

# **SK TELECOM CO., LTD. AND SUBSIDIARIES**

Consolidated Financial Statements  
For the year ended December 31, 2022  
(With the Independent Auditor's Report Thereon)

**SK TELECOM CO., LTD.**

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

### The Shareholders and Board of Directors SK Telecom Co., Ltd.

#### Opinion

We have audited the accompanying consolidated financial statements of SK Telecom Co., Ltd. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

#### Basis for Opinion

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

#### Key Audit Matters

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

##### 1. *Cut-off of revenue from cellular services.*

As described in notes 3 (23) and 4 (2) to the consolidated financial statements, the Group's revenue from the cellular services is recognized based on data from a complex array of information technology systems which process a significant volume of transactions with its customers. Furthermore, the transactions involve a variety of contractual terms from new subscriptions to deactivations or churn, and changes of rate plans during the period. Therefore, we have identified timing of revenue recognition related to the Group's cellular services as a key audit matter. Related revenue from the cellular services amounted to ₩10,253,217 million in 2022.

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

- Inspecting major contracts with subscribers to assess whether the Group's revenue recognition policies based on the terms and conditions as set out in the contracts, are consistent with reference to the requirements of KIFRS No. 1115;
- Testing internal controls relating to the timing of revenue recognition for the cellular services; and
- Evaluating the appropriateness of the timing of revenue recognition by recalculating the prorated revenue based on the subscribed rate plan and comparing it with the billing information.

## **2. Impairment assessment of goodwill for the fixed-line telecommunication services cash generating unit**

As described in notes 3 (12) and 16 to the consolidated financial statements, the Group assesses impairment of goodwill allocated to a cash generating unit (“CGU”), at least, annually or when there is an indication of possible impairment by comparing the carrying amount of the CGU to its recoverable amount based on value-in-use (“VIU”). The amount of goodwill allocated to the fixed-line telecommunication services CGU is ₩764,082 million as of December 31, 2022.

In carrying out the goodwill impairment assessment, the Group compared the carrying amount of the fixed-line telecommunication services CGU and its value in use (“VIU”) based on discounted cash flow forecasts. We have identified the goodwill impairment assessment for the fixed-line telecommunication services CGU as a key audit matter due to the inherent uncertainties and significant judgement involved in management’s estimates around the major assumptions such as estimates of future operating revenue, perpetual growth rate and discount rate, all of which have a significant impact on the determination of the VIU.

The primary audit procedures we have performed for this key audit matter include:

- Assessing the competence and objectivity of the external specialist utilized by management;
- Evaluating the appropriateness of the valuation method and assumptions applied by management by involving our internal specialist;
- Performing a sensitivity analysis for both the discount rate and the perpetual growth rate applied to the discounted cash flow forecasts to assess the impact of changes in these key assumptions on the conclusion reached by management in its impairment assessment;
- Evaluating the reasonableness of management’s future cash flow forecasts by comparison with financial budgets approved by management; and
- Performing a retroactive assessment of the prior periods’ cash flow forecasts by comparison with the actual results.

### **Other Matter**

The consolidated statement of financial position as of December 31, 2021, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended which have been audited by KPMG Samjong Accounting Corp., in accordance with KSA, whose report dated March 10, 2022 expressed an unqualified opinion. The accompanying consolidated statement of financial position as of December 31, 2021 presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 Yoo, Jung Ho.

*Ernst & Young Han Young*

March 10, 2023

This report is effective as of March 10, 2023, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

# SK TELECOM CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

**Ryu, Young-Sang**  
Chief Executive Officer  
SK TELECOM CO., LTD.

# SK TELECOM CO., LTD. and its Subsidiaries

## Consolidated Statements of Financial Position

As of December 31, 2022 and 2021

<i>(In millions of won)</i>	<i>Note</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	<i>5,35,36</i>	1,882,291	872,731
Short-term financial instruments	<i>5,35,36</i>	237,230	508,677
Short-term investment securities	<i>10,35,36</i>	-	5,010
Accounts receivable – trade, net	<i>6,35,36,37</i>	1,970,611	1,913,511
Short-term loans, net	<i>6,35,36,37</i>	78,590	70,817
Accounts receivable – other, net	<i>6,35,36,37,38</i>	479,781	548,362
Contract assets	<i>8,36</i>	83,058	76,698
Prepaid expenses	<i>7</i>	1,974,315	1,987,503
Prepaid income taxes	<i>32</i>	415	77
Derivative financial assets	<i>22,35,36,39</i>	168,527	30,110
Inventories, net	<i>9</i>	166,355	204,637
Non-current assets held for sale	<i>41</i>	6,377	8,734
Advanced payments and others	<i>6,35,36</i>	171,646	125,798
		<b>7,219,196</b>	<b>6,352,665</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	<i>5,35,36</i>	375	375
Long-term investment securities	<i>10,35,36</i>	1,410,736	1,715,078
Investments in associates and joint ventures	<i>12</i>	1,889,289	2,197,351
Investment property, net	<i>14</i>	25,137	23,034
Property and equipment, net	<i>13,15,37,38</i>	13,322,492	12,871,259
Goodwill	<i>11,16</i>	2,075,009	2,072,493
Intangible assets, net	<i>17</i>	3,324,910	3,869,769
Long-term contract assets	<i>8,36</i>	49,163	41,580
Long-term loans, net	<i>6,35,36,37</i>	26,973	21,979
Long-term accounts receivable – other	<i>6,35,36,37,38</i>	373,951	275,238
Long-term prepaid expenses	<i>7</i>	1,073,422	1,069,148
Guarantee deposits	<i>6,35,36,37</i>	167,441	186,713
Long-term derivative financial assets	<i>22,35,36,39</i>	152,633	187,484
Deferred tax assets	<i>32</i>	6,860	128
Defined benefit assets	<i>21</i>	175,748	18,427
Other non-current assets	<i>6,35,36</i>	14,927	8,556
		<b>24,089,066</b>	<b>24,558,612</b>
<b>Total Assets</b>	<b>₩</b>	<b>31,308,262</b>	<b>30,911,277</b>

*(Continued)*



SK TELECOM CO., LTD. and its Subsidiaries  
Consolidated Statements of Financial Position, Continued

As of December 31, 2022 and 2021

<i>(In millions of won)</i>	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities:</b>			
Accounts payable – trade	<i>35,36,37</i>	89,255	190,559
Accounts payable – other	<i>35,36,37</i>	2,427,906	2,071,870
Withholdings	<i>35,36,37</i>	803,555	790,489
Contract liabilities	<i>8</i>	172,348	166,436
Accrued expenses	<i>26,35,36</i>	1,505,549	1,295,404
Income tax payable	<i>32</i>	112,358	192,221
Derivative financial liabilities	<i>22,35,36,39</i>	-	52
Provisions	<i>20,40</i>	39,683	61,656
Short-term borrowings	<i>18,35,36,39</i>	142,998	12,998
Current portion of long-term debt, net	<i>18,35,36,39</i>	1,967,586	1,430,324
Current portion of long-term payables – other	<i>19,35,36,39</i>	398,874	398,823
Lease liabilities	<i>35,36,37,39</i>	386,429	349,568
Other current liabilities		-	35
		<b>8,046,541</b>	<b>6,960,435</b>
<b>Non-Current Liabilities:</b>			
Debentures, excluding current installments, net	<i>18,35,36,39</i>	6,524,095	7,037,424
Long-term borrowings, excluding current installments, net	<i>18,35,36,39</i>	668,125	353,122
Long-term payables – other	<i>19,35,36,39</i>	1,239,467	1,611,010
Long-term lease liabilities	<i>35,36,37,39</i>	1,395,628	1,184,714
Long-term contract liabilities	<i>8</i>	61,574	36,531
Defined benefit liabilities	<i>21</i>	61	13,157
Long-term derivative financial liabilities	<i>22,35,36,39</i>	302,593	321,084
Long-term provisions	<i>20</i>	79,415	65,339
Deferred tax liabilities	<i>32</i>	763,766	941,301
Other non-current liabilities	<i>35,36,37</i>	71,801	52,022
		<b>11,106,525</b>	<b>11,615,704</b>
<b>Total Liabilities</b>		<b>19,153,066</b>	<b>18,576,139</b>
<b>Shareholders' Equity:</b>			
Share capital	<i>1,23</i>	30,493	30,493
Capital surplus and others	<i>11,23,24,25,26</i>	(11,567,117)	(11,623,726)
Retained earnings	<i>27</i>	22,463,711	22,437,341
Reserves	<i>28</i>	391,233	735,238
<b>Equity attributable to owners of the Parent Company</b>		<b>11,318,320</b>	<b>11,579,346</b>
<b>Non-controlling interests</b>		<b>836,876</b>	<b>755,792</b>
<b>Total Shareholder's Equity</b>		<b>12,155,196</b>	<b>12,335,138</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>₩</b>	<b>31,308,262</b>	<b>30,911,277</b>

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

# SK TELECOM CO., LTD. and its Subsidiaries

## Consolidated Statements of Income

For the years ended December 31, 2022 and 2021

(In millions of won)

	<i>Note</i>	<u>2022</u>	<u>2021</u>
<b>Continuing operations</b>			
<b>Operating revenue:</b>	<i>4,37</i>		
Revenue	₩	17,304,973	16,748,585
<b>Operating expenses:</b>	<i>37</i>		
Labor		2,449,813	2,300,754
Commissions	<i>7</i>	5,518,786	5,426,114
Depreciation and amortization	<i>4</i>	3,621,325	3,672,555
Network interconnection		715,285	749,599
Leased lines		268,426	310,141
Advertising		252,402	233,401
Rent		143,747	140,418
Cost of goods sold	<i>9</i>	1,268,124	1,167,417
Others	<i>29</i>	1,454,995	1,361,024
		<u>15,692,903</u>	<u>15,361,423</u>
<b>Operating profit</b>	<i>4</i>	<b>1,612,070</b>	<b>1,387,162</b>
Finance income	<i>4,31</i>	179,838	155,133
Finance costs	<i>4,31</i>	(456,327)	(315,604)
Gain (loss) relating to investments in subsidiaries, associates and joint ventures, net	<i>4,12</i>	(81,707)	446,300
Other non-operating income	<i>4,30</i>	55,898	114,553
Other non-operating expenses	<i>4,30</i>	(73,620)	(69,353)
<b>Profit before income tax</b>	<i>4</i>	<b>1,236,152</b>	<b>1,718,191</b>
Income tax expense	<i>32</i>	288,321	446,796
<b>Profit from continuing operations</b>		<b>947,831</b>	<b>1,271,395</b>
Profit from discontinued operations, net of taxes	<i>42</i>	-	1,147,594
<b>Profit for the year</b>	₩	<b>947,831</b>	<b>2,418,989</b>
Attributable to:			
Owners of the Parent Company	₩	912,400	2,407,523
Non-controlling interests		35,431	11,466
<b>Earnings per share</b>	<i>33</i>		
Basic earnings per share (in won)	₩	4,118	7,191
Basic earnings per share - continuing operations (in won)		4,118	3,614
Diluted earnings per share (in won)		4,116	7,187
Diluted earnings per share - continuing operations (in won)		4,116	3,613

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

SK TELECOM CO., LTD. and its Subsidiaries  
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(In millions of won)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Profit for the year	₩	947,831	2,418,989
<b>Other comprehensive income (loss):</b>			
<b>Items that will never be reclassified to profit or loss, net of taxes:</b>			
Remeasurement of defined benefit liabilities(asset)	21	70,885	16,374
Net change in other comprehensive income of investments in associates and joint ventures	12,28	-	4,796
Valuation gain (loss) on financial assets at fair value through other comprehensive income	28,31	(491,853)	920,871
<b>Items that are or may be reclassified subsequently to profit or loss, net of taxes:</b>			
Net change in other comprehensive income (loss) of investments in associates and joint ventures	12,28	119,707	356,503
Net change in unrealized fair value of derivatives	22,28,31	(21,366)	16,133
Foreign currency translation differences for foreign operations	28	16,401	47,515
<b>Other comprehensive income (loss) for the year, net of taxes</b>		<b>(306,226)</b>	<b>1,362,192</b>
<b>Total comprehensive income</b>	₩	<b>641,605</b>	<b>3,781,181</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company	₩	601,193	3,473,445
Non-controlling interests		40,412	307,736

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

# SK TELECOM CO., LTD. and its Subsidiaries

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(In millions of won)

	Note	Controlling interests				Sub-total	Non-controlling interests	Total equity
		Share capital	Capital surplus (deficit) and others	Retained earnings	Reserves			
<b>Balance, January 1, 2021</b>	₩	<b>44,639</b>	<b>677,203</b>	<b>22,981,913</b>	<b>40,139</b>	<b>23,743,894</b>	<b>652,349</b>	<b>24,396,243</b>
Total comprehensive income:								
Profit for the year		-	-	2,407,523	-	2,407,523	11,466	2,418,989
Other comprehensive income	12,21,22,28,31	-	-	26,371	1,039,551	1,065,922	296,270	1,362,192
		-	-	2,433,894	1,039,551	3,473,445	307,736	3,781,181
Transactions with owners:								
Annual dividends	34	-	-	(641,944)	-	(641,944)	(25,771)	(667,715)
Interim dividends	34	-	-	(355,804)	-	(355,804)	-	(355,804)
Share option	26	-	75,498	-	-	75,498	12,124	87,622
Interest on hybrid bonds	25	-	-	(14,766)	-	(14,766)	-	(14,766)
Acquisition of treasury shares	24	-	(76,111)	-	-	(76,111)	-	(76,111)
Disposal of treasury shares	24	-	57,017	-	-	57,017	-	57,017
Retirement of treasury shares	24	-	1,965,952	(1,965,952)	-	-	-	-
Changes from spin-off	42	(14,146)	(14,460,588)	-	(344,452)	(14,819,186)	(186,211)	(15,005,397)
Changes in ownership in subsidiaries	11	-	137,303	-	-	137,303	(4,435)	132,868
		(14,146)	(12,300,929)	(2,978,466)	(344,452)	(15,637,993)	(204,293)	(15,842,286)
<b>Balance, December 31, 2021</b>	₩	<b>30,493</b>	<b>(11,623,726)</b>	<b>22,437,341</b>	<b>735,238</b>	<b>11,579,346</b>	<b>755,792</b>	<b>12,335,138</b>
<b>Balance, January 1, 2022</b>	₩	<b>30,493</b>	<b>(11,623,726)</b>	<b>22,437,341</b>	<b>735,238</b>	<b>11,579,346</b>	<b>755,792</b>	<b>12,335,138</b>
Total comprehensive income:								
Profit for the year		-	-	912,400	-	912,400	35,431	947,831
Other comprehensive income (loss)	12,21,22,28,31	-	-	32,798	(344,005)	(311,207)	4,981	(306,226)
		-	-	945,198	(344,005)	601,193	40,412	641,605
Transactions with owners:								
Annual dividends	34	-	-	(361,186)	-	(361,186)	-	(361,186)
Interim dividends	34	-	-	(542,876)	-	(542,876)	-	(542,876)
Share option	26	-	72,261	-	-	72,261	-	72,261
Interest on hybrid bonds	25	-	-	(14,766)	-	(14,766)	-	(14,766)
Transactions of treasury shares	24	-	(2,683)	-	-	(2,683)	-	(2,683)
Changes in ownership in subsidiaries	11	-	(12,969)	-	-	(12,969)	40,672	27,703
		-	56,609	(918,828)	-	(862,219)	40,672	(821,547)
<b>Balance, December 31, 2022</b>	₩	<b>30,493</b>	<b>(11,567,117)</b>	<b>22,463,711</b>	<b>391,233</b>	<b>11,318,320</b>	<b>836,876</b>	<b>12,155,196</b>

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

# SK TELECOM CO., LTD. and its Subsidiaries

## Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In millions of won)

	<i>Note</i>	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities:			
Profit for the year	₩	947,831	2,418,989
Adjustments for income and expenses	39	4,719,438	3,473,779
Changes in assets and liabilities related to operating activities	39	118,106	(568,695)
		<u>5,785,375</u>	<u>5,324,073</u>
Interest received		52,163	37,403
Dividends received		16,388	327,906
Interest paid		(259,719)	(306,634)
Income tax paid		(434,890)	(351,469)
<b>Net cash provided by operating activities</b>		<u><b>5,159,317</b></u>	<u><b>5,031,279</b></u>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		264,693	162,565
Decrease in short-term investment securities, net		5,010	32,544
Collection of short-term loans		123,700	137,196
Decrease in long-term financial instruments		330,032	343
Proceeds from disposals of long-term investment securities		104,190	78,261
Proceeds from disposals of investments in associates and joint ventures		342,645	100,634
Proceeds from disposals of non-current assets held for sale		20,136	-
Proceeds from disposals of property and equipment		15,792	61,425
Proceeds from disposals of intangible assets		10,993	14,618
Collection of long-term loans		1,134	4,166
Decrease in deposits		10,056	6,941
Proceeds from settlement of derivatives		1,542	1,495
		<u>1,229,923</u>	<u>600,188</u>
Cash outflows for investing activities:			
Increase in short-term loans		(127,263)	(100,209)
Increase in long-term loans		(11,724)	(9,877)
Increase in long-term financial instruments		(330,032)	(21)
Acquisitions of long-term investment securities		(436,753)	(286,566)
Acquisitions of investments in associates and joint ventures		(11,065)	(222,765)
Acquisitions of property and equipment		(2,908,287)	(2,915,851)
Acquisitions of intangible assets		(138,136)	(392,588)
Increase in deposits		(12,146)	(51,274)
Cash outflow for business combinations, net		(62,312)	(107,226)
		<u>(4,037,718)</u>	<u>(4,086,377)</u>
<b>Net cash used in investing activities</b>	₩	<u><b>(2,807,795)</b></u>	<u><b>(3,486,189)</b></u>

(Continued)

SK TELECOM CO., LTD. and its Subsidiaries  
 Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2022 and 2021

<i>(In millions of won)</i>	<u>Note</u>	<u>2022</u>	<u>2021</u>
<b>Cash flows from financing activities:</b>			
Cash inflows from financing activities:			
Proceeds from short-term borrowings, net	₩	130,000	-
Proceeds from issuance of debentures		1,200,122	873,245
Proceeds from long-term borrowings		440,000	350,000
Increase in financial liabilities at FVTPL		-	129,123
Cash inflows from settlement of derivatives		768	332
Transactions with non-controlling shareholders		31,151	444,124
		<u>1,802,041</u>	<u>1,796,824</u>
Cash outflows for financing activities:			
Repayments of short-term borrowings, net		-	(50,823)
Repayments of long-term payables – other		(400,245)	(426,267)
Repayments of debentures		(1,390,000)	(890,000)
Repayments of long-term borrowings		(41,471)	(286,868)
Payments of dividends		(904,020)	(1,028,520)
Payments of interest on hybrid bonds		(14,766)	(14,766)
Repayments of lease liabilities		(401,054)	(431,674)
Acquisition of treasury shares		-	(76,111)
Cash outflows resulting from spin-off		-	(626,000)
Transactions with non-controlling shareholders		(367)	(19,406)
		<u>(3,151,923)</u>	<u>(3,850,435)</u>
<b>Net cash used in financing activities</b>	<i>39</i>	<u><b>(1,349,882)</b></u>	<u><b>(2,053,611)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		872,731	1,369,653
Effects of exchange rate changes on cash and cash equivalents		7,920	11,599
<b>Cash and cash equivalents at end of the year</b>	₩	<u><b>1,882,291</b></u>	<u><b>872,731</b></u>

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

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 1. Reporting Entity

#### (1) General

SK Telecom Co., Ltd. (the "Parent Company") was incorporated in March 29, 1984, under the laws of the Republic of Korea ("Korea") to provide cellular telephone communication services in Korea. The head office of the Parent Company is located at 65, Eulji-ro, Jung-gu, Seoul, Korea.

The Parent Company's common shares are listed on the Stock Market of Korea Exchange, and its depository receipts (DRs) are listed on the New York Stock Exchange and the London Stock Exchange. As of December 31, 2022, the Parent Company's total issued shares are held by the following shareholders:

	<u>Number of shares</u>	<u>Percentage of total shares issued (%)</u>
SK Inc.	65,668,397	30.01
National Pension Service	16,846,066	7.69
Institutional investors and other shareholders	131,671,103	60.17
Kakao Investment Co., Ltd.	3,846,487	1.76
Treasury shares	801,091	0.37
	<u>218,833,144</u>	<u>100.00</u>

These consolidated financial statements comprise the Parent Company and its subsidiaries (collectively referred to as the "Group"). SK Inc. is the ultimate controlling entity of the Parent Company.

On November 1, 2021, the date of spin-off, the Parent Company completed the spin-off of its business of managing investments in semiconductor, New Information and Communication Technologies("ICT") and other business and making new investments (See note 42).

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 1. Reporting Entity, Continued

#### (2) List of subsidiaries

The list of subsidiaries as of December 31, 2022 and 2021 is as follows:

	Subsidiary	Location	Primary business	Ownership (%)(*1)	
				Dec. 31, 2022	Dec. 31, 2021
Subsidiaries owned by the Parent Company	SK Telink Co., Ltd.	Korea	International telecommunication and Mobile Virtual Network Operator service	100.0	100.0
	SK Communications Co., Ltd.	Korea	Internet website services	100.0	100.0
	SK Broadband Co., Ltd.	Korea	Fixed-line telecommunication services	74.4	74.3
	PS&Marketing Corporation	Korea	Communications device retail business	100.0	100.0
	SERVICE ACE Co., Ltd.	Korea	Call center management service	100.0	100.0
	SERVICE TOP Co., Ltd.	Korea	Call center management service	100.0	100.0
	SK O&S Co., Ltd.	Korea	Base station maintenance service	100.0	100.0
	SK Telecom China Holdings Co., Ltd.	China	Investment (Holdings company)	100.0	100.0
	SK Global Healthcare Business Group Ltd.	Hong Kong	Investment	100.0	100.0
	YTK Investment Ltd.	Cayman Islands	Investment	100.0	100.0
	Atlas Investment	Cayman Islands	Investment	100.0	100.0
	SK Telecom Americas, Inc.	USA	Information gathering and consulting	100.0	100.0
	Quantum Innovation Fund I	Korea	Investment	59.9	59.9
	SK Telecom Japan Inc.	Japan	Information gathering and consulting	100.0	100.0
	Happy Hanool Co., Ltd.	Korea	Service	100.0	100.0
	SK stoa Co., Ltd.	Korea	Other telecommunication retail business	100.0	100.0
	Broadband Nowon Co., Ltd.(*2)	Korea	Cable broadcasting services	-	100.0
	SAPEON Inc.(*2,3)	USA	Manufacturing non-memory and other electronic integrated circuits	62.5	-
Subsidiaries owned by SK Broadband Co., Ltd.	Home & Service Co., Ltd.	Korea	Operation of information and communication facility	100.0	100.0
	Media S Co., Ltd.	Korea	Production and supply services of broadcasting programs	100.0	100.0
Subsidiary owned by PS&Marketing Corporation	SK m&service Co., Ltd.(*2,4)	Korea	Database and Internet website service	100.0	-
Subsidiary owned by Quantum Innovation Fund I	PanAsia Semiconductor Materials LLC.	Korea	Investment	66.4	66.4
Subsidiary owned by SK Telecom Japan Inc.	SK Planet Japan, K. K.	Japan	Digital contents sourcing service	79.8	79.8
Subsidiary owned by SAPEON Inc.	SAPEON Korea Inc.(*2,5)	Korea	Manufacturing non-memory and other electronic integrated circuits	100.0	-
Others(*6)	SK Telecom Innovation Fund, L.P.	USA	Investment	100.0	100.0
	SK Telecom China Fund I L.P.	Cayman Islands	Investment	100.0	100.0



# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

The list of subsidiaries as of December 31, 2022 and 2021 is as follows, Continued:

(\*1) The ownership interest represents direct ownership interest in subsidiaries either by the Parent Company or subsidiaries of the Parent Company.

(\*2) Details of changes in the consolidation scope for year ended December 31, 2022 are presented in note 1-(4).

(\*3) The Parent Company newly established SAPEON inc. and the ownership interest of the Parent Company in SAPEON inc. has changed from 100% to 62.5% due to unequal paid-in capital increase of SAPEON Inc. incurred after the establishment for the year ended December 31, 2022.

(\*4) PS&Marketing Corporation acquired 3,099,112 shares (100%) of SK m&service Co., Ltd. at ₩72,859 million in cash for the year ended December 31, 2022 in order to strengthen the distribution competitiveness and improve the synergy within SK ICT Family.

(\*5) The Parent Company newly established SAPEON Korea Inc. and disposed the entire shares of SAPEON Korea Inc. to SAPEON Inc. at ₩40,000 million in cash during the year ended December 31, 2022.

(\*6) Others are owned by Atlas Investment and another subsidiary of the Parent Company.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 1. Reporting Entity, Continued

#### (3) Condensed financial information of subsidiaries

- 1) Condensed financial information of significant subsidiaries as of and for the year ended December 31, 2022 is as follows:

(In millions of won)

Subsidiary	As of December 31, 2022			2022	
	Total assets	Total liabilities	Total equity	Revenue	Profit (loss)
SK Telink Co., Ltd.	₩ 196,281	60,927	135,354	302,595	15,008
SK Broadband Co., Ltd.	6,245,484	3,134,949	3,110,535	4,162,093	212,816
PS&Marketing Corporation	403,030	177,739	225,291	1,376,400	3,856
SERVICE ACE Co., Ltd.	97,597	59,189	38,408	194,798	2,429
SERVICE TOP Co., Ltd.	81,590	53,589	28,001	179,365	1,613
SK O&S Co., Ltd.	121,755	70,280	51,475	331,715	2,059
Home & Service Co., Ltd.	158,248	102,184	56,064	413,259	(1,217)
SK stoa Co., Ltd.	103,910	44,696	59,214	329,304	9,977
SK m&service Co., Ltd.(*)	160,704	95,263	65,441	211,081	4,157

(\*) The financial information is the condensed financial information after the entity was included in the scope of consolidation.

