

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

Financial statements  
for the years ended December 31, 2022 and 2021  
with the independent auditor's report

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## Independent auditor's report

(English Translation of a Report Originally Issued in Korean)

### 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, 2022 and 2021, and the separate statements of comprehensive income (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, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("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 Standards on Auditing ("KSA") established by the Operating Committee of ICFR (the "ICFR Committee"), and our report dated March 15, 2023 expressed an unqualified opinion thereon.

#### Basis for opinion

We conducted our audits in accordance with KSA. 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) Presentation and disclosure of related party transactions and fair value measurement of unlisted stocks

Transactions with related parties and receivables and payables related thereto account for a significant portion in the financial statements the Company, and the volume of transactions other than operating

activities such as investment transactions has gradually increased during the year ended December 31, 2022. In particular, the Company invests in overseas unlisted stocks and funds through its subsidiaries, and these transactions are non-operating transactions with related parties, which are different from the Company's ordinary operating activities. Therefore, significant judgments of management and uncertainties may involve in estimated future cash flows and key assumptions for the fair value measurement of investments recognized through transactions described above. In addition, since there are many transactions with related parties, it is probable that details of related party transactions and balances arising from such transactions will be misstated. Accordingly, we identified the presentation and disclosure of related party transactions and the fair value measurement of unlisted stocks acquired through related party transactions as a key audit matter.

The main audit procedures we have performed for this key audit matter are as follows:

- We confirmed the completeness of details of related party transactions by reviewing documents such as general shareholders' meeting and the Board of Directors' meeting minutes, electronic disclosure details, and tax return data.
- We obtained understanding on the process that the Company established for disclosure of related party transaction details and balances, and evaluated the effectiveness of design and operation of such process.
- We conducted external inquiry and communication with component auditors on significant related party transactions.
- We identified non-recurring transactions arising from investing or financing activities other than recurring operating activities among significant transactions with related parties during the reporting period and proved the occurrence of such transactions.
- We evaluated the appropriateness, experience and professionalism of external valuation experts used by the Company and confirmed the objectivity and independence of such experts in relation to the fair value measurement of unlisted stocks acquired through related parties.
- We reviewed the adequacy of valuation method and assumptions which internal valuation experts used.

## (2) Impairment assessment of investments in subsidiary Mintit Co., Ltd

As described in Note 9 to the separate financial statements, the carrying value of investments in subsidiary Mintit Co., Ltd. as of December 31, 2022 is ₩55,675 million. As described in Note 3, the Company assesses impairments for non-financial assets other than goodwill at the end of each reporting period and estimates the recoverable amount of the assets to determine the amount of impairment loss if there is any indication of impairment. The Company determines the amount of impairment loss by comparing the recoverable amount of non-financial assets excluding goodwill with the carrying amount.

The Company involved independent external experts to calculate the value-in-use of its investments in subsidiary Mintit Co., Ltd. since the Company determined that there is an indication that the investments may be impaired, and conducted impairment assessment by comparing the recoverable amount measured at value-in-use of the investments and of the carrying amount of the investments.

We identified impairment assessments of investment in subsidiary Mintit Co., Ltd. as a key audit because major assumptions, such as future cash flow estimates and discount rates, are important in separate financial statements and have a significant impact on value-in-use estimates.

The main audit procedures we have performed for this key audit matter are as follows:

- We reviewed the accounting policies on impairment assessment for investments in subsidiary.
- We evaluated the appropriateness, experience and professionalism of external valuation experts used by the Company and confirmed the objectivity and independence of such experts.
- We reviewed the adequacy of evaluation method and assumptions which internal valuation experts used.
- We conducted comparative review on the financial forecasts used in the fair value measurement and the business plan approved by management.

### (3) Review of the impact of regular tax investigation

The Company was subject to regular tax investigation during the year ended December 31, 2022. Determining that findings resulted from regular tax investigation carried against the Company for the year December 31, 2022 may have a material impact on financial statements for the years ended December 31, 2021 and 2022 (see Note 24), we identified the impact of regular tax investigation as a key audit matter.

The main audit procedures we have performed for this key audit matter are as follows:

- We identified reasons and nature of findings resulted from regular tax investigation.
- We reviewed the appropriateness of accounting for transactions related to findings of regular tax investigation.
- We analyzed income tax effect by year subject to regular tax investigation.

## **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 KSA 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 KSA, 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 Byung Hyun Bae.



March 15, 2023

This audit report is effective as of March 15, 2023, 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, 2022 and 2021

“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, 2022 and 2021**

(Korean won in millions)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	4	₩ 224,551	₩ 1,085,688
Short-term financial instruments	4, 30	476,861	4,519
Trade receivables, net	4, 5, 26, 30	309,648	525,754
Current derivative financial assets	4, 17, 30	300	10,873
Current portion of finance lease receivables	4, 5, 13, 30	11,220	10,278
Current other financial assets, net	4, 5, 26, 30	33,321	38,857
Other current assets	6	38,127	62,608
Inventories, net	7	499,725	285,586
Non-current assets classified as held for sale	27, 28	62,185	80,083
Total current assets		<u>1,655,938</u>	<u>2,104,246</u>
Non-current assets:			
Long-term financial instruments	4	37	37
Long-term trade receivables, net	4, 5, 30	2,380	3,857
Long-term investment securities	4, 8, 30	162,762	195,979
Investments in subsidiaries and associates	9	1,555,204	1,391,014
Finance lease receivables	4, 5, 13, 30	72,828	76,045
Other non-current financial assets	4, 5, 26, 30	37,135	40,340
Property, plant and equipment, net	10, 21	988,172	1,082,677
Intangible assets, net	11	33,059	39,332
Investment properties, net	12	133,273	119,733
Right-of-use assets	13	281,685	577,512
Deferred tax assets	24	57,536	32,194
Other non-current assets	14, 18	47,327	17,580
Total non-current assets		<u>3,371,398</u>	<u>3,576,300</u>
<b>Total assets</b>		<u><b>₩ 5,027,336</b></u>	<u><b>₩ 5,680,546</b></u>

(Continued)

**SK Networks Co., Ltd.**  
**Separate statements of financial position**  
**as of December 31, 2022 and 2021 (cont'd)**

(Korean won in millions)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b>Liabilities</b>			
Current liabilities:			
Trade payables	4, 26, 30	₩ 811,798	₩ 888,627
Short-term borrowings	4, 15, 29, 30	430,065	656,597
Current portion of long-term liabilities	4, 15, 29, 30	165,788	224,100
Current derivative financial liabilities	4, 17, 30	22,781	2,500
Current portion of lease liabilities	4, 13, 29, 30	215,227	334,816
Other current financial liabilities	4, 26, 30	138,370	131,711
Current tax liabilities	24	-	11,127
Current provisions	19	2,101	2,177
Other current liabilities	16	46,799	61,078
Total current liabilities		<u>1,832,929</u>	<u>2,312,733</u>
Non-current liabilities:			
Borrowings and bonds	4, 15, 29, 30	971,555	877,474
Non-current derivative financial liabilities	4, 17, 30	-	236
Lease liabilities	4, 13, 29, 30	158,692	347,330
Other non-current financial liabilities	4, 26, 30	59,708	90,843
Non-current provisions	19	5,413	4,140
Other non-current liabilities	18, 20	779	1,969
Total non-current liabilities		<u>1,196,147</u>	<u>1,321,992</u>
<b>Total liabilities</b>		<b><u>3,029,076</u></b>	<b><u>3,634,725</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	710,321	724,758
Other components of equity	22	(148,228)	(115,104)
<b>Total equity</b>		<b><u>1,998,260</u></b>	<b><u>2,045,821</u></b>
<b>Total liabilities and equity</b>		<b><u>₩ 5,027,336</u></b>	<b><u>₩ 5,680,546</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 per share)

	Notes	2022		2021	
<b>Sales</b>	23, 26	₩	6,612,595	₩	8,152,467
Cost of sales	7, 23, 26		6,136,519		7,683,333
<b>Gross profit</b>			<b>476,076</b>		<b>469,134</b>
Selling and administrative expenses	18, 23, 26		473,971		493,148
<b>Operating profit (loss)</b>			<b>2,105</b>		<b>(24,014)</b>
Finance income	4, 17, 23		226,976		179,292
Finance costs	4, 17, 23		247,756		208,225
Other income	4, 23		63,587		92,837
Other expenses	4, 23		35,268		18,091
<b>Profit before income tax from continuing operations</b>			<b>9,644</b>		<b>21,799</b>
Income tax expense (benefit) from continuing operations	24		(4,150)		16,774
<b>Profit from continuing operations</b>			<b>13,794</b>		<b>5,025</b>
Profit (loss) for the year from discontinued operations	27		(7,704)		50,818
<b>Profit for the year</b>		₩	<b>6,090</b>	₩	<b>55,843</b>
<b>Other comprehensive income (loss) for the year:</b>					
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurement of net defined benefit liabilities	18		5,710		122
Gain (loss) on valuation of financial assets at fair value through OCI	4, 8		(36,056)		44,811
			(30,346)		44,933
Items that may be reclassified to profit or loss in subsequent periods:					
Gain on valuation of derivative financial instruments	4, 17		350		1,569
			350		1,569
Other comprehensive income (loss), net of tax			(29,996)		46,502
<b>Total comprehensive income (loss)</b>		₩	<b>(23,906)</b>	₩	<b>102,345</b>
<b>Earnings per share:</b>	25				
Basic earnings per share attributable to ordinary share		₩	28	₩	255
Basic earnings from continuing operations per share attributable to ordinary share			63		23

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, 2022 and 2021**  
(Korean won in millions)

	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total equity
<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>
<b>As of January 1, 2022</b>	₩ 648,654	₩ 787,513	₩ 724,758	₩ (115,104)	₩ 2,045,821
<b>Total comprehensive income (loss)</b>					
Profit for the year	-	-	6,090	-	6,090
Remeasurement of net defined benefit liabilities	-	-	5,710	-	5,710
Loss on valuation of financial assets at fair value through OCI	-	-	-	(36,056)	(36,056)
Gain on valuation of derivative financial instruments	-	-	-	350	350
<b>Total comprehensive income (loss) for the year</b>	-	-	11,800	(35,706)	(23,906)
<b>Transactions with owners of the Company, recognized directly to equity:</b>					
Dividends	-	-	(26,237)	-	(26,237)
Disposal of treasury stocks	-	-	-	1,348	1,348
Stock compensation costs	-	-	-	1,234	1,234
<b>As of December 31, 2022</b>	<b>₩ 648,654</b>	<b>₩ 787,513</b>	<b>₩ 710,321</b>	<b>₩ (148,228)</b>	<b>₩ 1,998,260</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, 2022 and 2021**  
(Korean won in millions)

