

# **SK Networks Co., Ltd.**

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

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## Independent auditor's report

### 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, 2021 and 2020, 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, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

We also have audited the Company's internal control over financial reporting ("ICFR") as of December 31, 2021, based on criteria established in Conceptual Framework for designing and operating ICFR in accordance with Korean Auditing Standards ("KGAAS") established by the Operating Committee of ICFR (the "ICFR Committee"), and our report dated March 11, 2022 expressed an unqualified opinion thereon.

#### Basis for opinion

We conducted our 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. In fact, the hotel division recorded an operating loss of ₩31,016 million due to hotel closures and social distancing during 2021. Property, plant and equipment and right-of-use assets for the hotel business are ₩766,576 million, accounting for a significant portion in the separate financial statements, as of December 31, 2021. 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.

(2) Presentation and disclosure of related party transactions and fair value evaluation of unlisted stocks

Transactions with related parties and receivables and debts account for a significant proportion in the financial statements the Company, and the volume of transactions other than operating activities including investment transactions has gradually increased during the year ended December 31, 2021. In particular, the Company invests in overseas unlisted stocks and funds through subsidiaries, and these transactions are non-operating transactions through related parties, which does not compose the Company's daily operating activities. In this regard, significant judgments of management and uncertainties exist regarding the projected future cash flows and key assumptions. In addition, as there are many transactions with related parties, there is a possibility of errors in properly disclosing related party transactions and balances. Accordingly, we identified the presentation and disclosure of related party transactions and the fair value evaluation of unlisted stocks acquired for the year ended December 31, 2021 through related parties as key audit items.

The main audit procedures we performed in this regard are:

- Confirming the completeness of related party transaction details by reviewing documents such as general meeting of shareholders and BOD minutes, electronic disclosure details, and tax return data
- Evaluating the effectiveness of the company's process understanding, design, and operation established for transactions with related parties and disclosure of balances
- Conducting external inquiry and communication with sector auditors on significant related party transactions
- Identifying non-recurring transactions including investments and financial transactions other than normal business activities among significant transactions with related parties during the reporting period and proving the occurrence of such transactions
- In relation to the fair value evaluation of unlisted stocks acquired through related parties, evaluating the competence, experience and professionalism of the company's external evaluation experts and verifying objectivity and independence of such experts
- Reviewing the adequacy of evaluation method involving internal evaluation experts and assumptions used therein

### **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, 2022

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

# **SK Networks Co., Ltd.**

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

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

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



**SK Networks Co., Ltd.**  
**Separate statements of financial position**  
**as of December 31, 2021 and 2020**

(Korean won in millions)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	4	₩ 1,085,688	₩ 657,406
Short-term financial instruments	4, 30	4,519	4,515
Trade receivables, net	4, 5, 26, 30	525,754	550,524
Current derivative financial assets	4, 17, 30	10,873	1,245
Current portion of finance lease receivables	4, 5, 13, 30	10,278	2,511
Current other financial assets, net	4, 5, 26, 30	38,857	37,697
Other current assets	6	62,608	107,604
Inventories, net	7	285,586	439,508
Non-current assets classified as held for sale	27, 28	80,083	136,391
Total current assets		<u>2,104,246</u>	<u>1,937,401</u>
Non-current assets:			
Long-term financial instruments	4	37	37
Long-term trade receivables, net	4, 5, 30	3,857	12,159
Long-term investment securities	4, 8, 30	195,979	122,980
Investments in subsidiaries and associates	9	1,391,014	1,301,923
Finance lease receivables	4, 5, 13, 30	76,045	26,431
Other non-current financial assets	4, 5, 26, 30	40,340	37,497
Property, plant and equipment, net	10, 21	1,082,677	1,154,136
Intangible assets, net	11	39,332	31,786
Investment properties, net	12	119,733	256,265
Right-of-use assets	13	577,512	865,549
Deferred tax assets	24	32,194	70,123
Other non-current assets	14, 18	17,580	39,152
Total non-current assets		<u>3,576,300</u>	<u>3,918,038</u>
<b>Total assets</b>		<u><b>₩ 5,680,546</b></u>	<u><b>₩ 5,855,439</b></u>

(Continued)

**SK Networks Co., Ltd.**  
**Separate statements of financial position**  
**as of December 31, 2021 and 2020 (cont'd)**

(Korean won in millions)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>Liabilities</b>			
Current liabilities:			
Trade payables	4, 26, 30	₩ 888,627	₩ 769,175
Short-term borrowings	4, 15, 29, 30	656,597	561,983
Current portion of long-term liabilities	4, 15, 29, 30	224,100	506,805
Current derivative financial liabilities	4, 17, 30	2,500	29,000
Current portion of lease liabilities	4, 13, 29, 30	334,816	381,393
Other current financial liabilities	4, 26, 30	131,711	142,425
Current tax liabilities	24	11,127	21,320
Current provisions	19	2,177	1,696
Other current liabilities	16	61,078	101,808
Total current liabilities		<u>2,312,733</u>	<u>2,515,605</u>
Non-current liabilities:			
Borrowings and bonds	4, 15, 29, 30	877,474	702,919
Non-current derivative financial liabilities	4, 17, 30	236	1,459
Lease liabilities	4, 13, 29, 30	347,330	542,463
Other non-current financial liabilities	4, 26, 30	90,843	118,355
Non-current provisions	19	4,140	869
Other non-current liabilities	18, 20	1,969	5,000
Total non-current liabilities		<u>1,321,992</u>	<u>1,371,065</u>
<b>Total liabilities</b>		<b><u>3,634,725</u></b>	<b><u>3,886,670</u></b>
<b>Equity</b>			
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	787,513
Retained earnings	22	724,758	692,185
Other components of equity	22	(115,104)	(159,583)
<b>Total equity</b>		<b><u>2,045,821</u></b>	<b><u>1,968,769</u></b>
<b>Total liabilities and equity</b>		<b><u>₩ 5,680,546</u></b>	<b><u>₩ 5,855,439</u></b>

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, 2021 and 2020**  
(Korean won in millions, except for earnings (loss) per share)

	Notes	2021		2020	
<b>Sales</b>	23, 26	₩	8,152,467	₩	8,062,953
Cost of sales	7, 23, 26		7,683,333		7,600,730
<b>Gross profit</b>			<b>469,134</b>		<b>462,223</b>
Selling and administrative expenses	18, 23, 26		493,148		508,553
<b>Operating loss</b>			<b>(24,014)</b>		<b>(46,330)</b>
Finance income	4, 17, 23		179,292		188,804
Finance costs	4, 17, 23		208,225		246,900
Other income	4, 23		92,837		141,208
Other expenses	4, 23		18,091		26,507
<b>Profit before income tax</b>					
<b>from continuing operations</b>			<b>21,799</b>		<b>10,275</b>
Income tax expense from continuing operations	24		16,774		58,097
<b>Profit (loss) from continuing operations</b>			<b>5,025</b>		<b>(47,822)</b>
Profit for the year					
from discontinued operations	27		50,818		51,599
<b>Profit for the year</b>		₩	<b>55,843</b>	₩	<b>3,777</b>
<b>Other comprehensive income (loss)</b>					
<b>for the year:</b>					
Items that will not be reclassified to profit or loss					
in subsequent periods:					
Remeasurement of net defined benefit liabilities	18		122		5,428
Gain on valuation of financial assets					
at fair value through OCI	4, 8		44,811		11,529
			44,933		16,957
Items that may be reclassified to profit or loss					
in subsequent periods:					
Gain on valuation of derivative financial instruments	4, 17		1,569		20
			1,569		20
Other comprehensive income (loss), net of tax			46,502		16,977
<b>Total comprehensive income</b>		₩	<b>102,345</b>	₩	<b>20,754</b>
<b>Earnings (loss) per share:</b>	25				
Basic earnings per share					
attributable to ordinary share		₩	255	₩	17
Basic earnings (loss) from continuing operations					
per share attributable to ordinary share			23		(213)

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, 2021 and 2020**  
(Korean won in millions)

	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total equity
<b>As of January 1, 2020</b>	₩ 648,654	₩ 788,090	₩ 711,897	₩ (56,260)	₩ 2,092,381
<b>Total comprehensive income (loss)</b>					
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
<b>Total comprehensive income (loss) for the year</b>			9,169	11,585	20,754
<b>Transactions with owners of the Company, recognized directly to equity:</b>					
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)
<b>As of December 31, 2020</b>	<b>₩ 648,654</b>	<b>₩ 787,513</b>	<b>₩ 692,185</b>	<b>₩ (159,583)</b>	<b>₩ 1,968,769</b>
<b>As of January 1, 2021</b>	₩ 648,654	₩ 787,513	₩ 692,185	₩ (159,583)	₩ 1,968,769
<b>Total comprehensive income (loss)</b>					
Profit for the year	-	-	55,843	-	55,843
Remeasurement of net defined benefit liabilities	-	-	122	-	122
Gain on valuation of financial assets at fair value through OCI	-	-	2,845	41,966	44,811
Gain on valuation of derivative financial instruments	-	-	-	1,569	1,569
<b>Total comprehensive income (loss) for the year</b>			58,810	43,535	102,345
<b>Transactions with owners of the Company, recognized directly to equity:</b>					
Dividends	-	-	(26,237)	-	(26,237)
Stock compensation costs	-	-	-	944	944
<b>As of December 31, 2021</b>	<b>₩ 648,654</b>	<b>₩ 787,513</b>	<b>₩ 724,758</b>	<b>₩ (115,104)</b>	<b>₩ 2,045,821</b>

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, 2021 and 2020**  
(Korean won in millions)