- 2) Condensed financial information of significant subsidiaries as of and for the year ended December 31, 2021 is as follows:

(In millions of won)

Subsidiary	As of December 31, 2021			2021	
	Total assets	Total liabilities	Total equity	Revenue	Profit
SK Telink Co., Ltd.	₩ 174,837	52,821	122,016	313,404	8,846
SK Broadband Co., Ltd.	5,971,505	3,091,837	2,879,668	4,058,997	213,468
PS&Marketing Corporation	478,745	263,457	215,288	1,445,540	3,179
SERVICE ACE Co., Ltd.	99,059	66,496	32,563	197,146	2,519
SERVICE TOP Co., Ltd.	72,026	46,067	25,959	185,452	2,066
SK O&S Co., Ltd.	95,748	58,870	36,878	285,591	69
Home & Service Co., Ltd.	131,947	90,775	41,172	405,255	550
SK stoa Co., Ltd.	107,943	59,931	48,012	316,249	19,163

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 1. Reporting Entity, Continued

#### (4) Changes in subsidiaries

1) The list of subsidiaries that were newly included in consolidation for the year ended December 31, 2022 is as follows:

<u>Subsidiary</u>	<u>Reason</u>
SAPEON Korea Inc.	Established by the Parent Company
SAPEON Inc.	Established by the Parent Company
SK m&service Co., Ltd.	Acquired by PS&Marketing Corporation

2) The list of subsidiaries that were excluded from consolidation for the year ended December 31, 2022 is as follows:

<u>Subsidiary</u>	<u>Reason</u>
Broadband Nowon Co., Ltd.	Merged into SK Broadband Co., Ltd

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

1. Reporting Entity, Continued

(5) The financial information of significant non-controlling interests of the Group as of and for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>SK Broadband Co., Ltd.(*)</u>	
Ownership of non-controlling interests (%)		25.3
	<u>As of December 31, 2022</u>	
Current assets	₩	1,348,305
Non-current assets		5,076,410
Current liabilities		(1,707,805)
Non-current liabilities		(1,488,834)
Net assets		3,228,076
Carrying amount of non-controlling interests		816,676
	<u>2022</u>	
Revenue	₩	4,156,326
Profit for the year		217,303
Total comprehensive income		237,860
Profit attributable to non-controlling interests		51,528
Net cash provided by operating activities	₩	1,184,794
Net cash used in investing activities		(807,965)
Net cash used in financing activities		(415,908)
Effects of exchange rate changes on cash and cash equivalents		(584)
Net decrease in cash and cash equivalents		(39,663)
Dividends paid to non-controlling interests for the year ended December 31, 2022	₩	-

(\*) The condensed financial information above is the consolidated financial information of the subsidiary and is reflected fair value adjustments that occurred a business combination.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

1. Reporting Entity, Continued

(5) The financial information of significant non-controlling interests of the Group as of and for the years ended December 31, 2022 and 2021 are as follows, Continued:

(In millions of won)

	<u>SK Broadband Co., Ltd.(*)</u>	
Ownership of non-controlling interests (%)		25.1
	<u>As of December 31, 2021</u>	
Current assets	₩	1,252,935
Non-current assets		4,886,448
Current liabilities		(1,433,800)
Non-current liabilities		(1,717,074)
Net assets		2,988,509
Carrying amount of non-controlling interests		740,771
	<u>2021</u>	
Revenue	₩	4,049,156
Profit for the year		198,268
Total comprehensive income		214,003
Profit attributable to non-controlling interests		52,935
Net cash provided by operating activities	₩	1,072,307
Net cash used in investing activities		(615,510)
Net cash used in financing activities		(248,139)
Effects of exchange rate changes on cash and cash equivalents		(59)
Net increase in cash and cash equivalents		208,599
Dividends paid to non-controlling interests for the year ended December 31, 2021	₩	-

(\*) The condensed financial information above is the consolidated financial information of the subsidiary and is reflected fair value adjustments that occurred a business combination.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 2. Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"), as prescribed in the *Act on External Audits of Stock Companies* of Korea. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The accompanying consolidated financial statements comprise the Group and the Group's investments in associates and joint ventures.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 7, 2023, which will be submitted for final approval at the shareholder's meeting to be held on March 28, 2023.

#### (1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position:

- ✓ derivative financial instruments measured at fair value;
- ✓ financial instruments measured at fair value through profit or loss ("FVTPL");
- ✓ financial instruments measured at fair value through other comprehensive income ("FVOCI");
- ✓ liabilities measured at fair value for cash-settled share-based payment arrangement; and
- ✓ liabilities (assets) for defined benefit plans recognized at the total present value of defined benefit obligations less the fair value of plan assets.

#### (2) Functional and presentation currency

Financial statements of Group entities within the Group are prepared in functional currency of each group entity, which is the currency of the primary economic environment in which each entity operates. Consolidated financial statements of the Group are presented in Korean won, which is the Parent Company's functional and presentation currency.

#### (3) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with KIFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

##### 1) Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in notes for the following areas: consolidation (whether the Group has de facto control over an investee), and determination of stand-alone selling prices.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 2. Basis of Preparation, Continued

#### (3) Use of estimates and judgments, Continued

##### 2) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes: loss allowance (notes 6 and 36), estimated useful lives of costs to obtain a contract (notes 7), property and equipment and intangible assets (notes 3 (7), (9), 13 and 17), impairment of goodwill (notes 3 (12) and 16), recognition of provision (notes 3 (17) and 20), measurement of defined benefit liabilities (notes 3 (16) and 21), transaction of derivative instruments (notes 3 (6) and 22) and recognition of deferred tax assets (liabilities) (notes 3 (25) and 32).

##### 3) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established policies and processes with respect to the measurement of fair values including Level 3 fair values, and the measurement of fair values is reviewed and is directly reported to the finance executives.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of KIFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- ✓ Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ✓ Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- ✓ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Information about assumptions used for fair value measurements are included in note 22 and note 36.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies

The significant accounting policies applied by the Group in the preparation of its consolidated financial statements in accordance with KIFRS are included below. Except for certain standards and amendments which are effective for annual periods beginning on or after January 1, 2022, the significant accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The new and amended standards and interpretations that are effective for annual periods beginning on or after January 1, 2022 are as follows. These amended standards had no significant impact on the Group's consolidated financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to KIFRS 1037).
- Reference to Conceptual Framework (Amendments to KIFRS 1103).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to KIFRS 1016).
- Annual Improvements to KIFRS 2018-2020.

As described in note 42, the Parent Company carried out a spin-off of its businesses of managing investments in semiconductor, New Information and Communication Technologies("ICT") and other businesses and making new investments pursuant to the resolution of the Board of Directors on June 10, 2021 and approval of shareholders' meeting on October 12, 2021. The Group has applied KIFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*, and accordingly, presented profit or loss of the spin-off business as discontinued operations.

#### (1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group's operating segments have been determined to be each business unit, for which the Group generates separately identifiable financial information that is regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The Group has three reportable segments as described in note 4. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.



# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (2) Basis of consolidation

##### 1) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Consideration transferred is generally measured at fair value, identical to the measurement of identifiable net assets acquired at fair value. The difference between the acquired company's fair value and the consideration transferred is accounted for goodwill. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received, except if related to the costs to issue debt or equity securities recognized based on KIFRS 1032 and KIFRS 1109.

Consideration transferred does not include the amount settled in relation to the pre-existing relationship. Such amounts are generally recognized through profit or loss.

Contingent consideration is measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. If contingent consideration is not classified as equity, the Group subsequently recognizes changes in fair value of contingent consideration through profit or loss.

##### 2) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in a Controlling Company's ownership interest in a subsidiary that do not result in the Controlling Company losing control of the subsidiary are accounted for as equity transactions.

##### 3) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of an investee begins from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (2) Basis of consolidation, Continued

##### 4) Loss of control

If the Group loses control of a subsidiary, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position and recognizes gain or loss associated with the loss of control attributable to the former controlling interest. Any investment retained in the former subsidiary is recognized at its fair value when control is lost.

##### 5) Interest in investees accounted for using the equity method

Interest in investees accounted for using the equity method composed of interest in associates and joint ventures.

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. A joint venture is a joint arrangement whereby the Group that has joint control of the arrangement has rights to the net assets of the arrangement.

The investment in an associate and a joint venture is initially recognized at cost including transaction costs and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate or the joint venture after the date of acquisition.

##### 6) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group's share of unrealized gain incurred from transactions with investees accounted for using the equity method are eliminated and unrealized loss are eliminated using the same basis if there are no evidence of asset impairments.

##### 7) Business combinations under common control

SK Inc. is the ultimate controlling entity of the Group. The assets and liabilities acquired under business combination under common control are recognized at the carrying amounts in the ultimate controlling shareholder's consolidated financial statements. The difference between consideration and carrying amount of net assets acquired is added to or subtracted from capital surplus and others.

#### (3) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investment securities with maturities of three months or less from the acquisition date that are easily convertible to cash and subject to an insignificant risk of changes in their fair value.

#### (4) Inventories

Inventories are initially recognized at the acquisition cost and subsequently measured using the weighted average method. During the period, a perpetual inventory system is used to track inventory quantities, which is adjusted based on the physical inventory counts performed at the period end. When the net realizable value of inventories is less than cost, the carrying amount is reduced to the net realizable value, and any difference is charged to current period as operating expenses.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (5) Non-derivative financial assets

##### 1) Recognition and initial measurement

Accounts receivable – trade and debt investments issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless an accounts receivable – trade without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. An accounts receivable – trade without a significant financing component is initially measured at the transaction price.

##### 2) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- FVTPL
- FVOCI – equity investment
- FVOCI – debt investment
- Financial assets at amortized cost

A financial asset is classified based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (5) Non-derivative financial assets, Continued

##### 2) Classification and subsequent measurement, Continued

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies are applied to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (5) Non-derivative financial assets, Continued

##### 3) Impairment

The Group estimates the expected credit losses ("ECL") for the debt instruments measured at amortized cost and FVOCI based on the Group's historical experience and informed credit assessment that includes forward-looking information. The impairment approach is decided based on the assessment of whether the credit risk of a financial asset has increased significantly since initial recognition. However, the Group applies a practical expedient and recognizes impairment losses equal to lifetime ECLs for accounts receivable – trade and lease receivables from the initial recognition.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

At each reporting date, the Group assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowance on financial assets measured at amortized cost is deducted from the carrying amount of the respective assets, while loss allowance on debt instruments at FVOCI is recognized in OCI, instead of reducing the carrying amount of the transferred assets.

##### 4) Derecognition

###### Financial assets

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (5) Non-derivative financial assets, Continued

##### 4) Derecognition, Continued

###### Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e., the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

##### 5) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to settle the liability and realize the asset simultaneously.

A financial asset and a financial liability are offset only when the right to set off the amount is not contingent on future event and legally enforceable even on the event of default, insolvency or bankruptcy.

#### (6) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value at the end of each reporting period, and changes therein are accounted for as described below.

##### 1) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designates derivatives as hedging instruments to hedge the variability in cash flow associated with highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (6) Derivative financial instruments, including hedge accounting, Continued

##### 1) Hedge accounting, Continued

###### Hedges directly affected by interest rate benchmark reform

When uncertainty arises about the interest rate benchmark designated as a hedged risk and the timing or the amount of the interest rate benchmark-based cash flows of the hedged item or of the hedging instrument as a result of IBOR reform, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur.

The Group will cease applying the specific policy for assessing the economic relationship between the hedged item and the hedging instrument

- to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument; or
- when the hedging relationship is discontinued.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by interest rate benchmark reform to the financial asset or financial liability designated in a hedging relationship or to the designation of the hedging relationship, the Group determines whether those additional changes result in the discontinuation of hedging accounting. If the additional changes do not result in the discontinuation of hedging accounting, the Group amend the formal designation of the hedging relationship.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognized in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (6) Derivative financial instruments, including hedge accounting, Continued

##### 1) Hedge accounting, Continued

###### Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

##### 2) Other derivative financial instruments

Other derivative financial instrument not designated as a hedging instrument are measured at fair value, and the changes in fair value of the derivative financial instrument is recognized immediately in profit or loss.



# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (7) Property and equipment

Property and equipment are initially measured at cost. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property and equipment, subsequently, are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property and equipment at cost or, if appropriate, as a separate item if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized as other non-operating income (loss).

The estimated useful lives of the Group's property and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings and structures	15 ~ 40
Machinery	3 ~ 15, 30
Other property and equipment	3 ~ 10

The Group reviews estimated residual values, expected useful lives, and depreciation methods annually at the end of each reporting date and adjusts, if appropriate. The change is accounted for as a change in an accounting estimate.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (8) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets are not qualifying assets, and assets that are ready for their intended use or sale when acquired are not qualifying assets either.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period do not exceed the amount of borrowing costs incurred during the period.

#### (9) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets, except for goodwill, are amortized on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, club memberships and brand are expected to be available for use as there are no foreseeable limits to the periods. These intangible assets are determined as having indefinite useful lives and, therefore, not amortized.

The estimated useful lives of the Group's intangible assets are as follows:

	Useful lives (years)
Frequency usage rights	2.4 ~ 10
Land usage rights	5
Industrial rights	5, 10
Development costs	5
Facility usage rights	10, 20
Customer relations	3 ~ 15
Other	3 ~ 20

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes, if appropriate, are accounted for as changes in accounting estimates.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (9) Intangible assets, Continued

Expenditures on research activities are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

#### (10) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

##### 1) Grants related to assets

Government grants whose primary condition is that the Group purchases, constructs, or otherwise acquires a long-term asset are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

##### 2) Grants related to income

Government grants which are intended to compensate the Group for expenses incurred are deducted from the related expenses.

#### (11) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures are recognized in carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. The carrying amount of those parts that are replaced is derecognized. The costs associated with routine maintenance and repairs are recognized in profit or loss as incurred.

Investment property, except for land, is depreciated on a straight-line basis over estimated useful lives of 30 years. In addition, right-of-use asset classified as investment property is depreciated using the straight-line basis from the commencement date to the end of the lease term.

The depreciation method, estimated useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (12) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than contract assets recognized for revenue arising from contracts with a customer, assets recognized for the costs to obtain or fulfill a contract with a customer, employee benefits, inventories, deferred tax assets, and non-current assets held for sale are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amounts to their carrying amounts.

The Group estimates the recoverable amount of an individual asset, and if it is impossible to measure the individual recoverable amount of an asset, the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss to the extent the carrying amount of the asset exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergy arising from the business acquired. Any impairment identified at the CGU level will first reduce the carrying amount of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (13) Leases

A contract is or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### 1) Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (13) Leases, Continued

##### 1) Group as a lessee, Continued

The right-of-use asset is subsequently depreciated using the straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments on short-term leases and leases of low value assets as an expense on a straight-line basis over the lease term.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (13) Leases, Continued

##### 2) Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies KIFRS 1115 to allocate the consideration in the contract.

The Group applies derecognition and impairment requirements in KIFRS 1109 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

#### (14) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sales rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the assets (or disposal groups) must be available for immediate sale in their present condition and their sale must be highly probable. The assets or disposal groups that are classified as non-current assets held for sale are measured at the lower of their carrying amounts and fair value less cost to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of assets (or disposal groups) to fair value less costs to sell and a gain for any subsequent increase in fair value less costs to sell up to the cumulative impairment loss previously recognized.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (15) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liabilities.

##### 1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, these liabilities are measured at fair value. The amount of change in fair value of financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability shall be presented in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the issue of the financial liability are recognized in profit or loss as incurred.

##### 2) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the issue of the financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost and the interest expenses are recognized using the effective interest method.

##### 3) Derecognition of financial liability

The Group extinguishes a financial liability only when the contractual obligation is fulfilled, canceled or expires. The Group recognizes new financial liabilities at fair value based on new contracts and eliminates existing liabilities when the contractual terms of the financial liabilities change and the cash flows change substantially.

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (16) Employee benefits

##### 1) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render related services. When an employee has rendered a service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

##### 2) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render related services. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

##### 3) Retirement benefits: defined contribution plans

When an employee has rendered a service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

##### 4) Retirement benefits: defined benefit plans

At the end of reporting period, defined benefit liabilities relating to defined benefit plans are recognized at present value of defined benefit obligations net of fair value of plan assets.

The calculation is performed annually by an independent actuary using the projected unit credit method. When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognizes an asset, to the extent of the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines net interests on net defined benefit liability (asset) by multiplying discount rate determined at the beginning of the annual reporting period and considers changes in net defined benefit liability (asset) from contributions and benefit payments. Net interest costs and other costs relating to the defined benefit plan are recognized through profit or loss.

When the plan amendment or curtailment occurs, gains or losses on amendment or curtailment in benefits for the past service provided are recognized through profit or loss. The Group recognizes a gain or loss on a settlement when the settlement of defined benefit plan occurs.



# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (16) Employee benefits, Continued

##### 5) Termination benefits

The Group recognizes a liability and expense for termination benefits at the earlier of the period when the Group can no longer withdraw the offer of those benefits and the period when the Group recognizes costs for a restructuring that involves the payment of termination benefits. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

#### (17) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. If the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

If some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision is used only for expenditures for which the provision was originally recognized.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (18) Emissions Rights

The Group accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission in Korea.

##### 1) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances, which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

The Group derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

##### 2) Emissions liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period. The emissions liabilities are derecognized when they are surrendered to the government.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (19) Transactions in foreign currencies

##### 1) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising from monetary items except for financial liabilities designated cashflow hedging instruments are recognized in profit or loss. If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange differences are also recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange differences are also recognized in profit or loss.

##### 2) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate at the reporting date.

When a foreign operation is disposed, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

#### (20) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Parent Company repurchases its own shares, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The gains or losses from the purchase, disposal, reissue, or retirement of treasury shares are directly recognized in equity being as transaction with owners.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (21) Hybrid bond

The Group recognizes a financial instrument issued by the Group as an equity instrument if it does not include contractual obligation to deliver financial assets including cash to the counter party.

#### (22) Share-based payment

For equity-settled share-based payment transaction, if the fair value of the goods or services received cannot be reliably estimated, the Group measures the value indirectly by reference to the fair value of the equity instruments granted. The related expense with a corresponding increase in capital surplus and others is recognized over the vesting period of the awards.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognized in profit or loss.

#### (23) Revenue

##### 1) Identification of performance obligations in contracts with customers

The Group identifies the distinct services or goods as performance obligations in contracts with customers such as (1) providing wireless and fixed-line telecommunications services, (2) sale of handsets and (3) providing other goods and services. In the case of providing both wireless telecommunications service and selling a handset together to one customer, the Group allocates considerations from the customer between the separate performance obligations for handset sale and wireless telecommunications service. The handset sale revenue is recognized when handset is delivered, and the wireless telecommunications service revenue is recognized over the period of the contract term as stated in the subscription contract.

##### 2) Allocation of the transaction price to each performance obligation

The Group allocates the transaction price of a contract to each performance obligation identified on a relative stand-alone selling price basis. The Group uses "adjusted market assessment approach" for estimating the stand-alone selling price of a good or service.

##### 3) Incremental costs of obtaining a contract

The Group pays commissions to its retail stores and authorized dealers in connection with acquiring service contracts. The commissions paid to these parties constituted a significant portion of the Group's operating expenses. These commissions would not have been paid if there have been no binding contracts with subscribers and, therefore, the Group capitalizes certain costs associated with commissions paid to obtain new customer contracts and amortize them over the expected contract periods.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (23) Revenue, Continued

##### 4) Customer loyalty programs

The Group provides customer loyalty points to customers based on the usage of the service to which the Group allocates a portion of consideration received as a performance obligation distinct from wireless telecommunications services. The amount to be allocated to the loyalty program is measured according to the relative stand-alone selling price of the customer loyalty points. The amount allocated to the loyalty program is deferred as a contract liability and is recognized as revenue when loyalty points are redeemed.

##### 5) Consideration payable to a customer

Based on the subscription contract, a customer who uses the Group's wireless telecommunications services may receive a discount for purchasing goods or services from a designated third party. The Group pays a portion of the price discounts that the customer receives to the third party which is viewed as consideration payable to a customer. The Group accounts for the amounts payable to the third party as a reduction of the wireless telecommunications service revenue.

#### (24) Finance income and finance costs

Finance income comprises interest income on funds invested (including financial assets measured at fair value), dividend income, gains on disposal of financial assets at FVTPL, changes in fair value of financial instruments at FVTPL, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognized in profit or loss when the right to receive the dividend is established.

Finance costs comprise interest expense on borrowings, changes in fair value of financial instruments at FVTPL, and losses on hedging instruments that are recognized in profit or loss. Interest expense on borrowings and debentures is recognized as it accrues in profit or loss using the effective interest rate method.

#### (25) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

The Group pays income tax in accordance with the tax-consolidation system when the Parent Company and its subsidiaries are economically unified.

##### 1) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and includes interests and fines related to income taxes paid or payable. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (25) Income taxes, Continued

##### 2) Deferred tax

Deferred tax is recognized by using the asset-liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group recognizes a deferred tax liability for all taxable temporary differences, except for the difference associated with investments in subsidiaries and associates that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

A deferred tax asset is recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Future taxable profit is dependent on the reversal of taxable temporary differences. If there are insufficient taxable temporary differences to recognize the deferred tax asset, the business plan of the Group and the reversal of existing temporary differences are considered in determining the future taxable profit.

The Group reviews the carrying amount of a deferred tax asset at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to offset the amount recognized and intends to settle the current tax liabilities and assets on a net basis. Income tax expense in relation to dividend payments is recognized when liabilities relating to the dividend payments are recognized.

##### 3) Uncertainty over income tax treatments

The Group assesses the uncertainty over income tax treatments pursuant to KIFRS 1012. If the Group concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

- The most likely amount: the single most likely amount in a range of possible outcomes.
- The expected value: the sum of the probability-weighted amounts in a range of possible outcomes.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 3. Significant Accounting Policies, Continued

#### (26) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, if any.

#### (27) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired only for a purpose of resale.

When an operation is classified as a discontinued operation, the comparative statements of income and comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.

#### (28) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective for annual period beginning after January 1, 2022 are disclosed below. The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to KIFRS 1012)
- Classification of Liabilities as Current or Non-current (Amendments to KIFRS 1001).
- KIFRS 1117 *Insurance Contracts* and amendments to KIFRS 1117 *Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to KIFRS 1001).
- Definition of Accounting Estimates (Amendments to KIFRS 1008).

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 4. Operating Segments

The Group's operating segments have been identified to be each business unit, by which the Group provides different services and merchandise. The Group's reportable segments include: cellular services, which include cellular voice service, wireless data service and wireless internet services; fixed-line telecommunication services, which include telephone services, internet services, and leased line services; and all other businesses, which include providing shopping channel and digital platform for selling products and other immaterial operations, each of which does not meet the quantitative threshold to be considered as a reportable segment and are presented collectively as others.

(1) Segment information for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022						Total
	Continuing operations					Adjustments	
	Cellular services	Fixed-line telecommunication services	Others(*)	Sub-total			
Total revenue	₩ 14,496,866	4,895,791	592,188	19,984,845	(2,679,872)	17,304,973	
Inter-segment revenue	1,554,550	1,082,802	42,520	2,679,872	(2,679,872)	-	
External revenue	12,942,316	3,812,989	549,668	17,304,973	-	17,304,973	
Depreciation and amortization	2,738,547	981,838	22,730	3,743,115	(121,790)	3,621,325	
Operating profit (loss)	1,334,306	311,210	(2,126)	1,643,390	(31,320)	1,612,070	
Finance income and costs, net						(276,489)	
Loss relating to investments in subsidiaries, associates and joint ventures, net						(81,707)	
Other non-operating income and expense, net						(17,722)	
Profit before income tax						1,236,152	

(In millions of won)

	2021						Discontinued operations
	Continuing operations					Total	
	Cellular services	Fixed-line telecommunication services	Others (*)	Sub-total	Adjustments		
Total revenue	₩ 14,214,407	4,790,641	362,978	19,368,026	(2,619,441)	16,748,585	2,845,424
Inter-segment revenue	1,495,934	1,112,935	10,572	2,619,441	(2,619,441)	-	462,341
External revenue	12,718,473	3,677,706	352,406	16,748,585	-	16,748,585	2,383,083
Depreciation and amortization	2,812,827	958,462	11,318	3,782,607	(110,052)	3,672,555	287,412
Operating profit (loss)	1,123,147	294,070	14,550	1,431,767	(44,605)	1,387,162	12,325
Finance income and costs, net						(160,471)	(222,406)
Gain relating to investments in subsidiaries, associates and joint ventures, net						446,300	1,502,147
Other non-operating income and expense, net						45,200	60,680
Profit before income tax						1,718,191	1,352,746



# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 4. Operating Segments, Continued

(1) Segment information for the years ended December 31, 2022 and 2021 are as follows, Continued:

(\*) The Parent Company carried out a spin-off of its business of managing investments in semiconductor, New Information and Communication Technologies("ICT") and other business and making new investments for the year ended December 31, 2021. Accordingly, the Group reclassified SK stoa Co., Ltd. from Commerce Services segment to Others segment.

The Group principally operates its businesses in Korea and the revenue amounts earned outside of Korea are immaterial. Therefore, no entity-wide geographical information is presented.

No single customer contributed 10% or more to the Group's total revenue for the years ended December 31, 2022 and 2021.

