woori Bank	2.16 ~ 2.21	95,000	-
Working capital loan	Shinhan Bank	1.99 ~ 2.08	70,000	-
Working capital loan	KB Bank	2.11 ~ 2.17	50,000	-
Working capital loan	Hana Bank	2.00 ~ 2.05	50,000	-
Working capital loan	Credit Agricole Corporate & Investment Bank	1.88	50,000	-
Commercial paper	SK Securities	0.95 ~ 1.59	850,000	245,000
Commercial paper	KB Securities	1.12 ~ 1.40	360,000	210,000
Commercial paper	Samsung Securities	1.04 ~ 1.40	110,000	-
Commercial paper	Shinyoung Securities	1.04 ~ 1.40	90,000	100,000
Commercial paper	Shinhan Bank	1.04 ~ 1.40	80,000	50,000
Commercial paper	Woori investment bank	-	-	110,000
			₩ 1,905,000	₩ 715,000

(2) Bonds payable

Details of bonds payable as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

Issuance number	Interest rate (%)	Maturity	Security	September 30, 2021	December 31, 2020
262-2nd	-	2021-02-12	Unsecured	₩ -	₩ 100,000
263-2nd	-	2021-05-30	Unsecured	-	100,000
264-2nd	-	2021-08-05	Unsecured	-	170,000
265-3rd	2.66	2021-12-02	Unsecured	100,000	100,000
266-2nd	2.39	2022-02-06	Unsecured	100,000	100,000
270-3rd	3.80	2022-11-02	Unsecured	50,000	50,000
273-2nd	-	2021-03-25	Unsecured	-	100,000
273-3rd	4.26	2024-03-25	Unsecured	100,000	100,000
274-3rd	2.34	2022-09-30	Unsecured	80,000	80,000
275-3rd	2.66	2022-12-07	Unsecured	60,000	60,000
276-2nd	-	2021-03-07	Unsecured	-	120,000
276-3rd	2.26	2023-03-07	Unsecured	150,000	150,000
277-2nd	-	2021-06-01	Unsecured	-	120,000
277-3rd	2.16	2023-06-01	Unsecured	120,000	120,000
277-4th	2.43	2026-06-01	Unsecured	60,000	60,000
278-2nd	-	2021-09-07	Unsecured	-	110,000
278-3rd	1.80	2023-09-07	Unsecured	110,000	110,000
279-2nd	2.34	2022-03-06	Unsecured	190,000	190,000
279-3rd	2.58	2024-03-06	Unsecured	120,000	120,000
280-2nd	2.39	2022-06-01	Unsecured	200,000	200,000
280-3rd	2.67	2024-06-01	Unsecured	110,000	110,000
281-2nd	2.40	2022-08-04	Unsecured	130,000	130,000
281-3rd	2.62	2024-08-04	Unsecured	70,000	70,000
282-2nd	2.79	2022-10-25	Unsecured	150,000	150,000
282-3rd	2.86	2024-10-25	Unsecured	80,000	80,000
283-1st	2.88	2023-02-27	Unsecured	150,000	150,000
283-2nd	2.99	2025-02-27	Unsecured	60,000	60,000
283-3rd	3.26	2028-02-27	Unsecured	100,000	100,000
284-1st	2.87	2023-06-08	Unsecured	170,000	170,000
284-2nd	3.01	2025-06-08	Unsecured	60,000	60,000
284-3rd	3.09	2028-06-08	Unsecured	100,000	100,000
285-1st	2.36	2023-09-06	Unsecured	150,000	150,000
285-2nd	2.47	2025-09-06	Unsecured	60,000	60,000
285-3rd	2.55	2028-09-06	Unsecured	120,000	120,000
286-1st	2.20	2021-11-29	Unsecured	130,000	130,000
286-2nd	2.37	2023-11-29	Unsecured	100,000	100,000
287-1st	2.17	2024-02-27	Unsecured	150,000	150,000

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**14. Borrowings and bonds payable (cont'd)**

Issuance number	Interest rate (%)	Maturity	Security	September 30, 2021	December 31, 2020
287-2nd	2.23	2026-02-27	Unsecured	70,000	70,000
287-3rd	2.35	2029-02-27	Unsecured	80,000	80,000
288-1st	1.81	2024-06-04	Unsecured	170,000	170,000
288-2nd	1.83	2026-06-04	Unsecured	60,000	60,000
288-3rd	1.87	2029-06-04	Unsecured	110,000	110,000
289-1st	1.62	2022-09-20	Unsecured	130,000	130,000
289-2nd	1.76	2024-09-20	Unsecured	120,000	120,000
289-3rd	1.84	2029-09-20	Unsecured	70,000	70,000
290-1st	1.74	2022-11-28	Unsecured	80,000	80,000
290-2nd	1.83	2024-11-28	Unsecured	90,000	90,000
290-3rd	1.89	2029-11-28	Unsecured	70,000	70,000
291-1st	1.52	2023-02-20	Unsecured	70,000	70,000
291-2nd	1.63	2025-02-20	Unsecured	160,000	160,000
291-3rd	1.70	2027-02-20	Unsecured	40,000	40,000
291-4th	1.80	2030-02-20	Unsecured	60,000	60,000
292-1st	1.50	2023-06-03	Unsecured	110,000	110,000
292-2nd	1.69	2025-06-03	Unsecured	120,000	120,000
292-3rd	1.79	2030-06-03	Unsecured	50,000	50,000
293-1st	1.57	2025-09-07	Unsecured	200,000	200,000
293-2nd	1.74	2027-09-07	Unsecured	30,000	30,000
293-3rd	1.83	2030-09-07	Unsecured	120,000	120,000
294-1st	1.61	2025-12-03	Unsecured	150,000	150,000
294-2nd	1.93	2030-12-03	Unsecured	90,000	90,000
295-1st	1.24	2024-02-24	Unsecured	60,000	-
295-2nd	1.60	2026-02-24	Unsecured	150,000	-
295-3rd	1.75	2028-02-24	Unsecured	30,000	-
295-4th	2.03	2031-02-24	Unsecured	80,000	-
296-1st	1.53	2024-06-04	Unsecured	40,000	-
296-2nd	2.07	2026-06-04	Unsecured	220,000	-
296-3rd	2.49	2031-06-04	Unsecured	70,000	-
297-1st	1.87	2024-09-13	Unsecured	100,000	-
297-2nd	2.09	2026-09-13	Unsecured	200,000	-
297-3rd	2.28	2031-09-13	Unsecured	60,000	-
				<u>6,590,000</u>	<u>6,400,000</u>
				(14,273)	(11,786)
Less: discount on bonds payable					
Less: current portion				<u>(1,059,491)</u>	<u>(1,051,406)</u>
				<u>₩ 5,516,236</u>	<u>₩ 5,336,808</u>

(3) The Company's bonds payable repayment schedule as of September 30, 2021 is as follows (Korean won in millions):

Year ending	Amount of repayment
October 1, 2021 ~ September 30, 2022	₩ 1,060,000
October 1, 2022 ~ September 30, 2023	1,370,000
October 1, 2023 ~ September 30, 2024	1,140,000
October 1, 2024 ~ September 30, 2025	830,000
October 1, 2025 and thereafter	<u>2,190,000</u>
	<u>₩ 6,590,000</u>

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**15. Provisions**

Changes in provisions for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month period ended September 30, 2021					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for service warranties	₩ 3,802	₩ 1,252	₩ (2,825)	₩ 2,229	₩ 2,229	₩ -
Other provisions	4,659	-	(2,080)	2,579	265	2,314
	<u>₩ 8,461</u>	<u>₩ 1,252</u>	<u>₩ (4,905)</u>	<u>₩ 4,808</u>	<u>₩ 2,494</u>	<u>₩ 2,314</u>

	For the nine-month period ended September 30, 2020					
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for service warranties	₩ 3,948	₩ 1,058	₩ (2,095)	₩ 2,911	₩ 2,911	₩ -
Other provisions	2,598	280	(608)	2,270	109	2,161
	<u>₩ 6,546</u>	<u>₩ 1,338</u>	<u>₩ (2,703)</u>	<u>₩ 5,181</u>	<u>₩ 3,020</u>	<u>₩ 2,161</u>

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

**16. Defined benefit liabilities**

(1) Defined contribution plans

The Company partly operates a defined contribution plan for certain employees. The expenses related to the defined contributions plans recognized for the nine-month period ended September 30, 2021, were ₩53 million.