	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Operating activities:</b>			
Profit for the year		₩ 55,843	₩ 3,777
Non-cash adjustments to reconcile profit (loss) for the year to net cash flows provided by (used in) operating activities	29	190,120	261,857
Changes in operating assets and liabilities	29	302,675	(273,288)
Interest received		34,082	6,353
Interest paid		(61,241)	(68,624)
Dividends received		1,105	65
Income taxes paid		(19,202)	(9,353)
<b>Net cash flows provided by (used in) operating activities</b>		<b>₩ 503,382</b>	<b>₩ (79,213)</b>
<b>Investing activities:</b>			
Decrease (increase) in short-term financial instruments, net		(4)	(4)
Decrease in derivative financial assets, net		(26,909)	(8,031)
Proceeds from disposal of long-term investment securities		23,480	5,800
Acquisition of long-term investment securities		(35,664)	(39,713)
Acquisition of investments in subsidiaries and associates		9,165	301,670
Proceeds from investments in subsidiaries and associates		(82,357)	(158,864)
Proceeds from disposal of property, plant and equipment		33,816	14,755
Acquisition of property, plant and equipment		(85,308)	(78,020)
Proceeds from disposal of intangible assets		1,874	3,495
Acquisition of intangible assets		(2,638)	(2,842)
Proceeds from disposal of investment properties		140,058	-
Decrease (increase) in guarantee deposits		(2,158)	13,812
Proceed from disposal of Non-current assets classified as held for sale		90,303	-
Business division transferred out		39,840	1,271,467
Business division transferred in		-	(1,894)
Decrease in other non-current assets		70,351	14,617
<b>Net cash flows provided by investing activities</b>		<b>₩ 173,849</b>	<b>₩ 1,336,248</b>
<b>Financing activities:</b>			
Increase (decrease) in short-term borrowings, net		73,839	(94,416)
Repayment of current portion of long-term borrowings and bonds		(507,492)	(484,679)
Issuance of bonds		398,389	-
Acquisition of treasury stocks		-	(115,046)
Dividend paid		(26,237)	(28,881)
Decrease in lease liabilities		(187,448)	(226,985)
<b>Net cash flows used in financing activities</b>		<b>₩ (248,949)</b>	<b>₩ (950,007)</b>
<b>Net increase in cash and cash equivalents</b>		<b>428,282</b>	<b>307,028</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>657,406</b>	<b>350,378</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>₩ 1,085,688</b>	<b>₩ 657,406</b>

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

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2021 and 2020**

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**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, 2021, the Company has its headquarters in Suwon, Gyeonggi Province and has several overseas subsidiaries and branches in China and others.

As of December 31, 2021, 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 (6.64%), 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, 2021, 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, 2020, 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 10, 2022 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, 2021.

**Amendments to KIFRS 1109 Financial Instruments, KIFRS 1039 Financial Instruments: Recognition and Measurement, KIFRS 1107 Financial Instruments: Disclosures, KIFRS 1104 Insurance Contracts and KIFRS 1116 Leases**

The amendments provide exception not to recognize gains or losses on remeasurement of financial instruments when the replacement of interest rate benchmark for financial instruments measured at amortized cost meets certain requirements that do not change their economic substance. It also includes exceptions to hedge accounting when certain conditions are met if replacements to interest rate benchmark occur in the hedging relationship. The amendments do not have material impact on the Company's 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 1001: Presentation of Financial Statements (Amended)**

The amendments require disclosure of material accounting policy information instead of a significant accounting policy and explains the meaning of material accounting policy information. 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 1008: Accounting Policies, Changes in Accounting Estimates and Errors (Amended)**

The amendments define the accounting estimate under IFRS 1008 as the currency amounts in financial statements affected by measurement uncertainty and clarified how to distinguish it from changes in accounting policy. 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 1012: Income Taxes (Amended)**

The amendments add a requirement to the exception to the initial recognition of transactions in which assets or liabilities are first recognized, prescribing that the transaction to be excluded does not incur any temporary difference to be added and to be deducted equivalently at the time of transaction. 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 1037: Provisions, Contingent Liabilities and Contingent Assets (Amended)**

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

### **Amendments to KIFRS 1016: Property, Plant and Equipment: Proceeds before Intended Use (Amended)**

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 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.

### **Amendments to KIFRS 1116: Leases (Amended)**

The application of the practical expedient, in which a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the Covid-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is 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-use-of 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 categories (cont'd)**

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

	2021			
	Measured at FVTPL	Measured at amortized cost	Designated as hedge item	Total
<b>Current liabilities:</b>				
Trade payables	₩ -	₩ 888,627	₩ -	₩ 888,627
Short- term borrowings	-	656,597	-	656,597
Current portion of long-term liabilities	-	224,100	-	224,100
Derivative financial liabilities	2,500	-	-	2,500
Current portion of lease liabilities	-	334,816	-	334,816
<b>Other financial liabilities:</b>				
Other payables	-	89,957	-	89,957
Accrued expenses	-	9,276	-	9,276
Provision for financial guarantee liabilities	-	679	-	679
Deposit received	-	31,799	-	31,799
	<u>2,500</u>	<u>2,235,851</u>	<u>-</u>	<u>2,238,351</u>
<b>Non-current liabilities:</b>				
Borrowings and bonds	-	877,474	-	877,474
Derivative financial liabilities	-	-	236	236
Lease liabilities	-	347,330	-	347,330
<b>Other financial liabilities:</b>				
Deposits received	-	90,843	-	90,843
	<u>-</u>	<u>1,315,647</u>	<u>236</u>	<u>1,315,883</u>
	<u>₩ 2,500</u>	<u>₩ 3,551,498</u>	<u>₩ 236</u>	<u>₩ 3,554,234</u>
	2020			
	Measured at FVTPL	Measured at amortized cost	Designated as hedge item	Total
<b>Current liabilities:</b>				
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
<b>Other financial liabilities:</b>				
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>
<b>Non-current liabilities:</b>				
Borrowings and bonds	-	702,919	-	702,919
Derivative financial liabilities	-	-	1,459	1,459
Lease liabilities	-	542,463	-	542,463
<b>Other financial liabilities:</b>				
Deposits received	-	118,355	-	118,355
	<u>-</u>	<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>

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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, 2021 are as follows (Korean won in millions)

	2021					
	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)	₩ -	₩ 13,494	₩ -	₩ -	₩ (52,528)	₩ -
Dividend income	-	-	1,105	-	-	-
Bad debt expenses	-	(3,808)	-	-	-	-
Gain (loss) on transactions of derivative instruments	119,242	-	-	(56,364)	-	2,070
Gain (loss) on foreign currency translation and transactions	-	12,722	-	-	(68,106)	-
Gain (loss) on valuation of financial assets at Fair value through OCI	-	-	55,364	-	-	-
Gain (loss) on disposal of financial assets	2,607	(2,462)	-	-	-	-
Gain (loss) on disposal of financial assets at Fair value through OCI	-	-	2,845	-	-	-
	<u>₩ 121,849</u>	<u>₩ 19,946</u>	<u>₩ 59,314</u>	<u>₩ (56,364)</u>	<u>₩ (120,634)</u>	<u>₩ 2,070</u>
	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)	-	-	-	-
Gain (loss) on disposal of financial assets at Fair value through OCI	-	-	(36)	-	-	-
	<u>₩ 84,306</u>	<u>₩ (4,965)</u>	<u>₩ 15,564</u>	<u>₩ (102,136)</u>	<u>₩ (44,774)</u>	<u>₩ (256)</u>

**SK Networks Co., Ltd.**  
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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, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	₩ 1,037,782	₩ 1,036,059	₩ 1,028,440	₩ 1,052,465
Borrowings	720,389	719,041	743,267	743,366

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 (1.78%~3.53%) 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, 2021 and 2020 are as follows (Korean won in millions):

	2021			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Fair value through profit or loss:				
Trade receivables	₩ -	₩ -	₩ 52,088	₩ 52,088
Long-term investment securities			61,658	61,658
Derivative financial assets	-	10,873	-	10,873
Fair value through other comprehensive income:				
Long-term investment securities	26,488	-	107,833	134,321
	<u>₩ 26,488</u>	<u>₩ 10,873</u>	<u>₩ 221,579</u>	<u>₩ 258,940</u>
<b>Financial liabilities:</b>				
Fair value through profit or loss:				
Derivative financial liabilities	₩ -	₩ 2,500	₩ -	₩ 2,500
Hedge accounting designated:				
Derivative financial liabilities	-	236	-	236
	<u>₩ -</u>	<u>₩ 2,736</u>	<u>₩ -</u>	<u>₩ 2,736</u>

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**4.1 Division by fair value hierarchy (cont'd)**

	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			49,288	49,288
Derivative financial assets	-	1,245	-	1,245
Fair value through other comprehensive income:				
Long-term investment securities	20,460	-	53,232	73,692
	<u>₩ 20,460</u>	<u>₩ 1,245</u>	<u>₩ 242,877</u>	<u>₩ 264,582</u>
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
	<u>₩ -</u>	<u>₩ 30,459</u>	<u>₩ -</u>	<u>₩ 30,459</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, 2021 and 2020, 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, 2021. 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, 2021, 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, 2021.

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

Accounts	Contractor	2021		2020		Description
Short-term financial instruments	Hana Bank	₩	4,519	₩	4,515	Escrow account
Long-term financial instruments	Hana Bank, etc.		37		37	Collateral for bank overdraft
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, 2021 and 2020 are as follows (Korean won in millions):

	2021			2020		
	Costs	Loss allowance	Carrying amount	Costs	Loss allowance	Carrying amount
Trade receivables (*)	₩ 636,179	₩ (110,425)	₩ 525,754	₩ 659,967	₩ (109,443)	₩ 550,524
Current portion of finance lease receivables	10,278	-	10,278	2,511	-	2,511
Other accounts receivable	53,436	(14,889)	38,547	50,125	(12,788)	37,337
Accrued income	1,312	(1,309)	3	1,312	(1,309)	3
Guarantee deposits	307	-	307	357	-	357
Long-term trade receivables	3,861	(4)	3,857	12,171	(12)	12,159
Finance lease receivables	76,045	-	76,045	26,431	-	26,431
Long-term loans	33,161	(33,161)	-	33,161	(33,161)	-
Long-term other accounts receivable	26,353	(26,353)	-	25,778	(25,778)	-
Long-term guarantee deposits	40,340	-	40,340	37,497	-	37,497
	<u>₩ 881,272</u>	<u>₩ 186,141</u>	<u>₩ 695,131</u>	<u>₩ 849,310</u>	<u>₩ (182,491)</u>	<u>₩ 666,819</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 ₩52,088 million and ₩140,357 million as of December 31, 2021 and 2020, 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, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Beginning balance	₩ 182,491	₩ 250,229
Provisions	3,808	5,223
Transfers	-	3,098
Write-offs	-	(76,063)
Others (classified as held-for-sale, etc.)	(158)	4
Ending balance (*)	<u>₩ 186,141</u>	<u>₩ 182,491</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, 2021 and 2020 are as follows (Korean won in millions):

	2021					Total
	Neither past due nor impaired	Past due but not impaired			Impaired	
		Within 90 days	91-180 days	Over 180 days		
Trade receivables	₩ 428,966	₩ 94,520	₩ 645	₩ 5,480	₩ 110,429	₩ 640,040
Other financial assets (*)	139,003	7,431	345	18,741	75,712	241,232
	<u>₩ 567,969</u>	<u>₩ 101,951</u>	<u>₩ 990</u>	<u>₩ 24,221</u>	<u>₩ 186,141</u>	<u>₩ 881,272</u>

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

	2020					Total
	Neither past due nor impaired	Past due but not impaired			Impaired	
		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

**6. Other current assets**

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

	2021	2020
Advanced payments	₩ 12,697	₩ 35,609
Prepaid expenses	49,911	71,995
	<u>₩ 62,608</u>	<u>₩ 107,604</u>

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**7. Inventories**

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

	2021			2020		
	Costs	Valuation allowance	Carrying amount	Costs	Valuation allowance	Carrying amount
Raw materials	₩ 2,496	₩ -	₩ 2,496	₩ 2,342	₩ -	₩ 2,342
Finished goods	-	-	-	119	-	119
Merchandise	272,374	(15,936)	256,438	448,598	(29,627)	418,971
Goods-in-transit	26,652	-	26,652	18,076	-	18,076
	<u>₩ 301,522</u>	<u>₩ (15,936)</u>	<u>₩ 285,586</u>	<u>₩ 469,135</u>	<u>₩ (29,627)</u>	<u>₩ 439,508</u>

The Company recognized gain on valuation of inventories amounting to ₩13,691 million and loss on valuation of inventories amounting to ₩7,588 million in cost of sales in 2021 and 2020, respectively.