(2) Disaggregation of operating revenues considering the economic factors that affect the amounts, timing and uncertainty of the Group's revenue and future cash flows is as follows:

(In millions of won)

		<u>2022</u>	<u>2021</u>
Goods and Services transferred at a point in time:			
Cellular revenue	Goods(*1)	₩ 969,025	959,932
Fixed-line telecommunication revenue	Goods	66,477	105,340
Other revenue	Others(*2)	464,805	328,328
		<u>1,500,307</u>	<u>1,393,600</u>
Goods and Services transferred over time:			
Cellular revenue	Wireless service(*3)	10,253,217	10,100,368
	Cellular interconnection	471,163	493,820
	Other(*4)	1,248,911	1,164,353
Fixed-line telecommunication revenue	Fixed-line service	156,662	217,000
	Cellular interconnection	21,209	69,769
	Internet Protocol Television(*5)	1,816,130	1,786,765
	International calls	180,689	162,379
	Internet service and miscellaneous(*6)	1,571,822	1,336,453
Other revenue	Miscellaneous	84,863	24,078
		<u>15,804,666</u>	<u>15,354,985</u>
Discontinued operations		-	2,383,083
		<u>₩ 17,304,973</u>	<u>19,131,668</u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 4. Operating Segments, Continued

(2) Disaggregation of operating revenues considering the economic factors that affect the amounts, timing and uncertainty of the Group's revenue and future cash flows is as follows, Continued:

- (\*1) Cellular revenue includes revenue from sales of handsets and other electronic accessories.
- (\*2) Miscellaneous other revenue includes revenue from considerations received for the product sales-type data broadcasting channel use, and sales of goods through data broadcasting.
- (\*3) Wireless service includes revenue from wireless voice and data transmission services principally derived from usage charges to wireless subscribers.
- (\*4) Other revenue includes revenue from billing and collection services as well as other miscellaneous services.
- (\*5) IPTV service revenue includes revenue from IPTV services principally derived from usage charges to IPTV subscribers.
- (\*6) Internet service includes revenue from the high speed broadband internet service principally derived from usage charges to subscribers as well as other miscellaneous services.

### 5. Deposits with Restrictions on Use

Deposits which are restricted in use as of December 31, 2022 and 2021 are summarized as follows:

*(In millions of won)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents(*)	₩ 43	-
Short-term financial instruments(*)	79,514	79,500
Long-term financial instruments(*)	375	372
	<u>₩ 79,932</u>	<u>79,872</u>

(\*) Includes the followings: i) deposits restricted in use due to the court's order for seizure and collection of bonds; and ii) charitable trust fund established by the Group, profits from which shall be donated to charitable institutions. As of December 31, 2022, such deposits and funds cannot be withdrawn before maturity.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

6. Trade and Other Receivables

(1) Details of trade and other receivables as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	December 31, 2022		
	Gross amount	Loss allowance	Carrying amount
Current assets:			
Accounts receivable – trade	₩ 2,205,530	(234,919)	1,970,611
Short-term loans	79,298	(708)	78,590
Accounts receivable – other(*)	522,091	(42,310)	479,781
Accrued income	1,732	-	1,732
Guarantee deposits (Other current assets)	113,204	-	113,204
	<u>2,921,855</u>	<u>(277,937)</u>	<u>2,643,918</u>
Non-current assets:			
Long-term loans	71,857	(44,884)	26,973
Long-term accounts receivable – other(*)	375,829	(1,878)	373,951
Guarantee deposits	167,741	(300)	167,441
Long-term accounts receivable – trade (Other non-current assets)	14,165	(4)	14,161
	<u>629,592</u>	<u>(47,066)</u>	<u>582,526</u>
	<u>₩ 3,551,447</u>	<u>(325,003)</u>	<u>3,226,444</u>

(\*) Gross and carrying amounts of accounts receivable – other as of December 31, 2022 include ₩ 332,669 million of financial instruments classified as fair value through profit or loss (“FVTPL”).

(In millions of won)

	December 31, 2021		
	Gross amount	Loss allowance	Carrying amount
Current assets:			
Accounts receivable – trade	₩ 2,152,358	(238,847)	1,913,511
Short-term loans	71,750	(933)	70,817
Accounts receivable – other(*)	593,109	(44,747)	548,362
Accrued income	762	-	762
Guarantee deposits (Other current assets)	92,046	-	92,046
	<u>2,910,025</u>	<u>(284,527)</u>	<u>2,625,498</u>
Non-current assets:			
Long-term loans	66,431	(44,452)	21,979
Long-term accounts receivable – other(*)	277,116	(1,878)	275,238
Guarantee deposits	186,713	-	186,713
Long-term accounts receivable – trade (Other non-current assets)	8,140	(34)	8,106
	<u>538,400</u>	<u>(46,364)</u>	<u>492,036</u>
	<u>₩ 3,448,425</u>	<u>(330,891)</u>	<u>3,117,534</u>

(\*) Gross and carrying amounts of accounts receivable – other as of December 31, 2021 include ₩ 459,959 million of financial instruments classified as fair value through profit or loss (“FVTPL”).

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 6. Trade and Other Receivables, Continued

(2) Changes in the loss allowance on accounts receivable – trade measured at amortized costs for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

		Beginning balance	Impairment	Write-offs (*2)	Collection of receivables previously written-off	Business combination	Spin-off	Ending balance
2022	₩	238,881	27,053	(42,296)	11,282	3	-	234,923
2021(*1)	₩	264,498	31,546	(65,852)	14,565	878	(6,754)	238,881

(\*1) Includes amounts related to discontinued operations.

(\*2) The Group writes off the trade and other receivables that are determined to be uncollectable due to reasons such as termination of operations or bankruptcy.

(3) The Group applies the practical expedient that allows the Group to estimate the loss allowance for accounts receivable – trade at an amount equal to the lifetime expected credit losses. The expected credit losses include the forward-looking information. To make the assessment, the Group uses its historical credit loss experience over the past three years and classifies the accounts receivable - trade by their credit risk characteristics and days overdue. Details of loss allowance on accounts receivable – trade as of December 31, 2022 are as follows:

(In millions of won)

			Less than 6 months	6 months ~ 1 year	1 ~ 3 years	More than 3 years
Telecommunications service revenue	Expected credit loss rate		2.24%	76.22%	85.59%	93.00%
	Gross amount	₩	1,408,471	47,412	126,479	20,100
	Loss allowance		31,500	36,139	108,249	18,693
Other revenue	Expected credit loss rate		2.92%	50.75%	69.89%	97.02%
	Gross amount	₩	589,484	3,464	8,606	15,679
	Loss allowance		17,357	1,758	6,015	15,212

As the Group is a wireless and fixed-line telecommunications service provider, the Group's financial assets measured at amortized cost primarily consist of receivables from numerous individual customers, and, therefore, no significant credit concentration risk arises.

Receivables related to other revenue mainly consist of receivables from corporate customers. The Group transacts only with corporate customers with credit ratings that are considered to be low at credit risk. In addition, the Group is not exposed to significant credit concentration risk as the Group regularly assesses their credit risk by monitoring their credit rating. While the contract assets are under the impairment requirements, no significant credit risk has been identified.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

7. Prepaid expenses

The Group pays commissions to its retail stores and authorized dealers, primarily for wireless and fixed-line telecommunication services. The Group capitalized certain costs associated with commissions paid to retail stores and authorized dealers to obtain new and retained customer contracts as prepaid expenses. These prepaid expenses are amortized on a straight-line basis over the periods that the Group expects to maintain its customers.

(1) Details of prepaid expenses as of December 31, 2022 and 2021 are as follows:

(In millions of won)

		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets:			
Incremental costs of obtaining contracts	₩	1,888,182	1,886,680
Others		86,133	100,823
	₩	<u>1,974,315</u>	<u>1,987,503</u>
Non-current assets:			
Incremental costs of obtaining contracts	₩	996,180	977,236
Others		77,242	91,912
	₩	<u>1,073,422</u>	<u>1,069,148</u>

(2) Incremental costs of obtaining contracts

The amortization in connection with incremental costs of obtaining contracts recognized for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

		<u>2022</u>	<u>2021(*)</u>
Amortization recognized	₩	2,485,593	2,634,134

(\*) Includes amounts related to discontinued operations.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

**8. Contract Assets and Liabilities**

In case of providing both wireless telecommunication services and sales of handsets, the Group allocated the consideration based on relative stand-alone selling prices and recognized unbilled receivables from handset sales as contract assets. The Group recognized receipts in advance for prepaid telecommunications services and unearned revenue for customer loyalty programs as contract liabilities.

(1) Details of contract assets and liabilities as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract assets:		
Allocation of consideration between performance obligations	₩ 132,221	118,278
Contract liabilities:		
Wireless service contracts	18,544	18,397
Customer loyalty programs	7,706	12,699
Fixed-line service contracts	136,880	118,600
Others	70,792	53,271
	<u>₩ 233,922</u>	<u>202,967</u>

(2) The amount of revenue recognized for the years ended December 31, 2022 and 2021 related to the contract liabilities carried forward from the prior periods are ₩109,867 million and ₩185,515 million, respectively and are included in amounts of revenue related to discontinued operations for the years ended December 31, 2021. Details of revenue expected to be recognized from contract liabilities as of December 31, 2022 are as follows:

*(In millions of won)*

	<u>Less than 1 year</u>	<u>1 ~ 2 years</u>	<u>More than 2 years</u>	<u>Total</u>
Wireless service contracts	₩ 18,544	-	-	18,544
Customer loyalty programs	6,141	1,048	517	7,706
Fixed-line service contracts	88,051	14,198	34,631	136,880
Others	59,612	10,935	245	70,792
	<u>₩ 172,348</u>	<u>26,181</u>	<u>35,393</u>	<u>233,922</u>

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

9. Inventories

(1) Details of inventories as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	December 31, 2022			December 31, 2021		
	Acquisition cost	Write-down	Carrying amount	Acquisition cost	Write-down	Carrying amount
Merchandise	₩ 156,919	(5,616)	151,303	204,545	(3,419)	201,126
Supplies	15,052	-	15,052	3,511	-	3,511
	<u>₩ 171,971</u>	<u>(5,616)</u>	<u>166,355</u>	<u>208,056</u>	<u>(3,419)</u>	<u>204,637</u>

(2) Inventories recognized as operating expenses for the years ended December 31, 2022 and 2021 are ₩1,266,271 million and ₩1,417,339 million, respectively, which are included in the cost of goods sold. In addition, valuation losses on inventories and reversal of valuation losses on inventories which are included in the cost of goods sold amount to ₩1,541 million and ₩3,287 million for the years ended December 31, 2022 and 2021, respectively. Write-downs included in other operating expenses for the year ended December 31, 2021 are ₩3,516 million. Those amounts include profit or loss from discontinued operations.

10. Investment Securities

(1) Details of short-term investment securities as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	Category	December 31, 2022	December 31, 2021
Beneficiary certificates	FVTPL	₩ -	5,010

(2) Details of long-term investment securities as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	Category	December 31, 2022	December 31, 2021
Equity instruments	FVOCI(*)	₩ 1,189,597	1,510,428
	FVTPL	44,440	57,830
		<u>1,234,037</u>	<u>1,568,258</u>
Debt instruments	FVOCI	-	1,177
	FVTPL	176,699	145,643
		<u>176,699</u>	<u>146,820</u>
		<u>₩ 1,410,736</u>	<u>1,715,078</u>

(\*) The Group designated investments in equity instruments that are not held for trading as financial assets at FVOCI, the amounts to those FVOCI as of December 31, 2022 and 2021 are ₩1,189,597 million and ₩1,510,428 million, respectively.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 11. Business Combinations

#### (1) 2022

##### 1) Acquisition of SK m&service Co., Ltd. by PS&Marketing Corporation:

PS&Marketing Corporation obtained control over SK m&service Co., Ltd. by acquiring its 3,099,112 shares (100%) for the year ended December 31, 2022. As this transaction is a business combination under common control, the assets acquired and liabilities assumed were recognized at the carrying amounts in the ultimate controlling entity's consolidated financial statements, and the difference between the consideration transferred and the carrying amounts of net assets was recognized as capital surplus and others. Subsequent to the acquisition of control, SK m&service Co., Ltd. recognized ₩211,081 million of revenue and ₩4,157 million of net profit. Meanwhile, assuming that business combination occurred as of January 1, 2022, the Group would have recognized ₩250,108 million of revenue and ₩4,695 million of net profit.

##### (i) Summary of the acquiree

	<u>Information of acquiree</u>
Corporate name	SK m&service Co., Ltd.
Location	16 <sup>th</sup> floor, 34, Supyo-ro, Jung-gu, Seoul, Korea
CEO	Park, Jeong-Min
Industry	Database and internet website service

##### (ii) Considerations transferred, identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

*(In millions of won)*

	<u>Amounts</u>
I. Consideration transferred:	
Cash and cash equivalents	₩ 72,859
II. Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	10,547
Accounts receivable – trade and other, net	76,035
Inventories, net	3,349
Property and equipment, net	27,138
Intangible assets, net	12,462
Goodwill	2,516
Other assets	10,394
Accounts payable – trade and other	(53,894)
Income tax payable	(399)
Lease liabilities	(6,503)
Provisions	(991)
Defined benefit liabilities	(2,739)
Other liabilities	(18,337)
	<u>59,578</u>
III. Capital surplus and others( I - II)	₩ <u>13,281</u>



# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 11. Business Combinations, Continued

#### (2) 2021

- 1) Merger of ADT CAPS Co., Ltd. by SK Shieldus Co., Ltd.(Formerly, ADT CAPS Co, Ltd., at the time of merger, SK Infosec Co., Ltd.):

On March 4, 2021, SK Infosec Co., Ltd. merged with ADT CAPS Co., Ltd., a subsidiary of SK Infosec Co., Ltd., to improve management efficiency. As this transaction is a business combination under common control, the acquired assets and liabilities were recognized at the carrying amounts in the ultimate controlling entity's consolidated financial statements and there is no effect on the assets and liabilities of the consolidated financial statements. After the date of the merger, SK Infosec Co., Ltd. changed its name to ADT CAPS Co., Ltd. and then again, in October 2021, ADT CAPS Co., Ltd. changed its name to SK Shieldus Co., Ltd.

Identifiable assets acquired and liabilities assumed were transferred to spin-off company.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 11. Business Combinations, Continued

#### (2) 2021, Continued

##### 2) Acquisition of Studio Dolphin Co., Ltd. by Dreamus Company:

DREAMUS Company obtained control by acquiring 10,000 shares(100%) of Studio Dolphin Co., Ltd. for the year ended December 31, 2021. The consideration transferred was ₩1,500 million in cash and the difference between the fair value of net assets acquired and the consideration transferred amounting to ₩1,465 million was recognized as goodwill. Subsequent to the acquisition of control, Studio Dolphin Co., Ltd. recognized revenue of ₩245 million and net loss of ₩304 million and the amounts are included in profit or loss from discontinued operations.

Identifiable assets acquired, liabilities assumed and goodwill were transferred to spin-off company.

##### (i) Summary of the acquiree

	<u>Information of acquiree</u>
Corporate name	Studio Dolphin Co., Ltd.
Location	3 <sup>rd</sup> floor, 10, Jandari-ro 7an-gil, Mapo-gu, Seoul, Korea
CEO	Kim, Dong-Hee
Industry	Music and sound recording business

##### (ii) Considerations transferred, identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

*(In millions of won)*

	<u>Amounts</u>
I . Consideration transferred:	
Cash and cash equivalents	₩ 1,500
II . Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	20
Accounts receivable – trade and other	31
Other assets	7
Accounts payable – trade and other	(4)
Short-term borrowings	(2)
Other liabilities	(17)
	<u>35</u>
III. Goodwill( I - II )	₩ <u><u>1,465</u></u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 11. Business Combinations, Continued

#### (2) 2021, Continued

##### 3) Acquisition of YLP Inc. by Tmap Mobility Co., Ltd.:

Tmap Mobility Co., Ltd. obtained control by acquiring 168,012 shares (100%) of YLP Inc. during the year ended December 31, 2021. The consideration transferred was ~~₩~~79,000 million, among which ~~₩~~55,598 million was paid in cash to acquire 118,242 shares (70.4%) and on June 29, 2021, T map Mobility Co., Ltd. issued 267,700 of its new common shares (with a fair value of ~~₩~~23,402 million) to the shareholders of YLP Inc. in exchange for the remaining 49,770 shares (29.6%) owned by those shareholders. The difference between the fair value of net assets acquired and the consideration transferred amounting to ~~₩~~69,516 million was recognized as goodwill. Subsequent to the acquisition of control, YLP Inc. recognized revenue of ~~₩~~20,488 million and net loss of ~~₩~~1,632 million and the amounts are included in profit or loss from discontinued operations.

Identifiable assets acquired, liabilities assumed and goodwill were transferred to spin-off company.

#### (i) Summary of the acquiree

	<u>Information of acquiree</u>
Corporate name	YLP Inc.
Location	1740, Cheongwon-ro, Pyeongtaek-si, Gyeonggi-do, Korea
CEO	Lee, Hyeok-Ju
Industry	Freight forwarders and cargo agents

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

11. Business Combinations, Continued

(2) 2021, Continued

3) Acquisition of YLP Inc. by Tmap Mobility Co., Ltd., Continued:

(ii) Considerations transferred, identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

*(In millions of won)*

	<u>Amounts</u>
I. Consideration transferred:	
Cash and cash equivalents	₩ 55,598
Fair value of shares of T map Mobility Co., Ltd.	23,402
II. Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	1,897
Financial instruments	4,000
Accounts receivable – trade and other, net	4,480
Property and equipment, net	431
Intangible assets, net	3,595
Other assets	325
Borrowings	(1,000)
Accounts payable – trade and other	(3,542)
Lease liabilities	(327)
Other liabilities	(48)
Deferred tax liabilities	(327)
	<u>9,484</u>
III. Goodwill( I - II )	₩ <u><u>69,516</u></u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 11. Business Combinations, Continued

#### (2) 2021, Continued

##### 4) Acquisition of Rokmedia Co., Ltd. by One Store Co., Ltd.:

One Store Co., Ltd. obtained control by acquiring 60,000 shares (100%) of Rokmedia Co., Ltd. for the year ended December 31, 2021. The consideration transferred was ₩40,000 million in cash and the difference between the fair value of net assets acquired and the consideration transferred amounting to ₩33,641 million was recognized as goodwill. Subsequent to the acquisition of control, Rokmedia Co., Ltd. recognized revenue of ₩10,915 million and net profit of ₩1,066 million and the amounts are included in profit or loss from discontinued operation.

Identifiable assets acquired, liabilities assumed and goodwill were transferred to spin-off company.

##### (i) Summary of the acquiree

	<u>Information of acquiree</u>
Corporate name	Rokmedia Co., Ltd.
Location	3 <sup>rd</sup> floor, 330, Seongam-ro, Mapo-gu, Seoul, Korea
CEO	Kang, Jun-Gyu / Kim, Jeong-Su
Industry	Publishing and telecommunications retail business

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

11. Business Combinations, Continued

(2) 2021, Continued

4) Acquisition of Rokmedia Co., Ltd. by One Store Co., Ltd., Continued:

(ii) Considerations transferred, identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

*(In millions of won)*

	<u>Amounts</u>
I. Consideration transferred:	
Cash and cash equivalents	₩ 40,000
II. Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	719
Financial instruments	2,170
Accounts receivable – trade and other, net	1,374
Inventories	933
Other assets	3,212
Short-term loans, net	30
Property and equipment, net	792
Intangible assets, net	2,677
Accounts payable – trade and other	(1,885)
Contract liabilities	(1,401)
Borrowings	(1,485)
Provisions	(385)
Lease liabilities	(56)
Other liabilities	(111)
Deferred tax liabilities	(135)
Income tax payable	(90)
	<u>6,359</u>
III. Goodwill( I - II )	₩ <u><u>33,641</u></u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 11. Business Combinations, Continued

#### (2) 2021, Continued

##### 5) Acquisition of GOOD SERVICE Co., Ltd. by Tmap Mobility Co., Ltd.:

T map Mobility Co., Ltd. obtained control by acquiring 2,000 shares (100%) of GOOD SERVICE Co., Ltd. for the year ended December 31, 2021. The consideration transferred was ₩10,000 million in cash and the difference between the fair value of net assets acquired and the consideration transferred amounting to ₩4,844 million was recognized as goodwill. Subsequent to the acquisition of control, GOOD SERVICE Co., Ltd. recognized revenue of ₩1,063 million and net profit of ₩621 million and the amounts are included in profit or loss from discontinued operations.

Identifiable assets acquired, liabilities assumed and goodwill were transferred to spin-off company.

#### (i) Summary of the acquiree

	<u>Information of acquiree</u>
Corporate name	GOOD SERVICE Co., Ltd.
Location	4 <sup>th</sup> floor, 54, Daeheung-ro, Mapo-gu, Seoul, Korea
CEO	Kim, Seung-Wook
Industry	Surrogate driving service business and related business

#### (ii) Considerations transferred, identifiable assets acquired and liabilities assumed as of the acquisition date are as follows:

*(In millions of won)*

	<u>Amounts</u>
I . Consideration transferred:	
Cash and cash equivalents	₩ 10,000
II . Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	1,328
Financial instruments	116
Accounts receivable – trade and other, net	1,881
Property and equipment, net	116
Intangible assets, net	3,492
Accounts payable – trade and other	(883)
Other liabilities	(85)
Deferred tax liabilities	(696)
Lease liabilities	(113)
	<u>5,156</u>
III. Goodwill( I - II )	₩ <u><u>4,844</u></u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 12. Investments in Associates and Joint Ventures

(1) Investments in associates and joint ventures accounted for using the equity method as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	Country	December 31, 2022		December 31, 2021	
		Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
<b>Investments in associates:</b>					
SK China Company Ltd.	China	27.3	₩ 879,527	27.3	₩ 793,754
Korea IT Fund(*1)	Korea	63.3	324,860	63.3	339,976
HanaCard Co., Ltd.*(2)	Korea	-	-	15.0	349,866
UniSK	China	49.0	20,839	49.0	19,156
	Cayman				
SK Technology Innovation Company	Islands	49.0	69,375	49.0	86,301
SK MENA Investment B.V.	Netherlands	32.1	14,296	32.1	15,343
SK Latin America Investment S.A.	Spain	32.1	11,961	32.1	14,004
SK South East Asia Investment					
Pte. Ltd.	Singapore	20.0	357,537	20.0	348,782
Pacific Telecom Inc.(*3)	USA	15.0	48,542	15.0	43,789
SM. Culture & Contents Co., Ltd.	Korea	23.1	59,611	23.1	60,261
Digital Games International Pte.					
Ltd.(*4)	Singapore	-	-	33.3	2,208
Invites Healthcare Co., Ltd.(*5)	Korea	31.1	-	27.1	26,474
Nam Incheon Broadcasting Co., Ltd.	Korea	27.3	13,575	27.3	12,525
Home Choice Corp.(*3)	Korea	17.8	4,456	17.8	3,052
Konan Technology Inc.	Korea	20.8	8,366	26.5	3,639
CMES Inc.(*3,6)	Korea	7.7	900	-	-
12CM JAPAN and others(*3,7)	-	-	69,734	-	68,966
			₩ 1,883,579		₩ 2,188,096
<b>Investments in joint ventures:</b>					
Finnq Co., Ltd. (*8)	Korea	-	-	49.0	7,255
UTC Kakao-SK Telecom ESG					
Fund(*9)	Korea	48.2	5,710	48.2	2,000
			5,710		9,255
			₩ 1,889,289		₩ 2,197,351



# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 12. Investments in Associates and Joint Ventures, Continued

(1) Investments in associates and joint ventures accounted for using the equity method as of December 31, 2022 and 2021 are as follows, Continued:

(\*1) Investment in Korea IT Fund was classified as investment in associates as the Group does not have control over the investee under the contractual agreement with other shareholders.

(\*2) The Group disposed the entire shares of HanaCard Co., Ltd. to Hana Financial Group Inc. for ₩330,032 million in cash and recognized ₩48,693 million of loss on disposal of investments in associates for the year ended December 31, 2022.

(\*3) Although the Group holds less than 20% of equity interests in these investees, investments in such investees were classified as investments in associates as the Group can exercise significant influence through its right to appoint the members of the Board of Directors.

(\*4) The Group disposed the entire shares of Digital Games International Pte. Ltd. and recognized ₩1,462 million of gain on disposal of investments in associates for the year ended December 31, 2022.

(\*5) The Group recognized the carrying amount of investments in Invites Healthcare Co., Ltd. in entirety as an impairment loss for the year ended December 31, 2022.

(\*6) As the Group obtained significant influence over the investee, ₩900 million of financial assets at FVOCI are reclassified to investments in associates for the year ended December 31, 2022.

(\*7) The Group additionally contributed ₩2,000 million in cash to Smart SKT Infinitum Game Fund for the year ended December 31, 2022. In addition, the Group disposed the shares of Start-up Win-Win Fund (₩4,850 million) at ₩5,800 million in cash and recognized ₩950 million of gain on disposal of investments in associates, accordingly. The Group also disposed the shares of Daekyo Wipoongdangdang Contents Korea Fund (₩1,080 million) at ₩1,080 million in cash and reclassified the entire shares as non-current assets held for sale. Furthermore, the Group newly invested ₩4,000 million in cash to KB ESG Fund of three telecommunications companies for the year ended December 31, 2022.

(\*8) The Group disposed the entire shares of Finng Co., Ltd. to Hana Financial Group Inc. for ₩5,733 million in cash and recognized ₩1,043 million of gain on disposal of investments in joint ventures for the year ended December 31, 2022.