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities:</b>			
Profit for the year		₩ 6,090	₩ 55,843
Non-cash adjustments to reconcile profit (loss) for the year to net cash flows provided by (used in) operating activities	29	182,053	190,120
Changes in operating assets and liabilities	29	(102,617)	302,675
Interest received		19,676	34,082
Interest paid		(52,843)	(61,241)
Dividends received		26,686	1,105
Income taxes paid		(20,482)	(19,202)
<b>Net cash flows provided by operating activities</b>		<b>₩ 58,563</b>	<b>₩ 503,382</b>
<b>Investing activities:</b>			
Increase in short-term financial instruments, net		(472,188)	(4)
Decrease in long-term financial instruments, net		1	-
Decrease (increase) in derivative financial assets, net		8,373	(26,909)
Proceeds from disposal of long-term investment securities		175	23,480
Acquisition of long-term investment securities		(15,468)	(35,664)
Acquisition of investments in subsidiaries and associates		5,719	9,165
Proceeds from investments in subsidiaries and associates		(178,292)	(82,357)
Proceeds from disposal of property, plant and equipment		81,855	33,816
Acquisition of property, plant and equipment		(34,965)	(85,308)
Proceeds from disposal of intangible assets		2,878	1,874
Acquisition of intangible assets		(111)	(2,638)
Proceeds from disposal of investment properties		550	140,058
Decrease (increase) in gurantee deposits		3,571	(2,158)
Proceed from disposal of Non-current assets classified as held for sale		-	90,303
Business division transferred out		9,000	39,840
Decrease in other non-current assets		2,850	70,351
<b>Net cash flows provided by (used in) investing activities</b>		<b>₩ (586,052)</b>	<b>₩ 173,849</b>
<b>Financing activities:</b>			
Increase (decrease) in short-term borrowings, net		(215,287)	73,839
Repayment of current portion of long-term borrowings and bonds		(224,158)	(507,492)
Issuance of bonds		258,911	398,389
Dividend paid		(26,237)	(26,237)
Decrease in lease liabilities		(128,225)	(187,448)
Disposal of treasury stocks		1,348	-
<b>Net cash flows used in financing activities</b>		<b>₩ (333,648)</b>	<b>₩ (248,949)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(861,137)</b>	<b>428,282</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,085,688</b>	<b>657,406</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>₩ 224,551</b>	<b>₩ 1,085,688</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, 2022 and 2021**

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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, 2022, the Company has its headquarters in Suwon, Gyeonggi Province and has several overseas subsidiaries and branches in China and others.

As of December 31, 2022, 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 (5.28%), and other shareholders.

**2. Summary of significant accounting policies**

**2.1 Basis of separate financial statements preparation**

The Company prepares the statutory separate financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“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, 2022, 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, 2021, 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 meeting held on February 10, 2023 to be submitted for final approval at the general shareholders' meeting.

**2.1.1 New and amended standards and interpretations**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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 amendments must be applied retrospectively only 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 (the date of initial application). These amendments have no significant impact on the Company's financial position and performance.

### 2.1.1 New and amended standards and interpretations (cont'd)

#### **Amendments to KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets***

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs and an allocation of costs directly related to contract activities. The Company applies the amendments to contracts for which it had not fulfilled all of its obligations, at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information. These amendments have no significant impact on the Company's financial position and performance.

#### **Amendments to KIFRS 1103 *Business combinations***

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of KIFRS 1103 *Business Combinations* for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* or KIFRS Interpretation 2121 *Levies*, if incurred separately. The exception requires entities to apply the criteria in KIFRS 1037 or KIFRS Interpretation 2121, respectively, instead of the *Conceptual Framework*. The amendments also add a new paragraph to KIFRS 1103 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments have no significant impact on the Company's financial position and performance.

#### **Amendments to KIFRS 1116 *Leases***

The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification. The period of application of the practical expedient has been extended to June 30, 2022. These amendments have no significant impact on the Company's financial position and performance.

#### **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. Meanwhile, the application of these amendments has no significant impact on our financial condition 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: *Classification of Liabilities as Current or Non-current***

The amendments affect only the presentation of liabilities in the statement of financial position and clarify that a right to defer must exist at the end of the reporting period and the classification of liabilities as current or non-current is unaffected by the likelihood that an entity will exercise its deferral right. The amendments also specify that the deferral right exists if the borrowing arrangement is complied with at the end of the reporting period and the settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

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

### **Amendments to KIFRS 1001: Disclosure of Accounting Policies**

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

### **Amendments to KIFRS 1001: Disclosure of financial liabilities**

The amendments required disclosure of the carrying amount of a financial liability and gains and losses in relation thereto if all or part of a financial instrument is classified as a financial liability under which the exercise price is adjusted according to changes in the issuer's stock price. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted.

### **Amendments to KIFRS 1008: Definition of Accounting Estimates**

The amendments specify the accounting estimate as the currency amounts in financial statements affected by measurement uncertainty and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

### **Amendments to KIFRS 1012 *Income Taxes***

The amendments narrowed the scope of the initial recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, thus to resolve accounting diversity in the recognition of deferred tax liabilities and assets. Paragraphs 15 and 24 (initial recognition exceptions of deferred income taxes) of KIFRS 1012 were amended to include an additional condition (3) where a deferred tax asset and liability shall be recognized for a temporary difference that arises on initial recognition of an asset or liability in a single transaction if that transaction give rise to equal amounts of taxable and deductible temporary differences. The amendments apply for annual periods beginning on or after January 1, 2023, and early application is permitted.

### **KIFRS 1117 *Insurance Contracts***

KIFRS 1117 *Insurance Contracts* is issued as a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, and will replace KIFRS 1104 *Insurance Contracts*. The standard requires the entities to estimate all cash flows under an insurance contract, measure insurance liabilities using a discount rate that reflects assumptions and risks at the time of reporting, and reflect the services (insurance) provided to the contractor for each fiscal year to recognize revenue as accrual. In addition, investment factors (cancellation/expiration refunds) paid to policyholders regardless of insurance cases are excluded from insurance income, and insurance gains and losses and investment gains and losses are separately indicated so that information users can check the source of profit and loss. The amendments apply for annual periods beginning on or after January 1, 2023, with early application permitted.

The Company is currently assessing the impact of the standards and amendments above on the consolidated 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 consist 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
- 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. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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.

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.

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**2.10 Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if recognized subsequently after initial recognition. 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	4-6
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. During the current period, the Company has changed its estimation on residual value considering accumulated historical experience related to the use of rental assets, as well as sales policies, sales plans and usage plans. However, the amount of items affected by changed estimation is not disclosed as the impact on the future period cannot be estimated in practice.

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.

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**2.11 Intangible assets(cont'd)**

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.

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).

The Company should measure the incremental borrowing interest rate using observable inputs and, where possible, prepare a specific entity-specific estimate.

### **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.

### **3.9 Uncertainty of the impact of the Ukraine crisis**

Armed conflict in Ukraine and related international sanctions against Russia, which began in February 2022, may affect companies subject to sanctions, as well as companies directly or indirectly engaged in business with Ukraine or Russia, directly or indirectly exposed to the industry or economy of Ukraine or Russia. There is significant uncertainty in estimating the impact of the Ukraine crisis on the Company.

### **3.10 Uncertainty of Silicon Valley Bank's bankruptcy impact**

The bankruptcy of Silicon Valley Bank in March 2023 may affect companies directly dealing with the bank as well as companies directly or indirectly having transactions with the bank. There is significant uncertainty in estimating the impact of Silicon Valley Bank bankruptcy on the Company.

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**4. Financial instruments by categories**

Details of financial assets as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022				Total
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Designated as hedge item	
<b>Current assets:</b>					
Cash and cash equivalents	₩ 12,815	₩ 211,736	₩ -	₩ -	₩ 224,551
Short-term financial instruments	472,339	4,522	-	-	476,861
Trade receivables	44,783	264,865	-	-	309,648
Derivative financial assets	85	-	-	215	300
Current finance lease receivables	-	11,220	-	-	11,220
<b>Other financial assets:</b>					
Other accounts receivable	-	26,366	-	-	26,366
Accrued income	-	6,476	-	-	6,476
Guarantee deposits	-	479	-	-	479
	<u>530,022</u>	<u>525,664</u>	<u>-</u>	<u>215</u>	<u>1,055,901</u>
<b>Non-current assets:</b>					
Long-term financial instruments	-	37	-	-	37
Long-term trade receivables	-	2,380	-	-	2,380
Long-term investment securities	72,957	-	89,805	-	162,762
Finance lease receivables	-	72,828	-	-	72,828
<b>Other financial assets:</b>					
Long-term guarantee deposits	-	37,135	-	-	37,135
	<u>72,957</u>	<u>112,380</u>	<u>89,805</u>	<u>-</u>	<u>275,142</u>
	<u>₩ 602,979</u>	<u>₩ 638,044</u>	<u>₩ 89,805</u>	<u>₩ 215</u>	<u>₩ 1,331,043</u>

	2021				Total
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI		
<b>Current assets:</b>					
Cash and cash equivalents	₩ -	₩ 1,085,688	₩ -	₩ -	₩ 1,085,688
Short-term financial instruments	-	4,519	-	-	4,519
Trade receivables	52,088	473,666	-	-	525,754
Derivative financial assets	10,873	-	-	-	10,873
Current portion of finance lease receivable	-	10,278	-	-	10,278
<b>Other financial assets:</b>					
Other accounts receivable	-	38,547	-	-	38,547
Accrued income	-	3	-	-	3
Guarantee deposits	-	307	-	-	307
	<u>62,961</u>	<u>1,613,008</u>	<u>-</u>	<u>-</u>	<u>1,675,969</u>
<b>Non-current assets:</b>					
Long-term financial instruments	-	37	-	-	37
Long-term trade receivable	-	3,857	-	-	3,857
Long-term investment securities	61,658	-	134,321	-	195,979
Finance lease receivable	-	76,045	-	-	76,045
<b>Other financial assets:</b>					
Long-term guarantee deposits	-	40,340	-	-	40,340
	<u>61,658</u>	<u>120,279</u>	<u>134,321</u>	<u>-</u>	<u>316,258</u>
	<u>₩ 124,619</u>	<u>₩ 1,733,287</u>	<u>₩ 134,321</u>	<u>₩ -</u>	<u>₩ 1,992,227</u>

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**4. Financial instruments categories (cont'd)**

