

SK Networks Co., Ltd. and its subsidiaries

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 consolidated financial statements of SK Networks Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as of December 31, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

Basis for opinion

We conducted our audits in accordance with Korean Standards on Auditing ("KSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements, that are relevant to our audits of the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Group, 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 Group 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 Group'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 goodwill and intangible assets with indefinite useful lives

As described in Notes 12 and 13 to the consolidated financial statements, the Group recognized ₩ 443,167 million of goodwill and ₩ 210,119 million of brand-related intangible asset as of December 31, 2022. The Group annually assesses impairments for goodwill and intangible assets with indefinite useful lives, all of which are acquired as a result of business combinations, by comparing the recoverable amounts and carrying amounts regardless of indication of impairment. The Group's management assesses the recoverable amount by using value-in-use model. As described in Note 2 (14), the determination of the value in use of cash generating unit requires the use of future cash flow forecast and discount rate and growth rate in which uncertainties exist and management's significant judgment is involved. Accordingly, we identified the impairment testing of the Group's goodwill and intangible assets with indefinite useful lives as a key audit matter.

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

- We reviewed the accounting policies on impairment assessment for goodwill and intangible asset with indefinite useful lives.
- 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 26), 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated financial statements and may result in modifications to this report.

SK Networks Co., Ltd. and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2022 and 2021

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

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

SK Networks Co., Ltd. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2022 and 2021

(Korean won in millions)

	Notes	2022	2021
Assets			
Current assets:			
Cash and cash equivalents	5	₩ 355,941	₩ 1,372,990
Short-term financial instruments	5, 32	489,069	4,566
Trade receivables, net	5, 6, 28, 32	636,230	778,694
Current derivative financial assets	5, 19, 32	968	11,129
Current portion of finance lease receivables	5, 6, 15, 32	188,806	140,720
Current other financial assets, net	5, 6, 28, 32	63,324	61,057
Other current assets	7	140,421	137,158
Inventories, net	8	698,650	433,605
Non-current assets held for sale	29, 30	129,800	107,236
Total current assets		2,703,209	3,047,155
Non-current assets:			
Long-term financial instruments	5	50	204
Long-term trade receivables, net	5, 6, 32	2,380	4,224
Long-term investment securities	5, 9, 32	295,456	251,619
Investments in associates and joint ventures	10	126,571	19,818
Non-current derivative financial assets	5, 19, 32	253	192
Finance lease receivables	5, 6, 15, 32	497,864	381,216
Other non-current financial assets	5, 6, 28, 32	49,365	59,791
Property, plant and equipment, net	11, 23	3,666,121	3,314,473
Goodwill and intangible assets, net	12, 13	824,992	780,059
Investment properties, net	14	128,588	119,733
Right-of-use assets	15	997,343	1,311,127
Deferred tax assets	26	82,195	60,889
Other non-current assets	16, 20	124,872	60,416
Total non-current assets		6,796,050	6,363,761
Total assets		₩ 9,499,259	₩ 9,410,916

(Continued)

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

(Korean won in millions)

	Notes	2022	2021
Liabilities			
Current liabilities:			
Trade payables	5, 28, 32	₩ 1,061,937	₩ 1,118,978
Short-term borrowings	5, 17, 31, 32	924,929	935,363
Current portion of long-term liabilities	5, 17, 31, 32	608,351	814,228
Current derivative financial liabilities	5, 19, 32	24,524	2,537
Current portion of lease liabilities	5, 15, 31, 32	444,322	550,068
Other current financial liabilities	5, 28, 32	321,163	262,674
Current tax liabilities	26	13,821	26,610
Current provisions	21	7,930	7,772
Other current liabilities	18	122,076	145,659
Liabilities directly associated with assets classified as held for sale	29, 30	38,760	33,676
Total current liabilities		<u>3,567,813</u>	<u>3,897,565</u>
Non-current liabilities:			
Borrowings and bonds	5, 17, 28, 31, 32	2,477,386	1,940,197
Non-current derivative financial liabilities	5, 19, 32	-	236
Lease liabilities	5, 15, 31, 32	584,536	816,357
Other non-current financial liabilities	5, 28, 32	299,390	243,906
Deferred tax liabilities	26	69,621	70,906
Net defined benefit liabilities	20	14,729	40,818
Non-current provisions	21	6,139	5,494
Other non-current liabilities	20, 22	28,933	6,442
Total non-current liabilities		<u>3,480,734</u>	<u>3,124,356</u>
Total liabilities		<u>7,048,547</u>	<u>7,021,921</u>
Equity			
Equity attributable to owners of the parent:			
Capital stock	24	648,654	648,654
Capital surplus	24	741,332	741,332
Retained earnings	24	982,696	897,345
Other components of equity	24	(118,288)	(88,834)
		<u>2,254,394</u>	<u>2,198,497</u>
Non-controlling interests		196,318	190,498
Total equity		<u>2,450,712</u>	<u>2,388,995</u>
Total liabilities and equity		<u>₩ 9,499,259</u>	<u>₩ 9,410,916</u>

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

SK Networks Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income
for the years ended December 31, 2022 and 2021

(Korean won in millions, except for earnings per share)

	Notes	2022	2021
Sales	25, 28	₩ 9,666,446	₩ 11,018,140
Cost of sales	8, 25, 28	8,468,735	9,881,932
Gross profit		1,197,711	1,136,208
Selling and administrative expenses	20, 25, 28	1,043,500	1,014,230
Operating profit		154,211	121,978
Finance income	5, 19, 25	253,228	187,450
Finance costs	5, 19, 25	342,150	267,234
Other non-operating income	5, 25	66,135	102,729
Other non-operating expenses	5, 25	46,615	37,781
Loss on investments in associates and joint ventures, net	10	(3,323)	(9)
Profit before income tax from continuing operations		81,486	107,133
Income tax expense from continuing operations	26	13,053	45,695
Profit from continuing operations		68,433	61,438
Profit for the year			
from discontinued operations	29	22,332	42,102
Profit for the year		₩ 90,765	₩ 103,540
Attributable to:			
Owners of the parent		86,440	98,672
Non-controlling interests		4,325	4,868
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss in subsequent periods:			
Reassessment of net defined benefit liabilities	20	26,351	3,385
Gain (loss) on valuation of financial assets at fair value through OCI	5, 9	(36,061)	44,817
Gain on translation of foreign operations		22	390
		(9,688)	48,592
Items that may be reclassified to profit or loss in subsequent periods:			
Equity adjustments in equity method	10	836	892
Gain on valuation of derivative financial instruments	5, 19	789	1,943
Gain on translation of foreign operations		2,521	23,914
		4,146	26,749
Other comprehensive income (loss), net of tax		(5,542)	75,341
Total comprehensive income		₩ 85,223	₩ 178,881
Attributable to:			
Owners of the parent		79,403	173,490
Non-controlling interests		5,820	5,391
		₩ 85,223	₩ 178,881
Earnings per share:	27		
Basic earnings per share			
attributable to ordinary share		₩ 395	₩ 451
Basic earnings from continuing operations per share attributable to ordinary share		288	254

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

SK Networks Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity
for the years ended December 31, 2022 and 2021
(Korean won in millions, except for earnings per share)

	Capital stock	Capital surplus	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As of January 1, 2021	₩ 648,654	₩ 748,880	₩ 819,035	₩ (158,397)	₩ 2,058,172	₩ 187,078	₩ 2,245,250
Total comprehensive income							
Profit for the year	-	-	98,672	-	98,672	4,868	103,540
Remeasurement of net defined benefit liabilities	-	-	3,354	-	3,354	31	3,385
Gain on valuation of financial assets at fair value through OCI	-	-	2,845	41,971	44,816	1	44,817
Equity adjustments in equity method	-	-	-	892	892	-	892
Gain on valuation of derivative financial instruments	-	-	-	1,842	1,842	101	1,943
Gain on translation of foreign operations	-	-	-	23,914	23,914	390	24,304
Total comprehensive income for the year	-	-	104,871	68,619	173,490	5,391	178,881
Transactions with owners of the Parent, recognized directly to equity:							
Dividends	-	-	(26,237)	-	(26,237)	-	(26,237)
Equity transactions between consolidated entities	-	(7,548)	-	-	(7,548)	(2,052)	(9,600)
Stock compensation costs	-	-	-	944	944	-	944
Others	-	-	(324)	-	(324)	81	(243)
Total transactions with owners of the Parent	-	(7,548)	(26,561)	944	(33,165)	(1,971)	(35,136)
As of December 31, 2021	₩ 648,654	₩ 741,332	₩ 897,345	₩ (88,834)	₩ 2,198,497	₩ 190,498	₩ 2,388,995
As of January 1, 2022	₩ 648,654	₩ 741,332	₩ 897,345	₩ (88,834)	₩ 2,198,497	₩ 190,498	₩ 2,388,995
Total comprehensive income (loss)							
Profit for the year	-	-	86,440	-	86,440	4,325	90,765
Remeasurement of net defined benefit liabilities	-	-	24,999	-	24,999	1,352	26,351
Gain (loss) on valuation of financial assets at fair value through OCI	-	-	-	(36,063)	(36,063)	2	(36,061)
Equity adjustments in equity method	-	-	-	836	836	-	836
Gain on valuation of derivative financial instruments	-	-	-	670	670	119	789
Gain on translation of foreign operations	-	-	-	2,521	2,521	22	2,543
Total comprehensive income (loss) for the year	-	-	111,439	(32,036)	79,403	5,820	85,223
Transactions with owners of the Parent, recognized directly to equity:							
Dividends	-	-	(26,237)	-	(26,237)	-	(26,237)
Disposal of treasury stocks	-	-	-	1,348	1,348	-	1,348
Stock compensation costs	-	-	-	1,234	1,234	-	1,234
Others	-	-	149	-	149	-	149
Total transactions with owners of the Parent	-	-	(26,088)	2,582	(23,506)	-	(23,506)
As of December 31, 2022	₩ 648,654	₩ 741,332	₩ 982,696	₩ (118,288)	₩ 2,254,394	₩ 196,318	₩ 2,450,712

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

SK Networks Co., Ltd. and its subsidiaries
Consolidated statements of cash flows
for the years ended December 31, 2022 and 2021
(Korean won in millions)

	Notes	2022	2021
Operating activities:			
Profit for the year		₩ 90,765	₩ 103,540
Non-cash adjustments to reconcile profit (loss) for the year to net cash flows provided by operating activities	31	1,001,965	932,818
Changes in operating assets and liabilities	31	(1,263,203)	(437,899)
Interest received		25,210	37,146
Interest paid		(130,921)	(114,526)
Dividends received		1,873	1,106
Income taxes paid		(43,042)	(60,724)
Net cash flows provided by (used in) operating activities		₩ (317,353)	₩ 461,461
Investing activities:			
Increase in short-term financial instruments, net		(484,155)	(4,644)
Decrease (increase) in long-term financial instruments, net		(44)	271
Decrease (increase) in derivative financial assets, net		8,373	(26,909)
Decrease (increase) in short-term loans, net		4,637	(1,622)
Decrease in long-term loans, net		-	713
Proceeds from disposal of long-term investment securities		2,146	23,506
Acquisition of long-term investment securities		(86,250)	(81,009)
Proceeds from disposal of investments in associates and joint ventures		-	353
Proceeds from acquisition of investments in associates and joint ventures		(109,240)	-
Proceeds from disposal of property, plant and equipment		90,232	43,232
Acquisition of property, plant and equipment		(138,029)	(228,771)
Proceeds from disposal of intangible assets		3,873	1,894
Acquisition of intangible assets		(14,853)	(9,306)
Proceeds from disposal of investment properties		550	140,058
Decrease (increase) in gurantee deposits		4,308	(1,585)
Proceed from disposal of Non-current assets classified as held for sale		-	117,202
Business division transferred out		9,000	-
Decrease in cash due to changes in scope of consolidation		138	370
Cash flows from other investing activities		2,955	66,264
Net cash flows provided by (used in) investing activities		₩ (706,359)	₩ 40,017
Financing activities:			
Increase (decrease) in short-term borrowings, net		₩ 36,183	₩ (27,719)
Repayment of current portion of long-term borrowings and bonds		(842,277)	(790,336)
Increase in long-term borrowings		454,936	180,153
Issuance of bonds		682,256	995,814
Dividends paid		(26,237)	(26,237)
Cash outflow from equity transaction in consolidated entities		-	(9,600)
Decrease in lease liabilities		(299,346)	(318,675)
Disposal of treasury stocks		1,348	-
Cash flows from other financing activities		-	(56)
Net cash flows provided by financing activities		₩ 6,863	₩ 3,344
Net increase (decrease) in cash and cash equivalents		(1,016,849)	504,822
Cash and cash equivalents at the beginning of the year		1,372,990	861,330
Effects of exchange rate changes on cash and cash equivalents		(200)	6,838
Cash and cash equivalents at the end of the year		₩ 355,941	₩ 1,372,990

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

SK Networks Co., Ltd. and its subsidiaries
Notes to the consolidated financial statements
December 31, 2022 and 2021

1. Corporate information

SK Networks Co., Ltd. (the “Company” or the “Parent company”), in accordance with KIFRS 1110 *Consolidated Financial Statements*, was established on March 24, 1956 under the Commercial Code of the Republic of Korea to engage in the manufacture and sale of synthetic textiles. 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 services 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.

