



SK Inc.

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

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Independent auditor's report

SK Inc. The Shareholders and Board of Directors

Opinion

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

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

We also have audited the Company's internal control over financial reporting ("ICFR") as of December 31, 2020, based on criteria established in Conceptual Framework for designing and operating ICFR in accordance with Korean Auditing Standards ("KGAAS") established by the Operating Committee of ICFR (the "ICFR Committee"), and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Basis for opinion

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

Key audit matters

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

(1) Revenue recognition by input method

As discussed in Note 2 to the separate financial statements, if the Company can reasonably measure the percentage of completion of the performance obligation for system construction services and others, the contract revenue related to the performance obligation is recognized as revenue based on the percentage of completion of the contract activity as of the end of the reporting period. The Company measures the percentage of completion based on the ratio of accumulated contract costs incurred for the performance obligation divided by the total estimated contract costs, and such measurement method involves uncertainties in accounting estimates because the measurement results are significantly affected by management's judgment.

We have selected revenue recognition as a key audit matter considering the likelihood of errors in estimating the percentage of completion or the likelihood of errors in profit or loss due to an intentional misstatement.

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

- Obtained an understanding of the Company's accounting policies related to revenue recognition and reviewed whether there were any modifications to the accounting policies
- Reviewed whether the conditions of which the Company can reasonably measure the percentage of completion are met
- Obtained an understanding of and evaluated the design of internal controls related to estimation and modification to total estimated contract costs
- Recalculated the percentage of completion and reviewed contracts with significant changes in the percentage of completion
- Reviewed the occurrence and timing of input costs incurred during the current year through sampling

(2) Impairment testing of brand-related assets

As described in Note 13 to the separate financial statements, the Company recognizes intangible assets with indefinite useful life, particularly brand-related assets of ₩1,975,000 million.

Of the total intangible assets recognized by the Company, SK brand-related assets of ₩1,975,000 million from merger with the Company in 2015 was significant in amount. In accordance with KIFRS 1036 *Impairment of Assets*, the Company shall test intangible assets with indefinite useful life for impairment annually. In consideration of the significance of management's assumptions and judgment used in estimating value in use related to impairment testing of intangible assets with indefinite useful life, we determined impairment testing of SK brand-related assets as a key audit matter.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the separate financial statements

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

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

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

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

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

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

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



March 12, 2021

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

SK Inc.

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

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

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

2.1.2 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 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 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 1103 - *Business combinations* (Amended)

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

2018-2020 Annual improvements to KIFRS

The annual improvements include some amendments to KIFRS 1101 'First-time Adoption of KIFRS', KIFRS 1109 'Financial Instruments', KIFRS 1116 'Leases' and KIFRS 1041 'Agriculture'. The amendments to KIFRS 1116 are relevant only to 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.

2.2 Business combinations

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

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

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

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

2.3 Classification of current or non-current

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Foreign currencies

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

In preparing the separate financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings, and
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

2.5 Cash and cash equivalents

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

2.6 Financial assets

2.6.1 Classification

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

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

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

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

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

2.6.2 Measurement

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

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

(1) Debt instruments

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

1) Financial assets measured at amortized cost

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

2) Financial assets measured at FVOCI

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

3) Financial assets measured at FVTPL

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

(2) Equity instruments

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

2.6.2 Measurement (cont'd)

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

2.6.3 Impairment

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

2.6.4 Recognition and Derecognition

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

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

2.6.5 Offsetting of financial instruments

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

2.7 Inventories

Inventories are valued at the lower of cost or net realizable value, with cost being determined using the first-in, first-out method or the specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Company recorded valuation allowance on a periodic basis, when significant changes with an adverse effect (an oversupply, an obsolete or decline in the price of goods) on the entity have taken place during the period, or will take place in the near future, and loss from inventory revaluation is recognized as operating expenses.

2.8 Investments in subsidiaries, associates and joint ventures

Pursuant to KIFRS 1027 *Separate Financial Statements*, the accompanying separate financial statements are accounted for, by a parent or investor in an associate and 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. Moreover, KIFRS 1027 requires that, in the separate financial statements, investments in subsidiaries, associates, and joint ventures should be accounted for at cost. All dividends should be recognized in profit or loss within separate financial statements once the right to receive payments has been established.

2.9 Property, plant and equipment

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

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

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

<u>Description</u>	<u>Useful lives (years)</u>	<u>Description</u>	<u>Useful lives (years)</u>
Buildings	20 ~ 50	Vehicles	4, 5, 10
Structures	20, 40	Others	4 ~ 25

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

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

2.10 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost and intangible assets acquired in a business combination are carried at fair value at the acquisition date. Subsequently, intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses.

The residual value of development cost and other intangible assets is estimated as nil ("0") and amortization of these is provided using the straight-line method over the estimated useful life of the assets. However, intangible assets with indefinite useful lives such as goodwill, membership and brand-related assets are not amortized as there is no foreseeable limit to the period over which the asset is expected to use.

Description	Useful lives (years)
Development cost	3 ~ 10
Others	5 ~ 10

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

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

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.11 Impairment of tangible and intangible assets

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

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

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

2.12 Investment properties

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

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

While land is not depreciated, all other investment property is depreciated based on the respective asset's estimated useful lives ranging from 25 to 50 years using the straight-line method.

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

2.13 Borrowing costs

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

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

2.14 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

2.15 Discount (premium) on bonds

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

2.16 Leases

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

2.16.1 The Company as a lessee

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

(1) Right-of use assets

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

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

Description	Useful lives (years)
Buildings	20 ~ 50
Vehicles	4, 10
Furniture and fixtures	4 ~ 25

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

(2) Lease liabilities

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

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

The Company included lease liabilities as financial liabilities.

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

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

2.16.2 The Company as a lessor

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

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

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

2.17 Financial liabilities and equity instruments

2.17.1 Classification as debt or equity

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

2.17.2 Equity instruments

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

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

2.17.3 Compound instruments

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

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

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

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

2.17.4 Financial liabilities

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

2.17.4.1 Financial liabilities measured at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

2.17.4.2 Financial liabilities measured at amortized cost

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

2.17.5 Financial guarantee contracts

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

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

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

2.17.6 Derecognition of financial liabilities

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

2.18 Retirement benefit costs

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

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

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

2.19 Stock option

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

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

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

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

2.20 Provision

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

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

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

2.21 Revenue recognition

The Company has applied KIFRS 1115 *Revenue from Contracts with Customers*. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that the future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below:

2.21.1 Dividends income

The main purpose of the Company's business is to instruct, govern and give management guidance to its subsidiaries and others by acquiring their shares. Dividend income from subsidiaries is recognized when the right to receive the dividend as a shareholder is established and is included in operating revenue.

2.21.2 Trademark usage income

Trademark usage income is recognized in accordance with the related arrangements over the term of the use of the trademark.

2.21.3 Rendering of services

The Company provide customized system construction, system operation, maintenance and repair services. For system construction services, revenue is recognized over time at the rate of progress under the input method because the Company has no alternative use for completing the obligation for the assets created by the Company that have completed the performance so far, and because the Company has a enforceable right to payment for the completed performance.

In the case of providing system operation, maintenance and repair services, the Company is obliged to provide the customer with the related services during the contract period, so the transaction price allocated to the performance obligation is recognized as revenue over the period where the services are provided.

2.21.4 Contract assets and liabilities

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

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

2.21.5 Sale of goods

Revenue from sale of goods is recognized when control have passed to the buyer, usually on delivery of the goods.

2.22 Income tax

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

2.22.1 Current tax

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

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4.2 Financial liabilities

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

	December 31, 2020		
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
Current liabilities:			
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
Current leasehold deposits received	-	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>
Non-current liabilities:			
Bonds payable	-	5,336,808	5,336,808
Leasehold deposits received	-	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>
	December 31, 2019		
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 1,680,000	₩ 1,680,000
Trade payables	-	160,253	160,253
Other payables	-	111,254	111,254
Accrued expenses	-	76,116	76,116
Current portion of long-term debt	-	1,132,548	1,132,548
Current leasehold deposits received	-	192	192
Lease liabilities	-	56,535	56,535
Derivative financial liabilities	17	-	17
	<u>17</u>	<u>3,216,898</u>	<u>3,216,915</u>
Non-current liabilities:			
Bonds payable	-	5,192,962	5,192,962
Leasehold deposits received	-	5,385	5,385
Long-term lease liabilities	-	20,047	20,047
Derivative financial liabilities	222,359	-	222,359
	<u>222,359</u>	<u>5,218,394</u>	<u>5,440,753</u>
	<u>₩ 222,376</u>	<u>₩ 8,435,292</u>	<u>₩ 8,657,668</u>

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4.3 Gain and loss by category of financial instruments

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

	For the year ended December 31, 2020					
	Interest income	Interest expense	Gain on foreign currency	Gain on derivatives instruments	Gain on valuation	Total
Financial assets measured at FVTPL	₩ 1,906	₩ -	₩ -	₩ (368,299)	₩ (12,095)	₩ (378,488)
Financial assets measured at FVOCI	-	-	-	-	(4,630)	(4,630)
Financial assets measured at amortized cost	3,391	-	(599)	-	-	2,792
Financial liabilities measured at FVTPL	-	-	-	956	-	956
Other financial liabilities	-	(174,633)	66	-	-	(174,567)
	<u>₩ 5,297</u>	<u>₩ (174,633)</u>	<u>₩ (533)</u>	<u>₩ (367,343)</u>	<u>₩ (16,725)</u>	<u>₩ (553,937)</u>

	For the year ended December 31, 2019					
	Interest income	Interest expense	Gain (loss) on foreign currency	Gain (loss) on derivatives instruments	Gain on valuation	Total
Financial assets measured at FVTPL	₩ 4,807	₩ -	₩ -	₩ 236,966	₩ 17,873	₩ 259,646
Financial assets measured at FVOCI	-	-	-	-	18,093	18,093
Financial assets measured at amortized cost	1,677	-	1,097	-	-	2,774
Financial liabilities measured at FVTPL	-	-	-	17,812	-	17,812
Other financial liabilities	-	(181,899)	95	-	-	(181,804)
	<u>₩ 6,484</u>	<u>₩ (181,899)</u>	<u>₩ 1,192</u>	<u>₩ 254,778</u>	<u>₩ 35,966</u>	<u>₩ 116,521</u>

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 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

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

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 145,158	₩ -	₩ 286,497	₩ 431,655
Financial assets measured at FVOCI	-	-	296,095	296,095
Derivative financial assets	-	416	384,580	384,996
	<u>₩ 145,158</u>	<u>₩ 416</u>	<u>₩ 967,172</u>	<u>₩ 1,112,746</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 20	₩ 222,356	₩ 222,376

Changes in Level 3 financial assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the year ended December 31, 2020					
	Beginning balance	Acquisition	Disposal	Valuation	Transfer (*1)	Ending balance
Financial assets measured at FVTPL	₩ 286,497	₩ 117,856	₩ -	₩ (12,095)	₩ (17,505)	₩ 374,753
Financial assets measured at FVOCI	296,095	8,265	-	(4,630)	-	299,730
Derivative financial assets	384,580	-	-	(208,667)	-	175,913
	<u>₩ 967,172</u>	<u>₩ 126,121</u>	<u>₩ -</u>	<u>₩ (225,392)</u>	<u>₩ (17,505)</u>	<u>₩ 850,396</u>

(*1) During the current period, the convertible bonds of Socar Co., Ltd. were converted into common stock and as a result, the entity was reclassified as investment in associate.