Financial liabilities as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		
	Measured at FVTPL	Measured at amortized cost	Total
<b>Current liabilities:</b>			
Trade payables	₩ -	₩ 811,798	₩ 811,798
Short-term borrowings	-	430,065	430,065
Current portion of long-term liabilities	-	165,788	165,788
Derivative financial liabilities	22,781	-	22,781
Current portion of lease liabilities	-	215,227	215,227
<b>Other financial liabilities:</b>			
Other payables	-	90,922	90,922
Accrued expenses	-	11,267	11,267
Provision for financial guarantee liabilities	-	540	540
Deposit received	-	35,641	35,641
	<u>22,781</u>	<u>1,761,248</u>	<u>1,784,029</u>
<b>Non-current liabilities:</b>			
Borrowings and bonds	-	971,555	971,555
Lease liabilities	-	158,692	158,692
<b>Other financial liabilities:</b>			
Deposits received	-	59,708	59,708
	-	<u>1,189,955</u>	<u>1,189,955</u>
	<u>₩ 22,781</u>	<u>₩ 2,951,203</u>	<u>₩ 2,973,984</u>

	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>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>

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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, 2022 are as follows (Korean won in millions)

	2022					
	Financial assets			Financial liabilities		
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Designated as hedge item	Measured at FVTPL	Measured at amortized costs
Interest income (expenses)	₩ -	₩ 26,632	₩ -	₩ -	₩ -	₩ (44,743)
Dividend income	-	-	1,811	-	-	-
Bad debt expenses	-	(7,480)	-	-	-	-
Gain (loss) on transactions of derivative instruments	143,615	-	-	452	(105,517)	-
Gain (loss) on foreign currency translation and transactions	-	7,414	-	-	-	(48,335)
Gain (loss) on valuation of financial assets	154	-	-	-	-	-
Gain (loss) on valuation of financial assets at Fair value through OCI	-	-	(48,510)	-	-	-
Gain (loss) on disposal of financial assets	-	(7,533)	-	-	-	-
	<u>₩ 143,769</u>	<u>₩ 19,033</u>	<u>₩ (46,699)</u>	<u>₩ 452</u>	<u>₩ (105,517)</u>	<u>₩ (93,078)</u>
	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>

**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, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	₩ 1,107,709	₩ 1,058,434	₩ 1,037,782	₩ 1,036,059
Borrowings	459,699	457,674	720,389	719,041

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 (4.74%~5.99%) 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, 2022 and 2021 are as follows (Korean won in millions):

	2022			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Fair value through profit or loss:				
Cash and cash equivalents	₩ -	₩ 12,815	₩ -	₩ 12,815
Short-term financial instruments	-	472,339	-	472,339
Trade receivables	-	-	44,783	44,783
Long-term investment securities	-	-	72,957	72,957
Derivative financial assets	-	85	-	85
Fair value through other comprehensive income:				
Long-term investment securities	23,010	-	66,795	89,805
Designated as hedge item:				
Derivative financial assets	-	215	-	215
	₩ 23,010	₩ 485,454	₩ 184,535	₩ 692,999
Financial liabilities:				
Fair value through profit or loss:				
Derivative financial liabilities	₩ -	₩ 22,781	₩ -	₩ 22,781
	₩ -	₩ 22,781	₩ -	₩ 22,781

**SK Networks Co., Ltd.**  
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**4.1 Division by fair value hierarchy (cont'd)**

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
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>
Financial liabilities:				
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>

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, 2022 and 2021, 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, 2022.

Deposits which are restricted in use as of December 31, 2022 and 2021 are summarized as follows (Korean won in millions):

Accounts	Contractor	2022	2021	Description
Short-term financial instruments	Hana Bank	₩ 4,522	₩ 4,519	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, 2022 and 2021 are as follows (Korean won in millions):

	2022			2021		
	Costs	Loss allowance	Carrying amount	Costs	Loss allowance	Carrying amount
Trade receivables (*)	₩ 424,112	₩ (114,464)	₩ 309,648	₩ 636,179	₩ (110,425)	₩ 525,754
Current portion of finance lease receivables	11,220	-	11,220	10,278	-	10,278
Other accounts receivable	41,689	(15,323)	26,366	53,436	(14,889)	38,547
Accrued income	7,785	(1,309)	6,476	1,312	(1,309)	3
Guarantee deposits	479	-	479	307	-	307
Long-term trade receivables	2,382	(2)	2,380	3,861	(4)	3,857
Finance lease receivables	72,828	-	72,828	76,045	-	76,045
Long-term loans	33,161	(33,161)	-	33,161	(33,161)	-
Long-term other accounts receivable	29,362	(29,362)	-	26,353	(26,353)	-
Long-term guarantee deposits	37,135	-	37,135	40,340	-	40,340
	<u>₩ 660,153</u>	<u>₩ (193,621)</u>	<u>₩ 466,532</u>	<u>₩ 881,272</u>	<u>₩ 186,141</u>	<u>₩ 695,131</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 ₩44,783 million and ₩52,088 million as of December 31, 2022 and 2021, 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, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Beginning balance	₩	186,141	₩	182,491
Provisions		37,480		3,808
Others (classified as held-for-sale, etc.)		-		(158)
Ending balance (*)	₩	193,621	₩	186,141

(\*) 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, 2022 and 2021 are as follows (Korean won in millions):

	2022					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Within 90 days	91-180 days	Over 180 days		
Trade receivables	₩ 254,360	₩ 51,943	₩ 2,565	₩ 3,160	₩ 114,466	₩ 426,494
Other financial assets (*)	140,203	2,642	163	11,496	79,155	233,659
	₩ 394,563	₩ 54,585	₩ 2,728	₩ 14,656	₩ 193,621	₩ 660,153

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

	2021					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		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
	₩ 567,969	₩ 101,951	₩ 990	₩ 24,221	₩ 186,141	₩ 881,272

(\*) 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, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Advanced payments	₩	3,058	₩	12,697
Prepaid expenses		35,069		49,911
	₩	38,127	₩	62,608



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**7. Inventories**

Details of inventories as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022			2021		
	Costs	Valuation allowance	Carrying amount	Costs	Valuation allowance	Carrying amount
Raw materials	₩ 4,256	₩ -	₩ 4,256	₩ 2,496	₩ -	₩ 2,496
Merchandise	486,317	(9,351)	476,966	272,374	(15,936)	256,438
Goods-in-transit	18,503	-	18,503	26,652	-	26,652
	<u>₩ 509,076</u>	<u>₩ (9,351)</u>	<u>₩ 499,725</u>	<u>₩ 301,522</u>	<u>₩ (15,936)</u>	<u>₩ 285,586</u>

The Company recognized the reversal of allowances for valuation of inventories amounting to ₩4,743 million and the reversal of allowances for valuation of inventories amounting to ₩13,691 million in cost of sales in 2022 and 2021, respectively.

**8. Investment securities**

Investment securities as of December 31, 2022 and 2021 are as follows:

	2022			2021		
	Measured at FVTPL	Measured at FVOCI (*)	Total	Measured at FVTPL	Measured at FVOCI (*)	Total
Equity products:						
Marketable equity securities	₩ -	₩ 23,010	₩ 23,010	₩ -	₩ 26,488	₩ 26,488
Non-marketable equity securities	<u>1,887</u>	<u>66,795</u>	<u>68,682</u>	<u>1,921</u>	<u>107,833</u>	<u>109,754</u>
	<u>1,887</u>	<u>89,805</u>	<u>91,692</u>	<u>1,921</u>	<u>134,321</u>	<u>136,242</u>
Debt products:						
Beneficiary certificate and, etc.	57,201	-	57,201	45,868	-	45,868
Debt securities	<u>13,869</u>	<u>-</u>	<u>13,869</u>	<u>13,869</u>	<u>-</u>	<u>13,869</u>
	<u>71,070</u>	<u>-</u>	<u>71,070</u>	<u>59,737</u>	<u>-</u>	<u>59,737</u>
	<u>₩ 72,957</u>	<u>₩ 89,805</u>	<u>₩ 162,762</u>	<u>₩ 61,658</u>	<u>₩ 134,321</u>	<u>₩ 195,979</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, 2022 and 2021 are summarized as follows (Korean won in millions):

	2022			2021	
	Ownership percentage	Acquisition costs	Fair value	Carrying amount	Carrying amount
Paradise Co. Ltd.	0.23%	₩ 2,402	₩ 3,679	₩ 3,679	₩ 3,124
Koramco Energy Plus REIT Co., Ltd.	4.07%	18,000	19,331	19,331	23,364
		<u>₩ 20,402</u>	<u>₩ 23,010</u>	<u>₩ 23,010</u>	<u>₩ 26,488</u>

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

Non-marketable equity securities as of December 31, 2022 and 2021 are summarized as follows (Korean won in millions):

	Ownership percentage	2022		2021	
		Costs	Carrying amount	Carrying amount	
SK Technology Innovation Company	7.13%	₩ 12,356	₩ 6,671	₩ 6,671	
Paradise Hotel Busan	9.86%	5,724	21,212	16,359	
Kurly Co. Ltd.	3.24%	23,430	32,413	82,297	
SK Mutual Fund	2.30%	1,500	1,500	1,500	
Korea Economic Daily Co., Ltd.	1.03%	2,027	1,010	1,010	
Koreai Platform Co., Ltd.	3.18%	1,000	1,000	1,000	
Others	-	14,305	4,876	917	
		₩ 60,342	₩ 68,682	₩ 109,754	

Changes in investment securities for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Beginning balance	₩ 195,979	₩ 122,980
Acquisition	15,468	35,664
Disposals	(175)	(18,029)
Valuation (other comprehensive income or loss)	(48,510)	55,364
Ending balance	₩ 162,762	₩ 195,979

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

Investments in subsidiaries as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Location	Principal business activity	2022			2021
			Equity ownership	Acquisition costs	Carrying amount	Carrying amount
SK Networks Service Co., Ltd.	Korea	Communication equipment Household appliances manufacturing	86.50%	₩ 22,918	₩ 19,316	₩ 19,316
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	-	-
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. (*2)	Hong Kong	Trading	100.00%	27,923	25,940	31,521
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 Pty. Ltd. (*1)	Australia	Overseas resources development	100.00%	4,224	-	-
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. (*3)	Brazil	Trading	-	-	-	1,120
Networks Tejarat Pars	Iran	Trading Manufacturing and sales	100.00%	297	297	297
MINTIT Co., Ltd.	Korea	Investment company	100.00%	55,675	55,675	55,675
Hico Capital LLC(formerly, TenX Capital) (*4)	USA	E-commerce retailing	100.00%	112,336	112,336	38,145
Cartini Co., Ltd. (*5)	Korea		100.00%	17,920	10,519	17,920
				₩ 1,634,742	₩ 1,431,638	₩ 1,371,549

(\*1) Investments in subsidiaries are classified as non-current assets held for sale as the management decided to sell them prior to 2021.

(\*2) The balance decreased due to a paid-in capital reduction during the year ended December 31, 2022.

(\*3) The entity was liquidated during the year ended December 31, 2022.

(\*4) Additional investment was made during the year ended December 31, 2022.

