



# **SK Inc.**

Separate financial statements  
for the years ended December 31, 2021 and 2020  
with the independent auditor's report

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## Independent auditor's report

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

#### Opinion

We have audited the separate financial statements of SK Inc. (the "Company"), which comprise the separate statements of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

We have audited the Company's internal control over financial reporting ("ICFR") as of December 31, 2021, 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 11, 2022 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
- Evaluated 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
- Evaluated 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 lives 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 lives for impairment annually. In consideration of the significance of management's assumptions and judgment used in estimating value in use related to impairment testing of intangible assets with indefinite useful lives, we determined impairment testing of SK brand-related assets to be a key audit matter.

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

- Obtained an understanding of assets subject to impairment testing and reviewed the 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
- Evaluated 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
- Evaluated the impact on the results of management's assessment due to changes in key assumptions from sensitivity analysis of discount rates and permanent growth rates that are used in estimating value in use

### **Responsibilities of management and those charged with governance for the 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 11, 2022

This audit report is effective as of March 11, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

# **SK Inc.**

Separate financial statements  
for the years ended December 31, 2021 and 2020

“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.

**SK Inc.**  
**Separate statements of financial position**  
**as of December 31, 2021 and 2020**

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		2021	2020	2021	2020
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	4	₩ 70,011	₩ 79,743	\$ 59,057	\$ 67,263
Short-term financial instruments	4,30,31	215,571	238,046	181,840	200,798
Trade receivables, net	4,5,27,31	531,701	474,735	448,504	400,451
Other receivables, net	4,27,31	2,090	3,747	1,763	3,161
Inventories, net	6	215	142	181	120
Other current assets	4,17,18,31	722,437	58,814	609,394	49,611
Assets held for sales	28	392,645	697,130	331,206	588,047
<b>Total current assets</b>		<b>1,934,670</b>	<b>1,552,357</b>	<b>1,631,945</b>	<b>1,309,451</b>
Non-current assets:					
Long-term investment securities	4,7,30,31	934,091	674,891	787,930	569,288
Investments in subsidiaries	8	20,523,389	18,025,048	17,312,011	15,204,596
Investments in associates and joint ventures	9	626,352	354,632	528,344	299,141
Property, plant and equipment, net	10	557,884	534,196	470,590	450,608
Right-of-use asset, net	11	120,321	93,981	101,494	79,275
Investment properties, net	12	7,469	7,845	6,300	6,617
Intangible assets, net	13	2,176,091	2,154,137	1,835,589	1,817,070
Other non-current assets	4,17,18,30,31	336,708	195,310	284,022	164,749
<b>Total non-current assets</b>		<b>25,282,305</b>	<b>22,040,040</b>	<b>21,326,280</b>	<b>18,591,344</b>
<b>Total assets</b>		<b>₩ 27,216,975</b>	<b>₩ 23,592,397</b>	<b>\$ 22,958,225</b>	<b>\$ 19,900,795</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Current liabilities:					
Short-term borrowings	4,14,29,30,31	₩ 2,652,000	₩ 715,000	\$ 2,237,034	\$ 603,118
Trade payables	4,27,31	113,051	85,276	95,361	71,933
Other payables	4,27,29,31	135,184	123,310	114,031	104,015
Accrued expenses	4,31	96,592	78,106	81,478	65,884
Provisions	15	3,315	6,147	2,796	5,185
Current portion of long-term debt	4,14,29,31	1,219,426	1,051,406	1,028,617	886,888
Other current liabilities	4,11,17,18,27,29,31	908,673	450,384	766,489	379,911
<b>Total current liabilities</b>		<b>5,128,241</b>	<b>2,509,629</b>	<b>4,325,806</b>	<b>2,116,934</b>
Non-current liabilities:					
Bonds payable	4,14,29,31	5,501,474	5,336,808	4,640,636	4,501,736
Defined benefit liabilities	16	17,809	42,390	15,022	35,757
Deferred tax liabilities	25	382,311	324,386	322,489	273,628
Provisions	15	2,314	2,314	1,952	1,952
Other non-current liabilities	4,11,17,18,27,29,31	394,720	545,307	332,957	459,981
<b>Total non-current liabilities</b>		<b>6,298,628</b>	<b>6,251,205</b>	<b>5,313,056</b>	<b>5,273,054</b>
<b>Total liabilities</b>		<b>11,426,869</b>	<b>8,760,834</b>	<b>9,638,862</b>	<b>7,389,988</b>
<b>Equity</b>					
Issued capital	1,19	16,143	15,385	13,617	12,978
Other paid-in capital	19	3,354,711	3,506,168	2,829,786	2,957,543
Retained earnings	19	12,406,200	11,301,835	10,464,950	9,533,390
Other components of equity	19	13,052	8,175	11,010	6,896
<b>Total equity</b>		<b>15,790,106</b>	<b>14,831,563</b>	<b>13,319,363</b>	<b>12,510,807</b>
<b>Total liabilities and equity</b>		<b>₩ 27,216,975</b>	<b>₩ 23,592,397</b>	<b>\$ 22,958,225</b>	<b>\$ 19,900,795</b>

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



**SK Inc.**  
**Separate statements of comprehensive income**  
**for the years ended December 31, 2021 and 2020**

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

	Notes	Korean won		Translation into U.S. dollar (Note 2)	
		2021	2020	2021	2020
<b>Operating revenue</b>	21,27	₩ 2,749,536	₩ 3,473,984	\$ 2,319,305	\$ 2,930,395
<b>Operating expenses</b>	22,23,27	<u>1,919,404</u>	<u>1,815,953</u>	<u>1,619,068</u>	<u>1,531,803</u>
<b>Operating profit</b>		<b>830,132</b>	<b>1,658,031</b>	<b>700,237</b>	<b>1,398,592</b>
Finance income	4,24	298,914	148,771	252,142	125,492
Finance costs	4,24	248,236	698,078	209,394	588,847
Other non-operating income	24	1,098,449	959,165	926,570	809,081
Other non-operating expenses	24	<u>17,336</u>	<u>40,070</u>	<u>14,623</u>	<u>33,800</u>
<b>Profit before income tax expense</b>		<b>1,961,923</b>	<b>2,027,819</b>	<b>1,654,932</b>	<b>1,710,518</b>
<b>Income tax expense</b>	25	<u>462,159</u>	<u>311,774</u>	<u>389,843</u>	<u>262,990</u>
<b>Profit for the year</b>		<u><b>1,499,764</b></u>	<u><b>1,716,045</b></u>	<u><b>1,265,089</b></u>	<u><b>1,447,528</b></u>
<b>Other comprehensive income (loss):</b>					
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurement gain(loss) on defined benefit plans	16	1,164	(20,650)	982	(17,419)
Net gain (loss) on valuation of financial assets measured at FVOCI	7	875	(3,510)	738	(2,961)
Items that may be reclassified to profit or loss in subsequent periods:		-	-	-	-
		<u>2,039</u>	<u>(24,160)</u>	<u>1,720</u>	<u>(20,380)</u>
<b>Total comprehensive income for the year</b>		<u><b>₩ 1,501,803</b></u>	<u><b>₩ 1,691,885</b></u>	<u><b>\$ 1,266,809</b></u>	<u><b>\$ 1,427,148</b></u>
<b>Earnings per share (Korean won and U.S. dollar):</b>	26				
Basic earnings per share		₩ 28,456	₩ 32,732	\$ 24.00	\$ 27.61
Basic earnings per share from continuing operations		28,397	32,697	23.95	27.58

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

**SK Inc.**

**Separate statements of changes in equity  
for the years ended December 31, 2021 and 2020**

(Korean won in millions)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
<b>As of January 1, 2020</b>	₩ 15,385	₩ 3,504,680	₩ 9,870,812	₩ 11,685	₩ 13,402,562
Total comprehensive income (loss):	-	-	1,716,045	-	1,716,045
Profit for the year	-	-	(20,650)	-	(20,650)
Remeasurement loss on defined benefits plans	-	-	-	-	-
Net loss on valuation of financial assets measured at FVOCI	-	-	(264,372)	(3,510)	(3,510)
Dividends	-	-	-	-	(264,372)
Stock option	-	880	-	-	880
Acquisition of treasury shares	-	608	-	-	608
<b>As of December 31, 2020</b>	₩ 15,385	₩ 3,506,168	₩ 11,301,835	₩ 8,175	₩ 14,831,563
<b>As of January 1, 2021</b>	₩ 15,385	₩ 3,506,168	₩ 11,301,835	₩ 8,175	₩ 14,831,563
Total comprehensive income:	-	-	1,499,764	-	1,499,764
Profit for the year	-	-	1,164	-	1,164
Remeasurement gain on defined benefits plans	-	-	-	-	-
Net gain on valuation of financial assets measured at FVOCI	-	-	-	875	875
Dividends	-	-	(396,563)	-	(396,563)
Business combination	758	(150,803)	-	4,002	(146,043)
Stock option	-	661	-	-	661
Acquisition and disposal of treasury shares	-	(1,315)	-	-	(1,315)
<b>As of December 31, 2021</b>	₩ 16,143	₩ 3,354,711	₩ 12,406,200	₩ 13,052	₩ 15,790,106

**SK Inc.**  
**Separate statements of changes in equity**  
**for the years ended December 31, 2021 and 2020**  
(U.S. dollar in thousands)

	Issued capital	Other paid-in capital	Retained earnings	Other components of equity	Total equity
<b>As of January 1, 2020</b>	\$ 12,978	\$ 2,956,288	\$ 8,326,286	\$ 9,857	\$ 11,305,409
Total comprehensive income (loss):					
Profit for the year	-	-	1,447,528	-	1,447,528
Remeasurement loss on defined benefits plans	-	-	(17,419)	-	(17,419)
Net loss on valuation of financial assets measured at FVOCI	-	-	-	(2,961)	(2,961)
Dividends	-	-	(223,005)	-	(223,005)
Stock option	-	742	-	-	742
Acquisition of treasury shares	-	513	-	-	513
<b>As of December 31, 2020</b>	<b>\$ 12,978</b>	<b>\$ 2,957,543</b>	<b>\$ 9,533,390</b>	<b>\$ 6,896</b>	<b>\$ 12,510,807</b>
<b>As of January 1, 2021</b>	\$ 12,978	\$ 2,957,543	\$ 9,533,390	\$ 6,896	\$ 12,510,807
Total comprehensive income:					
Profit for the year	-	-	1,265,089	-	1,265,089
Remeasurement gain on defined benefits plans	-	-	982	-	982
Net gain on valuation of financial assets measured at FVOCI	-	-	-	738	738
Dividends	-	-	(334,511)	-	(334,511)
Business combination	639	(127,206)	-	3,376	(123,191)
Stock option	-	558	-	-	558
Acquisition and disposal of treasury shares	-	(1,109)	-	-	(1,109)
<b>As of December 31, 2021</b>	<b>\$ 13,617</b>	<b>\$ 2,829,786</b>	<b>\$ 10,464,950</b>	<b>\$ 11,010</b>	<b>\$ 13,319,363</b>

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

SK Inc.

Separate statements of cash flows

for the years ended December 31, 2021 and 2020

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

Notes	Korean won		Translation into U.S. dollar (Note 2)	
	2021	2020	2021	2020
<b>Cash flows from operating activities:</b>				
	₩	₩	\$	\$
	1,499,764	1,716,045	1,265,089	1,447,528
29	(1,314,114)	(1,331,757)	(1,108,489)	(1,123,372)
29	(16,832)	(70,408)	(14,198)	(59,391)
	15,003	4,959	12,655	4,183
	(179,414)	(178,314)	(151,340)	(150,412)
	744,692	1,474,542	628,167	1,243,814
	(429,098)	(26,363)	(361,955)	(22,238)
	<b>320,001</b>	<b>1,588,704</b>	<b>269,929</b>	<b>1,340,112</b>
<b>Cash flows from investing activities:</b>				
	22,475	(88,093)	18,958	(74,309)
	(430,352)	3,036	(363,013)	2,561
	357,425	72	301,497	61
	1,390,204	303,255	1,172,673	255,803
	42,537	523,382	35,881	441,486
	37	359	31	303
	1,996	1,896	1,684	1,599
	(127,282)	(125,940)	(107,366)	(106,234)
	(2,044,235)	(736,229)	(1,724,365)	(621,028)
	(309,808)	(103,235)	(261,331)	(87,081)
	(67,047)	(60,573)	(56,556)	(51,095)
	(52,266)	(59,455)	(44,088)	(50,152)
	(27,770)	(3,343)	(23,425)	(2,820)
	10,531	-	8,883	-
	<b>(1,233,555)</b>	<b>(344,868)</b>	<b>(1,040,537)</b>	<b>(290,906)</b>
<b>Cash flows from financing activities:</b>				
	1,215,440	(965,000)	1,025,255	(814,003)
	1,195,182	1,195,205	1,008,167	1,008,186
	(396,558)	(264,372)	(334,511)	(223,005)
	(1,050,000)	(1,130,000)	(885,702)	(953,184)
	(59,447)	(57,888)	(50,145)	(48,830)
	(1,434)	608	(1,210)	513
29	<b>903,183</b>	<b>(1,221,447)</b>	<b>761,854</b>	<b>(1,030,323)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>				
	(10,371)	22,389	(8,754)	18,883
<b>Net foreign exchange effects</b>				
	639	(451)	539	(380)
<b>Cash and cash equivalents at the beginning of the year</b>				
	79,743	57,805	67,272	48,760
<b>Cash and cash equivalents at the end of the year</b>				
	<b>₩ 70,011</b>	<b>₩ 79,743</b>	<b>\$ 59,057</b>	<b>\$ 67,263</b>

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

## **1. Corporate information**

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

Upon the acquisition of SK Inc. by SK C&C Co., Ltd. effective on August 1, 2015, the Company added the investment business to its existing operations for the purpose of holding the securities of its subsidiaries. Furthermore, the Company changed its name to its current form as of the acquisition date.

As of December 31, 2021, the issued capital of the Company amounts to ₩16,143 million (including ₩113 million of preferred shares). Major shareholders and their equity ownership are Tae-won Chey, National Pension Service and Ki-won Choi, each holding 17.50%, 8.38% and 6.50% respectively, as of December 31, 2021.

## **2. Summary of significant accounting policies**

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

The accompanying separate financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of the separate financial statements and has been made at the rate of ₩1,185.50 to USD 1.00, the basic exchange rate in the Seoul Money Brokerage Service for cable transfers in Korean won on the last business day of the year ended December 31, 2021. Such translations into U.S. dollar should not be construed as representations that the Korean won amounts could be converted into U.S. dollar at that or any other rate.