(2) Defined benefit plans

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

(3) Details of defined benefit liabilities as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021	December 31, 2020
Present value of defined benefit obligation	₩ 440,659	₩ 414,384
Fair value of plan assets	(363,562)	(371,994)
	<u>₩ 77,097</u>	<u>₩ 42,390</u>

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**16. Defined benefit liabilities (cont'd)**

(4) Changes in defined benefit liabilities for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	<u>For the nine-month period ended September 30, 2021</u>		
	Present value of defined <u>benefit obligation</u>	Fair value of <u>plan assets</u>	<u>Total</u>
Beginning balance	₩ 414,384	₩ (371,994)	₩ 42,390
Provision for pension benefits:			
Current service cost	35,774	-	35,774
Net interest expense (income)	7,321	(7,099)	222
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	6,748	6,748
Actuarial changes arising from changes in financial assumptions and others	(15,733)	-	(15,733)
Experience adjustments and others	5,828	-	5,828
Benefit paid	(12,710)	12,681	(29)
Others	5,795	(3,898)	1,897
Ending balance	<u>₩ 440,659</u>	<u>₩ (363,562)</u>	<u>₩ 77,097</u>

	<u>For the nine-month period ended September 30, 2020</u>		
	Present value of defined <u>benefit obligation</u>	Fair value of <u>plan assets</u>	<u>Total</u>
Beginning balance	₩ 355,114	₩ (322,967)	₩ 32,147
Provision for pension benefits:			
Current service cost	30,810	-	30,810
Net interest expense (income)	5,609	(5,428)	181
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	482	482
Actuarial changes arising from changes in financial assumptions and others	6,331	-	6,331
Experience adjustments and others	13,510	-	13,510
Benefit paid	(19,231)	19,085	(146)
Others	7,654	(5,655)	1,999
Ending balance	<u>₩ 399,797</u>	<u>₩ (314,483)</u>	<u>₩ 85,314</u>

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**17. Other assets and liabilities**

(1) Details of other assets as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
<b>Current assets:</b>		
Accrued income	₩ 1,379	₩ 66
Advanced payments	2,707	1,301
Prepaid expenses	36,041	14,135
Short-term loans	460,334	-
Guarantee deposits	2,173	8,886
Lease receivables	35,655	33,189
Derivative financial assets	175,982	1,237
Others	76	-
	<u>₩ 714,347</u>	<u>₩ 58,814</u>
<b>Non-current assets:</b>		
Long-term financial instruments	₩ 3,268	₩ 3,268
Long-term guarantee deposits	42,408	16,002
Long-term lease receivables	297,045	-
Derivative financial assets	-	175,913
Others	127	127
	<u>₩ 342,848</u>	<u>₩ 195,310</u>

(2) Details of other liabilities as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
<b>Current liabilities:</b>		
Advances received	₩ 71,117	₩ 66,660
Withholdings	15,904	32,249
Current tax liabilities	197,855	284,916
Deposits withheld	222	5,639
Dividends payable	162	-
Lease liabilities	66,633	60,787
Derivative financial liabilities	254,904	133
	<u>₩ 606,797</u>	<u>₩ 450,384</u>
<b>Non-current liabilities:</b>		
Long-term deposits withheld	₩ 23,740	₩ 11
Long-term lease liabilities	375,295	67,634
Derivative financial liabilities	241,808	468,032
Long-term employee benefits	9,663	9,630
	<u>₩ 650,506</u>	<u>₩ 545,307</u>

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**18. Derivative financial assets and liabilities**

The Company has entered into foreign currency forward contracts to manage fluctuations in currency exchange rates relating to its contracts denominated in foreign currencies and has entered total return swap contracts with certain of subsidiaries' common share investors and others. Details of assets and liabilities after valuation as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Forward contract	₩ 69	₩ 28,712	₩ 1,237	₩ 165
Total return swap contract (see Note 29)	175,913	468,000	175,913	468,000
	<u>₩ 175,982</u>	<u>₩ 496,712</u>	<u>₩ 177,150</u>	<u>₩ 468,165</u>

**19. Equity**

**19.1 Issued capital**

Details of issued capital as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions, except for number of shares):

	September 30, 2021	December 31, 2020
Number of shares authorized for issue	400,000,000	400,000,000
Par value per share (Korean won)	₩ 200	₩ 200
Number of shares issued:		
Ordinary share	70,360,297	70,360,297
Preferred share	566,135	566,135
Issued capital:		
Ordinary share	₩ 15,272	₩ 15,272
Preferred share	113	113
	<u>₩ 15,385</u>	<u>₩ 15,385</u>

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

**19.2 Other paid-in capital**

Details of other paid-in capital as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	September 30, 2021	December 31, 2020
Additional paid-in capital (*1)	₩ 5,605,831	₩ 5,605,831
Treasury share (*2)	(1,811,340)	(1,811,454)
Stock option	5,177	4,663
Others	(292,867)	(292,872)
	<u>₩ 3,506,801</u>	<u>₩ 3,506,168</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) As of September 30, 2021, treasury share consists 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 (11,019,129 ordinary shares and 1,787 preferred shares) during the year 2015.

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**19.3 Retained earnings**

Details of retained earnings as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	62,897	62,897
Unappropriated retained earnings	<u>12,084,128</u>	<u>11,231,245</u>
	<u>₩ 12,154,718</u>	<u>₩ 11,301,835</u>

(\*1) In accordance with the *Korean Commercial Code*, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to issued capital through approval at the general meeting of the shareholders.

**19.4 Other components of equity**

Details of other components of equity as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Gain on financial assets measured at FVOCI	₩ 8,175	₩ 8,175

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**19.5 Stock option**

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

Share compensation expense recognized during the current reporting period is ₩514 million (accumulated share compensation expense: ₩5,177 million) and the remaining share compensation expense to be recognized in later periods are ₩817 million. Apart from the above share options, the Company has entered into a Stock Grant in which the employees are granted with treasury shares free of charge. For the Stock Grant, there is no separate vesting condition, and may not be transferred within the term. As of September 30, 2021, the stock compensation expenses recognized in relation to Stock Grant are ₩119 million.

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

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

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**20. Operating revenues**

(1) Details of operating revenues for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Revenue from contracts with customers:				
IT service (*1)	₩ 452,781	₩ 1,261,901	₩ 449,645	₩ 1,273,883
Trademark usage income	<u>55,526</u>	<u>166,610</u>	<u>60,601</u>	<u>181,892</u>
	<u>508,307</u>	<u>1,428,511</u>	<u>510,246</u>	<u>1,455,775</u>
Revenue from other sources:				
Dividend income	109,154	555,510	477,566	1,474,542
Rental income	<u>391</u>	<u>856</u>	<u>246</u>	<u>773</u>
	<u>109,545</u>	<u>556,366</u>	<u>477,812</u>	<u>1,475,315</u>
	<u>₩ 617,852</u>	<u>₩ 1,984,877</u>	<u>₩ 988,058</u>	<u>₩ 2,931,090</u>

(\*1) Includes contract revenue of ₩786,510 and ₩817,794 million recognized from the cost-based input method for the nine-month period ended September 30, 2021 and 2020.

