



# **SK Inc. and its subsidiaries**

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

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## Independent auditor's report

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

#### Opinion

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

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

#### Basis for opinion

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

#### Key audit matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



March 12, 2021

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

# **SK Inc. and its subsidiaries**

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

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

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

































































































































































































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

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

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

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

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

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

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

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

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

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

(3) Pending litigations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

(4) Commitments

- 1) In accordance with the Commercial Code of the Republic of Korea, the Company, SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Global Chemical Co., Ltd., SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd. and SK ie technology Co., Ltd. are collectively responsible for any obligations of the Company arising before the spin-off. The Company and SK Biopharmaceuticals Co., Ltd. are collectively responsible for any obligations of the Company that occurred before the spin-off on April 1, 2011.
- 2) The Company entered into a contract to lease the headquarters building from National Agricultural Cooperative Federation, the trustee of Hana Daol Fund Management. Under the terms of the lease, the lease period is until March 27, 2021, and the Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property. Meanwhile, the Company exercised its preemptive right and plans to purchase the headquarters office through the Company or SK affiliated company by November 30, 2021.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance and development service entered into between the Company and SK Group companies and others.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). The contract includes requirements to be complied with and restrictions in transfer of ownership of the land. Should there be non-compliance, the contract may be terminated or cancelled.
- 5) The Company has total return swap contracts in regards to SK Shipping Co., Ltd.'s issuance of ordinary shares and sale of existing shares, and details are as follows:

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

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

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

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

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

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

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

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

- 8) The Company entered into a cash deficiency support agreement with Hudson Energy NY, LLC, a subsidiary of Plutus Capital NY, Inc., to lend funds for the shortfall of payment for loans and credit limit of USD 226,000 thousand.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Hybrid bonds

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

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

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

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

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

(6) Others

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

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**35. Pledged assets**

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

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

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

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

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

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

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

**37. Deposits restricted in use**

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

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



### **38. Financial risk management**

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

#### **38.1 Financial risk management**

##### **38.1.1 Risk management activities**

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

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

##### **38.1.2 Credit risk**

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

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

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

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**38.1.2.1 Trade and other receivables**

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

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

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

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

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

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

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

**38.1.2.2 Guarantee**

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

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

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

### 38.1.2.3 Other financial assets

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

### 38.1.3 Liquidity risk

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

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

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

### 38.1.4 Market risk

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

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**38.1.4.1 Currency risk**

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

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

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

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

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

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

**38.1.4.2 Interest rate risk**

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

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

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

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**38.1.4.3 Crude oil and petroleum product price risk**

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

**38.1.5 Enforceable master netting agreement or similar agreement**

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

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

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

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

**38.2 Capital risk management**

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

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

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

### **39. Business combination**

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

#### (1) General information

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

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

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

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

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

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

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

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

(2) Identifiable assets acquired and liabilities assumed

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

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

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

(3) Goodwill

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

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

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

As of December 31, 2019, details of business combination are as follows.

#### (1) General information

SK Networks Co., Ltd., a subsidiary, acquired 9,353,660 shares (equity ownership of 42.24%) of SK Rent-a-Car Co., Ltd.'s ordinary share on January 2, 2019 according to the Board of Directors resolution on September 21, 2018 to enhance competitiveness and accelerate growth of its future mobility business through the reorganization of the rental car industry. Meanwhile, the acquisition was accounted for by the acquisition method, and the consolidated financial statements contain financial performance of the SK Rent-a-Car Co., Ltd. (formerly, AJ Rent a Car Co., Ltd.) from the acquisition date to the end of the current period.

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

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

	<u>AJ Rent a Car Co., Ltd</u>
Current assets:	₩ 94,880
Cash and cash equivalents	23,202
Trade and other receivables	54,117
Inventories	7,788
Other current assets	9,773
Non-current assets:	1,173,753
Property, plant and equipment	1,034,434
Right-of-use assets	72,532
Intangible assets	25,358
Other non-current assets	41,429
Current liabilities:	624,390
Trade and other payables	53,006
Current lease liabilities	27,062
Other current liabilities	544,322
Non-current liabilities:	378,407
Lease liabilities	46,891
Deferred tax liabilities	1,265
Other non-current liabilities	<u>330,251</u>
Fair value of identifiable net assets	<u>₩ 265,836</u>

2) Valuation techniques used for remeasurement at fair value of acquired significant assets and liabilities are as follow:

<u>Acquired Assets</u>	<u>Measurement of fair value</u>
Property, plant and equipment	Market approach or cost approach: The Group determines the fair value reflecting on the created price in the available market transactions of similar assets or on the replacement cost considering the appropriate functional and economic obsolescence as well as the physical deterioration degree.
Intangible assets	Relief from royalty method: The Group determines the fair value of intangible assets by using relief from royalty method considering the royalty discount that is expected to be avoided by the retention of the patents or trademarks directly.
Bonds payable and borrowings	Effective interest method: The Group determines the fair value by discounting future cash flows at an effective interest rate considering unsecured discount rate corresponding to current credit rating as of assessment date.