### **2.1 Basis of preparation**

The Company has prepared the statutory separate financial statements in accordance with KIFRS. This financial statement is the separate financial statements by KIFRS 1027.

The significant accounting policies used for the preparation of the accompanying separate financial statements as of and for the year ended December 31, 2021, are the same as the accounting policies adopted for the preparation of separate financial statements as of and for the year ended December 31, 2020, except for adoption of new and revised KIFRSs applied in the current period, which are summarized below.

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

The accompanying separate financial statements were approved at the Company’s Board of Directors’ meeting on February 9, 2022.

The principal accounting policies are set out below:

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

The Company has applied amendments to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 2021.

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

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

### 2.1.2 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 1001 *Presentation of Financial Statements (Amended)***

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

#### **KIFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors (Amended)***

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

#### **KIFRS 1012 *Income Taxes (Amended)***

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

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

### **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 earlier application permitted.

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

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

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

The application of the practical expedient, which provides relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic has been extended to lease reductions affecting the lease payments before June 30, 2022. A lessee should consistently apply practical expedients to similar contracts with similar characteristics. The Company plans to apply the other amendments for annual reporting period beginning on or after April 1, 2021, with earlier 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	Furniture and Fixtures	4 ~ 25
Machinery	5 ~ 15		

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	1 ~ 10
Vehicles	1 ~ 4
Furniture and fixtures	5

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 options**

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 Provisions**

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 Dividend 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 an 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.

### **2.22.2 Deferred tax**

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

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

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

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

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

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

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

### **2.23 Earnings per share**

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

## **2.24 Fair value**

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

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

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

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

## **2.25 Operating segments**

In accordance with KIFRS 1108 provided an exemption from segment reporting in the separate financial statements of the parent, the Company disclosed its information of operating segment in the separate financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

### **3.5 Defined benefit plan**

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

### **3.6 Deferred tax assets**

Recognition and measurement of deferred tax assets and liabilities requires significant management judgment. Especially, when determining if deferred tax assets will be realizable or not in the future, it involves significant management assumptions and judgment on the Company's future performance. In addition, the Company shall pay additional corporate taxes calculated Tax Act in accordance with "The special taxation for promoting investment and mutually beneficial cooperation". Accordingly, the Company reflect the tax effects of the reflux tax when measuring the tax, the Company will pay in the future may vary depending on the level of investment and wage increase in each year.

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

In order to prevent the spread of COVID-19, various prevention and control measures including restrictions on movement are being implemented worldwide, and as a result, the global economy is widely affected. The Company invests in companies operating in various industries, including petroleum refining, telecommunications, wholesale and retail, chemicals, construction and others, and is exposed to market uncertainties due to the influence of COVID-19. This can negatively affect productivity, sales decline or delay, collection of existing receivables, discount rates and indicators used for various estimates, which can negatively affect the Company's financial position and financial performance. The Company prepared financial statements by reasonably estimating the impact of COVID-19 on the Company. However, there is significant uncertainty in estimating the impact of COVID-19 on the Company.



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**4. Financial instruments**

**4.1 Financial assets**

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

	December 31, 2021			Total
	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	
<b>Current assets:</b>				
Cash and cash equivalents	₩ 39,764	₩ -	₩ 30,247	₩ 70,011
Short-term financial instruments	190,671	-	24,900	215,571
Trade receivables (*1)	-	-	380,842	380,842
Other receivables	-	-	2,090	2,090
Short-term loans	-	-	460,621	460,621
Accrued income	-	-	1,417	1,417
Guarantee deposits	-	-	3,200	3,200
Lease receivables	-	-	35,793	35,793
Derivative financial assets	193,727	-	-	193,727
	<u>424,162</u>	<u>-</u>	<u>939,110</u>	<u>1,363,272</u>
<b>Non-current assets:</b>				
Long-term financial instruments	-	-	3,270	3,270
Long-term investment securities	601,480	332,233	378	934,091
Long-term loans	-	-	215	215
Long-term guarantee deposits	-	-	43,057	43,057
Long-term lease receivables	-	-	290,039	290,039
	<u>601,480</u>	<u>332,233</u>	<u>336,959</u>	<u>1,270,672</u>
	<u>₩ 1,025,642</u>	<u>₩ 332,233</u>	<u>₩ 1,276,069</u>	<u>₩ 2,633,944</u>

(\*1) Contract assets (unbilled receivables) amounting to ₩150,859 million as of December 31, 2021 are not included in the financial instruments.

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

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

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**4.2 Financial liabilities**

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

	December 31, 2021		
	Financial liabilities measured at FVTPL	Other financial liabilities	Total
Current liabilities:			
Short-term borrowings	₩ -	₩ 2,652,000	₩ 2,652,000
Trade payables	-	113,051	113,051
Other payables	-	135,184	135,184
Accrued expenses	-	96,592	96,592
Dividends payable	-	163	163
Current portion of long-term debt	-	1,219,426	1,219,426
Deposits-withheld	-	222	222
Lease liabilities	-	68,070	68,070
Derivative financial liabilities	424,900	-	424,900
	<u>424,900</u>	<u>4,284,708</u>	<u>4,709,608</u>
Non-current liabilities:			
Bonds payable	-	5,501,474	5,501,474
Deposits-withheld	-	23,932	23,932
Long-term lease liabilities	-	361,074	361,074
	-	5,886,480	5,886,480
	<u>₩ 424,900</u>	<u>₩ 10,171,188</u>	<u>₩ 10,596,088</u>

	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
Deposits-withheld	-	5,639	5,639
Lease liabilities	-	60,787	60,787
Derivative financial liabilities	133	-	133
	<u>133</u>	<u>2,119,524</u>	<u>2,119,657</u>
Non-current liabilities:			
Bonds payable	-	5,336,808	5,336,808
Deposits-withheld	-	11	11
Long-term lease liabilities	-	67,634	67,634
Derivative financial liabilities	468,032	-	468,032
	<u>468,032</u>	<u>5,404,453</u>	<u>5,872,485</u>
	<u>₩ 468,165</u>	<u>₩ 7,523,977</u>	<u>₩ 7,992,142</u>

**SK Inc.**  
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**4.3 Gain and loss by category of financial instruments**

Details of gain and loss by category of financial instruments for the years ended in December 31, 2021 and 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021						
	Interest income	Interest expense	Gain on foreign currency	Gain on derivative instruments	Gain on valuation	Gain on valuation-OCI	Total
Financial assets measured at FVTPL	₩ 1,585	₩ -	₩ -	₩ 9,929	₩ 167,371	₩ -	₩ 178,885
Financial assets measured at FVOCI	-	-	-	-	-	1,207	1,207
Financial assets measured at amortized cost	19,786	-	29,435	-	-	-	49,221
Financial liabilities measured at FVTPL	-	-	-	(2,937)	-	-	(2,937)
Other financial liabilities	-	(175,446)	955	-	-	-	(174,491)
	<u>₩ 21,371</u>	<u>₩(175,446)</u>	<u>₩ 30,390</u>	<u>₩ 6,992</u>	<u>₩ 167,371</u>	<u>₩ 1,207</u>	<u>₩ 51,885</u>

	For the year ended December 31, 2020						
	Interest income	Interest expense	Gain on foreign currency	Gain on derivative instruments	Gain on valuation	Gain on valuation-OCI	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>₩ (12,095)</u>	<u>₩ (4,630)</u>	<u>₩ (553,937)</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, 2021 and 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at FVTPL	₩ 379,520	₩ -	₩ 452,395	₩ 831,915
Financial assets measured at FVOCI	16,800	-	315,433	332,233
Derivative financial assets	-	417	193,310	193,727
	<u>₩ 396,320</u>	<u>₩ 417</u>	<u>₩ 961,138</u>	<u>₩ 1,357,875</u>
Financial liabilities:				
Derivative financial liabilities	₩ -	₩ 2,365	₩ 422,535	₩ 424,900

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

	For the year ended 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

The Company recognizes the movement between hierarchy levels at the end of the reporting period where changes in events and situations result in movement between the hierarchy levels. No significant change between hierarchy levels 1 and 2 occurred during the year ended December 31, 2021.

Changes in Level 3 financial assets for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	For the year ended December 31, 2021						Ending balance
	Beginning balance	Business combination	Acquisition	Disposal	Valuation	Transfer(*1)	
Financial assets measured at FVTPL	₩ 374,753	₩ 11,847	₩ 117,310	₩ (5,096)	₩ 119,598	₩ (166,017)	₩ 452,395
Financial assets measured at FVOCI	299,730	26,892	9,971	-	1,207	(22,367)	315,433
Derivative financial assets	175,913	-	-	-	17,397	-	193,310
	<u>₩ 850,396</u>	<u>₩ 38,739</u>	<u>₩ 127,281</u>	<u>₩ (5,096)</u>	<u>₩ 138,202</u>	<u>₩ (188,384)</u>	<u>₩ 961,138</u>

(\*1) During the current year, the convertible bonds of Yes powertech Co., Ltd. were converted into common stock and as a result, the entity was reclassified as an investment in an associate. GRAB Holdings Inc. went public during the current year and was transferred to Level 1.

	For the year ended December 31, 2020					Ending balance
	Beginning balance	Acquisition	Valuation	Transfer(*1)		
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>₩ (225,392)</u>	<u>₩ (17,505)</u>		<u>₩ 850,396</u>

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

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

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

#### 4.5 Valuation techniques and inputs (cont'd)

##### E. 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, 2021				
		Valuation amount		Valuation techniques	Level 3 inputs	Input variations
SK Shipping Co., Ltd.	Assets	₩	223,682	DCF model	Permanent growth rate	1.0%
					WACC	10.7%
Total return swap Agreement	Assets	₩	193,310	Monte-Carlo Simulation	Term structure of interest rate	1.8% ~ 2.0%
	Liabilities		422,535		WACC	5.5% ~ 15.5%

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.

**SK Inc.**  
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**5. Trade receivables**

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
Trade receivables:				
Trade receivables	₩	382,114	₩	360,505
Contract assets (unbilled receivables)		<u>150,859</u>		<u>115,626</u>
		532,973		476,131
Allowance for doubtful accounts:				
Trade receivables		<u>(1,272)</u>		<u>(1,396)</u>
	₩	<u>531,701</u>	₩	<u>474,735</u>

**6. Inventories**

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

	<u>December 31, 2021</u>			<u>December 31, 2020</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	₩ 215	₩ -	₩ 215	₩ 142	₩ -	₩ 142

**7. Investment securities**

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Cost</u>	<u>Book value</u>	<u>Cost</u>	<u>Book value</u>
Financial assets measured at FVTPL:				
Equity instruments	₩ 172,141	₩ 149,085	₩ 90,790	₩ -
Debt securities (*1)	327,463	380,489	298,621	311,459
Money invested and others	58,822	71,906	61,886	63,294
Financial assets measured at FVOCI:				
Equity instruments (*2)	314,960	332,233	288,943	299,730
Financial assets measured at amortized cost:				
Debt securities	<u>250</u>	<u>378</u>	<u>322</u>	<u>408</u>
	₩ <u>873,636</u>	₩ <u>934,091</u>	₩ <u>740,562</u>	₩ <u>674,891</u>

(\*1) It consists of convertible bonds such as Halio, Inc. (formerly Kinestral Technologies Inc.).

(\*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.

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

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

	December 31, 2021		December 31, 2020	
	Acquisition cost	Book value	Acquisition cost	Book value
Marketable equity instruments(*1)	₩ 99,033	₩ 165,885	₩ -	₩ -
Non-marketable equity instruments	388,068	315,433	379,733	299,730
Debt securities	327,713	380,867	298,943	311,867
Money invested and others	58,822	71,906	61,886	63,294
	<u>₩ 873,636</u>	<u>₩ 934,091</u>	<u>₩ 740,562</u>	<u>₩ 674,891</u>

(\*1) It consists of GRAB Holdings Inc., which was listed during the current period. In the case of the equity securities, they are included in the balance of equity securities not traded in the active market at the end of the previous year.

(3) Details of marketable equity instruments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	December 31, 2021			December 31, 2020	
	Equity ownership	Acquisition cost	Book value	Acquisition cost	Book value
GRAB Holdings Inc.	0.50%	₩ 81,351	₩ 149,085	₩ -	₩ -
Otonomo Technologies Ltd.	1.70%	11,624	11,438	-	-
Harbour BioMed	0.60%	6,058	5,362	-	-
		<u>₩ 99,033</u>	<u>₩ 165,885</u>	<u>₩ -</u>	<u>₩ -</u>

(4) Details of non-marketable equity instruments as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	December 31, 2021			December 31, 2020	
	Equity ownership	Acquisition cost	Book value	Acquisition cost	Book value
SK Shipping Co., Ltd.	16.35%	₩ 204,675	₩ 223,682	₩ 204,675	₩ 218,343
Fintiv, Inc.	1.98%	90,790	-	90,790	-
Turo Inc.	3.31%	39,728	45,051	39,728	41,346
Group14 Technologies, Inc.	10.07%	15,594	20,874	-	-
Gi innovation, Inc.	1.49%	9,971	9,971	-	-
Lilac Solution, Inc.	1.10%	5,937	5,937	-	-
Sino Glow Limited (*1)	25.00%	5,309	3,933	5,309	5,438
Pulus, Inc.	17.92%	4,387	1,851	4,387	1,851
GenEdit Inc.	8.71%	4,235	1,864	4,235	4,235
LVIS Corporation	4.51%	3,381	934	3,381	3,381
Evidnet Co., Ltd.	11.71%	3,000	1,137	3,000	1,770
Intellectual Discovery	0.60%	500	80	500	80
Ultra Robot Land Co., Ltd.	8.39%	417	-	417	-
Sodiff bmt corporation	8.00%	82	82	-	-
Nongshim Development Co., Ltd.	0.13%	37	37	37	37
Ultra Robot Land Assets Management Co., Ltd.	8.39%	25	-	25	-
Otonomo Technologies Ltd.(*2)	-	-	-	11,624	11,624
Harbour BioMed(*2)	-	-	-	6,058	6,058
Others	-	-	-	5,567	5,567
		<u>₩ 388,068</u>	<u>₩ 315,433</u>	<u>₩ 379,733</u>	<u>₩ 299,730</u>

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

(\*2) It was classified as equity securities listed during the current period and traded in the active market.



