

SK Networks Co., Ltd.

Separate Financial Statements

December 31, 2023

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

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

Opinion

We have audited the separate financial statements of SK Networks Co., Ltd. ("the Company"), which comprise the separate statement of financial position as of December 31, 2023, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2023, and its separate financial performance and its separate cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited the Company's internal control over financial reporting ("ICFR") as of December 31, 2023, based on criteria established in Conceptual Framework for designing and operating ICFR in accordance with Korean Standards on Auditing ("KSA") established by the Operating Committee of ICFR (the "ICFR Committee"), and our report dated March 11, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Appropriate cut-off of merchandise sales recognition : Global operating segments

Global operating segment's merchandise revenue is from the sale of polyester, which are raw material products and petrochemical products. Global operating segment's merchandise revenue recognized for the reporting period ended December 31, 2023 amounted to ₩ 1,274,473 million, accounting for approximately 21% of total sales. As described in Note 2.13 to the separate financial statements, Global operating segment's revenue from the sale of merchandises is recognized when the goods purchased from the supplier are delivered to the customer and control of the goods is transferred.

We have identified the appropriateness of merchandise sales cutoff near the period end as a key audit matter considering the possibility of error in identifying performance obligation and the point of time of such performance obligation is satisfied and the risk of misstatement in revenue from various contract terms related to the merchandise sales of the Company's Global operating segment.

The primary procedures we performed to address this key audit matter included the following:

- Testing the design and operating effectiveness of controls over merchandise sales transactions from Global operating segment's merchandise sales
- Assessing the accounting policy related to revenue recognition of Global operating segment.



- Selected samples of merchandise sales occurred during a certain period before and after the reporting period end and tested the appropriateness of cut-off of revenue recognized by inspecting external evidence.

Impairment assessment of investments in subsidiary : SK Magic Co., Ltd. And Mintit Co., Ltd.

As described in Note 3.(1), if there is any indication of impairment, the Company performs impairment tests for non-financial assets other than goodwill at the end of each reporting period and estimates the recoverable amount of the assets to determine the amount of impairment loss. If the carrying value of the asset fall short of its recoverable amount, impairment loss is recognized.

As described in Note 9 to the separate financial statements, the carrying value of investments in subsidiary SK Magic Co., Ltd. and Mintit Co., Ltd. as of December 31, 2023 were ₩ 610,000 million and ₩ 55,675 million, respectively, and are significant to the separate financial statements. Estimating the recoverable amount involves management's estimate and judgment, such as estimated future cash flows and discount rates, and there are significant uncertainties in those estimates and judgment Therefore, we identified the impairment assessments of investments in subsidiary as a key audit matter.

The primary procedures we performed to address this key audit matter included the following:

- Testing the design and operating effectiveness of controls over impairment assessments of investment in subsidiary.
- Assessing the competence, experience and expertise of external valuation experts used by the Company and evaluated the objectivity and independence of such experts.
- Involving our own internal valuation specialists to assess the adequacy of valuation method and assumptions used.
- Comparing the financial forecasts used in the recoverable amount measurement with the business plan approved by management.

Other Matters

The separate financial statements of the Company as of and for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 15, 2023.

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 KSAs 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 financial statements.

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



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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' 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 auditors' report is Joo-Young, Lee.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 11, 2024

This report is effective as of March 11, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK Networks Co., Ltd.

Separate Financial Statements

for the years ended December 31, 2023 and 2022

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

Ho-Jeong, Lee

Chief Executive Officers

SK Networks Co., Ltd.

SK Networks Co., Ltd.
Separate statements of financial position
as of December 31, 2023 and 2022

(Korean won in millions)

| | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|--|--------------|--------------------|--------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 4, 29 | ₩ 94,098 | ₩ 224,551 |
| Short-term financial instruments | 4, 29 | 339,936 | 476,861 |
| Trade receivables, net | 4, 5, 25, 29 | 287,705 | 309,648 |
| Current derivative financial assets | 4, 16, 29 | 146 | 300 |
| Current portion of finance lease receivables | 4, 5, 13, 29 | 11,419 | 11,220 |
| Current other financial assets, net | 4, 5, 25, 29 | 17,550 | 33,321 |
| Other current assets | 6 | 12,192 | 38,127 |
| Inventories, net | 7 | 466,185 | 499,725 |
| Assets held for sale | 26, 27 | 64,469 | 62,185 |
| Total current assets | | 1,293,700 | 1,655,938 |
| Non-current assets: | | | |
| Long-term financial instruments | 4 | 37 | 37 |
| Long-term trade receivables, net | 4, 5, 29 | 2,380 | 2,380 |
| Long-term investment securities | 4, 8, 29 | 180,663 | 162,762 |
| Investments in | | | |
| subsidiaries and associates | 4, 9 | 1,798,753 | 1,555,204 |
| Finance lease receivables | 4, 5, 13, 29 | 63,425 | 72,828 |
| Other non-current financial assets | 4, 5, 25, 29 | 35,245 | 37,135 |
| Property, plant and equipment, net | 10, 19 | 913,620 | 988,172 |
| Intangible assets, net | 11 | 31,767 | 33,059 |
| Investment properties, net | 12 | 145,232 | 133,273 |
| Right-of-use assets | 13 | 80,923 | 281,685 |
| Deferred tax assets | 23 | 64,270 | 57,536 |
| Other non-current assets | 6, 17 | 33,822 | 47,327 |
| Total non-current assets | | 3,350,137 | 3,371,398 |
| Total assets | | ₩ 4,643,837 | ₩ 5,027,336 |

(Continued)

SK Networks Co., Ltd.
Separate statements of financial position
as of December 31, 2023 and 2022 (cont'd)

(Korean won in millions)

| | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|--|---------------|---------------------------|---------------------------|
| Liabilities | | | |
| Current liabilities: | | | |
| Trade payables | 4, 25, 29 | ₩ 666,209 | ₩ 811,798 |
| Short-term borrowings | 4, 14, 28, 29 | 507,464 | 430,065 |
| Current portion of long-term liabilities | 4, 14, 28, 29 | 370,576 | 165,788 |
| Current derivative financial liabilities | 4, 16, 29 | 2,799 | 22,781 |
| Current portion of lease liabilities | 4, 13, 28, 29 | 34,046 | 215,227 |
| Other current financial liabilities | 4, 25, 29 | 113,472 | 138,370 |
| Current provisions | 18 | 479 | 2,101 |
| Other current liabilities | 15 | 69,320 | 46,799 |
| Total current liabilities | | <u>1,764,365</u> | <u>1,832,929</u> |
| Non-current liabilities: | | | |
| Borrowings and bonds | 4, 14, 28, 29 | 841,122 | 971,555 |
| Lease liabilities | 4, 13, 28, 29 | 125,882 | 158,692 |
| Other non-current financial liabilities | 4, 25, 29 | 11,838 | 59,708 |
| Non-current provisions | 18 | 2,551 | 5,413 |
| Other non-current liabilities | 15, 17 | 1,533 | 779 |
| Total non-current liabilities | | <u>982,926</u> | <u>1,196,147</u> |
| Total liabilities | | <u>2,747,291</u> | <u>3,029,076</u> |
| Equity | | | |
| Common capital stock | 22 | 620,469 | 620,469 |
| Preferred capital stock | 22 | 28,185 | 28,185 |
| Additional paid-in capital | 20, 21 | 592,757 | 622,210 |
| Retained earnings | 20 | 636,194 | 710,321 |
| Other components of equity | 20 | 18,941 | 17,075 |
| Total equity | | <u>1,896,546</u> | <u>1,998,260</u> |
| Total liabilities and equity | | <u>₩ 4,643,837</u> | <u>₩ 5,027,336</u> |

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

SK Networks Co., Ltd.
Separate statements of comprehensive income (loss)
for the years ended December 31, 2023 and 2022

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

| | Notes | 2023 | | 2022 | |
|---|----------------|------|----------------|------|-----------------|
| Sales | 22, 25 | ₩ | 6,088,582 | ₩ | 6,612,595 |
| Cost of sales | 7, 22, 25 | | 5,608,426 | | 6,136,519 |
| Gross profit | | | 480,156 | | 476,076 |
| Selling and administrative expenses | 17, 21, 22, 25 | | 437,722 | | 473,971 |
| Operating profit | | | 42,434 | | 2,105 |
| Finance income | 4, 16, 22 | | 118,646 | | 226,976 |
| Finance costs | 4, 16, 22 | | 152,087 | | 247,756 |
| Other income | 4, 22 | | 54,934 | | 63,587 |
| Other expenses | 4, 22 | | 38,141 | | 35,268 |
| Profit before income tax from continuing operations | | | 25,786 | | 9,644 |
| Income tax benefit from continuing operations | 23 | | (3,463) | | (4,150) |
| Profit from continuing operations | | | 29,249 | | 13,794 |
| Loss for the year from discontinued operations | 26 | | (476) | | (7,704) |
| Profit for the year | | ₩ | 28,773 | ₩ | 6,090 |
| Other comprehensive income (loss) for the year: | | | | | |
| Items that will not be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurement of net defined benefit liabilities | 17 | | (8,287) | | 5,710 |
| Gain (loss) on valuation of financial assets at fair value through OCI | 4, 8 | | 2,037 | | (36,056) |
| | | | (6,250) | | (30,346) |
| Items that may be reclassified to profit or loss in subsequent periods: | | | | | |
| Gain (loss) on valuation of derivative financial instruments | 4, 16 | | (171) | | 350 |
| | | | (171) | | 350 |
| Other comprehensive loss, net of tax | | | (6,421) | | (29,996) |
| Total comprehensive income (loss) | | ₩ | 22,352 | ₩ | (23,906) |
| Earnings per share (in won): | 24 | | | | |
| Basic earnings per share | | | | | |
| attributable to ordinary share | | ₩ | 139 | ₩ | 28 |
| Basic earnings from continuing operations per share attributable to ordinary share | | | 141 | | 63 |
| Diluted earnings per share attributable to ordinary share | | | 139 | | 28 |
| Diluted earnings per share from continuing operations per share attributable to ordinary share | | | 141 | | 63 |

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

SK Networks Co., Ltd.
Separate statements of changes in equity
for the years ended December 31, 2023 and 2022

(Korean won in millions)

| | Capital stock | Additional paid-in capital | Retained earnings | Other components of equity | Total equity |
|--|------------------|----------------------------|-------------------|----------------------------|--------------------|
| As of January 1, 2022 | ₩ 648,654 | ₩ 619,628 | ₩ 724,758 | ₩ 52,781 | ₩ 2,045,821 |
| Total comprehensive income (loss) | | | | | |
| Profit for the year | - | - | 6,090 | - | 6,090 |
| Remeasurement of net defined benefit liabilities | - | - | 5,710 | - | 5,710 |
| Loss on valuation of financial assets at fair value through OCI | - | - | - | (36,056) | (36,056) |
| Gain on valuation of derivative financial instruments | - | - | - | 350 | 350 |
| Total comprehensive income (loss) for the year | - | - | 11,800 | (35,706) | (23,906) |
| Transactions with owners of the Company, recognized directly to equity: | | | | | |
| Dividends | - | - | (26,237) | - | (26,237) |
| Disposal of treasury stocks | - | 1,348 | - | - | 1,348 |
| Stock compensation costs | - | 1,234 | - | - | 1,234 |
| As of December 31, 2022 | ₩ 648,654 | ₩ 622,210 | ₩ 710,321 | ₩ 17,075 | ₩ 1,998,260 |
| As of January 1, 2023 | ₩ 648,654 | ₩ 622,210 | ₩ 710,321 | ₩ 17,075 | ₩ 1,998,260 |
| Total comprehensive income (loss) | | | | | |
| Profit for the year | - | - | 28,773 | - | 28,773 |
| Remeasurement of net defined benefit liabilities | - | - | (8,287) | - | (8,287) |
| Gain on valuation of financial assets at fair value through OCI | - | - | - | 2,037 | 2,037 |
| Loss on valuation of derivative financial instruments | - | - | - | (171) | (171) |
| Total comprehensive income (loss) for the year | - | - | 20,486 | 1,866 | 22,352 |
| Transactions with owners of the Company, recognized directly to equity: | | | | | |
| Dividends | - | - | (26,250) | - | (26,250) |
| Purchase of treasury shares | - | (100,430) | - | - | (100,430) |
| Disposal of treasury stocks | - | 1,700 | - | - | 1,700 |
| Cancellation of treasury shares | - | 68,363 | (68,363) | - | - |
| Stock compensation costs | - | 914 | - | - | 914 |
| As of December 31, 2023 | ₩ 648,654 | ₩ 592,757 | ₩ 636,194 | ₩ 18,941 | ₩ 1,896,546 |

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

SK Networks Co., Ltd.
Separate statements of cash flows
for the years ended December 31, 2023 and 2022
(Korean won in millions)

| | Notes | 2023 | 2022 |
|---|-------|--------------------|--------------------|
| Operating activities: | | | |
| Profit for the year | | ₩ 28,773 | ₩ 6,090 |
| Non-cash adjustments to reconcile profit for the year to net cash flows provided by operating activities | 28 | 128,507 | 182,053 |
| Changes in operating assets and liabilities | 28 | (77,506) | (102,617) |
| Interest received | | 6,861 | 19,676 |
| Interest paid | | (64,063) | (52,843) |
| Dividends received | | 38,498 | 26,686 |
| Income taxes paid | | (216) | (20,482) |
| Net cash flows provided by (used in) operating activities | | ₩ 60,854 | ₩ 58,563 |
| Investing activities: | | | |
| Decrease (Increase) in short-term financial instruments, net | | 138,901 | (472,188) |
| Decrease (Increase) in long-term financial instruments, net | | - | 1 |
| Decrease (Increase) in derivative financial assets, net | | (11,388) | 8,373 |
| Proceeds from disposal of long-term investment securities | | 408 | 175 |
| Acquisition of long-term investment securities | | (10,869) | (15,468) |
| Proceeds from disposal of investments in subsidiaries and associates | | 18,934 | 5,719 |
| Acquisition of investments in subsidiaries and associates | | (274,411) | (178,292) |
| Acquisition of investments in subsidiaries and associates | | 24,614 | 81,855 |
| Acquisition of property, plant and equipment | | (22,638) | (34,965) |
| Proceeds from disposal of intangible assets | | 3,083 | 2,878 |
| Acquisition of intangible assets | | (1,128) | (111) |
| Decrease (Increase) in guarantee deposits, net | | - | 3,571 |
| Business division transferred out | | - | 9,000 |
| Decrease in other non-current assets | | 8,151 | 3,400 |
| Net cash flows provided by (used in) investing activities | | ₩ (126,343) | ₩ (586,052) |
| Financing activities: | | | |
| Increase (decrease) in short-term borrowings, net | | 74,455 | (215,287) |
| Repayment of current portion of long-term borrowings and bonds | | (165,825) | (224,158) |
| Issuance of bonds | | 238,985 | 258,911 |
| Disposal of treasury stocks | | - | 1,348 |
| Purchase of treasury shares | | (100,430) | - |
| Dividend paid | | (26,250) | (26,237) |
| Decrease in lease liabilities | | (55,841) | (128,225) |
| Adjustments for increase (decrease) in withholdings Banks | | (30,058) | - |
| Net cash flows provided by (used in) financing activities | | ₩ (64,964) | ₩ (333,648) |
| Net decrease in cash and cash equivalents | | (130,453) | (861,137) |
| Cash and cash equivalents at the beginning of the year | | 224,551 | 1,085,688 |
| Cash and cash equivalents at the end of the year | | ₩ 94,098 | ₩ 224,551 |

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

SK Networks Co., Ltd.
Notes to the separate financial statements
December 31, 2023 and 2022

1. Corporate information

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

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, 2023, the Company has its headquarters in Suwon, Gyeonggi Province and has several overseas subsidiaries and branches in China and others.

As of December 31, 2023, the Company's capital stock is ₩ 648,654 million. The major shareholders of the Company are SK Holdings Co., Ltd. (41.2%), National Pension Service (6.6%), and other shareholders.

2. Basis of financial statements preparation and material accounting policies

2.1 Basis of separate financial statements preparation

The Company prepares the statutory separate financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”). This financial statement is the separate financial statements by K-IFRS 1027.

The material accounting policies used for the preparation of the accompanying separate financial statements as of and for the year ended December 31, 2023, are the same as the accounting policies adopted for the preparation of the separate financial statements as of and for the year ended December 31, 2022, except for the adoption of new and revised standards applied in the current period, which are summarized below.

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

The accompanying separate financial statements were approved at the Company's Board of Directors meeting held on February 13, 2024 to be submitted for final approval at the general shareholders' meeting.

2.1.1 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023.

Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments do not have a significant impact on the financial statements.

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

Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact on the financial statements.

Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments do not have a significant impact on the financial statements.

Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments do not have a significant impact on the financial statements.

New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 Insurance Contracts replaces Korean IFRS 1104 Insurance Contracts. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This standard does not have a significant impact on the financial statements.

Korean IFRS 1012 Income Taxes - International Tax Reform – Pillar Two Model Rules

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc.

The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Since the Pillar Two legislation is scheduled to be effective from January 1, 2024, the Company has no current tax expense related to Pillar Two. The Company is in review for the impact of implement the Pillar Two model rules.

2.1.2. New standards and interpretations not yet adopted by the Company

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

Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current

2.1.2. New standards and interpretations not yet adopted by the Company (cont'd)

liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024. The Company is in review for the impact of these amendments on the financial statements.

Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024. The Company is in review for the impact of these amendments on the financial statements.

Amendments to Korean IFRS 1116 Leases - Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024. The Company is in review for the impact of these amendments on the financial statements.

Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets

The amendments require for an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024. The Company is in review for the impact of these amendments on the financial statements.

2.2 Financial assets

2.2.1 Measurement

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

2.2.2 Impairment

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

2.2.3 Recognition and derecognition

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

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

2.3 Financial liabilities

2.3.1 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

2.3.2 Financial guarantee contracts

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

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

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

2.3.3 Derecognition of financial liabilities

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

2.4 Offsetting of financial instruments

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

2.5 Derivative instruments and hedge accounting

In order to manage interest rate risk and foreign currency risk, the Company has entered into a number of derivative contracts including currency forward, interest rate swaps and currency swaps. Derivatives are measured at fair value at the date of initial recognition and are subsequently remeasured to fair value at the end of each reporting period. If the derivative has been designated as a hedging instrument, unrealized gain and losses recognized from change of the derivative's fair value is immediately recognized to profit and loss. 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.

2.5.1 Fair value hedge

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

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

2.5.2 Cash flow hedging

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

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

2.6 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.

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. The Company estimates inventories at the acquisition cost determined by the gross average method (except for some products and goods in transit of the rent-a-car and global segments). The costs of products and work in progress are composed of raw materials, direct labor and other direct costs and manufacturing overhead its possible. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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2.8 Investments in subsidiaries, associates and joint ventures

Pursuant to KIFRS 1027 Separate Financial Statements, the accompanying separate financial statements are accounted for, by a parent or investor in an associate, on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees. Moreover, KIFRS 1027 requires that, in the separate financial statements, investments in subsidiaries and associates should be accounted for at cost.