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

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

	<u>SK Rent-a-Car Co., Ltd.</u>
a. The total consideration transferred	₩ 295,809
b. Fair value of proportionate share of acquired net assets:	
Fair value of the net identifiable assets	265,836
Non-controlling interests (*1)	(153,547)
	<u>112,289</u>
c. Goodwill (c=a-b)	<u>₩ 183,520</u>

(\*1) Non-controlling interests arising from the merger are measured in proportion to the non-controlling interests in identifiable net assets of the merged company.

4) The consolidated financial statements for the years ended December 31, 2019 include sales of ₩640,883 million and profit for the year of ₩15,575 million related to additional business generated by the subsidiary, acquired by the business combination after the acquisition date.

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**40. Changes in accounting policies**

The Group changed its accounting policies relating to its determination of lease term in accordance with the interpretation of the 'Lease Term and Useful Life of Leasehold Improvements' published by the IFRS Interpretations Committee on 16 December 2019.

Before the changes in accounting policies, the Group accounted for the extension and termination of the contract with the interpretation that the right to extend and terminate the contract is not enforceable if other party's consent is required. After the changes, the lease period includes the period of which the lessee is reasonably certain to exercise the extension option and the period of which the termination option is not reasonably certain to be exercised. The Group considered payments of penalties for terminating the lease when assessing the possibility to exercise extension option. The Group has retrospectively applied the changes in accordance with KIFRS 1008 and restated the consolidated financial statements for the year ended December 31, 2019 and the consolidated statement of financial position as of January 1, 2019.

Adjustments based on the changes in accounting policies in the consolidated financial statements are as follows:

(1) Consolidated statements of financial position (Korean won in millions)

	December 31, 2019			January 1, 2019		
	Before the change	Policy change amount	After the change	Before the change (*1)	Policy change amount	After the change
<b>Assets</b>						
Prepaid expenses	₩ 4,302,705	₩ (13,424)	₩ 4,289,281	₩ 3,777,226	₩ (36,845)	₩ 3,740,381
Lease receivables	76,922	5,074	81,996	152,567	12,802	165,369
Deposits received	1,004,267	(82)	1,004,185	246,008	(2,216)	243,792
Property, plant and equipment	42,846,379	(18,052)	42,828,327	39,712,964	(18,682)	39,694,282
Intangible assets	12,067,786	-	12,067,786	13,807,714	-	13,807,714
Right-of-use assets	4,543,546	617,232	5,160,778	4,060,026	237,000	4,297,026
Other assets	67,179,071	(1)	67,179,070	61,243,397	54	61,243,451
	<u>₩132,020,676</u>	<u>₩ 590,747</u>	<u>₩132,611,423</u>	<u>₩ 122,999,902</u>	<u>₩ 192,113</u>	<u>₩ 123,192,015</u>
<b>Liabilities</b>						
Accrued expenses	₩ 3,329,947	₩ (418)	₩ 3,329,529	₩ 3,109,033	₩ (1,389)	₩ 3,107,644
Other payables	5,526,193	-	5,526,193	5,468,818	-	5,468,818
Provisions	794,699	21,932	816,631	625,209	20,319	645,528
Lease liabilities	4,069,243	578,268	4,647,511	3,605,397	180,456	3,785,853
Deferred tax liabilities	5,493,581	(2,434)	5,491,147	5,482,963	(1,881)	5,481,082
Other liabilities	60,624,378	2	60,624,380	53,838,031	1	53,838,032
	<u>₩ 79,838,041</u>	<u>₩ 597,350</u>	<u>₩ 80,435,391</u>	<u>₩ 72,129,451</u>	<u>₩ 197,506</u>	<u>₩ 72,326,957</u>
<b>Equity</b>						
Retained earnings	₩ 12,558,584	₩ (2,000)	₩ 12,556,584	₩ 12,216,093	₩ (1,634)	₩ 12,214,459
Non-controlling interests	35,496,866	(4,603)	35,492,263	34,244,161	(3,759)	34,240,402
Other components of equity	4,127,185	-	4,127,185	4,410,197	-	4,410,197
	<u>₩ 52,182,635</u>	<u>₩ (6,603)</u>	<u>₩ 52,176,032</u>	<u>₩ 50,870,451</u>	<u>₩ (5,393)</u>	<u>₩ 50,865,058</u>