Consolidated subsidiaries as of December 31, 2022 are as follows:

Subsidiary name	Location	Principal business activity	Settlement date	The largest shareholder	Equity ownership (%)
SK Networks Service Co., Ltd.	Korea	Communications equipment	December 31	SK Networks Co., Ltd.	86.50
SK Magic Co., Ltd.	Korea	Manufacturing, selling and rental services of electronic products	December 31	SK Networks Co., Ltd.	100.00
SK RentA Car Co.,Ltd.	Korea	Vehicle rental business	December 31	SK Networks Co., Ltd.	72.95
MINTIT Co., Ltd.	Korea	Manufacturing and sales	December 31	SK Networks Co., Ltd.	100.00
SKN (China) Holdings Co., Ltd. (*1)	China	Holding Group	December 31	SK Networks Co., Ltd.	100.00
POSK (Pinghu) Steel Processing Center Co., Ltd.	China	Steel production	December 31	SK Networks Co., Ltd.	80.00
SK Networks (Shanghai) Co., Ltd.	China	Trading	December 31	SK Networks Co., Ltd.	100.00
SK Networks Hong Kong Ltd.	Hongkong	Trading	December 31	SK Networks Co., Ltd.	100.00
SK Networks Japan Co., Ltd.	Japan	Trading	December 31	SK Networks Co., Ltd.	100.00
SK Networks Deutschland GmbH	Germany	Trading	December 31	SK Networks Co., Ltd.	100.00
SK Networks Resources Australia (Wyong) Pty Ltd. (*1)	Australia	Overseas resources development	December 31	SK Networks Co., Ltd.	100.00
SK Networks Resources Pty. Ltd. (*1)	Australia	Overseas resources development	December 31	SK Networks Co., Ltd.	100.00
SK Networks Trading Malaysia Sdn. Bhd.	Malaysia	Trading	December 31	SK Networks Co., Ltd.	100.00
SK BRASIL LTDA	Brazil	Trading	December 31	SK Networks Co., Ltd.	56.00
SK Networks America Inc.	America	Trading	December 31	SK Networks Co., Ltd.	100.00
Networks Tejarat Pars	Iran	Trading	December 31	SK Networks Co., Ltd.	100.00
Hico Capital LLC (formerly, TenX Capital)	America	Finance, investment	December 31	SK Networks Co., Ltd.	100.00
CARTINI Co., Ltd.	Korea	E-commerce retail	December 31	SK Networks Co., Ltd.	100.00

SK Networks Co., Ltd. and its subsidiaries
Notes to the consolidated financial statements
December 31, 2022 and 2021

1. Corporate information (cont'd)

Subsidiary name	Location	Principal business activity	Settlement date	The largest shareholder	Equity ownership (%)
SK Magic Service Co., Ltd.	Korea	Repairing services of electronic products	December 31	SK Magic Co., Ltd.	100.00
SK magic Retails Malaysia Sdn. Bhd.(formerly, SK Networks Retail Malaysia Sdn. Bhd.)	Malaysia	Selling and rental services of products	December 31	SK Magic Co., Ltd.	100.00
SK Magic Vietnam company limited	Vietnam	Selling and rental services of products	December 31	SK Magic Co., Ltd.	100.00
SK Rent-a-car Service Co., Ltd.	Korea	Business support services	December 31	SK Rent A Car Co.,Ltd	100.00
MINTIT VINA	Vietnam	Product sales and rental	December 31	MINTIT Co., Ltd.	100.00
SK Networks Dandong Energy Co., Ltd. (*1)	China	Wholesale and retail of petroleum	December 31	SKN (China) Holdings. Co., Ltd.	100.00
Shenyang SK Bus Terminal Co., Ltd. (*1)	China	Transportation	December 31	SKN (China) Holdings. Co., Ltd.	75.00
SK Networks (Xiamen) Steel Processing Center	China	Steel production	December 31	SK Networks. Hong Kong Ltd.	100.00

(*1) Assets and liabilities of the subsidiaries are classified as non-current assets held for sale and liabilities held for sale as the management decided to sell them before the year ended December 31, 2021.

Details of subsidiaries which have been included or excluded in the consolidated financial statements for the year ended December 31, 2022 are as follows:

Description	Subsidiary	Details
Excluded	SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA.	Liquidation

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1. Corporate information (cont'd)

Summarized financial information of consolidated subsidiaries (except for subsidiaries to be held for sale) as of and for the year ended December 31, 2022 is as follows (Korean won in millions):

Subsidiary	2022						Total comprehensive income (loss)
	Assets	Liabilities	Equity	Revenue	Net income (loss)		
SK Networks Service Co., Ltd.	₩ 237,533	₩ 136,145	₩ 101,388	₩ 475,669	₩ 8,336	₩ 14,004	
SK Magic Co., Ltd.	1,344,768	921,294	423,474	1,027,378	45,546	57,902	
SK Rent A Car Co., Ltd.	3,341,659	2,823,132	518,527	1,247,544	21,214	23,906	
MINTIT Co, Ltd.	95,461	53,800	41,661	170,360	(892)	(722)	
SKN (China) Holdings Co., Ltd.	128,035	8,547	119,488	-	1,491	(266)	
POSK (Pinghu) Steel Processing Center Co., Ltd.	20,859	11,102	9,757	30,272	(3,794)	(3,948)	
SK Networks (Shanghai) Co., Ltd.	25,604	165	25,439	28,000	308	(376)	
SK Networks Hong Kong Ltd.	44,364	19,124	25,240	217,816	132	467	
SK Networks Japan Co., Ltd.	3,968	290	3,678	824	(599)	(925)	
SK Networks Deutschland GmbH	934	625	309	-	(1,409)	(1,391)	
SK Networks Resources Australia (Wyong) Pty. Ltd.	53,039	25,381	27,658	72,719	29,322	28,854	
SK Networks Resources Pty Ltd.	3,131	686	2,445	-	(18)	(19)	
SK Networks America Inc.	5,069	-	5,069	-	(742)	(304)	
Hico Capital LLC (formerly, TenX Capital)	120,454	419	120,035	-	2,330	6,058	
CARTINI Co., Ltd.	12,876	2,363	10,513	13,577	(5,491)	(5,494)	
SK Magic Service Co., Ltd.	35,255	33,227	2,028	78,967	678	944	
SK magic Retails Malaysia Sdn. Bhd. (formerly, SK Networks Retail Malaysia Sdn. Bhd.)	90,497	26,373	64,124	63,455	(7,460)	(7,301)	
SK Rent A Car Service Co., Ltd.	8,933	4,634	4,299	25,529	525	452	
MINTIT VINA	2,264	148	2,116	2,926	(688)	(587)	

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1. Corporate information (cont'd)

		2022									
Subsidiary	Assets	Liabilities	Equity	Revenue	Net income (loss)	Total comprehensive income (loss)					
SK Networks (Dandong) Energy Co., Ltd.	₩ 25,765	₩ 393	₩ 25,372	₩ -	₩ (297)	₩ (963)					
Shenyang SK Bus Terminal Co., Ltd.	55,460	58,616	(3,156)	3,079	(4,519)	(4,310)					
SK Networks (Xiamen) Steel Processing Center Co., Ltd.	32,062	14,576	17,486	82,726	552	(71)					

2. Summary of significant accounting policies

2.1 Basis of preparation of consolidated financial statements

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

The significant accounting policies used for the preparation of the accompanying consolidated 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 consolidated 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 consolidated 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 consolidated 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 Group 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 Group’s financial position and performance.

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 Group 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 Group’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 Group’s financial position and performance.

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

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 Group'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 Group'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.

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.

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

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 Group is currently assessing the impact of the standards and amendments above on the consolidated financial statements.

2.2 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Group, other voting rights holders of other parties
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stockholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

2.2 Principles of consolidation (cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in OCI and accumulated in equity, the amounts previously recognized in OCI and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings).

2.3 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.4 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

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

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

The Group 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 Group classifies all other liabilities as non-current.

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

2.5 Financial assets

2.5.1 Classification

The Group 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 Group'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 Group 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 Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

2.5.2 Measurement

The Group 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 Group's business model for managing the asset and the cash flow characteristics of the asset. The Group 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.

2.5.2 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 consolidated statement of comprehensive income within 'finance income or costs in the year in which it arises.

(2) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group'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 consolidated statement 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.

2.5.3 Impairment

The Group 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 Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

2.5.4 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date the date on which the Group 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 Group has transferred substantially all the risks and rewards of ownership.

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

2.6 Financial liabilities and equity instruments

2.6.1 Classification as debt or equity

Debt instruments and equity instruments are classified as financial liabilities or equity depending on the nature of the contract and the definition of financial liabilities and equity instruments.

2.6.2 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 Group are recognized as the proceeds are received, net of direct issue costs.

Repurchase of the Group'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 Group's own equity instruments.

2.6.3 Hybrid financial instruments

The Group classifies derivative financial instruments (such as convertible bonds) into financial liabilities and equity according to the definition of real and financial liabilities and equity instruments of the contract. Conversion options to be settled through the exchange of financial assets such as fixed amount of fixed amount of self-owned equity instruments are equity instruments.

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.

2.6.4 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 Group, are measured in accordance with the specific accounting policies set out below.

2.6.4.1 Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group 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.

2.6.4.1 Financial liabilities at FVTPL (cont'd)

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and KIFRS 1109 permits the entire combined contract to be designated as at FVTPL.

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

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

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

2.6.4.2 Financial liabilities measured at amortized cost

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

2.6.5 Financial guarantee liabilities

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

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

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

2.6.6 Derecognition of financial liabilities

Financial liabilities are removed from the consolidated 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.

2.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 Group or the counterparty.

2.8 Derivative instruments and hedge accounting

In order to manage interest rate risk and foreign currency risk, the Group 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.

2.8.1 Hedge accounting

The Group 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 Group documents the relationship between risk management objectives, hedging strategies, hedging instruments and hedged items. The Group also documents 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.

2.8.2 Fair value hedge

The Group 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 consolidated statement of comprehensive income.

Fair value hedge accounting is discontinued when the Group 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.

2.8.3 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 consolidated statement of comprehensive income.

Cash flow hedge accounting is discontinued if the Group 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.

2.9 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.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. The Group estimates inventories at the acquisition cost determined by the gross average method (except for some products in the global segment 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. It is 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 Group 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 Group recognizes provision for valuation of inventories.

2.11 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of comprehensive income.

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2.11 Investments in associates and joint ventures(cont'd)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.12 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 Group 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 Group 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	20-50
Structures	20-40
Storage tanks	20-40
Machinery and equipment	3-40
Vehicles	4-10
Rental property	3-5
Furniture and fixture	4-6
Other property, plant and equipment	3-10

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 Group 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 consolidated 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.

2.13 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 Group 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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2.13 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)	5-10
Industrial property rights	5-10
Other intangible assets	4-14

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 Group 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.

2.14 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 Group expect synergies resulting from the business combination.

For each cash-generating unit to which goodwill has been allocated, the Group 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.

2.15 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.

2.16 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.

2.17 Leases

At inception of a contract, the Group 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.

2.17.1 Group as a lessee

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

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 Group's exercise of purchase option is reflected to the cost of right-of-use assets.

➤ Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group 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.

2.17.1 Group as a lessee(cont'd)

In calculating the present value of lease payments, the Group 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 Group 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.

2.17.2 Group 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 Group'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 Group'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.

2.18 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.

2.19 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 consolidated statement of financial position.

2.20 Revenue Recognition

When the goods or services are transferred to the customer, the Group 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.

2.20.1 Sales of goods

The Group 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.

2.20.2 Provision of services

The Group 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 Group recognizes the transaction price allocated to the performance obligation as revenue over the period in which the service is provided, as the Group has the obligation to provide related services to the customer during the contract period.

2.20.3 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.

2.20.4 Commission income

If the Group acts as an agent on behalf, the Group recognizes the net commission amount as revenue.

2.20.5 Rental income

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

2.20.6 Dividend income

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

2.20.7 Contract assets and liabilities

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

Contract liability is the Group's obligation to transfer goods or services to the customer in accordance with the consideration the Group 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 Group fulfills its obligation to perform the contract.

2.21 Employee benefits

2.21.1 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.

2.21.2 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.

2.21.3 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 Group recognizes an asset (prepaid expenses) as a reserve for future payments or cash refunds.

2.21.4 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 remeasurement 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 Group 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 Group recognizes net charge for employee and net defined benefit liability in selling and administrative expenses.

2.21.5 Dismissal benefits

If the Group explicitly commits to dismiss an employee prior to the normal retirement date without realistic retraction or if the Group 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.

2.22 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.

2.22.1 Provision for warranty repair

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

2.22.2 Provision for restoration

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

2.22.3 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.

2.22.4 GHG emission quota allocation and trading system

The Group 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 Group 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.

2.23 Treasury stock

The Group 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 consolidated statement of comprehensive income. The difference between the carrying amount and the disposal price is accounted for as the consolidated other capital surplus.

2.24 Foreign currency translation

The items included in the consolidated 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 Group operates, as the functional currency.

The Group 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 Group first recognizes a non-monetary asset or non-monetary liability. If prepayment or athletic awards occur more than once, the Group will determine the date of the advance payment of the consideration or the date of the transaction.

2.25 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity.

2.25.1 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 consolidated statement of comprehensive income. Liabilities related to the Group's current tax are calculated based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

2.25.2 Deferred tax

Deferred tax is recognized for temporary differences arising between the carrying amounts of assets and liabilities in the consolidated 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.

2.25.2 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 Group 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.

2.25.3 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.

2.26 Earnings per share

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

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

The Group recognizes 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 judgments, estimates and assumptions

In applying the Group's accounting policies, management must make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily identifiable from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The amendments to the accounting estimates are recognized in the period in which the amendment is made if such amendments affect only that period, and in the period in which amendments are made and in the future periods if they affect both the current and future periods.

The following items are key sources of significant assumptions and other estimated uncertainties related to transactions at the end of the reporting period, which have significant risk factors that could cause significant adjustments to the carrying amounts of assets and liabilities in the next financial year.

3.1 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or when circumstances indicate that the carrying value may be impaired, and other non-financial assets are tested for impairment when circumstances indicate that its carrying amount may not be recoverable. In determining a value in use, management estimates future cash flows to be derived from the asset or CGU, and applies the appropriate discount rate to those future cash flows.

3.2 Valuation of fair value of financial assets

Investments and other securities are measured at fair value after initial recognition. Gains or losses arising from changes in fair value are reflected in accumulated other comprehensive income and expense. If there is no available market price in the active market, the market price is used as the fair value. If there is no such market price, the valuation technique that requires management's judgment on the future expected cash flow and discount rate to estimate fair value.

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

The Group 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 Group 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 Group'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 Group's best estimates of the variables in determining the cost of providing postretirement 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 postretirement 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 Group's future performance.

3.7 Leases – estimating the incremental borrowing rate

When the Group 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 Group 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 Group '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 Group 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 Group operates information and communication distribution business, global trading business, Car Biz. businesses such as rental car, car maintenance, home appliances rental 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 Group has prepared the consolidated 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 Group.

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 Group.

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4. Segment information

The Group has seven reportable segments, as described below, which represent the Group's strategic business units. The Group restated segment information of the prior year to conform with the changes in reportable segments and accounting policies in 2021.

- ① Global: steel, energy, chemical products' international and domestic trading
- ② IM: Import, export, and domestic sales of products related to information communication equipment
- ③ Rent-a-car: car rental services
- ④ Speedmate: auto parts distribution
- ⑤ SK Magic: manufacturing, selling, and rental services of gas devices, electric, electronic products
- ⑥ Others: hotel business and others

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

Segment	2022			
	Total sales	Internal sales	Net sales (*)	Net income (loss)
Global	₩ 1,979,521	₩ (168,279)	₩ 1,811,242	₩ (3,218)
IM	4,550,083	(24,619)	4,525,464	22,257
Rent-a-car	1,665,510	(50,290)	1,615,220	61,273
Speedmate	483,913	(69,957)	413,956	10,112
SK Magic	1,169,799	(93,165)	1,076,634	38,764
Others(*)	228,812	(4,882)	223,930	(30,869)
Consolidation adjustments	(411,192)	411,192	-	(29,886)
	₩ 9,666,446	₩ -	₩ 9,666,446	₩ 68,433

Segment	2022			
	Total assets (*)	Total liabilities (*)	Depreciation (*)	Amortization (*)
Global	₩ 247,584	₩ 187,181	₩ 1,365	₩ 54
IM	1,131,536	969,805	17,436	2,412
Rent-a-car	4,186,818	3,624,456	607,529	8,548
Speedmate	167,536	156,479	17,348	1,837
SK Magic	2,080,520	1,590,894	133,196	7,226
Others(*)	2,892,382	632,354	45,445	4,668
Consolidation adjustments	(1,207,117)	(112,622)	982	4,722
	₩ 9,499,259	₩ 7,048,547	₩ 823,301	₩ 29,467

(*) The amount includes non-current assets held for sale and liabilities directly associated with non-current assets held for sale.

