

SK hynix Inc. and Subsidiaries

Consolidated Interim Financial Statements

September 30, 2020

Report on Review of Consolidated Interim Financial Statements	1 - 2
--	--------------

Consolidated Interim Financial Statements

Consolidated Interim Statements of Financial Position.....	3 - 4
Consolidated Interim Statements of Comprehensive Income	5
Consolidated Interim Statements of Changes in Equity.....	6 - 7
Consolidated Interim Statements of Cash Flows	8
Notes to the Consolidated Interim Financial Statements	9 - 64



Report on Review of Consolidated Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
SK hynix Inc.

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of SK hynix Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at September 30, 2020, and the related consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2020, and consolidated interim statement of changes in equity and cash flows for the nine-month period ended September 30, 2020, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matters

Users need to pay attention to Note 3, which does not affect our review conclusion, on the consolidated interim financial statements. Note 3 on the consolidated interim financial statements describes the uncertainties associated with the impact of COVID-19 (Coronavirus) on the Group's operations, including market demands and the Group's production capacity. These matters do not affect our conclusion.

Other Matters

The consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019, and consolidated interim statements of changes in equity and cash flows for the nine-month period ended September 30, 2019, presented herein for comparative purposes, were reviewed by another auditor whose report dated November 12, 2019. Based on their review, nothing has come to their attention that causes them to believe the accompanying consolidated interim financial statements do not present fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

The consolidated financial statements of the Group for the year ended December 31, 2019, were audited by another auditor who expressed an unqualified opinion on those statements, not presented herein, on February 25, 2020. The consolidated statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea
November 13, 2020

This report is effective as of November 13, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Financial Position
September 30, 2020 and December 31, 2019

(In millions of Korean won)

	Notes	September 30, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	5,6 ₩	2,807,138 ₩	2,306,070
Short-term financial instruments	5,6,7	451,585	298,350
Short-term investment assets	5,6	1,497,165	1,390,293
Trade receivables, net	5,6,8,32	5,475,806	4,261,674
Loans and other receivables, net	5,6,8,32	86,793	23,508
Inventories, net	9	6,150,544	5,295,835
Current tax assets		1,835	199,805
Other financial assets	5,6	30	30
Other current assets	10,32,33	565,314	682,037
		<u>17,036,210</u>	<u>14,457,602</u>
Non-current assets			
Investments in associates and joint ventures	11	1,279,160	768,767
Long-term trade receivables, net	5,6,8	-	44,775
Long-term investment assets	5,6,12	4,629,562	4,381,812
Loans and other receivables, net	5,6,8,32	70,177	109,079
Other financial assets	5,6,7,21	15,014	901
Property, plant and equipment, net	13,33	40,712,211	39,949,940
Right-of-use assets, net	14,32	1,289,127	1,250,576
Intangible assets, net	15	3,502,348	2,571,049
Investment property, net	16	250	258
Deferred tax assets		680,670	670,866
Employee benefit assets	20	257	3,406
Other non-current assets	10,32,33	52,187	580,463
		<u>52,230,963</u>	<u>50,331,892</u>
Total assets		<u>₩ 69,267,173</u>	<u>₩ 64,789,494</u>

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Financial Position, Continued
September 30, 2020 and December 31, 2019

(In millions of Korean won)

	Notes	September 30, 2020 (Unaudited)	December 31, 2019
Liabilities			
Current liabilities			
Trade payables	5,6,32 ₩	1,014,432 ₩	1,042,542
Other payables	5,6,32	1,927,189	2,367,673
Other non-trade payables	5,6,32	1,391,838	1,257,895
Borrowings	5,6,17,33,34	3,593,603	2,737,770
Provisions	19	8,810	10,701
Current tax liabilities		520,015	89,217
Lease liabilities	5,14,32	215,033	205,238
Other financial liabilities	5,6,21	562	-
Other current liabilities	18,32	180,136	162,997
		<u>8,851,618</u>	<u>7,874,033</u>
Non-current liabilities			
Long-term other payables	5,6,32	312,178	-
Other non-trade payables	5,6,32	8,207	18,266
Borrowings	5,6,17,33,34	8,109,190	7,785,736
Defined benefit liabilities, net	20	277,906	53,624
Deferred tax liabilities		60,528	15,743
Lease liabilities	5,14,32	1,026,824	995,592
Other financial liabilities	5,21	31,416	15,532
Other non-current liabilities	18	90,247	87,773
		<u>9,916,496</u>	<u>8,972,266</u>
Total liabilities		<u>18,768,114</u>	<u>16,846,299</u>
Equity			
Equity attributable to owners of the Parent Company			
Capital stock	22	3,657,652	3,657,652
Capital surplus	22	4,143,736	4,143,736
Other equity	22,35	(2,503,527)	(2,504,713)
Accumulated other comprehensive loss	23	(40,080)	(298,935)
Retained earnings	24	45,221,291	42,930,675
Total equity attributable to owners of the Parent Company		<u>50,479,072</u>	<u>47,928,415</u>
Non-controlling interests		<u>19,987</u>	<u>14,780</u>
Total equity		<u>50,499,059</u>	<u>47,943,195</u>
Total liabilities and equity	₩	<u>₩ 69,267,173</u>	<u>₩ 64,789,494</u>

The above consolidated interim statements of financial position should be read in conjunction with the accompanying notes.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Comprehensive Income
Three-month and Nine-month Periods Ended September 30, 2020 and 2019

(In millions of Korean won, except per share information)

		Period Ended September 30			
		2020 (Unaudited)		2019 (Unaudited)	
	Notes	Three months	Nine months	Three months	Nine months
Revenue	4,25,32	₩ 8,128,767	₩ 23,934,193	₩ 6,838,766	₩ 20,063,622
Cost of sales	27,32	5,285,510	15,554,658	5,023,127	13,550,971
Gross profit		2,843,257	8,379,535	1,815,639	6,512,651
Selling and administrative expense	26,27,32	1,543,561	4,332,823	1,343,078	4,035,970
Operating profit		1,299,696	4,046,712	472,561	2,476,681
Finance income	28	346,708	1,139,390	416,962	1,305,369
Finance expenses	28	301,542	1,130,276	389,229	1,113,882
Share of profit (loss) of equity-accounted investees	11	(3,459)	12,719	4,469	14,522
Other income	29,32	23,568	61,631	31,440	80,822
Other expenses	29,32	16,263	125,954	15,904	87,652
Profit before income tax		1,348,708	4,004,222	520,299	2,675,860
Income tax expense	30	270,846	1,013,050	24,815	541,221
Profit for the period		₩ 1,077,862	₩ 2,991,172	₩ 495,484	₩ 2,134,639
Other comprehensive income					
Item that will not be reclassified to profit or loss:					
Remeasurements of defined benefit liabilities, net of tax	20	(4,504)	(13,688)	(5,129)	(16,441)
Items that may be subsequently reclassified to profit or loss:					
Foreign operations – foreign currency translation differences, net of tax	23	36,078	263,338	46,371	270,592
Loss on valuation of derivatives, net of tax	23	(524)	(13,332)	-	-
Equity-accounted investees – share of other comprehensive income (loss), net of tax	11,23	(13,133)	9,135	18,238	47,127
Other comprehensive income for the period, net of tax		17,917	245,453	59,480	301,278
Total comprehensive income for the period		₩ 1,095,779	₩ 3,236,625	₩ 554,964	₩ 2,435,917
Profit attributable to:					
Owners of the Parent Company		₩ 1,077,262	₩ 2,988,306	₩ 493,201	₩ 2,131,483
Non-controlling interests		600	2,866	2,283	3,156
Total comprehensive income (loss) attributable to:					
Owners of the Parent Company		₩ 1,095,806	₩ 3,233,473	₩ 553,260	₩ 2,432,987
Non-controlling interests		(27)	3,152	1,704	2,930
Earnings per share	31				
Basic earnings per share (in Korean won)		₩ 1,575	₩ 4,369	₩ 721	₩ 3,116
Diluted earnings per share (in Korean won)		₩ 1,575	₩ 4,368	₩ 721	₩ 3,116

The above consolidated interim statements of comprehensive income should be read in conjunction with the accompanying notes.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Changes in Equity
Nine-month Periods Ended September 30, 2020 and 2019

(In millions of Korean won)	Attributable to owners of the Parent Company								Non-controlling interests	Total equity						
	Notes	Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total									
Balance at January 1, 2019	₩	3,657,652	₩	4,143,736	₩	(2,506,451)	₩	(482,819)	₩	42,033,601	₩	46,845,719	₩	6,612	₩	46,852,331
Comprehensive income:																
Profit for the period			-		-		-		2,131,483		2,131,483		3,156			2,134,639
Remeasurements of defined benefit liabilities, net of tax	20		-		-		-		(16,441)		(16,441)		-			(16,441)
Other comprehensive income of associates, net of tax	11,23		-		-		47,127		-		47,127		-			47,127
Foreign currency translation differences for foreign operations, net of tax	23		-		-		270,818		-		270,818		(226)			270,592
Total comprehensive income for the period			-		-		317,945		2,115,042		2,432,987		2,930			2,435,917
Transactions with owners of the Parent Company:																
Increase of non-controlling interests			-		-		-		-		-		2,718			2,718
Dividends paid			-		-		-		(1,026,003)		(1,026,003)		-			(1,026,003)
Share-based payments	35		-		-		1,263		-		1,263		-			1,263
Total transactions with owners of the Parent Company			-		-		1,263		(1,026,003)		(1,024,740)		2,718			(1,022,022)
Balance at September 30, 2019 (Unaudited)	₩	3,657,652	₩	4,143,736	₩	(2,505,188)	₩	(164,874)	₩	43,122,640	₩	48,253,966	₩	12,260	₩	48,266,226

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Changes in Equity, Continued
Nine-month Periods Ended September 30, 2020 and 2019

		Attributable to owners of the Parent Company						Non-controlling interests	Total equity
		Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
Notes									
Balance at January 1, 2020		₩ 3,657,652	₩ 4,143,736	₩ (2,504,713)	₩ (298,935)	₩ 42,930,675	₩ 47,928,415	₩ 14,780	₩ 47,943,195
Comprehensive income:									
Profit for the period		-	-	-	-	2,988,306	2,988,306	2,866	2,991,172
Remeasurements of defined benefit liabilities, net of tax	20	-	-	-	-	(13,688)	(13,688)	-	(13,688)
Other comprehensive income of associate, net of tax	11,23	-	-	-	9,135	-	9,135	-	9,135
Loss on valuation of derivatives	23	-	-	-	(13,332)	-	(13,332)	-	(13,332)
Foreign currency translation differences for foreign operations, net of tax	23	-	-	-	263,052	-	263,052	286	263,338
Total comprehensive income for the period		-	-	-	258,855	2,974,618	3,233,473	3,152	3,236,625
Transactions with owners of the Parent Company:									
Increase of non-controlling interests		-	-	-	-	-	-	2,055	2,055
Dividends paid	24	-	-	-	-	(684,002)	(684,002)	-	(684,002)
Share-based payments	35	-	-	1,186	-	-	1,186	-	1,186
Total transactions with owners of the Parent Company		-	-	1,186	-	(684,002)	(682,816)	2,055	(680,761)
Balance at September 30, 2020 (Unaudited)		₩ 3,657,652	₩ 4,143,736	₩ (2,503,527)	₩ (40,080)	₩ 45,221,291	₩ 50,479,072	₩ 19,987	₩ 50,499,059

The above consolidated interim statements of changes in equity should be read in conjunction with the accompanying note.