	For the year ended December 31, 2019					
	Beginning balance	Acquisition	Disposal	Valuation	Transfer (*1)	Ending balance
Financial assets measured at FVTPL	₩ 162,475	₩ 109,290	₩ (3,141)	₩ 17,873	₩ -	₩ 286,497
Financial assets measured at FVOCI	232,216	6,058	-	18,093	39,728	296,095
Derivative financial assets	175,993	-	-	208,587	-	384,580
	<u>₩ 570,684</u>	<u>₩ 115,348</u>	<u>₩ (3,141)</u>	<u>₩ 244,553</u>	<u>₩ 39,728</u>	<u>₩ 967,172</u>

(*1) The Company has lost significant influence on Turo Inc., which was an investments in associates, and replaced it to long-term investment securities.

4.5 Valuation techniques and inputs

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

A. Currency forward

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

B. Debt securities

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

C. Unlisted stocks

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

D. Total return swap agreement

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

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

		December 31, 2020				
		Valuation amount		Valuation techniques	Level 3 inputs	Input variations
SK Shipping Co., Ltd.	Assets	₩ 218,343		DCF model	Permanent growth rate	1.0%
					WACC	8.3%
Total return swap Agreement	Assets	₩ 175,913		Monte-Carlo Simulation	Term structure of interest rate	1.0% ~ 1.3%
	Liabilities	468,000			WACC	5.3% ~ 15.3%

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

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5. Trade receivables

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Trade receivables:				
Trade receivables	₩	360,505	₩	320,709
Contract assets				
(unbilled receivables)		<u>115,626</u>		<u>156,133</u>
		<u>476,131</u>		<u>476,842</u>
Allowance for doubtful accounts:				
Trade receivables		<u>(1,396)</u>		<u>(571)</u>
	₩	<u>474,735</u>	₩	<u>476,271</u>

6. Inventories

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

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Valuation</u>		<u>Cost</u>	<u>Valuation</u>	
		<u>allowance</u>	<u>Book value</u>		<u>allowance</u>	<u>Book value</u>
Raw materials	₩ 142	₩ -	₩ 142	₩ 147	₩ -	₩ 147

7. Investment securities

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Cost</u>	<u>Book value</u>	<u>Cost</u>	<u>Book value</u>
Financial assets				
measured at FVTPL:				
Equity instruments	₩ 90,790	₩ -	₩ 90,790	₩ -
Debt securities (*1)	298,621	311,459	203,596	229,606
Money invested and others	61,886	63,294	54,066	56,891
Financial assets				
measured at FVOCI:				
Equity instruments (*2)	288,943	299,730	280,678	296,095
Financial assets measured at				
amortized cost:				
Debt securities	<u>322</u>	<u>408</u>	<u>394</u>	<u>435</u>
	₩ <u>740,562</u>	₩ <u>674,891</u>	₩ <u>629,524</u>	₩ <u>583,027</u>

(*1) Represents convertible redeemable preference shares of GRAB Holdings Inc., convertible bonds of Kinestral Technologies Inc. and Remedi. The convertible bonds of Socar Co., Ltd. were converted into common stock and as a result, the entity was reclassified as investment in associate.

(*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.

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7. Investment securities (cont'd)

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

	December 31, 2020		December 31, 2019	
	Acquisition cost	Book value	Acquisition cost	Book value
Non-marketable equity instruments	₩ 379,733	₩ 299,730	₩ 371,468	₩ 296,095
Debt securities	298,943	311,867	203,990	230,041
Money invested and others	61,886	63,294	54,066	56,891
	<u>₩ 740,562</u>	<u>₩ 674,891</u>	<u>₩ 629,524</u>	<u>₩ 583,027</u>

(3) Details of non-marketable equity instruments as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	December 31, 2020			December 31, 2019	
	Equity ownership	Acquisition cost	Book value	Acquisition cost	Book value
SK Shipping Co., Ltd.	16.35%	₩ 204,675	₩218,343	₩ 204,675	₩ 225,081
Fintiv, Inc.	1.98%	90,790	-	90,790	-
Turo Inc.	3.85%	39,728	41,346	39,728	39,728
Otonomo Technologies Ltd.	2.69%	11,624	11,624	11,624	11,624
Harbour BioMed	1.13%	6,058	6,058	6,058	6,058
Sino Glow Limited. (*1)	25.00%	5,309	5,438	5,309	5,787
Pulus, Inc.	17.92%	4,387	1,851	4,387	1,851
GenEdit Inc.	8.29%	4,235	4,235	1,537	1,537
Enuma, Inc.	4.20%	3,554	3,554	-	-
Lvis Corporation	5.88%	3,381	3,381	3,381	3,381
Evidnet Co., Ltd.	11.71%	3,000	1,770	3,000	931
Testworks	4.92%	2,013	2,013	-	-
Intellectual Discovery	0.60%	500	80	500	80
Ultra Robot Land Co., Ltd.	8.39%	417	-	417	-
Nongshim Development Co., Ltd.	0.13%	37	37	37	37
Ultra Robot Land Assets Management Co., Ltd.	8.39%	25	-	25	-
		<u>₩ 379,733</u>	<u>₩ 299,730</u>	<u>₩ 371,468</u>	<u>₩ 296,095</u>

(*1) As the Company do not have significant influence, the Company classifies it as investment securities despite having more than 20% equity ownership.

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7. Investment securities (cont'd)

(4) Details of money invested and others as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	December 31, 2020		December 31, 2019	
	Acquisition cost	Book value	Acquisition cost	Book value
Prostar Asia-Pacific Energy Infrastructure SK Fund L.P.	₩ 26,787	₩ 29,167	₩ 26,440	₩ 31,252
Hermed Capital Health Care Fund L.P.	18,071	21,056	17,908	21,503
Dogus-SK Private Equity Investment Company	7,472	1,109	7,472	1,464
Saturn V GP LLC	6,737	6,737	-	-
Korea Software Financial Cooperative	1,500	2,303	1,500	2,256
Golden Gate Ventures K9, L.P.	1,176	2,779	603	273
Information & Communication Financial Cooperative	107	107	107	107
Fire Guarantee	20	20	20	20
Engineering Guarantee Insurance	16	16	16	16
	<u>₩ 61,886</u>	<u>₩ 63,294</u>	<u>₩ 54,066</u>	<u>₩ 56,891</u>

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

	For the years ended	
	December 31, 2020	December 31, 2019
Beginning balance	₩ 583,027	₩ 395,085
Acquisitions	126,121	115,348
Gain on valuation and interest income	(16,680)	36,007
Disposals	(72)	(3,141)
Transfer (*1)	(17,505)	39,728
Ending balance	<u>₩ 674,891</u>	<u>₩ 583,027</u>

(*1) During the current period, the convertible bonds of Socar Co., Ltd. were converted and as a result, the entity was reclassified as investment in associate. Also, the Company has lost significant influence over Turo Inc., which was an investment in associates in the previous year and reclassified it to investment securities.

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8. Investments in subsidiaries

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

	Domicile	Principal Business activity	December 31, 2020		December 31, 2019	
			Equity ownership (%) (*1)	Acquisition cost	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	26.78	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 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 Biopharmaceuticals Co., Ltd. (*3)	Korea	Life science	75.00	432,562	432,562	478,702
SK Materials Co., Ltd. (*2)	Korea	Special-gas manufacturing and sales	49.10	473,335	473,335	473,335
Hweechan Co., Ltd. (*4)	Korea	Resort business	100.00	335,912	335,912	28,483
SK Forest Co., Ltd.	Korea	Landscape construction	100.00	61,387	61,387	61,387
SK Pharmteco Inc.	USA	Investment	100.00	875,245	875,245	875,245
Plutus Capital NY, Inc.	USA	Investment	100.00	587,542	587,542	587,542
SK China Company, Ltd. (*5)	Hong Kong	Consulting and investment	27.42	557,117	557,117	557,117
SK South East Asia Investment Pte. Ltd. (*4,5)	Singapore	Investment	20.00	345,010	345,010	224,350
Golden Pearl EV Solutions Limited.	Hong Kong	Investment	100.00	281,360	281,360	281,360
Einstein Cayman Limited. (*6)	Cayman	Investment	100.00	181,734	181,734	-
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
I Cube Capital II, Inc. (*6)	USA	Investment	100.00	52,667	52,667	-
I Cube Capital, Inc. (*6)	USA	Investment	100.00	37,275	37,275	-
Energy Solution Holdings Inc. (*5,6)	USA	Investment	39.97	36,432	36,432	-
Socar Mobility Malaysia, SDN. BHD. (*7)	Malaysia	Rental of cars	79.43	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
SK GI Management	Cayman	Investment	100.00	9,523	9,523	9,523
SK Investment Management Co., Ltd.	Hong Kong	Investment	80.76	9,201	9,201	9,201
Gemini Partners Pte. Ltd. (*5)	Singapore	Consulting	20.00	6,018	2,601	2,601
SK MENA Investment B.V. (*5)	Netherlands	Investment	11.54	5,178	5,178	5,178
SK Latin Americas Investment S.A. (*5)	Spain	Investment	11.54	5,135	5,135	5,135
SK C&C India Pvt. Ltd.	India	Computer system	100.00	3,442	382	382
SK Technology Innovation Company (*5)	Cayman	Research and	2.12	1,876	1,876	1,876
S&G Technology	Saudi Arabia	Computer system	51.00	74	74	74
				<u>₩ 18,031,525</u>	<u>₩ 18,025,048</u>	<u>₩ 17,305,770</u>

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

(*2) SK Innovation Co., Ltd. and 5 others 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 five other companies are widely dispersed, and the Company's voting rights are sufficient to give it power.

(*3) During the current period, the IPO of SK Biopharmaceuticals Co., Ltd., a subsidiary company, was completed. In the process of IPO, a change in share ratio resulted due to the sale of a portion of the shares held by the Company.

(*4) Additional investment was made during the current period.

(*5) The Company classified it as the investments in subsidiaries because the Company can exercise control when adding up the investment shares of subsidiaries.

(*6) Newly established during the current period.

(*7) During the current period, the Company acquired an additional 29% stake in Socar Mobility Malaysia, SDN. BHD., which was held by Socar Co., Ltd. Accordingly, the investment was reclassified from investment in joint ventures to investments in subsidiaries.