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4. Segment information (cont'd)

Segment	2021			
	Total sales	Internal sales	Net sales (*)	Profit (loss) for the year
Global	₩ 2,830,620	₩ (173,578)	₩ 2,657,042	₩ 10,372
IM	5,285,692	(70,179)	5,215,513	21,652
Rent-a-car	1,585,726	(53,640)	1,532,086	46,449
Speedmate	442,280	(65,983)	376,297	3,834
SK Magic	1,153,755	(77,803)	1,075,952	46,209
Others(*)	162,756	(1,506)	161,250	(65,090)
Consolidation adjustments	(442,689)	442,689	-	(1,988)
	₩ 11,018,140	₩ -	₩ 11,018,140	₩ 61,438

Segment	2021			
	Total assets (*)	Total liabilities (*)	Depreciation (*)	Amortization (*)
Global	₩ 330,822	₩ 242,527	₩ 2,079	₩ 133
IM	880,585	885,008	6,334	1,991
Rent-a-car	4,039,219	3,528,214	590,820	6,441
Speedmate	201,044	180,352	23,565	1,357
SK Magic	1,153,755	1,485,274	153,219	5,754
Others(*)	3,038,621	818,325	52,579	3,365
Consolidation adjustments	(970,482)	(117,779)	(1,034)	4,567
	₩ 9,410,916	₩ 7,021,921	₩ 827,562	₩ 23,608

(*) The amount includes non-current assets held for sale and liabilities directly associated with non-current assets held for sale.

There were no sales from a single customer representing 10% or more of the Group's total sales other than from related parties as detailed in Note 28.

The financial information of the Group by geographic segments for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022				
	Total sales	Internal sales	Net sales	Profit (loss) for the year	Non-current assets(*)
Domestic	₩ 9,651,619	₩ (408,852)	₩ 9,242,767	₩ 109,707	₩ 4,917,621
China	358,814	(1,611)	357,203	(2,802)	8,160
Europe	-	-	-	(1,427)	2,815
Others	67,205	(729)	66,476	(7,159)	5,833
Consolidation adjustments	(411,192)	411,192	-	(29,886)	682,615
	₩ 9,666,446	₩ -	₩ 9,666,446	₩ 68,433	₩ 5,617,044

(*) Excludes financial assets, deferred tax assets and investments in associates and joint ventures.

	2021				
	Total sales	Internal sales	Net sales	Profit (loss) for the year	Non-current assets(*)
Domestic	₩ 10,953,480	₩ (438,569)	₩ 10,514,911	₩ 94,244	₩ 4,814,663
China	436,500	(1,204)	435,296	(17,982)	68,526
Europe	13,070	(613)	12,457	(1,456)	4
Others	57,779	(2,303)	55,476	(11,380)	18,410
Consolidation adjustments	(442,689)	442,689	-	(1,988)	623,789
	₩ 11,018,140	₩ -	₩ 11,018,140	₩ 61,438	₩ 5,525,392

(*) Excludes financial assets, deferred tax assets and investments in associates and joint ventures.

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5. 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	
Current assets:					
Cash and cash equivalents	₩ 12,815	₩ 343,126	₩ -	₩ -	₩ 355,941
Short-term financial instruments	483,063	6,006	-	-	489,069
Trade receivables	45,369	590,861	-	-	636,230
Derivative financial assets	188	-	-	780	968
Current finance lease receivables	-	188,806	-	-	188,806
Other financial assets:					
Short-term loans	-	701	-	-	701
Other accounts receivable	-	48,052	-	-	48,052
Accrued income	-	7,272	-	-	7,272
Guarantee deposits	-	7,299	-	-	7,299
	<u>541,435</u>	<u>1,192,123</u>	<u>-</u>	<u>780</u>	<u>1,734,338</u>
Non-current assets:					
Long-term financial instruments	-	50	-	-	50
Long-term trade receivables	-	2,380	-	-	2,380
Long-term investment securities	114,115	-	181,341	-	295,456
Derivative financial assets	-	-	-	253	253
Finance lease receivables	-	497,864	-	-	497,864
Other financial assets:					
Long-term loans	-	48	-	-	48
Long-term guarantee deposits	-	49,317	-	-	49,317
	<u>114,115</u>	<u>549,659</u>	<u>181,341</u>	<u>253</u>	<u>845,368</u>
	<u>₩ 655,550</u>	<u>₩ 1,741,782</u>	<u>₩ 181,341</u>	<u>₩ 1,033</u>	<u>₩ 2,579,706</u>
	2021				
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Designated as hedge item	Total
Current assets:					
Cash and cash equivalents	₩ -	₩ 1,372,990	₩ -	₩ -	₩ 1,372,990
Short-term financial instruments	-	4,566	-	-	4,566
Trade receivables	52,088	726,606	-	-	778,694
Derivative financial assets	11,057	-	-	72	11,129
Current finance lease receivables	-	140,720	-	-	140,720
Other financial assets:					
Short-term loans	-	4,911	-	-	4,911
Other accounts receivable	-	54,836	-	-	54,836
Accrued income	-	610	-	-	610
Guarantee deposits	-	700	-	-	700
	<u>63,145</u>	<u>2,305,939</u>	<u>-</u>	<u>72</u>	<u>2,369,156</u>
Non-current assets:					
Long-term financial instruments	-	204	-	-	204
Long-term trade receivables	-	4,224	-	-	4,224
Long-term investment securities	82,142	-	169,477	-	251,619
Derivative financial assets	-	-	-	192	192
Finance lease receivables	-	381,216	-	-	381,216
Other financial assets:					
Long-term loans	-	48	-	-	48
Long-term guarantee deposits	-	59,743	-	-	59,743
	<u>82,142</u>	<u>445,435</u>	<u>169,477</u>	<u>192</u>	<u>697,246</u>
	<u>₩ 145,287</u>	<u>₩ 2,751,374</u>	<u>₩ 169,477</u>	<u>₩ 264</u>	<u>₩ 3,066,402</u>

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5. 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
Current liabilities:			
Trade payables	₩ -	₩ 1,061,937	₩ 1,061,937
Short-term borrowings	-	924,929	924,929
Current portion of long-term liabilities	-	608,351	608,351
Derivative financial liabilities	24,524	-	24,524
Current portion of lease liabilities	-	444,322	444,322
Other financial liabilities:			
Other payables	-	206,804	206,804
Accrued expenses	-	51,903	51,903
Deposit received	-	62,456	62,456
	<u>24,524</u>	<u>3,360,702</u>	<u>3,385,226</u>
Non-current liabilities:			
Borrowings and bonds	-	2,477,386	2,477,386
Lease liabilities	-	584,536	584,536
Other financial liabilities:			
Other accounts payable	-	344	344
Deposits received	-	299,046	299,046
	<u>-</u>	<u>3,361,312</u>	<u>3,361,312</u>
	<u>₩ 24,524</u>	<u>₩ 6,722,014</u>	<u>₩ 6,746,538</u>

	2021			
	Measured at FVTPL	Measured at amortized cost	Designated as hedge item	Total
Current liabilities:				
Trade payables	₩ -	₩ 1,118,978	₩ -	₩ 1,118,978
Short-term borrowings	-	935,363	-	935,363
Current portion of long-term liabilities	-	814,228	-	814,228
Derivative financial liabilities	2,537	-	-	2,537
Current portion of lease liabilities	-	550,068	-	550,068
Other financial liabilities:				
Other accounts payable	-	162,051	-	162,051
Accrued expenses	-	44,319	-	44,319
Deposits received	-	56,304	-	56,304
	<u>2,537</u>	<u>3,681,311</u>	<u>-</u>	<u>3,683,848</u>
Non-current liabilities:				
Borrowings and bonds	-	1,940,197	-	1,940,197
Derivative financial liabilities	-	-	236	236
Lease liabilities	-	816,357	-	816,357
Other financial liabilities:				
Other accounts payable	-	341	-	341
Deposits received	-	243,565	-	243,565
	<u>-</u>	<u>3,000,460</u>	<u>236</u>	<u>3,000,696</u>
	<u>₩ 2,537</u>	<u>₩ 6,681,771</u>	<u>₩ 236</u>	<u>₩ 6,684,544</u>

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5. Financial instruments categories (cont'd)

Details of gain and loss by category of financial instruments for the year ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022			
	Financial assets			
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI	Designated as hedge item
Interest income	₩ -	₩ 29,947	₩ -	₩ -
Dividend income	62	-	1,811	-
Bad debt expenses	-	(25,693)	-	-
Gain on transactions of derivative instruments	151,964	-	-	1,005
Gain on foreign currency translation and transactions	-	1,936	-	-
Gain (loss) on valuation of financial assets	3,633	(600)	-	-
Gain (loss) on valuation of financial assets	-	-	(48,522)	-
Gain on disposal of financial assets	-	(7,550)	-	-
	<u>₩ 124,983</u>	<u>₩ (1,960)</u>	<u>₩ (46,711)</u>	<u>₩ 1,005</u>

	2022	
	Financial liabilities	
	Measured at FVTPL	Measured at amortized cost
Interest expenses	₩ -	₩ (122,855)
Gain (loss) on transactions of derivative instruments	(108,445)	-
Loss on foreign currency translation and transactions	-	(46,137)
	<u>₩ (108,445)</u>	<u>₩ (168,992)</u>

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5. Financial instruments categories (cont'd)

	2021		
	Financial assets		
	Measured at FVTPL	Measured at amortized cost	Measured at FVOCI
Interest income	₩ -	₩ 15,579	₩ -
Dividend income	1	-	1,105
Bad debt expenses	-	(16,744)	-
Gain on transactions of derivative instruments	122,730	-	-
Gain on foreign currency translation and transactions	-	14,398	-
Gain (loss) on valuation of financial assets	(400)	-	55,371
Gain on disposal of financial assets	2,607	2,444	2,845
	₩ 124,983	₩ 15,677	₩ 59,321

	2021		
	Financial liabilities		
	Measured at FVTPL	Measured at amortized cost	Designated as hedge item
Interest expenses	₩ -	₩ (105,835)	₩ -
Gain (loss) on transactions of derivative instruments	(57,061)	-	2,550
Loss on foreign currency translation and transactions	-	(71,802)	-
	₩ (57,061)	₩ (177,637)	₩ 2,550

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

5.1 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	₩ 2,283,097	₩ 2,200,876	₩ 2,115,276	₩ 2,020,471
Borrowings	1,727,569	1,701,431	1,574,512	1,543,449

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.

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5.1 Division by fair value hierarchy (cont'd)

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

	Significance of input
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			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Fair value through profit or loss:				
Cash and cash equivalent	₩ -	₩ 12,815	₩ -	₩ 12,815
Short-term financial instruments	-	483,063	-	483,063
Trade receivables	-	-	45,369	45,369
Long-term investment securities	-	-	114,115	114,115
Derivative financial assets	-	188	-	188
Fair value through OCI:				
Long-term investment securities	23,031	-	158,310	181,341
Derivatives designated as hedging instruments:				
Derivative financial liabilities	-	1,033	-	1,033
	<u>₩ 23,031</u>	<u>₩ 497,099</u>	<u>₩ 317,794</u>	<u>₩ 837,924</u>
Financial liabilities:				
Fair value through profit or loss:				
Derivative financial liabilities	₩ -	₩ 24,524	₩ -	₩ 24,524
	<u>₩ -</u>	<u>₩ 24,524</u>	<u>₩ -</u>	<u>₩ 24,524</u>

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5.1 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	-	-	82,142	82,142
Derivative financial assets	-	11,057	-	11,057
Fair value through OCI:				
Long-term investment securities	26,550	-	142,927	169,477
Derivatives designated as hedging instruments:				
Derivative financial liabilities	-	264	-	264
	<u>₩ 26,550</u>	<u>₩ 11,321</u>	<u>₩ 277,157</u>	<u>₩ 315,028</u>
Financial liabilities:				
Fair value through profit or loss:				
Derivative financial liabilities	₩ -	₩ 2,537	₩ -	₩ 2,537
Derivatives designated as hedging instruments:				
Derivative financial liabilities	-	236	-	236
	<u>₩ -</u>	<u>₩ 2,773</u>	<u>₩ -</u>	<u>₩ 2,773</u>

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group 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.

5.1.1 Description of valuation techniques and input variables

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.

5.1.1.1 Currency currencies 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 Group measured the fair value of currency forward and currency swaps.

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5.1.1.2 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.

5.1.1.3 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.

5.1.1.4 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 Group 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.

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.

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, etc.	₩ -	₩ 47	Attachment of litigation bond
Short-term financial instruments	Hana Bank	4,523	4,519	Escrow account
Long-term investment instruments	Hana Bank, etc.	51	52	Collateral for bank overdraft
Long-term financial securities	IBK Industrial Bank of Korea	1,500	1,500	Charitable trust fund

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6. 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 (*)	₩ 759,154	₩ (122,924)	₩ 636,230	₩ 895,645	₩ (116,951)	₩ 778,694
Current portion of finance lease receivables	201,832	(13,026)	188,806	149,517	(8,797)	140,720
Short-term loans	709	(8)	701	4,920	(9)	4,911
Other accounts receivable	65,564	(17,512)	48,052	80,456	(25,620)	54,836
Accrued income	8,581	(1,309)	7,272	1,919	(1,309)	610
Guarantee deposits	7,299	-	7,299	700	-	700
Long-term trade receivables	11,193	(8,813)	2,380	8,856	(4,632)	4,224
Finance lease receivables	517,600	(19,736)	497,864	392,169	(10,953)	381,216
Long-term loans	33,209	(33,161)	48	33,209	(33,161)	48
Long-term other accounts receivable	37,188	(37,188)	-	27,534	(27,534)	-
Long-term guarantee deposits	49,317	-	49,317	59,743	-	59,743
	<u>₩ 1,691,646</u>	<u>₩ (253,677)</u>	<u>₩ 1,437,969</u>	<u>₩ 1,654,668</u>	<u>₩ (228,966)</u>	<u>₩ 1,425,702</u>

(*) Where the Group retains all the risks and rewards of ownership of the factored financial assets, the Group continues to recognize the factored financial assets and financial liabilities for the consideration received. Trade receivables sold but not derecognized amounted to ₩45,369 million and ₩52,088 million as of December 31, 2022 and 2021, respectively.

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

	2022	2021
Beginning balance	₩ 228,966	₩ 238,916
Provisions	25,693	16,744
Write-offs	(1,113)	(27,014)
Others (*1)	131	320
Ending balance (*2)	<u>₩ 253,677</u>	<u>₩ 228,966</u>

(*1) It consists of the amount classified as assets held-for-sale and effect of changes in foreign exchange rates.