SK hynix Inc. and Subsidiaries
Consolidated Interim Statements of Cash Flows
Nine-month Periods Ended September 30, 2020 and 2019

(In millions of Korean won)

	Notes	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	34 ₩	9,573,120 ₩	8,857,851
Interest received		28,552	24,946
Interest paid		(224,824)	(167,009)
Dividends received		15,631	14,648
Income tax paid		(339,735)	(4,830,821)
Net cash inflow from operating activities		<u>9,052,744</u>	<u>3,899,615</u>
Cash flows from investing activities			
Decrease in short-term financial instruments		581,860	982,126
Increase in short-term financial instruments		(733,794)	(770,905)
Decrease (increase) in short-term investment assets, net		(82,005)	3,818,234
Decrease in loans and other receivables		26,011	8,695
Increase in loans and other receivables		(70,901)	(47,331)
Acquisitions of investments in associates		(478,591)	(117,514)
Proceeds from disposal of long-term investment assets		545	1,790
Acquisitions of long-term investment assets		(76,998)	(73,313)
Decrease in other financial assets		776	-
Increase in other financial assets		(206)	(626)
Proceeds from disposal of property, plant and equipment		38,166	51,895
Acquisitions of property, plant and equipment		(7,539,113)	(11,388,920)
Proceeds from disposal of intangible assets		445	183
Acquisitions of intangible assets		(530,128)	(495,510)
Proceeds from business transfer		2,958	-
Net cash outflow from investing activities		<u>(8,860,975)</u>	<u>(8,031,196)</u>
Cash flows from financing activities			
Proceeds from borrowings	34	4,005,000	7,962,788
Repayments of borrowings	34	(2,864,569)	(3,785,399)
Dividends paid		(684,002)	(1,026,003)
Repayments of lease liabilities	34	(157,975)	(201,324)
Increase of non-controlling interests		2,055	2,718
Net cash inflow from financing activities		<u>300,509</u>	<u>2,952,780</u>
Effects of exchange rate changes on cash and cash equivalents		<u>8,790</u>	<u>32,625</u>
Net increase (decrease) in cash and cash equivalents		<u>501,068</u>	<u>(1,146,176)</u>
Cash and cash equivalents at the beginning of the period		<u>2,306,070</u>	<u>2,349,319</u>
Cash and cash equivalents at the end of the period	₩	<u><u>2,807,138</u></u> ₩	<u><u>1,203,143</u></u>

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

1. General Information

(1) General information about SK hynix Inc. (the "Parent Company") and its subsidiaries (collectively the "Group") is as follows:

The Parent Company manufactures, distributes and sells semiconductor products. The Parent Company was established on October 15, 1949 and its shares have been listed on the Korea Exchange since 1996. The Parent Company's headquarters is located at 2091 Gyeongchung-daero, Bubal-eup, Icheon-si, Gyeonggi-do, South Korea, and the Group has manufacturing facilities in Icheon-si and Cheongju-si, South Korea, and Wuxi and Chongqing, China.

As of September 30, 2020, the shareholders of the Parent Company are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
SK Telecom Co., Ltd.	146,100,000	20.07
National Pension Service	80,018,070	10.99
Other investors	457,883,725	62.90
Treasury shares	44,000,570	6.04
	<u>728,002,365</u>	<u>100.00</u>

The Parent Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange and the Luxembourg Stock Exchange, respectively.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

1. General Information, Continued

(2) Details of the Group's consolidated subsidiaries as of September 30, 2020 and December 31, 2019 are as follows:

Company	Location	Business	Ownership (%)	
			2020	2019
SK hyeng Inc.	Korea	Construction and service	100.00	100.00
SK hystec Inc.	Korea	Business support and service	100.00	100.00
Happymore Inc.	Korea	Manufacturing cleanroom suits and cleaning	100.00	100.00
SK hynix system ic Inc.	Korea	Semiconductor manufacturing and sales	100.00	100.00
HappyNarae Co., Ltd.	Korea	Industrial material supply	100.00	100.00
SK hynix America Inc.	U.S.A.	Semiconductor sales	97.74	97.74
SK hynix Deutschland GmbH	Germany	Semiconductor sales	100.00	100.00
SK hynix Asia Pte. Ltd.	Singapore	Semiconductor sales	100.00	100.00
SK hynix Semiconductor Hong Kong Ltd.	Hong Kong	Semiconductor sales	100.00	100.00
SK hynix U.K. Ltd.	U.K.	Semiconductor sales	100.00	100.00
SK hynix Semiconductor Taiwan Inc.	Taiwan	Semiconductor sales	100.00	100.00
SK hynix Japan Inc.	Japan	Semiconductor sales	100.00	100.00
SK hynix Semiconductor (Shanghai) Co., Ltd.	China	Semiconductor sales	100.00	100.00
SK hynix Semiconductor India Private Ltd. ¹	India	Semiconductor sales	100.00	100.00
SK hynix (Wuxi) Semiconductor Sales Ltd.	China	Semiconductor sales	100.00	100.00
SK hynix Semiconductor (China) Ltd.	China	Semiconductor manufacturing	100.00	100.00
SK hynix Semiconductor (Chongqing) Ltd. ²	China	Semiconductor manufacturing	100.00	100.00
SK hynix Italy S.r.l	Italy	Semiconductor research and development	100.00	100.00
SK hynix memory solutions America Inc.	U.S.A.	Semiconductor research and development	100.00	100.00
SK hynix memory solutions Taiwan Ltd.	Taiwan	Semiconductor research and development	100.00	100.00
SK hynix memory solutions Eastern Europe LLC.	Belarus	Semiconductor research and development	100.00	100.00
SK APTECH Ltd.	Hong Kong	Overseas investment	100.00	100.00
SK hynix Ventures Hong Kong Limited	Hong Kong	Overseas investment	100.00	100.00
SK hynix (Wuxi) Investment Ltd. ³	China	Overseas investment	100.00	100.00
SK hynix (Wuxi) Industry Development Ltd. ⁴	China	Foreign hospital construction	100.00	100.00
SK hynix Happiness (Wuxi) Hospital Management Ltd. ⁴	China	Foreign hospital operation	70.00	70.00
SK hynix system ic (Wuxi) Co., Ltd. ⁵	China	Overseas Semiconductor manufacturing and sales	100.00	100.00
SK hynix cleaning (Wuxi) Ltd. ⁴	China	Building maintenance	100.00	100.00
SUZHOU HAPPYNARAE Co., Ltd. ⁶	China	Overseas industrial material supply	100.00	100.00
CHONGQING HAPPYNARAE Co., Ltd. ⁷	China	Overseas industrial material supply	100.00	100.00
SkyHigh Memory Limited ⁵	Hong Kong	Overseas Semiconductor manufacturing and sales	60.00	60.00
SK hynix (Wuxi) Education Technology Co., Ltd. ⁴	China	Education	100.00	100.00
Gauss Labs Inc. ⁸	U.S.A	Telecommunication of information	100.00	-
MMT (Money Market Trust)	Korea	Money Market Trust	100.00	100.00

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

1. General Information, Continued

(2) Details of the Group's consolidated subsidiaries as of September 30, 2020 and December 31, 2019 are as follows, continued:

¹ Subsidiary of SK hynix Asia Pte. Ltd.

² Subsidiary of SK APTECH Ltd.

³ Subsidiary of SK hynix Semiconductor (China) Ltd.

⁴ Subsidiary of SK hynix (Wuxi) Investment Ltd.

⁵ Subsidiary of SK hynix system ic

⁶ Subsidiary of HappyNarae Co., Ltd.

⁷ Subsidiary of SUZHOU HAPPYNARAE Co., Ltd.

⁸ Gauss Labs Inc. has been established during the nine-month period ended September 30, 2020.

(3) Changes in the Group's consolidated subsidiaries for the nine-month periods ended September 30, 2020 are as follows:

Type	Company	Reason
Addition	Gauss Labs Inc.	New establishment

(4) Major subsidiaries' summarized statements of financial position as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020			December 31, 2019		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
SK hynix system ic Inc.	₩ 1,005,221	₩ 393,539	₩ 611,682	₩ 666,171	₩ 130,880	₩ 535,291
SK hynix America Inc.	2,548,466	2,154,537	393,929	1,801,366	1,436,975	364,391
SK hynix Asia Pte. Ltd.	507,984	416,506	91,478	387,860	298,657	89,203
SK hynix Semiconductor Hong Kong Ltd.	251,120	89,236	161,884	195,262	44,405	150,857
SK hynix U.K. Ltd.	226,693	205,385	21,308	217,160	197,293	19,867
SK hynix Semiconductor Taiwan Inc.	254,137	234,650	19,487	247,671	219,056	28,615
SK hynix Japan Inc.	245,205	171,884	73,321	305,770	235,243	70,527
SK hynix (Wuxi) Semiconductor Sales Ltd.	1,952,677	1,734,855	217,822	1,646,998	1,510,156	136,842
SK hynix Semiconductor (China) Ltd.	11,764,953	6,797,503	4,967,450	9,605,890	4,937,517	4,668,373
SK hynix Semiconductor (Chongqing) Ltd.	923,198	316,195	607,003	837,339	309,283	528,056
HappyNarae Co., Ltd.	129,225	75,916	53,309	186,079	136,257	49,822

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

1. General Information, Continued

(5) Major subsidiaries' summarized statements of comprehensive income (loss) for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)		2020			2019		
	Revenue	Profit (loss)	Total comprehensive income (loss)		Revenue	Profit (loss)	Total comprehensive income (loss)
SK hynix system ic Inc.	₩ 528,132	₩ 79,085	₩ 79,192	₩ 488,871	₩ 53,563	₩ 53,529	
SK hynix America Inc.	9,097,316	25,167	25,167	5,938,080	23,465	23,465	
SK hynix Asia Pte. Ltd.	1,492,156	1,097	1,097	1,219,687	3,112	3,112	
SK hynix Semiconductor Hong Kong Ltd.	1,298,850	8,409	8,409	1,247,485	10,686	10,686	
SK hynix U.K. Ltd.	687,066	1,199	1,199	690,719	5,526	5,526	
SK hynix Semiconductor Taiwan Inc.	1,432,623	(2,678)	(2,678)	1,073,654	6,331	6,331	
SK hynix Japan Inc.	394,745	(430)	(430)	545,838	6,883	6,883	
SK hynix (Wuxi) Semiconductor Sales Ltd.	8,317,555	75,718	75,718	8,305,745	61,109	61,109	
SK hynix Semiconductor (China) Ltd.	2,914,942	128,715	128,715	2,325,077	(47,594)	(47,594)	
SK hynix Semiconductor (Chongqing) Ltd.	504,135	59,182	59,182	320,669	28,571	28,571	
HappyNarae Co., Ltd.	698,707	3,487	3,487	756,706	2,579	2,579	

(6) There are no significant non-controlling interests to the Group as of September 30, 2020 and December 31, 2019.

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

2. Summary of Significant Accounting Policies

2.1 Basis of Financial Statements preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group's consolidated interim financial statements for the nine-month period ended September 30, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as of September 30, 2020.

2.1.1 New and amended standards or interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2020.

① Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors* – *Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendment does not have a significant impact on the consolidated financial statements.

② Amendments to Korean IFRS 1103 *Business Combination* – *Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the consolidated financial statements.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

2. Summary of Significant Accounting Policies, Continued

③ Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the consolidated financial statements.

2.1.2 New and amended standards or interpretations not yet adopted by the Group

The following new accounting standards and interpretations that have been published that are not mandatory for September 30, 2020 reporting periods and have not been early adopted by the Group.

① Amendments to Korean IFRS 1116 *Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this standard if the change were not a lease modification. These amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the consolidated interim financial statements are consistent with those of the consolidated annual financial statements for the year ended December 31, 2019, except for the changes due to the application of amendments and enactments of standards described in Note 2.1.1 and as described below.

2.2.1 Income tax expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual effective income tax rate is applied to the pre-tax income.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

2.2.2 Lease

From January 1, 2020, the Group has changed its accounting policy by adopting accounting treatments in accordance with agenda decisions for '*Lease Term and Useful Life of Leasehold Improvements*' issued by IFRS Interpretations Committee on December 16, 2019. The Group determines the lease term as the enforceable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

The Group is assessing the impact of changes in accounting policy on the financial statements for the enforceable period according to the decision and will reflect the effects in the consolidated financial statements once the assessment is completed.

3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on domestic and global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group, which could continue in its consolidated annual financial statements of 2020.

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

Significant accounting estimates and assumptions applied in the preparation of these consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2019, except for the estimates used to determine income tax expense.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

4. Operating Segment Information

The Group has a single reportable segment that is engaged in the manufacture and sale of semiconductor products. Management of the Group reviews the operational results of the semiconductor business with the reporting information which is prepared in the same manner as management reviews during the establishment of the Group's business strategy.

- (1) The Group's non-current assets (excluding long-term trade receivables, financial assets, loans and other receivables, investment in associates and joint ventures and deferred tax assets) information by region based on the location of the Parent Company and its subsidiaries as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020	December 31, 2019
Korea	₩ 34,904,397	₩ 35,109,665
China	10,230,144	8,814,465
Asia (other than China)	20,658	21,497
U.S.A.	387,175	395,772
Europe	14,006	14,293
	<u>₩ 45,556,380</u>	<u>₩ 44,355,692</u>

- (2) For the nine-month period ended September 30, 2020, revenue of ₩3,720,380 million, ₩2,577,774 million and ₩2,569,116 million, over 10% of the Group's revenue, are derived from external customers A, B and C, respectively and for the nine-month period ended September 30, 2019, revenues of ₩3,956,456 million and ₩2,258,689 million, over 10% of the Group's revenue, are derived from a single external customer A and C, respectively.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

5. Carrying Amounts of Financial Instruments by Categories

(1) Carrying amounts of financial assets by categories as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income or loss	Financial assets at amortized cost
Cash and cash equivalents	₩ -	₩ -	₩ 2,807,138
Short-term financial instruments	227,500	-	224,085
Short-term investment assets	1,497,165	-	-
Trade receivables ¹	-	426,463	5,049,343
Loans and other receivables	-	-	156,970
Other financial assets	-	-	391
Long-term investment assets	4,629,562	-	-
	₩ 6,354,227	₩ 426,463	₩ 8,237,927

(In millions of Korean won)

	September 30, 2020	
	Other financial assets	Total
Cash and cash equivalents	₩ -	₩ 2,807,138
Short-term financial instruments	-	451,585
Short-term investment assets	-	1,497,165
Trade receivables ¹	-	5,475,806
Loans and other receivables	-	156,970
Other financial assets	14,653	15,044
Long-term investment assets	-	4,629,562
	₩ 14,653	₩ 15,033,270

¹ The Group transferred certain portion of trade receivables, which are from specific customers, and derecognized the trade receivables from the financial statements as all the risks and rewards are substantially transferred. Accordingly, the Group recognized gain or loss on disposal of trade receivables.