2.9 Property, plant and equipment

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

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

The depreciation method, residual value and useful life of the tangible assets are reviewed at the end of each reporting period, and changes in accounting estimates are accounted for as changes in accounting estimates. During the current period, the Company has changed its estimation on residual value considering accumulated historical experience related to the use of rental assets, as well as sales policies, sales plans and usage plans. However, the amount of items affected by changed estimation is not disclosed as the impact on the future period cannot be estimated in practice.

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

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

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2.10 Intangible assets(cont'd)

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

| | <u>Useful life (years)</u> |
|--|----------------------------|
| Development costs (including software) | 5 |
| Industrial property rights | 5-10 |
| Other intangible assets | 5-20 |

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

2.11 Investment property

Acquisition cost is recorded as the carrying amount less accumulated depreciation and accumulated impairment losses.

Land investment property is not depreciated. Depreciation of investment property with the exception of land is computed using the straight-line method over 20 to 40 years, depending on the economic useful life.

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.

2.12 Leases

2.12.1 Company as a lessee

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

1) Right-of-use assets

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 life of the assets are as follows:

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

| <u>Description</u> | <u>Useful life (years)</u> | <u>Description</u> | <u>Useful life (years)</u> |
|--------------------|----------------------------|--------------------|----------------------------|
| Real Estate | 20 – 40 | Vehicles | 3 – 5 |

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

2) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

2.12.1 Company as a lessee (cont'd)

3) Short-term lease and leases of low-value assets

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

2.12.2 Company as a lessor

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

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

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

2.13 Revenue recognition

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

2.13.1 Sales of goods

The Company is engaged in the business of purchasing and selling steel, 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.

2.13.2 Provision of services

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

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

2.13.3 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.

2.13 Revenue recognition (cont'd)

2.13.4 Commission income

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

2.13.5 Rental income

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

2.13.6 Dividend income

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

2.13.7 Contract assets and liabilities

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

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

2.14 Employee benefits

2.14.1 Retirement benefits: defined benefit plans

The salary costs of a defined benefit plan are determined for each plan using the projected unit credit method.

2.15 Provisions and contingent liabilities

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

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.

3. Significant accounting judgements, estimates and assumptions

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

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

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

3.1 Impairment of non-financial assets

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

3.2 Valuation of fair value of financial assets

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

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

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

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

The Company is required to estimate property and equipment or intangible asset's useful life and residual value of tangible and intangible assets, significant management judgment is required. The Company estimated considering accumulated historical experience related to the use of that assets, as well as sales policies, sales plans and usage plans.

3.5 Defined benefit plan

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

3.6 Deferred tax assets

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

3.7 Leases- estimating the incremental borrowing rate

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

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

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4. Financial instruments by categories

Details of financial assets as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | |
|--------------------------------------|----------------------|----------------------|-------------------------------|--------------------|
| | Measured at FVTPL | Measured at FVOCI | Measured at amortized cost | Total |
| Current assets: | | | | |
| Cash and cash equivalents | ₩ 7,193 | ₩ - | ₩ 86,905 | ₩ 94,098 |
| Short-term investment | 339,936 | - | - | 339,936 |
| Trade receivables | 173,105 | - | 114,600 | 287,705 |
| Derivative financial assets | 146 | - | - | 146 |
| Current finance lease receivables | - | - | 11,419 | 11,419 |
| Other accounts receivable | - | - | 17,069 | 17,069 |
| Accrued income | - | - | 3 | 3 |
| Guarantee deposits | - | - | 478 | 478 |
| | <u>520,380</u> | <u>-</u> | <u>230,474</u> | <u>750,854</u> |
| Non-current assets: | | | | |
| Long-term financial instruments | - | - | 37 | 37 |
| Long-term trade receivables | - | - | 2,380 | 2,380 |
| Long-term investment securities | 88,272 | 92,391 | - | 180,663 |
| Investments in associates | 41,753 | - | - | 41,753 |
| Finance lease receivables | - | - | 63,425 | 63,425 |
| Long-term guarantee deposits | - | - | 35,245 | 35,245 |
| | <u>130,025</u> | <u>92,391</u> | <u>101,087</u> | <u>323,503</u> |
| | <u>₩ 650,405</u> | <u>₩ 92,391</u> | <u>₩ 331,561</u> | <u>₩ 1,074,357</u> |

| | 2022 | | | | |
|--------------------------------------|----------------------|----------------------|-------------------------------|-----------------------------|--------------------|
| | Measured at FVTPL | Measured at FVOCI | Measured at amortized cost | Designated as hedge item | Total |
| Current assets: | | | | | |
| Cash and cash equivalents | ₩ 12,815 | ₩ - | ₩ 211,736 | ₩ - | ₩ 224,551 |
| Short-term investment | 472,339 | - | 4,522 | - | 476,861 |
| Trade receivables | 44,783 | - | 264,865 | - | 309,648 |
| Derivative financial assets | 85 | - | - | 215 | 300 |
| Current finance lease receivables | - | - | 11,220 | - | 11,220 |
| Other accounts receivable | - | - | 26,366 | - | 26,366 |
| Accrued income | - | - | 6,476 | - | 6,476 |
| Guarantee deposits | - | - | 479 | - | 479 |
| | <u>530,022</u> | <u>-</u> | <u>525,664</u> | <u>215</u> | <u>1,055,901</u> |
| Non-current assets: | | | | | |
| Long-term financial instruments | - | - | 37 | - | 37 |
| Long-term trade receivables | - | - | 2,380 | - | 2,380 |
| Long-term investment securities | 72,957 | 89,905 | - | - | 162,762 |
| Finance lease receivables | - | - | 72,828 | - | 72,828 |
| Other financial assets: | | | | | |
| Long-term guarantee deposits | - | - | 37,135 | - | 37,135 |
| | <u>72,957</u> | <u>89,905</u> | <u>112,380</u> | <u>-</u> | <u>275,142</u> |
| | <u>₩ 602,979</u> | <u>₩ 89,905</u> | <u>₩ 638,044</u> | <u>₩ 215</u> | <u>₩ 1,331,043</u> |

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4. Financial instruments categories (cont'd)

Details of gain and loss by category of financial instruments for the year ended December 31, 2023 and 2022 are as follows (Korean won in millions)

| | 2023 | | | | | | |
|--|-------------------|-------------------|----------------------------|--------------------------|-----------------------|-----------------------------|-------------------|
| | Financial assets | | | | Financial liabilities | | |
| | Measured at FVTPL | Measured at FVOCI | Measured at amortized cost | Designated as hedge item | Measured at FVTPL | Measured at amortized costs | Other |
| Financial assets at fair value through profit or loss | | | | | | | |
| Interest income (expenses) | ₩ - | ₩ - | ₩ 3,070 | ₩ - | ₩ - | ₩ (43,152) | ₩ (7,481) |
| Gain (loss) from derivatives | 52,615 | - | - | - | (43,959) | - | - |
| Gain (loss) from foreign exchange | - | - | 2,344 | - | - | (7,462) | - |
| Gain (loss) related to investment securities, financial instruments | 10,584 | - | - | - | - | - | - |
| Other Gain (loss) from financial instruments | 14 | 1,382 | (6,135) | - | - | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | | |
| Gain (loss) related to investment securities, financial instruments | - | 2,586 | - | - | - | - | - |
| Gain (loss) from derivatives | - | - | - | (216) | - | - | - |
| | <u>₩ 63,213</u> | <u>₩ 3,968</u> | <u>₩ (721)</u> | <u>₩ (216)</u> | <u>₩ (43,959)</u> | <u>₩ (50,614)</u> | <u>₩ (7,481)</u> |
| | | | | | | | |
| | 2022 | | | | | | |
| | Financial assets | | | | Financial liabilities | | |
| | Measured at FVTPL | Measured at FVOCI | Measured at amortized cost | Designated as hedge item | Measured at FVTPL | Measured at amortized costs | Other |
| Financial assets at fair value through profit or loss | | | | | | | |
| Interest income (expenses) | ₩ - | ₩ - | ₩ 26,632 | ₩ - | ₩ - | ₩ (28,363) | ₩ (16,380) |
| Gain (loss) from derivatives | 143,615 | - | - | - | (105,517) | - | - |
| Gain (loss) from foreign exchange | - | - | 7,414 | - | - | (48,335) | - |
| Gain (loss) related to investment securities, financial instruments | 154 | - | - | - | - | - | - |
| Other Gain (loss) from financial instruments | - | 1,811 | (15,013) | - | - | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | | |
| Gain (loss) related to investment securities, financial instruments | - | (48,510) | - | - | - | - | - |
| Gain (loss) from derivatives | - | - | - | 452 | - | - | - |
| | <u>₩ 143,769</u> | <u>₩ (46,699)</u> | <u>₩ 19,033</u> | <u>₩ 452</u> | <u>₩ (105,517)</u> | <u>₩ (76,698)</u> | <u>₩ (16,380)</u> |

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4. Financial instruments categories (cont'd)

4.1 Division by fair value hierarchy

Carrying amount and fair value of financial assets and liabilities as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|------------|-----------------|-------------|-----------------|-------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Bonds | ₩ 1,207,889 | ₩ 1,108,096 | ₩ 1,107,709 | ₩ 1,058,434 |
| Borrowings | 511,273 | 510,538 | 459,699 | 457,674 |

The fair value of bonds payable and borrowings were measured as the present value of the contractual future cash flows discounted at the market interest rate with consideration to residual market risk (3.86%~5.15%).

As the carrying value of other financial assets and other financial liabilities are reasonable approximations to fair values, their fair values have not been disclosed.

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

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

The fair values of financial instruments by fair value hierarchy as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | |
|--|-----------------|---------|-----------|-----------|-----------|
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | | |
| Fair value through profit or loss: | ₩ 650,259 | ₩ - | ₩ 432,840 | ₩ 217,419 | ₩ 650,259 |
| Fair value through other comprehensive income: | 92,391 | 21,361 | - | 71,030 | 92,391 |
| Derivative financial assets | 146 | - | 146 | - | 146 |
| Financial liabilities: | | | | | |
| Fair value through profit or loss: | 114,134 | - | 114,134 | - | 114,134 |
| Derivative financial liabilities | 2,799 | - | 2,799 | - | 2,799 |
| | | | | | |
| | 2022 | | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | | |
| Fair value through profit or loss: | ₩ 602,894 | ₩ - | ₩ 485,154 | ₩ 117,740 | ₩ 602,894 |
| Fair value through other comprehensive income: | 89,805 | 23,010 | - | 66,795 | 89,805 |
| Derivative financial assets | 300 | - | 300 | - | 300 |
| Financial liabilities: | | | | | |
| Derivative financial liabilities | 22,781 | - | 22,781 | - | 22,781 |

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4.1 Division by fair value hierarchy (cont'd)

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the years ended December 31, 2023 and 2022, there were no transfers between different levels of fair value measurement hierarchy.

Change in financial instruments classified as Level 3 for the year end of December 31, 2023 and 2022 is as follows (Korean won in millions):

| | 2023 | | | | | | |
|--|-----------------|-----------------------------------|---|--------------|-----------|-----------|-------------------|
| | As of January 1 | Gain recognised in profit or loss | Gain recognised in other comprehensive income | Acquisitions | Disposals | Other | As of December 31 |
| Financial assets: | | | | | | | |
| Fair value through profit or loss: | ₩ 117,740 | ₩ 8,609 | ₩ - | ₩ 38,869 | ₩ (408) | ₩ 52,609 | ₩ 217,419 |
| Fair value through other comprehensive income: | 66,795 | - | 4,236 | - | - | - | 71,031 |
| | 2022 | | | | | | |
| | As of January 1 | Gain recognised in profit or loss | Loss recognised in other comprehensive income | Acquisitions | Disposals | Other | As of December 31 |
| Financial assets: | | | | | | | |
| Fair value through profit or loss: | ₩ 113,746 | ₩ - | ₩ - | ₩ 11,468 | ₩ - | ₩ (7,474) | ₩ 117,740 |
| Fair value through other comprehensive income: | 107,833 | - | (45,038) | 4,000 | - | - | 66,795 |

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

4.1.1 Currency forwards and currency swaps

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

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4.1 Division by fair value hierarchy (cont'd)

4.1.2 Interest rate swaps

Fair value of interest rate swap was measured, in principle, by the posted "interest rate of swap" of the period corresponding to the remaining maturity of the evaluation subject as of December 31, 2023. 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.

4.1.3 Debt securities

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

4.1.4 Unlisted equity

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

There were no changes in the valuation techniques used to measure the fair value of financial instruments classified as level 2 and level 3 during the year ended December 31, 2023.

Deposits which are restricted in use as of December 31, 2023 and 2022 are summarized as follows (Korean won in millions):

| Accounts | Contractor | 2023 | 2022 | Description |
|----------------------------------|--------------------------|-------|---------|-------------------------------|
| Short-term financial instruments | Hana Bank | ₩ - | ₩ 4,522 | Escrow account |
| Long-term financial instruments | Hana Bank, etc. | 37 | 37 | Collateral for bank overdraft |
| Long-term investment securities | Industrial Bank of Korea | 1,500 | 1,500 | Charitable trust fund |

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5. Trade and other receivables

Details of trade and other receivables as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | |
|--|------------------|--------------------|------------------|
| | Costs | Loss allowance | Carrying amount |
| Trade receivables | ₩ 401,737 | ₩ (114,032) | ₩ 287,705 |
| Other accounts receivable | 32,835 | (15,766) | 17,069 |
| Accrued income | 1,312 | (1,309) | 3 |
| Guarantee deposits | 478 | - | 478 |
| Current portion of finance lease receivables | 11,419 | - | 11,419 |
| Long-term trade receivables | 2,382 | (2) | 2,380 |
| Long-term loans | 33,161 | (33,161) | - |
| Long-term other accounts receivable | 29,362 | (29,362) | - |
| Long-term guarantee deposits | 35,245 | - | 35,245 |
| Finance lease receivables | 63,425 | - | 63,425 |
| | <u>₩ 611,356</u> | <u>₩ (193,632)</u> | <u>₩ 417,724</u> |
| | 2022 | | |
| | Costs | Loss allowance | Carrying amount |
| Trade receivables | ₩ 424,112 | ₩ (114,464) | ₩ 309,648 |
| Other accounts receivable | 41,689 | (15,323) | 26,366 |
| Accrued income | 7,785 | (1,309) | 6,476 |
| Guarantee deposits | 479 | - | 479 |
| Current portion of finance lease receivables | 11,220 | - | 11,220 |
| Long-term trade receivables | 2,382 | (2) | 2,380 |
| Long-term loans | 33,161 | (33,161) | - |
| Long-term other accounts receivable | 29,362 | (29,362) | - |
| Long-term guarantee deposits | 37,135 | - | 37,135 |
| Finance lease receivables | 72,828 | - | 72,828 |
| | <u>₩ 660,153</u> | <u>₩ (193,621)</u> | <u>₩ 466,532</u> |

Details of transferred financial assets that are not derecognised in their entirety as of December 31, 2023 and 2022, and their relationship with the related liabilities, are as follows (Korean won in millions):

| | 2023 | 2022 |
|---|----------|----------|
| Fair value of transferred financial assets that are not derecognised in their entirety | ₩ 87,394 | ₩ 44,783 |
| Fair value of associated financial liabilities | (87,394) | (44,783) |
| Net fair value of transferred financial assets (associated financial liabilities) that are not derecognised in their entirety | - | - |
| Assets that entity continues to recognise | 87,394 | 44,783 |
| Associated liabilities that entity continues to recognise | (87,394) | (44,783) |

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5. Trade and other receivables (cont'd)

Changes in the allowance for doubtful accounts during the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | |
|-----------------------------|-------------------|-----------------------|----------------|---------------------|
| | Beginning balance | Impairment (Reversal) | Abandonment | Ending balance (*1) |
| Trade receivables | ₩ 114,466 | ₩ (323) | ₩ (109) | ₩ 114,034 |
| Other financial assets (*2) | 79,155 | 443 | - | 79,598 |
| | <u>₩ 193,621</u> | <u>₩ 120</u> | <u>₩ (109)</u> | <u>₩ 193,632</u> |

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

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

| | 2022 | | | |
|-----------------------------|-------------------|----------------|-------------|---------------------|
| | Beginning balance | Impairment | Abandonment | Ending balance (*1) |
| Trade receivables | ₩ 110,429 | ₩ 4,037 | ₩ - | ₩ 114,466 |
| Other financial assets (*2) | 75,712 | 3,443 | - | 79,155 |
| | <u>₩ 186,141</u> | <u>₩ 7,480</u> | <u>₩ -</u> | <u>₩ 193,621</u> |

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

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

The aging analysis of trade receivables and other financial assets as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | | | Total |
|-----------------------------|-------------------------------|--------------------------------|-------------|--------------|-----------------|------------------|------------------|-------|
| | Neither past due nor impaired | Past due but not impaired (*2) | | | | Impaired | | |
| | | Within 30 days | 31-90 days | 91-180 days | Over 180 days | | | |
| Trade receivables | ₩ 282,713 | ₩ 7,111 | ₩ 19 | ₩ 110 | ₩ 1,071 | ₩ 113,095 | ₩ 404,119 | |
| Other financial assets (*1) | 113,380 | 177 | 51 | 266 | 13,985 | 79,378 | 207,237 | |
| | <u>₩ 396,093</u> | <u>₩ 7,288</u> | <u>₩ 70</u> | <u>₩ 376</u> | <u>₩ 15,056</u> | <u>₩ 192,473</u> | <u>₩ 611,356</u> | |

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

(*2) The loss provision recognized by collective assessment of receivables past due but not impaired is KRW 1,156 million as of December 31, 2023.

| | 2022 | | | | | | | Total |
|-----------------------------|-------------------------------|---------------------------|-----------------|----------------|-----------------|------------------|------------------|-------|
| | Neither past due nor impaired | Past due but not impaired | | | | Impaired | | |
| | | Within 30 days | 31-90 days | 91-180 days | Over 180 days | | | |
| Trade receivables | ₩ 254,360 | ₩ 3,927 | ₩ 48,016 | ₩ 2,565 | ₩ 3,160 | ₩ 114,466 | ₩ 426,494 | |
| Other financial assets (*1) | 140,203 | 900 | 1,742 | 163 | 11,496 | 79,155 | 233,659 | |
| | <u>₩ 394,563</u> | <u>₩ 4,827</u> | <u>₩ 49,758</u> | <u>₩ 2,728</u> | <u>₩ 14,656</u> | <u>₩ 193,621</u> | <u>₩ 660,153</u> | |

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

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6. Other assets

Details of other assets as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|----------------------------|------|--------|------|--------|
| Other current assets | | | | |
| Advanced payments | ₩ | 33 | ₩ | 3,058 |
| Prepaid expenses | | 10,967 | | 35,069 |
| Others | | 1,192 | | - |
| | ₩ | 12,192 | ₩ | 38,127 |
| Other non-current assets | | | | |
| Long-term prepaid expenses | ₩ | 132 | ₩ | 81 |
| Defined benefit assets | | 33,633 | | 47,187 |
| Others | | 57 | | 59 |
| | ₩ | 33,822 | ₩ | 47,327 |

