

SK Networks Co., Ltd.

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

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Independent auditor's report

The Shareholders and Board of Directors SK Networks Co., Ltd.

Opinion

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

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

We also have audited the Company's internal control over financial reporting ("ICFR") as of December 31, 2020, based on criteria established in Conceptual Framework for designing and operating ICFR in accordance with Korean Auditing Standards ("KGAAS") established by the Operating Committee of ICFR (the "ICFR Committee"), and our report dated March 11, 2021 expressed an unqualified opinion thereon.

Basis for opinion

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

Key Audit Matters

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

how our audit addressed the matter is provided in that context.

(1) Impairment of assets in the hotel business due to COVID-19

There exists significant uncertainty in estimating the termination of COVID-19 and the impact therefrom on the Company as described in Note 3 (8) to the separate financial statements. As a result of reviewing the overall impact on the Company's separate financial statements, it is determined that there is a significant risk of asset impairment of the hotel business. Revenue and operating profit of the hotel business decreased significantly due to the hotel closures and social distancing during the first and second quarters of the current year. Property, plant and equipment and right-of-use assets for the hotel business are ₩779,311 million, accounting for a significant portion in the separate financial statements, as of December 31, 2020. Furthermore, there are management's significant judgement involved and uncertainty in the future cash flows and key assumptions (future business plans, discount rates, etc.) on estimating the recoverable value for each cash generating unit. Therefore, we identified impairment testing of the hotel business due to COVID-19 as a key audit matter.

The main audit procedures we performed in this regard are:

- Understanding of the internal process related to the Company's impairment testing and evaluating for the effectiveness of the design and operation of the internal control system
- Independent review of the Company's identification of cash-generating unit and reviews of indication of impairment.
- Evaluation of the competence, experience and expertise of external evaluation experts involved by the Company and confirmation of their objectivity and independence.
- Comparative review of the financial forecasts used in the impairment testing and the business plan approved by the management.
- Review of the adequacy of the discount rate used by the management in calculating the value in use of the cash-generating unit and the assumptions and methodology used in the estimation by involving internal evaluation experts.
- Review of the evaluation method and assumptions for the calculation of fair value of cash-generating unit by involving internal evaluation experts.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Baekun Cho.

Ernst & Young Han Young

March 11, 2021

This audit report is effective as of March 11, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

SK Networks Co., Ltd.

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

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

Shin-Won Choi, Sang-Kyu Park
Chief Executive Officers
SK Networks Co., Ltd.

SK Networks Co., Ltd.
Separate statements of financial position
as of December 31, 2020 and 2019
(Korean won in millions)

	Notes	2020	2019
Assets			
Current assets:			
Cash and cash equivalents	4	₩ 657,406	₩ 350,378
Short-term financial instruments	4, 30	4,515	4,511
Trade receivables, net	4, 5, 26, 30	550,524	654,989
Current derivative financial assets	4, 17, 30	1,245	295
Current portion of finance lease receivables	4, 5, 13, 30	2,511	2,963
Current other financial assets, net	4, 5, 26, 30	37,697	54,003
Other current assets	6	107,604	122,532
Inventories, net	7	439,508	577,113
Non-current assets classified as held for sale	27, 28	136,391	1,412,095
Total current assets		<u>1,937,401</u>	<u>3,178,879</u>
Non-current assets:			
Long-term financial instruments	4	37	37
Long-term trade receivables, net	4, 5, 30	12,159	12,159
Long-term investment securities	4, 8, 30	122,980	73,846
Investments in subsidiaries and associates	9	1,301,923	1,369,404
Non-current derivative financial assets	4, 17, 30	-	1,751
Finance lease receivables	4, 5, 13, 30	26,431	28,518
Other non-current financial assets	4, 5, 26, 30	37,497	38,792
Property, plant and equipment, net	10, 21	1,154,136	1,440,578
Intangible assets, net	11	31,786	29,929
Investment properties, net	12	256,265	73,994
Right-of-use assets	13	865,549	1,237,140
Deferred tax assets	24	70,123	119,107
Other non-current assets	14, 18	39,152	69,188
Total non-current assets		<u>3,918,038</u>	<u>4,494,443</u>
Total assets		<u>₩ 5,855,439</u>	<u>₩ 7,673,322</u>

(Continued)

SK Networks Co., Ltd.
Separate statements of financial position
as of December 31, 2020 and 2019 (cont'd)
(Korean won in millions)

	Notes	2020	2019
Liabilities			
Current liabilities:			
Trade payables	4, 26, 30	₩ 769,175	₩ 1,331,547
Short-term borrowings	4, 15, 29, 30	561,983	681,444
Current portion of long-term liabilities	4, 15, 29, 30	506,805	475,101
Current derivative financial liabilities	4, 17, 30	29,000	10,360
Current portion of lease liabilities	4, 13, 29, 30	381,393	448,915
Other current financial liabilities	4, 26, 30	142,425	174,728
Current tax liabilities	24	21,320	-
Current provisions	19	1,696	1,547
Other current liabilities	16	101,808	68,781
Non-current liabilities classified as held for sale	27, 28	-	151,341
Total current liabilities		<u>2,515,605</u>	<u>3,343,764</u>
Non-current liabilities:			
Borrowings and bonds	4, 15, 29, 30	702,919	1,219,387
Non-current derivative financial liabilities	4, 17, 30	1,459	2,051
Lease liabilities	4, 13, 29, 30	542,463	846,556
Other non-current financial liabilities	4, 26, 30	118,355	157,624
Non-current provisions	19	869	823
Other non-current liabilities	18, 20	5,000	10,736
Total non-current liabilities		<u>1,371,065</u>	<u>2,237,177</u>
Total liabilities		<u>3,886,670</u>	<u>5,580,941</u>
Equity			
Capital stock:			
Common stock	22	620,469	620,469
Preferred stock		28,185	28,185
		<u>648,654</u>	<u>648,654</u>
Capital surplus	22	787,513	788,090
Retained earnings	22	692,185	711,897
Other components of equity	22	(159,583)	(56,260)
Total equity		<u>1,968,769</u>	<u>2,092,381</u>
Total liabilities and equity		<u>₩ 5,855,439</u>	<u>₩ 7,673,322</u>

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

SK Networks Co., Ltd.
Separate statements of comprehensive income (loss)
for the years ended December 31, 2020 and 2019
(Korean won in millions, except for earnings (loss) per share)

	Notes	2020	2019
Sales	23, 26	₩ 8,062,953	₩ 10,574,129
Cost of sales	7, 23, 26	7,600,730	9,951,706
Gross profit		462,223	622,423
Selling and administrative expenses	18, 23, 26	508,553	661,239
Operating loss		(46,330)	(38,816)
Finance income	4, 17, 23	188,804	173,114
Finance costs	4, 17, 23	246,900	216,065
Other income	4, 23	141,208	110,345
Other expenses	4, 23	26,507	24,583
Profit before income tax		10,275	3,995
from continuing operations		10,275	3,995
Income tax expense from continuing operations	24	58,097	1,694
Profit (loss) from continuing operations		(47,822)	2,301
Profit (loss) for the year			
from discontinued operations	27	51,599	(88,263)
Profit (loss) for the year		₩ 3,777	₩ (85,962)
Other comprehensive income (loss)			
for the year:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of net defined benefit liabilities	18	5,428	(2,941)
Gain on valuation of financial assets at fair value through OCI	4, 8	11,529	2,601
		16,957	(340)
Items that may be reclassified to profit or loss in subsequent periods:			
Gain (loss) on valuation of derivative financial instruments	4, 17	20	(1,258)
		20	(1,258)
Other comprehensive income (loss), net of tax		16,977	(1,598)
Total comprehensive income (loss)		₩ 20,754	₩ (87,560)
Earnings (loss) per share:	25		
Basic earnings (loss) per share attributable to ordinary share		₩ 17	₩ (357)
Basic earnings (loss) from continuing operations per share attributable to ordinary share		(213)	10

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

SK Networks Co., Ltd.
Separate statements of changes in equity
for the years ended December 31, 2020 and 2019
(Korean won in millions)

	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total equity
As of January 1, 2019	₩ 648,654	₩ 788,090	₩ 837,312	₩ (57,940)	₩ 2,216,116
Effect of changes in accounting policies	-	-	(7,631)	-	(7,631)
Revised equity as of January 1, 2019	648,654	788,090	829,681	(57,940)	2,208,485
Total comprehensive income (loss)					
Loss for the year	-	-	(85,962)	-	(85,962)
Remeasurement of net defined benefit liabilities	-	-	(2,941)	-	(2,941)
Gain on valuation of financial assets at fair value through OCI	-	-	-	2,601	2,601
Loss on valuation of derivative financial instruments	-	-	-	(1,258)	(1,258)
Total comprehensive income (loss) for the year	-	-	(88,903)	1,343	(87,560)
Transactions with owners of the Company, recognized directly to equity:					
Dividends	-	-	(28,881)	-	(28,881)
Stock compensation costs	-	-	-	337	337
As of December 31, 2019	₩ 648,654	₩ 788,090	₩ 711,897	₩ (56,260)	₩ 2,092,381
As of January 1, 2020	₩ 648,654	₩ 788,090	₩ 711,897	₩ (56,260)	₩ 2,092,381
Total comprehensive income (loss)					
Profit for the year	-	-	3,777	-	3,777
Remeasurement of net defined benefit liabilities	-	-	5,428	-	5,428
Gain on valuation of financial assets at fair value through OCI	-	-	(36)	11,565	11,529
Gain on valuation of derivative financial instruments	-	-	-	20	20
Total comprehensive income (loss) for the year	-	-	9,169	11,585	20,754
Transactions with owners of the Company, recognized directly to equity:					
Dividends	-	-	(28,881)	-	(28,881)
Acquisition of treasury stocks	-	-	-	(115,046)	(115,046)
Stock compensation costs	-	-	-	138	138
Business combination under common control	-	(577)	-	-	(577)
As of December 31, 2020	₩ 648,654	₩ 787,513	₩ 692,185	₩ (159,583)	₩ 1,968,769

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

SK Networks Co., Ltd.
Separate statements of cash flows
for the years ended December 31, 2020 and 2019
(Korean won in millions)

	Notes	2020	2019
Operating activities:			
Profit (loss) for the year		₩ 3,777	₩ (85,962)
Non-cash adjustments to reconcile profit (loss) for the year			
to net cash flows provided by (used in) operating activities	29	261,857	597,725
Changes in operating assets and liabilities	29	(273,288)	(18,350)
Interest received		6,353	4,229
Interest paid		(68,624)	(109,426)
Dividends received		65	31,069
Income taxes refunded (paid)		(9,353)	22,682
Net cash flows provided by (used in) operating activities		₩ (79,213)	₩ 441,967
Investing activities:			
Decrease (increase) in short-term financial instruments, net		(4)	(4)
Decrease in derivative financial assets, net		2,329	-
Decrease in derivative financial liabilities, net		(10,360)	(844)
Decrease in short-term loans, net		-	24
Proceeds from disposal of long-term investment securities		5,800	3,758
Acquisition of long-term investment securities		(39,713)	(780)
Acquisition of investments in subsidiaries and associates		(158,864)	(297,809)
Proceeds from investments in subsidiaries and associates		301,670	10,000
Proceeds from disposal of property, plant and equipment		14,755	48,966
Acquisition of property, plant and equipment		(78,020)	(92,679)
Proceeds from disposal of intangible assets		3,495	2,551
Acquisition of intangible assets		(2,842)	(1,717)
Decrease in guarantee deposits		18,190	20,822
Increase in guarantee deposits		(4,378)	(15,857)
Business division transferred out		1,271,467	-
Business division transferred in		(1,894)	-
Decrease in other non-current assets		14,617	19
Net cash flows provided by (used in) investing activities		₩ 1,336,248	₩ (323,550)
Financing activities:			
Increase (decrease) in short-term borrowings, net		(94,416)	(22,476)
Repayment of current portion of long-term borrowings		(484,679)	(102,632)
Repayment of current portion of bonds		-	(280,000)
Increase in long-term borrowings		-	150,000
Issuance of bonds		-	398,391
Acquisition of treasury stocks		(115,046)	-
Dividend paid		(28,881)	(28,881)
Decrease in lease liabilities		(226,985)	(270,787)
Net cash flows provided by (used in) financing activities		₩ (950,007)	₩ (156,385)
Net increase (decrease) in cash and cash equivalents		307,028	(37,968)
Cash and cash equivalents at the beginning of the year		350,378	388,346
Cash and cash equivalents at the end of the year		₩ 657,406	₩ 350,378

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

SK Networks Co., Ltd.
Notes to the separate financial statements
December 31, 2020 and 2019

1. Corporate information

SK Networks Co., Ltd. (the “Company”) was established on April 8, 1953 and on March 24, 1956, SK Networks Co., Ltd. was registered as Sunkyong Textile Co., Ltd. for business purposes. The Company, originally Sunkyong Textile Co., Ltd, changed its name several times, most recently to SK Networks Co., Ltd. The Company is also engaged in the business of general trading, information and telecommunications, rental service business and energy sales.

The Company was designated as a general trading company on November 22, 1976, and its shares were listed on the Korean Stock Exchange on June 30, 1977. The Company merged SK Distribution Co., Ltd. and SK Energy Sales Co., Ltd. on December 31, 1999 and July 31, 2000, respectively.

As of December 31, 2020, the Company has its headquarters in Suwon, Gyeonggi Province and has several overseas subsidiaries and branches in China and others.

As of December 31, 2020, the Company's capital stock is ₩ 648,654 million. The major shareholders of the Company are SK Holdings Co., Ltd. (39.14%), National Pension Service (7.80%), and other shareholders.

2. Summary of significant accounting policies

2.1 Basis of separate financial statements preparation

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

The significant accounting policies used for the preparation of the accompanying separate financial statements as of and for the year ended December 31, 2020, are the same as the accounting policies adopted for the preparation of the separate financial statements as of and for the year ended December 31, 2019, except for the adoption of new and revised standards applied in the current period, which are summarized below.

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

The accompanying separate financial statements were approved at the Company's Board of Directors held on February 5, 2021 to be submitted for final approval at the general shareholders' meeting.

2.1.1 New and revised KIFRSs adopted in the current period

The Company has applied amendments to KIFRS issued that are mandatorily effective for accounting periods beginning on or after January 1, 2020.

Amendments to KIFRS 1001 and KIFRS 1008 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the separate financial position or management performance

Amendments to KIFRS 1103: Definition of a Business

The amendment to KIFRS 1103 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the separate financial position or management performance.

2.1.1 New and revised KIFRSs adopted in the current period (cont'd)

Amendments to KIFRS 1107, KIFRS 1109 and KIFRS 1039 Interest Rate Benchmark Reform

The amendments to KIFRS 1109 and KIFRS 1039 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the separate financial position or management performance.

Amendments to KIFRS 1116 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to KIFRS 1116 *Leases*. The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. These amendments have no impact on the separate financial position or management performance.

2.1.2. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

Amendments to KIFRS 1001: Presentation of Financial Statements (Amended)

The amendments affect only the presentation of liabilities in the statement of financial position and clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments explain that the right exists if the borrowing arrangement is complied with at the end of the reporting period and clarify that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The Company plans to apply the standard for annual reporting period beginning on or after January 1, 2023, with early application permitted.

Amendments to KIFRS 1016: Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

2.1.2. Standards issued but not yet effective (cont'd)

Amendments to KIFRS 1037: Provisions, Contingent Liabilities and Contingent Assets

The amendments clarify that the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. The Company plans to apply the standard for annual reporting period beginning on or after January 1, 2022, with early application permitted.

Amendments to KIFRS 1103: Business combinations (Amended)

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

Annual Improvements to KIFRS 2018-2020

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

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

2.2 Current versus non-current classification

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

An asset is current when it is:

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

2.2 Current versus non-current classification (cont'd)

The Company classified all other assets as non-current.

A liability is current when it is:

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

The Company classifies all other liabilities as non-current.

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

2.3 Financial assets

2.3.1 Classification

The Company classify financial assets in the following measurement categories:

- those to be at fair value through profit or loss
- those to be at fair value through other comprehensive income, and
- those to be at amortized cost.

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

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

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

2.3.2 Measurement

The Company measures the financial asset at fair value at initial recognition, and if it is not financial assets at fair value through profit or loss, the transaction costs directly related to the acquisition of the financial asset shall be added to the fair value. The transaction costs of financial assets at fair value through profit or loss are recognized as expenses in profit or loss.

A hybrid contract that includes an embedded derivative takes into account the entire hybrid contract when determining whether the contractual cash flows consists of solely principal and interests.

(1) Debt instruments

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

1) Financial assets measured at amortized cost

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

2.3.2 Measurement (cont'd)

2) Financial assets measured at FVOCI

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

3) Financial assets measured at FVTPL

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

(2) Equity instruments

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

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

2.3.3 Impairment

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

2.3.4 Recognition and derecognition

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

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

2.4 Financial liabilities and equity instruments

2.4.1 Classification as debt or equity

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

2.4.2 Equity instruments

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

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

2.4.3 Hybrid financial instruments

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

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

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

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

2.4.4 Financial liabilities

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

2.4.4.1 Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

2.4.4.1 Financial liabilities at FVTPL (cont'd)

- It forms part of a contract containing one or more embedded derivatives, and KIFRS 1109 permits the entire combined contract to be designated as of FVTPL.

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

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

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

2.4.4.2 Financial liabilities measured at amortized cost

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

2.4.5 Financial guarantee contracts

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

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

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

2.4.6 Derecognition of financial liabilities

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

2.5 Offsetting of financial instruments

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

2.6 Derivative instruments and hedge accounting

In order to manage interest rate risk and foreign currency risk, the Company has entered into a number of derivative contracts including currency forward, interest rate swaps and currency swaps. Derivatives are measured at fair value at the date of initial recognition and are subsequently remeasured to fair value at the end of each reporting period. Gains and losses arising from changes in the fair value of derivatives are recognized immediately in profit or loss unless the derivative is designated as a hedging instrument and is not effective at hedging. If the derivative is designated as a hedging instrument and effective for hedging, the timing of recognition of the hedging instrument is dependent on the nature of the hedging relationship.

2.6.1 Hedge accounting

The Company designates non-derivative financial instruments as a hedging instrument for hedges of fair value hedge, cash flow hedge or hedge of net investment in foreign operations when derivative instruments, embedded derivatives or hedged risks are foreign currency risks. Foreign currency risk hedges of firm commitments are accounted for as cash flow hedges.