(\*5) Impairment was recognized amounted to ₩7,401 million in 2022.

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

Investments in associates as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Location	Principal business activity	Equity ownership	2022		2021	
				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
Ever ON Co., Ltd.(*1,2).	Korea	Charging Service company	14.50%	9,999	9,999	-	-
Blockodyssey Inc. (*1,2)	Korea	Information Service company	11.11%	10,835	10,835	-	-
SVA Venture fundII(*1)	Korea	Investment company	31.75%	10,428	10,428	-	-
SSCharger Co. Ltd.(*1,3)	Korea	Charging Service company	52.82%	72,839	72,839	-	-
				₩ 123,566	₩ 123,566	₩ 19,465	₩ 19,465

(\*1) The Company newly acquired shares in the entities during the year ended December 31, 2022.

(\*2) Although the Company's ownership percentage is less than 20%, the entity above is classified as associate since the Company has significant influence over the entities.

(\*3) The Company's ownership percentage exceeds 50%, but the entity above is classified as associate since the Company cannot exercise control over the entity.

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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, 2022 and 2021 are as follows (Korean won in millions):

	2022			2021		
	Acquisition costs	Accumulated depreciation	Carrying amount	Acquisition costs	Accumulated depreciation	Carrying amount
Land	₩ 528,237	₩ -	₩ 528,237	₩ 588,098	₩ -	₩ 588,098
Buildings	509,002	(204,023)	304,979	513,266	(197,458)	315,808
Structures	37,531	(23,282)	14,249	34,560	(22,381)	12,179
Storage tanks	741	(242)	499	616	(198)	418
Machinery and equipment	48,722	(38,379)	10,343	49,703	(37,449)	12,254
Vehicles	1,603	(1,424)	179	1,485	(1,305)	180
Rental property	59,265	(26,130)	33,135	89,319	(42,978)	46,341
Furniture and fixtures	113,031	(96,443)	16,588	116,281	(93,708)	22,573
Others	158,400	(85,852)	72,548	148,116	(68,394)	79,722
Construction-in-progress	7,415	-	7,415	5,104	-	5,104
	<u>₩ 1,463,947</u>	<u>₩ (475,775)</u>	<u>₩ 988,172</u>	<u>₩ 1,546,548</u>	<u>₩ (463,871)</u>	<u>₩ 1,082,677</u>

Changes in the net carrying amount of property, plant and equipment for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022							Ending balance
	Beginning balance	Acquisitions	Disposals	Depreciations	Business division sold (*1)	Impairment	Others (*2)	
Land	₩ 588,098	₩ 1,807	₩ (43,694)	₩ -	₩ -	₩ -	₩ (17,974)	₩ 528,237
Buildings	315,808	3,447	(5,367)	(13,204)	-	-	4,295	304,979
Structures	12,179	3,504	(173)	(1,261)	-	-	-	14,249
Storage tanks	418	125	-	(44)	-	-	-	499
Machinery and equipment	12,254	1,401	(150)	(3,733)	-	-	571	10,343
Vehicles	180	119	-	(120)	-	-	-	179
Rental property	46,341	10,254	-	(9,619)	-	-	(13,841)	33,135
Furniture and fixtures	22,573	4,075	(1,960)	(8,399)	-	-	299	16,588
Others	79,722	786	(36)	(18,043)	-	477	9,642	72,548
Construction-in-progress	5,104	19,705	(1,295)	-	(51)	-	(16,048)	7,415
	<u>₩ 1,082,677</u>	<u>₩ 45,223</u>	<u>₩ (52,675)</u>	<u>₩ (54,423)</u>	<u>₩ (51)</u>	<u>₩ 477</u>	<u>₩ (33,056)</u>	<u>₩ 988,172</u>

(\*1) Decreased due to the partial sale of Speedmate business units during the year ended December 31, 2022 (see note 31).

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

	2021							Ending balance
	Beginning balance	Business Combination (*1)	Acquisitions	Disposals	Depreciations	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>

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

(\*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.

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

Prior to the year ended December 31, 2021, in addition to the impairment of individual assets, 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	12,095	0%	8.7%

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

As a result of the impairment assessment for the year ended December 31, 2022, the recoverable value exceeds the carrying amount and the Company recognized ₩ 477 million as reversal of impairment losses accordingly, considering the limit of the reversal of impairment losses.

The capitalized borrowing costs are ₩1,061 million and the capitalization interest rate is 2.41% for the year ended December 31, 2021. There are no borrowing costs capitalized for the year ended December 31, 2022.

**11. Intangible assets**

The acquisition costs and net carrying amount of intangible assets as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022			2021		
	Acquisition costs	Accumulated amortization	Carrying amount	Acquisition costs	Accumulated amortization	Carrying amount
Development cost	₩ 89,276	₩ (70,484)	₩ 18,792	₩ 103,656	₩ (80,636)	₩ 23,020
Industrial property rights	316	(282)	34	316	(264)	52
Memberships	13,263	(17)	13,246	15,285	(17)	15,268
Others	11,989	(11,002)	987	11,958	(10,966)	992
	<u>₩ 114,844</u>	<u>₩ (81,785)</u>	<u>₩ 33,059</u>	<u>₩ 131,215</u>	<u>₩ (91,883)</u>	<u>₩ 39,332</u>

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

Changes in intangible assets other than goodwill for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022							Ending balance
	Beginning balance	Acquisitions	Disposals	Amortization	Sale of business units(*1)	Others (*2)		
Development cost	₩ 23,020	₩ -	₩ (586)	₩ (8,046)	₩ (8)	₩ 4,412	₩ 18,792	
Industrial property rights	52	-	-	(18)	-	-	34	
Memberships	15,268	-	(2,022)	-	-	-	13,246	
Others	992	111	-	(116)	-	-	987	
	<u>₩ 39,332</u>	<u>₩ 111</u>	<u>₩ (2,608)</u>	<u>₩ (8,180)</u>	<u>₩ (8)</u>	<u>₩ 4,412</u>	<u>₩ 33,059</u>	

(\*1) The amount above decreased due to the partial sale of Speedmate business units during the year ended December 31, 2022 (see note 31).

(\*2) Others include transfers from property, plant and equipment.

	2021							Ending balance
	Beginning balance	Business Combination (*1)	Acquisitions	Disposals	Amortization	Others (*2)		
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.

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

The Company participates as a government council on the Clayton blockchain mainnet to acquire the cryptocurrency KLAY, and participates as a validator on the XPLA blockchain mainnet to acquire the cryptocurrency XPLA. These assets are recognized as other intangible assets, and the carrying amount is KRW 372 million (2021: KRW 261 million). As of the end of the reporting period, the Company has 6,398,066 KLAY and 11,791 XPLA (2021: 5,355,760 KLAY).

**12. Investment properties**

Changes in investment properties for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022					Ending balance
	Beginning balance	Disposals	Depreciation	Transfer (*)		
Land	₩ 105,837	₩ (831)	₩ -	₩ 17,974	₩ 122,980	
Buildings	13,896	-	(422)	(3,181)	10,293	
	<u>₩ 119,333</u>	<u>₩ (831)</u>	<u>₩ (422)</u>	<u>₩ 14,793</u>	<u>₩ 133,273</u>	

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

**SK Networks Co., Ltd.**  
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**12. Investment properties (cont'd)**

	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
	₩ 256,265	₩ (126,854)	₩ (652)	₩ (9,026)	₩ 119,733

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

Details of gains and losses related to investment property for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Rental income	₩ 2,858	₩ 4,371
Depreciation	(422)	(652)
	₩ 2,436	₩ 3,719

The fair value of investment property as of December 31, 2022 is 141,794 million.

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

Details of right-of-use assets as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022			2021		
	Acquisition costs	Depreciation	Book value	Acquisition costs	Depreciation	Book value
Real estates	₩ 129,598	₩ (47,572)	₩ 82,026	₩ 160,366	₩ (56,824)	₩ 103,542
Vehicles	614,877	(415,218)	199,659	923,119	(449,149)	473,970
	₩ 744,475	₩ (462,790)	₩ 281,685	₩ 1,083,485	₩ (505,973)	₩ 577,512

Changes in right-of-use asset for the year ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022				Ending balance
	Beginning balance	Acquisition	Depreciation	Others (*)	
Real estates	₩ 103,542	₩ 3,810	₩ (18,338)	₩ (6,988)	₩ 82,026
Vehicles	473,970	-	(94,961)	(179,350)	199,659
	₩ 577,512	₩ 3,810	₩ (113,299)	₩ (186,338)	₩ 281,685

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

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

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



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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):

	2022	2021
Beginning balance	₩ 682,146	₩ 923,856
Increase	3,773	137,197
Interest expense	16,380	26,661
Repayment	(144,605)	(214,109)
Others (*)	(183,775)	(191,459)
Ending balance	₩ 373,919	₩ 682,146

(\*) It has decreased due to the cancellation of the course.

For the year ended December 31, 2022, the Company recognized ₩5,757 million, ₩445 million, and ₩811 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 ₩151,618 million(2021 : 215,878 million)while income from sublease amounts to ₩153,717 million(2021 : 264,092 million).

In relation to the Company's operating lease contracts, the expected future lease revenues as of December 31, 2022 and 2021 are as follows (Korean won in millions):

Year	2022	2021
Due within a year	₩ 66,998	₩ 173,111
Within 1 ~ 2 years	3,282	61,196
Within 2 ~ 3 years	2	3,454
Within 3 ~ 4 years	-	2
	₩ 70,282	₩ 237,763

Gross investment in leases and present value of minimum lease payments for finance leases as of December 31, 2022 are as follows (Korean won in millions):

	Gross investment in the lease	Present value of minimum lease payments
Due within a year	₩ 11,387	₩ 11,220
Within 1 ~ 2 years	11,589	11,109
Within 2 ~ 3 years	11,782	10,987
Within 3 ~ 4 years	11,871	10,770
Within 4 ~ 5 years	11,989	10,581
Due after five years	35,071	29,381
	₩ 93,689	₩ 84,048

Gross investment in leases and present value of minimum lease payments for finance leases as of December 31, 2021 are as follows (Korean won in millions):

	Gross investment in the lease	Present value of minimum lease payments
Due within a year	₩ 10,431	₩ 10,278
Within 1 ~ 2 years	10,644	10,201
Within 2 ~ 3 years	10,837	10,103
Within 3 ~ 4 years	11,019	9,992
Within 4 ~ 5 years	11,099	9,792
Due after five years	43,511	35,957
	₩ 97,541	₩ 86,323

**SK Networks Co., Ltd.**  
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**13. Right-of-use assets and lease liabilities (cont'd)**

Details of unrealized interest income for financial lease contracts as of the end of the current term and the prior term are as follows. (Korean won in millions):

	2022		2021	
Gross investment in the lease	₩	93,689	₩	97,541
Net investment in the lease		84,048		86,323
Unearned finance income	₩	9,641	₩	11,218

The amount of recognized interest income related to net investment in the lease in 2022 is ₩2,361 million (2021: ₩1,787 million.)