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8. Investments in subsidiaries (cont'd)

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

	For the year ended December 31, 2020				Ending balance
	Beginning balance	Acquisitions	Disposal	Others	
SK Innovation Co., Ltd.	₩ 3,072,937	₩ -	₩ -	₩ -	₩ 3,072,937
SK Telecom Co., Ltd.	5,416,019	-	-	-	5,416,019
SK Networks Co., Ltd.	706,229	-	-	-	706,229
SKC Co., Ltd.	548,654	-	-	-	548,654
SK E&S Co., Ltd.	2,600,000	-	-	-	2,600,000
SK Engineering & Construction Co., Ltd.	545,300	-	-	-	545,300
SK Siltron Co., Ltd.	622,606	-	-	-	622,606
SK Biopharmaceuticals Co., Ltd.	478,702	-	(46,140)	-	432,562
SK Materials Co., Ltd.	473,335	-	-	-	473,335
Hweechan Co., Ltd.	28,483	307,429	-	-	335,912
SK Forest Co., Ltd.	61,387	-	-	-	61,387
SK Pharmteco Inc.	875,245	-	-	-	875,245
Plutus Capital NY, Inc.	587,542	-	-	-	587,542
SK China Company, Ltd.	557,117	-	-	-	557,117
SK South East Asia Investment Pte. Ltd.	224,350	120,660	-	-	345,010
Golden Pearl EV Solutions Limited.	281,360	-	-	-	281,360
Einstein Cayman Limited.	-	181,734	-	-	181,734
Plutus Fashion NY, Inc.	74,113	-	-	-	74,113
Saturn Agriculture Investment Co., Ltd.	67,093	-	-	-	67,093
I Cube Capital II, Inc.	-	52,667	-	-	52,667
I Cube Capital, Inc.	-	37,275	-	-	37,275
Energy Solution Holdings Inc.	-	36,432	-	-	36,432
Socar Mobility Malaysia, SDN. BHD.	-	32	-	29,189	29,221
SK S.E.Asia Pte. Ltd.	25,847	-	-	-	25,847
SK C&C Beijing Co., Ltd.	25,481	-	-	-	25,481
SK GI Management	9,523	-	-	-	9,523
SK Investment Management Co., Ltd.	9,201	-	-	-	9,201
Gemini Partners Pte. Ltd.	2,601	-	-	-	2,601
SK MENA Investment B.V.	5,178	-	-	-	5,178
SK Latin Americas Investment S.A.	5,135	-	-	-	5,135
SK C&C India Pvt. Ltd.	382	-	-	-	382
SK Technology Innovation Company	1,876	-	-	-	1,876
S&G Technology	74	-	-	-	74
	<u>₩ 17,305,770</u>	<u>₩ 736,229</u>	<u>₩ (46,140)</u>	<u>₩ 29,189</u>	<u>₩ 18,025,048</u>

	For the year ended December 31, 2019				Ending balance
	Beginning balance	Acquisitions	Disposal	Others	
SK Innovation Co., Ltd.	₩ 3,072,937	₩ -	₩ -	₩ -	₩ 3,072,937
SK Telecom Co., Ltd.	5,416,019	-	-	-	5,416,019
SK Networks Co., Ltd.	706,229	-	-	-	706,229
SKC Co., Ltd.	548,654	-	-	-	548,654
SK E&S Co., Ltd.	2,600,000	-	-	-	2,600,000
SK Engineering & Construction Co., Ltd.	545,300	-	-	-	545,300
SK Siltron Co., Ltd.	622,606	-	-	-	622,606
SK Biopharmaceuticals Co., Ltd.	478,702	-	-	-	478,702
SK Materials Co., Ltd.	473,335	-	-	-	473,335
SK Biotek Co., Ltd.	336,318	-	-	(336,318)	-
SK Forest Co., Ltd.	61,387	-	-	-	61,387
Hweechan Co., Ltd.	-	28,483	-	-	28,483
SK Pharmteco Inc.	526,631	12,296	-	336,318	875,245
Plutus Capital NY, Inc.	388,527	199,015	-	-	587,542
SK China Company, Ltd.	557,117	-	-	-	557,117
Golden Pearl EV Solutions Limited.	657	280,703	-	-	281,360
SK South East Asia Investment Pte. Ltd.	110,880	113,470	-	-	224,350
Plutus Fashion NY, Inc.	74,113	-	-	-	74,113
Saturn Agriculture Investment Co., Ltd.	5	67,088	-	-	67,093
SK S.E.Asia Pte. Ltd.	25,847	-	-	-	25,847
SK C&C Beijing Co., Ltd.	25,481	-	-	-	25,481
SK GI Management	9,523	-	-	-	9,523
SK Investment Management Co., Ltd.	9,201	-	-	-	9,201
Gemini Partners Pte. Ltd.	2,601	-	-	-	2,601
SK MENA Investment B.V.	5,178	-	-	-	5,178
SK Latin Americas Investment S.A.	5,135	-	-	-	5,135
SK C&C India Pvt. Ltd.	382	-	-	-	382
SK Technology Innovation Company	1,876	-	-	-	1,876
SK computer and communication LLC	380	-	(380)	-	-
S&G Technology	74	-	-	-	74
	<u>₩ 16,605,095</u>	<u>₩ 701,055</u>	<u>₩ (380)</u>	<u>₩ -</u>	<u>₩ 17,305,770</u>

8. Investments in subsidiaries (cont'd)

(3) Fair value of marketable investments in subsidiaries as of December 31, 2020 is as follows (Korean won in millions):

	<u>December 31, 2020</u>	
SK Innovation Co., Ltd.	₩	5,867,920
SK Telecom Co., Ltd.		5,146,541
SK Networks Co., Ltd.		471,629
SKC Co., Ltd.		1,446,660
SK Materials Co., Ltd.		1,852,880
SK Biopharmaceuticals Co., Ltd.		9,926,205

(4) Gain and loss on investments in subsidiaries for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	<u>For the years ended</u>			
	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Dividend incomes from investments in subsidiaries	₩	1,470,819	₩	1,244,132

(5) Impairment test of investments in subsidiaries

The Company performs impairment tests of investment in subsidiaries on an annual basis. If any indication of impairment exists, the recoverable amount of the investment is estimated. There is no indication of impairment of investments in subsidiaries, as a result of impairment test.

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9. Investments in associates and joint ventures

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

	Domicile	Principal business activity	December 31, 2020			December 31, 2019
			Equity ownership (%)	Acquisition cost	Book value	Book value
Investments in associates:						
Socar Co., Ltd. (*1,2)	Korea	Rental of cars	22.21	₩ 109,304	₩ 109,304	₩ 91,800
SMCore Inc.	Korea	Manufacturing and sales of automated logistics system	26.60	39,419	39,419	39,419
K-solar 2 Co., Ltd. (*1,3)	Korea	Solar power generation	49.00	20,588	20,588	-
Standigm Inc. (*1,4)	Korea	Software development	12.94	9,402	9,402	9,402
Cloocus Co., Ltd. (*1,4)	Korea	Information and Communication Service	16.75	6,500	6,500	6,500
Begas Co., Ltd. (*1,4)	Korea	Management consulting	17.86	5,000	5,000	5,000
THiRA-UTECH Co., Ltd. (*4)	Korea	Service manufacturing	13.80	4,200	4,200	4,200
PUMP Co., Ltd. (*1,4)	Korea	Electric Kickboard Rental	12.17	3,000	3,000	3,000
Acryl Inc. (*1,4)	Korea	Information service	17.14	2,500	2,500	2,500
Two Line Code Inc. (*3)	Korea	Software development	33.77	2,500	2,500	-
Daehan Kanggun BcN Co., Ltd. (*1,5)	Korea	Wired communication	0.20	58	-	-
ESR Cayman Limited. (*6)	Cayman	Investment	-	-	-	493,627
9352-7281 Quebec Inc.	Canada	Investment	40.09	31,558	31,558	31,558
SES Holdings Pte. Ltd. (*1,4)	Singapore	Investment	12.64	28,791	28,791	28,791
Belstar Superfreeze Holdings, LLC (*1,3)	Cayman	Warehouse business	20.00	25,232	25,232	-
FSK Holdings Co., Ltd. Kinestral Technologies Inc. (*1,4)	Hong Kong USA	IT service Manufacturing discolored glass	30.00 2.13	11,937 8,498	6,245 8,498	6,245 8,498
Hummingbird Bioscience Holdings Pte. Ltd. (*1,3,4)	Singapore	Antibody drugs development	9.31	7,434	7,434	-
Mozido Corfire, Inc. (*4)	USA	System consulting	19.94	6,767	-	-
Visible Patient S.A.S. (*1,4)	France	Manufacturing related to medicine	13.51	4,461	4,461	2,928
				<u>327,149</u>	<u>314,632</u>	<u>733,468</u>
Investments in joint ventures:						
Hana Land Chip PEF 33 (*5)	Korea	Real estate	13.51	₩ 40,000	₩ 40,000	₩ 40,000
Socar Mobility Malaysia, SDN. BHD. (*7)	Malaysia	Rental of cars	-	-	-	14,189
				<u>40,000</u>	<u>40,000</u>	<u>54,189</u>
				<u>₩ 367,149</u>	<u>₩ 354,632</u>	<u>₩ 787,657</u>

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

(*2) During the current period, the convertible bonds of Socar Co., Ltd. were converted into common stock and as a result, the entity was reclassified as investment in associate.

(*3) During the current period, the Company newly acquired the investee.

(*4) 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.

(*5) 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.

(*6) During the current period, the Company decided to sell its equity interest in ESR Cayman Limited., which is classified as an investment in associates. As of December 31, 2020, a partial disposal of the shareholding has been completed, and the disposal of some shares is in progress. Meanwhile, as of December 31, 2020, the Company has lost significant influence on these shares and transferred them to investment securities and classified them as assets held for sale.

(*7) During the current period, the Company acquired an additional 29% stake in Socar Mobility Malaysia, SDN. BHD., which was held by Socar Co., Ltd. Accordingly, the investment was reclassified from investment in joint ventures to investments in subsidiaries.

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10. Property, plant and equipment

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

	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 96,251	₩ -	₩ 96,251	₩ 95,831	₩ -	₩ 95,831
Buildings	353,116	(67,346)	285,770	338,945	(57,356)	281,589
Structures	9,734	(1,524)	8,210	9,734	(1,128)	8,606
Vehicles	12,533	(3,288)	9,245	12,548	(2,666)	9,882
Furniture and fixtures	385,412	(264,132)	121,280	341,698	(237,447)	104,251
Construction-in-progress	13,440	-	13,440	20,063	-	20,063
	<u>₩ 870,486</u>	<u>₩ (336,290)</u>	<u>₩ 534,196</u>	<u>₩ 818,819</u>	<u>₩ (298,597)</u>	<u>₩ 520,222</u>

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

	For the year ended December 31, 2020					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer	Ending balance
Land	₩ 95,831	₩ -	₩ -	₩ (398)	₩ 818	₩ 96,251
Buildings	281,589	-	(9,990)	-	14,171	285,770
Structures	8,606	-	(396)	-	-	8,210
Vehicles	9,882	226	(863)	-	-	9,245
Furniture and fixtures	104,251	34,043	(34,880)	(47)	17,913	121,280
Construction-in-progress	20,063	26,279	-	-	(32,902)	13,440
	<u>₩ 520,222</u>	<u>₩ 60,548</u>	<u>₩ (46,129)</u>	<u>₩ (445)</u>	<u>₩ -</u>	<u>₩ 534,196</u>

	For the year ended December 31, 2019					
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer	Ending balance
Land	₩ 84,251	₩ -	₩ -	₩ -	₩ 11,580	₩ 95,831
Buildings	275,643	-	(9,269)	-	15,215	281,589
Structures	8,031	-	(379)	-	954	8,606
Vehicles	5,025	255	(427)	-	5,029	9,882
Furniture and fixtures	104,183	28,357	(33,262)	(176)	5,149	104,251
Construction-in-progress	17,670	40,658	-	(8)	(38,257)	20,063
	<u>₩ 494,803</u>	<u>₩ 69,270</u>	<u>₩ (43,337)</u>	<u>₩ (184)</u>	<u>₩ (330)</u>	<u>₩ 520,222</u>