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

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6. Trade and other receivables (cont'd)

The aging analysis of trade and other receivables 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	3~6 months	Over 6 months		
Trade receivables	₩ 1,184,802	₩ 122,874	₩ 9,519	₩ 8,085	₩ 164,499	₩ 1,489,779
Other financial assets (*)	93,853	3,264	649	14,923	89,178	201,867
	<u>₩ 1,278,655</u>	<u>₩ 126,138</u>	<u>₩ 10,168</u>	<u>₩ 23,008</u>	<u>₩ 253,677</u>	<u>₩ 1,691,646</u>

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

	2021					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Within 90 days	3~6 months	Over 6 months		
Trade receivables	₩ 1,187,555	₩ 107,298	₩ 1,987	₩ 8,014	₩ 141,333	₩ 1,446,187
Other financial assets (*)	93,900	7,808	347	18,793	87,663	208,481
	<u>₩ 1,281,455</u>	<u>₩ 115,106</u>	<u>₩ 2,334</u>	<u>₩ 26,807</u>	<u>₩ 228,966</u>	<u>₩ 1,654,668</u>

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

7. 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	₩ 14,818	₩ 20,118
Prepaid expenses	125,566	116,995
Current portion of contract assets	37	45
	<u>₩ 140,421</u>	<u>₩ 137,158</u>

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8. Inventories

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

	2022		
	Costs	Valuation allowance	Carrying amount
Raw materials	₩ 41,863	₩ (1,749)	₩ 40,114
Supplies	219	(17)	202
Semi-finished goods	4,101	-	4,101
Work-in progress	21	-	21
Finished goods	38,090	(1,722)	36,368
Merchandise	597,866	(10,488)	587,378
Goods-in-transit	30,466	-	30,466
	<u>₩ 712,626</u>	<u>₩ (13,976)</u>	<u>₩ 698,650</u>
	2021		
	Costs	Valuation allowance	Carrying amount
Raw materials	₩ 44,494	₩ (1,150)	₩ 43,344
Supplies	196	(16)	180
Semi-finished goods	1,634	-	1,634
Work-in progress	2,134	-	2,134
Finished goods	34,417	(916)	33,501
Merchandise	333,988	(16,695)	317,293
Goods-in-transit	35,519	-	35,519
	<u>₩ 452,382</u>	<u>₩ (18,777)</u>	<u>₩ 433,605</u>

The Group recognized gain on valuation of inventories amounting to ₩2,923 million in cost of sales in 2022 (2021: loss on valuation of inventories amounting to ₩15,441 million).

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9. Investment securities

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

	2022		
	Carrying amount		
	Measured at FVTPL	Measured at FVOCI(*)	Total
Equity instruments:			
Marketable equity securities	₩ -	₩ 23,031	₩ 23,031
Non-marketable equity securities	1,887	158,310	160,197
	<u>1,887</u>	<u>181,341</u>	<u>183,228</u>
Debt instruments:			
Beneficiary certificate and, etc.	80,758	-	80,758
Debt securities	31,470	-	31,470
	<u>112,228</u>	<u>-</u>	<u>112,228</u>
	<u>₩ 114,115</u>	<u>₩ 181,341</u>	<u>₩ 295,456</u>

(*) The Group 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.

	2021		
	Carrying amount		
	Measured at FVTPL	Measured at FVOCI(*)	Total
Equity instruments:			
Marketable equity securities	₩ -	₩ 26,550	₩ 26,550
Non-marketable equity securities	1,921	142,927	144,848
	<u>1,921</u>	<u>169,477</u>	<u>171,398</u>
Debt instruments:			
Beneficiary certificate and, etc.	59,722	-	59,722
Debt securities	20,499	-	20,499
	<u>80,221</u>	<u>-</u>	<u>80,221</u>
	<u>₩ 82,142</u>	<u>₩ 169,477</u>	<u>₩ 251,619</u>

(*) The Group 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	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
Dongbu Construction Co., Ltd.	0.00%	82	21	21	42
Sambu Co., Ltd.(*1)	-	-	-	-	20
		<u>₩ 20,484</u>	<u>₩ 23,031</u>	<u>₩ 23,031</u>	<u>₩ 26,550</u>

(*1) The Group sold the entire shares in the entity during the year ended December 31, 2022.

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9. 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
		Acquisition cost	Carrying amount	Carrying amount
SK Technology Innovation Company	7.13%	12,356	6,671	6,671
Paradise Hotel Busan Co., Ltd.	9.86%	5,724	21,212	16,359
Kurly Co. Ltd.	3.24%	23,430	32,413	82,297
SK Charitable trust fund	2.30%	1,500	1,500	1,500
The Korea Economic Daily	1.03%	2,027	1,010	1,010
Korea e platform Co., Ltd.	3.18%	1,000	1,000	1,000
Standard Cognition	2.44%	27,710	31,682	29,637
Carsuri Co., Ltd.	19.00%	5,445	5,459	5,445
Others	-	14,895	59,250	929
		<u>₩ 94,087</u>	<u>₩ 160,197</u>	<u>₩ 144,848</u>

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

	2022		2021	
Beginning balance	₩	251,619	₩	131,504
Acquisition		86,250		81,009
Disposals		(511)		(18,054)
Valuation (profit or loss)		2,879		(400)
Valuation (OCI)		(48,522)		55,371
Others (*1)		3,741		2,189
Ending balance	₩	<u>295,456</u>	₩	<u>251,619</u>

(*1) Includes the amount affected by changes in foreign exchange rates.

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10. Investments in associates and joint ventures

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

	Location	Settlement date	Principal business activity	Equity ownership	2022		2021	
					Acquisition costs	Carrying amount	Carrying amount	Carrying amount
Associates:								
SK MENA Investment BV.	Netherlands	Dec. 31	Investments company	21.79%	₩ 9,780	₩ 10,033	₩ 10,033	
SK Latin America Investment S.A.	Spain	Dec. 31	Investments company	21.79%	9,685	9,488	9,488	
Ever ON Co., Ltd (*1,2)	Korea	Dec. 31	Charging service company	14.50%	9,999	9,433	-	
Blockodysey Inc. (*1,2)	Korea	Dec. 31	Information service company	11.11%	10,835	10,393	-	
SVA Venture fund II (*1)	Korea	Dec. 31	Investment company	31.75%	10,428	10,311	-	
SSCharger Co. Ltd. (*1,3)	Korea	Dec. 31	Charging service company	52.82%	72,839	72,839	-	
Kindred HM1(*1)	America	Dec. 31	Investment company	50.00%	5,139	5,139	-	
					₩ 128,705	₩ 126,571	₩ 19,818	

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

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

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

Changes in carrying amount of investments in associates and joint ventures for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022				
	Beginning balance	Acquisition	Share of profit (loss) to an associate	Changes in equity adjustments	Ending balance
Associates:					
SK MENA Investment BV.	₩ 10,330	₩ -	₩ (1,401)	₩ 739	₩ 9,668
SK Latin America Investment S.A.	9,488	-	(797)	97	8,788
Ever ON Co., Ltd	-	9,999	(566)	-	9,433
Blockodysey Inc.	-	10,835	(442)	-	10,393
SVA Venture fund II	-	10,428	(117)	-	10,311
SSCharger Co. Ltd.	-	72,839	-	-	72,839
Kindred HM1	-	5,139	-	-	5,139
	₩ 19,818	₩ 109,240	₩ (3,323)	₩ 836	₩ 126,571
	2021				
	Beginning balance	Share of profit (loss) to an associate	Changes in equity adjustments	Disposals	Ending balance
Associates:					
SK MENA Investment BV.	₩ 9,479	₩ 1	₩ 850	₩ -	₩ 10,330
SK Latin America Investment S.A.	9,434	(9)	63	-	9,488
Joint ventures:					
Cado cuaura Co., Ltd.(*1)	370	(1)	(7)	(362)	-
	₩ 19,283	₩ (9)	₩ 906	₩ (362)	₩ 19,818

(*1) The Group sold the entire shares in the entity during the year ended December 31, 2021.

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10. Investments in associates and joint ventures (cont'd)

The following table illustrates the condensed summarized financial information of the Group's investment as at and for the year ended December 31, 2022 (Korean won in millions):

			2022		Sales	Operating profit (loss)	Net income (loss)
	Current assets	Non-current assets	Current liabilities	Non-current liabilities			
Associates:							
SK MENA Investment BV.	₩ 3,117	₩ 40,690	₩ 18	₩ -	₩ -	₩ (116)	₩ (6,426)
SK Latin America Investment S.A.	939	38,577	-	-	-	(34)	(3,661)
Ever ON Co., Ltd (*1)	13,507	21,517	12,973	12,195	14,685	(2,258)	(3,425)
Blockodysey Inc. (*1)	19,035	5,530	250	-	2,427	6,127	(5,120)
SVA Venture fundⅡ (*1)	1,038	31,497	183	-	-	(499)	(493)
SSCharger Co. Ltd. (*1)	86,327	13,145	18,003	201	6,328	(1,635)	(1,536)
Kindred HM1 (*1)	139	10,138	-	-	-	(3)	(3)

(*1) The entity was acquired during the year ended December 31, 2022, and the financial performance includes the amounts recorded before the acquisition.

11. Property, plant and equipment

Details of 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	₩ 692,103	₩ -	₩ 692,103	₩ 748,568	₩ -	₩ 748,568
Buildings	568,236	(226,959)	341,277	566,163	(217,749)	348,414
Structures	42,134	(26,668)	15,466	38,977	(25,573)	13,404
Storage tanks	741	(242)	499	616	(198)	418
Machinery and equipment	102,083	(59,497)	42,586	99,233	(56,152)	43,081
Vehicles	2,373	(1,912)	461	2,251	(1,728)	523
Rental property	3,237,334	(849,724)	2,387,610	2,694,908	(752,976)	1,941,932
Furniture and fixtures	273,828	(201,436)	72,392	269,468	(175,503)	93,965
Others	162,578	(87,763)	74,815	150,193	(69,530)	80,663
Construction-in-progress	38,912	-	38,912	43,505	-	43,505
	<u>₩ 5,120,322</u>	<u>₩ (1,454,201)</u>	<u>₩ 3,666,121</u>	<u>₩ 4,613,882</u>	<u>₩ (1,299,409)</u>	<u>₩ 3,314,473</u>

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

Changes in 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	sale of business units(*1)	Impairment	Others (*2)	
Land	₩ 748,568	₩ 1,862	₩ (43,803)	₩ -	₩ -	₩ -	₩ (14,524)	₩ 692,103
Buildings	348,414	7,140	(5,673)	(15,592)	-	-	6,988	341,277
Structures	13,404	3,531	(173)	(1,455)	-	-	159	15,466
Storage tanks	418	125	-	(44)	-	-	-	499
Machinery and equipment	43,081	2,540	(218)	(6,530)	-	-	3,713	42,586
Vehicles	523	155	-	(217)	-	-	-	461
Rental property	1,941,932	1,120,874	(20,895)	(463,770)	-	(8,690)	(181,841)	2,387,610
Furniture and fixtures	93,965	15,548	(2,207)	(34,091)	-	(976)	153	72,392
Others	80,663	2,285	(65)	(18,916)	-	477	10,371	74,815
Construction-in-progress	43,505	64,298	(1,295)	-	(51)	-	(67,545)	38,912
	<u>₩ 3,314,473</u>	<u>₩ 1,218,358</u>	<u>₩ (74,329)</u>	<u>₩ (540,615)</u>	<u>₩ (51)</u>	<u>₩ (9,189)</u>	<u>₩ (242,526)</u>	<u>₩ 3,666,121</u>

(*1) Decreased due to the partial sale of Speedmate business units during the year ended December 31, 2022 (see note 33).

(*2) Others include transfers from construction-in-progress to property, plant and equipment, transfers to intangible assets, transfers to inventories, transfers to Investment properties, and effects of changes in foreign exchange rates.

	2021							Ending balance
	Beginning balance	Acquisitions	Disposals	Depreciations	Impairment	Others (*1)		
Land	₩ 744,009	₩ 9,553	₩ (12,351)	₩ -	₩ -	₩ 7,357	₩ 748,568	
Buildings	307,650	2,818	(3,406)	(15,361)	(968)	57,681	348,414	
Structures	13,625	1,968	(1,096)	(1,617)	(1,334)	1,858	13,404	
Storage tanks	510	-	(51)	(41)	-	-	418	
Machinery and equipment	34,929	6,870	(1,922)	(9,206)	(516)	12,926	43,081	
Vehicles	801	14	(24)	(279)	-	11	523	
Rental property	1,754,005	854,692	(26,640)	(436,235)	(4,596)	(199,294)	1,941,932	
Furniture and fixtures	88,559	32,854	(1,245)	(34,248)	(59)	8,104	93,965	
Others	73,750	2,554	(466)	(16,696)	(1,086)	22,607	80,663	
Construction-in-progress	70,283	103,190	-	-	-	(129,968)	43,505	
	<u>₩ 3,088,121</u>	<u>₩ 1,014,513</u>	<u>₩ (47,201)</u>	<u>₩ (513,683)</u>	<u>₩ (8,559)</u>	<u>₩ (218,718)</u>	<u>₩ 3,314,473</u>	

(*1) Others include transfers from construction-in-progress to property, plant and equipment, transfers to intangible assets, transfers to inventories, transfers to Investment properties, transfers to non-current assets held for sale and effects of changes in foreign exchange rates.

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%	8.70%

(*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 Group recognized ₩ 477 million as reversal of impairment losses accordingly, considering the limit of the reversal of impairment losses.

The capitalized borrowing costs are ₩167 million (2021: ₩1,061 million) and the capitalization interest rate is 2.64% (2021: 2.41%) for the year ended December 31, 2022.

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12. Goodwill

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

	2022	2021
Beginning balance	₩ 444,067	₩ 444,300
Impairment	(900)	-
Others (*1)	-	(233)
Ending balance	<u>₩ 443,167</u>	<u>₩ 444,067</u>

(*1) Amounts related to the changes in scope of consolidation are included.

Impairment testing on goodwill and intangible assets related to brand

The Group estimated the recoverable amount to assess the impairment of goodwill and intangible assets related to the brand with indefinite useful lives. The main assumptions used in the calculation of recoverable amounts reflect management's assessment of future trends in each reporting segment. This decision was based on external information and internal information (historical information). The major assumptions used in impairment testing on goodwill and intangible assets related to brand of SK Magic Co., Ltd. and goodwill of SK Rent A Car Co.,Ltd. for the year ended December 31, 2022 are summarized as follows (Korean won in millions):

Segment	Account	Recoverable amount	Book Value	Perpetual growth rate	Discount rate (*1)
SK Magic Co., Ltd.	Goodwill	Value in use	₩ 253,004	1.00%	9.27%
	Intangible assets related to the brand	Value in use	210,119	1.00%	11.27%
SK Rent A Car Co.,Ltd.	goodwill	Value in use	183,520	1.00%	14.37%

(*1) The discount rate used in determining the recoverable amount of each reporting segment was estimated based on the weighted average cost of capital and cost of equity.