**14. Other non-current assets**

Other non-current assets as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Long-term prepaid expenses	₩	81	₩	9,655
Defined benefit assets		47,187		5,627
Other investment assets		59		2,298
	₩	47,327	₩	17,580

**15. Borrowings and bonds**

Details of bonds and borrowings as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 430,065	₩ -	₩ 656,597	₩ -
Bonds and long-term borrowings:				
Long-term borrowings	25,825	3,809	34,158	29,634
Bonds	139,963	967,746	189,942	847,840
	165,788	971,555	224,100	877,474
	₩ 595,853	₩ 971,555	₩ 880,697	₩ 877,474

Short-term borrowings as of December 31, 2022 and 2021 are summarized as follows (Korean won in millions):

Portion	Yearly interest rate (%)	2022		2021	
Commercial paper	5.58 ~ 5.60	₩	180,000	₩	-
General borrowings	5.32		50,000		-
Banker's usance	Term SOFR + 0.50 ~ 1.20		155,282		604,509
Discounts of notes receivable	Term SOFR + 0.65 ~ 0.80		44,783		52,088
		₩	430,065	₩	656,597

Long-term Borrowings (including current portion) as of December 31, 2022 and 2021 are summarized as follows (Korean won in millions):

Portion	Yearly interest rate (%)	2022		2021	
General borrowings	1.02 ~ 1.25	₩	4,634	₩	5,459
Borrowings for facility investment	2.75		25,000		58,333
			29,634		63,792
Less: current portion of borrowings			(25,825)		(34,158)
		₩	3,809	₩	29,634

**SK Networks Co., Ltd.**  
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**15. Borrowings and bonds payable (cont'd)**

Details of bonds payable as of December 31, 2022 and 2021 are as follows (Korean won in millions):

Issuance number	Issue date	Maturity date	Yearly interest rate	2022	2021
179-3rd	2015-04-29	2022-04-29	-	₩ -	₩ 100,000
181-2nd	2018-04-18	2023-04-18	2.93%	140,000	140,000
182-1st	2019-04-19	2022-04-19	-	-	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	170,000
183-2nd	2021-04-19	2026-04-19	1.97%	150,000	150,000
183-3rd	2021-04-19	2027-04-19	2.23%	80,000	80,000
184-1st	2022-04-18	2025-04-18	3.90%	230,000	-
184-2nd	2022-04-18	2027-04-18	4.07%	30,000	-
				<u>1,110,000</u>	<u>1,040,000</u>
Less: present value discount				(2,291)	(2,218)
Less: current portion				<u>(139,963)</u>	<u>(189,942)</u>
				<u>₩ 967,746</u>	<u>₩ 847,840</u>

**16. Other current liabilities**

Other current liabilities as of December 31, 2022 and 2021 are summarized as follows (Korean won in millions):

	2022	2021
Advances received	₩ 9,708	₩ 10,157
Unearned revenue	3,894	2,238
Withholdings	4,120	6,570
VAT withheld	28,256	13,274
Current portion of contract liabilities	28,839	28,839
	<u>₩ 46,799</u>	<u>₩ 61,078</u>

The amount of contract liabilities recognized as revenue during the year ended December 31, 2022 is ₩28,531 million (2021: ₩22,130 million).

**SK Networks Co., Ltd.**  
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**December 31, 2022 and 2021**

**17. Derivative instruments**

Derivative instruments held for sale or hedge as of December 31, 2022 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, 2022 and 2021 are as follows (Foreign currencies in thousands, Korean won in millions):

2022								
Hedging item	Number of contracts	Contract date	Maturity date	Contract exchange rate / interest rate	Buy		Sell	
					Currency	Amount	Currency	Amount
Foreign currency forwards	14	2022-11-14 etc.	2023-01-31 etc.	1.0358 ~ 1.0650	USD	1,952	EUR	1,848
		2022-07-26 etc.	2023-01-10 etc.	1,298.65 ~ 1,440.00				
	21	2022-11-14 etc.	2023-01-31 etc.	138.54	USD	210,000	KRW	288,553
		2022-12-02 etc.	2023-01-31 etc.	1.0578 ~ 1.0695	USD	193	JPY	26,764
	22	2022-11-18 etc.	2023-01-31 etc.	138.33	EUR	2,201	USD	2,345
		2022-12-29 etc.	2023-01-31 etc.	1,260.00 ~ 1,265.02	JPY	26,764	USD	193
	Interest rate swap	3	2019-01-02	2023-07-03	2.75%	KRW	22,132	USD
1			2019-01-02	2023-07-03	2.75%	KRW	100,000	KRW

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 etc.	2022-02-03 etc.	1.1255 ~ 1.2241	USD	72,597	EUR	60,352
		2021-07-07 etc.	2022-01-10 etc.	1,133.5 ~ 1,204				
	68	2021-10-25 etc.	2022-03-29 etc.	1.1268 ~ 1.1725	USD	668,394	KRW	789,406
		2021-12-28 etc.	2022-01-11 etc.	1.3444 ~ 1.3506	EUR	78,836	USD	90,046
	2	2021-12-22 etc.	2022-01-21 etc.	1,182.79 ~ 1,190.25	GBP	96	USD	130
		7	2019-01-02	2023-07-03	2.75%	KRW	74,750	USD
	Interest rate swap	1	2019-01-02	2023-07-03	2.75%	KRW	100,000	KRW

**SK Networks Co., Ltd.**  
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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, 2022 and 2021 are as follows (Korean won in millions):

Hedging item	Gain or Loss	Gain (loss) on valuation		In the separate statements of comprehensive income
		2022	2021	
Foreign currency forwards	Gain Loss	₩ 85 (22,781)	₩ 10,873 (2,500)	Profit or loss
Interest rate swap	Gain	452	2,070	Other comprehensive income (loss)

The ineffectiveness of hedge accounting can arise from:

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

Changes in the future cash flows of the Company and its hedging instruments and targets as of December 31, 2022 are as follows (Foreign currencies in thousands, Korean won in millions):

	Expiration			
	Within 3 months	3~6 months	6~9 months	Total
Interest rate swap:				
The nominal amount of won	₩ 170	₩ 114	₩ 57	₩ 341
Average commitment interest rate	2.75%	2.75%	2.75%	

Changes in the future cash flows of the Company and its hedging instruments and targets as of December 31, 2021 are as follows (Foreign currencies in thousands, Korean won in millions):

	Expiration					Total
	Within 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%	

**SK Networks Co., Ltd.**  
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**17. Derivative instruments (cont'd)**

The effect of hedging instruments on the separate statement of financial position as of December 31, 2022 is as follows (Korean won in millions):

	Contractual nominal value	Derivative financial assets	Used for ineffectiveness measurement of changes in fair value
Interest rate swap	₩ 341	₩ 215	₩ 452

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

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

The effects of the hedged items on the separate statement of financial position as of December 31, 2022 are as follows (Korean won in millions):

	Changes in fair value used for ineffectiveness measurement	Cash flow hedge
Long-term borrowings	₩ 452	₩ 452

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, 2022 is as follows (Korean won in millions):

	Other comprehensive income	Ineffective part	Amount reclassified in profit or loss
Interest-rate swap	₩ 452	₩ -	₩ -

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	Amount reclassified in profit or loss
Interest-rate swap	₩ 2,070	₩ -	₩ -

**SK Networks Co., Ltd.**  
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**18. Net defined benefit liabilities**

Net defined benefit liabilities (assets) as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021
Net defined benefit liabilities (assets):			
Present value of defined benefit obligations	₩ 71,786	₩	83,907
Fair value of plan assets (*)	(118,973)		(89,534)
	<u>₩ (47,187)</u>	₩	<u>(5,627)</u>

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

Changes in net defined benefit liabilities for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 83,907	₩ (89,534)	₩ (5,627)
Retirement benefits:			
Current service costs	8,137	-	8,137
Net interest expenses (income)	2,998	(2,980)	18
	<u>11,135</u>	<u>(2,980)</u>	<u>8,155</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest expense)	-	1,332	1,332
Changes in financial assumptions	(12,578)	-	(12,578)
Experience adjustments	2,836	-	2,836
	<u>(9,742)</u>	<u>1,332</u>	<u>(8,410)</u>
Contributions by employer directly to plan assets	-	(36,300)	(36,300)
Benefits paid	(8,395)	7,875	(520)
Transfer of affiliates	(5,119)	634	(4,485)
Ending balance	<u>₩ 71,786</u>	<u>₩ (118,973)</u>	<u>₩ (47,187)</u>
	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
	<u>12,496</u>	<u>(2,399)</u>	<u>10,097</u>
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
	<u>(962)</u>	<u>801</u>	<u>(161)</u>
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	<u>₩ 83,907</u>	<u>₩ (89,534)</u>	<u>₩ (5,627)</u>

**SK Networks Co., Ltd.**  
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**December 31, 2022 and 2021**

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

Details of plan assets as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Deposits and others	₩ 118,973	₩ 89,534

Principal actuarial assumptions as of December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rates	5.58% ~ 5.72%	3.09% ~ 3.37%
Future salary increasing rates	2.50% ~ 3.65%	2.50% ~ 3.65%

Sensitive analysis of principal actuarial assumption as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		
	Effect on defined benefit obligations		
	Sensitivity	Increase	Decrease
Discount rates	0.50% point	₩ (2,151)	₩ 2,276
Future salary increasing rates	0.50% point	2,331	(2,220)
	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)

As of December 31, 2022, ₩744 million of long-term employee benefit liabilities (2021: ₩997 million) is classified as other non-current liabilities in the separate statement of financial position.