**8. Investment securities**

Investment securities as of December 31, 2021 and 2020 are as follows:

	2021			2020		
	Measured at FVTPL	Measured at FVOCI (*)	Total	Measured at FVTPL	Measured at FVOCI (*)	Total
Equity products:						
Marketable equity securities	₩ -	₩ 26,488	₩ 26,488	₩ -	₩ 20,460	₩ 20,460
Non-marketable equity securities	1,921	107,833	109,754	16,922	53,232	70,154
	<u>1,921</u>	<u>134,321</u>	<u>136,242</u>	<u>16,922</u>	<u>73,692</u>	<u>90,614</u>
Debt products:						
Beneficiary certificate and, etc.	45,868	-	45,868	25,556	-	25,556
Debt securities	13,869	-	13,869	6,810	-	6,810
	<u>59,737</u>	<u>-</u>	<u>59,737</u>	<u>32,366</u>	<u>-</u>	<u>32,366</u>
	<u>₩ 61,658</u>	<u>₩ 134,321</u>	<u>₩ 195,979</u>	<u>₩ 49,288</u>	<u>₩ 73,692</u>	<u>₩ 122,980</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, 2021 and 2020 are summarized as follows (Korean won in millions):

	2021			2020	
	Ownership percentage	Acquisition costs	Fair value	Carrying amount	Carrying amount
Paradise Co. Ltd.	0.23%	₩ 2,402	₩ 3,124	₩ 3,124	₩ 3,198
Koramco Energy Plus REIT Co., Ltd.	7.45%	18,000	23,364	23,364	17,262
		<u>₩ 20,402</u>	<u>₩ 26,488</u>	<u>₩ 26,488</u>	<u>₩ 20,460</u>

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

Non-marketable equity securities as of December 31, 2021 and 2020 are summarized as follows (Korean won in millions):

	Ownership percentage	2021		2020
		Costs	Carrying amount	Carrying amount
Mesh Korea Co. Ltd. (*1)	-	-	-	14,978
SK Technology Innovation Company	7.13%	12,356	6,671	6,671
Paradise Hotel Busan	9.86%	5,724	16,359	8,966
Kurly Co. Ltd. (*2)	3.32%	23,430	82,297	32,090
Parkingcloud Corp. (*1)	-	-	-	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
Others	-	10,314	917	939
		<u>₩ 56,351</u>	<u>₩ 109,754</u>	<u>₩ 70,154</u>

(\*1) The Company sold the entire shares during the year ended December 31, 2021.

(\*2) It includes the amount of convertible preferred shares which was held by the Company and converted into common shares during the year ended December 31, 2021.

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

	2021	2020
Beginning balance	₩ 122,980	₩ 73,846
Acquisition	35,664	39,713
Disposals	(18,029)	(5,836)
Valuation (other comprehensive income or loss)	55,364	15,257
Ending balance	<u>₩ 195,979</u>	<u>₩ 122,980</u>



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**9. Investments in subsidiaries, associates and joint ventures**

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

	Location	Principal business activity	Equity ownership	2021		2020
				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 Rent A Car Co., Ltd.	Korea	Car rental	72.95%	558,309	558,309	558,309
SKN (China) Holdings Co., Ltd. (*1)	China	Holding company	100.00%	148,584	-	-
Shenyang SK Networks Energy Co., Ltd. (*2)	China	Wholesale and retail of oil	-	-	-	-
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel manufacturing	80.00%	7,218	7,218	7,218
SK Networks (Shanghai) Co., Ltd.	China	Trading	100.00%	41,686	23,000	23,000
SK Networks Hong Kong Ltd. (*3)	Hong Kong	Trading	100.00%	33,504	31,521	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 (Wyong) Pty Ltd. (*1)	Australia	Overseas resources development	100.00%	14,633	-	-
SK Networks Resources Crude petroleum Australia Pty. Ltd. (*1)	Australia	Overseas resources development	100.00%	4,224	-	-
SK Networks Middle East FZE (*2)	UAE	Trading	-	-	-	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
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
		Manufacturing and sales				
MINTIT Co., Ltd. (*4)	Korea	Manufacturing and sales	100.00%	55,675	55,675	9,400
MINTIT VINA (*5)	Vietnam	Investment company	-	-	-	2,748
TenX Capital (*6)	USA	E-commerce	100.00%	38,145	38,145	1,397
Cartini Co., Ltd. (*7)	Korea	retailing	100.00%	17,920	17,920	-
				₩ 1,567,252	₩ 1,371,549	₩ 1,282,458

(\*1) The investment in subsidiaries are classified as non-current assets held for sale as the management decided to sell them prior to 2020.

(\*2) The Company sold the entire shares during the year ended December 31, 2021.

(\*3) The balance decreased due to a paid-in capital reduction during the year ended December 31, 2021.

(\*4) The remaining shares were acquired and additional investments were made during the year ended December 31, 2021 (see Note 31).

(\*5) All of the shares held by the Company were transferred to the subsidiary MINTIT Co., Ltd. during the year ended December 31, 2021 (see Note 31).

(\*6) Additional investment was made during the year ended December 31, 2021.

(\*7) The entity was newly established and additional investments were made during the year ended December 31, 2021 (see Note 31).

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

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

	Location	Principal business activity	Equity ownership	2021		2020	
				Acquisition costs	Carrying amount	Carrying amount	Carrying amount
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
				₩ 19,465	₩ 19,465	₩ 19,465	₩ 19,465

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

	2021			2020		
	Acquisition costs	Accumulated depreciation	Carrying amount	Acquisition costs	Accumulated depreciation	Carrying amount
Land	₩ 588,098	₩ -	₩ 588,098	₩ 586,691	₩ -	₩ 586,691
Buildings	513,266	(197,458)	315,808	459,198	(185,767)	273,431
Structures	34,560	(22,381)	12,179	33,853	(21,856)	11,997
Storage tanks	616	(198)	418	758	(248)	510
Machinery and equipment	49,703	(37,449)	12,254	45,042	(36,763)	8,279
Vehicles	1,485	(1,305)	180	1,959	(1,585)	374
Rental property	89,319	(42,978)	46,341	201,511	(91,842)	109,669
Furniture and fixtures	116,281	(93,708)	22,573	147,296	(107,606)	39,690
Others	148,116	(68,394)	79,722	128,224	(54,744)	73,480
Construction-in-progress	5,104	-	5,104	50,015	-	50,015
	<u>₩ 1,546,548</u>	<u>₩ (463,871)</u>	<u>₩ 1,082,677</u>	<u>₩ 1,654,547</u>	<u>₩ (500,411)</u>	<u>₩ 1,154,136</u>

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

	2021							Ending balance
	Beginning balance	Acquisitions	Disposals	Depreciations	Business division sold (*1)	Impairment	Others (*2)	
Land	₩ 586,691	₩ 6,400	₩ (12,351)	₩ -	₩ -	₩ -	₩ 7,358	₩ 588,098
Buildings	273,431	212	(3,406)	(12,432)	-	-	58,003	315,808
Structures	11,997	669	(1,096)	(1,249)	-	-	1,858	12,179
Storage tanks	510	-	(51)	(41)	-	-	-	418
Machinery and equipment	8,279	1,964	(52)	(3,392)	-	-	5,455	12,254
Vehicles	374	-	(24)	(170)	-	-	-	180
Rental property	109,669	151	-	(20,543)	(336)	-	(42,600)	46,341
Furniture and fixtures	39,690	12,916	(265)	(14,034)	(16,442)	-	708	22,573
Others	73,480	1,430	(456)	(16,253)	-	(1,086)	22,607	79,722
Construction-in-progress	50,015	61,714	-	-	(739)	-	(105,886)	5,104
	<u>₩ 1,154,136</u>	<u>₩ 85,456</u>	<u>₩ (17,701)</u>	<u>₩ (68,114)</u>	<u>₩ (17,517)</u>	<u>₩ (1,086)</u>	<u>₩ (52,497)</u>	<u>₩ 1,082,677</u>

(\*1) The decrease was due to the sale of MINTIT business division and Tire pick business division to MINTIT Co., Ltd. and Cartini Co., Ltd., respectively during the year ended December 31, 2021 (see Note 31).

(\*2) It consists of transfer of construction-in-progress to the main account, intangible assets, inventories, investment properties, and assets held for sale.

	2020							Ending balance
	Beginning balance	Business Combination (*1)	Acquisitions	Disposals	Depreciations	Impairment	Others (*2)	
Land	₩ 695,862	₩ -	₩ -	₩ (7,935)	₩ -	₩ -	₩ (101,236)	₩ 586,691
Buildings	311,206	-	-	(2,726)	(12,481)	-	(22,568)	273,431
Structures	16,119	-	-	(1,514)	(1,431)	-	(1,177)	11,997
Storage tanks	389	-	107	(54)	(30)	-	98	510
Machinery and equipment	10,344	-	909	(1,587)	(3,235)	-	1,848	8,279
Vehicles	654	-	134	(142)	(272)	-	-	374
Rental property	270,382	-	3,646	-	(45,318)	-	(119,041)	109,669
Furniture and fixtures	39,691	5	17,093	(2,807)	(15,601)	-	1,339	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>₩ (7,790)</u>	<u>₩ (249,620)</u>	<u>₩ 1,154,136</u>

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

(\*1) Recognized due to the acquisition of used phone business unit from SK Telink Co., Ltd.