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11. Right-of-use assets and lease liabilities

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

	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land and buildings	₩ 126,107	₩ (37,522)	₩ 88,585	₩ 56,405	₩ (19,931)	₩ 36,474
Vehicles	8,239	(3,158)	5,081	5,383	(1,808)	3,575
Machinery	-	-	-	183	(61)	122
Furniture and fixtures	367	(52)	315	335	(113)	222
	<u>₩ 134,713</u>	<u>₩ (40,732)</u>	<u>₩ 93,981</u>	<u>₩ 62,306</u>	<u>₩ (21,913)</u>	<u>₩ 40,393</u>

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

	For the year ended December 31, 2020				
	Beginning balance	Increase	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ 36,474	₩ 29,096	₩ (29,159)	₩ 52,174	₩ 88,585
Vehicles	3,575	5,214	(2,700)	(1,008)	5,081
Machinery	122	-	-	(122)	-
Furniture and fixtures	222	211	(151)	33	315
	<u>₩ 40,393</u>	<u>₩ 34,521</u>	<u>₩ (32,010)</u>	<u>₩ 51,077</u>	<u>₩ 93,981</u>

	For the year ended December 31, 2019					
	Beginning balance	Change of accounting policy	Increase	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ -	₩ 64,375	₩ 4,318	₩ (28,487)	₩ (3,732)	₩ 36,474
Vehicles	-	2,802	2,955	(1,868)	(314)	3,575
Machinery	-	183	-	(61)	-	122
Furniture and fixtures	-	425	51	(176)	(78)	222
	<u>₩ -</u>	<u>₩ 67,785</u>	<u>₩ 7,324</u>	<u>₩ (30,592)</u>	<u>₩ (4,124)</u>	<u>₩ 40,393</u>

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

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

	For the year ended December 31, 2020					
	Beginning balance	Increase	Interest expenses	Decrease (payment)	Others (*1)	Ending balance
Lease liabilities	₩ 76,582	₩ 34,088	₩ 1,518	₩ (59,406)	₩ 75,639	₩ 128,421

	For the year ended December 31, 2019						
	Beginning Balance	Change of accounting policies	Increase	Interest expenses	Decrease (payment)	Others (*1)	Ending balance
Lease liabilities	₩ -	₩ 132,448	₩ 7,324	₩ 2,118	₩ (60,189)	₩ (5,119)	₩ 76,582

(*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 ₩3,037 million in relation to short-term lease and ₩1,208 million in relation to leases of low-value assets during the year ended December 31, 2020. The total cash outflow of leases during the year ended December 31, 2020 is ₩63,651 million.

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

(4) Details of gross investment amount and net investment amount in finance leases as of December 31, 2020 and 2019 are as follows (Korean won in millions):

Year ending	December 31, 2020		December 31, 2019	
	Gross investment	Net investment	Gross investment	Net investment
Within a year	₩ 33,200	₩ 33,189	₩ 32,653	₩ 32,190
1 year to 2 years	-	-	8,078	8,064
	<u>₩ 33,200</u>	<u>₩ 33,189</u>	<u>₩ 40,731</u>	<u>₩ 40,254</u>

12. Investment properties

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

	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings	₩ 10,183	₩ (2,338)	₩ 7,845	₩ 9,810	₩ (1,883)	₩ 7,927

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

	For the year ended December 31, 2020			
	Beginning balance	Depreciation	Transfer(*1)	Ending balance
Buildings	₩ 7,927	₩ (455)	₩ 373	₩ 7,845

(*1) This includes replacements from right-of-use assets to investment properties.

	For the year ended December 31, 2019				
	Beginning balance	Account policy changes (*1)	Depreciation	Transfer (*2)	Ending balance
Buildings	₩ 8,353	₩ 666	₩ (906)	₩ (186)	₩ 7,927

(*1) Consist of replacements from right-of-use asset that meets the definition of investment properties according to the first application of KIFRS 1116.

(*2) This includes replacements from Property, plant and equipment to investment properties.

(3) Details of gains and losses related to investment properties for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
Rental revenue	₩ 1,508	₩ 1,508
Depreciation	(455)	(906)
	<u>₩ 1,053</u>	<u>₩ 602</u>

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

(4) The fair value of building classified as investment properties was ₩10,183 million as of December 31, 2020.

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13. Intangible assets

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

	December 31, 2020				December 31, 2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 170,983	₩ (71,217)	₩ (3,210)	₩ 96,556	₩ 125,917	₩ (50,978)	₩ (2,518)	₩ 72,421
Memberships	65,551	-	(13,648)	51,903	56,639	-	(13,648)	42,991
Brand-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	44,881	(14,203)	-	30,678	40,798	(9,107)	-	31,691
	<u>₩ 2,256,415</u>	<u>₩ (85,420)</u>	<u>₩ (16,858)</u>	<u>₩ 2,154,137</u>	<u>₩ 2,198,354</u>	<u>₩ (60,085)</u>	<u>₩ (16,166)</u>	<u>₩ 2,122,103</u>

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

	For the year ended December 31, 2020					
	Beginning balance	Acquisition	Amortization	Disposal	Impairment	Ending balance
Development costs	₩ 72,421	₩ 45,066	₩ (20,239)	₩ -	₩ (692)	₩ 96,556
Memberships (*1)	42,991	10,306	-	(1,394)	-	51,903
Brand-related assets (*1)	1,975,000	-	-	-	-	1,975,000
Others	31,691	4,083	(5,096)	-	-	30,678
	<u>₩ 2,122,103</u>	<u>₩ 59,455</u>	<u>₩ (25,335)</u>	<u>₩ (1,394)</u>	<u>₩ (692)</u>	<u>₩ 2,154,137</u>

	For the year ended December 31, 2019					
	Beginning balance	Acquisition	Amortization	Disposal	Impairment	Ending balance
Development costs	₩ 57,993	₩ 33,360	₩ (15,830)	₩ (584)	₩ (2,518)	₩ 72,421
Memberships (*1)	40,543	2,632	-	(184)	-	42,991
Brand-related assets (*1)	1,975,000	-	-	-	-	1,975,000
Others	32,162	3,712	(4,183)	-	-	31,691
	<u>₩ 2,105,698</u>	<u>₩ 39,704</u>	<u>₩ (20,013)</u>	<u>₩ (768)</u>	<u>₩ (2,518)</u>	<u>₩ 2,122,103</u>

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

(3) Impairment testing of brand-related assets

The Company measured the recoverable amount of intangible assets with an indefinite useful life related to brand. Major assumptions used in the calculation reflected the management's assessment of the future trends in each reporting segment using the brand, based on the historical information.

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

Recoverable amounts	Growth rate (*1)	Discount rate (*2)
Usage value	1.0%	9.1 ~ 14.7%

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

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

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

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14. Borrowings and bonds payable

(1) Short-term borrowings

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

Description	Financial institution	Interest rate (%)	December 31, 2020	December 31, 2019
Working capital loan	Shinhan Bank	-	₩ -	₩ 250,000
Working capital loan	Woori Bank	-	-	240,000
Working capital loan	Industrial & Commercial Bank of China	-	-	100,000
Working capital loan	KB Bank	-	-	250,000
Working capital loan	KEB Hana Bank	-	-	50,000
Commercial paper	SK Securities	0.94 ~ 1.11	245,000	330,000
Commercial paper	KB Securities	0.94 ~ 1.11	210,000	340,000
Commercial paper	Woori investment bank	2.45 ~ 2.46	110,000	-
Commercial paper	Shinyoung Securities	1.11	100,000	-
Commercial paper	Shinhan Bank	1.03	50,000	-
Commercial paper	Korea Investment & Securities	-	-	100,000
Commercial paper	NH Investment & Securities	-	-	20,000
			₩ 715,000	₩ 1,680,000

(2) Bonds payable

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

Issuance number	Interest rate (%)	Maturity	Security	December 31, 2020	December 31, 2019
259-2nd	-	2020-06-03	Unsecured	₩ -	₩ 100,000
260-2nd	-	2020-09-06	Unsecured	-	100,000
261-2nd	-	2020-12-03	Unsecured	-	100,000
262-2nd	3.68	2021-02-12	Unsecured	100,000	100,000
263-2nd	3.36	2021-05-30	Unsecured	100,000	100,000
264-2nd	3.25	2021-08-05	Unsecured	170,000	170,000
265-3rd	2.66	2021-12-02	Unsecured	100,000	100,000
266-1st	-	2020-02-06	Unsecured	-	150,000
266-2nd	2.39	2022-02-06	Unsecured	100,000	100,000
270-3rd	3.80	2022-11-02	Unsecured	50,000	50,000
271-2nd	-	2020-02-27	Unsecured	-	100,000
272-3rd	-	2020-08-30	Unsecured	-	60,000
273-2nd	3.79	2021-03-25	Unsecured	100,000	100,000
273-3rd	4.26	2024-03-25	Unsecured	100,000	100,000
274-2nd	-	2020-09-30	Unsecured	-	150,000
274-3rd	2.34	2022-09-30	Unsecured	80,000	80,000
275-2nd	-	2020-12-07	Unsecured	-	120,000
275-3rd	2.66	2022-12-07	Unsecured	60,000	60,000
276-2nd	2.02	2021-03-07	Unsecured	120,000	120,000
276-3rd	2.26	2023-03-07	Unsecured	150,000	150,000
277-2nd	1.93	2021-06-01	Unsecured	120,000	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	1.65	2021-09-07	Unsecured	110,000	110,000
278-3rd	1.80	2023-09-07	Unsecured	110,000	110,000
279-1st	-	2020-03-06	Unsecured	-	90,000
279-2nd	2.34	2022-03-06	Unsecured	190,000	190,000
279-3rd	2.58	2024-03-06	Unsecured	120,000	120,000
280-1st	-	2020-06-01	Unsecured	-	90,000
280-2nd	2.39	2022-06-01	Unsecured	200,000	200,000

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14. Borrowings and bonds payable (cont'd)

Issuance number	Interest rate (%)	Maturity	Security	December 31,	December 31,
				2020	2019
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
282-1st	-	2020-10-25	Unsecured	-	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
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	-
291-2nd	1.63	2025-02-20	Unsecured	160,000	-
291-3rd	1.70	2027-02-20	Unsecured	40,000	-
291-4th	1.80	2030-02-20	Unsecured	60,000	-
292-1st	1.50	2023-06-03	Unsecured	110,000	-
292-2nd	1.69	2025-06-03	Unsecured	120,000	-
292-3rd	1.79	2030-06-03	Unsecured	50,000	-
293-1st	1.57	2025-09-07	Unsecured	200,000	-
293-2nd	1.74	2027-09-07	Unsecured	30,000	-
293-3rd	1.83	2030-09-07	Unsecured	120,000	-
294-1st	1.59	2025-12-03	Unsecured	150,000	-
294-2nd	1.91	2030-12-03	Unsecured	90,000	-
				6,400,000	6,330,000
				(11,786)	(4,490)
				(1,051,406)	(1,132,548)
				₩ 5,336,808	₩ 5,192,962

Less: discount on bonds payable
Less: current portion

(3) The Company's bonds payable repayment schedule as of December 31, 2020 is as follows (Korean won in millions):

Year ending	Amount of repayment
December 31, 2021	₩ 1,050,000
December 31, 2022	1,170,000
December 31, 2023	1,130,000
December 31, 2024	1,010,000
December 31, 2025 and thereafter	2,040,000
	₩ 6,400,000