7. Inventory

Details of inventory as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | 2022 | | |
|------------------|-----------|---------------------|-----------------|-----------|---------------------|-----------------|
| | Costs | Valuation allowance | Carrying amount | Costs | Valuation allowance | Carrying amount |
| Raw materials | ₩ 450,623 | ₩ (7,192) | ₩ 443,431 | ₩ 486,317 | ₩ (9,351) | ₩ 476,966 |
| Merchandise | 2,349 | - | 2,349 | 4,256 | - | 4,256 |
| Goods-in-transit | 20,405 | - | 20,405 | 18,503 | - | 18,503 |
| | ₩ 473,377 | ₩ (7,192) | ₩ 466,185 | ₩ 509,076 | ₩ (9,351) | ₩ 499,725 |

The Company recognized the reversal of inventory impairment loss for the years ended December 31, 2023 and 2022 as follows (Korean won in millions):

| | 2023 | | 2022 | |
|---------------------------------------|------|---------|------|---------|
| Reversal of inventory impairment loss | ₩ | (2,128) | ₩ | (4,743) |

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8. Investment securities

Investment securities as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | |
|-------------------|-------------------|----------------|-----------------|----------------|
| | Equity securities | | Debt securities | |
| | Marketable | Non-marketable | Marketable | Non-marketable |
| Measured at FVTPL | ₩ - | ₩ - | ₩ - | ₩ 88,272 |
| Measured at FVOCI | 21,360 | 71,030 | - | - |
| | ₩ 21,360 | ₩ 71,030 | ₩ - | ₩ 88,272 |
| | 2022 | | | |
| | Equity securities | | Debt securities | |
| | Marketable | Non-marketable | Marketable | Non-marketable |
| Measured at FVTPL | ₩ - | ₩ - | ₩ - | ₩ 72,957 |
| Measured at FVOCI | 23,010 | 66,795 | - | - |
| | ₩ 23,010 | ₩ 66,795 | ₩ - | ₩ 72,957 |

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

Fair value of investments in equity instruments designated at fair value through other comprehensive income as of December 31, 2023 and 2022 are summarized as follows (Korean won in millions):

| | 2023 | 2022 |
|----------------------------------|-----------------|-----------------|
| | Carrying amount | Carrying amount |
| Paradise Company Limited | 2,784 | 3,679 |
| Koramco Life Infra Reit CO., LTD | 18,576 | 19,331 |
| SK Technology Innovation Company | 10,246 | 6,671 |
| Paradise Global CO., LTD | 24,612 | 21,212 |
| Kurly Co. Ltd. | 33,257 | 32,413 |
| Korea Economic Daily Co., Ltd. | 1,010 | 1,010 |
| Koreai Platform Co., Ltd. | 1,000 | 1,000 |
| Others | 911 | 4,489 |
| | ₩ 92,390 | ₩ 89,805 |

Changes in investments in equity instruments designated as measured at fair value through other comprehensive income and others for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|----------|----------|
| | ₩ | ₩ |
| Beginning balance | 89,805 | 134,321 |
| Acquisition | - | 4,000 |
| Disposals | - | - |
| Valuation (profit and loss) | - | - |
| Valuation (other comprehensive income or loss) | 2,585 | (48,516) |
| Ending balance | ₩ 92,390 | ₩ 89,805 |

Dividends recognized for investments in equity instruments designated as measured at fair value through other comprehensive income and others for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---|-------|-------|
| | ₩ | ₩ |
| Dividends recognized for investments in equity instruments designated at fair value through other comprehensive income, held at end of reporting period | 1,382 | 1,786 |

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9. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | Location | Principal business activity | 2023 | | 2022 | | Closing month |
|---|-----------|------------------------------------|------------------|--------------------|------------------|--------------------|---------------|
| | | | Equity ownership | Carrying amount | Equity ownership | Carrying amount | |
| SK Networks Service Co., Ltd. | Korea | Communication equipment | 86.50% | ₩ 19,316 | 86.50% | ₩ 19,316 | December |
| SK Magic Co., Ltd. | Korea | Household appliances manufacturing | 100.00% | 610,000 | 100.00% | 610,000 | December |
| SK Rent A Car Co., Ltd. | Korea | Car rental | 93.59% | 677,959 | 72.95% | 558,309 | December |
| SKN (China) Holdings Co., Ltd. (*1) | China | Holding company | 100.00% | - | 100.00% | - | December |
| POSK (Pinghu) Steel Processing Center Co., Ltd. | China | Steel manufacturing | 80.00% | 4,370 | 80.00% | 7,218 | December |
| SK Networks (Shanghai) Co., Ltd. | China | Trading | 100.00% | 12,442 | 100.00% | 23,000 | December |
| SK Networks Hong Kong Ltd. | Hong Kong | Trading | 100.00% | 25,940 | 100.00% | 25,940 | December |
| SK Networks Japan Co., Ltd. | Japan | Trading | 100.00% | 1,902 | 100.00% | 1,902 | December |
| SK Networks Deutschland GmbH | Germany | Trading | 100.00% | 262 | 100.00% | 2,052 | December |
| SK Networks Resources Australia (Wyong) Pty Ltd. (*1) | Australia | Overseas resources development | 100.00% | - | 100.00% | - | December |
| SK Networks Resources Pty. Ltd. (*1) | Australia | Overseas resources development | 100.00% | - | 100.00% | - | December |
| SK Networks Trading Malaysia Sdn Bhd | Malaysia | Trading | - | - | 100.00% | 389 | December |
| SK Brazil LTDA | Brazil | Trading | 56.00% | 387 | 56.00% | 387 | December |
| SK Networks America Inc. | USA | Trading | 100.00% | 26 | 100.00% | 4,298 | December |
| Networks Tejarat Pars | Iran | Trading | 100.00% | 297 | 100.00% | 297 | December |
| MINTIT Co., Ltd. | Korea | Wholesale and commodity brokerage | 100.00% | 55,675 | 100.00% | 55,675 | December |
| Hico Capital LLC | USA | Investment company | 100.00% | 126,781 | 100.00% | 112,336 | December |
| Cartini Co., Ltd. | Korea | E-commerce retailing | 100.00% | 4,040 | 100.00% | 10,519 | December |
| En-core Co., Ltd. | Korea | Service and wholesale and retail | 88.47% | 96,471 | - | - | December |
| | | | | <u>₩ 1,635,868</u> | | <u>₩ 1,431,638</u> | |

(*1) Investments in subsidiaries are classified as non-current assets held for sale as the management decided to sell them prior to 2022.

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

Changes in carrying amount of investments in subsidiaries for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | Ending balance |
|--|-------------------|--------------|------------|------------|----------|----------------|
| | Beginning balance | Acquisitions | Disposals | Impairment | Reversal | |
| SK Networks Service Co., Ltd. | ₩ 19,316 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 19,316 |
| SK Magic Co., Ltd. | 610,000 | - | - | - | - | 610,000 |
| SK Rent A Car Co., Ltd. (*1) | 558,309 | 119,650 | - | - | - | 677,959 |
| SKN (China) Holdings Co., Ltd. | - | - | - | - | - | - |
| POSK (Pinghu) Steel Processing Center Co., Ltd. (*2) | 7,218 | - | - | (2,848) | - | 4,370 |
| SK Networks (Shanghai) Co., Ltd. (*3) | 23,000 | - | (13,174) | - | 2,616 | 12,442 |
| SK Networks Hong Kong Ltd. | 25,940 | - | - | - | - | 25,940 |
| SK Networks Japan Co., Ltd. | 1,902 | - | - | - | - | 1,902 |
| SK Networks Deutschland GmbH (*2) | 2,052 | - | - | (1,790) | - | 262 |
| SK Networks Resources Australia (Wyong) Pty Ltd. | - | - | - | - | - | - |
| SK Networks Resources Pty. Ltd. | - | - | - | - | - | - |
| SK Networks Trading Malaysia Sdn Bhd (*5) | 389 | - | (389) | - | - | - |
| SK Brazil LTDA | 387 | - | - | - | - | 387 |
| SK Networks America Inc. (*4) | 4,298 | - | (4,272) | - | - | 26 |
| Networks Tejarat Pars | 297 | - | - | - | - | 297 |
| MINTIT Co., Ltd. | 55,675 | - | - | - | - | 55,675 |
| Hico Capital LLC (*6) | 112,336 | 14,445 | - | - | - | 126,781 |
| Cartini Co., Ltd. (*2) | 10,519 | - | - | (6,479) | - | 4,040 |
| En-core Co., Ltd. (*7) | - | 96,471 | - | - | - | 96,471 |
| | ₩ 1,431,638 | ₩ 230,566 | ₩ (17,835) | ₩ (11,117) | ₩ 2,616 | ₩ 1,635,868 |

(*1) The Company made a tender offer and additionally acquired 8,862,865(ownership percentage: 18.74%) shares in the entities during the year ended December 31, 2023.

(*2) Impairment was recognized during the year ended December 31, 2023.

(*3) The balance decreased due to a paid-in capital reduction and the company recognized reversal of impairment losses during the year ended December 31, 2023.

(*4) The balance decreased due to a paid-in capital reduction during the year ended December 31, 2023.

(*5) The entity was liquidated during the year ended December 31, 2023.

(*6) Additional investment was made during the year ended December 31, 2023.

(*7) The Company newly acquired shares in the entities during the year ended December 31, 2023.

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

| | 2022 | | | | Ending balance |
|---|-------------------|--------------|-----------|------------|----------------|
| | Beginning balance | Acquisitions | Disposals | Impairment | |
| SK Networks Service Co., Ltd. | ₩ 19,316 | ₩ - | ₩ - | ₩ - | ₩ 19,316 |
| SK Magic Co., Ltd. | 610,000 | - | - | - | 610,000 |
| SK Rent A Car Co., Ltd. | 558,309 | - | - | - | 558,309 |
| SKN (China) Holdings Co., Ltd. | - | - | - | - | - |
| POSK (Pinghu) Steel Processing Center Co., Ltd. | 7,218 | - | - | - | 7,218 |
| SK Networks (Shanghai) Co., Ltd | 23,000 | - | - | - | 23,000 |
| SK Networks Hong Kong Ltd. (*1) | 31,521 | - | (5,581) | - | 25,940 |
| SK Networks Japan Co., Ltd. | 1,902 | - | - | - | 1,902 |
| SK Networks Deutschland GmbH | 2,052 | - | - | - | 2,052 |
| SK Networks Resources Australia (Wyong) Pty Ltd. | - | - | - | - | - |
| SK Networks Resources Pty. Ltd. | - | - | - | - | - |
| SK Networks Trading Malaysia Sdn Bhd | 389 | - | - | - | 389 |
| SK Brazil LTDA | 387 | - | - | - | 387 |
| SK Networks America Inc. | 4,298 | - | - | - | 4,298 |
| SK NETWORKS BRASIL INTERMEDIACAO DE NEGOCIOS LTDA. (*2) | 1,120 | - | (1,120) | - | - |
| Networks Tejarat Pars | 297 | - | - | - | 297 |
| MINTIT Co., Ltd. | 55,675 | - | - | - | 55,675 |
| Hico Capital LLC (*3) | 38,145 | 74,191 | - | - | 112,336 |
| Cartini Co., Ltd. (*4) | 17,920 | - | - | (7,401) | 10,519 |
| | ₩ 1,371,549 | ₩ 74,191 | ₩ (6,701) | ₩ (7,401) | ₩ 1,431,638 |

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

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

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

(*4) Impairment was recognized amounted to ₩7,401 million during the year ended December 31, 2022.

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

Investments in associates as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | Location | Principal business activity | 2023 | | 2022 | | Closing month |
|--|-------------|---|------------------|-----------------------------------|------------------|------------------------------|---------------|
| | | | Equity ownership | Carrying amount | Equity ownership | Carrying amount | |
| SK MENA Investment BV | Netherlands | Investment company | 21.79% | ₩ 9,780 | 21.79% | ₩ 9,780 | December |
| SK Latin America investment S.A. | Spain | Investment company | 21.79% | 9,685 | 21.79% | 9,685 | December |
| Ever ON Co., Ltd. (*1,2,4) | Korea | Charging Service company | 9.62% | 13,753 | 14.50% | 9,999 | December |
| Blockodysey Inc. (*2,4) | Korea | Information Service company | 10.97% | 2,555 | 11.11% | 10,835 | December |
| SVA Venture fund II | Korea | Investment company | 31.75% | 10,428 | 31.75% | 10,428 | December |
| SK Electlink Co., Ltd. (old, SSCharger Co., Ltd.) (*3) | Korea | Charging Service Single ingredient and other feed manufacturing | 52.82% | 88,684 | 52.82% | 72,839 | December |
| BMSMILE CO., Ltd. (*1,2) | Korea | | 10.82% | <u>28,000</u> <u>₩ 162,885</u> | - | <u>-</u> <u>₩ 123,566</u> | December |

(*1) Although the Group owns redeemable convertible preference shares and ownership percentage is less than 20%, the Group has significant influence through rights to appoint directors, thus the classification as associates. However, it is determined to be substantially limited in its access to the returns from ownership interest of the associate, and the investment is classified as a financial asset measured at fair value in accordance with Korean IFRS 1109.

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

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

(*4) Ownership percentage decreased due to unequal capital increase during the year ended December 31, 2023.

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

Changes in carrying amount of investments in associates for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | Ending balance |
|---|-------------------|--------------|------------|---------|----------------|
| | Beginning balance | Acquisitions | Impairment | Others | |
| SK MENA Investment BV | ₩ 9,780 | ₩ - | ₩ - | ₩ - | ₩ 9,780 |
| SK Latin America investment S.A. | 9,685 | - | - | - | 9,685 |
| Ever ON Co., Ltd.(*1). | 9,999 | - | - | 3,754 | 13,753 |
| Blockodyssey Inc. (*2) | 10,835 | - | (8,280) | - | 2,555 |
| SVA Venture fundⅡ | 10,428 | - | - | - | 10,428 |
| SK Electlink Co., Ltd. (old, SSCharger Co., Ltd.)(*3) | 72,839 | 15,845 | - | - | 88,684 |
| BMSMILE CO., Ltd. (*4) | - | 28,000 | - | - | 28,000 |
| | ₩ 123,566 | ₩ 43,845 | ₩ (8,280) | ₩ 3,754 | ₩ 162,885 |

(*1) It was determined to be substantially limited in its access to the returns from ownership interest of the associate, and the investment is classified as a financial asset measured at fair value in accordance with Korean IFRS 1109. Of this amount, ₩3,754 million was recognized as gain on valuation of financial assets at fair value through profit or loss.

(*2) Impairment was recognized during the year ended December 31, 2023.

(*3) Additional investment was made during the year ended December 31, 2023.

(*4) The Company newly acquired shares in the entities during the year ended December 31, 2023.

| | 2022 | | |
|---|-------------------|--------------|----------------|
| | Beginning balance | Acquisitions | Ending balance |
| SK MENA Investment BV | ₩ 9,780 | ₩ - | ₩ 9,780 |
| SK Latin America investment S.A. | 9,685 | - | 9,685 |
| Ever ON Co., Ltd.(*1). | - | 9,999 | 9,999 |
| Blockodyssey Inc. (*1) | - | 10,835 | 10,835 |
| SVA Venture fundⅡ(*1) | - | 10,428 | 10,428 |
| SK Electlink Co., Ltd. (old, SSCharger Co., Ltd.)(*1) | - | 72,839 | 72,839 |
| | ₩ 19,465 | ₩ 104,101 | ₩ 123,566 |

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

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10. Property, plant and equipment

The acquisition costs and net carrying amount of property, plant and equipment as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | 2022 | | |
|--------------------------|--------------------|------------------------------|------------------|--------------------|------------------------------|------------------|
| | Acquisition costs | Accumulated amortization(*1) | Carrying amount | Acquisition costs | Accumulated amortization(*1) | Carrying amount |
| Land | ₩ 508,531 | ₩ - | ₩ 508,531 | ₩ 528,237 | ₩ - | ₩ 528,237 |
| Buildings | 488,872 | (215,425) | 273,447 | 509,002 | (204,023) | 304,979 |
| Structures | 36,863 | (24,347) | 12,516 | 37,531 | (23,282) | 14,249 |
| Storage tanks | 693 | (260) | 433 | 741 | (242) | 499 |
| Machinery and equipment | 49,973 | (40,165) | 9,808 | 48,722 | (38,379) | 10,343 |
| Vehicles | 1,198 | (1,111) | 87 | 1,603 | (1,424) | 179 |
| Rental property | 28,037 | (8,324) | 19,713 | 59,265 | (26,130) | 33,135 |
| Furniture and fixtures | 108,739 | (94,703) | 14,036 | 113,031 | (96,443) | 16,588 |
| Others | 164,429 | (99,654) | 64,775 | 159,009 | (86,461) | 72,548 |
| Construction-in-progress | 10,274 | - | 10,274 | 7,415 | - | 7,415 |
| | <u>₩ 1,397,609</u> | <u>₩ (483,989)</u> | <u>₩ 913,620</u> | <u>₩ 1,464,556</u> | <u>₩ (476,384)</u> | <u>₩ 988,172</u> |

(*1) Consists of accumulated depreciation and accumulated impairment loss.

Changes in the net carrying amount of property, plant and equipment for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | | Ending balance |
|--------------------------|-------------------|-----------------|-------------------|-------------------|----------------|-------------------|------------------|
| | Beginning balance | Acquisitions | Disposals | Depreciations | Impairment | Others (*1) | |
| Land | ₩ 528,237 | ₩ - | ₩ (10,467) | ₩ - | ₩ - | ₩ (9,239) | ₩ 508,531 |
| Buildings | 304,979 | 48 | (8,372) | (12,740) | - | (10,468) | 273,447 |
| Structures | 14,249 | 410 | (1,664) | (1,303) | - | 824 | 12,516 |
| Storage tanks | 499 | - | (20) | (46) | - | - | 433 |
| Machinery and equipment | 10,343 | 1,613 | (20) | (3,131) | - | 1,003 | 9,808 |
| Vehicles | 179 | - | - | (92) | - | - | 87 |
| Rental property | 33,135 | 45,413 | - | (12,857) | - | (45,978) | 19,713 |
| Furniture and fixtures | 16,588 | 4,006 | (358) | (6,816) | - | 616 | 14,036 |
| Others | 72,548 | 519 | (755) | (18,220) | 2,070 | 8,613 | 64,775 |
| Construction-in-progress | 7,415 | 20,675 | - | - | - | (17,816) | 10,274 |
| | <u>₩ 988,172</u> | <u>₩ 72,684</u> | <u>₩ (21,656)</u> | <u>₩ (55,205)</u> | <u>₩ 2,070</u> | <u>₩ (72,445)</u> | <u>₩ 913,620</u> |

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

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

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

(*1) Decreased due to the partial sale of Speedmate business units during the year ended December 31, 2022 (see note 30).

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

Prior to the year ended December 31, 2022, 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 | 84,381 | 1% | 8.47% |

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

As a result of the impairment assessment for the year ended December 31, 2023, the recoverable value exceeds the carrying amount and the Company recognized ₩ 2,070 million as reversal of impairment losses accordingly, considering the limit of the reversal of impairment losses.