(\*9) The Group additionally contributed ₩4,000 million in cash to the investee for the year ended December 31, 2022, but there is no change in the ownership interest. As the Group has a joint control over the investee pursuant to the agreement with the other shareholders, the investment in the investee was classified as investments in joint ventures.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

12. Investments in Associates and Joint Ventures, Continued

(2) The market value of investments in listed associates as of December 31, 2022 and 2021 are as follows:

(In millions of won, except for share data)

	December 31, 2022			December 31, 2021		
	Market price per share (in won)	Number of shares	Market value	Market price per share (in won)	Number of shares	Market value
SM.Culture & Contents Co.,Ltd.	₩ 2,960	22,033,898	65,220	4,485	22,033,898	98,822
Konan Technology Inc.	28,250	1,179,580	33,323	-	-	-

(3) The condensed financial information of significant associates as of and for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	Korea IT Fund	SK China Company Ltd.	SK South East Asia Investment Pte. Ltd.
<b>As of December 31, 2022</b>			
Current assets	₩ 98,132	1,223,426	146,589
Non-current assets	414,804	2,050,001	3,034,335
Current liabilities	-	76,654	488,132
Non-current liabilities	-	276,525	-
<b>2022</b>			
Revenue	₩ 19,916	62,334	72,658
Profit (loss) for the year	7,505	(11,681)	(17,504)
Other comprehensive income (loss)	(11,779)	58,034	(34,220)
Total comprehensive income (loss)	(4,274)	46,353	(51,724)

(In millions of won)

	HanaCard Co., Ltd.	Korea IT Fund	SK China Company Ltd.	SK South East Asia Investment Pte. Ltd.
<b>As of December 31, 2021</b>				
Current assets	₩ 9,130,044	117,172	1,124,219	133,110
Non-current assets	465,333	419,632	1,849,102	2,853,184
Current liabilities	1,281,783	-	53,199	412,962
Non-current liabilities	6,284,587	-	316,470	-
<b>2021</b>				
Revenue	₩ 1,270,568	58,741	80,241	9,945
Profit (loss) for the year	250,484	50,107	933,475	(188,678)
Other comprehensive income (loss)	909	(6,847)	326,661	304,700
Total comprehensive income	251,393	43,260	1,260,136	116,022

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

12. Investments in Associates and Joint Ventures, Continued

- (4) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of December 31, 2022 and 2021 are as follows:

(In millions of won)

		December 31, 2022				
		Net assets	Ownership interests (%)	Net assets attributable to the ownership interests	Cost-book value differentials	Carrying amount
Korea IT Fund	₩	512,936	63.3	324,860	-	324,860
SK China Company Ltd.(*)		2,920,248	27.3	796,387	83,140	879,527
SK South East Asia Investment Pte. Ltd.(*)		1,787,685	20.0	357,537	-	357,537

(In millions of won)

		December 31, 2021				
		Net assets	Ownership interests (%)	Net assets attributable to the ownership interests	Cost-book value differentials	Carrying amount
HanaCard Co., Ltd.	₩	2,029,007	15.0	304,351	45,515	349,866
Korea IT Fund		536,804	63.3	339,976	-	339,976
SK China Company Ltd.(*)		2,603,336	27.3	709,961	83,793	793,754
SK South East Asia Investment Pte. Ltd.(*)		1,743,908	20.0	348,782	-	348,782

- (\*) Net assets of these entities represent net assets excluding those attributable to their non-controlling interests.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

12. Investments in Associates and Joint Ventures, Continued

(5) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022					
	Beginning balance	Acquisition and Disposal	Share of profit (loss)	Other comprehensive income (loss)	Other increase (decrease)	Ending balance
<b>Investments in associates:</b>						
SK China Company Ltd.	₩ 793,754	-	(19,395)	105,168	-	879,527
Korea IT Fund (*1)	339,976	-	4,753	(7,459)	(12,410)	324,860
HanaCard Co., Ltd.	349,866	(368,389)	17,749	774	-	-
UniSK	19,156	-	2,424	(741)	-	20,839
SK Technology Innovation Company	86,301	-	(22,923)	5,997	-	69,375
SK MENA Investment B.V.	15,343	-	(2,059)	1,012	-	14,296
SK Latin America Investment S.A.	14,004	-	(2,083)	40	-	11,961
SK South East Asia Investment Pte. Ltd.	348,782	-	(6,975)	15,730	-	357,537
Pacific Telecom Inc.	43,789	-	2,890	1,863	-	48,542
SM. Culture & Contents Co., Ltd.	60,261	37	(756)	69	-	59,611
Digital Games International Pte. Ltd.	2,208	(1,757)	(562)	111	-	-
Invites Healthcare Co., Ltd.(*2)	26,474	-	(11,759)	(74)	(14,641)	-
Nam Incheon Broadcasting Co., Ltd.(*1)	12,525	-	1,186	-	(136)	13,575
Home Choice Corp.	3,052	-	1,403	1	-	4,456
Konan Technology Inc.	3,639	5,451	(710)	(14)	-	8,366
CMES Inc.(*3)	-	-	-	-	900	900
12CM JAPAN and others(*4)	68,966	1,873	1,245	-	(2,350)	69,734
	<u>2,188,096</u>	<u>(362,785)</u>	<u>(35,572)</u>	<u>122,477</u>	<u>(28,637)</u>	<u>1,883,579</u>
<b>Investments in joint ventures:</b>						
Finnq Co., Ltd.	7,255	(3,840)	(3,617)	202	-	-
UTC Kakao-SK Telecom ESG Fund	2,000	4,000	(290)	-	-	5,710
	<u>9,255</u>	<u>160</u>	<u>(3,907)</u>	<u>202</u>	<u>-</u>	<u>5,710</u>
	<u>₩ 2,197,351</u>	<u>(362,625)</u>	<u>(39,479)</u>	<u>122,679</u>	<u>(28,637)</u>	<u>1,889,289</u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 12. Investments in Associates and Joint Ventures, Continued

(5) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the years ended December 31, 2022 and 2021 are as follows, Continued:

(\*1) Dividends distributed by the associates are deducted from the carrying amount for the year ended December 31, 2022.

(\*2) The Group recognized ₩14,641 million of impairment loss for the year ended December 31, 2022.

(\*3) As the Group obtained significant influence over the investee, ₩900 million of financial assets at FVOCI are reclassified to investments in associates for the year ended December 31, 2022.

(\*4) The acquisition for the year ended December 31, 2022 includes ₩2,000 million of cash investment in Smart SKT Infinitum Game Fund, ₩4,000 million of cash investment in KB ESG Fund of three telecommunications companies and ₩12 million of cash investment in SK VENTURE CAPITAL, LLC. The disposal for the year ended December 31, 2022 includes ₩4,850 million relating to disposal of the part of shares of Start-up Win-Win Fund and ₩1,080 million relating to disposal of the part of shares of Daekyo Wipoongdangdang Contents Korea Fund. In addition, dividends amounting to ₩1,290 million received from Start-up Win-Win Fund deducted from the carrying amount for the year ended December 31, 2022.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 12. Investments in Associates and Joint Ventures, Continued

(5) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the years ended December 31, 2022 and 2021 are as follows, Continued:

(In millions of won)

	2021						Ending balance
	Beginning balance	Acquisition and Disposal	Share of profit (loss)	Other comprehensive income (loss)	Other increase (decrease)	Spin-off	
<b>Investments in associates:</b>							
SK China Company Ltd.(*1)	₩ 555,133	-	274,066	95,696	(131,141)	-	793,754
Korea IT Fund(*1)	323,294	-	31,734	(4,336)	(10,716)	-	339,976
HanaCard Co., Ltd.	314,930	-	35,057	(121)	-	-	349,866
SK Telecom CS T1 Co., Ltd.(*2)	53,010	4,888	(8,769)	(575)	-	(48,554)	-
NanoEnTek, Inc.(*2)	43,190	-	1,836	(86)	-	(44,940)	-
UniSK	15,700	-	1,475	1,981	-	-	19,156
SK Technology Innovation Company	41,579	-	39,256	5,466	-	-	86,301
SK MENA Investment B.V.	14,043	-	2	1,298	-	-	15,343
SK hynix Inc.(*1,2)	12,251,861	19,482	1,542,757	197,473	(170,937)	(13,840,636)	-
SK Latin America Investment S.A.	13,930	-	(49)	123	-	-	14,004
Grab Geo Holdings PTE. LTD.(*2)	30,063	-	-	-	-	(30,063)	-
SK South East Asia Investment Pte. Ltd.	311,990	-	(18,218)	55,010	-	-	348,782
Pacific Telecom Inc.	39,723	-	1,598	2,468	-	-	43,789
SM. Culture & Contents Co., Ltd.	62,248	144	(2,484)	353	-	-	60,261
Contents Wavve Co., Ltd.(*2)	75,803	100,000	(20,716)	-	-	(155,087)	-
Hello Nature Co., Ltd.(*2,3)	11,969	9,980	(10,899)	(1)	(1,730)	(9,319)	-
Digital Games International Pte. Ltd.	6,449	-	(4,529)	288	-	-	2,208
Invites Healthcare Co., Ltd.	25,536	7,000	(5,968)	(94)	-	-	26,474
Nam Incheon Broadcasting Co., Ltd.(*1)	10,902	-	1,759	-	(136)	-	12,525
NANO-X IMAGING LTD.(*2)	28,484	(47)	(2,049)	-	2,437	(28,825)	-
Home Choice Corp.	3,585	-	(533)	-	-	-	3,052
Carrot General Insurance Co., Ltd.(*4)	13,469	12,289	(6,666)	(358)	(8,734)	(10,000)	-
Bertis Inc.(*2)	-	15,739	(423)	-	-	(15,316)	-
UT LLC(*2)	-	86,319	(7,773)	-	-	(78,546)	-
SPARKPLUS Co., Ltd.(*2)	-	34,166	-	-	-	(34,166)	-
12CM JAPAN and others(*2,5)	65,750	9,038	(2,869)	7,693	(1,624)	(5,383)	72,605
	<u>14,312,641</u>	<u>298,998</u>	<u>1,837,595</u>	<u>362,278</u>	<u>(322,581)</u>	<u>(14,300,835)</u>	<u>2,188,096</u>
<b>Investments in joint ventures:</b>							
Dogus Planet, Inc.(*2)	15,071	-	(6,990)	(1,447)	-	(6,634)	-
Finnq Co., Ltd.	13,342	-	(5,969)	(118)	-	-	7,255
NEXTGEN BROADCAST SERVICES CO, LLC(*2)	5,850	9,048	(1,276)	-	892	(14,514)	-
NEXTGEN ORCHESTRATION, LLC(*2)	1,600	-	-	-	142	(1,742)	-
Techmaker GmbH(*2)	5,609	-	(94)	145	-	(5,660)	-
WAVVE Americas Inc. (Formerly, Korea Content Platform, Inc.)(*2)	-	30,191	(14)	-	598	(30,775)	-
UTC Kakao-SK Telecom ESG Fund	-	2,000	-	-	-	-	2,000
	<u>41,472</u>	<u>41,239</u>	<u>(14,343)</u>	<u>(1,420)</u>	<u>1,632</u>	<u>(59,325)</u>	<u>9,255</u>
₩	<u>14,354,113</u>	<u>340,237</u>	<u>1,823,252</u>	<u>360,858</u>	<u>(320,949)</u>	<u>(14,360,160)</u>	<u>2,197,351</u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 12. Investments in Associates and Joint Ventures, Continued

(5) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the years ended December 31, 2022 and 2021 are as follows, Continued:

(\*1) Dividends received from the associates are deducted from the carrying amount for the year ended December 31, 2021.

(\*2) Investment in SK Telecom CS T1 Co., Ltd. and twenty-three other associates and joint ventures were transferred to the spin-off company for the year ended December 31, 2021. In addition, profit or loss related to investments in associates and joint ventures, which are transferred to the spin-off company, are included in profit or loss from discontinued operations.

(\*3) The Group recognized ₩1,730 million of impairment loss for the investments in Hello Nature Co., Ltd. for the year ended December 31, 2021.

(\*4) The Parent Company has entered into an agreement whereby the entire shares of Carrot General Insurance Co., Ltd. will transfer to T map Mobility Co., Ltd. In accordance with the agreement, the Parent Company reclassified the investments in Carrot General Insurance Co., Ltd. amounting to ₩8,734 million as non-current assets held for sale (See note 41). Meanwhile, the investment in Carrot General Insurance Co., Ltd. amounting to ₩10,000 million owned by T map Mobility Co., Ltd., a subsidiary of the Parent Company before spin-off, were transferred to the spin-off company for the year ended December 31, 2021.

(\*5) The acquisition for the year ended December 31, 2021 includes ₩1,000 million of cash investment in Studio Yesone Co., Ltd. and ₩1,000 million of cash investment in SONNORI Corp. and ₩687 million of cash investment in WALDEN SKT VENTURE FUND and ₩3,000 million of cash investment in Smart SKT Infinitum Game Fund and ₩1,600 million of cash investment in Laguna Dynamic Game&Contents Fund. The disposal for the year ended December 31, 2021 includes ₩334 million relating to disposal of the part of shares of KDX Korea Data Exchange.

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12. Investments in Associates and Joint Ventures, Continued

(6) The Group discontinued the application of equity method to the following investees due to their carrying amounts being reduced to zero. The details of cumulative unrecognized equity method losses as of December 31, 2022 are as follows:

	Unrecognized loss		Unrecognized change in equity	
	2022	Cumulative loss	2022	Cumulative loss
<i>(In millions of won)</i>				
Wave City Development Co., Ltd.	₩ 152	8,695	-	-
Daehan Kanggun BcN Co., Ltd. and others	-	5,780	-	(124)
	₩ 152	14,475	-	(124)

13. Property and Equipment

(1) Property and equipment as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

December 31, 2022				
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount
Land	₩ 1,005,857	-	-	1,005,857
Buildings	1,736,257	(950,582)	(450)	785,225
Structures	935,276	(668,019)	(1,601)	265,656
Machinery	37,100,715	(29,185,881)	(1,934)	7,912,900
Other	1,771,890	(1,273,655)	(841)	497,394
Right-of-use assets	2,555,685	(766,350)	(3,206)	1,786,129
Construction in progress	1,069,331	-	-	1,069,331
	₩ 46,175,011	(32,844,487)	(8,032)	13,322,492

*(In millions of won)*

December 31, 2021				
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount
Land	₩ 972,800	-	-	972,800
Buildings	1,692,239	(897,336)	(450)	794,453
Structures	922,637	(629,757)	(1,601)	291,279
Machinery	35,770,485	(27,771,040)	(1,518)	7,997,927
Other	1,718,337	(1,230,128)	(493)	487,716
Right-of-use assets	2,229,945	(669,389)	(1,223)	1,559,333
Construction in progress	767,751	-	-	767,751
	₩ 44,074,194	(31,197,650)	(5,285)	12,871,259



SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

13. Property and Equipment, Continued

(2) Changes in property and equipment for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

		2022							
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Impairment	Business combination (*)	Ending balance	
Land	₩ 972,800	79	(175)	30,364	-	-	2,789	1,005,857	
Buildings	794,453	1,071	(638)	36,219	(54,463)	-	8,583	785,225	
Structures	291,279	2,288	(32)	10,422	(38,301)	-	-	265,656	
Machinery	7,997,927	560,889	(49,586)	1,696,447	(2,292,358)	(419)	-	7,912,900	
Other	487,716	780,382	(938)	(672,199)	(105,730)	(391)	8,554	497,394	
Right-of-use assets	1,559,333	720,932	(65,961)	(27,579)	(403,794)	(3,133)	6,331	1,786,129	
Construction in progress	767,751	1,564,345	(1,709)	(1,261,937)	-	-	881	1,069,331	
	₩ 12,871,259	3,629,986	(119,039)	(188,263)	(2,894,646)	(3,943)	27,138	13,322,492	

(\*) Includes assets acquired from the acquisition of SK m&service Co., Ltd. by PS&Marketing Corporation, a subsidiary of the Parent Company.

(In millions of won)

		2021							
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation(*1)	Impairment (*2)	Business combination(*3)	Spin-off	Ending balance
Land	₩ 1,039,323	634	(21,557)	24,789	-	-	-	(70,389)	972,800
Buildings	858,606	3,919	(9,706)	47,612	(55,818)	-	639	(50,799)	794,453
Structures	317,403	2,482	(6,124)	16,546	(37,968)	-	-	(1,060)	291,279
Machinery	8,376,212	593,225	(44,477)	1,816,003	(2,394,351)	(1,054)	-	(347,631)	7,997,927
Other	653,616	830,277	(2,286)	(607,271)	(180,980)	(495)	193	(205,338)	487,716
Right-of-use assets	1,472,035	672,723	(60,159)	(9,610)	(433,970)	(1,223)	507	(80,970)	1,559,333
Construction in progress	659,882	1,695,316	(1,071)	(1,554,047)	-	-	-	(32,329)	767,751
	₩ 13,377,077	3,798,576	(145,380)	(265,978)	(3,103,087)	(2,772)	1,339	(788,516)	12,871,259

(\*1) Includes amounts related to discontinued operations.

(\*2) The Group recognized impairment losses for obsolete assets for the year ended December 31, 2021.

(\*3) Includes assets acquired from the acquisition of YLP Inc. and another company by T map Mobility Co., Ltd. and from the acquisition of Rokmedia Co., Ltd. by One Store Co., Ltd.

SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

14. Investment Property

(1) Investment property as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	December 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 6,115	-	6,115	6,071	-	6,071
Buildings	21,490	(14,606)	6,884	21,021	(13,668)	7,353
Right-of-use assets	17,057	(4,919)	12,138	12,577	(2,967)	9,610
	₩ 44,662	(19,525)	25,137	39,669	(16,635)	23,034

(2) Changes in investment property for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022			
	Beginning balance	Transfer	Depreciation	Ending balance
Land	₩ 6,071	44	-	6,115
Buildings	7,353	564	(1,033)	6,884
Right-of-use assets	9,610	4,124	(1,596)	12,138
	₩ 23,034	4,732	(2,629)	25,137

(In millions of won)

	2021		
	Beginning balance	Transfer	Ending balance
Land	₩ -	6,071	6,071
Buildings	-	7,353	7,353
Right-of-use assets	-	9,610	9,610
	₩ -	23,034	23,034

(3) The Group recognized lease income of ₩5,222 million and ₩5,036 million from investment property for the years ended December 31, 2022 and 2021, respectively.

(4) The fair value of investment property is ₩73,934 million and ₩66,128 million as of December 31, 2022 and 2021, respectively.

15. Leases

(1) Group as a lessee

1) Details of the right-of-use assets as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	December 31, 2022	December 31, 2021
Land, buildings and structures	₩ 1,546,918	1,392,925
Others	239,211	166,408
	₩ 1,786,129	1,559,333

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 15. Leases, Continued

#### (1) Group as a lessee, Continued

- 2) Details of amounts recognized in the consolidated statements of income for the years ended December 31, 2022 and 2021 as a lessee are as follows:

*(In millions of won)*

	<u>2022</u>	<u>2021(*)</u>
Depreciation of right-of-use assets(*):		
Land, buildings and structures	₩ 346,499	338,304
Others	57,295	95,666
	<u>₩ 403,794</u>	<u>433,970</u>
Interest expense on lease liabilities	₩ 29,996	23,998

(\*) Includes amounts related to discontinued operations.

Expenses related to short-term leases and leases of low-value assets the Group recognized are immaterial.

- 3) The total cash outflows due to lease payments for the years ended December 31, 2022 and 2021 amounted to ₩449,196 million and ₩484,879 million, respectively. The amounts for the year ended December 31, 2021 include cash flows from discontinued operations.

#### (2) Group as a lessor

##### 1) Finance lease

The Group recognized interest income of ₩910 million and ₩2,053 million on lease receivables for the years ended December 31, 2022 and 2021, respectively. The amounts for the year ended December 31, 2021 include profit or loss from discontinued operations.

The following table sets out a maturity analysis for lease receivables, presenting the undiscounted lease payments to be received subsequent to December 31, 2022.

*(In millions of won)*

	<u>Amount</u>
Less than 1 year	₩ 11,079
1 ~ 2 years	3,707
2 ~ 3 years	2,062
3 ~ 4 years	509
4 ~ 5 years	231
Undiscounted lease payments	<u>₩ 17,588</u>
Unrealized finance income	₩ 449
Net investment in the lease	17,139

SK TELECOM CO., LTD. and its Subsidiaries  
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**15. Leases, Continued**

(2) Group as a lessor, Continued

2) Operating lease

The Group recognized lease income of ₩246,279 million and ₩230,140 million for the years ended December 31, 2022 and 2021, respectively, of which variable lease payments received are ₩8,622 million and ₩17,686 million, respectively.

The following table sets out a maturity analysis of lease payments, presenting the undiscounted fixed payments to be received subsequent to December 31, 2022.

*(In millions of won)*

	<u>Amount</u>
Less than 1 year	₩ 239,174
1 ~ 2 years	132,802
2 ~ 3 years	60,808
3 ~ 4 years	9,424
4 ~ 5 years	3,520
More than 5 years	1,706
	<u>₩ 447,434</u>

**16. Goodwill**

(1) Goodwill as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Goodwill related to merger of Shinsegi Telecom, Inc.	₩ 1,306,236	1,306,236
Goodwill related to acquisition of SK Broadband Co., Ltd.	764,082	764,082
Other goodwill	4,691	2,175
	<u>₩ 2,075,009</u>	<u>2,072,493</u>

# SK TELECOM CO., LTD. and its Subsidiaries

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### 16. Goodwill, Continued

(2) Details of the impairment testing of Goodwill as of December 31, 2022 is as follows:

Goodwill is allocated to the following CGUs for the purpose of impairment testing.

- goodwill related to Shinsegi Telecom, Inc.(\*1): Cellular services;
- goodwill related to SK Broadband Co., Ltd.(\*2): Fixed-line telecommunication services; and
- other goodwill: Others.

(\*1) Goodwill related to merger of Shinsegi Telecom, Inc.

The recoverable amount of the CGU is based on its value in use calculated by applying the post-tax annual discount rate of 6.7% (2021: 6.6%) (pre-tax annual discount rate for 2022 and 2021: 9.0% and 9.0%) to the estimated future post-tax cash flows based on financial budgets for the next five years. An annual growth rate of 0.0% (2021: 0.5%) was applied for the cash flows expected to be incurred after five years and is not expected to exceed the long-term wireless telecommunication industry growth rate.

(\*2) Goodwill related to acquisition of SK Broadband Co., Ltd.

The recoverable amount of the CGU is based on its value in use calculated by applying the post-tax annual discount rate of 6.7% (2021: 7.1%) (pre-tax annual discount rate for 2022 and 2021: 8.5% and 9.2%) to the estimated future post-tax cash flows based on financial budgets for the next five years. An annual growth rate of 1.0% (2021: 1.0%) was applied for the cash flows expected to be incurred after five years and is not expected to exceed the long-term fixed-line telecommunication industry growth rate

(3) Details of the changes in goodwill for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>2022</u>	<u>2021</u>
Beginning balance	₩ 2,072,493	3,357,524
Acquisition(*)	2,516	111,928
Other	-	(43)
Spin-off	-	(1,396,916)
Ending balance	<u>₩ 2,075,009</u>	<u>2,072,493</u>

(\*) It consists of goodwill recognized as PS&Marketing Corporation's acquisition of SK m&service Co., Ltd for the years ended December 31, 2022. It consists of goodwill recognized as T map Mobility Co., Ltd.'s acquisition of YLP Inc. and another company, goodwill recognized as DREAMUS Company's acquisition of Studio Dolphin Co., Ltd. and goodwill recognized from One Store Co., Ltd.'s acquisition of Rokmedia Co., Ltd. for the year ended December 31, 2021 (See Note 11).

As of December 31, 2022 and 2021, accumulated impairment losses are ₩33,441 million, respectively.

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17. Intangible Assets

(1) Intangible assets as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	December 31, 2022			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount
Frequency usage rights(*1)	₩ 3,767,590	(1,499,158)	(186,000)	2,082,432
Land usage rights	59,389	(58,165)	-	1,224
Industrial rights	94,238	(30,068)	(12,378)	51,792
Development costs	14,497	(14,213)	-	284
Facility usage rights	157,651	(142,654)	-	14,997
Customer relations	505,063	(204,882)	-	300,181
Club memberships(*2)	116,401	-	(24,430)	91,971
Other(*3)	4,627,565	(3,839,030)	(6,506)	782,029
	₩ 9,342,394	(5,788,170)	(229,314)	3,324,910

(In millions of won)

	December 31, 2021			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount
Frequency usage rights(*1)	₩ 7,221,735	(4,476,046)	(186,000)	2,559,689
Land usage rights	48,318	(45,586)	-	2,732
Industrial rights	92,332	(36,342)	(36)	55,954
Development costs	34,393	(34,193)	-	200
Facility usage rights	156,062	(138,188)	-	17,874
Customer relations	507,581	(180,324)	-	327,257
Club memberships(*2)	113,300	-	(24,806)	88,494
Other(*3)	4,347,971	(3,524,002)	(6,400)	817,569
	₩ 12,521,692	(8,434,681)	(217,242)	3,869,769

(\*1) The Parent Company was reassigned 800 MHz, 1.8 GHz and 2.1 GHz band of frequency licenses from the Ministry of Science and Information and Communication Technology ("ICT") in exchange for ₩227,200 million, ₩547,800 million and ₩411,700 million, respectively, for the year ended December 31, 2021. The band of frequency was assigned to the Parent Company at the date of initial lump sum payment for the year ended December 31, 2021 and the annual payments in installment for the remaining balances are made in the next five years starting from the date of initial lump sum payment.

(\*2) Club memberships are classified as intangible assets with indefinite useful lives and are not amortized.

(\*3) Other intangible assets primarily consist of computer software and others.

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For the years ended December 31, 2022 and 2021

### 17. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

		2022							
		Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment (*1)	Business Combination(*2)	Ending balance
Frequency									
usage rights	₩	2,559,689	-	-	-	(477,257)	-	-	2,082,432
Land usage rights		2,732	-	-	-	(1,508)	-	-	1,224
Industrial rights		55,954	13,428	(823)	(103)	(4,324)	(12,343)	3	51,792
Development costs		200	-	-	-	(573)	-	657	284
Facility									
usage rights		17,874	1,396	(2)	252	(4,523)	-	-	14,997
Customer relations		327,257	-	-	-	(27,076)	-	-	300,181
Club memberships		88,494	9,926	(7,113)	-	-	(725)	1,389	91,971
Other		817,569	108,144	(380)	189,075	(342,776)	(16)	10,413	782,029
	₩	<u>3,869,769</u>	<u>132,894</u>	<u>(8,318)</u>	<u>189,224</u>	<u>(858,037)</u>	<u>(13,084)</u>	<u>12,462</u>	<u>3,324,910</u>

(\*1) The Group recognized the difference between recoverable amount and the carrying amount of intangible assets amounting to ₩13,084 million as impairment loss for the year ended December 31, 2022.

(\*2) Includes assets acquired from the acquisition of SK m&service Co., Ltd. by PS&Marketing Corporation, a subsidiary of the Parent Company.