(2) Details of revenue from contracts with customers for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Revenue from contracts with customers:				
IT service	₩ 452,781	₩ 1,261,901	₩ 449,645	₩ 1,273,883
Trademark usage income	<u>55,526</u>	<u>166,610</u>	<u>60,601</u>	<u>181,892</u>
	<u>₩ 508,307</u>	<u>₩ 1,428,511</u>	<u>₩ 510,246</u>	<u>₩ 1,455,775</u>
Geographical location:				
Korea	₩ 487,325	₩ 1,376,655	₩ 488,069	₩ 1,373,405
Asia	10,169	22,369	11,178	46,762
Europe	5,700	17,738	6,420	19,335
North America	<u>5,113</u>	<u>11,749</u>	<u>4,579</u>	<u>16,273</u>
	<u>₩ 508,307</u>	<u>₩ 1,428,511</u>	<u>₩ 510,246</u>	<u>₩ 1,455,775</u>
Timing of revenue recognition:				
Recognized at a point in time	₩ 25,582	₩ 69,479	₩ 40,428	₩ 121,618
Recognized over a period	<u>482,725</u>	<u>1,359,032</u>	<u>469,818</u>	<u>1,334,157</u>
	<u>₩ 508,307</u>	<u>₩ 1,428,511</u>	<u>₩ 510,246</u>	<u>₩ 1,455,775</u>

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**20. Operating revenues (cont'd)**

(3) Details of contract assets, contract liabilities related to revenue from contracts with customers as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
Contract assets from IT service contract	₩	216,038	₩	115,626
Contract liabilities from IT service contract (*1)		56,115		66,660

(\*1) The amount recognized as revenue in the current period in relation to the contract liabilities as of December 31, 2020 is ₩52,556 million (previous period: ₩58,679 million).

(4) Details of profit variation by changes in accounting estimates related to the cost-based input method contracts as of September 30, 2021 are as follows (Korean won in millions):

	<u>Change in estimated construction revenue</u>		<u>Change in estimated cost</u>		<u>Impact on current period profit</u>		<u>Impact on future period profit</u>	
IT Service contracts	₩	19	₩	(668)	₩	1,181	₩	(494)

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

**21. Operating expenses**

Details of operating expenses for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	<u>September 30, 2021</u>		<u>September 30, 2020</u>	
	<u>Three-month</u>	<u>Nine-month</u>	<u>Three-month</u>	<u>Nine-month</u>
Material costs	₩ 23,492	₩ 60,973	₩ 33,974	₩ 104,747
Outsourcing costs	200,209	568,211	214,314	599,281
Salaries	108,506	307,314	96,834	276,295
Provision for pension benefits	9,984	35,616	8,932	30,682
Depreciation	20,621	60,277	19,672	58,219
Amortization	775	10,004	3,298	9,960
Rents	2,854	4,669	1,541	2,549
Communications	5,230	15,339	5,055	14,038
Employee welfare benefits	21,865	58,788	14,089	43,147
Commissions	42,564	87,622	18,799	41,680
Education and training	6,748	18,861	6,315	18,390
Research and development	11,080	28,319	7,744	28,600
Office management	10,785	29,067	9,312	26,630
Travel	3,127	8,196	2,305	7,221
Others	13,251	44,112	13,175	40,998
	<u>₩ 481,091</u>	<u>₩ 1,337,368</u>	<u>₩ 455,359</u>	<u>₩ 1,302,437</u>

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**22. Expenses classified based on nature of expense**

Details of classification based on nature of expenses for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Material costs	₩ 23,477	₩ 60,978	₩ 33,974	₩ 104,755
Outsourcing costs	200,109	568,343	214,314	599,300
Salaries	111,048	318,702	99,948	290,114
Provision for pension benefits	10,357	36,838	9,410	32,057
Depreciation and amortization	28,296	83,084	26,371	78,104
Rents	2,854	4,669	1,541	2,549
Communications	5,230	15,340	5,055	14,039
Employee welfare benefits	22,357	60,262	14,717	45,011
Commissions	43,392	88,753	18,815	42,706
Education and training	6,794	19,000	6,374	18,582
Office management	10,785	29,067	9,312	26,630
Travel	3,129	8,206	2,311	7,247
Others	13,263	44,126	13,217	41,343
	<u>₩ 481,091</u>	<u>₩ 1,337,368</u>	<u>₩ 455,359</u>	<u>₩ 1,302,437</u>

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

**23.1 Finance income and costs**

Details of finance income and costs for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Financial income:				
Interest income	₩ 7,703	₩ 13,655	₩ 1,207	₩ 3,855
Gain on foreign currency transactions	388	6,477	1,141	3,485
Gain on foreign currency translation	21,661	32,108	(203)	299
Gain on valuation of financial assets measured at FVTPL	-	49	-	213
Gain on valuation of derivative instruments	(28)	102	30	592
Gain on transactions of derivative instruments	129	2,745	618	788
	<u>₩ 29,853</u>	<u>₩ 55,136</u>	<u>₩ 2,793</u>	<u>₩ 9,232</u>
Financial costs:				
Interest expenses	₩ 44,975	₩ 125,124	₩ 42,239	₩ 135,026
Loss on foreign currency transactions	2,458	6,368	1,140	2,464
Loss on foreign currency translation	18	1,450	(33)	370
Loss on valuation of financial assets measured at FVTPL	38,257	54,037	-	-
Loss on valuation of derivative instruments	22,082	28,712	(74)	236
Loss on transactions of derivative instruments	334	6,145	168	1,184
	<u>₩ 108,124</u>	<u>₩ 221,836</u>	<u>₩ 43,440</u>	<u>₩ 139,280</u>

**SK Inc.**  
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**23.2 Other non-operating income and expenses**

Details of other non-operating income and expenses for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Other non-operating income:				
Gain on disposal of investments in subsidiaries and associates	₩ -	₩ 1,066,744	₩ 264,719	₩ 521,834
Gain on disposal of property, plant and equipment	1	24	51	53
Gain on disposal of intangible assets	-	967	-	-
Others	25,978	28,518	228	2,242
	<u>₩ 25,979</u>	<u>₩ 1,096,253</u>	<u>₩ 264,998</u>	<u>₩ 524,129</u>
Other non-operating expenses:				
Impairment loss on investments in subsidiaries and associates	₩ 456	₩ 456	₩ -	₩ -
Loss on disposal of property, plant and equipment	-	3	-	63
Loss on disposal of intangible assets	-	12	15	15
Donations	435	7,932	10,492	25,350
Others	2,390	5,337	581	1,786
	<u>₩ 3,281</u>	<u>₩ 13,740</u>	<u>₩ 11,088</u>	<u>₩ 27,214</u>

**24. Income taxes**

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

Effective tax rates for the nine-month periods ended September 30, 2021 and 2020 were 20.23% and 14.99%, respectively.