(\*2) It consists of the main account replacement of assets under construction, intangible assets, inventories, investment real estate, and assets held for sale.

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	14,026	0%	11.33%

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

As a result of the impairment testing, ₩1,086 million of carrying amount exceeds recoverable value was recognized as an impairment loss on property, plant and equipment.

The capitalized borrowing costs are ₩1,061 million and the capitalization interest rate is 2.41% for the year ended December 31, 2021.

**11. Intangible assets**

The acquisition costs and net carrying amount of intangible assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021			2020		
	Acquisition costs	Accumulated amortization	Carrying amount	Acquisition costs	Accumulated amortization	Carrying amount
Development cost	₩ 103,656	₩ (80,636)	₩ 23,020	₩ 91,740	₩ (74,119)	₩ 17,621
Industrial property rights	316	(264)	52	316	(238)	78
Memberships	15,285	(17)	15,268	13,596	(17)	13,579
Others	11,958	(10,966)	992	11,302	(10,794)	508
	<u>₩ 131,215</u>	<u>₩ (91,883)</u>	<u>₩ 39,332</u>	<u>₩ 116,954</u>	<u>₩ (85,168)</u>	<u>₩ 31,786</u>

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**11. Intangible assets (cont'd)**

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

	2021						
	Beginning balance	Acquisitions	Disposals	Amortization	Business division sold (*1)	Others (*2)	Ending balance
Development cost	₩ 17,621	₩ 70	₩ (1,661)	₩ (7,496)	₩ (3,527)	₩ 18,013	₩ 23,020
Industrial property rights	78	-	-	(26)	-	-	52
Memberships	13,579	2,349	(660)	-	-	-	15,268
Others	508	151	-	(175)	(41)	549	992
	<u>₩ 31,786</u>	<u>₩ 2,570</u>	<u>₩ (2,321)</u>	<u>₩ (7,697)</u>	<u>₩ (3,568)</u>	<u>₩ 18,562</u>	<u>₩ 39,332</u>

(\*1) The decrease was due to the sale of MINTIT business division and Tire pick business division to MINTIT Co., Ltd. and Cartini Co., Ltd., respectively during the year ended December 31, 2021 (see Note 31).

(\*2) It consists of tangible assets and transferred amounts.

	2020						
	Beginning balance	Business Combination (*1)	Acquisitions	Disposals	Amortization	Others (*2)	Ending balance
Development cost	₩ 14,185	₩ 1,164	₩ 536	₩ -	₩ (5,705)	₩ 7,441	₩ 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>₩ 7,441</u>	<u>₩ 31,786</u>

(\*1) Recognized due to the acquisition of used phone business unit from SK Telink Co., Ltd.

(\*2) It consists of tangible assets, non-current assets held for sale and transferred amounts.

**12. Investment properties**

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

	2021				
	Beginning balance	Disposals	Depreciation	Transfer (*)	Ending balance
Land	₩ 237,520	₩ (124,489)	₩ -	₩ (7,194)	₩ 105,837
Buildings	18,745	(2,365)	(652)	(1,832)	13,896
	<u>₩ 256,265</u>	<u>₩ (126,854)</u>	<u>₩ (652)</u>	<u>₩ (9,026)</u>	<u>₩ 119,733</u>

(\*) Transferred from property, plant and equipment.

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**12. Investment properties (cont'd)**

	2020			
	Beginning balance	Depreciation	Transfer (*)	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.

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

	2021	2020
Rental income	₩ 4,371	₩ 6,161
Depreciation	(652)	(252)
	<u>₩ 3,719</u>	<u>₩ 5,909</u>

The fair value of investment property as of December 31, 2021 is ₩ 128,510 million.

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

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

	2021			2020		
	Acquisition costs	Depreciation	Book value	Acquisition costs	Depreciation	Book value
Real estates	₩ 160,366	₩ (56,824)	₩ 103,542	₩ 105,257	₩ (50,707)	₩ 54,550
Vehicles	₩ 923,119	₩ (449,149)	₩ 473,970	₩ 1,205,711	₩ (394,712)	₩ 810,999
	<u>₩ 1,083,485</u>	<u>₩ (505,973)</u>	<u>₩ 577,512</u>	<u>₩ 1,310,968</u>	<u>₩ (445,419)</u>	<u>₩ 865,549</u>

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

	2021				
	Beginning balance	Acquisition	Depreciation	Others (*)	Ending balance
Real estates	₩ 54,550	₩ 137,823	₩ (22,351)	₩ (66,480)	₩ 103,542
Vehicles	₩ 810,999	-	₩ (155,565)	₩ (181,464)	₩ 473,970
	<u>₩ 865,549</u>	<u>₩ 137,823</u>	<u>₩ (177,916)</u>	<u>₩ (247,944)</u>	<u>₩ 577,512</u>

(\*) It decreased due to early termination and provision of sub-lease.

	2020					
	Beginning balance	Acquisition	Depreciation	Transfer (*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 offset with lease liabilities due to termination during the lease term.

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

Changes in lease liabilities for the year ended December 31, 2021 are as follows (Korean won in millions):

	2021	2020
Beginning balance	₩ 923,856	₩ 1,295,471
Increase	137,197	50,686
Interest expense	26,661	35,990
Repayment	(214,109)	(262,975)
Transfer (*1)	-	1,059
Others (*2)	(191,459)	(196,375)
Ending balance	<u>₩ 682,146</u>	<u>₩ 923,856</u>

(\*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, 2021, the Company recognized ₩515 million, ₩450 million, and ₩804 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 ₩215,878 million while income from sublease amounts to ₩264,092 million.

In relation to the Company's sub-leases, the expected future lease revenues as of December 31, 2021 are as follows (Korean won in millions):

	Amount
Due within a year	₩ 173,111
With in 1 ~ 2 years	61,196
With in 2 ~ 3 years	3,454
Due after three years	2
	<u>₩ 237,763</u>

Gross investment in the lease and Net investment in the lease as of Dec. 31. 2021 are as follows (Korean won in millions):

	Gross investments in the leases	Net investments in the leases
Due within a year	₩ 10,431	₩ 10,278
With in 1 ~ 2 years	10,644	10,201
With in 2 ~ 3 years	10,837	10,103
With in 3 ~ 4 years	11,019	9,992
With in 4 ~ 5 years	11,099	9,792
Due after five years	43,511	35,957
	<u>₩ 97,541</u>	<u>₩ 86,323</u>

Details of unrealized interest income of finance lease contracts as of December 31, 2021 are as follows. (Korean won in millions):

	Amount
Gross investment in the lease	₩ 97,541
Net investment in the lease	86,323
Unearned finance income	11,218

The amount of recognized interest income related to net investment in the lease in 2021 is ₩1,787 million.

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**14. Other non-current assets**

Other non-current assets as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Long-term advance payments	₩	9,655	₩	29,666
Other investment assets		7,925		9,486
	₩	<u>17,580</u>	₩	<u>39,152</u>

**15. Borrowings and bonds**

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

	2021		2020	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 656,597	₩ -	₩ 561,983	₩ -
Bonds and long-term borrowings:				
Long-term borrowings	34,158	29,634	117,492	63,792
Bonds	189,942	847,840	389,313	639,127
	<u>224,100</u>	<u>877,474</u>	<u>506,805</u>	<u>702,919</u>
	₩ <u>880,697</u>	₩ <u>877,474</u>	₩ <u>1,068,788</u>	₩ <u>702,919</u>

Short-term borrowings as of December 31, 2021 and 2020 are summarized as follows (Korean won in millions):

Portion	Yearly interest rate (%)	2021		2020	
Banker's usance	Libor + 0.3, etc.	₩	604,509	₩	421,626
Discounts of notes receivable	Libor + 0.7, etc.		52,088		140,357
		₩	<u>656,597</u>	₩	<u>561,983</u>

Long-term Borrowings (including current portion) as of December 31, 2021 and 2020 are summarized as follows (Korean won in millions):

Portion	Yearly interest rate (%)	2021		2020	
General borrowings	1.02 ~ 1.25	₩	5,459	₩	56,284
Borrowings for facility investment	2.75		58,333		125,000
			<u>63,792</u>		<u>181,284</u>
Less: current portion of borrowings			<u>(34,158)</u>		<u>(117,492)</u>
		₩	<u>29,634</u>	₩	<u>63,792</u>



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

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

Issuance number	Issue date	Maturity date	Yearly interest rate	2021	2020
178-3rd	2014-10-30	2021-10-30	-	-	150,000
179-3rd	2015-04-29	2022-04-29	2.67%	100,000	100,000
180-2nd	2016-04-20	2021-04-20	-	-	80,000
181-1st	2018-04-18	2021-04-18	-	-	160,000
181-2nd	2018-04-18	2023-04-18	2.93%	140,000	140,000
182-1st	2019-04-19	2022-04-19	1.95%	90,000	90,000
182-2nd	2019-04-19	2024-04-19	2.09%	200,000	200,000
182-3rd	2019-04-19	2026-04-19	2.28%	110,000	110,000
183-1st	2021-04-19	2024-04-19	1.54%	170,000	-
183-2nd	2021-04-19	2026-04-19	1.97%	150,000	-
183-3rd	2021-04-19	2028-04-19	2.23%	80,000	-
				<u>1,040,000</u>	<u>1,030,000</u>
Less: present value discount				(2,218)	(1,560)
Less: current portion				<u>(189,942)</u>	<u>(389,313)</u>
				<u>₩ 847,840</u>	<u>₩ 639,127</u>

**16. Other current liabilities**

Other current liabilities as of December 31, 2021 and 2020 are summarized as follows (Korean won in millions):

	2021	2020
Advances received	₩ 10,157	₩ 20,961
Unearned revenue	2,238	253
Withholdings	6,570	8,018
VAT withheld	13,274	52,199
Current portion of contract liabilities	28,839	20,377
	<u>₩ 61,078</u>	<u>₩ 101,808</u>

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**17. Derivative instruments**

Derivative instruments held for sale or hedge as of December 31, 2021 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, 2021 and 2020 are as follows (Foreign currencies in thousands, Korean won in millions):