(In millions of won)

		2021								
		Beginning balance	Acquisition	Disposal	Transfer	Amortization (*1)	Reversal (Impairment) (*2)	Business Combination(*3)	Spin-off	Ending balance
Frequency										
usage rights	₩	1,932,765	1,145,999	-	-	(519,075)	-	-	-	2,559,689
Land usage rights		4,720	175	(76)	-	(2,087)	-	-	-	2,732
Industrial rights		71,442	5,158	(8)	390	(6,377)	(36)	-	(14,615)	55,954
Development costs		9,364	1,279	(150)	-	(3,210)	-	-	(7,083)	200
Facility										
usage rights		21,880	1,690	(21)	328	(6,003)	-	-	-	17,874
Customer relations		919,863	4,854	(461)	-	(53,342)	-	4,705	(548,362)	327,257
Club memberships		106,865	6,518	(9,925)	-	-	653	-	(15,617)	88,494
Brands		374,096	-	-	-	-	-	-	(374,096)	-
Other		995,199	80,713	(4,580)	276,890	(421,213)	(111)	5,059	(114,388)	817,569
	₩	<u>4,436,194</u>	<u>1,246,386</u>	<u>(15,221)</u>	<u>277,608</u>	<u>(1,011,307)</u>	<u>506</u>	<u>9,764</u>	<u>(1,074,161)</u>	<u>3,869,769</u>

(\*1) Includes amounts related to discontinued operations.

(\*2) The Group recognized the difference between recoverable amount and the carrying amount of intangible assets amounting to ₩147 million as impairment loss and ₩653 million as reversal of impairment loss, respectively, for the year ended December 31, 2021.

(\*3) Includes assets acquired from the acquisition of YLP Co., Ltd. and another company by T map Mobility Co., Ltd., and Rokmedia Co., Ltd. by One Store Co., Ltd.

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### 17. Intangible Assets, Continued

- (3) Research and development expenditures recognized as expense for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022	2021(*)
Research and development costs expensed as incurred ₩	340,864	406,672

(\*) Includes amounts related to discontinued operations.

- (4) Details of frequency usage rights as of December 31, 2022 are as follows:

(In millions of won)

	Amount	Description	Commencement of amortization	Completion of amortization
800MHz license ₩	153,704	LTE service	Jul. 2021	Jun. 2026
1.8GHz license	414,317	LTE service	Dec. 2021	Dec. 2026
2.6GHz license	485,670	LTE service	Sep. 2016	Dec. 2026
2.1GHz license	311,381	W-CDMA and LTE service	Dec. 2021	Dec. 2026
3.5GHz license	712,594	5G service	Apr. 2019	Nov. 2028
28GHz license	4,766	5G service	Jan. 2021	May. 2023
₩	<u>2,082,432</u>			

### 18. Borrowings and Debentures

- (1) Short-term borrowings as of December 31, 2022 and 2021 are as follows:

(In millions of won)

Lender	Annual interest rate (%)	Maturity	December 31, 2022	December 31, 2021
BNK Securities. Co.,Ltd.	4.60	Jan. 20, 2023	₩ 100,000	-
KEB Hana Bank	6.62	Oct. 31, 2023	30,000	-
Hana Financial Investment Co., Ltd.(*)	6.30	May. 29, 2023	4,642	4,642
DB Financial Investment Co., Ltd.(*)	6.30	May. 29, 2023	2,785	2,785
Shinhan Financial Investment Co., Ltd.(*)	6.20	Feb. 20, 2023	5,571	5,571
			₩ <u>142,998</u>	<u>12,998</u>

(\*) PanAsia Semiconductor Materials LLC., a subsidiary of the Parent Company, has pledged its ₩21,981 million of equity instruments at FVTPL on ₩12,998 million of short-term borrowings as of December 31, 2022.



SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

18. Borrowings and Debentures, Continued

(2) Long-term borrowings as of December 31, 2022 and 2021 are as follows:

*(In millions of won and thousands of other currencies)*

Lender	Annual interest rate (%)	Maturity	December 31, 2022	December 31, 2021
Korea Development Bank(*1)	1.87	Feb. 10, 2026	₩ 40,625	50,000
Korea Development Bank(*2)	3M CD + 0.71	Dec. 21, 2022	-	12,500
Credit Agricole CIB(*2,3)	3M CD + 0.82	Dec. 14, 2023	12,500	25,000
Export Kreditnamnden	1.70	Apr. 29, 2022	-	6,746 (USD 5,690)
Mizuho bank, Ltd.	1.35	May. 20, 2024	100,000	100,000
DBS bank Ltd.	1.32	May. 28, 2024	200,000	200,000
DBS bank Ltd.	2.68	Mar. 10, 2025	200,000	-
Credit Agricole CIB	3.30	Apr. 29, 2024	50,000	-
Mizuho Bank, Ltd.	3.29	Nov. 27, 2023	100,000	-
Nonghyup Bank(*4)	MOR + 1.96	Nov. 17, 2024	40,000	-
Credit Agricole CIB	4.89	Nov. 28, 2025	50,000	-
			793,125	394,246
Less: present value discount			(13)	(59)
			793,112	394,187
Less: current portions			(124,987)	(41,065)
			₩ 668,125	353,122

(\*1) The long-term borrowings are to be repaid by installments on an annual basis from 2022 to 2026.

(\*2) 3M CD rates are 3.98% and 1.29% as of December 31, 2022 and 2021, respectively.

(\*3) The long-term borrowings are to be repaid by installments on an annual basis from 2020 to 2023.

(\*4) 6M MOR rates are 4.35% as of December 31, 2022.

SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2022 and 2021 are as follows:

*(In millions of won and thousands of U.S. dollars)*

		<u>Purpose</u>	<u>Maturity</u>	<u>Annual interest rate (%)</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bonds	corporate	Operating and refinancing fund	2022	3.30	-	140,000
Unsecured bonds	corporate		2032	3.45	90,000	90,000
Unsecured bonds	corporate	Operating fund	2023	3.03	230,000	230,000
Unsecured bonds	corporate		2033	3.22	130,000	130,000
Unsecured bonds	corporate		2024	3.64	150,000	150,000
Unsecured bonds	corporate	Refinancing fund	2024	2.82	190,000	190,000
Unsecured bonds	corporate	Operating and refinancing fund	2022	2.40	-	100,000
Unsecured bonds	corporate		2025	2.49	150,000	150,000
Unsecured bonds	corporate		2030	2.61	50,000	50,000
Unsecured bonds	corporate	Operating fund	2025	2.66	70,000	70,000
Unsecured bonds	corporate		2030	2.82	90,000	90,000
Unsecured bonds	corporate	Operating and refinancing fund	2025	2.55	100,000	100,000
Unsecured bonds	corporate		2035	2.75	70,000	70,000
Unsecured bonds	corporate	Operating fund	2026	2.08	90,000	90,000
Unsecured bonds	corporate		2036	2.24	80,000	80,000
Unsecured bonds	corporate		2026	1.97	120,000	120,000
Unsecured bonds	corporate		2031	2.17	50,000	50,000
Unsecured bonds	corporate	Refinancing fund	2022	2.17	-	120,000
Unsecured bonds	corporate		2027	2.55	100,000	100,000
Unsecured bonds	corporate	Operating and refinancing fund	2032	2.65	90,000	90,000
Unsecured bonds	corporate	Operating and refinancing fund	2022	2.63	-	80,000
Unsecured bonds	corporate	Refinancing fund	2027	2.84	100,000	100,000
Unsecured bonds	corporate		2023	2.81	100,000	100,000
Unsecured bonds	corporate		2028	3.00	200,000	200,000
Unsecured bonds	corporate		2038	3.02	90,000	90,000
Unsecured bonds	corporate	Operating and	2023	2.33	150,000	150,000

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

bonds		refinancing fund				
Unsecured	corporate		2038	2.44	50,000	50,000
bonds						
Unsecured	corporate	Operating fund	2022	2.03	-	180,000
bonds						
Unsecured	corporate		2024	2.09	120,000	120,000
bonds						
Unsecured	corporate		2029	2.19	50,000	50,000
bonds						
Unsecured	corporate		2039	2.23	50,000	50,000
bonds						
Unsecured corporate		Operating and	2022	1.40	-	120,000
bonds		refinancing fund				
Unsecured corporate			2024	1.49	60,000	60,000
bonds						
Unsecured corporate			2029	1.50	120,000	120,000
bonds						
Unsecured corporate			2039	1.52	50,000	50,000
bonds						
Unsecured corporate			2049	1.56	50,000	50,000
bonds						
Unsecured corporate		Operating fund	2022	1.69	-	230,000
bonds						
Unsecured corporate			2024	1.76	70,000	70,000
bonds						
Unsecured corporate			2029	1.79	40,000	40,000
bonds						
Unsecured corporate			2039	1.81	60,000	60,000
bonds						
Unsecured corporate		Operating and	2023	1.64	170,000	170,000
bonds		refinancing fund				

SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2022 and 2021 are as follows, Continued:

(In millions of won and thousands of U.S. dollars)

	<u>Purpose</u>	<u>Maturity</u>	<u>Annual interest rate (%)</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured corporate bonds	Operating fund	2025	1.75	130,000	130,000
Unsecured corporate bonds		2030	1.83	50,000	50,000
Unsecured corporate bonds		2040	1.87	70,000	70,000
Unsecured corporate bonds	Refinancing fund	2025	1.40	140,000	140,000
Unsecured corporate bonds		2030	1.59	40,000	40,000
Unsecured corporate bonds		2040	1.76	110,000	110,000
Unsecured corporate bonds	Refinancing fund	2024	1.17	80,000	80,000
Unsecured corporate bonds		2026	1.39	80,000	80,000
Unsecured corporate bonds		2031	1.80	50,000	50,000
Unsecured corporate bonds		2041	1.89	100,000	100,000
Unsecured corporate bonds	Refinancing fund	2024	2.47	90,000	90,000
Unsecured corporate bonds		2026	2.69	70,000	70,000
Unsecured corporate bonds		2041	2.68	40,000	40,000
Unsecured corporate bonds		2025	3.80	240,000	-
Unsecured corporate bonds		2027	3.84	70,000	-
Unsecured corporate bonds		2042	3.78	40,000	-
Unsecured corporate bonds		2025	4.00	300,000	-
Unsecured corporate bonds		2027	4.00	95,000	-
Unsecured corporate bonds		2024	4.79	100,000	-
Unsecured corporate bonds		2025	4.73	110,000	-
Unsecured corporate bonds		2027	4.74	60,000	-
Unsecured corporate bonds		2032	4.69	40,000	-
Unsecured corporate bonds(*1)	Operating fund	2022	2.26	-	150,000
Unsecured corporate bonds(*1)	Operating and refinancing fund	2022	2.70	-	140,000
Unsecured corporate bonds(*1)		2023	2.93	80,000	80,000
Unsecured corporate bonds(*1)	Refinancing fund	2022	2.00	-	50,000
Unsecured corporate bonds(*1)		2024	2.09	160,000	160,000
Unsecured corporate bonds(*1)	Operating and refinancing fund	2022	1.71	-	80,000
Unsecured corporate bonds(*1)		2024	1.71	100,000	100,000
Unsecured corporate bonds(*1)		2026	1.86	50,000	50,000
Unsecured corporate bonds(*1)	Refinancing fund	2023	1.48	100,000	100,000
Unsecured corporate bonds(*1)	Operating and refinancing fund	2025	1.64	100,000	100,000

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For the years ended December 31, 2022 and 2021

18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2022 and 2021 are as follows, Continued:

(In millions of won and thousands of U.S. dollars)

	<u>Purpose</u>	<u>Maturity</u>	<u>Annual interest rate (%)</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured corporate bonds(*1)	Refinancing fund	2025	1.41	160,000	160,000
Unsecured corporate bonds(*1)		2024	1.69	100,000	100,000
Unsecured corporate bonds(*1)		2025	2.58	100,000	-
Unsecured corporate bonds(*1)		2032	2.92	50,000	-
Unsecured global bonds	Operating fund	2027	6.63	506,920 (USD 400,000)	474,200 (USD 400,000)
Unsecured global bonds		2023	3.75	633,650 (USD 500,000)	592,750 (USD 500,000)
Unsecured global bonds(*1)	Refinancing fund	2023	3.88	380,190 (USD 300,000)	355,650 (USD 300,000)
Floating rate notes(*2)	Operating fund	2025	3M LIBOR + 0.91	380,190 (USD 300,000)	355,650 (USD 300,000)
				8,385,950	8,448,250
Less: discounts on bond				(19,256)	(21,567)
				8,366,694	8,426,683
Less: current portions of bonds				(1,842,599)	(1,389,259)
				<u>6,524,095</u>	<u>7,037,424</u>

(\*1) Unsecured corporate bonds were issued by SK Broadband Co., Ltd., a subsidiary of the Parent Company.

(\*2) 3M LIBOR rates are 4.75% and 0.21% as of December 31, 2022 and 2021, respectively.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

**19. Long-term Payables – other**

- (1) As of December 31, 2022 and 2021, details of long-term payables – other related to the acquisition of frequency usage rights are as follows (See note 17):

*(In millions of won)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term payables – other	₩ 1,690,470	2,090,715
Present value discount on long-term payables – other	(52,129)	(80,882)
Current installments of long-term payables – other	(398,874)	(398,823)
Carrying amount as of December 31	<u>₩ 1,239,467</u>	<u>1,611,010</u>

- (2) The sum of portions repaid among the principal of long-term payables – other for the years ended December 31, 2022 and 2021 amounts at ₩400,245 million and ₩425,349 million, respectively. The repayment schedule of the principal amount of long-term payables – other as of December 31, 2022 is as follows:

*(In millions of won)*

	<u>Amount</u>
Less than 1 year	₩ 400,245
1 ~ 3 years	738,300
3 ~ 5 years	460,538
More than 5 years	91,387
	<u>₩ 1,690,470</u>

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For the years ended December 31, 2022 and 2021

20. Provisions

Changes in provisions for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022							As of December 31, 2022	
	Beginning balance	Increase	Utilization	Reversal	Other	Business combination	Ending balance	Current	Non-current
Provision for restoration	₩ 114,731	6,823	(5,679)	(1,767)	(10)	991	115,089	36,998	78,091
Emission allowance	1,885	2,719	-	(2,418)	-	-	2,186	2,186	-
Other provisions	10,379	4,071	(9,509)	(3,080)	(38)	-	1,823	499	1,324
	₩ <u>126,995</u>	<u>13,613</u>	<u>(15,188)</u>	<u>(7,265)</u>	<u>(48)</u>	<u>991</u>	<u>119,098</u>	<u>39,683</u>	<u>79,415</u>

(In millions of won)

	2021								As of December 31, 2021	
	Beginning balance	Increase	Utilization	Reversal	Other	Business combination	Spin-off	Ending balance	Current	Non-current
Provision for restoration	₩ 113,653	12,648	(6,283)	(440)	172	-	(5,019)	114,731	59,204	55,527
Emission allowance	7,424	1,368	(1,091)	(5,816)	-	-	-	1,885	1,885	-
Other provisions	29,800	1,655	(18,909)	(1,820)	-	385	(732)	10,379	567	9,812
	₩ <u>150,877</u>	<u>15,671</u>	<u>(26,283)</u>	<u>(8,076)</u>	<u>172</u>	<u>385</u>	<u>(5,751)</u>	<u>126,995</u>	<u>61,656</u>	<u>65,339</u>

SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

21. Defined Benefit Liabilities (Assets)

(1) Details of defined benefit liabilities (assets) as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	₩ 1,038,320	1,035,016
Fair value of plan assets	(1,214,007)	(1,040,286)
Defined benefit assets(*)	(175,748)	(18,427)
Defined benefit liabilities	<u>61</u>	<u>13,157</u>

(\*) Since the Group entities neither have legally enforceable right nor intention to settle the defined benefit obligations of Group entities with defined benefit assets of other Group entities, defined benefit assets of Group entities have been separately presented from defined benefit liabilities.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate for defined benefit obligations	5.09% ~ 5.71%	2.35 ~ 3.29%
Expected rate of salary increase	2.00% ~ 8.37%	2.00 ~ 5.29%

Discount rate for defined benefit obligation is determined based on market yields of high-quality corporate bonds with similar maturities for estimated payment term of defined benefit obligation. Expected rate of salary increase is determined based on the Group's historical promotion index, inflation rate and salary increase ratio.

(3) Changes in defined benefit obligations for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021(*1)</u>
Beginning balance	₩ 1,035,016	1,278,550
Current service cost	134,847	186,395
Interest cost	32,572	28,617
Remeasurement		
- Demographic assumption	(28,222)	(794)
- Financial assumption	(84,532)	(29,399)
- Adjustment based on experience	2,369	5,773
Business combinations(*2)	29,357	-
Benefit paid	(79,117)	(114,897)
Spin-off	-	(318,476)
Others(*3)	(3,970)	(753)
Ending balance	<u>₩ 1,038,320</u>	<u>1,035,016</u>

(\*1) Includes amounts related to discontinued operations.

(\*2) Includes liabilities acquired from the acquisition of SK m&service Co., Ltd. by PS&Marketing Corporation, a subsidiary of the Parent Company.

(\*3) Others include changes of liabilities due to employee's transfers among affiliates for the years ended December 31, 2022 and 2021.



SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

21. Defined Benefit Liabilities (Assets), Continued

(4) Changes in plan assets for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021(*1)</u>
Beginning balance	₩ 1,040,286	1,127,163
Interest income	32,910	24,550
Remeasurement	(18,622)	(3,798)
Contributions	215,254	152,208
Benefit paid	(83,123)	(100,511)
Business combinations(*2)	26,618	-
Spin-off	-	(157,522)
Others	684	(1,804)
Ending balance	₩ <u>1,214,007</u>	<u>1,040,286</u>

(\*1) Includes amounts related to discontinued operations.

(\*2) Includes assets acquired from the acquisition of SK m&service Co., Ltd. by PS&Marketing Corporation, a subsidiary of the Parent Company.

The Group expects to contribute ₩191,597 million to the defined benefit plans in 2023.

(5) Total cost of benefit plan, which is recognized in profit and loss (included in labor in the statement of income) for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021(*)</u>
Current service cost	₩ 134,847	186,395
Net interest cost	(338)	4,067
	₩ <u>134,509</u>	<u>190,462</u>

(\*) Includes amounts related to discontinued operations.

Costs related to the defined benefit except for the amounts transferred to construction in progress are included labor expenses and research and development expenses.

(6) Details of plan assets as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments	₩ 17,716	25,083
Debt instruments	174,385	228,534
Short-term financial instruments, etc.	1,021,906	786,669
	₩ <u>1,214,007</u>	<u>1,040,286</u>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

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### 21. Defined Benefit Liabilities (Assets), Continued

(7) As of December 31, 2022, effects on defined benefit obligations if each of significant actuarial assumptions changes within expectable and reasonable range are as follows:

*(In millions of won)*

		<u>0.5% Increase</u>	<u>0.5% Decrease</u>
Discount rate	₩	(35,826)	38,337
Expected salary increase rate		38,500	(36,315)

The sensitivity analysis does not consider dispersion of all cash flows that are expected from the plan and provides approximate values of sensitivity for the assumptions used.

A weighted average duration of defined benefit obligations as of December 31, 2022 and 2021 are 7.53 years and 9.19 years, respectively.

### 22. Derivative Instruments

(1) Currency and interest rate swap contracts under cash flow hedge accounting as of December 31, 2022 are as follows:

*(In millions of won and thousands of U.S. dollars)*

<u>Borrowing date</u>	<u>Hedging Instrument (Hedged item)</u>	<u>Hedged risk</u>	<u>Financial institution</u>	<u>Duration of contract</u>
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	Foreign currency risk	Morgan Stanley and four other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Apr. 16, 2018	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 500,000)	Foreign currency risk	The Export-Import Bank of Korea and three other banks	Apr. 16, 2018 ~ Apr. 16, 2023
Mar. 4, 2020	Floating-to-fixed cross-currency interest rate swap (U.S. dollar-denominated bonds face value of USD 300,000)	Foreign currency risk and Interest rate risk	Citibank	Mar. 4, 2020 ~ Jun. 4, 2025
Aug. 13, 2018	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk	Citibank	Aug. 13, 2018 ~ Aug. 13, 2023
Dec. 19, 2018	Floating-to-fixed interest rate swap (Korean won borrowing amounting to KRW 12,500)	Interest rate risk	Credit Agricole CIB	Mar. 19, 2019 ~ Dec. 14, 2023

# SK TELECOM CO., LTD. and its Subsidiaries

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### 22. Derivative Instruments, Continued

- (2) SK Broadband Co., Ltd., a subsidiary of the Parent Company, entered into Total Return Swap(TRS) contract amounting to ₩270,000 million and ₩64,000 million with beneficiary certificates as underlying asset with IGIS Professional Investment Type Private Real Estate Investment Trust No. 156 and Hana Professional Alternative Investment Type Private Real Estate Investment Trust No. 62, respectively. The contracts consist of the settlement of the difference resulting from the change in the value of the real estate on the maturity date of the contract and the settlement of the difference between the dividend and the standard dividend during the contract period. Each contract expires in November 2025 and September 2024, respectively. SK Broadband Co., Ltd. has an obligation to guarantee fixed rate of returns to the other party to each contract. SK Broadband Co., Ltd. recognized long-term derivative financial assets of ₩20,631 million and ₩6,988 million for TRS as of December 31, 2022 and 2021, respectively. Long-term derivative financial assets were measured using the discounted present value methods for estimated future cash flows.
- (3) In relation to the business acquisition by SK Broadband Co., Ltd. for the year ended December 31, 2020 the Parent Company has entered into a shareholders' agreement with the shareholders of the acquirees. Pursuant to the agreement, when certain conditions are met within a period of time subsequent to the merger, the shareholders of the acquirees can exercise their drag-along rights and require the Parent Company to sell its shares in SK Broadband Co., Ltd. Should the shareholders exercise their drag-along rights, the Parent Company also can exercise its call options over the shares held by those shareholders. The Group recognized a long-term derivative financial liability of ₩302,593 million (₩321,025 million as of December 31, 2021) for the rights prescribed in the shareholders' agreement as of December 31, 2022.

The fair value of SK Broadband Co., Ltd.'s common stock was estimated using 5-year projected cash flows discounted at 6.7% per annum. The fair value of the derivative financial liability was determined by using the Binomial Model based on various assumptions including the price of common stock and its price fluctuations. The significant unobservable inputs used in the fair value measurement and inter-relationship between significant unobservable inputs and fair value measurement are as follows:

<u>Significant unobservable inputs</u>	<u>Correlations between inputs and fair value measurements</u>
Fair value of SK Broadband Co., Ltd.'s common stock	The estimated fair value of derivative financial liabilities would decrease (increase) if the fair value of common stock would increase (decrease)
Volatility of stock price	The estimated fair value of derivative financial liabilities would decrease (increase) if the volatility of stock price increase (decrease)

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

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### 22. Derivative Instruments, Continued

- (4) The Group has entered into the agreement with Newberry Global Limited, whereby the Group has been granted subscription right and contingent subscription right to acquire Newberry series-C redeemable convertible preferred stock for the year ended December 31, 2020. The Group recognized derivative financial assets of ₩13,136 (~~₩15,477~~ million as of December 31, 2021) million and ₩8,083 million (~~₩9,524~~ million as of December 31, 2021), respectively, for subscription right and contingent subscription right.

The fair value of Newberry series-C redeemable convertible preferred stock ("RCPS") was estimated using the fair value of Newberry Global Limited's common stock which was estimated by using market approach and its price fluctuations. The fair value of derivative financial asset was determined by using the Binomial Model based on various assumptions including the price of RCPS and its price fluctuations. Meanwhile, if the fair value of RCPS, significant unobservable input used in the fair value measurement, increases (decreases), the estimated fair value of derivative financial asset would increase (decrease). If the volatility of stock price, significant unobservable input used in the fair value measurement, increases (decrease), the estimated fair value of derivative financial asset would increase (decrease).

- (5) The Parent Company has entered into the agreement with HAEGIN Co., Ltd., whereby the Parent Company has been granted contingent subscription right to acquire HAEGIN Co., Ltd.'s common stock for the year ended December 31, 2022. The Parent Company is able to exercise the right in accordance with the agreement when certain conditions are met and recognized long-term derivative financial assets of ₩6,895 million for the contingent subscription right as of December 31, 2022. The fair value of HAEGIN Co., Ltd.'s common stock was estimated using 5-year projected cash flows discounted at 12% per annum. Meanwhile, if the fair value of HAEGIN Co., Ltd.'s common stock, significant unobservable input used in the fair value measurement, increases (decreases), the estimated fair value of derivative financial asset would increase (decrease). If the volatility of stock price, significant unobservable input used in the fair value measurement, increases (decreases), the estimated fair value of derivative financial asset would increase (decrease).

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22. Derivative Instruments, Continued

- (6) The fair value of derivative financial instruments to which the Group applies cash flow hedge is recorded in the consolidated financial statements as derivative financial assets, long-term derivative financial assets. As of December 31, 2022, details of fair values of the derivatives assets and liabilities are as follows:

(In millions of won and thousands of U.S. dollars)

Hedging instrument (Hedged item)	Cash flow hedge	Fair value
<b>Current assets:</b>		
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)	₩ 44,365	44,365
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 500,000)	102,780	102,780
Floating-to-fixed interest rate swap (Korean won borrowing amounting to KRW 12,500)	164	164
<b>Non-current assets:</b>		
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	₩ 82,735	82,735
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	37,107	37,107
	₩ 267,151	267,151

- (7) The fair value of derivatives held for trading is recorded in the consolidated financial statements as derivative financial assets, long-term derivative financial assets and long-term derivative financial liabilities. As of December 31, 2022, details of fair values of the derivative assets and liabilities are as follows:

(In millions of won)

	Held for trading	Fair value
<b>Current assets:</b>		
Contingent subscription right	₩ 8,083	8,083
Subscription right	13,135	13,135
	21,218	21,218
<b>Non-current assets:</b>		
Contingent subscription right	6,895	6,895
Total return swap	25,896	25,896
	32,791	32,791
	₩ 54,009	54,009
<b>Non-current liabilities:</b>		
Drag-along and call option rights	₩ (302,593)	(302,593)

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 23. Share Capital and Capital Surplus and Others

(1) Details of share capital as of December 31, 2022 and 2021 are as follows:

*(In millions of won, except for share data)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of authorized shares(*1)	670,000,000	670,000,000
Par value (in won)(*1)	100	100
Number of issued shares	218,833,144	218,833,144
Share capital:		
Common share(*2)	₩ 30,493	30,493

(\*1) As a result of stock split and the spin-off for the year ended December 31, 2021, the number of shares that the Parent Company is allowed to issue under its article of incorporation has changed from 220,000,000 shares with a par value of ₩500 to 670,000,000 shares with a par value of ₩100.