As a result of reviewing the impairment of goodwill and brand related to intangible assets, there is no impairment loss recognized for the year ended December 31, 2022 because the carrying amount does not exceed the recoverable value.

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13. Intangible assets other than goodwill

Intangible assets other than goodwill as of December 31, 2022 and 2021 consists of the followings (Korean won in millions):

	2022			2021		
	Acquisitions costs	Accumulated amortization(*1)	Carrying amount	Acquisitions costs	Accumulated amortization(*1)	Carrying amount
Development cost	₩ 117,512	₩ (88,741)	₩ 28,771	₩ 128,877	₩ (95,690)	₩ 33,1887
Industrial property rights	790	(519)	271	687	(481)	206
Memberships	23,408	(17)	23,391	25,261	(17)	25,244
Intangible assets related to customer	62,782	(30,505)	32,277	62,783	(25,784)	36,999
Intangible assets related to brand	210,119	-	210,119	210,119	-	210,119
Others	142,260	(55,264)	86,996	72,831	(42,594)	30,237
	<u>₩ 556,871</u>	<u>₩ (175,046)</u>	<u>₩ 381,825</u>	<u>₩ 500,558</u>	<u>₩ (164,566)</u>	<u>₩ 335,992</u>

(*1) This is the sum of the accumulated depreciation and the accumulated impairment loss.

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

	2022							
	Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Sale of business units(*2)	Others (*3)	Ending balance
Development cost	₩ 33,187	₩ 360	₩ (586)	₩ (11,030)	₩ (2)	(8)	₩ 6,850	₩ 28,771
Industrial property rights	206	124	(6)	(53)	-	-	-	271
Memberships(*1)	25,244	797	(2,635)	-	-	-	(15)	23,391
Intangible assets related to customer	36,999	-	-	(4,722)	-	-	-	32,277
Intangible assets related to brand(*1)	210,119	-	-	-	-	-	-	210,119
Others	30,237	28,883	(202)	(13,662)	(499)	-	42,239	86,996
	<u>₩ 335,992</u>	<u>₩ 30,164</u>	<u>₩ (3,429)</u>	<u>₩ (29,467)</u>	<u>₩ (501)</u>	<u>(8)</u>	<u>₩ 49,074</u>	<u>₩ 381,825</u>

(*1) The Group classifies membership and brand-related intangible assets as intangible assets with indefinite useful lives and these assets are not amortized.

(*2) The amount above decreased due to the partial sale of Speedmate business units during the year ended December 31, 2022 (see note 33).

(*3) Others include transfers from property, plant and equipment and effects of changes in foreign exchange rates.

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13. Intangible assets other than goodwill(cont'd)

	2021						Ending balance
	Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Others (*2)	
Development cost	₩ 20,685	₩ 125	₩ (1,661)	₩ (8,592)	₩ (63)	₩ 23,053	₩ 33,187
Industrial property rights	234	37	(6)	(59)	-	-	206
Memberships(*1)	24,200	2,350	(1,306)	-	-	-	25,244
Intangible assets related to customer	41,721	-	-	(4,772)	-	-	36,999
Intangible assets related to brand(*1)	210,119	-	-	-	-	-	210,119
Others	30,459	6,598	-	(9,875)	-	3,005	30,237
	<u>₩ 327,418</u>	<u>₩ 9,110</u>	<u>₩ (2,973)</u>	<u>₩ (23,608)</u>	<u>₩ (63)</u>	<u>₩ 26,108</u>	<u>₩ 335,992</u>

(*1) The Group classifies membership and brand-related intangible assets as intangible assets with indefinite useful lives and these assets are not amortized.

(*2) Others include transfers from property, plant and equipment, transfers to non-current assets held for sale and effects of changes in foreign exchange rates.

The Group 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 Group has 6,398,066 KLAY and 11,791 XPLA (2021: 5,355,760 KLAY).

14. 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	Disposal	Depreciation	Others (*1)	
Land	₩ 105,837	₩ (831)	₩ -	₩ 14,524	₩ 119,530
Buildings	13,896	-	(374)	(4,464)	9,058
	<u>₩ 119,733</u>	<u>₩ (831)</u>	<u>₩ (374)</u>	<u>₩ 10,060</u>	<u>₩ 128,588</u>

(*1) Others include transfers to property, plant and equipment.

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

(*1) Others include transfers to property, plant and equipment.

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	₩ 2,516	₩ 4,371
Depreciation	(374)	(652)
	<u>₩ 2,142</u>	<u>₩ 3,719</u>

The fair value of investment property as of December 31, 2022 is ₩ 138,304 million.

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15. 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	₩ 248,000	₩ (84,431)	₩ 163,569	₩ 287,443	₩ (96,112)	₩ 191,331
Vehicles	1,473,905	(640,131)	833,774	1,724,698	(604,902)	1,119,796
	<u>₩ 1,721,905</u>	<u>₩ (724,562)</u>	<u>₩ 997,343</u>	<u>₩ 2,012,141</u>	<u>₩ (701,014)</u>	<u>₩ 1,311,127</u>

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

	2022				
	Beginning balance	Acquisition	Depreciation	Others (*1)	Ending balance
Real estates	₩ 191,331	₩ 27,011	₩ (45,418)	₩ (9,355)	₩ 163,569
Vehicles	1,119,796	212,586	(236,894)	(261,714)	833,774
	<u>₩ 1,311,127</u>	<u>₩ 239,597</u>	<u>₩ (282,312)</u>	<u>₩ (271,069)</u>	<u>₩ 997,343</u>

(*1) Includes early termination and net foreign exchange differences.

	2021				
	Beginning balance	Acquisition	Depreciation	Others (*1)	Ending balance
Real estates	₩ 81,303	₩ 165,060	₩ (43,354)	₩ (11,678)	₩ 191,331
Vehicles	1,273,730	355,753	(269,873)	(239,814)	1,119,796
	<u>₩ 1,355,033</u>	<u>₩ 520,813</u>	<u>₩ (313,227)</u>	<u>₩ (251,492)</u>	<u>₩ 1,311,127</u>

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

	2022					
	Beginning balance	Acquisition	Interest expenses	Repayment	Others (*1)	Ending balance
Lease liabilities	₩ 1,366,425	₩ 238,110	₩ 35,703	₩ (335,049)	₩ (276,331)	₩ 1,028,858

(*1) Includes offset with right-of-use assets due to termination during the lease terms and effect of changes in foreign exchange rates.

	2021					
	Beginning balance	Acquisition	Interest expenses	Repayment	Others (*1)	Ending balance
Lease liabilities	₩ 1,420,014	₩ 518,117	₩ 42,407	₩ (361,082)	₩ (253,031)	₩ 1,366,425

(*1) Includes offset with right-of-use assets due to termination during the lease terms and effect of changes in foreign exchange rates.

For the year ended December 31, 2022, the Group recognized ₩6,480 million, ₩1,510 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 ₩343,850 million(2021: ₩365,184 million) while income from sublease amounts to ₩397,416 million. (2021: ₩455,390 million)

(*1) Includes early termination and net foreign exchange differences.

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

In relation to the Group'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	₩	1,247,450	₩	1,222,371
Within 1 ~ 2 years		930,420		905,005
Within 2 ~ 3 years		609,584		595,587
Within 3 ~ 4 years		296,040		288,230
Within 4 ~ 5 years		91,552		66,639
Due after five years		8,495		-
	₩	<u>3,183,541</u>	₩	<u>3,077,832</u>

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	₩	216,868	₩	201,832
Within 1 ~ 2 years		198,198		188,109
Within 2 ~ 3 years		159,434		153,395
Within 3 ~ 4 years		106,635		103,603
Within 4 ~ 5 years		59,598		58,121
Due after five years		14,678		14,372
	₩	<u>755,411</u>	₩	<u>719,432</u>

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	₩	152,441	₩	149,517
Within 1 ~ 2 years		144,541		138,455
Within 2 ~ 3 years		128,960		120,579
Within 3 ~ 4 years		91,845		84,051
Within 4 ~ 5 years		43,430		39,987
Due after five years		11,039		9,097
	₩	<u>572,256</u>	₩	<u>541,686</u>

Details of unrealized interest income of finance lease contracts as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Gross investment in the lease	₩	755,411	₩	572,256
Net investment in the lease		<u>719,432</u>		<u>541,686</u>
Unearned finance income	₩	<u>35,979</u>	₩	<u>30,570</u>

The amount of recognized interest income related to net investment in the lease in 2022 is ₩17,970 million (2021: ₩12,965 million).

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16. 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	₩	48,335	₩	48,995
Defined benefit assets		75,345		5,627
Other investment assets		1,192		5,794
	₩	124,872	₩	60,416

17. 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	₩ 924,929	₩ -	₩ 935,363	₩ -
Bonds and long-term borrowings:				
Bonds	250,583	552,057	549,661	1,565,615
Long-term Borrowings	357,768	1,925,329	264,567	374,582
	608,351	2,477,386	814,228	1,940,197
	₩ 1,533,280	₩ 2,477,386	₩ 1,749,591	₩ 1,940,197

Short 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
Commercial paper	5.58% ~ 8.80	₩ 453,000	₩ 100,000
General borrowings	4.50% ~ 6.48	261,556	168,056
Banker's usance	Term SOFR + 0.50% ~ 1.20 etc.	165,004	615,219
Discounts of notes receivable	Term SOFR + 0.65% ~ 0.80	45,369	52,088
		₩ 924,929	₩ 935,363

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

Portion	Yearly interest rate (%)	2022	2021
General borrowings	1.02 ~ 6.79	₩ 777,640	₩ 580,816
Borrowings for facility investment	2.75	25,000	58,333
		802,640	639,149
Less: current portion of borrowings		(250,583)	(264,567)
		₩ 552,057	₩ 374,582

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17. Borrowings and bonds (cont'd)

Bonds (including current portion) as of December 31, 2022 and 2021 are summarized 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	2028-04-19	2.23%	80,000	80,000
184-1st	2022-04-18	2025-04-18	3.90%	230,000	-
184-2nd	2022-04-18	2027-04-19	4.07%	30,000	-
3rd Unguaranteed bond	2019-03-05	2022-03-04	-	-	90,000
4th Unguaranteed bond	2020-03-05	2023-03-03	1.57%	120,000	120,000
5th Unguaranteed bond	2021-03-08	2024-03-08	1.52%	150,000	150,000
6th Unguaranteed bond	2022-03-03	2025-03-04	3.16%	150,000	-
7th Unguaranteed bond	2022-11-25	2023-11-24	8.55%	10,000	-
8th Unguaranteed bond	2022-12-07	2023-12-07	8.50%	10,000	-
9th Unguaranteed bond	2022-12-08	2023-12-08	8.55%	13,000	-
43 Unguaranteed bond	2019-05-03	2022-05-03	2.08%	-	150,000
44 Unguaranteed bond	2019-10-25	2022-10-25	1.96%	-	120,000
45-1st Unguaranteed bond	2021-02-04	2024-02-04	1.45%	202,000	202,000
45-2nd Unguaranteed bond	2021-02-04	2026-02-04	1.88%	98,000	98,000
46-1st Unguaranteed bond	2021-09-14	2023-09-14	1.89%	60,000	60,000
46-2nd Unguaranteed bond	2021-09-14	2024-09-14	2.06%	90,000	90,000
47 Unguaranteed bond	2022-04-28	2025-04-28	3.67%	50,000	-
48 Unguaranteed bond	2022-05-26	2025-05-22	3.87%	50,000	-
49 Unguaranteed bond	2022-09-07	2024-09-06	5.20%	50,000	-
50-1st Unguaranteed bond	2022-10-20	2024-04-19	6.11%	30,000	-
50-2nd Unguaranteed bond	2022-10-20	2024-10-28	6.29%	70,000	-
51 Unguaranteed bond	2022-10-21	2024-10-21	7.00%	10,000	-
52 Unguaranteed bond	2022-10-28	2024-10-28	6.95%	10,000	-
53 Unguaranteed bond	2022-11-30	2023-11-30	7.80%	5,000	-
				2,288,000	2,120,000
Less: present value discount				(4,903)	(4,724)
Less: current portion				(357,768)	(549,661)
				₩ 1,925,329	₩ 1,565,615

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18. 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	₩ 25,086	₩ 46,165
Unearned revenue	10,604	3,163
Withholdings	14,818	21,950
VAT withheld	4,793	14,890
Current portion of contract liabilities	43,381	43,007
Refund liability	23,394	16,484
	₩ 122,076	₩ 145,659

The amount of contract liabilities recognized as revenue during the year ended December 31, 2022 is ₩34,124 million (2021: ₩25,384 million).

19. 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 swaps	Contracts to avoid cash flow risk on variable interest rate borrowings and bonds.

Details of derivative financial instruments as of December 31, 2022 and 2021 are as follows (Foreign currencies in thousands, Korean won in millions):

				2022					
				Contract exchange rate / interest rate	Buy		Sell		
Hedging item	Number of contracts	Contract date	Maturity date		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					
	22	2022-11-14 etc.	2023-01-31 etc.	138.54 ~ 1.0578	USD	193	JPY	26,764	
		2022-12-02 etc.	2023-01-31 etc.	1.0695					
	Interest rate swaps	3	2022-11-18 etc.	2023-01-31 etc.	138.33 ~ 1,260.00	JPY	26,764	USD	193
			2022-12-29 etc.	2023-01-03 etc.	1,265.02				
2019-01-02			2023-07-03	2.75%	KRW				
Interest rate swaps	1	2020-03-31	2025-04-01	2.29%	KRW	20,000	KRW	20,000	
		2022-08-31	2025-08-12	4.77%	KRW	30,000	KRW	30,000	

				2021								
				Contract exchange rate / interest rate	Buy		Sell					
Hedging item	Number of contracts	Contract date	Maturity date		Currency	Amount	Currency	Amount				
Foreign currency forwards	17	2022-11-19 etc.	2022-02-03 etc.	1.1255 ~ 1.2241	USD	72,597	EUR	60,352				
		2021-07-07 etc.	2022-01-10 etc.	1,133.50 ~ 1,204.00								
	32	2021-10-25 etc.	2022-03-29 etc.	1.1268 ~ 1.1725	EUR	78,836	USD	90,046				
		2021-12-28 etc.	2022-01-11 etc.	1.3444 ~ 1.3506								
	Interest rate swaps	7	2021-12-22 etc.	2022-01-21 etc.	1,182.79 ~ 1,190.25	KRW	74,750	USD	62,949			
			2019-01-02	2023-07-03	2.75%					KRW	100,000	KRW
2019-09-27			2022-09-27	2.72%	KRW					15,000	KRW	15,000
Interest rate swaps	1	2020-03-31	2025-04-01	2.29%	KRW	28,000	KRW	28,000				

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19. Derivative instruments (cont'd)

Details of gain (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 consolidated statements of comprehensive income
		2022	2021	
Foreign currency forwards	Gain	₩ 833	₩ 11,057	Profit or loss
	Loss	(24,535)	(2,757)	Profit or loss
Interest rate swaps	Gain	-	212	Profit or loss
				Other comprehensive income
Interest rate swaps	Gain	1,005	2,550	Other comprehensive income