2021								
Hedging item	Number of contracts	Contract date	Maturity date	Contract exchange rate / interest rate	Buy		Sell	
					Currency	Amount	Currency	Amount
Foreign currency forwards	17	2021-11-19	2022-02-03	1.1255 ~	USD	72,597	EUR	60,352
		etc	etc	1.2241				
	68	2021-07-07	2022-01-10	1,133.5 ~	USD	668,394	KRW	789,406
		etc	etc	1,204				
	32	2021-10-25	2022-03-29	1,1268 ~	EUR	78,836	USD	90,046
		etc	etc	1.1725				
2	2021-12-28	2022-01-11	1.3444 ~	GBP	96	USD	130	
	etc	etc	1.3506					
7	2021-12-22	2022-01-21	1,182.79 ~	KRW	74,750	USD	62,949	
	etc	etc	1,190.25					
Interest rate swap	1	2019-01-02	2023-07-03	2.750%	KRW	100,000	KRW	100,000

  

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 ~	CNY	50,649	USD	7,642
		etc	etc	6.7802				
	3	2020-10-06	2021-01-15	6.6724 ~	USD	103	CNY	694
		etc	etc	6.7690				
	42	2020-09-07	2021-01-11	1.1062 ~ 1.14	EUR	24,901	USD	29,720
		etc	etc	1.1324 ~				
	43	2020-10-19	2021-01-15	1.2345	USD	180,368	EUR	149,609
		etc	etc	103.58				
	1	2020-11-10	2021-01-29	103.58	JPY	12,030	USD	116
		2020-10-22	2021-01-29	103.97 ~				
	3	etc	etc	104.64	USD	275	JPY	28,720
		2020-12-09	2021-01-29	0.7453 ~				
	4	etc	etc	0.7616	AUD	537	USD	407
		2020-09-10	2021-01-29	0.7039 ~				
	4	etc	etc	0.7319	USD	409	AUD	569
2021-01-05		etc	1.3045 ~					
3	2020-10-28	etc	1.3574	GBP	484	USD	634	
	etc	etc	1.3219 ~					
2	2020-11-12	2021-01-29	1.3361	USD	573	GBP	431	
	2020-12-28	2021-01-04	7.7496					
1	2020-10-16	2021-01-11	1,085.25 ~	HKD	1,582	USD	204	
	etc	etc	1,203.6					
Interest rate swap	1	2018-10-26	2021-10-26	2.875%	KRW	30,000	KRW	30,000
	1	2018-10-30	2021-11-01	2.875%	KRW	20,000	KRW	20,000
	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, 2021 and 2020 are as follows (Korean won in millions):

Hedging item	Gain or Loss	Gain (loss) on valuation		In the separate statements of comprehensive income
		2021	2020	
Foreign currency forwards	Gain	₩ 10,873	₩ 1,245	Profit or loss
	Loss	(2,500)	(28,153)	
Currency swap	Gain	-	283	Other comprehensive income (loss)
Interest rate swap	Gain	2,070	-	Other comprehensive income (loss)
	Loss	-	(256)	

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

	2021					Total
	Less than 3 months	3~6 months	6~9 months	9~12 months	More than 1 year	
Interest rate swap:						
The nominal amount of won	₩ 400	₩ 343	₩ 286	₩ 231	₩ 341	₩ 1,601
Average commitment interest rate	2.75%	2.75%	2.75%	2.75%	2.75%	

The effect of hedging instruments on the separate statement of financial position as of December 31, 2021 is as follows (Korean won in millions):

	2021		
	Contractual nominal value	Derivative financial assets	Used for ineffectiveness measurement of changes in fair value
Interest rate swap	₩ 1,601	₩ (236)	₩ 2,070

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

	Changes in fair value used for ineffectiveness measurement		Cash flow hedge	
	₩		₩	
Long-term borrowings		2,070		2,070

The effect of cash flow hedge on the separate statement of comprehensive income for the year ended December 31, 2021 is as follows (Korean won in millions):

	Other comprehensive income		Ineffective part		Reclassified as profit and loss		Account subject	
	₩		₩		₩		₩	
Interest swap		2,070		-		-		Loss and gain on transaction of derivatives

**18. Net defined benefit liabilities**

Net defined benefit liabilities as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Net defined benefit liabilities:				
Present value of defined benefit obligations	₩	83,907	₩	88,291
Fair value of plan assets (*)		(89,534)		(95,458)
	₩	(5,627)	₩	(7,167)

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

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

	2021		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 88,291	₩ (95,458)	₩ (7,167)
Retirement benefits:			
Current service costs	10,078	-	10,078
Net interest expenses (income)	2,418	(2,399)	19
	12,496	(2,399)	10,097
Remeasurements:			
Return on plan assets (excluding amounts included in interest expense)	-	801	801
Changes in financial assumptions	(3,516)	-	(3,516)
Experience adjustments	2,554	-	2,554
	(962)	801	(161)
Contributions by employer directly to plan assets	-	(8,700)	(8,700)
Benefits paid	(14,555)	14,856	301
Transfer of affiliates	(1,363)	1,366	3
Ending balance	₩ 83,907	₩ (89,534)	₩ (5,627)

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**18. Net defined benefit liabilities (cont'd)**

	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
	<u>13,647</u>	<u>(1,830)</u>	<u>11,817</u>
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)
	<u>(7,692)</u>	<u>531</u>	<u>(7,161)</u>
Contributions by employer directly to plan assets	-	(26,400)	(26,400)
Benefits paid	(11,899)	20,787	8,888
Transfer of affiliates (*1)	715	(715)	-
Others (*2)	3,731	2,387	6,118
Ending balance	<u>₩ 88,291</u>	<u>₩ (95,458)</u>	<u>₩ (7,167)</u>

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

	2021	2020
Deposits and others	₩ 89,534	₩ 95,458

Principal actuarial assumptions as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rates	3.09% ~ 3.37%	2.48% ~ 2.84%
Future salary increasing rates	2.50% ~ 3.65%	2.50% ~ 3.65%

Sensitive analysis of principal actuarial assumption as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		
	Effect on defined benefit obligations		
	Sensitivity	Increase	Decrease
Discount rates	0.50% point	₩ (2,879)	₩ 3,067
Future salary increasing rates	0.50% point	3,066	(2,905)
	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)

As of December 31, 2021, ₩997 million of long-term employee benefit liabilities (2020: ₩1,069 million) is classified as other non-current liabilities in the separate statement of financial position.

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

		2021					
		Beginning balance	Increase	Reversal	Ending balance	Current	Non-current
Provision for product warranty	₩	47	₩ -	₩ -	₩ 47	₩ 47	₩ -
Others		2,518	4,318	(566)	6,270	2,130	4,140
	₩	<u>2,565</u>	<u>₩ 4,318</u>	<u>₩ (566)</u>	<u>₩ 6,317</u>	<u>₩ 2,177</u>	<u>₩ 4,140</u>

  

		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
	₩	<u>2,370</u>	<u>₩ 6,278</u>	<u>₩ (856)</u>	<u>₩ (6,753)</u>	<u>₩ 1,526</u>	<u>₩ 2,565</u>	<u>₩ 1,696</u>	<u>₩ 869</u>

**20. Other non-current liabilities**

The details of other non-current liabilities for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Advance from customers	₩ 972	₩ 3,931
Other long-term employee liabilities	997	1,069
	<u>₩ 1,969</u>	<u>₩ 5,000</u>

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**21. Commitments and contingencies**

Agreements between financial institutes and the entity as of December 31, 2021 are as follows (Korean won in millions and foreign currency in thousands):

Provider	Description	Currency	Agreement limit
Hana Bank	KRW Limit loan etc	KRW	205,000
	Foreign currency comprehensive credit line etc	USD	297,500
NH Bank	Foreign currency loan	USD	20,000
	KRW Limit loan etc	KRW	30,000
Standard Chartered Bank Korea Limited	Foreign currency comprehensive credit line etc	USD	40,000
	KRW Limit loan etc	KRW	100,000
Shinhan Bank	Guarantee of payment	USD	200,000
	Trade finance KRW limit loan	KRW	80,000
Kookmin Bank	Comprehensive foreign currency loan	USD	300,000
	Credit sales bond KRW secured loan	KRW	2,240
Woori Bank	Trade finance limit loan etc	USD	120,000
	KRW Limit loan	KRW	30,000
Industrial and Commercial Bank of China Limited.	KRW Limit loan	KRW	30,000
Bank of Communications	KRW Limit loan	KRW	30,000
Bank of china	Comprehensive trade finance limit	USD	35,000
Industrial Bank of Korea	IBK Comprehensive Export-Import Finance	USD	100,000
Mizuho Bank, Ltd.	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	150,000
Korea Development Bank	domestic credit	USD	150,000
Korea Eximbank	Export factoring	EUR	35,000
Suhyup Bank	Foreign currency limits	USD	15,000
Deutsche Bank	Sale of export bonds	USD	100,000

The notes and checks as collateral for borrowings and commitments as of December 31, 2021 are as follows:

	Providers	Quantity	Description
Notes	UBAF Seoul, etc.	3	Contract performance guarantee 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 checks.

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

The Company is involved in 12 litigations as a plaintiff with claims aggregating to ₩3,570 million and 11 litigations as a defendant with claims aggregating to ₩5,651 million as of December 31, 2021. 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, 2021 (Korean won in millions):

2021			
Assets as collateral	Carrying amount	Collateralized amount	Mortgage holder
Land, building and others	₩ 301,305	₩ 389,814	Korea Development Bank
	26,579	1,154	Handsoem Corporation
	<u>₩ 327,884</u>	<u>₩ 390,968</u>	

Guarantees provided by third parties on behalf of the Company as of December 31, 2021 are as follows (Korean won in millions):

Trading partner	Currency	Guarantee amount	Guarantor
Microsoft Korea and etc.	KRW	2,000	Hana Bank
Dongdaemoon Hotel PFV. Co., Ltd. and etc.	KRW	10,798	Seoul Guarantee Insurance Company
Deutsche Bank	KRW	6,693	Korea Trade Insurance Corporation.



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**22. Equity**

Details of capital stock as of December 31, 2021 and 2020 are summarized as follows (Korean won in millions, except number of shares and par value):

	2021	2020
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, 2021, as all redeemable preferred share were retired by charging unappropriated retained earnings.