**SK Networks Co., Ltd.**  
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**19. Provisions**

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

Changes in provisions for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

		2022						
		Beginning balance	Increase	Utilized	Reversal	Ending balance	Current	Non-current
Provision for product warranty	₩	47	₩ -	₩ -	₩ -	₩ 47	₩ 47	₩ -
Others		6,270	4,506	(3,013)	(296)	7,467	2,054	5,413
	₩	<u>6,317</u>	<u>₩ 4,506</u>	<u>₩ (3,013)</u>	<u>₩ (296)</u>	<u>₩ 7,514</u>	<u>₩ 2,101</u>	<u>₩ 5,413</u>

		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>

**20. Other non-current liabilities**

The details of other non-current liabilities for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Unearned income	₩	35	₩	972
Other long-term employee liabilities		744		997
	₩	<u>779</u>	₩	<u>1,969</u>

**SK Networks Co., Ltd.**  
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**December 31, 2022 and 2021**

**21. Commitments and contingencies**

Agreements between financial institutes and the entity as of December 31, 2022 are as follows (Korean won in millions and foreign currency in thousands):

Provider	Description	Currency	Agreement limit
	KRW Limit loan etc.	KRW	154,000
Hana Bank	Foreign currency comprehensive credit line etc.	USD	192,000
NH Bank	Foreign currency loan	USD	20,000
Standard Chartered Bank Korea Limited	KRW Limit loan etc.	KRW	30,000
	Foreign currency comprehensive credit line etc.	USD	40,000
Shinhan Bank	KRW Limit loan etc.	KRW	60,000
	Foreign currency purchase(export)	USD	160,000
KB Kookmin Bank	Trade finance KRW limit loan	KRW	80,000
	Comprehensive Foreign Exchange Integration Limit	USD	200,000
Woori Bank	Credit sales bond KRW secured loan	KRW	1,500
	Trade finance limit loan etc.	USD	35,000
Industrial and Commercial Bank of China Limited.	KRW Limit loan	KRW	30,000
Bank of China	Comprehensive trade finance limit	USD	35,000
Industrial Bank of Korea	Comprehensive Export-Import Finance	USD	100,000
Mizuho Bank, Ltd.	Foreign currency purchase, Usance, etc.	USD	60,000
Societe Generale	The purchase of export bills of exchange	USD	20,000
DGB Daegu Bank	Foreign exchange limit registration	USD	15,000
Korea Development Bank	Foreign currency due date domestic credit	USD	100,000
Deutsche Bank	The sale of export bonds	USD	100,000

The notes and checks as collateral for borrowings and commitments as of December 31, 2022 are as follows:

	Providers	Quantity	Description
Notes	UBAF Seoul	2	General loans
Check	Korea Resources Corporation	2	Financing for overseas resources development

Except for the two bills of 792 million won paid to SEOUL, they are all blank checks.

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2022 and 2021**

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

The Company is involved in 23 litigations as a plaintiff with claims aggregating to ₩4,899 million and 10 litigations as a defendant with claims aggregating to ₩3,484 million as of December 31, 2022. 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, 2022 (Korean won in millions):

2022			
Assets as collateral	Carrying amount	Collateralized amount	Mortgage holder
Land, building and others	₩ 294,503	₩ 390,526	Korea Development Bank

Guarantees provided by third parties on behalf of the Company as of December 31, 2022 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	10,658	Seoul Guarantee Insurance Company
Deutsche Bank	KRW	3,798	Korea Trade Insurance Corporation.

The Company has signed a factoring contract with SK Telecom Co., Ltd.

**SK Networks Co., Ltd.**  
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**22. Equity**

Details of capital stock as of December 31, 2022 and 2021 are summarized as follows (Korean won in millions, except number of shares and par value):

	2022		2021
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, 2022, as all redeemable preferred share were retired by charging unappropriated retained earnings.

Details of capital surplus as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021
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, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021
Legal reserve	₩ 38,046	₩	35,422
Voluntary reserve	80,617		80,617
Unappropriated retained earnings	591,658		608,719
	<u>₩ 710,321</u>	₩	<u>724,758</u>

Details of dividends proposed for approval at the annual ordinary shareholders' meeting for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions, except for number of shares and par value per share):

	2022		2021	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Number of shares	218,642,154	88,603	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	₩ 26,237	₩ 13	₩ 26,227	₩ 10

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2022 and 2021**

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

Details of other components of equity as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Gain on valuation of financial assets at fair value through OCI	16,932	52,988
Stock option	2,906	1,672
Gain (loss) on valuation of derivatives instruments	170	(180)
Treasury stock	(167,737)	(169,558)
Loss on disposal of treasury stocks	(473)	-
Others	(26)	(26)
	<u>₩ (148,228)</u>	<u>₩ (115,104)</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):

	2022
Total compensation cost	₩ 3,215
Recognized compensation cost before the beginning of 2022	1,672
Recognized compensation cost for the year end 2022	1,234
Compensation cost to recognize after the end of the period	309

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

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

**SK Networks Co., Ltd.**  
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The separate statements of appropriation of retained earnings of the Company for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	<u>2022</u>	<u>2021</u>
I. Retained earnings before appropriations		
Unappropriated retained earnings carried forward from the prior year	₩ 579,858	₩ 549,909
Profit for the year	6,090	55,843
Remeasurement of net defined benefit liabilities	5,710	122
Gain (Loss) on valuation of financial assets at fair value through OCI	-	2,845
	<u>591,658</u>	<u>608,719</u>
II. Appropriation of retained earnings		
Legal reserve	(2,625)	(2,624)
Dividends	(26,250)	(26,237)
III. Unappropriated retained earnings to be carried forward to the next year	<u>(28,875)</u>	<u>(28,861)</u>
	<u>₩ 562,783</u>	<u>₩ 579,858</u>

Appropriations approval dates for 2022 and 2021 are March 29, 2023 and March 29, 2022, respectively.

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2022 and 2021**

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

Details of sales for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022						Total
	Global	IM	Rent-a-Car	Speed Mate	Others		
Total revenue	₩ 1,663,932	₩ 3,901,128	₩ 392,437	₩ 428,480	₩ 226,618	₩ 6,612,595	
1. Revenue from contracts with customers	1,662,236	3,898,652	211,438	427,935	193,864	6,394,125	
1) Types of revenue							
Sales of merchandise	1,660,080	3,870,633	211,438	333,833	-	6,075,984	
Providing services	2,156	28,019	-	94,102	193,864	318,141	
	₩ 1,662,236	₩ 3,898,652	₩ 211,438	₩ 427,935	₩ 193,864	₩ 6,394,125	
2) Timing of recognizing revenue							
Recognition at a point in time	1,660,080	3,870,633	211,438	333,833	-	6,075,984	
Recognized over time	2,156	28,019	-	94,102	193,864	318,141	
	₩ 1,662,236	₩ 3,898,652	₩ 211,438	₩ 427,935	₩ 193,864	₩ 6,394,125	
2. Revenue from other sources	₩ 1,696	₩ 2,476	₩ 180,999	₩ 545	₩ 32,754	₩ 218,470	

	2021						Total
	Global	IM	Rent-a-Car	Speed Mate	Others		
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	

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

Details of cost of sales for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021
Cost of merchandise sold	₩ 5,884,306	₩	7,358,508
Cost of finished goods sold	-		1,944
Other cost of sales	252,213		322,881
	<u>₩ 6,136,519</u>	₩	<u>7,683,333</u>

Details of selling, general and administrative expenses for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021
Salaries	₩ 105,554	₩	104,435
Retirement benefits	34,101		13,904
Employee welfare	22,305		22,065
Travel	1,922		1,016
Communications	3,224		3,384
Utilities	10,743		10,283
Taxes and dues	12,580		16,004
Supplies	13,414		10,069
Rents	7,013		1,769
Depreciation	44,804		47,571
Amortization	8,180		7,697
Depreciation of right-of-use assets	18,338		23,699
Repairs	4,716		4,179
Vehicle maintenance	1,045		1,060
Insurance premium	6,758		9,172
Advertising	5,400		11,136
Training	4,150		4,734
Engineering service fee	74,663		72,755
Commissions	53,216		83,427
Freight	29,788		33,297
Bad debt expenses	4,037		-
Other bad debt expenses	3,443		3,808
Foreign branch office operations	311		4,030
Entertainment	2,536		2,014
Stock compensation costs	1,234		944
Others	496		696
	<u>₩ 473,971</u>	₩	<u>493,148</u>

Details of finance income for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021
Interest income	₩ 26,632	₩	13,494
Gain on foreign currency transactions	35,813		32,182
Gain on foreign currency translation	20,762		11,767
Gain on transactions of financial assets at fair value through profit and loss	-		2,607
Gain on valuation of financial assets at fair value through profit and loss	154		-
Gain on valuation of derivative financial instruments	85		10,873
Gain on transactions of derivative financial instruments	143,530		108,369
	<u>₩ 226,976</u>	₩	<u>179,292</u>



**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2022 and 2021**

**23. Profit (loss) from continuing operations (cont'd)**

Details of finance costs for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Interest expense	₩ 44,743	₩ 52,528
Loss on foreign currency transactions	89,844	67,764
Loss on foreign currency translation	7,652	31,569
Loss on valuation of derivative financial instruments	22,781	2,500
Loss on transactions of derivative financial instruments	82,736	53,864
	<u>₩ 247,756</u>	<u>₩ 208,225</u>

Details of other non-operating income for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Dividend income	₩ 9,572	₩ 1,105
Gain on disposal of property, plant and equipment	35,034	18,655
Gain on impairment of property, plant and equipment	477	-
Gain on disposal of Intangible assets	1,008	1,063
Gain on disposal of investment properties	120	13,204
Gain on disposal of right-of-use assets	354	1,813
Gain on disposal of subsidiaries and associates	-	62
Gain on business transfer	8,939	2,938
Gain on disposal of non-current assets held for sale	-	45,007
Others	8,083	8,990
	<u>₩ 63,587</u>	<u>₩ 92,837</u>

Details of other non-operating expenses for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Loss on disposal of trade receivables	₩ 7,533	₩ 2,462
Loss on disposal of investments in subsidiaries and associates	982	-
Loss on impairment of investments in subsidiaries and associates	7,401	-
Depreciation of investment property	422	652
Loss on disposal of property, plant and equipment	5,829	2,540
Loss on impairment of property, plant and equipment	-	1,086
Loss on disposal of intangible assets	609	1,543
Loss on disposal of investment properties	401	-
Donations	539	1,362
Others	11,552	8,446
	<u>₩ 35,268</u>	<u>₩ 18,091</u>

Details of classification based on the nature of cost of sales and selling, general and administrative expenses for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Changes in finished goods and work-in-progress	₩ -	₩ 119
Changes in merchandise	(220,528)	162,533
Purchase of merchandise	6,104,834	7,195,975
Salaries (including service costs for defined benefit plans and other employee benefits)	161,960	140,404
Depreciation and amortization	175,902	253,727
Freight	29,788	33,297
Advertising	5,400	11,136
Other	353,134	379,290
	<u>₩ 6,610,490</u>	<u>₩ 8,176,481</u>

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2022 and 2021**

**24. Income taxes**

The component of income tax expense (benefit) for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Current income tax	₩ 2,588	₩ 11,194
Adjustments in respect of current income tax of prior year	6,492	(2,186)
Changes in deferred taxes arising from temporary differences	(25,342)	37,929
Income tax expenses (benefits) directly charged (credited) to equity	9,652	(13,938)
Income tax expenses (benefits):	<u>₩ (6,610)</u>	<u>₩ 32,999</u>
Income tax expenses (benefits) on continuing operation	(4,150)	16,774
Income tax expenses (benefits) on discontinued operation	(2,460)	16,225

Income tax expense charged (credited) directly to equity for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Remeasurement of net defined benefit liabilities	₩ (2,700)	₩ (39)
Gain on valuation of financial assets at FVOCI	12,454	(13,398)
Loss (gain) on valuation of derivative financial instruments	(102)	(501)
	<u>₩ 9,652</u>	<u>₩ (13,938)</u>

A reconciliation of income before income tax at the Korea statutory tax rate to income tax expense (benefit) at the effective income tax rate of the Company for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Net income before income tax from continuing operations	₩ 9,644	₩ 21,799
Net income (loss) before income tax of discontinued operations	(10,164)	67,043
Net income (loss) before income tax	(520)	88,842
Taxes at the statutory tax rate (24.2%)	(126)	21,500
Adjustments:		
Permanent differences	950	2,152
Adjustments in respect of current income tax of prior year	2,835	1
Temporary differences not recognized in the past etc.	(18,574)	9,446
Others (tax rate changes)	8,305	(100)
Income tax expense (benefit)	<u>₩ (6,610)</u>	<u>₩ 32,999</u>
Income tax expense (benefit) on continuing operation	₩ (4,150)	₩ 16,774
Income tax expense (benefit) on discontinued operation	(2,460)	16,225
Effective income tax rate(*1)	-	37.14%

(\*1) The effective tax rate was not calculated due to the net loss recorded before taxation.