(In millions of Korean won)

	December 31, 2019		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and cash equivalents	₩ -	₩ 2,306,070	₩ 2,306,070
Short-term financial instruments	-	298,350	298,350
Short-term investment assets	1,390,293	-	1,390,293
Trade receivables	-	4,306,449	4,306,449
Loans and other receivables	-	132,587	132,587
Other financial assets	-	931	931
Long-term investment assets	4,381,812	-	4,381,812
	₩ 5,772,105	₩ 7,044,387	₩ 12,816,492

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

5. Carrying Amounts of Financial Instruments by Categories, Continued

(2) Carrying amounts of financial liabilities by categories as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities	Total
Trade payables	₩ -	₩ 1,014,432	₩ -	₩ 1,014,432
Other payables	5,321	2,234,046	-	2,239,367
Other non-trade payables ¹	-	1,400,045	-	1,400,045
Borrowings	-	11,702,793	-	11,702,793
Other financial liabilities	-	4,075	27,903	31,978
Lease liabilities	-	1,241,857	-	1,241,857
	<u>₩ 5,321</u>	<u>₩ 17,597,248</u>	<u>₩ 27,903</u>	<u>₩ 17,630,472</u>

(In millions of Korean won)

	December 31, 2019		
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Trade payables	₩ -	₩ 1,042,542	₩ 1,042,542
Other payables	13,006	2,354,667	2,367,673
Other non-trade payables ¹	-	1,276,161	1,276,161
Borrowings	-	10,523,506	10,523,506
Other financial liabilities	15,532	-	15,532
Lease liabilities	-	1,200,830	1,200,830
	<u>₩ 28,538</u>	<u>₩ 16,397,706</u>	<u>₩ 16,426,244</u>

¹ Details of other non-trade payables as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020	December 31, 2019
Current		
Accrued expenses	₩ 1,391,838	₩ 1,257,895
Non-current		
Long-term accrued expenses	2,828	4,779
Rent deposit payables	5,379	13,487
	<u>₩ 1,400,045</u>	<u>₩ 1,276,161</u>

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

6. Financial Risk Management

(1) Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated interim financial statements do not include all the financial risk management policies and disclosures that are required in the consolidated annual financial statements; therefore, see the consolidated annual financial statements for full disclosure. There were no significant changes in risk management department and risk management policies subsequent to December 31, 2019.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Japanese yen, Chinese yuan and Euro. Foreign exchange risk arises from future commercial transactions; recognized assets and liabilities in foreign currencies; and net investments in foreign operations.

Monetary foreign currency assets and liabilities as of September 30, 2020 are as follows:

(In millions of Korean won and millions of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
USD	10,241	₩ 12,018,023	10,684	₩ 12,537,862
JPY	569	6,323	128,939	1,433,876
CNY	15	2,586	24	4,102
EUR	10	13,812	25	34,842

When the exchange rate of the functional currency for each foreign currency fluctuates by 10% as of September 30, 2020, the impact of the change in the exchange rate on profit before income tax expenses are as follows:

(In millions of Korean won)

	If increased by 10%	If decreased by 10%
USD	₩ 64,717	₩ (64,717)
JPY	(142,755)	142,755
CNY	(152)	152
EUR	(2,103)	2,103

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(a) Market risk, Continued

(ii) Interest rate risk

Interest rate risk of the Group is defined as the risk that the interest expenses arising from borrowings will fluctuate due to changes in future market interest rate. The interest rate risk mainly arises through floating rate borrowings, and is partially offset by interests received from floating rate financial assets.

The Group is managing cash flow interest rate risk using floating-to-fixed cross currency interest rate swaps. These interest rate swaps have an economic effect of converting floating interest borrowings into fixed interest borrowings. Generally, the Group borrows at a floating interest rate and then swaps at a fixed rate. Under the swap agreement, the Group will settle the difference between fixed interest costs and the floating interest costs calculated according to the principal agreed upon for each counterparty and specific period (mainly quarterly).

The Group is partially exposed to the risk of changing net interest costs due to changes in interest rates as of September 30, 2020. The Group has signed a currency interest rate swap contract on floating interest rate borrowings of ₩586,750 million and interest rate swap contract on floating interest rate borrowings of ₩117,350. Therefore, the changes in interest costs subject to fluctuation of interest rates do not have an impact on the profit before income tax for the nine-month period ended September 30, 2020.

As of September 30, 2020, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax would have been ₩55,584 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and interest income on floating rate financial assets.

(iii) Price risk

The Group invests in equity and debt securities resulted from its business needs and the purpose of liquidity management. The Group's equity and debt securities are exposed to price risk as of September 30, 2020.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from operating and investing activities. In order to manage credit risk, the Group periodically evaluates the credit worthiness of each customer or counterparty through the analysis of its financial information, historical transaction records and other factors, and establishes credit limits for each customer or counterparty.

(i) Trade and other receivables

For each new customer, the Group individually analyzes its credit worthiness before standard payment and delivery terms and conditions are offered. In addition, the Group is continuously managing trade and other receivables by reevaluating the customer's credit worthiness and securing collaterals in order to limit its credit risk exposure. The Group reviews at the end of each reporting period whether trade and other receivables are impaired and maintains credit insurance policies to manage credit risk exposure from overseas customers. The maximum exposure to credit risk as of September 30, 2020 is the carrying amount of trade and other receivables.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(ii) Other financial assets

Credit risk also arises from other financial assets such as cash and cash equivalents, short-term financial instruments, long-term and short-term investment assets, and short-term and long-term loans mainly due to the bankruptcy of each counterparty to those financial assets. The maximum exposure to credit risk as of September 30, 2020 is the carrying amount of those financial assets. The Group transacts only with banks and financial institutions with high credit ratings, and accordingly management does not expect any significant loss from non-performance by the counterparties.

(c) Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Group forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively.

The Group invests surplus cash in interest-bearing current accounts, time deposits, and demand deposits choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders and proceeds and repayments of borrowings, and issue new shares or sell assets to reduce debt.

The debt-to-equity ratio and net borrowing ratio as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020	December 31, 2019
Total liabilities (A)	₩ 18,768,114	₩ 16,846,299
Total equity (B)	50,499,059	47,943,195
Cash and cash equivalents, and others ¹ (C)	4,755,888	3,994,713
Total borrowings (D)	11,702,793	10,523,506
Debt-to-equity ratio (A/B)	37.17%	35.14%
Net borrowing ratio (D-C)/B	13.76%	13.62%

¹ Total amount of cash and cash equivalents, short-term investment assets and short-term financial instruments.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

6. Financial Risk Management, Continued

(3) Fair value

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(a) The following table presents the carrying amounts and fair values of financial instruments by categories, including their levels in the fair value hierarchy, as of September 30, 2020 and December 31, 2019:

(In millions of Korean won)

(in millions of Korean won)

		September 30, 2020			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term financial instruments	₩ 227,500	₩ -	₩ -	₩ 227,500	₩ 227,500
Short-term investment assets	1,497,165	-	1,497,165	-	1,497,165
Trade receivables ¹	426,463	-	426,463	-	426,463
Long-term investment assets	4,629,562	-	-	4,629,562	4,629,562
Other financial assets	14,653	-	14,653	-	14,653
	<u>6,795,343</u>	<u>-</u>	<u>1,938,281</u>	<u>4,857,062</u>	<u>6,795,343</u>
Financial assets not measured at fair value					
Cash and cash equivalents ²	2,807,138	-	-	-	-
Short-term financial instruments ²	224,085	-	-	-	-
Trade receivables ²	5,049,343	-	-	-	-
Loans and other receivables ²	156,970	-	-	-	-
Other financial assets ²	391	-	-	-	-
	<u>8,237,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial asset	<u>₩ 15,033,270</u>	<u>₩ -</u>	<u>₩ 1,938,281</u>	<u>₩ 4,857,062</u>	<u>₩ 6,795,343</u>
Financial liabilities measured at fair value					
Other payables	₩ 5,321	₩ -	₩ -	₩ 5,321	₩ 5,321
Other financial liabilities	27,903	-	27,903	-	27,903
	<u>33,224</u>	<u>-</u>	<u>27,903</u>	<u>5,321</u>	<u>33,224</u>
Financial liabilities not measured at fair value					
Trade payables ²	1,014,432	-	-	-	-
Other payables ²	2,234,046	-	-	-	-
Other non-trade payables ²	1,400,045	-	-	-	-
Borrowings	11,702,793	-	11,834,335	-	11,834,335
Lease liabilities ²	1,241,857	-	-	-	-
Other financial liabilities ²	4,075	-	-	-	-
	<u>17,597,248</u>	<u>-</u>	<u>11,834,335</u>	<u>-</u>	<u>11,834,335</u>
Total financial liabilities	<u>₩ 17,630,472</u>	<u>₩ -</u>	<u>₩ 11,862,238</u>	<u>₩ 5,321</u>	<u>₩ 11,867,559</u>

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

6. Financial Risk Management, Continued

(3) Fair value, Continued

¹ The Group transferred some of the trade receivables and majority of the risks and rewards to the customer. Accordingly, the Group derecognized trade receivables from the financial statement on the date of assets transfer and recognized gain or loss on disposal of trade receivables.

² The Group did not include fair values of financial assets and liabilities of which carrying amounts are considered to be a reasonable approximation of fair values.

(In millions of Korean won)

		December 31, 2019			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Short-term investment asset	₩ 1,390,293	₩ -	₩ 1,390,293	₩ -	₩ 1,390,293
Long-term investment asset	4,381,812	-	-	4,381,812	4,381,812
	5,772,105	-	1,390,293	4,381,812	5,772,105
Financial assets not measured at fair value					
Cash and cash equivalents ¹	2,306,070	-	-	-	-
Short-term financial instruments ¹	298,350	-	-	-	-
Trade receivables ¹	4,306,449	-	-	-	-
Loans and other receivables ¹	132,587	-	-	-	-
Other financial assets ¹	931	-	-	-	-
	7,044,387	-	-	-	-
Total financial asset	₩ 12,816,492	₩ -	₩ 1,390,293	₩ 4,381,812	₩ 5,772,105
Financial liabilities measured at fair value					
Other payables	₩ 13,006	₩ -	₩ -	₩ 13,006	₩ 13,006
Other financial liabilities	15,532	-	15,532	-	15,532
	28,538	-	15,532	13,006	28,538
Financial liabilities not measured at fair value					
Trade payables ¹	1,042,542	-	-	-	-
Other payables ¹	2,354,667	-	-	-	-
Other non-trade payables ¹	1,276,161	-	-	-	-
Borrowings	10,523,506	-	10,585,029	-	10,585,029
Lease liabilities ¹	1,200,830	-	-	-	-
	16,397,706	-	10,585,029	-	10,585,029
Total financial liabilities	₩ 16,426,244	₩ -	₩ 10,600,561	₩ 13,006	₩ 10,613,567

¹ The Group did not include fair values of financial assets and liabilities of which carrying amounts are considered to be a reasonable approximation of fair values.