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 Group and its hedging instruments and targets as of December 31, 2022 (Foreign currencies in thousands, Korean won in millions):

	Expiration					Total
	Within 3 months	3-6 months	6-9 months	9-12 months	Over 12 months	
Interest rate swap:						
The nominal amount	₩ 636	₩ 576	₩ 487	₩ 361	₩ 1,281	₩ 3,341
Average interest rate	3.27%	3.27%	3.27%	2.35%	2.35%	

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

	Expiration					Total
	Within 3 months	3-6 months	6-9 months	9-12 months	Over 12 months	
Interest rate swap:						
The nominal amount	₩ 558	₩ 489	₩ 425	₩ 353	₩ 952	₩ 2,777
Average interest rate	2.52%	2.52%	2.52%	2.52%	2.52%	

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19. Derivative instruments (cont'd)

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

	The nominal amount	Derivative financial assets	Derivative financial liabilities	Used for ineffectiveness measurement of changes in fair value
Interest rate swap	₩ 3,341	₩ 1,033	₩ -	₩ 1,005

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

	The nominal amount	Derivative financial assets	Derivative financial liabilities	Used for ineffectiveness measurement of changes in fair value
Interest rate swap	₩ 2,777	₩ 264	₩ (236)	₩ 2,550

The effects of the hedged items on the consolidated 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	₩ 1,005	₩ 1,005

The effects of the hedged items on the consolidated 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	₩ 2,550	₩ 2,550

The effect of cash flow hedge on the consolidated 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	₩ 1,005	₩ -	₩ -

The effect of cash flow hedge on the consolidated 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
Currency swap and interest-rate swap	₩ 2,550	₩ -	₩ -

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20. 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	₩ 185,769	₩ 211,735
Fair value of plan assets (*1)	(246,385)	(176,544)
	<u>₩ (60,616)</u>	<u>₩ 35,191</u>

(*1) Some segments of the Group obtained ₩75,345 million of excess reserves. Because the Group has neither an enforceable legal right to use such excess reserves for a settlement of defined benefit obligations of another plan in the Group nor an intention to settle such obligations likewise, these assets are not set off and presented 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	₩ 211,735	₩ (176,544)	₩ 35,191
Retirement benefits:			
Current service costs	25,220	-	25,220
Net interest expenses (income)	6,975	(5,985)	990
	<u>32,195</u>	<u>(5,985)</u>	<u>26,210</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest expense)	-	2,681	2,681
Changes in demographic assumptions	(506)	-	(506)
Changes in financial assumptions	(37,191)	-	(37,191)
Experience adjustments	190	-	190
	<u>(37,507)</u>	<u>2,681</u>	<u>(34,826)</u>
Contributions by employer directly to plan assets	-	(80,448)	(80,448)
Benefits paid	(15,514)	13,483	(2,031)
Others	(5,140)	428	(4,712)
Ending balance	<u>₩ 185,769</u>	<u>₩ (246,385)</u>	<u>₩ (60,616)</u>

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20. Net defined benefit liabilities (cont'd)

	2021		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 209,112	₩ (153,696)	₩ 55,416
Retirement benefits:			
Current service costs	27,427	-	27,427
Net interest expenses (income)	5,312	(4,046)	1,266
	<u>32,739</u>	<u>(4,046)</u>	<u>28,693</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest expense)	-	1,344	1,344
Changes in demographic assumptions	345	-	345
Changes in financial assumptions	(12,290)	-	(12,290)
Experience adjustments	6,606	-	6,606
	<u>(5,339)</u>	<u>1,344</u>	<u>(3,995)</u>
Contributions by employer directly to plan assets	-	(32,310)	(32,310)
Benefits paid	(26,112)	20,731	(5,381)
Others	1,335	(8,567)	(7,232)
Ending balance	<u>₩ 211,735</u>	<u>₩ (176,544)</u>	<u>₩ 35,191</u>

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

	2022	2021
Deposits and others	₩ 246,385	₩ 176,544

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

	2022	2021
Discount rates	5.14% ~ 5.76%	2.50% ~ 3.58%
Future salary increasing rates	2.50% ~ 5.60%	2.50% ~ 5.51%

The sensitivity analysis for the significant actuarial assumptions as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		
	Effect on defined benefit obligations		
	Fluctuations of assumption	Effect of assumption's increase	Effect of assumption's decrease
Discount rates	0.50% point	₩ (6,412)	₩ 6,879
Future salary increase rates	0.50% point	7,089	(6,662)
	2021		
	Effect on defined benefit obligations		
	Fluctuations of assumption	Effect of assumption's increase	Effect of assumption's decrease
Discount rates	0.50% point	₩ (8,082)	₩ 9,539
Future salary increasing rates	0.50% point	9,612	(8,955)

As of December 31, 2022, ₩4,532 million of long-term employee benefits liabilities (2021: ₩5,470 million) is classified as other non-current liabilities in the consolidated statement of financial position.

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21. Provisions

For products sold, the Group 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 Group 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	Others	Ending balance	Current	Non-current
Provision for product-warranty	₩	2,227	₩ 209	₩ -	₩ -	₩ -	₩ 2,436	₩ 2,436	₩ -
Others		11,039	10,519	(5,773)	(1,801)	(2,351)	11,633	5,494	6,139
	₩	<u>13,266</u>	<u>₩ 10,728</u>	<u>₩ (5,773)</u>	<u>₩ (1,801)</u>	<u>₩ (2,351)</u>	<u>₩ 14,069</u>	<u>₩ 7,930</u>	<u>₩ 6,139</u>

		2021							
		Beginning balance	Increase	Utilized	Reversal	Others	Ending balance	Current	Non-current
Provision for product-warranty	₩	2,302	₩ -	₩ -	₩ (75)	₩ -	₩ 2,227	₩ 2,227	₩ -
Others		7,775	10,135	(5,488)	(1,498)	115	11,039	5,545	5,494
	₩	<u>10,077</u>	<u>₩ 10,135</u>	<u>₩ (5,488)</u>	<u>₩ (1,573)</u>	<u>₩ 115</u>	<u>₩ 13,266</u>	<u>₩ 7,772</u>	<u>₩ 5,494</u>

22. Other non-current liabilities

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

	2022	2021
Unearned income	₩ 24,401	₩ 972
Other long-term employee liabilities	4,532	5,470
	<u>₩ 28,933</u>	<u>₩ 6,442</u>

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23. Commitments and contingencies

Details of the agreements with the financial institutions as of December 31, 2022 are as follows (Korean won in millions and foreign currency in thousands):

Providers	Description	Currency	Commitment Limit
Hana Bank	KRW Limit Loan, etc.	KRW	191,100
	Foreign currency limits, etc.	USD	220,500
Nonghyup Bank	KRW Limit Loan, etc.	KRW	50,000
	Integrated Foreign Exchange Credit	USD	20,000
Standard chartered First Bank	KRW Limit Loan, etc.	KRW	30,000
	Foreign currency limits, etc.	USD	40,000
Shinhan Bank	KRW Limit Loan, etc.	KRW	91,000
	Foreign currency purchase (export), etc.	USD	173,000
KB Kookmin Bank	Trade Finance KRW Limit Loan	KRW	146,144
	Comprehensive Foreign Exchange Integration Limit	USD	200,000
Woori Bank	General loan, etc.	KRW	65,700
	Trade Finance Limit, etc.	USD	40,000
Industrial and Commercial Bank of China	KRW Limit Loan	KRW	30,000
Bank of China	General loan	KRW	100,000
	Comprehensive trade finance limit	USD	35,000
China Everbright Bank	General loan	KRW	40,000
Industrial Bank of Korea	Loan limit agreement	KRW	5,000
	Comprehensive Export-Import Finance	USD	102,500
MIZUHO Bank	Foreign currency purchase, Usance, etc.	USD	60,000
Societe Generale	Purchase of export draft	USD	20,000
DGB Daegu Bank	Foreign Exchange Limit Registration	USD	15,000
Korea Development Bank	General loan, etc.	KRW	141,833
	Foreign currency due date domestic credit	USD	100,000
Suhyup Bank	General loan	KRW	10,000
J.P.Morgan of Korea	Usance	USD	5,000
Deutsche Bank	Sale of export bonds	USD	100,000
Hyundai capital	Autoron	KRW	270,000
KB Kookmin Card	General loan	KRW	600,000
Woori Card	General loan	KRW	90,000
Hana capital	Operating lease	KRW	30,000
Chacha Hana 1st	General loan	KRW	40,000
S Tiger Mobil	General loan	KRW	50,000
Woori SKR 1st Co.,Ltd.	General loan	KRW	40,000
GIB Mobility 1st Co.,Ltd.	General loan	KRW	30,000
Woori Financial Capital	Operating lease	KRW	57,200
Sinhan Card	Operating lease	KRW	9,000
Nonghyup Capital	Operating lease	KRW	130
Lotte Capital	Operating lease	KRW	170,000
BNK Capital	Operating lease	KRW	20,000
Samsung Card	Operating lease	KRW	58,678

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23. Commitments and contingencies (cont'd)

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 three notes provided to UBAF Seoul amounting to ₩792 million, all the others are blank checks.

The Group is involved in 34 litigations as a plaintiff with claims aggregating to ₩6,326 million and 35 litigations as a defendant with claims aggregating to ₩4,967 million as of December 31, 2022. No provision was recorded in connection with the litigations where the Group is a defendant as management cannot reasonably predict as at year end whether an unfavorable outcome is probable or not.

The following assets were pledged as collateral for the Group's borrowings and bonds payable as of December 31, 2022 (Korean won in millions):

Assets as collateral	Carrying amount	Collateralized amount	Mortgage holder
Land, building and others	₩ 481,941	₩ 580,946	Korea Development Bank
	12,408	1,300	Shinhan Bank
	9,864	9,390	KB KookMin Bank
	51,362	51,362	Bank of China
	137,071	131,403	S Tiger Mobil and Others
Financial assets at amortized cost(*1,2)	-	300	Shinbo 2022 5th Liquidation Specialized Company
	-	300	Shinbo 2022 5th Liquidation Specialized Company
	₩ 692,646	₩ 775,001	

(*1) In relation to the 47th and 48th unguaranteed bonds, the Group establish a pledge right for KRW 600 million of financial assets at amortized cost held by the Group for the purpose of securing the principal and interest repayment obligations of the bonds.

(*2) In consideration of the recoverability of financial assets at amortized cost, impairment loss on financial assets at amortized cost were recognized during the year ended December 31, 2022.

Guarantees provided by third parties on behalf of the Group as of December 31, 2022 are as follows (Korean won in millions):

Trading partner	Currency	Guarantee amount	Guarantor
Microsoft Korea and etc.	KRW	3,200	Hana Bank
Dongdaemoon Hotel PFV. Co., Ltd. and etc.	KRW	59,793	Seoul Guarantee Insurance Company
Deutsche Bank	KRW	3,798	Korea Trade Insurance Corporation.
Samsung Co., Ltd. and etc.	KRW	91	Machinery Financial Cooperative

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

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24. 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 stock			
Ordinary share	₩ 620,469	₩	620,469
Preferred share without voting rights	284		284
Cumulative redeemable preferred share (*)	27,901		27,901
	<u>₩ 648,654</u>	₩	<u>648,654</u>

(*) Redeemable preferred share paid-in capital exists, but no redeemable preferred share exists as of December 31, 2021, as all redeemable preferred share were retired by charging unappropriated retained earnings.

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

	2022		2021
Share premium	₩ 89,053	₩	89,053
Other capital surplus	652,279		652,279
	<u>₩ 741,332</u>	₩	<u>741,332</u>

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

	2022		2021
Legal reserve	₩ 38,047	₩	38,833
Voluntary reserve	80,617		80,617
Unappropriated retained earnings	864,032		777,895
	<u>₩ 982,696</u>	₩	<u>897,345</u>

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24. Equity (cont'd)

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	4.8%	5.8%	4.8%	5.8%
Total dividends	26,237	13	26,227	10

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	₩ 18,727	₩ 54,790
Negative capital change in equity method investments	620	(216)
Gain on valuation of derivatives instruments	1,185	515
Gain on translation of foreign operations	30,158	27,637
Treasury stock	(167,737)	(169,558)
Loss on disposal of treasury stocks	(473)	-
Stock option	2,906	1,672
Others	(3,674)	(3,674)
	₩ (118,288)	₩ (88,834)

In accordance with the special resolution of the General Meeting of Shareholders and the resolution of the Board of Directors, the Parent company grants stock options to employees of the Parent company.

	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 compensation costs recognized as a result of the grant of stock options and remaining compensation costs to be recognized after the end of the period are as follows:

	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

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24. Equity (cont'd)

The compensation cost of stock options is calculated applying 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

25. Profit (loss) from continuing operations

Information for each category of revenue recognized in contracts with customers for each reporting segment of the Group is as follows (Korean won in millions):

	2022							Consolidation adjustments	Total
	Global	IM	Rent-a-car	Speedmate	SK Magic	Others			
Gross turnover	₩ 1,979,521	₩ 4,550,083	₩ 1,665,510	₩ 483,913	₩ 1,169,799	₩ 228,812	₩ (411,192)	₩ 9,666,446	
1.Revenue recognized in the contract with the customer	1,977,627	4,547,607	561,242	483,368	401,369	202,348	(394,215)	7,779,346	
1)Classification by type of goods or service:									
Product (buy for sell) sales	1,878,475	4,385,465	535,713	394,829	63,231	-	(239,428)	7,018,285	
Product sales	93,567	-	-	-	257,008	-	(25,125)	325,450	
Service sales	4,152	162,142	25,529	88,539	71,811	202,348	(125,301)	429,220	
Other sales	1,433	-	-	-	9,319	-	(4,361)	6,391	
	<u>1,977,627</u>	<u>4,547,607</u>	<u>561,242</u>	<u>483,368</u>	<u>401,369</u>	<u>202,348</u>	<u>(394,215)</u>	<u>7,779,346</u>	
2)Classification by revenue recognition period:									
Recognition at a point in time	1,973,475	4,385,465	535,713	394,829	329,558	-	(268,914)	7,350,126	
Recognition over time	4,152	162,142	25,529	88,539	71,811	202,348	(125,301)	429,220	
	<u>1,977,627</u>	<u>4,547,607</u>	<u>561,242</u>	<u>483,368</u>	<u>401,369</u>	<u>202,348</u>	<u>(394,215)</u>	<u>7,779,346</u>	
2.Revenues from other sources	1,894	2,476	1,104,268	545	768,430	26,464	(16,977)	1,887,100	

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25. Profit (loss) from continuing operations (cont'd)