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**25. Earnings per share**

(1) Basic earnings per share for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions, except per share and weighted-average number of ordinary shares outstanding):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Profit for the period	₩ 67,828	₩ 1,247,053	₩ 660,191	₩ 1,696,449
Less: Preferred share dividends	(853)	(3,407)	(571)	(2,279)
Profit for the period attributable to ordinary share owners of the Company	₩ 66,975	₩ 1,243,646	₩ 659,620	₩ 1,694,170
Weighted-average number of issued shares outstanding (*1)	52,307,337	52,307,184	52,306,283	52,304,997
Basic earnings per share (Korean Won)	₩ 1,280	₩ 23,776	₩ 12,611	₩ 32,390

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

The weighted-average number of issued shares outstanding for the three-month periods and nine-month periods ended September 30, 2021 and 2020 are as follows:

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Weighted-average number of shares outstanding	70,360,297	70,360,297	70,360,297	70,360,297
Weighted-average number of treasury shares	(18,052,960)	(18,053,113)	(18,054,014)	(18,055,300)
Weighted-average number of issued shares outstanding	₩ 52,307,337	₩ 52,307,184	₩ 52,306,283	₩ 52,304,997

(2) Diluted earnings per share for the three-month periods and nine-month periods ended September 30, 2021 and 2020 as follows (Korean won in millions, except per share and weighted-average number of diluted shares outstanding):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Profit for the period attributable to ordinary shares	₩ 66,975	₩ 1,243,646	₩ 659,620	₩ 1,694,170
Weighted-average number of diluted common shares outstanding	52,407,962	52,415,377	52,367,905	52,361,621
Diluted earnings per common share (Korean Won)	₩ 1,278	₩ 23,727	₩ 12,596	₩ 32,355

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**25. Earnings per share (cont'd)**

The weighted-average diluted number of ordinary shares outstanding for calculating diluted for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows:

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Weighted-average number of shares outstanding	52,307,337	52,307,184	52,306,283	52,304,997
Effect of exercise of stock option	100,625	108,193	62,271	57,294
Weighted-average number of issued shares outstanding	<u>₩ 52,407,962</u>	<u>₩ 52,415,377</u>	<u>₩ 52,368,554</u>	<u>₩ 52,362,291</u>

**26. Transactions with related parties**

Details of significant transactions with related parties for the nine-month period ended September 30, 2021 and 2020, and significant balances with related parties as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

(1) The subsidiaries of the Company as of September 30, 2021, are as follows:

Ultimate controlling party	Subsidiary
Subsidiary (total 366)	Tae-won, Chey and related parties SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, Happy Didim Co., Ltd., Green & Co. Asia Ltd., SK Energy Road Investment Co., Ltd., SK Energy Hong Kong Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., SK Asphalt (Shanghai) Co., Ltd., GoodsFLOW Co., Ltd., Goods Core, Goods Post Co., Ltd., Open Garden, SK Geo Centric Co., Ltd.(formerly, SK Global Chemical Co., Ltd.), SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical China Limited., Sino-Korea Green New Material (Jiangsu) Limited., SK Global Chemical International Trading (Shanghai) Co., Ltd., SK Global Chemical International Trading (Guangzhou) Co., Ltd., SK Global Chemical Americas, Inc., SK Primacor Americas LLC, SK Primacor Europe, S.L.U., SK Saran Americas LLC, SK Global Chemical Japan Co., Ltd., SK Global Chemical Singapore Pte. Ltd., SK Global Chemical Investment Hong Kong Ltd., Ningbo SK Performance Rubber Co., Ltd., Happymoeum Co., Ltd., SK Functional Polymer, S.A.S, Green & Connect Capital, Inc., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd., SK Energy International Pte. Ltd., SK Energy Europe, Ltd., SK Energy Americas, Inc., SK Terminal B.V., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., Ltd., SK Lubricants & Oils India Pvt. Ltd., Iberian Lube Base Oils S.A., SK Lubricants Russia LLC, SK ie technology Co., Ltd., SK Hi-tech Battery Materials(Jiang Su) Co., Ltd., SK Hi-tech Battery Materials Poland Sp. Zo.o., SK Mobile Energy Co., Ltd., Yancheng Yandu District M Energy Consulting Limited Company, Mobile Energy Battery America, LLC, SK Innovation Insurance (Bermuda), Ltd., SK USA, Inc., Super Seed NY, LLC, Blue Dragon Energy Co., Limited., Jiangsu SK Battery Certification Center, SK Battery Hungary Kft., SK Battery America, Inc., SK Battery Manufacturing Kft., Happy Kium Co., Ltd., SK Future Energy(Shanghai) Co., Ltd., SK E&P Company, Ltd., SK E&P America, Inc., SK Plymouth, LLC, SK Permian, LLC, SK E&P Operations America, LLC, SK Nemaha, LLC, SK Battery (Jiangsu) Co., Ltd., SK Battery(Yancheng) Co., Ltd., SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Broadband Co. Ltd., Home&Service Co., Ltd., Media S Co., Ltd., Broadband Nowon Broadcasting Corporation, SK Stoa Co., Ltd., PS&Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., SK O&S Co., Ltd., One store Co., Ltd., Rokmedia Co., Ltd., SK Communications Co., Ltd., 11Street Co., Ltd., Quantum Innovation Private Equity Joint Venture, Panasia Semiconductor Materials LLC, SK Shieldus Co., Ltd.(formerly, ADT Caps Co., Ltd.), CAPSTEC Co., Ltd., SK infosec Information Technology (Wuxi) Co., Ltd., CAPS America Inc., SK Planet Co., Ltd., SK M & Service Co., Ltd., SK Planet Global Holdings Pte. Ltd., SKP America, LLC, K-Net Culture & Contents Venture Fund, SK Telecom China Holdings Co., Ltd.,