(b) The valuation techniques

(In millions of Korean won)

	Fair value	Level	Valuation Techniques
Financial assets at fair value through profit or loss:			
Short-term investment assets	₩ 1,497,165	2	Present value technique
Long-term investment assets	4,629,562	3	Present value technique and others
Short-term financial instruments	227,500	3	Present value technique
Financial assets at fair value through other comprehensive income:			
Other financial assets	₩ 14,653	2	Present value technique
Trade receivables	426,463	2	Present value technique
Financial liabilities at fair value through other comprehensive income:			
Other payables	₩ 5,321	3	Present value technique
Other financial liabilities	27,903	2	Present value technique

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

6. Financial Risk Management, Continued

(c) There was no transfer between fair value hierarchy levels for the nine-month period ended September 30, 2020. The movements in financial assets classified as level 3 fair value measurements during the nine-month period ended September 30, 2020 are as follows:

(In millions of Korean won)

	<u>Beginning Balance</u>	<u>Acqui- sition</u>	<u>Disposal</u>	<u>Pay- ments</u>	<u>Profit or loss on valuation</u>	<u>Foreign exchange difference</u>	<u>Transfer</u>	<u>Ending Balance</u>
Financial assets								
Short-term financial instruments	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 227,500	₩ 227,500
Long-term investment assets	4,381,812	78,484	(544)	-	(51)	194,841	(24,980)	4,629,562
Financial liabilities								
Other payables	₩ 13,006	₩ -	₩ -	₩ (7,914)	₩ -	₩ 229	₩ -	₩ 5,321

7. Restricted Financial Instruments

Details of restricted financial instruments as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>Description</u>
Short-term financial instruments	₩ 227,500 8,896 91,032 <u>327,428</u>	₩ 227,500 6,381 - <u>233,881</u>	Restricted for supporting small businesses Pledged for consumption tax Guarantee deposits for repayments of borrowings
Other financial assets	11 313 324 <u>₩ 327,752</u>	11 269 280 <u>₩ 234,161</u>	Bank overdraft guarantee deposit Others

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

8. Trade Receivables and Loans and Other Receivables

(1) Details of loans and other receivables as of September 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2020		December 31, 2019	
Current				
Other receivables	₩	28,005	₩	11,104
Accrued income		1,510		2,043
Short-term loans		5,318		6,816
Short-term guarantee and other deposits		51,960		3,545
		<u>86,793</u>		<u>23,508</u>
Non-current				
Long-term other receivables		2,966		2
Long-term loans		36,176		35,299
Guarantee deposits		30,804		73,550
Others		231		228
		<u>70,177</u>		<u>109,079</u>
	₩	<u>156,970</u>	₩	<u>132,587</u>

(2) Trade receivables and loans and other receivables, net of provision for impairment, as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

September 30, 2020			
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 5,475,851	₩ (45)	₩ 5,475,806
Current loans and other receivables	88,071	(1,278)	86,793
Non-current loans and other receivables	71,353	(1,176)	70,177
	<u>₩ 5,635,275</u>	<u>₩ (2,499)</u>	<u>₩ 5,632,776</u>

(In millions of Korean won)

December 31, 2019			
	Gross amount	Provision for impairment	Carrying amount
Trade receivables	₩ 4,306,458	₩ (9)	₩ 4,306,449
Current loans and other receivables	24,788	(1,280)	23,508
Non-current loans and other receivables	110,241	(1,162)	109,079
	<u>₩ 4,441,487</u>	<u>₩ (2,451)</u>	<u>₩ 4,439,036</u>

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

8. Trade Receivables and Loans and Other Receivables, Continued

(3) Details of provision for impairment

Changes in the provision for impairment of trade receivables for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 9	₩ 48
Bad debt expense	563	-
Write-off	(526)	-
Foreign exchange difference	(1)	1
Ending balance	<u>₩ 45</u>	<u>₩ 49</u>

Changes in the provision for impairment of current loans and other receivables for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,280	₩ 1,323
Reversal	(2)	(44)
Foreign exchange difference	-	1
Ending balance	<u>₩ 1,278</u>	<u>₩ 1,280</u>

Movements in the provision for impairment of non-current loans and other receivables for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 1,162	₩ 1,117
Foreign exchange difference	14	76
Ending balance	<u>₩ 1,176</u>	<u>₩ 1,193</u>

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

9. Inventories

Details of inventories as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

September 30, 2020			
	Acquisition cost	Inventory valuation allowance	Carrying amount
Merchandise	₩ 3,034	₩ (31)	₩ 3,003
Finished goods	1,233,634	(185,392)	1,048,242
Work-in-process	3,714,587	(192,789)	3,521,798
Raw materials	807,685	(11,367)	796,318
Supplies	634,522	(31,866)	602,656
Goods in transit	178,527	-	178,527
	₩ 6,571,989	₩ (421,445)	₩ 6,150,544

(In millions of Korean won)

December 31, 2019			
	Acquisition cost	Inventory valuation allowance	Carrying amount
Merchandise	₩ 2,843	₩ (21)	₩ 2,822
Finished goods	1,253,542	(195,108)	1,058,434
Work-in-process	3,383,814	(395,052)	2,988,762
Raw materials	659,893	(34,114)	625,779
Supplies	544,271	(23,203)	521,068
Goods in transit	98,970	-	98,970
	₩ 5,943,333	₩ (647,498)	₩ 5,295,835

10. Other Current and Non-current Assets

Details of other current and non-current assets as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020	December 31, 2019
Current		
Advance payments	₩ 76,398	₩ 64,429
Prepaid expenses	195,031	218,365
Value added tax refundable	239,478	343,434
Contract assets	54,344	55,715
Others	63	94
	565,314	682,037
Non-current		
Long-term advance payments	36,451	44,746
Long-term prepaid expenses	14,292	535,717
Others	1,444	-
	52,187	580,463
	₩ 617,501	₩ 1,262,500

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

11. Investments in Associates and Joint Ventures

(1) General information of investments in associates and joint ventures is as follows:

Type	Investee	Location	Business
Associate	Stratio, Inc ¹ .	U.S.A	Development and manufacture of semiconductor parts
	SK China Company Limited ²	China	Consulting and investment
	Gemini Partners Pte. Ltd.	Singapore	Consulting
	TCL Fund ¹	China	Investment
	SK South East Asia Investment Pte. Ltd.	Singapore	Consulting and investment
	Hushan Xindu (Chengdu) Venture Investment Center(Smartsources) ²	China	Venture Capital
	Prume Social Farm, Co., Ltd ³ .	Korea	Growing crops
	Wuxi xinfu IC industry park., Ltd ⁴ .	China	Developing Science-Technological Park
	Magnus Private Investment Co.,Ltd ⁵	Korea	Investment
	L&S (No.10) Early Stage III Investment Association ⁶	Korea	Investment
Joint venture	SiFive Inc ⁷ .	U.S.A	Design and manufacture of semiconductor
	HITECH Semiconductor (Wuxi) Co., Ltd ⁸ .	China	Manufacture of semiconductor parts
	Hystars Semiconductor (Wuxi) Co., Ltd ⁸ .	China	Foundry factory construction
	Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor ⁹	Korea	Investment
	Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor ¹⁰	Korea	Investment

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

11. Investments in Associates and Joint Ventures, Continued

(2) Details of investments in associates and joint ventures as of September 30, 2020 and December 31, 2019 are as follows:

Investee	September 30, 2020			December 31, 2019	
	Ownership (%)	Net asset value	Carrying amount	Ownership (%)	Carrying amount
Associate:					
Stratio, Inc. ¹	9.12	₩ 97	₩ 403	9.12	₩ 395
SK China Company Limited ²	11.87	212,381	264,731	11.87	259,272
Gemini Partners Pte. Ltd.	20.00	2,613	2,613	20.00	2,735
TCL Fund ¹	11.64	9,299	9,664	11.06	4,995
SK South East Asia Investment Pte. Ltd.	20.00	359,550	359,550	20.00	237,599
Hushan Xinju (Chengdu) Venture Investment Center (Smartsources) ²	16.67	8,249	8,249	16.67	5,659
Prume Social Farm, Co., Ltd. ³	31.95	412	965	31.95	1,000
Wuxi xinfu IC industry park., Ltd. ⁴	30.00	21,654	21,654	-	-
Magnus Private Investment Co., Ltd. ⁵	49.76	206,850	206,850	-	-
L&S (No.10) Early Stage III Investment Association ⁶	24.39	1,890	1,890	-	-
SiFive Inc. ⁷	8.53	7,141	35,607	-	-
Joint venture:					
HITECH Semiconductor (Wuxi) Co., Ltd. ⁸	45.00	117,811	117,811	45.00	114,518
Hystars Semiconductor (Wuxi) Co., Ltd. ⁸	50.10	207,809	209,399	50.10	142,594
Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor ⁹	33.33	24,871	24,871	-	-
Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor ¹⁰	37.50	14,903	14,903	-	-
			₩ 1,279,160		₩ 768,767

¹ The Group is able to exercise significant influence through its right to appoint a director to the Board of Directors of each investee. Accordingly, the investments in these investees have been classified as associates.

² Management of the Group is able to exercise significant influence over the entity by participating Board of Directors. Accordingly, the investments in these investees have been classified as associates.

³ WooYoung Farm Co., Ltd. has changed its name to "Prume Social Farm, Co., Ltd." during the nine-month period ended September 30, 2020.

⁴ The Group has acquired 30.00% of ownership in Wuxi xinfu IC industry park., Ltd. during the nine-month period ended September 30, 2020, and the Group has significant influence over Wuxi xinfu IC industry park., Ltd., accordingly, the investment in this investee has been classified as an associate.

⁵ The Group has acquired 49.76% of the Magnus Private Investment Co., Ltd.'s interest for the nine-month period ended September 30, 2020, and the entity has been classified as an associate as the Group has significant influence.

⁶ L&S (No.10) Early Stage III Investment Association has been reclassified from long-term investment assets to associates for the nine-month period ended September 30, 2020.

⁷ The Group has acquired 8.53% of ownership in SiFive during the nine-month period ended September 30, 2020. It has been classified as an associate since the Group is able to exercise significant influence through its right to appoint a director to the Board of Directors of the investee.

⁸ Since the relevant contract stipulates that important matters have to be resolved unanimously, the Group has classified it as a joint venture. ⁹ It was reclassified from long-term investment assets to joint venture for the nine-month period ended September 30, 2020, as it is stated in the agreement that unanimous vote is required for relevant activities.

¹⁰ The Group has acquired 37.5% of ownership in Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor's interest during the nine-month period ended September 30, 2020. It has been classified as a joint venture since it is stated in the agreement that unanimous vote is required for relevant activities.

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

11. Investments in Associates and Joint Ventures, Continued

(3) Changes in investments in associates and joint ventures for the nine-month periods ended September 30, 2020 and 2019 are as follows :

(In millions of Korean won)

	2020						
	Beginning balance	Acquisition	Transfer	Share of profit (loss)	Other equity movement	Dividend	Ending balance
Stratio, Inc.	₩ 395	₩ -	₩ -	₩ 7	₩ 1	₩ -	₩ 403
SK China Company Limited	259,272	-	-	3,859	1,600	-	264,731
Gemini Partners Pte. Ltd.	2,735	-	-	(115)	(7)	-	2,613
TCL Fund	4,995	3,785	-	420	464	-	9,664
SK South East Asia Investment Pte. Ltd.	237,599	121,450	-	1,279	(778)	-	359,550
Hushan Xinju (Chengdu) Venture Investment Center (Smartsources)	5,659	2,565	-	(198)	223	-	8,249
Prume Social Farm, Co., Ltd.	1,000	-	-	(35)	-	-	965
Wuxi xinfu IC industry park., Ltd.	-	21,860	-	(5)	(201)	-	21,654
Magnus Private Investment Co., Ltd.	-	207,346	-	(496)	-	-	206,850
L&S (No.10) Early Stage III Investment Association	-	1,500	500	(110)	-	-	1,890
SiFive Inc.	-	35,709	-	-	(102)	-	35,607
HITECH Semiconductor (Wuxi) Co., Ltd.	114,518	-	-	16,285	2,041	(15,033)	117,811
Hystars Semiconductor (Wuxi) Co., Ltd.	142,594	69,377	-	(8,466)	5,894	-	209,399
Specialized Investment- type Private Equity Investment Trust For Growth Of Semiconductor	-	-	24,480	391	-	-	24,871
Specialized Investment- type Private Equity Investment Trust For Win-win System Semiconductor	-	15,000	-	(97)	-	-	14,903
	₩ 768,767	₩ 478,592	₩ 24,980	₩ 12,719	₩ 9,135	₩ (15,033)	₩ 1,279,160

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

11. Investments in Associates and Joint Ventures, Continued

(3) Changes in investments in associates and joint ventures for the nine-month periods ended September 30, 2020 and 2019 are as follows, Continued :

(In millions of Korean won)

	2019					
	Beginning balance	Acquisition	Share of profit (loss)	Other equity movement	Dividend	Ending balance
Stratio, Inc.	₩ 2,079	₩ -	₩ 11	₩ 7	₩ -	₩ 2,097
SK China Company Limited	246,052	-	3,127	21,190	-	270,369
Gemini Partners Pte. Ltd.	2,601	-	(155)	155	-	2,601
TCL Fund	3,464	513	27	113	(10)	4,107
SK South East Asia Investment Pte. Ltd.	111,810	113,470	65	14,969	-	240,314
Hushan Xinju (Chengdu) Venture Investment Center (Smartsources)	3,241	2,531	(106)	39	-	5,705
Prume Social Farm, Co., Ltd.	-	1,000	-	-	-	1,000
HITECH Semiconductor (Wuxi) Co., Ltd.	109,708	-	11,538	7,755	(14,458)	114,543
Hystars Semiconductor (Wuxi) Co., Ltd.	83,239	-	15	2,899	-	86,153
	₩ 562,194	₩ 117,514	₩ 14,522	₩ 47,127	₩ (14,468)	₩ 726,889

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

11. Investments in Associates and Joint Ventures, Continued

(4) Associates and joint ventures' summarized statements of financial position as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