	2021							
	Global	IM	Rent-a-car	Speedmate	SK Magic	Others	Consolidation adjustments	Total
Gross turnover	₩ 2,830,620	₩ 5,285,692	₩ 1,585,726	₩ 442,280	₩ 1,153,755	₩ 162,756	₩ (442,689)	₩ 11,018,140
1.Revenue recognized in the contract with the customer	2,828,858	5,284,160	479,340	441,658	388,491	132,152	(420,384)	9,134,275
1)Classification by type of goods or service:								
Product (buy for sell) sales	2,653,743	5,131,090	453,181	347,871	316	-	(281,011)	8,305,190
Product sales	166,980	23	-	-	311,602	-	(16,806)	461,799
Service sales	5,548	151,087	26,159	93,787	74,484	132,152	(118,027)	365,190
Other sales	2,587	1,960	-	-	2,089	-	(4,540)	2,096
	<u>2,828,858</u>	<u>5,284,160</u>	<u>479,340</u>	<u>441,658</u>	<u>388,491</u>	<u>132,152</u>	<u>(420,384)</u>	<u>9,134,275</u>
2)Classification by revenue recognition period:								
Recognition at a point in time	2,823,310	5,133,073	453,181	347,871	314,007	-	(302,357)	8,769,085
Recognition over time	5,548	151,087	26,159	93,787	74,484	132,152	(118,027)	365,190
	<u>2,828,858</u>	<u>5,284,160</u>	<u>479,340</u>	<u>441,658</u>	<u>388,491</u>	<u>132,152</u>	<u>(420,384)</u>	<u>9,134,275</u>
2.Revenues from other sources	1,762	1,532	1,106,386	622	765,264	30,604	(22,305)	1,883,865

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	₩ 6,684,948	₩ 8,051,947
Cost of finished goods sold	637,576	810,149
Other cost of sales	1,146,211	1,019,836
	<u>₩ 8,468,735</u>	<u>₩ 9,881,932</u>

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25. Profit (loss) from continuing operations (cont'd)

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

	2022		2021
Salaries	₩ 255,943	₩	249,227
Retirement benefits	47,538		29,896
Employee welfare	65,558		62,704
Travel	4,067		2,127
Communications	8,694		8,695
Utilities	12,751		12,530
Taxes and dues	18,369		25,012
Supplies	18,162		15,090
Rents	14,097		11,444
Depreciation	62,350		59,379
Amortization	27,113		21,969
Depreciation of right-of-use assets	44,918		39,841
Repairs	4,541		4,479
Vehicle maintenance	4,092		3,132
Insurance premium	10,257		13,153
Advertising	79,508		81,758
Training	8,767		9,733
Engineering service fee	130,393		89,146
Commissions	130,247		169,300
Freight	41,795		50,470
Bad debt expenses	11,136		11,694
Other bad debt expenses	14,557		5,050
Foreign branch office operations	311		4,030
Entertainment	5,070		4,822
Stock compensation costs	1,234		944
Others	22,032		28,605
	<u>₩ 1,043,500</u>	₩	<u>1,014,230</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	₩ 29,947	₩	15,579
Gain on foreign currency transactions	42,822		34,549
Gain on foreign currency translation	22,956		11,872
Gain on disposal of financial assets at fair value through profit or loss	1,635		2,607
Gain on valuation of financial assets at fair value through profit or loss	3,904		113
Gain on valuation of derivative financial instruments	833		11,269
Gain on transactions of derivative financial instruments	151,131		111,461
	<u>₩ 253,228</u>	₩	<u>187,450</u>

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25. 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	₩ 122,855	₩ 105,835
Loss on foreign currency transactions	100,191	72,432
Loss on foreign currency translation	9,788	31,393
Loss on financial assets at amortized cost	600	-
Loss on valuation of financial assets at fair value through profit or loss	271	513
Loss on valuation of derivative financial instruments	24,535	2,757
Loss on transactions of derivative financial instruments	83,910	54,304
	<u>₩ 342,150</u>	<u>₩ 267,234</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	₩ 1,873	₩ 1,106
Gain on disposal of property, plant and equipment	35,847	18,994
Reversal of impairment loss on property, plant and equipment	477	-
Gain on disposal of intangible assets	1,182	1,391
Gain on disposal of right-of-use assets	1,960	2,095
Gain on disposal of non-current assets held for sale	-	45,007
Gain on disposal of investment properties	120	13,204
Gain on disposal of trade receivables	-	4,908
Gains on disposal of Investments in subsidiaries, associates and joint ventures	-	67
Gains from business transfer (see note 33)	8,939	-
Others	15,737	15,957
	<u>₩ 66,135</u>	<u>₩ 102,729</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	₩ 7,550	₩ 2,464
Loss on disposal of property, plant and equipment	5,993	3,995
Impairment loss on property, plant and equipment	9,666	8,559
Loss on disposal of intangible assets	778	1,549
Impairment loss on intangible assets	1,401	63
Loss on disposal of investment properties	401	-
Loss on disposal of investments in subsidiaries, associates and joint ventures	982	-
Loss on disposal of non-current assets held for sale	-	3,660
Depreciation of investment properties	374	652
Others	19,470	16,839
	<u>₩ 46,615</u>	<u>₩ 37,781</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	₩ (754)	₩ (8,163)
Changes in merchandise	(270,085)	147,020
Purchase of merchandise	6,955,033	7,904,927
Salaries (including service costs for defined benefit plans and other employee benefits)	343,054	427,932
Depreciation and amortization	852,394	850,518
Freight	41,795	50,470
Advertising	79,508	81,758
Others	1,511,290	1,441,700
	<u>₩ 9,512,235</u>	<u>₩ 10,896,162</u>

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26. 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	₩ 36,202	₩ 44,481
Adjustments in respect of current income tax of prior year	6,186	(3,664)
Changes in deferred taxes arising from temporary differences	(22,591)	41,733
Income tax expense charged directly to equity	3,137	(20,067)
Income tax expenses:	₩ 22,934	₩ 62,483
Income tax expenses on continued operations	13,053	45,695
Income tax expenses on discontinued operations	9,881	16,788

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	₩ (8,475)	₩ (610)
Loss (Gain) on valuation of financial assets at FVOCI	12,461	(13,399)
Loss (Gain) on valuation of derivative financial instruments	(216)	(607)
Gain on translation of operations	(633)	(5,192)
Others	3,137	(259)
	₩ (8,475)	₩ (20,067)

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 Group 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	₩ 81,486	₩ 107,133
Net loss before income tax of discontinued operations	32,213	58,890
Net income before income tax	113,699	166,023
Taxes at the statutory tax rate (24.2%)	27,515	40,178
Adjustments:		
Permanent differences	2,002	2,028
Adjustments in respect of current income tax of prior year	2,835	1
Deferred tax not recognized	(17,262)	9,597
Others (tax rate changes)	7,844	10,679
Income tax expense (benefit)	₩ 22,934	₩ 62,483
Income tax expense of continuing operations	13,053	45,695
Income tax expense of discontinued operations	9,881	16,788
Effective income tax rate	20.17%	37.64%

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26. 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	Net income (loss)	Other comprehensive income (loss)	Ending balance
Temporary differences	₩ (58,822)	₩ (11,005)	₩ 3,137	₩ (66,690)
Tax loss carryforward	48,805	30,459	-	79,264
Total:	₩ (10,017)	₩ 19,454	₩ 3,137	₩ 12,574
Deferred tax assets (*)	60,889			82,195
Deferred tax liabilities (*)	(70,906)			(69,621)

(*) The Group offsets a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to offset current tax assets against current tax liabilities.

	2021			
	Beginning balance	Net income (loss)	Other comprehensive income (loss)	Ending balance
Temporary differences	₩ (46,004)	₩ 7,249	₩ (20,067)	₩ (58,822)
Tax loss carryforward	77,720	(28,915)	-	48,805
Total:	₩ 31,716	₩ (21,666)	₩ (20,067)	₩ (10,017)
Deferred tax assets (*)	102,995			60,889
Deferred tax liabilities (*)	(71,279)			(70,906)

(*) The Group offsets a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to offset current tax assets against current tax liabilities.

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

	2022	2021
Deferred tax assets:	₩ 39,495	₩ 15,622
Deferred tax liabilities:	7,323	59,112

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

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27. 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 attributable to owners of the parent	₩ 86,440	₩ 98,672
Less: Profit for the year attributable to preferred stock	13	10
Profit for the year attributable to ordinary equity holders of the parent	86,427	98,662
Weighted average number of ordinary shares outstanding	218,620,774	218,554,682
Basic earnings per share for ordinary equity holders of the parent	395	451

The calculation basis of weighted average number of ordinary share outstanding for the purpose of calculating EPS is as follows (shares):

	2022	2021
Weighted average number of issued share outstanding	₩ 248,187,647	₩ 248,187,647
Weighted average number of treasury share outstanding	(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 except for shares):

	2022	2021
Profit for the year attributable to owners of the parent	₩ 86,440	₩ 98,672
Less: Profit from discontinued operations attributable to equity holders of the parent	23,462	43,097
Profit from continuing operations attributable to ordinary equity holders of the parent	62,978	55,575
Less: dividends of preferred share	13	10
Profit from continuing operations attributable to ordinary equity holders of the parent	62,965	55,565
Weighted average number of ordinary share outstanding	218,620,774	218,554,682
Basic earnings per share from continuing operations for ordinary equity holders of the parent	288	254

Basic 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
Loss from discontinued operations attributable to owners of the parent	₩ 23,462	₩ 43,097
Weighted average number of ordinary share outstanding	218,620,774	218,554,682
Basic loss per share from discontinued operations for ordinary equity holders of the parent	₩ 107	₩ 197

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.

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28. Related party transactions

The related parties of the Group for the year ended December 31, 2022 are as follows:

	Group
Ultimate parent	SK Holdings Co., Ltd.
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 affiliates 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.

The Group belongs to the SK group as of the end of the current term, a large business group defined under the Monopoly Regulation and Fair Trade Act. As a result, the scope of related parties is also included in the case of companies belonging to large business groups other than the top-level parent, parent, subsidiary, and affiliates.

All transactions between the Group and subsidiaries are eliminated in the preparation of the consolidated financial statements of the Group.

Significant transactions in 2022 and 2021 between the Group and related parties other than subsidiaries 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)	₩ 43,681	₩ -	₩ -	₩ 127,136
Others	SK Innovation Co., Ltd.	6,474	-	-	1,594
	SK Enmove Co. Ltd. (formerly, SK Lubricants Co., Ltd.)	388	11,078	-	10
	SK Energy Co., Ltd.	3,613	58,152	-	551
	SK Geocentric Co., Ltd.	59,616	5,785	-	-
	SK Trading International Co. Ltd.	6,792	-	-	-
	SKC Ltd.	13,635	225	-	-
	SK picglobal Co., Ltd.	3,815	35,870	-	-
	SK Shieldus Co., Ltd.	11,833	9,292	-	3,408
	HAPPYNARAE Co., Ltd.	360	3,163	1,443	5,348
	SK Telecom Co., Ltd.	68,105	-	-	6,119
	SK Broadband Co., Ltd.	54,590	-	-	1,567
	PS&Marketing Corp.	864,599	129	-	-
	SK Hynix Inc.	13,068	-	-	-
	SK hystec Inc.	9,209	-	-	-
	Home & Service Co., Ltd.	4,622	-	-	5,193
	SK m&service Co., Ltd.	428	5,041	-	7,603
	SK ecoplant Co., Ltd.	6,646	-	-	13
	SK Chemicals Co., Ltd.	35,540	14,285	-	-
	Others	27,253	6,004	7	5,418

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

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28. Related party transactions (cont'd)

Relationship	Name	2021			
		Sales and others	Purchases	Acquisition of PP&E	Others
Ultimate parent	SK Holdings Co., Ltd. (*1)	₩ 6,228	₩ -	₩ -	₩ 94,746
Others	SK Innovation Co., Ltd.	6,300	-	-	2,262
	SK Lubricants Co., Ltd.	464	10,309	-	-
	SK Energy Co., Ltd.	4,679	63,973	-	552
	SK Geocentric Co., Ltd. (formerly, SK Global Chemicals Co., Ltd.)	61,785	2,447	-	-
	SK Trading International Co. Ltd.	11,167	-	-	-
	SKC Ltd.	18,049	244	-	39
	Mitsui Chemicals & SKC Polyurethanes	90	5,981	-	-
	KUMHO MITSUI CHEMICALS, INC.	91	37,344	-	-
	SK picglobal Co., Ltd.	3,361	49,523	-	3
	SK Shieldus Co., Ltd. (formerly, SK Infosec Co., Ltd.)	11,792	8,809	-	3,146
	HAPPYNARAE Co., Ltd.	418	3,116	2,284	4,453
	SK Telecom Co., Ltd.	56,346	-	-	7,707
	SK Telink Co., Ltd.	4,616	4,495	-	28
	SK Broadband Co., Ltd.	55,810	-	-	1,690
	PS&Marketing Corp.	1,009,878	593	-	-
	SK Hynix Inc.	8,031	-	-	-
	SK hystec Inc.	8,767	-	-	-
	Home & Service Co., Ltd.	7,450	-	-	5,678
	SK m&service Co., Ltd.	1,712	1,790	-	4,709
	SK ecoplant Co., Ltd. (formerly, SK E&C Co., Ltd.)	8,569	-	-	-
	SK Chemicals Co., Ltd.	35,837	8,666	-	-
	SK D&D Co., Ltd. (*2)	90,095	-	-	-
	SK China Investment Management Company Limited (*3)	16,863	-	-	-
	Others	22,006	1,074	131	3,330

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

(*2) Sales and others include ₩90,050 million of proceeds from disposal of property, plant and equipment.

(*3) Sales and others include the disposal value of Dandong SK Networks Logistics Co., Ltd. which has been disposed of in the year ended December 31, 2022.