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

(5) Details of money invested and others as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	December 31, 2021		December 31, 2020	
	Acquisition cost	Book value	Acquisition cost	Book value
Prostar Asia-Pacific Energy Infrastructure SK Fund L.P.	₩ 27,071	₩ 34,068	₩ 26,787	₩ 29,167
Hermed Capital Health Care Fund L.P.	12,975	22,175	18,071	21,056
Saturn V GP LLC	8,166	7,644	6,737	6,737
Dogus-SK Private Equity Investment Company	7,472	670	7,472	1,109
Korea Software Financial Cooperative	1,500	2,353	1,500	2,303
Golden Gate Ventures K9, L.P.	1,495	4,853	1,176	2,779
Information & Communication Financial Cooperative	107	107	107	107
Fire Guarantee	20	20	20	20
Engineering Guarantee Insurance	16	16	16	16
	<u>₩ 58,822</u>	<u>₩ 71,906</u>	<u>₩ 61,886</u>	<u>₩ 63,294</u>

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

	For the years ended	
	December 31, 2021	December 31, 2020
Beginning balance	₩ 674,891	₩ 395,085
Business combination	38,739	-
Acquisitions	127,282	126,121
Gain on valuation and interest income	120,846	(16,680)
Disposals	(5,167)	(72)
Transfer (*1)	(22,500)	(17,505)
Ending balance	<u>₩ 934,091</u>	<u>₩ 674,891</u>

(\*1) The convertible bonds of Yes powertechnix Co., Ltd., which were held during the current year, were converted into common stocks and as a result, the entity was reclassified as an investment in an associate. The convertible bonds of Socar Co., Ltd. were converted into common stock and as a result, the entity was reclassified as an investment in an associate.

**SK Inc.**  
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**8. Investments in subsidiaries**

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

	Domicile	Principal Business activity	December 31, 2021			December 31, 2020
			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. (*2,3)	Korea	Mobile Tele-communication	30.01	2,929,870	2,929,870	5,416,019
SK Square Co., Ltd. (*2,3)	Korea	Investment	30.01	2,486,149	2,486,149	-
SK Networks Co., Ltd. (*2)	Korea	Trading and distribution	39.14	706,229	706,229	706,229
SKC Co., Ltd. (*2)	Korea	Petrochemicals	40.64	548,654	548,654	548,654
SK E&S Co., Ltd.	Korea	City gas business	90.00	2,600,000	2,600,000	2,600,000
SK ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.) (*2)	Korea	Construction	44.48	545,300	545,300	545,300
SK Siltron Co., Ltd.	Korea	Manufacturing and sales of silicon thin sheet	51.00	622,606	622,606	622,606
Formerly, SK Materials Co., Ltd. (*4)	-	-	-	-	-	473,335
SK Materials Co., Ltd. (*4)	Korea	Special-gas Manufacturing and sales	100.00	600,467	600,467	-
SK Biopharmaceuticals Co., Ltd. (*5)	Korea	Life science	64.02	369,226	369,226	432,562
SK REITS CO., LTD. (*6,7)	Korea	Real estate development and trading	50.00	387,551	387,551	-
Hweechan Co., Ltd.	Korea	Resort business	100.00	335,912	335,912	335,912
Signet EV Inc. (*8)	Korea	Manufacturing of motors generators, and electrical conversion devices	0.00	293,236	293,236	-
SK materials airplus Incorporated (*4)	Korea	Manufacture and sale of industrial gas	100.00	265,573	265,573	-
SK Tri Chem Co., Ltd. (*4)	Korea	Precursor product development, and sales	65.00	102,505	102,505	-
SK materials G14 Co., Ltd. (*4)	Korea	Semiconductor manufacturing, and sales	75.00	62,692	62,692	-
SK Forest Co., Ltd.	Korea	Landscape construction	100.00	61,387	61,387	61,387
SK Materials Performance Co., Ltd. (*4)	Korea	Semiconductor industrial photosensitive agent manufacturing and sales	100.00	57,070	57,070	-
SK Materials Renewtech Co., Ltd. (*4)	Korea	Acetylene and other Industries gas production and sales	80.00	46,678	46,678	-
SK Showa Denko Co., Ltd. (*4)	Korea	Semiconductor distribution and sales	51.00	23,150	23,150	-
SK Materials JNC Co., Ltd. (*4)	Korea	Organic light emitting diode material manufacturing, distribution and sales	51.00	20,287	20,287	-
SK REITs Management Co., Ltd. (*6)	Korea	Real estate acquisition and rental and development	100.00	7,000	7,000	-
Happy Companion Co., Ltd. (*4)	Korea	Cleaning services	100.00	487	487	-
SK Pharmteco Inc. (*7)	USA	Investment	100.00	1,469,503	1,469,503	875,245
Plutus Capital NY, Inc. (*7)	USA	Investment	100.00	847,076	847,076	587,542
SK China Company, Ltd. (*9)	Hong Kong	Consulting and investment	27.42	557,117	557,117	557,117
SK South East Asia Investment Pte. Ltd. (*9)	Singapore	Investment	20.00	345,010	345,010	345,010
Golden Pearl EV Solutions Limited.	Hong Kong	Investment	100.00	281,360	281,360	281,360
Einstein Cayman Limited. (*7)	Cayman	Investment	100.00	182,625	182,625	181,734
Tellus Investment Partners, Inc. (formerly, I Cube Capital II, Inc.) (*7)	USA	Investment	100.00	107,013	107,013	52,667
SK Japan Investment(*4,6,9)	Japan	Investment	50.00	103,012	103,012	-
Plutus Fashion NY, Inc.	USA	Fashion	100.00	74,113	74,113	74,113
Saturn Agriculture Investment Co., Ltd.	Hong Kong	Investment	81.00	67,093	67,093	67,093
PLUTUS Capital NY II, Inc. (*6)	USA	Investment	100.00	57,049	57,049	-
I Cube Capital, Inc. (*7)	USA	Investment	100.00	40,289	40,289	37,275
Energy Solution Holdings Inc. (*9)	USA	Investment	39.97	36,432	36,432	36,432
PLUTUS Capital NY III, Inc. (*6)	USA	Investment	100.00	31,632	31,632	-
Socar Mobility Malaysia, SDN. BHD.	Malaysia	Rental of cars	83.51	29,221	29,221	29,221
SK S.E.Asia Pte. Ltd.	Singapore	Investment	100.00	25,847	25,847	25,847
SK C&C Beijing Co., Ltd.	China	Computer system	100.00	25,481	25,481	25,481
Digital Center Capital Inc. (*6)	USA	Investment	100.00	25,178	25,178	-
Castanea Bioscience Inc. (*6)	USA	Investment	100.00	23,883	23,883	-
SK Investment Management Co., Ltd. (*7)	Hong Kong	Investment	80.76	10,099	10,099	9,201
SK GI Management	Cayman	Investment	100.00	9,523	9,523	9,523
Auxo Capital Inc. (*6)	USA	Investment	100.00	8,795	8,795	-
Gemini Partners Pte. Ltd. (*9)	Singapore	Consulting	20.00	6,018	2,601	2,601
SK MENA Investment B.V. (*9)	Netherlands	Investment	11.54	5,178	5,178	5,178

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

SK Latin Americas Investment S.A. (*9)	Spain	Investment	11.54	5,135	5,135	5,135
SK C&C India Pvt. Ltd. (*10)	India	Computer system	100.00	3,442	-	382
SK Materials (Shanghai) Co., Ltd.(*4)	China	special gas sales	100.00	2,326	2,326	-
Tellus (Hong Kong) Investment(*6)	Hong Kong	Investment	100.00	1,985	1,985	-
SK C&C USA, Inc.(*6)	USA	computer system	100.00	1,971	1,971	-
		integration consultation				
SK Technology Innovation Company (*9)	Cayman	Research and development	2.12	1,876	1,876	1,876
S&G Technology(*10)	Saudi Arabia	Computer system	51.00	74	-	74
				<u>74</u>	<u>-</u>	<u>74</u>
				<u>₩ 20,530,322</u>	<u>₩ 20,523,389</u>	<u>₩ 18,025,048</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 year, SK Telecom Co., Ltd., a subsidiary, established SK Square Co., Ltd. through a division of the management and investment sectors of its investee on November 1, 2021, and division of its personnel with existing business sectors such as wired and wireless communication.
- (\*4) During the current year, the former SK Materials Co., Ltd., a subsidiary, split the business sectors, including special gas, with December 1, 2021 as the split-off date and established SK Materials Co., Ltd., and the holding company's business section was established as the surviving entity. After the split, the holding business division, the former SK Materials Co., Ltd., merged with the Company, and accordingly, subsidiaries owned by the holding business were incorporated into the Company's subsidiaries
- (\*5) During the current year, the shares of subsidiary SK Biopharmaceuticals Co., Ltd. changed from 75.00% to 64.20%.
- (\*6) Newly established during the current period.
- (\*7) Additional investment was made during the current period.
- (\*8) During the current period, the Company acquired the entity's convertible preferred shares with voting rights and resulted holding 53.38% of the voting rights.
- (\*9) When the investment equity ratio of the Company and its subsidiaries is combined, control can be exercised, therefore the investment is classified as a subsidiary .
- (\*10)The Company has fully impaired the investment during the current year.

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

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

	For the year ended December 31, 2021					
	Beginning balance	Business combination.	Acquisitions	Disposal	Others	Ending balance
SK Innovation Co., Ltd.	₩ 3,072,937	₩ -	₩ -	₩ -	₩ -	₩ 3,072,937
SK Telecom Co., Ltd.	5,416,019	-	-	-	(2,486,149)	2,929,870
SK Square Co., Ltd.	-	-	-	-	2,486,149	2,486,149
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 ecoplant Co., Ltd.	545,300	-	-	-	-	545,300
(formerly, SK Engineering & Construction Co., Ltd.)						
SK Siltron Co., Ltd.	622,606	-	-	-	-	622,606
Formerly, SK Materials Co., Ltd.	473,335	(473,335)	-	-	-	-
SK Materials Co., Ltd.	-	600,467	-	-	-	600,467
SK Biopharmaceuticals Co., Ltd.	432,562	-	-	(63,336)	-	369,226
SK REITS CO., LTD.	-	-	387,551	-	-	387,551
Hweechan Co., Ltd.	335,912	-	-	-	-	335,912
Signet EV Inc.	-	-	293,236	-	-	293,236
SK materials airplus Incorporated	-	265,573	-	-	-	265,573
SK Tri Chem Co.,Ltd	-	102,505	-	-	-	102,505
SK materials G14 Co.,Ltd	-	62,692	-	-	-	62,692
SK Forest Co., Ltd.	61,387	-	-	-	-	61,387
SK Materials Performance Co.,Ltd	-	57,070	-	-	-	57,070
SK Materials Renewtech Co.,Ltd	-	46,678	-	-	-	46,678
SK Showa Denko Co.,Ltd	-	23,150	-	-	-	23,150
SK Materials JNC Co.,Ltd	-	20,287	-	-	-	20,287
SK REITs Management Co., Ltd.	-	-	7,000	-	-	7,000
Happy Companion Co., Ltd.	-	487	-	-	-	487
SK Pharmteco Inc.	875,245	-	594,258	-	-	1,469,503
Plutus Capital NY, Inc.	587,542	-	259,534	-	-	847,076
SK China Company, Ltd.	557,117	-	-	-	-	557,117
SK South East Asia Investment Pte. Ltd.	345,010	-	-	-	-	345,010
Golden Pearl EV Solutions Limited.	281,360	-	-	-	-	281,360
Einstein Cayman Limited.	181,734	-	891	-	-	182,625
Tellus Investment Partners, Inc. (formerly, I Cube Capital II, Inc.)	52,667	-	54,346	-	-	107,013
SK Japan Investment	-	52,071	50,941	-	-	103,012
Plutus Fashion NY, Inc.	74,113	-	-	-	-	74,113
Saturn Agriculture Investment Co., Ltd.	67,093	-	-	-	-	67,093
PLUTUS Capital NY II, Inc.	-	-	57,049	-	-	57,049
I Cube Capital, Inc.	37,275	-	3,014	-	-	40,289
Energy Solution Holdings Inc.	36,432	-	-	-	-	36,432
PLUTUS Capital NY III, Inc.	-	-	31,632	-	-	31,632
Socar Mobility Malaysia, SDN. BHD.	29,221	-	-	-	-	29,221
SK S.E.Asia Pte. Ltd.	25,847	-	-	-	-	25,847
SK C&C Beijing Co., Ltd.	25,481	-	-	-	-	25,481
Digital Center Capital Inc.	-	-	25,178	-	-	25,178
Castanea Bioscience Inc.	-	-	23,883	-	-	23,883
SK Investment Management Co., Ltd.	9,201	-	898	-	-	10,099
SK GI Management	9,523	-	-	-	-	9,523
Auxo Capital Inc.	-	-	8,795	-	-	8,795
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 Materials (Shanghai) Co., Ltd.	-	2,326	-	-	-	2,326
Tellus (Hong Kong) Investment	-	-	1,985	-	-	1,985
SK C&C USA, Inc.	-	-	1,971	-	-	1,971
SK Technology Innovation Company	1,876	-	-	-	-	1,876
S&G Technology	74	-	-	-	(74)	-
Hana Land Chip PEF 33	-	-	241,773	(281,773)	40,000	-
Clean Energy REITs Co., Ltd.	-	-	300	(300)	-	-
	<u>₩ 18,025,048</u>	<u>₩ 759,971</u>	<u>₩ 2,044,235</u>	<u>₩ (345,409)</u>	<u>₩ 39,544</u>	<u>₩ 20,523,389</u>

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

	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 ecoplant Co., Ltd. (formerly, 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>

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

(3) Fair value of marketable investments in subsidiaries as of December 31, 2021 is as follows (Korean won in millions):

	<u>December 31, 2021</u>	
SK Innovation Co., Ltd.	₩	7,365,783
SK Telecom Co., Ltd.		3,802,200
SK Square Co., Ltd.		2,818,826
SK Networks Co., Ltd.		487,657
SKC Co., Ltd.		2,685,555
SK Biopharmaceuticals Co., Ltd.		4,873,116
SK REITs Co., LTD.		477,463
Signet EV Inc.		383,036

(4) Gain and loss on investments in subsidiaries for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	<u>For the years ended</u>			
	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
Disposal gains from investments in subsidiaries	₩	1,044,765	₩	257,115
Dividend incomes from investments in subsidiaries	₩	740,447	₩	1,470,819
Impairment loss from investments in subsidiaries	₩	(456)	₩	-