There are no borrowing costs capitalized for the year ended December 31, 2023 and 2022.

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11. Intangible assets

The acquisition costs and net carrying amount of intangible assets as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | 2022 | | |
|----------------------------|-------------------|-------------------------------|-----------------|-------------------|-------------------------------|-----------------|
| | Acquisition costs | Accumulated amortization (*1) | Carrying amount | Acquisition costs | Accumulated amortization (*1) | Carrying amount |
| Development cost | ₩ 96,032 | ₩ (77,956) | ₩ 18,076 | ₩ 89,276 | ₩ (70,484) | ₩ 18,792 |
| Industrial property rights | 316 | (291) | 25 | 316 | (282) | 34 |
| Memberships | 13,133 | (17) | 13,116 | 13,263 | (17) | 13,246 |
| Customer Relationship | 4,916 | (4,916) | - | 4,916 | (4,916) | - |
| Others | 6,691 | (6,141) | 550 | 11,989 | (11,002) | 987 |
| | <u>₩ 121,088</u> | <u>₩ (89,321)</u> | <u>₩ 31,767</u> | <u>₩ 119,760</u> | <u>₩ (86,701)</u> | <u>₩ 33,059</u> |

(*1) Consists of accumulated depreciation and accumulated impairment loss.

Changes in intangible assets other than goodwill for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | |
|----------------------------|-------------------|----------------|------------------|------------------|----------------|-----------------|
| | Beginning balance | Acquisitions | Disposals | Amortization | Others (*1) | Ending balance |
| Development cost | ₩ 18,792 | ₩ - | ₩ - | ₩ (7,460) | ₩ 6,744 | ₩ 18,076 |
| Industrial property rights | 34 | - | - | (9) | - | 25 |
| Memberships | 13,246 | 1,000 | (1,130) | - | - | 13,116 |
| Others | 987 | 128 | (469) | (96) | - | 550 |
| | <u>₩ 33,059</u> | <u>₩ 1,128</u> | <u>₩ (1,599)</u> | <u>₩ (7,565)</u> | <u>₩ 6,744</u> | <u>₩ 31,767</u> |

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

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

(*1) The amount above decreased due to the partial sale of Speedmate business units during the year ended December 31, 2022 (see note 30).

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

The Company participates as a government council on the Clayton blockchain mainnet to acquire the cryptocurrency KLAY, and participates as a validator on the XPLA blockchain mainnet to acquire the cryptocurrency XPLA. These assets are recognized as other intangible assets, and the carrying amount is KRW 30 million (2022: KRW 372 million). As of the end of the reporting period, the Company has 0 KLAY and 101,431 XPLA (2022: 6,398,066 KLAY and 11,791 XPLA).

There are no research and development expenses recognized as expense during the years ended December 31, 2023 and 2022.

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12. Investment properties

The acquisition costs and net carrying amount of Investment properties as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | 2022 | | |
|-----------|-------------------|--------------------------|------------------|-------------------|--------------------------|------------------|
| | Acquisition costs | Accumulated depreciation | Carrying amount | Acquisition costs | Accumulated depreciation | Carrying amount |
| Land | ₩ 127,618 | ₩ - | ₩ 127,618 | ₩ 122,980 | ₩ - | ₩ 122,980 |
| Buildings | 30,251 | (12,637) | 17,614 | 21,967 | (11,674) | 10,293 |
| | <u>₩ 157,869</u> | <u>₩ (12,637)</u> | <u>₩ 145,232</u> | <u>₩ 144,947</u> | <u>₩ (11,674)</u> | <u>₩ 133,273</u> |

Changes in investment properties for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | |
|-----------|-------------------|------------------|----------------|-----------------|------------------|
| | Beginning balance | Disposals | Depreciation | Transfer (*) | Ending balance |
| Land | ₩ 122,980 | ₩ (4,600) | ₩ - | ₩ 9,238 | ₩ 127,618 |
| Buildings | 10,293 | (2,350) | (795) | 10,466 | 17,614 |
| | <u>₩ 133,273</u> | <u>₩ (6,950)</u> | <u>₩ (795)</u> | <u>₩ 19,704</u> | <u>₩ 145,232</u> |

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

| | 2022 | | | | |
|-----------|-------------------|----------------|----------------|-----------------|------------------|
| | Beginning balance | Disposals | Depreciation | Transfer (*) | Ending balance |
| Land | ₩ 105,837 | ₩ (831) | ₩ - | ₩ 17,974 | ₩ 122,980 |
| Buildings | 13,896 | - | (422) | (3,181) | 10,293 |
| | <u>₩ 119,733</u> | <u>₩ (831)</u> | <u>₩ (422)</u> | <u>₩ 14,793</u> | <u>₩ 133,273</u> |

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

Details of gains and losses related to investment property for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|----------------|----------------|
| Rental income from investment property | ₩ 2,397 | ₩ 2,858 |
| Operating expense | (795) | (422) |
| | <u>₩ 1,602</u> | <u>₩ 2,436</u> |

The fair value of investment property as of December 31, 2023 is ₩140,167 million.

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13. Right-of-use assets and lease liabilities

Details of right-of-use assets as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | 2022 | | |
|--------------|-------------------|--------------------------|------------|-------------------|--------------------------|------------|
| | Acquisition costs | Accumulated depreciation | Book value | Acquisition costs | Accumulated depreciation | Book value |
| Real estates | ₩ 122,309 | ₩ (49,104) | ₩ 73,205 | ₩ 129,598 | ₩ (47,572) | ₩ 82,026 |
| Vehicles | 272,055 | (264,337) | 7,718 | 614,877 | (415,218) | 199,659 |
| | ₩ 394,364 | ₩ (313,441) | ₩ 80,923 | ₩ 744,475 | ₩ (462,790) | ₩ 281,685 |

Changes in right-of-use asset for the year ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | Ending balance |
|--------------|-------------------|-------------|--------------|-------------|----------------|
| | Beginning balance | Acquisition | Depreciation | Others (*) | |
| Real estates | ₩ 82,026 | ₩ 7,378 | ₩ (16,495) | ₩ 296 | ₩ 73,205 |
| Vehicles | 199,659 | - | (26,542) | (165,399) | 7,718 |
| | ₩ 281,685 | ₩ 7,378 | ₩ (43,037) | ₩ (165,103) | ₩ 80,923 |

(*) It consists of early termination.

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

(*) It consists of early termination.

Changes in lease liabilities for the year ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---------------------------------------|-----------|-----------|
| Beginning balance | ₩ 373,919 | ₩ 682,146 |
| Increase | 7,288 | 3,773 |
| Interest expense | 7,481 | 16,380 |
| Repayment | (63,322) | (144,605) |
| Others (*) | (165,438) | (183,775) |
| Ending balance | ₩ 159,928 | ₩ 373,919 |
| Current portion lease liabilities | ₩ 34,046 | ₩ 215,227 |
| Non-current portion lease liabilities | 125,882 | 158,692 |

(*) It decreased due to early termination.

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

Related gains and losses of leases for lessee for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---|-------------------|-----------------------------|
| Depreciation of right-of-use assets | ₩ (43,037) | ₩ (113,299) |
| Interest expense on lease liabilities | (7,481) | (16,380) |
| Expense relating to short-term leases for which recognition exemption has been used | (8,915) | (5,757) |
| Expense relating to leases of low-value assets for which recognition exemption has been used | (490) | (445) |
| Expense relating to variable lease payments not included in measurement of lease liabilities | (68) | (811) |
| Amount recognised in profit or loss for reporting period to reflect changes in lease payments that arise from rent concessions occurring as direct consequence of covid-19 pandemic to which lessee applied practical expedient in paragraph 46A of IFRS 16 | - | 827 |
| Income from subleasing right-of-use assets | 37,099 | 153,717 |
| Profits(losses) of right-of-use assets | 121 | 354 |
| | <u>₩ (22,771)</u> | <u>₩¹ 18,206</u> |

Total cash outflow due to leases for lessee for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|-------------------------|----------|-----------|
| Cash outflow for leases | ₩ 72,795 | ₩ 151,618 |

In relation to the Company's operating lease contracts, the expected future lease revenues as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| Year | 2023 | 2022 |
|--|----------------|-----------------|
| Not later than one year | ₩ 5,945 | ₩ 66,998 |
| Later than one year and not later than two years | 81 | 3,282 |
| Later than two years and not later than three years | 30 | 2 |
| Later than three years and not later than four years | 30 | - |
| Later than four years and not later than five years | 30 | - |
| Later than five years | 420 | - |
| | <u>₩ 6,536</u> | <u>₩ 70,282</u> |

Gross investment in leases and present value of minimum lease payments for finance leases as of December 31, 2023 are as follows (Korean won in millions):

| Year | Gross investment in the lease | Present value of minimum lease payments |
|--|-------------------------------|---|
| Not later than one year | ₩ 11,589 | ₩ 11,419 |
| Later than one year and not later than two years | 11,782 | 11,294 |
| Later than two years and not later than three years | 11,871 | 11,071 |
| Later than three years and not later than four years | 11,989 | 10,877 |
| Later than four years and not later than five years | 12,081 | 10,663 |
| Later than five years | 22,990 | 19,521 |
| | <u>₩ 82,302</u> | <u>₩ 74,845</u> |

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

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):

| Year | Gross investment in the lease | Present value of minimum lease payments |
|--|----------------------------------|--|
| Not later than one year | ₩ 11,387 | ₩ 11,220 |
| Later than one year and not later than two years | 11,589 | 11,109 |
| Later than two years and not later than three years | 11,782 | 10,987 |
| Later than three years and not later than four years | 11,871 | 10,770 |
| Later than four years and not later than five years | 11,989 | 10,581 |
| Later than five years | 35,071 | 29,381 |
| | <u>₩ 93,689</u> | <u>₩ 84,048</u> |

Details of unrealized interest income for financial lease contracts as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---|-----------------|-----------------|
| Undiscounted finance lease payments to be received | ₩ 82,302 | ₩ 93,689 |
| Unearned finance income relating to finance lease payments receivable | (7,457) | (9,641) |
| Net investment in finance lease | <u>₩ 74,845</u> | <u>₩ 84,048</u> |

The amount of recognized interest income related to net investment in the lease in 2023 is ₩2,184 million (2022: ₩2,361 million.)

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14. Borrowings and bonds

Details of bonds and borrowings as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | Current | Non-current | Current | Non-current |
| Short-term borrowings | ₩ 507,464 | ₩ - | ₩ 430,065 | ₩ - |
| Bonds and long-term borrowings: | | | | |
| Long-term borrowings | 694 | 3,115 | 25,825 | 3,809 |
| Bonds | 369,882 | 838,007 | 139,963 | 967,746 |
| | <u>370,576</u> | <u>841,122</u> | <u>165,788</u> | <u>971,555</u> |
| | <u>₩ 878,040</u> | <u>₩ 841,122</u> | <u>₩ 595,853</u> | <u>₩ 971,555</u> |

Short-term borrowings as of December 31, 2023 and 2022 are summarized as follows (Korean won in millions):

| Portion | Lender or issuer | Borrowings, original currency | Yearly interest rate (%) | | |
|-------------------------------|---|-------------------------------------|-----------------------------|------------------|------------------|
| | | | | 2023 | 2022 |
| Commercial paper | KIWOOM Securities Co.,Ltd. etc | KRW | 4.68 ~ 4.99 | ₩ 300,000 | ₩ 180,000 |
| General borrowings | KEB Hana Bank | KRW | - | - | 50,000 |
| Banker's usance | KEB Hana Bank etc NH Bank | USD | Term SOFR + 0.55 ~ 1.20 | 120,070 | 155,282 |
| | | USD | Term SOFR + 0.70 | 27,442 | - |
| | | USD | | 53,956 | 32,415 |
| | | EUR | | 5,370 | 7,123 |
| | | JPY | Term SOFR + 0.75 | 626 | 885 |
| Discounts of notes receivable | KEB Hana Bank SHINHAN BANK Woori Bank | HKD | - | - | 728 |
| | | USD | - | - | 45 |
| | | USD | - | - | 3,587 |
| | | | | <u>₩ 507,464</u> | <u>₩ 430,065</u> |

Long-term Borrowings (including current portion) as of December 31, 2023 and 2022 are summarized as follows (Korean won in millions):

| Portion | Lender or issuer | Borrowings, original currency | Yearly interest rate (%) | | |
|------------------------------------|-------------------------------------|-------------------------------------|-----------------------------|----------------|-----------------|
| | | | | 2023 | 2022 |
| General borrowings | Korea Energy Agency | KRW | 1.46 | ₩ 3,809 | ₩ 4,634 |
| Borrowings for facility investment | Korea Development Bank | KRW | - | - | 25,000 |
| | | | | <u>₩ 3,809</u> | <u>₩ 29,634</u> |
| | Less: current portion of borrowings | | | <u>(694)</u> | <u>(25,825)</u> |
| | | | | <u>₩ 3,115</u> | <u>₩ 3,809</u> |

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14. Borrowings and bonds payable (cont'd)

Details of bonds payable as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| Issuance number | Issue date | Maturity date | Yearly interest rate | 2023 | 2022 |
|------------------------------|------------|---------------|----------------------|------------------|------------------|
| 181-2nd | 2018-04-18 | 2023-04-18 | - | - | 140,000 |
| 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 | 230,000 |
| 184-2nd | 2022-04-18 | 2027-04-18 | 4.07% | 30,000 | 30,000 |
| 185-1st | 2023-04-17 | 2025-04-17 | 4.05% | 30,000 | - |
| 185-2nd | 2023-04-17 | 2026-04-17 | 4.08% | 100,000 | - |
| 185-3rd | 2023-04-17 | 2028-04-17 | 4.30% | 110,000 | - |
| | | | | <u>1,210,000</u> | <u>1,110,000</u> |
| Less: present value discount | | | | (2,111) | (2,291) |
| Less: current portion | | | | (369,882) | (139,963) |
| | | | | <u>₩ 838,007</u> | <u>₩ 967,746</u> |

15. Other liabilities

Other liabilities as of December 31, 2023 and 2022 are summarized as follows (Korean won in millions):

| | 2023 | 2022 |
|--|-----------------|-----------------|
| Other current liabilities | | |
| Short-term advances from customers | ₩ 9,970 | ₩ 9,708 |
| Short-term income received in advance | 5,347 | 3,894 |
| Short-term withholdings | 5,309 | 4,120 |
| Current contract liabilities | 26,109 | 28,256 |
| Current value added tax payables | 6,478 | 821 |
| Short-term other payables | 9,476 | - |
| Short-term accrued expenses | 6,631 | - |
| | <u>₩ 69,320</u> | <u>₩ 46,799</u> |
| Other non-current liabilities | | |
| Long-term income received in advance | ₩ - | ₩ 35 |
| Adjustments for share-based payments | 817 | - |
| Non-current provisions for employee benefits | 716 | 744 |
| | <u>₩ 1,533</u> | <u>₩ 779</u> |

The amount of contract liabilities recognized as revenue during the year ended December 31, 2023 is ₩20,525 million (2022: ₩28,531 million).

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16. Derivative instruments

Derivative instruments held for sale of December 31, 2023 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. |

Details of derivative assets and liabilities held for sale or hedging as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | |
|---------------------------|---------|-------------|-------------|-------------|
| | Assets | | Liabilities | |
| | Current | Non-current | Current | Non-current |
| For trading : | | | | |
| Foreign currency forwards | ₩ 146 | ₩ - | ₩ 2,799 | ₩ - |
| | 2022 | | | |
| | Assets | | Liabilities | |
| | Current | Non-current | Current | Non-current |
| For trading : | | | | |
| Foreign currency forwards | ₩ 85 | ₩ - | ₩ 22,781 | ₩ - |
| Cash flow hedges : | | | | |
| Interest rate swap | 215 | - | - | - |
| | ₩ 300 | ₩ - | ₩ 22,781 | ₩ - |

Details of derivative financial instruments as of December 31, 2023 and 2022 are as follows (Foreign currencies in thousands, Korean won in millions):

| Hedging item | Number of contracts | Contract date | Maturity date | 2023 | | | | |
|---------------------------|---------------------|-----------------|-----------------|---|----------|---------|----------|---------|
| | | | | Contract exchange rate / interest rate (in won) | Buy | | Sell | |
| | | | | | Currency | Amount | Currency | Amount |
| Foreign currency forwards | 14 | 2023-08-02 etc. | 2024-01-08 etc. | 1,276.50 ~ 1,339.10 | USD | 140,000 | KRW | 182,562 |
| | 1 | 2023-12-18 | 2024-02-29 | 7.1043 | USD | 767 | CNY | 5,447 |
| | 23 | 2023-12-01 etc. | 2024-01-03 etc. | 1.0788 ~ 1.1136 | EUR | 2,485 | USD | 2,723 |
| | 1 | 2023-12-27 | 2024-02-29 | 7.1117 | CNY | 792 | USD | 111 |
| | | | | | | | | |
| Hedging item | Number of contracts | Contract date | Maturity date | 2022 | | | | |
| | | | | Contract exchange rate / interest rate (in won) | Buy | | Sell | |
| | | | | | Currency | Amount | Currency | Amount |
| Foreign currency forwards | 14 | 2022-11-14 etc. | 2023-01-31 etc. | 1.0358 ~ 1.0650 | USD | 1,952 | EUR | 1,848 |
| | 21 | 2022-07-26 etc. | 2023-01-10 etc. | 1,298.65 ~ 1,440.00 | USD | 210,000 | KRW | 288,553 |
| | 1 | 2022-11-14 | 2023-01-31 | 138.54 | USD | 193 | JPY | 26,764 |
| | 22 | 2022-12-02 etc. | 2023-01-31 etc. | 1.0578 ~ 1.0695 | EUR | 2,201 | USD | 2,345 |
| | 1 | 2022-11-18 | 2023-01-31 | 138.33 | JPY | 26,764 | USD | 193 |
| Interest rate swap | 3 | 2022-12-29 etc. | 2023-01-03 etc. | 1,260.00 ~ 1,265.02 | KRW | 22,132 | USD | 17,548 |
| | 1 | 2019-01-02 | 2023-07-03 | 2.75% | KRW | 100,000 | KRW | 100,000 |

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16. Derivative instruments (cont'd)

Details of gain and loss on valuation of derivatives (before tax effect) for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | |
|---------------------------|--------------------|---------------------|----------------------|-----------------------|----------------------------|---------------------|
| | Profit or loss | | | | Other comprehensive income | |
| | Gains on valuation | Losses on valuation | Gains on transaction | Losses on transaction | Gains on valuation | Losses on valuation |
| For trading : | | | | | | |
| Foreign currency forwards | ₩ 146 | ₩ (2,799) | ₩ 52,470 | ₩ (41,161) | ₩ - | ₩ - |
| Cash flow hedges : | | | | | | |
| Interest rate swap | - | - | - | - | - | (216) |
| | <u>₩ 146</u> | <u>₩ (2,799)</u> | <u>₩ 52,470</u> | <u>₩ (41,161)</u> | <u>₩ -</u> | <u>₩ (216)</u> |
| | | | | | | |
| | 2022 | | | | | |
| | Profit or loss | | | | Other comprehensive income | |
| | Gains on valuation | Losses on valuation | Gains on transaction | Losses on transaction | Gains on valuation | Losses on valuation |
| For trading : | | | | | | |
| Foreign currency forwards | ₩ 85 | ₩ (22,781) | ₩ 143,531 | ₩ (82,737) | ₩ - | ₩ - |
| Cash flow hedges : | | | | | | |
| Interest rate swap | - | - | - | - | 452 | - |
| | <u>₩ 85</u> | <u>₩ (22,781)</u> | <u>₩ 143,531</u> | <u>₩ (82,737)</u> | <u>₩ 452</u> | <u>₩ -</u> |

Details of the amount reclassified from other comprehensive income to profit or loss in relation to cash flow hedge accounting for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---|-------|------|
| Reclassification adjustments regarding cash flow hedges to profit or loss, net of tax | ₩ 170 | ₩ - |

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17. Net defined benefit liabilities (cont'd)

Details of plan assets as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---------------------------|-----------|-----------|
| Cash and cash equivalents | ₩ 89,615 | ₩ 93,859 |
| Other assets | 24,243 | 25,114 |
| | ₩ 113,858 | ₩ 118,973 |

Principal actuarial assumptions as of December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|--------------------------------|---------------|---------------|
| Discount rates | 4.56% ~ 4.95% | 5.58% ~ 5.72% |
| Future salary increasing rates | 3.27% ~ 3.67% | 2.50% ~ 3.65% |

Sensitive analysis of principal actuarial assumption as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | |
|--------------------------------|---------------------------------------|---------------------------------------|----------|
| | Effect on defined benefit obligations | | |
| | Sensitivity | Increase | Decrease |
| Discount rates | 0.50% point | ₩ (2,607) | ₩ 2,769 |
| Future salary increasing rates | 0.50% point | 2,798 | (2,658) |
| | | 2022 | |
| | | Effect on defined benefit obligations | |
| | Sensitivity | Increase | Decrease |
| Discount rates | 0.50% point | ₩ (2,151) | ₩ 2,276 |
| Future salary increasing rates | 0.50% point | 2,331 | (2,220) |

A reasonable estimate of the user contribution expected to be paid in the next year in relation to the defined benefit plan as of December 31, 2023 and 2022 are ₩7,118 million and ₩6,617 million.