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15. Provisions

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

	For the year ended December 31, 2020						
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current	
Provision for service warranties	₩ 3,948	₩ 2,521	₩ (2,667)	₩ 3,802	₩ 3,802	₩ -	
Others	2,598	2,416	(355)	4,659	2,345	2,314	
	<u>₩ 6,546</u>	<u>₩ 4,937</u>	<u>₩ (3,022)</u>	<u>₩ 8,461</u>	<u>₩ 6,147</u>	<u>₩ 2,314</u>	

	For the year ended December 31, 2019						
	Beginning Balance	Change of accounting policies	Increase	Decrease	Ending balance	Current	Non-current
Provision for service warranties	₩ 3,038	₩ -	₩ 4,820	₩ (3,910)	₩ 3,948	₩ 3,948	₩ -
Other	166	1,882	1,140	(590)	2,598	2,598	-
	<u>₩ 3,204</u>	<u>₩ 1,882</u>	<u>₩ 5,960</u>	<u>₩ (4,500)</u>	<u>₩ 6,546</u>	<u>₩ 6,546</u>	<u>₩ -</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 year ended December 31, 2020, were ₩65 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 December 31, 2020 and 2019 are as follows (Korean won in millions):

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 414,384	₩ 355,114
Fair value of plan assets	(371,994)	(322,967)
	<u>₩ 42,390</u>	<u>₩ 32,147</u>

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16. Defined benefit liabilities (cont'd)

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

	For the year ended December 31, 2020		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 355,114	₩ (322,967)	₩ 32,147
Provision for pension benefits:			
Current service cost	40,683	-	40,683
Net interest expense (income)	7,512	(7,126)	386
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	(3,717)	(3,717)
Actuarial changes arising from changes in financial assumptions	17,125	-	17,125
Experience adjustment and others	13,835	-	13,835
Contributions by employer directly to plan assets	-	(60,200)	(60,200)
Benefit paid	(28,259)	28,100	(159)
Others	8,374	(6,084)	2,290
Ending balance	₩ 414,384	₩ (371,994)	₩ 42,390

	For the year ended December 31, 2019		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 297,845	₩ (253,442)	₩ 44,403
Provision for pension benefits:			
Current service cost	35,399	-	35,399
Net interest expense (income)	6,817	(5,998)	819
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	1,411	1,411
Actuarial changes arising from changes in financial assumptions	8,340	-	8,340
Experience adjustment and others	10,383	-	10,383
Contributions by employer directly to plan assets	-	(73,800)	(73,800)
Benefit paid	(8,274)	10,636	2,362
Others	4,604	(1,774)	2,830
Ending balance	₩ 355,114	₩ (322,967)	₩ 32,147

(5) The components of plan assets as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	December 31, 2020	December 31, 2019
Debt instruments	₩ 113,867	₩ 102,513
Deposits and others	258,127	220,454
	₩ 371,994	₩ 322,967

(6) Principal actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate for defined benefit obligation	2.47%	2.28%, 2.39%
Expected rate of salary increase	3.18%, 4.60%	3.13%, 4.00%

16. Defined benefit liabilities (cont'd)

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

	Impact on the defined benefit liabilities		
	Sensitivity level	Increase	Decrease
Discount rate for defined benefit obligation	0.5%	₩ (18,827)	₩ 20,357
Expected rate of salary increase	0.5%	19,870	(18,579)

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

17. Other assets and liabilities

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

	December 31, 2020	December 31, 2019
Current assets:		
Accrued income	₩ 66	₩ 142
Advanced payments	1,301	3,240
Prepaid expenses	14,135	19,526
Short-term loans	-	2,871
Current tax assets	-	6,548
Guarantee deposits	8,886	11,698
Lease receivables	33,189	32,190
Derivative financial assets	1,237	351
Others	-	178
	<u>₩ 58,814</u>	<u>₩ 76,744</u>
Non-current assets:		
Long-term financial instruments	₩ 3,268	₩ 269
Long-term guarantee deposits	16,002	9,846
Long-term lease receivables	-	8,064
Derivative financial assets	175,913	384,645
Others	127	127
	<u>₩ 195,310</u>	<u>₩ 402,951</u>

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

	December 31, 2020	December 31, 2019
Current liabilities:		
Advances received	₩ 66,660	₩ 67,861
Withholdings	32,249	21,760
Income tax payable	284,916	-
Leasehold deposits received	5,639	192
Lease liabilities	60,787	56,535
Derivative financial liabilities	133	17
	<u>₩ 450,384</u>	<u>₩ 146,365</u>
Non-current liabilities:		
Leasehold deposits received	₩ 11	₩ 5,385
Long-term lease liabilities	67,634	20,047
Derivative financial liabilities	468,032	222,359
Long-term employee benefits	9,630	10,442
	<u>₩ 545,307</u>	<u>₩ 258,233</u>

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

	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Forward contract	₩ 1,237	₩ 165	₩ 416	₩ 20
Total return swap contract (see Note 30)	175,913	468,000	384,580	222,356
	<u>₩ 177,150</u>	<u>₩ 468,165</u>	<u>₩ 384,996</u>	<u>₩ 222,376</u>

19. Equity

19.1 Issued capital

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

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

	December 31, 2020	December 31, 2019
Additional paid-in capital (*1)	₩ 5,605,831	₩ 5,605,831
Treasury share (*2)	(1,811,454)	(1,812,042)
Stock option	4,663	3,783
Others	(292,872)	(292,892)
	<u>₩ 3,506,168</u>	<u>₩ 3,504,680</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) During the current period, some of the treasury shares acquired by the exercise of stock option were disposed of (2,546 common shares and 31 preferred shares). Treasury shares consist of those acquired to increase the enterprise value and to stabilize share price (7,034,276 common shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,019,129 common shares and 1,787 preferred shares) during the year 2015.

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19.3 Retained earnings

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	62,897	62,897
Unappropriated retained earnings	11,231,245	9,800,222
	<u>₩ 11,301,835</u>	<u>₩ 9,870,812</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 Statements of appropriation of retained earnings

The statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019, are as follows (Korean won in millions):

	<u>For the years ended</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
I. Retained earnings before appropriation	₩ 11,231,245	₩ 9,800,222
Unappropriated retained earnings carried over from prior years	9,588,719	8,447,354
Effect of changes in accounting policies	-	3,976
Interim dividends	(52,869)	(56,389)
Profit for the year	1,716,045	1,420,543
Remeasurement loss on defined benefit plans	(20,650)	(15,262)
II. Transfer from voluntary reserves	-	-
III. Appropriation of retained earnings	<u>(317,256)</u>	<u>(211,503)</u>
Dividends	(317,256)	(211,503)
IV. Unappropriated retained earnings to be carried forward to the next year	<u>₩ 10,913,989</u>	<u>₩ 9,588,719</u>

19.5 Other components of equity

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Gain on financial assets measured at FVOCI	₩ 8,175	₩ 11,685

19.6 Stock option

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

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

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

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

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

(*1) Total issued shares, less the number of treasury shares.

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

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

(*1) Total issued shares, less the number of treasury shares.

(3) Details of calculation of dividend payout ratio for the years ended December 31, 2020 and 2019, are as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
Dividends (Interim dividends included)	₩ 370,125	₩ 267,892
Profit for the year	1,716,045	1,420,543
Dividend payout ratio	21.57%	18.86%

(4) Details of calculation of dividend yield ratio for the years ended December 31, 2020 and 2019, are as follows (Korean won):

	For the years ended			
	December 31, 2020		December 31, 2019	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Dividend per share	₩ 7,000	₩ 7,050	₩ 5,000	₩ 5,050
Last price	240,500	240,000	262,000	187,000
Dividend yield ratio	2.91%	2.94%	1.91%	2.70%

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21. Operating revenues

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

	For the years ended	
	December 31, 2020	December 31, 2019
Revenue from contracts with customers:		
IT service (*1)	₩ 1,755,957	₩ 1,720,852
Trademark usage income	242,432	274,561
Others	-	558
	<u>1,998,389</u>	<u>1,995,971</u>
Revenue from other sources:		
Dividend income	₩ 1,474,542	₩ 1,247,460
Rental income	1,053	2,085
	<u>1,475,595</u>	<u>1,249,545</u>
	<u>₩ 3,473,984</u>	<u>₩ 3,245,516</u>

(*1) Includes contract revenue of ₩1,125,780 million and ₩1,114,355 million recognized from the cost-based input method for the year ended December 31, 2020 and 2019 respectively.

(2) Revenue from contracts with customers

	For the years ended	
	December 31, 2020	December 31, 2019
Type of goods or services:		
IT service	₩ 1,755,957	₩ 1,720,852
Trademark usage income	242,432	274,561
Others	-	558
	<u>₩ 1,998,389</u>	<u>₩ 1,995,971</u>
Geographical location:		
Korea	1,891,984	1,892,494
Asia	57,820	76,642
Europe	28,549	20,504
North America	20,036	6,331
	<u>₩ 1,998,389</u>	<u>₩ 1,995,971</u>
Timing of revenue recognition:		
Recognized at a point in time	175,234	123,821
Recognized over a period of time	1,823,155	1,872,150
	<u>₩ 1,998,389</u>	<u>₩ 1,995,971</u>

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21. Operating revenues (cont'd)

(3) Details of contract assets, contract liabilities related to revenue from contracts with customers for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract assets from IT service contract	₩ 115,626	₩ 156,133
Contract liabilities from IT service contract (*1)	66,660	67,606

(*1) The amount recognized as revenue in the current period in relation to the contract liabilities at the end of the previous period is ₩67,606 million (₩58,787 million), and no amount is recognized in the current period in relation to the performance obligation satisfied in the previous period.

(4) Details of profit variation by changes in accounting estimates related to the cost-based input method contracts as of December 31, 2020 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 (loss)</u>	<u>Impact on future period profit (loss)</u>
IT Service contracts	₩ 10,087	₩ 6,853	₩ 3,121	₩ 113

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.