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2022 and 2021**

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

Changes in deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021 are as follows:  
(Korean won in millions):

	2022			
	Beginning balance	Recognized in profit or loss	Recognized directly to equity	Ending balance
Derivative instruments	₩ (1,983)	₩ 6,728	₩ (102)	₩ 4,643
Finance lease receivables	(20,890)	3,358	-	(17,532)
Prepaid expenses	(3,332)	2,601	-	(731)
Loss on valuation of inventories	3,863	(1,912)	-	1,951
Investments	40,681	(21,517)	12,454	31,618
Property, plant and equipment	(25,649)	8,312	-	(17,337)
Intangible assets	257	(242)	-	15
Right-of-use assets	(139,758)	80,999	-	(58,759)
Lease liabilities	165,079	(87,080)	-	77,999
Accrued expenses	4,419	1,041	-	5,460
Advance from customers	1,139	(55)	-	1,084
Provisions	527	(89)	-	438
Defined benefit liabilities	(2,191)	991	(2,700)	(3,900)
Long-term employee benefit liabilities	241	(86)	-	155
Bad debt expenses	48,693	(6,700)	-	41,993
Depreciations	16	6	-	22
Gain (Loss) on foreign currency Translation	4,792	(7,527)	-	(2,735)
Provision for temporary amortization	(29)	7	-	(22)
Gain on liabilities exempted	(61,155)	9,620	-	(51,535)
Deficits carried forward	11,683	30,459	-	42,142
Others	5,791	(3,224)	-	2,567
	₩ 32,194	₩ 15,690	₩ 9,652	₩ 57,536

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
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**24. Income taxes (cont'd)**

	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>

The amount of deferred tax assets and liabilities which are not recognized in relation to investments in subsidiaries, associates and joint ventures as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Deferred tax assets	₩ 39,121	₩ 8,958
Deferred tax liabilities	5,901	6,845

Unused deficits that are not recognized as deferred tax assets as of December 31, 2022 are as follows (Korean won in millions):

	Deficits
Expire during 2028	₩ 28,763

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

Basic earnings per share attributable to ordinary share for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions, except for shares):

	2022	2021
Profit for the year	₩ 6,090	₩ 55,843
Less: dividends of preferred stock	13	10
Profit for the year attributable to ordinary equity holders	6,077	55,833
Weighted average number of ordinary shares outstanding	218,620,774	218,554,682
Basic earnings per share for ordinary equity holders (in Korean won)	₩ 28	₩ 255

Basis of calculating weighted average number of ordinary share outstanding to calculate EPS for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Weighted average number of shares issued	248,187,647	248,187,647
Weighted average number of treasury share	(29,566,873)	(29,632,965)
Weighted average number of ordinary share outstanding	218,620,774	218,554,682

Basic earnings per ordinary share from continuing operations for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Profit for the year	₩ 6,090	₩ 55,843
Less: net profit (loss) for discontinuing operations attributable to equity holders of the parent company	(7,704)	50,818
Profit for the year from continuing operations	13,794	5,025
Less: dividends of preferred share	13	10
Profit for the year from continuing operations attributable to ordinary equity holders	13,781	5,015
Weighted average number of ordinary share outstanding	218,620,774	218,554,682
Basic earnings per share for ordinary equity holders (Korean won)	₩ 63	₩ 23

Basic loss (earnings) per ordinary share from discontinued operations for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions except for shares):

	2022	2021
Earnings (loss) from discontinued operations	₩ (7,704)	₩ 50,818
Weighted average number of ordinary share outstanding	218,620,774	218,554,682
Basic earnings (loss) per share from discontinued operations for ordinary equity holders	₩ (35)	₩ 233

Diluted earnings per share for the year ended December 31, 2022 and 2021 are the same as basic earnings per share because there is no dilution effect of dilutive potential common stock.

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

A list of related parties as of December 31, 2022 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 magic Retails Malaysia Sdn. Bhd. (formerly, 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, Hico Capital LLC(formerly, TenX Capital)
Associates and joint ventures	SK MENA Investment BV, SK Latin America Investment S.A., Ever ON Co., Ltd, Blockodysey Inc., SVA Venture fundII, SSCharger Co. Ltd., Kindred HM1
Others	SK Group subsidiary etc.(*1)

(\*1) 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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**December 31, 2022 and 2021**

**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, 2022 and 2021 are as follows (Korean won in millions):

Relationship	Name	2022			
		Sales and others	Purchases	Acquisition of PP&E	Others
Ultimate parent	SK Holdings Co., Ltd. (*1)	₩ 40,542	₩ -	₩ -	₩ 47,569
Subsidiaries	SK Networks Service Co., Ltd.	4,472	788	-	6,164
	MINTIT Co., Ltd.	2,688	-	-	20
	SK Magic Co., Ltd.	7,446	339	-	-
	SK Rent A Car Co., Ltd.	35,433	-	-	16,570
	SK Networks Hong Kong Ltd.	208,127	-	-	-
	CARTINI Co., Ltd.	3,924	-	-	-
	Others	116	-	-	2,307
	Others	SK Enmove Co. Ltd. (formerly, SK Lubricants Co., Ltd.)	98	11,078	-
SK Innovation Co., Ltd.		4,532	-	-	938
SK Energy Co., Ltd.		1,902	58,152	-	550
SK Geocentric Co., Ltd.		59,069	5,772	-	-
SK Trading International Co., Ltd.		6,771	-	-	-
SK picglobal Co., Ltd.		3,735	35,870	-	-
HAPPYNARAE Co., Ltd.		37	90	1,170	5,348
SK Telecom Co., Ltd.		15,308	-	-	1,396
SK Broadband Co., Ltd.		19,788	-	-	397
PS&Marketing Corp.		864,049	-	-	-
SK Chemicals Co., Ltd.		11,696	14,285	-	-
SK Hynix Inc.		9,481	-	-	-
SK Shieldus Co., Ltd.		47	3,568	-	2,600
Others	14,544	6,004	-	1,190	

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

**SK Networks Co., Ltd.**  
**Notes to the separate financial statements**  
**December 31, 2022 and 2021**

**26. Related party transactions (cont'd)**

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 Enmove Co. Ltd. (formerly, 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.	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.	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 ₩11,657 million of dividends paid by the Company.

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



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

Balances with related parties as of December 31, 2022 and 2021 are as follows: (Korean won in millions):

Relationship	Name	2022				
		Receivables		Payables		
		Trade receivables	Others	Trade payable	Other accounts payables	Others
Ultimate parent	SK Holdings Co., Ltd.	₩ 130	₩ -	₩ 1,811	₩ -	₩ -
Subsidiaries	SK Magic Co., Ltd.	169	30,658	32	-	2,772
	SK Rent A Car Co., Ltd.	3,481	29,893	4,619	104	2,958
	SK Networks Hong Kong Ltd.	9,073	-	-	2,465	-
	SKN (China) Holdings Co., Ltd.	-	8,487	-	-	-
	Others	1,152	151	673	73	89
Others	SK Enmove Co. Ltd. (formerly, SK Lubricants Co., Ltd.)	9	10	3,378	-	-
	SK Energy Co., Ltd.	91	256	-	54	-
	SK Geocentric Co., Ltd.	4,667	-	459	-	-
	SK Telecom Co., Ltd.	861	144	313	-	113
	SK Broadband Co., Ltd.	586	-	7	1	-
	PS&Marketing Corp.	76,121	-	-	-	-
	SK Chemicals Co., Ltd.	814	-	63	-	-
	SK Hynix Inc.	822	-	-	-	-
	SK Shieldus Co., Ltd.	-	-	743	-	-
	Others	1,588	5	1,089	283	160

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

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 Enmove Co. Ltd. (formerly, SK Lubricants Co., Ltd.)	35	10	2,830	-	-
	SK Energy Co., Ltd.	354	255	3	46	-
	SK Geocentric 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

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, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Salaries	₩ 3,205	₩ 4,732
Retirement benefits	849	1,508
	₩ 4,054	₩ 6,240

The details of financial transactions with related parties for the year ended December 31, 2022 and 2021 is as follows (Korean won in millions):

Relationship	Name	2022	
		Amount	Transaction
Subsidiaries	SK Networks Hong Kong Ltd.	₩ 5,581	Paid-in capital reduction
Subsidiaries	Hico Capital LLC(formerly, TenX Capital)	74,191	Cash contribution
Associate	Ever ON Co., Ltd	9,999	Cash contribution
Associate	Blockodyssey Inc.	7,568	Cash contribution
Associate	SVA Venture fundII	10,428	Cash contribution
Associate	SSCharger Co. Ltd.	45,590	Cash contribution
Relationship	Name	2021	
		Amount	Transaction
Subsidiaries	SK Networks Hong Kong Ltd.	₩ 8,795	Paid-in capital reduction
Subsidiaries	Hico Capital LLC (formerly, TenX Capital)	36,747	Cash contribution
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, 2022 and 2021 are as follows (foreign currencies in thousands):

Relationship	Name	Currency	2022	2021
Subsidiaries	SK Networks (Xiamen) Steel Processing Center Co., Ltd.	CNY	68,000	68,000
	SK Networks (Shanghai) Co., Ltd.	USD	12,000	62,500
		CNY	54,000	54,000
	SK Networks Deutschland GmbH	EUR	-	1,000
	SK Networks Hong Kong Ltd.	USD	90,600	102,600
	SK Networks America Inc.	USD	-	10,000
	SK Networks Resources Australia(Wyong) Pty. Ltd.	AUD	-	8,000

In connection with the prosecution's indictment on former CEO for embezzlement and breach of trust in March 2021, the Company received reimbursement of ₩330 million and ₩215 million from former CEO in December 2020 and January 2021, respectively. The amount of embezzlement and breach of trust recognized in the first trial judgment on January 27, 2022 is ₩1,158 million, and the amount to be paid and additional reimbursement of the above deposit may vary depending on the ongoing appeal judgment.