At the inception of the hedge, the Company documents the relationship between risk management objectives, hedging strategies, hedging instruments and hedged items. The Company also document whether the hedging instrument is highly effective in offsetting the fair value or cash flow variability of the hedged item due to the hedged risk in the beginning and subsequent periods of the hedge.

2.6.2 Fair value hedge

The Company recognizes the changes in the fair value of derivatives that are designated as hedging instruments and meet the application of fair value hedge accounting as soon as it is recognized in profit or loss and the fair value change of hedged item. Changes in the fair value of the hedging instrument and changes in the fair value of the hedged item attributable to the hedged risk are recognized in the line items related to hedged items in the separate statement of comprehensive income.

Fair value hedge accounting is discontinued when the Company reverses the designation of a hedging relationship, when the hedging instrument expires, is sold, terminated or exercised or when it no longer meets the requirements for fair value hedge accounting. The carrying amount of the hedged item attributable to the hedged risk is amortized to profit or loss as of the date the hedge accounting is discontinued.

2.6.3 Cash flow hedging

The effective portion of changes in the fair value of derivatives that are designated as hedging instruments and meet the requirements for cash flow hedge accounting is recognized in other comprehensive income and accumulated in the cash flow hedge reserve. Gains and losses related to the ineffective portion of the hedge are recognized in profit or loss and are recognized in the separate statement of comprehensive income.

Cash flow hedge accounting is discontinued if the Company reverses the designation of a hedging relationship, if the hedging instrument expires, is sold, terminated or exercised or if it no longer meets the requirements for cash flow hedge accounting. Gains or losses on valuation of equity instruments that are recognized in other comprehensive income at the time of termination of cash flow hedge accounting are recognized in equity and reclassified to profit or loss if the transaction is ultimately recognized in profit or loss. However, if the anticipated transaction is no longer expected to occur, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss.

2.7 Cash and cash equivalents

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

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. The Company estimates inventories at the acquisition cost determined by the gross average method (except for some products in the global division and non-current items in the individual business). The costs of products and work in progress are composed of raw materials, direct labor and other direct costs and manufacturing overhead its possible.

When the entity enters into a hedging contract that meets the cash flow hedge requirements related to the purchase of raw materials, the gain or loss recognized in equity is included in the cost of the asset. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The Company reviews the future demand for products that are likely to cause significant changes in the provision for inventory valuation periodically. When excesses, obsolescence and market value decline, the Company recognizes provision for valuation of inventories.

2.9 Investments in subsidiaries, associates and joint ventures

Pursuant to KIFRS 1027 Separate Financial Statements, the accompanying separate financial statements are accounted for, by a parent or investor in an associate, on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees. Moreover, KIFRS 1027 requires that, in the separate financial statements, investments in subsidiaries and associates should be accounted for at cost. All dividends should be recognized in profit or loss within separate financial statements once the right to receive payments has been established.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include costs directly related to the purchase price and the location and condition necessary to operate the asset in the manner the Company intend.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset only when it is probable that the future economic benefits of the asset will flow to the Company and the cost of the asset can be reliably measured. If the asset is recognized as an asset, the carrying amount is reversed and repair and maintenance costs are recognized as expense in the period in which it is incurred.

Property, plant and equipment, except for land, is depreciated using the straight-line method over the estimated useful lives of the following assets, net of their residual value.

	<u>Useful life (years)</u>
Buildings	20-40
Structures	20-40
Storage tanks	20-40
Machinery and equipment	6-8
Vehicles	4-10
Rental property	3-5
Furniture and fixture	4
Other property, plant and equipment	4-10

The depreciation method, residual value and useful lives of the tangible assets are reviewed at the end of each reporting period, and changes in accounting estimates are accounted for as changes in accounting estimates.

When the tangible assets are disposed of or the future economic benefits from the use or disposal are not expected, the carrying amount of the tangible assets is removed from the separate statement of financial position. Gains or losses on disposal of property, plant and equipment are determined by the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is disposed of.

2.11 Intangible assets

Intangible assets that are acquired individually are stated at cost, and intangible assets acquired as a business combination are recorded at their fair value at the date of acquisition. Accumulated depreciation and accumulated impairment losses are recognized directly. Intangible assets, except for development costs, are recognized in profit or loss as expense items when incurred.

Intangible assets are classified into intangible assets with finite useful lives and intangible assets with indefinite useful lives. Intangible assets with finite useful lives, such as development costs, industrial property rights and other intangible assets, if the amortization and indications of the damage are identified, the Company reviews the possibility of impairment. In addition, the useful life and amortization method are reviewed at the end of each reporting period. If changes in the expected useful life or changes in the consumption pattern of economic benefits are required, the changes are accounted for as changes in estimates. Amortization of intangible assets is recognized in profit or loss as an expense item consistent with the function of the intangible asset.

Intangible assets are amortized using the straight-line method over the following estimated useful lives:

	<u>Useful life (years)</u>
Development costs (including software)	5
Industrial property rights	5-10
Other intangible assets	5

Intangible assets with indefinite useful lives, such as membership rights, are not amortized but are tested annually, either individually or as part of a cash-generating unit. In addition, the Company reviews whether it is appropriate to apply the indefinite useful lives to the intangible assets each year and, if not, changes the intangible assets to finite useful lives.

Gains and losses arising from the elimination of intangible assets are included in profit or loss at the time of disposal.

2.12 Goodwill

Goodwill arising on a business combination is recognized at the acquisition date (acquisition date) less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to our cash-generating unit (or cash-generating unit group) where the Company expect synergies resulting from the business combination.

For each cash-generating unit to which goodwill has been allocated, the Company carry out impairment checks annually and whenever there are signs of impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is first reduced to the carrying amount of the goodwill allocated to the cash-generating unit and the residual impairment is allocated to the cash-generating unit in proportion to the carrying amount of the other assets. Impairment of goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill cannot be reversed in the future.

2.13 Impairment of intangible assets other than goodwill

Intangible assets, except for goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired and, if there is any indication that the asset may be impaired, the recoverable amount of the asset is estimated. There is. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Intangible assets with indefinite useful lives or intangible assets that are not yet available for use are tested for impairment annually irrespective of the indication of impairment. The recoverable amount is measured at the greater of the asset's or cash-generating unit's fair value less costs to sell and its value in use. If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the amount is reduced to recoverable amount and the amount is recognized in profit or loss.

2.13 Impairment of intangible assets other than goodwill (cont'd)

On the other hand, if the impairment loss recognized in prior periods is reversed, the carrying amount of the individual asset (or cash-generating unit) is determined as the lower of the recoverable amount and the carrying amount that is currently recorded, and the reversal of impairment loss is recognized immediately in profit or loss.

2.14 Investment property

Real estate held to obtain rental income or capital gains is classified as investment property. Investment property is measured initially at cost including transaction costs incurred. Acquisition cost is recorded as the carrying amount less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of the asset or, where appropriate, as a separate asset only when it is probable that future economic benefits arising from the asset will flow to the entity. The carrying amount of the replaced portion is eliminated. Costs incurred in connection with ordinary repair and maintenance are recognized in profit or loss as incurred.

Depreciation is computed using the straight-line method over 20 to 40 years, depending on the economic useful lives.

The depreciation method, residual value and useful life of investment property are reviewed at the end of each reporting period and, if it is deemed appropriate to change them, they are accounted for as changes in accounting estimates.

2.15 Leases

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

2.15.1 Company as a lessee

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

➤ **Right-of-use assets**

The Company recognizes a right-of-use asset at the commencement date (i.e. when the underlying asset is available). Right-of-use assets are measured at cost, and the cost model is applied at subsequent measurement. To apply the cost model, the accumulated depreciation and accumulated impairment losses are deducted and reflected the adjustments following the remeasurement of lease liabilities. The cost of right-of-use assets include the recognized lease liabilities, the initial direct costs and the lease payments deducted any lease incentives when commencement date or the before. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets are as follows:

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

Description	Useful lives (years)	Description	Useful lives (years)
Real Estate	20 – 40	Vehicles	3 – 4

Depreciation is calculated using the estimated useful life of the underlying asset if the ownership of the underlying assets is transferred at the end of the lease term or the Company's exercise of purchase option is reflected to the cost of right-of-use assets.

2.15.1 Company as a lessee (cont'd)

➤ Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

➤ Short-term lease and leases of low-value assets

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

2.15.2 Company as a lessor

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

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

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

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to reach its intended use or sale status are capitalized as part of the asset's cost. Other borrowing costs are recognized as an expense when incurred. Borrowing costs consist of interest and other costs incurred in connection with borrowings.

2.17 Non-current assets held for sale

If the carrying amount of a non-current asset (or disposal group) is to be recovered principally through a sale transaction, rather than through continuing use, it is classified as held for sale and measured at the lower of its fair value or carrying amount.

The classification as held for sale is met if the non-current asset (or disposal group) is readily available for sale and is highly likely to be sold. The measures required to be classified as held for sale should show that the plan for sale is unlikely to be significantly changed or withdrawn and should be expected to be completed within one year from the date of classification as held for sale.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated (or amortized). Assets and liabilities classified as held for sale are presented separately in the statements of financial position.

2.18 Revenue recognition

The Company adopted the KIFRS 1115 *Revenue from contracts with customers* effective January 1, 2018. When the goods or services are transferred to the customer, the Company estimates the fair value of the consideration expected to be paid in exchange for the goods or services as consideration for the change in value, such as returns and discounts.

2.18.1 Sales of goods

The Company is engaged in the business of purchasing and selling steel, energy, chemical, and automobile related goods. Revenue from the sale of goods is recognized when the goods are delivered to the customer and control of the goods is transferred. Revenue is measured based on the consideration set by the contract with the customer and excludes the amount collected on behalf of the third party.

2.18.2 Provision of services

The Company provides hotel services, vehicle maintenance and other services. Revenue from the provision of services is recognized when the customer fulfills the obligation to perform. Revenue is measured based on the consideration set by the contract with the customer and excludes the amount collected on behalf of the third party.

On the other hand, in the case of the provision of other services, the Company recognizes the transaction price allocated to the performance obligation as revenue over the period in which the service is provided, as the Company has the obligation to provide related services to the customer during the contract period.

2.18.3 Interest income

Interest income on all financial instruments measured at amortized cost and available-for-sale financial assets is recognized using the effective interest rate method. The effective interest rate is the rate at which the present value of expected future cash outflows and inflows in an expected life of the financial instrument or, where appropriate, is exactly equal to the net carrying amount of the financial asset or financial liability. Included in financial revenues.

2.18.4 Commission income

If the Company act as an agent on behalf, the Company recognizes the net commission amount as revenue.

2.18.5 Rental income

Lease revenue arising from the lease of an investment property is recognized on a straight-line basis over the lease term.

2.18.6 Dividend income

Dividend income is recognized when the right to receive dividends is established.

2.18.7 Contract assets and liabilities

A contract asset is the right to receive payment for the goods or services transferred to the customer. If the Company transfer the goods or services to the customer before the customer pays or the payment is due, the assets the Company have the right to receive for the consideration and whose conditions are beyond the time limit are the contractual assets.

Contract liability is the Company's obligation to transfer goods or services to the customer in accordance with the consideration the Company has already received from the customer (or the consideration paid). If the customer pays the price before the goods or services are transferred to the customer, the contract liability is recognized at the time the payment is made or the due date. Contract liabilities are recognized as income when the Company fulfills its obligation to perform the contract.

2.19 Employee benefits

2.19.1 Short-term employee benefits

Short-term employee benefits payable within twelve months after the end of the reporting period in which the employee provided the related service are recognized in profit or loss when the service is rendered, in exchange for the expected future payments. Short-term employee benefits are measured at undiscounted amounts.

2.19.2 Other long-term employee benefits

Other long-term employee benefits that are not to be paid within 12 months from the end of the reporting period for which the employee has provided relevant service are the present value discounts of the future benefits earned in exchange for the services rendered during the current and previous periods. The fair value of plan assets that can be used to settle the liabilities directly is recognized as a liability. Liabilities are determined after discounting the estimated future cash flows using the interest rates of good corporate bonds with maturity periods similar to the maturity of the related benefits. Gains and losses arising from changes in actuarial assumptions and empirical adjustments are recognized in profit or loss in the period in which they arise.

2.19.3 Retirement benefit: defined contribution plan

When an employee provides service for a certain period of time in relation to the defined contribution plan, it is recognized in profit or loss except to the extent that the contributions to the defined contribution plan are transferred to the service cost and included in the cost of the asset. The contributions to be paid are recognized as liabilities (accrued expenses) after deducting contributions already paid. In addition, if the contributions already paid exceed the contributions to be paid for services rendered prior to the end of the reporting period, the Company recognizes an asset (prepaid expenses) as a reserve for future payments or cash refunds.

2.19.4 Retirement benefits: defined benefit plans

The salary costs of a defined benefit plan are determined for each plan using the projected unit credit method. The rereasurement factors, which are composed of actuarial gains and losses and changes in the effect of the asset, except for the amounts included in the net income of the plan assets and net income of the plan assets, are recognized in other comprehensive income as soon as they are incurred, the company has not subsequently reclassified it to profit or loss.

Past service costs are recognized as an expense in the following periods.

- When system revision or reduction occurs
- When recognizing the related rescue coordinator or dismissal benefits

Net interest is determined by multiplying the net defined benefit obligation (asset) by the discount rate. The Company recognizes net charge for employee and net defined benefit liability in selling and administrative expenses.

2.19.5 Dismissal benefits

If the Company explicitly commit to dismiss an employee prior to the normal retirement date without realistic retraction or if the Company proposes to the employee a dismissal benefit for honorary retirement and the employee voluntarily accepts the offer, the termination benefit is measured and recognized in profit or loss based on the number of employees expected to accept the proposal. If the disbursement date of dismissal benefits comes after 12 months from the end of the reporting period, the amount is discounted to its present value.

2.20 Provisions and contingent liabilities

Provisions are recognized when it is probable that the associated obligation will be satisfied and the amount of the obligation can be estimated reliably, as a result of a past obligation (legal or constructive obligation).

The amount recognized as a provision is the best estimate at the end of each reporting period for the expenditure required to settle the present obligation, taking into account the unavoidable risks and uncertainties of the related events and circumstances. If the effect of time value of money is material, the provision is measured at the present value of the expenditure expected to be required to settle the obligation.

The balance of provisions is reviewed at the end of each reporting period and adjusted to reflect the best estimate as of the end of the reporting period. If the likelihood of an outflow of resources embodying economic benefits to fulfill an obligation is no longer deemed probable, the related provision is reversed.

2.20.1 Provision for warranty repair

If the Company has an obligation to repair the product after selling the product or providing the service, the Company estimates the warranty provision based on the repair period and past experience rate.

2.20.2 Provision for restoration

The recoverable amount of the restoration obligation is recognized in accordance with the Company's published environmental policy and appropriate legal requirements when the obligation arises.

2.20.3 Provisions for loss

If the unavoidable costs incurred in accordance with the contractual obligations exceed the benefits expected to be incurred by the contract for that fiscal year, the provision for the loss-making contract shall not exceed the costs and expenses required to fulfill the contract the amount of compensation or penalty to be paid at the time of payment. Impairment losses are recognized for impairment losses on assets previously used to settle the contract.

2.20.4 GHG emission quota allocation and trading system

The Company classifies the emission rights as intangible assets. The emission rights granted free of charge from the government are measured as zero ("0") and the purchased emission rights are measured at cost, which is the consideration paid for the acquisition of the emission rights. In addition, if the emission rights granted free of charge by the government in relation to the implementation year are sufficient to fulfill obligations under the emission liability incurred during the period, the emission liability is measured as zero ("0"). For emissions, the Company measure emissions liabilities at the best estimate of the expenditure expected to be incurred in fulfilling the emission liability, which is the deficit, at the end of the reporting period.

If there is a potential obligation to confirm the existence of an event in the past but there is an uncertain future event or if there is a current obligation as a result of a past event or transaction but the possibility of the outflow of resources is not very high, If the amount cannot be estimated reliably, it is presented as contingent liability.

2.21 Treasury stock

The Company accounts for treasury stock by deducting it from equity. Gains or losses on the acquisition, sale, issuance or cancellation of treasury stock are not reflected in the separate statements of comprehensive income. The difference between the carrying amount and the disposal price is accounted for as other capital surplus.

2.22 Foreign currency translation

The items included in the separate financial statements are measured using the currency of the Republic of Korea (KRW), which is the currency in the main economic environment in which the Company operates, as the functional currency.

The Company records transactions in currencies other than the functional currency using exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rates prevailing at the end of the period.

Monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates prevailing at the date of the transaction. Non-monetary items that are measured at fair value are translated at the exchange rates prevailing at the dates of the fair value measurements. Gains and losses arising from the translation of non-monetary items are recognized in other comprehensive income or expense, in the same way as recognition of gains or losses on changes in fair value of such items.

The transaction date to determine the exchange rate applicable to the initial recognition of an associated asset, cost, or revenue (or a portion thereof) is the date on which the Company first recognizes a non-monetary asset or non-monetary liability. If prepayment or athletic awards occur more than once, the Company will determine the date of the advance payment of the consideration or the date of the transaction.

2.23 Income tax

Income tax expense comprises current and deferred tax and is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. When it relates to items of other comprehensive income or capital, the related corporation tax is added or deducted directly from other comprehensive income or capital, respectively.

2.23.1 Current income tax

Current tax liability is calculated based on current taxable income. Profit and loss items that are added or deducted during the different taxation periods and non-taxable items or non-deductible items are subject to differences in taxable income and profit or loss on the separate statement of comprehensive income. Liabilities related to the Company's current tax are calculated based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

2.23.2 Deferred tax

Deferred tax is recognized for temporary differences arising between the carrying amounts of assets and liabilities in the separate financial statements and the tax base used to determine the taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences when it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. However, if the temporary difference arises from the first recognition of goodwill or the transaction in which the asset or liability is recognized for the first time is not a business combination transaction and does not affect accounting profit and taxable income (tax loss) at the time of the transaction, deferred tax liabilities are not recognized. Deferred tax assets are not recognized if the temporary difference arises from transactions in which the asset or the liability is initially recognized in a transaction that is not a business combination transaction and that does not affect accounting profit and taxable income (tax loss carryforwards) at the transaction date.