The weighted average duration of defined benefit obligations as of December 31, 2023 and 2022 are 5.21 ~ 8.29 and 5.55 ~ 7.33 years, respectively.

The expenses related to the defined contribution obligations for the years ended December 31, 2023 and 2022 are ₩407 million and ₩400 million.

As of December 31, 2023, ₩714 million of long-term employee benefit liabilities (2022: ₩744 million) is classified as other non-current liabilities in the separate statement of financial position.

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18. Provisions

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

Changes in provisions for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | | 2023 | | | | | | | |
|--------------------------------|---|-------------------|----------|-----------|----------|-----------------|-----------------|-------------|-------------|
| | | Beginning balance | Increase | Utilized | Reversal | Others | Ending balances | Current | Non-current |
| Provision for product warranty | ₩ | 47 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 47 | ₩ - | ₩ 47 |
| Others | | 7,467 | 687 | (5,502) | (889) | 1,220 | 2,983 | 479 | 2,504 |
| | ₩ | 7,514 | ₩ 687 | ₩ (5,502) | ₩ (889) | ₩ 1,220 | ₩ 3,030 | ₩ 479 | ₩ 2,551 |
| | | 2022 | | | | | | | |
| | | Beginning balance | Increase | Utilized | Reversal | Ending balances | Current | Non-current | |
| Provision for product warranty | ₩ | 47 | ₩ - | ₩ - | ₩ - | ₩ 47 | ₩ 47 | ₩ - | ₩ - |
| Others | | 6,270 | 4,506 | (3,013) | (296) | 7,467 | 2,054 | | 5,413 |
| | ₩ | 6,317 | ₩ 4,506 | ₩ (3,013) | ₩ (296) | ₩ 7,514 | ₩ 2,101 | | ₩ 5,413 |

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19. Commitments and contingencies

Agreements between financial institutes and the entity as of December 31, 2023 are as follows (Korean won in millions and foreign currency in thousands):

| Provider | Currency | Description | Agreement limit | Unused amount |
|--|----------|--|-----------------|---------------|
| Hana Bank | KRW | KRW Limit loan etc. | 152,000 | 152,000 |
| | USD | Foreign currency comprehensive credit line etc. | 177,000 | 130,176 |
| NH Bank | USD | Foreign currency loan | 20,000 | 15,114 |
| Standard Chartered Bank Korea Limited | KRW | KRW Limit loan etc. | 30,000 | 30,000 |
| | USD | Foreign currency comprehensive credit line etc. | 40,000 | 40,000 |
| Shinhan Bank | KRW | KRW Limit loan etc. | 60,000 | 60,000 |
| KB Kookmin Bank | USD | Foreign currency purchase(export) | 160,000 | 93,272 |
| | KRW | Trade finance KRW limit loan | 80,000 | 80,000 |
| | USD | Comprehensive Foreign Exchange Integration Limit | 100,000 | 100,000 |
| Woori Bank | KRW | Credit sales bond KRW secured loan | 1,200 | 1,200 |
| | USD | Trade finance limit loan. | 130,000 | 125,481 |
| Industrial and Commercial Bank of China Limited. | KRW | KRW Limit loan | 30,000 | 30,000 |
| Bank of China | USD | Comprehensive trade finance limit | 35,000 | 35,000 |
| Bank of communication | KRW | KRW Limit loan etc. | 30,000 | 30,000 |
| | USD | Comprehensive Export-Import Finance | 100,000 | 100,000 |
| Industrial Bank of Korea | USD | Trade finance limit loan. | 60,000 | 60,000 |
| Mizuho Bank, Ltd. | USD | Trade finance limit loan. | 40,000 | 34,778 |
| Korea Development Bank | USD | Trade finance limit loan. | 100,000 | 100,000 |
| Deutsche Bank | USD | The sale of export bonds | | |

The notes and checks as collateral for borrowings and commitments as of December 31, 2023 are as follows:

| | Quantity | Face value (Korean won in millions) | Description |
|-------|----------|--|--|
| Notes | 2 | 792 | General loans |
| Check | 2 | Blank checks | Financing for overseas resources development |

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19. Commitments and contingencies (cont'd)

The Company is involved in 180 litigations as a plaintiff with claims aggregating to ₩4,664 million as of December 31, 2023. No provision was recorded in connection with the litigations where the Company is a defendant as management cannot reasonably predict as of year-end whether an unfavorable outcome is probable or not.

Material litigations pending in which the Group as the defendant as of December 31, 2023 are as follows (Korean won in millions):

| Defendant | Plaintiff | Contents of Litigation case | Amount of litigation | Progress status |
|--------------------------------------|--------------|-----------------------------|----------------------|---|
| SK Networks Co., Ltd. and two others | Legal person | Debt collection ₩ | 148 | Currently in the second instance of the trial |

Including the above, the company is involved in 7 litigations as a defendant with claims aggregating to ₩342 million as of December 31, 2023. No provision was recorded in connection with the litigations where the Company is a defendant as management cannot reasonably predict as of year-end whether an unfavorable outcome is probable or not.

The following assets were pledged as collateral for the Company's borrowings and bonds payable as of December 31, 2023 and 2022 (Korean won in millions):

| 2023 | | | | | | |
|-----------------------|-------------------------------|----------|--------------------------|------------------|------------------------|---------------------------------|
| Collateral provider | Accounts | Currency | Carrying amount of asset | Collateral value | Secured party | Reason for providing collateral |
| SK Networks Co., Ltd. | Property, plant and equipment | KRW | 287,700 | 390,718 | Korea Development Bank | Business collateral |
| 2022 | | | | | | |
| Collateral provider | Accounts | Currency | Carrying amount of asset | Collateral value | Secured party | Reason for providing collateral |
| SK Networks Co., Ltd. | Property, plant and equipment | KRW | 294,503 | 390,526 | Korea Development Bank | Business collateral |

Guarantees provided by third parties on behalf of the Company as of December 31, 2023 are as follows (Korean won in millions):

| Trading partner | Currency | Guarantee amount | Guarantor |
|---|----------|------------------|-----------------------------------|
| Dongdaemoon Hotel PFV. Co., Ltd. and etc. | KRW | 7,748 | Seoul Guarantee Insurance Company |

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

Upon the issuance of public bonds, the Company has signed a contract with the underwriting company and is required to comply with debt covenants such as maintenance of debt ratios, restriction of collateralization, restriction of asset sales and restriction of changes to the governance structure.

The Company has obligations under the investment contract to make additional contributions toward the fund SBVA Future Innovation III. The remaining balance of obligations to be contributed by capital call is KRW 2,535 million and USD 3,000 thousand.

The Company is restricted from selling its ownership in subsidiary POSK (Pinghu) Steel Processing Center Co., Ltd. under certain conditions.

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19. Commitments and contingencies (cont'd)

The Company has agreements related to its investments in associate SK Electlink Co., Ltd. regarding rights of first refusal and tag-along rights.

Under certain conditions, the Company is restricted from selling its ownership in its associates SK MENA Investment B.V., SK Latin America Investment S.A., SVA Venture Fund II, SK Electlink Co., Ltd. and long-term investment securities includes Kurlly Inc., PortOne Holdings PTE LTD., Prostar Asia-Pacific Energy Infrastructure SK Fund L.P. and Hashed Venture Fund II.

20. Equity

Details of capital stock as of December 31, 2023 and 2022 are summarized as follows (Korean won in millions, except number of shares and par value):

| | 2023 | | |
|---|-----------------------|--|--|
| | Common stocks (*1) | Preferred stocks without voting rights | Cumulative redeemable preferred stocks (*2) |
| Number of shares authorized (in shares) | | 1,500,000,000 | |
| Par value per share (in won) | ₩ 2,500 | ₩ 2,500 | ₩ - |
| Number of shares issued (in shares) | 235,778,265 | 113,648 | - |
| Capital stock | ₩ 620,469 | ₩ 284 | ₩ 27,901 |

(*1) The capital share differs from the total face value of the issued shares due to the retirement of treasury stocks.

(*2) Redeemable preferred stocks paid-in capital exists, but no redeemable preferred stocks exist as of December 31, 2023, as all redeemable preferred stocks were retired by charging unappropriated retained earnings.

| | 2022 | | |
|---|-----------------------|--|--|
| | Common stocks (*1) | Preferred stocks without voting rights | Cumulative redeemable preferred stocks (*2) |
| Number of shares authorized (in shares) | | 1,500,000,000 | |
| Par value per share (in won) | ₩ 2,500 | ₩ 2,500 | ₩ - |
| Number of shares issued (in shares) | 248,187,647 | 113,648 | - |
| Capital stock | ₩ 620,469 | ₩ 284 | ₩ 27,901 |

(*1) The capital stock differs from the total face value of the issued shares due to the retirement of treasury stocks.

(*2) Redeemable preferred stocks paid-in capital exists, but no redeemable preferred stocks exist as of December 31, 2022, as all redeemable preferred stocks were retired by charging unappropriated retained earnings.

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20. Equity (cont'd)

Change in the number of outstanding shares for the years ended December 31, 2023 and 2022, are as follows (in shares):

| | 2023 | |
|---------------------------------|---------------|--|
| | Common stocks | Preferred stocks without voting rights |
| Beginning of period | 248,187,647 | 113,648 |
| Cancellation of treasury shares | (12,409,382) | - |
| Ending of period | 235,778,265 | 113,648 |

| | 2022 | |
|---------------------|---------------|--|
| | Common stocks | Preferred stocks without voting rights |
| Beginning of period | 248,187,647 | 113,648 |
| Ending of period | 248,187,647 | 113,648 |

Details of additional paid-in capital as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|----------------------------|------|-----------|------|-----------|
| Share premium | ₩ | 89,053 | ₩ | 89,053 |
| Other capital surplus | | 698,460 | | 698,460 |
| Treasury shares | | (198,044) | | (167,737) |
| Stock options | | 3,821 | | 2,906 |
| Losses sale treasury stock | | (533) | | (472) |
| | ₩ | 592,757 | ₩ | 622,210 |

Changes in the carrying amount of additional paid-in capital for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | |
|---------------------------------|---------------|-----------------------|-----------------|---------------|----------------------------|-----------|
| | Share premium | Other capital surplus | Treasury shares | Stock options | Losses sale treasury stock | Total |
| Beginning balance | ₩ 89,053 | ₩ 698,460 | ₩ (167,737) | ₩ 2,906 | ₩ (472) | ₩ 622,210 |
| Purchase of treasury shares | - | - | (100,430) | - | - | (100,430) |
| Disposal of treasury stocks | - | - | 1,760 | - | (61) | 1,699 |
| Cancellation of treasury shares | - | - | 68,363 | - | - | 68,363 |
| Stock compensation costs | - | - | - | 915 | - | 915 |
| Ending balance | ₩ 89,053 | ₩ 698,460 | ₩ (198,044) | ₩ 3,821 | ₩ (533) | ₩ 592,757 |

| | 2022 | | | | | |
|-----------------------------|---------------|-----------------------|-----------------|---------------|----------------------------|-----------|
| | Share premium | Other capital surplus | Treasury shares | Stock options | Losses sale treasury stock | Total |
| Beginning balance | ₩ 89,053 | ₩ 698,460 | ₩ (169,558) | ₩ 1,671 | ₩ - | ₩ 619,626 |
| Disposal of treasury stocks | - | - | 1,821 | - | (472) | 1,349 |
| Stock compensation costs | - | - | - | 1,235 | - | 1,235 |
| Ending balance | ₩ 89,053 | ₩ 698,460 | ₩ (167,737) | ₩ 2,906 | ₩ (472) | ₩ 622,210 |

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20. Equity (cont'd)

Details of treasury shares as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | <u>2023</u> | | <u>2022</u> |
|---------------------------------------|-------------|---|-------------|
| Number of treasury shares (in shares) | 36,802,643 | | 29,570,538 |
| Acquisition amount | ₩ 198,044 | ₩ | 167,737 |

Changes in treasury shares for the periods ended December 31, 2023 and 2022 are as follows (In shares):

| | <u>2023</u> | | <u>2022</u> |
|-------------|-------------|--|-------------|
| Beginning | 29,570,538 | | 29,676,828 |
| Acquisition | 19,962,158 | | - |
| Disposal | 320,671 | | 106,290 |
| Retirement | 12,409,382 | | - |
| Ending | 36,802,643 | | 29,570,538 |

Details of retained earnings as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | <u>2023</u> | | <u>2022</u> |
|---|------------------|----------|----------------|
| Legal reserve | | | |
| Earned surplus reserve (*1) | ₩ 40,672 | ₩ | 38,046 |
| Voluntary reserve | | | |
| Financial structure improvement reserve | 80,617 | | 80,617 |
| Retained earnings before appropriations | 514,906 | | 591,658 |
| | <u>₩ 636,195</u> | <u>₩</u> | <u>710,321</u> |

(*1) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be used for purposes other than used to offset a deficit, if any, or be transferred to issued capital through approval at the general meeting of the shareholders.

The statements of appropriation of retained earnings for the years ended December 31, 2023 and 2022, are as follows (Korean won in millions):

| | <u>2023</u> | | <u>2022</u> |
|--|------------------|----------|----------------|
| I. Retained earnings before appropriation | ₩ 514,906 | ₩ | 591,658 |
| Unappropriated retained earnings carried over from prior years | 562,783 | | 579,858 |
| Remeasurement loss on defined benefit plans | (8,287) | | 5,710 |
| Retirement of treasury shares | (68,363) | | - |
| Profit for the year | 28,773 | | 6,090 |
| II. Appropriation of retained earnings | (44,552) | | (28,875) |
| Earned surplus reserve | (4,050) | | (2,625) |
| Dividends | (40,502) | | (26,250) |
| III. Unappropriated retained earnings to be carried forward to the next year | <u>₩ 470,354</u> | <u>₩</u> | <u>562,783</u> |

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20. Equity (cont'd)

Details of dividends proposed for approval at the annual ordinary shareholders' meeting for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions, except for number of shares):

| | 2023 | | 2022 | |
|---------------------------------------|---------------|--|---------------|--|
| | Common stocks | Preferred stocks without voting rights | Common stocks | Preferred stocks without voting rights |
| Number of shares issued (in shares) | 235,778,265 | 113,648 | 248,187,647 | 113,648 |
| Number of treasury shares (in shares) | 33,365,630 | 25,045 | 29,545,493 | 25,045 |
| Number of shares (in shares) | 202,412,635 | 88,603 | 218,642,154 | 88,603 |
| Dividend per share (Korean won) | ₩ 200 | ₩ 225 | ₩ 120 | ₩ 145 |
| Par value per share (Korean won) | 2,500 | 2,500 | 2,500 | 2,500 |
| Dividend rate per share | 8.0% | 9.0% | 4.8% | 5.8% |
| Dividends | ₩ 40,482 | ₩ 20 | ₩ 26,237 | ₩ 13 |

Details of other components of equity as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|---|----------|----------|----------|----------|
| Gain on financial assets measured at FVOCI | ₩ 18,967 | ₩ 16,931 | ₩ 16,931 | ₩ 16,931 |
| Gain on valuation of derivative financial instruments | - | 170 | - | 170 |
| Other components of stock holder's equity | (26) | (26) | (26) | (26) |
| | ₩ 18,941 | ₩ 17,075 | ₩ 17,075 | ₩ 17,075 |

The valuation gains and losses of financial assets measured FVOCI included in other components of equity as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|--|----------|----------|----------|----------|
| Beginning balance | ₩ 16,931 | ₩ 52,985 | ₩ 52,985 | ₩ 52,985 |
| Gain and loss on the valuation of financial assets | 2,586 | (48,508) | (48,508) | (48,508) |
| Corporate tax relating to FVOCI, included in | (549) | 12,454 | 12,454 | 12,454 |
| Ending balance | ₩ 18,968 | ₩ 16,931 | ₩ 16,931 | ₩ 16,931 |

The valuation gains and losses of cash flow hedges included in other components of equity as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|--|-------|---------|---------|---------|
| Beginning balance | ₩ 170 | ₩ (179) | ₩ (179) | ₩ (179) |
| Gains (losses) on cash flow hedges, before tax | - | 451 | 451 | 451 |
| Income tax relating to cash flow hedges included in other comprehensive income | - | (102) | (102) | (102) |
| Reclassification adjustments on cash flow hedges, before tax | (216) | - | - | - |
| Income tax relating to reclassification adjustments on cash flow hedges | 46 | - | - | - |
| Ending balance | ₩ - | ₩ 170 | ₩ 170 | ₩ 170 |

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21. Share-based payment arrangements

(1) Equity-settled share-based payments

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

| | 1-2 | | 1-3 | | 2-1 | | 2-2 | | 2-3 | |
|--|---|-------|--|-------|--|-------|--|-------|-------------------------------------|---|
| Grant date | 2018-03-30 | | | | 2021-03-29 | | | | 2023-03-29 | |
| Settlement method | Registered common stock | | | | | | | | | |
| Grand method | 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 (in shares) (*1),(*2) | 371,948 | | 371,948 | | 1,039,692 | | 103,437 | | 286,885 | |
| Exercise Price (in won) | ₩ | 6,715 | ₩ | 7,252 | ₩ | 5,851 | ₩ | 5,851 | ₩ | - |
| Contractual life of options | 2021.03.31~ 2024.03.30 | | 2022.03.31~ 2025.03.30 | | 2024.03.30~ 2028.03.29 | | 2023.03.30~ 2026.03.29 | | 2026.03.29 | |
| Vesting conditions | Two years' service from the grant date | | Three years' service from the grant date | | From grant date more than two years of service | | From grant date more than two years of service | | Service from 2023-01-01~ 2023-12-31 | |

(*1) In the case of the first and second share-based compensation agreements, the number of shares exercisable were adjusted due to the retirement of treasury shares during the current period.