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

	Domicile	Principal business activity	December 30, 2021			December 31, 2020
			Equity ownership (%)	Acquisition cost	Book value	Book value
Investments in associates:						
Socar, Inc. (*1)	Korea	Rental of cars	22.16	₩ 109,304	₩ 109,304	₩ 109,304
SMCore Inc.	Korea	Manufacturing and sales of automated logistics system	26.60	39,419	39,419	39,419
Yespowertech (*2)	Korea	Semiconductor manufacturing	34.61	26,977	26,977	-
K-solar 2 Co., Ltd. (*3)	Korea	Solar power generation	-	-	-	20,588
Standigm Inc. (*1,4,5)	Korea	Medicine development	12.14	14,410	14,410	9,402
Cloocus Co., Ltd. (*1,5)	Korea	Information and communication service	16.75	6,500	6,500	6,500
Soft berry Inc. (*2)	Korea	Warehouse infra	22.09	5,684	5,684	-
Begas Co., Ltd. (*1,5)	Korea	Management consulting	17.86	5,000	5,000	5,000
THIRA-UTECH Co., Ltd. (*5)	Korea	Service manufacturing	13.72	4,200	4,200	4,200
PUMP Co., Ltd. (*1,5)	Korea	Electric kickboard rental	12.17	3,000	3,000	3,000
ACRYL Inc. (*1,5)	Korea	Information service	16.12	2,500	2,500	2,500
TWO LINE CODE Inc.	Korea	Software development	33.77	2,500	2,500	2,500
The Wave Talk, Inc. (*2,5)	Korea	Manufacturing and technical services	4.65	2,038	2,038	-
Todo Works Corp. (*2,5)	Korea	Handicapped aids and medical device sales	10.52	2,037	2,037	-
Daehan Kanggun BcN Co., Ltd. (*1,6)	Korea	Wired communication	0.20	58	-	-
ProteoVant Sciences, Inc. (*2)	USA	Medicine research	40.00	222,370	222,370	-
SES Holdings Pte. Ltd. (*1,4,5)	Singapore	Investment	12.86	69,712	69,712	28,791
Belstar Superfreeze Holdings, LLC (*1,4)	Cayman	Warehouse business	25.00	36,839	36,839	25,232
9352-7281 Quebec Inc.	Canada	Investment	40.09	31,558	31,558	31,558
Hummingbird Bioscience Holdings Pte. Ltd. (*1,4,5)	Singapore	Antibody drugs and development	8.97	19,026	19,026	7,434
FSK Holdings Co., Ltd.	Hong Kong	IT service	30.00	11,937	6,245	6,245
Halio, Inc. (formerly, Kinestral Technologies Inc.) (*1,5)	USA	Manufacturing discolored glass	2.13	8,498	8,498	8,498
Visible Patient S.A.S (*1,4)	France	Pharmaceutical manufacturing	22.14	7,507	7,507	4,461
Mozido Corfire, Inc. (*5)	USA	System consulting related to medicine	19.94	6,767	-	-
DSK EV Investment Limited. (*2,5)	Cayman	Investment	3.32	1,028	1,208	-
				₩ 638,869	₩ 626,352	₩ 314,632
Investments in joint ventures:						
Hana Land Chip PEF 33 (*7)	Korea	Real estate	-	₩ -	₩ -	₩ 40,000
				₩ 636,869	₩ 626,352	₩ 354,632

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

(\*2) Newly acquired during the current period.

(\*3) During the current period, the Company sold all of its holdings.

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

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

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

(\*7) During the current year, the Company obtained additional 34.80% shares of Hana Land Chip PEF 33, resulted in acquisition of control and liquidated the entity.

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**10. Property, plant and equipment**

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

	December 31, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 100,179	₩ -	₩ 100,179	₩ 96,251	₩ -	₩ 96,251
Buildings	356,558	(77,694)	278,864	353,116	(67,346)	285,770
Structures	11,646	(1,935)	9,711	9,734	(1,524)	8,210
Machinery	1,267	(12)	1,255	-	-	-
Vehicles	12,468	(4,087)	8,381	12,533	(3,288)	9,245
Furniture and fixtures	417,068	(290,339)	126,729	385,412	(264,132)	121,280
Construction-in-progress	32,765	-	32,765	13,440	-	13,440
	<u>₩ 931,951</u>	<u>₩ (374,067)</u>	<u>₩ 557,884</u>	<u>₩ 870,486</u>	<u>₩ (336,290)</u>	<u>₩ 534,196</u>

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

	For the year ended December 31, 2021						
	Beginning balance	Business combination	Acquisitions	Depreciation	Disposal	Transfer	Ending balance
Land	₩ 96,251	₩ -	₩ -	₩ -	₩ -	₩ 3,928	₩ 100,179
Buildings	285,770	-	-	(10,348)	-	3,442	278,864
Structures	8,210	-	-	(411)	-	1,912	9,711
Machinery	-	1,267	-	(12)	-	-	1,255
Vehicles	9,245	-	-	(864)	-	-	8,381
Furniture and fixtures	121,280	86	34,914	(37,229)	(17)	7,695	126,729
Construction-in-progress	13,440	1,760	34,545	-	-	(16,980)	32,765
	<u>₩ 534,196</u>	<u>₩ 3,113</u>	<u>₩ 69,459</u>	<u>₩ (48,864)</u>	<u>₩ (17)</u>	<u>₩ (3)</u>	<u>₩ 557,884</u>

	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>



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

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

	December 31, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land and buildings	₩ 177,119	₩ (61,364)	₩ 115,755	₩ 126,107	₩ (37,522)	₩ 88,585
Vehicles	8,818	(4,491)	4,327	8,239	(3,158)	5,081
Furniture and fixtures	361	(122)	239	367	(52)	315
	<u>₩ 186,298</u>	<u>₩ (65,977)</u>	<u>₩ 120,321</u>	<u>₩ 134,713</u>	<u>₩ (40,732)</u>	<u>₩ 93,981</u>

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

	For the year ended December 31, 2021					
	Beginning balance	Business combination	Increase	Depreciation	Others (*1)	Ending balance
Land and buildings	₩ 88,585	₩ 1,591	₩ 379,751	₩ (28,622)	₩ (325,550)	₩ 115,755
Vehicles	5,081	297	4,119	(3,262)	(1,908)	4,327
Furniture and fixtures	315	-	31	(74)	(33)	239
	<u>₩ 93,981</u>	<u>₩ 1,888</u>	<u>₩ 383,901</u>	<u>₩ (31,958)</u>	<u>₩ (327,491)</u>	<u>₩ 120,321</u>

	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>

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

	For the year ended December 31, 2021						
	Beginning balance	Business combination	Increase	Interest expenses	Decrease (payment)	Others (*1)	Ending balance
Lease liabilities	₩ 128,421	₩ 1,840	₩ 376,369	₩ 6,044	₩ (65,491)	₩ (18,039)	₩ 429,144

	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

(\*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 ₩6,344 million in relation to short-term lease and ₩1,327 million in relation to leases of low-value assets during the year ended December 31, 2021. The total cash outflow of leases during the year ended December 31, 2021 is ₩70,419 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, 2021 and 2020 are as follows (Korean won in millions):

Year ending	December 31, 2021		December 31, 2020	
	Gross investment	Net investment	Gross investment	Net investment
Within a year	₩ 36,236	₩ 35,793	₩ 33,200	₩ 33,189
1 year to 2 years	37,025	35,613	-	-
2 year to 3 years	37,573	35,189	-	-
3 year to 4 years	38,129	34,769	-	-
4 year to 5 years	38,693	34,353	-	-
More than 5 years	181,996	150,115	-	-
	<u>₩ 369,652</u>	<u>₩ 325,832</u>	<u>₩ 33,200</u>	<u>₩ 33,189</u>

**12. Investment properties**

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

	December 31, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings	₩ 10,617	₩ (3,148)	₩ 7,469	₩ 10,183	₩ (2,338)	₩ 7,845

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

	For the year ended December 31, 2021			
	Beginning balance	Depreciation	Transfer(*1)	Ending balance
Buildings	₩ 7,845	₩ (810)	₩ 434	₩ 7,469
	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.

(3) Details of gains and losses related to investment properties for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2021	December 31, 2020
Rental revenue	₩ 1,143	₩ 1,508
Depreciation	(810)	(455)
	<u>₩ 333</u>	<u>₩ 1,053</u>

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

(4) The fair value of building classified as investment properties was ₩10,617 million as of December 31, 2021.

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**13. Intangible assets**

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

	December 31, 2021				December 31, 2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Development costs	₩ 220,262	₩ (95,969)	₩ (3,716)	₩ 120,577	₩ 170,983	₩ (71,217)	₩ (3,210)	₩ 96,556
Memberships	66,908	-	(13,648)	53,260	65,551	-	(13,648)	51,093
Brand-related assets	1,975,000	-	-	1,975,000	1,975,000	-	-	1,975,000
Others	47,034	(19,780)	-	27,254	44,881	(14,203)	-	30,678
	<u>₩ 2,309,204</u>	<u>₩ (115,749)</u>	<u>₩ (17,364)</u>	<u>₩ 2,176,091</u>	<u>₩ 2,256,415</u>	<u>₩ (85,420)</u>	<u>₩ (16,858)</u>	<u>₩ 2,154,137</u>

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

	As of and for the year ended December 31, 2021						
	Beginning balance	Business combination	Acquisition	Depreciation	Disposal	Impairment	Ending balance
Development costs	₩ 96,556	₩ -	₩ 49,279	₩ (24,752)	₩ -	₩ (506)	₩ 120,577
Memberships (*1)	51,903	1,158	1,240	-	(1,041)	-	53,260
Brand-related assets (*1)	1,975,000	-	-	-	-	-	1,975,000
Others	30,678	376	1,777	(5,577)	-	-	27,254
	<u>₩ 2,154,137</u>	<u>₩ 1,534</u>	<u>₩ 52,296</u>	<u>₩ (30,329)</u>	<u>₩ (1,041)</u>	<u>₩ (506)</u>	<u>₩ 2,176,091</u>

	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>

(\*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, 2021 are as follows:

Recoverable amounts	Growth rate (*1)	Discount rate (*2)
Usage value	1.0%	8.7 ~ 16.9%

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

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

As a result of 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, 2021 and 2020 are as follows (Korean won in millions):

Description	Financial institution	Interest rate (%)	December 31, 2021	December 31, 2020
Working capital loan	NH Nonghyup Bank	2.20 ~ 2.47	₩ 169,900	₩ -
Working capital loan	Credit Agricole Corporate & Investment Bank	1.36 ~ 2.09	168,550	-
Working capital loan	Woori Bank	1.53	118,550	-
Working capital loan	Industrial & Commercial Bank of China	2.47 ~ 2.48	80,000	-
Working capital loan	Sumitomo Mitsui Banking Corporation	2.20	50,000	-
Working capital loan	KEB Hana Bank	2.36	20,000	-
Commercial paper	SK Securities	1.20 ~ 2.22	920,000	245,000
Commercial paper	Kiwoom Securities	1.83 ~ 2.21	450,000	-
Commercial paper	KB Securities	1.21 ~ 2.22	285,000	210,000
Commercial paper	Samsung Securities	1.21 ~ 2.22	100,000	-
Commercial paper	Shinhan Bank	1.81 ~ 2.21	80,000	50,000
Commercial paper	Shinyoung Securities	1.98 ~ 2.11	70,000	100,000
Commercial paper	Hi Investment & Securities	2.21	50,000	-
Commercial paper	Daishin Securities	2.21	50,000	-
Commercial paper	NH Investment & Securities	2.21	20,000	-
Commercial paper	Hanyang Securities	2.21	20,000	-
Commercial paper	Woori investment bank	-	-	110,000
			<u>₩ 2,652,000</u>	<u>₩ 715,000</u>

(2) Bonds payable

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

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

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

Issuance number	Interest rate (%)	Maturity	Security	December 31,	December 31,
				2021	2020
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	-	2021-11-29	Unsecured	-	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	70,000
291-2nd	1.63	2025-02-20	Unsecured	160,000	160,000
291-3rd	1.70	2027-02-20	Unsecured	40,000	40,000
291-4th	1.80	2030-02-20	Unsecured	60,000	60,000
292-1st	1.50	2023-06-03	Unsecured	110,000	110,000
292-2nd	1.69	2025-06-03	Unsecured	120,000	120,000
292-3rd	1.79	2030-06-03	Unsecured	50,000	50,000
293-1st	1.57	2025-09-07	Unsecured	200,000	200,000
293-2nd	1.74	2027-09-07	Unsecured	30,000	30,000
293-3rd	1.83	2030-09-07	Unsecured	120,000	120,000
294-1st	1.61	2025-12-03	Unsecured	150,000	150,000
294-2nd	1.93	2030-12-03	Unsecured	90,000	90,000
295-1st	1.24	2024-02-24	Unsecured	60,000	-
295-2nd	1.60	2026-02-24	Unsecured	150,000	-
295-3rd	1.75	2028-02-24	Unsecured	30,000	-
295-4th	2.03	2031-02-24	Unsecured	80,000	-
296-1st	1.53	2024-06-04	Unsecured	40,000	-
296-2nd	2.07	2026-06-04	Unsecured	220,000	-
296-3rd	2.49	2031-06-04	Unsecured	70,000	-
297-1st	1.87	2024-09-13	Unsecured	100,000	-
297-2nd	2.09	2026-09-13	Unsecured	200,000	-
297-3rd	2.28	2031-09-13	Unsecured	60,000	-
298-1st	2.51	2024-11-05	Unsecured	50,000	-
298-2nd	2.72	2026-11-05	Unsecured	100,000	-
298-3rd	2.83	2031-11-05	Unsecured	40,000	-
299	2.67	2022-04-10	Unsecured	50,000	-
300	2.16	2024-04-26	Unsecured	50,000	-
301	1.72	2023-07-03	Unsecured	85,000	-
				<u>6,735,000</u>	<u>6,400,000</u>
				(14,100)	(11,786)
				<u>(1,219,426)</u>	<u>(1,051,406)</u>
				<u>₩ 5,501,474</u>	<u>₩ 5,336,808</u>

Less: discount on bonds payable  
Less: current portion

(3) The Company's bonds payable repayment schedule as of December 31, 2021 is as follows (Korean won in millions):

Year ending	Amount of repayment
December 31, 2022	₩ 1,220,000
December 31, 2023	1,215,000
December 31, 2024	1,310,000
December 31, 2025	810,000
December 31, 2026 and thereafter	2,180,000
	<u>₩ 6,735,000</u>

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**15. Provisions**

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

		For the year ended December 31, 2021					
		Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for service warranties	₩	3,802	₩ 1,822	₩ (3,685)	₩ 1,939	₩ 1,939	₩ -
Others		4,659	1,112	(2,081)	3,690	1,376	2,314
	₩	8,461	₩ 2,934	₩ (5,766)	₩ 5,629	₩ 3,315	₩ 2,314