Deferred tax liability is recognized for temporary differences that would be incurred with respect to subsidiaries, associates and joint ventures' investments, except where it is probable that the temporary difference will not be utilized in the foreseeable future.

In addition, deferred tax assets arising from such investments and deductible temporary differences related to investment interests are recognized only when sufficient taxable income is available for which the benefits of temporary differences can be utilized against and when temporary differences are likely to be utilized in the foreseeable future.

2.23.2 Deferred tax (cont'd)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and the carrying amount of the deferred tax asset is reduced when the taxable income is no longer probable of generating sufficient taxable profit to be recoverable in whole or in part.

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

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

2.23.3 Recognition of current and deferred tax

Current and deferred tax are recognized in profit or loss as revenues or expenses, except when arising from transactions, events or business combinations that are recognized directly in equity or other comprehensive income in the same periods or periods. At the time of business combination, the income tax effect is included in the accounting for the business combination.

2.24 Earnings per share

Basic earnings per share is calculated by dividing net income for the period attributable to common equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

2.25 Cash dividend to owners and distribution of non-cash assets

We recognize liabilities when the distribution of cash or non-cash assets to the landlord is approved and no further discretion exists. Distribution to shareholders requires approval by shareholders. The corresponding amounts are reflected directly in equity.

3. Significant accounting judgements, estimates and assumptions

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

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

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

3.1 Impairment of non-financial assets

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

3.2 Valuation of fair value of financial assets

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

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

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

3.4 Measurement and useful lives of property, plant and equipment and intangible assets

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

3.5 Defined benefit plan

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

3.6 Deferred tax assets

Recognition and measurement of deferred tax assets and liabilities requires significant management judgment. Especially, when determining if deferred tax assets will be realizable or not in the future, it involves significant management assumptions and judgment of the Company's future performance.

3.7 Leases- Estimating the incremental borrowing rate

When the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

3.8 Matters related to COVID-19

To prevent the spread of COVID-19, a variety of prevention and control measures, including travel restrictions, are being implemented worldwide, resulting in widespread impact on the global economy. In addition, various forms of government support policies are being announced to cope with COVID-19. The Company operates information and communication distribution business, global trading business, Car Biz. businesses such as rental car, car maintenance, etc. and operates Walkerhill Hotel. Accounts affected by COVID-19 are primarily the recoverability of trade receivables, impairment of inventories and tangible and intangible assets, and realizability of deferred tax assets. The Company has prepared the financial statements by reasonably estimating the impact of COVID-19. However, there is significant uncertainty in estimating the termination of COVID-19 and the impact therefrom.

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4. Financial instruments by categories

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

	2020			
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ 657,406	₩ -	₩ -
Short-term financial instruments	-	4,515	-	-
Trade receivables	140,357	410,167	-	-
Derivative financial assets	1,245	-	-	-
Current portion of finance lease receivable	-	2,511	-	-
Other financial assets:				
Other accounts receivable	-	37,337	-	-
Accrued income	-	3	-	-
Guarantee deposits	-	357	-	-
	141,602	1,112,296	-	-
Non-current assets:				
Long-term financial instruments	-	37	-	37
Long-term trade receivable	-	12,159	-	12,159
Long-term investment securities	49,288	-	73,692	122,980
Finance lease receivable	-	26,431	-	26,431
Other financial assets:				
Long-term guarantee deposits	-	37,497	-	37,497
	49,288	76,124	73,692	199,104
	₩ 190,890	₩ 1,188,420	₩ 73,692	₩ 1,453,002

	2019				
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Designated as hedge item	Total
Current assets:					
Cash and cash equivalents	₩ -	₩ 350,378	₩ -	₩ -	₩ 350,378
Short-term financial instruments	-	4,511	-	-	4,511
Trade receivables	191,701	463,288	-	-	654,989
Derivative financial assets	295	-	-	-	295
Current portion of finance lease receivable	-	2,963	-	-	2,963
Other financial assets:					
Other accounts receivable	-	49,235	-	-	49,235
Guarantee deposits	-	4,768	-	-	4,768
	191,996	875,143	-	-	1,067,139
Non-current assets:					
Long-term financial instruments	-	37	-	-	37
Long-term trade receivable	-	12,159	-	-	12,159
Long-term investment securities	39,624	-	34,222	-	73,846
Derivative financial assets	-	-	-	1,751	1,751
Finance lease receivable	-	28,518	-	-	28,518
Other financial assets:					
Long-term guarantee deposits	-	38,792	-	-	38,792
	39,624	79,506	34,222	1,751	155,103
	₩ 231,620	₩ 954,649	₩ 34,222	₩ 1,751	₩ 1,222,242

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4. Financial instruments categories (cont'd)

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

	2020			
	Measured at FVTPL	Measured at amortized cost	Designated as hedge item	Total
Current liabilities:				
Trade payables	₩ -	₩ 769,175	₩ -	₩ 769,175
Short-term borrowings	-	561,983	-	561,983
Current portion of long-term liabilities	-	506,805	-	506,805
Derivative financial liabilities	28,153	-	847	29,000
Current portion of lease liabilities	-	381,393	-	381,393
Other financial liabilities:				
Other payables	-	99,096	-	99,096
Accrued expenses	-	12,682	-	12,682
Provision for financial guarantee liabilities	-	752	-	752
Deposit received	-	29,895	-	29,895
	<u>28,153</u>	<u>2,361,781</u>	<u>847</u>	<u>2,390,781</u>
Non-current liabilities:				
Borrowings and bonds	-	702,919	-	702,919
Derivative financial liabilities	-	-	1,459	1,459
Lease liabilities	-	542,463	-	542,463
Other financial liabilities:				
Deposits received	-	118,355	-	118,355
	-	<u>1,363,737</u>	<u>1,459</u>	<u>1,365,196</u>
	<u>₩ 28,153</u>	<u>₩ 3,725,518</u>	<u>₩ 2,306</u>	<u>₩ 3,755,977</u>
	2019			
	Measured at FVTPL	Measured at amortized cost	Designated as hedge item	Total
Current liabilities:				
Trade payables	₩ -	₩ 1,331,547	₩ -	₩ 1,331,547
Short-term borrowings	-	681,444	-	681,444
Current portion of long-term liabilities	-	475,101	-	475,101
Derivative financial liabilities	10,360	-	-	10,360
Current portion of lease liabilities	-	448,915	-	448,915
Other financial liabilities:				
Other payables	-	136,193	-	136,193
Accrued expenses	-	13,000	-	13,000
Provision for financial guarantee liabilities	-	1,111	-	1,111
Deposit received	-	24,424	-	24,424
	<u>10,360</u>	<u>3,111,735</u>	<u>-</u>	<u>3,122,095</u>
Non-current liabilities:				
Borrowings and bonds	-	1,219,387	-	1,219,387
Derivative financial liabilities	-	-	2,051	2,051
Lease liabilities	-	846,556	-	846,556
Other financial liabilities:				
Deposits received	-	157,624	-	157,624
	-	<u>2,223,567</u>	<u>2,051</u>	<u>2,225,618</u>
	<u>₩ 10,360</u>	<u>₩ 5,335,302</u>	<u>₩ 2,051</u>	<u>₩ 5,347,713</u>

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4. Financial instruments categories (cont'd)

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

	2020					
	Financial assets			Financial liabilities		
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Measured at FVTPL	Measured at amortized costs	Designated as hedge item
Interest income (expenses)	₩ -	₩ 6,354	₩ -	₩ -	₩ (63,223)	₩ -
Dividend income	5	-	60	-	-	-
Bad debt expenses	-	(5,223)	-	-	-	-
Gain (loss) on transactions of derivative instruments	84,301	-	283	(102,136)	-	(256)
Gain (loss) on foreign currency translation and transactions	-	(1,841)	-	-	18,449	-
Gain (loss) on valuation of financial assets at Fair value through OCI	-	-	15,257	-	-	-
Gain (loss) on disposal of financial assets	-	(4,255)	-	-	-	-
	<u>₩ 84,306</u>	<u>(4,965)</u>	<u>15,600</u>	<u>(102,136)</u>	<u>(44,774)</u>	<u>(256)</u>

	2019						
	Financial assets				Financial liabilities		
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Designated as hedge item	Measured at FVTPL	Measured at amortized costs	Designated as hedge item
Interest income (expenses)	₩ -	₩ 4,402	₩ -	₩ -	₩ -	₩ (63,819)	₩ -
Dividend income	10	-	60	-	-	-	-
Bad debt expenses	-	(95,546)	-	-	-	-	-
Gain (loss) on transactions of derivative instruments	87,731	-	-	181	(62,195)	-	(1,841)
Gain (loss) on foreign currency translation and transactions	-	4,389	-	-	-	(18,187)	-
Gain (loss) on valuation of financial assets at Fair value through OCI	3,978	-	3,431	-	-	-	-
Gain (loss) on disposal of financial assets	750	(9,169)	-	-	-	-	-
	<u>₩ 92,469</u>	<u>₩ (95,924)</u>	<u>₩ 3,491</u>	<u>₩ 181</u>	<u>₩ (62,195)</u>	<u>₩ (82,006)</u>	<u>₩ (1,841)</u>

Above gains or losses are inclusive of all the gains or losses on financial instruments that are recorded as either selling and administrative expenses, finance income (costs) or other comprehensive income (loss) (before tax effect).

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4. Financial instruments (cont'd)

4.1 Division by fair value hierarchy

Carrying amount and fair value of financial assets and liabilities as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	₩ 1,028,440	₩ 1,052,465	₩ 1,357,447	₩ 1,449,902
Borrowings	743,267	743,366	1,018,485	1,196,800

The fair value of bonds payable and borrowings was measured as the present value of the contractually determined stream of future cash flows discounted at the market interest rate (1.07%~3.01%) regarding residual market risks. As the book value of other financial assets and other financial liabilities are reasonable approximations to fair values, the fair values have not been disclosed.

The Company classifies the financial instruments measured at fair value in the separate statements of financial position into the following fair value hierarchy according to the input variables used in the fair value measurement.

	Useful life
Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair values of financial instruments by fair value hierarchy as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Fair value through profit or loss:				
Trade receivables	₩ -	₩ -	₩ 140,357	₩ 140,357
Long-term investment securities (debt instruments)			29,846	29,846
Long-term investment securities (equity instruments)	-	-	19,442	19,442
Derivative financial assets	-	1,245	-	1,245
Fair value through other comprehensive income:				
Long-term investment securities (equity instruments)	20,460	-	53,232	73,692
	₩ 20,460	₩ 1,245	₩ 242,877	₩ 264,582
Financial liabilities:				
Fair value through profit or loss:				
Derivative financial liabilities	₩ -	₩ 28,153	₩ -	₩ 28,153
Hedge accounting designated:				
Derivative financial liabilities	-	2,306	-	2,306
	₩ -	₩ 30,459	₩ -	₩ 30,459

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4.1 Division by fair value hierarchy (cont'd)

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Fair value through profit or loss:				
Trade receivables	₩ -	₩ -	₩ 191,701	₩ 191,701
Long-term investment securities (debt instruments)	-	-	22,689	22,689
Long-term investment securities (equity instruments)	-	-	16,935	16,935
Derivative financial assets	-	295	-	295
Fair value through other comprehensive income:				
Long-term investment securities (equity instruments)	4,128	-	30,094	34,222
Hedge accounting designated:				
Derivative financial assets	-	1,751	-	1,751
	<u>₩ 4,128</u>	<u>₩ 2,046</u>	<u>₩ 261,419</u>	<u>₩ 267,593</u>
Financial liabilities:				
Fair value through profit or loss:				
Derivative financial liabilities	₩ -	₩ 10,360	₩ -	₩ 10,360
Hedge accounting designated:				
Derivative financial liabilities	-	2,051	-	2,051
	<u>₩ -</u>	<u>₩ 12,411</u>	<u>₩ -</u>	<u>₩ 12,411</u>

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the years ended December 31, 2020 and 2019, there were no transfers between different levels of fair value measurement hierarchy.

Valuation techniques and input variables used in measuring fair value of financial instruments and fair value of financial instruments using fair value measurements that are classified as Level 2 or Level 3 at the end of the current and previous years are as follows.

4.1.1 Currency forwards and currency swaps

The fair value of currency swaps and currency swaps is measured principally based on the prevailing exchange rates announced by the market at the end of the period for the periods in which they are consistent with the remaining period of the currency swaps and currency swaps. If the forward exchange rate of the period consistent with the remaining period of the currency swaps and currency swaps is not disclosed in the market, the forward exchange rate is applied to the forward exchange rate for each period presented in the market, the Company measured the fair value of currency forward and currency swaps. The discount rate used to measure the fair value of the currency forward and currency swaps was determined using the yield curve derived from the interest rate announced by the market at the end of the period.

4.1.2 Interest rate swaps

Fair value of interest rate swap was measured, in principle, by the posted "interest rate of swap" of the period corresponding to the remaining maturity of the evaluation subject as of December 31, 2020. If the posted "interest rate of swap" of the period corresponding to the remaining maturity of the evaluation subject does not exist, the interest rate swap was measured by the estimated "interest rate of swap" of the period similar to the remaining maturity by the interpolation.

For the year ended December 31, 2020, there was no change in valuation techniques used for measuring the fair value of financial instruments classified as Level 2 and Level 3.

4.1.3 Debt securities

Fair value of debt securities was measured by future cash flows discounted at the market rate that reflects similar credit rating to debt issuer.

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4.1.4 Unlisted equity

The fair value of investments in non-listed companies was measured using the discounted cash flow model and certain assumptions which were not based on observable market prices or rates, such as for sales growth, pre-tax profit margin, and weighted average cost of capital, were used for estimating the future cash flow. The weighted average cost of capital for discounting the future cash flows was calculated applying the Capital Asset Pricing Model ("CAPM"). As the Company determined that the effect of the above mentioned assumptions and estimates for measuring the fair value of investments in non-listed companies was significant, the fair value measurement of investments in non-listed companies was classified as Level 3 in the fair value hierarchy.

There were no changes in the valuation techniques used to measure the fair value of financial instruments classified as level 2 and level 3 during the year ended December 31, 2020.

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

Accounts	Contractor	2020	2019	Description
Long-term financial instruments	Hana Bank and etc.	₩ 37	₩ 37	Collateral for bank overdraft
Short-term financial instruments	Hana Bank	4,515	4,511	Escrow account
Long-term investment securities	Industrial Bank of Korea	1,500	1,500	Charitable trust fund

5. Trade and other receivables

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

	2020			2019		
	Costs	Loss allowance	Carrying amount	Costs	Loss allowance	Carrying amount
Trade receivables (*)	₩ 659,967	₩ (109,443)	₩ 550,524	₩ 838,479	₩ (183,490)	₩ 654,989
Current portion of finance lease receivables	2,511	-	2,511	2,963	-	2,963
Other accounts receivable	50,125	(12,788)	37,337	57,860	(8,625)	49,235
Accrued income	1,312	(1,309)	3	1,309	(1,309)	-
Guarantee deposits	357	-	357	4,768	-	4,768
Long-term trade receivables	12,171	(12)	12,159	12,171	(12)	12,159
Finance lease receivables	26,431	-	26,431	28,518	-	28,518
Long-term loans	33,161	(33,161)	-	33,161	(33,161)	-
Long-term other accounts receivable	25,778	(25,778)	-	23,632	(23,632)	-
Long-term guarantee deposits	37,497	-	37,497	38,792	-	38,792
	<u>₩ 849,310</u>	<u>₩ (182,491)</u>	<u>₩ 666,819</u>	<u>₩ 1,041,653</u>	<u>₩ (250,229)</u>	<u>₩ 791,424</u>

(*) Where the Company retains all the risks and rewards of ownership of the factored financial assets, the Company continues to recognize the factored financial assets and financial liabilities for the consideration received. Trade accounts and notes receivable sold but not derecognized amounted to ₩140,357 million and ₩191,701 million as of December 31, 2020 and 2019, respectively.

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5. Trade and other receivables (cont'd)

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

	2020	2019
Beginning balance	₩ 250,229	₩ 224,618
Provisions	5,223	95,766
Transfers	3,098	-
Write-offs	(76,063)	(61,922)
Others (classified as held-for-sale, etc.)	4	(8,233)
Ending balance (*)	<u>₩ 182,491</u>	<u>₩ 250,229</u>

(*) Loss allowance on trade and other receivables are measured at expected credit losses for the entire period in accordance with KIFRS 1109, practical expedient method.

The aging analysis of trade receivables and other financial assets as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Within 90 days	91-180 days	Over 180 days		
Trade receivables	₩ 316,456	₩ 237,907	₩ 585	₩ 7,835	₩ 109,455	₩ 672,138
Other financial assets (*)	57,080	4,160	2,779	40,117	73,036	177,172
	<u>₩ 373,436</u>	<u>₩ 242,067</u>	<u>₩ 3,364</u>	<u>₩ 47,952</u>	<u>₩ 182,491</u>	<u>₩ 849,310</u>

(*) Other financial assets consists of finance lease receivables, loans, other accounts receivable and guarantee deposits

	2019					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Within 90 days	91-180 days	Over 180 days		
Trade receivables	₩ 449,879	₩ 189,636	₩ 1,476	₩ 26,157	₩ 183,502	₩ 850,650
Other financial assets (*)	89,882	1,755	384	32,255	66,727	191,003
	<u>₩ 539,761</u>	<u>₩ 191,391</u>	<u>₩ 1,860</u>	<u>₩ 58,412</u>	<u>₩ 250,229</u>	<u>₩ 1,041,653</u>

(*) Other financial assets consists of short-term loans, other accounts receivable, guarantee deposits, long-term loans, long-term other accounts receivable and long-term guarantee deposits.

6. Other current assets

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

	2020	2019
Advanced payments	₩ 35,609	₩ 36,328
Prepaid expenses	71,995	86,204
	<u>₩ 107,604</u>	<u>₩ 122,532</u>

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7. Inventories

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

	2020			2019		
	Costs	Valuation allowance	Carrying amount	Costs	Valuation allowance	Carrying amount
Raw materials	₩ 2,342	₩ -	₩ 2,342	₩ 2,741	₩ -	₩ 2,741
Finished goods	119	-	119	-	-	-
Merchandise	448,598	(29,627)	418,971	574,856	(22,039)	552,817
Goods-in-transit	18,076	-	18,076	21,555	-	21,555
	<u>₩ 469,135</u>	<u>₩ (29,627)</u>	<u>₩ 439,508</u>	<u>₩ 599,152</u>	<u>₩ (22,039)</u>	<u>₩ 577,113</u>

The Company recognized loss on valuation of inventories amounting to ₩7,558 million and ₩7,740 million in cost of sales in 2020 and 2019, respectively.