(*2) The third wave of stock-based compensation are performance shares, and the number of shares granted are calculated at the end of the one year service period according to the fluctuation of the Company's absolute and relative stock prices.

(2) Cash-settled share-based payment

| | 1 | | 2 | | 3 | |
|--|--|-------|--|-------|--|-------|
| Description of method of settlement | | | Stock Appreciation Rights | | | |
| Grant date | 2021-03-29 | | 2022-03-29 | | 2023-03-29 | |
| Number of shares granted (in shares) (*1),(*2) | 454,302 | | 642,508 | | 340,616 | |
| Exercise Price (in won) | ₩ | 5,655 | ₩ | 4,754 | ₩ | 4,494 |
| Available period | 2024-03-29 | | 2025-03-29 | | 2026-03-29 | |
| Vest conditions | From grant date more than two years of service | | From grant date more than two years of service | | From grant date more than two years of service | |

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21. Share-based payment arrangements (cont'd)

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

| | | 2023 | 2022 |
|--|---|-------|-------|
| Total compensation cost | ₩ | 5,556 | 3,215 |
| Accumulated compensation costs recognized for the period | | 5,127 | 2,906 |
| Compensation costs recognized for the current period | | 2,220 | 1,234 |
| Residual compensation costs | | 429 | 309 |
| Related liabilities | | 1,049 | - |

Changes in the number of shares granted and weighted-average exercise price regarding Share-based payment arrangements in, 2023 and 2022 are as follows (per share, Korean won):

| | 2023 | | 2022 | |
|---------------------|--------------------------|---------------------------------|--------------------------|---------------------------------|
| | Number of shares granted | Weighted-average exercise price | Number of shares granted | Weighted-average exercise price |
| Beginning balance | 4,090,326 | ₩ 5,812 | 3,318,581 | ₩ 5,808 |
| Granted | 736,961 | 4,154 | 771,745 | 4,517 |
| Forfeited | (656,666) | 6,963 | (174,514) | 4,905 |
| Expired | (391,525) | 5,900 | - | - |
| Others(*1) | (167,760) | 5,820 | - | - |
| Ending balance | 3,611,336 | ₩ 5,272 | 4,090,326 | ₩ 5,272 |
| Exercisable options | 847,333 | 6,845 | 1,174,575 | 6,390 |

(*1) The number of shares exercisable were adjusted due to the retirement of treasury shares during the current period.

The assumptions and variables used to estimate compensation cost are as follows.

Stock-settled stock-based compensation

| | 1-2 | | 1-3 | | 2-1 | | 2-2 | | 3 | |
|-----------------------------------|----------------|--------|--------|--------|----------|----------|--------|----------|--------|----------|
| Option Pricing model | Binomial model | | | | MC model | | | | | |
| Risk-free interest rate | 2.54% | | 2.56% | | 1.82% | | 1.56% | | 3.16% | |
| Expectancy duration(years) | 6 | | 7 | | 7 | | 5 | | 3 | |
| Expected volatility | 15.40% | | 15.40% | | 28.00% | | 28.00% | | 35.17% | |
| Dividend yield | 2.07% | | 2.07% | | 2.15% | | 2.15% | | 2.09% | |
| Exercise price (Korean won) | ₩ | 6,380 | ₩ | 6,890 | ₩ | 5,559 | ₩ | 5,559 | ₩ | - |
| Fair value per share (Korean won) | ₩ | 631.87 | ₩ | 552.13 | ₩ | 1,422.14 | ₩ | 1,229.40 | ₩ | 9,654.37 |

Stock Appreciation Rights

| | 1 | | 2 | | 3 | |
|-----------------------------------|----------------|--------|--------|----------|--------|----------|
| Option Pricing model | Binomial model | | | | | |
| Risk-free interest rate | 3.52% | | 3.37% | | 3.18% | |
| Expectancy duration (years) | 3 | | 3 | | 3 | |
| Expected volatility | 29.00% | | 29.00% | | 29.00% | |
| Dividend yield | 2.09% | | 2.09% | | 2.09% | |
| Exercise price (Korean won) | ₩ | 5,655 | ₩ | 4,754 | ₩ | 4,494 |
| Fair value per share (Korean won) | ₩ | 386.77 | ₩ | 1,290.75 | ₩ | 1,605.49 |

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22. Profit (loss) from continuing operations

Details of sales for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | | |
|--|-------------|-------------|------------|------------|-----------|-------------|--|
| | Global | IM | Rent-a-Car | Speed Mate | Others | Total | |
| Total revenue | ₩ 1,274,743 | ₩ 3,884,761 | ₩ 292,613 | ₩ 366,324 | ₩ 270,141 | ₩ 6,088,582 | |
| 1. Revenue from contracts with customers | 1,273,073 | 3,881,857 | 227,493 | 365,858 | 236,226 | 5,984,507 | |
| 1) Types of revenue | | | | | | | |
| Sales of merchandise | 1,272,130 | 3,853,267 | 227,493 | 273,649 | 132,722 | 5,759,261 | |
| Providing services | 943 | 28,590 | - | 92,209 | 103,504 | 225,246 | |
| | ₩ 1,273,073 | ₩ 3,881,857 | ₩ 227,493 | ₩ 365,858 | ₩ 236,226 | ₩ 5,984,507 | |
| 2) Timing of recognizing revenue | | | | | | | |
| Recognition at a point in time | 1,272,130 | 3,853,267 | 227,493 | 273,649 | 132,722 | 5,759,261 | |
| Recognized over time | 943 | 28,590 | - | 92,209 | 103,504 | 225,246 | |
| | ₩ 1,273,073 | ₩ 3,881,857 | ₩ 227,493 | ₩ 365,858 | ₩ 236,226 | ₩ 5,984,507 | |
| 2. Revenue from other sources(*1) | ₩ 1,670 | ₩ 2,904 | ₩ 65,120 | ₩ 466 | ₩ 33,915 | ₩ 104,075 | |

(*1) Revenue from other sources include revenue related to lease in accordance with KIFRS 1116.

| | 2022 | | | | | | |
|--|-------------|-------------|------------|------------|-----------|-------------|--|
| | Global | IM | Rent-a-Car | Speed Mate | Others | Total | |
| Total revenue | ₩ 1,663,932 | ₩ 3,901,128 | ₩ 392,437 | ₩ 428,480 | ₩ 226,618 | ₩ 6,612,595 | |
| 1. Revenue from contracts with customers | 1,662,236 | 3,898,652 | 211,438 | 427,935 | 193,864 | 6,394,125 | |
| 1) Types of revenue | | | | | | | |
| Sales of merchandise | 1,660,080 | 3,870,633 | 211,438 | 333,833 | 106,635 | 6,182,619 | |
| Providing services | 2,156 | 28,019 | - | 94,102 | 87,229 | 211,506 | |
| | ₩ 1,662,236 | ₩ 3,898,652 | ₩ 211,438 | ₩ 427,935 | ₩ 193,864 | ₩ 6,394,125 | |
| 2) Timing of recognizing revenue | | | | | | | |
| Recognition at a point in time | 1,660,080 | 3,870,633 | 211,438 | 333,833 | 106,635 | 6,182,619 | |
| Recognized over time | 2,156 | 28,019 | - | 94,102 | 87,229 | 211,506 | |
| | ₩ 1,662,236 | ₩ 3,898,652 | ₩ 211,438 | ₩ 427,935 | ₩ 193,864 | ₩ 6,394,125 | |
| 2. Revenue from other sources(*1) | ₩ 1,696 | ₩ 2,476 | ₩ 180,999 | ₩ 545 | ₩ 32,754 | ₩ 218,470 | |

(*1) Revenue from other sources include revenue related to lease in accordance with KIFRS 1116.

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 25.

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

Details of selling, general and administrative expenses for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|-------------------------------------|------------------|------------------|
| Salaries | ₩ 107,775 | ₩ 105,554 |
| Retirement benefits | 8,407 | 34,101 |
| Employee welfare | 26,387 | 22,305 |
| Travel | 2,338 | 1,922 |
| Communications | 2,932 | 3,224 |
| Utilities | 12,380 | 10,743 |
| Taxes and dues | 11,590 | 12,580 |
| Supplies | 13,883 | 13,414 |
| Rents | 9,473 | 7,013 |
| Depreciation | 42,348 | 44,804 |
| Amortization | 7,566 | 8,180 |
| Depreciation of right-of-use assets | 16,495 | 18,338 |
| Repairs | 6,024 | 4,716 |
| Vehicle maintenance | 751 | 1,045 |
| Insurance premium | 8,827 | 6,758 |
| Advertising | 6,178 | 5,400 |
| Training | 4,103 | 4,150 |
| Engineering service fee | 77,673 | 74,663 |
| Commissions | 43,879 | 53,216 |
| Freight | 23,033 | 29,788 |
| Bad debt expenses (reversal) | (323) | 4,037 |
| Other bad debt expenses | 443 | 3,443 |
| Foreign branch office operations | 22 | 311 |
| Entertainment | 2,682 | 2,536 |
| Stock compensation costs | 2,220 | 1,234 |
| Others | 636 | 496 |
| | <u>₩ 437,722</u> | <u>₩ 473,971</u> |

Details of finance income for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|------------------|------------------|
| Interest income | ₩ 3,070 | ₩ 26,632 |
| Gain on foreign currency transactions | 36,211 | 35,813 |
| Gain on foreign currency translation | 7,965 | 20,762 |
| Gain on valuation of financial assets measured at FVTPL | 18,784 | 154 |
| Gain on valuation of derivative financial instruments | 146 | 85 |
| Gain on transactions of derivative financial instruments | 52,470 | 143,530 |
| | <u>₩ 118,646</u> | <u>₩ 226,976</u> |

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

Details of finance costs for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|------------------|------------------|
| Interest expense | ₩ 50,633 | ₩ 44,743 |
| Loss on foreign currency transactions | 45,105 | 89,844 |
| Loss on foreign currency translation | 4,190 | 7,652 |
| Loss on valuation of financial assets measured at FVTPL | 8,200 | - |
| Loss on valuation of derivative financial instruments | 2,799 | 22,781 |
| Loss on transactions of derivative financial instruments | 41,160 | 82,736 |
| | <u>₩ 152,087</u> | <u>₩ 247,756</u> |

Details of other non-operating income for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|-----------------|-----------------|
| Dividend income | ₩ 26,571 | ₩ 9,572 |
| Gain on disposal of property, plant and equipment | 9,590 | 35,034 |
| Gain on reversal of impairment loss on property, plant and equipment | 2,070 | 477 |
| Gain on disposal of Intangible assets | 1,313 | 1,008 |
| Gain on disposal of investment properties | 1,297 | 120 |
| Gain on disposal of right-of-use assets | 143 | 354 |
| Gain on business transfer (Note 30) | - | 8,939 |
| Adjustments for gains on disposals of investments in associates | 1,099 | - |
| Adjustments for reversals of impairment losses on associates | 2,616 | - |
| Others | 10,235 | 8,083 |
| | <u>₩ 54,934</u> | <u>₩ 63,587</u> |

Details of other non-operating expenses for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|-----------------|-----------------|
| Loss on disposal of trade receivables | ₩ 6,014 | ₩ 7,533 |
| Loss on disposal of investments in subsidiaries and associates | - | 982 |
| Loss on impairment of investments in subsidiaries and associates | 19,398 | 7,401 |
| Depreciation of investment property | 795 | 422 |
| Loss on disposal of property, plant and equipment | 6,634 | 5,829 |
| Loss on disposal of intangible assets | 11 | 609 |
| Loss on disposal of investment properties | 99 | 401 |
| Donations | 553 | 539 |
| Others | 4,637 | 11,552 |
| | <u>₩ 38,141</u> | <u>₩ 35,268</u> |

Details of classification based on the nature of cost of sales and selling, general and administrative expenses for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|--------------------|--------------------|
| Changes in merchandise and raw materials | ₩ 35,442 | ₩ (222,288) |
| Purchase amount in merchandise and raw materials | 5,434,187 | 6,140,210 |
| Salaries wages (Including Provision for severance indemnities, Employee benefits) | 142,569 | 161,960 |
| Depreciation and amortization expense | 105,807 | 175,902 |
| Freight expenses | 23,033 | 29,788 |
| Advertising expenses | 6,178 | 5,400 |
| Other | 298,932 | 319,518 |
| | <u>₩ 6,046,148</u> | <u>₩ 6,610,490</u> |

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23. Income tax expense (benefit)

Components of income tax expense (benefit) for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---|----------------|----------------|
| Current income tax expense | ₩ - | ₩ 2,588 |
| Adjustments for current tax of prior periods | 1,626 | 6,492 |
| Current and deferred tax relating to items credited (charged) directly to equity | (98) | - |
| Income tax relating to components of other comprehensive income | 1,696 | 9,652 |
| Deferred tax expense (benefit) relating to origination and reversal of temporary differences | (1,336) | 29,658 |
| Deferred income tax on losses carried forward for the current period | (668) | - |
| Tax benefit arising from previously unrecognised tax loss, tax credit or temporary difference of prior period used to reduce deferred tax expense | (4,730) | - |
| Deferred tax expense arising from write-down or reversal of write-down of deferred tax asset | - | (55,000) |
| Other components of income tax expense | (79) | - |
| Tax expense (benefit) | <u>(3,589)</u> | <u>(6,610)</u> |
| Tax expense (benefit) related to continuing business | ₩ (3,463) | ₩ (4,150) |
| Tax expense (benefit) related to discontinued operations | (126) | (2,460) |

Tax details charged directly to the equity for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|------------------------------------|---------------|------------|
| Stock compensation costs | ₩ (257) | ₩ - |
| Gain (Loss) on sale treasury stock | 159 | - |
| | <u>₩ (98)</u> | <u>₩ -</u> |

Tax related to each component of other comprehensive income for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|----------------|----------------|
| Remeasurement loss on defined benefits plans | ₩ 2,200 | ₩ (2,700) |
| Gain (Loss) on valuation of financial assets measured at FVOCI | (549) | 12,454 |
| Gain (Loss) on valuation of derivative financial instruments | 45 | (102) |
| | <u>₩ 1,696</u> | <u>₩ 9,652</u> |

Reconciliations of profit before income tax expense at the Korea statutory tax rate to income tax expense (benefit) at the effective tax rate of the Company for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|------------------|------------------|
| Profit before income tax expense from continuing operations | ₩ 25,786 | ₩ 9,644 |
| Loss before income tax expense from discontinued operations | (602) | (10,164) |
| Profit (Loss) before income tax expense | 25,184 | (520) |
| Income tax expense (benefit) at statutory tax rate | 5,264 | (126) |
| Adjustments : | - | - |
| Tax effect of revenues exempt from taxation | (5,239) | (98) |
| Tax effect of expense not deductible in determining taxable profit (tax loss) | 455 | 1,048 |
| Tax credit | - | - |
| Changes in deferred income tax unrecognized temporary differences | (1,393) | 36,426 |
| Tax effect of tax losses | (5,398) | (55,000) |
| Other tax effects for reconciliation between accounting profit and tax expense (benefit) | - | - |
| Adjustment Matters Related to Corporate Tax for the Previous Term | 1,626 | 2,835 |
| Others | 1,096 | 8,305 |
| Income tax expense (benefit) | <u>₩ (3,589)</u> | <u>₩ (6,610)</u> |
| Tax expense related to continuing business | (3,463) | (4,150) |
| Tax expense (income) related to discontinued operations | (126) | (2,460) |
| Average effective tax rate (*1) | - | - |

(*1) The average effective tax rate was not calculated due to the income tax benefit for the years ended December 31, 2023 and 2022.