26. Transactions with related parties (cont'd)

Subsidiary (total 366)	Subsidiary
	SK Global Healthcare Business Group, Ltd., SKT Americas, Inc., YTK Investment, Ltd., Atlas Investment, Ltd., SK Telecom Innovation Fund, L.P., SK Telecom China Fund I L.P., SK Telecom TMT Investment Corp., Dreamus Company Co., Ltd., Iriver Enterprise Ltd., Iriver China Co., Ltd., Dongguan Iriver Electronics Co., Ltd., Life Design Company Japan Inc., Studio Dolphin Co., Ltd., SK Telecom Japan Inc., SK Planet Japan, K. K., Id Quantique SA, Id Quantique Ltd., FSK L&S Co., Ltd., FSK L&S(Shanghai) Co., Ltd., FSK L&S(Hungary) Co., Ltd., FSK L&S Vietnam Co., Ltd., FSK L&S(Jiangsu) Co., Ltd., Incross Co., Ltd., Infra Communications Co., Ltd., Mindknock Co., Ltd., Happy Hanool Co., Ltd., SK MENA Investment B.V., SK Latin Americas Investment S.A., SK Technology Innovation Company, Tmap Mobility Co., Ltd., YLP Co., Ltd., Good Service Co., Ltd., SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Magic Co., Ltd., SK Magic Service Co., Ltd., SK Magic Vietnam Company Limited, SK Networks Retails Malaysia Sdn. Bhd., SK Rent-a-Car Co., Ltd., SK Rent-A-car Service Co., Ltd., SK Networks (China) Holdings Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., SK Networks (Liaoning) Logistics Co., Ltd., SK Networks (Dandong) Energy Co., Ltd., SK Networks (Shanghai) Co., Ltd., POSK (Pinghu) Steel Processing Center Co., Ltd., SK Networks Hong Kong Ltd., SK (Guangzhou) Metal Co., Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK Networks Japan Co., Ltd., SK Networks Deutschland GmbH, SK BRASIL LTDA, SK Networks Trading Malaysia Sdn. Bhd., SK Networks America, Inc., SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA., Networks Tejarat Pars, MINTIT Co., Ltd., MINTIT VINA, TenX Capital, SK Networks Resources Australia (Wyong) Pty. Ltd., SK Networks Resources Pty Ltd., Cartini Co., Ltd., SKC Co., Ltd., Woori Fine Chem Co., Ltd., SK Telesys Co., Ltd., Techdream Co., Ltd., SKC Solmics Co., Ltd., Solmics Taiwan Co., Ltd., Solmics Shanghai Co., Ltd., SKC Solmics Hong Kong Co., Ltd., SKC Semiconductor Materials (Wuxi) Co., Ltd., SKC (Jiangsu) High Tech Plastics Co., Ltd., SKC, Inc., SKC Europe GmbH, SKC Hi-Tech&Marketing Co., Ltd., SKC Hi-Tech&Marketing (Suzhou) Co., Ltd., SKC Hi-Tech&Marketing Polska SP.Z.O.O, SKC Hi-Tech&Marketing USA LLC, SKC Hi-Tech&Marketing Vina Co., Ltd., SKC PU Specialty Co., Ltd., SKC (Nantong) PU Specialty Co., Ltd., SKC-ENF Electronic Materials Ltd., SKC (Nantong) Semiconductor Materials Technology Co., Ltd., SE (JIANGSU) Electronic Materials Co., Ltd., SK PIC Global Co., Ltd., SKCFTH Co., Ltd., SK Nexilis Co., Ltd., SK NEXILIS MALAYSIA SDN. BHD., SK TBMGEOSTONE Co., Ltd., SK E&S Co., Ltd., Kangwon City Gas Co., Ltd., Yeongnam Energy Service Co., Ltd., Ko-one Energy Service Co., Ltd., Narae Energy Service Co., Ltd., Busan City Gas Co., Ltd., Jeonbuk Energy Service Co., Ltd., Chonnam City Gas Co., Ltd., Chungcheong Energy Service Co., Ltd., Paju Energy Service Co., Ltd., Yeosu Energy Service Co., Ltd., Shinanjeondo Sunlight Co., Ltd., SK E&S Hong Kong Co., Ltd., SK E&S Australia Pty. Ltd., SK E&S Americas, Inc., SK E&S LNG, LLC, DewBlaine Energy, LLC, CAILIP Gas Marketing, LLC, Rnes Holdings, LLC, Pnes Investments, LLC, Prism Energy International China Limited, Prism Energy International Zhoushan Limited, Prism Energy International Pte. Ltd., Fajar Energy International Pte. Ltd., Prism Energy International Hong Kong, Ltd., PT Prism Nusantara International, SK E&S Dominicana S.R.L, Hae-Ssal Solar Power Co., Ltd., Prism DLNG Pte. Ltd., BU12 Australia Pty. Ltd., BU13 Australia Pty. Ltd., Energy Solution Holdings Inc., Ariul Solar Power Co., Ltd., Busan Jungkwan Energy Co., Ltd., IGE Co., Ltd., New&Company Two Pte. Ltd., Jeonnam II Offshore Wind Power Co., Ltd., Jeonnam III Offshore Wind Power Co., Ltd., Dangjin Haengbok Solar Co., Ltd., Grid Solution, LLC., Storage Solution, LLC., SK ecoplant Co. Ltd. (formerly, SK Engineering & Construction Co., Ltd.), Seosuwon Development Company, SKEC Nanjing Co., Ltd., SKEC (Thai), Ltd., Thai Woo Ree Engineering Co., Ltd., SKEC Anadol, LLC, SK E&C Betek Corporation, Mesa Verde RE Ventures, LLC, SKEC Consultores Ecquador, S.A., Sunlake Co., Ltd., SK HOLDCO PTE. LTD., Silvertown Investco Limited, SEONGJU TECH Co., Ltd., DDS Co., Ltd., SAMWON ENT Co., Ltd., The Eco Platform Co., Ltd., Environment Management Corporation Co., Ltd., Maeripji Management Co., Ltd., YS TEC Co., Ltd., Seonam Environment Energy Co., Ltd., Honam Environmental Energy Co., Ltd., Green Hwasun Inc., Green Sunchang Co., Ltd., Gyeongsan Clear Mulgil Co., Ltd., Dalseong Maleunmulgil Co., Ltd., Goksung Environment Co., Ltd., Environment Energy Company Co., Ltd., Chungcheong Environment Energy Co., Ltd., Gyeonggi Environment Energy Co., Ltd., Gyeongbuk Environment Energy Co., Ltd., Gyeongin Environment Energy Company, Saehan Environment Co., Ltd., Daewon Green Energy Co., Ltd., Daewon Hitech Co., Ltd., KS Investment B.V., SK Materials Co., Ltd., SK Materials Japan Co., Ltd., SK Materials Taiwan Co., Ltd., SK Materials Jiangsu Co., Ltd.,

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

Subsidiary	Subsidiary
Subsidiary (total 366)	SK Materials (Xian) Co., Ltd., SK Materials (Shanghai) Co., Ltd., SK Tri Chem Co., Ltd., SK Tri Chem Co., Ltd., SK Showa Denko Co., Ltd., Happy Companion Co., Ltd., SK Materials airplus Inc., SK Meterials Ri New Tech Co., Ltd. (formerly, Hanyu chemical Co., Ltd.), SK Materials Performance Co., Ltd., SK Materials JNC Co., Ltd., SK JNC Japan Co., Ltd., SK Siltron Co., Ltd., SK Siltron America, Inc., SK Siltron Japan, Inc., SK Siltron Shanghai Co., Ltd., SK Siltron USA, Inc., Beijing Lizhi Weixin Technology Co., Ltd., Shanghai SKY Real Estate Development Co., Ltd., SK China Investment Management Co., Ltd., SK International Agro-Products Logistics Development Co., Ltd., SK International Agro-Sideline Products Park Co., Ltd., SK Auto Service Hong Kong Co., Ltd., Skyline Auto Financial Leasing Co., Ltd., SK Financial Leasing Co., Ltd., SK China (Beijing) Co., Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., SK C&C USA, Inc., S&G Technology, Saturn Agriculture Investment Co., Ltd., SK Investment Management Co., Ltd., SK Mobility Investments Company Limited, SK Semiconductor Investments Co., Ltd., Gemini Partners Pte. Ltd., Solaris Partners Pte. Ltd., Solaris GEIF Investment, SK GI Management, Plutus Capital NY, Inc., Hudson Energy NY, LLC, Hudson Energy NY II, LLC, Hudson Energy NY III, LLC, Grove Energy Capital LLC, Plutus Capital NY II, Inc, Grove Energy Capital II, LLC, Plutus Fashion NY, Inc., Wonderland NY, LLC, Atlas NY LLC, SK South East Asia Investment Pte. Ltd., SK Investment Vina I Pte. Ltd., SK Investment Vina II Pte. Ltd., SK Investment Vina III Pte. Ltd., MSN Investment Pte. Ltd., SK Investment Vina IV Pte. Ltd., SK Malaysia Investment I Pte. Ltd., SK Pharmteco Inc., SK Biotek Co., Ltd., SK BIOTEK IRELAND LIMITED, SK BIOTEK USA, Inc., Crest Acquisition LLC, Yposkesi, SAS, Abrasax Investment Inc., Fine Chemicals Holdings Corp., AMPAC Fine Chemicals, LLC, AMPAC Fine Chemicals Texas, LLC, AMPAC Fine Chemicals Virginia, LLC, Golden Pearl EV Solutions Limited, Socar Mobility Malaysia, Sdn. Bhd., Future Mobility Solutions Sdn. Bhd., PT Future Mobility Solutions, Einstein Cayman Limited, I Cube Capital Inc., I Cube Capital Hong Kong 1. LP Limited, Tellus Investment Partners, Inc.(formerly, I Cube Capital II, Inc.), Primero Protein LLC, Terra LLC, Castanea Bioscience Inc., SK Forest Co., Ltd., Hweechan Co., Ltd., SK Pinx Co., Ltd., SK REITs Co., Ltd., Clean Energy REITs Co., Ltd., SK REITs Management Co., Ltd., SK Japan Investment Inc., Signet EV Inc., Signet Energy Inc., SIGNET EV America Inc.