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

	2021	2020
Share premium	₩ 89,053	89,053
Other capital surplus	698,460	698,460
	<u>₩ 787,513</u>	<u>₩ 787,513</u>

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

	2021	2020
Legal reserve	₩ 35,422	32,798
Voluntary reserve	80,617	80,617
Unappropriated retained earnings	608,719	578,770
	<u>₩ 724,758</u>	<u>₩ 692,185</u>

Details of dividends proposed for approval at the annual ordinary shareholders' meeting for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions, except for number of shares and par value per share):

	2021		2020	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Number of shares	218,554,682	69,785	218,554,682	69,785
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	₩ 26,227	₩ 10

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

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

	2021	2020
Gain (Loss) on valuation of financial assets at fair value through other comprehensive income	52,988	11,022
Stock option	1,672	728
Loss on valuation of derivatives instruments	(180)	(1,749)
Treasury stock	(169,558)	(169,558)
Others	(26)	(26)
	<u>₩ (115,104)</u>	<u>₩ (159,583)</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	2-1	2-2
Grant date	2018-03-30			2021-03-29	
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	1,641,619	108,882
Event Price	₩ 5,900	₩ 6,380	₩ 6,890	5,559	5,559
Available period	2020.03.31~2023.03.30	2021.03.31~2024.03.30	2022.03.31~2025.03.30	2024.03.30~2028.03.29	2023.03.30~2026.03.29
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	From grant date more than two years of service	From grant date more than two 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):

	2021
Total compensation cost	₩ 3,215
Recognized compensation cost before the beginning of 2021	728
Recognized compensation cost for the year end 2021	944
Compensation cost to recognize after the end of the period	1,543

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	2-1	2-2
Risk-free interest rate	2.44%	2.54%	2.56%	1.82%	1.56%
Expectancy duration	5	6	7	7	5
Stock price of expectation grant day (full-day closing price)	₩ 5,790	₩ 5,790	₩ 5,790	₩ 5,580	₩ 5,580
Expected volatility	15.40%	15.40%	15.40%	28.00%	28.00%
Dividend yield	2.07%	2.07%	2.07%	2.15%	2.15%
Event price	₩ 5,900	₩ 6,380	₩ 6,890	₩ 5,559	₩ 5,559
Fair value per share	₩ 723.37	₩ 631.87	₩ 552.13	₩ 1,422.14	₩ 1,229.40

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

	<u>2021</u>	<u>2020</u>
I. Retained earnings before appropriations		
Unappropriated retained earnings carried forward from the prior year	₩ 549,909	₩ 569,601
Profit for the year	55,843	3,777
Remeasurement of net defined benefit liabilities	122	5,428
Gain (Loss) on valuation of financial assets at fair value through OCI	2,845	(36)
	<u>608,719</u>	<u>578,770</u>
II. Appropriation of retained earnings		
Legal reserve	(2,624)	(2,624)
Dividends	(26,237)	(26,237)
III. Unappropriated retained earnings to be carried forward to the next year	<u>(28,861)</u>	<u>(28,861)</u>
	<u>₩ 579,858</u>	<u>₩ 549,909</u>

Appropriations approval dates for 2021 and 2020 are March 29, 2022 and March 29, 2021, respectively.

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**23. Profit (loss) from continuing operations**

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

	2021					
	Global	IM	Rent-a-Car	Speed Mate	Others	Total
Total revenue	₩ 2,386,712	₩ 4,695,105	₩ 505,545	₩ 403,173	₩ 161,932	₩ 8,152,467
1. Revenue from contracts with customers	2,385,127	4,691,613	203,113	402,551	131,329	7,813,733
1) Types of revenue						
Sales of merchandise	2,379,999	4,664,034	203,113	309,105	-	7,556,251
Sales of finished goods	1,935	-	-	-	-	1,935
Providing services	3,193	27,579	-	93,446	131,329	255,547
	₩ 2,385,127	₩ 4,691,613	₩ 203,113	₩ 402,551	₩ 131,329	₩ 7,813,733
2) Timing of recognizing revenue						
Recognition at a point in time	2,381,934	4,664,034	203,113	309,105	-	7,558,186
Recognized over time	3,193	27,579	-	93,446	131,329	255,547
	₩ 2,385,127	₩ 4,691,613	₩ 203,113	₩ 402,551	₩ 131,329	₩ 7,813,733
2. Revenue from other sources	₩ 1,585	₩ 3,492	₩ 302,432	₩ 622	₩ 30,603	₩ 338,734
	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
	₩ 2,092,758	₩ 4,770,709	₩ 225,328	₩ 382,146	₩ 117,958	₩ 7,588,899
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
	₩ 2,092,758	₩ 4,770,709	₩ 225,328	₩ 382,146	₩ 117,958	₩ 7,588,899
2. Revenue from other sources	₩ 1,265	₩ 2,467	₩ 439,693	₩ 460	₩ 30,169	₩ 474,054

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

	2021	2020
Cost of merchandise sold	₩ 7,358,508	₩ 7,184,909
Cost of finished goods sold	1,944	3,793
Other cost of sales	322,881	412,028
	<u>₩ 7,683,333</u>	<u>₩ 7,600,730</u>

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

	2021	2020
Salaries	₩ 104,435	₩ 123,777
Retirement benefits	13,904	19,355
Employee welfare	22,065	21,650
Travel	1,016	1,542
Communications	3,384	3,348
Utilities	10,283	10,616
Taxes and dues	16,004	17,764
Supplies	10,069	9,556
Rents	1,769	3,511
Depreciation	47,571	47,346
Amortization	7,697	5,885
Depreciation of right-of-use assets	23,699	14,414
Repairs	4,179	3,652
Vehicles maintenance	1,060	1,146
Insurance premium	9,172	6,067
Advertising	11,136	12,438
Training	4,734	4,259
Engineering service fee	72,755	74,218
Commissions	83,427	83,103
Freight	33,297	32,498
Allowance for doubtful accounts	3,808	5,223
Foreign branch office operations	4,030	3,663
Entertainment	2,014	2,826
Stock compensation costs	944	138
Others	696	558
	<u>₩ 493,148</u>	<u>₩ 508,553</u>

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

	2021	2020
Interest income	₩ 13,494	₩ 6,354
Gain on foreign currency transactions	32,182	61,925
Gain on foreign currency translation	11,767	36,224
Gain on transactions of financial assets measured at fair value through profit and loss	2,607	-
Gain on valuation of derivative financial instruments	10,873	1,245
Gain on transactions of derivative financial instruments	108,369	83,056
	<u>₩ 179,292</u>	<u>₩ 188,804</u>

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
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**23. Profit (loss) from continuing operations (cont'd)**

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

	2021	2020
Interest expense	₩ 52,528	₩ 63,223
Loss on foreign currency transactions	67,764	65,609
Loss on foreign currency translation	31,569	15,932
Loss on valuation of derivative financial instruments	2,500	28,153
Loss on transactions of derivative financial instruments	53,864	73,983
	<u>₩ 208,225</u>	<u>₩ 246,900</u>

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

	2021	2020
Dividend income	₩ 1,105	₩ 65
Gain on disposal of property, plant and equipment	18,655	509
Gain on disposition of Intangible assets	1,063	-
Gain on business transfer	2,938	-
Gain on disposal of subsidiaries	62	124,908
Gain on disposal of non-current assets held for sale	45,007	-
Other	24,007	15,726
	<u>₩ 141,208</u>	<u>₩ 141,208</u>

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

	2021	2020
Loss on disposal of trade receivables	₩ 2,462	₩ 4,255
Loss on disposal of investments in subsidiaries	-	264
Depreciation of investment property	652	252
Loss on disposal of property, plant and equipment	2,540	3,217
Loss on impairment of property, plant and equipment	1,086	7,790
Loss on disposal of intangible assets	1,543	210
Donations	1,362	3,639
Others	8,446	6,880
	<u>₩ 18,091</u>	<u>₩ 26,507</u>

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

	2021	2020
Changes in finished goods and work-in-progress	₩ 119	₩ (119)
Changes in merchandise	162,533	133,846
Purchase of merchandise	7,195,975	7,051,063
Salaries (including service costs for defined benefit plans and other employee benefits)	140,404	164,782
Depreciation and amortization	253,727	319,029
Freight	33,297	32,498
Advertising	11,136	12,438
Other	379,290	395,746
	<u>₩ 8,176,481</u>	<u>₩ 8,109,283</u>

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
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**24. Income taxes**

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

	2021	2020
Current income tax	₩ 11,194	₩ 31,535
Adjustments in respect of current income tax of prior year	(2,186)	(516)
Changes in deferred taxes arising from temporary differences	37,929	48,984
Income tax benefit directly charged (credited) to equity	(13,938)	(5,432)
Others	-	-
Income tax expenses (benefits):	<u>₩ 32,999</u>	<u>₩ 74,571</u>
Income tax expenses on continuing operation	16,774	58,097
Income tax expenses on discontinued operation	16,225	16,474

Income tax benefit charged (credited) directly to equity for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Remeasurement of net defined benefit liabilities	₩ (39)	₩ (1,733)
Gain on valuation of financial assets at FVOCI	(13,398)	(3,692)
Loss (gain) on valuation of derivative financial instruments	(501)	(7)
	<u>₩ (13,938)</u>	<u>₩ (5,432)</u>

A reconciliation of income before income tax at the Korea statutory tax rate to income tax expense at the effective income tax rate of the Company for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Net income before income tax from continuing operations	₩ 21,799	₩ 10,275
Net income before income tax of discontinued operations	67,043	68,073
Net income before income tax	88,842	78,348
Taxes at the statutory tax rate (24.2%)	21,500	18,960
Adjustments:		
Permanent differences	2,152	2,070
Adjustments in respect of current income tax of prior year	1	3,108
Temporary differences not recognized in the past etc.	9,446	50,855
Others (tax rate changes)	(100)	(422)
	<u>₩ 32,999</u>	<u>₩ 74,571</u>
Income tax expense on continuing operation	₩ 16,774	₩ 58,097
Income tax expense on discontinued operation	16,225	16,474
Effective income tax rate	37.14%	95.18%