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23. Income tax expense (benefit) (cont'd)

Changes in deferred income tax assets (liabilities) for the years ended December 31, 2023 and 2022, are as follows (Korean won in millions):

| | 2023 | | | | |
|---|-------------------|----------------|--------------------|----------------------------|----------------|
| | Beginning Balance | Profit or Loss | Directly to Equity | Other comprehensive income | Ending Balance |
| Derivative instruments | ₩ 4,643 | ₩ (4,134) | ₩ - | ₩ 45 | ₩ 554 |
| Finance lease receivables | (17,532) | 1,889 | - | - | (15,643) |
| Prepaid expenses | (731) | 710 | - | - | (21) |
| Inventory valuation allowance | 1,951 | (448) | - | - | 1,503 |
| Investment securities | 31,618 | 5,300 | - | (549) | 36,369 |
| Property, plant and equipment | (17,337) | 1,064 | - | - | (16,273) |
| Intangible assets | 15 | 28 | - | - | 43 |
| Right-of-use assets | (58,759) | 41,846 | - | - | (16,913) |
| Lease liabilities | 77,999 | (44,574) | - | - | 33,425 |
| Accrued expenses | 5,460 | (2,264) | - | - | 3,196 |
| Income received in advance | 1,084 | (26) | - | - | 1,058 |
| Provisions | 438 | (69) | - | - | 369 |
| Net defined benefit liabilities | (3,900) | (637) | - | 2,200 | (2,337) |
| Long-term employee benefit liabilities | 155 | (6) | - | - | 149 |
| Bad debt expenses | 41,993 | (699) | - | - | 41,294 |
| Depreciation | 22 | 1 | - | - | 23 |
| Gain (Loss) on foreign currency translation | (2,735) | 1,946 | - | - | (789) |
| Provision for temporary amortization | (22) | 3 | - | - | (19) |
| Advanced depreciation provision | (51,535) | (193) | - | - | (51,728) |
| Unused tax losses | 42,142 | 5,398 | - | - | 47,540 |
| Others | 2,567 | 1 | (98) | - | 2,470 |
| | ₩ 57,536 | ₩ 5,136 | ₩ (98) | ₩ 1,696 | ₩ 64,270 |

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23. Income tax expense (benefit) (cont'd)

| | 2022 | | | | |
|---|-------------------|----------------|--------------------|----------------------------|----------------|
| | Beginning Balance | Profit or Loss | Directly to Equity | Other comprehensive income | Ending Balance |
| Derivative instruments | ₩ (1,983) | ₩ 6,728 | ₩ - | ₩ (102) | ₩ 4,643 |
| Finance lease receivables | (20,890) | 3,358 | - | - | (17,532) |
| Prepaid expenses | (3,332) | 2,601 | - | - | (731) |
| Inventory valuation allowance | 3,863 | (1,912) | - | - | 1,951 |
| Investment securities | 40,681 | (21,517) | - | 12,454 | 31,618 |
| Property, plant and equipment | (25,649) | 8,312 | - | - | (17,337) |
| Intangible assets | 257 | (242) | - | - | 15 |
| Right-of-use assets | (139,758) | 80,999 | - | - | (58,759) |
| Lease liabilities | 165,079 | (87,080) | - | - | 77,999 |
| Accrued expenses | 4,419 | 1,041 | - | - | 5,460 |
| Income received in advance | 1,139 | (55) | - | - | 1,084 |
| Provisions | 527 | (89) | - | - | 438 |
| Net defined benefit liabilities | (2,191) | 991 | - | (2,700) | (3,900) |
| Long-term employee benefit liabilities | 241 | (86) | - | - | 155 |
| Bad debt expenses | 48,693 | (6,700) | - | - | 41,993 |
| Depreciation | 16 | 6 | - | - | 22 |
| Gain (Loss) on foreign currency translation | 4,792 | (7,527) | - | - | (2,735) |
| Provision for temporary amortization | (29) | 7 | - | - | (22) |
| Advanced depreciation provision | (61,155) | 9,620 | - | - | (51,535) |
| Unused tax losses | 11,683 | 30,459 | - | - | 42,142 |
| Others | 5,791 | (3,224) | - | - | 2,567 |
| | ₩ 32,194 | ₩ 15,690 | ₩ - | ₩ 9,652 | ₩ 57,536 |

Temporary differences to be deducted, tax loss carryforward and tax credits carryforward that are not recognized as deferred tax assets as of December 31, 2023 are as follows (Korean won in millions):

| | 2023 | |
|--------------------------------------|------|---------|
| Temporary differences to be deducted | ₩ | 176,123 |
| Tax loss carryforward | - | - |
| Tax credits carryforward | - | - |
| | ₩ | 176,123 |

The total amount of temporary differences related to subsidiaries, investment in branches and associates, joint ventures that are not recognized as deferred tax liabilities for the years ended December 31, 2023 are as follows (Korean won in millions):

| | 2023 | |
|---|------|--------|
| Subsidiaries, investment in associates and joint ventures | ₩ | 23,844 |

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23. Income tax expense (benefit) (cont'd)

The expected expiration schedule of tax loss carryforward and tax credits carryforward for which deferred tax assets are not recognized as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|-------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Tax loss carryforward | Tax credits carryforward | Tax loss carryforward | Tax credits carryforward |
| 1 year or less | ₩ - | ₩ - | ₩ - | ₩ - |
| 1 year ~ 2 years | - | - | - | - |
| 2 years ~ 3 years | - | - | - | - |
| More than 3 years | - | - | 28,763 | - |
| | ₩ - | ₩ - | ₩ 28,763 | ₩ - |

24. Earnings (loss) per share

Basic earnings per share attributable to ordinary share for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions, except for shares):

| | 2023 | 2022 |
|---|-------------|-------------|
| Profit for the year from continuing operations | ₩ 29,249 | ₩ 13,794 |
| Loss for the year from discontinued operations | (476) | (7,704) |
| Less: dividends of preferred stock | 20 | 13 |
| Profit for the year from continuing operations attributable to ordinary equity holders | 29,229 | 13,781 |
| Loss for the year from discontinued operations attributable to ordinary equity holders | (476) | (7,704) |
| Weighted average number of ordinary shares outstanding (in shares) | 207,271,179 | 218,620,774 |
| Basic earnings per share from continuing operations attributable to ordinary equity holders (in Korean won) | ₩ 141 | ₩ 63 |
| Basic loss per share from discontinued operations attributable to ordinary equity holders (in Korean won) | (2) | (35) |

Basis of calculating weighted average number of ordinary share outstanding to calculate EPS for the years ended December 31, 2023 and 2022 is as follows (in shares):

| | 2023 | 2022 |
|---|--------------|--------------|
| Weighted average number of shares issued | 238,974,106 | 248,187,647 |
| Weighted average number of treasury share | (31,702,927) | (29,566,873) |
| Weighted average number of ordinary share outstanding | 207,271,179 | 218,620,774 |

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24. Earnings (loss) per share (cont'd)

Diluted earnings per share attributable to ordinary share for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions, except for shares):

| | 2023 | | 2022 |
|---|-------------|---|-------------|
| Profit for the year from continuing operations | ₩ 29,249 | ₩ | 13,794 |
| Loss for the year from discontinued operations | (476) | | (7,704) |
| Less: dividends of preferred share | 20 | | 13 |
| Profit for the year from continuing operations attributable to ordinary equity holders used in calculating diluted earnings per share | 29,229 | | 13,781 |
| Loss for the year from discontinued operations attributable to ordinary equity holders used in calculating diluted earnings per share | (476) | | (7,704) |
| Weighted average number of ordinary share outstanding used in calculating diluted earnings per share (in shares) | 207,566,754 | | 218,620,774 |
| Diluted earnings per share from continuing operations attributable to ordinary equity holders (in Korean won) | ₩ 141 | ₩ | 63 |
| Diluted loss per share from discontinued operations attributable to ordinary equity holders (in Korean won) | (2) | | (35) |

Basis of calculating weighted average number of ordinary share outstanding to calculate EPS for the years ended December 31, 2023 and 2022 is as follows (in shares):

| | 2023 | | 2022 |
|---|--------------|--|--------------|
| Weighted average number of shares issued | 238,974,106 | | 248,187,647 |
| Weighted average number of treasury share | (31,702,927) | | (29,566,873) |
| Adjustment: stock option | 295,575 | | - |
| Weighted average number of ordinary share outstanding | 207,566,754 | | 218,620,774 |

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25. Related party transactions

A list of related parties as of December 31, 2023 is as follows:

| Relationship | Name |
|-------------------------------|--|
| Ultimate parent | SK Inc. |
| Subsidiaries | SK Networks Service Co., Ltd., SK Magic Co., Ltd., SK Magic Service Co., Ltd. SK Rent A Car Co., Ltd. SK Rent A Car Service Co., Ltd. MINTIT Co., Ltd., Cartini Co., Ltd., MINTIT VINA, SK Networks (China) Holdings Co., Ltd., SK Magic Retails Malaysia Sdn. Bhd., SK Magic Vietnam company limited, SK Networks (Dandong) Energy Co., Ltd., POSK (Pinghu) Steel Processing Center Co., Ltd. Shenyang SK Bus Terminal Co., Ltd., SK Networks Hong Kong Ltd., SK Networks Japan Co., Ltd., SK Networks Deutschland GmbH, SK Networks (Shanghai) Co., Ltd. SK Networks Resources Pty Ltd., SK Networks Resources Australia (Wyong) Pty Ltd. SK Networks (Xiamen) Steel Processing Center Co., Ltd., SK BRASIL LTDA., SK Networks America Inc. Networks Tejarat Pars, Hico Capital LLC, En-core co.,Ltd |
| Associates and joint ventures | SK MENA Investment BV, SK Latin America Investment S.A., Ever ON Co., Ltd, Blockodyssey Inc., SVA Venture fund II , SK ELECTLINK. CO., LTD. (formerly, SSCharger Co. Ltd.), Kindred HM1, BMSMILE Co., Ltd. |
| Others | SK Group subsidiary etc.(*1) |

(*1) Although these companies are not defined as related parties by paragraph 9 of KIFRS 1024, they were included as related parties in accordance with the Korean Securities and Futures Commission's resolution, which classifies Large-Scale Business Group affiliates designated by the Korea Fair Trade Commission to be related parties in substance by paragraph 10 of KIFRS 1024.

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25. Related party transactions (cont'd)

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| Relationship | Name | 2023 | | | |
|-----------------|---|---------|---------------------|----------|---------------------|
| | | Sales | Other Revenues (*1) | Expenses | Other expenses (*2) |
| Ultimate parent | SK Holdings Co., Ltd. | ₩ 4,257 | ₩ - | ₩ - | ₩ 39,153 |
| Subsidiaries | SK Networks Service Co., Ltd. | 3,399 | - | 237 | 2,664 |
| | MINTIT Co., Ltd. | 3,269 | - | 109 | - |
| | SK Magic Co., Ltd. | 6,281 | 20,000 | 429 | 2 |
| | SK Rent A Car Co., Ltd. | 33,760 | 5,174 | - | 10,222 |
| | SK Networks Hong Kong Ltd. | 121,837 | 128 | - | - |
| | CARTINI Co., Ltd. | 2,595 | - | - | - |
| | SK Networks Resources Australia (Wyong) Pty. Ltd. | - | 11,928 | - | - |
| | Others | 49 | - | - | 1,382 |
| Others | SK Enmove Co. Ltd. | 322 | - | 12,697 | - |
| | SK Innovation Co., Ltd. | 4,142 | - | - | 782 |
| | SK Energy Co., Ltd. | 1,185 | - | - | 608 |
| | SK Geocentric Co., Ltd. | 42,803 | 751 | 16,121 | - |
| | SK Trading International Co., Ltd. | 61 | - | - | - |
| | SK PIC Global Co., Ltd. | 1,423 | - | 24,382 | - |
| | HAPPYNARAE Co., Ltd. | 30 | - | 281 | 4,371 |
| | SK Telecom Co., Ltd. | 12,303 | - | - | 1,588 |
| | SK Broadband Co., Ltd. | 19,652 | - | - | 411 |
| | PS&Marketing Corp. | 936,494 | - | - | - |
| | SK Chemicals Co., Ltd. | 10,882 | - | 12,284 | - |
| | SK Hynix Inc. | 10,146 | - | - | - |
| | SK Shieldus Co., Ltd. | 17 | - | 1,837 | 1,746 |
| | Others | 13,172 | - | 5,822 | 1,023 |

(*1) Other revenues include ₩37,102 million of dividends received by the Company.

(*2) Other expenses include ₩11,657 million of dividends paid by the Company.

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

| Relationship | Name | 2022 | | | |
|-----------------|------------------------------------|---------|----------------|----------|---------------------|
| | | Sales | Other Revenues | Expenses | Other expenses (*1) |
| Ultimate parent | SK Inc. | ₩ 3,889 | ₩ 36,653 | ₩ - | ₩ 47,569 |
| Subsidiaries | SK Networks Service Co., Ltd. | 4,161 | 311 | 788 | 6,164 |
| | MINTIT Co., Ltd. | 2,688 | - | - | 20 |
| | SK Magic Co., Ltd. | 7,446 | - | 339 | - |
| | SK Rent A Car Co., Ltd. | 35,433 | - | - | 16,570 |
| | SK Networks Hong Kong Ltd. | 207,379 | 748 | - | - |
| | CARTINI Co., Ltd. | 3,924 | - | - | - |
| | Others | 116 | - | - | 2,307 |
| Others | SK Enmove Co. Ltd. | 98 | - | 11,078 | 10 |
| | SK Innovation Co., Ltd. | 4,532 | - | - | 938 |
| | SK Energy Co., Ltd. | 1,902 | - | 58,152 | 550 |
| | SK Geocentric Co., Ltd. | 59,069 | - | 5,772 | - |
| | SK Trading International Co., Ltd. | 6,771 | - | - | - |
| | SK PIC Global Co., Ltd. | 3,735 | - | 35,870 | - |
| | HAPPYNARAE Co., Ltd. | 37 | - | 90 | 6,518 |
| | SK Telecom Co., Ltd. | 15,308 | - | - | 1,396 |
| | SK Broadband Co., Ltd. | 19,788 | - | - | 397 |
| | PS&Marketing Corp. | 864,049 | - | - | - |
| | SK Chemicals Co., Ltd. | 11,696 | - | 14,285 | - |
| | SK Hynix Inc. | 9,481 | - | - | - |
| | SK Shieldus Co., Ltd. | 47 | - | 3,568 | 2,600 |
| | Others | 14,543 | 1 | 6,004 | 1,190 |

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

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25. Related party transactions (cont'd)

Balances with related parties as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | | 2023 | | | | |
|------------------------------------|--------------------------------|------------------------|----------------------|------------------|------------------|-----|
| | | Trade receivables | Other receivables | Trade payable | Other payable | |
| Ultimate parent | SK Inc. | ₩ 146 | ₩ - | ₩ - | ₩ 2,067 | |
| Subsidiaries | SK Networks Service Co., Ltd. | 236 | - | 233 | - | |
| | MINTIT Co., Ltd. | 97 | 8 | 120 | - | |
| | SK Magic Co., Ltd. | 45 | 27,683 | 29 | 2,772 | |
| | SK Rent A Car Co., Ltd. | 2,928 | 27,113 | 1,092 | 3,022 | |
| | SK Networks Hong Kong Ltd. | 5,089 | - | - | 1,760 | |
| | CARTINI Co., Ltd. | 172 | - | - | - | |
| | SKN (China) Holdings Co., Ltd. | - | 8,459 | - | - | |
| | Others | 580 | - | - | 213 | |
| | Others | SK Enmove Co. Ltd. | 9 | 10 | 3,949 | - |
| | | SK Innovation Co., Ltd | 130 | 1 | 145 | 228 |
| SK Energy Co., Ltd. | | 34 | 255 | - | 55 | |
| SK Geocentric Co., Ltd. | | 3,835 | - | 6,453 | - | |
| SK Trading International Co., Ltd. | | 5 | - | - | - | |
| SK PIC Global Co., Ltd. | | 132 | - | 679 | - | |
| SK Telecom Co., Ltd. | | 843 | 102 | 41 | - | |
| SK Broadband Co., Ltd. | | 319 | - | 6 | 12 | |
| PS&Marketing Corp. | | 64,158 | - | - | - | |
| SK Chemicals Co., Ltd. | | 1,148 | - | 786 | - | |
| SK Hynix Inc. | 418 | - | - | - | | |
| SK Shieldus Co., Ltd. | - | - | 44 | 934 | | |
| Others | 2,050 | 1 | 133 | 62 | | |

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25. Related party transactions (cont'd)

| | | 2022 | | | |
|-----------------|---|-------------------|-------------------|---------------|---------------|
| | | Trade receivables | Other receivables | Trade payable | Other payable |
| Ultimate parent | SK Inc. | ₩ 130 | ₩ - | ₩ - | ₩ 1,811 |
| Subsidiaries | SK Magic Co., Ltd. | 169 | 30,658 | 32 | 2,772 |
| | SK Rent A Car Co., Ltd. | 3,481 | 29,893 | 4,619 | 3,062 |
| | SK Networks Hong Kong Ltd. | 9,073 | - | - | 2,465 |
| | SKN (China) Holdings Co., Ltd. | - | 8,487 | - | - |
| | Others | 1,152 | 151 | 673 | 162 |
| Others | SK Enmove Co. Ltd. (formerly, SK Lubricants Co., Ltd.) | 9 | 10 | 3,378 | - |
| | SK Energy Co., Ltd. | 91 | 256 | - | 54 |
| | SK Geocentric Co., Ltd. | 4,667 | - | 459 | - |
| | SK Telecom Co., Ltd. | 861 | 144 | 313 | 113 |
| | SK Broadband Co., Ltd. | 586 | - | 7 | 1 |
| | PS&Marketing Corp. | 76,121 | - | - | - |
| | SK Chemicals Co., Ltd. | 814 | - | 63 | - |
| | SK Hynix Inc. | 822 | - | - | - |
| | SK Shieldus Co., Ltd. | - | - | 743 | - |
| | Others | 1,588 | 5 | 1,089 | 443 |

The dividend details received from related parties during 2023 and 2022 are as follows (Korean won in millions):

| | | Name | 2023 | 2022 |
|--------------|---|------|---------|--------|
| Subsidiaries | SK Rent A Car Co., Ltd. | | ₩ 5,174 | ₩ - |
| | SK Magic Co., Ltd. | | 20,000 | - |
| | SK Networks America Inc. | | - | 295 |
| | SK Networks Resources Australia (Wyong) Pty. Ltd. | | 11,928 | 17,114 |
| | SK Networks Hong Kong Ltd. | | - | 7,466 |

Details of dividends paid to related parties during 2023 and 2022 are as follows (Korean won in millions):

| Relationship | Name | 2023 | 2022 |
|-----------------|---------|----------|----------|
| Ultimate parent | SK Inc. | ₩ 11,657 | ₩ 11,657 |

The details of equity transactions with related parties for the year ended December 31, 2023 and 2022 is as follows (Korean won in millions):

| Relationship | Name | Transaction | 2023 | 2022 | |
|---------------------|--|---|-------------------|--------|--------|
| Subsidiaries | SK Rent A Car Co., Ltd. | Additional acquisition | ₩ 119,649 | ₩ - | |
| | Hico Capital LLC | Cash contribution | 14,445 | 74,191 | |
| | SK Networks (Shanghai) Co., Ltd. | Paid-in capital reduction | 13,174 | - | |
| | SK Networks Trading Malaysia Sdn Bhd | Liquidation | 442 | - | |
| | SK Networks America Inc. | Paid-in capital reduction | 5,318 | - | |
| | SK Networks HongKong Ltd. | Paid-in capital reduction | - | 5,581 | |
| | SK Networks BRASIL Intermediacao De Negocios LTDA. | Liquidation | - | 138 | |
| | En-core co.,Ltd | Acquisition | 96,471 | - | |
| | Associate | SK ELECTLINK. CO., LTD. (formerly, SSCharger Co. Ltd.) | Cash contribution | 15,845 | 72,839 |
| | | Ever ON Co., Ltd | Cash contribution | - | 9,999 |
| Blockodyyssey Inc. | | Cash contribution | - | 10,835 | |
| SVA Venture fund II | | Cash contribution | - | 10,428 | |
| BMSMILE Co., Ltd. | | Acquisition | 28,000 | - | |

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

Guarantees for the related parties provided by the Company as of December 31, 2023 and 2022 are as follows (foreign currencies in thousands):

| | | 2023 | | | |
|--------------|--|--|-----------------------------|--------|----------|
| Relationship | Name | Details of payment guarantee provided | Guarantee | Amount | Currency |
| Subsidiaries | | | SK Networks Company Limited | | |
| | SK Networks (Xiamen) Steel Processing Center Co., Ltd. | Payment guarantee for investment company | | 68,000 | CNY |
| | SK Networks (Shanghai) Co., Ltd. | Payment guarantee for investment company | SK Networks Company Limited | 54,000 | CNY |
| | SK Networks Hong Kong Ltd. | Payment guarantee for investment company | SK Networks Company Limited | 87,000 | USD |
| | | 2022 | | | |
| Relationship | Name | Details of payment guarantee provided | Guarantee | Amount | Currency |
| Subsidiaries | | | SK Networks Company Limited | | |
| | SK Networks (Xiamen) Steel Processing Center Co., Ltd. | Payment guarantee for investment company | | 68,000 | CNY |
| | SK Networks (Shanghai) Co., Ltd. | Payment guarantee for investment company | SK Networks Company Limited | 54,000 | CNY |
| | SK Networks Hong Kong Ltd. | Payment guarantee for investment company | SK Networks Company Limited | 90,600 | USD |

As of the year ended December 31 2023, a financial guarantee liability of ₩ 440 million (2022: ₩ 540 million) related to the above payment guarantee is included in other current financial liabilities.