(5) Contracts applying the cost-based input method to measure the percentage-of-completion with total contract revenue exceeding prior year's operating income by more than 5% as of December 31, 2020 are as follows (Korean won in millions):

<u>Business division</u>	<u>Construction</u>	<u>Contract date</u>	<u>Due date</u>	<u>Percentage of completion</u>	<u>Contract assets</u>		<u>Trade receivables</u>	
					<u>Total amount</u>	<u>Impairment</u>	<u>Total amount</u>	<u>Allowance for doubtful accounts</u>
ICT business	The K project	2019. 01	2020. 10	100.00%	₩ -	₩ -	₩ -	₩ -

22. Operating expenses

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

	<u>For the years ended</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Material costs	₩ 159,434	₩ 168,877
Outsourcing costs	816,820	801,137
Salaries	393,000	369,506
Provision for pension benefits	40,327	34,762
Depreciation	77,513	73,425
Amortization	13,053	11,152
Rents	3,472	3,347
Communications	18,983	18,400
Employee welfare benefits	59,715	55,342
Commissions	61,088	56,132
Education and training	31,861	25,598
Research and development	36,165	41,460
Office management	36,741	35,384
Travel	9,854	15,150
Others	57,927	54,945
	<u>₩ 1,815,953</u>	<u>₩ 1,764,617</u>

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23. Expenses classified based on nature of expense

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

	For the years ended	
	December 31, 2020	December 31, 2019
Material costs	₩ 159,450	₩ 169,226
Outsourcing costs	816,838	802,474
Salaries	409,932	388,524
Provision for pension benefits	42,152	36,685
Depreciation and amortization	103,795	94,848
Rents	3,472	3,347
Communications	18,985	18,590
Employee welfare benefits	62,173	58,107
Commissions	62,124	61,217
Education and training	32,109	26,050
Office management	36,741	35,384
Travel	9,885	15,305
Others	58,297	54,860
	<u>₩ 1,815,953</u>	<u>₩ 1,764,617</u>

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

24.1 Finance income and costs

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

	For the years ended	
	December 31, 2020	December 31, 2019
Finance income:		
Interest income	₩ 5,297	₩ 6,484
Gain on foreign currency transactions	4,478	4,856
Gain on foreign currency translation	308	385
Gain on valuation of financial assets measured at FVTPL	2,145	20,018
Gain on valuation of derivative instruments	31,263	226,815
Gain on transactions of derivative instruments	105,280	46,963
	<u>₩ 148,771</u>	<u>₩ 305,521</u>

	For the years ended	
	December 31, 2020	December 31, 2019
Finance costs:		
Interest expenses	₩ 174,633	₩ 181,899
Loss on foreign currency transactions	4,502	3,759
Loss on foreign currency translation	817	290
Loss on valuation of financial assets measured at FVTPL	14,240	2,145
Loss on valuation of derivative instruments	484,563	19
Loss on transactions of derivative instruments	19,323	18,981
	<u>₩ 698,078</u>	<u>₩ 207,093</u>

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24.2 Other non-operating income and expenses

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

	For the years ended	
	December 31, 2020	December 31, 2019
Other non-operating income:		
Gain on disposal of investments in subsidiaries and associates	₩ 953,053	₩ -
Gain on disposal of property, plant and equipment	53	97
Gain on disposal of intangible assets	517	-
Others	5,542	2,121
	<u>₩ 959,165</u>	<u>₩ 2,218</u>
Other non-operating expenses:		
Loss on disposal of investments in subsidiaries and associates	₩ -	₩ 380
Impairment of investments in subsidiaries and associates	-	5,750
Loss on disposal of property, plant and equipment	102	57
Loss on disposal of intangible assets	15	4
Impairment of intangible assets	692	2,518
Donations	33,545	20,609
Others	5,716	4,330
	<u>₩ 40,070</u>	<u>₩ 33,648</u>

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25. Income taxes

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

	For the years ended	
	December 31, 2020	December 31, 2019
Current income tax	₩ 315,776	₩ 60,758
Deferred tax	(11,716)	66,102
Deferred tax charged directly to the equity:		
Net gain on valuation of financial assets measured at FVOCI	1,121	(4,378)
Remeasurement loss on defined benefits plans	6,593	4,872
Income tax expense	<u>₩ 311,774</u>	<u>₩ 127,354</u>

(2) A reconciliation of profit before income tax expense at the Korea statutory tax rate to income tax expense at the effective tax rate of the Company for the years ended December 31, 2020 and 2019 is as follows (Korean won in millions):

	For the years ended	
	December 31, 2020	December 31, 2019
Profit before income tax expense	₩ 2,027,819	₩ 1,547,897
Income tax at statutory tax rate (*1)	547,288	415,309
Adjustments:		
Non-taxable revenue	(357,082)	(283,419)
Non-deductible expenses	3,782	3,277
Tax credit	(3,697)	(4,449)
Unrecognized deferred taxes	14,046	29,005
Tax effects of the consolidated tax return	94,490	(29,187)
Adjustments in respect of current income tax of prior year	(443)	(52)
Others	13,390	(3,130)
Income tax expense	<u>₩ 311,774</u>	<u>₩ 127,354</u>
Effective tax rate	15.37%	8.23%

(*1) The Company is subject to corporate income taxes (at the aggregate rates of 10% on taxable income of up to ₩200 million, 20% on taxable income in the range of ₩200 million to ₩20,000 million, 22% on taxable income in range of ₩ 20,000 million to ₩ 30,000 million and 25% on taxable income in excess of ₩ 30,000 million) and local income tax (10% of corporate income tax).

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25. Income taxes (cont'd)

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

	For the year ended December 31, 2020			
	Beginning balance	Recognized directly in profit or loss	Recognized directly in equity	Ending balance
Provisions	₩ 1,129	₩ 359	₩ -	₩ 1,488
Investments in associates and subsidiaries	14,678	(113,484)	-	(98,806)
Advanced depreciation provision	(13,811)	5,659	-	(8,152)
Investment securities	(37,253)	3,520	1,121	(32,612)
Depreciation	3,042	27	-	3,069
Deemed cost of land and buildings	(3,588)	-	-	(3,588)
Accrued bonuses and others	16,124	797	-	16,921
Net defined benefit liabilities	(874)	(8,390)	6,593	(2,671)
Treasury shares	171,092	(86)	-	171,006
Intangible assets	(477,811)	-	-	(477,811)
Bonds payable	10,580	(5,269)	-	5,311
Others	(19,408)	120,869	-	101,461
	<u>₩ (336,100)</u>	<u>₩ 4,002</u>	<u>₩ 7,714</u>	<u>₩ (324,384)</u>

	For the year ended December 31, 2019				
	Beginning balance	Effect of changes in the accounting policies	Recognized directly in profit or loss	Recognized directly in equity	Ending balance
Provisions	₩ 775	₩ -	₩ 354	₩ -	₩ 1,129
Investments in associates and subsidiaries	14,678	-	-	-	14,678
Advanced depreciation provision	(16,976)	-	3,165	-	(13,811)
Investment securities	(27,878)	-	(4,997)	(4,378)	(37,253)
Depreciation	3,200	-	(158)	-	3,042
Deemed cost of land and buildings	(3,589)	-	1	-	(3,588)
Accrued bonuses and others	15,345	-	779	-	16,124
Net defined benefit liabilities	808	-	(6,554)	4,872	(874)
Treasury shares	171,092	-	-	-	171,092
Intangible assets	(477,811)	-	-	-	(477,811)
Bonds payable	17,513	-	(6,933)	-	10,580
Others	34,115	(1,270)	(52,253)	-	(19,408)
	<u>₩ (268,728)</u>	<u>₩ (1,270)</u>	<u>₩ (66,596)</u>	<u>₩ 494</u>	<u>₩ (336,100)</u>

(4) Details of temporary differences for which no deferred tax assets (liabilities) were recognized as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	December 31, 2020	December 31, 2019
Taxable temporary differences:		
Investments in subsidiaries and others	₩ 5,803,498	₩ 5,803,498
Gain on transfer for investment in kind	90,687	90,687
Deductible temporary difference:		
Investments in subsidiaries and others	(1,007,511)	(955,469)
Loss on transfer for investment in kind	(39,357)	(39,357)
	<u>₩ 4,847,317</u>	<u>₩ 4,899,359</u>

26. Earnings per share

(1) Basic earnings per share for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions, except per share information):

	For the years ended	
	December 31, 2020	December 31, 2019
Profit for the year	₩ 1,716,045	₩ 1,420,543
Less: preferred share dividends	(3,979)	(2,850)
Profit for the year attributable to ordinary share owners of the Company	₩ 1,712,066	₩ 1,417,693
Weighted-average number of issued shares outstanding (*1)	52,305,477	55,309,048
Basic earnings per share (Korean won)	₩ 32,732	₩ 25,632

(*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 years ended December 31, 2020 and 2019 are as follows:

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

(2) The details of the calculation of ordinary stock dilution per share for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions, except per share information):

	For the years ended	
	December 31, 2020	December 31, 2019
Profit for the year attributable to ordinary shares	₩ 1,712,066	₩ 1,417,693
Addition: Share-based payments	341	-
Diluted profit of common stock for the year	₩ 1,712,407	₩ 1,417,693
Weighted-average number of diluted common shares outstanding	52,349,739	55,309,048
Diluted earnings per common share (Korean won) (*1)	₩ 32,711	₩ 25,632

(*1) For the year ended December 31, 2019 as there was no dilution effect on stock options, diluted earnings per share was the same as basic earnings per share.

The weighted-average diluted number of ordinary shares outstanding for calculating diluted earnings for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended	
	December 31, 2020	December 31, 2019
Weighted-average number of issued shares outstanding	52,305,477	55,309,048
Effect of exercise of stock option (*1)	44,262	-
Weighted-average number of diluted common shares outstanding	52,349,739	55,309,048

(*1) For the year ended December 31, 2019, the effect of exercising stock options was not considered as there was no dilution effect on stock options.

27. Transactions with related parties

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

(1) The subsidiaries of the Company as of December 31, 2020, are as follows:

Ultimate controlling party Subsidiary (total 325)	Subsidiary
	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., Ningbo SK Baoying Asphalt Storage Co., Ltd., Hefei SK Baoying Asphalt Co., Ltd., Chongqing SK Asphalt Co., Ltd., SK Asphalt (Shanghai) Co., Ltd., SK Global Chemical Co., Ltd., SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical China 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, 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 iotechnology 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., 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.(formely, Blue Sky United Energy Co., Ltd.), SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Broadband Co. Ltd., Home&Service 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., SK Communications Co., Ltd., 11Street Co., Ltd., ADT Caps Co., Ltd., CAPSTEC Co., Ltd., Quantum Innovation Private Equity Joint Venture, Panasia Semiconductor Materials LLC, SK Infosec Co., Ltd., SK infosec Information Technology (Wuxi) Co., Ltd., 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., 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., 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., 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., 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., Shenyang SK Networks 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 Networks Middle East FZE, SK BRASIL LTDA, SK Networks Trading Malaysia Sdn. Bhd., SK Networks America, Inc.,