(\*2) The Parent Company's share capital decreased by ₩14,146 million as a result of spin-off for the year ended December 31, 2021. In addition, the Parent Company retired 8,685,568 treasury shares with reduction of its retained earnings before appropriation, as a result, the Parent Company's issued shares have decreased without change in share capital for the year ended December 31, 2021. Meanwhile, in 2002 and 2003, the Parent Company retired treasury shares with reduction of its retained earnings before appropriation. As a result, the Parent Company's issued shares have decreased without change in share capital.

(2) Changes in issued shares for the years ended December 31, 2022 and 2021 are as follows:

*(In shares)*

	<u>2022</u>	<u>2021</u>
Issued shares as of January 1	218,833,144	80,745,711
Retirement of treasury shares(*1)	-	(8,685,568)
Stock split(*2)	-	288,240,572
Spin-off(*3)	-	(141,467,571)
Issued shares as of December 31	<u>218,833,144</u>	<u>218,833,144</u>

(\*1) The Parent Company retired 8,685,568 treasury shares with reduction of its retained earnings before appropriation for the year ended December 31, 2021.

(\*2) The stock split of the Parent Company's common share was approved at the shareholders' meeting held on October 12, 2021, to increase the number of its outstanding shares, effective from October 28, 2021. The par value of issued shares has changed from ₩500 to ₩100.

(\*3) The allocation of new shares to shareholders of the spin-off company is based on the number of shares at par value of ₩100 held by the shareholders of the Parent Company after the stock split and is allocated at the rate of the table below per common share of the Parent Company.

	<u>Surviving Company</u>	<u>Spin-off Company</u>
Company name	SK Telecom Co., Ltd.	SK Square Co., Ltd.
Common shares (in the number of shares)	0.6073625	0.3926375

SK TELECOM CO., LTD. and its Subsidiaries  
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23. Share Capital and Capital Surplus and Others, Continued

(3) Details of shares outstanding as of December 31, 2022 and 2021 are as follows:

<i>(In shares)</i>	December 31, 2022			December 31, 2021		
	Issued shares	Treasury shares	Outstanding shares	Issued shares	Treasury shares	Outstanding shares
Shares outstanding	218,833,144	801,091	218,032,053	218,833,144	1,250,992	217,582,152

(4) Details of capital surplus and others as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Paid-in surplus	₩ 1,771,000	1,771,000
Treasury shares (Note 24)	(36,702)	(57,314)
Hybrid bonds (Note 25)	398,759	398,759
Share option (Note 26)	2,061	47,166
Others (*)	(13,702,235)	(13,783,337)
	₩ (11,567,117)	(11,623,726)

(\*) Others primarily consist of the excess of the consideration paid by the Group over the carrying amount of net assets acquired from entities under common control.

24. Treasury Shares

(1) Treasury shares as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Number of shares	801,091	1,250,992
Acquisition cost	₩ 36,702	57,314

(2) Changes in treasury shares for the years ended December 31, 2022 and 2021 are as follows:

<i>(In shares)</i>	2022	2021
Treasury shares as of January 1	1,250,992	9,418,558
Acquisition (*1)	-	288,000
Disposal (*2)	-	(626,740)
Retirement of treasury shares (*3)	-	(8,685,568)
Stock split (*4)	-	1,577,000
Spin-off (*5)	-	(719,955)
Disposal (*6)	(449,901)	(303)
Treasury shares as of December 31	801,091	1,250,992

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### 24. Treasury Shares, Continued

(2) Changes in treasury shares for the years ended December 31, 2022 and 2021 are as follows, Continued:

- (\*1) The Parent Company acquired 288,000 of its treasury shares for ₩72,982 million in an effort to increase shareholder value by stabilizing its stock price for the years ended December 31, 2021.
- (\*2) The Parent Company distributed 626,240 treasury shares (acquisition cost: ₩141,342 million) as bonus payment to the employees and congratulatory bonus payment for the spin-off, resulting in gain on disposal of treasury shares of ₩2,659 million and loss on disposal of treasury shares of ₩114,359 million, respectively. In addition, the Parent Company distributed 500 treasury shares (acquisition cost: ₩113 million) as compensation to the non-executive directors, resulting in gain on disposal of treasury shares of ₩48 million for the year ended December 31, 2021.
- (\*3) The Parent Company retired 8,685,568 treasury shares with reduction of its retained earnings before appropriation, as a result, the Parent Company's issued shares have decreased without change in share capital for the year ended December 31, 2021.
- (\*4) The stock split of the Parent Company's common stock was approved at the shareholders' meeting held on October 12, 2021, to increase the number of its outstanding shares, effective from October 28, 2021.
- (\*5) 773,987 treasury shares, some of treasury shares held by the Parent Company, have been replaced common shares of SK Square Co., Ltd., spin-off company, due to spin-off for the year ended December 31, 2021. Meanwhile, the Parent Company acquired 54,032 of its treasury shares (acquisition cost: ₩3,129 million) for the purpose of handling single shares after stock split and spin-off for the year ended December 31, 2021.
- (\*6) The Parent Company distributed 303 treasury shares (acquisition cost: ₩14 million) as congratulatory bonus payment of spin-off to its employees, resulting in loss on disposal of treasury shares of ₩14 million for the year ended December 31, 2021. Meanwhile, the Parent Company distributed 449,901 treasury shares (acquisition cost: ₩20,612 million) as bonus payment to its employees, resulting in gain on disposal of treasury shares of ₩4,813 million for the year ended December 31, 2022.



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### 25. Hybrid Bonds

Hybrid bonds classified as equity as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	Type	Issuance date	Maturity(*1)	Annual interest rate(%)(*2)		December 31, 2022	December 31, 2021
Series 2-1 hybrid bonds	Unsecured subordinated bearer bond	June 7, 2018	June 7, 2078	3.70	₩	300,000	300,000
Series 2-2 hybrid bonds	Unsecured subordinated bearer bond	June 7, 2018	June 7, 2078	3.65		100,000	100,000
Issuance costs						(1,241)	(1,241)
					₩	<u>398,759</u>	<u>398,759</u>

As there is no contractual obligation to deliver financial assets to the holders of hybrid bonds, the Parent Company classified the hybrid bonds as equity.

These are subordinated bonds which rank before common shares in the event of a liquidation or reorganization of the Parent Company.

(\*1) The Parent Company has a right to extend the maturity without any notice or announcement.

(\*2) Annual interest rate is determined as yield rate of 5-year national bond plus premium. According to the step-up clause, additional premium of 0.25% and 0.75%, respectively, after 10 years and 25 years from the issuance date are applied.

# SK TELECOM CO., LTD. and its Subsidiaries

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### 26. Share based payment arrangement

(1) The terms and conditions related to the grants of the share-based payment arrangement are as follows:

1) Share-based payment arrangement with cash alternatives

	Series						
	1-2	1-3	2	3	4	5(*2)	6(*2)
Grant date	March 24, 2017		February 20, 2018	February 22, 2019	March 26, 2019	March 26, 2020	March 25, 2021
Types of shares to be issued	Registered common shares						
Grant method	Reissue of treasury shares, Cash settlement						
Number of shares (*1) (in share)	67,320	67,320	4,124	8,907	5,266	376,313	87,794
Exercise price (*1) (in won)	53,298	57,562	50,824	53,052	50,862	38,452	50,276
Exercise period	Mar. 25, 2020 ~ Mar. 24, 2023	Mar. 25, 2021 ~ Mar. 24, 2024	Feb. 21, 2020 ~ Feb. 20, 2023	Feb. 23, 2021 ~ Feb. 22, 2024	Mar. 27, 2021 ~ Mar. 26, 2024	Mar. 27, 2023 ~ Mar. 26, 2027	Mar. 26, 2023 ~ Mar. 25, 2026
Vesting conditions	3 years' service from the grant date	4 years' service from the grant date	2 years' service from the grant date	2 years' service from the grant date	2 years' service from the grant date	3 years' service from the grant date	2 years' service from the grant date
	Series						
	7-1	7-2(*2)					
Grant date	March 25, 2022						
Types of shares to be issued	Registered common shares						
Grant method	Reissue of treasury shares, Cash settlement						
Number of shares (in share)	295,275	109,704					
Exercise price (in won)	56,860	56,860					
Exercise period	Mar. 26, 2025 ~ Mar. 25, 2029	Mar. 26, 2024 ~ Mar. 25, 2027					
Vesting conditions	2 years' service from the grant date	2 years' service from the grant date					

# SK TELECOM CO., LTD. and its Subsidiaries

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### 26. Share based payment arrangement, Continued

(1) The terms and conditions related to the grants of the share-based payment arrangement are as follows, Continued:

2) Cash-settled share-based payment arrangement

	2021		2022
	Share appreciation rights of SK Telecom Co., Ltd. (*3)	Share appreciation rights of SK Square Co., Ltd. (*3)	Share appreciation rights of SK Telecom Co., Ltd. (*3)
Grant date	January 1, 2021		January 1, 2022
Grant method		Cash settlement	
Number of shares (*1) (in share)	183,246	118,456	338,525
Exercise price (*1) (in won)	50,276		56,860
Exercise period	Jan. 1, 2023 ~ Mar. 28, 2024		Jan. 1, 2024 ~ Mar. 25, 2025
Vesting conditions	2 years' service from the grant date		2 years' service from the grant date

(\*1) Number of shares granted and exercise price are adjusted as a result of stock split and the spin-off for the year ended December 31, 2021, and the remaining part of 1-1st share option and 3rd share option were fully and partially exercised for the year ended December 31, 2022, respectively.

(\*2) Parts of the grant that have not met the vesting conditions have been forfeited for the year ended December 31, 2022 and 2021.

(\*3) The Parent Company newly established the long-term incentive policy as part of the compensation related to the growth of corporate value and granted cash settled share appreciation rights to executives. Meanwhile, parts of the grant that have not met the vesting conditions have been forfeited for the year ended December 31, 2022.

(2) The Parent Company has changed the accounting treatment for share-based payment arrangements with cash alternatives from equity-settled share-based payment arrangements to cash-settled share-based payment arrangements for the year ended December 31, 2022. The fair value of the goods or services that the Parent Company acquired from its employees and the liability incurred at the date of reclassification is ₩4,221 million, which is included in accrued expenses as of December 31, 2022. The Parent Company recognized the difference between the fair value of the liability at the date of reclassification and amount of the share options that the Parent Company had already recognized as capital surplus and others. Share compensation expense for share-based payment arrangements with cash alternatives recognized for the year ended December 31, 2022 and the remaining share compensation expense to be recognized in subsequent periods are as follows:

(In millions of won)

	Share compensation expense	
As of December 31, 2021	₩	76,979
For the year ended December 31, 2022		78,600
In subsequent periods		40
	₩	<u>155,619</u>

The carrying amount of liabilities recognized by the Parent Company in relation to the cash-settled share-based payment arrangement is ₩906 million and ₩1,774 million as of December 31, 2022 and 2021, respectively.

# SK TELECOM CO., LTD. and its Subsidiaries

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### 26. Share based payment arrangement, Continued

(3) The Parent Company used binomial option pricing model in the measurement of the fair value of the share options at grant date and the inputs used in the model are as follows:

#### 1) Share-based payment arrangement with cash alternatives

##### (i) SK Telecom Co., Ltd.

(In won)

	Series						
	1-2	1-3	2	3	4	5	6
Risk-free interest rate	3.67%	3.70%	3.65%	3.70%	3.70%	3.76%	3.74%
Estimated option's life	6 years	7 years	5 years	5 years	5 years	7 years	5 years
Share price on the remeasurement date	47,400	47,400	47,400	47,400	47,400	47,400	47,400
Expected volatility	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%
Expected dividends	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
Exercise price(*)	53,298	57,562	50,824	53,052	50,862	38,452	50,276
Per-share fair value of the option(*)	250	947	357	1,639	2,289	9,628	3,837

(In won)

	Series	
	7-1	7-2
Risk-free interest rate	3.75%	3.76%
Estimated option's life	7 years	5 years
Share price on the remeasurement date	47,400	47,400
Expected volatility	20.80%	20.80%
Expected dividends	6.90%	6.90%
Exercise price	56,860	56,860
Per-share fair value of the option	3,153	2,693

##### (ii) SK Square Co., Ltd.

(In won)

	Series						
	1-2	1-3	2	3	4	5	6
Risk-free interest rate	1.95%	2.07%	2.63%	1.91%	1.78%	1.52%	1.55%
Estimated option's life	6 years	7 years	5 years	5 years	5 years	7 years	5 years
Share price (Closing price on the preceding day)(*)	52,500	52,500	48,700	51,800	50,600	34,900	49,800
Expected volatility	13.38%	13.38%	16.45%	8.30%	7.70%	8.10%	25.70%
Expected dividends	3.80%	3.80%	3.70%	3.80%	3.90%	5.70%	4.00%
Exercise price(*)	53,298	57,562	50,824	53,052	50,862	38,452	50,276
Per-share fair value of the option(*)	4,048	3,096	4,798	1,720	1,622	192	8,142

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26. Share based payment arrangement, Continued

(3) The Parent Company used binomial option pricing model in the measurement of the fair value of the share options at grant date and the inputs used in the model are as follows, Continued:

2) Cash-settled share-based payment arrangement

<i>(In won)</i>	2021		2022
	Share appreciation rights of SK Telecom Co., Ltd.	Share appreciation rights of SK Square Co., Ltd.	Share appreciation rights of SK Telecom Co., Ltd.
Risk-free interest rate	3.70%	3.70%	3.72%
Estimated option's life	3.25 years	3.25 years	3.25 years
Share price on the remeasurement date	47,400	33,550	47,400
Expected volatility	20.80%	37.40%	20.80%
Expected dividends	6.90%	0.00%	6.90%
Exercise price(*)	50,276	50,276	56,860
Per-share fair value of the option	2,308	1,760	1,625

(\*) Share price (closing price on the preceding day), exercise price and per-share fair value of the option are adjusted as a result of stock split and spin-off for the year ended December 31, 2021.

Meanwhile, the Board of Directors of the Parent Company resolved to dispose its treasury shares for the purpose of allotment of shares as bonus payment on October 12, 2021. The transaction is equity-settled share-based payment transactions in accordance with KIFRS 1102 and 505,350 shares (before stock split) were granted on October 12, 2021 (i.e., grant date). 7,700 shares (before stock split) out of 505,350 shares (before stock split) were transferred to spin-off company on November 1, 2021. Vesting conditions are 6 months from the grant date and per-share fair value on the grant date are measured at ₩300,500 that is closing price of common shares on the grant date before stock split and spin-off. The fair value of these share-based payment on the grant date is ₩151,858 million, among which the awards with a fair value of ₩9,935 million were transferred to spin-off company.

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**27. Retained Earnings**

(1) Retained earnings as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Appropriated:		
Legal reserve	₩ 22,320	22,320
Reserve for business expansion	9,631,138	11,631,138
Reserve for technology development	4,365,300	4,365,300
	<u>13,996,438</u>	<u>15,996,438</u>
Unappropriated	8,444,953	6,418,583
	<u>₩ 22,463,711</u>	<u>22,437,341</u>

(2) Legal reserve

The Korean Commercial Act requires the Parent Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

**28. Reserves**

(1) Details of reserves, net of taxes, as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Valuation gain on FVOCI	₩ 173,281	633,240
Other comprehensive gain of investments in associates and joint ventures	173,477	53,770
Valuation gain on derivatives	14,463	33,918
Foreign currency translation differences for foreign operations	30,012	14,310
	<u>₩ 391,233</u>	<u>735,238</u>

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28. Reserves, Continued

(2) Changes in reserves for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	Valuation gain (loss) on financial assets at FVOCI	Other comprehensive income (loss) of investments in associates and joint ventures	Valuation gain (loss) on derivatives	Foreign currency translation differences for foreign operations	Total
Balance as of January 1, 2021	₩ 438,979	(392,333)	17,615	(24,122)	40,139
Changes, net of taxes	194,261	446,103	16,303	38,432	695,099
Balance as of December 31, 2021	₩ 633,240	53,770	33,918	14,310	735,238
Changes, net of taxes	(459,959)	119,707	(19,455)	15,702	(344,005)
Balance as of December 31, 2022	₩ 173,281	173,477	14,463	30,012	391,233

(3) Changes in valuation gain (loss) on financial assets at FVOCI for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022	2021
Balance as of January 1	₩ 633,240	438,979
Amount recognized as other comprehensive income for the year, net of taxes	(490,959)	627,833
Amount reclassified to retained earnings, net of taxes	31,000	(12,429)
Changes from spin-off, net of taxes	-	(421,143)
Balance as of December 31	₩ 173,281	633,240

(4) Changes in valuation gain (loss) on derivatives for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022	2021
Balance as of January 1	₩ 33,918	17,615
Amount recognized as other comprehensive income for the year, net of taxes	(25,630)	9,731
Amount reclassified to profit, net of taxes	6,175	6,572
Balance as of December 31	₩ 14,463	33,918

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**29. Other Operating Expenses**

Details of other operating expenses for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>2022</u>	<u>2021</u>
Communication	₩ 31,881	32,462
Utilities	401,025	350,678
Taxes and dues	49,445	33,935
Repair	435,572	425,606
Research and development	340,864	347,711
Training	39,632	31,761
Bad debt for accounts receivable - trade	27,053	29,402
Travel	15,684	7,813
Supplies and other	113,839	101,656
	<u>₩ 1,454,995</u>	<u>1,361,024</u>

**30. Other Non-Operating Income and Expenses**

Details of other non-operating income and expenses for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>2022</u>	<u>2021</u>
<b>Other Non-operating Income:</b>		
Gain on disposal of property and equipment and intangible assets	₩ 15,985	39,136
Others	39,913	75,417
	<u>₩ 55,898</u>	<u>114,553</u>
<b>Other Non-operating Expenses:</b>		
Impairment loss on property and equipment and intangible assets	₩ 17,027	3,135
Loss on disposal of property and equipment and intangible assets	20,465	28,158
Donations	13,125	12,800
Bad debt for accounts receivable – other	3,011	3,995
Others	19,992	21,265
	<u>₩ 73,620</u>	<u>69,353</u>



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31. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021</u>
<b>Finance Income:</b>		
Interest income	₩ 58,472	36,708
Gain on sale of accounts receivable – other	1,043	27,725
Dividends	2,552	12,039
Gain on foreign currency transactions	21,283	10,987
Gain on foreign currency translations	2,095	7,505
Gain relating to financial instruments at FVTPL	94,393	60,169
	<u>₩ 179,838</u>	<u>155,133</u>

(In millions of won)

	<u>2022</u>	<u>2021</u>
<b>Finance Costs:</b>		
Interest expense	₩ 328,307	279,737
Loss on sale of accounts receivable – other	61,841	-
Loss on foreign currency transactions	19,485	12,270
Loss on foreign currency translations	3,814	6,764
Loss relating to financial instruments at FVTPL	41,597	16,833
Loss on disposal of investment assets	1,283	-
	<u>₩ 456,327</u>	<u>315,604</u>

(2) Details of interest income included in finance income for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021(*)</u>
Interest income on cash equivalents and financial instruments	₩ 27,991	16,141
Interest income on loans and others	30,481	27,709
	<u>₩ 58,472</u>	<u>43,850</u>

(\*) Includes amounts related to discontinued operations.

(3) Details of interest expenses included in finance costs for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021(*)</u>
Interest expense on borrowings	₩ 25,736	66,188
Interest expense on debentures	217,475	224,144
Others	85,096	52,010
	<u>₩ 328,307</u>	<u>342,342</u>

(\*) Includes amounts related to discontinued operations.

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31. Finance Income and Costs, Continued

(4) Finance income and costs by category of financial instruments for the years ended December 31, 2022 and 2021 are as follows. Bad debt expense (reversal of loss allowance) for accounts receivable – trade, loans and receivables are presented and explained separately in notes 6 and 36.

1) Finance income and costs

(In millions of won)

	2022	
	Finance income	Finance costs
<b>Financial Assets:</b>		
Financial assets at FVTPL	₩ 104,068	103,292
Financial assets at FVOCI	1,495	1,283
Financial assets at amortized cost	45,008	23,094
Derivatives designated as hedging instrument	-	146
	<u>150,571</u>	<u>127,815</u>
<b>Financial Liabilities:</b>		
Financial liabilities at FVTPL	18,432	-
Financial liabilities at amortized cost	10,835	328,512
	<u>29,267</u>	<u>328,512</u>
	<u>₩ 179,838</u>	<u>456,327</u>

(In millions of won)

	2021	
	Finance income(*)	Finance costs(*)
<b>Financial Assets:</b>		
Financial assets at FVTPL	₩ 149,590	67,503
Financial assets at FVOCI	3,413	142,015
Financial assets at amortized cost	48,940	12,262
Derivatives designated as hedging instrument	-	600
	<u>201,943</u>	<u>222,380</u>
<b>Financial Liabilities:</b>		
Financial liabilities at FVTPL	-	8,036
Financial liabilities at amortized cost	607	355,011
	<u>607</u>	<u>363,047</u>
	<u>₩ 202,550</u>	<u>585,427</u>

(\*) Includes amounts related to discontinued operations.

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31. Finance Income and Costs, Continued

(4) Finance income and costs by category of financial instruments for the years ended December 31, 2022 and 2021 are as follows. Bad debt expense (reversal of loss allowance) for accounts receivable – trade, loans and receivables are presented and explained separately in notes 6 and 36, Continued.

2) Other comprehensive income (loss)

(In millions of won)

	<u>2022</u>	<u>2021</u>
<b>Financial Assets:</b>		
Financial assets at FVOCI	₩ (491,853)	920,871
Derivatives designated as hedging instrument	(21,548)	15,427
	<u>(513,401)</u>	<u>936,298</u>
<b>Financial Liabilities:</b>		
Derivatives designated as hedging instrument	182	706
	<u>₩ (513,219)</u>	<u>937,004</u>

(5) Details of impairment losses for financial assets for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021(*)</u>
Accounts receivable – trade	₩ 27,053	31,546
Other receivables	3,011	6,001
	<u>₩ 30,064</u>	<u>37,547</u>

(\*) Includes amounts related to discontinued operations.

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32. Income Tax Expense

(1) Income tax expenses for the years ended December 31, 2022 and 2021 consist of the following:

(In millions of won)

	<u>2022</u>	<u>2021</u>
<b>Current tax expense:</b>		
Current year	₩ 274,902	319,539
Current tax of prior years	73,477	705
	<u>348,379</u>	<u>320,244</u>
<b>Deferred tax expense:</b>		
Changes in net deferred tax assets	(60,058)	331,704
<b>Income tax expense:</b>		
Tax expense of continuing operation	288,321	446,796
Tax expense of discontinued operation	-	205,152
	<u>₩ 288,321</u>	<u>651,948</u>

(2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2022 and 2021 is attributable to the following:

(In millions of won)

	<u>2022</u>	<u>2021(*)</u>
Income taxes at statutory income tax rate	₩ 329,580	834,146
Non-taxable income	(14,969)	(13,924)
Non-deductible expenses	24,679	15,329
Tax credit and tax reduction	(10,300)	(62,075)
Changes in unrecognized deferred taxes	21,057	(68,589)
Changes in tax rate	(42,307)	(36,193)
Income tax refund and others	(19,419)	(16,746)
Income tax expense	<u>₩ 288,321</u>	<u>651,948</u>

(\*) The aggregated amount of profit before income tax from continuing and discontinued operations.