Key management personnel are registered directors who are responsible for the planning, operation and control of the business of the Company. Compensation for key management personnel recognized in expenses for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | ₩ 2,851 | ₩ 3,205 |
| Retirement benefits | 328 | 849 |
| Share-based payment | 1,889 | - |
| | <u>₩ 5,068</u> | <u>₩ 4,054</u> |

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

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26. Discontinued operations

The Company has discontinued a non-core business activity and the Company decided to discontinue the operation of resource business prior to 2022.

The Company has classified the assets and liabilities relating to the business that is expected to be sold as non-current assets and liabilities held-for-sale. The Company has recognized loss considering the recoverable amount as of December 31, 2023.

Income and expenses from the discontinued operation for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---|----------|----------|
| Selling general administrative expenses | ₩ (478) | ₩ (720) |
| Finance income | 1 | - |
| Finance costs | (14,347) | (8,662) |
| Other gains | 14,224 | 18,112 |
| Other losses | (2) | (18,894) |
| Income tax benefit | 126 | 2,460 |
| Loss from discontinued operations | (476) | (7,704) |

Details of cash flows relating to discontinued operation for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|---------------------------------------|----------|----------|
| Cash flows from operating activities | ₩ 13,547 | ₩ 18,825 |
| Cash flows from investing activities | - | - |
| Cash flows from financing activities | - | - |
| Increase in cash and cash equivalents | ₩ 13,547 | ₩ 18,825 |

27. 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, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|-----------------------------|----------|----------|
| China Business division | ₩ 54,106 | ₩ 54,106 |
| Resources business division | 10,363 | 8,079 |
| | ₩ 64,469 | ₩ 62,185 |

Details of non-current assets and non-current liabilities classified as held for sale as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|--|----------|----------|
| Investments in subsidiaries, associates and joint ventures | ₩ 64,469 | ₩ 62,185 |

28. Cash flow information

28.1 Details of Cash and cash equivalents (Korean won in millions)

| | 2023 | 2022 |
|--|----------|-----------|
| Cash | ₩ 253 | ₩ 207 |
| Bank balances | 86,652 | 211,529 |
| Short-term highly liquid investments classified as Cash and cash equivalents | 7,193 | 12,815 |
| | ₩ 94,098 | ₩ 224,551 |

SK Networks Co., Ltd.
Notes to the separate financial statements
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28.2 Adjustments to non-cash items (Korean won in millions)

| | 2023 | 2022 |
|--|------------------|------------------|
| Income tax benefit | ₩ (3,589) | ₩ (6,610) |
| Loss on foreign currency translation | 4,190 | 7,652 |
| Gain on foreign currency translation | (7,965) | (20,762) |
| Interest expenses | 64,980 | 53,404 |
| Interest income | (3,070) | (26,632) |
| Loss on valuation of derivative financial instruments | 2,799 | 22,781 |
| Gain on valuation of derivative financial instruments | (146) | (85) |
| Dividend income | (38,498) | (26,686) |
| Depreciation | 55,205 | 54,423 |
| Depreciation of right-of-use assets | 43,038 | 113,299 |
| Depreciation of investment properties | 795 | 422 |
| Amortization | 7,566 | 8,180 |
| Retirement benefits | 4,792 | 8,155 |
| Bad debt expenses | 121 | 7,480 |
| Reversal on valuation of inventories | (2,128) | (4,743) |
| Loss on disposal of property, plant and equipment | 6,634 | 5,829 |
| Gain on disposal of property, plant and equipment | (9,590) | (35,034) |
| Reversal on impairment of property, plant and equipment | (2,070) | (477) |
| Loss on disposal of intangible assets | 11 | 609 |
| Gain on disposal of intangible assets | (1,313) | (1,008) |
| Gain on disposal of right-of-use assets | (143) | (354) |
| Loss on disposal of right-of-use assets | 23 | - |
| Loss on disposal of investment properties | 99 | 401 |
| Gain on disposal of investment properties | (1,297) | (120) |
| Loss on disposal of investments in subsidiaries and joint ventures | - | 982 |
| Gain on disposal of investments in subsidiaries and joint ventures | (1,099) | - |
| Loss on impairment of investments in subsidiaries and joint ventures | 19,398 | 7,401 |
| Reversal on impairment of investments in subsidiaries and joint ventures | (2,616) | - |
| Gain on valuation of financial assets at fair value through profit or loss | (18,784) | (154) |
| Loss on valuation of financial assets at fair value through profit or loss | 8,200 | - |
| Business transfer gain | - | (8,939) |
| Provisions | (201) | 4,210 |
| Stock compensation costs | 2,220 | 1,234 |
| Others | 945 | 17,195 |
| | <u>₩ 128,507</u> | <u>₩ 182,053</u> |

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

| | 2023 | 2022 |
|----------------------------|-------------------|--------------------|
| Trade receivables | ₩ 14,368 | ₩ 209,250 |
| Other accounts receivable | 7,468 | 5,378 |
| Prepaid value added tax | 5,657 | (12,453) |
| Advanced payments | 3,026 | 9,639 |
| Prepaid expenses | 20,547 | 26,110 |
| Finance lease receivables | 11,455 | 8,484 |
| Inventories | 85,592 | (195,554) |
| Rental property | (45,380) | (10,254) |
| Trade payables | (143,763) | (70,600) |
| Advances received | (1,913) | (1,428) |
| Withholdings | 1,188 | (2,449) |
| Deposit received | - | (27,293) |
| Unearned income | 1,446 | 1,114 |
| Other accounts payable | (37,255) | (3,460) |
| Accrued expenses | 7,351 | 886 |
| Provisions | (5,502) | (3,013) |
| Plan assets | 10,237 | (28,425) |
| Defined benefit obligation | (11,961) | (8,395) |
| Others | (67) | (154) |
| | <u>₩ (77,506)</u> | <u>₩ (102,617)</u> |

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28.4 Details of major transactions without cash inflows and outflows

Significant non-cash transactions for the years ended December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 1 | 2022 |
|--|----------|---|---------|
| Transfer from rental assets and others to inventories | ₩ 46,408 | ₩ | 13,841 |
| Increase in other account payables related acquisition of property, plant and equipment and others | 4,633 | | 4 |
| Decrease (Increase) in other account receivables related to disposal of property, plant and equipment and others | 181 | | (154) |
| Transfer from property, plant and equipment to investment properties | 19,704 | | 14,793 |
| Increase in right-of-use assets | 7,378 | | 3,810 |
| Replacement of the right to use assets and lease liabilities due to termination of the contract, etc. | 161,738 | | 178,391 |
| Retirement of treasury stocks | 68,363 | | - |
| Transfer from construction in progress | 17,816 | | 16,048 |

28.5 Changes in major liabilities arising from financial activities

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

| | 2023 | | | | |
|--|-------------------|----------------------|-----------------------------|------------|----------------|
| | Beginning balance | Financing activities | Non-cash items | | Ending balance |
| | | | Increase through new leases | Others(*1) | |
| Short-term borrowings | ₩ 430,065 | ₩ 74,455 | ₩ - | ₩ 2,944 | ₩ 507,464 |
| Current portion of long-term liabilities | 165,788 | (165,825) | - | 370,613 | 370,576 |
| Bonds | 967,746 | 238,985 | - | (368,724) | 838,007 |
| Long-term borrowings | 3,809 | - | - | (694) | 3,115 |
| Lease liabilities | 373,919 | (55,841) | 7,288 | (165,438) | 159,928 |
| Dividends payable | - | (26,250) | - | 26,250 | - |

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

| | 2022 | | | | |
|--|-------------------|----------------------|-----------------------------|------------|----------------|
| | Beginning balance | Financing activities | Non-cash items | | Ending balance |
| | | | Increase through new leases | Others(*1) | |
| Short-term borrowings | ₩ 656,596 | ₩ (215,287) | ₩ - | ₩ (11,244) | ₩ 430,065 |
| Current portion of long-term liabilities | 224,100 | (224,158) | - | 165,846 | 165,788 |
| Bonds | 847,841 | 258,911 | - | (139,006) | 967,746 |
| Long-term borrowings | 29,634 | - | - | (25,825) | 3,809 |
| Lease liabilities | 682,145 | (128,225) | 3,773 | (183,774) | 373,919 |

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

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29. Risk management

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

The Company is exposed to market risk, credit risk and liquidity risk and the Company's key management oversees the management of these risks. The Company's key management is responsible for the Company's financial risk-taking activities, and that such activities are governed by appropriate policies and procedures. There have been no significant changes in the objectives and policies of financial risk management since the end of the previous period.

29.1 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 risk comprises risks such as foreign exchange risk, interest rate risk, and other price risks

29.1.1 Interest rate risk

Interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate due to fluctuations in market interest rates. The Group maintains an appropriate balance between fixed-rate borrowings and variable-rate borrowings to manage interest rate risk, and hedging activities are regularly evaluated to appropriately adjust the interest rate status and defined risk propensity, and the optimal hedging strategy is applied.

Significant assets and liabilities exposed to interest rate risk as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | |
|-----------------------|------------------------|---------|
| | Interest rate type | Amount |
| Borrowings | Variable interest rate | ₩ 3,809 |
| Cash equivalents | Variable interest rate | 7,193 |
| Short-term investment | Variable interest rate | 339,936 |
| | 2022 | |
| | Interest rate type | Amount |
| Borrowings | Variable interest rate | ₩ 4,634 |
| Cash equivalents | Variable interest rate | 12,815 |
| Short-term investment | Variable interest rate | 472,339 |

The effect on pre-tax net income of a 1% interest rate change, assuming all other variables remain constant, as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|--------------------------|----------------|----------------|----------------|----------------|
| | Increase by 1% | Decrease by 1% | Increase by 1% | Decrease by 1% |
| Profit before income tax | ₩ 3,433 | ₩ (3,433) | ₩ 4,805 | ₩ (4,805) |

29.1.2 Foreign currency risk

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

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29.1.2 Foreign currency risk (cont'd)

Significant monetary assets and liabilities denominated in foreign currencies as of December 31, 2023 and 2022 are as follows (Foreign currencies in thousands, Korean won in millions):

| Classification | Currency unit | 2023 | | 2022 | |
|-------------------------------|---------------|-----------------------|------------------|------------------|-----------------------|
| | | Equivalent Korean won | Foreign currency | Foreign currency | Equivalent Korean won |
| Foreign financial assets | USD | ₩ 106,327 | 82,462 | ₩ 78,874 | 62,237 |
| | EUR | 5,950 | 4,171 | 8,161 | 6,040 |
| | JPY | 626 | 68,636 | 886 | 92,910 |
| | CNY | 8,459 | 46,777 | 8,487 | 46,777 |
| | Others | - | - | 728 | - |
| | | ₩ 121,362 | | ₩ 97,136 | |
| Foreign financial liabilities | USD | 303,897 | 235,688 | 319,345 | 251,988 |
| | EUR | 9,999 | 7,009 | 10,676 | 7,901 |
| | JPY | 626 | 68,636 | 886 | 92,910 |
| | CNY | 16 | 90 | 29 | 160 |
| | Others | - | - | 759 | - |
| | | ₩ 314,538 | ₩ | ₩ 331,695 | |

The effects of a 10% fluctuation in foreign exchange rates on the Company's functional currency on profit for the years ended December 31, 2023 and 2022 are as follow (Korean won in millions):

| | 2023 | | 2022 | |
|--------|-----------------|-----------------|-----------------|-----------------|
| | Increase by 10% | Decrease by 10% | Increase by 10% | Decrease by 10% |
| USD | ₩ (19,757) | ₩ 19,757 | ₩ (24,047) | ₩ 24,047 |
| JPY | - | - | - | - |
| CNY | 844 | (844) | 846 | (846) |
| EUR | (405) | 405 | (252) | 252 |
| Others | - | - | (3) | 3 |

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

29.1.3 Other price risk

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

29.1.3.1 Credit risk

Credit risk refers to the risk that the Company may incur financial loss due to the failure of the customer or counterparty to fulfill their contractual obligations regarding financial instruments. Credit risk mainly arises due to accounts receivable and investments.

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29.1.3.1.1 Trade and other accounts receivable

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

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

29.1.3.1.2 Other financial assets

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

29.1.3.1.3 Exposure to credit risk

The carrying amount of financial assets measured at amortized cost represents the maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | 2022 | |
|---|------|---------|------|-----------|
| Financial assets at fair value through profit or loss | ₩ | 650,405 | ₩ | 602,979 |
| Financial assets at amortized cost | | 331,561 | | 638,044 |
| Financial assets designated as hedge item | | - | | 215 |
| | ₩ | 981,966 | ₩ | 1,241,238 |

29.1.3.1.4 Liquidity risk

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

The maturity profile of the Company's borrowings and bonds payable among financial liabilities (including interest) as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | | | | | Total |
|------------------------------------|-------------|-------------------|------------------|--------------|---|-----------|
| | ~ 3 months | 3 months ~ 1 year | 1 year ~ 5 years | Over 5 years | | |
| Bonds | ₩ 8,568 | ₩ 392,304 | ₩ 885,268 | ₩ - | ₩ | 1,286,140 |
| Borrowings | 331,690 | 176,484 | 1,295 | 1,836 | | 511,305 |
| Trade payables | 659,762 | 6,448 | - | - | | 666,210 |
| Derivative financial liabilities | 2,799 | - | - | - | | 2,799 |
| Lease liabilities | 9,282 | 22,840 | 97,907 | 43,891 | | 173,920 |
| Financial guarantee contracts (*1) | 12,297 | - | - | - | | 12,297 |
| Other financial liabilities | 109,103 | 3,929 | 2,208 | 9,629 | | 124,869 |
| | ₩ 1,133,501 | ₩ 602,005 | ₩ 986,678 | ₩ 55,356 | ₩ | 2,777,540 |

(*1) The maximum amount of the guarantee was allocated at the earliest period possible that the guarantee could be claimed.

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29.1.3.1.4 Liquidity risk (cont'd)

| | 2022 | | | | | Total | | | | |
|------------------------------------|------------|-----------|-------------------|---------|------------------|-----------|--------------|---------|--------|-----------|
| | ~ 3 months | | 3 months ~ 1 year | | 1 year ~ 5 years | | Over 5 years | | | |
| | ₩ | 7,086 | ₩ | 159,208 | ₩ | | 931,943 | ₩ | 80,894 | ₩ |
| Bonds | | | | | | | | | | |
| Borrowings | | | | | | | | | | |
| Trade payables | | | | | | | | | | |
| Derivative financial liabilities | | | | | | | | | | |
| Lease liabilities | | | | | | | | | | |
| Financial guarantee contracts (*1) | | | | | | | | | | |
| Other financial liabilities | | | | | | | | | | |
| | ₩ | 1,458,106 | ₩ | 367,288 | ₩ | 1,115,657 | ₩ | 138,925 | ₩ | 3,079,976 |

(*1) The maximum amount of the guarantee was allocated at the earliest period possible that the guarantee could be claimed.

Approximately, 51.07% of the Company's debt will mature in less than one year as of December 31, 2023 (2022: 38.02%) based on the carrying amount of bonds and borrowings reflected in the separate financial statements. The Company assessed the risk of financing as a controllable level in consideration of the scale of borrowings and cash and cash equivalent owned by the Company as of December 31, 2023.

29.1.3.1.5 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for the year ended December 31, 2023.

Debt to equity ratio as of December 31, 2023 and 2022 are as follows (Korean won in millions):

| | 2023 | 2022 |
|----------------------|-------------|-------------|
| Debt | ₩ 2,747,291 | ₩ 3,029,076 |
| Equity | 1,896,546 | 1,998,260 |
| Debt to equity ratio | 144.86% | 151.6% |

30. Transfer of business unit

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

31. 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. The Company is in review for the impact of implement the Pillar Two model rules.

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32. Events after reporting period

The Company acquired 1,187,292 treasury stocks held by SK Rent A Car Co., Ltd. for ₩14,433 million according to the resolution of the board of directors on January 8, 2024, and completed the disposal as follows through a small-scale stock exchange with SK Rent A Car Co., Ltd.

| | Details |
|--|------------------------------------|
| Type and number of shares | 3,415,875 common shares |
| Price of shares subject to disposal (in won) | ₩6,291 per share |
| Total disposal value | ₩21,489 million |
| Date of disposition | January 16, 2024 |
| Purpose of disposal | Small stock exchange consideration |
| Method of disposal | Issuance of treasury stocks |

As a result, the Company will hold a 100% stake in SK Rent A Car Co., Ltd., and SK Rent A Car Co., Ltd. has been converted into an unlisted stock company as of January 31, 2024.

According to the resolution of the board of directors on February 13, 2024, the Company decided to retire its treasury stocks.

| | Details |
|--|--|
| Types of stocks and methods of acquisition | Common shares (Treasury stocks consist of those acquired) |
| Number of shares | 14,500,363 common shares |
| Amount of treasury stock retirement | ₩77,388 million |

Then, the Company has completed retired its treasury share as of March 5, 2024.

Independent Auditor's Report on Internal Control over Financial Reporting

Based on a report originally issued in Korean

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

Opinion on Internal Control over Financial Reporting

We have audited SK Networks Co., Ltd.'s (the "Company") internal control over financial reporting ("ICFR") as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2023, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 11, 2024 expressed an unmodified opinion on those separate financial statements.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying ICFR operating status report by CEO.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

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

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.



Definition and Limitations of Internal Control over Financial Reporting

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

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

The engagement partner on the audit resulting in this independent auditors' report is Joo-Young, Lee.

KPMG Samjony Accounting Corp.

Seoul, Korea
March 11, 2024

This report is effective as of March 11, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

ICFR Operating Status Report by CEO

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

We, as the CEO and the ICFR Officer of SK Networks Co., LTD. ("the Company"), assessed the effectiveness of the design and operation of ICFR for the year ended December 31, 2023.

The Design and operation of ICFR is the responsibility of the Company's Management, including the CEO and the ICFR Officer.

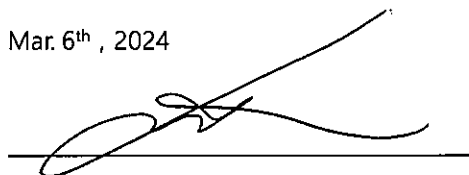
We, as the CEO and the ICFR Officer, assessed whether the Company's ICFR has been effectively designed and operated in order to prevent and detect errors or fraud that may result in a misstatement of the financial statements to ensure preparation and disclosure of reliable financial statements.

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

Based on the assessment, we concluded that the Company's ICFR is effectively designed and operated as of December 31, 2023, in all material respects, in accordance with the Conceptual Framework for Designing and Operating ICFR.

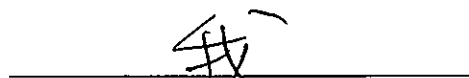
We, as the CEO and the ICFR Officer, confirm that this report does not contain or present any false statement or omit to state a fact necessary to be presented herein. We also confirm that this report does not contain or present any statement which might cause material misunderstanding to the readers,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

Mar. 6th, 2024



LEE-Ho Jeong

President & Chief Executive Officer



So AH, Park

Internal Accounting Manager