8. Investment securities

Investment securities as of December 31, 2020 and 2019 are as follows:

	2020			2019		
	Measured at FVTPL	Measured at FVOCI (*)	Total	Measured at FVTPL	Measured at FVOCI (*)	Total
Equity products:						
Marketable equity securities	₩ -	₩ 20,460	₩ 20,460	₩ -	₩ 4,128	₩ 4,128
Non-marketable equity securities	19,442	53,232	72,674	16,935	30,094	47,029
	<u>19,442</u>	<u>73,692</u>	<u>93,134</u>	<u>16,935</u>	<u>34,222</u>	<u>51,157</u>
Debt products:						
Capital investments	23,036	-	23,036	22,689	-	22,689
Debt securities	6,810	-	6,810	-	-	-
	<u>29,846</u>	<u>-</u>	<u>29,846</u>	<u>22,689</u>	<u>-</u>	<u>22,689</u>
	<u>₩ 49,288</u>	<u>₩ 73,692</u>	<u>₩ 122,980</u>	<u>₩ 39,624</u>	<u>₩ 34,222</u>	<u>₩ 73,846</u>

(*) The Company applied the irrevocable option designated as other comprehensive income-fair value measurement at the initial adoption date for equity instruments held for strategic investment, not for short-term trading.

Marketable equity securities as of December 31, 2020 and 2019 are summarized as follows (Korean won in millions):

	2020			2019	
	Ownership percentage	Acquisition costs	Fair value	Carrying amount	Carrying amount
Paradise Co. Ltd.	0.23%	₩ 2,402	₩ 3,198	₩ 3,198	₩ 4,128
Koramco Energy Plus REIT Co., Ltd.	7.45%	18,000	17,262	17,262	-
		<u>₩ 20,402</u>	<u>₩ 20,460</u>	<u>₩ 20,460</u>	<u>₩ 4,128</u>

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8. Investment securities (cont'd)

Non-marketable equity securities as of December 31, 2020 and 2019 are summarized as follows (Korean won in millions):

	Ownership percentage	2020		2019
		Costs	Carrying amount	Carrying amount
Mesh Korea Co. Ltd.	4.49%	10,000	14,978	14,978
SK Technology Innovation Company	7.13%	12,356	6,671	6,671
Paradise Hotel Busan	9.86%	5,724	8,966	8,966
Kurly Co. Ltd. (formerly, The farmers Inc.) (*)	3.71%	15,166	32,090	8,130
Parkingcloud Corp.	2.98%	3,000	3,000	3,000
SK Mutual Fund	2.30%	1,500	1,500	1,500
Korea Economic Daily	1.03%	2,027	1,010	1,010
Koreai Platform Co., Ltd.	3.18%	1,000	1,000	1,000
Company K partners	2.36%	2,520	2,520	-
Others	-	11,214	939	1,774
		<u>₩ 64,507</u>	<u>₩ 72,674</u>	<u>₩ 47,029</u>

(*) Includes preferred stocks that can exercise voting rights in the same way as ordinary shares.

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

	2020	2019
Beginning balance	₩ 73,846	₩ 68,667
Acquisition	39,713	780
Disposals	(5,836)	(3,008)
Valuation (profit or loss)	-	3,976
Valuation (other comprehensive income or loss)	15,257	3,431
Ending balance	<u>₩ 122,980</u>	<u>₩ 73,846</u>

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9. Investments in subsidiaries, associates and joint ventures

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

	Location	Principal business activity	2020			2019
			Equity ownership	Acquisition costs	Carrying amount	Carrying amount
SK Networks Service Co., Ltd.	Korea	Communication equipment	86.50%	₩ 22,918	₩ 19,316	₩ 19,316
		Household appliances manufacturing				
SK Magic Co., Ltd.	Korea	sales and rent	100.00%	610,000	610,000	610,000
SK Pink Co., Ltd. (*1)	Korea	Operation of golf course	-	-	-	176,371
Mokgam Service Co., Ltd. (*1)	Korea	Real estate leasing service	-	-	-	610
SK Rent A Car Co., Ltd.	Korea	Car rental	72.95%	558,309	558,309	458,309
SKN (China) Holdings Co., Ltd. (*2)	China	Holding company	100.00%	148,584	-	-
Shenyang SK Networks Energy Co., Ltd. (*2)	China	Wholesale and retail of oil	50.00%	3,073	-	-
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel manufacturing	80.00%	7,218	7,218	7,218
SK (GZ FreeZone) Co., Ltd. (*1)	China	Trading	-	-	-	45
SK Networks (Shanghai) Co., Ltd.	China	Trading	100.00%	41,686	23,000	23,000
SK Networks Hong Kong Ltd.	Hong Kong	Trading	100.00%	42,299	40,317	40,317
SK Networks Japan Co., Ltd.	Japan	Trading	100.00%	1,902	1,902	1,902
SK Networks Deutschland GmbH	Germany	Trading	100.00%	2,052	2,052	2,052
SK Networks Resources Australia Pty. Ltd. (*1)	Australia	Overseas resources development	-	-	-	-
SK Networks Resources Australia (Wyong) Pty Ltd. (*2)	Australia	Overseas resources development	100.00%	14,633	-	-
SK Networks Resources Crude petroleum Australia Pty. Ltd. (*2)	Australia	Overseas resources development	100.00%	4,224	-	-
SK Networks Middle East FZE	UAE	Trading	100.00%	308	308	308
SK Networks Trading Malaysia Sdn Bhd	Malaysia	Trading	100.00%	389	389	389
SK Brazil LTDA	Brazil	Trading	56.00%	4,378	387	387
Daiyang SK Networks SAN. VE TIC, Ltd. STI (*5)	Turkey	Steel manufacturing	-	-	-	-
SK Networks America Inc.	USA	Trading	100.00%	4,298	4,298	4,298
SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA.	Brazil	Trading	100.00%	1,120	1,120	1,120
Networks Tejarat Pars	Iran	Trading	100.00%	297	297	297
MINTIT Co., Ltd. (*3)	Korea	Manufacturing and sales	76.00%	9,400	9,400	-
MINTIT VINA (*4)	Vietnam	Manufacturing and sales	100.00%	2,748	2,748	-
TenX Capital (*4)	USA	Investment company	100.00%	1,397	1,397	-
				₩ 1,481,233	₩ 1,282,458	₩ 1,345,939

(*1) The Company sold the entire shares during the year ended December 31, 2020.

(*2) The investment in subsidiaries are classified as non-current assets held for sale as the management decided to sell them prior to 2019.

(*3) Transferred from investments in associates to investments in subsidiaries as the Company acquired control by acquiring additional shares.

(*4) Newly acquired during the year ended December 31, 2020.

(*5) Liquidated during the year ended December 31, 2020.

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9. Investments in subsidiaries, associates and joint ventures (cont'd)

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

	Location	Principal business activity	Equity ownership	2020		2019	
				Acquisition costs	Carrying amount	Carrying amount	Carrying amount
Associates:							
SK MENA Investment BV	Netherlands	Investment company	21.79%	₩ 9,780	₩ 9,780	₩ 9,780	₩ 9,780
SK Latin America investment S.A.	Spain	Investment company	21.79%	9,685	9,685	9,685	9,685
MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.) (*1)	Korea	Manufacturing and sales	-	-	-	4,000	4,000
				<u>₩ 19,465</u>	<u>₩ 19,465</u>	<u>₩ 19,465</u>	<u>₩ 23,465</u>

(*1) Transferred to investments in subsidiaries as the Company acquired control by acquiring additional shares.

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10. Property, plant and equipment

The acquisition costs and net carrying amount of property, plant and equipment as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			2019		
	Acquisition costs	Accumulated depreciation	Carrying amount	Acquisition costs	Accumulated depreciation	Carrying amount
Land	₩ 586,691	₩ -	₩ 586,691	₩ 695,862	₩ -	₩ 695,862
Buildings	459,198	(185,767)	273,431	501,478	(190,272)	311,206
Structures	33,853	(21,856)	11,997	36,754	(20,635)	16,119
Storage tanks	758	(248)	510	461	(72)	389
Machinery and equipment	45,042	(36,763)	8,279	47,504	(37,160)	10,344
Vehicles	1,959	(1,585)	374	2,304	(1,650)	654
Rental property	201,511	(91,842)	109,669	450,754	(180,372)	270,382
Furniture and fixtures	147,296	(107,606)	39,690	139,018	(99,357)	39,661
Others	128,224	(54,744)	73,480	124,386	(41,501)	82,885
Construction-in-progress	50,015	-	50,015	13,076	-	13,076
	<u>₩ 1,654,547</u>	<u>₩ (500,411)</u>	<u>₩ 1,154,136</u>	<u>₩ 2,011,597</u>	<u>₩ (571,019)</u>	<u>₩ 1,440,578</u>

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

	2020								
	Beginning balance	Business Combination (*1)	Acquisitions	Disposals	Depreciations	Transfer (*2)	Impairment	Others (*3)	Ending balance
Land	₩ 695,862	₩ -	₩ -	₩ (7,935)	₩ -	₩ 69,421	₩ -	₩ (170,657)	₩ 586,691
Buildings	311,206	-	-	(2,726)	(12,481)	(7,394)	-	(15,174)	273,431
Structures	16,119	-	-	(1,514)	(1,431)	(1,132)	-	(45)	11,997
Storage tanks	389	-	107	(54)	(30)	101	-	(3)	510
Machinery and equipment	10,344	-	909	(1,587)	(3,235)	1,164	-	684	8,279
Vehicles	654	-	134	(142)	(272)	-	-	-	374
Rental property	270,382	-	3,646	-	(45,318)	-	-	(119,041)	109,669
Furniture and fixtures	39,661	5	17,093	(2,807)	(15,601)	708	-	631	39,690
Others	82,885	-	5,036	(739)	(14,296)	-	(3,270)	3,864	73,480
Construction-in-progress	13,076	-	54,206	-	-	-	(4,520)	(12,747)	50,015
	<u>₩ 1,440,578</u>	<u>₩ 5</u>	<u>₩ 81,131</u>	<u>₩ (17,504)</u>	<u>₩ (92,664)</u>	<u>₩ 62,868</u>	<u>₩ (7,790)</u>	<u>₩ (312,488)</u>	<u>₩ 1,154,136</u>

(*1) Recognized due to the acquisition of used phone business unit from SK Telink (See Note 32).

(*2) Transfers to non-current assets held for sale and transfers from non-current assets held for sale related to petroleum business during 2020 are included.

(*3) Others include transfers to intangible asset, inventories, and investment properties, etc.

	2019							
	Beginning balance	Acquisitions	Disposals	Depreciations	Business division sold (*1)	Transfer to held-for-sale (*2)	Others (*3)	Ending balance
Land	₩ 1,719,600	₩ 1,097	₩ (32,549)	₩ -	₩ (14,626)	₩ (1,019,651)	₩ 41,991	₩ 695,862
Buildings	397,852	588	(4,306)	(15,873)	(5,365)	(68,812)	7,122	311,206
Structures	72,978	2,709	(2,692)	(3,870)	(307)	(52,723)	24	16,119
Storage tanks	4,203	26	(113)	(402)	-	(3,374)	49	389
Machinery and equipment	27,299	6,628	(196)	(7,544)	(403)	(14,650)	(790)	10,344
Vehicles	513	445	(24)	(245)	(34)	(1)	-	654
Rental property	433,363	68,224	-	(87,117)	(54,558)	-	(89,530)	270,382
Furniture and fixtures	47,306	12,614	(394)	(17,429)	(3,400)	(2,197)	3,161	39,661
Others	93,380	451	(131)	(13,715)	-	(20)	2,920	82,885
Construction-in-progress	12,828	67,374	-	-	(3,126)	(2,034)	(61,966)	13,076
	<u>₩ 2,809,322</u>	<u>₩ 160,156</u>	<u>₩ (40,405)</u>	<u>₩ (146,195)</u>	<u>₩ (81,819)</u>	<u>₩ (1,163,462)</u>	<u>₩ (97,019)</u>	<u>₩ 1,440,578</u>

(*1) Decreased due to part of the rental car business division were sold to SK Rent A Car Co., Ltd.

(*2) As the transfer of the MOST business division was decided for the year ended December 31, 2019, it was transferred to non-current assets held for sale.

(*3) Others transferred to intangible asset, and to inventories, etc.

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10. Property, plant and equipment (cont'd)

In addition to the impairment of individual assets during the current year, there was indication of impairment for the hotel division due to the impact of COVID-19. Some cash-generating units were impaired as a result of impairment testing. The main assumptions used in calculating recoverable amount reflect management's evaluation of future trends, which were determined taking into account external and internal information (past historical information). The main assumptions used in the impairment testing are summarized as follows (Korean won in millions):

	Amount	Permanent growth ratio	Discount rate (*1)
Value in use	17,078	0%	9.35%

(*1) Estimated based on weighted average cost of capital.

As a result of the impairment testing, ₩3,270 million of carrying amount exceeds recoverable value was recognized as an impairment loss on property, plant and equipment.

The capitalized borrowing costs are ₩0 for the year ended December 31, 2020 (2019: ₩114 million).

11. Intangible assets

The acquisition costs and net carrying amount of intangible assets as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			2019		
	Acquisition costs	Accumulated amortization	Carrying amount	Acquisition costs	Accumulated amortization	Carrying amount
Development cost	₩ 91,740	₩ (74,119)	₩ 17,621	₩ 65,797	₩ (51,612)	₩ 14,185
Industrial property rights	316	(238)	78	315	(209)	106
Memberships	13,596	(17)	13,579	15,257	(17)	15,240
Others	11,302	(10,794)	508	11,040	(10,642)	398
	<u>₩ 116,954</u>	<u>₩ (85,168)</u>	<u>₩ 31,786</u>	<u>₩ 92,409</u>	<u>₩ (62,480)</u>	<u>₩ 29,929</u>

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11. Intangible assets (cont'd)

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

	2020							
	Beginning balance	Business Combination (*1)	Acquisitions	Disposals	Amortization	Transfer	Others (*2)	Ending balance
Development cost	₩ 14,185	₩ 1,164	₩ 536	₩ -	₩ (5,705)	₩ (17)	₩ 7,458	₩ 17,621
Industrial property rights	106	-	-	-	(28)	-	-	78
Memberships	15,240	-	2,044	(3,705)	-	-	-	13,579
Others	398	-	262	-	(152)	-	-	508
	<u>₩ 29,929</u>	<u>₩ 1,164</u>	<u>₩ 2,842</u>	<u>₩ (3,705)</u>	<u>₩ (5,885)</u>	<u>₩ (17)</u>	<u>₩ 7,458</u>	<u>₩ 31,786</u>

(*1) Recognized due to the acquisition of used phone business unit from SK Telink (See Note 32).

(*2) Others are transfers from construction-in-progress.

	2019								
	Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Business divisions sold (*1)	Transfer (*2)	Others (*3)	Ending balance
Development cost	₩ 18,879	₩ 102	₩ -	₩ (6,382)	₩ -	₩ (3,615)	₩ (2,296)	₩ 7,497	₩ 14,185
Industrial property rights	135	-	-	(29)	-	-	-	-	106
Memberships	16,552	1,385	(2,271)	-	(426)	-	-	-	15,240
Others	313	230	-	(136)	-	-	-	(9)	398
	<u>₩ 35,879</u>	<u>₩ 1,717</u>	<u>₩ (2,271)</u>	<u>₩ (6,547)</u>	<u>₩ (426)</u>	<u>₩ (3,615)</u>	<u>₩ (2,296)</u>	<u>₩ 7,488</u>	<u>₩ 29,929</u>

(*1) Decreased due to part of the rental car business divisions were sold to SK Rent A Car Co., Ltd. (formerly, AJ Rent-a-car Co., Ltd.)

(*2) As the transfer of the MOST business division was decided for the year ended December 31, 2019, it was transferred to non-current asset held for sale.

(*3) Others are transferred amount from property, plant and equipment.

12. Investment properties

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

	2020			
	Beginning balance	Depreciation	Transfer (*1)	Ending balance
Land	₩ 70,093	₩ -	₩ 167,427	₩ 237,520
Buildings	3,901	(252)	15,096	18,745
	<u>₩ 73,994</u>	<u>₩ (252)</u>	<u>₩ 182,523</u>	<u>₩ 256,265</u>

(*) Transferred from property, plant and equipment.

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12. Investment properties (cont'd)

	2019			
	Beginning balance	Depreciation	Transfer (*1)	Ending balance
Land	₩ 74,895	₩ -	₩ (4,802)	₩ 70,093
Buildings	4,004	(87)	(16)	3,901
	<u>₩ 78,899</u>	<u>₩ (87)</u>	<u>₩ (4,818)</u>	<u>₩ 73,994</u>

(*) As the transfer of the MOST business division was decided for the year ended December 31, 2019, it was transferred to non-current asset held for sale.

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

	2020	2019
Rental income	₩ 1,825	₩ 418
Depreciation	(252)	(87)
	<u>₩ 1,573</u>	<u>₩ 331</u>

The fair value of investment property as of December 31, 2020 is ₩ 282,778 million.

13. Right-of-use assets and lease liabilities

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

	2020			2019		
	Acquisition costs	Depreciation	Book value	Acquisition costs	Depreciation	Book value
Real estates	₩ 105,257	₩ (50,707)	₩ 54,550	₩ 61,886	₩ (27,166)	₩ 34,720
Vehicles	1,205,711	(394,712)	810,999	1,517,520	(315,100)	1,202,420
	<u>₩ 1,310,968</u>	<u>₩ (445,419)</u>	<u>₩ 865,549</u>	<u>₩ 1,579,406</u>	<u>₩ (342,266)</u>	<u>₩ 1,237,140</u>

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

	2020					
	Beginning balance	Acquisition	Depreciation	Transfers (*1)	Others (*2)	Ending balance
Real estates	₩ 34,720	₩ 35,007	₩ (15,692)	₩ 1,249	₩ (734)	₩ 54,550
Vehicles	1,202,420	9,965	(204,788)	-	(196,598)	810,999
	<u>₩ 1,237,140</u>	<u>₩ 44,972</u>	<u>₩ (220,480)</u>	<u>₩ 1,249</u>	<u>₩ (197,332)</u>	<u>₩ 865,549</u>

(*1) Right-of-use assets for assets transferred from non-current asset held for sale in relation to petroleum business are included.