27. Transactions with related parties (cont'd)

Subsidiary (total 325)	Subsidiary
	SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA., Networks Tejarat Pars, MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.), MINTIT VINA (formely, SK Telink Vietnam Co., Ltd.), TenX Capital, SK Networks Resources Australia (Wyong) Pty. Ltd., SK Networks Resources Pty Ltd., SKC Co., Ltd., Woori Fine Chem Co., Ltd., SK Telesys Co., Ltd., Techdream Co., Ltd., SKC INFRA SERVICE 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-Eco Solution 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 Taiwan 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. (formerly, KCF Technologies 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. (formerly, Wiryae Energy Service Co., Ltd.), Pusan 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., Shinanjeungdo 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, 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., SK Engineering & Construction Co., Ltd., Seosuwon Development Company, SK TNS Co., Ltd., SKEC Nanjing Co., Ltd., SKEC (Thai), Ltd., Thai Woo Ree Engineering Co., Ltd., SKEC Anadolu EC, 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., The Eco Platform Co., Ltd., Environment Management Corporation Co., Ltd., Maeripji Management Co., Ltd., Seonam Environment Energy Co., Ltd., Honam Environmental Energy Co., Ltd., Green Hwasun Inc., Green Sunchang Co., Ltd., Gyeongsan Clear Mulgil Co., Ltd., Dalseong Maleunmulgil Co., Ltd., Goksung Environment Co., Ltd., Environment Energy Company Co., Ltd., Chungcheong Environment Energy Co., Ltd., Gyeonggi Environment Energy Co., Ltd., Gyeongbuk Environment Energy Co., Ltd., Gyeongin Environment Energy Company, SK Materials Co., Ltd., SK Materials Japan Co., Ltd., SK Materials Taiwan Co., Ltd., SK Materials Jiangsu Co., Ltd., SK Materials (Xian) Co., Ltd., SK Materials airplus Inc. (formerly, SK Airgas Co., Ltd.), SK Tri Chem Co., Ltd., SK Showa Denko Co., Ltd., SK Materials (Shanghai) Co., Ltd., Happy Companion Co., Ltd., Hanyu Chemical Co., Ltd., SK Materials Performance Co., Ltd., SK Materials JNC Co., Ltd., SK Siltron Co., Ltd., SK Siltron America, Inc, SK Siltron Japan, Inc., SK Siltron Shanghai Co., Ltd., SK Siltron USA, Inc., SK Siltron CSS, LLC, Happyfilling Co., Ltd., SK Biopharmaceuticals Co., Ltd., SK Life Science, Inc., SK Bio-Pharma Tech (Shanghai) Co., Ltd., SK S.E.Asia Pte. Ltd., Essencore Limited., Essencore (Shenzhen) Limited., SK China Company, Ltd., SK Bio Energy Hong Kong Co., Ltd., SK Property Investment Management Co., Ltd., SK Industrial Development China Co., Ltd., 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., SK (Shenyang) auto rental Co., Ltd., SK (Beijing) auto rental Co., Ltd., SK Rent-A-Car (Qingdao) Co., Ltd., Skyline Auto Financial Leasing Co., Ltd., SK Financial Leasing Co., Ltd., SK China (Beijing) Co., Ltd., SK GI Management, Plutus Capital NY, Inc., Hudson Energy NY, LLC, Hudson Energy NY II, LLC, Hudson Energy NY III, LLC, Plutus Fashion NY, Inc., Wonderland NY, Inc., 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., SK Pharmteco Inc., SK Biotek Co., Ltd., SK BIOTEK IRELAND LIMITED., SK BIOTEK USA, Inc., Crest Acquisition LLC, 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 II, Inc., Primero Protein, LLC, SK Forest Co., Ltd., Hweechan Co., Ltd., SK Pinx Co., Ltd.

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27. Transactions with related parties (cont'd)

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

Subsidiary	Company name	Sales and others (*1)		Purchase and others (*2)	
		December 31,	December 31,	December 31,	December 31,
		2020	2019	2020	2019
	SK Innovation Co., Ltd.	₩ 148,030	₩ 346,385	₩ 9,197	₩ 1,882
	SK Energy Co., Ltd.	113,838	110,291	62	-
	SK Global Chemical Co., Ltd.	39,681	32,933	-	-
	SK Incheon Petrochem Co., Ltd.	24,750	24,848	-	-
	SK Lubricants Co., Ltd.	16,363	15,592	-	-
	SK USA, Inc.	48	48	5,482	4,389
	SK Hi-tech Battery Materials (Jiang su) Co., Ltd.	8,953	361	-	-
	SK Battery America, Inc.	12,163	6	-	-
	SK Engineering & Construction Co., Ltd.	45,249	39,169	150	2,459
	SKC Co., Ltd.	30,186	28,254	-	-
	SK E&S Co., Ltd.	1,136,745	627,384	-	1
	SK Biopharmaceuticals Co., Ltd.	5,998	9,115	-	-
	SK Infosec Co., Ltd.	3,419	4,385	16,295	14,510
	SK C&C Beijing Co., Ltd.	11,884	16,098	7,981	8,009
	SK S.E.Asia Pte. Ltd.	37,219	113,920	-	-
	SK Networks Co., Ltd.	59,632	57,429	4,617	4,294
	SK Telecom Co., Ltd.	534,853	556,044	14,605	28,938
	SK Broadband Co., Ltd.	88,430	102,380	8,174	7,905
	SK Planet Co., Ltd.	16,114	18,629	389	917
	SK Materials Co., Ltd.	27,005	25,934	-	-
	SK Siltron Co., Ltd.	26,892	20,733	-	146
	Others	142,680	96,426	16,025	13,197
Other related parties	Hana Land Chip PEF 33	3,350	3,328	35,660	35,636
	SK hynix Inc.	459,373	448,523	14,858	15,587
	SK hynix system ic (Wuxi) Co., Ltd.	5,059	10,336	-	-
	Socar Co., Ltd. (*4)	-	-	15,000	-
	THIRA-UTECH Co., Ltd.	-	-	11,938	5,912
	Others	11,533	28,169	10,169	15,946
Others (*3)	SK Gas Co., Ltd.	16,871	11,424	-	-
	SK Chemicals Co., Ltd.	8,325	6,090	-	-
	Others	11,943	7,451	734	4
		<u>₩ 3,046,586</u>	<u>₩ 2,761,685</u>	<u>₩ 171,336</u>	<u>₩ 159,732</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 current reporting period, the Company acquired equity ownership of Socar Mobility Malaysia, SDN. BHD. from Socar Co., Ltd.

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

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

		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 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 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
	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
	THIRA-UTECH Co., Ltd.	-	-	-	1,304	10	1,314
	Others	2,706	135	2,841	350	2,146	2,496
Others (*1)	SK Gas Co., Ltd.	2,653	-	2,653	-	51	51
	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.

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27. Transactions with related parties (cont'd)

		December 31, 2019					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
Subsidiary		receivables	receivables		payables	payables	
	SK Innovation Co., Ltd.	₩ 23,415	₩ 40,517	₩ 63,932	₩ -	₩ 11,787	₩ 11,787
	SK Energy Co., Ltd.	10,543	-	10,543	-	2,466	2,466
	SK Global Chemical Co., Ltd.	4,816	-	4,816	-	5,691	5,691
	SK Incheon Petrochem Co., Ltd.	1,644	-	1,644	-	2,002	2,002
	SK Lubricants Co., Ltd.	2,093	-	2,093	-	4,869	4,869
	SK Battery Hungary Kft.	324	-	324	-	407	407
	SK Engineering & Construction Co., Ltd.	3,474	-	3,474	-	1,324	1,324
	SKC Co., Ltd.	2,664	-	2,664	-	24	24
	SK E&S Co., Ltd.	6,017	153	6,170	-	600	600
	SK Biopharmaceuticals Co., Ltd.	2,231	-	2,231	-	113	113
	SK Infosec Co., Ltd.	1,520	-	1,520	1,375	3,161	4,536
	SK C&C Beijing Co., Ltd.	6,412	-	6,412	488	1,563	2,051
	SK Networks Co., Ltd.	6,043	20	6,063	1	2,858	2,859
	SK Telecom Co., Ltd.	54,408	357	54,765	216	6,987	7,203
	SK Broadband Co., Ltd.	34,868	-	34,868	397	5,959	6,356
	SK Planet Co., Ltd.	5,229	-	5,229	686	169	855
	11Street Co., Ltd.	1,312	-	1,312	-	90	90
	SK Materials Co., Ltd.	1,023	-	1,023	-	428	428
	SK Siltron Co., Ltd.	7,449	-	7,449	-	381	381
	Others	21,553	629	22,182	319	9,713	10,032
Other related parties	Hana Land Chip PEF 33	-	5,983	5,983	-	42,464	42,464
	SK hynix Inc.	166,543	8,154	174,697	-	28,412	28,412
	SK hynix Semiconductor (China) Ltd.	2,932	-	2,932	-	628	628
	SK hynix system ic (Wuxi) Co., Ltd.	1,766	-	1,766	-	-	-
	THiRA-UTECH Co., Ltd.	-	-	-	628	20	648
	Others	2,667	3,019	5,686	1,268	2,872	4,140
Others (*1)	SK Gas Co., Ltd.	455	-	455	-	153	153
	SK Chemicals Co., Ltd.	976	-	976	-	-	-
	Others	1,290	-	1,290	-	-	-
		<u>₩ 373,667</u>	<u>₩ 58,832</u>	<u>₩ 432,499</u>	<u>₩ 5,378</u>	<u>₩ 135,141</u>	<u>₩ 140,519</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 years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

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

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

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27. Transactions with related parties (cont'd)

(5) Details of significant transactions with related parties in relation to the investments for the year ended December 31, 2020 are as follows (Korean won in millions, USD in thousands):

	Currency	Amount	Transactions
Hweechan Co., Ltd.	KRW	307,430	Share capital increase
SK South East Asia Investment Pte. Ltd.	USD	100,000	Share capital increase
Socar Mobility Malaysia, SDN. BHD.	KRW	15,000	Acquisition of equity
Socar Co., Ltd.	KRW	17,504	Investment conversion

(6) Details of significant financial transactions with related-parties for the years ended December 31, 2020 and 2019 are as follows (USD in thousands):

	Currency	For the years ended			
		December 31, 2020		December 31, 2019	
		Loan	Withdraw	Loan	Withdraw
Kinestral Technologies Inc.	USD	-	2,483	2,483	-

(7) Guarantees provided to related parties are described in Note 30.

28. Assets held for sale

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

Division	Assets
Investment in associates: ESR Cayman Limited. (*1)	₩ 697,130

(*1) The Company decided to sell its equity interest in ESR Cayman Limited., which is classified as an investment in associates. As of December 31, 2020, a partial disposal of the shareholding has been completed, and the disposal of some shares is in progress. The Company has lost significant influence on the ESR Cayman Limited., disposed the shares, reclassified them, and recognized gain on disposal of ₩673,571 million.

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29. Cash flow information

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

	For the years ended	
	December 31, 2020	December 31, 2019
Provision for pension benefits	₩ 41,069	₩ 36,218
Depreciation	78,594	74,835
Amortization	25,335	20,013
Bad debt expenses	825	47
Provisions transferred in	4,504	5,960
Interest expenses	174,633	181,899
Loss on foreign currency translation	817	290
Loss on valuation of financial assets measured at FVTPL	14,240	2,145
Loss on valuation of derivative instruments	484,563	19
Loss on disposal of investments in subsidiaries, associates and joint ventures	-	380
Loss on impairment of investments in subsidiaries, associates and joint ventures	-	5,750
Loss on disposal of property, plant and equipment	102	57
Loss on disposal of intangible assets	15	4
Loss on impairment of intangible assets	692	2,518
Share-based payment expenses	880	976
Income tax expense	311,774	127,354
Dividends income	(1,474,542)	(1,247,460)
Interest income	(5,297)	(6,484)
Gain on foreign currency translation	(308)	(385)
Gain on valuation of financial assets measured at FVTPL	(2,145)	(20,018)
Gain on valuation of derivative instruments	(31,263)	(226,815)
Gain on disposal of investments in subsidiaries, associates and joint ventures	(953,053)	-
Gain on disposal of property, plant and equipment	(53)	(97)
Gain on disposal of intangible assets	(517)	-
Others	(2,622)	2,430
	₩ (1,331,757)	₩ (1,040,364)

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

	For the years ended	
	December 31, 2020	December 31, 2019
Trade receivables	₩ 419	₩ 15,776
Other receivables	(2,812)	(669)
Inventories	5	25
Advanced payments	1,942	5,236
Lease receivables	33,514	32,310
Prepaid expenses	7,034	(6,965)
Trade payables	(74,962)	43,768
Advances received	(1,201)	4,087
Withholdings	10,490	(16,589)
Other payables	12,141	12,735
Accrued expenses	3,570	9,821
Leasehold deposits received	73	(632)
Provision	(3,022)	(4,500)
Defined benefit obligation	(19,885)	(3,670)
Plan assets	(38,184)	(64,938)
Others	470	(687)
	₩ (70,408)	₩ 25,108