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

(2) Details of significant financial transactions with the related parties for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

		September 30, 2021			
		Sales and others (*1)		Purchase and others (*2)	
		Three months	Nine months	Three months	Nine months
Subsidiary	Company name	₩	₩	₩	₩
	SK Innovation Co., Ltd.	29,694	85,887	2,729	6,933
	SK Energy Co., Ltd.	20,815	66,035	-	-
	SK Geo Centric Co., Ltd. (formerly, SK Global Chemical Co., Ltd.)	7,706	24,855	-	-
	SK Incheon Petrochem Co., Ltd.	3,807	11,470	-	-
	SK Lubricants Co., Ltd.	2,966	9,051	-	-
	SK USA, Inc.	12	36	917	1,696
	SK Hi-tech Battery Materials (Jiang su) Co., Ltd.	717	2,933	-	-
	SK Battery America, Inc.	3,309	8,512	-	-
	SK ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.)	9,253	36,479	-	-
	SKC Co., Ltd.	2,831	28,101	-	-
	SK E&S Co., Ltd.	7,277	151,906	-	-
	SK Biopharmaceuticals Co., Ltd.	647	1,935	-	-
	Hana Land Chip PEF 33 (*4)	55,094	58,966	527	9,121
	SK REITs Co., Ltd.	-	-	9,286	9,286
	SK Sheildus Co., Ltd. (formerly, ADT Caps Co., Ltd.)	3,908	13,598	2,998	10,241
	SK C&C Beijing Co., Ltd.	739	6,315	2,857	6,258
	SK S.E.ASIA Pte. Ltd.	-	51,580	-	-
	SK Networks Co., Ltd.	8,864	42,951	611	3,333
	SK Telecom Co., Ltd.	140,260	491,763	3,126	9,497
	SK Broadband Co., Ltd.	23,081	65,542	1,937	5,875
	SK Planet Co., Ltd.	3,459	10,623	1	115
	SK Matrics Co., Ltd.	4,267	29,263	-	-
	SK Siltron Co., Ltd.	6,595	21,338	-	-
	Others	41,314	116,821	2,088	8,123
Other related parties	SK hynix Inc.	114,643	334,537	3,654	10,946
	Happynarae Co., Ltd.	249	997	1,898	7,628
	THIRA-UTECH Co., Ltd.	-	-	2,816	8,032
	Others	2,057	6,381	777	1,965
Others (*3)	SK Gas Co., Ltd.	4,420	13,130	-	-
	SK Chemicals Co., Ltd.	2,038	4,434	-	-
	Others	3,305	9,283	114	432
		<u>₩ 503,327</u>	<u>₩ 1,704,722</u>	<u>₩ 36,336</u>	<u>₩ 99,481</u>

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

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

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

(\*4) During the nine-month period ended September 30, 2021, the Company acquired additional 34.80% shares of Hana Land Chip PEF 33 and obtained control. Accordingly, the Company reclassified it from investment in joint ventures to investment in subsidiaries and it was liquidated during the nine-month period ended September 30, 2021.

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

		September 30, 2020			
		Sales and others (*1)		Purchase and others (*2)	
		Three months	Nine months	Three months	Nine months
Subsidiary	Company name	₩	₩	₩	₩
	SK Innovation Co., Ltd.	26,615	119,642	1,623	5,497
	SK Energy Co., Ltd.	28,836	81,570	-	62
	SK Geo Centric Co., Ltd. (formerly, SK Global Chemical Co., Ltd.)	10,397	26,761	-	-
	SK Incheon Petrochem Co., Ltd.	6,657	17,036	-	-
	SK Lubricants Co., Ltd.	4,953	12,136	-	-
	SK Hi-tech Battery Materials (Jiang su) Co., Ltd.	1,658	7,815	-	-
	SK Battery America, Inc.	3,253	9,876	-	-
	SK ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.)	8,723	34,467	150	150
	SKC Co., Ltd.	2,725	22,993	-	-
	SK E&S Co., Ltd.	459,554	1,127,413	-	-
	SK Biopharmaceuticals Co., Ltd.	1,246	5,085	-	-
	SK Sheildus Co., Ltd. (formerly, ADT Caps Co., Ltd.)	707	2,250	2,960	10,282
	SK C&C Beijing Co., Ltd.	847	11,466	694	4,905
	SK S.E.ASIA Pte. Ltd.	-	37,219	-	-
	SK Networks Co., Ltd.	13,108	45,881	1,441	4,173
	SK Telecom Co., Ltd.	103,898	451,108	3,061	10,391
	SK Broadband Co., Ltd.	22,292	67,172	2,166	6,075
	SK Planet Co., Ltd.	3,725	12,195	1	65
	SK Matrics Co., Ltd.	1,789	24,837	-	-
	SK Siltron Co., Ltd.	8,685	21,003	-	-
	Others	42,202	92,512	3,495	13,046
Other related parties	Hana Land Chip PEF 33	1,657	3,350	9,724	26,911
	SK hynix Inc.	121,013	342,514	3,731	11,129
	SK hynix Semiconductor (China) Ltd.	558	4,876	-	-
	Socar, Inc. (*4)	-	-	-	15,000
	THIRA-UTECH Co., Ltd.	-	-	3,522	8,220
	Others	2,546	8,259	1,879	7,754
Others (*3)	SK Gas Co., Ltd.	3,780	10,825	-	-
	SK Chemicals Co., Ltd.	2,713	6,119	-	-
	Others	2,250	9,476	112	428
		<u>₩ 886,387</u>	<u>₩ 2,615,856</u>	<u>₩ 34,559</u>	<u>₩ 124,088</u>

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

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

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

(\*4) For the nine-month period ended September 30, 2020, the Company acquired equity ownership of Socar Mobility Malaysia, SDN. BHD. from Socar, Inc.

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

(3) Details of outstanding balances of receivables and payables with the related parties as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

		September 30, 2021						
		Receivables			Payables			
Company name		Trade receivables	Other receivables	Total	Trade payables	Other payables	Total	
Subsidiaries	SK Innovation Co., Ltd.	₩ 22,747	₩ 339,667	₩ 362,414	₩ -	₩ 29,752	₩ 29,752	
	SK Energy Co., Ltd.	8,592	-	8,592	-	4	4	
	SK Geo Centric Co., Ltd. (formerly, SK Global Chemical Co., Ltd.)	3,060	-	3,060	-	787	787	
	SK Incheon Petrochem Co., Ltd.	1,168	-	1,168	-	-	-	
	SK Lubricants Co., Ltd.	332	-	332	-	-	-	
	SK USA, Inc.	13	-	13	-	975	975	
	Plutus Capital NY, Inc.	-	460,334	460,334	-	-	-	
	SK Hi-tech Battery Materials (Jiang su) Co., Ltd.	1,959	-	1,959	-	-	-	
	SK Battery America, Inc.	3,896	-	3,896	-	427	427	
	SK ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.)	5,167	-	5,167	-	19	19	
	SKC Co., Ltd.	4,659	-	4,659	-	48	48	
	SK E&S Co., Ltd.	3,116	-	3,116	-	6	6	
	SK Biopharmaceuticals Co., Ltd.	257	-	257	-	-	-	
	SK REITS Co., LTD.	-	25,289	25,289	-	362,833	362,833	
	SK Sheildus Co., Ltd. (formerly, ADT Caps Co., Ltd.)	12,070	-	12,070	1,152	1,227	2,379	
	SK C&C Beijing Co., Ltd.	1,087	-	1,087	31	36	67	
	SK Networks Co., Ltd.	7,019	-	7,019	-	761	761	
	SK Telecom Co., Ltd.	43,966	361	44,327	835	3,412	4,247	
	SK Broadband Co., Ltd.	20,573	-	20,573	353	1,311	1,664	
	SK Planet Co., Ltd.	2,223	-	2,223	-	-	-	
	SK Materials Co., Ltd.	2,612	-	2,612	-	6	6	
	SK Siltron Co., Ltd.	7,046	-	7,046	-	248	248	
	Others	41,190	626	41,816	545	19,663	20,208	
	Other related parties	SK hynix Inc.	133,805	8,046	141,851	-	60,862	60,862
		THIRA-UTECH Co., Ltd.	-	-	-	642	-	642
	Others (*1)	Others	1,937	147	2,084	586	2,855	3,441
SK Gas Co., Ltd.		1,414	-	1,414	-	211	211	
SK Chemicals Co., Ltd.		2,308	-	2,308	-	246	246	
Others		3,993	-	3,993	42	618	660	
		₩ 336,209	₩ 834,470	₩ 1,170,679	₩ 4,186	₩ 486,307	₩ 490,493	