(*2) Includes early termination and, etc.

	2019						
	Beginning balance	Change in accounting policy	Acquisition	Depreciation	Transfer (*1)	Others (*2)	Ending balance
Real estates	₩ -	₩ 64,468	₩ 27,444	₩ (31,984)	₩ (22,856)	₩ (2,352)	₩ 34,720
Vehicles	-	1,172,748	569,552	(249,995)	-	(289,885)	1,202,420
	<u>₩ -</u>	<u>₩ 1,237,216</u>	<u>₩ 596,996</u>	<u>₩ (281,979)</u>	<u>₩ (22,856)</u>	<u>₩ (292,237)</u>	<u>₩ 1,237,140</u>

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

(*1) As the transfer of the MOST business division was decided for the year ended December 31, 2019, it was transferred to non-current asset held for sale.

(*2) Includes offset with lease liabilities due to termination during the lease term.

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

	2020	2019
Beginning balance	₩ 1,295,471	₩ -
Effect of change in accounting policy	-	1,292,762
Increase	50,686	586,901
Interest expense	35,990	47,263
Repayment	(262,975)	(318,050)
Transfer (*1)	1,059	(21,168)
Others (*2)	(196,375)	(292,237)
Ending balance	₩ 923,856	₩ 1,295,471

(*1) Lease liabilities transferred from liabilities held for sale in relation to petroleum business are included.

(*2) Includes offset with right-of-use assets due to termination during the lease terms and, etc.

For the year ended December 31, 2020, the Company recognized ₩2,278 million, ₩722 million, and ₩511 million of leases payments of short-term leases, lease payment of leases of low-value assets and variable lease payments as cost of sales and selling and administrative costs, respectively. The total cash outflows from leases amounts to ₩266,486 million while income from sublease amounts to ₩328,363 million.

In relation to the Company's sub-leases, the expected future lease revenues as of December 31, 2020 are as follows (Korean won in millions):

	Amount
Due within a year	₩ 305,513
With in 1 ~ 2 years	180,029
With in 2 ~ 3 years	65,271
Due after three years	3,614
	₩ 554,427

Gross investment in the lease and Net investment in the lease as of Dec. 31. 2020 are as follows (Korean won in millions):

	Gross investments in the leases	Net investments in the leases
Due within a year	₩ 2,560	₩ 2,511
With in 1 ~ 2 years	3,730	3,562
With in 2 ~ 3 years	3,842	3,558
With in 3 ~ 4 years	3,958	3,555
With in 4 ~ 5 years	4,036	3,518
Due after five years	15,075	12,238
	₩ 33,201	₩ 28,942

Details of unrealized interest income of finance lease contracts as of December 31, 2020 are as follows. (Korean won in millions):

	Amount
Gross investment in the lease	₩ 33,201
Net investment in the lease	28,942
Unearned finance income	4,259

The amount of recognized interest income related to net investment in the lease in 2020 is ₩924 million.

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14. Other non-current assets

Other non-current assets as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Long-term advance payments	₩	29,666	₩	66,434
Other investment assets		9,486		2,754
	₩	<u>39,152</u>	₩	<u>69,188</u>

15. Borrowings and bonds

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

	2020		2019	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 561,983	₩ -	₩ 681,444	₩ -
Bonds and long-term borrowings:				
Bonds	389,313	639,127	329,008	1,028,440
Long-term borrowings	117,492	63,792	146,093	190,947
	<u>506,805</u>	<u>702,919</u>	<u>475,101</u>	<u>1,219,387</u>
	₩ <u>1,068,788</u>	₩ <u>702,919</u>	₩ <u>1,156,545</u>	₩ <u>1,219,387</u>

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

Portion	Yearly interest rate (%)	2020		2019	
Banker's usance	Libor + 0.3, etc.	₩	421,626	₩	489,743
Discounts of notes receivable	Libor + 0.7, etc.		140,357		191,701
		₩	<u>561,983</u>	₩	<u>681,444</u>

Long-term Borrowings (including current portion) as of December 31, 2020 and 2019 are summarized as follows (Korean won in millions):

Portion	Yearly interest rate (%)	2020		2019	
General borrowings	1.02 ~ 2.88	₩	56,284	₩	103,707
Borrowings for facility investment	2.64 ~ 2.75		125,000		233,333
			<u>181,284</u>		<u>337,040</u>
Less: current portion of borrowings			<u>(117,492)</u>		<u>(146,093)</u>
		₩	<u>63,792</u>	₩	<u>190,947</u>

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15. Borrowings and bonds payable (cont'd)

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

Issuance number	Issue date	Maturity date	Yearly interest rate	2020	2019
176-2nd	4/30/2013	4/30/2020	-	₩ -	₩ 200,000
177th	12/16/2013	12/16/2020	-	-	50,000
178-3rd	10/30/2014	10/30/2021	3.04%	150,000	150,000
179-2nd	4/29/2015	4/29/2020	-	-	80,000
179-3rd	4/29/2015	4/29/2022	2.67%	100,000	100,000
180-2nd	4/20/2016	4/20/2021	2.22%	80,000	80,000
181-1st	4/18/2018	4/18/2021	2.61%	160,000	160,000
181-2nd	4/18/2018	4/18/2023	2.93%	140,000	140,000
182-1st	4/19/2019	4/19/2022	1.95%	90,000	90,000
182-2nd	4/19/2019	4/19/2024	2.09%	200,000	200,000
182-3rd	4/19/2019	4/19/2026	2.28%	110,000	110,000
				<u>1,030,000</u>	<u>1,360,000</u>
Less: present value discount				(1,560)	(2,552)
Less: current portion				<u>(389,313)</u>	<u>(329,008)</u>
				<u>₩ 639,127</u>	<u>₩ 1,028,440</u>

16. Other current liabilities

Other current liabilities as of December 31, 2020 and 2019 are summarized as follows (Korean won in millions):

	2020	2019
Advances received	₩ 20,961	₩ 25,491
Unearned revenue	253	896
Withholdings	8,018	7,443
VAT withheld	52,199	18,819
Current portion of contract liabilities	20,377	16,132
	<u>₩ 101,808</u>	<u>₩ 68,781</u>

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17. Derivative instruments

Derivative instruments held for sale or hedge as of December 31, 2020 are summarized as follows:

Purpose	Hedging item	Contract description
For trading	Foreign currency forwards	A foreign currency contract to buy or sell a foreign currency at a fixed rate for delivery on a specified future date or period.
Cash flow hedges	Interest rate swap	Contracts to avoid cash flow risk on variable interest rate borrowings

Details of derivative financial instruments as of December 31, 2020 and 2019 are as follows (Foreign currencies in thousands, Korean won in millions):

2020								
Hedging item	Number of contracts	Contract date	Maturity date	Contract exchange rate / interest rate	Buy		Sell	
					Currency	Amount	Currency	Amount
Foreign currency forwards	29	2020-10-16	2021-01-05	6.5211 ~ 6.7802	CNY	50,649	USD	7,642
		etc	etc	6.6724 ~ 6.7690				
	3	2020-10-06	2021-01-15	6.6724 ~ 6.7690	USD	103	CNY	694
		etc	etc					
	42	2020-09-07	2021-01-11	1.1062 ~ 1.14	EUR	24,901	USD	29,720
		etc	etc					
	43	2020-10-19	2021-01-15	1.1324 ~ 1.2345	USD	180,368	EUR	149,609
		etc	etc					
	1	2020-11-10	2021-01-29	103.58	JPY	12,030	USD	116
		etc	etc					
	3	2020-10-22	2021-01-29	103.97 ~ 104.64	USD	275	JPY	28,720
		etc	etc					
	4	2020-12-09	2021-01-29	0.7453 ~ 0.7616	AUD	537	USD	407
		etc	etc					
4	2020-09-10	2021-01-29	0.7039 ~ 0.7319	USD	409	AUD	569	
	etc	etc						
3	2020-10-28	etc	1.3045 ~ 1.3574	GBP	484	USD	634	
			1.3219 ~ 1.3361					
2	2020-11-12	2021-01-29	1.3361	USD	573	GBP	431	
			7.7496					
1	2020-12-28	2021-01-04	7.7496	HKD	1,582	USD	204	
			1,085.25 ~ 1,203.6					
Interest rate swap	42	2020-10-16	2021-01-11	1,085.25 ~ 1,203.6	USD	430,900	KRW	492,043
		etc	etc	2.875%				
	1	2018-10-26	2021-01-26	2.875%	KRW	30,000	KRW	30,000
		etc	etc					
	1	2018-10-30	2021-11-01	2.875%	KRW	20,000	KRW	20,000
		etc	etc					
	1	2017-03-29	2021-10-04	2.640%	KRW	100,000	KRW	100,000
		etc	etc					
	1	2019-01-02	2023-07-03	2.750%	KRW	100,000	KRW	100,000
		etc	etc					

2019								
Hedging item	Number of contracts	Contract date	Maturity date	Contract exchange rate / interest rate	Buy		Sell	
					Currency	Amount	Currency	Amount
Foreign currency forwards	13	2019-09-27	2020-02-28	6.9748 ~ 7.142	CNY	9,738	USD	1,393
		etc	etc	7.0085 ~ 7.1434				
	8	2019-09-24	2020-02-28	7.0085 ~ 7.1434	USD	626	CNY	4,429
		etc	etc					
	52	2019-10-24	2020-04-17	1.1062 ~ 1.14	EUR	27,143	USD	30,431
		etc	etc					
	67	2019-09-10	2020-09-14	1.1029 ~ 1.1325	USD	100,716	EUR	89,951
		etc	etc					
	2	2019-12-16	2020-01-31	108.87 ~ 108.09	JPY	21,278	USD	195
		etc	etc					
	12	2019-10-10	2020-01-31	106.81 ~ 108.76	USD	1,515	JPY	164,032
		etc	etc					
	2	2019-11-28	2020-01-31	0.6783 ~ 0.6792	AUD	304	USD	206
		etc	etc					
2	2019-10-04	2020-01-31	0.6775 ~ 0.6804	USD	396	AUD	584	
	etc	etc						
1	2019-12-13	2020-01-31	1.3489	GBP	92	USD	124	
	etc	etc						
1	2019-11-12	2020-01-31	1.2881	USD	62	GBP	48	
	etc	etc						
37	2019-06-27	2020-01-02	1150.3 ~ 1214.9	USD	380,000	KRW	448,416	
	etc	etc						
Currency swap	1	2017-11-30	2020-11-30	1,090/3.08%	USD	30,000	KRW	32,700
Interest rate swap	1	2018-10-26	2020-10-26	2.875%	KRW	30,000	KRW	30,000
	1	2018-10-30	2020-11-01	2.875%	KRW	20,000	KRW	20,000
	1	2016-05-03	2020-11-09	2.320%	KRW	200,000	KRW	200,000
	1	2017-03-29	2021-10-04	2.640%	KRW	100,000	KRW	100,000
	1	2019-01-02	2023-07-03	2.750%	KRW	100,000	KRW	100,000

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17. Derivative instruments (cont'd)

Details of gain and loss on valuation of derivatives (before tax effect) for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

Hedging item	Gain or Loss	Gain (loss) on valuation		In the separate statements of comprehensive income
		2020	2019	
Foreign currency forwards	Gain	₩ 1,245	₩ 295	Profit or loss
	Loss	(28,153)	(10,360)	
Currency swap	Gain	-	1,191	Profit or loss
				Other comprehensive income (loss)
Currency swap	Gain	283	181	Other comprehensive income (loss)
				Other comprehensive income (loss)
Interest rate swap	Loss	(256)	(1,841)	Other comprehensive income (loss)

The ineffectiveness of hedge accounting can arise from:

- Difference in the cash flow of the hedged item and the hedging instrument
- The various indices (and hence the other curves) associated with the risk averse item and the risk of the hedging instrument;
- The credit risk of the counterparty has a different effect from the hedging instrument and the change in the fair value of the hedged item
- Changes in the expected cash flow amounts of the hedged items and the hedging instrument

Changes in the future cash flows of the Company and its hedging instruments and targets as of December 31, 2020 are as follows (Korean won in millions):

	2020					
	Less than 3 months	3~6 months	6~9 months	9~12 months	More than 1 year	Total
Interest rate swap:						
The nominal amount of won	₩ 1,212	₩ 1,070	₩ 982	₩ 842	₩ 1,600	₩ 5,706
Average commitment interest rate	2.79%	2.79%	2.79%	2.79%	2.79%	

The effect of hedging instruments on the separate statement of financial position as of December 31, 2020 is as follows (Korean won in millions):

	2020		
	Contractual nominal value	Derivative financial assets	Used for ineffectiveness measurement of changes in fair value
Interest rate swap	₩ 5,706	₩ (2,306)	₩ (256)

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17. Derivative instruments (cont'd)

The effects of the hedged items on the separate statement of financial position as of December 31, 2020 are as follows (Korean won in millions):

	Changes in fair value used for ineffectiveness measurement		Cash flow hedge	
	₩		₩	
Long-term borrowings		(256)		(256)

The effect of cash flow hedge on the separate statement of comprehensive income for the year ended December 31, 2020 is as follows (Korean won in millions):

	Other comprehensive income	Ineffective part	Reclassified as profit and loss	Account subject
				Loss and gain on transaction of derivatives
Currency swap and interest swap	₩ (256)	₩ -	₩ 283	

18. Net defined benefit liabilities

Net defined benefit liabilities as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Net defined benefit liabilities:				
Present value of defined benefit obligations	₩	88,291	₩	89,789
Fair value of plan assets (*)		(95,458)		(90,218)
	₩	(7,167)	₩	(429)

(*) Net defined benefit assets are classified as other non-current assets.

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

	2020		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 89,789	₩ (90,218)	₩ (429)
Retirement benefits:			
Current service costs	11,397	-	11,397
Net interest expenses (income)	2,250	(1,830)	420
	13,647	(1,830)	11,817
Remeasurements:			
Return on plan assets (excluding amounts included in interest expense)	-	531	531
Changes in demographic assumptions	(811)	-	(811)
Changes in financial assumptions	(4,982)	-	(4,982)
Experience adjustments	(1,899)	-	(1,899)
	(7,692)	531	(7,161)
Contributions by employer directly to plan assets	-	(26,400)	(26,400)
Benefits paid	(11,899)	20,787	8,888
Transfer of affiliates	715	(715)	-
Others	3,731	2,387	6,118
Ending balance	₩ 88,291	₩ (95,458)	₩ (7,167)

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18. Net defined benefit liabilities (cont'd)

	2019		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 93,741	₩ (90,564)	₩ 3,177
Retirement benefits:			
Current service costs	12,679	-	12,679
Net interest expenses (income)	2,680	(2,311)	369
	<u>15,359</u>	<u>(2,311)</u>	<u>13,048</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest expense)	-	890	890
Changes in demographic assumptions	3	-	3
Changes in financial assumptions	2,924	-	2,924
Experience adjustments	62	-	62
	<u>2,989</u>	<u>890</u>	<u>3,879</u>
	-	(10,323)	(10,323)
Contributions by employer directly to plan assets	(13,378)	9,287	(4,091)
Benefits paid	921	(921)	-
Transfer of affiliates (*1)	(6,112)	-	(6,112)
Others (*2)	(3,731)	3,724	(7)
Ending balance	<u>₩ 89,789</u>	<u>₩ (90,218)</u>	<u>₩ (429)</u>

(*1) Decreased due to part of the rental car business division were sold to SK Rent A Car Co., Ltd. (formerly, AJ Rent-a-car Co., Ltd.)

(*2) As the transfer of the MOST business division was decided for the year ended December 31, 2019, it was transferred to non-current asset held for sale.

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

	2020	2019
Deposits and others	₩ 95,458	₩ 90,218

Principal actuarial assumptions as of December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rates	2.48% ~ 2.84%	2.17% ~ 2.61%
Future salary increasing rates	2.50% ~ 3.65%	2.60% ~ 4.97%

Sensitive analysis of principal actuarial assumption as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		
	Effect on defined benefit obligations		
	Sensitivity	Increase	Decrease
Discount rates	0.50% point	₩ (3,001)	₩ 3,204
Future salary increasing rates	0.50% point	3,185	(3,012)
	2019		
	Effect on defined benefit obligations		
	Sensitivity	Increase	Decrease
Discount rates	0.50% point	₩ (3,124)	₩ 3,329
Future salary increasing rates	0.50% point	3,340	(3,162)

As of December 31, 2020, ₩1,069 million of long-term employee benefit liabilities (2019: ₩1,306 million) is classified as other non-current liabilities in the separate statement of financial position.

SK Networks Co., Ltd.
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19. Provisions

For products sold, the Company estimates the best approximation of future loss of economic benefits that will arise during the warranty period based on the past experience and records the amount as provision for product warranty. The Company also records the best estimates of payment required to settle the obligation resulting from legal disputes, for which an unfavorable outcome is probable, as other provisions.

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

		2020								
		Beginning balance	Increase	Utilized	Reversal	Transfer	Ending balance	Current	Non-current	
Provision for product warranty	₩	47	₩ -	₩ -	₩ -	₩ -	₩ 47	₩ 47	₩ -	
Others		2,323	6,278	(856)	(6,753)	1,526	2,518	1,649	869	
	₩	2,370	₩ 6,278	₩ (856)	₩ (6,753)	₩ 1,526	₩ 2,565	₩ 1,696	₩ 869	

		2019								
		Beginning balance	Change in accounting policy (*)	Increase	Utilized	Reversal	Transfer	Ending balance	Current	Non-current
Provision for product warranty	₩	47	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 47	₩ 47	₩ -
Others		13,403	(6,692)	239	(1,570)	(1,533)	(1,524)	2,323	1,500	823
	₩	13,450	₩ (6,692)	₩ 239	₩ (1,570)	₩ (1,533)	₩ (1,524)	₩ 2,370	₩ 1,547	₩ 823

(*) Decreased due to the initial adoption of KIFRS 1116.