	September 30, 2020			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Stratio, Inc.	₩ 412	₩ 844	₩ 186	₩ -
SK China Company Limited	385,201	1,739,155	68,469	265,149
Gemini Partners Pte. Ltd.	6,300	6,878	113	-
TCL Fund	17,591	66,699	4,373	-
SK South East Asia Investment Pte. Ltd.	863,354	1,788,601	1,708	-
Hushan Xijiu (Chengdu) Venture Investment Center(Smartsources)	7,729	41,765	-	-
Prume Social Farm, Co., Ltd.	560	732	-	-
Wuxi xinfu IC industry park., Ltd.	16,482	55,696	(2)	-
Magnus Private Investment Co., Ltd.	1,085	415,343	748	-
L&S (No.10) Early Stage III Investment Association	1,628	6,250	128	-
SiFive Inc.	76,395	108,460	48,583	52,573
HITECH Semiconductor (Wuxi) Co., Ltd.	242,325	393,143	144,003	229,661
Hystars Semiconductor (Wuxi) Co., Ltd.	124,120	526,227	2,119	233,440
Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor	40,392	34,662	439	-
Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor	32,022	8,000	279	-

(In millions of Korean won)

	December 31, 2019			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Stratio, Inc.	₩ 431	₩ 715	₩ 169	₩ -
SK China Company Limited	604,127	1,357,238	46,747	170,812
Gemini Partners Pte. Ltd.	6,851	6,912	54	33
TCL Fund	12,652	35,809	3,256	-
SK South East Asia Investment Pte. Ltd.	108,465	1,705,297	91	-
Hushan Xijiu (Chengdu) Venture Investment Center (Smartsources)	20,623	13,657	329	-
Prume Social Farm, Co., Ltd	1,016	610	2	222
HITECH Semiconductor (Wuxi) Co., Ltd.	193,377	442,510	84,071	297,330
Hystars Semiconductor (Wuxi) Co., Ltd.	167,238	388,318	48,984	225,075

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

11. Investments in Associates and Joint Ventures, Continued

(5) Associates and joint ventures' summarized statements of comprehensive income (loss) for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Revenue	Profit (loss) for the period	Revenue	Profit (loss) for the period
Stratio, Inc.	₩ 80	₩ 79	₩ 31	₩ 116
SK China Company Limited	101,343	32,527	71,659	26,353
Gemini Partners Pte. Ltd.	-	(576)	-	(776)
TCL Fund	-	3,487	-	243
SK South East Asia Investment Pte. Ltd.	7,658	6,395	3,726	326
Hushan Xinju (Chengdu) Venture Investment Center(Smartsources)	-	(1,188)	-	(245)
Prume Social Farm, Co., Ltd.	-	(111)	-	-
Wuxi xinfu IC industry park., Ltd.	-	(19)	-	-
Magnus Private Investment Co., Ltd.	-	(997)	-	-
L&S (No.10) Early Stage III Investment Association	8	(450)	-	-
SiFive Inc.	-	-	-	-
HITECH Semiconductor (Wuxi) Co., Ltd.	475,858	37,614	487,772	25,641
Hystars Semiconductor (Wuxi) Co., Ltd.	-	(16,897)	-	31
Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor	361	(79)	-	-
Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor	22	(258)	-	-

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

12. Long-term Investment Assets

Changes in the carrying amount of long-term investment assets for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 4,381,812	₩	4,325,550
Acquisition	78,484		74,726
Disposal	(544)		(1,732)
Profit and loss on valuation	(51)		(26)
Foreign exchange difference	194,841		420,525
Transfer ¹	(24,980)		-
Ending balance	₩ 4,629,562	₩	4,819,043

¹ Certain long-term investment assets have been transferred to associates and joint ventures during the nine-month period ended September 30, 2020.

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 39,949,940	₩	34,952,617
Impacts on transition to Korean IFRS 1116	-		(73,069)
Beginning balance after transition adjustments	39,949,940		34,879,548
Acquisition	6,847,670		9,408,579
Disposal and retirement	(64,087)		(38,694)
Depreciation	(6,328,110)		(5,489,731)
Transfer	1,336		1,105
Foreign exchange difference	305,462		177,153
Ending balance	₩ 40,712,211	₩	38,937,960

(2) Certain property, plant and equipment are pledged as collaterals for borrowings of the Group as of September 30, 2020 (Note 33).

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

14. Leases

- (1) Changes in right-of-use assets for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 1,250,576	₩	-
Impacts on transition to Korean IFRS 1116	-		1,188,304
Beginning balance after transition adjustments	1,250,576		1,188,304
Acquisition	162,180		44,252
Depreciation	(146,931)		(192,994)
Foreign exchange difference	23,302		15,463
Ending balance	₩ 1,289,127	₩	1,055,025

- (2) Changes in lease liabilities for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019
Beginning balance	₩ 1,200,830	₩	-
Impacts on transition to Korean IFRS 1116	-		1,192,096
Beginning balance after transition adjustments	1,200,830		1,192,096
Acquisition	161,440		44,564
Interest expenses	19,597		19,211
Payments	(162,728)		(203,736)
Foreign exchange difference	22,718		30,837
Ending balance	₩ 1,241,857	₩	1,082,972

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

15. Intangible Assets

(1) Changes in intangible assets for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 2,571,049	₩ 2,678,770
Acquisition	486,740	495,510
Business combination	-	3,208
Disposal and retirement	(10,826)	(9,890)
Amortization	(704,931)	(625,463)
Impairment	-	(71)
Transfer	(1,336)	-
Others ¹	1,161,652	24,159
Ending balance	₩ 3,502,348	₩ 2,566,223

¹ Others include reclassification of license assets and impact from exchange rates fluctuation.

(2) Among costs associated with development activities, ₩174,699 million that met capitalization criteria, were capitalized as development cost for the nine-month period ended September 30, 2020 (2019: ₩248,537 million). In addition, costs associated with research activities and other development expenditures that did not meet the criteria amounting to ₩2,371,536 million were recognized as expenses for the nine-month period ended September 30, 2020 (2019: ₩2,079,521 million).

16. Investment Property

(1) Changes in investment property for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 258	₩ 1,400
Depreciation	(8)	(34)
Transfer(*)	-	(1,105)
Ending balance	₩ 250	₩ 261

(*) Certain investment properties have been transferred to property, plant and equipment during the nine-month period ended September 30, 2019.

(2) The depreciation expense of ₩8 million was charged to cost of sales for the nine-month period ended September 30, 2020 (2019: ₩34 million).

(3) Rental income from certain investment properties during the nine-month period ended September 30, 2020 was ₩7 million (2019: ₩121 million).

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

17. Borrowings

Details of borrowings as of September 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2020	December 31, 2019
Current		
Short-term borrowings	₩ 680,209	₩ 1,168,354
Current portion of long-term borrowings	2,483,522	1,259,593
Current portion of debentures	429,872	309,823
	<u>3,593,603</u>	<u>2,737,770</u>
Non-current		
Long-term borrowings	4,627,055	5,040,371
Debentures	3,482,135	2,745,365
	<u>8,109,190</u>	<u>7,785,736</u>
	<u>₩ 11,702,793</u>	<u>₩ 10,523,506</u>

18. Other Current and Non-current Liabilities

Details of other current and non-current liabilities as of September 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2020	December 31, 2019
Current		
Advance receipts	₩ 8,778	₩ 9,901
Unearned income	1,262	190
Withholdings	51,304	59,186
Deposits received	13,817	1,341
Contract liabilities	99,363	86,999
Others	5,612	5,380
	<u>180,136</u>	<u>162,997</u>
Non-current		
Other long-term employee benefits	85,347	82,873
Long-term advance receipts	4,900	4,900
	<u>90,247</u>	<u>87,773</u>
	<u>₩ 270,383</u>	<u>₩ 250,770</u>

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

19. Provisions

(1) Changes in provisions for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

		2020				
	Beginning Balance	Increase	Utilization	Reversal		Ending Balance
Warranty	₩ 4,081	₩ 819	₩ (1,962)	₩ -	₩	2,938
Emission allowances	6,620	8,160	(8,908)	-		5,872
	₩ 10,701	₩ 8,979	₩ (10,870)	₩ -	₩	8,810

(In millions of Korean won)

		2019				
	Beginning Balance	Increase	Utilization	Reversal		Ending Balance
Warranty	₩ 3,992	₩ 10,278	₩ (10,641)	₩ -	₩	3,629
Legal claims	5,881	-	(5,881)	-		-
Emission allowances	46,335	-	(2,702)	(42,379)		1,254
	₩ 56,208	₩ 10,278	₩ (19,224)	₩ (42,379)	₩	4,883

(2) Provisions for warranty

The Group estimates the expected warranty costs based on historical results and records provisions for warranty.

(3) Provisions for legal claims

The Group recognizes provisions for legal claims when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and the amount can be reliably estimated.

(4) Provision for emission allowances

The Group recognizes estimated future payment for the number of emission certificates required to settle the Group's obligation exceeding the actual number of certificates on hand as emission allowances according to the Act on Allocation and Trading of Greenhouse Gas Emission Permits.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

20. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of September 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2020	December 31, 2019
Present value of defined benefit obligations	₩ 2,148,747	₩ 1,936,868
Fair value of plan assets	(1,871,098)	(1,886,650)
Net defined benefit liabilities	₩ 277,649	₩ 50,218
Defined benefit liabilities	₩ 277,906	₩ 53,624
Defined benefit assets ¹	₩ (257)	₩ (3,406)

¹ Certain subsidiaries' fair value of plan assets in excess of the present value of defined benefit obligations, presented as defined benefit assets, amounted to ₩257 million and ₩ 3,406 million as of September 30, 2020 and December 31, 2019, respectively.

(2) Principal actuarial assumptions as of September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020 (%)	December 31, 2019 (%)
Discount rate for defined benefit obligations	1.92 ~ 3.47	1.92 ~ 3.47
Expected rate of salary increase	2.70 ~ 5.94	2.70 ~ 5.94

(3) Changes in defined benefit obligations for the nine-month periods ended September 30, 2020 and 2019 are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Beginning balance	₩ 1,936,868	₩ 1,609,055
Current service cost	195,102	163,492
Interest cost	48,507	44,696
Transferred from associates	(988)	2,252
Benefits paid	(30,792)	(27,934)
Others	50	79
Ending balance	₩ 2,148,747	₩ 1,791,640

(4) Changes in plan assets for the nine-month periods ended September 30, 2020 and 2019 are as follows:

<i>(In millions of Korean won)</i>	2020	2019
Beginning balance	₩ 1,886,650	₩ 1,608,832
Interest income	47,158	44,700
Contributions	-	1,570
Transferred from associates	224	3,277
Benefits paid	(49,248)	(32,124)
Remeasurements	(13,688)	(16,441)
Others	2	2
Ending balance	₩ 1,871,098	₩ 1,609,816

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

20. Defined Benefit Liabilities, Continued

(5) The amounts recognized in profit or loss for the three-month and the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Current service cost	₩ 64,963	₩ 195,102	₩ 54,525	₩ 163,492
Net interest expense(income)	451	1,349	(8)	(4)
	<u>₩ 65,414</u>	<u>₩ 196,451</u>	<u>₩ 54,517</u>	<u>₩ 163,488</u>

(6) Details of plan assets as of September 30, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	September 30, 2020	December 31, 2019
Deposits	₩ 1,869,914	₩ 1,884,630
Others	1,184	2,020
	<u>₩ 1,871,098</u>	<u>₩ 1,886,650</u>

Actual return on plan assets for the nine-month periods ended September 30, 2020 and 2019 amounted to ₩33,471 million and ₩28,259 million, respectively.