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

**SK Inc.**  
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**26. Transactions with related parties (cont'd)**

		December 31, 2020						
		Receivables			Payables			
Company name		Trade	Other	Total	Trade	Other	Total	
		receivables	receivables		payables	payables		
Subsidiary	SK Innovation Co., Ltd.	₩ 24,315	₩ 33,894	₩ 58,209	₩ -	₩ 17,183	₩ 17,183	
	SK Energy Co., Ltd.	8,123	-	8,123	-	708	708	
	SK Geo Centric Co., Ltd. (formerly, SK Global Chemical Co., Ltd.)	4,145	-	4,145	-	3,515	3,515	
	SK Incheon Petrochem Co., Ltd.	2,422	-	2,422	-	62	62	
	SK Lubricants Co., Ltd.	27	-	27	-	1,589	1,589	
	SK USA, Inc.	14	-	14	-	1,557	1,557	
	SK Hi-tech Battery Materials (Jiang su) Co., Ltd.	7,085	-	7,085	-	458	458	
	SK Battery America, Inc.	1,578	-	1,578	-	1,336	1,336	
	SK ecoplant Co., Ltd. (formerly, SK Engineering Construction Co., Ltd.)	6,295	-	6,295	-	1,001	1,001	
	SKC Co., Ltd.	3,282	-	3,282	-	717	717	
	SK E&S Co., Ltd.	5,091	-	5,091	-	205	205	
	SK Biopharmaceuticals Co., Ltd.	461	-	461	-	94	94	
	ADT Caps Co., Ltd. (formerly, SK infosec Co., Ltd.)	1,156	-	1,156	2,006	2,086	4,092	
	SK C&C Beijing Co., Ltd.	1,284	-	1,284	849	124	973	
	SK Networks Co., Ltd.	6,613	-	6,613	-	1,119	1,119	
	SK Telecom Co., Ltd.	46,745	361	47,106	740	7,497	8,237	
	SK Broadband Co., Ltd.	20,379	-	20,379	344	969	1,313	
	SK Planet Co., Ltd.	2,283	-	2,283	353	107	460	
	SK Materials Co., Ltd.	495	-	495	-	229	229	
	SK Siltron Co., Ltd.	10,559	-	10,559	-	441	441	
	Others	53,090	133	53,223	584	20,000	20,584	
	Other related parties	Hana Land Chip PEF 33	-	5,983	5,983	-	8,579	8,579
		SK hynix Inc.	177,572	7,929	185,501	-	75,940	75,940
		SK hynix system ic (Wuxi) Co., Ltd.	703	-	703	-	26	26
	Others (*1)	THIRA-UTECH Co., Ltd.	-	-	-	1,304	10	1,314
		Others	2,706	135	2,841	350	2,146	2,496
SK Gas Co., Ltd.		2,653	-	2,653	-	51	51	
Others (*1)	SK Chemicals Co., Ltd.	1,428	-	1,428	-	3	3	
	Others	4,628	-	4,628	215	409	624	
		<u>₩ 395,132</u>	<u>₩ 48,435</u>	<u>₩ 443,567</u>	<u>₩ 6,745</u>	<u>₩ 148,161</u>	<u>₩ 154,906</u>	

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

(4) Compensation for key management personnel of the Company for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	September 30, 2021		September 30, 2020	
	Three-month	Nine-month	Three-month	Nine-month
Salaries	₩ 4,066	₩ 12,311	₩ 3,848	₩ 10,978
Provision for pension benefits	622	7,774	514	6,172
Share compensation expense	146	633	227	653
	<u>₩ 4,834</u>	<u>₩ 20,718</u>	<u>₩ 4,589</u>	<u>₩ 17,803</u>

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

**SK Inc.**  
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**26. Transactions with related parties (cont'd)**

(5) Details of significant transactions with related parties in relation to the investments for the nine-month period ended September 30, 2021 are as follows (Korean Won in millions, and USD, EUR in thousands):

	<u>Currency</u>	<u>Amount</u>	<u>Transactions</u>
SK Pharmteco Inc.	USD	305,957	Share capital increase
Plutus Capital NY, Inc.	USD	234,300	Share capital increase
Belstar Superfreeze Holdings, LLC	USD	10,273	Share capital increase
SK Investment Management Co., Ltd.	USD	808	Share capital increase
I Cube Capital, Inc.	USD	2,619	Share capital increase
Tellus Investment Partners Inc. (formerly, I Cube Capital II, Inc.)	USD	47,610	Share capital increase
SES Holdings Pte. Ltd.	USD	36,000	Share capital increase
Hummingbird Bioscience Holdings Pte. Ltd.	USD	4,999	Share capital increase
Visible Patient S.A.S	EUR	2,240	Share capital increase
SK REITs Co., Ltd.	KRW	387,251	Share capital increase

(6) Details of significant financial transactions with related-parties for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean Won in millions and USD in thousands):

	<u>Currency</u>	<u>For the nine-month periods ended</u>			
		<u>September 30, 2021</u>		<u>September 30, 2020</u>	
		<u>Loan</u>	<u>Withdraw</u>	<u>Loan</u>	<u>Withdraw</u>
Plutus Capital NY, Inc.	USD	388,500	-	-	-
Hana Land Chip PEF 33	KRW	-	281,773	-	-
Halio, Inc. (formerly, Kinestral Technologies Inc.)	USD	-	-	-	2,483

(7) Guarantees provided to related parties are described in Note 29.

**27. Assets held for sale**

Details of assets held for sale as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

		<u>September 30, 2021</u>	<u>December 31, 2020</u>
Investment securities	ESR Cayman Limited (*1)	₩ 643,093	₩ 697,130

(\*1) The Company has decided to sell the investment stock of the related company, ESR Cayman Limited, during the year ended December 31, 2020. The Company has sold some of the shares in the year ended December 31, 2020, and the sale of remaining shares is underway as of September 30, 2021. Meanwhile, the carrying amount as of September 30, 2021 includes the valuation loss of ₩54,037 million on investment securities.