(\*1) Amounts after the initial application of KIFRS 1116

**40. Changes in accounting policies (cont'd)**

(2) Consolidated statements of comprehensive income (Korean won in millions)

	2019			
	Before the change	Policy change amount	Adjustment of discontinued profit or loss (*1)	After the change
Sales	₩ 99,264,574	₩ (2,987)	₩ (1,450,046)	₩ 97,811,541
Cost of sales	90,206,178	(1,183)	(1,179,468)	89,025,527
Gross profit	9,058,396	(1,804)	(270,578)	8,786,014
Selling and administrative expenses	5,108,532	-	(58,392)	5,050,140
Operating profit	3,949,864	(1,804)	(212,186)	3,735,874
Finance income	3,419,183	178	(46,408)	3,372,953
Finance costs	4,794,438	8,198	(41,455)	4,761,181
Share of profit of associates and joint ventures, net	595,981	-	775	596,756
Other non-operating income	877,093	(408)	(791)	875,894
Other non-operating expenses	1,271,115	(8,577)	(278,045)	984,493
Profit from continuing operations before income tax expense	2,776,568	(1,655)	60,890	2,835,803
Income tax expense from continuing operations	1,075,631	(445)	(68,786)	1,006,400
Profit for the year from continuing operations	1,700,937	(1,210)	129,676	1,829,403
Gain (loss) from discontinued operations	(93,688)	-	(129,676)	(223,364)
Profit for the year attributable to:	1,607,249	(1,210)	-	1,606,039
Owners of the parent	717,270	(366)	-	716,904
Non-controlling interests	889,979	(844)	-	889,135
Total comprehensive income for the year attributable to:	1,887,760	(1,210)	-	1,886,550
Owners of the parent	927,303	(366)	-	926,937
Non-controlling interests	960,457	(844)	-	959,613
Earnings per share (Korean won)				
Basic earnings per share	12,917	(7)	-	12,910
Basic earnings per share from continuing operations	13,601	(7)	790	14,384

(\*1) The Group decided to discontinue EVA and Back Sheet solar energy businesses during the current year, and retrospectively modified the effects on profit or loss of discontinued operations (See Note 30).

(3) Consolidated statements of changes in equity

The consolidated statements of changes in equity have been restated in relation to the modification to the consolidated statement of financial position and consolidated statement of comprehensive income above.

(4) Consolidated statements of cash flows

	2019		
	Before the change	Amounts based on the changes in accounting policies	After the change
A. Cash flows from operating activities	₩ 7,978,837	₩ 48,902	₩ 8,027,739
B. Cash flows from investing activities	(10,686,502)	939	(10,685,563)
C. Cash flows from financing activities	3,868,453	(49,840)	3,818,613

#### **41. Subsequent events**

##### **41.1 Acquisition of equity of Hana Land Chip PEF 33**

According to the resolution of the board of directors on December 22, 2020, the Company acquired 103,000 million (35%) stake in Hana Land Chip PEF 33 on January 5, 2021. As a result, Hana Land Chip PEF 33 has been reclassified from investments in joint ventures to investments in subsidiaries.

##### **41.2 Disposal of stake in SK Wyverns Co., Ltd.**

On January 26, 2021, the Group signed a memorandum of understanding to sell all of SK Wyverns Co., Ltd.'s common shares (1,000,000 shares) and land and buildings to E-Mart Co., Ltd. for ₩100,000 million and ₩35,280 million, respectively. Accordingly, stock sales contract was signed with E-Mart Co., Ltd. on February 23, 2021, and sales contract for land and buildings was signed on February 26, 2021.

##### **41.3 SK Innovation Co., Ltd.'s litigation**

The U.S. International Trade Commission decided to ban imports from the U.S. for 10 years on February 10, 2021 by citing Initial Determination for a trade secret lawsuit filed by LG Chem, Ltd. and LG Energy Solution, Ltd. against SK Innovation Co., Ltd. and SK Battery America, Inc. on April 29, 2019 (See Note 34 'Commitments and contingencies').

##### **41.4 Disposal of a portion of shares in SK Biopharmaceuticals Co., Ltd.**

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

##### **41.5 Equity investment in Plug Power Inc.**

The Group invested a total of USD 1,610 million in Plug Power Inc., which is a promising technology company in the global hydrogen industry in February 2021.