**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 2021.

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, 2022.

Income and expenses from the discontinued operation for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Revenue	₩ 18,112	₩ 88,407
Expenses	(28,276)	(21,364)
Income (loss) before tax	(10,164)	67,043
Income tax benefit (expense)	2,460	(16,225)
Income (loss) from discontinued operations	(7,704)	50,818

**SK Networks Co., Ltd.**  
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**27. Discontinued operations (cont'd)**

Details of cash flows relating to discontinued operation for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Operating activities	₩ 18,825	₩ 595
Investing activities	-	70,731
Financing activities	-	-
Net cash flows	<u>₩ 18,825</u>	<u>₩ 71,326</u>

**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, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
China Business division	₩ 54,106	₩ 73,000
Resources business division	8,079	7,083
	<u>₩ 62,185</u>	<u>₩ 80,083</u>

Details of non-current assets and non-current liabilities classified as held for sale as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Investments in subsidiaries, associates and joint ventures	₩ 62,185	₩ 80,083

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

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

	2022	2021
Income tax expense (benefit)	₩ (6,610)	₩ 32,999
Loss on foreign currency translation	7,652	31,569
Gain on foreign currency translation	(20,762)	(11,767)
Interest expenses	53,404	61,318
Interest income	(26,632)	(34,596)
Loss on valuation of derivative financial instruments	22,781	2,500
Gain on valuation of derivative financial instruments	(85)	(10,873)
Dividend income	(26,686)	(1,105)
Depreciation	54,423	68,114
Depreciation of right-of-use assets	113,299	177,916
Depreciation of investment properties	422	652
Amortization	8,180	7,697
Retirement benefits	8,155	10,097
Bad debt expenses	7,480	3,808
Loss on disposal of property, plant and equipment	5,829	2,540
Gain on disposal of property, plant and equipment	(35,034)	(18,655)
Loss on impairment of property, plant and equipment	-	1,086
Reversal on impairment of property, plant and equipment	(477)	-
Loss on disposal of intangible assets	609	1,543
Gain on disposal of intangible assets	(1,008)	(1,063)
Loss on disposal of investment properties	401	-
Gain on disposal of investment properties	(120)	(13,204)
Gain on disposal of right-of-use assets	(354)	(1,813)
Gain on disposal of investments in subsidiaries	-	(62)
Loss on disposal of investments in subsidiaries	982	-
Loss on impairment of investments in subsidiaries	25,298	11,775
Gain on disposal of financial assets at fair value through profit or loss	-	(2,607)
Gain on valuation of financial assets at fair value through profit or loss	(154)	-
Business transfer gain	(8,939)	(2,938)
Reversal on valuation of inventories	(4,743)	(13,691)
Provisions	4,210	3,752
Stock compensation costs	1,234	944
Gain on disposal of non-current assets held for sale	-	(45,412)
Others	(702)	(70,404)
	₩ 182,053	₩ 190,120

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

	2022	2021
Trade receivables	₩ 209,250	₩ (2,462)
Other accounts receivable	5,378	(22,632)
Prepaid value added tax	(12,453)	(38,925)
Advanced payments	9,639	16,221
Prepaid expenses	26,110	41,714
Finance lease receivables	8,484	4,558
Inventories	(195,554)	207,880
Rental property	(10,254)	(148)
Trade payables	(70,600)	141,999
Advances received	(1,428)	(2,241)
Withholdings	(2,449)	(1,448)
Unearned income	1,114	(555)
Other accounts payable	(3,460)	(4,902)
Accrued expenses	886	(2,231)
Withholdings	(27,293)	(25,606)
Provisions	(3,013)	-
Plan assets	(28,425)	6,156
Payment of severance benefits retirement	(8,395)	(14,555)
Others	(154)	(148)
	₩ (102,617)	₩ 302,675

**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, 2022 and 2021 are as follows (Korean won in millions):

	2022	1	2021
Transfer from rental assets and others to inventories	₩ 13,841	₩	42,600
Other account payables related acquisition of property, plant and equipment and others	4		68
Other account receivables related to disposal of property, plant and equipment and others	154		33
Transfer from constructions-in-progress to property, plant and equipment and intangible assets	16,048		105,886
Transfers from borrowings and bonds to current portion	164,830		223,834
Transfers from net defined benefit liabilities to other non-current assets	12,120		1,540

**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):

	2022				
	Beginning balance	Financing activities	Exchange rate fluctuation	Others(*)	Ending balance
Short-term borrowings	₩ 656,596	₩ (215,287)	₩ (11,244)	₩ -	₩ 430,065
Current portion of long-term liabilities	224,100	(224,158)	-	165,846	165,788
Bonds	847,841	258,911	-	(139,006)	967,746
Long-term borrowings	29,634	-	-	(25,825)	3,809
Lease liabilities	682,145	(128,225)	-	(180,001)	373,919

(\*) Others include the amount of right-of-use assets recognized and transfers to current portions.

	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

(\*) Others include the amount of right-of-use assets recognized and transfers to current portions.

**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, 2022 and 2021 are as follows (Foreign currencies in thousands, Korean won in millions):

Classification	Currency unit	2022		2021	
		Foreign currency	Equivalent Korean won	Foreign currency	Equivalent Korean won
Foreign financial assets	USD	62,237	₩ 78,874	79,910	₩ 94,733
	EUR	6,040	8,161	5,905	7,926
	JPY	92,910	886	-	-
	CNY	46,777	8,487	46,777	8,713
	Others		728		173
			₩ 97,136		₩ 111,545
Foreign financial liabilities	USD	251,988	319,345	652,641	773,706
	EUR	7,901	10,676	24,269	32,578
	JPY	92,910	886	-	-
	CNY	160	29	2	1
	Others		759		61
			₩ 331,695		₩ 806,346

**SK Networks Co., Ltd.**  
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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, 2022 and 2021 are as follow (Korean won in millions):

	2022		2021	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Increase (decrease) in profit before income tax	₩ (23,456)	₩ 23,456	₩ (69,480)	₩ 69,480

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, 2022 and 2021 are as follows (Korean won in millions):

	2022		
	Carrying amount before deduction	Accumulated impairment loss	Carrying amount (maximum exposure amount)
Financial assets at fair value through profit or loss	₩ 602,979	₩ -	₩ 602,979
Financial assets at fair value through OCI	89,805	-	89,805
Financial assets at amortized cost	831,665	(193,621)	638,044
Financial assets designated as hedge item	215	-	215
	₩ 1,524,664	₩ (193,621)	₩ 1,331,043

	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
	₩ 2,178,368	₩ (186,141)	₩ 1,992,227

**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, 2022 and 2021 are as follows (Korean won in millions):

	2022					
	Carrying amount	Contractual cash flows	~ 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years
Non-derivative financial liabilities:						
Trade payables	₩ 811,798	₩ 811,798	₩ 808,739	₩ 3,059	₩ -	₩ -
Borrowings	459,699	461,706	404,838	53,026	2,006	1,836
Bonds	1,107,709	1,179,131	7,086	159,208	931,943	80,894
Lease liabilities	373,919	395,596	69,334	148,607	121,460	56,195
Other financial liabilities	198,078	198,078	134,442	3,388	60,248	-
	2,951,203	3,046,309	1,424,439	367,288	1,115,657	138,925
Derivative financial liabilities:						
interest rate swaps	22,781	22,781	22,781	-	-	-
	22,781	22,781	22,781	-	-	-
	₩ 2,973,984	₩ 3,069,090	₩ 1,447,220	₩ 367,288	₩ 1,115,657	₩ 138,925

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

	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>

Approximately, 38.02% of the Company's debt will mature in less than one year as of December 31, 2022(2021: 50.09%) 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, 2022.

**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, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Debt	₩ 3,029,076	₩ 3,634,725
Equity	1,998,260	2,045,821
Debt to equity ratio	151.6%	177.7%

### **31. Transfer of business unit**

During the year ended December 31, 2022, the Company sold part of Speedmate business units. Total amount of proceeds from disposal following the transfer of business units is ₩9,000 million and is reflected in cash flows from the investing activities in the statement of cash flow. The Company also recognized ₩8,939 million of the difference between the net amount of assets held by the business units sold and the disposal price as other non-operating income.

### **32. Introduction and impact of the global minimum tax**

The Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shift (BEPS) addresses the tax challenges arising from the digitalization of the global economy. Global Minimum Tax (Pillar Two) were released and they apply to Multinational Enterprises (MNEs) with revenue in excess of EUR 750 million per their consolidated financial statements. National Assembly of South Korea passed into law new Global Minimum Tax rules to align with the OECD BEPS Pillar Two in December 2022. The regulation will be included in the Adjustment of International Taxes Act and will be effective for fiscal years beginning on or after January 1, 2024. However, the Enforcement Decrees that provide further detail on the application of the legislation is not amended as of December 31, 2022. In South Korea, Pillar Two legislation is not yet considered substantively enacted as of December 31, 2022. The Company therefore has not recognized any tax effect arising from the Global Minimum Tax in its consolidated financial statements as of and for the year ended December 31, 2022.

## **Audit opinion on internal control over financial reporting**

The accompanying independent auditor's report on internal control over financial reporting is attached as a result of auditing the internal control over financial reporting of SK Networks Co., Ltd.'s (the "Company") and the separate financial statements of the Company for the year ended December 31, 2022 in accordance with the Article 8 of the *Act on External Audit of Stock Companies*.

### Attachments:

1. Independent auditor's report on internal control over financial reporting ("ICFR")
2. ICFR Operating Status Report by CEO

## **Independent auditor's report on internal control over financial reporting**

(English Translation of a Report originally Issued in Korean)

SK Networks Co., Ltd.  
Chief Executive Officer

### **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, 2022.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2022, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Standards on Auditing ("KSA"), the statement of financial position as of December 31, 2022, 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 15, 2023 expressed an unqualified opinion thereon.

### **Basis of opinion on ICFR**

We conducted our audit in accordance with KSA. 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 KSA. 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 Byung Hyun Bae.



March 15, 2023

This audit report is effective as of March 15, 2023, 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, 2022.

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, 2022, 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. 15<sup>th</sup>, 2023



Sang-kyu, Park  
President & Chief Executive Officer



Soa, Park  
Internal Accounting Manager