(7) Contributions to defined contribution plans amounting to ₩696 million (2019: ₩298 million) was recognized as current expenses for the nine-month period ended September 30, 2020.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

21. Derivative Financial Instruments

(1) Details of derivative financial instruments applying cash flow hedge accounting as of September 30, 2020 are as follows:

(In thousands of foreign currencies)

Hedged items			Hedging instruments		
Borrowing date	Financial instrument	Hedged risk	Type of contract	Financial institution	Contract period
2019.09.17	Foreign currency denominated bond with fixed rate (Par value: USD 500,000)	Foreign currency risk	Fixed-to-fixed cross currency swap	Kookmin Bank and others	2019.09.17 ~ 2024.09.17
2019.10.02	Foreign currency denominated borrowing for equipment with floating rate (Par value: USD 500,000)	Foreign currency and interest rate risk	Floating-to-fixed cross currency interest rate swap	Korea Development Bank	2019.10.02 ~ 2026.10.02
2020.02.03	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	Interest rate risk	Interest rate swap	Woori Bank	2020.02.03 ~ 2023.02.03
2020.03.18	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	Interest rate risk	Interest rate swap	Woori Bank	2020.03.18 ~ 2023.02.03

(2) The derivative financial instruments held by the Group are presented in non-current other financial assets and non-current other financial liabilities in the consolidated financial statements of financial position as of September 30, 2020, and the details are as follows:

(In millions of Korean won and thousands of foreign currencies)

Type of contract	Hedged items	Cash flow hedge		Fair value
Financial assets				
Fixed-to-fixed cross currency swap	Foreign currency denominated bond with fixed rate (Par value: USD 500,000)	₩	14,653	₩ 14,653
				₩ 14,653
Financial liabilities				
Floating-to-fixed cross currency interest rate swap	Foreign currency denominated borrowing for equipment with floating rate (Par value: USD 500,000)	₩	25,317	₩ 25,317
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)		1,813	1,813
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)		773	773
			₩	27,903

As of September 30, 2020, changes of fair value of the derivative is recognized in other comprehensive income or loss as all of designated hedging instruments are effective for foreign currency risk or foreign currency and interest rate risk.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

22. Capital Stock, Capital Surplus and Other Equity

(1) The Parent Company has 9,000,000,000 authorized shares and the face value per share is ₩ 5,000 as of September 30, 2020. The number of shares issued, common stock, capital surplus and other capital as of September 30, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won and thousands of shares)</i>	September 30, 2020	December 31, 2019
Issued shares ¹	731,530	731,530
Capital stock:		
Common stock	₩ 3,657,652	₩ 3,657,652
Capital surplus:		
Additional paid-in capital	3,625,797	3,625,797
Others	517,939	517,939
	<u>4,143,736</u>	<u>4,143,736</u>
Other equity:		
Acquisition cost of treasury shares	(2,508,427)	(2,508,427)
Share options	4,900	3,714
	<u>₩ (2,503,527)</u>	<u>₩ (2,504,713)</u>
Number of treasury shares	44,001	44,001

¹ As of September 30, 2020, the number of outstanding shares is 728,002 thousand shares, which differs from total issued shares due to share retirement.

(2) The number of outstanding shares, which deducted treasury shares held by the Parent Company from listed shares, is 684,002 thousands as of September 30, 2020 and December 31, 2019.

23. Accumulated Other Comprehensive Loss

(1) Details of accumulated other comprehensive loss as of September 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2020	December 31, 2019
Equity-accounted investees – share of other comprehensive income	₩ 12,413	₩ 3,278
Foreign operations – foreign currency translation differences	(51,914)	(314,966)
Gain (loss) on valuation of derivatives	(579)	12,753
	<u>₩ (40,080)</u>	<u>₩ (298,935)</u>

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

23. Accumulated Other Comprehensive Loss, Continued

(2) Changes in accumulated other comprehensive loss for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		
	Beginning	Change	Ending
Equity-accounted investees – share of other comprehensive income	₩ 3,278	₩ 9,135	₩ 12,413
Foreign operations – foreign currency translation differences	(314,966)	263,052	(51,914)
Gain (loss) on valuation of derivatives	12,753	(13,332)	(579)
	₩ (298,935)	₩ 258,855	₩ (40,080)

(In millions of Korean won)

	2019		
	Beginning	Change	Ending
Equity-accounted investees – share of other comprehensive income (loss)	₩ (18,166)	₩ 47,127	₩ 28,961
Foreign operations – foreign currency translation differences	(464,653)	270,818	(193,835)
	₩ (482,819)	₩ 317,945	₩ (164,874)

24. Retained Earnings

Retained earnings as of September 30, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	September 30, 2020	December 31, 2019
Legal reserve ¹	₩ 349,955	₩ 281,555
Discretionary reserve ²	235,506	235,506
Unappropriated retained earnings ³	44,635,830	42,413,614
	₩ 45,221,291	₩ 42,930,675

¹ The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit.

² Discretionary reserve is the reserve for technology development.

³ Dividends in the amount of ₩684,002 million were approved at shareholders' meeting held on March 20, 2020, and the dividends were paid in the nine-month period ended September 30, 2020.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

25. Revenue

(1) Details of the Group's revenue for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

		2020		2019	
		Three months	Nine months	Three months	Nine months
Sale of goods	₩	8,114,177	₩ 23,885,908	₩ 6,822,061	₩ 20,010,917
Providing services		14,590	48,285	16,705	52,705
	₩	<u>8,128,767</u>	<u>₩ 23,934,193</u>	<u>₩ 6,838,766</u>	<u>₩ 20,063,622</u>

(2) Details of the Group's revenue by product and service types for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

		2020		2019	
		Three months	Nine months	Three months	Nine months
DRAM	₩	5,714,710	₩ 16,900,935	₩ 5,106,760	₩ 15,264,389
NAND Flash		1,930,391	5,687,166	1,313,200	3,723,604
Others		483,666	1,346,092	418,806	1,075,629
	₩	<u>8,128,767</u>	<u>₩ 23,934,193</u>	<u>₩ 6,838,766</u>	<u>₩ 20,063,622</u>

(3) The Group's revenue information by region based on the location of selling entities for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

		2020		2019	
		Three months	Nine months	Three months	Nine months
Korea	₩	355,059	₩ 1,057,236	₩ 344,700	₩ 961,526
China		3,141,516	9,658,673	3,348,413	9,630,830
Taiwan		454,772	1,423,945	393,529	1,070,715
Asia (other than China and Taiwan)		748,051	1,886,910	597,144	1,778,180
U.S.A.		3,196,067	9,041,157	1,933,145	5,801,586
Europe		233,302	866,272	221,835	820,785
	₩	<u>8,128,767</u>	<u>₩ 23,934,193</u>	<u>₩ 6,838,766</u>	<u>₩ 20,063,622</u>

(4) Details of the Group's revenue by the timing of revenue recognition during the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

		2020		2019	
		Three months	Nine months	Three months	Nine months
Performance obligations satisfied at a point in time	₩	8,114,177	₩ 23,885,908	₩ 6,822,061	₩ 20,010,917
Performance obligations satisfied over time		14,590	48,285	16,705	52,705
	₩	<u>8,128,767</u>	<u>₩ 23,934,193</u>	<u>₩ 6,838,766</u>	<u>₩ 20,063,622</u>

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

26. Selling and Administrative Expenses

Selling and administrative expenses for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 155,432	₩ 455,584	₩ 121,067	₩ 400,316
Defined benefit plan	14,148	41,596	11,925	35,259
Employee benefits	38,410	113,366	33,512	103,047
Commission	82,830	236,949	118,907	334,391
Depreciation	62,165	182,396	52,237	149,922
Amortization	208,697	526,084	149,112	546,714
Freight and custody charges	12,080	37,244	10,076	29,090
Legal cost	5,388	16,322	6,251	25,830
Rentals	2,320	6,456	2,064	5,324
Taxes and dues	16,502	42,394	12,924	43,136
Training	16,272	44,668	11,086	33,193
Advertising	25,291	62,725	20,379	51,946
Utilities	3,576	10,474	3,119	9,040
Supplies	22,362	63,712	21,186	59,851
Repairs	7,273	18,002	10,962	22,647
Travel and transportation	830	3,585	3,783	12,264
Others	36,674	99,730	39,163	94,479
	<u>710,250</u>	<u>1,961,287</u>	<u>627,753</u>	<u>1,956,449</u>
Research and developments:				
Expenditure on research and developments	886,352	2,546,235	796,573	2,328,058
Development costs capitalized	(53,041)	(174,699)	(81,248)	(248,537)
	<u>833,311</u>	<u>2,371,536</u>	<u>715,325</u>	<u>2,079,521</u>
	<u>₩ 1,543,561</u>	<u>₩ 4,332,823</u>	<u>₩ 1,343,078</u>	<u>₩ 4,035,970</u>

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

27. Expenses by Nature

Nature of expenses for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	₩ (143,588)	₩ (522,843)	₩ 224,485	₩ (682,630)
Raw materials and consumables	1,903,982	5,592,631	1,679,000	4,883,749
Labor costs	1,009,482	2,999,390	861,403	2,751,694
Depreciation, amortization and others	2,462,227	7,174,259	2,158,144	6,296,293
Commission	537,168	1,560,431	534,259	1,556,274
Utilities	379,922	1,087,415	352,282	1,011,359
Repair	261,257	829,005	233,513	780,898
Outsourcing	280,824	895,389	297,608	871,473
Other operating expenses	201,579	469,142	109,469	377,132
Transfer: capitalized development cost and others	(63,782)	(197,338)	(83,958)	(259,301)
Total ¹	₩ 6,829,071	₩ 19,887,481	₩ 6,366,205	₩ 17,586,941

¹ Total expenses consist of cost of sales and selling and administrative expenses.

28. Finance Income and Expenses

Finance income and expenses for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Finance income				
Interest income	₩ 13,017	₩ 23,007	₩ 7,268	₩ 24,864
Dividend income	32	631	129	211
Foreign exchange differences ¹	328,551	1,090,886	397,224	1,224,366
Gain on valuation of short-term investment assets	(491)	2,010	(2,408)	3,555
Gain on disposal of short-term investment assets	5,599	22,856	13,957	50,511
Gain on disposal of long-term investment assets	-	-	58	58
Gain on valuation of financial liabilities at fair value through profit or loss	-	-	734	1,804
	346,708	1,139,390	416,962	1,305,369
Finance expense				
Interest expenses	47,327	181,741	70,714	171,166
Foreign exchange differences	254,197	948,484	318,511	942,690
Loss on valuation of long-term investment assets	18	51	4	26
	301,542	1,130,276	389,229	1,113,882
Net finance income	₩ 45,166	₩ 9,114	₩ 27,733	₩ 191,487

¹ For the nine-month period ended September 30, 2020, the foreign exchange difference gain from long-term investment assets amounting to ₩194,841 million (2019: ₩ 420,524 million) is included.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

29. Other Income and Expenses

(1) Other income for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Gain on disposal of property, plant and equipment	₩ 35	₩ 18,640	₩ 5,450	₩ 24,401
Gain on disposal of intangible assets	-	122	-	-
Others	23,533	42,869	25,990	56,421
	<u>₩ 23,568</u>	<u>₩ 61,631</u>	<u>₩ 31,440</u>	<u>₩ 80,822</u>

(2) Other expenses for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Loss on disposal of property, plant and equipment	₩ 2,795	₩ 44,258	₩ 2,496	₩ 10,619
Loss on disposal of intangible assets	2,299	3,631	4,628	7,005
Loss on impairments of intangible assets	-	-	1	71
Loss on disposal of trade receivables	1,061	5,268	1,775	5,798
Donation	6,928	56,895	5,454	43,139
Others	3,180	15,902	1,550	21,020
	<u>₩ 16,263</u>	<u>₩ 125,954</u>	<u>₩ 15,904</u>	<u>₩ 87,652</u>

30. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the average annual effective income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. Income tax expense includes current tax expense adjustments related to prior periods.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

31. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Parent Company by the weighted average number of outstanding ordinary shares for the three-month and nine-month periods ended September 30, 2020 and 2019.

(1) Basic earnings per share for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won, except for shares and per share amounts)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shareholders of the Parent Company	₩ 1,077,262	₩ 2,988,306	₩ 493,201	₩ 2,131,483
Weighted average number of outstanding ordinary shares ¹	684,001,795	684,001,795	684,000,795	684,000,795
Basic earnings per share (in Korean won)	₩ 1,575	₩ 4,369	₩ 721	₩ 3,116

¹ Weighted average number of outstanding ordinary shares is calculated as follows:

(In shares)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Outstanding ordinary shares	728,002,365	728,002,365	728,002,365	728,002,365
Treasury shares	(44,000,570)	(44,000,570)	(44,000,570)	(44,000,570)
Weighted average number of outstanding ordinary shares	684,001,795	684,001,795	684,001,795	684,001,795

(2) Diluted earnings per share for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won, except for shares and per share amounts)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shareholders of the Parent Company	₩ 1,077,262	₩ 2,988,306	₩ 493,201	₩ 2,131,483
Weighted average number of diluted outstanding ordinary shares ¹	684,110,584	684,126,060	684,090,845	684,080,420
Diluted earnings per share (in Korean won)	₩ 1,575	₩ 4,368	₩ 721	₩ 3,116

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

¹ Weighted average number of diluted outstanding ordinary shares is calculated as follows:

(In shares)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Weighted average number of outstanding ordinary shares	684,001,795	684,001,795	684,001,795	684,001,795
Share options	108,789	124,265	89,050	78,625
Weighted average number of diluted outstanding ordinary shares	684,110,584	684,126,060	684,090,845	684,080,420

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

32. Transactions with Related Parties and Others

(1) Details of related parties as of September 30, 2020 are as follows:

Type	Name of related parties
Associates	Stratio, Inc., SK China Company Limited, Gemini Partners Pte. Ltd., TCL Fund, SK South East Asia Investment Pte. Ltd., Hushan Xinju (Chengdu) Venture Investment Center (Smartsources), Prume Social Farm, Co., Ltd, Wuxi xinfu IC industry park., Ltd., Magnus Private Investment Co., Ltd., L&S (No.10) Early Stage III Investment Association, SiFive Inc.
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd., Hystars Semiconductor (Wuxi) Co., Ltd. Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor, Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor
Other related parties	SK Telecom Co., Ltd., which has significant influence over the Group, and its subsidiaries, SK Holdings Co., Ltd., which has control over SK Telecom Co., Ltd., and its subsidiaries