		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
	₩	6,546	₩ 4,937	₩ (3,022)	₩ 8,461	₩ 6,147	₩ 2,314

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, 2021, were ₩80 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, 2021 and 2020 are as follows (Korean won in millions):

	December 31, 2021		December 31, 2020	
Present value of defined benefit obligation	₩	455,119	₩	414,384
Fair value of plan assets		(437,310)		(371,994)
	₩	17,809	₩	42,390

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

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

	For the year ended December 31, 2021		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Beginning balance	₩ 414,384	₩ (371,994)	₩ 42,390
Business combination	4,368	(3,750)	618
Provision for pension benefits:			
Current service cost	46,288	-	46,288
Net interest expense (income)	10,021	(9,625)	396
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	-	5,296	5,296
Actuarial changes arising from changes in financial assumptions	(7,526)	-	(7,526)
Experience adjustment and others	624	-	624
Contributions by employer directly to plan assets	-	(72,400)	(72,400)
Benefit paid	(19,722)	19,667	(55)
Others	6,682	(4,504)	2,178
Ending balance	₩ 455,119	₩ (437,310)	₩ 17,809

	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

(5) The components of plan assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	December 31, 2021	December 31, 2020
Debt instruments	₩ 62,432	₩ 113,867
Deposits and others	374,878	258,127
	₩ 437,310	₩ 371,994

(6) Principal actuarial assumptions

The principal assumptions used in actuarial calculation as of December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Discount rate for defined benefit obligation	2.96%, 2.99%	2.47%
Expected rate of salary increase	3.17%, 4.90%	3.18%, 4.60%

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

(7) The sensitivity analysis for significant actuarial assumptions as of December 31, 2021, 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%	₩ (18,521)	₩ 19,951
Expected rate of salary increase	0.5%	19,528	(18,323)

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

	December 31, 2021	December 31, 2020
<b>Current assets:</b>		
Accrued income	₩ 1,417	₩ 66
Advanced payments	5,638	1,301
Prepaid expenses	22,041	14,135
Short-term loans	460,621	-
Guarantee deposits	3,200	8,886
Lease receivables	35,793	33,189
Derivative financial assets	193,727	1,237
	<u>₩ 722,437</u>	<u>₩ 58,814</u>
<b>Non-current assets:</b>		
Long-term financial instruments	₩ 3,270	₩ 3,268
Long-term loans	215	-
Long-term guarantee deposits	43,057	16,002
Long-term lease receivables	290,039	-
Derivative financial assets	-	175,913
Others	127	127
	<u>₩ 336,708</u>	<u>₩ 195,310</u>

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

	December 31, 2021	December 31, 2020
<b>Current liabilities:</b>		
Advances received	₩ 68,826	66,660
Withholdings	31,389	32,249
Income tax payable	315,103	284,916
Dividends payable	222	-
Leasehold deposits received	163	5,639
Lease liabilities	68,070	60,787
Derivative financial liabilities	424,900	133
	<u>₩ 908,673</u>	<u>₩ 450,384</u>
<b>Non-current liabilities:</b>		
Leasehold deposits received	₩ 23,932	₩ 11
Long-term lease liabilities	361,074	67,634
Derivative financial liabilities	-	468,032
Long-term employee benefits	9,714	9,630
	<u>₩ 394,720</u>	<u>₩ 545,307</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, 2021 and December 31, 2020 are as follows (Korean won in millions):

	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Forward contract	₩ 417	₩ 2,365	₩ 1,237	₩ 165
Total return swap contract (see Note 30)	193,310	422,535	175,913	468,000
	<u>₩ 193,727</u>	<u>₩ 424,900</u>	<u>₩ 177,150</u>	<u>₩ 468,165</u>

**19. Equity**

**(1) Issued capital**

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

	December 31, 2021	December 31, 2020
Number of shares authorized for issue	400,000,000	400,000,000
Par value per share (Korean won)	₩ 200	₩ 200
Number of shares issued:		
Ordinary share	74,149,329	70,360,297
Preferred share	566,135	566,135
Issued capital:		
Ordinary share	₩ 16,030	₩ 15,272
Preferred share	113	113
	<u>₩ 16,143</u>	<u>₩ 15,385</u>

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

**(2) Other paid-in capital**

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

	December 31, 2021	December 31, 2020
Additional paid-in capital (*1)	₩ 6,609,167	₩ 5,605,831
Treasury share (*2)	(1,812,774)	(1,811,454)
Stock option	6,125	4,663
Others	(1,447,807)	(292,872)
	<u>₩ 3,354,711</u>	<u>₩ 3,506,168</u>

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

(\*2) During the current period, treasury shares consist of those acquired to increase the enterprise value and to stabilize share price (7,033,831 common shares), and those acquired from repurchase of shares from dissenting shareholders on business combination and shares arising from odd lot shares (11,024,731 common shares and 1,787 preferred shares) during the year 2015.

**19. Equity (cont'd)**

**(3) Retained earnings**

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Legal reserve (*1)	₩ 7,693	₩ 7,693
Voluntary reserve	62,897	62,897
Unappropriated retained earnings	<u>12,335,610</u>	<u>11,231,245</u>
	<u>₩ 12,406,200</u>	<u>₩ 11,301,835</u>

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

**(4) Statements of appropriation of retained earnings**

The statements of appropriation of retained earnings for the years ended December 31, 2021 and 2020, are as follows (Korean won in millions):

	<u>For the years ended</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
I. Retained earnings before appropriation	₩ 12,335,610	₩ 11,231,245
Unappropriated retained earnings carried over from prior years	10,913,990	9,588,719
Interim dividends	(79,308)	(52,869)
Profit for the year	1,449,764	1,716,045
Remeasurement loss on defined benefit plans	1,164	(20,650)
II. Transfer from voluntary reserves	-	-
III. Appropriation of retained earnings	<u>(368,665)</u>	<u>(317,255)</u>
Earned surplus reserve	(379)	-
Dividends	(368,286)	(317,255)
IV. Unappropriated retained earnings to be carried forward to the next year	<u>₩ 11,966,945</u>	<u>₩ 10,913,990</u>

**(5) Other components of equity**

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Gain on financial assets measured at FVOCI	₩ 13,052	₩ 8,175

**19. Equity (cont'd)**

**(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 ₩661 million (accumulated share compensation expense: ₩5,324 million) and the remaining share compensation expense to be recognized in later periods are ₩724 million. Apart from the above stock options, we have signed a Stock Grant to pay treasury stocks, at no consideration, to executives and employees. In the case of the Stock Grant, there are no additional vesting conditions, and transfer is not possible within the term of service. As of the end of the current year, the stock compensation cost recognized for the Stock Grant is ₩ 119 million.

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

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

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

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

(\*1) It has been re-established in consideration of the merger ratio.

## 19. Equity (cont'd)

### (6) Stock option

The accumulated share compensation expense recognized during the current reporting period is ₩801 million and the remaining share compensation expense to be recognized in subsequent periods are ₩187 million.

	1		2		1		2	
Risk-free interest rate		2.44%		2.44%		1.48%		1.48%
Option life		5 years		6 years		7 years		7 years
Expected price (Closing price on the preceding day in Korean won) (*1)	₩	94,116	₩	94,116	₩	85,687	₩	85,687
Expected volatility		23.50%		23.50%		13.15%		13.15%
Rate of returns		2.39%		2.39%		2.70%		2.70%
Exercise price (Korean won) (*1)	₩	100,884	₩	108,959	₩	89,204	₩	89,204
Fair value per share (*1) (Korean won)	₩	15,587	₩	14,797	₩	7,206	₩	7,205

(\*1) It has been re-established in consideration of the merger ratio.

## 20. Dividends

(1) Details of dividends proposed for approval at the annual ordinary shareholders' meeting for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

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

(\*1) 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, 2021 and 2020 are as follows (Korean won in millions):

	For the years ended			
	December 31, 2021		December 31, 2020	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Number of shares (*1)	52,307,337	564,348	52,304,347	564,317
Par value per share (Korean won)	₩ 200	₩ 200	₩ 200	₩ 200
Dividend rate	750%	750%	500%	500%
Dividends	₩ 78,461	₩ 847	₩ 52,304	₩ 565

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

(3) Details of calculation of dividend payout ratio for the years ended December 31, 2021 and 2020, are as follows (Korean won in millions):

	For the years ended	
	December 31, 2021	December 31, 2020
Dividends (Interim dividends included)	₩ 447,594	₩ 370,125
Profit for the year	1,499,764	1,716,045
Dividend payout ratio	29.84%	21.57%

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**20. Dividends (cont'd)**

(4) Details of calculation of dividend yield ratio for the years ended December 31, 2021 and 2020, are as follows (Korean won):

	For the years ended			
	December 31, 2021		December 31, 2020	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Dividend per share	₩ 8,000	₩ 8,050	₩ 7,000	₩ 7,050
Last price	251,000	220,000	240,500	240,000
Dividend yield ratio	3.19%	3.66%	2.91%	2.94%

**21. Operating revenues**

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

	For the years ended	
	December 31, 2021	December 31, 2020
Revenue from contracts with customers:		
IT service (*1)	₩ 1,781,183	₩ 1,755,957
Trademark usage income	222,518	242,432
	<u>2,003,701</u>	<u>1,998,389</u>
Revenue from other sources:		
Dividend income	744,692	1,474,542
Rental income	1,143	1,053
	<u>745,835</u>	<u>1,475,595</u>
	<u>₩ 2,479,536</u>	<u>₩ 3,473,984</u>

(\*1) Includes contract revenue of ₩1,131,298 million and ₩1,125,780 million recognized from the cost-based input method for the year ended December 31, 2021 and 2020 respectively.

(2) Revenue from contracts with customers

	For the years ended	
	December 31, 2021	December 31, 2020
Type of goods or services:		
IT service	₩ 1,781,183	₩ 1,755,957
Trademark usage income	222,518	242,432
	<u>₩ 2,003,701</u>	<u>₩ 1,998,389</u>
Geographical location:		
Korea	1,926,807	1,891,984
Asia	36,834	57,820
Europe	24,708	28,549
North America	15,352	20,036
	<u>₩ 2,003,701</u>	<u>₩ 1,998,389</u>
Timing of revenue recognition:		
Recognized at a point in time	123,538	175,234
Recognized over a period of time	1,880,163	1,823,155
	<u>₩ 2,003,701</u>	<u>₩ 1,998,389</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, 2021 and 2020 are as follows (Korean won in millions):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract assets from IT service contract	₩ 150,859	₩ 115,626
Contract liabilities from IT service contract (*1)	68,826	66,660

(\*1) The amount recognized as revenue in the current period in relation to the contract liabilities at the end of the previous period is ₩66,660 million (₩67,606 million), and no amount is recognized in the current period in relation to the performance obligation satisfied in the previous period.

(4) Detail of profit variation by changes in accounting estimates related to the cost-based input method contracts as of December 31, 2021 is 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	₩ 413	₩	1,933	₩	(253)	₩	(1,267)

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.

**22. Operating expenses**

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

	<u>For the years ended</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Material costs	₩ 122,203	₩ 159,434
Outsourcing costs	793,195	816,820
Salaries	441,994	393,000
Provision for pension benefits	46,471	40,327
Depreciation	80,962	77,513
Amortization	14,182	13,053
Rents	5,594	3,472
Communications	20,445	18,983
Employee welfare benefits	81,291	59,715
Commissions	129,853	61,088
Education and training	31,767	31,861
Research and development	36,480	36,165
Office management	39,567	36,741
Travel	11,932	9,854
Others	63,468	57,927
	<u>₩ 1,919,404</u>	<u>₩ 1,815,953</u>

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

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

	For the years ended	
	December 31, 2021	December 31, 2020
Material costs	₩ 122,230	₩ 159,450
Outsourcing costs	793,457	816,838
Salaries	456,752	409,932
Provision for pension benefits	48,102	42,152
Depreciation and amortization	111,897	103,795
Rents	5,594	3,472
Communications	20,446	18,985
Employee welfare benefits	83,315	62,173
Commissions	130,622	62,124
Education and training	31,956	32,109
Office management	39,567	36,741
Travel	11,956	9,885
Others	63,510	58,297
	<u>₩ 1,919,404</u>	<u>₩ 1,815,953</u>

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

**(1) Finance income and costs**

Details of finance income and costs for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	For the years ended	
	December 31, 2021	December 31, 2020
Finance income:		
Interest income	₩ 21,371	₩ 5,297
Gain on foreign currency transactions	8,201	4,478
Gain on foreign currency translation	33,508	308
Gain on valuation of financial assets measured at FVTPL	168,332	2,145
Gain on valuation of derivative instruments	63,311	31,263
Gain on transactions of derivative instruments	4,191	105,280
	<u>₩ 298,914</u>	<u>₩ 148,771</u>

	For the years ended	
	December 31, 2021	December 31, 2020
Finance costs:		
Interest expenses	₩ 175,446	₩ 174,633
Loss on foreign currency transactions	9,858	4,502
Loss on foreign currency translation	1,461	817
Loss on valuation of financial assets measured at FVTPL	961	14,240
Loss on valuation of derivative instruments	2,365	484,563
Loss on transactions of derivative instruments	58,145	19,323
	<u>₩ 248,236</u>	<u>₩ 698,078</u>

**24. Finance income (costs) and other non-operating income (expenses) (cont'd)**

**(2) Other non-operating income and expenses**

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

	For the years ended	
	December 31, 2021	December 31, 2020
Other non-operating income:		
Gain on disposal of investments in subsidiaries and associates	₩ 1,066,561	₩ 953,053
Gain on disposal of property, plant and equipment	25	53
Gain on disposal of intangible assets	967	517
Others	30,896	5,542
	<u>₩ 1,098,449</u>	<u>₩ 959,165</u>
Other non-operating expenses:		
Impairment of investments in subsidiaries and associates	₩ 456	₩ -
Loss on disposal of property, plant and equipment	5	102
Loss on disposal of intangible assets	12	15
Impairment of intangible assets	506	692
Donations	10,314	33,545
Others	6,043	5,716
	<u>₩ 17,336</u>	<u>₩ 40,070</u>



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**25. Income taxes**

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

	For the years ended	
	December 31, 2021	December 31, 2020
Current income tax	₩ 426,784	₩ 315,776
Deferred tax	36,149	(11,716)
Deferred tax charged directly to the equity:		
Net gain on valuation of financial assets measured at FVOCI	(332)	1,121
Remeasurement loss on defined benefits plans	(442)	6,593
Income tax expense	<u>₩ 462,159</u>	<u>₩ 311,774</u>