20. Other non-current liabilities

The details of other non-current liabilities for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Advance from customers	₩	3,931	₩	9,430
Other long-term employee liabilities		1,069		1,306
	₩	5,000	₩	10,736

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21. Commitments and contingencies

Agreements between financial institutes and the entity as of December 31, 2020 are as follows (Korean won in millions and foreign currency in thousands):

Provider	Description	Currency	Agreement limit
Hana Bank	KRW Limit loan etc	KRW	215,000
	Foreign currency comprehensive credit line etc	USD	262,500
NH Bank	KRW Limit loan etc	KRW	5,000
	Foreign currency loan	USD	50,000
Standard Chartered Bank Korea Limited	KRW Limit loan etc	KRW	30,000
Shinhan Bank	KRW Limit loan etc	KRW	40,000
	Guarantee of payment	USD	200,000
Kookmin Bank	Trade finance KRW limit loan	KRW	80,000
	Comprehensive foreign currency loan	USD	240,000
Woori Bank	Trade finance limit loan etc	USD	130,000
Industrial and Commercial Bank of China Limited.	KRW Limit loan	KRW	30,000
Bank of Communications	KRW Limit loan	KRW	30,000
China Construction Bank	KRW Limit loan	USD	50,000
Bank of china	Comprehensive trade finance limit	USD	35,000
Industrial Bank of Korea	IBK Comprehensive Export-Import Finance	USD	100,000
	Foreign currency purchase, Usance	USD	60,000
Societe Generale	Purchase of export draft	USD	20,000
DGB Daegu Bank	Foreign Exchange Limit Registration	USD	20,000
	Foreign currency due date	USD	180,000
Korea Development Bank	domestic credit	USD	180,000
Korea Eximbank	Export factoring	EUR	35,000
Suhyup Bank	Foreign currency limits	USD	20,000
Deutsche Bank	Sale of export bonds	USD	100,000

The notes and checks as collateral for borrowings and commitments as of December 31, 2020 are as follows:

	Providers	Quantity	Description
Notes	UBAF Seoul, SK Telecom Co., etc.	4	Collateral for commitment and loans
Check	Korea Resources Corporation	2	Financing for overseas resources development

Except for three notes provided to UBAF Seoul and one other amounting to ₩992 million, all the others are blank notes and blank checks.

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21. Commitments and contingencies (cont'd)

The Company is involved in 23 litigations as a plaintiff with claims aggregating to ₩2,262 million and 21 litigations as a defendant with claims aggregating to ₩3,847 million as of December 31, 2020. No provision was recorded in connection with the litigations where the Company is a defendant as management cannot reasonably predict as of year-end whether an unfavorable outcome is probable or not.

The following assets were pledged as collateral for the Company's borrowings and bonds payable as of December 31, 2020 (Korean won in millions):

2020			
Assets as collateral	Carrying amount	Collateralized amount	Mortgage holder
Land, building and others	₩ 375,838	₩ 488,966	Korea Development Bank
	18,323	1,154	Handsoem Corporation
	<u>₩ 394,161</u>	<u>₩ 490,120</u>	

Guarantees provided by third parties on behalf of the Company as of December 31, 2020 are as follows (Korean won in millions):

Trading partner	Currency	Guarantee amount	Guarantor
Petrovietnam Steel Pipe Joint Stock Company	USD	2,000	Vietnam BIDV
Microsoft Korea and etc.	KRW	2,000	Hana Bank
Dongdaemooon Hotel PFV. Co., Ltd. and etc.	KRW	9,657	Seoul Guarantee Insurance Company
Deutsche Bank	KRW	60,295	Korea Trade Insurance Corporation.

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22. Equity

Details of capital stock as of December 31, 2020 and 2019 are summarized as follows (Korean won in millions, except number of shares and par value):

	2020	2019
Number of shares authorized	1,500,000,000	1,500,000,000
Par value per share	₩ 2,500	₩ 2,500
Number of shares issued	248,301,295	248,301,295
Ordinary share	248,187,647	248,187,647
Preferred share without voting rights	113,648	113,648
Capital share		
Ordinary share	620,469	620,469
Preferred share without voting rights	284	284
Cumulative redeemable preferred share (*)	27,901	27,901
	<u>₩ 648,654</u>	<u>₩ 648,654</u>

(*) Redeemable preferred share paid-in capital exists, but no redeemable preferred share exists as of December 31, 2020, as all redeemable preferred share were retired by charging unappropriated retained earnings.

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

	2020	2019
Share premium	₩ 89,053	89,053
Other capital surplus	698,460	699,037
	<u>₩ 787,513</u>	<u>₩ 788,090</u>

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

	2020	2019
Legal reserve	₩ 32,798	29,910
Voluntary reserve	80,617	80,617
Unappropriated retained earnings	578,770	601,370
	<u>₩ 692,185</u>	<u>₩ 711,897</u>

Details of dividends proposed for approval at the annual ordinary shareholders' meeting for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions, except for number of shares and par value per share):

	2020		2019	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Number of shares	218,554,682	69,785	240,563,257	94,830
Par value per share	₩ 2,500	₩ 2,500	₩ 2,500	₩ 2,500
Dividends ratio	4.80%	5.80%	4.80%	5.80%
Total dividends	₩ 26,227	₩ 10	₩ 28,867	₩ 14

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22. Equity (cont'd)

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

	2020	2019
Loss on valuation of financial assets at fair value through other comprehensive income	11,022	(543)
Stock option	728	590
Loss on valuation of derivatives instruments	(1,749)	(1,769)
Treasury stock	(169,558)	(54,512)
Others	(26)	(26)
	<u>₩ (159,583)</u>	<u>₩ (56,260)</u>

In accordance with the special resolution of the General Meeting of Shareholders and the resolution of the Board of Directors, the Company granted stock options to its employees and employees.

	1-1	1-2	1-3
Grant date	2018-03-30		
Types of shares to issue	Registered common stock		
How to grant	If the exercise price of the stock option is less than the fair value of the shares (the valuation based on the date the company receives the 'notice of events'), the company will pay the difference in cash or the amount equivalent to the difference. Stocks can be issued.		
Number of shares granted	391,525	391,525	391,525
Event Price	₩ 5,900	₩ 6,380	₩ 6,890
Available period	2020.03.31~2023.03.30	2021.03.31~2024.03.30	2022.03.31~2025.03.30
Vest condition	From grant date more than two years of service	From grant date more than two years of service	From grant date more than three years of service

The reimbursement costs recognized as a result of the grant of stock option rights and remaining reimbursement costs to be recognized after the end of the current term are as follows (Korean won in millions):

	2020
Total compensation cost	₩ 747
Recognized compensation cost before the beginning of 2020	590
Recognized compensation cost for the year end 2020	138
Compensation cost to recognize after the end of the period	19

The compensation cost of stock options is calculated using the fair value approach using the binomial model. The assumptions and variables used to estimate compensation cost are as follows.

	1-1	1-2	1-3
Risk-free interest rate	2.44%	2.54%	2.56%
Expectancy duration	5	6	7
Stock price of expectation grant day (full-day closing price)	₩ 5,790	₩ 5,790	₩ 5,790
Expected volatility	15.40%	15.40%	15.40%
Dividend yield	2.07%	2.07%	2.07%
Event price	₩ 5,900	₩ 6,380	₩ 6,890
Fair value per share	₩ 723.37	₩ 631.87	₩ 552.13

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22. Equity (cont'd)

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

	2020	2019
I. Retained earnings before appropriations		
Unappropriated retained earnings carried forward from the prior year	₩ 569,601	₩ 697,904
Effect of changes in accounting policy	-	(7,631)
Profit (loss) for the year	3,777	(85,962)
Remeasurement of net defined benefit liabilities	5,428	(2,941)
Gain on valuation of financial assets at fair value through OCI	(36)	-
	578,770	601,370
II. Appropriation of retained earnings		
Legal reserve	(2,624)	2,888
Dividends	(26,237)	28,881
III. Unappropriated retained earnings to be carried forward to the next year	(28,861)	31,769
	₩ 549,909	₩ 569,601

Appropriations approval dates for 2020 and 2019 are March 29, 2021 and March 25, 2020, respectively.

SK Networks Co., Ltd.
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23. Profit (loss) from continuing operations

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

	2020					
	Global	IM	Rent-a-Car	Speed Mate	Others	Total
Total revenue	₩ 2,094,023	₩ 4,773,176	₩ 665,021	₩ 382,606	₩ 148,127	₩ 8,062,953
1. Revenue from contracts with customers	2,092,758	4,770,709	₩ 225,328	₩ 382,146	₩ 117,958	₩ 7,588,899
1) Types of revenue						
Sales of merchandise	2,083,093	4,750,879	225,328	289,901	-	7,349,201
Sales of finished goods	3,974	-	-	-	-	3,974
Providing services	5,691	19,830	-	92,245	117,958	235,724
	<u>₩ 2,092,758</u>	<u>₩ 4,770,709</u>	<u>₩ 225,328</u>	<u>₩ 382,146</u>	<u>₩ 117,958</u>	<u>₩ 7,588,899</u>
2) Timing of recognizing revenue						
Recognition at a point in time	2,087,067	4,750,879	225,328	289,901	-	7,353,175
Recognized over time	5,691	19,830	-	92,245	117,958	235,724
	<u>₩ 2,092,758</u>	<u>₩ 4,770,709</u>	<u>₩ 225,328</u>	<u>₩ 382,146</u>	<u>₩ 117,958</u>	<u>₩ 7,588,899</u>
2. Revenue from other sources	₩ 1,265	₩ 2,467	₩ 439,693	₩ 460	₩ 30,169	₩ 474,054
	2019					
	Global	IM	Rent-a-Car	Speed Mate	Others	Total
Total revenue	₩ 3,672,653	₩ 5,465,172	₩ 810,715	₩ 396,163	₩ 229,426	₩ 10,574,129
1. Revenue from contracts with customers	3,671,463	5,464,261	224,669	396,003	197,577	9,953,973
1) Types of revenue						
Sales of merchandise	3,665,262	5,447,228	224,669	308,611	50	9,645,820
Sales of finished goods	6,201	-	-	-	-	6,201
Providing services	-	17,033	-	87,392	197,527	301,952
	<u>₩ 3,671,463</u>	<u>₩ 5,464,261</u>	<u>₩ 224,669</u>	<u>₩ 396,003</u>	<u>₩ 197,577</u>	<u>₩ 9,953,973</u>
2) Timing of recognizing revenue						
Recognition at a point in time	3,671,463	5,447,228	224,669	308,611	50	9,652,021
Recognized over time	-	17,033	-	87,392	197,527	301,952
	<u>₩ 3,671,463</u>	<u>₩ 5,464,261</u>	<u>₩ 224,669</u>	<u>₩ 396,003</u>	<u>₩ 197,577</u>	<u>₩ 9,953,973</u>
2. Revenue from other sources	₩ 1,190	₩ 911	₩ 586,046	₩ 160	₩ 31,849	₩ 620,156

SK Networks Co., Ltd.
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23. Profit (loss) from continuing operations (cont'd)

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

	2020	2019
Cost of merchandise sold	₩ 7,184,909	₩ 9,426,653
Cost of finished goods sold	3,793	5,799
Other cost of sales	412,028	519,254
	<u>₩ 7,600,730</u>	<u>₩ 9,951,706</u>

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

	2020	2019
Salaries	₩ 123,777	₩ 133,708
Retirement benefits	19,355	19,535
Employee welfare	21,650	23,224
Travel	1,542	5,207
Communications	3,348	4,017
Utilities	10,616	13,416
Taxes and dues	17,764	15,258
Supplies	9,556	12,781
Rents	3,511	6,881
Depreciation	47,346	47,726
Amortization	5,885	5,745
Depreciation of right-of-use assets	14,414	13,740
Repairs	3,652	4,177
Vehicles maintenance	1,146	1,687
Insurance premium	6,067	8,697
Advertising	12,438	8,853
Training	4,259	4,516
Engineering service fee	74,218	114,156
Commissions	83,103	75,468
Freight	32,498	35,966
Allowance for doubtful accounts	5,223	95,546
Foreign branch office operations	3,663	5,231
Entertainment	2,826	3,859
Stock compensation costs	138	337
Others	558	1,508
	<u>₩ 508,553</u>	<u>₩ 661,239</u>

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

	2020	2019
Interest income	₩ 6,354	₩ 4,402
Gain on foreign currency transactions	61,925	51,796
Gain on foreign currency translation	36,224	23,457
Gain on valuation of financial assets measured at fair value through profit and loss	-	4,978
Gain on transactions of financial assets measured at fair value through profit and loss	-	750
Gain on valuation of derivative financial instruments	1,245	1,486
Gain on transactions of derivative financial instruments	83,056	86,245
	<u>₩ 188,804</u>	<u>₩ 173,114</u>

SK Networks Co., Ltd.
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23. Profit (loss) from continuing operations (cont'd)

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

	2020	2019
Interest expense	₩ 63,223	₩ 63,819
Loss on foreign currency transactions	65,609	78,275
Loss on foreign currency translation	15,932	10,776
Loss on valuation of financial assets measured at fair value through profit and loss	-	1,000
Loss on valuation of derivative financial instruments	28,153	10,360
Loss on transactions of derivative financial instruments	73,983	51,835
	<u>₩ 246,900</u>	<u>₩ 216,065</u>

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

	2020	2019
Dividend income	₩ 65	₩ 11,177
Gain on disposal of property, plant and equipment	509	196
Gain on disposition of Intangible assets	-	280
Gain on business transfer	-	90,999
Gain on disposal of subsidiaries	124,908	-
Other	15,726	7,693
	<u>₩ 141,208</u>	<u>₩ 110,345</u>

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

	2020	2019
Loss on disposal of trade receivables	₩ 4,255	₩ 9,169
Loss on disposal of investments in subsidiaries	264	1,056
Depreciation of investment property	252	87
Loss on disposal of property, plant and equipment	3,217	1,019
Loss on impairment of property, plant and equipment	7,790	-
Loss on disposal of intangible assets	210	-
Loss on impairment of intangible assets	-	426
Loss on impairment of investments in subsidiaries	-	5,776
Donations	3,639	2,928
Others	6,880	4,122
	<u>₩ 26,507</u>	<u>₩ 24,583</u>

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

	2020	2019
Changes in finished goods and work-in-progress	₩ (119)	₩ -
Changes in merchandise	133,846	205,893
Purchase of merchandise	7,051,063	9,220,760
Salaries (including service costs for defined benefit plans and other employee benefits)	164,782	176,467
Depreciation and amortization	319,029	404,667
Freight	32,498	35,966
Advertising	12,438	8,853
Other	395,746	560,339
	<u>₩ 8,109,283</u>	<u>₩ 10,612,945</u>

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24. Income taxes

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

	2020	2019
Current income tax	₩ 31,535	₩ 262
Adjustments in respect of current income tax of prior year	(516)	(19,968)
Changes in deferred taxes arising from temporary differences	48,984	(7,289)
Income tax benefit directly charged (credited) to equity	(5,432)	510
Others	-	-
Income tax expenses (benefits):	<u>₩ 74,571</u>	<u>₩ (26,485)</u>
Income tax expense on continuing operation	58,097	1,694
Income tax expenses (benefit) on discontinued operation	16,474	(28,179)

Income tax expense (benefit) charged (credited) directly to equity for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Remeasurement of net defined benefit liabilities	₩ (1,733)	₩ 939
Gain on valuation of financial assets at FVOCI	(3,692)	(830)
Loss (gain) on valuation of derivative financial instruments	(7)	401
	<u>₩ (5,432)</u>	<u>₩ 510</u>

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

	2020	2019
Net income before income tax from continuing operations	₩ 10,275	₩ 3,995
Net loss before income tax of discontinued operations	68,073	(116,442)
Net loss before income tax	78,348	(112,447)
Taxes at the statutory tax rate (24.2%)	18,960	(27,212)
Adjustments:		
Permanent differences	2,070	805
Adjustments in respect of current income tax of prior year	3,108	1,484
Temporary differences not recognized in the past etc.	50,855	(1,105)
Others (tax rate changes)	(422)	(457)
	<u>₩ 74,571</u>	<u>₩ (26,485)</u>
Income tax expense on continuing operation	₩ 58,097	₩ 1,694
Income tax expense (benefit) on discontinued operation	16,474	(28,179)
Effective income tax rate (*)	95.18%	-

(*) As net loss before tax is recognized for the year ended 2019, effective income tax rate is not calculated

SK Networks Co., Ltd.
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24. Income taxes (cont'd)

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

	2020			
	Beginning balance	Recognized in profit or loss	Recognized directly to equity	Ending balance
Loss (gain) on valuation of derivative instruments	₩ 2,474	₩ 6,194	₩ (1,733)	₩ 6,935
Loss allowance	58,622	(27,678)	-	30,944
Provision for retirement benefits	22,618	(2,835)	(7)	19,776
Impairment loss on investment assets	108,500	(65,932)	-	42,568
Other provisions	4,692	(62)	-	4,630
Loss (gain) on revaluation of land	2,677	(2,535)	-	142
Loss on valuation of inventories	5,333	1,837	-	7,170
Bad debts	1,109	-	-	1,109
Valuation of investments (equity method)	20,468	(718)	-	19,750
Accrued expenses	1,562	55	-	1,617
Loss on foreign currency translation	(3,069)	(1,842)	-	(4,911)
Other accounts receivable	19,265	(3,536)	-	15,729
Retirement insurance	(22,618)	2,842	-	(19,776)
Gain on revaluation of land	(152,293)	110,504	-	(41,789)
Gain on liabilities exempted	(82,455)	20,479	-	(61,976)
Interest expense on loan for construction	(2,359)	-	-	(2,359)
Gain (loss) on valuation of long-term investment securities	(69)	243	(3,692)	(3,518)
Impairment loss on property, plant and equipment	3,644	476	-	4,120
Prepaid expenses	(13,746)	6,052	-	(7,694)
Right-of-use assets	(304,919)	95,456	-	(209,463)
Finance lease receivables	(7,618)	614	-	(7,004)
Finance lease liabilities	318,627	(95,054)	-	223,573
Deficits carried forward	131,997	(91,399)	-	40,598
Others	6,665	3,287	-	9,952
	<u>₩ 119,107</u>	<u>₩ (43,552)</u>	<u>₩ (5,432)</u>	<u>₩ 70,123</u>

SK Networks Co., Ltd.
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24. Income taxes (cont'd)