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2021 and 2020**

**24. Income taxes (cont'd)**

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

	2021			
	Beginning balance	Recognized in profit or loss	Recognized directly to equity	Ending balance
Derivative instruments	₩ 6,935	₩ (8,417)	₩ (501)	₩ (1,983)
Finance lease receivables	(7,004)	(13,886)	-	(20,890)
Prepaid expenses	(7,694)	4,362	-	(3,332)
Loss on valuation of inventories	7,170	(3,307)	-	3,863
Investments	50,196	3,883	(13,398)	40,681
Property, plant and equipment	(36,736)	11,087	-	(25,649)
Intangible assets	426	(169)	-	257
Right-of-use assets	(209,463)	69,705	-	(139,758)
Lease liabilities	223,573	(58,494)	-	165,079
Accrued expenses	7,667	(3,248)	-	4,419
Advance from customers	730	409	-	1,139
Provisions	410	117	-	527
Defined benefit liabilities	-	(2,152)	(39)	(2,191)
Long-term employee benefit liabilities	259	(18)	-	241
Bad debt expenses	51,758	(3,065)	-	48,693
Depreciations	25	(9)	-	16
Gain (Loss) on foreign currency Translation	(4,911)	9,703	-	4,792
Interest expense on loan for Construction	(2,359)	2,359	-	-
Provision for temporary amortization	(32)	3	-	(29)
Gain on liabilities exempted	(61,976)	821	-	(61,155)
Deficits carried forward	40,598	(28,915)	-	11,683
Others	10,551	(4,760)	-	5,791
	<u>₩ 70,123</u>	<u>₩ (23,991)</u>	<u>₩ (13,938)</u>	<u>₩ 32,194</u>



**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2021 and 2020**

**24. Income taxes (cont'd)**

	2020			
	Beginning balance	Recognized in profit or loss	Recognized directly to equity	Ending balance
Derivative instruments	₩ 2,475	₩ 6,193	₩ (1,733)	₩ 6,935
Finance lease receivables	(7,618)	614	-	(7,004)
Prepaid expenses	(13,746)	6,052	-	(7,694)
Loss on valuation of inventories	5,333	1,837	-	7,170
Investments	120,653	(66,765)	(3,692)	50,196
Property, plant and equipment	(145,972)	109,236	-	(36,736)
Intangible assets	448	(22)	-	426
Right-of-use assets	(304,919)	95,456	-	(209,463)
Lease liabilities	318,627	(95,054)	-	223,573
Accrued expenses	1,562	6,105	-	7,667
Advance from customers	866	(136)	-	730
Provisions	554	(144)	-	410
Defined benefit liabilities	-	7	(7)	-
Long-term employee benefit liabilities	334	(75)	-	259
Bad debt expenses	82,311	(30,553)	-	51,758
Depreciations	38	(13)	-	25
Gain (Loss) on foreign currency Translation	(3,069)	(1,842)	-	(4,911)
Interest expense on loan for Construction	(2,359)	-	-	(2,359)
Provision for temporary amortization	(36)	4	-	(32)
Gain on liabilities exempted	(82,455)	20,479	-	(61,976)
Deficits carried forward	131,997	(91,399)	-	40,598
Others	14,083	(3,532)	-	10,551
	<u>₩ 119,107</u>	<u>₩ (43,552)</u>	<u>₩ (5,432)</u>	<u>₩ 70,123</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, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Deferred tax assets	₩ 8,958	₩ 8,925
Deferred tax liabilities	6,845	6,257

Unused deficits that are not recognized as deferred tax assets as of December 31, 2021 are as follows (Korean won in millions):

	Deficits
Expire during 2026	₩ 219,550
Expire during 2028	32,516
	<u>₩ 252,066</u>

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
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**25. Earnings (loss) per share**

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

	2021	2020
Profit for the year	₩ 55,843	₩ 3,777
Less: dividends of preferred stock	10	10
Profit for the year attributable to ordinary equity holders	55,833	3,767
Weighted average number of ordinary shares outstanding	218,554,682	224,762,671
Basic earnings per share for ordinary equity holders (in Korean won)	₩ 255	₩ 17

Basis of calculating weighted average number of ordinary share outstanding to calculate EPS for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Weighted average number of shares issued	248,187,647	248,187,647
Weighted average number of treasury share	(29,632,965)	(23,424,976)
Weighted average number of ordinary share outstanding	218,554,682	224,762,671

Basic earnings per ordinary share from continuing operations for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Profit (loss) for the year	₩ 55,843	₩ 3,777
Less: net loss for discontinuing operations attributable to equity holders of the parent company	50,818	51,599
Profit for the year from continuing operations	5,025	(47,822)
Less: dividends of preferred share	10	10
Profit for the year from continuing operations attributable to ordinary equity holders	5,015	(47,832)
Weighted average number of ordinary share outstanding	218,554,682	224,762,671
Basic earnings per share for ordinary equity holders (Korean won)	₩ 23	₩ (213)

Basic loss per ordinary share from discontinued operations for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions except for shares):

	2021	2020
Loss from discontinued operations	₩ 50,818	₩ 51,599
Weighted average number of ordinary share outstanding	218,554,682	₩ 224,762,671
Basic loss per share from discontinued operations for ordinary equity holders	₩ 233	₩ 230

Diluted earnings per share for the year ended December 31, 2021 and 2020 are the same as basic earnings per share because there is no dilution effect of dilutive potential common stock.

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
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**26. Related party transactions**

A list of related parties as of December 31, 2021 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 Rent A Car Co., Ltd. SK Rent A Car Service Co., Ltd. MINTIT Co., Ltd., Cartini Co., Ltd., MINTIT VINA, SK Networks (China) Holdings 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 Japan Co., Ltd., SK Networks Deutschland GmbH, SK Networks (Shanghai) Co., Ltd. SK Networks Trading Malaysia Sdn. Bhd., SK Networks Resources Australia Pty. Ltd., SK Networks Resources Australia (Wyong) Pty Ltd., SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK BRASIL LTDA., SK Networks America Inc. SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA. Networks Tejarat Pars, TenX Capital
Associates and joint ventures	SK MENA Investment BV, SK Latin America Investment S.A.
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.**  
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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, 2021 and 2020 are as follows (Korean won in millions):

Relationship	Name	2021				
		Sales and others	Purchases	Acquisition of PP&E	Others	
Ultimate parent	SK Holdings Co., Ltd. (*1)	₩ 3,331	₩ -	₩ -	₩ 51,151	
Subsidiaries	SK Networks Service Co., Ltd.	4,957	474	-	2,372	
	MINTIT Co., Ltd.	51,256	63	-	256	
	SK Magic Co., Ltd.	5,373	483	-	-	
	SK Rent A Car Co., Ltd.	36,472	27	-	21,355	
	SK Networks Hong Kong Ltd.	200,332	-	-	-	
	SK Networks Deutschland GmbH	5,907	613	-	-	
	Others	4,507	345	-	2,456	
	Others	SK Lubricants Co., Ltd.	234	10,309	-	-
		SK Innovation Co., Ltd.	4,289	-	-	1,064
		SK Energy Co., Ltd.	3,286	63,973	-	552
SK Geocentric Co., Ltd. (formerly, SK Global Chemicals Co., Ltd.)		61,407	2,447	-	-	
SK Trading International Co., Ltd.		11,143	-	-	-	
SK picglobal Co., Ltd.		3,291	49,523	-	-	
HAPPYNARAE Co., Ltd.		37	22	2,284	4,453	
SK Shieldus Co., Ltd. (formerly, SK Infosec Co., Ltd.)		165	4,523	-	2,658	
SK Telecom Co., Ltd.		10,029	-	-	1,685	
SK Telink Co., Ltd.		4,362	4,481	-	6	
SK Broadband Co., Ltd.	23,789	-	-	442		
PS&Marketing Corp.	1,009,451	165	-	-		
SK Chemicals Co., Ltd.	11,563	8,666	-	-		
SK D&D Co., Ltd. (*2)	90,059	-	-	-		
Others	25,263	43,686	-	2,383		

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

(\*2) Sales and others include ₩90,050 million from the disposal of Property, plant and equipment.

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

Relationship	Name	2020				
		Sales and others	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.	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 Geocentric Co., Ltd. (formerly, 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.

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

Balances with related parties as of December 31, 2021 and 2020 are as follows: (Korean won in millions):

Relationship	Name	2021				
		Receivables		Payables		
		Trade receivables	Others	Trade payable	Other accounts payables	Others
Ultimate parent	SK Holdings Co., Ltd.	₩ 112	₩ 1	₩ 958	₩ -	₩ -
Subsidiaries	MINTIT Co., Ltd.	94	73	1	81	89
	SK Magic Co., Ltd.	195	32,911	9	-	2,772
	SK Rent A Car Co., Ltd.	3,398	26,356	3,430	-	2,415
	SK Networks Hong Kong Ltd.	4,669	-	5,511	-	-
	SK Networks Deutschland GmbH	3,580	-	610	-	-
	SKN (China) Holdings Co., Ltd.	-	8,713	-	-	-
	Others	1,551	15	133	89	-
	Others	SK Lubricants Co., Ltd.	35	10	2,830	-
	SK Energy Co., Ltd.	354	255	10,343	46	-
	SK Geocentric Co., Ltd. (formerly, SK Global Chemicals Co., Ltd.)	4,899	-	100	-	-
	SK picglobal Co., Ltd.	310	-	1,459	-	-
	SK Telecom Co., Ltd.	800	187	-	-	108
	SK Telink Co., Ltd.	6	-	76	48	-
	SK Broadband Co., Ltd.	1,931	2	8	2	-
	PS&Marketing Corp.	160,499	-	-	-	-
	SK Chemicals Co., Ltd.	1,420	-	-	-	-
	Others	3,848	248	862	267	160

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

Relationship	Name	2020					
		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.	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 Geocentric Co., Ltd. (formerly, 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		

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

	2021	2020
Salaries	₩ 4,732	₩ 8,413
Retirement benefits	1,508	1,496
	₩ 6,240	₩ 9,909

There is no financial transaction with related parties for the year ended December 31, 2020, and the details of financial transactions with related parties for the year ended December 31, 2021 is as follows (Korean won in millions):

Relationship	Name	2021	
		Amount	Transaction
Subsidiaries	TenX Capital	₩ 36,747	Cash contribution
Subsidiaries	SK Networks HongKong Ltd.	8,795	Paid-in capital reduction
Subsidiaries	Cartini Co., Ltd.	16,010	Cash contribution
Subsidiaries	MINTIT Co., Ltd.	20,000	Cash contribution

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

Guarantees for the related parties provided by the Company as of December 31, 2021 and 2020 are as follows (foreign currencies in thousands):

Relationship	Name	Currency	2021	2020
Subsidiaries	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	68,000
	SK Networks (Shanghai) Co., Ltd.	USD	62,500	62,500
		CNY	54,000	54,000
	SK Networks Deutschland GmbH	EUR	1,000	16,000
	SK Networks Hong Kong Ltd.	USD	102,600	102,600
	SK Networks Japan Ltd.	JPY	-	300,000
	SK Networks America Inc.	USD	10,000	20,000
	SK Networks Resources Australia(Wyong) Pty. Ltd.	AUD	8,000	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 2020. Furthermore, the Company decided to discontinue MOST business division and sold directly for the year ended 2019.