(2) Significant transactions for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

		For the three-month period ended September 30, 2020			
	Company	Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Associate	SK China Company Limited	₩ 6	₩ 2,357	₩ -	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	930	147,923	2	15,033
	Hystars Semiconductor (Wuxi) Co., Ltd.	39	-	-	-
Other related parties	SK Telecom Co., Ltd. ¹	16,706	2,921	2,042	-
	SK Holdings Co., Ltd. ²	4,839	81,949	44,451	-
	ESSENCORE Limited	145,465	-	-	-
	SK Engineering & Construction Co., Ltd.	9,993	-	224,313	-
	SK Energy Co., Ltd.	9,438	11,831	-	-
	SK Networks Co., Ltd.	3,751	3,629	34	-
	SKC Solmics Co., Ltd.	145	23,665	86	-
	Chungcheong energy service Co., Ltd.	3	2,823	-	-
	SK Materials Co., Ltd.	998	24,151	-	-
	SK Siltron Co., Ltd.	7,887	95,773	-	-
	SK Airgas Co., Ltd.	77	14,703	110,858	-
	Others	46,303	171,834	14,082	-
		₩ 246,580	₩ 583,559	₩ 395,868	₩ 15,033

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

32. Transactions with Related Parties and Others, Continued

(In millions of Korean won)

		For the nine-month period ended September 30, 2020			
	Company	Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Associate	SK China Company Limited	₩ 12	₩ 5,574	₩ -	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	4,522	480,113	4,746	15,033
	Hystars Semiconductor (Wuxi) Co., Ltd.	148	-	-	-
Other related parties	SK Telecom Co., Ltd. ¹	74,112	165,225	6,372	-
	SK Holdings Co., Ltd. ²	15,992	188,093	197,820	-
	ESSENCE Limited	510,176	-	-	-
	SK Engineering & Construction Co., Ltd.	34,891	121	926,507	-
	SK Energy Co., Ltd.	37,141	53,345	-	-
	SK Networks Co., Ltd.	7,009	6,621	411	-
	SKC Solmics Co., Ltd.	446	70,322	141	-
	Chungcheong energy service Co., Ltd.	45	18,084	-	-
	SK Materials Co., Ltd.	2,996	70,283	-	-
	SK Siltron Co., Ltd.	24,298	293,349	-	-
	SK Airgas Co., Ltd.	13,170	39,934	110,858	-
	Others	120,161	449,715	43,189	-
		₩ 845,119	₩ 1,840,779	₩ 1,290,044	₩ 15,033

¹ Operating expense and others include dividend of ₩146,100 million paid.

² For the nine-month period ended September 30, 2020, royalty paid for the use of the SK brand amounted to ₩40,866 million.

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

32. Transactions with Related Parties and Others, Continued

(In millions of Korean won)

		For the three-month period ended September 30, 2019			
	Company	Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Associate	SK China Company Limited	₩ 4	₩ 2,427	₩ -	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	1,611	158,505	-	-
	Hystars Semiconductor (Wuxi) Co., Ltd.	1	-	-	-
Other related parties	SK Telecom Co., Ltd. ¹	36,000	5,741	1,501	-
	SK Holdings Co., Ltd. ²	5,159	63,332	71,513	-
	ESSENCE Limited	202,928	-	-	-
	SK Engineering & Construction Co., Ltd.	12,003	6	372,372	-
	SK Energy Co., Ltd.	17,009	11,433	-	-
	SK Networks Co., Ltd.	3,310	2,632	-	-
	SKC solmics Co., Ltd.	153	19,728	138	-
	Chungcheong energy service Co., Ltd.	169	3,408	-	-
	SK Materials Co., Ltd.	1,070	20,871	-	-
	SK Siltron Co., Ltd.	7,728	105,284	-	-
	SK Airgas Co., Ltd.	16	18,017	-	-
	Others	41,287	116,154	11,675	-
		₩ 328,448	₩ 527,538	₩ 457,199	₩ -

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

32. Transactions with Related Parties and Others, Continued

(In millions of Korean won)

		For the nine-month period ended September 30, 2019			
	Company	Operating revenue and others	Operating expense and others	Asset acquisition	Dividend received
Associate	SK China Company Limited	₩ 11	₩ 7,063	₩ -	₩ -
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	3,414	488,787	-	14,458
	Hystars Semiconductor (Wuxi) Co., Ltd.	238	-	-	-
	SK Telecom Co., Ltd. ¹	97,011	235,847	7,977	-
Other related parties	SK Holdings Co., Ltd. ²	19,318	196,384	201,046	-
	ESSENCE Limited	600,853	-	-	-
	SK Engineering & Construction Co., Ltd.	42,362	6	960,132	-
	SK Energy Co., Ltd.	41,307	52,634	-	-
	SK Networks Co., Ltd.	9,219	8,607	-	-
	SKC solmics Co., Ltd.	528	60,851	1,047	-
	Chungcheong energy service Co., Ltd.	175	19,891	-	-
	SK Materials Co., Ltd.	3,217	59,863	-	-
	SK Siltron Co., Ltd.	24,316	324,113	-	-
	SK Airgas Co., Ltd.	56	53,334	-	-
	Others	105,506	362,134	20,965	-
		₩ 947,531	₩ 1,869,514	₩ 1,191,167	₩ 14,458

¹ Operating expense includes dividend of ₩219,200 million paid.

² For the nine-month period ended September 30, 2019, royalty paid for the use of the SK brand amounted to ₩61,972 million.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

32. Transactions with Related Parties and Others, Continued

(3) The balances from significant transactions as of September 30, 2020 and December 31, 2019 are as follows:

(In millions of Korean won)

		September 30, 2020	
	Company	Trade receivables and others	Other payables and others
Associate	SK China Company Limited	₩ 3	₩ 6,999
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd.	1,551	96,398
	Hystars Semiconductor (Wuxi) Co., Ltd.	7	-
Other related parties	SK Telecom Co., Ltd.	5,116	6,879
	SK Holdings Co., Ltd.	1,782	157,441
	ESSENCE Limited	40,460	-
	SK Engineering & Construction Co., Ltd.	3,603	413,294
	SK Energy Co., Ltd.	1,389	17,507
	SK Networks Co., Ltd.	138	1,966
	SKC Solmics Co., Ltd.	57	22,737
	Chungcheong energy service Co., Ltd.	3	847
	SK Materials Co., Ltd.	294	13,381
	SK Siltron Co., Ltd. ¹	58,874	53,352
	SK Airgas Co., Ltd.	65	376,929
	Others	26,377	108,006
		₩ 139,719	₩ 1,275,736

¹ Trade receivable and others include ₩55,878 million of advance paid for the purchase of wafers (Note 33-(9)).

(In millions of Korean won)

		December 31, 2019	
	Company	Trade receivables and others	Other payables and others
Associate	SK China Company Limited	₩ 1	₩ 10,883
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd.	357	395,529
Other related parties	SK Telecom Co., Ltd.	9,334	7,342
	SK Holdings Co., Ltd.	3,668	151,940
	ESSENCE Limited	37,823	-
	SK Engineering & Construction Co., Ltd.	6,012	855,621
	SK Energy Co., Ltd.	3,207	24,203
	SK Networks Co., Ltd.	897	7,243
	SKC solmics Co., Ltd.	55	17,463
	Chungcheong energy service Co., Ltd.	13	3,599
	SK Materials Co., Ltd.	360	7,681
	SK Siltron Co., Ltd. ¹	99,203	36,395
	SK Airgas Co., Ltd.	43	277,059
	Others	20,486	102,535
		₩ 181,459	₩ 1,897,493

¹ Trade receivable and others include ₩96,216 million of advance paid for the purchase of wafers (Note 33-(9)).

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

32. Transactions with Related Parties and Others, Continued

(4) Key management compensation

The Group considers registered directors who have authority and responsibility for planning, directing and controlling the activities of the Group as key management. The compensation paid to key management for employee services for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020		2019	
	Three months	Nine months	Three months	Nine months
Salaries	₩ 1,022	₩ 3,605	₩ 494	₩ 3,351
Defined benefit plan	136	409	102	305
Share-based payment	293	883	303	650
	₩ 1,451	₩ 4,897	₩ 899	₩ 4,306

(5) The significant transactions between the Group and the companies that are in the same conglomerate group according to 'Fair Trade Law' for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows. These entities are not related parties according to Korean IFRS 1024 *Related Party Disclosures*.

(In millions of Korean won)

Company	2020					
	Operating revenue and others		Operating expense and others		Asset acquisition	
	Three months	Nine months	Three months	Nine months	Three months	Nine months
SK Chemicals Co., Ltd.	₩ 2,595	₩ 7,458	₩ 365	₩ 1,100	₩ -	₩ -
SK Bioscience Co., Ltd.	549	1,334	92	95	-	-
ANTS Co., Ltd.	1	3	2,169	6,697	-	-
SMCore. Inc	-	-	148	301	1,059	16,248
Korea Nexlene Company	1,171	3,283	-	-	-	-
Others	381	2,799	234	712	-	-
	₩ 4,697	₩ 14,877	₩ 3,008	₩ 8,905	₩ 1,059	₩ 16,248

(In millions of Korean won)

Company	2019			
	Operating revenue and others		Operating expense and others	
	Three months	Nine months	Three months	Nine months
SK Chemicals Co., Ltd.	₩ 2,339	₩ 7,025	₩ 379	₩ 1,155
SK Bioscience Co., Ltd.	1,201	3,628	5	28
ANTS Co., Ltd.	2	6	2,542	5,921
Others	1,074	2,410	-	-
	₩ 4,616	₩ 13,069	₩ 2,926	₩ 7,104

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

32. Transactions with Related Parties and Others, Continued

(6) The balances of significant transactions between the Group and the companies that are in the same conglomerate group designated by 'Fair Trade Law' as of September 30, 2020 and December 31, 2019 are as follows. These entities are not related parties according to Korean IFRS 1024 *Related Party Disclosures*.

(In millions of Korean won)

Company	September 30, 2020	
	Trade receivables and others	Other payables and others
SK Chemicals Co., Ltd.	₩ 1,110	₩ 176
SK Bioscience Co., Ltd	221	93
ANTS Co., Ltd.	-	-
SMCore. Inc	-	1,460
Korea Nexlene Company	212	-
Others	178	94
	₩ 1,721	₩ 1,823

(In millions of Korean won)

Company	December 31, 2019	
	Trade receivables and others	Other payables and others
SK Chemicals Co., Ltd.	₩ 886	₩ 114
SK Bioscience Co., Ltd	177	20
ANTS Co., Ltd.	1	942
Others	645	-
	₩ 1,709	₩ 1,076

(7) The right-of-use assets and lease liabilities recognized regarding the lease agreements entered with the related parties for the nine-month period ended September 30, 2020 amount to ₩130,215 million and ₩130,221 million, respectively, and lease payments to the related parties amount to ₩29,907 million for the nine-month period ended September 30, 2020.

(8) The Group provides a payment guarantee amounting to RMB 701 million to Hystars Semiconductor (Wuxi) Co., Ltd., a joint venture (Note 33).

(9) The establishment of the subsidiary is explained in Note 1, and the acquisitions and additional investments of associates and joint ventures are explained in Note 11.

SK hynix Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited) and December 31, 2019

33. Commitments and Contingencies

(1) Significant pending litigations and claims of the Group as of September 30, 2020 are as follows:

(a) Lawsuit from Netlist, Inc. ("Netlist")

Netlist filed a lawsuit against the Parent Company and its subsidiaries including SK hynix America Inc. and SK hynix memory solutions America Inc. alleging infringement of multiple patents to the U.S. International Trade Commission ("U.S. ITC"), on September 1, 2016 and on October 31, 2017.

The lawsuit filed to the U.S. ITC on September 1, 2016 was provisionally concluded on January 16, 2018 that the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc., did not infringe the patents of Netlist. Netlist filed an appeal against the conclusion; however, the U.S. Federal Court of Appeals rejected the petition on December 12, 2019; accordingly, it is finally concluded that the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc. did not infringe the patents.

Regarding the patent infringement case that was filed on October 31, 2017, the U.S. ITC determined that the Parent Company and its subsidiaries, SK Hynix America Inc. and SK Hynix memory solutions America Inc. did not infringe the patents of Netlist on April 7, 2020. Netlist filed for an appeal on April 29, 2020 and withdrew the appeal on June 23, 2020; accordingly, it is finally concluded that the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc. did not infringe the patents.

In addition, Netlist filed lawsuits against the Parent Company and its subsidiaries, SK hynix America Inc. and SK hynix memory solutions America Inc., with the U.S. District Court for the Central District of California on August 31, 2016 and June 14, 2017, and filed a lawsuit against the Parent Company and its subsidiary, SK hynix America Inc., with the U.S. District Court for the Western District of Texas on March 17, 2020 and June 15, 2020 for infringement of U.S. patent of Netlist. As of September 30, 2020, the litigation value has not been determined and the final results cannot be predicted.