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

	For the years ended	
	December 31, 2021	December 31, 2020
Profit before income tax expense	₩ 1,961,923	₩ 2,027,819
Income tax at statutory tax rate (*1)	529,167	547,288
Adjustments:		
Non-taxable revenue	(115,323)	(357,082)
Non-deductible expenses	8,697	3,782
Tax credit	(4,674)	(3,697)
Unrecognized deferred taxes	11,942	14,046
Tax effects of the consolidated tax return	221	94,490
Adjustments in respect of current income tax of prior year	(4,867)	(443)
Others	36,996	13,390
Income tax expense	<u>₩ 462,159</u>	<u>₩ 311,774</u>
Effective tax rate	23.56%	15.37%

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

	For the year ended December 31, 2021				
	Beginning balance	Business combination	Recognized directly in profit or loss	Recognized directly in equity	Ending balance
Provisions	₩ 1,488	₩ -	₩ (576)	₩ -	₩ 912
Investments in associates and subsidiaries	136	-	124	-	260
Advanced depreciation provision	(8,152)	(21,953)	5,158	-	(24,947)
Investment securities	(131,554)	(1,549)	29,714	(332)	(103,721)
Depreciation	3,069	-	920	-	3,989
Deemed cost of land and buildings	(3,588)	-	(446)	-	(4,034)
Accrued bonuses and others	16,921	1,452	5,187	-	23,560
Net defined benefit liabilities	(2,671)	85	(6,295)	(442)	(9,323)
Treasury shares	171,006	-	23,539	-	194,545
Intangible assets	(477,811)	-	(65,157)	-	(542,968)
Bonds payable	5,311	-	(5,373)	-	(62)
Others	101,459	189	(22,170)	-	79,478
	<u>₩ (324,386)</u>	<u>₩ (21,776)</u>	<u>₩ (35,375)</u>	<u>₩ (774)</u>	<u>₩ (382,311)</u>

	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	(14,542)	-	136
Advanced depreciation provision	(13,811)	5,659	-	(8,152)
Investment securities	(37,253)	(95,422)	1,121	(131,554)
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	(19,410)	120,869	-	101,459
	<u>₩ (336,102)</u>	<u>₩ 4,002</u>	<u>₩ 7,714</u>	<u>₩ (324,386)</u>

(4) Details of temporary differences for which no deferred tax assets (liabilities) were recognized as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	December 31, 2021	December 31, 2020
Taxable temporary differences:		
Investments in subsidiaries and others	₩ 6,357,816	₩ 5,803,498
Gain on transfer for investment in kind	90,687	90,687
Deductible temporary difference:		
Investments in subsidiaries and others	(1,008,220)	(1,007,511)
Loss on transfer for investment in kind	(39,357)	(39,357)
	<u>₩ 5,400,926</u>	<u>₩ 4,847,317</u>

**26. Earnings per share**

(1) Basic earnings per share for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions, except per share information):

	For the years ended	
	December 31, 2021	December 31, 2020
Profit for the year	₩ 1,499,764	₩ 1,716,045
Less: preferred share dividends	(4,543)	(3,979)
Profit for the year attributable to ordinary share owners of the Company	₩ 1,495,221	₩ 1,712,066
Weighted-average number of issued shares outstanding (*1)	52,545,906	52,305,477
Basic earnings per share (Korean won)	₩ 28,456	₩ 32,732

(\*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, 2021 and 2020 are as follows:

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

(2) The details of the calculation of ordinary stock dilution per share for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions, except per share information):

	For the years ended	
	December 31, 2021	December 31, 2020
Diluted profit of common stock for the year	₩ 1,495,221	₩ 1,712,066
Weighted-average number of diluted common shares outstanding	52,653,523	52,362,298
Diluted earnings per common share (Korean won)	₩ 28,397	₩ 32,697

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

	For the years ended	
	December 31, 2021	December 31, 2020
Weighted-average number of issued shares outstanding	52,545,906	52,305,477
Effect of exercise of stock option	107,617	56,821
Weighted-average number of diluted common shares outstanding	52,653,523	52,362,298

**27. Transactions with related parties**

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

(1) The subsidiaries of the Company as of December 31, 2021, are as follows:

Ultimate controlling party	Subsidiary
Subsidiary (total 454)	<p>Tae-won, Chey and related parties</p> <p>SK Innovation Co., Ltd., SK Energy Co., Ltd., Netruck Co., Ltd., Jeju United FC Corporation, Happy Didim Co., Ltd., Green &amp; Co. Asia Ltd., SK Energy Road Investment Co., Ltd., SK Energy Hong Kong Co., Ltd., SK Energy Road Investment (HK) Co., Ltd., SK Asphalt (Shanghai) Co., Ltd., GoodsFLOW Co., Ltd., Goods Core, Goods Post Co., Ltd., Open Garden, SK Geo Centric Co., Ltd.(formerly, SK Global Chemical Co., Ltd.), SK Global Chemical (China) Holding Co., Ltd., SK Global Chemical China Limited., Sino-Korea Green New Material (Jiangsu) Limited., SK Global Chemical International Trading (Shanghai) Co., Ltd., SK Global Chemical International Trading (Guangzhou) Co., Ltd., SK Global Chemical Americas, Inc., SK Primacor Americas LLC, SK Primacor Europe, S.L.U., SK Saran Americas LLC, SK Geo Centric Brazil LTDA, SK Geo Centric Japan Co., Ltd.,(formerly,SK Global Chemical Japan Co., Ltd.), SK Geo Centric Singapore Pte. Ltd.,(formerly, SK Global Chemical Singapore Pte. Ltd.), SK Global Chemical Investment Hong Kong Ltd., Ningbo SK Performance Rubber Co., Ltd., Happymoeum Co., Ltd., SK Functional Polymer, S.A.S, Green &amp; Connect Capital, Inc., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd., SK Energy International Pte. Ltd., SK Energy Europe, Ltd., SK Energy Americas, Inc., SK Terminal B.V., SK Lubricants Co., Ltd., Yubase Manufacturing Asia Corporation, SK Energy Lubricants (Tianjin) Co., Ltd., SK Lubricants Americas, Inc., SK Lubricants Europe B.V., SK Lubricants Japan Co., Ltd., SK Lubricants &amp; Oils India Pvt. Ltd., Iberian Lube Base Oils S.A., SK Lubricants Russia LLC, SK ie technology Co., Ltd., SK Hi-tech Battery Materials(Jiang Su) Co., Ltd., SK Hi-tech Battery Materials Poland Sp. Zo.o.,SK Innovation Insurance (Bermuda), Ltd., SK USA, Inc., Blue Dragon Energy Co., Limited, Jiangsu SK Battery Certification Center, Happy Kium Co., Ltd., SK Future Energy (Shanghai) Co., Ltd., SK E&amp;P Company, Ltd., SK On Co., Ltd., SK On Hungary Kft.(formerly, SK Battery Hungary Kft.), SK On(Jiangsu) Co., Ltd.(formerly, SK Battery(Jiangsu) Co., Ltd.), SK On(Yancheng) Co., Ltd.(formerly, SK Battery(Yancheng) Co., Ltd.), SK Battery America, Inc., SK Battery Manufacturing Kft., SK Mobile Energy Co., Ltd., Yancheng Yandu District M Energy Consulting Limited Company, Mobile Energy Battery America, LLC, Happy Midum Co., Ltd.,SK Earth On Co., Ltd., SK Telecom Co., Ltd., SK Telink Co., Ltd., SK Broadband Co. Ltd., Home&amp;Service Co., Ltd., Media S Co., Ltd., Broadband Nowon Broadcasting Corporation, SK Stoa Co., Ltd., PS&amp;Marketing Corp., Serviceace Co., Ltd., Service Top Co., Ltd., SK O&amp;S Co., Ltd., SK Communications Co., Ltd., Quantum Innovation Private Equity Joint Venture, Panasia Semiconductor Materials LLC, 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 Japan Inc., SK Planet Japan, K.K., 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,SK Square Co., Ltd., One store Co., Ltd.Rock Media,Eleven Street Co., Ltd,SK Shieldus Co., Ltd(formerly, ADT Caps Co., Ltd.) Capstec Co.,Ltd, SK Infosec Co., Ltd., SK infosec Information Technology (Wuxi) Co., Ltd.,CAPS America Inc., SK Planet Co., Ltd., SK M &amp; Service Co., Ltd. SK Planet Global Holdings Pte. Ltd.,SKP America, LLC,K-Net Culture &amp; Contents Venture Fund, Ltd., SK Square Americas,Inc(formerly, SK Telecom TMT InvestmentCorp.), Dreamus Company Co., Ltd., Iriver Enterprise Ltd., Iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd., Life Design Company Japan Inc., Studio Dolphin Co., Ltd., Id Quantique SA, id Quantique Ltd., FSK L&amp;S Co., Ltd., FSK L&amp;S(Shanghai) Co., Ltd., FSK L&amp;S(Hungary) Co., Ltd., FSK L&amp;S Vietnam Co., Ltd., FSK L&amp;S(Jiangsu) Co., Ltd.,Tmap Mobility Co., Ltd., YLP Co., Ltd., Good Service Co., Ltd., SK Networks Co., Ltd., SK Networks Service Co., Ltd., SK Magic Co., Ltd., SK Magic Service Co., Ltd., SK Magic Vietnam Company Limited, SK Networks Retails Malaysia Sdn. Bhd., SK Rent-a-Car Co., Ltd., SK Rent-A-car Service Co., Ltd., SK Networks (Shanghai) Co., Ltd.,Steel Processing Center Co., Ltd., SK Networks Japan Co., Ltd.,</p>

27. Transactions with related parties (cont'd)

Subsidiary (total 454)	Subsidiary
	SK Networks Deutschland GmbH, SK BRASIL LTDA, SK Networks Trading Malaysia Sdn. Bhd., SK Networks America, Inc., SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA., Networks Tejarat Pars, MINTIT Co., Ltd., MINTIT VINA, TenX Capital, SK Networks Hong Kong Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK Networks Resources Australia (Wyong) Pty. Ltd., SK Networks Resources Pty Ltd., SK Networks (China) Holdings Co., Ltd., Shenyang SK Bus Terminal Co., Ltd., SK Networks (Dandong) Energy Co., Ltd., Cartini Co., Ltd., SKC Co., Ltd., Woori Fine Chem Co., Ltd., SK Telesys Co., Ltd., Techdream Co., Ltd., SKC Solmics Co., Ltd., Solmics Taiwan Co., Ltd., Solmics Shanghai Co., Ltd., SKC Solmics Hong Kong Co., Ltd., SKC Semiconductor Materials (Wuxi) Co., Ltd., SKC (Jiangsu) High Tech Plastics Co., Ltd., SKC, Inc., SKC Europe GmbH, SKC Hi-Tech&Marketing Co., Ltd., SKC Hi-Tech&Marketing (Suzhou) Co., Ltd., SKC Hi-Tech&Marketing Polska SP.Z.O.O, SKC Hi-Tech&Marketing USA LLC, SKC Hi-Tech&Marketing Vina Co., Ltd., SKC PU Specialty Co., Ltd., SKC (Nantong) PU Specialty Co., Ltd., SKC-ENF Electronic Materials Ltd., SKC (Nantong) Semiconductor Materials Technology Co., Ltd., SE (JIANGSU) Electronic Materials Co., Ltd., SK PIC Global Co., Ltd., SKCFTH Co., Ltd., SK Nexilis Co., Ltd., SK NEXILIS MALAYSIA SDN. BHD., Nexilis Management Malaysia Sdn. Bhd., SK Nexilis Poland sp.z o.o., SK TBMGEOSTONE Co., Ltd., SK E&S Co., Ltd., Kangwon City Gas Co., Ltd., Yeongnam Energy Service Co., Ltd., Ko-one Energy Service Co., Ltd., Narae Energy Service Co., Ltd., Busan City Gas Co., Ltd., Jeonbuk Energy Service Co., Ltd., Chonnam City Gas Co., Ltd., Chungcheong Energy Service Co., Ltd., Paju Energy Service Co., Ltd., Yeosu Energy Service Co., Ltd., 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, Passkey, Inc., LNG Americas, Inc., Rnes Holdings, LLC, Grid Solution II, Pnes Investments, LLC, Prism Energy International China Limited, Prism Energy International Zhoushan Limited, Prism Energy International Pte. Ltd., Fajar Energy International Pte. Ltd., Prism Energy International Hong Kong, Ltd., Prism Darwin Pipeline Pte. Ltd., PT Prism Nusantara International, SK E&S Dominicana S.R.L, Hae-Ssal Solar Power Co., Ltd., Prism DLNG Pte. Ltd., BU12 Australia Pty. Ltd., BU13 Australia Pty. Ltd., Energy Solution Holdings Inc., Ariul Solar Power Co., Ltd., Busan Jungkwan Energy Co., Ltd., IGE Co., Ltd., New&Company Two Pte. Ltd., Dangjin Haengbok Solar Co., Ltd., Grid Solution, LLC., Key Capture Energy, LLC, KCE Global Holdings, LLC, KCE PF Holdings 2021, LLC, KCE LAND Holdings, LLC, KCE NY 1, LLC, KCE NY 2, LLC, KCE NY 3, LLC, KCE NY 5, LLC, KCE NY 6, LLC, KCE NY 8, LLC, KCE NY 10, LLC, KCE NY 11, LLC, KCE NY 12, LLC, KCE NY 14, LLC, KCE NY 18, LLC, KCE NY 19, LLC, KCE NY 21, LLC, KCE NY 22, LLC, KCE NY 25, LLC, KCE NY 26, LLC, KCE IL 1, LLC, KCE Brushy Creek Holdings, LLC, KCE ME 1, LLC, KCE NY 33, LLC, KCE NY 28, LLC, KCE TX 15, LLC, KCE NY 27, LLC, KCE NY 29, LLC, KCE NY 32, LLC, KCE TX 9, LLC, KCE TX 10, LLC, KCE TX 13, LLC, KCE TX 14, LLC, KCE TX 16, LLC, KCE TX 17, LLC, KCE TX 19, LLC, KCE TX 20, LLC, KCE TX 21, LLC, KCE TX 22, LLC, KCE TX 24, LLC, KCE TX 25, LLC, KCE TX 26, LLC, KCE TX 27, LLC, KCE TX 28, LLC, KCE CT 1, LLC, KCE CT 2, LLC, KCE CT 4, LLC, KCE MD 1, LLC, KCE MI 1, LLC, KCE MI 2, LLC, KCE TX 11, LLC, KCE TX 12, LLC, Roughneck Storage LLC D/B/A KCE TX 23, LLC, Changzhou SKY New Energy Storage Solution, LLC., SK ecoplant Co. Ltd. (formerly, SK Engineering & Construction Co., Ltd.), Seosuwon Development Company, SKEC Nanjing Co., Ltd., SKEC (Thai), Ltd., Thai Woo Ree Engineering Co., Ltd., SKEC Anadolu, LLC, SK E&C Betek Corporation, Mesa Verde RE Ventures, LLC, SKEC Consultores Ecquador, S.A., Sunlake Co., Ltd., SK HOLDCO PTE. LTD., Silvertown Investco Limited, SEONGJU TECH Co., Ltd., DDS Co., Ltd., SAMWON ENT Co., Ltd., Environment Management Corporation Co., Ltd., YS TEC Co., Ltd., Seonam Environment Energy Co., Ltd., Honam Environmental Energy Co., Ltd., Green Hwasun Inc., Green Sunchang Co., Ltd., Gyeongsan Clear Mulgil Co., Ltd., Dalseong Maleunmulgil Co., Ltd., Goksung Environment Co., Ltd., Chungcheong Environment Energy Co., Ltd., Gyeonggi Environment Energy Co., Ltd., Gyeongbuk Environment Energy Co., Ltd., Gyeongin Environment Energy Company, Saehan Environment Co., Ltd., Daewon Green Energy Co., Ltd., Daewon Hitech Co., Ltd., KS Investment B.V., SK Eco Engineering, Emedione Co., Ltd., EmedioneLogis Co., Ltd., City Environment Co., Ltd., Green Environment Technology Co., Ltd., 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 (Shanghai) Co., Ltd.,