29. Cash flow information (cont'd)

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

	For the years ended	
	December 31, 2020	December 31, 2019
Transfer of lease receivables based on the changes in accounting policies	₩ -	₩ (71,125)
Transfer of lease liabilities based on the changes in accounting policies	-	132,448
Transfer of long-term bonds payable to current-portion	1,051,406	1,132,548
Decrease in other payables regarding the acquisition of property, plant and equipment	(25)	(474)

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

	For the year ended December 31, 2020			
	Beginning balance	Financial cash flow	Others	Ending balance
Short-term borrowings	₩ 1,680,000	₩ (965,000)	₩ -	₩ 715,000
Bonds payable	6,325,510	65,205	(2,501)	6,388,214
Dividends payable	158	(264,372)	264,372	158
Lease liabilities	76,582	(57,888)	109,727	128,421
	<u>₩ 8,082,250</u>	<u>₩ (1,222,055)</u>	<u>₩ 371,598</u>	<u>₩ 7,231,793</u>

	For the year ended December 31, 2019			
	Beginning balance	Financial cash flow	Others	Ending balance
Short-term borrowings	₩ 910,000	₩ 770,000	₩ -	₩ 1,680,000
Bonds payable	6,217,701	115,211	(7,402)	6,325,510
Dividends payable	154	(281,968)	281,972	158
Lease liabilities	-	(58,071)	134,653	76,582
	<u>₩ 7,127,855</u>	<u>₩ 545,172</u>	<u>₩ 409,223</u>	<u>₩ 8,082,250</u>

SK Inc.
Notes to the separate financial statements
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30. Commitments and contingencies

(1) Guarantees provided by financial institutions for the Company's obligations and indebtedness as of December 31, 2020 and 2019 are as follows (Korean won in millions, and USD and VND in thousands):

Financial institutions	Type	Commitments		Use	
		Currency	Amount	Currency	Amount
Industrial and commercial bank of China	General loan	KRW	100,000	-	-
KEB Hana Bank	General loan	KRW	116,000	-	-
	Credit bond loan	KRW	30,000	-	-
	Bank overdraft	KRW	5,000	-	-
	Other guarantee of foreign currency management (*1)	USD	19,000	USD	253
	Guarantee of foreign currency payment	VND	11,772,739	VND	11,772,739
Shinhan Bank	General loan	KRW	300,000	-	-
	Note discount	KRW	90,000	-	-
	Guarantee of foreign currency payment	USD	2,000	-	-
	Line of credit	USD	10,000	-	-
NH Bank	General loan	KRW	115,000	-	-
Woori Bank	General loan	KRW	270,000	-	-
Korea Development Bank	General loan	KRW	10,000	-	-
KB Bank	General loan	KRW	280,000	-	-
IBK Bank	General loan	KRW	10,000	-	-
MUFG Bank	General loan	KRW	30,000	-	-
Credit Agricole	General loan	KRW	50,000	-	-

(*1) The committed limit above is comprehensive limit.

(2) Guarantees provided by others for the Company's obligations and indebtedness as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	Currency	December 31, 2020	December 31, 2019
Seoul Guarantee Insurance	KRW	7,623	300
Korea Software Financial Cooperative	KRW	379,526	291,860

30. Commitments and contingencies (cont'd)

(3) Pending litigation

There are no major pending litigations as of December 31, 2020.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Reason for restriction</u>
Short-term & Long-term financial instruments	₩ 13,250	₩ 13,250	Refund guarantee and others
Long-term investment securities (Equity investment of Korea Software Financial Cooperation)	2,303	2,256	Refund guarantee and others
Long-term financial instruments	18	19	Collateral for bank overdraft

(5) Significant commitments

- 1) SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd. and SK ie technology Co., Ltd. are collectively responsible for any obligations 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's building from National Agricultural Cooperative Federation ("NACF"), the trustee of Hana Asset Management Co., Ltd. Under the terms of the lease, the lease period is until March 27, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property. Meanwhile, the Company exercised its preemptive right and plans to purchase the headquarters office through the Company or SK affiliated company by November 30, 2021.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance, and development service entered into between the Company and 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). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.

30. 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 st Fund	Corporate Turnaround 1 st Fund
Number of shares	6,548,672	4,808,259
Contract date	April 11, 2017	May 11, 2017
Expiry date	April 10, 2022	May 10, 2022
Settlement	The Company and the 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. The 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.

30. 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. The 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 December 31, 2020, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLC's inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.
- 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.
- (6) The Company has provided 7 blank checks and 10 blank notes as collateral in relation to sales and other transactions as of December 31, 2020.

31. 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.

31.1 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.

31.1.1 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.

31.1.2 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 December 31, 2020 and 2019 are as follows (Korean won in millions, and USD, EUR and Others in thousands):

	Currency	December 31, 2020		December 31, 2019	
		Foreign currencies	Korea won equivalent	Foreign currencies	Korea won equivalent
Assets	USD	14,344	₩ 15,606	19,519	₩ 22,599
	EUR	638	853	573	743
	Others		4,043		7,058
			₩ 20,502		₩ 30,400
Liabilities	USD	2,429	₩ 2,643	5,918	₩ 6,851
	EUR	12	16	11	14
	Others		2,130		1,407
			₩ 4,789		₩ 8,272

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):

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before tax expense	₩ 1,571	₩ (1,571)	₩ 2,308	₩ (2,308)

31.1.3 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.

31.2 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 December 31, 2020 and 2019 is as follows and for cash and cash equivalents, credit risk exposure is low (Korean won in millions):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Short-term and long-term financial instruments	₩ 241,314	₩ 153,221
Trade receivables	359,109	320,138
Other receivables	3,747	1,117
Accrued income	66	142
Investment securities	375,161	286,932
Short-term and long-term guarantee deposits	24,888	21,544
Short-term and long-term lease receivables	33,189	40,254
Short-term and long-term loans	-	2,871
Financial derivatives asset	175,913	384,580
	<u>₩ 1,213,387</u>	<u>₩ 1,210,799</u>

31.2.1 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 apply a simple method that recognizes lifetime expected credit losses as a provision for losses on account receivables and other receivables. To measure expected credit losses, trade receivables and contract assets were separated by credit risk characteristics and past due dates.

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Trade receivables</u>	<u>Other receivables</u>
Less than one month	₩ 21,359	₩ -	₩ 2,087	₩ -
One-three months	2,816	-	4,082	-
Three-six months	610	-	870	-
More than six months	1,991	148	3,372	178
	<u>₩ 26,776</u>	<u>₩ 148</u>	<u>₩ 10,411</u>	<u>₩ 178</u>

SK Inc.
Notes to the separate financial statements
December 31, 2020 and 2019

31.2.1 Trade and other receivables (cont'd)

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

	For the years ended	
	December 31, 2020	December 31, 2019
Beginning balance	₩ 5,011	₩ 2,976
Bad debt expenses	825	2,236
Write-off / Reversal	(424)	(201)
Ending balance	₩ 5,412	₩ 5,011

31.2.2 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.

31.3 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 December 31, 2020 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	More than 5 years
Short-term borrowings	₩ 715,000	₩ 719,260	₩ 408,119	₩ 311,141	₩ -	₩ -
Bonds payable	6,388,214	6,444,752	323,921	740,203	4,146,417	1,234,211
Financial derivatives liabilities	468,165	468,165	60	73	468,032	-
Trade payables	85,276	85,276	85,276	-	-	-
Lease liabilities	128,421	131,615	8,482	52,514	70,119	500
Other liabilities	207,066	207,066	131,654	75,401	11	-
	₩ 7,992,142	₩ 8,056,134	₩ 957,512	₩ 1,179,332	₩ 4,684,579	₩ 1,234,711

31.4 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 59.07% as of December 31, 2020. 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 December 31, 2020 and 2019 is as follows (Korean won in millions):

	December 31, 2020	December 31, 2019
Total liabilities	₩ 8,760,834	₩ 9,132,524
Total equity	14,831,563	13,402,562
Debt ratio	59.07%	68.14%

32. Subsequent events

32.1 Acquisition of equity of Hana Land Chip PEF 33

According to the resolution of the board of directors on December 22, 2020, the Company acquired 103 million (35%) stake in Hana Land Chip PEF 33 on January 5, 2021. As a result, Hana Land Chip PEF 33 has been reclassified from investments in joint ventures to investments in subsidiaries.

32.2 Disposal of a portion of shares in SK Biopharmaceuticals Co., Ltd.

On February 24, 2021, the Company disposed of 8,600,000 shares of its subsidiary, SK Biopharmaceuticals Co., Ltd. (disposal amount: ₩1,116,280 million) in a Block Deal, according to the resolution of the board of directors on February 23, 2021. As a result, the stake in SK Biopharmaceuticals Co., Ltd. fell to 64.02%.

32.3 Capital increase and loan of funds of Plutus Capital NY, Inc.

In February 2021, the Company increased and lent capital to Plutus Capital NY, Inc., a subsidiary, to invest in Plug Power Inc., which is a promising technology company in the global hydrogen industry.

Review report on internal control over financial reporting

SK Inc.

This report is annexed in relation to the audit of SK Inc.'s separate financial statements as of December 31, 2020 and the review of internal control over financial reporting pursuant to Article 8 of the *Act on External Audit of Stock Companies* of the Republic of Korea.

1. Independent auditor's review report on internal control over financial reporting
2. Report on the operations of the internal control over financial reporting

Independent auditor's report on internal control over financial reporting

SK Inc.
The Shareholders and Board of Directors

Opinion on internal control over financial reporting

We have audited SK Inc.'s (the "Company") internal control over financial reporting ("ICFR") based on the Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the "ICFR Committee") as of December 31, 2020.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2020, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Auditing Standards ("KGAAS"), the separate statement of financial position as of December 31, 2020, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 12, 2021 expressed an unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for ICFR

Management is responsible for designing, implementing, and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying report on the effectiveness of the ICFR.

Those charged with governance are responsible for overseeing the Company's ICFR process.

Auditor's responsibilities for the audit of ICFR

Our responsibility is to express an opinion of the Company's ICFR based on our audit. We conducted our audit in accordance with KGAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective ICFR was maintained in all material respects.

An audit of ICFR involves performing procedures to obtain audit evidence as to whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit also includes testing and evaluating the design and operating effectiveness of ICFR based on obtaining an understanding of ICFR and the assessed risk.

ICFR definition and inherent limitations

A company's ICFR is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("KIFRS"). A company's ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of separate financial statements in accordance with KIFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the separate financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements of the separate financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that ICFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

The logo for Ernst & Young Han Young, featuring the company name in a stylized, handwritten-style font.

March 12, 2021

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

Report on the Operations of Internal Accounting Control System

To the Shareholders, Board of Directors, and Audit Committee of SK Holdings Co., Ltd.

We, as the Chief Executive Officer and the Internal Accounting Manager of SK Holdings Co., Ltd. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting ("ICFR") for the year ending December 31, 2020.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager. We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea ("the ICFR Committee") as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2020, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

March 4, 2021

Dong-Hyun Jang

Chief Executive Officer



Hae-Woong Kang

Internal Accounting Manager