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, 2021.

Income and expenses from the discontinued operation for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Revenue	₩	88,407	₩	518,263
Expenses		(21,364)		(450,190)
Gain before tax		67,043		68,073
Income tax expense		(16,225)		(16,474)
Gain from discontinued operations		50,818		51,599



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**27. Discontinued operations (cont'd)**

Details of cash flows relating to discontinued operation for the years ended December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021	2020
Operating activities	₩ 595	₩ (78,803)
Investing activities (*1)	70,731	1,235,069
Financing activities	-	(11,121)
Net cash flows	<u>₩ 71,326</u>	<u>₩ 1,145,145</u>

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

	2021
China business division	₩ 73,000
Resource business division	7,083
	<u>₩ 80,083</u>

Details of non-current assets and non-current liabilities classified as held for sale as of December 31, 2021 are as follows (Korean won in millions):

	2021
Investments in subsidiaries, associates and joint ventures	₩ 80,083

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**29. Cash flow information**

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

	2021	2020
Income tax expense	₩ 32,999	₩ 74,571
Loss on foreign currency translation	31,569	15,932
Gain on foreign currency translation	(11,767)	(36,224)
Interest expenses	61,318	92,238
Interest income	(34,596)	(6,911)
Loss on valuation of derivative financial instruments	2,500	28,153
Gain on valuation of derivative financial instruments	(10,873)	(1,245)
Dividend income	(1,105)	(65)
Depreciation	68,114	92,664
Depreciation of right-of-use assets	177,916	220,480
Depreciation of investment properties	652	252
Amortization	7,697	5,885
Retirement benefits	10,097	11,817
Bad debt expenses (reversal of allowance for doubtful accounts)	3,808	5,223
Loss on disposal of property, plant and equipment	2,540	8,624
Gain on disposal of property, plant and equipment	(18,655)	(3,264)
Loss on impairment of property, plant and equipment	1,086	11,088
Loss on disposal of intangible assets	1,543	779
Gain on disposal of intangible assets	(1,063)	-
Loss on valuation of intangible assets	-	2,423
Gain on disposal of investment properties	(13,204)	-
Gain on disposal of right-of-use assets	(1,813)	-
Gain on disposal of investments in subsidiaries	(62)	(124,908)
Loss on disposal of investments in subsidiaries	-	264
Loss on impairment of investments in subsidiaries	11,775	39,206
Gain on disposal of financial assets at fair value through profit or loss	(2,607)	-
Business transfer gain	(2,938)	(166,438)
Loss (Gain) on valuation on inventories	(13,691)	7,588
Provisions	3,752	(475)
Stock compensation costs	944	138
Gain on disposal of non-current assets held for sale	(45,412)	-
Others	(70,404)	(15,938)
	₩ 190,120	₩ 261,857

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

	2021	2020
Trade receivables	₩ (2,462)	₩ 129,209
Other accounts receivable	(22,632)	27,569
Prepaid value added tax	(38,925)	33,379
Advanced payments	16,221	715
Prepaid expenses	41,714	52,482
Finance lease receivables	4,558	2,088
Inventories	207,880	278,230
Rental property	(148)	(3,304)
Trade payables	141,999	(674,946)
Advances received	(2,241)	(3,881)
Withholdings	(1,448)	575
Unearned income	(555)	(6,271)
Other accounts payable	(4,902)	(38,562)
Accrued expenses	(2,231)	(22,852)
Withholdings	(25,606)	(29,199)
Provisions	-	(856)
Plan assets	6,156	(5,613)
Payment of severance benefits retirement	(14,555)	(11,899)
Others	(148)	(152)
	₩ 302,675	₩ (273,288)

**SK Networks Co., Ltd.**  
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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, 2021 and 2020 are as follows (Korean won in millions):

	2021	1	2020
Transfer from rental assets and others to inventories	₩ 42,600		₩ 119,041
Other account payables related acquisition of property, plant and equipment and others	68		193
Other account receivables related to disposal of property, plant and equipment and others	33		41
Transfer from constructions-in-progress to property, plant and equipment and intangible assets	105,886		12,748
Transfers of borrowings and bonds to current portion	223,834		515,108
Transfers from net employee defined benefit obligations to other non-current assets	1,540		6,738
Transfers from assets held for sale	-		107,402

**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):

	2021				
	Beginning balance	Financing activities	Exchange rate fluctuation	Others	Ending balance
Short-term borrowings	₩ 561,983	₩ 73,839	₩ 20,775	₩ -	₩ 656,597
Current portion of long-term liabilities	506,805	(507,492)	-	224,787	224,100
Bonds	639,127	398,389	-	(189,676)	847,840
Long-term borrowings	63,792	-	-	(34,158)	29,634
Lease liabilities	923,856	(187,448)	-	(54,262)	682,146

  

	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

**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, 2021 and 2020 are as follows (Foreign currencies in thousands, Korean won in millions):

Classification	Currency unit	2021		2020	
		Foreign currency	Equivalent Korean won	Foreign currency	Equivalent Korean won
Foreign financial assets	USD	79,910	₩ 94,733	142,982	₩ 155,564
	EUR	5,905	7,926	45,712	61,174
	CNY	46,777	8,713	52,709	8,800
	Others		173		359
			₩ 111,545		₩ 225,897
Foreign financial liabilities	USD	652,641	773,706	600,827	653,700
	EUR	24,269	32,578	30,932	41,395
	JPY	-	-	11,369	120
	CNY	2	1	50,720	8,468
	Others		61		467
		₩ 806,346		₩ 704,150	

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

	2021		2020	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in profit before income tax	₩ (69,480)	₩ 69,480	₩ (47,825)	₩ 47,825

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.

**SK Networks Co., Ltd.**  
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**30.1.3.1.3 Exposure to credit risk**

The maximum exposure to credit risk as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		
	Carrying amount before deduction	Accumulated impairment loss	Carrying amount (maximum exposure amount)
Financial assets at fair value through profit or loss	₩ 124,619	₩ -	₩ 124,619
Financial assets at fair value through OCI	134,321	-	134,321
Financial assets at amortized cost	1,919,428	(186,141)	1,733,287
	<u>₩ 2,178,368</u>	<u>₩ (186,141)</u>	<u>₩ 1,992,227</u>

  

	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>

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

	2021					
	Carrying amount	Contractual cash flows	~ 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years
Non-derivative financial liabilities:						
Trade payables	₩ 888,627	₩ 888,627	₩ 868,330	₩ 20,297	₩ -	₩ -
Borrowings	720,389	721,680	345,827	345,991	27,786	2,076
Bonds	1,037,782	1,101,550	5,643	204,714	808,512	82,681
Lease liabilities	682,146	682,146	90,082	244,734	282,664	64,666
Other financial liabilities	222,554	222,554	126,326	5,385	90,834	-
	<u>3,551,498</u>	<u>3,616,557</u>	<u>1,436,208</u>	<u>821,121</u>	<u>1,209,805</u>	<u>149,423</u>
Derivative financial liabilities:						
Foreign currency forward	2,500	2,500	1,648	852	-	-
interest rate swaps	236	236	-	-	236	-
	<u>2,736</u>	<u>2,736</u>	<u>1,648</u>	<u>852</u>	<u>236</u>	<u>-</u>
	<u>₩ 3,554,234</u>	<u>₩ 3,619,293</u>	<u>₩ 1,437,856</u>	<u>₩ 821,973</u>	<u>₩ 1,210,041</u>	<u>₩ 149,423</u>

**SK Networks Co., Ltd.**  
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**30.1.3.1.4 Liquidity risk (cont'd)**

	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>

Approximately, 50.1% and 60.3% of the Company's debt will mature in less than one year as of December 31, 2021 and 2020 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, 2021.

**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, 2021.

Debt to equity ratio as of December 31, 2021 and 2020 are as follows (Korean won in millions):

	2021		2020	
Debt	₩	3,634,725	₩	3,886,670
Equity		2,045,821		1,968,769
Debt to equity ratio		177.7%		197.4%

**SK Networks Co., Ltd.**  
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**31. Business transfer**

In order to strengthen the operation capability of MINTIT business division and expand the business, we sold all of MINTIT business division and shares in MINTIT VINA to MINTIT Co., Ltd., subsidiary, on August 2, 2021.

In order to strengthen the momentum and enhance the value of Tire pick business division, we newly established a subsidiary, Cartini Co., Ltd., following the resolution of the Board of Directors on August 2, 2021, and sold the business division.

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

	MINTIT business division	Tire pick business division	Amount
Trade receivables	₩ 34,971	₩ -	₩ 34,971
Other financial assets	15,347	168	15,515
Other current assets	6,604	94	6,698
Inventories	-	2,332	2,332
Investments in subsidiaries	2,748	-	2,748
Property, plant and equipment	16,587	930	17,517
Intangible assets	2,871	697	3,568
Trade payables	(22,880)	-	(22,880)
Other financial liabilities	(4,168)	(276)	(4,462)
Other current liabilities	(168)	(351)	(519)
Net asset value (A)	₩ 51,894	₩ 3,594	₩ 55,488
Consideration transferred (B)	54,405	4,021	58,426
Gain on business transfer (B-A)	₩ 2,511	₩ 427	₩ 2,938

Details of the transfer consideration are as follows.

	MINTIT business division	Tire pick business division	Amount
Cash and cash equivalents	₩ 37,729	₩ 2,111	₩ 39,840
Investments in subsidiaries (*)	16,676	1,910	18,586
	₩ 54,405	₩ 4,021	₩ 58,426

(\*) The amount is based on appraisal.



## 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, 2021 and the review of internal control over financial reporting pursuant to Article 8 of the *Act on External Audit of Stock Companies* of the Republic of Korea.

1. Independent auditor's review report on internal control over financial reporting
2. Report on the operations of the internal control over financial 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, 2021.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2021, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Auditing Standards ("KGAAS"), the statement of financial position as of December 31, 2021, 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, 2022 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, 2022

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

## ICFR Operating Status Report by CEO

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

We, as the CEO and the 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, 2021.

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 the 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 the 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, 2021, in all material respects, in accordance with the Conceptual Framework for Designing and Operating ICFR.

We, as the CEO and the 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.

Mar. 4<sup>th</sup>, 2022



Sang-kyu, Park  
President & Chief Executive Officer



Bong Woon, Yoo  
Internal Accounting Manager