27. Transactions with related parties (cont'd)

	Subsidiary
Subsidiary (total 454)	SK Tri Chem Co., Ltd., SK Tri Chem Co., Ltd., SK Showa Denko Co., Ltd., Happy Companion Co., Ltd., SK Materials airplus Inc., SK Meterials Ri New Tech Co., Ltd. (formerly, Hanyu chemical Co., Ltd.), SK Materials Performance Co., Ltd., SK Materials JNC Co., Ltd., SK JNC Japan Co., Ltd., SK Materials G14 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., Teraon 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 HongKong 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., Skyline Auto Financial Leasing Co., Ltd., SK Financial Leasing Co., Ltd., SK China (Beijing) Co., Ltd., SKY Property Management Ltd., SKY Investment Co., Ltd., SK China Real Estate Co., Ltd., SKY (Zhuhai Hengqin) Technology Co., Ltd., SK C&C Beijing Co., Ltd., SK C&C Chengdu Co., Ltd., SK C&C India Pvt. Ltd., SK C&C USA, Inc., S&G Technology, Saturn Agriculture Investment Co., Ltd., SK Investment Management Co., Ltd., SK Mobility Investments Company Limited, SK Semiconductor Investments Co., Ltd., Gemini Partners Pte. Ltd., Solaris Partners Pte. Ltd., Solaris GEIF Investment, SK GI Management, Plutus Capital NY, Inc., Hudson Energy NY, LLC, Hudson Energy NY II, LLC, Hudson Energy NY III, LLC, Grove Energy Capital LLC, Plutus Capital NY II, Inc, Grove Energy Capital II, LLC, Plutus Fashion NY, Inc., Wonderland NY, LLC, Atlas NY LLC, SK South East Asia Investment Pte. Ltd., SK Investment Vina I Pte. Ltd., SK Investment Vina II Pte. Ltd., SK Investment Vina III Pte. Ltd., SK Investment Vina V Pte. Ltd., SK Investment Vina VI Pte. Ltd., MSN Investment Pte. Ltd., SK Investment Vina IV Pte. Ltd., SK Malaysia Investment I Pte. Ltd., SK Pharmteco Inc., SK Biotek Co., Ltd., SK BIOTEK IRELAND LIMITED, SK BIOTEK USA, Inc., Crest Acquisition LLC, Yposkesi, SAS, Abrasax Investment Inc., Fine Chemicals Holdings Corp., AMPAC Fine Chemicals, LLC, AMPAC Fine Chemicals Texas, LLC, AMPAC Fine Chemicals Virginia, LLC, Golden Pearl EV Solutions Limited, Socar Mobility Malaysia, Sdn. Bhd., Future Mobility Solutions Sdn. Bhd., PT Future Mobility Solutions, Einstein Cayman Limited, I Cube Capital Inc., I Cube Capital Hong Kong 1. LP Limited, Tellus Investment Partners, Inc.(formerly, I Cube Capital II, Inc.), Primero Protein LLC, Terra LLC, Castanea Bioscience Inc., SK Forest Co., Ltd., Hweechan Co., Ltd., SK Pinx Co., Ltd., SK REITs Co., Ltd., Clean Energy REITs Co., Ltd., SK REITs Management Co., Ltd., SK Japan Investment Inc., Signet EV Inc., Signet Energy Inc., SIGNET EV America Inc., Auxo Capital Inc., Auxo Capital Managers LLC, SK Global Development Advisors LLC, SK Growth Opportunities Corporation, Tellus (HONG KONG) Investment Co., Ltd., Digital Center Capital Inc., Martis Capital, LLC

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

	Company name	Sales and others (*1)		Purchase and others (*2)	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Subsidiary	SK Innovation Co., Ltd.	₩ 103,645	₩ 148,030	₩ 9,931	₩ 9,197
	SK Energy Co., Ltd.	86,303	113,838	-	62
	SK Geo Centric Co., Ltd. (formerly, SK Global Chemical Co., Ltd.)	31,606	39,681	-	-
	SK Incheon Petrochem Co., Ltd.	14,672	24,750	-	-
	SK Lubricants Co., Ltd.	11,960	16,363	-	-
	SK USA, Inc.	46	48	2,428	5,482
	SK Hi-tech Battery Materials (Jiang su) Co., Ltd.	5,074	8,953	-	-
	SK Battery America, Inc.	5,961	12,163	-	-
	SK ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.)	48,337	45,249	64	150
	SKC Co., Ltd.	27,545	30,186	-	-
	SK E&S Co., Ltd.	160,280	1,136,745	-	-
	SK Biopharmaceuticals Co., Ltd.	2,685	5,998	-	-
	Hana Land Chip PEF 33 (*3)	58,966	3,350	9,121	35,660
	SK REITs Co., Ltd.	4,126	-	19,099	-
	SK China Company, Ltd.	131,099	129	-	-
	SK China (Beijing) Co., Ltd.	-	-	5,054	3,898
	SK Shieldus Co., Ltd. (formerly, ADT Caps Co., Ltd.)	18,587	3,419	15,166	16,295
	SK C&C Beijing Co., Ltd.	6,678	11,884	8,747	7,981
	SK S.E.Asia Pte. Ltd	51,580	37,219	-	-
	SK Networks Co., Ltd.	50,220	59,632	3,767	4,617
	SK Magic Co., Ltd.	46,739	15,570	160	121
	SK Telecom Co., Ltd.	631,617	534,853	12,875	14,605
	SK Broadband Co., Ltd.	90,017	88,430	7,828	8,174
	SK Planet Co., Ltd.	14,143	16,114	115	389
	Formerly, SK Materials Co., Ltd.	32,046	27,005	-	-
	SK Materials Co., Ltd.	923	-	24	-
	SK Siltron Co., Ltd.	28,058	26,892	-	-
	Others	163,169	126,981	11,188	12,006
Other related parties	SK hynix Inc.	450,244	459,373	14,621	14,858
	HAPPYNARAE Co., Ltd.	1,462	-	8,953	-
	THIRA-UTECH Co., Ltd.	-	-	10,790	11,938
	Others	12,039	16,592	3,073	25,169
Others (*4)	SK Gas Co., Ltd.	17,090	16,871	-	-
	SK Chemicals Co., Ltd.	7,422	8,325	-	-
	Others	19,644	11,943	547	734
		<u>₩ 2,333,983</u>	<u>₩ 3,046,586</u>	<u>₩ 143,551</u>	<u>₩ 171,336</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) During the current period, the Company acquired additional 34.80% shares of Hana Land Chip PEF 33 and obtained control. Accordingly, the Company reclassified it from investment in joint ventures to investment in subsidiaries and it was liquidated during the current period.

(\*4) 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)**

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

		December 31, 2021					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
Subsidiary		receivables	receivables		payables	payables	
	SK Innovation Co., Ltd.	₩ 17,101	₩ 325,836	₩ 342,937	₩ -	₩ 33,091	₩ 33,091
	SK Energy Co., Ltd.	11,162	-	11,162	-	44	44
	SK Geo Centric Co., Ltd.	4,812	-	4,812	-	1,309	1,309
	(formerly, SK Global Chemical Co., Ltd.)						
	SK Incheon Petrochem Co., Ltd.	898	-	898	-	-	-
	SK Lubricants Co., Ltd.	1,086	-	1,086	-	25	25
	SK USA, Inc.	-	-	-	-	1,110	1,110
	Plutus Capital NY, Inc	-	460,567	460,567	-	-	-
	SK Hi-tech Battery Materials (Jiang su) Co., Ltd.	2,314	-	2,314	-	114	114
	SK Battery America, Inc.	857	-	857	-	221	221
	SK Ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.)	5,930	-	5,930	-	-	-
	SKC Co., Ltd.	1,684	-	1,684	-	2	2
	SK E&S Co., Ltd.	4,657	-	4,657	-	22	22
	SK Biopharmaceuticals Co., Ltd.	411	-	411	-	28	28
	SK REITs Co., Ltd.	-	24,902	24,902	-	354,346	354,346
	SK China (Beijing) Co., Ltd.	-	-	-	-	5,049	5,049
	SK Shieldus Co., Ltd. (formerly, ADT Caps Co., Ltd.)	14,094	-	14,094	1,575	2,164	3,739
	SK C&C Beijing Co., Ltd.	1,494	-	1,494	777	327	1,104
	SK Networks Co., Ltd.	4,265	-	4,265	-	385	385
	SK Magic Co., Ltd.	24,202	-	24,202	-	4,134	4,134
	SK Telecom Co., Ltd.	51,709	361	52,070	627	6,663	7,290
	SK Broadband Co., Ltd.	23,166	-	23,166	19	2,498	2,517
	SK Planet Co., Ltd.	1,754	-	1,754	-	79	79
	SK Materials Co., Ltd.	1,956	4	1,960	-	609	609
	SK Siltron Co., Ltd.	6,929	-	6,929	-	588	588
	Others	70,516	293	70,809	643	10,300	10,943
Other related parties	SK hynix Inc.	171,810	7,991	179,801	-	58,028	58,028
	THIRA-UTECH Co., Ltd.	-	-	-	576	40	616
	Others	3,322	-	3,322	28	2,374	2,402
Others (*1)	SK Gas Co., Ltd.	1,242	-	1,242	-	-	-
	SK Chemicals Co., Ltd.	3,489	-	3,489	-	1	1
	Others	5,385	-	5,385	-	1,563	1,563
		<u>₩ 436,245</u>	<u>₩ 819,954</u>	<u>₩ 1,256,199</u>	<u>₩ 4,245</u>	<u>₩ 485,114</u>	<u>₩ 489,359</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, 2020					
		Receivables			Payables		
Company name		Trade	Other	Total	Trade	Other	Total
Subsidiary		receivables	receivables		payables	payables	
	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 Ecoplant Co., Ltd. (formerly, SK Engineering & Construction Co., Ltd.)	6,295	-	6,295	-	1,001	1,001
	SKC Co., Ltd.	3,282	-	3,282	-	717	717
	SK E&S Co., Ltd.	5,091	-	5,091	-	205	205
	SK Biopharmaceuticals Co., Ltd.	461	-	461	-	94	94
	SK Shieldus Co., Ltd. (formerly, ADT Caps 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
	Formerly, 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.

(4) Compensation for key management personnel of the Company for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

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

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

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

(5) Detail of significant transactions with related parties in relation to the investments for the year ended December 31, 2021 is as follows (Korean won in millions, USD in thousands):

	Currency	Amount	Transactions
SK REITs Co., Ltd.	KRW	387,251	Share capital increase
SK Pharmteco Inc.	USD	511,257	Share capital increase
Plutus Capital NY, Inc.	USD	234,300	Share capital increase
Einstein Cayman Limited	USD	760	Share capital increase
Tellus Investment Partners, Inc. (Formerly, I Cube Capital II, Inc.)	USD	47,610	Share capital increase
I Cube Capital, Inc.	USD	2,619	Share capital increase
SK Investment Management Co., Ltd.	USD	808	Share capital increase
SES Holdings Pte. Ltd.	USD	36,000	Share capital increase
Belstar Superfreeze Holdings, LLC	USD	10,273	Share capital increase
Hummingbird Bioscience Holdings Pte. Ltd.	USD	10,000	Share capital increase
Visible Patient S.A.S	EUR	2,240	Share capital increase

(6) Details of significant financial transactions with related-parties for the years ended December 31, 2021 and 2020 are as follows (USD in thousands):

	Currency	For the years ended			
		December 31, 2021		December 31, 2020	
		Loan	Withdraw	Loan	Withdraw
Plutus Capital NY, Inc.	USD	388,500	-	-	-
Hana Land Chip PEF 33	KRW	-	281,773	-	-
Halio, Inc. (Formerly, Kinestral Technologies Inc.)	USD	-	-	-	2,483

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

**28. Assets held for sale**

Detail of assets held for sale as of December 31, 2021 is as follows (Korean won in millions):

		For the years ended	
		December 31, 2021	December 31, 2020
Division:			
Investment in associates	₩	392,645	₩ 697,130
ESR Cayman Limited (*1)			

(\*1) The Company decided to sell its equity interest in ESR Cayman Limited., which is classified as an investment in associate during the prior year. As of December 31, 2021 and 2020, a partial disposal of the shareholding has been completed, and the disposal of some shares is in progress. As of the end of the current year the book value includes ₩ 47,773 million in valuation gains on the investment securities.