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32. Income Tax Expense, Continued

(3) Deferred taxes directly charged to (credited from) equity for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022	2021
Valuation gain (loss) on financial assets measured at fair value ₩	167,249	(208,490)
Share of other comprehensive loss of investment in associates and joint ventures	(2,972)	(34)
Valuation gain (loss) on derivatives	7,649	(5,709)
Remeasurement of defined benefit liabilities	(20,867)	(3,780)
Gain (loss) on disposal of treasury shares and others	(28,108)	26,970
	<u>₩ 122,951</u>	<u>(191,043)</u>

(4) Details of the changes in deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022				
	Beginning	Deferred tax expense (income)	Directly charged to (credited from) equity	Business combinations	Ending
<b>Deferred tax assets (liabilities) related to temporary differences:</b>					
Loss allowance ₩	77,357	(2,315)	-	-	75,042
Accrued interest income	(166)	(5,057)	-	(2,680)	(7,903)
Financial assets measured at fair value	(157,828)	(19,592)	167,249	-	(10,171)
Investments in subsidiaries, associates and joint ventures	(31,817)	51,635	(2,972)	-	16,846
Property and equipment and intangible assets	(305,967)	(46,895)	-	257	(352,605)
Provisions	4,198	(2,569)	-	-	1,629
Retirement benefit obligation	52,332	(875)	(20,867)	29	30,619
Valuation gain on derivatives	6,336	(1,217)	7,649	-	12,768
Gain (loss) on foreign currency translation	21,378	(745)	-	-	20,633
Incremental costs to acquire a contract	(749,871)	26,971	-	-	(722,900)
Contract assets and liabilities	(2,201)	6,480	-	-	4,279
Right-of-use assets	(389,502)	(41,895)	-	-	(431,397)
Lease liabilities	381,537	47,111	-	-	428,648
Others	68,481	41,691	(28,108)	3,652	85,716
	<u>(1,025,733)</u>	<u>52,728</u>	<u>122,951</u>	<u>1,258</u>	<u>(848,796)</u>
<b>Deferred tax assets related to unused tax loss carryforwards and tax credit carryforwards:</b>					
Tax loss carryforwards	-	2,007	-	-	2,007
Tax credit	84,560	5,323	-	-	89,883
	<u>84,560</u>	<u>7,330</u>	<u>-</u>	<u>-</u>	<u>91,890</u>
	<u>₩ (941,173)</u>	<u>60,058</u>	<u>122,951</u>	<u>1,258</u>	<u>(756,906)</u>

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32. Income Tax Expense, Continued

(4) Details of the changes in deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021 are as follows, Continued:

(In millions of won)

	2021					
	Beginning	Deferred tax expense (income)	Directly charged to (credited from) equity	Business combinations	Spin-off	Ending
<b>Deferred tax assets (liabilities) related to temporary differences:</b>						
Loss allowance	₩ 91,285	(8,397)	-	-	(5,531)	77,357
Accrued interest income	(1,631)	(2,022)	-	-	3,487	(166)
Financial assets measured at fair value	(81,055)	(6,765)	(208,490)	-	138,482	(157,828)
Investments in subsidiaries, associates and joint ventures	(1,673,906)	(281,035)	(34)	-	1,923,158	(31,817)
Property and equipment and intangible assets	(511,862)	(42,456)	-	(1,023)	249,374	(305,967)
Provisions	6,294	(1,436)	-	-	(660)	4,198
Retirement benefit obligation	102,285	(3,563)	(3,780)	-	(42,610)	52,332
Valuation gain (loss) on derivatives	14,767	210	(5,709)	-	(2,932)	6,336
Gain (loss) on foreign currency translation	21,774	(396)	-	-	-	21,378
Incremental costs to acquire a contract	(807,831)	53,492	-	-	4,468	(749,871)
Contract assets and liabilities	(2,606)	405	-	-	-	(2,201)
Right-of-use assets	(372,297)	(35,851)	-	-	18,646	(389,502)
Lease liabilities	362,476	38,600	-	-	(19,539)	381,537
Others	120,514	(95,537)	26,970	(135)	16,669	68,481
	<u>(2,731,793)</u>	<u>(384,751)</u>	<u>(191,043)</u>	<u>(1,158)</u>	<u>2,283,012</u>	<u>(1,025,733)</u>
<b>Deferred tax assets related to unused tax loss carryforwards and tax credit carryforwards:</b>						
Tax loss carryforwards	88,223	7,915	-	-	(96,138)	-
Tax credit	39,583	45,132	-	-	(155)	84,560
	<u>127,806</u>	<u>53,047</u>	<u>-</u>	<u>-</u>	<u>(96,293)</u>	<u>84,560</u>
₩	<u>(2,603,987)</u>	<u>(331,704)</u>	<u>(191,043)</u>	<u>(1,158)</u>	<u>2,186,719</u>	<u>(941,173)</u>

(5) Details of temporary differences, unused tax loss carryforwards and unused tax credits carryforwards which are not recognized as deferred tax assets (liabilities), in the consolidated statements of financial position as of December 31, 2022 and 2021 are as follows:

(In millions of won)

		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss allowance	₩	85,969	85,998
Investments in subsidiaries, associates and joint ventures		(434,253)	(176,520)
Other temporary differences		61,817	61,368
Unused tax loss carryforwards		229,410	347,889
Unused tax credit carryforwards		-	34

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**32. Income Tax Expense, Continued**

The amount of unused tax loss carryforwards which are not recognized as deferred tax assets as of December 31, 2022 are expiring within the following periods:

*(In millions of won)*

	<u>Unused tax loss carryforwards</u>	
Less than 1 year	₩	-
1 ~ 2 years		11,544
2 ~ 3 years		14,345
More than 3 years		<u>203,521</u>
	₩	<u>229,410</u>

**33. Earnings per Share**

Earnings per share is calculated as the profit attributable to the owners of the parent company for common stock and dilutive potential common stock, and details are as follows.

(1) Basic earnings per share

1) Basic earnings per share for the years ended December 31, 2022 and 2021 are calculated as follows:

*(In millions of won, except for share data)*

	<u>2022</u>	<u>2021</u>
<b>Basic earnings per share attributable to owners of the Parent Company:</b>		
Profit attributable to owners of the Parent Company	₩ 912,400	1,217,520
Interest on hybrid bonds	<u>(14,766)</u>	<u>(14,766)</u>
Profit from continuing operation attributable to owners of the Parent Company on common shares	897,634	1,202,754
Profit from discontinued operation attributable to owners of the Parent Company on common shares	-	1,190,003
Weighted average number of common shares outstanding	<u>217,994,490</u>	<u>332,761,592</u>
Basic earnings per share (in won)		
Continuing operation	₩ 4,118	3,614
Discontinued operation	<u>-</u>	<u>3,576</u>

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33. Earnings per Share, Continued

(1) Basic earnings per share, Continued

2) The weighted average number of common shares outstanding for the years ended December 31, 2022 and 2021 are calculated as follows:

<i>(In shares)</i>	<b>2022</b>	
	<u>Number of common shares</u>	<u>Weighted average number of common shares</u>
Issued shares as of January 1, 2022	218,833,144	218,833,144
Treasury shares as of January 1, 2022	(1,250,992)	(1,250,992)
Disposal of treasury shares	449,901	412,338
	<u>218,032,053</u>	<u>217,994,490</u>

<i>(In shares)</i>	<b>2021</b>	
	<u>Number of common shares</u>	<u>Weighted average number of common shares</u>
Issued shares as of January 1, 2021	403,728,555	403,728,555
Treasury shares as of January 1, 2021	(47,092,790)	(47,092,790)
Acquisition of treasury shares	(1,494,032)	(1,383,241)
Disposal of treasury shares	3,134,003	1,022,242
Spin-off	(140,693,584)	(23,513,174)
	<u>217,582,152</u>	<u>332,761,592</u>

(2) Diluted earnings per share

1) Diluted earnings per share for the years ended December 31, 2022 and 2021 are calculated as follows:

<i>(In millions of won, except for share data)</i>	<b>2022</b>		<b>2021</b>	
		<u>2022</u>	<u>2021</u>	
Profit from continuing operation attributable to owners of the Parent Company on common shares	₩	897,634	1,202,754	
Profit from discontinued operation attributable to owners of the Parent Company on common shares		-	1,190,003	
Adjusted weighted average number of common shares outstanding		<u>218,108,742</u>	<u>332,917,848</u>	
Diluted earnings per share (in won)				
Continuing operation	₩	4,116	3,613	
Discontinued operation		-	3,574	

2) The adjusted weighted average number of common shares outstanding for the years ended December 31, 2022 and 2021 are calculated as follows:

<i>(In shares)</i>	<b>2022</b>		<b>2021</b>	
		<u>2022</u>	<u>2021</u>	
Outstanding shares as of January 1		217,582,152	356,635,765	
Effect of treasury shares		412,338	(360,999)	
Effect of Spin-off		-	(23,513,174)	
Effect of share option		114,252	156,256	
Adjusted weighted average number of common shares outstanding		<u>218,108,742</u>	<u>332,917,848</u>	



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34. Dividends

(1) Details of dividends declared

Details of dividend declared in Parent company for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of won, except for face value and share data)*

Year	Dividend type	Number of shares outstanding	Face value (in won)	Dividend ratio	Dividends
2022	Cash dividends (Interim)	218,002,830	100	830% ₩	180,942
	Cash dividends (Interim)	218,032,053	100	830%	180,967
	Cash dividends (Interim)	218,032,053	100	830%	180,967
	Cash dividends (Year-end)	218,032,053	100	830%	180,967
					₩
2021	Cash dividends (Interim)	217,616,645	100	1,635% ₩	355,804
	Cash dividends (Year-end)	217,582,152	100	1,660%	361,186
				₩	<u>716,990</u>

(2) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2022 and 2021 are as follows:

*(In won)*

Year	Dividend type	Dividend per share	Closing price at year-end	Dividend yield ratio
2022	Cash dividends	3,320	47,400	7.00%
2021	Cash dividends	3,295	57,900	5.69%

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35. Categories of Financial Instruments

(1) Financial assets by category as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	December 31, 2022				
	Financial assets at FVTPL	Equity instruments at FVOCI	Financial assets at amortized cost	Derivatives hedging instrument	Total
Cash and cash equivalents	₩ 245,982	-	1,636,309	-	1,882,291
Financial instruments	148,365	-	89,240	-	237,605
Long-term investment securities(*)	221,139	1,189,597	-	-	1,410,736
Accounts receivable – trade	-	-	1,984,772	-	1,984,772
Loans and other receivables	332,669	-	909,003	-	1,241,672
Derivative financial assets	54,009	-	-	267,151	321,160
	₩ 1,002,164	1,189,597	4,619,324	267,151	7,078,236

(\*) The Group designated ₩1,189,597 million of equity instruments that are not held for trading as financial assets at FVOCI.

(In millions of won)

	December 31, 2021					
	Financial assets at FVTPL	Equity instruments at FVOCI	Debt instruments at FVOCI	Financial assets at amortized cost	Derivatives hedging instrument	Total
Cash and cash equivalents	₩ 505,578	-	-	367,153	-	872,731
Financial instruments	389,368	-	-	119,684	-	509,052
Short-term investment securities	5,010	-	-	-	-	5,010
Long-term investment securities(*)	203,473	1,510,428	1,177	-	-	1,715,078
Accounts receivable – trade	-	-	-	1,921,617	-	1,921,617
Loans and other receivables	459,959	-	-	735,958	-	1,195,917
Derivative financial assets	34,933	-	-	-	182,661	217,594
	₩ 1,598,321	1,510,428	1,177	3,144,412	182,661	6,436,999

(\*) The Group designated ₩1,510,428 million of equity instruments that are not held for trading as financial assets at FVOCI.

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35. Categories of Financial Instruments, Continued

(2) Financial liabilities by category as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	December 31, 2022		
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Total
Accounts payable – trade	₩ -	89,255	89,255
Derivative financial liabilities	302,593	-	302,593
Borrowings	-	936,110	936,110
Debentures	-	8,366,694	8,366,694
Lease liabilities(*)	-	1,782,057	1,782,057
Accounts payable - other and others	-	5,505,465	5,505,465
	₩ 302,593	16,679,581	16,982,174

*(In millions of won)*

	December 31, 2021			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives hedging instrument	Total
Accounts payable – trade	₩ -	190,559	-	190,559
Derivative financial liabilities	321,025	-	111	321,136
Borrowings	-	407,185	-	407,185
Debentures	-	8,426,683	-	8,426,683
Lease liabilities(*)	-	1,534,282	-	1,534,282
Accounts payable - other and others	-	5,524,692	-	5,524,692
	₩ 321,025	16,083,401	111	16,404,537

(\*) Lease liabilities are not applicable on category of financial liabilities, but are classified as financial liabilities measured at amortized cost on consideration of nature for measurement of liabilities.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

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### 36. Financial Risk Management

#### (1) Financial risk management

The Group is exposed to market risk, credit risk and liquidity risk. Market risk is the risk related to the changes in market prices, such as foreign exchange rates and interest rates. The Group implements a risk management system to monitor and manage these specific risks.

The Group's financial assets consist of cash and cash equivalents, financial instruments, investment securities, accounts receivable – trade and other, etc. Financial liabilities consist of accounts payable – trade and other, borrowings, debentures, lease liabilities and others.

##### 1) Market risk

##### (i) Currency risk

The Group incurs exchange position due to revenue and expenses from its global operations. Major foreign currencies where the currency risk occur are USD, EUR and others. The Group determines the currency risk management policy after considering the nature of business and the presence of methods that mitigate the currency risk for each Group entities. The Group manages currency risk arising from business transactions by using currency forwards, etc. Currency risk occurs on forecasted transactions and recognized assets and liabilities which are denominated in a currency other than the functional currency of each group entity.

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2022 are as follows:

*(In millions of won, thousands of foreign currencies)*

	Assets		Liabilities	
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent
USD	53,243 ₩	67,475	1,517,930 ₩	1,923,672
EUR	5,626	7,602	20	27
Others	-	452	-	175
	₩	<u>75,529</u>	₩	<u>1,923,874</u>

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign debentures. (See note 22)

As of December 31, 2022, a hypothetical change in exchange rates by 10% would have increased (decreased) the Group's profit before income tax as follows:

*(In millions of won)*

	If increased by 10%	If decreased by 10%
USD	₩ 3,933	(3,933)
EUR	758	(758)
Others	28	(28)
	₩ <u>4,719</u>	<u>(4,719)</u>

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## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 36. Financial Risk Management, Continued

#### (1) Financial risk management, Continued

##### 1) Market risk, Continued

##### (ii) Interest rate risk

The interest rate risk of the Group arises from borrowings, debentures and long-term payables – other. Since the Group's interest bearing assets are mostly fixed-interest bearing assets, the Group's revenue and operating cash flows from the interest-bearing assets are not influenced by the changes in market interest rates.

The Group performs various analysis to reduce interest rate risk and to optimize its financing. To minimize risks arising from changes in interest rates, the Group takes various measures such as refinancing, renewal, alternative financing and hedging.

As of December 31, 2022, floating-rate borrowings and debentures amount to ₩52,500 million and ₩380,190 million, respectively, and the Group has entered into interest rate swaps to hedge interest rate risk related to the floating-rate borrowings amounting to ₩12,500 million and debentures as described in note 22.

If the interest rate increases (decreases) 1%p with all other variables held constant, profit before income taxes for the year ended December 31, 2022, would change by ₩400 million in relation to the floating-rate borrowings which has not entered into interest rate swaps.

As of December 31, 2022, the floating-rate long-term payables – other are ₩1,690,470 million. If the interest rate increases (decreases) 1%p with all other variables held constant, profit before income taxes for the year ended December 31, 2022, would change by ₩16,905 million in relation to the floating-rate long-term payables – other that are exposed to interest rate risk.

##### Interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). Especially, in the case of LIBOR, all of the calculations were suspended as of December 31, 2021, except for the overnight, one month, three months, six months, and 12 months of USD LIBOR, and the aforementioned five USD LIBORs will also be suspended as of June 30, 2023. The alternative interest rate benchmark of USD LIBOR is the Secured Overnight Financing Rate ("SOFR"). Meanwhile, in case of Korean CD rate, the alternative interest rate benchmark has selected as Korea Overnight Financing Repo Rate ("KOFR") and as part of interest rate benchmark reform, the interest rate has been disclosed through Korea Securities Depository since November 26, 2021. KOFR is calculated using the overnight RP rate as collateral for government bonds and monetary stabilization bonds. However, unlike LIBOR, calculation of CD rate will not be suspended, it is unclear when and how the transition to KOFR will take place.

The Group plans to include fallback clauses into financial instruments relating to LIBOR to which calculation has not been suspended yet, or change their LIBOR directly to alternative interest rates before the calculation is suspended. Meanwhile, The Group is closely monitoring market trends for CD rate-related financial instruments.

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### 36. Financial Risk Management, Continued

#### (1) Financial risk management, Continued

##### 1) Market risk, Continued

##### (ii) Interest rate risk, Continued

The Group's financial instruments exposed to the risk arising from interest rate benchmark reform as of December 31, 2022 are indexed to the USD LIBOR. The Group is exposed to legal risk to amend the terms of contracts on the financial instruments subject to interest rate benchmark reform as well as process and operation risks to manage such amendments. In addition, the Group is exposed to the risk of monitoring the market trend regarding the alternative interest rate and establishing the corresponding risk management strategy. If the IBOR is designated as the hedged item, the Group is required to replace it to an alternative benchmark interest and review the effects on the hedging relationship. In addition, the Group is exposed to the risk of minimizing hedge ineffectiveness by aligning the method and timing of the transition to the alternative benchmark interest applied to the hedged item and the hedging instrument.

The Group evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

##### Non-derivative financial liabilities

The Parent Company's non-derivative financial liabilities subject to Interest rate benchmark reform as of December 31, 2021 were floating-rate bonds indexed to USD LIBOR. As explained above, the Group is discussing with the counterparty about including the fallback clauses as of December 31, 2022.

##### Derivatives

The Group's most derivative instruments designated as cash flow hedge are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. As part of interest rate benchmark reform, ISDA has included a new fallback clause regarding which alternative benchmark interest rate to be applied when the calculation of major IBOR is suspended in the master agreement. The master agreement is applied to derivative contracts after January 25, 2021 and the transaction parties is required to adhere to ISDA protocol to include the same fallback clause to derivative contracts before January 25, 2021. The Group has adhered to ISDA protocol for transition to the alternative benchmark interest rate and the fallback clause will be included when counterparties adhere to the protocol to include. The Group's counterparties have adhered to ISDA protocol and agreed to include the fallback clause.

##### Hedge accounting

The Group's hedged items and hedging instruments as of December 31, 2022 are indexed to USD LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual.

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36. Financial Risk Management, Continued

(1) Financial risk management, Continued

2) Credit risk

The maximum credit exposure as of December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	₩ 1,882,093	872,550
Financial instruments	237,605	509,052
Investment securities	900	2,077
Accounts receivable – trade	1,984,772	1,921,617
Contract assets	132,221	118,278
Loans and other receivables	1,241,672	1,195,917
Derivative financial assets	321,160	217,594
	<u>₩ 5,800,423</u>	<u>4,837,085</u>

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk, the Group evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors. Based on such information, the Group establishes credit limits for each customer or counterparty.

(i) Accounts receivable – trade and contract assets

The Group establishes a loss allowance in respect of accounts receivable – trade and contract assets. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that are expected to occur. The collective loss allowance is determined based on historical data of collection statistics for similar financial assets. Details of changes in loss allowance for the year ended December 31, 2022 are included in note 6.

(ii) Debt investments

The credit risk arises from debt investments included in ₩237,605 million of financial instruments, ₩900 million of investment securities and ₩1,241,672 million of loans and other receivables. To limit the exposure to this risk, the Group transacts only with financial institutions with credit ratings that are considered to be low credit risk.

Most of the Group's debt investments are considered to have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the Group measured the loss allowance for the debt investments at an amount equal to 12-month expected credit losses.

Meanwhile, the Group monitors changes in credit risk at each reporting date. The Group recognized the loss allowance at an amount equal to lifetime expected credit losses when the credit risk on the debt investments is assumed to have increased significantly if it is more than 30 days past due.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

36. Financial Risk Management, Continued

(1) Financial risk management, Continued

2) Credit risk, Continued

(ii) Debt investments, Continued

The Group's maximum exposure to credit risk is equal to each financial asset's carrying amount. The gross carrying amounts of each financial asset except for the accounts receivable – trade and derivative financial assets as of December 31, 2022 are as follows.

(In millions of won)

	Financial assets at FVTPL	Financial assets at amortized cost		
		12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired
Gross amount	₩ 481,935	994,868	5,592	87,862
Loss allowance	-	(3,081)	(3,314)	(83,685)
Carrying amount	₩ 481,935	991,787	2,278	4,177

Changes in the loss allowance for the debt investments for the year ended December 31, 2022 are as follows:

(In millions of won)

	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
December 31, 2021	₩ 2,787	6,190	83,033	92,010
Remeasurement of loss allowance, net	1,571	(1,517)	2,957	3,011
Transfer to lifetime ECL – not credit impaired	(1,277)	1,277	-	-
Transfer to lifetime ECL – credit impaired	-	(2,636)	2,636	-
Amounts written off	-	-	(6,594)	(6,594)
Recovery of amounts written off	-	-	1,653	1,653
December 31, 2022	₩ 3,081	3,314	83,685	90,080

(iii) Cash and cash equivalents

The Group deposits ₩1,882,093 million of cash and cash equivalents as of December 31, 2022 (₩872,550 million as of December 31, 2021) at banks and financial institutions with credit ratings above the certain level. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considered that its cash and cash equivalents have low credit risk based on the credit ratings of the counterparties assigned by external credit rating agencies.



SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

36. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always maintain sufficient cash and cash equivalents balances and have enough liquidity through various committed credit lines. The Group maintains enough liquidity within credit lines through active operating activities.

Contractual maturities of financial liabilities as of December 31, 2022 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Accounts payable - trade ₩	89,255	89,255	89,255	-	-
Borrowings(*)	936,110	975,960	290,024	685,936	-
Debentures(*)	8,366,694	9,469,549	2,074,631	5,077,080	2,317,838
Lease liabilities	1,782,057	2,063,294	391,686	1,104,040	567,568
Accounts payable – other and others(*)	5,505,465	5,641,277	4,291,518	1,256,702	93,057
	₩ <u>16,679,581</u>	<u>18,239,335</u>	<u>7,137,114</u>	<u>8,123,758</u>	<u>2,978,463</u>

(\*) Includes interest payables.

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at different amounts.

As of December 31, 2022, periods in which cash flows from cash flow hedge derivatives are expected to occur are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years
Assets ₩	267,151	281,636	169,761	111,875

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

36. Financial Risk Management, Continued

(2) Capital management

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity structure. The overall strategy of the Group is the same as that of the Group as of and for the year ended December 31, 2021.

The Group monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total liabilities divided by total equity from the consolidated financial statements.

Debt-equity ratio as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	₩ 19,153,066	18,576,139
Total equity	12,155,196	12,335,138
Debt-equity ratios	<u>157.57%</u>	<u>150.60%</u>

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2022 are as follows:

(In millions of won)

	<u>December 31, 2022</u>				
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets that are measured at fair value:</b>					
FVTPL	₩ 1,002,164	44,431	727,014	230,719	1,002,164
Derivative hedging instruments	267,151	-	267,151	-	267,151
FVOCI	1,189,597	993,765	-	195,832	1,189,597
	<u>₩ 2,458,912</u>	<u>1,038,196</u>	<u>994,165</u>	<u>426,551</u>	<u>2,458,912</u>
<b>Financial liabilities that are measured at fair value:</b>					
FVTPL	₩ 302,593	-	-	302,593	302,593
<b>Financial liabilities that are not measured at fair value:</b>					
Borrowings	₩ 936,110	-	911,597	-	911,597
Debentures	8,366,694	-	7,813,420	-	7,813,420
Long-term payables – other	1,638,341	-	1,614,934	-	1,614,934
	<u>₩ 10,941,145</u>	<u>-</u>	<u>10,339,951</u>	<u>-</u>	<u>10,339,951</u>

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

36. Financial Risk Management, Continued

(3) Fair value, Continued

2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2021 are as follows:

(In millions of won)

	December 31, 2021				
	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets that are measured at fair value:</b>					
FVTPL	₩ 1,598,321	55,455	1,359,915	182,951	1,598,321
Derivative hedging instruments	182,661	-	182,661	-	182,661
FVOCI	1,511,605	1,344,434	-	167,171	1,511,605
	<u>₩ 3,292,587</u>	<u>1,399,889</u>	<u>1,542,576</u>	<u>350,122</u>	<u>3,292,587</u>
<b>Financial liabilities that are measured at fair value:</b>					
FVTPL	₩ 321,025	-	-	321,025	321,025
Derivative hedging instruments	111	-	111	-	111
	<u>₩ 321,136</u>	<u>-</u>	<u>111</u>	<u>321,025</u>	<u>321,136</u>
<b>Financial liabilities that are not measured at fair value:</b>					
Borrowings	₩ 407,185	-	392,237	-	392,237
Debentures	8,426,683	-	8,679,472	-	8,679,472
Long-term payables – other	2,009,833	-	2,010,852	-	2,010,852
	<u>₩ 10,843,701</u>	<u>-</u>	<u>11,082,561</u>	<u>-</u>	<u>11,082,561</u>

The above information does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are reasonable approximation of fair values.

Fair value of the financial instruments that are traded in an active market (financial assets at FVOCI and financial assets at FVTPL) is measured based on the bid price at the end of the reporting date.

The Group uses various valuation methods for determination of fair value of financial instruments that are not traded in an active market. Derivative financial contracts and long-term liabilities are measured using the discounted present value methods. Other financial assets are determined using the methods such as discounted cash flow and market approach. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Group performs valuation using the inputs which are consistent with natures of assets and liabilities measured.

Interest rates used by the Group for the fair value measurement as of December 31, 2022 are as follows:

	Interest rate
Derivative instruments	4.18% ~ 5.20%
Borrowings and debentures	4.89% ~ 5.10%
Long-term payables – other	4.59% ~ 5.06%

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

36. Financial Risk Management, Continued

(3) Fair value, Continued

- 3) There have been no transfers between Level 2 and Level 1 for the year ended December 31, 2022. The changes of financial instruments classified as Level 3 for the year ended December 31, 2022 are as follows:

(In millions of won)

	Balance as of January 1, 2022	Gain for the year	OCI	Acquisition	Disposal	Transfer	Balance as of December 31, 2022
FVTPL	₩ 182,951	42,145	1,375	48,458	(38,894)	(5,316)	230,719
FVOCI	167,171	-	1,088	55,333	(26,860)	(900)	195,832
	₩ 350,122	42,145	2,463	103,791	(65,754)	(6,216)	426,551
FVTPL	₩ (321,025)	18,432	-	-	-	-	(302,593)

(4) Enforceable master netting agreement or similar agreement

Carrying amounts of financial instruments recognized of which offset agreements are applicable as of December 31, 2022 and 2021 are as follows:

(In millions of won)

	December 31, 2022		
	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the consolidated statements of financial position
<b>Financial assets:</b>			
Accounts receivable – trade and others	₩ 245,835	(236,921)	8,914
<b>Financial liabilities:</b>			
Accounts payable – other and others	₩ 244,509	(236,921)	7,588

(In millions of won)

	December 31, 2021		
	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the consolidated statements of financial position
<b>Financial assets:</b>			
Accounts receivable – trade and others	₩ 197,828	(189,424)	8,404
<b>Financial liabilities:</b>			
Accounts payable – other and others	₩ 200,849	(189,424)	11,425

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 37. Transactions with Related Parties

(1) List of related parties

Relationship	Company
Ultimate controlling entity	SK Inc.
Joint venture	UTC Kakao-SK Telecom ESG Fund
Associate	SK China Company Ltd. and 42 others
Others	The Ultimate controlling entity's subsidiaries and associates and others

As of December 31, 2022, the Group belongs to SK Group, a conglomerate as defined in the *Monopoly Regulation and Fair Trade Act* of the Republic of Korea. All of the other entities included in SK Group are considered related parties of the Group.