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28. Related party transactions (cont'd)

All balances between the Group and subsidiaries are eliminated in the preparation of the consolidated financial statements of the Group. Balances as of December 31, 2022 and 2021 arising from such transactions between the Group and related parties other than subsidiaries are as follows (Korean won in millions):

Relationship	Name	2022					
		Receivables		Payables			
		Trade receivables	Others	Trade payables	Other accounts payable	Others	
Ultimate parent	SK Holdings Co., Ltd.	₩ 856	₩ -	₩ 39,710	₩ -	₩ -	-
Others	SK Innovation Co., Ltd.	354	4	329	231	-	-
	SK Enmove Co. Ltd. (formerly, SK Lubricants Co., Ltd.)	34	10	3,378	-	-	-
	SK Energy Co., Ltd.	241	256	-	54	-	-
	SK Geocentric Co., Ltd.	4,724	-	459	-	-	-
	SK Trading International Co. Ltd.	16	-	-	-	-	-
	SK picglobal Co., Ltd.	325	-	870	-	-	-
	SK Chemicals Co., Ltd.	2,060	-	688	-	-	-
	SK Shieldus Co., Ltd.	2,449	8	1,735	64	-	-
	HAPPYNARAE Co., Ltd.	12	-	-	-	-	-
	SK Telecom Co., Ltd.	8,878	145	464	34,840	113	-
	SK Broadband Co., Ltd.	941	-	7	1	-	-
	PS&Marketing Corp.	76,178	3	126	-	-	-
	SK Hynix Inc.	3,700	-	-	-	-	-
	Home & Service Co., Ltd.	333	-	490	-	-	-
	SK hystec Inc.	858	3	-	-	-	-
	SK m&service Co., Ltd.	35	1	1,204	75	-	-
	SKC Ltd.	145	-	-	-	-	-
	SK ecoplant Co., Ltd.	1,153	-	-	-	-	-
	Others	1,984	3	75	49	201	-

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28. Related party transactions (cont'd)

Relationship	Name	2021									
		Receivables		Payables							
		Trade receivables	Others	Trade payables	Other accounts payable	Others					
Ultimate parent	SK Holdings Co., Ltd.	₩	739	₩	1	₩	7,132	₩	-	₩	-
Others	SK Lubricants Co., Ltd.		55		10		2,830		-		-
	SK Energy Co., Ltd.		493		256		10,343		56		-
	SK Geocentric Co., Ltd. (formerly, SK Global Chemicals Co., Ltd.)		4,939		-		100		-		-
	SKC Ltd.		1,583		-		16		-		-
	KUMHO MITSUI CHEMICALS, INC.		3		-		-		-		-
	SK picglobal Co., Ltd.		313		-		1,459		-		-
	SK Telecom Co., Ltd.		8,765		187		903		17,856		108
	SK Telink Co., Ltd.		6		-		76		48		-
	SK Broadband Co., Ltd.		2,128		9		8		2		-
	PS&Marketing Corp.		160,517		-		61		-		-
	SK Chemicals Co., Ltd.		15,135		325		-		-		969
	Others		8,240		286		4,156		270		201

Key management personnel are standing directors who are responsible for the planning, operation and control of the business of the Group. 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

Financial transactions with related parties for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

Relationship	Name	2022	
		Amount	Transaction
Associate	Ever ON Co., Ltd	9,999	Cash contribution
Associate	Blockodysey Inc.	7,568	Cash contribution
Associate	SVA Venture fundII	10,428	Cash contribution
Associate	SSCharger Co. Ltd.	45,590	Cash contribution
Associate	Kindred HM1	5,139	Investment

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28. Related party transactions (cont'd)

Relationship	Name	Amount	2021
			Transaction
Others related parties	SK Global Chemical International Trading (Shanghai) Co., Ltd.	5,491	Loan
		5,491	Repayment

The amount of guarantees provided to the related parties by the Group as of December 31, 2022 and 2021 are nil.

In connection with the prosecution's indictment on former CEO for embezzlement and breach of trust in March 2021, the Group 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.

29. Discontinued operations

The Group has discontinued a non-core business activity and the Group decided to discontinue the operation of resource business.

The Group 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 Group has recognized loss considering the recoverable amount as of December 31, 2021.

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

	2022		2021	
Revenue	₩	89,030	₩	126,881
Expenses		(56,817)		(67,991)
Income before tax		32,213		58,890
Income tax expense		(9,981)		(16,788)
Gain from discontinued operations		22,332		42,102
Owners of the parent		23,462		43,097
Non-controlling interests		(1,130)		(995)

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	₩	60,782	₩	(9,697)
Investing activities		(70)		94,495
Financing activities		(20,874)		5,277
Net cash flows		39,838		90,075

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30. 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 are as follows (Korean won in millions):

	Assets		Liabilities
China Business Division	₩ 74,772	₩	12,693
Resources business	55,028		26,067
	<u>₩ 129,800</u>	₩	<u>38,760</u>

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

	Assets		Liabilities
China Business Division	₩ 89,769	₩	21,689
Resources business	17,467		11,987
	<u>₩ 107,236</u>	₩	<u>33,676</u>

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

	2022		2021
Assets			
Cash and cash equivalents	₩ 54,700	₩	32,572
Short-term financial instruments	1,217		5,016
Trade receivables	6,685		1,697
Other financial assets (current)	1,364		1,393
Other current assets	3,453		11
Inventories	7		2,429
Other financial assets (non-current)	1,277		1,415
Property, plant and equipment	40,008		43,272
Right-of-use assets	51		129
Intangible assets	5,072		-
Deferred tax assets	13,877		1,375
Other non-current assets	2,089		17,927
	<u>₩ 129,800</u>	₩	<u>107,236</u>
Liabilities			
Trade payables	3,010		9,946
Short-term borrowings	53		10,247
Other financial liabilities (current)	7,611		2,856
Current tax liabilities	6,402		37
Other current liabilities	2,984		3,486
Lease liabilities	3		131
Other financial liabilities (non-current)	11,875		3
Deferred tax liabilities	3,117		2,016
Provisions	959		3,802
Other non-current liabilities	2,746		1,152
	<u>₩ 38,760</u>	₩	<u>33,676</u>

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31. Cash flow information

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

	2022	2021
Income tax expense	₩ 22,934	₩ 62,483
Loss on foreign currency translation	9,788	31,448
Gain on foreign currency translation	(22,956)	(11,872)
Interest expenses	125,754	114,652
Interest income	(46,475)	(46,897)
Loss on valuation of derivative financial instruments	24,535	2,757
Gain on valuation of derivative financial instruments	(833)	(11,269)
Dividend income	(1,873)	(1,106)
Depreciation	540,615	513,683
Depreciation of right-of-use assets	282,312	313,227
Amortization	29,467	23,608
Depreciation of investment properties	374	652
Retirement benefits	26,210	28,693
Bad debt expenses	25,693	16,744
Loss on disposal of property, plant and equipment	19,857	25,584
Gain on disposal of property, plant and equipment	(35,847)	(18,995)
Impairment loss on property, plant and equipment	9,189	8,559
Loss on disposal of intangible assets	778	1,549
Gain on disposal of intangible assets	(1,182)	(1,391)
Impairment loss on intangible assets	1,401	63
Loss on disposal of investment properties	401	-
Gain on disposal of investment properties	(120)	(13,204)
Gain on disposal of right-of-use assets	(1,960)	(2,095)
Loss on disposal of non-current assets held for sale	-	7,439
Gain on disposal of non-current assets held for sale	-	(46,949)
Impairment loss on non-current assets held for sale	9,681	12,850
Reversal on valuation of inventories	(2,923)	(15,441)
Loss on investment in associates	3,323	9
Reversal of impairment on other investment assets	(11,709)	-
Stock compensation costs	1,234	944
Provisions	8,039	6,945
Gain on business transfer	(8,939)	-
Gain on disposal of financial assets at fair value through profit or loss	(1,635)	(2,607)
Loss on valuation of financial assets at fair value through profit or loss	271	513
Gain on valuation of financial assets at fair value through profit or loss	(3,904)	(113)
Impairment loss on financial assets at amortized cost	600	-
Loss on disposal of Investments in subsidiaries, associates and joint ventures	982	-
Gain on disposal of Investments in subsidiaries, associates and joint ventures	-	(67)
Others	(1,117)	(67,578)
	<u>₩ 1,001,965</u>	<u>₩ 932,818</u>

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

	2022		2021
Trade receivables and lease receivables	₩ (54,611)	₩	(248,533)
Other accounts receivable	(5,043)		(9,773)
Accrued income	1,877		2,851
Prepaid value added tax	(10,149)		(34,601)
Advanced payments	5,719		17,681
Prepaid expenses	978		23,290
Inventories	(85,742)		340,604
Rental property	(1,079,625)		(798,385)
Trade payables	(52,890)		246,867
Advances received	2,295		31,713
Withholdings	1,786		(3,147)
Unearned income	1,208		219
Other accounts payable	24,751		(9,379)
Accrued expenses	2,339		(4,787)
Deposits received	61,643		38,878
Provisions	(5,773)		(5,488)
Other current liabilities	3,884		9,189
Other non-current liabilities	(3)		(8)
Plan assets	(66,965)		(11,579)
Payment of severance benefits retirement	(15,514)		(26,112)
Others	6,641		2,601
	<u>₩ (1,263,203)</u>	₩	<u>(437,899)</u>

31.3 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		2021
Transfer from rental property and others to inventories	₩ 181,841	₩	163,212
Other account payables related acquisition of property, plant and equipment and others	16,015		12,839
Other account receivables related to disposal of property, plant and equipment and others	47		1,699
Transfer from construction-in-progress to property, plant and equipment	67,545		101,680
Transfers from borrowings and bonds to current portion	574,301		600,803

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31.4 Changes in major liabilities arising from financial activities

Significant changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022				
	Beginning balance	Financing activities	Exchange rate fluctuation	Others(*)	Ending balance
Short-term borrowings	₩ 935,363	₩ 36,183	₩ (11,244)	₩ (35,373)	₩ 924,929
Current portion of long-term liabilities	814,228	(842,277)	-	636,400	608,351
Bonds	1,565,615	682,256	-	(322,542)	1,925,329
Long-term borrowings	374,582	454,936	-	(277,461)	552,057
Lease liabilities	1,366,425	(299,346)	-	(38,221)	1,028,858

(*) 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	₩ 951,202	₩ (27,719)	₩ 20,775	₩ (8,895)	₩ 935,363
Current portion of long-term liabilities	786,338	(790,336)	-	818,226	814,228
Bonds	1,117,943	995,814	-	(548,142)	1,565,615
Long-term borrowings	462,996	-	-	(88,414)	374,582
Lease liabilities	1,420,014	(318,675)	-	265,086	1,366,425

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

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32. Financial risk management objectives and policies

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

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

32.1 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.

32.1.1 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group 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 Group does not believe that the fluctuation in market interest rate other than those mentioned above has a material impact on its consolidated financial statements.

32.1.2 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating in other countries. The Group manages its foreign currency risk periodically. Especially, the Group 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	162,350	₩ 205,746	183,343	₩ 217,353
	EUR	6,651	8,987	53,394	71,672
	JPY	92,910	886	524,174	5,400
	CNY	93,452	16,956	159,712	29,748
	Others		70,689		1,225
			₩ 303,264		₩ 325,398
Foreign financial liabilities	USD	344,462	436,536	835,890	990,948
	EUR	8,035	10,857	35,461	47,600
	JPY	92,910	886	129,454	1,334
	CNY	125,694	22,806	75,424	14,048
	Others		4,284		4,057
			₩ 475,369		₩ 1,057,987

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32.1.2 Foreign currency risk (cont'd)

The effects of a 10% fluctuation in foreign exchange rates on the Group'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	₩ (17,211)	₩ 17,211	₩ (73,259)	₩ 73,259

The above table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant as at the reporting date. There have been no changes in the sensitivity analysis from the previous year. The Group'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.

32.1.3 Other price risk

Other price risk is the risk that the fair value or cash flows of financial instrument will fluctuate because of changes in market price other than interest rate risk and foreign currency risk. The Group'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 Group does not believe that the fluctuation in price of equity instruments other than those mentioned above has material impact on other comprehensive income.

32.2 Credit risk

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

32.2.1 Trade and other accounts receivable

The Group 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 Group'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 grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The Group 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.

32.2.2 Other financial assets

Credit risks associated with the Group'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 Group deposits its surplus funds in the financial institutions whose credit ratings are high and therefore credit risk related to financial institutions is considered low.

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32.2.3 Exposure to credit risk

The maximum exposure to credit risk as of December 31, 2022 and 2021 is 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	₩ 655,550	₩ -	₩ 655,550
Financial assets at fair value through OCI	181,341	-	181,341
Financial assets at amortized cost	1,995,459	(253,677)	1,741,782
Financial assets designated as hedge item	1,033	-	1,033
	<u>₩ 2,833,383</u>	<u>₩ (253,677)</u>	<u>₩ 2,579,706</u>

	2021		
	Carrying amount before deduction	Accumulated impairment loss	Carrying amount (maximum exposure amount)
Financial assets at fair value through profit or loss	₩ 145,287	₩ -	₩ 145,287
Financial assets at fair value through OCI	169,477	-	169,477
Financial assets at amortized cost	2,980,340	(228,966)	2,751,374
Financial assets designated as hedge item	264	-	264
	<u>₩ 3,295,368</u>	<u>₩ (228,966)</u>	<u>₩ 3,066,402</u>

32.3 Liquidity risk

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

The Group'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 Group'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	₩ 1,061,937	₩ 1,061,937	₩ 1,003,737	₩ 58,200	₩ -	₩ -
Interest- bearing loans and borrowings	1,727,569	1,773,699	659,203	547,413	565,247	1,836
Bonds	2,283,097	2,416,996	14,230	402,506	1,919,366	80,894
Lease liabilities	1,028,858	1,079,233	98,220	351,811	543,550	85,652
Other financial liabilities	620,553	620,553	293,929	27,234	290,712	8,678
	<u>6,722,014</u>	<u>6,952,418</u>	<u>2,069,319</u>	<u>1,387,164</u>	<u>3,318,875</u>	<u>177,060</u>
Derivative financial liabilities:						
Interest rate swaps	24,524	24,524	24,524	-	-	-
	<u>24,524</u>	<u>24,524</u>	<u>24,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>₩ 6,746,538</u>	<u>₩ 6,976,942</u>	<u>₩ 2,093,843</u>	<u>₩ 1,387,164</u>	<u>₩ 3,318,875</u>	<u>₩ 177,060</u>

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32.3 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	₩ 1,118,978	₩ 1,118,978	₩ 1,075,897	₩ 43,081	₩ -	₩ -
Interest-bearing loans and borrowings	1,574,512	1,603,276	433,491	782,916	384,793	2,076
Bonds	2,115,276	2,207,643	98,322	484,110	1,542,530	82,681
Lease liabilities	1,366,425	1,366,425	115,725	434,343	744,225	72,132
Other financial liabilities	506,580	506,580	102,969	159,705	234,995	8,911
	<u>6,681,771</u>	<u>6,802,902</u>	<u>1,826,404</u>	<u>1,904,155</u>	<u>2,906,543</u>	<u>165,800</u>
Derivative financial liabilities:						
Foreign currency forward	2,537	2,537	1,684	853	-	-
Interest rate swaps	236	236	-	-	236	-
	<u>2,773</u>	<u>2,773</u>	<u>1,684</u>	<u>853</u>	<u>236</u>	<u>-</u>
	<u>₩ 6,684,544</u>	<u>₩ 6,805,675</u>	<u>₩ 1,828,088</u>	<u>₩ 1,905,008</u>	<u>₩ 2,906,779</u>	<u>₩ 165,800</u>

Approximately 38.23% of the Group's debt will mature in less than one year as of December 31, 2022 (2021: 47.42%) based on the carrying amount of bonds and borrowings reflected in the consolidated financial statements. The Group assessed the risk of financing as a controllable level in consideration of the scale of borrowings and cash and cash equivalent owned by the Group as of December 31, 2022.

32.4 Capital management

The primary objective of the Group'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 Group 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, 2022.

Debt to equity ratio as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Debt	₩	7,048,547	₩	7,021,921
Equity		2,450,712		2,388,995
Debt-to-equity ratio		287.6%		293.93%

33. Transfer of business unit

During the year ended December 31, 2022, the Group 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 Group 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.

34. 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 Group 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.