**SK Inc.**  
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**29. Cash flow information**

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

	For the years ended	
	December 31, 2021	December 31, 2020
Provision for pension benefits	₩ 46,684	₩ 41,069
Depreciation	81,632	78,594
Amortization	30,329	25,335
Bad debt expenses	106	825
Provisions transferred in	2,934	4,504
Interest expenses	175,446	174,633
Loss on foreign currency translation	1,461	817
Loss on valuation of financial assets measured at FVTPL	961	14,240
Loss on valuation of derivative instruments	2,365	484,563
Loss on impairment of investments in subsidiaries, associates and joint ventures	456	-
Loss on disposal of property, plant and equipment	5	102
Loss on disposal of intangible assets	12	15
Loss on impairment of intangible assets	506	692
Share-based payment expenses	780	880
Income tax expense	462,159	311,774
Dividends income	(744,692)	(1,474,542)
Interest income	(21,371)	(5,297)
Gain on foreign currency translation	(33,508)	(308)
Gain on valuation of financial assets measured at FVTPL	(168,332)	(2,145)
Gain on valuation of derivative instruments	(63,311)	(31,263)
Gain on disposal of investments in subsidiaries, associates and joint ventures	(1,066,561)	(953,053)
Gain on disposal of property, plant and equipment	(25)	(53)
Gain on disposal of intangible assets	(967)	(517)
Others	(21,183)	(2,622)
	₩ (1,314,114)	₩ (1,331,757)

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

	For the years ended	
	December 31, 2021	December 31, 2020
Trade receivables	₩ (56,977)	₩ 419
Other receivables	2,087	(2,812)
Inventories	(73)	5
Advanced payments	(3,521)	1,942
Lease receivables	35,448	33,514
Prepaid expenses	10,849	7,034
Trade payables	24,827	(74,962)
Advances received	2,166	(1,201)
Withholdings	(2,350)	10,490
Other payables	11,123	12,141
Accrued expenses	10,287	3,570
Leasehold deposits received	25,316	73
Provision	(5,766)	(3,022)
Defined benefit obligation	(13,040)	(19,885)
Plan assets	(57,237)	(38,184)
Others	29	470
	₩ (16,832)	₩ (70,408)

**SK Inc.**  
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**29. Cash flow information (cont'd)**

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

	For the years ended	
	December 31, 2021	December 31, 2020
Transfer of long-term bonds payable to current-portion	₩ 1,169,434	₩ 1,051,406
Increase (Decrease) in other payables regarding the acquisition of property, plant and equipment	2,412	(25)
Transfer from investments in joint ventures to investments in subsidiaries	(40,000)	-
Transfer to investments in associates due to the exercise of convertible bonds	(22,500)	-

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

	For the year ended December 31, 2021			
	Beginning balance	Financial cash flow	Others	Ending balance
Short-term borrowings	₩ 715,000	₩ 1,215,440	₩ 721,560	₩ 2,652,000
Bonds payable	6,388,214	145,182	187,504	6,720,900
Dividends payable	158	(396,558)	396,563	163
Lease liabilities	128,421	(59,447)	360,170	429,144
	<u>₩ 7,231,793</u>	<u>₩ 904,617</u>	<u>₩ 1,665,797</u>	<u>₩ 9,802,207</u>

	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>

**SK Inc.**  
**Notes to the separate financial statements**  
**December 31, 2021 and 2020**

**30. Commitments and contingencies**

(1) Guarantees provided by financial institutions for the Company's obligations and indebtedness as of December 31, 2021 are as follows (Korean won in millions, and USD):

Financial institutions	Type	Commitments		Use	
		Currency	Amount	Currency	Amount
Industrial and commercial bank of China	General loan	KRW	100,000	KRW	-
KEB Hana Bank	General loan	KRW	116,000	KRW	20,000
	Credit bond loan	KRW	30,000	KRW	-
	Bank overdraft	KRW	5,000	KRW	-
	Other guarantee of foreign currency management (*1)	USD	19,000	USD	676
Shinhan Bank	General loan	KRW	300,000	KRW	-
	Guarantee of foreign currency payment	USD	2,000	USD	-
	Line of credit	USD	10,000	USD	-
	Note discount	KRW	90,000	KRW	-
NH Bank	General loan	KRW	145,000	KRW	109,900
Woori Bank	General loan	KRW	270,000	KRW	-
	Foreign currency limit loan	USD	200,000	USD	100,000
Sumitomo Mitsui Banking Corporation	General loan	KRW	50,000	KRW	50,000
KB Bank	General loan	KRW	280,000	KRW	-
IBK Bank	General loan	KRW	10,000	KRW	-
Korea Development Bank	General loan	KRW	10,000	KRW	-
MUFG Bank	General loan	KRW	30,000	KRW	-
Bank of China	General loan	KRW	80,000	KRW	80,000
Credit Agricole	General loan	KRW	50,000	KRW	50,000
	Foreign currency limit loan	USD	100,000	USD	100,000

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

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

	Currency	December 31, 2021	December 31, 2020
Seoul Guarantee Insurance	KRW	15,515	7,623
Korea Software Financial Cooperative	KRW	443,717	379,526

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

(3) Pending litigation

There are no major pending litigations as of December 31, 2021.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Reason for restriction</u>
Short-term & Long-term financial instruments	₩ 13,150	₩ 13,250	Refund guarantee and others
Long-term investment securities (Equity investment of Korea Software Financial Cooperation)	2,353	2,303	Refund guarantee and others
Long-term financial instruments	20	18	Collateral for bank overdraft

(5) Significant commitments

- 1) SK Innovation Co., Ltd., SK Energy Co., Ltd., SK Geo Centric(formerly,SK Global Chemical Co., Ltd.), SK Lubricants Co., Ltd., SK Incheon Petrochem Co., Ltd., SK Trading International Co., Ltd. and SK ie technology Co., Ltd.,SK on Co., Ltd.,SK Earth On 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. The former SK Materials Co., Ltd. is jointly responsible for any obligations before the division, with SK Materials Co., Ltd., which was physically divided as of December 1, 2021.
- 2) The Company entered into a contract to lease the headquarter building from SK REITs Co., Ltd. Under the terms of the lease, the lease period is until July 5, 2026, and the Company has an option to extend the lease term for 5 years before the termination of contract. The Company has the preemptive right to purchase the building at the fair value when the lessor elects to dispose the property.
- 3) The Company holds IT outsourcing and IT system maintenance agreements to provide hardware and information systems maintenance, and development service entered into between the Company and the affiliates of SK Group companies and others.
- 4) The Company entered into a contract with Gyeonggi province on May 31, 2011 to purchase land located in Pangyo Land Development District. The total agreement amount is ₩82,964 million (the Company's portion: ₩45,536 million (54.9%)), which will be used for the construction of urban infrastructure facilities ("designated purpose" of the land). 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 <sup>st</sup> Fund	Corporate Turnaround 1 <sup>st</sup> Fund
Number of shares	6,548,672	4,808,259
Contract date	April 11, 2017	May 11, 2017
Expiry date	April 10, 2022	May 10, 2022
Settlement	The Company and the investors settle the amount that deducts the issue price from the net selling price in cash. If the amount is positive, the investor shall pay to the Company, and if the amount is negative, the Company shall pay to the investor. In case where the sale is not complete, the selling price of the shares is considered to be 0.	
Premium	The Company shall pay to the investors the amount equivalent to 3.14% of the total shares held by investors annually. When the investor receives dividends on the shares held, the amount shall be paid to the Company.	
Call option	The Company has the right to purchase the shares held by the investors at the issued price of the ordinary shares with certain level of additional charges.	

- 6) The Company entered into total return swap contracts with ordinary share investors of SK Siltron Co., Ltd., one of the subsidiaries. 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, 2021, SK E&S Co., Ltd., one of the subsidiaries, is responsible for performance guarantee in case of SK E&S LNG, LLC's inability to make payments for service or for claims against breach of obligation. In regard to this, the Company provides performance guarantee for SK E&S Co., Ltd.'s guarantee.
- 9) The Company entered into a cash deficiency support agreement with Hudson Energy NY, LLC, a subsidiary of Plutus Capital NY, Inc., to lend funds for the shortfall of payment for loans and credit limit of USD 226,000 thousand.
- 10) The Company entered into a cash deficiency support agreement with Abrasax Investment Inc., a subsidiary of subsidiary SK Pharmteco Inc., which is a subsidiary of the Company, to lend funds for the shortfall of payment for loans and credit of up to USD 315,000 thousand.
- 11) The Company signed a contract with Showa Denko K.K. in relation to the investment in subsidiary SK Showa Denko Co., Ltd., and Showa Denko K.K. has the right to sell 630,000 shares (15%) of SK Showa Denko Co., Ltd. at 5,000 won per share in the event of a specific case of this agreement.
- 12) The Company signed a contract with certain shareholders of SIGNET EV Inc., a subsidiary, in which the shareholders can sell their shares to the Company at ₩50,000 per share when certain conditions are met.
- (6) The Company has provided 7 blank checks and 9 blank notes as collateral in relation to sales and other transactions as of December 31, 2021.



### 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.

#### (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.

##### (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.

##### (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, 2021 and 2020 are as follows (Korean won in millions, and USD, EUR and Others in thousands):

	Currency	December 31, 2021		December 31, 2020	
		Foreign currencies	Korea won equivalent	Foreign currencies	Korea won equivalent
Assets	USD	407,447	₩ 483,030	14,344	₩ 15,606
	EUR	2,802	3,762	638	853
	Others		9,796		4,043
			₩ 496,588		₩ 20,502
Liabilities	USD	206,106	₩ 244,339	2,429	₩ 2,643
	EUR	-	-	12	16
	Others		944		2,130
			₩ 245,283		₩ 4,789

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

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in income before tax expense	₩ 25,131	₩ (25,131)	₩ 1,571	₩ (1,571)

**31. Financial risk management (cont'd)**

**(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.

**(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 exposures to credit risk as of December 31, 2021 and 2020 are as follows and for cash and cash equivalents, credit risk exposure is low (Korean won in millions):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Short-term and long-term financial instruments	₩ 218,841	₩ 241,314
Trade receivables	380,842	359,109
Other receivables	2,090	3,747
Accrued income	1,417	66
Investment securities	452,773	375,161
Short-term and long-term guarantee deposits	46,257	24,888
Short-term and long-term lease receivables	325,832	33,189
Short-term and long-term loans	460,836	-
Financial derivatives asset	193,727	175,913
	<u>₩ 2,082,615</u>	<u>₩ 1,213,387</u>

**(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, 2021 and 2020, the aging of trade receivables and other receivables for which a loss allowance has not been accrued, as the allowance is deemed to be recoverable from a customer or counterparty later although the amount is past due, are as follows (Korean won in millions):

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Trade receivables</u>	<u>Other receivables (*1)</u>
Less than one month	₩ 15,649	₩ -	₩ 21,359	₩ -
One-three months	2,602	-	2,816	-
Three-six months	712	-	610	-
More than six months	1,214	-	1,991	148
	<u>₩ 20,177</u>	<u>₩ -</u>	<u>₩ 26,776</u>	<u>₩ 148</u>

(\*1) It consists of accounts receivable

**31. Financial risk management (cont'd)**

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

	December 31, 2021		December 31, 2020	
	Trade receivables	Other receivables(*1)	Trade receivables	Other receivables (*1)
Beginning balance	₩ 1,398	₩ 4,014	₩ 573	₩ 4,438
Bad debt expenses	203	-	825	-
Write-off / Reversal	(329)	(2)	-	(424)
Ending balance	₩ 1,272	₩ 4,012	₩ 1,398	₩ 4,014

(\*1) It consists of receivables, long-term loans, and long-term accrued income.

**(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 exposures 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, are judged to have limited impact on the credit risk of the financial institutions of the Company.

**(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, 2021 is as follows. Amounts include interests paid and presented at gross amounts (Korean won in millions):

	Book value	Contractual cash flow	Less than 3 months	3-12 months	1-5 years	More than 5 years
Short-term borrowings	₩ 2,652,000	₩ 2,665,595	₩ 1,493,361	₩ 1,172,234	₩ -	₩ -
Bonds payable	6,720,900	7,225,165	326,870	1,029,371	4,470,240	1,398,684
Financial derivatives liabilities	424,900	424,900	190	424,710	-	-
Trade payables	113,051	113,051	113,051	-	-	-
Lease liabilities	429,144	483,549	13,553	57,333	215,361	197,302
Other liabilities	256,093	256,093	188,114	44,047	23,932	-
	₩ 10,596,088	₩ 11,168,353	₩ 2,135,139	₩ 2,727,695	₩ 4,709,533	₩ 1,595,986

**(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 72.37% as of December 31, 2021. The maturity of the debt is dispersed in the long-term and the borrowings mainly consist of long-term bonds, which do not present significant risks for unexpected payment for debts.

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

	December 31, 2021	December 31, 2020
Total liabilities	₩ 11,426,869	₩ 8,760,834
Total equity	15,790,106	14,831,563
Debt ratio	72.37%	59.07%

### 32. Business combination

(1) The contents related to the business combination under the same control that occurred during the current period are as follows.

	<u>Main content</u>
Surviving company after merger	SK, Inc.
Extinct company after merger	SK Materials Co., Ltd..
Date of merger	December 1, 2021
Date of merger registration	December 9, 2021
Purpose of merger	Improve management efficiency and corporate and shareholder value
Merging ratio	Ordinary share of SK, Inc. : Ordinary share of SK Materials Co., Ltd. = 1.000000 : 1.5778412

(2) The fair value of the transfer consideration of the merger that occurred during the current period and the details of the identifiable acquisition assets and acquisition liabilities are as follows.

(Korean won in millions):

	<u>Amount</u>	
1. Transfer consideration		
Fair value of new common stock issued	₩	1,004,093
Equity value of the previously held merged corporation		473,335
2. Identifiable acquired assets, liabilities, etc.		
Current assets:		
Cash and cash equivalents		10,531
Other receivables		88
Other current assets		3,710
Non-current assets:		
Long-term investment securities		38,739
Investments in subsidiaries		1,233,306
Property, plant and equipment, net		3,113
Intangible assets, net		1,534
Right-of-use asset, net		1,888
Other non-current assets		839
Current liabilities		
Short-term borrowings		722,700
Other payables		1,222
Accrued expenses		7,414
Current portion of long-term debt		49,988
Lease liabilities		817
Current income tax		24,331
Other current liabilities		1,485
Non-current liabilities		
Bonds payable and Long-term borrowings		134,720
Defined benefit liabilities		618
Deferred tax liabilities		21,776
Long-term lease liabilities		1,023
Other non-current liabilities		362
Equity		
Comprehensive income		4,002
Others		802
3. Capital surplus		1,154,940

(3) If the above business combination had been made on January 1, 2021, The company's operating profit would have been ₩ 3,310,134 million and our net profit would have been ₩ 1,594,352 million.

**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, 2021 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 report

## **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, 2021.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2021, 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, 2021, 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 11, 2022 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, cursive script.

March 11, 2022

This audit report is effective as of March 11, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the 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 Inc.

We, as the Chief Executive Officer and the Internal Accounting Manager of SK Inc. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting ("ICFR") for the year ending December 31, 2021.

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.

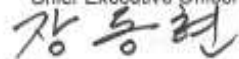
Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2021, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

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 3, 2022

Dong-Hyun Jang

Chief Executive Officer



Hae-Woong Kang

Internal Accounting Manager