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**28. Cash flow information**

(1) Details of non-cash adjustments for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month periods ended	
	September 30, 2021	September 30, 2020
Provision for pension benefits	₩ 35,996	₩ 30,991
Depreciation	60,073	59,059
Amortization	22,468	19,132
Bad debt expenses (return)	(97)	120
Provisions transferred in	1,252	1,058
Interest expenses	125,124	135,026
Loss on foreign currency translation	1,450	370
Loss on valuation of financial assets measured at FVTPL	54,037	-
Loss on valuation of derivative instruments	28,712	236
Impairment loss on investments in subsidiaries and associates	457	-
Loss on disposal of property, plant and equipment	3	63
Loss on disposal of intangible assets	12	15
Share-based payment expenses	633	653
Income tax expense	316,269	299,071
Dividends income	(555,510)	(1,474,542)
Interest income	(13,655)	(3,855)
Gain on foreign currency translation	(32,108)	(299)
Gain on valuation of financial assets measured at FVTPL	(49)	(213)
Gain on valuation of derivative instruments	(102)	(592)
Gain on disposal of investments in subsidiaries, associates and joint ventures	(1,066,744)	(521,834)
Gain on disposal of property, plant and equipment	(24)	(53)
Gain on disposal of intangible assets	(967)	-
Others	(22,071)	565
	<u>₩ (1,044,241)</u>	<u>₩ (1,455,029)</u>

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**28. Cash flow information (cont'd)**

(2) Details of working capital adjustments for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month periods ended	
	September 30, 2021	September 30, 2020
Trade receivables	₩ 46,012	₩ (35,303)
Other receivables	3,114	(3,260)
Inventories	(125)	(104)
Advanced payments	(1,408)	606
Lease receivables	26,235	25,157
Prepaid expenses	(21,685)	(15,968)
Trade payables	16,299	(73,236)
Advances received	4,456	116,016
Withholdings	(16,351)	(6,564)
Other payables	(16,790)	(16,164)
Accrued expenses	(18,854)	(21,099)
Deposits withheld	25,280	62
Provision	(4,905)	(2,703)
Defined benefit obligation	(6,915)	(11,577)
Plan assets	8,783	13,430
Others	973	22
	<u>₩ 44,119</u>	<u>₩ (30,685)</u>

(3) Details of significant non-cash transactions for the nine-month period ended September 30, 2021 and 2020 are as follows (Korean won in millions):

	For the nine-month periods ended	
	September 30, 2021	September 30, 2020
Transfer of long-term bonds payable to current-portion	₩ 829,534	₩ 822,102
Decrease in other payables regarding the acquisition of property, plant and equipment	740	543
Transfer of investments in joint ventures to investments in subsidiaries	(40,000)	-
Transfer of investment in associates due to the exercise of convertible bonds	(22,500)	-

**SK Inc.**  
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**29. Commitments and contingencies**

(1) Guarantees provided by others for the Company's obligations and indebtedness as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>Currency</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Seoul Guarantee Insurance	KRW	5,729	7,623
Korea Software Financial Cooperative	KRW	406,145	379,526

(2) Pending litigation

There are no major pending litigations as of September 30, 2021.

(3) Significant commitments

- 1) SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Geo Centric Co., Ltd.(formerly, SK Global Chemical Co., Ltd.), SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd. and SK ie technology Co., Ltd. are collectively responsible for any obligations arising before the spin-off on July 1, 2007. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations that occurred before the spin-off on April 1, 2011.
- 2) The Company entered into a contract to lease the headquarter building from SK REIT Co.,Ltd. Under the terms of the lease, the lease period is until July 5, 2026, and the Company has an option to extend the lease term for 5 years before the termination of contract. Meanwhile, the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance, and development service entered into between the Company and the affiliates of SK Group companies and others.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). On the other hand, the building was completed and registered to preserve ownership in August, 2014, and the transfer of destination land and buildings to third parties is limited for 10 years from the time of registration of preservation of ownership.

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

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

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

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

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

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

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

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

- 8) SK E&S LNG, LLC, one of the subsidiaries, is scheduled to be provided with liquefaction service for 20 years from FLNG Liquefaction 3, LLC, Which plans to operate natural gas liquefaction plants in Texas starting from 2019. As of June 30, 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.
- 9) The Company entered into a cash deficiency support agreement with Hudson Energy NY, LLC, a subsidiary of Plutus Capital NY, Inc., to lend funds for the shortfall of payment for loans and credit limit of USD 226,000 thousand.
- 10) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of subsidiary SK Pharmteco Inc., which is a subsidiary of the Company, to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.
- 11) The Company signed a contract with certain shareholders of SIGNET EV Inc., a subsidiary, in which the shareholders can sell their shares to the Company at ₩50,000 per share when certain conditions are met.
- (4) The Company has provided 7 blank checks and 10 blank notes as collateral in relation to sales and other transactions as of September 30, 2021.

### 30. Financial risk management

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

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

#### 30.1 Market risk

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

##### 30.1.1 Interest rate risk

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

##### 30.1.2 Foreign currency risk

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

Significant monetary assets and liabilities denominated in foreign currencies as of September 30, 2021 and December 31, 2020 are as follows (Korean won in millions, and USD, EUR and Others in thousands):

	Currency	September 30, 2021		December 31, 2020	
		Foreign currencies	Korea won equivalent	Foreign currencies	Korea won equivalent
Assets	USD	396,358	₩ 469,645	14,344	₩ 15,606
	EUR	266	366	638	853
	Others		6,105		4,043
			₩ 476,116		₩ 20,502
Liabilities	USD	1,508	₩ 1,787	2,429	₩ 2,643
	EUR	-	-	12	16
	Others		49		2,130
			₩ 1,836		₩ 4,789

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

	September 30, 2021		December 31, 2020	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before tax expense	₩ 47,428	₩ (47,428)	₩ 1,571	₩ (1,571)

### 30.1.3 Other price risk

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

### 30.2 Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of September 30, 2021 and December 31, 2020 is as follows and for cash and cash equivalents, credit risk exposure is low (Korean won in millions):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Short-term and long-term financial instruments	₩ 289,145	₩ 241,314
Trade receivables	212,948	359,109
Other receivables	1,008	3,747
Accrued income	1,379	66
Long-term investment securities	376,513	375,161
Short-term and long-term guarantee deposits	44,581	24,888
Short-term and long-term lease receivables	332,700	33,189
Short-term loans	460,334	-
Financial derivatives asset	175,982	177,150
	<u>₩ 1,894,590</u>	<u>₩ 1,214,624</u>

#### 30.2.1 Trade and other receivables

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

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

#### 30.2.2 Other financial assets

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

**SK Inc.**  
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**30.2.3 Liquidity risk**

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

The contractual maturity of financial liabilities as of September 30, 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	₩ 1,905,000	₩ 1,907,752	₩ 1,827,707	₩ 80,045	₩ -	₩ -
Bonds payable	6,575,727	7,083,444	266,228	928,655	4,528,229	1,360,332
Derivative financial liabilities	496,712	496,712	28,417	226,487	241,808	-
Trade payables	102,802	102,802	102,802	-	-	-
Lease liabilities	441,928	492,473	14,086	52,920	217,593	207,874
Other liabilities	188,955	188,955	129,469	35,746	23,740	-
	<u>₩ 9,711,124</u>	<u>₩ 10,272,138</u>	<u>₩ 2,368,709</u>	<u>₩ 1,323,853</u>	<u>₩ 5,011,370</u>	<u>₩ 1,568,206</u>

**30.2.4 Capital management**

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

The Company maintains a debt ratio of 66.28% as of September 30, 2021. The maturity of the debt is dispersed in the long-term and the borrowings mainly consist of long-term bonds, which do not present significant risks for unexpected payment for debts.

The Company's debt ratio as of September 30, 2021 and December 31, 2020 is as follows (Korean won in millions):

	September 30, 2021	December 31, 2020
Total liabilities	₩ 10,395,926	₩ 8,760,834
Total equity	15,685,079	14,831,563
Debt ratio	66.28%	59.07%

**31. Events after the reporting period**

**31.1 Merger of SK Materials Co., Ltd..**

On August 20, 2021, the Company's Board of Directors decided to merge SK Materials Co., Ltd. in order to improve the growth on the advanced materials field and management efficiency. On October 29, 2021, the board of directors' resolution for a small merger with SK Materials Co., Ltd. was approved. Details of the merger are as follows.

Surviving company after merger: SK, Inc

Extinct company after merger: SK Materials Co., Ltd..

Date of merger: December 1, 2021

Merging ratio: Ordinary share of SK, Inc. : Ordinary share of SK Materials Co., Ltd..  
= 1.000000 : 1.5778412