(2) Compensation for the key management

The Parent Company considers registered directors (three executive and five non-executive directors) who have substantial role and responsibility in planning, operations, and relevant controls of the business as key management. The compensation given to such key management for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	2022	2021
Salaries	₩ 3,487	5,956
Defined benefits plan expenses	761	2,845
Share option	1,598	146
	₩ <u>5,846</u>	<u>8,947</u>

Compensation for the key management includes salaries, non-monetary salaries, and retirement benefits made in relation to the pension plan and compensation expenses related to share options granted.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

37. Transactions with Related Parties, Continued

(3) Transactions with related parties for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

Scope	Company	2022		
		Operating revenue and others	Operating expense and others (*1)	Acquisition of property and equipment and others
Ultimate Controlling Entity	SK Inc. (*2)	₩ 22,162	662,247	114,895
Associates	F&U Credit information Co., Ltd.	3,490	49,227	265
	HanaCard Co., Ltd. (*3)	8,932	1,820	22
	Daehan Kanggun BcN Co., Ltd.	20,290	-	-
	Others (*4)	13,795	5,608	80
		<u>46,507</u>	<u>56,655</u>	<u>367</u>
Others	SK Innovation Co., Ltd.	27,524	19,598	-
	SK Energy Co., Ltd.	4,585	710	-
	SK Geo Centric Co., Ltd.	925	1	-
	SK Networks Co., Ltd. (*5)	4,312	904,320	288
	SK Networks Service Co., Ltd.	6,110	71,432	7,891
	SK Ecoplant Co., Ltd.	3,330	112	-
	SK hynix Inc.	60,933	75	-
	SK Shieldus Co., Ltd.	39,455	147,731	35,854
	Content Wavve Corp.	6,797	108,760	229
	Eleven Street Co., Ltd.	71,972	31,589	-
	SK Planet Co., Ltd.	19,753	95,261	17,481
	SK RENT A CAR Co., Ltd.	14,992	15,891	-
	SK Magic Co., Ltd.	2,204	1,071	-
	Tmap Mobility Co., Ltd.	22,011	4,973	892
	Onestore Co., Ltd.	17,181	24	-
	Dreamus Company	7,235	85,193	649
	UbiNS Co., Ltd.	283	46,222	53,897
Happy Narae Co., Ltd.	1,637	24,727	143,188	
Others	40,058	29,610	20,555	
		<u>351,297</u>	<u>1,587,300</u>	<u>280,924</u>
	₩	<u>419,966</u>	<u>2,306,202</u>	<u>396,186</u>

(\*1) Operating expenses and others include lease payments paid by the Group.

(\*2) Operating expenses and others include ₩272,524 million of dividends declared to be paid by the Parent Company.

(\*3) HanaCard Co., Ltd. was excluded from the related parties due to the disposal of the Group's shares in the entity for the year ended December 31, 2022, and the transactions above occurred before the disposal.

(\*4) Operating revenue and others include ₩13,700 million of dividends deducted from the investment in associates as a result of receipt by the Group.

(\*5) Operating expenses and others include costs for handset purchases amounting to ₩844,157 million.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

37. Transactions with Related Parties, Continued

(3) Transactions with related parties for the years ended December 31, 2022 and 2021 are as follows, Continued:

(In millions of won)

Scope	Company	2021		
		Operating revenue and others	Operating expense and others(*1)	Acquisition of property and equipment and others
Ultimate Controlling Entity	SK Inc.(*2)	₩ 33,253	633,868	82,191
Associates	F&U Credit information Co., Ltd.	3,828	50,029	-
	HanaCard Co., Ltd.	17,962	4,374	-
	SK Wyverns Co., Ltd.(*3)	202	8,203	-
	Daehan Kanggun BcN Co., Ltd.	10,943	-	-
	SK China Company Ltd.(*4)	131,141	-	-
	Others(*5)	11,778	8,356	-
		175,854	70,962	-
Others	SK Innovation Co., Ltd.	53,445	19,093	-
	SK Energy Co., Ltd.	18,970	1,250	-
	SK Geo Centric Co., Ltd.	33,435	9	-
	SK TNS Co., Ltd.(*3)	75	6,868	57,903
	SKC Infra Service Co., Ltd.(*3)	26	30,798	8,028
	SK Networks Co., Ltd.(*6)	14,439	1,055,512	24
	SK Networks Service Co., Ltd.	7,292	73,596	3,520
	SK hynix Inc.(*7)	285,104	199	-
	Happy Narae Co., Ltd.	6,899	20,229	133,625
	SK Shieldus Co., Ltd.(*8)	5,793	18,861	20,382
	Content Wavve Co., Ltd.	174	78,964	-
	Eleven Street Co., Ltd.	2,785	5,699	-
	SK Planet Co., Ltd.	2,048	16,747	6,081
	SK hynix Semiconductor (China) Ltd.	48,546	-	-
	SK hynix system ic (Wuxi) Co., Ltd.	20,807	-	-
	SK ON Hungary Kft.	38,413	-	-
	SK RENT A CAR Co., Ltd.	5,843	18,564	-
	Dreamus Company	795	20,074	396
	SK m&service Co., Ltd.	764	3,670	888
	UbiNS Co., Ltd.	415	42,335	50,847
Others	156,055	30,762	23,428	
		702,123	1,443,230	305,122
		₩ 911,230	2,148,060	387,313

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 37. Transactions with Related Parties, Continued

(3) Transactions with related parties for the years ended December 31, 2022 and 2021 are as follows, Continued:

(\*1) Operating expense and others include lease payments paid by the Group.

(\*2) Operating expense and others include ~~₩~~248,677 million of dividends paid by the Parent Company.

(\*3) Transactions occurred before the related party relationship terminated.

(\*4) Operating revenue and others include ~~₩~~131,141 million of dividends that were received from SK China Company Ltd. and deducted from the investment in associates.

(\*5) Operating revenue and others include ~~₩~~10,716 million of dividends that were received from Korea IT Fund which was deducted from the investment in associates.

(\*6) Operating expenses and others include costs for handset purchases amounting to ~~₩~~996,910 million.

(\*7) Operating revenue and others include ~~₩~~170,937 million of dividend income received from SK hynix Inc.

(\*8) Operating revenue and others include ~~₩~~9,637 million of dividend income received from SK Shieldus Co., Ltd.



SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

37. Transactions with Related Parties, Continued

(4) Account balances with related parties as of December 31, 2022 and 2021 are as follows:

(In millions of won)

Scope	Company	December 31, 2022			
		Loans	Receivables Accounts receivable – trade, etc.	Payables Accounts payable – other, etc.	
Ultimate Controlling Entity	SK Inc.	₩	-	2,383	103,141
Associates	F&U Credit information Co., Ltd.		-	64	5,682
	SK USA, Inc.		-	-	1,519
	Wave City Development Co., Ltd.(*1)		-	901	-
	Daehan Kanggun BcN Co., Ltd.(*2)		22,147	3,199	-
	HanaCard Co., Ltd.		-	-	-
	Others		-	-	65
				<u>22,147</u>	<u>4,164</u>
Others	SK Innovation Co., Ltd.		-	9,726	33,091
	SK Networks Co., Ltd.		-	488	113,943
	Mintit Co., Ltd.		-	35,058	3
	SK hynix Inc.		-	15,494	311
	Happy Narae Co., Ltd.		-	31	31,979
	SK Shieldus Co., Ltd.		-	14,035	17,447
	Content Wavve Corp.		-	349	19,244
	Incross Co., Ltd.		-	3,774	16,152
	Eleven Street Co., Ltd.		-	6,797	13,026
	SK Planet Co., Ltd.		-	8,190	43,238
	SK RENT A CAR Co., Ltd.		-	1,291	22,895
	UbiNS Co., Ltd.		-	-	21,179
	Others(*3)			<u>16,475</u>	<u>13,996</u>
			<u>16,475</u>	<u>109,229</u>	<u>374,398</u>
		₩	<u>38,622</u>	<u>115,776</u>	<u>484,805</u>

(\*1) As of December 31, 2022, the Parent Company recognized loss allowance amounting to ₩379 million on accounts receivable – trade.

(\*2) As of December 31, 2022, the Parent Company recognized full loss allowance for the balance of loans to Daehan Kanggun BcN Co., Ltd.

(\*3) During the year ended December 31, 2022, SK Telecom Innovation Fund, L.P., a subsidiary of the Parent Company, entered into a convertible loan agreement for USD 13,000,000 with id Quantique SA, classified as an other related party.

SK TELECOM CO., LTD. and its Subsidiaries  
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

37. Transactions with Related Parties, Continued

(4) Account balances with related parties as of December 31, 2022 and 2021 are as follows, Continued:

(In millions of won)

		December 31, 2021		
		Receivables		Payables
Scope	Company	Loans	Accounts receivable – trade, etc.	Accounts payable – other, etc.
Ultimate Controlling Entity	SK Inc.	₩ -	2,092	69,652
Associates	F&U Credit information Co., Ltd.	-	4	5,265
	Wave City Development Co., Ltd.(*1)	-	2,623	-
	Daehan Kanggun BcN Co., Ltd.(*2)	22,147	3,857	-
	HanaCard Co., Ltd.	-	529	48,020
	Others	-	84	1,197
		<u>22,147</u>	<u>7,097</u>	<u>54,482</u>
Others	SK Innovation Co., Ltd.	-	3,022	38,022
	SK Networks Co., Ltd.	-	241	198,631
	Mintit Co., Ltd.	-	17,929	131
	SK hynix Inc.	-	11,526	166
	Happy Narae Co., Ltd.	-	6	49,349
	SK m&service Co., Ltd.	-	1,453	18,921
	SK Shieldus Co., Ltd.	-	2,649	24,593
	Content Wavve Co., Ltd.	-	183	9,873
	Incross Co., Ltd.	-	3,610	11,829
	Eleven Street Co., Ltd.	-	2,851	7,782
	SK Planet Co., Ltd.	-	668	31,652
	SK RENT A CAR Co., Ltd.	-	116	16,715
	UbiNS Co., Ltd.	-	24	14,932
	Others	-	8,307	29,106
		-	<u>52,585</u>	<u>451,702</u>
		<u>₩ 22,147</u>	<u>61,774</u>	<u>575,836</u>

(\*1) As of December 31, 2021, the Parent Company recognized loss allowance amounting to ₩1,102 million on the accounts receivable – trade.

(\*2) As of December 31, 2021, the Parent Company recognized full loss allowance for the balance of loans to Daehan Kanggun BcN Co., Ltd.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 37. Transactions with Related Parties, Continued

(5) The Group has granted SK REIT Co., Ltd. The right of first offer regarding the disposal of real estate owned by the Group. Whereby, the negotiation period is within 3 to 5 years from June 30, 2021, date of agreement, and the Group has been granted the right by SK REIT Co., Ltd. to lease the real estate in preference to a third party if SK REIT Co., Ltd. purchases the real estate from the Group.

(6) The details of additional investments and disposal of associates and joint ventures for the year ended December 31, 2022 are as presented in note 12.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 38. Commitments and Contingencies

#### (1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of ₩1,513 million as of December 31, 2022.

Meanwhile, PanAsia Semiconductor Materials LLC., a subsidiary of the Parent Company, has pledged its ₩21,981 million of equity instruments at FVTPL on ₩12,998 million of short-term borrowings as of December 31, 2022.

#### (2) Legal claims and litigations

As of December 31, 2022, the Group is involved in various legal claims and litigation. Provision recognized in relation to these claims and litigation is immaterial. In connection with those legal claims and litigation for which no provision was recognized, management does not believe the Group has a present obligation, nor is it expected any of these claims or litigation will have a significant impact on the Group's financial position or operating results in the event an outflow of resources is ultimately necessary.

#### (3) Accounts receivable from sale of handsets

The sales agents of the Parent Company sell handsets to the Parent Company's subscribers on an installment basis. The Parent Company entered into comprehensive agreements to purchase accounts receivable from handset sales with retail stores and authorized dealers and to transfer the accounts receivable from handset sales to special purpose companies which were established with the purpose of liquidating receivables, respectively.

The accounts receivable from sale of handsets amounting to ₩357,467 million and ₩493,277 million as of December 31, 2022 and 2021, respectively, which the Parent Company purchased according to the relevant comprehensive agreement are recognized as accounts receivable – other and long-term accounts receivable – other.

#### (4) Commitment of the acquisition and disposal of shares

The Board of Directors of the Parent Company resolved the acquisition and disposal of certain shares in order to strengthen the strategic alliance with Hana Financial Group Inc. ("HFG") at the Board of Directors' meeting held on July 22, 2022. In accordance with the resolution, as of July 27, 2022, the Parent Company disposed of its entire common shares of HanaCard Co., Ltd. (39,902,323 shares) and entire common shares of Finq Co., Ltd. (6,370,000 shares) to HFG for ₩330,032 million and ₩5,733 million, respectively. Through the agreement with HFG, the Parent Company is obligated to acquire HFG's common shares from July 27, 2022 to January 31, 2024, after depositing ₩330,032 million in a specific money trust, and the Parent Company completed the acquisition of the shares for the year ended December 31, 2022. As a part of the aforementioned transaction, as of July 27, 2022, the Parent Company disposed of its entire common shares of SK Square Co., Ltd. (767,011 shares) to HanaCard Co., Ltd. for ₩31,563 million, and HanaCard Co., Ltd. is obligated to acquire the Parent Company's common shares from July 27, 2022 to January 31, 2024, after depositing ₩68,437 million in a specific money trust. Before March 31, 2025, the Parent Company, HFG, and HanaCard Co., Ltd. may not dispose of shares they have acquired or will acquire under the aforementioned transaction.

#### (5) The acquisition cost of property and equipment and intangible assets to be incurred in subsequent periods under arrangements is ₩26,374 million as of December 31, 2022.

SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

39. Statements of Cash Flows

(1) Adjustments for income and expenses from operating activities for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of won)*

	<u>2022</u>	<u>2021</u>
Interest income	₩ (58,472)	(43,850)
Dividends	(2,552)	(14,132)
Gain on foreign currency translations	(2,095)	(10,753)
Gain on sale of accounts receivable - other	(1,043)	(27,725)
Gain (loss) relating to investments in associates and joint ventures, net	81,707	(1,948,447)
Gain on disposal of property and equipment and intangible assets	(15,985)	(40,109)
Gain on business transfer	-	(82,248)
Gain relating to financial instruments at FVTPL	(94,393)	(91,244)
Other income	(6,515)	(10,369)
Interest expense	328,307	342,342
Loss on foreign currency translations	3,814	8,005
Loss on sale of receivables-other	61,841	-
Income tax expense	288,321	651,948
Expense related to defined benefit plan	134,509	190,462
Share option	84,463	91,646
Bonus paid by treasury shares	25,425	29,643
Depreciation and amortization	3,755,312	4,114,394
Bad debt for accounts receivables - trade	27,053	31,546
Loss on disposal of property and equipment and intangible assets	20,465	47,369
Impairment loss on property and equipment and intangible assets	17,027	3,135
Bad debt for accounts receivable - other	3,011	6,001
Loss relating to financial instruments at FVTPL	41,597	76,142
Loss on disposal of investment assets	1,283	-
Other financial fees	-	142,015
Other expenses	26,358	8,008
	<u>₩ 4,719,438</u>	<u>3,473,779</u>

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For the years ended December 31, 2022 and 2021

39. Statements of Cash Flows, Continued

(2) Changes in assets and liabilities from operating activities for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021</u>
Accounts receivable - trade	₩ (60,546)	(95,374)
Accounts receivable - other	54,988	(152,038)
Advanced payments	(25,377)	(43,212)
Prepaid expenses	11,989	77,404
Inventories	39,633	(70,601)
Long-term accounts receivable - other	(74,729)	83,658
Contract assets	(13,400)	(11,582)
Guarantee deposits	6,245	8,125
Accounts payable - trade	(101,465)	12,312
Accounts payable - other	369,693	(109,476)
Withholdings	4,964	(55,925)
Contract liabilities	18,910	(2,158)
Deposits received	99	(3,737)
Accrued expenses	116,039	7,505
Provisions	(20)	(19,324)
Long-term provisions	(13,792)	(260)
Plan assets	(132,131)	(51,697)
Retirement benefit payment	(79,117)	(114,897)
Others	(3,877)	(27,418)
	<u>₩ 118,106</u>	<u>(568,695)</u>

(3) Significant non-cash transactions for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	<u>2022</u>	<u>2021</u>
Increase (decrease) in accounts payable – other relating to the acquisition of property and equipment and intangible assets	₩ (39,977)	1,063,800
Increase of right-of-use assets	720,932	672,723
Change in assets and liabilities by spin-off (Note 42)	-	14,379,397
Retirement of treasury shares	-	1,965,952
Disposal of treasury shares (Congratulatory bonus for spin-off)	-	114,373
Transfer from property and equipment to investment property	4,732	23,034

SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

39. Statements of Cash Flows, Continued

(4) Reconciliation of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows:

(In millions of won)

	2022						
	January 1, 2022	Cash flows	Exchange rate changes(*)	Fair value changes	Business combinations	Other changes	December 31, 2022
Total liabilities from financing activities:							
Short-term borrowings	₩ 12,998	130,000	-	-	-	-	142,998
Long-term borrowings	394,187	398,529	-	-	-	397	793,113
Debentures	8,426,683	(189,878)	122,350	-	-	7,538	8,366,693
Lease liabilities	1,534,281	(401,054)	-	-	6,503	642,327	1,782,057
Long-term payables – other	2,009,833	(400,245)	-	-	-	28,753	1,638,341
Derivative financial liabilities	111	-	-	(111)	-	-	-
Derivative financial assets	(182,661)	768	-	(85,258)	-	-	(267,151)
	₩ 12,195,432	(461,880)	122,350	(85,369)	6,503	679,015	12,456,051
Other cash flows from financing activities:							
Payments of cash dividends	₩	(904,020)					
Payments of interest on hybrid bonds		(14,766)					
Cash inflow from transactions with the non-controlling shareholders		31,151					
Cash outflow from transactions with the non-controlling shareholders		(367)					
		(888,002)					
	₩	<u>(1,349,882)</u>					

(\*) The effect of changes in foreign exchange rates for financial liabilities at amortized cost.

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For the years ended December 31, 2022 and 2021

39. Statements of Cash Flows, Continued

(4) Reconciliation of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows, Continued:

(In millions of won)

	2021							
	January 1, 2021	Cash flows	Non-cash transactions					December 31, 2021
Exchange rate changes(*)			Fair value changes	Business combina- tions	Spin-off	Other changes		
Total liabilities from financing activities:								
Short-term borrowings	₩ 109,998	(50,823)	-	-	1,825	(48,510)	508	12,998
Long-term borrowings	2,028,924	63,132	600	-	662	(1,703,300)	4,169	394,187
Debentures	8,579,743	(16,755)	145,584	-	-	(295,544)	13,655	8,426,683
Lease liabilities	1,436,777	(431,674)	-	-	497	(85,322)	614,003	1,534,281
Long-term payables – other	1,566,954	(426,267)	-	-	-	-	869,146	2,009,833
Derivative financial liabilities	54,176	332	-	(42,282)	-	(12,115)	-	111
Derivative financial assets	(65,136)	-	-	(117,525)	-	-	-	(182,661)
Financial liabilities at FVTPL	-	129,123	-	7,996	-	(137,119)	-	-
	₩ 13,711,436	(732,932)	146,184	(151,811)	2,984	(2,281,910)	1,501,481	12,195,432
Other cash flows from financing activities:								
Payments of cash dividends	₩ (1,028,520)							
Payments of interest on hybrid bonds		(14,766)						
Acquisition of treasury shares		(76,111)						
Cash inflow from transactions with the non-controlling shareholders		444,124						
Cash outflow from transactions with the non-controlling shareholders		(19,406)						
Cash outflow from spin-off		(626,000)						
		(1,320,679)						
	₩	(2,053,611)						

(\*) The effect of changes in foreign exchange rates for financial liabilities at amortized cost.



SK TELECOM CO., LTD. and its Subsidiaries  
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For the years ended December 31, 2022 and 2021

40. Emissions Liabilities

(1) The quantity of emissions rights allocated free of charge for each implementation year as of December 31, 2022 are as follows:

*(In tCO<sub>2</sub>-eQ)*

	Quantities allocated in 2020	Quantities allocated in 2021	Quantities allocated in 2022	Total
Emissions rights allocated free of charge	814,842	1,387,671	1,410,823	3,613,336

(2) Changes in emissions rights quantities the Parent Company held are as follows:

*(In tCO<sub>2</sub>-eQ)*

	Quantities allocated in 2020	Quantities allocated in 2021	Quantities allocated in 2022	Total
January 1	(60,977)	306,234	281,234	526,491
Allocation at no cost	814,842	1,387,671	1,410,823	3,613,336
Additional allocation	217,643	-	-	217,643
Other changes	-	(8,049)	3,573	(4,476)
Purchase	68,471	-	-	68,471
Surrender or shall be surrendered	(1,039,979)	(1,424,476)	(1,421,550)	(3,886,005)
Borrowing	-	19,854	108,790	128,644
December 31	-	281,234	382,870	664,104

(3) As of December 31, 2022, the estimated annual greenhouse gas emissions quantities of the Group are 1,533,206 tCO<sub>2</sub>-eQ.

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For the years ended December 31, 2022 and 2021

41. Non-current Assets Held for Sale

- (1) On February 25, 2021, the Parent Company has decided to dispose of the investments in an associate engaged in mobility business to T map Mobility Co., Ltd. pursuant to the approval of the Board of Directors and reclassified entire shares of the investments in associates as non-current assets held for sale. The disposal of the investment in the associate was completed in 2022 after the Financial Services Commission approved the transaction.

(In millions of won)

		<u>December 31, 2021</u>
Investments in associates	Carrot General Insurance Co., Ltd.	₩ 8,734

- (2) The Group classified investment securities scheduled to be liquidated as non-current assets held for sale as of December 31, 2022, and the details are as follows:

(In millions of won)

		<u>December 31, 2022</u>
Investments in associates	Daekyo Wipoongdangdang Contents Korea Fund	₩ 1,062
FVTPL	Digital Content Korea Fund	3,645
	InterVest Fund	107
	Central Fusion Content Fund	1,563
		<u>5,315</u>
		₩ <u>6,377</u>

SK TELECOM CO., LTD. and its Subsidiaries  
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42. Spin-off

- (1) In accordance with the resolution of the Board of Directors held on June 10, 2021 and shareholders' meeting held on October 12, 2021, the Parent Company completed the spin-off of its business of managing investments in semiconductor, New Information and Communication Technologies("ICT") and other business and making new investments on November 1, 2021, and the registration of the spin-off was completed as of November 2, 2021. The details of the spin-off are as follows:

Method of spin-off	Horizontal spin-off
Company	SK Telecom Co., Ltd. (Surviving Company) SK Square Co., Ltd. (Spin-off Company)
Effective date of spin-off	November 1, 2021

- (2) The details of financial information due to the spin-off of its business of managing investments in semiconductor, New ICT and other business and making new investments are as follows:

1) Statements of Income

The details of profit or loss of discontinued operations for the year ended December 31, 2021 are as follows:

*(In millions of won)*

	<b>2021</b>
<b>Operating revenue</b>	₩ 2,383,083
<b>Operating expenses:</b>	2,370,758
Labor	824,505
Commission	349,344
Depreciation and amortization	287,412
Network interconnection	863
Advertising	158,512
Rent	2,754
Cost of goods sold	426,161
Others	321,207
<b>Operating profit</b>	<b>12,325</b>
Finance income	47,417
Finance costs	269,823
Gain relating to investments in associates and joint ventures	1,502,147
Other non-operating income	86,246
Other non-operating expenses	25,566
<b>Profit before income tax</b>	<b>1,352,746</b>
Income tax expense	205,152
<b>Profit from discontinued operations, net of taxes</b>	<b>₩ 1,147,594</b>

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

### 42. Spin-off, Continued

(2) The details of financial information due to the spin-off of its business of managing investments in semiconductor, New ICT and other business and making new investments are as follows, Continued:

#### 2) Statements of Cash Flows

The details of cash flows from discontinued operations for the year ended December 31, 2021 is as follows:

*(In millions of won)*

		<u>2021</u>
Cash flows from operating activities	₩	59,255
Cash flows from investing activities		(967,053)
Cash flows from financing activities		(88,872)

(3) The details of assets and liabilities derecognized from the financial statements due to the spin-off of its business of managing investments in semiconductor, New ICT and other business and making new investments are as follows. Subsequent to the spin-off, the Parent Company lost control over the related businesses. The spin-off was accounted for by derecognizing all related assets and liabilities. The net assets of the spin-off business as of the spin-off date was recognized in capital surplus and others.

*(In millions of won)*

		<u>Amount</u>
Current assets	₩	2,608,601
Non-current assets		19,269,615
Total assets	₩	21,878,216
Current liabilities	₩	2,161,458
Non-current liabilities		4,676,324
Total liabilities	₩	6,837,782
Net assets	₩	<u>15,040,434</u>

(4) As of November 1, 2021, the Parent Company has split the business division for the purpose of new investments and management of shares in related investee companies belong to semiconductors and New ICT sector. The Parent Company has the obligation to jointly and severally reimburse the liabilities incurred by the Parent Company prior to the spin-off with SK Square Co., Ltd., the spin-off company, in accordance with Article 530-9 (1) of Korean Commercial Act.

# SK TELECOM CO., LTD. and its Subsidiaries

## Notes to the Consolidated Financial Statements

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### 43. Subsequent Events

On February 7, 2023, the Board of Directors of the Parent Company approved the disposal of treasury shares and details of the transaction are as follows:

	<u>Information of disposal</u>
Number of treasury shares	324,580 Common shares
Price of the treasury shares per share (in won)	<del>₩</del> 46,700
Aggregate disposal value	<del>₩</del> 15,158 million
Disposal date	February 9, 2023
Purpose of disposal	Allotment of shares as bonus payment
Method of disposal	Over-the-counter