	2019				
	Beginning balance	Effect of changes in accounting policy	Recognized in profit or loss	Recognized directly to equity	Ending balance
Loss (gain) on valuation of derivative instruments	₩ (36)	₩ -	₩ 2,109	₩ 401	₩ 2,474
Loss allowance	50,987	-	7,635	-	58,622
Provision for retirement benefits	20,500	-	1,179	939	22,618
Impairment loss on investment assets	90,263	-	18,237	-	108,500
Other provisions	6,196	-	(1,504)	-	4,692
Loss (gain) on revaluation of land	2,714	-	(37)	-	2,677
Loss on valuation of inventories	3,460	-	1,873	-	5,333
Bad debts	2,126	-	(1,017)	-	1,109
Valuation of investments (equity method)	20,486	-	(18)	-	20,468
Accrued expenses	1,917	-	(355)	-	1,562
Loss on foreign currency translation	(358)	-	(2,711)	-	(3,069)
Other accounts receivable	22,755	-	(3,490)	-	19,265
Retirement insurance	(20,500)	-	(2,118)	-	(22,618)
Gain on revaluation of land	(155,852)	-	3,559	-	(152,293)
Gain on liabilities exempted	(83,869)	-	1,414	-	(82,455)
Interest expense on loan for construction	(2,359)	-	-	-	(2,359)
Gain (loss) on valuation of long-term investment securities	761	-	-	(830)	(69)
Impairment loss on property, plant and equipment	6,370	-	(2,726)	-	3,644
Prepaid expenses	(13,466)	-	(280)	-	(13,746)
Right-of-use assets	-	2,436	(307,355)	-	(304,919)
Finance lease receivables	-	-	(7,618)	-	(7,618)
Finance lease liabilities	-	-	318,627	-	318,627
Deficits carried forward	155,428	-	(23,431)	-	131,997
Others	4,294	-	2,371	-	6,665
	<u>₩ 111,817</u>	<u>₩ 2,436</u>	<u>₩ 4,344</u>	<u>₩ 510</u>	<u>₩ 119,107</u>

The amount of deferred tax assets and liabilities which are not recognized since such amounts are related to investments of subsidiaries, associates and joint ventures as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Deferred tax assets	₩ 8,925	₩ 9,070
Deferred tax liabilities	6,257	6,257

Unused deficits that are not recognized as deferred tax assets as of December 31, 2020 are as follows (Korean won in millions):

	Deficits
Expire during 2026	₩ 178,228
Expire during 2028	32,516
	<u>₩ 210,744</u>

SK Networks Co., Ltd.
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25. Earnings (loss) per share

Basic earnings (loss) per share attributable to ordinary share for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions, except for shares):

	2020	2019
Profit (loss) for the year	₩ 3,777	₩ (85,962)
Less: dividends of preferred stock	10	14
Profit (loss) for the year attributable to ordinary equity holders	3,767	(85,976)
Weighted average number of ordinary shares outstanding	224,762,671	240,563,257
Basic earnings (loss) per share for ordinary equity holders (in Korean won)	₩ 17	₩ (357)

Basis of calculating weighted average number of ordinary share outstanding to calculate EPS for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Weighted average number of shares issued	248,187,647	248,187,647
Weighted average number of treasury share	(23,424,976)	(7,624,390)
Weighted average number of ordinary share outstanding	224,762,671	240,563,257

Basic earnings per ordinary share from continuing operations for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Profit (loss) for the year	₩ 3,777	₩ (85,962)
Less: net loss for discontinued operations attributable to equity holders of the parent company	51,599	(88,263)
Profit for the year from continuing operations	(47,822)	2,301
Less: dividends of preferred share	10	14
Profit for the year from continuing operations attributable to ordinary equity holders	(47,832)	2,287
Weighted average number of ordinary share outstanding	224,762,671	240,563,257
Basic earnings per share for ordinary equity holders (Korean won)	₩ (213)	₩ 10

Basic loss per ordinary share from discontinued operations for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions except for shares):

	2020	2019
Loss from discontinued operations	₩ 51,599	₩ (88,263)
Weighted average number of ordinary share outstanding	224,762,671	₩ 240,563,257
Basic loss per share from discontinued operations for ordinary equity holders	₩ 230	₩ (367)

Diluted earnings per share for the year ended December 31, 2020 and 2019 are the same as basic earnings per share because there is no dilution effect of dilutive potential common stock.

SK Networks Co., Ltd.
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26. Related party transactions

A list of related parties as of December 31, 2020 is as follows:

Relationship	Name
Ultimate parent	SK Holdings Co., Ltd.
Subsidiaries	SK Networks Service Co., Ltd., SK Magic Co., Ltd., SK Magic Service Co., Ltd., SK Networks (China) Holdings Co., Ltd., Shenyang SK Networks Energy Co., Ltd. SK Networks Retails Malaysia Sdn. Bhd. SK Magic Vietnam company limited. SK Networks (Dandong) Energy Co., Ltd. POSK (Pinghu) Steel Processing Center Co., Ltd., Shenyang SK Bus Terminal Co., Ltd. SK Networks Hong Kong Ltd. SK Networks (Liaoning) Logistics Co., Ltd. SK Networks Japan Co., Ltd. SK Networks Deutschland GmbH SK Networks (Shanghai) Co., Ltd. SK Networks Trading Malaysia Sdn Bhd SK Networks Resources Australia Pty. Ltd. Daiyang SK Networks SAN. VE TIC. Ltd. STI, SK Rent A Car Service Co., Ltd. SK (Guangzhou) Metal Co., Ltd. SK Networks (Xiamen) Steel Processing Center Co., Ltd. SK Networks Middle East FZE, SK BRASIL LTDA. SK Networks America Inc. SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA. Networks Tejarat Pars, SK Rent A Car Co., Ltd. MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.), MINTIT VINA, TenX Capital
Associates and joint ventures	SK MENA Investment BV, SK Latin America Investment S.A., CADO cuaura Co., Ltd.
Others	SK Group subsidiary etc.
Large company group affiliates (*)	SK Discovery Co., Ltd., SK Chemicals Co., Ltd., SK Gas Co., Ltd., SK Sintech Co., Ltd., Entis Co., Ltd., Initz Co., Ltd., SK Advanced Co., Ltd., Dangjin Eco Power Co., Ltd., SK D&D Co., Ltd., B&M Development Co., Ltd., SK Plasma Co., Ltd. and others

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

SK Networks Co., Ltd.
Notes to the separate financial statements
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26. Related party transactions (cont'd)

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

Relationship	Name	2020				
		Sales	Purchases	Acquisition of PP&E	Others	
Ultimate parent	SK Holdings Co., Ltd. (*1)	₩ 3,048	₩ 14	₩ -	₩ 55,522	
Subsidiaries	SK Networks Service Co., Ltd.	5,362	570	-	3,163	
	MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.)	19,563	-	-	600	
	SK Rent A Car Co., Ltd.	26,641	-	-	43,039	
	SK Rent A Car Service Co., Ltd.	32	-	-	-	
	SK Networks (Shanghai) Co. Ltd.	20,400	-	-	3,581	
	POSK (Pinghu) Steel Processing Center Co., Ltd.	14,836	-	-	-	
	SK Networks Hong Kong Ltd.	186,013	-	-	-	
	SK Networks Japan Co., Ltd.	43,922	377	-	-	
	SK Networks Deutschland GmbH	116,876	886	-	-	
	SK (Guangzhou) Metal Co., Ltd.	4,738	-	-	-	
	SK Networks America Inc.	71,721	1,474	-	-	
	Others	2,115	1,709	-	386	
	Others	SK Innovation Co., Ltd.	5,920	-	-	1,104
		SK Lubricants Co., Ltd.	309	9,542	-	-
		SK Energy Co., Ltd.	8,106	323,765	689	674
		SK Global Chemicals Co., Ltd.	43,509	7,272	-	-
		SK Trading International Co., Ltd.	9,845	-	-	-
Hweechan Co., Ltd. (*2)		302,858	-	-	-	
SKC Ltd.		462	3,441	-	-	
Mitsui Chemicals & SKC Polyurethanes, Inc.		152	7,489	-	-	
HAPPYNARAE Co., Ltd.		105	227	2,098	4,309	
SK Telecom Co., Ltd.		11,224	71	-	1,803	
SK Telink Co., Ltd. (*3)	3,867	4,001	5	4,511		
SK Broadband Co., Ltd.	23,569	-	-	535		
PS&Marketing Corp.	972,912	140	-	-		
SK Hynix Inc.	5,384	-	-	-		
SK Chemicals Co., Ltd.	9,064	1,694	-	-		
Others	24,485	3,009	-	5,689		

(*1) Others include dividends paid by the Company amounting to ₩ 11,657 million.

(*2) Sales and others include the disposal value of SK Pinx Co., Ltd.

(*3) Other purchases include the acquisition price of new subsidiary, MINTIT VINA, and the used phone business unit (see Note 9, 32).

SK Networks Co., Ltd.
Notes to the separate financial statements
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26. Related party transactions (cont'd)

Relationship	Name	2019				
		Sales	Purchases	Acquisition of PP&E	Others	
Ultimate parent	SK Holdings Co., Ltd. (*1)	₩ 3,912	₩ -	₩ -	₩ 54,268	
Subsidiaries	SK Networks Service Co., Ltd.	5,856	2,533	-	3,301	
	SK Networks (Shanghai) Co. Ltd.	71,164	3,384	-	2,059	
	POSK (Pinghu) Steel Processing Center Co., Ltd.	20,910	-	-	-	
	SK Networks Hong Kong Ltd. (*2)	248,291	-	-	-	
	SK Networks Japan Co., Ltd.	110,103	-	-	-	
	SK Networks Deutschland GmbH	303,951	3,095	-	-	
	SK Rent A Car Service Co., Ltd. (*3)	3,229	-	-	30,499	
	SK (Guangzhou) Metal Co., Ltd.	9,769	-	-	-	
	SK Networks America Inc.	76,539	-	-	-	
	Others	2,436	1,072	-	4,302	
	Others	SK Innovation Co., Ltd.	5,438	-	-	2
		SK Lubricants Co., Ltd.	480	11,351	-	-
		SK Energy Co., Ltd.	5,196	1,033,602	-	969
		SK Global Chemicals Co., Ltd.	48,831	-	-	-
		SK Global Chemicals Singapore Pte., Ltd.	12,439	-	-	-
		SK Trading International Co., Ltd.	5,610	-	-	-
SKC Co., Ltd.		2,880	39,079	-	-	
Mitsui Chemicals & SKC Polyurethanes, Inc.		296	11,099	-	-	
HAPPYNARAE Co., Ltd.		1,086	299	5,538	6,863	
SK Telecom Co., Ltd.		16,424	70	-	2,993	
SK Telink Co., Ltd.		6,901	16,721	-	19	
SK Broadband Co., Ltd.		33,692	-	-	700	
PS&Marketing Corp.		1,013,089	-	-	-	
SK ONS Co., Ltd. (formerly, Network ONS Co., Ltd.)		6,692	-	-	-	
SK Chemicals Co., Ltd.	23,539	1,118	-	-		
KUMHO MITSUI CHEMICALS, INC.	42	8,068	-	-		
SK Hynix Inc.	5,175	-	-	-		
Others	31,818	4,027	-	7,266		

(*1) Others include dividends paid by the Company amounting to ₩ 11,657 million.

(*2) Sales and other expenses include dividend income of ₩ 8,107 million recognized.

(*3) Sales and other expenses include dividend income of ₩ 3,000 million recognized.

SK Networks Co., Ltd.
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26. Related party transactions (cont'd)

Balances with related parties as of December 31, 2020 and 2019 are as follows: (Korean won in millions):

Relationship	Name	Receivables		Payables			
		Trade receivables	Others	Trade payable	Other accounts payables	Others	
Ultimate parent	SK Holdings Co., Ltd.	₩ 70	₩ -	₩ 1,282	₩ -	₩ -	
Subsidiaries	SK Networks Service Co., Ltd.	351	-	98	-	-	
	MINTIT Co., Ltd. (formerly, Kumkang Systems Co., Ltd.)	7,887	-	-	2,937	-	
	SK Rent A Car Co., Ltd.	4,174	206	6,482	3	368	
	POSK (Pinghu) Steel Processing Center Co., Ltd.	7,078	-	-	-	-	
	SK Networks Hong Kong Ltd.	28,899	-	-	-	-	
	SK Networks Japan Co., Ltd.	1,081	-	-	-	-	
	SK Networks Deutschland GmbH	42,351	-	2,031	-	-	
	SK (Guangzhou) Metal Co., Ltd.	296	-	-	-	-	
	SK Networks America Inc.	11,924	-	1,408	-	-	
	SKN (China) Holdings Co., Ltd.	-	7,810	-	-	-	
	Others	737	6	61	-	26	
	Others	SK Innovation Co., Ltd.	243	12	268	351	-
		SK Lubricants Co., Ltd.	11	13	2,722	-	-
		SK Energy Co., Ltd.	435	439	4,010	48	-
		SK Global Chemicals Co., Ltd.	4,173	-	67	-	-
SK Trading International Co., Ltd.		1,242	-	-	-	-	
SKC Inc.		116	-	-	-	-	
Mitsui Chemicals & SKC Polyurethanes, Inc.		-	-	604	-	-	
KUMHO MITSUI CHEMICALS, INC		5	-	1,735	-	-	
SK picglobal Co., Ltd.		219	-	902	-	-	
HAPPYNARAE Co., Ltd.		5	3	289	-	-	
SK Telecom Co., Ltd.		1,086	31	825	-	113	
SK Telink Co., Ltd.		7	-	387	30	-	
SK Broadband Co., Ltd.		2,264	4	30	-	-	
PS&Marketing Corp.		91,655	-	90	-	-	
HYNIX SEMICONDUCTOR INC		1,001	-	-	-	-	
SK Chemicals Co., Ltd.	663	-	-	-	-		
Others	1,734	241	1,265	80	159		

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26. Related party transactions (cont'd)

Relationship	Name	Receivables		Payables			
		Trade receivables	Others	Trade payable	Other accounts payables	Others	
Ultimate parent	SK Holdings Co., Ltd.	₩ 52	₩ 14	₩ 3,016	₩ -	₩ 20	
Subsidiaries	SK Networks Service Co., Ltd.	213	2	463	-	-	
	SK Networks (Shanghai) Co. Ltd.	259	-	-	173	-	
	POSK (Pinghu) Steel Processing Center Co., Ltd.	6,809	-	-	-	-	
	SK Networks Hong Kong Ltd.	43,979	-	-	-	-	
	SK Networks Japan Co., Ltd.	25,833	-	-	-	-	
	SK Networks Deutschland GmbH	68,106	-	3,904	-	-	
	SK Rent A Car Co., Ltd. (formerly, AJ Rent-a-car Co., Ltd.)	1,264	121	1,265	17,183	610	
	SK Rent A Car Service Co., Ltd.	36	-	2,791	-	-	
	SK (Guangzhou) Metal Co., Ltd.	2,804	-	-	-	-	
	SK Networks America Inc.	13,330	-	-	-	-	
	SKN (China) Holdings Co., Ltd.	-	7,753	-	-	-	
	Others	962	5	63	-	113	
	Others	SK Innovation Co., Ltd.	966	1	-	211	-
		SK Lubricants Co., Ltd.	26	10	3,463	-	-
		SK Energy Co., Ltd.	279	529	34,633	47	-
		SK Global Chemicals Co., Ltd.	1,319	-	175	-	-
		SK Trading International Co., Ltd.	1,098	-	-	-	-
SKC Inc.		276	-	1,133	-	-	
Mitsui Chemicals & SKC Polyurethanes, Inc.		18	-	573	-	-	
HAPPYNARAE Co., Ltd.		36	-	897	-	-	
SK Telecom Co., Ltd.		1,084	46	221	-	112	
SK Telink Co., Ltd.		51	-	811	10	-	
SK Broadband Co., Ltd.		709	-	20	-	-	
PS&Marketing Corp.		51,634	-	-	-	-	
SK ONS Co., Ltd. (formerly, Network ONS Co., Ltd.)		-	-	-	-	93	
SK Chemicals Co., Ltd.		1,315	-	-	-	-	
KUMHO MITSUI CHEMICALS, INC.	6	-	-	-	735		
HYNIX SEMICONDUCTOR INC	1,023	-	-	-	-		
Others	1,191	794	2,235	68	238		

Key management personnel are standing directors who are responsible for the planning, operation and control of the business of the Company. Compensation for key management personnel recognized in expenses for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Salaries	₩ 8,413	₩ 6,784
Retirement benefits	1,496	1,721
	₩ 9,909	₩ 8,505

There is no financial transaction with related parties for the year ended December 31, 2019, and the details of financial transactions with related parties for the year ended December 31, 2020 is as follows (Korean won in millions):

Relationship	Name	2020	
		Amount	Transaction
Subsidiaries	SK Rent A Car Co., Ltd.	₩ 100,000	Recapitalization
Subsidiaries	SK Networks Resources Australia (Wyong) Pty. Ltd.	10,261	Recapitalization
Subsidiaries	TenX Capital	1,397	Investment

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26. Related party transactions (cont'd)

Guarantees for the related parties provided by the Company as of December 31, 2020 and 2019 are as follows (foreign currencies in thousands):

Relationship	Name	Currency	2020	2019
Subsidiaries	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	107,600
	SK Networks (Shanghai) Co., Ltd.	USD	62,500	98,400
		CNY	54,000	54,000
	SK Networks Deutschland GmbH	EUR	16,000	16,000
	SK Networks Hong Kong Ltd.	USD	102,600	141,600
	SK Networks Japan Ltd.	JPY	300,000	1,700,000
	SK (Guangzhou) Metal Co., Ltd.	CNY	-	50,000
	SK Networks America Inc.	USD	20,000	20,000
	SK Networks Resources Australia(Wyong) Pty. Ltd.	AUD	8,000	-
	Others	P.T. SK Networks Indonesia	USD	1,500

27. Discontinued operations

The Company has discontinued a non-core business activity and the Company decided to discontinue the operation of resource business prior to 2019. Furthermore, the Company decided to discontinue MOST business division and sold directly for the year ended 2019, and the business has been sold during 2020 (See Note. 31).

The Company has classified the assets and liabilities relating to the business that is expected to be sold as non-current assets and liabilities held-for-sale. The Company has recognized loss considering the recoverable amount as of December 31, 2020.