(b) Price-fixing class action lawsuits in North America

On April 27, 2018, a class action lawsuit against the Parent Company and its subsidiary, SK hynix America Inc., for price fixing by major DRAM companies (period from June 1, 2016 to February 1, 2018) was filed with the U.S. District Court for the Northern District of California. Similar class action lawsuits have been filed with the U.S. District Court for the Northern District of California, the Supreme Court of British Columbia, the Quebec District Court, and the Ontario Federal and District Court. As of September 30, 2020, the Group cannot predict the outcome of these lawsuits.

(c) The antitrust investigation in China

The State Administration for Market Regulation of China initiated to investigate the violation of the antitrust law regarding on primary DRAM businesses' sales in China in May 2018, and the investigation has been started. The pending case currently is under investigation. As of September 30, 2020, the Group cannot predict the outcome of these investigation.

(d) Other patent infringement claims and litigation

In addition to the above litigations, the Group has responded to various disputes related to intellectual property rights and recognizes liabilities when it represents a present obligation as a result of past event and it is probable that an outflow of resources will arise and a loss can be reliably estimated.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

33. Commitments and Contingencies, Continued

(2) Technology and patent license agreements

The Group has entered into a number of patent license agreements with several companies. The related royalties are paid on a lump-sum or running basis in accordance with the respective agreements. The lump-sum royalty payables are recognized as intangible assets, and the amount is amortized on a straight-line basis for the patent license agreement period and recognized as amortization expense.

(3) Contract for supply of industrial water

The Group has entered into a re-newal contract with Veolia Water Industrial Development Co., Ltd. ("Veolia") under which the Group purchases industrial water from Veolia during the period of June 2018 through May 2023. According to the contract, the Group is obligated to pay base service charges, which are predetermined and additional service charges which are variable according to the amount of water used.

(4) Back-end process service contract with HITECH Semiconductor (Wuxi) Co., Ltd. ("HITECH")

The Group has entered into an agreement with HITECH to be provided with back-end process service by HITECH. The conditions of the service provided includes package, package test, modules and others. According to the agreement, the Group is liable to guarantee a certain level of margin to HITECH as the Group has priority to use HITECH's equipment.

(5) Assets provided as collateral

Details of assets provided as collateral as of September 30, 2020 are as follows:

(In millions of Korean won and millions of foreign currencies)

Category	Book value		Pledged amount			Remark
	Currency	Amount	Currency	Amount in USD	Amount in KRW	
Land and buildings	KRW	57,266	USD	51	60,312	Borrowings for equipment and others
Machinery	KRW	5,811,179	KRW	-	5,854	
			USD	7,343	8,616,478	
			KRW	-	1,020,000	
			USD	7,394	8,676,790	
	KRW	5,868,445	KRW	-	1,025,854	

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

33. Commitments and Contingencies, Continued

(6) Financing agreements

Details of credit lines with financial institutions as of September 30, 2020 are as follows:

(In millions of Korean won and millions of foreign currencies)

	Financial Institution	Commitment	Currency	Amount
The Parent Company	Hana Bank and others	Import finance including usance	USD	500
		Comprehensive limit contract		
		for import and export including		
		usance	USD	1,060
		Overdrafts with banks	KRW	20,000
SK hynix Semiconductor (China) Ltd.	Agricultural Bank of China and others	Accounts receivable factoring		
		contracts which have no right to		
		recourse	KRW	140,000
SK hynix America Inc. and other sales entities	Citibank and others	Import finance including usance	RMB	2,450
			USD	490
Domestic subsidiaries	Hana Bank and others	Accounts receivable factoring		
		contracts which have no right to recourse	USD	757
		Import finance including usance	USD	45

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

33. Commitments and Contingencies, Continued

(7) Details of guarantees provided to others as of September 30, 2020 are as follows:

<i>(In millions of foreign currencies)</i>	Currency	Amount	Remark
Taiwan Semiconductor Manufacturing Company, Limited. ¹	USD	80	Guarantees for supply agreement
Wuxi Xinfu Group Co., Ltd. ²	RMB	701	Guarantees for borrowing

¹ The Group is provided a deposit of ₩1,000 million as collateral from AD Technology Inc. regarding payment guarantee for Taiwan Semiconductor Manufacturing Company, Limited.

² The Group provides a payment guarantee to Wuxi Xinfu Group Co., Ltd. for borrowings of Hystars Semiconductor (Wuxi) Co., Ltd., a joint venture of the Group.

(8) Capital commitments

The Group's unrecorded commitments in relation to the capital expenditures on property, plant and equipment and intangible assets as of September 30, 2020 are ₩4,436,460 million (as of December 31, 2019: ₩232,387 million).

(9) Long-term purchase agreement for raw materials

The Group has entered into a procurement agreement with SK Siltron Co., Ltd. from 2019 to 2023 for a stable supply of wafer with an advanced payment of ₩150,000 million made in 2017. The advanced payment used in connection with the purchase of wafer during the current period is ₩40,338 million, and the balance of the advance payment as of September 30, 2020, is ₩55,878 million. Meanwhile, SK Siltron Co., Ltd. is providing a certain portion of its property, plant and equipment as collateral to secure the advanced payment.

(10) Investment in KIOXIA Holdings Corporation ("KIOXIA")

In regard to the Group's interests in KIOXIA through its investments in BCPE Pangea Intermediate holdings Cayman, L.P. and BCPE Pangea Cayman2 Limited, equity shares in KIOXIA owned, directly or indirectly, by the Group are limited to a certain percentage during certain periods after the date of acquisition. In addition, during the same periods, the Group does not have the right in appointing KIOXIA's directors and is unable to exercise significant influence over decision-making for KIOXIA's operations and management.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

34. Cash Flows

(1) Reconciliations between profit for the period and cash generated from operations for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Profit for the period	₩ 2,991,172	₩ 2,134,639
Adjustment		
Income tax expense	1,013,050	541,221
Interest expense	181,741	171,166
Interest income	(23,007)	(24,864)
Depreciation of property, plant and equipment	6,328,110	5,489,731
Depreciation of investment property	8	34
Amortization	704,931	625,463
Depreciation of right-of-use assets	146,931	192,994
Loss on disposal of property, plant and equipment	44,258	10,619
Loss on disposal of intangible assets	3,631	7,005
Impairment of intangible assets	-	71
Defined benefit plan	196,451	163,488
Compensation expense associated with share options	1,186	1,263
Loss on foreign currency translation	169,720	364,012
Gain on disposal of property, plant and equipment	(18,640)	(24,401)
Gain on disposal of intangible assets	(122)	-
Gain on foreign currency translation	(450,426)	(454,970)
Gain on equity method investments, net	(12,719)	(14,522)
Gain on valuation of short-term investment assets	(2,010)	(3,555)
Gain on disposal of short-term investment assets	(22,856)	(50,511)
Loss on valuation of long-term investment assets	51	26
Gain on disposal of long-term investment assets	-	(58)
Gain on financial liabilities at fair value through profit or loss	-	(1,804)
Loss on disposal of trade receivables	5,268	-
Others	(9,279)	5,452
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(1,079,468)	1,944,010
Decrease in loans and other receivables	2,968	52,275
Increase in inventories	(825,233)	(1,015,550)
Decrease (increase) in other assets	(19,750)	121,709
Decrease in trade payables	(89,638)	(541,370)
Increase(decrease) in other payables	162,602	(75,903)
Increase(decrease) in other non-trade payables	152,950	(705,282)
Increase (decrease) in provisions	7,017	(48,607)
Increase (decrease) in other liabilities	15,075	(530)
Contributions to plan assets	-	(1,570)
Payment of defined benefit liabilities	(852)	(3,830)
Cash generated from operations	₩ <u>9,573,120</u>	₩ <u>8,857,851</u>

(2) Details of significant transactions without inflows and outflows of cash for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Decrease in other payables related to property, plant and equipment	₩ (744,609)	₩ (2,004,071)

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

34. Cash Flows, Continued

(3) Changes in liabilities arising from financial activities for the nine-month periods ended September 30, 2020 and 2019 are as follows:

(In millions of Korean won)

	2020	2019
Beginning balance	₩ 11,724,336	₩ 5,281,937
Adjustments due to the transition to Korean IFRS 1116	-	1,123,937
Beginning balance after transition adjustments	<u>11,724,336</u>	<u>6,405,874</u>
Cash flows from financing activities		
- Proceeds from borrowings	4,005,000	7,962,788
- Repayments of borrowings	(2,864,569)	(3,785,399)
- Repayments of lease liabilities	(157,975)	(201,324)
Increase of lease liabilities	161,440	-
Foreign currency differences and others	58,188	385,605
Present value discount (interest expense)	22,982	20,756
Interest paid	(4,753)	(2,413)
Ending balance	<u>₩ 12,944,649</u>	<u>₩ 10,785,887</u>

(4) The Group presented the inflow and outflow of cash from short-term investment assets and others, which are frequently traded and have a large total amount and mature in a short period of time, as net increases and decreases.

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

35. Share-based Payment

(1) The Parent Company granted equity-settled share options to the Parent Company's key management during the nine-month period ended September 30, 2020 and the details of the share options as of September 30, 2020 are as follows:

(In shares)

	Total numbers of share option granted	Forfeited or Cancelled	Exercised	Outstanding at September 30, 2020
1 st	99,600	-	-	99,600
2 nd	99,600	-	-	99,600
3 rd	99,600	-	-	99,600
4 th	7,747	-	-	7,747
5 th	7,223	-	-	7,223
6 th	8,171	8,171	-	-
7 th	61,487	-	-	61,487
8 th	61,487	-	-	61,487
9 th	61,487	-	-	61,487
10 th	54,020	-	-	54,020
11 th	6,397	-	-	6,397
	<u>566,819</u>	<u>8,171</u>	<u>-</u>	<u>558,648</u>

	Grant date	Service Period for Vesting	Exercisable Period	Exercise price (in Korean won)
1 st	March 24, 2017	March 24, 2017 - March 24, 2019	March 25, 2019 - March 24, 2022	48,400
2 nd	March 24, 2017	March 24, 2017 - March 24, 2020	March 25, 2020 - March 24, 2023	52,280
3 rd	March 24, 2017	March 24, 2017 - March 24, 2021	March 25, 2021 - March 24, 2024	56,460
4 th	January 1, 2018	January 1, 2018 - December 31, 2019	January 1, 2020 - December 31, 2022	77,440
5 th	March 28, 2018	March 28, 2018 - March 28, 2020	March 29, 2020 - March 28, 2023	83,060
6 th	February 28, 2019	February 28, 2019 - February 28, 2021	March 1, 2021 - February 29, 2024	73,430
7 th	March 22, 2019	March 22, 2019 - March 22, 2021	March 23, 2021 - March 22, 2024	71,560
8 th	March 22, 2019	March 22, 2019 - March 22, 2022	March 23, 2022 - March 22, 2025	77,290
9 th	March 22, 2019	March 22, 2019 - March 22, 2023	March 23, 2023 - March 22, 2026	83,470
10 th	March 20, 2020	March 20, 2020 - March 20, 2023	March 21, 2023 - March 20, 2027	84,730
11 th	March 20, 2020	March 20, 2020 - March 20, 2023	March 21, 2023 - March 20, 2027	84,730

SK hynix Inc. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited) and December 31, 2019

35. Share-based Payment, Continued

(2) Measurement of fair value

The compensation cost is calculated by applying a binomial option-pricing model in estimating the fair value of the option at each grant date. The inputs used are as follows:

	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th	11 th
Expected volatility	23.23%	23.23%	23.23%	22.50%	25.30%	25.60%	26.17%	26.17%	26.17%	26.15%	26.15%
Estimated fair value of share option (in Korean won)	10,026	9,613	9,296	16,687	18,362	16,505	17,744	16,888	16,093	11,786	11,786
Dividend yield ratio	1.20%	1.20%	1.20%	0.78%	1.23%	1.36%	1.98%	1.98%	1.98%	2.10%	2.10%
Risk free ratio	1.86%	1.95%	2.07%	2.38%	2.46%	1.89%	1.82%	1.88%	1.91%	1.59%	1.59%

(3) The compensation expense for the nine-month period ended September 30, 2020 was ₩1,186 million (2019: ₩1,263 million).

36. Events After the Reporting Period

In accordance with the resolution of Board of Directors on October 20, 2020, the Group decided to take over the entire NAND business division of Intel Corporation excluding the Optane division of Non-Volatile Memory Solutions Group; accordingly, the Group entered into a business transfer agreement with Intel Corporation. The entire business division and assets are expected to be transferred in two separate processes through subsidiaries that will be newly established overseas, and payment will be made in two installments. Total consideration amount of US\$9 billion will be paid with the first installment of US\$7 billion by the end of 2021 and the second installment of US\$2 billion by March 2025. The closing of the business transfer depends on the satisfaction of an agreed upon set of conditions that include regulatory approvals of governmental authorities.