Income and expenses from the discontinued operation for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Revenue	₩ 518,263	₩ 1,110,328
Expenses	(450,190)	(1,226,770)
Gain (Loss) before tax	68,073	(116,442)
Income tax expense (benefit)	(16,474)	28,179
Gain (Loss) from discontinued operations	51,599	(88,263)

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27. Discontinued operations (cont'd)

Details of cash flows relating to discontinued operation for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Operating activities	₩ (78,803)	₩ (23,059)
Investing activities (*1)	1,235,069	15,080
Financing activities	(11,121)	-
Net cash flows	1,145,145	(7,979)

(*1) The consideration transferred of petroleum business division of ₩ 1,271,467 million are included.

28. Non-current assets held for sale

Non-current assets held for sale and assets and liabilities related to non-current assets held for sale as of December 31, 2020 are as follows (Korean won in millions):

	2020
China business division	₩ 73,000
Resource business division	18,857
Others (*1)	44,534
	<u>₩ 136,391</u>

(*1) The Company has decided to sell Myeong-dong building to SK D&D Co., Ltd. as of March 31, 2021, and classified the related assets as non-current assets held-for-sale based on the resolution of board of directors on October 26, 2020 for asset efficiency and investment financing..

Details of non-current assets and non-current liabilities classified as held for sale as of December 31, 2020 are as follows (Korean won in millions):

	2020
Assets	
Investments in subsidiaries, associates and joint ventures	₩ 91,857
Property, plant and equipment	44,534
	<u>₩ 136,391</u>

SK Networks Co., Ltd.
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29. Cash flow information

29.1 Adjustments to non-cash items (Korean won in millions)

	2020	2019
Income tax expense (benefit)	₩ 74,571	₩ (26,485)
Loss on foreign currency translation	15,932	14,387
Gain on foreign currency translation	(36,224)	(27,067)
Interest expenses	92,238	112,736
Interest income	(6,911)	(5,920)
Loss on valuation of derivative financial instruments	28,153	10,360
Gain on valuation of derivative financial instruments	(1,245)	(1,486)
Dividend income	(65)	(11,177)
Depreciation	92,664	146,195
Depreciation of right-of-use assets	220,480	281,979
Depreciation of investment properties	252	87
Amortization	5,885	6,547
Retirement benefits	11,817	13,048
Bad debt expenses (reversal of allowance for doubtful accounts)	5,223	90,654
Other bad debt expenses (reversal of allowance for doubtful accounts)	-	5,112
Loss on disposal of property, plant and equipment	8,624	6,468
Gain on disposal of property, plant and equipment	(3,264)	(14,996)
Loss on impairment of property, plant and equipment	11,088	-
Loss on disposal of intangible assets	779	-
Gain on disposal of intangible assets	-	(280)
Loss on valuation of intangible assets	2,423	426
Gain on disposal of investments in subsidiaries	(124,908)	-
Loss on disposal of investments in subsidiaries	264	1,056
Loss on impairment of investments in subsidiaries	39,206	84,792
Gain on disposal of financial assets at fair value through profit or loss	-	(750)
Loss on valuation of financial assets at fair value through profit or loss	-	1,000
Gain on valuation of non-current assets classified as held for sale	-	(4,978)
Business transfer gain	(166,438)	(90,999)
Loss on valuation on inventories	7,588	7,740
Provisions	(475)	(1,294)
Stock compensation costs	138	337
Others	(15,938)	233
	<u>₩ 261,857</u>	<u>₩ 597,725</u>

29.2 Changes in operating assets and liabilities (Korean won in millions)

	2020	2019
Trade receivables	₩ 129,209	₩ 185,178
Other accounts receivable	27,569	(34,992)
Prepaid value added tax	33,379	44,634
Advanced payments	715	58,027
Prepaid expenses	52,482	(6,752)
Finance lease receivables	2,088	2,025
Inventories	278,230	289,142
Rental property	(3,304)	(68,014)
Trade payables	(674,946)	(437,849)
Advances received	(3,881)	(14,641)
Withholdings	575	365
Unearned income	(6,271)	(2,439)
Other accounts payable	(38,562)	(18,296)
Accrued expenses	(22,852)	1,560
Withholdings	(29,199)	(189)
Provisions	(856)	(1,570)
Plan assets	(5,613)	(10,323)
Payment of severance benefits retirement	(11,899)	(4,091)
Others	(152)	(125)
	<u>₩ (273,288)</u>	<u>₩ (18,350)</u>

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29.3 Details of major transactions without cash inflows and outflows

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

	2020	2019
Transfer from rental assets and others to inventories	₩ 119,041	₩ 89,530
Other account payables related acquisition of property, plant and equipment and others	193	-
Other account receivables related to disposal of property, plant and equipment and others	41	-
Transfer from constructions-in-progress to property, plant and equipment and intangible assets	12,748	61,966
Increase in right-of-use assets due to changes in accounting policies	-	1,237,216
Increase in lease liabilities due to changes in accounting policies	-	1,292,762
Transfers of borrowings and bonds to current portion	515,108	476,006
Transfers from net employee defined benefit obligations to other non-current assets	6,738	429
Transfers from assets held for sale	107,402	1,330,498
Transfers from liabilities held for sale	-	151,341

29.4 Changes in major liabilities arising from financial activities

Changes in major liabilities arising from financing activities during the year are as follows (Korean won in millions):

	2020				
	Beginning balance	Financing activities	Exchange rate fluctuation	Others	Ending balance
Short-term borrowings	₩ 681,444	₩ (94,416)	₩ (25,045)	₩ -	₩ 561,983
Current portion of long-term liabilities	475,101	(484,679)	-	516,383	506,805
Bonds	1,028,440	-	-	(389,313)	639,127
Long-term borrowings	190,947	-	-	(127,155)	63,792
Lease liabilities	1,295,471	(226,985)	-	(144,630)	923,856
	2019				
	Beginning balance	Financing activities	Exchange rate fluctuation	Others	Ending balance
Short-term borrowings	₩ 719,860	₩ (22,476)	₩ (15,940)	₩ -	₩ 681,444
Current portion of long-term liabilities	381,728	(382,632)	-	476,005	475,101
Bonds	958,825	398,391	-	(328,776)	1,028,440
Long-term borrowings	235,850	150,000	1,191	(196,094)	190,947
Lease liabilities	-	(270,787)	-	1,566,258	1,295,471

30. Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, bonds payable, trade and other accounts payable. The main purpose of these financial liabilities is to finance the Company's operations. Also, the Company has various financial assets including trade accounts and notes receivable and other accounts receivable that are directly derived from its operations.

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

30.1 Market risk

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

30.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings with the foreign currency swap and interest rate swap contracts. The Company does not believe that the fluctuation in market interest rate other than those mentioned above has material impact on its separate financial statements.

30.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating in other countries. The Company manages its foreign currency risk periodically. Especially, the Company entered into currency forward contracts and currency interest rate swaps to hedge the risks from changes in foreign currency.

Significant monetary assets and liabilities denominated in foreign currencies as of December 31, 2020 and 2019 are as follows (Foreign currencies in thousands, Korean won in millions):

Classification	Currency unit	2020		2019	
		Foreign currency	Equivalent Korean won	Foreign currency	Equivalent Korean won
Foreign financial assets	USD	142,982	₩ 155,564	220,735	₩ 255,567
	EUR	45,712	61,174	78,570	101,939
	JPY	-	-	65,324	695
	CNY	52,709	8,800	108,406	17,967
	Others		359		785
			₩ 225,897		₩ 376,953
Foreign financial liabilities	USD	600,827	653,700	770,750	892,375
	EUR	30,932	41,395	57,372	74,436
	JPY	11,369	120	26,824	285
	CNY	50,720	8,468	67,177	11,134
	Others		467		655
			₩ 704,150		₩ 978,885

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30.1.2 Foreign currency risk (cont'd)

The effects of a 10% fluctuation in foreign exchange rates on the Company's functional currency on profit for the years ended December 31, 2020 and 2019 are as follow (Korean won in millions):

	2020		2019	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in profit before income tax	₩ (47,825)	₩ 47,825	₩ (60,193)	₩ 60,193

The above table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant as of the reporting date. There have been no changes in the sensitivity analysis from the previous year. The Company's financial assets and financial liabilities denominated in foreign currencies that are exposed to foreign currency risk can be offset by the foreign currency volatility effect on operating profit. Accordingly, foreign currency risk is determined to be properly managed.

30.1.3 Other price risk

Other price risk is the risk that the fair value or cash flows of instrument will fluctuate because of changes in market price other than interest rate risk and foreign currency risk. The Company's marketable equity securities among available-for-sale financial assets are susceptible to market price risk as those are traded in an active market. The Company does not believe that the fluctuation in price of equity instruments other than those mentioned above has material impact on other comprehensive income.

30.1.3.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instruments or customer contract, leading to a financial loss of the Company.

30.1.3.1.1 Trade and other accounts receivable

The Company enters into transactions only with customers that are credit worthy. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and credit quality may be adjusted to reflect the appropriate appetite of credit risk in accordance with the Company's risk management policies. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets.

An impairment analysis is performed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables is companied into homogenous companies and assessed for impairment collectively. The calculation is based on actually incurred historical data. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

30.1.3.1.2 Other financial assets

Credit risks associated with the Company's other assets which consist of short-term and long-term financial instruments arise from the default by the counterparties. Maximum exposure to credit risks will be the carrying amount of the other assets. The Company deposits its surplus funds in the financial institutions whose credit ratings are high and therefore credit risk related to financial institutions is considered low.

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30.1.3.1.3 Exposure to credit risk

The maximum exposure to credit risk as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		
	Carrying amount before deduction	Accumulated impairment loss	Carrying amount (maximum exposure amount)
Financial assets at fair value through profit or loss	₩ 190,890	₩ -	₩ 190,890
Financial assets at fair value through OCI	73,692	-	73,692
Financial assets at amortized cost	1,370,911	(182,491)	1,188,420
	<u>₩ 1,635,493</u>	<u>₩ (182,491)</u>	<u>₩ 1,453,002</u>

	2019		
	Carrying amount before deduction	Accumulated impairment loss	Carrying amount (maximum exposure amount)
Financial assets at fair value through profit or loss	₩ 231,620	₩ -	₩ 231,620
Financial assets at fair value through OCI	34,222	-	34,222
Financial assets at amortized cost	1,204,878	(250,229)	954,649
Hedging accounting financial assets	1,751	-	1,751
	<u>₩ 1,472,471</u>	<u>₩ (250,229)</u>	<u>₩ 1,222,242</u>

30.1.3.1.4 Liquidity risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and bonds payable. The maturity profile of the Company's borrowings and bonds payable among financial liabilities as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020					
	Carrying amount	Contractual cash flows	~ 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years
Non-derivative financial liabilities:						
Trade payables	₩ 769,175	₩ 769,175	₩ 732,995	₩ 36,180	₩ -	₩ -
Borrowings	743,267	747,998	220,702	462,213	62,591	2,492
Bonds	1,028,440	1,082,786	6,429	406,310	558,796	111,251
Lease liabilities	923,856	923,856	102,638	278,755	509,038	33,425
Other financial liabilities	260,780	260,780	139,390	2,283	119,107	-
	<u>3,725,518</u>	<u>3,784,595</u>	<u>1,202,154</u>	<u>1,185,741</u>	<u>1,249,532</u>	<u>147,168</u>
Derivative financial liabilities:						
Foreign currency forward	28,153	28,153	21,749	6,404	-	-
interest rate swaps	2,306	2,306	-	847	1,459	-
	<u>30,459</u>	<u>30,459</u>	<u>21,749</u>	<u>7,251</u>	<u>1,459</u>	<u>-</u>
	<u>₩ 3,755,977</u>	<u>₩ 3,815,054</u>	<u>₩ 1,223,903</u>	<u>₩ 1,192,992</u>	<u>₩ 1,250,991</u>	<u>₩ 147,168</u>

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30.1.3.1.4 Liquidity risk (cont'd)

	2019					
	Carrying amount	Contractual cash flows	~ 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years
Non-derivative financial liabilities:						
Trade payables	₩ 1,331,547	₩ 1,331,547	₩ 1,272,658	₩ 58,889	₩ -	₩ -
Borrowings	1,018,484	1,030,999	515,315	319,378	189,426	6,880
Bonds	1,357,448	1,444,904	9,087	353,032	1,005,479	111,251
Lease liabilities	1,295,471	1,295,471	134,672	314,243	820,730	-
Other financial liabilities	332,352	332,352	102,949	71,779	153,607	-
	<u>5,335,302</u>	<u>5,435,273</u>	<u>2,034,681</u>	<u>1,117,321</u>	<u>2,139,314</u>	<u>143,957</u>
Derivative financial liabilities:						
Foreign currency forward	10,360	10,359	6,703	3,656	-	-
interest rate swaps	2,051	2,051	-	-	2,051	-
	<u>12,411</u>	<u>12,410</u>	<u>6,703</u>	<u>3,656</u>	<u>2,051</u>	<u>-</u>
	<u>₩ 5,347,713</u>	<u>₩ 5,447,683</u>	<u>₩ 2,041,384</u>	<u>₩ 1,120,977</u>	<u>₩ 2,141,365</u>	<u>₩ 143,957</u>

Approximately, 60.3% and 48.7% of the Company's debt will mature in less than one year as of December 31, 2020 and 2019 respectively, based on the carrying amount of bonds and borrowings reflected in the separate financial statements. The Company assessed the risk of financing as a controllable level in consideration of the scale of borrowings and cash and cash equivalent owned by the Company as of December 31, 2020.

30.1.3.1.5 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for the year ended December 31, 2020.

Debt to equity ratio as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Debt	₩	3,886,670	₩	5,580,941
Equity		1,968,769		2,092,381
Debt to equity ratio		197.4%		266.7%

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31. Business transfer

In accordance with the Board's resolution of March 4, 2020, the Company decided to sell its petroleum products retail sales business and was finally approved at the extraordinary general meeting of shareholders on April 22, 2020. As of June 1, 2020, the Company has transferred real estate to Xi S & D Co., Ltd. and 5 other companies and Koramco Energy Plus REIT Co., Ltd., and transferred assets and manpower related to the petroleum product retail business to Hyundai Oilbank Co., Ltd.

Details of assets and liabilities sold and the result of gain or loss on disposals are as follows (Korean won in millions):

	Amount
Inventories	₩ 12,986
Advanced payment	500
Land	918,958
Buildings	69,593
Structures	52,782
Machinery and equipment	12,030
Furniture and fixtures	1,178
Intangible assets	10
Right-of-use assets	16,633
Guarantee deposits	33,398
Other payables	(53)
lease liabilities	(16,986)
Deposits received	(1,094)
	<u>1,099,935</u>
Consideration transferred	1,271,467
Gain on business transfer	171,532
Sales and lease back	(5,094)
Adjusted gain on business transfer (*1)	<u>166,438</u>
Income taxes related to the gain on business transfer	(40,278)
Gain on business transfer after taxes	<u>₩ 126,160</u>

(*1) Adjusted gain on business transfer is included in gain and loss from discontinued operations.

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32. Business combination

As of July 1, 2020, the Company acquired used phone business units from SK Telink Co., Ltd., which is a business combination under common control, and the Company recognized the carrying amounts of assets and liabilities transferred and recognized the difference between the consideration transferred as other capital surplus.

Details of business combinations in the year ended December 31, 2020 are as follows (Korean won in millions):

	<u>Counterparty</u>	<u>Acquisition date</u>	<u>Transfer price</u>
Business combination	SK Telink Co., Ltd.	2020-07-01	1,894

The adjustments of business combinations under common control are as follows (Korean won in millions):

	<u>Amount</u>
Consideration transferred:	
Cash	₩ 1,894
Assets:	
Property, plant and equipment	5
Intangible assets	1,164
	<u>₩ 1,169</u>
Equity:	
Capital surplus	₩ 725

Review report on internal control over financial reporting

SK Networks Co., Ltd.

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

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

Independent auditor's report on internal control over financial reporting

SK Networks Co., Ltd.

The Shareholders and Board of Directors

Opinion of the internal control over financial reporting

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

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

We also have audited, in accordance with the Korean Auditing Standards ("KGAAS"), the statement of financial position as of December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and our report dated March 11, 2021 expressed an unqualified opinion thereon.

Basis of opinion on ICFR

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

Responsibilities of management and those charged with governance for ICFR

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

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

Auditor's responsibilities for the audit of ICFR

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

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

ICFR definition and inherent limitations

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

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

The engagement partner on the audit resulting in this independent auditor's report is Baekun Cho.



March 11, 2021

This audit report is effective as of March 11, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. . Such events and circumstances could significantly affect the Company's ICFR and may result in modifications to this report.

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

We, as the CEO and ICFR officer of SK Networks Co., Ltd. ("the Company"), assessed the effectiveness of the design and operation of ICFR for the year ended December 31, 2020.

The design and operation of ICFR is the responsibility of the Company's management, including the CEO and the ICFR officer.

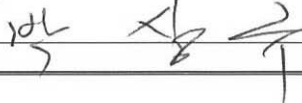
We, as the CEO and ICFR officer, assessed whether the Company's ICFR has been effectively designed and operated in order to prevent and detect errors or fraud that may result in a misstatement of the financial statements to ensure preparation and disclosure of reliable financial statements.

We, as the CEO and ICFR officer, used the 'Conceptual Framework for designing and operating ICFR as established by the Operating Committee of ICFR (the "ICFR Committee") as the standard for the design and operation of the Company's ICFR. In assessing the design and operation of the ICFR, we assessed ICFR based on the 'Best Practice Guideline for the Assessment and Reporting of ICFR as announced by the ICFR Committee.

Based on the assessment, we concluded that the Company's ICFR is effectively designed and operated as of December 31, 2020, in all material respects, in accordance with the Conceptual Framework for designing and operating ICFR.

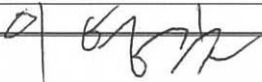
We, as the CEO and ICFR officer, confirm that this report does not contain or present any false statement or omit to state a fact necessary to be presented herein. We also confirm that this report does not contain or present any statement which might cause material misunderstanding to the readers, and we have reviewed and verified this report with due care.

March 5, 2021

Sign 

Sang-Kyu, Park

President & Chief Executive Officer

Sign 

Young-gil, Lee

Internal Accounting Manager